Supporting SME's by Universities:
An Empirical Study in Saudi Arabia towards Building a Conceptual Model for Best Practices"

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Abstract:
Small and medium size enterprises (SMEs) represent the biggest sector of companies, and play important roles in the economy in most world economies because of their flexibility, ability to innovate, and their capacity to generate income. They have an essential role in widening the production base, providing national and regional employment opportunities, and supporting large scale manufacturing firms. SMEs are increasingly recognized as ‘the life blood of modern economics’. This research concentrates on SMEs supporting and developing organizations in Saudi Arabia as in advanced countries. The researcher targets to build a conceptual framework to propose what the universities should perform to assist SMEs, and define implications, and propose initiatives and recommendations.

1-Introduction and Background
The population of Saudi nationals is expected to reach 25, 81 million by 2024. The high population growth rate in Saudi is about 2.5 % per year, and the Saudi population in 2004 indicates that the population was 16.5 million with the median age is estimated at 17.3 years. Unemployment was 7 % in 2004, particularly among youth, while some Saudi falls below the poverty line (Seventh Development Plan, 1999-2004 pp. 127). The government of Saudi Arabia must provide those young working forces with appropriate job opportunities by playing a greater role in the development of the SMEs that provide many job opportunities for Saudi nationals and help to achieve a more balanced growth of local economy to reduce the poverty (Otsuki 2002).
SMEs represent the biggest sector of companies in most world economies. SMEs play an important role in the economy of any country because of their flexibility, ability to innovate, and their capacity to generate income. They have an essential role in widening the production base, providing national and regional employment opportunities, and supporting large scale manufacturing firms (e.g. as component suppliers and service providers). They are also critical to national and local economic development because of their potential to grow into large enterprises. (Duan & Kinman, 2000). Small business is increasingly recognized as ‘the life blood of modern economics’ (Ghobadian & Gallear, 1996). Such vital importance of the SMEs have urged governments, universities, and Chambers of Commerce and Industry to support, develop, and assist SMEs to continue, expand, and flourish.

The governments have begun in most countries of the world now, legislation policies and regulations which support and develop SMEs (Sara Carter, Dylan Jones-Evans, 2006, pp.49-50). For example, the UK has a ministry for small firms as well as the government established the Small Business Service (SBS) which collects evidence, analyses the needs of the SMEs sector, and it is working with the academic researchers at University as well as with private sector research. (David Kirby, 2004). In the China government, the SME Promotion Law provides a framework for government support for SME development and ensures that government establishes systems to support small and medium-sized enterprises at local government level (Andrew Atheron, 2003 and 2006). In Saudi Arabia, the regulatory framework for SMEs has not been yet determined. There is no specific
entity responsible for organizing affairs, support and development, but the
government of Saudi Arabia has adopted several measures and initiatives to
support and develop the SMEs including founding the Saudi General Investment
Authority(SAGIA), the Saudi Industrial Development Fund (SIDF) sponsors
SMEs, and Saudi commercial Banks provide loans to SME’s (Eighth
Development Plan, 2005-2009 pp.134, pp.118-119). There is a need for supports
by different providers among those providers are universities, but not mention the
university supporting in the development plans.
SMEs generally have limited resources in terms of working capital, management
skills, marketing skills, financial managerial, human resources, training and
strategic planning and modern technology and else.
In advanced economies, universities have considered both the importance of
SMEs and their role in supporting and assisting them to continue to be effective
and efficient, and provide a wide spectrum of services to help the SME to achieve
its objectives. Among universities activities in that area are teaching courses or
having a whole program in SMEs, having a centre for training and consultancy,
doing research and publishing, organizing conferences, promoting educational
entrepreneurship, and providing and supporting business incubators.
In contrast, universities in Saudi Arabia are far behind in such important area.
Universities role in Saudi Arabia is still a dormant possibility. The universities
support for SMEs can be developed faster than any other support by any other
institutions due to the fact that universities have greater availability of resources
especially intellectual human capital.
This situation exists even though SMEs and family businesses represent nearly 95% of enterprises in Saudi Arabia. As this represents a phenomenon, it becomes worth researching. The researcher has an interest in conducting research in the topic of university support for SMEs to fill up that gap.

**SMEs Definition:**

It is very difficult to define SMEs properly, because the SMEs definition differs in each country and time period depending on different parameters such as number of employees, amount of capital, and annual sales turnover. There is no standard definition of SMEs in the world. However, though SMEs represent the pivotal key to development and competitiveness there is no agreed upon definition for them (Al-Giffry, 2004, pp.5-6)

Globally, there are different definitions. In the United Kingdom, SMEs are classified either as micro – firms that employ between 0-9 employees; a small firm employing between 0-49 employees (including micro), and a medium sized firm employing between 50-249 employees. In the United States of America and Canada an SME is defined as a company that has less than 500 employees. In Hong Kong, SMEs are defined as manufacturing enterprises that employ less than 100 employees or non-manufacturing enterprises that employ fewer than 50 employees. However, in the European Union, the definition of SMEs was updated in 2004 and a micro enterprise is one that has less than 10 employees, a small firm is defined as one which has less than 50 employees, and medium sized firm is one that employs less than 250 employees. (Sara Carter, Dylan Jones-Evans, 2006, pp.9, pp.10). In Saudi, According to Dr.Nabil, a preliminary definition was given
to the industrial sectors as follows: up to 20 workers (small enterprise), 21-100 workers (medium enterprise), and the capital must be less than 15 million SR for both. According to Otsuku, 2002, the industrial classification of SMEs based on labor factor is as follows: Small Size Enterprises: Employees less than (59) Medium Size Enterprises: Employees (60-99), Big Size Enterprises: Employees more than (100). Regarding classification by invested capitals, there are many arguments in the Kingdom.

As there is lack of clearly defined definition for SMEs in Saudi Arabia, the researcher considers the matter as important to the research effort, as this will help to identify the categories of SMEs, and also helps in decision making and support by government and private organizations.

2-The Problem Statement

The researcher defines his research problem as follows:

To what extent Saudi Universities have practices for supporting and serving small and medium size enterprises (SMEs) in accordance with such practices of universities in the developed countries?, and what are the obstacles and barriers that hinder the prevalence of such practices, and their impact on the efficient performance of Saudi SME's?

3-Significance of the Study

Significance of the study stems from the following aspects:

1. SME's represent nearly (95%) of the whole number of enterprises in Saudi Arabia, where majority of them are family businesses. The study is significant as SMEs constitute vital part of the Saudi economy.
2. As there is lack of clearly defined definition for SMEs in Saudi Arabia, the researcher considers the matter as important to the research effort, as this will help to identify the categories of SMEs, and helps in decision making and support by government and private organizations.

3. The research topic is consistent with the efforts of the Saudi Government efforts and prospective towards developing the performance of the private sector and raising its participation and engagement in the economic and social sectors of the country.

4. The researcher will study and explore the involvement and practices of the Saudi universities as change agents in supporting and developing Saudi SME's. The research effort will stress the importance of such practices as they applied in developed countries.

5. The research will provide a proposed conceptual framework for the practices that Saudi universities should have to assist and support Saudi SME's.

4-Objectives of the Study

Research objectives are defined as follows:

1- Reviewing pertinent literature on aspects of SME's definitions, characteristics, importance and their need for support and guidance.

2- Exploring the current situation of SME's in Saudi Arabia and barriers to their efficient performance.

3- Highlighting the activities of all Saudi universities to support SME's at Saudi Arabia, in contrast to best international practices in this area.
4- Defining the impact of Saudi universities activities to support SMEs on their performance.

5- Building a conceptual framework to propose what the universities should perform to better support and assist SMEs to have efficient performance.

6- Exploring significance of the relationship between demographic variables of the research respondents and the efficient performance of SME's in Saudi Arabia.

7- Reaching research findings, defining their implications, proposing some recommendations, and defining some future research topics.

5-Scope of the Study

The research is mainly limited to two aspects which are SMEs in Saudi Arabia and the different activity to assist and support them by Saudi universities. Three main universities will participate in the studies which are King Saud University, King Abdulaziz University, and King Fahd University for Petroleum and Minerals. SME's operating in the three geographic areas representing the location of the universities will be participating in the research.

6-The Research Questions

According to the research topic, problem, objectives, and scope, the research questions are defined as follows:

**Question One**

What are the barriers that hinder the efficient performance of SMEs in Saudi Arabia? And what are the most impacting barriers?
Question Two
Do significant differences exist between demographic variables of respondents and the efficient performance of Saudi SMEs?

Question Three
What are the present Saudi universities practices to support and assist Saudi SMEs? And what are the impacts of such practices on their efficient performance?

Question Four
What is the degree of acceptability of the proposed conceptual framework of Saudi universities practices to support and assist the efficient performance of Saudi SME's?

7-Study Design & Methodology

7-1Methodology
Research methods are numerous; however the researcher should make an appropriate choice between them. Particularly for this study, the researcher defines the appropriate method as the descriptive analytical method with coincides with the research objectives and questions.

7-2Data Sources
According to problem statement and research questions, it is clear that it will include both secondary and primary data.

7-2-1 Secondary Data Secondary data will be gathered from published material of different sources such as dissertations, conferences and symposiums proceedings, books, articles in periodicals, development plans, and reports.
Academic data bases on the Internet especially ABI/INFORM Global will be a good source for collection data.

7-2-2 Primary Data (Population & Sample)
As Saudi SMEs in the three geographic areas representing the seats of the three universities are hard to define their numbers, the research will apply the equation of the unknown population. The resultant samples size is about 384 members to be divided on the three areas. The sample selection method will be random sampling and primary data will be collected from managers of SMEs.

7-3 The Research Tools
According to sample sizes, the appropriate research instrument is a well designed questionnaire. The researcher will be cautious in constructing and administering the questionnaire. The researcher will apply all the essential principles mentioned in research methodology books.

After constructing the questionnaire, the researcher will assure the validity and reliability through different procedures. The research will not distribute the questionnaire until he is confident about values of Reliability and Intrinsic validity.

Another method for collecting primary data is to organize a workshop that will be attended by different related parties from SMEs, universities, Chambers of Commerce and Industry and others to review the Conceptual Framework of practices that universities should follow to support and assist the Saudi SME's.
References:


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