

## Research Article

# What is the Strategic Response Adopted by SMES During the COVID-19 Crisis in the UAE? A Case Study of Two Emirati SMES

Hakima Mrini<sup>1</sup> and Dionisia Tzavara<sup>2</sup><sup>1</sup>University of Liverpool, Chatham Str., Liverpool L69 7ZH, UK<sup>2</sup>University of London Worldwide, 32 Russell Square, London WC1B 5DN, UK**Abstract.**

The coronavirus pandemic has triggered an unprecedented economic crisis that is having a drastic negative impact on the financial performance and competitiveness of businesses around the world. Due to COVID-19, the global economy has contracted severely, making it difficult for companies around the world to maintain adequate levels of performance and profitability. SMEs are particularly vulnerable to such disruptions, as their access to finance and human resources is much more limited compared to medium or large companies. However, since SMEs contribute significantly to a country's gross domestic product (GDP), the threat of coronavirus to their viability poses a significant threat to the economic and social development of their host country. The United Arab Emirates (UAE) experienced the negative economic consequences of COVID-19 with its GDP witnessing a significant decline in 2020. While virtually all Emirati businesses have suffered losses due to COVID-19, small and medium enterprises (SMEs) were particularly vulnerable to the consequences of the pandemic due to their small size and newness. This study aims to find out how Emirati SMEs are strategically responding to the coronavirus crisis and coping with its impact. To achieve this, a case study was conducted on two Emirati SMEs and data from semi-structured interviews and self-administered questionnaires were used. Primary quantitative data were collected from 50 employees of two SMEs operating in the UAE. One company specialized in real estate and maintenance services, and the second was a yacht manufacturing company that also provided maintenance services. In addition, primary qualitative data were collected from 10 managers and owners of these SMEs. Our research found that supply chain disruptions, supplier bankruptcy, limited access to financial resources, demand shortages, and limited field-service activities were among the main challenges faced by the two SMEs during the COVID-19 crisis. The strategic responses that were actively adopted by these SMEs included monitoring the external environment for business opportunities, adjusting supplier management, servitization, and establishing new supply chain links and partnerships. By developing an understanding of the strategic responses of the two SMEs, our research contributed to both theory and practice by applying the concept of crisis management to SMEs facing the COVID-19 crisis, a crisis that can be considered a "black swan" event. By exploring this topic, the research contributes to the existing body of knowledge and to our understanding of how SMEs in a developing economy respond to COVID-19 and how resilient they are to this major crisis.

Corresponding Author: Hakima Mrini; email: h.mrini@yahoo.com

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## 1. INTRODUCTION

Major crises, like global financial crises, civil wars, or political unrest in standalone countries, can trigger a chain of events that can produce a strong impact on companies at a global scale [22]. Although the effect of such crises on business operations and financial sustainability has been extensively covered in the literature, COVID-19 has triggered an unprecedented crisis that is unlike any other seen in a century [49]. Countries have introduced a series of radical measures to suppress the spread of novel coronavirus, which has resulted in a serious decline in global economic activity [2]. COVID-19 has produced a strong impact on companies, regardless of their size or scope of operation [2]. The global economy has witnessed a serious contraction, making it challenging for companies across the world to maintain a reasonable level of performance and profitability (Fabeil, et al, 2020). The novel coronavirus crisis has produced a much more devastating effect on the service sector in comparison with manufacturing companies. Strict lockdown measures have considerably reduced the demand for a wide range of services, including accommodation, food, entertainment, and maintenance [19].

SMEs are particularly vulnerable to major disruptions, as their access to finance and human resources is much more limited compared to larger companies [38]. This can be viewed as a factor limiting their resilience and capacity to quickly recover from crisis [12]. The novel coronavirus has seriously disrupted supply chains and plunged demand for goods and services, exposing SMEs to a much greater risk of bankruptcy. Still, given that SMEs are contributing significantly to a country's gross domestic product (GDP), their inability to deal with the novel coronavirus crisis and its effects poses a considerable threat to the economic and social development of their host country.

Since the novel coronavirus is a relatively new phenomenon, not much empirical evidence is available on how it affects business in general and small enterprises in particular [50]. Moreover, the COVID-19 crisis is far from its end, suggesting that its impact on the global economy is yet to be experienced at its fullest. To better understand how the COVID-19 crisis unfolds, it is relevant to have a look at crisis management approaches. The role of crisis and risk management in the ability of business entities to effectively respond to unexpected events, which pose a serious threat to their performance and operations, has long been considered by management scholars and

practitioners [31]. The COVID-19 pandemic can be included in a group of crises, which are referred to as 'black swans' (Storey, 2016). Unlike any other type of crises, 'black swan' events are not predictable and cannot be forecasted in advance, meaning that the effectiveness of risk and crisis management instruments and techniques in managing these events falls dramatically [5].

In 2020, the UAE's GDP amounted to around \$353 billion, a significant decline from \$421 billion in 2019, which is a result of the recent supply shock caused by COVID-19 [45]. In the UAE, SMEs represent around 95% of all businesses, meaning that their contribution to the country's economic and social development is hard to overestimate [3]. Hence, their ability to deal with major crises and disruptions determines the economic development and prosperity of the country. Although the government and banks increased their financial support to SMEs by 4.3% in 2020, these actions are not enough to make sure SMEs can survive the novel coronavirus crisis.

In this paper we attempt to explore and understand how SMEs operating in the UAE strategically respond to the novel coronavirus crisis and cope with its effects. More specifically, we explore the main challenges to the business of SMEs during COVID-19, we identify the resilience-based approaches and examine the strategic responses adopted by SMEs in dealing with COVID-19 crisis and its effects, and propose ways through which Emirati SMEs can achieve a higher level of flexibility and resilience at times of uncertainty associated with COVID-19. To do this, we adopt a mixed-methods research approach and collect data through semi-structured interviews and self-administered questionnaires distributed among managers and employees of two Emiraty SMEs. Although many countries, including the UAE, have introduced various programmes and initiatives, which help SMEs stay afloat, it is still worth asking what strategic responses these organisations themselves are carrying out to cope with the challenges posed by COVID-19. To our knowledge, SMEs' strategic response to COVID-19 in the context of the UAE has not received much attention in the literature. Hence, by conducting this study, the researchers expect to contribute to the existing body of knowledge by investigating how well SMEs in this country are suited and respond to unpredictable events, which disrupt their operations and performance.

We find that both companies were perceived to have a detailed and well-rounded contingency plan, and a crisis recovery strategy in place, and the effectiveness of these practices and strategies in helping the business entities prepare for any crisis is high. Despite that, COVID-19 had a strong negative impact on the companies investigated in this study. The key challenges reported by the two SMEs were supplier bankruptcy, access to finance and supply chain disruptions and the key response

strategies were giving closer attention to developments regarding the environment of their business, monitoring the external environment for business opportunities, risks, and trends, adjusted supplier management, and servitisation. This paper is structured as follows. Following the introduction, we provide a critical review and examination of the empirical and scholarly literature relevant to the selected subject area and phenomenon, then we outline the details of the research process including the research approach selected to conduct this study, data collection instruments, and analysis methods, as well as a detailed description of participants. We present and discuss our findings and provide practical recommendations grounded on the produced empirical findings.

## 2. LITERATURE REVIEW

The literature on crisis management has provided explicit evidence on how SMEs respond to and deal with critical situations. Still, it is largely unclear how businesses, especially smaller ones, respond to 'black swans', severe events, which "are not well enough understood for their probabilities to be accurately modelled" [31]. COVID-19 is an event of this type, as it could not be foreseen in advance, and its impact on the economy at all levels is tremendous [20]. Crisis management involves companies taking measures to prevent a crisis by reducing known risks (pre-crisis stage), recognising that a crisis has occurred and taking measures to overcome the crisis (crisis stage), and preparing for future crises through analysing the current crisis, learning from it and making necessary adjustments and developing contingency plans and resilience strategies (post-crisis stage) [33, 30, 42, 23, 13, 39, 24]. It is commonly acknowledged that major crises and 'black swans' cannot be avoided, regardless of a firm's contingency plans or risk management policies and procedures in place [31]. Disruptions caused by these crises often damage companies' ability to effectively compete and address the needs and wants of their customers.

SME's vulnerability to major crises and 'black swan events' is predominantly explained by two factors, namely a liability of smallness and a liability of newness [46]. The former means that small organisations have very limited access to resources, which, in turn, strands their abilities to respond to both internal and external pressures more effectively. The liability of smallness can indeed be disadvantageous because small organisations have a much lower level of crisis tolerance, meaning that their chances to survive a major crisis are much lower than those of bigger companies [5]. A liability of newness implies that new organisations often run a higher risk of failure in comparison with mature companies due to a lack of established business models and approaches, as

well as lower levels of legitimacy [2]. For example, a newly established SME is unlikely to have a client portfolio or a clear understanding of the target market. According to the latest statistics, around 20% of SMEs still fail in their first year because of the liability of newness [44].

SMEs are particularly vulnerable to major crises because their access to financial resources, which is caused by a lack of diversification, weak financial structure, and low credit rating, is significantly limited [47]. Limited access to financing remains one of the most serious threats to the survival of small business entities during a crisis [35]. More often than not, small firms and entrepreneurs are characterised by low and unstable cash flows, which explains their failure to cope with a crisis [17]. This vulnerability to crises could be due to the fact that the scope and scale of SMEs' are often relatively small, limiting their ability to downsize [7]. The lack of diversification and a weaker financial structure (e.g., lower capitalisation) also limit SMEs' access to financial resources, making them especially vulnerable to a crisis [39]. These characteristics can be viewed as a 'manifestation' of the liability of smallness, supporting the notion that this concept has negative connotations [5]. In addition, high start-up costs and poor trust between employees within an organisation are also among the factors that threaten new SMEs' survival [46].

In a critical situation, the survival of a company largely depends on how quickly its managers and owners respond to this situation and take remedial actions [47]. This could take the form of adjusting the firm's business strategy in a way that reflects the changes in the external or internal organisational environment and incorporates new solutions and activities [46]. The purpose of these modifications is to seek new business opportunities and cope with the existing and possible risks proactively. Although SMEs have limited access to resources and their supply chains are more vulnerable to uncertainty compared to larger companies, they may still be able to cope with major crises [39]. SMEs have an advantage over larger business entities due to their flexibility, which promotes their ability to adapt to change manifested in a high level of resilience [5, 4]. Empirical evidence suggests that SMEs actively employ various crisis management strategies (e.g., innovation in product planning, information management, new pricing perceptions, and adjusted supplier management) to respond to a major crisis and its consequences [6]. A high level of flexibility in decision-making allows SMEs to quickly adapt to external changes as compared to large firms and multinationals. Indeed, SMEs rarely have a complex structure with multiple layers of hierarchy, which allows for making the decision-making process easier [13]. Moreover, SMEs do not need to conduct comprehensive and complex market analysis, which accelerates this

process, allowing for quicker reacting to external challenges [28]. As a result, SMEs can adjust their business operations to a changing business environment almost instantly [17] and they can more effectively respond to consumers' changing needs by offering alternative products and services [14]. Therefore, unlike large corporations, SMEs not only demonstrate a high level of flexibility but also have a higher level of resilience, which is crucial when it comes to dealing with the consequences of a major crisis like COVID-19. Moreover, in SMEs, the key decision-makers are often close to stakeholders, including employees and customers. Hence, SMEs can have direct access to market information [6, 32]. In addition, SMEs as new firms are often more effective learners than more mature companies [38]. Hence, new organisations can quickly learn from other business entities and easily diffuse this knowledge, which facilitates their adaptation to the business environment in which they operate [12]. In addition to the aforementioned responses, SMEs could also innovate their information management processes or build new supply chain links and partnerships [37]. Still, all these actions require financial resources, which poses a threat to SMEs' ability to effectively respond to major crises [34].

Since its declaration in March 2020, the COVID-19 pandemic has produced a strong negative impact on the global economy [48, 14]. Several countries have introduced serious lockdown and restriction measures to contain the coronavirus pandemic, which have seriously plunged their economic activity, demand, trade, supply, and finance, resulting in the contraction of their national economies [49]. The COVID-19 crisis is largely perceived by business entities to have the strongest impact on their operations by disrupting their supply chains, posing formidable barriers to their ability to address consumer needs and generate profits, and limiting their field-service activities (such as selling goods in brick-and-mortar stores) [16, 37]. Moreover, the demand for many products and services has deteriorated, signifying a major shift in consumer preferences and purchase behaviour [2]. The impact of COVID-19 on businesses is so strong that even those organisations that had a coherent crisis management strategy in place before the event, focusing on coping with exogenous shocks, could not effectively respond in all cases [2].

While companies of all sizes and shapes have suffered from the COVID-19 crisis, SMEs and entrepreneurs are especially vulnerable to this major crisis. According to [7], the COVID-19 crisis is producing a strong negative effect on SMEs' and entrepreneurs' access to financial resources. Entrepreneurial characteristics, business characteristics, risks, social and human capital, relationships with institutions, and strategic management are the key resilience factors which can help small firms adapt to the COVID-19 crisis and

determine the effectiveness of their business activities during the crisis [8]. These are factors such as, for example, the host country's entrepreneurship ecosystem, as well as the effectiveness of government regulations and public-private strategies, or risks such as the increasing costs of doing business, the impact the coronavirus crisis produces on consumers, the loss of capital investments, and a growing level of market uncertainty. Amidst this major crisis, small firms quickly adapt to the changing business and social environment by simultaneously following several risk management strategies, including shortening and streamlining the supply chain, using e-commerce and digital marketing instruments, producing emerging goods and services, and using alternative transaction options [20].

Despite the vulnerability of SMEs to major crises and the dramatic impact that COVID-19 has had on small firms, the empirical literature examining the relationship between the COVID-19 pandemic and the performance of SMEs is limited. One of the reasons behind this is that it takes time not only to register the major impacts of the coronavirus pandemic on SMEs but also to assess their magnitude and severity. The coronavirus pandemic is a relatively new phenomenon, and its effect on SMEs and entrepreneurs is yet to be experienced to its fullest. With this study we aim to contribute to the understanding of the impact that COVID-19 is having on small firms and to generate further discussion on this matter.

### 3. METHODOLOGY

In order to understand how SMEs strategically respond to this major crisis caused by the COVID-19 pandemic we collected qualitative and quantitative data. By collecting both qualitative and quantitative data, it is possible to corroborate research outcomes, adding to their validity and reliability [11]. Moreover, this research design is associated with a high level of complementarity, meaning different aspects of the relationship between SMEs and COVID-19 can be dovetailed, providing a deeper insight into this phenomenon under research [43]. Qualitative data was collected with the use of semi-structured interviews and quantitative data was collected with the use of an online self-administered questionnaire. Given that the problem under investigation is a contemporary phenomenon, and the study is conducted within its real-life context, we decided to adopt a case study approach. Case study researchers argue that a rich phenomenon exists in a particular, unique context, which makes the phenomenon and the context inseparable and blurs the boundaries between them [43]. Given the complex and dynamic situation that COVID-19 has created for business, it is hardly



possible to explore how SMEs respond to the novel coronavirus in a highly controlled context. In addition, case studies have gained popularity among social researchers, as they provide a lot of detail that would not be easily connected by alternative research designs [9]. Case studies generate much richer data of greater depth and breadth allowing researchers to generate new knowledge about a dynamic and contemporary phenomenon or situation rather than basing the study on what is already known in the field of research [43].

For the case study we selected two Emirati SMEs as the target population. One company specialises in real estate brokerage and maintenance services, and the other is a yacht manufacturing organisation that also offers maintenance services. Although the firms mainly operate in different industries, they are both active in the service sector, which justifies their selection. Ten (10) managers of two SMEs were selected for the interviews through purposive sampling, a non-probability sampling technique. This sampling technique involves the selection of the sample on the basis of the researchers' judgement in order to draw a sample for qualitative research that is particularly knowledgeable about the phenomenon under investigation [10]. In addition, we targeted a sample of 50 employees of the two SMEs for the quantitative survey, using snowball sampling. Snowball sampling is a non-probability sampling technique according to which existing subjects provide access to referrals [21]. For this case study, the interviewed managers and owners of the two Emirati SMEs provided the referrals for the survey. Given the size of the target companies, we believe that these numbers should be sufficient to generate adequately reliable outcomes for the case study SMEs.

The questionnaire and interview plan were designed on the basis of the crisis management frameworks available in the literature. Several variables impacting SMEs ability to cope with major crises, fitting into three major groups, namely 'Prevention Activities', 'Challenges', and 'Responses', were identified. An interview plan was designed with questions and prompts inviting participants to elaborate on crisis management instruments their company had in place and on the key challenges their organisation was facing during the coronavirus crisis and what strategic solution it had worked out to deal with this crisis. The interview plan was piloted with the manager of a local small organisation to ensure clarity and appropriate understanding of the process and of the questions and prompts. The interviews were conducted via Zoom and they were designed to take approximately 25 to 30 minutes.

The questionnaire contained four sections: 1) participant profile data, 2) risk and crisis management, 3) challenges caused by COVID-19, and 4) strategic response to COVID-19. For the participant profile we collected data on respondent age, gender, work



experience, position, and the perceived damage the coronavirus crisis has produced on the selected companies. In section 2, relating to risk and crisis management, we asked the respondents to identify what prevention activities their company has in place to deal with crises [24, 31]. In section 3, we asked participants about the most considerable challenges caused by COVID-19, including limited access to finance, supply chain disruptions, demand shortages, and limited field-service activities [28]. Finally, in the fourth section of the questionnaire we asked participants about strategies the selected SMEs have adopted to respond to COVID-19, including innovation and information management, servitisation, and new supply chain partnerships [12]. Table 1 below summarises the variables used throughout Sections 2, 3, 4:

TABLE 1: Questionnaire variables.

Questionnaire section	Question	Variable	Definition	Literature source
II. Risk and Crisis Management	6	CON	Contingency plan	[24]
	7	PRA	Risk management practices	[31]
	8	REC	Crisis recovery strategy	[5]
III. Challenges Caused by COVID-19	9	FIN	Access to financing	[7]
	10	DIS	Supply chain disruption	[16]
	11	CLO	Business closure	[5]
	12	FIE	Limited field-service activities	[37]
	13	SHO	Demand shortages	[39]
IV. Strategic Response to COVID-19	14	Inn	Innovation in product planning	[5]
	15	INF	Information management	[6]
	16	SUP	Adjusted supplier management	[12]
	17	SER	Servitisation	[5]
	18	TEC	Use of technology	[25]
	19	DEV	Monitoring of environmental developments	[7]

The questionnaire was piloted to ensure clarity and understanding of the questions and to assess the feasibility and reliability of the instrument. The survey was conducted online using Qualtrics. Participants were invited via an anonymous online survey link sent via email to the employees of the selected Emirati SMEs.

## 4. FINDINGS

Data was collected between 5<sup>th</sup> and 25<sup>th</sup> February 2021. For the analysis we used 50 questionnaires completed by the SMEs' employees and 10 interviews conducted with the company's owners and managers. The questionnaire and interview findings are presented below.

### 4.1. Questionnaire findings

#### 4.1.1. Respondent profile

The main purpose of the questionnaire survey was to gather information and data from participants to identify what challenges the two Emirati SMEs are facing during the COVID-19 era and how they strategically respond to these challenges. Before presenting the participants' attitudes towards and perceptions of COVID-19 and its effect on their organisation, it is relevant to construct a respondent profile by presenting the demographic characteristics of those who returned their questionnaire. The following table summarises the participants' demographic features, namely their age, gender, work experience, and position. It is interesting to note that 70% of the study participants worked at the two SMEs for more than a year at the time of data collection, which means that they were employed at the company before the outbreak of COVID-19, and only 30% were employed during COVID-19.

The most represented groups in the sample were respondents aged between 25 and 34 years (50%), female (76%), employees with 1-3 years of experience (52%), and employees in non-managerial positions (90%). The over-representation of female participants was surprising, given the adherence of the UAE to the principles of the Qur'an and Islamic Law [1]. As the table shows, the sample was drawn from experienced employees, with at least one year of experience at the company, which is good for the validity and reliability of their responses. In addition, the over-representation of non-managerial employees can be seen as normal, considering the manager-employee ratio within the targeted organisations.

Here we also attempted to capture the respondents' perception about the severity of the damage that the COVID-19 crisis has brought on their company. In total, 70% of those surveyed indicated the impact of COVID-19 on their companies was either severe (32%) or extremely severe (38%), whereas around one-third of the sample assessed this effect as either mild (12%) or moderate (18%). None of the respondents selected the 'No

TABLE 2: Respondent profile.

Demographic Characteristic	Response Option	Participant Response	
		N	%
Age	18-24	8	16
	25-34	25	50
	35-44	10	20
	45-54	4	8
	55 or older	3	6
Gender	Male	11	22
	Female	38	76
	Other	1	2
	Prefer not to answer	0	0
Work experience	Less than a year	15	30
	1-3 years	26	52
	4-6 years	8	16
	7-9 years	1	2
	10 years and more	0	0
Position	Managerial	5	10
	Non-managerial	45	90

damage at all' or 'Minor' response options. In the respondents' view the COVID-19 crisis has had a negative impact on the business' operations of the selected Emirati SMEs.

#### 4.1.2. Crisis management

Figure 1 captures the extent to which participants perceived their company as having detailed and effective contingency and risk management practices in place. Both companies were perceived by the majority of their employees and managers who participated in this study to have a detailed and well-rounded contingency plan, as well as a crisis recovery strategy in place. In addition, the overwhelming majority of the participants consider that the effectiveness of these practices and strategies in helping the business entities prepare for any crisis was high. Nonetheless, the respondents also reported that the coronavirus crisis had produced a strong negative impact on their organisations, suggesting that the effectiveness of their contingency strategies and plans in dealing with this 'black swan' event is questionable. This is in line with existing literature which argues that prevention activities and practices are very important in helping companies overcome crises but their effectiveness in dealing with 'black swan' events is limited [15].

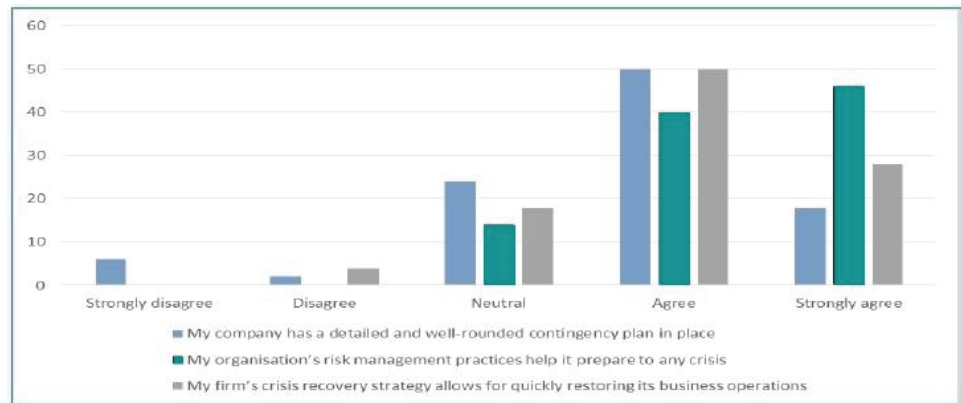


Figure 1: Risk and crisis management practices in place.

As suggested by the respondents, the coronavirus crisis has negatively affected the performance of the two SMEs. Figure 2 captures the particular challenges caused by COVID-19 that these SMEs were perceived to face.

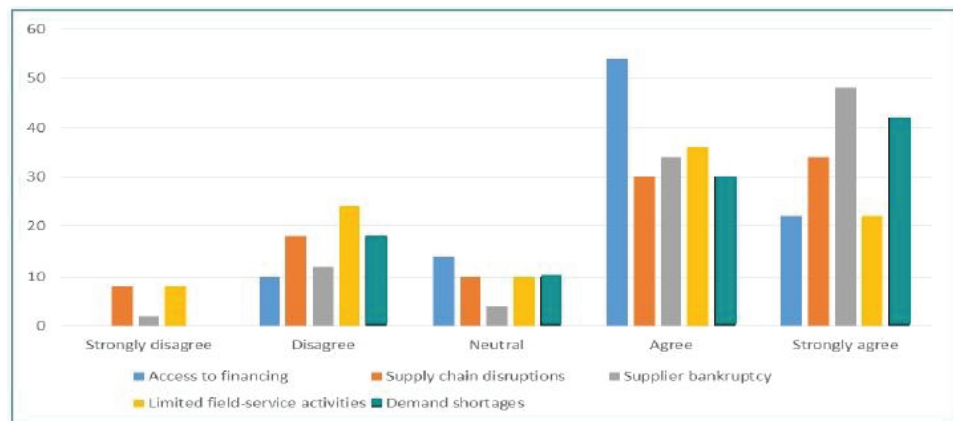


Figure 2: Challenges caused by the coronavirus crisis.

As suggested by the respondents, supplier bankruptcy is the most significant challenge posed by the COVID-19 crisis. More than three-fourths (82%) of respondents “strongly agreed” (48%) or “agreed” (34%) that many of their former suppliers and partners had to quit their business because of COVID-19. The next most considerable challenge was access to financing, with 76% of respondents strongly agreeing (22%) or agreeing (54%) that their organisation’s access to bank loans, leasing, and venture capital had become seriously restricted during the coronavirus crisis. Demand shortages were reported by the survey participants as the third strongest coronavirus-related challenge to their company’s performance and survival (“agree” (30%) or “strongly agree” (42%)). Interestingly, supply chain disruptions and limited field-service activities were perceived as less difficult challenges to their firm’s survival posed by COVID-19 crisis.

### 4.1.3. Strategic response to COVID-19

Table 3 summarises the respondents' perceptions about how the two SMEs had strategically responded to the COVID-19 crisis.

TABLE 3: Strategic response to COVID-19.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Innovation in product planning (INN)	50	1	5	2.680	1.362
Information management (INF)	50	1	5	3.600	1.107
Adjusted supplier management (SUP)	50	2	5	4.340	0.848
Servitisation (SER)	50	1	5	4.060	0.956
Technological advancements (TEC)	50	2	5	3.720	1.213
Monitoring of environmental developments (MON)	50	2	5	4.400	0.782

The Mean values for SUP and MON (4.340 and 4.400 respectively) are suggesting that these are the most adopted response strategies adopted by the two SMEs, as these are higher than the Mean values for INN, INF and SER (2.680, 3.600 and 4.060 respectively). Having said that, the Mean value of TEC (3.720) is higher than INN and INF, but lower than SER. The statistical analysis findings indicate that adjusted supplier management, servitisation, and the monitoring of environmental developments are the most common strategic responses made by the two SMEs. On the contrary, innovation in product planning, information management, and the use of technological advancements are less preferred strategic options by the selected business entities when it comes to dealing with COVID-19 crisis. This is an interesting finding, as earlier studies suggest that SMEs can innovate their product planning and information management processes and adjust supplier management in a way to respond to external challenges more rationally and effectively [15].

## 4.2. Interview findings

The key profile characteristics of the interviewees are summarised in the following table. The interview sample is relatively uneven, as we conducted six interviews with the managers and owners of one company and four interviews with the managers and owners of the other company. Out of 10 interviewees, only one individual held a CEO position whereas the remaining nine interviewees were either department or line managers.

TABLE 4: Interviewee profile.

Interviewee	Company	Position	Work Experience
Interviewee 1	Company 1	Head of the maintenance and service department	4 years
Interviewee 2	Company 1	Housekeeping manager	3 years
Interviewee 3	Company 1	Mechanical and HVAC service manager	1 year
Interviewee 4	Company 1	Electrical engineering manager	4 years
Interviewee 5	Company 2	Company's founder and its CEO	16 years
Interviewee 6	Company 2	Sales and marketing manager	3 years
Interviewee 7	Company 2	Marine service manager	2 years
Interviewee 8	Company 2	Production manager	2 years
Interviewee 9	Company 2	HS&E (Health, Safety and Environment) manager	Less than a year
Interviewee 10	Company 2	Procurement manager	5 years

The analysis process involved the identification of relevant themes, organizing them into groups, and establishing how they relate to one another within and between the clusters. The analysis revealed several common themes, including challenges during coronavirus, changes in consumer behaviour, the effect of coronavirus, risk and crisis management practices employed, and strategic response to COVID-19. The following table provides a summary of these themes, as well as subthemes, based on the interviewees' responses to the main and follow-up questions.

Similar to the quantitative data analysis findings, access to financial resources was recognised by the interviewees as one of the most substantial challenges encountered by the targeted SMEs. Moreover, supply chain disruptions, regulation uncertainty, and technology-related issues are among the key coronavirus-related challenges highlighted by the interviewees. Although the thematic analysis findings demonstrate that consumers' behaviours and lifestyles have been changing because of COVID-19, the interviewees did not report a decline in demand for their goods and services as contrasted with the questionnaire survey participants. The interviewees considered coronavirus to have the strongest negative impact on their company's sales figures, growth opportunities, and supply chain effectiveness, which partly goes in keeping with what has been identified during the quantitative data analysis. It has been identified that compliance with the existing regulations, insurance plans and policies, risk identification

TABLE 5: Interview themes and subthemes.

Themes	Subthemes
Challenges during COVID-19	Access to financing
	Regulatory uncertainty
	Supply chain disruptions
	Technology
Changes in Consumer Behaviour	Demand changes
	Lifestyle changes
Impact of COVID-19	-
Risk and Crisis Management Practices	Compliance
	Insurance
	Risk identification and assessment
	Training
Strategic Response to COVID-19	Adjusted supplier management
	Innovation
	Servitisation
	Technology

and assessment practices, and training initiatives are the most actively employed risk and crisis management instruments by the target organisations. Adjusted supplier management, innovation, servitisation, and the increased reliance on technology were identified by the interviewees as the most popular strategic steps their companies take to deal with and survive the coronavirus crisis.

In summary, access to financing, demand shortages, and supplier bankruptcy were reported by interview participants, as well as the questionnaire survey respondents as the major considerable challenges to their company’s performance and financial sustainability caused by COVID-19 crisis. In turn, adjusted supplier management, servitisation, the monitoring of environmental developments, and innovation were reported by both participants and interviewees as the most popular strategic responses to this crisis and its consequences.

## 5. CONCLUSION

Through conducting a case study of two Emirati SMEs, the purpose of this research was to develop a better understanding of how Emirati SMEs strategically respond to the COVID-19 crisis and cope with its effects. We found that both companies investigated in this research were perceived to have a detailed and well-rounded contingency plan, and a crisis recovery strategy in place, and the effectiveness of these practices and strategies



in helping the business entities prepare for any crisis is high. Despite that, COVID-19 had a strong negative impact on the companies investigated in this study. Crisis management is an essential aspect of a firm's strategy, since it allows business entities to respond to unexpected events and make sure their operations and performance would not be significantly damaged by these events [5]. However, even with effective crisis management plans and strategy, firms' ability to manage major crisis and 'black swan' events may be limited [22].

During major crises including COVID-19, SMEs face a range of challenges, the most difficult of which include limited access to financial resources, supply chain disruptions, limited field-service activities, and demand shortages [49, 2, 32, 7]. We found that the two SMEs investigated in this research face considerable challenges posed by COVID-19, which threaten not only their performance and financial sustainability but also their very existence. Supplier bankruptcy was perceived as the most difficult challenge that the companies faced during COVID-19. This finding is in line with the existing literature, according to which crises damage companies' ability to operate as expected, as their supply chain suffers from disruptions [37]. This challenge is especially relevant to small business entities, since, more often than not, their supply chain consists of suppliers of small size. Given that small organisations are more vulnerable to crises than large organisations due to a liability of smallness and a liability of newness, they are more exposed to the risk of supply chain disruptions [29]. Supply chain disruptions were also identified as a key challenge posed by the coronavirus pandemic. Supply chain disruptions prevent companies from effectively competing and addressing the wants and needs of their customers, which poses a serious threat to their survival [31]. The investigated SMEs experienced certain difficulties with access to external financial resources in the form of bank loans, leasing, and venture capital, and this was perceived as the second-most challenging barrier to their firm's business operations during the COVID-19 crisis. Hence, it is relevant to conclude that limited access to financial resources, supply chain disruptions, and supplier bankruptcy were the most challenging barriers to the performance and success of the two SMEs reported in this study, while the perceived impact of COVID-19 on the demand for the companies' services was considered less prominent. Unlike many other countries, the UAE has not introduced radical and strong lockdown measures, which can explain why the participants did not report a serious decline in the demand for their firm's services [41, 26].

Our findings confirm earlier arguments that risk management practices and contingency plans may not be equally effective for small companies when it comes to dealing

with 'black swan' events [6]. Still, SMEs' ability to survive these events heavily depends on what strategic responses they make. SMEs' strategic responses to major crises could include innovation in product planning, more careful information management, adjusted supplier management, establishing new supply chain links and partnerships, servitisation, and giving closer attention to environmental developments [27, 40, 8]. According to the findings, in order to respond to the negative consequences of the coronavirus crisis, the investigated SMEs placed emphasis on giving closer attention to developments regarding the environment of their business, monitoring the external environment for business opportunities, risks, and trends, adjusted supplier management, and servitisation. The role of technological advancements (e.g., e-commerce and IT) in the SMEs' resilience and financial sustainability was also emphasised by the managers.

A key contribution of this research derives from the fact that it applies crisis management concepts and, to a lesser degree, risk management to SMEs that face a major crisis or a 'black swan' event. Even though the explanatory nature of crisis and risk management theories in this context is limited, this study has used them as a basis to evaluate how SMEs act in response to the recent coronavirus crisis. By examining the perceptions of managers and employees of two Emirati SMEs, this research adds to a better understanding of how SMEs that have limited access to financial and human resources respond to the coronavirus pandemic and recover from its consequences. It is evident from the analysis findings that the concepts of crisis management and strategic response are still relevant and applicable to 'black swan' events, although SME's flexibility and resilience compensate for the limited effectiveness of crisis management practices. Examining SMEs' strategic response to the COVID-19 crisis could be helpful in planning and implementing certain changes to the legal and regulatory framework to further support local SMEs and make sure they can survive this major crisis and continue to contribute to the country's economic and social development.

Considering the empirical findings of this study, it can be recommended that Emirati SMEs should pay closer attention to their supply chain resilience. Being more precise, it is recommended that small companies operating in the UAE should mitigate the risk of failure during coronavirus by developing and implementing a multi-sourcing supply chain strategy [46]. This strategy allows organisations' supply planning systems to select between alternative sources of supply based on specific market needs, as well as the state of the supply chain network of these companies. This recommendation is expected to help Emirati SMEs protect themselves against supply chain disruptions caused by the

COVID-19 crisis related to a single supplier. Moreover, this approach allows for keeping a firm's supply chain relatively simple, since it can reserve its production capacity for a potential need at times of uncertainty [42]. At the same time, following a multi-sourcing supply chain strategy is associated with certain drawbacks. For instance, companies that opt for this strategy may fail to build and maintain a good relationship with multiple suppliers.

It is recommended that the Emirati government should recognise the role and contribution of SMEs to the country's economy and its development. As previously noted in this study, SMEs represent around 95% of all business entities in the UAE, but financial support to SMEs by the government and banks remains limited [3]. Thus, it can be recommended that the government should introduce certain changes to its regulatory and legal framework to facilitate access to finance for local SMEs. For example, the government could promote the availability of microfinance, leasing, and factoring in the UAE. All these financial instruments require a supporting legal framework, supported through dedicated microfinance, leasing, and factoring laws. The introduction of these changes to the UAE's existing legal and regulatory framework could provide local SMEs with an opportunity to alleviate liquidity constraints and become less vulnerable to the COVID-19 crisis and its consequences.

One of the main limitations of this research is related to the number of cases selected for analysis. As a result, the extent to which the produced empirical findings could be applied to other small organisations is limited. Moreover, the generalisability of this study to other geographical contexts is limited as well. For example, differences in countries' response to COVID-19 are likely to have different effects on SMEs' ability to cope with COVID-19 and on strategic responses to COVID-19. Another limitation of this academic project is related to the sample size, which might not be sufficient to ensure a high level of internal validity and reliability. Even though the researchers used two data collection instruments to triangulate the collected data and make the analysis findings more reliable, this limitation could not be completely removed. Future researchers could increase the sample size and the number of SMEs to conduct a comparative study by comparing and contrasting manufacturing and service companies operating in the UAE or in other geographical contexts, and further identify how their strategic response to COVID-19 is different or similar. By following this approach, more comprehensive findings could be produced to increase generalizability.

In addition, this study is restricted to a specific geography. SMEs represent around 95% of all business entities in the UAE, which is a characteristic shared by other geographic locations. For example, according to the OECD [36], SMEs make up 99% of

all firms in the Western Balkans and Turkey and they represent 99% of all business in the EU [18]. As stated earlier, unlike many other countries, the UAE has not introduced radical and strong lockdown measures [40, 26]. It would be interesting to expand this research to other geographical regions in order to compare reported challenges and strategic responses experienced by SMEs in these geographical areas and to evaluate whether different government interventions and restrictions imposed to limit the spread of the novel coronavirus impacted the SMEs' experience and reactions.

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