



DIGITAL TRANSFORMATION OF SMES IN THE COVID-19 (CORONA) PANDEMIC

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Abstract

In most Arabian countries, Small Medium Enterprises (SMEs) are characterized by low technology levels, and the process of technology transfer is very complicated and requires the skills and managerial know-how of the acquiring firm. Technology transfer in developing countries is facing a challenge is lack of time and money, high turnover of staff; negative attitudes towards external intervention; negative attitudes of SMEs managers and owners towards learning, and informal learning is more common and preferred in SMEs. The purpose of research is to identify the problems and factors affecting digital transformation and digital innovation, the qualitative approach used to investigate the problem of the study. The most important recommendations of the study are to Change the laws and regulations that cause negative impacts on the digital transformation of SMEs. Urging universities to encourage students to innovate and create through developing capabilities and skills to reduce the gap between universities and the labor market. For example, in a business incubator in Jordan, several agencies provide support for SMEs, so it is preferable to establish a specialized ministry for small and medium enterprises, similar to what exists in some countries such as Egypt, and India.

Keywords: Digital Transformation, SME, Digital Economy, Digital Innovation, Covid19



INTRODUCTION

Small and medium enterprises (SMEs) are an important pillar in building the economy, and they play an integral role in contributing to building government projects. Some successful economic development experiences have proven that small enterprises mainly focus on expanding the productive base, increasing exports, and creating new job opportunities, especially in the rural world and remote areas, as well as transforming rural areas into industrial areas and reducing the imbalance between the different regions in the country. Also, achieving a fair distribution of national income and state wealth. A country like Japan has more than 3.8 million small and medium companies, which constitute 99.7% of the total Japanese companies, and it employs about 70% of the workforce, these companies account for 43% of the sales of the commercial sectors and achieve 50% of the total profits (Althewani, 2013).

Businesses and small and medium enterprises are among the most responsible institutions responsible for creating job opportunities and generating income around the world, and their role has been recognized as a major driver to alleviate poverty and support the progress of the development wheel. Micro, small and medium enterprises tend to employ a larger share of the vulnerable groups of the workforce. , Such as women, youth, and children of poor families. Small businesses can also be more flexible in responding to repercussions and changes in the world. We have seen an enormous amount of examples during the wave of the Corona epidemic, and despite this, the small size of each of these projects and businesses in the wheel of the economy makes them vulnerable as well. Access to sources of support and financing remains the main obstacle for small businesses, and opportunities to enter the international market, transfer products, and other trade-related measures are more difficult for small firms than their larger competitors (Micro, Small and Medium Enterprises Day).

The Coronavirus (Covid-19) pandemic dealt a severe blow to the global economy and pushed it into recession, and in Jordan, the Central Bank took a set of successful measures to face the repercussions of the Corona crisis, including:

1- Reducing the compulsory reserve ratio on deposits with banks from 7% to 5%, which provided additional liquidity to banks about 550 million Jordanian Dinars, and this contributed to more flexibility in grants and payment of facilities granted by banks for all economic sectors, including small and medium companies.

2- Allowing banks to restructure individual loans and companies, especially medium and small ones, which have been affected by the repercussions of this virus. The owners of small and medium enterprises, facing basic challenges represented in the lack of financial liquidity, the inability to pay the rent, the lack of raw materials, and the weakness of supply and demand (www.cbj.gov.jo).

The rapid growth of digital technology, the development of devices, machines, and smart systems, and the increase in the ability to use and process data and artificial intelligence, have contributed to a major revolution in the global economy and contributed to achieving a competitive advantage for countries and institutions.

The digital transformation works to transfer vital sectors to a business model based on digital technologies in innovating products and services and providing new channels to improve performance. This contributed to shortening time, reducing costs, improving product quality, creating opportunities to provide innovative and pioneering services away from traditional methods, providing smart solutions. in addition to expanding and spreading to reach a large segment of customers (The Jordanian Digital Transformation Strategy 2020).

Business projects today are largely focus on digital leadership, and they work to offer and provide services and products, through websites and social media platforms, the aim for buying and selling. This called the “Digital Economy” that has generated a new concept in the field of entrepreneurship called “Entrepreneurship digital business” or “Digital marketplace”. It intended to establish emerging projects and transform existing projects to develop them using modern digital technologies based on information and communication technology to be utilized and applied in various sectors.

The main advantage of digital entrepreneurs is the ability to conduct their business and manage their facilities remotely from anywhere, provided there is a device connected to the Internet. and it is a source of additional income for those looking for investment without the presence of sufficient capital, it has the simplicity of costs in the beginning, as it saves a lot of expenses and fixed costs. Operational, characterized by flexible working times, allowing scheduling of appointments and speed of spreading for many target groups on the local and global scale. as well as the possibility of growth and improving the quality of services, increasing sales without the need to increase costs, in addition to that the market has a high ability to increase profits; This is to change the continuous purchasing habits of the world's population, especially the Arab countries (Digital economy, 2020).

In most Arabian countries, small-medium enterprises (SMEs) are characterized by low technology levels; the process of technology transfer is very complicated and requires the skills and managerial know-how of the acquiring firm. Technology transfer in developing countries is facing challenges. The overall objective of this study is to develop knowledge and understanding of the previous research findings regarding the topic that being research and the research are based on the findings from previous researches.

RESEARCH APPROACH

This paper has adopted a literature review methodology; the qualitative approach designed to investigate the problem of the study through journals, articles, books, and agency reports that was used as secondary sources for the study.

This paper critically reviews the literature on SMEs, Several concepts related to digital transformation have been studied are: digital economy, digital innovation, transfer technology, and the Barriers, to identify the main barriers to transfer of technology and learning.

LITERATURE REVIEW

Digital Transformation

The SMEs play an important role in the economy by creating about 50% From jobs of economy, Increase the gross domestic product, and the basis for the development of creator and innovations (Al-abadallat, Aburuman, al-hiyasat, Shammout,2017). It highlights the importance of digital transformation, which is one of the similar concepts to expand the use of modern technology in developing the electronic work environment to reach the largest possible number of customers and symbolizes Digital transformation (DX). It defined as the companies' transition to a business model, procedures, and processes that rely on digital technologies in creating products and services, providing new channels to reach customers, changing the product or the method of presenting the product. Moreover, this reflected in the increase in product sales. the definition of (Capgemini Company)"digital transformation has become the ultimate challenge in change management because it impacts not only industry structures and strategic positioning but all levels of an organization (every task, activity, process) and its extended supply chain". There are steps for digital transformation:

1-Shift vision, the digital transformation requires a clear vision for the shift towards expanding the use of modern technology to develop and improve the services provided.

2-Adopting a culture of change, means transforming the organizational structure from the traditional form to smaller work teams that cooperate in making decisions. This depends on developing the human element and following the culture of management with values that aim to employ the capabilities of workers to reach a high quality of performance based on science, belonging, and high ethics.

3-Change the cost model by expanding the modernization of the infrastructure without major capital investments.

4-Starting business through modern technologies. 5-Follow up the transformation process and offer the product.

Among the most important drivers of digital transformation: reducing costs, reducing time and effort, opening up the field of creativity and innovation, meeting customer demands by providing modern channels for presenting products, and meeting government requests that encourage digital transformation for companies, especially small and medium-sized companies.

There are risks to the digital transformation represented in the increase in the size of the targeted sites, the increase in the complexity of electronic attacks, the digital innovation exceeding the electronic security measures, which highlighted the importance of the relationship between digital transformation and cybersecurity. Which aims to protect operational systems from attempts to access them illegally, thus protecting companies, governments, and consumers.

Where the importance of digital asylum in small and medium-sized companies lies in being a path towards the future and keeping pace with the digital revolution, as well as the advancement of the economy.

The difference between the digital company and the digital transformation of companies is evident in the fact that the latter created electronically, such as Alibaba and other forms of digital companies, while traditional companies that have transformed into digital companies according to certain steps represent the digital transformation of companies (Bushey, Slimey, 2019).

The barriers to the transfer of technology are (lack of time and money, high turnover of staff; negative attitudes towards external intervention; negative attitudes of SMEs managers and owners towards learning and informal learning is more common and preferred in SMEs). The best ways to remove barriers include, design-training programs based on properly identified learning needs to change the attitudes of managers/owners regarding education and training and to acquire management skills (Godfrey, 2018).

Digital Innovation

Digital Innovation has spread widely, which is the integrated fields and methods used for change that adopted and applied by institutions to achieve success in improving the results of their economic business by the use of digital tools and practices to adopting it to keep pace with the change in its environment. The barriers to innovation classified into six categories: people, financial, information, government policy, infrastructure, and market constraints (Darm, Issa, and Lashem, 2020) .

Obstacles to innovations faced by SMEs are the lack of financial resources, the shortage of skilled and qualified personnel, the lack of information on technology and markets as well as dissemination of information (Butryumova and others, 2015), and barriers to SMEs innovation

for performance are poor government policies, poor infrastructures and lack of adequate formal and vocational education. Lack of finance and high cost of innovation (Mugogo, Midala, 2020).

Digital economy

The digital economy: is the continuous interaction, integration, and coordination between information and communication technology on the one hand, and between the digital economy and the international sector on the other hand, in a way that affects the service of the country's economic indicators. The importance of the digital economy for enterprises lies in (without) improving competitive positions as it relies mainly on information technology and its tools, increasing integration into the global and local economy, making decisions quickly due to easy access to information, and the elements of a digital economy are:

1-Information and Communication Technology Infrastructure: It is the basis and relates to the physical aspect represented in the physical infrastructure of information and communication technology equipment, which includes computers, telephone lines, switches, fiber-optic lines, and satellites, wired and wireless networks.

2-E-commerce: It is one of the main pillars through which is the digital economy can be measured; it measures the volume of interaction between institutions and individuals or between institutions among them.

3-E-government shows the level of transformation towards a digital economy. one of the most important areas of e-government such as electronic public services that are provided to citizens without compensation or in return for small amounts and this contributes to improving the services provided, and also includes electronic interactions from the government to government, from the government to citizen, and from the government to institutions and vice versa.

4-Corporate structure: It measures the impact of developments in information technology, software, and the Internet on the corporate structure.

5-Demographic and labor characteristics: by measuring the demographic characteristics and labor market characteristics of individuals and workers participating in the digital economy (Breeza, 2018).

The importance of digital transformation lies not only for SMEs but also in the field of education, especially in light of the Corona pandemic, where e-learning has become an alternative to face education. The World Health Organization defined Corona pandemic "Covid-19": as an infectious disease caused by the last discovered virus of the Coronavirus strain.

There was no knowledge of the existence of this new virus, its disease before the outbreak began in the Chinese city of Wuhan in December 2019, and Covid-19 has turned into a pandemic affecting many countries of the world. Therefore, educational technology and digital

transformation should be viewed not as an aid, but as an academic opportunity used for development (Aloul, 2021, Mutrif, 2020).

CONCLUSION

The study attempted to identify the problems and factors affecting digital transformation and digital innovation, the study concluded that the advantages of digital transformation for SMEs are reducing costs, reducing time and effort, opening up the field of creativity and innovation, meeting customer demands by providing modern channels for presenting products. Also, the barriers to the transfer of technology are (lack of time and money, high turnover of staff; negative attitudes towards external intervention; negative attitudes of SMEs managers and owners towards learning and informal learning is more common and preferred in SMEs).

The findings of the research could assist policy-makers in meeting the needs of SMEs to adopt the transfer of technology and adjusting support programs because SMEs are a driver for economic growth. Therefore, it is necessary to eliminate the obstacles of digital transformation and digital innovation. Below are several recommendations:

- 1-Change the laws and regulations that cause negative impacts on the digital transformation of SMEs.
- 2-Urging universities to encourage students to innovate and create through developing capabilities and skills To reduce the gap between universities and the labor market, though, for example, business incubator.
- 3-In Jordan, several agencies provide support for SMEs, so it is preferable to establish a specialized ministry for small and medium enterprises, similar to what exists in some countries such as Egypt, India.
- 4-The Central Bank encourages banks to provide financial and technical support to small projects, especially in light of the Corona pandemic.
- 5-There is a need for further quantitative and qualitative studies with in-depth analysis to identify the barriers and advantages of digital transformation and digital innovation, and government measures that support SMEs in particular, financing and training.

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