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Nouf Al Bazie & Ashley Braganza |

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\*Corresponding author: Nouf Al Bazie,  
Brunel Business School, Brunel  
University, London, UK  
E-mail: [noufalbazie@outlook.com](mailto:noufalbazie@outlook.com)

Reviewing editor:  
Pantea Foroudi, MBT, Middlesex  
University, London, UK

Additional information is available at  
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## MANAGEMENT | RESEARCH ARTICLE

# Challenges of change facing entrepreneurs and Kuwaiti SMEs

Nouf Al Bazie<sup>1\*</sup> and Ashley Braganza<sup>1</sup>

**Abstract:** This research paper addresses a clear question: what are the critical factors that policy makers and entrepreneurs need to be aware of when operating in transitional economies in order to sustain SMEs? The SME sector is critically important to Kuwait's transformation to a broad-based economy: one that is not reliant on oil alone. We studied Kuwaiti SMEs to identify criteria for change to survive in the nascent market. Our aim is to discuss these criteria in order to focus the attention of entrepreneurs and policy leaders. Policy makers should facilitate effective responses to change by SMEs; however, SMEs must address the challenges via effective change management. This process can be enhanced by policy makers promoting awareness of the factors discussed in this paper. Data was collected via interviews and a focus group with Kuwaiti entrepreneurs and policy makers. The data was analysed using qualitative methods to provide a rich picture of the criteria. We found seven factors that need to change in the Kuwaiti SME context. Our analysis yielded surprising results, such as SME CEOs' lack commitment to their own business, and a lack of trust between entrepreneurs and their staff. Data collection was limited to the Kuwaiti SME sector.

### ABOUT THE AUTHORS

Nouf Al Bazie holds a PhD in Organisational Change and Knowledge Management from Brunel University, London. Currently, she is an Assistant Professor and Head of the Business Management and of Social Studies Department at Kuwait College for Science and Technology. She teaches innovation and entrepreneurship and project management courses. Al Bazie's academic research and professional practice specialism is the integration of knowledge evolution and organisational transformation within SMEs through the deployment of relevant knowledge, skills and technology.

Professor Braganza is a visionary leader of dynamic change and an internationally recognised subject matter expert for organisational transformation and entrepreneurship in academic and commercial environments. Currently, Deputy Dean (Academic Affairs) in Brunel's College of Business, Arts and Social Sciences. Ashley, a passionate believer in developing entrepreneur talent, practice-based experiential learning, relevant and rigorous academic research with a strong network of international contacts in global commercial and academic organisations and extensive board-level experience.

### PUBLIC INTEREST STATEMENT

SME's success and failure have received considerable attention from scholars, yet little research has addressed the situation of SMEs funded by the government in Kuwait.

This study is designed to bridge this gap and to contribute to the literature by developing a framework to improve the success of SMEs in Kuwait.

The report, based on research with SME owners and other private and public stakeholders, recommends specific improvements that will benefit, enabling them to adapt successfully to external change.

This research will also provide the SME sector with a written reference illustrating the current situation and providing an advisory platform for the future.

#### Opportunities highlight

- More young people are entering the job market who can benefit from the results
- Create the awareness of the need for more experience of other cultures than ever before which should be encouraged to develop vision for the future.

**Subjects: Entrepreneurship; Small Business Management; Organizational Change**

**Keywords: SMEs; entrepreneurship; small business owners; sustainability; enterprise policy; change management; Kuwait**

## 1. Introduction

The success and failure of SMEs have received considerable theoretical attention from scholars, yet little research has addressed the practical challenges facing SMEs in transitional economies such as Kuwait. This paper asks: what are the critical factors that policy makers and entrepreneurs need to be aware of when operating in transitional economies in order to sustain SMEs? The Kuwaiti Government's policy to diversify the economy recognises the value of SMEs and, as a consequence, has instituted schemes to provide entrepreneurs with funding, advice and support to encourage growth of the SME sector. Kuwait has 60,000 registered companies of which 25,000 are SMEs. The Government are encouraging businesses to take advantage of the available opportunities and to meet the challenges by developing creative ideas. This study contributes to the literature by examining changes SMEs in transitional economies need to make to improve their performance.

In a study by Pisoni et al. (2013) it was shown that the extent of economic growth in a transition economy is an external factor affecting business sustainability. In such changing economies organisations need to maintain sustainability and therefore must adapt to these changes. Kuwait is actively seeking to create new business sectors within the economy. Eddleston et al. (2019) show how transition economies are in flux with varying degrees and types of change occurring, as well as differing levels of market and consumer tolerance.

There is extensive literature regarding transitional economies and also change management; however, it is necessary to connect these two fields of study to demonstrate how SMEs can adapt to these external changes. This paper contributes to the gap in the literature by investigating the factors that are important for SMEs to be aware of in order to meet these changes and develop in new and existing sectors. The paper makes three contributions. One, we identify factors SMEs need to change to keep up with external challenges and grow during the transitional period. Two, the factors highlight contradictions between the literature on SMEs and current practices in Kuwait. Three, we discuss change factors based on empirical data: the views and lived experiences of SMEs and policy makers. As a result, we are able to suggest areas that enable policy makers and entrepreneurs to focus their efforts in order to successfully adapt to the external changes present within a transitional economy.

### 1.1. Studies of SME success and failure

There are many reasons why SMEs succeed or fail. Turner and Endres (2017) report that half of all SMEs fail within five years and a mere third of SMEs operate for a decade. This is due to entrepreneurs being unprepared and having insufficient business knowledge, experience or training, and a lack of understanding of the drivers of profitability. El Kalak and Hudson (2016) add that planning across all areas of operations is key to success. Fatoki (2014) concludes that managerial expertise assists SMEs in moving from start-up to a robust, developed business.

Uddin and Bose (2013) state that SME survivability is influenced by a range of internal and external factors and that highly developed entrepreneurship skills enhance business performance. Trang (2016) argues that it is essential for entrepreneurs to recognise that their management skills are directly linked to SME success. An entrepreneur who consistently seeks new knowledge as an active participant in professional and personal development is more likely to enhance their SME's performance. Zapalska et al. (2015) emphasise the importance of leadership skills for entrepreneurs; having a clear vision encourages innovation. Omri et al. (2015) argue that entrepreneurs who capitalise on employees' prior experience create valuable internal resources. Wronka (2013) concludes that SMEs with knowledge of critical success factors are more likely to thrive.

Scholars highlight the importance of developing entrepreneurship skills through effective training programs. According to Abor and Quartey (2010), poor managerial skills place significant constraints on SME development, while regulatory constraints also pose serious challenges. Cant et al. (2014) argue that insufficient business skills prevent SMEs from developing tactics to mobilise and utilise the channels of communication best suited to the business, running the risk of not reaching desired target markets. Entrepreneurs make ineffective use of funding offered by external sources. Funding is one of the main constraints to SME growth. Furthermore, leadership and managerial training is essential to assist aspiring entrepreneurs.

### 1.2. Change management

Change is a prerequisite for organisations of any size to survive and thrive. Change management involves developing employee skills, supporting individuals to implement change, and guiding performance enhancement via appraisals and feedback. Change management assists organisations to find new markets and gain competitive advantage (Al-Abbrow & Abrishamkar, 2013).

The existing literature provides criteria (shown in bold) for successful change management (Bose, 2016; Braganza & Myers, 1996; Uddin & Bose, 2013). These criteria, while established in larger organisations, are being considered in the SME sector for the first time.

Galuppo et al. (2011) highlight the importance of **establishing a steering group**, stating that steering groups facilitate more effective planning, decision-making, exploration of ideas and improve organisational communication.

Ehrhardt et al. (2014) state that in today's competitive business environment, organisations increasingly turn to **cross-functional teams** as an efficient means of solving complex problems. This arrangement provides distinct advantages for enhancing competitiveness, faster decision-making processes, effective organisational learning, and improved performance and coordination among otherwise separate organisational units.

Kirsch et al. (2012) argue that there is a need to adapt organisational culture to new circumstances and to manage employee behaviour and attitudes in order to successfully implement change. Therefore, **cultural change** is an important component of change management that SMEs have to consider.

Bouckenooghe (2010) states that **attitudes of employees towards change** are coloured by cynicism about organisational change, openness to change, coping with change, acceptance of change, commitment to change and adjustment to change. Managing employee attitudes is an important aspect of implementing change.

Organisational change is generally considered as having the potential to trigger strong emotions and **behaviour change** compared to other work events. This can be compounded due to the uncertainty involved in many change situations, the lack of clarity regarding new roles and responsibilities, and individuals feeling a loss of status or seeing the situation as unfair (Bönigk & Steffgen, 2013).

**Pilot trials** are defined as “miniature versions of full trials conducted to ensure the detailed design, methods and procedures are all robust and fit for purpose” (Charlesworth et al., 2013, p. 1). SMEs struggle with pilots due to insufficient resources, especially having the time to start up and run one or more pilots.

Bögel et al. (2014) show that **business process modelling** supports the management of planning effective change by means of conceptual models. This involves modelling processes, organisational structures and resources. One of the key strengths of this kind of modelling is the potential speed of process reconfiguration.

Resources permitting, some SMEs bring in **external consultants** to assist them with change initiatives and to help guide and facilitate the process. During a period of consultancy, information is sought or created, evaluated and processed by the SME's management (Buono & Subbiah, 2014).

**Internal communication**, also referred to as employee communication, is of great importance to organisational performance. Hola (2012) defines internal communication as the provision of information needed by employees. Effective internal communication is based on the principle of treating employees as internal partners sharing common goals.

Parand et al. (2013) argue that effective employee support from senior managers is critical to the success of organisational programmes, contributing significantly to enhanced change implementation. These authors state that **management commitment** is essential for improving the understanding and enthusiasm of employees during periods of change.

Schipper (2010) defines **cost-benefit analysis** as a process that identifies the time period of analysis; identifies costs and benefits to be included for each alternative, including the status quo; wherever possible, assigns monetary values to each cost and each benefit; discounts the monetary values of costs and benefits using an appropriate discount rate.

Many organisational resources are intangible and difficult to identify but it is important to do so. Where benefits are achieved at operational levels, these are often tangible and financial; while at strategic levels, non-financial and **intangible benefits** dominate (Gunasekaran & Ngai, 2008).

Mukkelli (2015) notes that stressful conditions prevail within and outside organisations due to the existence of a state of highly intensified competition. One result has been the increase in outsourcing, which has become both a challenge and an opportunity. **Roles and responsibilities** are transforming due to such factors.

Armstrong (2002) explains that **employee reward systems** consist of an organisation's integrated policies, processes and practices aimed at rewarding its employees in terms of skill, competence and their market worth. An employee reward system is established within the framework of the organisation's reward philosophy and policies, which take into account appropriate types and levels of pay, benefits and other forms of reward; thus, any changes made to this system need to incorporate these factors, which will also determine whether change is required or not.

Investigating **changing individuals' assessments**, Pillay and Morris (2016) refer to assessments of various competencies of individuals, like self-efficacy, tenacity, creativity, problem-solving, etc., and underscore the need for greater emphasis on experiential learning.

Skills are described in terms of a mix of education, qualifications, training, experience or function. Clarke et al. (2015) highlight the positive impact of **providing staff with a range of different skills** and note that a valuable mix of skills allows organisations to create knowledge that can enhance performance.

Atlas and Sobotka (2013) argue that as many organisations are **reducing head count** and continue to increase outsourcing, a proper oversight of service providers is paramount. Due to the requirement for financial stringency and the linked necessity for head-count reductions, workforce planning and intelligence become more important.

When **changing reporting lines**, organisations need to incorporate a vision for sustainability as part of their core business, and to be accountable for how they pursue that vision (Mitchell et al., 2012).

The frequent implementation of groups and teams in organisations reflects the widespread expectation that teamwork provides specific advantages compared to employees working alone.

The anticipated advantages of **teamworking** include greater creativity and multiple perspectives, better quality decision-making and problem solving (Larson, 2009).

**Employee trust in management** is based on influential factors such as subjective norms, risk, confidence and security. As individuals/groups work together, trust may be damaged. This is important as trust is one of the stimulators of voluntary compliance and commitment to an organisation (Morrow et al., 2012).

Warnier et al. (2013) continue to use Barney's (1991) attributes of **organisational strategic resources** namely, valuable, rare, inimitable and non-substitutable. Resources with these attributes offer the potential of sustainable competitive advantage. Misalignment occurs where the business environment changes and organisations are unable to adjust strategic resources to fit different internal and external environments. This impacts investment and output of the organisation.

The analysis of the literature suggests a range of change factors SMEs need to implement. Yet, the missing piece is knowing which ones of these are more or less important and the extent to which entrepreneurs find these difficult to implement. Our study aims to add this knowledge so that we can address the question: what factors do SMEs need to change to thrive in transitional economies?

### **1.3. SMEs in Kuwait**

As stated above, Kuwait recognises the need to diversify its sources of income instead of relying on a single source: oil. Kuwait is clearly undergoing an economic transition that is supported by an expansion in investment and commercial opportunities to contribute to advancing the development of the economy.

The Kuwaiti National Fund for Small and Medium Enterprise Development defines an SME as a small company with capital of less than 25,000 KD and 1 to 4 Kuwaiti employees. A medium-sized company is considered to have capital of between 25,000 and 500,000 KD and employs 5 to 50 Kuwaiti nationals. The Kuwaiti Government recognises the value of SMEs and has instituted schemes providing both funding, advice and support to encourage growth and assistance within the SME sector. The Government recognises that SMEs perform an important role in developing the economy and provide opportunities for Kuwaiti nationals to expand their horizons outside of the public sector. Moreover, support for SME setups utilises the valuable resource of an educated population that should be exploited in order to develop sectors which are not reliant on the established oil and gas industries.

The Kuwait Investment Authority established the Kuwait Small Project Development Company in 1997 with capital of 1,000,000 KD. The main purpose of this company is to help with the establishment of SMEs and support entrepreneurs with financial and management issues related to business practice. The National Fund of Kuwait for SMEs developed an entrepreneur ecosystem in the State of Kuwait according to Law No. 98 of 2013. The National Fund provides support to SMEs that directly participate in developing national income diversity (National Fund of Kuwait). Several organisations offer funding, but are aspiring entrepreneurs aware of such organisations? Cant et al. (2014) show that awareness can be increased by using SME development hubs as platforms to inform SME owners about where they can get funding, as well as other resources needed to develop and grow their SME. This is the role that the National Fund could play in Kuwait by creating such hubs to enhance levels of existing support.

The extant literature regarding SME success and failure, change management, the Kuwaiti context, and transitional economies clearly show that a number of factors must be considered in order to adapt to external market conditions effectively. This study demonstrates that the identification of the critical factors for successful change is particularly important given the amount and variety of obstacles faced by SMEs operating in a transitional economy.



## 2. Research methodology

Karatas-Ozkan et al. (2014) argue that studies of entrepreneurship and SMEs need to have a structured research methodology. The first step in this project was to identify change criteria that enable SMEs to meet market challenges and then study these criteria in the Kuwaiti SME context. Specifically, we sought to investigate change factors that Kuwaiti SMEs may need to implement. We collected data from Kuwaiti SMEs, which was analysed using qualitative methods to comprehend perspectives, circumstances, experiences and approaches (Kozleski, 2017). Data was collected via interviews and a focus group. Seven individual interviews were carried out. The interviewees were a former manager of the Kuwait Investment Authority; two SME entrepreneurs; the founder and former chairman of the Association of Small and Medium Enterprises in Kuwait; and three business consultants. The interviews lasted between ninety minutes and two hours. Each interview was recorded and transcribed. The interviewees were asked how each of the twenty change factors had a positive or negative impact on Kuwaiti SMEs operating in the local market. These interviews enabled the affirmation of the change factors used for this study.

Following these interviews, data was collected via a focus group with fifteen Kuwaiti SME owners operating businesses in a diverse range of sectors—including fitness, finance, law, management consultancy, fashion, home accessories, and construction—to discuss change management. Hamlin et al. (2017) note that focus groups allow participants to generate ideas based on dialogue and interaction, often creating more ideas due to the group dynamic. Focus groups also facilitate understanding of a range of perspectives and assist knowledge transfer. Focus groups discuss identifiable issues within specific domains relevant to the participants. Table 1: Criteria for SME Change Management, below, consists of the data collected from the focus group. The participants were asked to score the factors in terms of importance and then difficulty from 1 to 10. The mean scores were calculated and recorded. These scores were then ranked, and the top seven factors were selected as the key findings with regards to importance and ease of application in the participants' current business management practices. The findings showed that these seven factors are: Chief Executive Officer commitment, employee trust in management, introduce team-working, internal communication, establishing a steering group, behaviour change, and organisational strategic resources.

### 2.1. Data collection methods

Data was collected via interviews with a variety of Kuwaiti stakeholders, including Kuwaiti small business owners representing both new and well-established firms, representatives of regulatory bodies and funding agencies, individuals experienced in public sector employment, and individual business owners. Interviewees were invited to consider their experience and voice their opinions concerning their participation in the SME market in Kuwait. A focus group, in the form of a workshop, was also held to discuss change management as it relates to small businesses. Interviews and the focus group workshop were recorded and transcribed and the content analysed. All participants were, and are, active in operating successful entrepreneurial organisations and, furthermore, all had engaged with Government Agencies that provide assistance for their endeavours. Whilst it was agreed that these agencies were necessary and, in the main, were committed to carrying out their brief and achieving their objectives, it was felt that existing rules and regulations resulted in inequity in favour of the larger international organisations which enjoyed preferential treatment merely because they were “household names”. The commitment to, and enthusiasm for, the SME sector was clearly expressed by the interviewees whose dedication to their own individual interests and, consequently, the advancement of the SME sector as a whole, was demonstrated throughout the discussions.

## 3. Results and discussion: critical change factors for SMEs

The entrepreneurs ranked the criteria for change management in terms of the importance of each criterion to implementing change and the level of difficulty to implement that criterion. The scores for each criterion were added together and divided by the number of participants to create a mean for each criterion (see Table 1).

**Table 1. Criteria for SME change management**

No	Change criteria	Importance*	Difficulty*
1	Chief executive commitment	4.3	3.0
2	Employee trust in management	4.3	2.9
3	Introduce teamworking	4.6	3.0
4	Internal communication	4.1	2.3
5	Establishing a steering group	4.7	3.0
6	Behaviour change	4.3	2.8
7	Organisation strategic resources	4.1	2.7
8	Cultural change	3.9	3.3
9	Attitude change	3.9	2.7
10	Cost-benefit analysis	3.9	2.9
11	Pilot/Trial change programmes	3.9	2.4
12	Providing staff with different skills	3.8	3.1
13	Process modelling tools	3.7	2.5
14	Changing reward systems	3.6	2.4
15	Changing the roles of functions	3.5	3.1
16	Identify intangible benefits	3.3	2.8
17	Changing individuals' assessments	3.3	3.2
18	External consultancy	3.2	2.5
19	Cross functional team	3.1	3.5
20	Reducing head count	2.8	2.4
21	Changing reporting lines	2.8	2.4

(Source: data collected from a focus group by the authors).

\*Mean Scores.

The emergent patterns in the data are useful for entrepreneurs and policy makers. There are seven factors that achieve a score of four and above. These are Chief Executive Officer (CEO) commitment, employee trust in management, introduce teamworking, internal communication, establishing a steering group, behaviour change, and organisation strategic resources.

SME Chief Executive Officer commitment is deemed to be very important and, in the Kuwait context, quite difficult to achieve. This finding is highly surprising and counter intuitive as it suggests that entrepreneurs, as CEOs of their own company, feel they are unable to commit fully to their business. This is a significant divergence from the literature where SME CEOs are not only expected to commit to their business, they are encouraged to empower, motivate and reinforce staff involvement with organisational programmes. Actions that empower employees include giving them some level of control and authority over resources. Senior leaders need to continually develop professional skills required to manage organisational change (Walston et al., 2010).

The focus group feedback throws more light on the lack of CEO commitment as participants felt that Kuwaiti entrepreneurs seem reticent to expand into non-traditional and new business sectors where significant sales might be achieved. Entrepreneur CEOs find it more challenging to commit to their companies due to prohibitive start-up costs, including infrastructure and rent. Kuwaiti entrepreneurs face competition for talent from public sector jobs that provide acceptable levels of pay and reward for little or no risk.

Western scholars broadly accept that investment in performance appraisal and reward systems make a positive contribution to align employees' actions with output delivery. Nonetheless, such evaluation systems need to be not only culturally sensitive but also cognizant of the close personal



and family relationships that exist in SMEs. In the Kuwaiti context, formal appraisal and reward systems can cause critical organisational issues (for example, perceptions of inequity in appraisals) that leads to increased friction in SME workplaces (Azzone & Palermo, 2011).

A likely consequence of poor teamworking is employees feeling a lack of trust towards entrepreneurs. Studies have shown trust in leaders is an important element of organisational change. Trust in leadership offers a variety of organisational benefits such as increased performance, organisational commitment, job satisfaction and ethical decision-making; therefore, the level of trust becomes a critical factor in influencing how employees think, feel and act towards SME owners implementing change (Smollan, 2013).

The interplay between the perceived lack of trust that employees feel towards management and teamworking may be an indicator of the importance of internal communication. The data shows that internal communication is considered by participants to be difficult. This is another novel finding that overturns the conventional assumption that SMEs, being smaller, tend to have people who work more closely together.

Ensuring entrepreneurs have a strong team around them is accepted in the literature. Kuch and Burgstaller (2011) indicate three areas that emerge as yielding potential for improvement in teamworking: work processes and interfaces, interaction within the team, and structural changes. Entrepreneurs attempting to fulfil all functions of the business face shortcomings in customer service and satisfaction, resulting in slow growth and expansion. As SMEs grow and develop, the extent to which entrepreneurs use of cross-functional teams, which create ideas and knowledge, and increase innovation, is limited. Research into such teams suggests that they enhance competitiveness and responsiveness to market changes (Santa et al., 2010).

The focus group suggested that within Kuwaiti SMEs, there are inadequate change leadership skills at all levels. Ceptureanu (2015) states that pursuing continuous improvement processes can cause problems related to change fatigue, cynicism or burn-out. Yet, an environment of continuous improvement provides conditions for learning, knowledge transfer and shared experiences—thereby increasing opportunities for developing broader skills. The focus group participants suggested that skills gaps may be mitigated as more educated young people enter Kuwait's SME job market.

According to the focus group, the apparent lack of skills is compounded by insufficient numbers of proficient advisers and consultants to assist Kuwaiti SMEs. Furthermore, consultancy in Kuwait is financially prohibitive for SMEs. The literature suggests that external advice is a social interaction process between external advisors and client organisations. Consultants are meant to transfer knowledge to those who manage and/or do the work, as consultants possess wide-ranging experience of change processes, contexts and choices that help entrepreneurs implement change effectively (Scott & Barnes, 2011).

One factor that respondents identified as important is establishing a steering group. Entrepreneurs can set up steering groups to provide them with support and advice when needed. Through careful selection of members, steering groups can replicate the benefits of cross-functional teams and the expertise that consultants have. Piercy et al. (2013) highlight the benefits of creating steering groups, including improved organisational performance, better understanding of how the organisation functions and how individual employees fit within the organisation, which increases employees' feelings of worth and ability to work interdependently. Steering groups provide an option for gaining skills and knowledge without the costs associated with hiring external consultants.

The results highlight the need for changes in behaviour. Interestingly, behavioural changes are considered marginally less difficult to implement than many of the other factors. The need to change behaviours is reinforced by focus group data which suggests Kuwaiti entrepreneurs tend to

operate in their comfort zone. Contrary to extant research and stories of entrepreneurs being risk takers, our evidence suggests that Kuwaiti entrepreneurs are conservative and risk averse, even to the extent that they limit their businesses to sectors with high competition and that have reached saturation.

Entrepreneurs and their employees influence and affect each other through individual and collective motivation, behaviour and identity (Karp et al., 2009). People resist change and certain forms of leadership and feel the need to resist changes that are not necessary for their survival (for example, economic and/or social survival). Entrepreneurial leaders need to pay attention to reward mechanisms, as well as other factors that affect organisational behaviour. Leading change requires managers to influence people to change their behaviours (Bönigk & Steffgen, 2013).

Changes in behaviour are closely intertwined with changes in culture and attitude. Analysis of the correlation between cultural dimensions and aspects of change management, as studied by Hofstede et al. (2010) for example, reveal that there are certain cultural circumstances that impact what does or does not work in a specific culture. For example, SMEs in Kuwait face different challenges to SMEs operating in the United Kingdom. In terms of attitudes, Van den Heuvel et al. (2016) highlight that, in times of organisational change, business leaders and change agents continually search out decisive intervention opportunities to shape employee attitudes towards organisational change. Change management and communication practices that focus on individual understanding of change enhance the implementation of change.

Developing an organisation's strategic resources is critical to the longer-term prosperity of Kuwaiti SMEs. The high set up costs require entrepreneurs to invest and take risks. Zhang and Rajagopalan (2010) state that corporate strategy, from a resource-based view, can be depicted as patterns of resource allocation based on strategic resources available. Effective resource allocation assists SMEs to be more flexible when implementing an investment plan or expanding their business. Studies show that financially constrained organisations are more likely to reduce investments in a wide range of strategic activities, including investments in R&D activities (Campello et al., 2010). The focus group reported that SMEs face significant difficulties in raising funds for expansion and development.

In addition, the focus group participants suggested that laws, regulations and bureaucracy regarding SMEs operating in Kuwait are perceived as onerous and unnecessarily restrictive. The current laws in Kuwait provide weak protection for SME copyright or patents on products, nationally and internationally.

Furthermore, the increase in expatriate residency in Kuwait boosts the size of the market and the diversity of services and commodities in demand. Kuwaiti entrepreneurs have opportunities to diversify; for example, the health and fitness sector is burgeoning. The environmental protection sector is set to expand. Business scalability and franchising opportunities should be a focus of those assisting SMEs. In addition, technology should be exploited more effectively; for example, online ordering, online marketing, and online sales.

SMEs can experience a wide-ranging set of difficulties during transition periods that negatively impact their business operations (Nikolić et al., 2015). In a study regarding the transition of the Serbian economy by Jovanović et al. (2018) it was shown that policy makers should encourage and facilitate SMEs' effective responses to change; however, the article also emphasises that SMEs themselves must address the challenges via effective change management. This can be expedited by policy makers addressing and promoting awareness of the factors discussed in this paper.

### **3.1. Policy implications**

This section discusses the findings for policy makers to develop Kuwait's SME sector and demonstrates what is needed to support SMEs in identifying priorities.

**Support:** Introduce support packages for entrepreneurs with similar types of SMEs to launch their business effectively and to overcome lack in practical expertise, including managerial and financial skills. Other areas of support should be considered, including establishing SME support agencies to review and discuss not only ideas of Kuwaiti entrepreneurs but also the changes they need to implement in their business; offer support to overcome the challenges of bureaucracy; and provide training, consultancy and funding resources for SMEs, to address opportunities and challenges in order to enhance performance. There should also be support available for helping export products and services developed by Kuwaiti SMEs.

**Regulatory review:** a review of regulations should be initiated and carried out by the public sector, to include the funding bodies in consultation with Kuwaiti SMEs and SME support agencies, with a view to changing the mindset and behaviours of SME owners.

**Competitive barriers to entry:** consideration should be given to helping reduce the entry barriers; for example, simplifying licencing applications, assistance with due diligence costs and funding initial capital outlay for start-up SMEs facing high rents, salaries and private consultation fees.

**Funding:** funding bodies need to recognise that they have a responsibility to achieve the most value for the national investment. Therefore, the funds must be used effectively and solely to support SME change. This will create employment opportunities in Kuwait and help the country make the transition from an oil-based economy to a more diversified economy. The funding bodies need to strike a difficult balance between providing funds for Kuwaiti SMEs and making it as simple as possible, while ensuring investments are used to support the right SMEs, and that funded businesses are sustainable and flexible.

### **3.2. Managerial implications**

This section discusses the managerial implications for developing Kuwait's SME sector and demonstrates what is needed to support managers in identifying priorities and creating sustainability and growth for businesses. The following points are the result of the data analysed from discussions with SME leader respondents during the fieldwork stage of this study.

- Managerial awareness of the changes required improves performance in the Kuwaiti SME sector, as does an awareness of the skills required to lead an SME in a transitional economy.
- SME managers must also be aware of the funding, advice and support available to assist SME growth.
- Business owners should assist in focusing the efforts of policy makers to improve the SME sector in Kuwait.
- SME managers must be aware of the critical success factors necessary for growth and sustainability and how to meet the associated criterion.
- SME managers should seek out insights into a variety of viewpoints and sector experience in order to build on their own skills and experience.
- SME managers should recognise the gaps between theory and the current sector reality.

### **3.3. Conclusion and future research**

In conclusion, this research has identified critical change factors that Kuwaiti SMEs need to focus upon to enhance their performance and maintain sustainability when operating in a transitional economy. The factors are Chief Executive Officer commitment, employee trust in management, introduce teamworking, internal communication, establishing a steering group, behaviour change, and organisation strategic resources.

Our in-depth discussions with SMEs and policy makers suggest that activities by policy makers that support SMEs through change will increase survivability rates, meaning Kuwait would have more SMEs, which would assist in broadening the country's economic base. The findings of this

research lead to the recommendation that SME support agencies be created to mediate between Kuwaiti SMEs and government funding bodies and provide change management guidance and training. It is recommended that these agencies be partly funded by the Kuwaiti Government, thus reducing the financial burden on SMEs.

Given the importance of SMEs to the development of a broader economy in Kuwait, further research is required into how best to support SMEs to implement change. A model of how to implement change using criteria identified by this research will help SMEs and policy makers to enhance SME longevity. A larger sample size for data collection, across a number of business sectors, would assist in increasing the generalisability of the findings presented here.

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#### Author details

Nouf Al Bazie<sup>1</sup>  
E-mail: [noufalbazie@outlook.com](mailto:noufalbazie@outlook.com)  
Ashley Braganza<sup>1</sup>  
E-mail: [ashley.braganza@brunel.ac.uk](mailto:ashley.braganza@brunel.ac.uk)  
<sup>1</sup> Brunel Business School, Brunel University, London, UK.

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