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## **SMEs' Entrepreneurship and Innovation Toward Oman SMEs Sustainability**

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### **Abstract**

The pandemic of COVID '19 breakout on January 2020 was so significant that it has affected the operations of SMEs both locally and globally. Since then the global economy suffered a big recession and inflation. Many businesses closed and others struggle to survive the pandemic effects. The small and medium enterprises (SME) affects the national economy and play an important role in the countries. The SME in Oman as other countries suffered a lot during the pandemic of COVID 19. This research will investigate on these aspects, the challenges, mitigation measures and how SMEs recovered The lockdown and the government procedures were more concern about people health and lives than the loss of the small businesses and enterprises. This research presented also the framework of innovation management on both organization and individual levels. The discussion will also highlight the importance of economic theory on the role of the SME sector in improving Oman's economy and the traits of an entrepreneur that brought success to Omani businesses. The research used the qualitative research method mainly in gathering and interpreting data. The main sources included different journal articles, newspapers, online databases, and interviews. There were recommendations presented here aiming at improving the growth of the SMEs, among which are the roles of government is providing almost a well-rounded support mechanism to SMEs. Among the recommendations presented include the proposal for the company to invest directly in Omani market and take the advantages offered for the SMEs after the economic enhancement generated after the pandemic of covid – 19. Company can implement this experiment in other city after gaining experience from the first project; and ensure the fair profit margin to be competitive in the market and for company sustainability.

**Keywords:** entrepreneurship and innovation, innovation, Oman entrepreneurship, KSF, key success factors, SMEs' entrepreneurship and innovation

### **Introduction**

Entrepreneurship is the process of opening or investing in a business and create an economic value in hope of gaining profits. The entrepreneur is the person who open and invest in a new business taking all risks and supply all the products, sources, and capital for the business. He/she is the

innovator as some theories defined. Some theories define entrepreneurship narrowly as the process of creating, launching and managing a new business, small business, which is called SME (small and medium enterprises). This assignment emphasizes the Omani SMEs and its role in the economy growth and the effect of SMEs in economy recovery during and after the pandemic of COVID19. It discusses further the entrepreneurship theory and the role of applying the theory in boosting Oman economy. First will discuss how the SMEs help Oman economy and recovery during and post COVID19. Then, will mention two prominent SMEs innovation during COVID19 and their impact to SMEs sustainability. Last, will discuss the importance of economic theory of entrepreneurship in enhancing the role of SMEs in Oman economy. The sources of the assignment will be some electronic journals and studies of entrepreneurship and innovation and interviews with some Omani entrepreneurs.

### **SMEs Role During and Post COVID' 19 in Oman Economy Recovery**

The SME have overcome and cope with the fast new needs of the market and customers to come up with new technological solutions such as using the social websites to promote and sell their products and services. They also had to face the recession and the shortage of suppliers and the low purchase power in the market due to lockdown and precaution procedures. Moreover, lots of small and medium enterprises have lost and have debts which let them to close their business. In that time the innovative business is the one that could continue with strong bases. The E-Trade became very popular and common in the society and some new businesses have started the e-trade from home and hit great success. However, in the succeeding discussions, two prominent SMEs innovations will see how the innovation and taking risks during the economic shocks might open new opportunities and help the national economic growth. The SME contribution to the economic growth varies depending on the economic development. SME offer a variety of job opportunities, contribute in supply chain and social mobility. SME in Oman has a major influence on economic growth and has developed a lot in the last years. They offer more jobs and create new businesses in the market to meet the society needs. Moreover, they contribute in enhancing tourism and focus on new places not just in the capital city. The variety of business types in the market encourages the economic growth and the government has issued some laws to support them.

### **Prominent SMEs Innovation during COVID'19 and the Impact to SMEs Sustainability**

During the COVID 19 the SME in Oman played a significant role is supplying the local market and in proceeding the purchase power. They have promoted more for the local products and introduce them to the society. Some of the prominent SME in Oman that has survived the economic effects of pandemic COVID 19.

- **Al Naseem Park** in Bahla. The entrepreneur of the park established it 7 years ago with personal financing. It started small and then expand it with more animal from different countries and established water park inside it. He utilized new technology of artificial waves and waterfalls. The labors in the park are all Omani. The park is located in old abandoned farm but with innovation

and hard working the owner succeed to make it known and attracting visitors daily around 50 persons.

**-The strawberry farm** in Bahla. The entrepreneur took the initiative and risk to start growing strawberry in the hot weather of Oman. He used green houses and special water techniques to keep the moisture even in the dry months. The project is a success and start developing the idea with making strawberry products and selling them in the local market.

### **The importance of economic theory of entrepreneurship in enhancing the role of SMEs in boosting Oman economy**

The SME should have innovation and new ideas for the market to sustain. In economics, entrepreneurship is closely related to the land, labor, natural resources and capital that can help to generate profit. An entrepreneurial vision involves discovery and risk taking that are critical for nations in order to succeed in the ever changing and competitive global marketplace (McFarlane, 2016). The innovation theory is considered one of the most famous view of the entrepreneurship by Schumpeter. Innovation is creating a new thing that is not exist in the market or developing an existed idea with new technologies and approaches. Entrepreneurship is not merely the process of founding a new venture. Entrepreneurship is defined as a process of value creation and appropriation led by entrepreneurs in an uncertain environment (Mishra & Zachary 2014). The innovation of SMEs in Oman could be as a government support by giving loans, procedures facilities, training the entrepreneur, and market exposure for new products. According to Cooper Fitch company report, the employment has increased 12% in Oman during the second semester of 2021. Furthermore, the creation of new business has encouraged the interior tourism which affect as well the GDP of Oman. The GDP of Oman in 2021 worth 85.8 according to the data from the World Bank.

### **The key factors to successful innovation**

Factors key to successful innovation and entrepreneurship by the business owners.

- 1.) Constant improvement - is a sustained learning process towards a targeted goal. As a company, we need to work harder than ever before if we want to be successful in business and more competitive. Not necessarily rushing things or speed up, instead it requires smart moves. Aim to improve in all manner of innovation to see the most significant outcome that enables rapid growth and advancement. SMEs during the pandemic of covid – 19 were applying some steps to cope up and mitigating the measure in this period that include:
  - Promoting local tourism: that was obviously during the pandemic, while the air and land boarders are closed. All Omanis spent their holidays inside Oman and discover their country. The owner of hotels and guest house around our lovely country was promoting for their business in social media.
  - Utilizing hotels as isolation room for the oilfield staff before going to field

- Develop tourism infrastructure: that was a motivation for some businessmen to restore the ancient places in Oman, specifically in Aldakhlia provenance such as Alaqar town in Nizwa city and the old village of Misfat Alabreen in Alhamra city.
- 2.) Create value for customers - it is very crucial to ensure that entrepreneurs are aware of what customers want and need and what they are willing or capable to pay for. Having said that, entrepreneur should also be aware that he is not just relying on his customer's feedback. They must know that they cannot listen or rely on each and every possible customer's request. Probably, they are just focusing on urgent needs. Trusting their abilities and capabilities wherein they definitely know what's better for them than their clients. Research and development keep the company surviving eternally. That can let the company aware for what is missing and the demand for their customers. That can be applicable through taking survey, feedback from customers and through interview. At the same time, they should have right balance between customers feedback and their visions. Ministry of Tourism helps much to guide the tourism sector to create value for the customers and implementing many surveys to get the feedback from the tourists to address their needs. In another hand they share this information with the hotels and guest houses which have mutual interest. Also, provide e - services to help the tourists in guiding, measures required and to complaints (Tourism, 2020).
- 3.) Implement the Lean Startup model - evaluate customer requirements and concerns to find the best commodity market directly. Lean Startup model is a method that highlights the rapid and top priority in exploring design. Implementation is formulated to direct the market risk very fast. It could be:
- Incremental innovation which means keep improving an existing product, when it is about tourism the entrepreneur during the pandemic, they are focusing in quality enhancement and the reduction of energy expenditure such as using solar lights.
  - Disruptive innovation which means another replacement with less cost and targeted the majority. Utilizing the artificial intelligence for controlling all buildings and providing electronic tour guide in Nizwa fort to guide the tourists connected with sensors to identify the tourists when they are entering each part and the electronic tour guide.
- 4.) Allocate resources properly to support your strategy - when allocating resources, think about or examine the time horizon, your readiness to be bold. Your capabilities to beat the competition. The best foundation is to concentrate on the focal point of your product and how well it is suitable for the market. That needs arise hardly during the pandemic, In Nizwa city the established many local companies and invest all in the old residential area in Alaqar. They restore the ancient houses and turn it to a guest house with many facilities to attract the Omani citizens and the expatriates who live in Oman.

- 5.) Create Innovative company culture - the company that has got innovation right, generates new or improved products and services. The most fundamental elements that compose a culture of innovation is open minded to people's interests and suggestions and willingness to share their own views. This means that all ideas are evenly appreciated and notified. None of these are ignored without valuing them. No matter how factual results are, pictured it stays the same that the rise of the dimension measures directly related to strongly associated enhance performance, capacity efficiency and development. By making sure people permit to see failures and frustration - is an opportunity to digest and learn and to be better. That was showing in many innovative projects, where the idea to breath life to old town and villages was popular and turn it to guest house and using the solar light and air condition.
  
- 6.) Stay focused - understand how to work intelligently and sharp and let people realize what to prioritize. We must know that successful changes don't happen overnight. It's very rare. It needs so much patience, entirely clear vision and a lot of trials to spot or understand what works would be profitable, productive and what requires improvement. Slowly but surely, direct your goal for becoming advanced in both levels as company and as personal. That's a true assurance that it would be a great success. It is a practice activity wherein individuals work together for a common purpose to achieve business benefits.

### **The Oman Government Support to Omani Entrepreneurs During the Pandemic**

Omani government stand up to protect the SMEs during pandemic through many initiatives to mitigate the pandemic impacts, especially that affecting the government income (Oman government response to covid 19 , 2022). According to (Service, Additional support package for SMEs, entrepreneurs announced in Oman Oman, 2022) many exemptions for entrepreneurs who defaulted on payment as follows:

- Exempting SMEs enterprises from delaying penalty and fees as a result for delayed repayment of loans from Al Raffd Fund till the end of 2022.
- Exempting all vehicle for the past two years 2020 and 2021 from paying renewal fees.
- Postponing all the financial cases in the court for the SMEs with default on payment to Al Raffd Fund.
- Provide additional support on electricity bill with two accounts in the residential category by 15% during summer till August 2022.
- Omani government in response to the impact during the pandemic has announced 32000 job vacancies and subsidies to private company to hire Omani youths.
- Create E- Services website, which help all the companies in this sector to proceeding government exchange by one click. The website help tourist to be aware of all requirements to visit Oman and the owners of tourism enterprises to apply for the government licenses required.
- Generating the ideas from Omani youth and supporting them in implementing ideas and create SMEs to support the hotels with catering services. Through Gahzya program from the

Authority of SMEs which financed through Investment Bank Of Oman, to cover the shortage in the tourism industry with full support provided from the bank to in courage the youth to get in this field (Alsuleimani, 2022).

## Oman SME's Success Story: Anat Coffee

Mohammed Alsuleimani is the founder of this company. He brought exceptional experiment in the old town. His innovation is to breathe life into the old residential area, Alaqar in Nizwa city. he aims to make this location known as in the past. He brought the success to all the area of the Alaqar, which was abandoned for over a decade. His project started as a coffeeshop, then he established a guest house in a collaboration with another Omani entrepreneur, who owned a garden next to his coffeeshop. Lately he has expanded to the next ancient buildings and turn them to dining area with a gorgeous view to the gardens around. and a coffee toaster where the smell of the coffee spreading around the block you feel that you are going back with the memories years back (Alsuleimani, 2022). The success that entrepreneur brought by his innovation is stimulating the new project in the area, Offering job vacancies for the citizen and refreshing the economic revenue in Nizwa Suq.

### Traits of the Successful Omani Entrepreneur

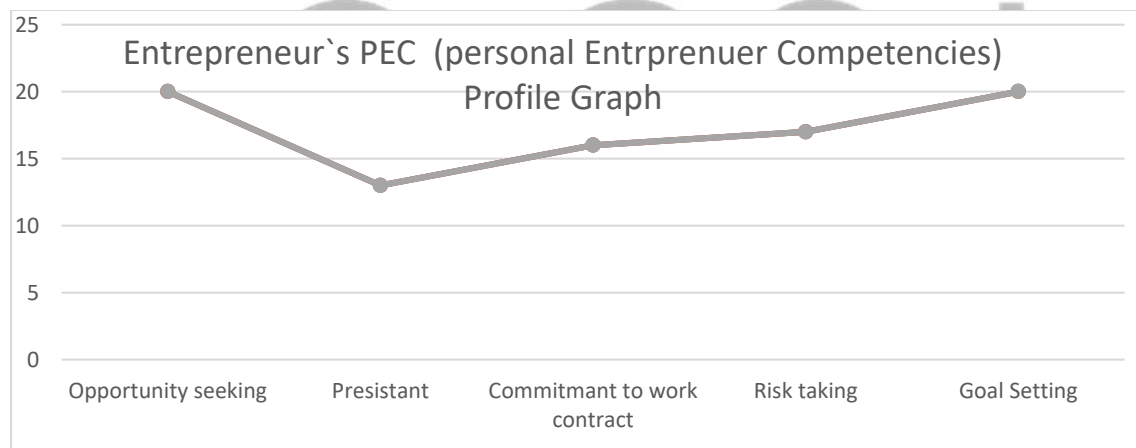


Figure 1.0 PEC ( Mohammed Alsuleimani,2022)

The above graph shows the five characteristics of the entrepreneur based on the entrepreneur PEC form results. It reflects the strength and weakness of the entrepreneur.

1. Opportunity seeking based on PEC graph the result showing that opportunity seeking is the highest score among the other entrepreneur characteristics as well as goal setting reaching the same score. Which considered as the strength of our entrepreneur. Entrepreneurs are innovative opportunity seekers. They have unlimited desire to explore new market, new idea and trying to apply that idea in the marketplace. That's what distinguish the entrepreneur from ordinary businessman. Ordinary businessman thinks simply how to produce, buy, and sell the goods and services. Entrepreneurs add and create value by offering new product, services and finding

solutions to ease the production process. Innovative entrepreneur can interfere in product design or adding feature for existing product and develop new technologies to accelerate the production. Most of the entrepreneur has different way to think, that's what makes them optimistic and positive in the middle of crises. All that lead them to create innovative products and services. (Opportunity seeking for entrepreneur, 2020). Based in our entrepreneur, he is successful in opportunity seek because of breathing life into the old town in Nizwa city when it was abandoned. And create a brand of coffee shop in a place of new business line transformation from a salesman in Awaser to be on entrepreneur the owner of Anat coffeeshop, where it is not matched field entrepreneur seeks opportunity that can help him to producing new coffee recipes and juice flavors to be successful in the field. Where he expands his business to offer guest house and a coffee toaster to be like a closed compound. That's all appears after constant market research. In the beginning he started with hot, cold coffee. Later he introduces new flavor of coffee, fresh juice made from local ingredients. Such as Fursad which is type of berries but its planted locally and he replace the white sugar with organic brown sugar which is planted here. The latest addition with his business introducing the sweet corner which include the handmade croissant, biscuit staffed with dates. All these ingredients he is using mostly are locally planted, that's what makes him incremental entrepreneur. therefore, our entrepreneur is always taking step ahead, look for any opportunities which keep him motivated, updated in the field.

## 2. Persistent:

Referring to Annat from graph for persistence characteristic, that scored 13 which the lowest score in the graph among the other characteristics. It considers as the weakness point for the entrepreneur. That's related to the period of Covid 19. According to persistent. Related to how the entrepreneur can struggle push forward to achieve his goal, despite all the hurdles to be successful entrepreneur, he needs to be patient search for solution to cope up with all of obstacle a head. Accorded to Mr. Mohammed experience in his business, he is persistent entrepreneur slightly, that's related to the period of Covid 19 where at that time the government force everybody to close except food staff, restaurant business. He overcome that period with help of delivery service called Talabat. The best thing happens to Mr, Mohammed, that he is the first owner of coffeeshop for the specialty coffee in Nizwa.

## 3. Demand for quality and efficiency:

The graph shows that demand for quality and efficiency characteristic score 16, he is one of the weaknesses for the entrepreneur. The best source for success, facilitate any entrepreneur in his project is utilizing the new machines and latest technology. Technology plays an essential part in our daily life to enhance our business, makes our process faster. To be an entrepreneur that's mean, the products and services having the highest quality in the market to be competitive in the field. Based to our entrepreneur experience characteristic must be developed in future. Specially, during the contaminant of the covid 19. The shipment is expensive, in order to get coffee, the shipment should be delivered as soon as possible. Because the coffee can be affected easily through the humidity during the sea freight. To cope up with the new challenge of the sea freight, the long delay of each deliver Mr. Mohammed opened coffee roastery in the next building and he order coffee beans from local dealer, so he will be able to roasting the coffee beans and made special

mixture with it to have quality product with efficiency under his supervising. With this step, he could deliver one of the best coffees in the field with reasonable price.

#### 4. Risk taking:

based in the graph form result for risk taking characteristic. It was 17 strong in the market. According (Patel, 2020) risk taking refers to adventure new market and the trend to take courageous actions. Decision making for the type of entrepreneur always using biases and brave mostly, that's related in their perception it led to less risk. Mostly their charisma will be showing more than the top manager in big company. Entrepreneur hardly shows their desire for risky paths. According to Mr, Mohammed experience, I believe he was so brave to open such a business in an abandoned town. I'm sure he conquers all his fears after starting his business and let Nizwa city shine again.

#### 5. Goal setting:

referring to graph form result of goal setting characteristics. It is 20, which is one of the highest score same as opportunity seeking. It makes the entrepreneur distinguish and successful with steady steps. Goal setting is the fundamentals of all the financial management, well budgeting, liquidity management and defining the future of the company (team, 2021). Also, it helps for the establishment for the organization and their growth in future. Where it is an essential part to set logical and realistic goals which is achievable. Setting goals beyond our ability is harmful for the organization. Due to the strategies and approaches will be applicable to achieve targeted goals. Based on Mr, Mohammed experience, he is a hard worker when he set specific goals, never give up till the achievement appears. He split his goals for short- and long-term run. Monthly revise to make sure all the goals are achieved completely. His long-term goals to own the compound and have traditional guest house with modern lifestyle. While for the short-term goals he produces distinguish coffee at reasonable cost with aim of high sales income.

### **Conclusion and Recommendation**

To sum up, Sultanate of Oman is a stable country to establish a business specially for SMEs where it is supported from the government. After critical analysis for the entrepreneur and his project, I believe he did wonderful business with less resources. The diversification of resources allows him to innovate in his business and to use the abandoned town and breathe life into is a brilliant idea where nobody think of it. To take such a challenge required brave entrepreneur despite all the obstacles he encountered. Starting from picking the location, persuasion of the owner to rent the building and restoring the buildings. At the end struggle to get the government permission all of that encourage him to complete his project.

Company should invest directly in Omani market and take the advantages offered for the SMEs after the economic enhancement generated after the pandemic of Covid '19. Company can implement this experiment in other city after gaining experience from the first project; and ensure the fair profit margin to be competitive in the market and for company sustainability.



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