



CORONAVIRUS AND FIRM PERFORMANCE: GROUNDED THEORY STUDY

Bader Al-Shammari 

The Public Authority for Applied for Education and Training, Kuwait
ba.alshammari@paaet.edu.kw, bshamari71@hotmail.com

Mejbel Al-Saidi

The Public Authority for Applied for Education and Training, Kuwait

Abstract

All previous crises or crashes in the world have affected the world for a specific period time before disappearing to give human beings time to find solutions and recover. The Coronavirus crisis seems to an exception to this rule and is expected to affect the world for a longer time. We have to learn to work and deal with it effectively or we will lose the battle. The main purpose of this study is to investigate the relationship between Coronavirus and firm performance using a qualitative research method. By using the grounded theory method and interviewing 20 participants from the Kuwaiti business environment, this study examined the relationship between the Coronavirus crisis and its impact on firm performance in Kuwait, offering several recommendations for listed firms, academics, investors, and regulators. The study found that Coronavirus pandemic can impact firm performance either positively or negatively depending on the role of several mechanisms, including the board of directors, management, market policy, employees, banks, and technology. The study also found that regulators in Kuwait must introducing new rules to improve firm performance to reduce the negative impact of this crisis.

Keywords: Firm performance, Coronavirus, Covid 19, Grounded theory, Kuwait

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INTRODUCTION

Coronavirus (COVID-19) emerged in the city of Wuhan in China in December 2019 before spreading to all countries in the world. This virus has affected different sectors in our lives, especially the health and financial sectors. We are not experiencing our first financial crisis, nor will it be the last, but we know that the world will be a very different place after the Coronavirus pandemic. According to a BBC report from April 30, 2020, this pandemic has produced four major problems to the world: a global drop in the stock market in all countries, a high rate of unemployment (e.g., more than 30 million people lost their jobs in the US), a sharp decline in the price of oil, and the expectation that many economies will enter a long recession. Thus, the economic impact of this pandemic is very serious and must be considered.

The main purpose of this study is to examine the impact of this pandemic on firm performance in Kuwait by using a qualitative research method. Such a selection was made for two major reasons. First, it is very difficult to conduct an empirical study. Using the number of deaths and people who have recovered will be not helpful because the results are already known. Bad news negatively affects performance while good news positively affects performance. Second, grounded theory provides the study with a deep and rich understanding as well as a clear method for analysis the results of the study. El Hussein, Hirst, Salyers, and Osuji (2014) identifying four advantages to using the grounded theory as a research method. It provides an intuitive appeal, fosters creativity, has the potential to conceptualize a systematic approach to data analysis, and provides deep and rich data.

Kuwait has faced five major financial problems that have affected Kuwaitis since 1980 (see Table 1). The first financial problem was the Al-Manakh crash that occurred in 1983 when a few traders presented their discounted postdated checks to banks to receive cash. The banks told them that the Kuwaiti government did not support any checks from the Al-Manakh market. The total debt from this market is \$94 billion from 29,000 checks. Then in 1990, the Iraqi army invaded Kuwait, which led to the closing of the Kuwait Stock Market (KSE) for 7 months and produced problems related to the purchase of bad debt for the financial sectors. The government issued \$20 billion in government bonds to purchase all bad debts. Then from 1997 to 2001, the government paid several billion dollars to support the economy after the financial crisis in Asia and the Enron and WorldCom scandals in the US. In 2008, the world faced a mortgage crisis in the US related to the real estate sector. Because of this crisis, the Kuwait government limited housing finance by imposing new requirements and rules and increasing interest rates. Finally, as of this writing, Kuwait and the entire world is facing the effects of the Coronavirus pandemic. According to a report that released by the National Bank of Kuwait (NBK) in May 2020, decreasing the oil prices have increased the government deficit to \$40

billion. The government also announced a public holiday that forced all businesses to close from March 12 until June 21, and a curfew was in effect from March 22 until August 30 of this year. As the Kuwaiti GDP decreased by 4%, the KSE dropped by 30%. Thus, examining this issue is important for reducing the impact of such a problem and finding the best policies for dealing with it.

Table 1: Previous crises in Kuwait for firms listed on the Kuwait Stock Exchange (KSE)

Crisis	Impact	Consequences
Al-Manakh in 1983	Close KSE	Opened new stock market, with losses in financial sector of about \$94 billion
Iraqi invasion in 1990	Stopped trading for 7 months	Opened again in 1991 and government purchased the financial sector's bad debt for \$20 billion
Asia and World crisis from 1997 to 2001	Decreased the KSE index	Introduced new rules and disclosure requirements
American crisis in 2008	Decreased the KSE index	Introduced new companies laws and later established capital market authority
Coronavirus in 2020	Decreasing oil prices and KSE index	Loss of jobs in private sectors, many small businesses bankrupted, bank settlements not being paid, and closing of universities and schools, shopping centers, and banks

This study reviews the relevant literature to make three important contributions. First, grounded theory is used to examine the relationship between Coronavirus and firm performance. This is the first study to attempt to provide a clear picture about the factors that may impact firm performance in Kuwait due to this pandemic. Prior studies have focused on the impact of COVID-19 on stock market returns, household consumption, and employment whereas this study, to the best of our knowledge, is the first to investigate the impact of COVID-19 on firm performance using grounded theory. Second, given its sudden and disruptive nature, the COVID-19 crisis is a particularly a powerful context in which to obtain new insights into firm performance in Kuwait during such a crisis. This study is the first attempt to provide initial evidence of how firms have responded to the COVID-19 crisis. This study further contributes to firm performance research and shows how these companies cope with a lockdown and curfew situation.

This study was conducted with 20 interviewees who are experts in the accounting field and listed firms. The value of this study is based of their perceptions about the relationship

between Coronavirus and firm performance. The implications of this study are important for investors and stock market participants seeking to understand and predict firm performance during pandemics. It is also important because regulators in Kuwait have recently started paying more attention to the impact of the COVID-19 crisis on firms' performance and situations. The timing of this study is important for government leaders and regulators seeking to review established rules and regulations as this study provides clear evidence of missing factors and the actual impact on firm performance during this crisis. This is consistent with standard setters of IASB as they begin to give attention to the firms' situations during pandemic (Yan et al., 2020).

To achieve the main goal of this study, the rest of this study is organized as follows. Section 2 presents the background of Coronavirus, and Section 3 discusses previous studies about the financial crisis and Coronavirus. Section 4 presents the study's methodology, and Section 5 presents the study's results. Section 6 concludes the study.

BACKGROUND OF CORONAVIRUS

The outbreak of the new Coronavirus (COVID-19) has caused a pandemic of respiratory disease for which vaccines and targeted therapeutics for treatment are still unavailable as of September 2020. COVID-19 is considered part of a large family of viruses that may cause illnesses ranging from the common cold to more severe respiratory diseases (Yang et al., 2020). The Coronavirus emerged on 31 December 2019 in Wuhan, the capital city of Hubei Province in China, with a population of 11 million (Sohrabi et al., 2020; Yang et al., 2020). Initially, a few cases of COVID-19 presented with common flu symptoms. These cases were first reported to the World Health Organization (WHO) and, on January 1, 2020, Chinese health authorities closed the Huanan Seafood Wholesale Market after it was discovered that wild animals sold were believed to be linked to these cases as the source of the virus (World Health Organization, 2020; Huang et al., 2020). On January 20, 2020, Chinese health authorities confirmed person-to-person transmission of the Coronavirus, and on January 21, the WHO issued its first situation report on the outbreak of COVID-19, outlining 282 confirmed cases in four countries: China (278 cases), Thailand (two cases), Japan (one case), and the Republic of Korea (one case) (WHO, 2020).

On January 25, the first European cases of the Coronavirus were published in the WHO's fifth report (WHO, 2020). By January 30, after the increasing spread of the virus in China and its appearance in other parts of the world, a newly created emergency committee declared the new Coronavirus a public health emergency of international concern (WHO, 2020). On February 24, the first cases of COVID-19 appeared in Kuwait after religious tourists returned

home from Iran. By March 11, 118,319 cases had been confirmed worldwide, and the WHO director-general declared COVID-19 a pandemic (WHO, 2020).

As of September 1, the COVID-19 pandemic had caused 25 million confirmed cases and 852,000 deaths, generating major concerns about public health around the world. To control the spread of COVID-19, governments initiated several very aggressive but effective measures to prevent transmission. For example, governments locked down schools and universities for all students, prohibited travel, closed borders, sealed off cities, and prohibited public gatherings. They also imposed curfews and required general social distancing and masks while households were told to stay home to slow the spread of the virus (Huang et al., 2020). People's consumption behavior changed accordingly, and economic activities, firm activities, and financial markets were severely affected as a result (Huang et al., 2020).

PREVIOUS STUDIES ABOUT FINANCIAL CRISIS AND CORONAVIRUS

In qualitative research, previous studies can help researchers build theoretical sensitivity. To do so, researchers must first present some ideas sensitive to the data gathered for the analysis stage. Thus, prior knowledge is very important to inform the analysis, but not direct it. Previous studies can be used to design questions and develop theoretical sampling. In the majority of quantitative research, previous studies have examined the impact of economic crises using corporate governance mechanisms, such as ownership structure, board of directors, financial polices, and regulations. More recent studies have focused on the impact of the pandemic on the economy, stock markets, employment, household consumption, and oil prices.

The outbreak of COVID-19 was sudden and unprecedented. It created significant uncertainty in the economy worldwide (Baker et al., 2020). It also came as a shock to market participants. A great number of studies emerged in a short period to examine the economic consequences of the outbreak from different aspects, such as market reactions, economy, employment, and consumption behavior. Hassan et al. (2020) examined the impact of the immediate shock of COVID-19 on the costs, benefits, and risks of companies listed in the US markets and more than 80 other countries. They identified which companies expected to gain or lose from an epidemic and which were most affected by the associated uncertainty as a disease spread through a region or around the world. They reported that companies with experience with SARS or H1N1 had more positive expectations about their ability to deal with the Coronavirus outbreak. Jordà et al. (2020) investigated the long-term effect of COVID-19 on the economy. Baker, Farrokhnia et al. (2020) reported on the changes of household consumption behaviors due to COVID-19 while Ludvigson et al. (2020) found that labor market activities and employment had been seriously affected by the outbreak.

Other studies have examined the impact of COVID-19 on the stock market. Baker, Bloom, Davis, Kost et al. (2020) showed that stock market volatility in the US reached its highest point in history because of COVID-19. Ramelli and Wagner (2020) explored the impacts of COVID-19 on American firms. They investigated a cross-section of stock price reactions to COVID-19 events to understand the factors that impacted investors' demand during the onset of the crisis. They found that sophisticated investors started pricing effects earlier, while the broad attention of participants grew once human-to-human transmission was confirmed. Furthermore, they found that, after the end of February, the aggregate market fell, as investors became increasingly more worried about corporate debt and liquidity issues.

Ru et al. (2020) provided international evidence that stock markets in countries without SARS experience have underreacted to COVID-19. Takahashi and Kazuo (2020) conducted another firm-based analysis with Japanese firms. Al-Awadhi et al. (2020) examined the effects of COVID-19 on Chinese stock market returns. They found that daily growth in both total confirmed cases and total cases of death from COVID-19 had significant negative effects on stock market returns across all companies included in the Hang Seng Index and Shanghai Stock Exchange Composite Index from January 10 to March 16, 2020. One of few studies dealing with global consequences was that of Albulescu (2020), who connected VIX (volatility index) to COVID-19 data and concluded that reports from outside China have more impact on VIX. Using data from the 12 most-affected countries, Albulescu (2020) investigated the relationship between death rates and financial market volatility and oil prices. He found that an increasing number of affected countries contributed to increasing financial market volatility, which also negatively impacted oil prices. Mamaysky (2020) examined the reactions of financial markets to Coronavirus media coverage. He provided evidence that financial markets reacted to the media coverage. Kingsly and Henri (2020) also found that oil prices are also negatively affected by decreases in industrial production due to the outbreak of COVID-19. Gormsen and Koijen (2020) investigated the changes in growth expectations and uncertainty in driving stock returns during the crisis. They found that information about economic relief schemes lowered risk perceptions and improved long-term growth expectations. Alfaro et al. (2020) examined the interplay of changes in growth expectations and uncertainty in driving stock returns. They reported that the Coronavirus infection trajectory also played a role in explaining stock market reactions, which declined as the trajectory of the pandemic became clearer.

A few studies have examined the impact of the COVID-19 announcement on stock markets' movements. Erdem (2020) investigated whether a relationship exists between countries' freedom and their stock market movements in response to COVID-19 announcements. Considering that freer countries have announced a greater number of

confirmed cases and deaths than others, the study was specifically concerned with how markets reacted to these countries' pandemic announcements. Using broad stock market indices of 75 countries together with their Coronavirus toll numbers, the researchers found that markets were significantly negatively affected by the growth in the number of confirmed cases per million; the index returns decreased as volatilities increased. Moreover, the stock markets of less-free countries were more affected by the same size of an increase in the number of Coronavirus cases. Similarly, the index volatilities in freer countries were associated with a lower increase than those in less-free countries.

Xiaolin and Zhigang (2020) investigated the reactions of the Chinese stock market for both industry- and firm-level stocks to COVID-19, particularly to the announcement of pandemic-related lockdowns. They identified market overreactions to such announcements, leading to return reversals. For industry- and firm-level stocks with positive cumulative abnormal returns in the event window when Wuhan was locked down, the reversals were stronger. Thus, the reversal effects were mostly driven by industries and stocks that positively overreacted to COVID-19 more than others did. Further investigation demonstrated that overreactions were stronger for stocks with lower institutional ownership, indicating that retail investors reacted more strongly to COVID-19. Among stocks with positive cumulative abnormal returns in the event window, those with higher idiosyncratic volatilities and lower book-to-market ratios tended to have worse performance after one month.

Several studies have investigated the effectiveness of the government measures and policies to overcome the economic consequences of COVID-19. Krueger et al. (2020) investigated the effectiveness of government intervention. Caballero and Simsek (2020) also reported on monetary policy to encourage the economy. Moreover, Moser and Yared (2020) described the economic consequences of the lockdown measures in China. Huang et al. (2020) reported on several economic and financial policies to decrease economic failure. These studies reported that government measures and policies played a role in decreasing the effect on economy.

With respect the impact of COVID-19 on firm performance, few studies have investigated this issue. Aifuwa et al. (2020) empirically studied the impact of this crisis on firm performance by using a questionnaire sent to the owners of private firms in Nigeria; they found that Coronavirus impacted the firms' performance negatively and recommended that the government should help private firms with a support program. Ayed et al. (2020) studied the situation in Tunisia and found similar results. They tried to link the ratio of confirmed cases, deaths, and recovered cases to firm performance and found that the ratio of confirmed cases and deaths affected firm performance, but the death ratio did not.

This study examined the impact of COVID-19 on firm performance in Kuwait using a qualitative research method. By using a grounded theory method and interviewing 20 participants from the Kuwaiti business environment, this study examined the relationship between the Coronavirus crisis and its impact on firm performance in Kuwait, which has not been examined yet.

RESEARCH METHODOLOGY

As presented in previous section, the majority of previous studies that examined the impact of financial crises and the Coronavirus pandemic used quantitative methods, while qualitative methods are rare. To fill this gap, this study examined the relationship between firm performance and Coronavirus within a qualitative framework—namely, grounded theory method. Hamid et al. (2012) identified many advantages of using grounded theory, including that it helps generate new theories about reality. According to Crooks (2001), grounded theory is relevant for exploring social relationships and group behaviors in cases with few explanations of the contextual factors that impact our lives. Generally speaking, there are three approaches discussed in the ground theory research method: the views of Glaser and Strauss (1967), Strauss and Corbin (1990), and Charmaz (2006). This study applied the second version—namely, the view of Strauss and Corbin (1990)—because it uses a literature review before conducting the data analyses. Such a policy can guide researchers in designing the interview questions and starting the data collection. Strauss and Corbin (1998) argued that the inclusion of previous studies helps a grounded theory study by providing secondary data, raising questions, providing a clear guide for the theoretical sample process, and proving supplementary vitality.

Strauss and Corbin (1990, p. 23) defined grounded theory as “*a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon.*” They introduced three steps for analyzing the qualitative data: open coding, axial coding, and selective coding. Open coding is the process of generating concepts while axial coding links concepts into groups (coding paradigm); finally, selective coding is the process of building relationships among groups into theoretical frameworks. Dey (1999) suggested that researchers must start their studies by identifying the areas of interest using theoretical information from previous studies and then developing the data by using analytical procedures and sampling policies. Analysis must stop when the researchers finds the core category and reaches theoretical saturation. The core category is the main category for the data, and all other categories are related to it.

Table 2. Participants' characteristics

Position	Gender	Code	Place of work
Chairman of board of directors	Male	P1	Listed firm
CEO	Male	P2	Listed firm
Board independence member (1)	Male	P3	Listed firm
Board independence member (2)	Male	P4	Listed firm
Non-executive director (1)	Male	P5	Listed firm
Non-executive director (2)	Male	P6	Listed firm
Regulator (1)	Male	P7	KSE
Regulator (2)	Female	P8	CBK
Auditor (1)	Male	P9	Audit firm
Auditor (2)	Male	P10	Audit firm
Financial analyst (1)	Male	P11	KSE
Financial analyst (2)	Male	P12	KSE
Academic (1)	Female	P13	PAAET
Academic (2)	Male	P14	Kuwait University
Academic (3)	Male	P15	Private University
Investor (1)	Male	P16	KSE
Investor (1)	Male	P17	KSE
Investor (3)	Male	P18	KSE
General manager (1)	Male	P19	Listed firm
General manager (2)	Male	P20	Listed firm

The study used the nonprobability sampling. This method selected for two reasons. First, the researchers have shortage of time and interviewees are not easily to find. Second, it is very important to take interviewees from different groups with high expertise in Kuwait market. In addition, previous studies do not provide good guidance on sample size in grounded theory studies. The sample size used in grounded studies tends to be very small but produces a lot of information (Holloway, 1997). Taylor and Bogdan (1998) concluded that the sample size is unimportant compared to the quality of information obtained. Thomson (2011) reviewed grounded theory studies conducted between 2002 and 2008 and found that the 100 studies on average included 25 participants, ranging from 5 to 114 participants. In the current study, due to the Coronavirus pandemic, the researchers relied on his own contacts and public relationships to select the potential participants. This study interviewed 20 participants with extensive experience in Kuwait (see Table 2).

This study used semi-structured interview questions (Appendix 1), which are common in qualitative research and offer several advantages, such as the ability to include open-ended questions and update questions to reflect emerging theory. The interview questions were designed based on the literature review, the debates, and discussions in international newspapers in developed countries, such as *Financial Times*, *Washington Post*, and *Wall Street Journal*. In addition, the researchers included some questions from TV channels such as CNN, Kuwait TV, Fox News, and BBC as well as Al-Jazeera. Due to the unusual business environment and the curfew in effect in Kuwait, the researchers used only one pilot study to ensure that the questions addressed the research objectives. This pilot study was conducted in the beginning of June 2020. The researchers sent a signed letter by email to the respondent three days before the proposed interview time. This letter included more details about the purpose of the study and interview questions and suggested a time for the interview. A single participant was asked for his opinion about the study and interview questions. This pilot interview took about 45 minutes, and the respondent asked the researchers to delete and add many questions. He added questions about the employees and their training as well as the impact of oil prices on the Kuwaiti economy and the role of the board of directors. During this interview, the questions were easily understood, and the interviewee answered them smoothly.

The researchers started the interviews on June 14, 2020, and finished them by July 1, 2020. Interviews were conducted by telephone and lasted about one hour on average. The interviews started with the two investors who have been investing in the KSE for 20 years. All interviewees indicated that they were happy to participate in this study. They were emailed the study's objective and interview questions ahead of time, and appointments were coordinated by phone. All interview requirements included ethical form approval, the security of the names and information, as well as information about the researchers and his academic work; interviewees received this information before starting the interview to ensure they had enough time to read it and decide whether to participate. Interviewees are not identified to maintain anonymity. Table 2 presents more details about the participants.

With permission of the interviewees, all interviews were recorded with the exception of the two female interviewees. Each interview was then transcribed and translated from Arabic into English by a professional English teacher who has been working with the Ministry of Education in Kuwait since 2000. These 20 interviews produced about 45,000 words that were manually analyzed to understand what the interviewees meant. The researchers then started to build the grounded theory about this crisis in Kuwait following Strauss and Corbin (1990) and Strauss and Corbin (1998), as presented in Table 3.

Table 3: Process for building grounded theory in this study

Phase	Task	Procedures
1	Literature review	Determine the study's objective and question
2	Data collection	Interview 20 participants
3	Open coding	Identify a set of 62 concepts divided into 24 subcategories and dimensions and further into 5 main categories according to their properties and dimensions
4	Axial coding	Link main categories to build the study's paradigm model
5	Selective coding	Identify a core category and connect it with other categories (after each coding step, the researchers wrote memos about concepts and categories)
6	Developing the theory	Coding paradigm – determine the conditions and the consequence that affect the phenomenon <This stage involves constructing a theoretical model, which means that the researchers reach theoretical saturation>
7	Comparing with previous studies	Compare the results of this study with previous studies to improve the study's validity

RESULTS

Study model

Figure 1 presents the theory generated in this study. It is based on five major categories, with the main categories being the phenomena under study (i.e., Coronavirus and firm performance). Causal conditions were identified as internal obstacles (what leads to?) while intervening conditions were the external obstacles (the general set of conditions that explains the core category); the actions and strategies of the phenomena under study included the roles of the government and regulators (actions that occur as a result of the phenomenon). The final category was the consequences (i.e., outcomes) of the crisis.

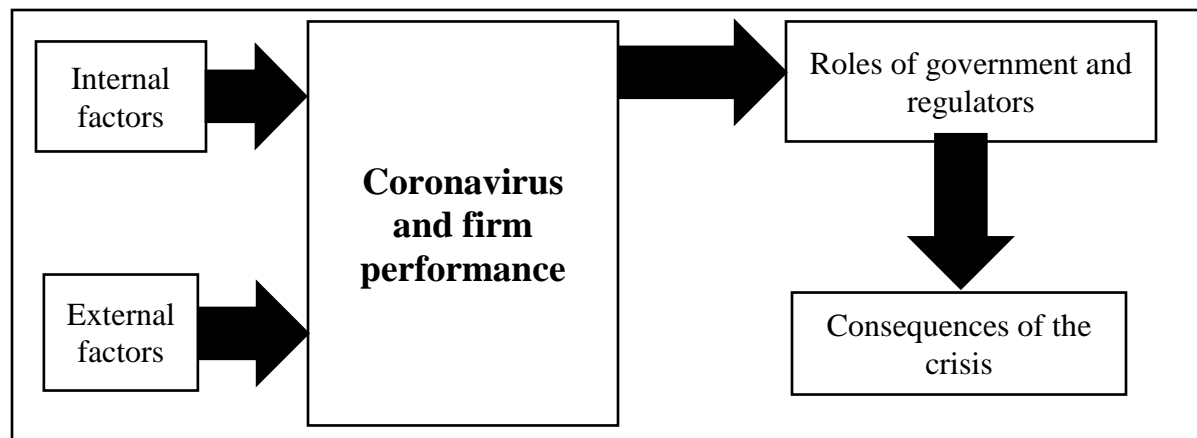


Figure 1: Structure of factors for Coronavirus and firm performance in Kuwait

Coronavirus and firm performance

As presented in Table 4, the interviewees argued that Coronavirus affected all sectors in Kuwait. This virus has led to a major crisis affecting firm performance in several ways.

Table 4: Coronavirus and firm performance (phenomena)

Concepts	Subcategories	Dimensions
Diseases, firm performance, ratio of death, ratio of recovery, widespread, infected people, dangerous, all sectors, developed and developing countries, opportunities	Coronavirus Performance Ratios	Negative–Positive

The majority of the interviewees (18 out of 20) argued that this pandemic negatively impacted firm performance. The chairman of Kuwait's listed firms stated:

I saw the diseases of SARS in 2003 and Ebola in 2014, but this disease is different. It is widely widespread and affects all industrial sectors. Thus, I would say that this crisis impacts economics in Kuwait and all the countries negatively. (P1)

Consistent with this view the CEO, non-executive directors, and independent directors argued that this crisis affects not only firm performance in Kuwait, but also our lives in general. They argued that all important sectors in the country, including food, industrial, education, consumer services, goods, and telecommunications, are affected. As the general major in one of the industrial firms stated:

The situation in developing countries is very dangerous. These countries is not like the US, Europe, or Japan. They bring everything from outside. Thus, they consume goods only. They are not producer countries. The negative impact will be very big in developing countries since the solutions for this problem are not available. They can survive, but not for a long time. (P19)

One of the financial analysts offered another argument for the impact of Coronavirus on firm performance and the economy in general:

No one 100% knows the real impact of the Coronavirus on firm performance and the economy in general. Perhaps we have to wait until year 2020 is finished. However, I should say that the major economies in the world have lost about 3% to 5% from the value of gross domestic product (GDP), and Kuwait is one of them whose GDP decreased. (P11)

In addition, all investors agreed with this view that Coronavirus is the worst crisis they have ever seen. They argued that some industries, such as beauty, education, restaurants, coffee centers, and travel, are dying. They believed that people have become like animals; they go outside to get food then remain in their homes for a long time. According to the auditor:

Unfortunately, all sectors in Kuwait are infected, including food and goods sectors. In developed countries it is different. These sectors increased their sales and profits. But here in Kuwait since we import 80% of goods and food from outside, the losses impact all firms. (P9)

However, five interviewees—namely, the regulators and academics—introduced different positive perspectives to this crisis. One academic argued that:

The impact of the Coronavirus is not clear for me. The period is very short from December until now. We have not had enough time to analyze this crisis yet. I'm very sure that some firms see this crisis as a good opportunity to increase their sales and profits. Look what happened to amazon.com. The owner of this firm become the first trillionaire in the world. Maybe we have to wait and see the true impact later on. (P13)

One regulator argued that building relationships between this crisis and firm performance and the economy in the country is a very difficult task right now. She argued that people now are worried about their lives and their businesses. When they hear news that the number of new COVID-19 cases and deaths is increasing, they stay at home and think about their safety and their lives. However, when the news announces that the number of recovered people is increasing, they think about going back to their normal lives. She added that *“the economic and firm performance are related to the situation in the developed countries. It's like previous crises in 2001 and 2008; when these big countries sneezed, we got sick” (P8).*

Thus, the majority of the interviewees believed that Coronavirus has negatively impacted firm performance and economics in general because it completely destroyed many sectors in our lives. Consistent with these perceptions, Aifuwa et al. (2020) empirically studied the impact of this crisis on firm performance by using a questionnaire sent to owners of private firms in Nigeria and found that Coronavirus had negatively impacted firm performance; thus, they recommended that the government should help private firms with a support program. Ayed et al. (2020) also studied the situation in Tunisia and found similar results. They tried to link the ratio of confirmed cases, deaths, and recovered cases to firm performance and found that the ratio of confirmed cases and deaths affected firm performance whereas the death ratio did not.

Internal factors

The interviewees identified six major factors that impact firm performance from inside the firm during this crisis: board of directors, management, market policy, employees, debt, and technology (see Table 5). The chairman argued that:

The performance of Kuwaiti firms during this crisis depends on two issues: the employees and the market policy. We need effective employees who are able to use new technology and software to work from home. Also, we need a strong market policy that can understand customers' needs and changes. We need to go to the customers' homes. (P1)

The CEO emphasized the role of the board of directors:

Actually no one can see the end of the tunnel. I believe what management needs from the board of directors is not just meetings. We need active members and support. I think a big board and a diverse board would be very helpful in this crisis. A big board and board diversity mean more experience and discussion. (P2)

Table 5: Internal factors (causal conditions)

Concepts	Subcategories	Dimensions
Customer, consumer attitude, board of directors, board meeting, board diversity, debt, human resources, training, work from home, safety, environment, ability, extra work, costs, changes in product and technology, people difficulty, plans	Board of directors Management Market policy Debt Employees Technology	Strong–Weak

One of the general managers argued that boards of directors in Kuwait must have good connections with regulators, shareholders, banks, employees, and customers:

Board members should ask CEOs to have a quick meeting with government representatives to discuss the important issues related to financing, in particular, bank loan payments. Directors must help their firms deal with this crisis in the best way or leave the board. (P20)

However, the independent board members asserted that, from the first day, boards of directors build strong teams of directors and management to fight such crises. This particular problem was especially difficult because it impacts all countries. One independent member added that:

In our firm, we divided the work between board and management. We are now partners and friends. The management role is to focus on employees and customers, while the board of

directors works on analyzing this crisis and finding solutions. Unfortunately, this is not the case in all Kuwaiti firms. (P3)

Consistent with this view, the regulator from Central Bank of Kuwait argued that:

*The role of the board of directors is very important during this crisis. Some firms will win this battle against this virus, but others firms will not. I think it depends on the qualifications and skills of board members. A good board takes care of the safety of the employees, customers, and financial position. I think the human resource department should play an important role related to the employees and customers. Richard Branson is one of the businessmen in the UK, and he said that "**clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.**" (P8)*

However, all academics argued that the majority of boards of directors work without plans. One academic from Kuwait University argued that they just meet twice a year, and CEOs take care of everything in the firms. He said that:

Good directors must monitor the managers and ask them to prepare many plans to face this crisis and the costs of each plan. Plans to supply goods and services, plans for working from home. In addition, firms must have a clear plan on what to do with their employees if this crisis take a long time. I think 50% of the employees will lose their jobs if this crisis does not end before December. Employees must now be familiar with new technology and new internet tools. Management must provide their employees with the necessary training and computers to work from home. (P14)

The investors argued that boards of directors and management must be honest with people inside and outside the firms; no one can know the uncertainties. One investor offered a good solution for working during this crisis and argued that this is better than closing all businesses:

I disagree that the government should close everything. This will create many problems, such as loneliness and divorces. The solution is very easy: divide employees into three or four groups and ask each group to work 6 hours. If anyone from any group gets infected, give the entire group of employees rest for 14 days. (P18)

The auditors documented that Kuwaiti firms in this crisis must keep touch with their customers and note their priorities. They argued that good firms have a good market policy and qualified people; they also provide employees with all necessary technology to work from home in a safe environment. One auditor stated that:

Nobody knows when this crisis will end. I think it will take two or three years. Kuwaiti banks deferred firms' payments by 6 months during this crisis. However, they ignored firms' forgiveness. The market before this crisis will not be the market after this crisis. Also, the customer and consumer attributes are changing. This is very difficult and it will cost firms. (P10)

Consistent with this view, the financial analyst argued that:

I do not think employees can work from home. Before the crisis, many Kuwaiti firms asked their employees to come to work on vacation days. That means two things: either the firms in Kuwait do not have the technology to help their employees work from home or the employees do not know how to use this technology. (P12)

The interviewees believed that the Coronavirus pandemic has impacted firm performance either positively or negatively depending on the role of several mechanisms, including the board of directors, management, market policy, employees, banks, and technology. The interviewees argued that some directors and managers build strong teams to face this crisis and are qualified to play an effective role in this crisis whereas others are not. The market policy is also very important during this crisis. This policy must be developed and updated because consumer behavior has changed during this crisis. Furthermore, employees must have the necessary tools and training to work from home safely and keep in touch with customers. Meanwhile, Kuwaiti bank are not postponing firms' payment. These results are consistent with the studies of Krueger et al. (2020), Caballero and Simsek (2020), Moser and Yared (2020), and Huang et al. (2020), who identified some internal factors that impact the level of this crisis.

External factors

The interviewees indicated that firm performance and the economy in general are significantly impacted by four outside factors: previous global crises, the situation in developed and Gulf Cooperation Council (GCC) countries, oil prices, and Kuwait's economy. Table 6 presents more details about the coding of these perceptions. The majority of the interviewees (17 out of 20) believed that these factors come from developed countries.

Table 6: External factors (intervening conditions)

Concepts	Subcategories	Dimensions
Previous global crises, oil price, USA, China, Gulf countries, European countries, deficit government budget, Kuwait's economy	Previous crisis, Kuwait's economy, Other countries, Oil prices, Potential financial crisis	Domestic– Foreign

For example, the regulator from KSE argued that:

We cannot compare this crisis with previous crises. This crises are different. For example, the crisis in 2008 that came from the US housing market impacted the real estate and bank sectors. However, this crisis impacts all sectors and all countries. (P7)

The chairman, CEO, independent board members, and general managers argued that there are some similarities and differences between previous crises and this crisis. For example, the CEO argued that:

This crisis is quite similar to the previous crisis that occurred in Asia, European countries, and the USA. Both of them led to collapse and reduced the stock market; however, this crisis has spread and attacked all countries quickly. When people heard about this crisis, they sold all of their investments on the stock market, which led to a significant decrease in all markets around the world. (P2)

The investors added that not only previous crises, but also the situation in other countries, such as GCC countries and developed countries, have made this crisis more difficult.¹ One of the investors explained that:

The situation in China, Europe, and the US strongly impact the situation in Kuwait. If they are safe, we will be safe, and the opposite is true. The situation in these countries is very bad, and people here Kuwait are worried about it, and such feelings influence the firms negatively. Even in GCC countries, especially Saudi Arabic, the situation is not clear. The Saudi market has lost a lot of money. People in Kuwait act in the same way; they sold their shares on the Kuwait Stock Exchange and will keep their cash until this crisis is finished. (P16)

The financial analyst argued that the situation in Kuwait is another reason that supports the impact of Coronavirus on firm performance of Kuwaiti firms:

Last year the government announced that there was a big deficit in the government budget, about \$60 billion, because oil prices were going down. The problem now is worse than last year. After the Coronavirus came, the government reduced its expenditures and its support for the private sector. Listed firms strongly depend on government contracts; thus, reducing these contracts would reduce their profits. (P12)

From another perspective, the academics and auditors argued that decreasing the oil prices increased the problems stemming from this crisis. They argued that factories are closed,

¹ GCC countries consist of six countries: Kuwait, KSA, Bahrain, Qatar, Oman, and UAE.

airports are closed, and people not using their cars because they are staying home. The academic from PAAET added that this crisis is a complication of many crisis:

The problems always come together. First, the Coronavirus is discovered in China, then it spread to all countries, then a strong war occurred between Saudi Arabia and Russia, and then oil prices decreased to historic levels. In the USA, the oil prices fell below zero in April. Nobody is used to it, and there is a greater demand for oil in the world. Then stock markets around the world declined and many people lost their money. I do not think this crisis will transfer to a financial crisis. This crisis will disappear in December. (P13)

These perceptions are consistent with the study of Yilmazkuday (2020), who used a sample of daily data from China and found that an increased number of cases in China led to reduced oil prices. Albulescu (2020) found that oil prices decreased as the number of infected people increased in the USA. In summary, the interviewees argued that Coronavirus created other problems that have negatively influenced firm performance and the economy. These problems include bad experiences from previous crises, the situation in other countries, government deficit, and oil prices.

Role of government and regulators

To reiterate, this study sought to examine the impact of Coronavirus on firm performance in Kuwait. Half of the interviewees (10 out of 20) believed that Kuwait's government has played a positive role during this crisis while the other half believed the opposite to be true. Table 7 presents the coding of the role of government and regulators in reducing the impact of this crisis.

Table 7: Role of government and regulators (actions)

Concepts	Subcategories	Dimensions
Government, regulations, not helpful, government support, Kuwait Central Bank, Capital Authority Market, Ministry of Commerce and Industry, rules of working online, plan for returning to life, fund, donation, curfew, WHO	Local support donations International Introduced new rules Returning to life Leadership	Good–Bad

The chairman argued that Kuwait's government has played a positive role in this crisis. He believed that the Ministry of Trade, Kuwait Central Bank, and Capital Market Authority (CMA)

have introduced several rules and regulations that reduce the impact of this crisis. Consistent with this view, one of the non-executive directors argued that:

I'm very satisfied with what the government has done in this crisis. On March 22, the government announced a total curfew in the country, and the government increased its budget by \$1.6 billion to stop the spread of this virus. Also, Kuwait's government donated many millions to WHO to help poor countries. (P5)

The regulator from CBK believed that the government has played a positive role in this crisis. The regulator argued that the government and its agencies have engaged in important procedures to control the growth of this virus, thereby reducing the negative impact on firm performance. She stated that:

The government, the central bank, and CMA did three things that affect firm performance in a positive way. They postponed the bank payments for Kuwaiti people (not firms) that increased investors on KSE, established temporary funds to help firms, and entered the market as big shareholders to increase the share prices. (P8)

However, one investor, the CEO, one general manager, and the auditors did not support these perceptions and added that, although this crisis is difficult and not easy to control, the government and its agencies have made this crisis more difficult for Kuwait's firms. As one auditor explained:

Paying money is not enough. We need new strong leadership that introduces regulations that protect firms and Kuwaiti people. I have been working in auditing for 15 years, and the majority of people I have encountered in Kuwaiti firms are non-Kuwaiti. This is a big problem. The regulators must increase the number of Kuwaiti employees in the private sector and issue new rules that make them safe. Many Kuwaiti people prefer to work for the government because they are safe. Private firms will fire them in case of any crisis. I think the government is sleeping about the number of Kuwaiti employees in the private sector. As we have read in newspapers, many of them leave Kuwait. (P9)

The financial analysts and academics also presented different perceptions. The financial analyst argued that:

The Kuwaiti government paid a lot of money and closed all public places to fight this crisis and then introduced a quick plan to return. Also, Kuwait donated more than \$80 million to the World Health Organization (WHO). However, the government increased the number of non-Kuwaiti

people to 67% of the total population in Kuwait. They left Kuwait and forced Kuwaiti firms to close. Thus, government support is worthless. (P11)

The academics in one of Kuwait's private universities argued that the government did a lot of good things. Some positively impacted firm performance while others negatively impacted it. This problem has heightened our internal weaknesses. She added that there is no good insurance policy for employees, employees are not able to work from home, and the private sector is highly controlled by non-Kuwaiti people. She also believed that the Kuwait Central Bank and CMA have made two major decisions that negatively affected firm performance:

On May 28, the government announced its plan to return to the normal life in Kuwait. This plan consists of 5 periods. The government invited many medical expert teams to visit Kuwait. I have read that teams from Europe, China, and Cuba have visited Kuwait to help. This is brilliant. Life must go on. However, the Central Bank of Kuwait (CBK) and Capital Market Authority (CMA) were acting in the opposite way. CBK prevented Kuwait banks from giving cash dividends to their shareholders during 2020, while CMA canceled all transactions that happened in Wednesday the 10th of June 2020. These two decisions affected firm performance and KSE negatively. Regulators must take care before making decisions. Both of these decisions reduced the index of KSE by about 2% in one day. (P15)

In summary, related to the role of Kuwait's government in this crisis, the interviewees were divided into two groups. One group argued that the government paid a lot of money to deal with this crisis and introduce a good plan to return to normal life. However, the other group believed that the government's procedures are not enough. Several studies documented that governments around the world paid more money and increased their budgets to reduce the negative impact of this crisis (Uhlig and Xie, 2020; Caballero and Simsek, 2020; Moser and Yared, 2020; Huang et al., 2020).

Consequences of the crisis

All interviewees believed that this crisis is very dangerous and has significantly affected firm performance and the economy in general. To improve firm performance and the economy, four rules must be introduced that relate to introducing new rules, boards of directors, employees' rights, and mixing the technology with marketing. For example, the financial analyst argued that: *The consequences of this crisis are very dangerous, and the government must understand it well. In the beginning of this crisis, the KSE index dropped 5200 points, but now the KSE index*

has reached 5900 points. This is good, but we need more regulation to protect firms and people from any future crisis. (P12)

Table 8: Consequences of the crisis (outcomes)

Concepts	Subcategories	Dimensions
Corporate governance, shareholders, protection, families, employees' rights, firms, useful sectors, food sectors, medicine sector, KSE index, second wave, board independence, readiness, social media, marketing	New rules Board of directors Employees Marketing mixed with technology	High–Low

Other interviewees, such as the chairman of a board of directors, independent board members, non-executive directors, CEO, and general managers, argued that regulators must introduce new regulations that require firms on the KSE to hire Kuwaiti citizens as the majority of current employees are not Kuwaiti. Second, new laws should be introduced that organize work online and from home. Third, a new law should be introduced to protect employees from being fired if Kuwait faces a second wave of this crisis. Food firms and medical firms should receive more support to increase their production. Meanwhile, one of the independent board members mentioned the role of independent directors. He argued that:

The rules require the listed firms to have at least one independent board member on the board of directors. One is not enough; these rules must change to increase the number of independent board members to 30% of all board members. More independent directors are better for employees, customers, shareholders, and society. (P3)

The auditors, regulators, and academics also mentioned that the government and regulators introduced several rules in response to this crisis to reduce its impact as there is still no vaccine. They argued that the government must verify the readiness of Kuwaiti firms to deal with such a crisis in the future. One auditor argued that:

The Kuwaiti government told it agencies to buy all the shares on the Kuwait Stock Exchange to protect investors and thus increase the KSE index. However, the government cannot do that again because it very risky policy and will cost the government a lot of money. The government must introduce new rules that relate to employees' rights during this crisis. A lot of firms fired their employees. Also the government should give firms that work in food and medicine zero-

interest loans and ask boards of directors and management to create safe and clean places to work. (P10)

Investors and academics discussed another issue related to large and small shareholders during this crisis. The investors believed that all Kuwaiti investors have shifted their investment to government and family firms because they are very safe. Kuwaiti families are effectively working to protect their families' names, and small shareholders are earning more money from family firms. The academic from Kuwait University stated that:

I believe the conflict between large shareholders and small shareholders become a major problem during this issue. I read last week that many small shareholders sold their shares to buy the shares of family listed firms. Maybe they believed that family firms are very safe during this crisis. I don't know. But what I know is that large shareholders are not acting for the benefit of small shareholders in a country like Kuwait. We need strong rules that protect small shareholders in this crisis. (P14)

Overall, all interviewees believed that many serious issues must be considered by the government and regulators because these issues have dangerous impacts on the economy and the country in general. They believe that life after the crisis will be different than life before it. They also believe that a lot of work needs to be done to protect the people and the country from this problem. Consistent with this view, Hassan et al. (2020) described the uncertainty experienced as a disease spreads through a region or around the world. Jordà et al. (2020), Baker, Farrokhnia et al. (2020), and Ludvigson et al. (2020) found that this crisis has affected many sectors around the world and no one knows when this problem will end.

CONCLUSION

The outbreak of COVID-19 has led to an unprecedented pandemic worldwide. Because of its infectious nature, many aggressive policies have been adopted by governments worldwide. These policies, such as lockdowns and curfews, may seriously and negatively affect economic activities in general and firm performance in particular. Thus, the purpose of this study was to investigate the relationship between Coronavirus and firm performance using a qualitative research method. Given that little is known about such a new issue and that there is a lack of data to undertake empirical study, a grounded theory method was used to explore the opinions and perceptions of 20 interviewees from the Kuwaiti business environment, including a chairman of a board of directors, CEO, board members, non-executive directors, regulators,

general managers, auditors, financial analysts, investors, and academics. The results were obtained from semi-structured interviews.

The interviewees reported that Coronavirus has affected all sectors in Kuwait. They indicated that Coronavirus is the worst crisis they have ever seen, and the pandemic has negatively impacted firm performance. It is widespread and has affected all industrial sectors. They argued that all important sectors in the country, including food, industrial, education, consumer services, goods, and telecommunications, have been affected. Some industries (e.g., beauty, education, restaurants, coffee centers, travel industry) are dying because Kuwait, like other developing countries, imports everything from abroad. Kuwait consumes goods; it is not a producer country. The negative impact will be very big in developing countries since no solutions are available for this problem. They can survive, but not for long.

The major crisis affects firm performance in various ways. The interviewees indicated that the Coronavirus pandemic can impact firm performance either positively or negatively depending on the role of several mechanisms, including the board of directors, management, market policy, employees, banks, and technology. They argued that board size and diversity are helpful in such a crisis. A large and diverse board means more experience and discussion. The interviewees suggested that some directors and managers have built strong teams to face this crisis and are qualified to play effective roles in this crisis whereas others are not. The market policy is another important factor during this crisis. This policy must be developed and updated as consumer behavior has changed during this crisis. In addition, employees must have the necessary tools and training to work from home safely and keep in touch with their customers. However, Kuwait's banks are not postponing firms' payments.

The interviewees indicated that firm performance and the economy in general are significantly affected by four outside factors: previous global crises, the situation in developed and GCC countries, oil prices, and Kuwait's economy. Decreasing oil prices have arguably increased the problems related to the current crisis. The interviewees argued that factories are closed, airports are closed, and people not using their cars because they stay in their homes.

The interviewees also argued that Kuwait's government has played a positive role in this crisis. The Ministry of Commerce and Industry, Kuwait Central Bank, and CMA have introduced several rules and regulations to minimize the impact of this crisis. Some interviewees believed that the government has played a positive role in this crisis. For example, the regulator argued that the government and its agencies have taken important steps to control the spread of this virus, thereby reducing its negative impact on firm performance. However, others did not support these perceptions. They asserted that, although this crisis has been difficult and not easy to control, the government and its agencies have made it more difficult for Kuwait's firms.

In summary, the majority of the interviewees argued that Kuwait's government has spent a lot of money to deal with the crisis and introduce a good plan to return to normal life in Kuwait, although others argued that the government's efforts have not been enough.

All interviewees believed that this crisis is very dangerous and has had a significant impact on firm performance and the economy in general. To improve firm performance and the economy, four rules must be introduced related to introducing new rules, boards of directors, employees' rights, and mixing technology with marketing. Some interviewees (e.g., chairman of a board of directors, independent board members, CEO, and the general managers) argued that regulators must introduce new regulations that require KSE-listed firms to hire Kuwaiti citizens as the majority of current employees are not Kuwaiti. Second, new laws should be introduced to organize work online and from home. Third, a new law should be introduced to protect employees from being fired if Kuwait faces a second wave of this crisis. Finally, food firms and medical firms should receive more support to increase their production.

The results of this study have several limitations that represent potential opportunities for further studies. First, due to the lack of data about firm performance in Kuwait (i.e., companies in Kuwait publish their financial data at the end of the year), this study used interviews to examine the impact of COVID-19 on firm performance from the beginning of June until the end of July. This limitation focused on individuals' perceptions. Further studies could examine this issue using empirical information after data are published by companies at the end of the year. Second, due to time constraints and government procedures (e.g., lockdowns and curfews) that lasted for four months in Kuwait, the study used a small number of participants from limited groups. Future studies should use a larger sample from other groups, such as institutional investors. Finally, this study investigated the impact of COVID-19 on firm performance in Kuwait. Additional research should investigate this issue in other GCC countries (i.e., Bahrain, Qatar United Arab Emirates, Oman, Saudi Arabia) to benefit regulators in those countries as they seek to harmonize their rules when facing such a crisis.

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APPENDIX 1: Interview questions (21 questions)

Section One: General Questions

- 1 Tell me about the impact of this pandemic on firm performance.
- 2 How aligned are the Kuwaiti firms in this crisis?
- 3 What are the firms doing to reduce the costs and expenses during this crisis?
- 4 Do you think the current Kuwaiti rules are relevant?
- 5 How do you think the investors are acting during this crisis?

Section Two: Board of directors and management

- 1 Do the board directors and managers recognize their roles and accountability?
- 2 Do directors and managers have adequate and up-to-date information about the crisis?
- 3 Do Kuwaiti firms understand the impact of this crisis and have they used early warning tools?
- 4 Are there effective commendations and coordination with all stakeholders?
- 5 Do the firms in Kuwait have crisis management teams?
- 6 Are Kuwaiti firms strong enough to recover from this crisis and control any future crises if they face a second wave?

Section Three: Employees and customers

- 1 What support do employees need during this crisis?
- 2 If social distancing policies continue for a while, how will you measure employees' performance?

3 Do the firms notify customers about this problem?

4 How do Kuwaiti firms need to change and develop?

Section Four: Other factors

1 Do you think Kuwaiti banks play a significant role in this crisis?

2 Do you think the oil prices matter during this problem?

3 What are the government and other regulators doing to help?

4 Do you think the situation in other countries impacts the situation in Kuwait?

5 Does this virus have the ability to turn into another financial crisis?

6 Do you think Kuwaiti firms will learn from this crisis?
