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## Small is beautiful

Globalisation will bring fresh competition for Saudi Arabia's small and medium-sized enterprises, but could also provide opportunities for growth in a sector that the Government hopes will generate large numbers of jobs for Saudi nationals. SMEDEC is a new source of support and information aiming to help these companies compete in a changing world. Molouk Y. Ba-Isa reports.

'Small and Medium Enterprises (SMEs) recently became a priority for the Saudi Arabian authorities,' said Nabil M. Kashkoul, SMEDEC advisor at the Eastern Province Chamber of Commerce and Industry. 'This is natural because SMEs make up 70-80percent of the trading, services and industrial sectors in Saudi Arabia. In addition, they are responsible for employing more than 50 percent of the Kingdom's labour force.'

In order to provide support to SMEs in the Kingdom's Eastern Region, last spring the Chamber of Commerce and Industry for the Eastern Province (CCIEP) set up the Small and Medium Enterprise Development Centre (SMEDEC). The main goals for SMEDEC are to develop and support the competitiveness of SMEs. In this regard, the centre extends advisory services, administrative and technical training to the owners of SMEs and makes available technical, administrative and legal information.

For the purposes of SMEDEC, SMEs are classified by their employment levels, not by their capitalisation or turnover. Thus, small enterprises are those employing not more than 20 workers and medium enterprises are those employing 21-100 workers. An Arab expert on the development of SMEs, Nabil Kashkoul is based at the centre to assist local SMEs with their development plans and to help in gathering data which in the future will enable SMEDEC to work proactively to serve the SMEs. The activities of the centre are overseen by a committee made up of members drawn both from within CCIEP and outside specialists. Khaled Hassan AbdulKareem Al-Gahtani, president and CEO of HAK Group, heads the SMEDEC committee.

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'It is true that SMEs will face considerable challenges in the near future, when the winds of globalisation hit the Kingdom's shores,' Al-Gahtani said. 'Local SMEs are certain to face rigorous competition from their counterparts based in developed and developing countries. But globalisation will also bring genuine opportunities for the growth and development of SMEs. The impact of globalisation on Saudi SMEs will depend on the ability of these enterprises to improve their performance and work processes, and on the support they will receive from the public and private organisations concerned with the development of this sector.'

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### Make or Break

Al-Gahtani went on to emphasise that since SMEs are managed and supervised by their owners, much of their success depends on the direct input of the owners. Their abilities and talents will often make or break an enterprise. That is why the constant upgrading of an owner's skills has a significant effect on any SME's future profitability.

'In the past it was difficult for the owners of SMEs to find resources to allow them to learn new management techniques, understand the benefits of emerging technologies and network with other SMEs for the purpose of inter-firm cooperation,' said Al Gahtani. 'SMEDEC hopes to be an enabler in all these areas.'

SMEDEC's role is vital because the Saudi Government is counting on SMEs to create jobs for a workforce that is expanding at the rate of about four percent per year. Since most SMEs outside the manufacturing sector are directly supervised by their Saudi owners, it is hoped that they will be able to provide training in basic work place skills, which are lacking among Saudi youth. While it is true that the Kingdom graduates tens of thousands of degree holders yearly, many of these young people do not have the ability to survive in the workplace because they have not learned the fundamentals of functioning in such an environment. In other nations, skills such as punctuality, dependability and task management would have been learned through a succession of part-time jobs worked after school or during summer vacations. It is only in recent years that part-time summer employment has become available to a very limited number of Saudi youth. Consequently, the role of the hands on manager is very important in guiding and providing leadership for such an inexperienced workforce.

In addition to the difficulties confronting SMEs in the employment of local labour, a survey conducted by SMEDEC found that these firms faced a host of other challenges.

### Strengths and Deficiencies

'SMEDEC surveyed 60 SMEs located in the Eastern Province of Saudi Arabia,' explained Al-Gahtani. 'All were members of CCIEP. The survey was aimed at identifying both the strengths and the deficiencies of these SMEs. It was found that over 75 percent of the SMEs had encountered problems in marketing. Even more troubling, the non-availability of financing was pinpointed as a crucial problem facing non-manufacturing SMEs in particular.'

Why have such serious hindrances been allowed to grow unchecked? It is mostly because there has been a lack of research into the SME sector.

'In the GCC, most of the region's governments have yet to come out with any proper support strategy in regards to SMEs,' said Dr. Ibrahim A. Al Mutrif, member, CCIEP SMEDEC Committee. 'Some of these countries do not have sufficient data on production capacity, licensing, the extent of SMEs falling sick or the reasons behind their demise. The database on SMEs in the region has been too scanty to be taken as the basis of any meaningful policy decisions.'