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THE WAY FORWARD

How **startups**
and **SMEs** can navigate
the **COVID-19** crisis

by HISHAM FAROUK

The COVID-19 pandemic developed as a health crisis, moved on to becoming an economic concern, and now has transformed into a recession hard to stave off. The current climate has particularly stopped the music for the VC ecosystem, startups and small and medium enterprises (SMEs). Indeed, small to medium size businesses are at the front line of the battle, with the repercussions being especially severe for them, due to higher levels of vulnerability and limited resources.

To navigate through the current turmoil, it is vital for businesses to be agile to respond to today's changing environment in a timely manner. As such, SMEs are advised to identify, focus, and swiftly address the key vulnerable areas to ensure their survival and business continuity. These main areas are finance, operations and business models, people, and processes- here's a primer on how to go about these:

1/ FINANCE

Cash is king, and now more than ever, is needed for survival. Here are external and internal ways to improve, prolong and avail liquidity.

INVESTORS AND VCS With the stock markets taking a significant hit, the private equity and venture capital markets are also heavily impacted. There is going to be a considerable dip in startup valuations, as well as total rounds raised during 2020. The appetite for investment and the availability of funds has shrunk, and it continues to move downwards. Investors are either selling their current shares at a loss to prevent further financial damage, or they have gathered their resources to focus on their current portfolio and support its survival. On the other side of the spectrum, there are a few outliers with disposable funds who are taking advantage of below-the-market prices to diversify and expand their investment portfolio. That being said, it is not wise to rely on external resources, as all economies are in a volatile state. The best solution would be to direct the focus on internal resources and capabilities.

ALTERNATIVE SOURCES OF FUNDS In order to minimize the reliance on traditional funding, the following avenues can be explored:

PARTNERSHIPS AND ALLIANCES The global implications of the outbreak have brought both people and businesses closer than ever, making it the best time to take a step away from traditional funding, and move towards partnerships and alliances. The market demand patterns have been disturbed, with extreme plunges in some classes and an upward surge in others. Thus, SMEs need to form complementary alliances by leveraging on each other's resources and capabilities, and transform into a stronger entity that can cater to the current market demands with agility. This will assist with their commercial survival while using minimal funds, as well as helps serve their communities and create positive PR.



FOR YOUR BUSINESS TO SURVIVE, AND TO POTENTIALLY GROW, THE RIGHT ENABLERS MUST BE IN PLACE, FROM A PEOPLE, PROCESSES AND TECHNOLOGY PERSPECTIVE.

BOOTSTRAPPING Back when entrepreneurship was not a popular concept, and investors were not keen on buying startup shares, many entrepreneurs started and grew their ventures by bootstrapping. It is time to take a page out of that old book, take a proper look at the business' internal cash reserves, and stretch the existing runway to leverage all that is available. Entrepreneurs need to start by identifying their incurred costs, and conducting negotiations to minimize the direct and indirect costs as much as possible. They also need to explore ways to rearrange their cash from idle facilities into their essential working capital in order to improve their short-term liquidity.

GOVERNMENT AIDS Government grants have come available at a global scale, prioritizing SMEs, startups, and entrepreneurs. This is the best non-equity class of funding for these businesses to take advantage of and inject internally.

their current business models to reflect the caused change, prioritize business continuity, look for opportunities to gain competitive advantage from, and ensure minimal disruption overall.

RE-EVALUATING THE EXISTING BUSINESS MODEL Entrepreneurs need to separate their focus from the crisis anxiety, and re-evaluate their propositions and business models instead. It is true that a number of SMEs, given their line of business (mainly B2C and digital) are less impacted, or in some cases, have experienced higher profits, regardless of the current crisis. However, it is a common need to revise and redo the old plans, and create new ones as well. Businesses can do so by researching the change in the market demand, identifying the changes in consumer behavior, as well as the possible gaps and opportunities for them to leverage and benefit from. They need to revise their revenue goals and product timelines, create a new business model along with a matching operating plan, and ensure clear and constant communications with the market and their investors.

IMPROVED AND NEW PROPOSITIONS

SMEs need to guarantee churn by developing honest and constant communications with their current clients, adjusting payment terms to encourage early transfers, and >>>

2/ OPERATIONS AND BUSINESS MODEL

The world today is no longer the same as it was a moment ago, and it is likely to change further and for the worse. Entrepreneurs need to stay flexible and adapt accordingly. They can do so by adjusting

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developing new price points on current supplies. Entrepreneurs are advised to then move on to explore innovative, and at times, even radical ways to secure new customers, and deliver added value to the market. This can be realized by restructuring the internal resources and capabilities to fine-tune and tailor the current services, as well as to come up with new lines of offerings created for the current demand. As stated previously, building alliances and joining forces with other SMEs will also help cater to the new market dynamics, and prepare the grounds for potential long-term partnerships.

GO-TO-MARKET STRATEGY DEVELOPMENT AND COMMUNICATIONS

Once the newly adapted propositions are created, it is time to develop the go-to-market strategy, as well as the relevant marketing plans and communication channels. At times of crisis, communication should be at the forefront of any entrepreneur's strategy to maintain a steady and honest stream of messages with its market. Keep in mind that all efforts should lead to increased credibility and fundability- it is not the survival of the fittest, but the last one standing.

Your adaptability is not limited to ensuring liquidity and market offerings. For your business to survive, and to potentially grow, the right enablers must be in place, from a people, processes and technology perspective.

3 / PEOPLE AND PROCESSES

PEOPLE First and foremost are your people. Entrepreneurs need to take the necessary measures to ensure their teams' safety, health, and by extension, productivity, in the new context. Active and transparent communication is the most important ingredient between the entrepreneurs, investors, and their staff: the necessary platforms need to be built to encourage mutual and constant conversations between all stakeholders. Maintaining a weekly dialogue between the CEOs, VCs, and employees allows for the exchange of valuable guidance on the portfolio and the overall business, and helps with making collective and smart decisions moving forward.

PROCESSES The right internal tools and processes must be available, so that the above adjustment and

changes are realized and take effect. The entrepreneurs need to equip their business and their team members to implement the needed changes and stay adaptable. The first step is to create the environment wherein the team members feel safe and encouraged to put in the extra effort. The leaders themselves play a crucial role in enabling new ways of working: trust, empathy, and availability of leaders are a key enabler for the workforce to feel empowered and committed. In addition, adjusting the existing culture helps with aligning the people's mindsets to welcome the new changes and to be able to operate in the new environment in a productive manner.

The second step is supplying the tools needed to implement the required changes and help with business continuity. Digital gadgets that avail remote working, telecommuting, and enable all internal and external communications are a great example. Investing in an agile and resilient infrastructure might seem like a forced decision now, but it is in fact, a long-term investment that safeguards businesses from any turbulence that may come.

DECISION MAKING PROTOCOLS AND SCENARIO PLANNING

Once the new infrastructure is in place, the entrepreneurs need to develop various scenarios and forecasts, and test their responses and strategies accordingly. Given the ever-changing nature of the cur-

rent crisis, and the limited available resources in SMEs, leaders need to develop and implement decision making protocols to be able to remain agile and respond swiftly to any changes that may arrive and with minimum involvement.

Now, theories to survive a crisis is not hard to come by, however, the success relies on a tailored plan and its correct and timely execution. At Grant Thornton UAE, we can help you navigate through the current crisis, and construct the building blocks for your survival and your future growth. History has witnessed some of the best companies to have been created amidst the worst crises- Apple, Disney, IBM, and Microsoft are a few examples. That said, it is definitely a possibility for SMEs and entrepreneurs to not only survive the current circumstances, but to grow and prosper from it. Considering market and industry changes, developing a plan to scale the business, and transforming the operating model and existing processes are great places to start. Investing in a mindset of agility and a structure that supports it creates the best foundation for small businesses to grow big, and to remain strong. ■



Hisham Farouk is the CEO of Grant Thornton UAE. With over 20 years of experience working with some of the largest groups in the region, Hisham is also a member of the Board of Governors for Grant Thornton, driving the strategic direction of the brand globally as well as in the Middle East. Hisham is well known within the region as being a specialist within this business arena. He advises numerous financial institutions in the UAE in relation to regulatory and compliance matters and has supported many firms in dispute resolution, acting as an expert witness on a number of arbitration cases across the industry, in particular hospitality, real estate and construction, aviation, and FMCG. grantthornton.ae