

THE IMPACT OF BPM APPROACH FOR THE SUCCESS PERFORMANCE OF SMES

Saeed Al-Ali, Safiah Sidek

Institute of Technology Management and Entrepreneurship, Universiti Teknikal Malaysia Melaka, Hang Tuah Jaya, 76100 Durian Tunggal, Melaka, Malaysia.

Abstract

SME's are important components of an economy. The help in GDP growth and effectively create employment for locals. Abu Dhabi's SME play a key role in the country. It is estimated that they contribute the biggest share of private sector jobs within the country. SME's nevertheless face a myriad of challenges ranging from culture, education, challenges with international markets, funding, and ICT solutions. This paper analyzes these challenges in Abu Dhabi as an important component of the economy of UAE.

KEYWORDS: Small and Medium Size Enterprises (SMEs), growth, challenges, innovation, business process management

Introduction

Small and Medium Enterprises (SMEs) and startups have gained significant attention in today's global economy due to their easy-to-operate and establish nature (Terziovski, 2010). The trend is also observed in the UAE, where SMEs offer several business benefits that enhance economic performance and growth. According to the Dubai Chamber of Commerce and Industry (DCCI), SMEs are the leading contributors to employment opportunities in the UAE's private sector, accounting for around 90% of all private sector jobs (Al-Ansari et al., 2013). The significant contribution of SMEs to employment has a substantial impact on the country's overall growth, as employment is a key driver of the GDP and contributes to the stability of the economy. Moreover, the success of SMEs depends on their ability to implement effective business processes. Business Process Management (BPM) is an approach that enables SMEs to streamline their operations, increase productivity, and improve overall performance. Studies have shown that the adoption of BPM can significantly enhance the success of SMEs (Lu et al., 2018). By implementing BPM, SMEs can standardize their processes, reduce errors, and improve communication and collaboration among employees. These improvements can lead to increased efficiency, reduced costs, and improved customer satisfaction, all of which contribute to the success and growth of SMEs.

Performance of SME's in Abu Dhabi

SMEs play a significant role in the UAE's economy, representing approximately 95% of all business establishments and accounting for about 43% of the total labor force, as well as generating 40% of the value-added income (Abdelghaffar et al., 2010). In Abu Dhabi, the capital of the UAE, these figures are even higher, with an estimated 60% of SMEs contributing the largest share of the workforce. To enhance the competitiveness of these businesses in the

global market, the UAE government is committed to improving the performance and contribution of the SME sector. Despite the government's efforts, however, there are still obstacles to entrepreneurship in Abu Dhabi. For instance, researchers have identified risk aversion as one of the significant challenges facing entrepreneurs, resulting in many conducting their businesses part-time while also holding other occupations, particularly in state-owned or government organizations, as a way to manage the risks associated with starting a new business (Madichie et al., 2012).

In recent years, the UAE government has implemented several initiatives to support SMEs and overcome the challenges they face in Abu Dhabi. For example, the Khalifa Fund for Enterprise Development was established in 2007 to provide funding, training, and support to UAE nationals starting new businesses (Khalifa Fund, n.d.). Additionally, in 2019, the UAE government launched a series of economic reforms to attract foreign investment and promote entrepreneurship, including the establishment of a new visa system that allows foreign investors and entrepreneurs to stay in the country for up to 10 years (The National, 2019). These initiatives have resulted in an increase in the number of SMEs in Abu Dhabi, as well as improved access to funding and support for entrepreneurs.

Economic Performance of SME's in Abu Dhabi

Almezaini (2013) reported that small and medium-sized enterprises (SMEs) play a significant role in Abu Dhabi's economy, contributing around 40% of the gross value-added. The breakdown of this figure shows that micro-enterprises contribute 7%, small-enterprises contribute 15%, and medium-sized enterprises contribute approximately 17%. The manufacturing sector engages about 13% of the SMEs, while the service sector engages about 41%. The trading SMEs account for the largest share of the total value-added product by all SMEs at 48%. In terms of employment, SMEs provide jobs for approximately 42% of the total workforce in Abu Dhabi, with micro, small, and medium companies employing around 15%, 17%, and 12% respectively. It is worth noting that the total workforce employed in SMEs in Abu Dhabi constitutes about half of the total workforce, with trading and manufacturing sectors lagging behind at 15% and 34% respectively.

Pradhan et al. (2011) found that SMEs in Abu Dhabi tend to invest more in the service industry than in manufacturing. Among a sample of 305 companies, those engaged in providing services had a higher annual capital formation rate than manufacturing firms, with a sales ratio of 1%-6% compared to 1.5%-3%. This trend was mainly driven by SMEs in the hospitality industry and the transport and logistics sector. However, the direct contribution of SMEs to the gross value-added within the economy is lower than their direct contribution to employment, indicating lower labor productivity than larger businesses.

In terms of global comparisons, Abu Dhabi's productivity level on a Purchasing Power Parity (PPP) ratio is significantly lower than that of cities in similar tiers such as Seoul and Singapore.

This is attributed to limitations in the expansion of ICT services, resulting in lower productivity in service sectors, while manufacturing and trading perform relatively better due to their lower dependence on ICT solutions. Other factors contributing to lower productivity include limited focus on employee development and training, given the transitory nature of the workforce, as well as a lack of long-term business improvements.

Recent studies have shown that the COVID-19 pandemic has had a significant impact on SMEs in Abu Dhabi. According to a report by Abu Dhabi's Department of Economic Development (DED), SMEs in the emirate faced a decline in sales by an average of 41% in 2020 (DED, 2021). The pandemic has also led to increased challenges in accessing financing for SMEs, as banks became more cautious in lending due to uncertainties surrounding the economic outlook (Yahiaoui et al., 2021). In response to these challenges, the government of Abu Dhabi has implemented several initiatives to support SMEs, including financial assistance programs and measures to simplify business registration procedures (DED, 2021). These efforts are aimed at helping SMEs weather the impact of the pandemic and promote their continued contribution to the economy of Abu Dhabi.

Success Factors of SME's

Success factors of SMEs can be categorized into four groups: organizational culture, scope management, project communication, and quality management. Organizational culture plays a crucial role in the success of SMEs, and factors such as employee empowerment, appropriate process orientation, delegation of duties, transparency, honesty, integrity, creation of a secure and safe environment, and positive attitudes among employees are critical for success. In scope management, success is dependent on lowering process complexities, implementing systematic changes, and having a rational and realistic plan. Effective project communication is essential for SME success, and this can be achieved by maintaining an engaging narrative, using effective organizational communication tools, utilizing visualization, creating an organizational knowledge base, and having structured feedback mechanisms. In quality management, success is determined by factors such as employee involvement in quality, IT-support, designated quality ownership, strong continuous improvement processes, having a scalable quality process, promoting a culture of quality benchmarking, and effective quality circles (Petersen & Wohlgemuth, 2019).

Recent studies have highlighted additional factors that contribute to the success of SMEs. One such factor is digitalization, which involves the adoption of digital technologies to improve business operations and enhance customer experience. SMEs that effectively embrace digitalization are more likely to succeed in today's competitive business environment (Kohli & Melville, 2019). Another factor is strategic partnerships, which can help SMEs access new markets, resources, and expertise, and ultimately drive growth and success (Yun & Park, 2021). SMEs that leverage strategic partnerships are more likely to achieve sustainable competitive advantages and achieve long-term success. Furthermore, social and environmental

responsibility has emerged as another critical success factor for SMEs in recent years. SMEs that prioritize social and environmental responsibility can enhance their reputation, attract customers, and gain a competitive advantage in the market (González-Álvarez & García-Sánchez, 2020). By adopting sustainable practices and demonstrating a commitment to corporate social responsibility, SMEs can improve their bottom line and achieve long-term success.

Success Factors of SME's in BPM (Business Process Management)

Lückmann et al. (2017) identified the critical success factors for SMEs in Business Process Management (BPM). These factors were drawn from various studies that highlight the main drivers of success for SMEs. They include measuring and evaluating performance, continuous improvement capabilities, a customer-centric approach, supplier management and relationships, and customer relationships and orientation. Other factors include benchmarking, the use of ICT, employee inclusion, involvement, and empowerment, training and motivation of workers, and access to high-quality human resources. Financial services are also vital in aligning organizational goals and determining the success of SMEs. Additionally, leadership and managerial support and professional and organizational culture also play significant roles in the success of SMEs in BPM.

Recent studies have also emphasized the importance of sustainability in the success of SME's in BPM. Factors such as environmental responsibility, social responsibility, and economic responsibility have been identified as key success factors (Ghobakhloo et al., 2019). SME's need to adopt environmentally friendly practices, and develop strategies that minimize their environmental footprint. They also need to engage in socially responsible practices, such as supporting the local community and promoting diversity and inclusion. Furthermore, SME's should focus on creating economic value not only for their own organization, but for the wider economy as well. This includes creating employment opportunities and contributing to the development of the local economy. These factors have been found to positively impact the financial performance and long-term success of SME's in BPM (Ghobakhloo et al., 2019).

Challenges of how to improve the SMEs in Abu Dhabi

Abu Dhabi's SME entrepreneurs face several challenges that impede the growth and development of the industry, which has provided employment opportunities for many individuals in the country. Cultural barriers are one of the most significant hurdles, as negative attitudes towards those who fail in business act as a deterrent to potential entrepreneurs. These attitudes prevent equal participation and inclusion in certain activities, and discourage individuals from starting businesses in Abu Dhabi and the wider UAE. In fact, surveys have shown that 33% of UAE citizens are afraid of failure, which is a common figure among OECD countries. The social stigma attached to business failure in the UAE is a significant obstacle to higher rates of entrepreneurship.

Another major challenge facing SME's in Abu Dhabi regards barriers related to education or

lack of it. Despite business opportunities being available within the country, very few individuals have the requisite skills and competencies to start a business and excel in it. This speaks volumes about education systems not only in Abu Dhabi, but also in the UAE. The education system has been unable to provide sufficient and capable human resource capital to fuel the demand for knowledgeable individuals capable of satisfying the business needs of the UAE market. Another major challenge facing UAE SME's is the internationalization barriers. It is estimated that only 4% of UAE-owned SME's export almost 75% of all products (services and goods) produced within the country. This sharply contrasts the 14% of all SME's operating within the country (Senik et al. 2011). The significantly low proportions of UAE entrepreneurs doing business internationally shows that these companies require a lot of support in tapping into fresh and uniquely placed opportunities within the country while at the same time getting help from the stakeholders, including government.

Other challenges include innovation challenges. UAE lags behind in terms of R&D, and this has impacted negatively on the ability of firms to participate efficiently and at the same level as other international players. Companies based in UAE have little participation and involvement in the technology sector, primarily owing to cultural dispositions, and the high risk involved in matters technology and associated use and abuse. Research indicates that new businesses in UAE, managed by UAE nationals are primarily situated in low-tech areas. Other challenges relate to finances. Barhem et al. note that obtaining a business loan in Abu Dhabi from a financial institution is a big challenge (Senik et al. 2011). The practice in the country over the years has been providing personal loans through the employing agency or organization. Perhaps the dismal performance of local businesses in the UAE has played a part in strengthening the part-time culture of doing business as opposed to full-time business.

Last challenges relate to the ineffective business links within the country. SME's act as foundations and pillars upon which businesses and eventually the economy grows. Despite being paramount to economic growth, the networking structures are still at their infancy, noting that besides lack of networking with regards to communication, there are very few business networks within the city and in the whole country. Lack of this interrelationship and business-business connectivity means there are no structures upon which SME's can develop. Lack of these structures therefore translates to zero support and thus hampering the whole process of SME development.

Conclusion

SME's play a key role in the growth and development of an economy. They create employment and generate income for the government through tax. In Abu Dhabi, SME's are the backbone of UAE's economy, making up about 95% of all business establishments in the whole of UAE. The service sector is the most populated by SME's seeing that it has about 50% of the SME market, effectively dwarfing manufacturing and trading sectors effectively. SME's in Abu Dhabi face a myriad of challenges, including lack of funding, challenges with education,

slow R&D, internationalization barriers, and cultural dispositions. Addressing these challenges is important for the growth of the SME sector in Abu Dhabi. In conclusion, the success of SMEs in Abu Dhabi is crucial for the growth and development of the UAE's economy. Through this article, we have discussed the economic performance of SMEs in Abu Dhabi and the factors that contribute to their success, particularly in business management. By adopting a strategic approach to business management, SMEs can improve their performance and achieve sustainable growth. This includes developing a clear business strategy, focusing on customer needs, adopting innovative technologies, and investing in human capital development. The UAE government has taken initiatives to support SMEs through various policies and programs, and it is imperative for entrepreneurs to leverage these opportunities to achieve success. Therefore, by implementing effective business management practices, SMEs in Abu Dhabi can overcome challenges and unlock their potential for success in the UAE's thriving business landscape.

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