



Investigating the Entrepreneurial Orientation, Perceived Environmental Hostility, and Strategy Application Among Saudi Arabian Small and Medium Size Businesses During the COVID-19 Pandemic

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ABSTRACT

Little is known about how Saudi small and medium-sized enterprises are responding to the unfolding Covid-19 pandemic. This study assumes that when an economic crisis is unfolding, entrepreneurial Saudi SMEs perceive their environments as more hostile than their non-entrepreneurial counterparts. The perceived environmental hostility presented by the Covid-19 pandemic may drive the entrepreneurial firms to select diverse strategies to weather the crisis. A quantitative survey study, involving a number of SMEs drawn from Saudi Arabia, was used to confirm these hypotheses. Participants completed an online questionnaire to provide insights into the linkage between entrepreneurial orientation, the perceived environmental hostility presented by the coronavirus pandemic, and survival strategies employed by their firms during the pandemic. It is expected that the findings of this study will inform struggling SMEs in emerging economies about the best strategies to employ as they navigate the unfolding crisis caused by the ongoing Covid-19 pandemic.

Keywords: Small and Medium Size Businesses, ecosystem, transitional economy, Saudi Arabia.

INTRODUCTION

Since the emergence of Covid-19 in 2020, and the rapid worldwide, small and medium-sized enterprises (SMEs) have been disrupted due to the measures taken by countries around the world to stop the spread of the virus (Long 2020). Because of this global pandemic, global supply chains have collapsed, and the movement of goods from producers to consumers has almost stopped (Ivanov & Das 2020).

More than 95% of the institutions in the Middle East and North Africa are small and medium companies, and more than 90% of these companies employ approximately 50 workers (World Bank Group, 2018). However, unfortunately, small and medium-sized companies have been the most affected by the economic crisis caused by the ongoing Corona virus globally, due to their lack of resources and their small size (Eggers 2020).

In the Kingdom of Saudi Arabia, SMEs are a very important component of the economy as they represent a very large percentage of the private sector, and contributed 28.7% of the country's GDP in 2018 (Nurunnabi & Al-Yousef 2020). This study aimed to identify and determine the relationship between entrepreneurship orientation, perceived environmental hostility, and strategies used by small and medium-sized companies in the Kingdom of Saudi Arabia during the ongoing Corona virus pandemic. Therefore, answering the two research questions of this study.

- a. How do Saudi entrepreneurial SMEs perceive environmental hostility during the ongoing coronavirus pandemic?
- b. How does the perceived environmental hostility presented by the Covid-19 pandemic influence the strategies chosen by these SMEs?

LITERATURE REVIEW

Entrepreneurial Orientation

Entrepreneurship is one of the most important elements of success in companies worldwide, through the critical role it contributes to achieving the economic growth of the organization and raising the organization's readiness in the event of any difficulties or crises. Entrepreneurially-oriented companies, particularly small and medium-sized companies or new ventures, can be in a better position compared to their competitors in the market, and they can improve their performance and increase efficiency even more (Zahra and Garvis, 2002; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005). Entrepreneurial orientation has been identified in the literature as a major contributor to growth, innovation, development, and better performance for small and medium-sized companies and organizations (Kraus et al., 2012).

Many scholars, researchers and workers in this field have concluded that there is a clear relationship between entrepreneurship and corporate performance and that there is a positive impact on companies and organizations that have an entrepreneurial orientation (Baum et al., 2000; Davidson et al., 2002; Ozcan and Eisenhardt, 2009; Su et al., 2011; Rodriguez-Gutierrez, et al., 2015). Entrepreneurial orientation has several definitions, as revealed by the literature. For example, it is related to the extent to which business leaders, managers and decision makers take business risks to encourage and promote change, innovation and development to gain competitive advantage and to compete strongly in the market to establish their presence and distinction over existing competitors (Tang & Hull 2012) .

Entrepreneurship is about capturing ideas and converting them into products or services, then building a project, and then transferring the product to the market (Johnson, 2001; Semrau et al., 2016) . Miller (1938) argues that the necessary traits that an entrepreneur must have are innovativeness, risk-taking, and proactiveness. On the contrary, some researchers and authors, such as Slevin & Covin (1997) and Semrau, et al. (2016), believe that these three factors are not sufficient to ensure the success of an organization. They also emphasize that organizational success depends on the entrepreneurial and cultural behaviours of a company.

According to Wales (2020), entrepreneurial orientation is a set of multiple management philosophies as well as decision-making practices and strategic procedures in entrepreneurial companies, which employ and apply them to reach their goals and objectives. The three dimensions of guiding entrepreneurship in risk-taking, proactiveness and innovation

undertaken by institutions and organizations are captured as a company-wide strategy (Wales 2020). Along the same lines, Rahman, Civelek, and Kozubíková (date) added two other elements to the previously mentioned elements, namely, independence and competitiveness, as other dimensions of entrepreneurial orientation. Simply put, entrepreneurial orientation considers the level of entrepreneurial behaviour that a company exhibits (Strobl, Bauer & Matzler 2020). In turn, studies and research indicate that small and medium-sized companies appear and use an entrepreneurial approach in different ways. For example, Roper & Tapinos (2016) concluded that a UK food company during the Great Financial Crisis (GFC) revealed their involvement in green innovation due to its risky nature, uncertainty and remarkable environmental clarity.

In previous crises, entrepreneurs have also encouraged and promoted the entrepreneurial orientation of their companies based on their behaviour. For example, (Kottika et al 2020) concluded that small and medium-sized companies that were exposed to the influential and long-term Greek economic crisis, and succeeded in escaping from it and surviving, had distinguished entrepreneurs with strong personal traits and skills. These skills, such as prudent financial management, including downsizing, extraversion, and aggressive marketing, enabled and reinforced the entrepreneurial orientation and applied and used strategies that increased the quality of products and services. However, the emergence of entrepreneurship in a different way, through economies and markets, with the emergence of strong, successful and innovative trends towards entrepreneurship is more prevalent in mature and developed economies than in emerging economies (Tang & Hull 2012). This is because of the maturity of developed economies, and because their business environments are largely protected by regulatory frameworks, especially in terms of intellectual property laws. These have contributed very significantly to the protection of small and medium-sized companies from arbitrary government policy decisions (Tang & Hull 2012). Also, significantly, the literature links entrepreneurial orientation and corporate performance. For example, Mantok et al. (2019) revealed that, remarkably, competitor orientation greatly enhances entrepreneurial orientation and organizational learning that mediated the relationship between entrepreneurial orientation and performance of small and medium-sized companies in India. This was also found by Kristinae et al. (2020), in addition to Rezaei & Ortt (2018), who concluded that entrepreneurial orientation positively and beneficially affects the marketing performance in organizations.

Similarly, Kiyabo & Isaga (2020) found that there is a close and significantly positive correlation between entrepreneurial orientation and the performance of small and medium-sized enterprises in Tanzania, which is mediated by their competitive advantage in the market. Therefore, Asyari (2021) saw and advised that small and medium-sized companies can enhance their resilience and sustainability, with the aim of avoiding collapse and total shutdown due to the ongoing Corona virus, by directing their entrepreneurship. From the reviewed literature, therefore, it can be clearly concluded that the entrepreneurial approach has very great benefits for small and medium-sized companies and that it has a positive impact on organizations by enhancing the resilience of companies to avoid collapse, job losses and complete closures caused by crises, such as the ongoing Covid-19 pandemic crisis. So, the research hypothesis with regard to entrepreneurial orientation is:

- H1: Saudi SMEs have a low level of entrepreneurial orientation.

Perceived Environmental Hostility

Environmental hostility has been mentioned and described in various ways in the literature. Tang & Hull (2012) showed that environmental hostility is linked to a scarcity of external resources, as well as a lack of job opportunities. The more external resources and job opportunities decrease, the greater the environmental hostility. Consequently, a hostile environment is characterized by the scarcity or absence of exploitable opportunities and also a highly competitive and powerful business climate with scarce resources and narrow profit margins (Prajogo 2016).

The manifestations and effects of hostile work environments are increasingly documented and observed because they are changing so rapidly and clearly affect business operations. For example, in a study of small and medium-sized companies in China conducted by Tang & Hull (2012), was revealed that companies there responded to competitiveness in the business environment by using an entrepreneurial approach that varied according to the surrounding environmental conditions. However, it was noted that the response of Chinese businessmen differed from that of their Western business counterparts when they faced difficult and hostile competitive conditions.

The regulatory environment consists of laws and regulations established and codified by government policies, which provide support and reduce risk in business (Ahlstrom & Bruton 2002; Busenitz, Gomes, and Spencer 2000; Scott 1995). Although there are many new laws, regulations and regulations that have been implemented in China to regulate the competition of companies and institutions in the market, enforcement is still weak, which limits the expected return on innovative projects and reduces the possibility of predicting the behaviour of competitors (Li and Zhang 2007). Therefore, many companies are frustrated with their innovative business development ambitions due to the fierce competition, which can lead to weakness in the competitive market (Hoskisson et al. 2000; Li and Atuahene-Gima 2001; Nee 1992; Peng and Heath 1996).

Several researchers have conducted a number of studies and documented many cases of how opportunistic competitive behaviour can pollute the future of business and enterprise in China (Cheung and King 2004; Li and Atuahene - Gima 2001). For example, Cheung & King (2004) noted that some of the original spare parts business in China had a high cost and that, in the end, cheap and counterfeit products were the best sellers, and this significantly affected the market. When the regulatory environment provides little protection, companies realize that there is a risk to them to compete in the market, and when this happens, the market is unbalanced and turbulent (Barr & Glynn 2004). Notably, Chinese SMEs consider innovation to be too risky and cost control too conservative, and as a result they have resorted to marketing strategies with a safe and middle option, unlike their Western counterparts who boldly engage in innovation and rely on it as a different strategy. Thus, facing a competitive opportunistic environment, Chinese companies can be at risk, especially because they often take risks to create new products, services and even projects (Covin & Miles 1999; Dess et al. 2003). Thus, companies need an incubating environment, otherwise the failure rate can be high (Iyer, LaPlaca, and Sharma 2006; Simpson, Sigauw, and Enz 2006).

Significantly, business environments influence the responses of small and medium-sized companies because they are more innovative and diversified, due to their small size.

Specifically, companies' perceptions and narratives about their environment influence the strategies that they adopt and implement. In this regard, the business environment may be viewed as normative, based on beliefs, culture, values, and standards that greatly influence the interpretation of entrepreneurs (Tang & Hull 2012). It may also be cognitive, based on the cognitive advertising skills of people in the business field. In this regard, Kim et al. (2020) concludes that, in the Chinese context, hostility and perceived complexity and dynamism in the business environment have fostered and supported innovation among organizations and SMEs, causing them to gain experience and external knowledge.

The ongoing COVID-19 pandemic is a highly influential global crisis that is unfolding and creating hostile business environments that have significantly affected the decisions, strategies and business of small and medium-sized businesses. According to Cepel et al. (2020), entrepreneurs in the SME sector in the Czech Republic, as well as the Slovak Republic, considered that financial, personal and market risks are the greatest risks, whether during the Corona pandemic or even before the pandemic, which makes the business environment hostile. Williams (2020) also indicated that small and medium-sized companies were forced to postpone investments, reduce expenses, reduce labor costs and salaries, and renegotiate contracts, due to facing this influential global crisis represented by the ongoing Corona pandemic, which pollutes the business environment, affects it significantly and increases the hostility. Also, Ketchen Jr & Craighead (2020) found that during this global crisis, supply chains have been disrupted, creating a hostile environment for small and medium-sized businesses. However, the authors and researchers in this field have concluded that there is a relationship between entrepreneurship, supply change, and strategic management which helps small and medium-sized companies overcome the epidemic crisis.

Similarly, Yustian (2020) revealed that during the COVID-19 pandemic, which presented a challenging, hostile and unstable business environment, the success of SMEs in West Java was affected by the business environment and entrepreneurship efficiency. From a different perspective, Tripathi (2019) revealed the great difficulties and the challenges faced by Saudi small and medium-sized companies during the ongoing Corona pandemic, which included an excessive reliance on government bailouts, as well as on expatriate workers. These companies have suffered greatly from mismanagement, financial reporting, the Saudization system, and a very difficult and heavy regulatory burden in the country's rapidly changing and unpredictable business environment, as a result of the government's pursuit of economic diversification in the country.

In the same context, Elhassan, (2019) revealed that small and medium-sized companies in Saudi Arabia face financing difficulties and obstacles due to poor record keeping, financial reports, and financing standards, which were exacerbated and increased due to weak financing structures and the lack of borrowing standards in the country. Therefore, the second and third hypotheses for this study based on this information are:

- H2: Saudi SMEs perceive the environment under the covid-19 pandemic as hostile.
- H3: When the covid-19 pandemic is considered, the Saudi SMEs develop a heightened perception of environmental hostility rather than an optimistic one similar to that of enterprises in western countries.

Organizational Strategies for Addressing Perceived Hostile Business Environments

There are many studies and research that have revealed multiple strategies that have contributed greatly and helped small and medium-sized companies to overcome many crises or reduce the risks resulting from crises. One of the most prominent strategies is the marketing and innovation strategy. Therefore, this classification is general and has been validated in a variety of contexts, which can greatly aid a better understanding of the business and outcome implications (Carter et al. 1994; Meyer et al. 1989; Miller 1988, 1987). Strategic choice theory and contingency theory indicate that managers, orientation, and an objective environment jointly shape the conditions for SMEs' perceptions of the environment (Dess, Lumpkin, and Covin 1997). These perceptions clearly determine the choice of managers and decision makers of the strategies they believe are appropriate to implement and work with (Bettis and Prahalad 1995; Bourgeois 1985; Downey, Hellriegel, and Slocum 1977; Prahalad 2004; Prahalad and Bettis 1986; Snow 1976). Companies are expected to rely more on marketing strategies than cost control or innovation strategies when they see environmental hostility on the rise.

When competition is viewed as hostile, most business firms still tend to take significantly more risks than non-entrepreneurial firms. However, these risks are often "opportunistic and short-lived" (Tan 1996, p. 42). This provides a sharp and clear contrast with the long-term and this is a perspective adopted by Western entrepreneurs (Miles and Friesen 1983), a perspective that depends on patience in crises to follow and implement innovation strategies, and through this companies offer new products or services more than they are simple or similar Previous Shows (Miller 1987). Competition between firms can reduce short-term survival goals and, thus, this means avoiding extensive investments in research and development or other projects that require a large long-term return (Tan and Litschert 1994; Tsang 1996). For example, China has been subject to many laws and regulations in the past decade to try to improve the legal environment and regulate market competition between firms, but the improvements are somewhat insufficient (Li and Zhang 2007; Tan and Tan 2005). In this environment, companies are less involved in innovation, especially when hostility is strong.

When small and medium-sized companies perceive themselves to be in a hostile environment, it often affects and transforms them internally, thus improving internal efficiency is the first response to this influence (Luo, Zhou, and Lou 2005; Mohan-Neill 1995). Therefore, it is seen that in the event of environmental hostility, the use of cost and control strategies is highly preferred (Tang et al. 2008; Zaharia, Jennings, and Kuratko 1999).

Regarding the strategies used and applied by small and medium-sized companies during the global pandemic of the impact of COVID-19, Brown & Rocha (2020) revealed that small and medium-sized companies in China have made much less investment in the stock market during the ongoing Corona virus pandemic compared to their Western counterparts. This is because they considered that the epidemic creates a more ambiguous and complex environment compared to the major financial crisis that affected the world in 2008. However, Nofiani et al. (2021) concluded that social communication and innovation created and found a strong relationship between entrepreneurial orientation and the performance of small and medium-sized companies, with strategic superiority in the equilibrium dimension compared to the common dimension.

More importantly, Priyono, Moin & Putri (2020) discovered that a large number of Indonesian small and medium-sized companies relied heavily on different levels of digital transformation as strategies, with the aim of reducing the damage caused by the ongoing Corona virus pandemic and trying to overcome the crisis. Similarly, according to Christa & Kristinae (2021), the market orientation of synergies in relevant information through the sharing of innovation and knowledge has caused a clear and significant improvement in performance, because companies can meet and provide a product or service that meets the changing needs of customers. However, Juergensen, Guimón & Narula (2020) revealed that the long-term policy interventions that have contributed to and promoted the growth of small and medium-sized businesses during and after the coronavirus pandemic need a lot of focus on networking, internationalization and innovation.

Small and medium-sized businesses in the Kingdom of Saudi Arabia are expected to use less aggressive strategies when responding to the COVID-19 pandemic. In addition, in the Kingdom of Saudi Arabia, the severity of the crises is taming the relationship between environmental orientation and perceived hostility.

Also, the entrepreneurial orientation has a stronger moderating effect on the negative strategy-antagonism relationship in the Kingdom of Saudi Arabia. Therefore, the hypothesis related to organizational strategy is:

- H4: Saudi Arabian SMEs employ less aggressive strategies when responding to the covid-19 pandemic.

In addition, the following hypotheses will test the relationship between the three concepts, namely, entrepreneurial orientation, perceived environmental hostility, and strategy.

- H5: In Saudi Arabia, crisis severity moderates the relationship between environmental orientation and perceived hostility.
- H6: In Saudi Arabia, entrepreneurial orientation has a stronger moderating effect in the negative hostility and strategy relationship

RESEARCH METHODOLOGY

A quantitative research approach was used in this study. It was preferred to use the quantitative approach over the qualitative approach because it provides numerical measures for parameters or apparent variables. In addition, the quantitative measures are accurate and objective which makes the study results robust and reliable (Silverman 2020).

In this regard, owners and employees of small and medium-sized companies in the Kingdom of Saudi Arabia are living in light of this difficult and influential phenomenon represented by the ongoing Corona virus pandemic.

On the other hand, actors in this field are still trying to develop views and opinions that can be compared between individuals and, thus, enable the identification of their consistency or diversity. Thus, this approach helps in facilitating an understanding of the dimensions of the phenomenon and the complex issues related to this phenomenon (Silverman 2020).

RESEARCH STRATEGY

A scanning strategy was used in this study. Surveying was preferred over case study and observation because it can capture insights and perspectives on an unfolding phenomenon from many diverse sources, using a variety of data collection methods (Creswell & Poth, 2016). The survey used in this study was quantitative, so it was expected to increase the robustness of the study. In this case, participants from various sectors of industry and business in the Kingdom of Saudi Arabia provided answers, perspectives, and insights on the effects of the ongoing COVID-19 pandemic on Saudi SMEs that can be relatively measurable for consistency. Hence, the attitudes, opinions, and viewpoints presented by participants (Wolf et al. 2016). In addition, it was very important that the survey strategy complied with public health guidelines for social distancing, avoidance of non-essential travel, avoiding meeting people, and avoiding crowding due to the ongoing COVID-19 pandemic.

SAMPLING AND DATA COLLECTION

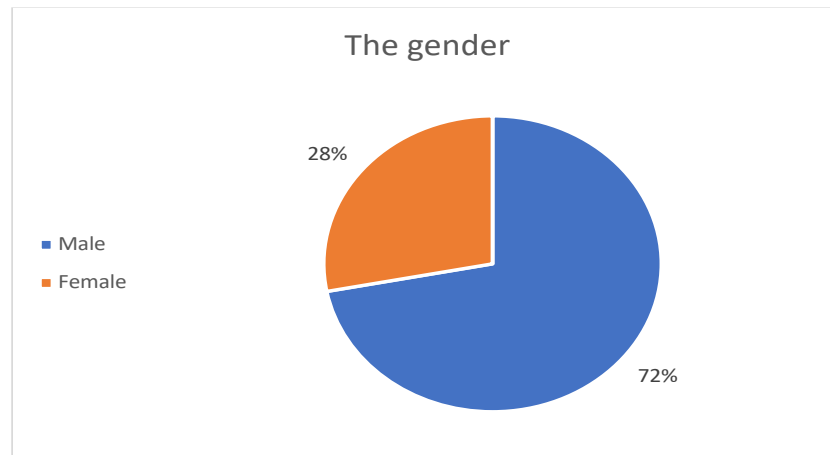
Primary data in this study was collected from a number of small and medium-sized companies in the Kingdom of Saudi Arabia from different business sectors. Names and contact information for the companies were obtained through publicly available databases maintained by the Central Bank of Saudi Arabia and the Ministry of Labor and Social Development. These companies were selected from the retail, manufacturing and technology industries, because these companies have been deeply affected by the ongoing COVID-19 pandemic (Donthu & Gustafsson 2020). Targeted sampling was used to identify companies in each business sector to ensure equal representation of all sectors in which the Saudi SMEs operate. In addition, the companies were sampled appropriately from the pool of small and medium-sized companies in each business sector. The aim was to ensure that the accessible companies were representative of the various environments in the country, including geographical diversity, representing both urban and rural areas in the country.

Each company in the sample was asked to provide representatives of the companies, and the participants were owners or senior managers of the companies. Questionnaires were used in this study as data collection tools and included items for each concept, organized on a five-point Likert scale. Questionnaires were considered to be one of the best methods to use, especially at this time, because they are compatible with public health protocols during the ongoing COVID-19 pandemic.

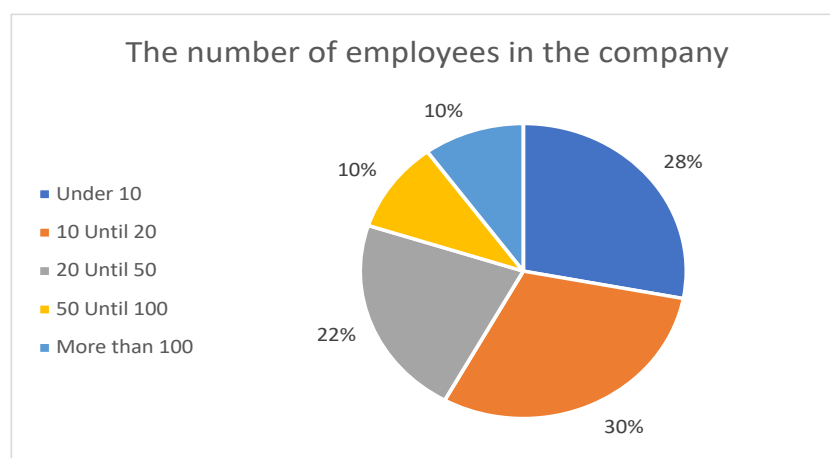
The questionnaires targeted participants' perceptions of three concepts, namely, entrepreneurial orientation, perceived environmental hostility, and strategies. The entrepreneurial orientation of companies was assessed using the scale of entrepreneurial orientation proposed by Miller (Goros Tiaga et al. 2019; Tang & Hull 2012). For the assessment of perceived environmental hostility, the Slevin and Covin perception scale was used, while the organizational strategies were determined by the approach used by Tang and Hull (2012). With regard to entrepreneurial orientation and perceived environmental hostility, the Likert scale consisted of five points, from 1 = strongly disagree to 5 = strongly agree. The surveys were administered virtually via the internet, in line with the health protocols of the ongoing COVID-19 pandemic.

RESULTS AND ANALYSIS

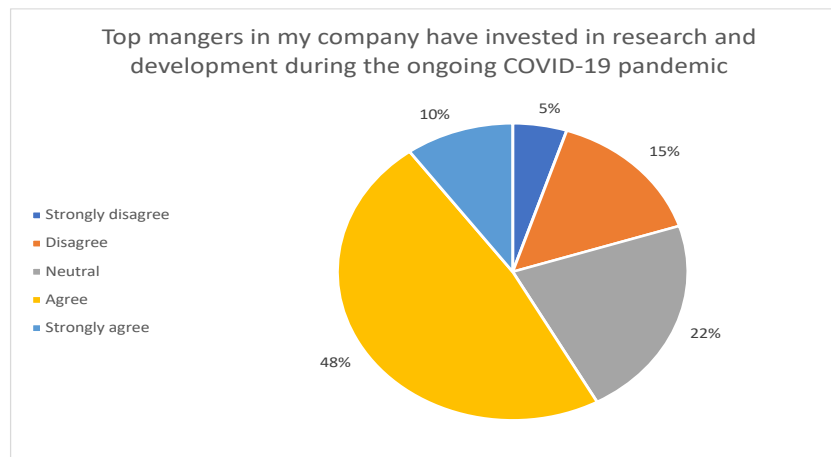
After conducting a comprehensive survey of a number of owners of small and medium-sized companies in the Kingdom of Saudi Arabia, entrepreneurs and senior managers in the Saudi business sector, of both genders, the questionnaire covered all the aspects targeted in the research, namely, entrepreneurial orientation, perceived environmental hostility, and strategies used in the ongoing COVID-19 pandemic. the information and data to be presented, analysed and discussed were obtained.



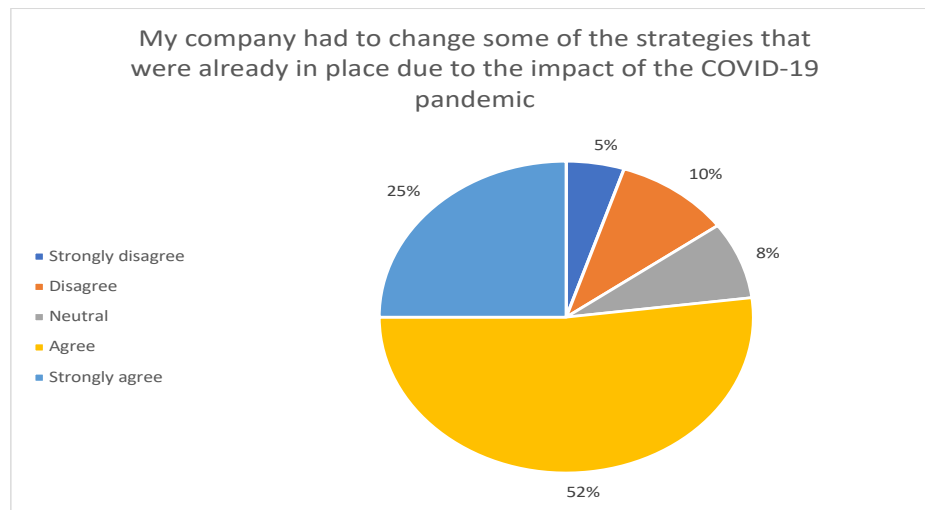
The Saudi labour market is one of the most important markets in the Middle East and one of the most active (Nurunnabi & Al-Yousef 2020). In recent years, the Saudi government has focused on the labour market and its development and support of entrepreneurs and business owners, both men and women , in order to achieve the 2030 vision announced and launched by the Saudi Crown Prince on April 25, 2016. Consequently, a significant number of Saudi males and females have entered the labour market and, consequently, the proportion of owners of small and medium-sized companies in Saudi Arabia of both genders has increased. A total of 100 participants participated in this survey, entrepreneurs, company owners and senior managers, and the percentage of males was 72%, and 28% females , from different sectors of the labour market.



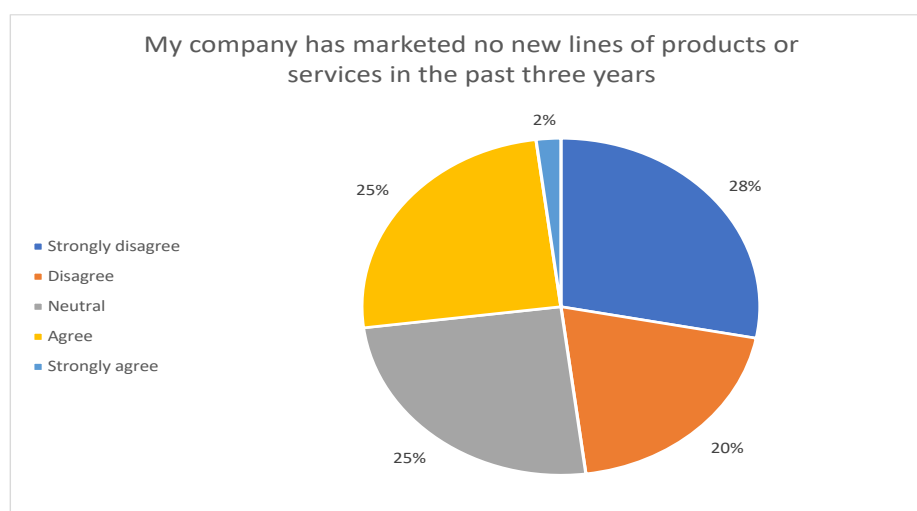
The findings of the study showed that most firms in the sample population still invested in research and development activities in the course of the pandemic. 48% of participants in the sample believed that managers in their firms invested in R&D, and an additional 10% strongly believed this to be the case. Only a combined total of 20% of participants believed their firms did not invest in any R&D activities in the course of the pandemic, while 22% were neutral. The findings showed that the majority of firms still maintained a positive entrepreneurial orientation and were optimistic that the market would speedily recover from the effects of the pandemic. Despite the environmental hostility created by the pandemic, most firms still believed that they could improve certain aspects of their operations and achieve growth after the pandemic. The fact that a majority of firms still invested in R&D in the course of the pandemic also means they were willing to modify their strategy to focus on their future operations, as opposed to the present. Several firms, however, could not cope with the environmental hostility created by the pandemic and, as a result, did not have any positive entrepreneurial orientation about the future of their business.



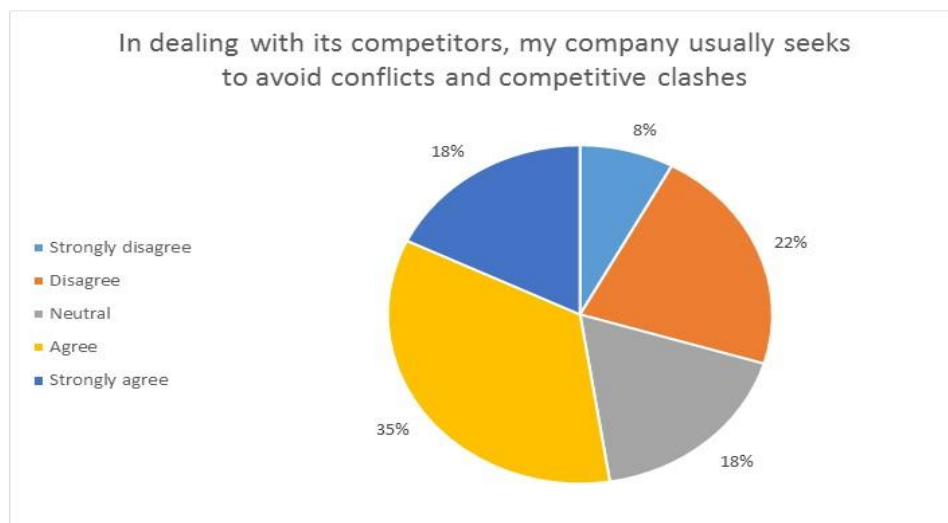
The findings also showed that a majority of firms had to change certain aspects of their long-term strategies due to the pandemic. 52% of participants in the sample population agreed that their firms had to modify their strategy in response to the pandemic, while an additional 25% strongly agreed. Only a combined total of 15% of participants sampled believe their firms maintained their original strategy in the course of the pandemic and did not change any aspects of their operations as a way of coping. The findings showed that managers in most firms had to alter certain areas of their operations, either as a way of reducing operating costs or of retaining their share of the market. Common changes in strategy included changes to how firms carried out their daily operations, with a section of employees being required to work online (Alonso et al., 2020). Other firms had to reduce their workforce as a way of controlling costs at a time when demand was reducing. The rapid adoption of e-commerce was also a common strategy used by firms to cope with the pandemic, thereby retaining their share of the market. In response to environmental hostilities created by the pandemic, the majority of firms were forced to modify key aspects of their operations if they were to survive the pandemic.



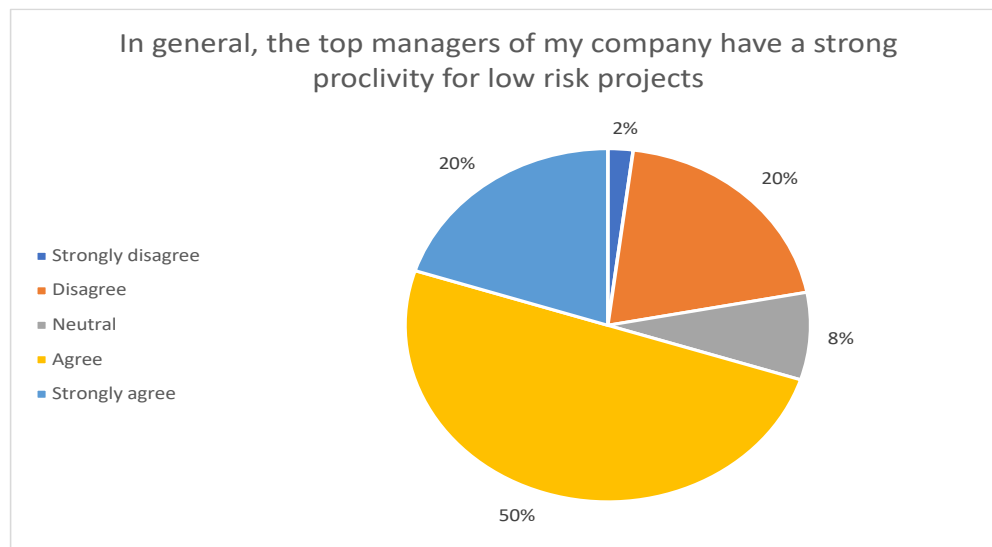
Based on the findings, innovation remained low in the period before and during the pandemic, which shows that the entrepreneurial orientation was not positive. Of the participants in the sample population, a combined total of 48% either disagreed or strongly disagreed when asked whether their firms had introduced any new products within the last three years, while 25% remained neutral. Only 27% of the participants sampled believed that their firms had introduced new products before and during the pandemic. Product and service innovation, therefore, remained low before and during the pandemic, with just a few firms making any investment in new marketable products. This means that most managers remained uncertain about the future of their firms during the pandemic period and, as a result, were not willing to commit existing resources to investments that would lead to new products. Retaining as much of their resources as possible would enable most firms to cope with environmental hostilities created by the pandemic, such as rising operating costs and reductions in demand (Didier et al., 2021). A number of firms were. However. able to still introduce new products. despite the pandemic. Firms whose operations were not adversely affected by the pandemic were still able to innovate and market new products, as shown by the findings.



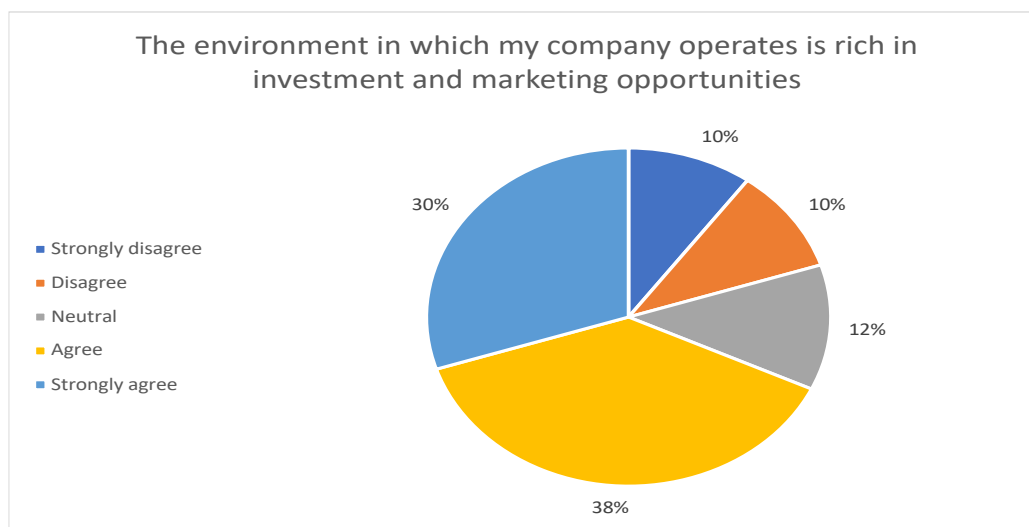
Environmental hostilities created by the pandemic also meant that a majority of firms had to change their approach to competitiveness. The findings showed that a majority of participants, at 53%, believed that their firms preferred to avoid conflict and competitive clashes in their operations. Only 30% of the participants' sampled believed that managers in their firms were aggressive in their competitive approach and were willing to take part in competitive clashes and conflict as a way of improving their firm's performance. 18% of the participants were neutral and did not believe that their firms used any competitive strategy. The findings showed that a majority of the firms elected to reduce their operating costs in the course of the pandemic by minimizing competitive pressure. Rather than adopting aggressive competitive methods, such as intense marketing and other activities that would increase the competitive pressure, firms instead selected to save their resources during the pandemic period. This also shows the attitude that firms had towards risk in the pandemic period. By reducing competitive pressure, firms also minimized the risk associated with their operations (Yang, Xie, Yu, & Liu, 2021). Some firms that were not adversely affected by the pandemic, however, elected to maintain competitive pressure and invest in new marketing activities that would grow their share of the market during the pandemic period.



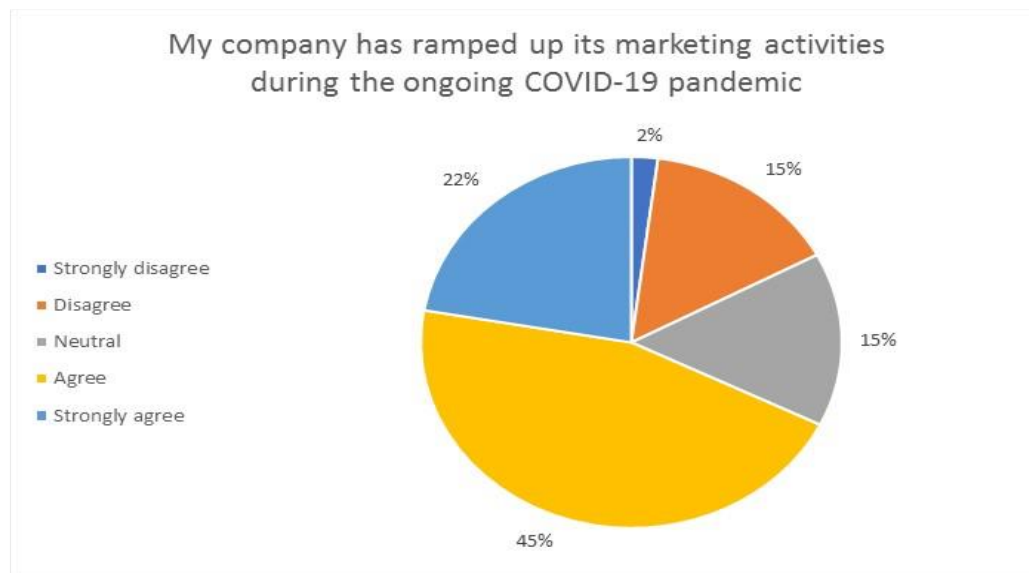
The covid-19 pandemic also changed the risk profile that SMEs had, based on the findings of the study. SMEs generally have a low-risk profile due to limited resources and capacity to innovate (Oláh et al., 2019). The findings of the study showed that most firms had to lower their risk profile even more in response to the pandemic. 70% of participants in the sample population believed that managers in their firms had a low-risk profile and would only invest in projects that presented the lowest possible risk. Only 22% of participants in the sample population believed that managers in their firms were willing to take on high-risk projects, while 8% remained neutral. The findings showed that the hostile environment characterizing the pandemic further reduced the confidence that SMEs had in their ability to grow their operations by undertaking internal projects. It was important for firms to conserve their available resources if they were to cope with environmental hostilities created by the pandemic, such as reduction in overall profits and rising operating costs. Most firms, therefore, preferred projects that were characterized as being low risk in the course of the pandemic period. A few firms that were not adversely affected by the pandemic were still able to undertake high-risk projects and maintain a positive entrepreneurial orientation.



Investments and marketing opportunities available to SMEs, however, remained high, despite the pandemic. The findings showed that 68% of participants sampled believed their firms had numerous opportunities for investment and the marketing of their products. Only 20% of participants did not believe that their firms had opportunities for investment and growth, while 12% remained neutral. The findings showed that stakeholders in the SME sector believed the market for their products would recover speedily after the pandemic and that they would be able to take advantage of existing opportunities for investment and marketing. Most firms, therefore, maintained a positive entrepreneurial orientation and were confident that they could take advantage of existing market opportunities were it not for the pandemic. Environmental hostilities faced by firms due to the pandemic, therefore, did not dash their hopes about market opportunities that they could use for growth. A number of firms were, however, not sure if they could effectively take advantage of the opportunities for growth that were in place in their markets. Due to challenges created by the pandemic, most firms did not believe that they could take advantage of the existing opportunities for growth and investment. The majority of firms were, however, able to recognize the existing opportunities that they could utilize for growth.

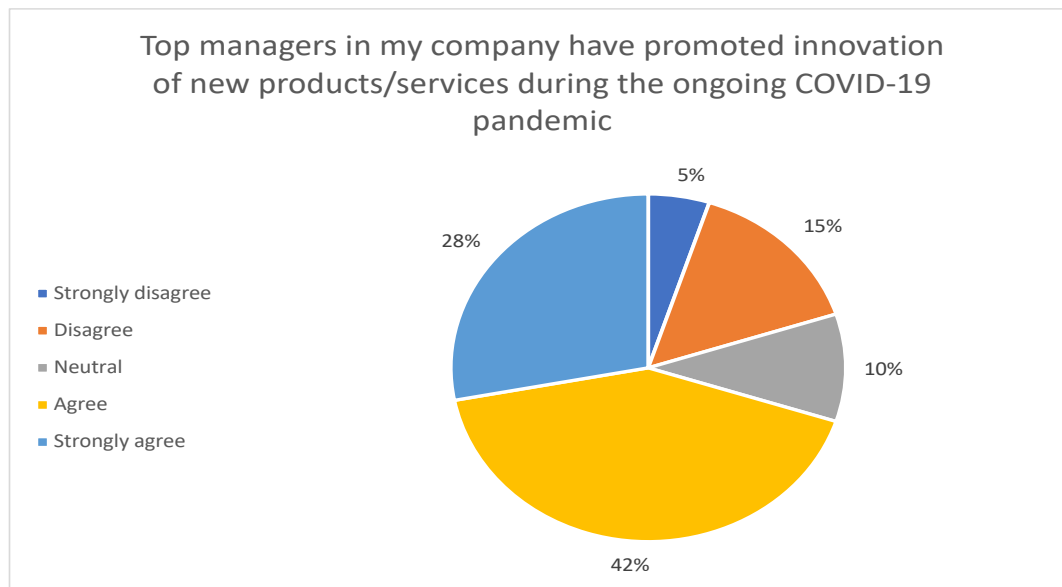


Firms also improved their marketing activities in the course of the covid-19 pandemic. This was a strategic adjustment that firms made to cope with the decline in demand resulting from the pandemic. It also showed that the entrepreneurial orientation was positive about the ability of the market to withstand existing hostilities. A combined total of 67% of participants in the sample population believed that their firms had ramped up their marketing activities in the course of the pandemic, while 17% believed that their firms had scaled down their marketing activities as a response to the pandemic, while 15% remained neutral. Since the pandemic resulted in a decline in demand, the majority of firms elected to increase their marketing expenditure as a way of both retaining their share of the market and attracting new customers (Kristinae et al., 2019). The majority of firms were, therefore, positive about the market recovering in the future and believed the hostilities that they were experiencing would not last for long. A few firms, on the other hand, were not able to cope with the environmental hostilities created by the pandemic and, as a result, elected to reduce their marketing expenditure, due to uncertainty about their ability to survive in the market. All firms, therefore, made strategic adjustments to their marketing strategy as a way of coping with the pandemic.

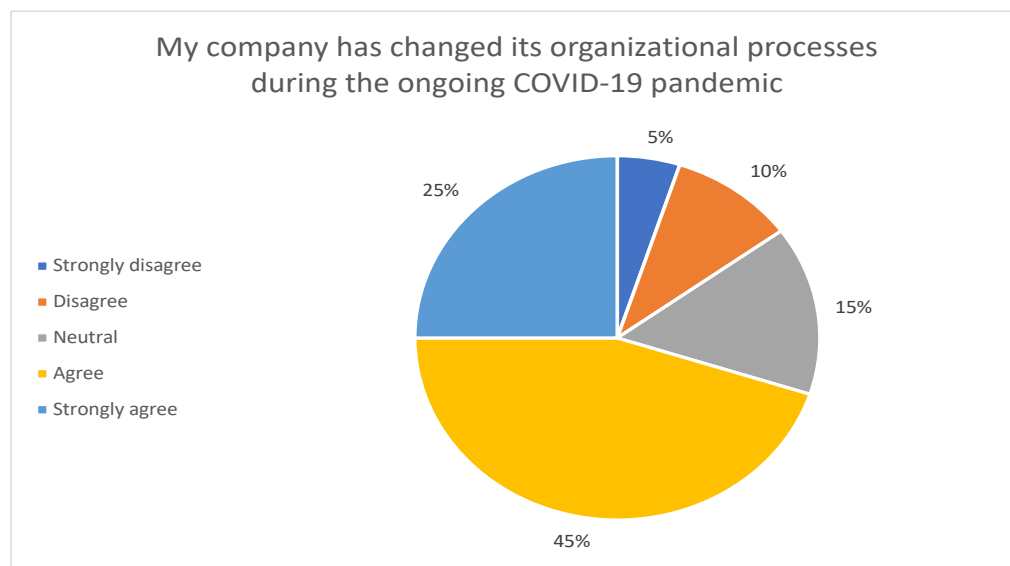


Firms still invested in new products and technology in the course of the pandemic, as indicated by the findings. 70% of participants in the sample population agreed that managers in their firms promoted a new product or service in the course of the pandemic. Only 20% of the respondents disagreed that managers in their firms did not promote any innovative new product in the course of the pandemic, while 10% were neutral. Innovation is an important source of competitive advantage for SMEs, which enables them to differentiate their products from those of larger firms. By maintaining high innovation, firms were able to take advantage of the already present opportunities for growth that existed in their industries (Wang et al., 2020). The fact that the majority of firms were able to remain innovative, despite the pandemic and its adverse effects on business, also shows there is a strong entrepreneurial orientation within the SME sector in Saudi Arabia. The pandemic did not, therefore, have a major impact on the innovativeness of SMEs in the country. Firms that were not able to cope with the adverse effects of the pandemic were, however, forced to scale down certain areas of their operations

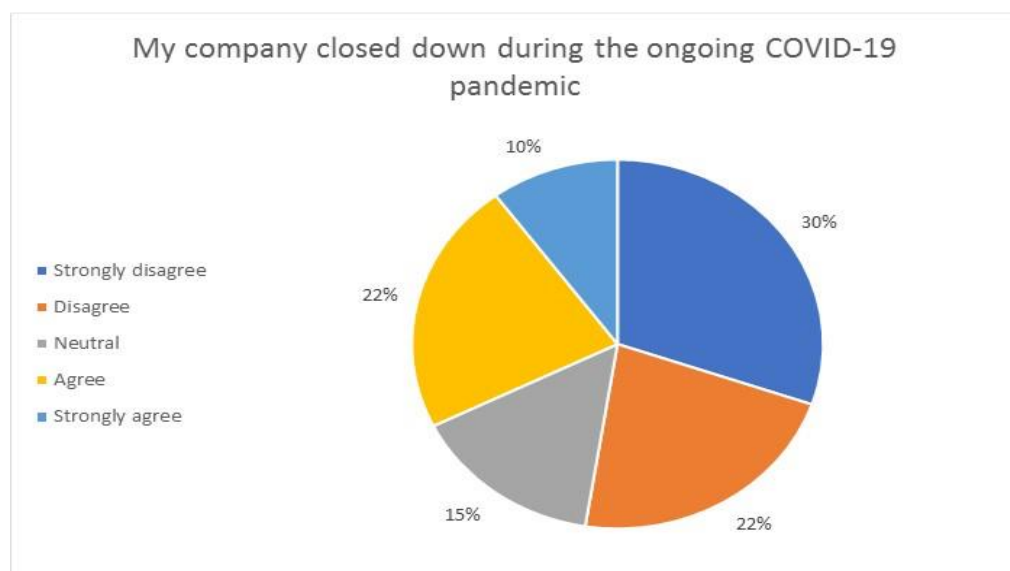
and, as a result, minimize their innovativeness. Innovation among SMEs, therefore, remained high in the course of the pandemic period.



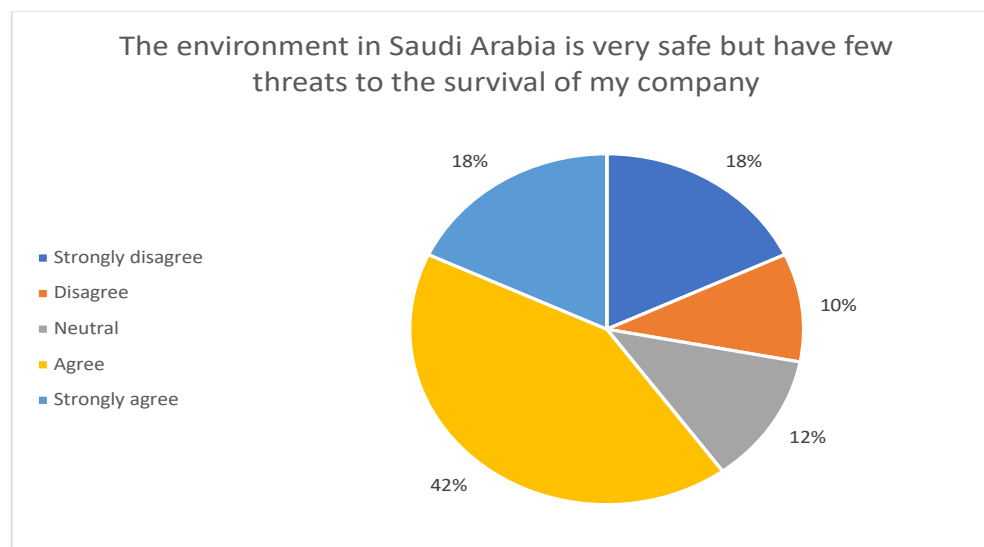
Most SMEs also had to make structural adjustments to their operations as a way of coping with the pandemic. Strategic adjustment is a key method that is used by most firms, irrespective of their size, to tailor their operations in ways that will enable them to survive the pandemic (Gerald & Obianuju, 2020). The findings showed that 70% of the participants sampled believed that their firms made changes to internal operations and processes in ways that would reduce costs and enable the firm to better cope with the effects of the pandemic. 15% of the respondents believed their firms did not make any major changes to their operations and remained the same. The findings showed the importance of strategic adjustments as a method that could be used by firms to beat the pandemic and retain their profitability (Verbeke & Yuan, 2021). Internal adjustments to operating processes and procedures could aid in minimizing costs and maintaining operations that would otherwise be grounded. Firms that did not change any aspects of their operations were those that already had flexible work arrangements and, therefore, did not need to be modified greatly in response to the pandemic. Strategic adjustments, therefore, played a key role in enabling firms to cope with the pandemic and maintain key areas of their operations.



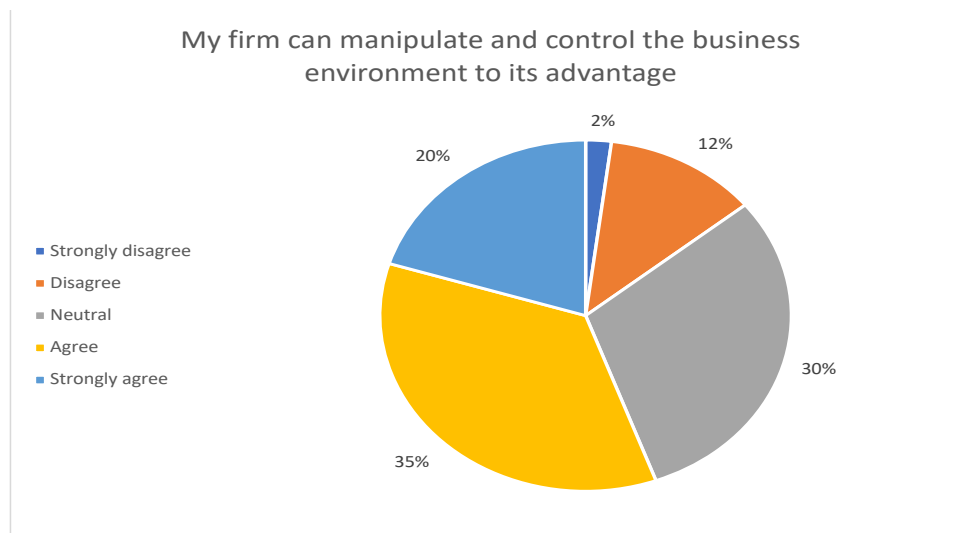
While the majority of SMEs were able to maintain their operations in the early stages of the pandemic, some were forced to stop all operations and close down. 32% of participants in the sample population agreed that their firms were forced to shut down operations in the early stages of the pandemic. 52% of respondents, however, stated that their firms were able to maintain all, or part, of their operations throughout the pandemic period. The findings, therefore, showed that, in some cases, it was impossible for firms to cope with the effects of the pandemic by changing certain aspects of the operations. Firms that were, for example, in areas where curfews and lockdowns were imposed had no choice but to shut down all their operations (Kaushik & Guleria, 2020). Covid-19 containment measures put in place in Saudi Arabia were highly effective in reducing the total number of cases, which enabled more firms to speedily resume operations (Alrashed, 2020). The majority of SMEs were, however, able to maintain their operations throughout the pandemic period through structural adjustments they made to their operations. Strategic adjustments made by firms were, therefore, a key reason why they were able to survive the early stages of the pandemic in the country.



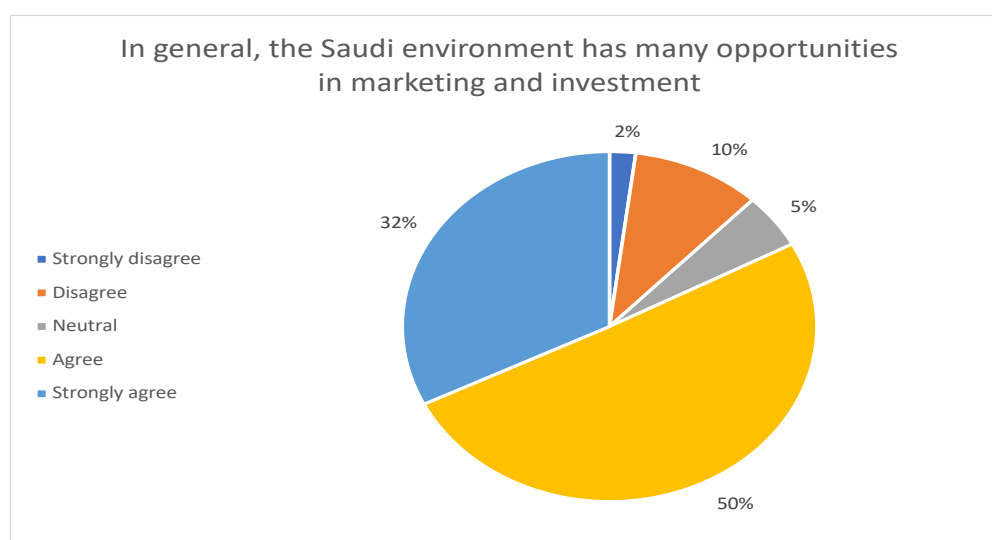
The economic, social, and political environment in Saudi Arabia was also favourable, as perceived by most firms. An effective socio-economic and political environment is of key importance to the development and growth of the SME sector in a country. The findings of the study indicated that 60% of respondents believed that the economic, social, and political environment in Saudi Arabia was safe and enabled the growth of their firms. 28% of respondents, however, believed that the business environment was characterized by uncertainty and risk that negatively affected their operations. Investor confidence in the SME sector is crucial if the sector is to grow (Almawishir, 2020). An effective way through which this confidence can be improved is by having in place a stable political and economic environment that supports the growth of businesses. The harsh effects the pandemic had on the economy, therefore, did not adversely affect the confidence the SME sector had in its ability to bounce back. The survey results indicated that most firms were still confident that the business environment was stable and supported the growth of a business. Firms that were adversely affected by lockdowns and other containment measures, however, were not as optimistic about the business environment.



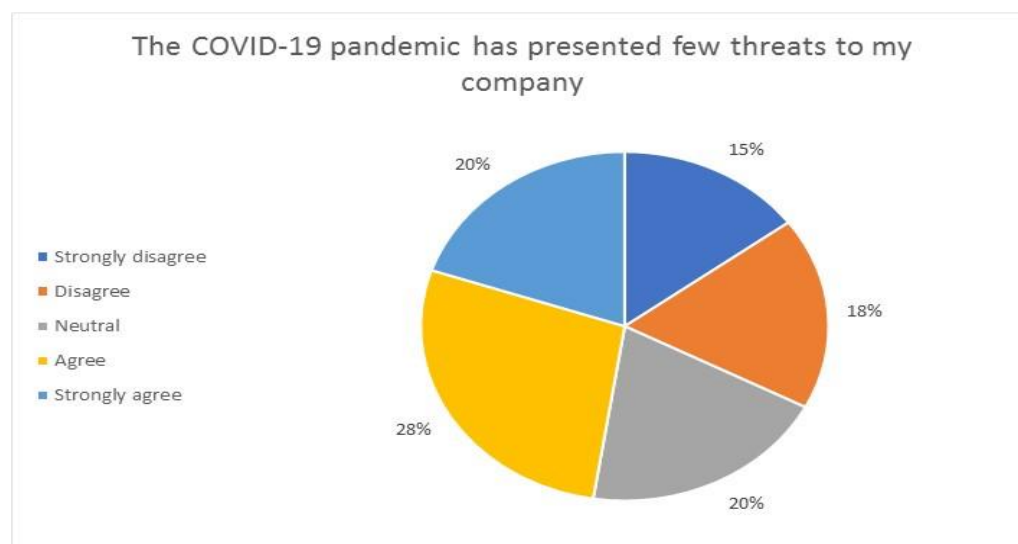
The majority of respondents also believed that their firms could manipulate certain aspects of the business environment to their advantage. In response to harsh economic conditions, businesses can make certain changes to key internal variables in ways that can enable them to cope (Basheer, Raoof, & Jabeen, 2020). Firms can, for example, make changes to their pricing, product features or make market alliances with other firms in ways that would enable them to thrive in the business environment. A total of 55% of the respondents in the survey believed that their employers could manipulate certain firm-specific variables as a way of coping with challenges that take place in the external business environment. Only 14% of participants did not believe that their firms could manipulate the business environment to their benefit. The findings showed that the SMEs had some level of control over the crucial variables that could impact their performance. By making changes to pricing, for example, the firms could influence the demand for their products. Alliances with other key firms in the industry could also influence important aspects of the market that determine the competitiveness of the industry (Arslan, 2018). In addition to internal adjustments to their operations, firms could, therefore, influence the key external variables that impact their performance.



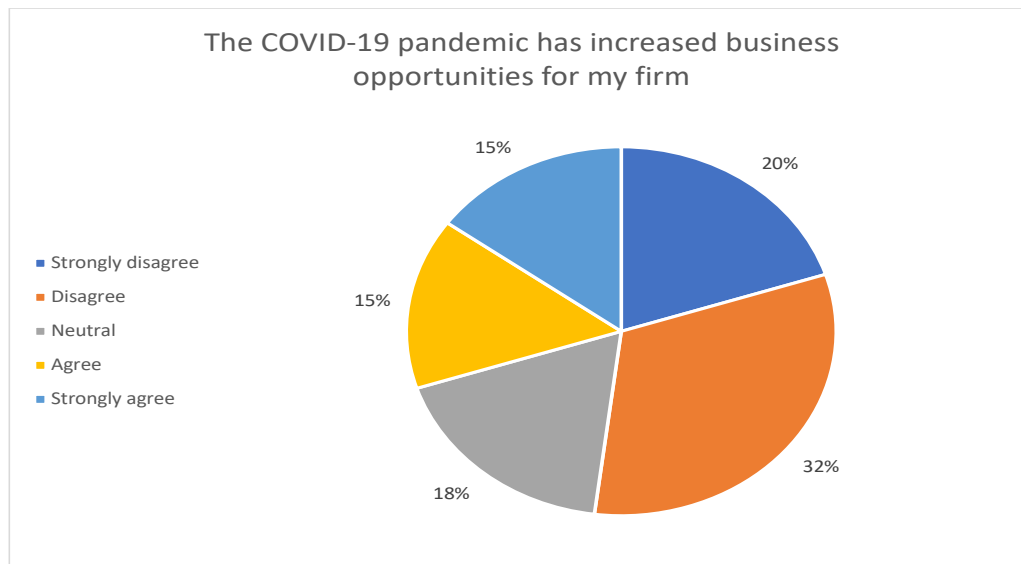
The findings also showed that the Saudi Arabian business environment was a key strength that enabled the SMEs to grow their operations. Key aspects of the business environment, such as high demand and unexplored market potential, were key features of the business environment that enabled the growth of SMEs. 82% of the respondents believed that the business environment in Saudi Arabia was quite stable and contained numerous opportunities for investments that firms could exploit. 12% of respondents did not believe that Saudi Arabia had a stable business environment that supported the growth of SMEs. The high number of respondents who believed that Saudi Arabia had a supportive business environment also shows that the entrepreneurial orientation of the country was strong. Most firms were optimistic about the available market opportunities that they could use for growth. SMEs are more likely to thrive in markets that have specific niches that have not been addressed by larger businesses. The findings showed that the majority of respondents believed that this applied to the Saudi Arabian business environment. Some respondents, however, believed that the business environment in the country was challenging and difficult to navigate. Generally, the findings showed that investor confidence and expectations regarding the Saudi Arabian business environment were positive in anticipation of future growth.



The covid-19 pandemic also presented key challenges that threatened the long-term survival of SMEs. Containment measures for covid-19 have resulted in major challenges to businesses, such as shortened operating hours, logistical challenges, employee absences, changes in working arrangements, and loss of demand and market opportunities (Gangadhar & Shaikh, 2020). Some adversely affected areas have been forced to completely shut down their operations due to lockdowns and logistical challenges faced by their operations. 48% of the respondents stated that the pandemic had resulted in major challenges to their firm's operations, meaning that they did not attain the same performance as in the years preceding the pandemic. 33% of respondents, however, did not believe that the pandemic presented major business challenges. SMEs in areas where there were lockdowns and curfews, for example, lost sales that they normally made. Changes to working arrangements are also costly and present an additional burden for businesses (Vo & Tran, 2021). Most SMEs, therefore, faced a number of challenges resulting from the containment measures in place that adversely affected their long-term performance. The challenges occasioned by covid-19 could also not be controlled by firms, which meant that their effects on business operations could not be easily mitigated without incurring additional costs. Logistical challenges, for example, required firms to spend more on transportation than they usually did.



While covid-19 negatively affected some businesses, it presented opportunities for growth to others. Due to challenges created by the pandemic, some firms developed innovative products and services that they could add to their current product line. 30% of the respondents believed that the pandemic had created new market opportunities for their firms that could be used for growth. 52% of respondents, however, believed the covid-19 pandemic had not resulted in any new opportunities for their firms. Despite the environmental hostilities occasioned by the pandemic, some firms, therefore, still found opportunities for growth that improved the overall performance of their operations. The majority of businesses, on the other hand, did not find any new opportunities and, instead, had to struggle to retain their current markets. To some extent, the pandemic had a mixed impact on the SME sector.



In the course of the pandemic, competitive pricing was the most popular strategy used by firms to attain and maintain competitive advantage. Firms adjusted their prices in line with changes in demand and supply, as influenced by the pandemic. Market segmentation was the second most popular strategy used by firms to retain and grow their share of the market. Firms identified distinct markets that they could use for growth. Most firms also resorted to offering new products and services as a way of improving their financial performance through the pandemic period.

Making changes to operations was also a popular strategy used by firms to grow and improve their operations during the pandemic. Firms also resorted to the creation of new marketing campaigns as a way of creating awareness about their products and services at times when demand was decreasing. New marketing techniques were also adopted by firms to replace others that were no longer effective during the pandemic. Cost reduction measures were also popularly used by the surveyed firms to conserve their resources and cope with the pandemic. Employee layoffs were the least popular method used by firms, as indicated by the survey results.

Strategies Used in The Company During the Ongoing Covid-19

	Total Responses	Strongly never	Never	Neutral	Often	Very often
Market segmentation	39	3%	8%	33%	38%	18%
New Marketing Campaigns	38	3%	16%	24%	34%	24%
New marketing techniques and methods	40	5%	8%	18%	30%	40%
competitive pricing	40	8%	10%	18%	45%	20%
cost reduction	40	8%	18%	28%	22%	25%
Employee layoffs	39	21%	13%	36%	15%	15%
Creating new products and services	40	8%	10%	25%	38%	20%
New business operations	40	8%	18%	25%	35%	15%

CONCLUSION

The study analysed entrepreneurial orientation, perceived environmental hostility, and changes in strategy used by Saudi Arabian firms in response to the Covid-19 pandemic. Data was collected and analysed to answer key aspects of the research questions identified for the study. Based on the findings, it is clear that the Saudi SMEs had a high level of entrepreneurial orientation and were optimistic that the economy would quickly recover from the effects of the pandemic. The first hypothesis H1 is, therefore, false, as shown by the findings.

The findings also showed that the majority of SMEs believed that the economic environment during the pandemic was hostile and made it difficult for firms to grow their operations. Firms struggled and had to reduce costs, they lost some sales, and had to incur additional marketing

costs to retain their market share. While some firms were able to go through the pandemic unblemished, the majority struggled in most areas of their operations. The second hypothesis of the study H2 is therefore accepted, as most firms viewed the economic environment in the country as being hostile.

In response to the pandemic, firms made strategic changes to certain areas of their internal operations as a way of both reducing operating costs and growing revenues. Key among this was innovations, which introduced new products as well as modified existing ones to better suit the needs of the market. Firms also identified cost-cutting measures that would enable them to conserve resources in the course of the pandemic. To retain their markets, firms also adopted new marketing methods and relied on market segmentation to better respond to the needs of their customers. Internal variables, such as price, were also manipulated by firms to keep demand high. SMEs in the country, therefore, did not develop a heightened perception of environmental hostilities but, rather, relied on an optimistic approach to deal with market challenges. The third hypothesis H3 is, therefore, inaccurate and rejected.

Saudi Arabian firms also adopted aggressive strategies when responding to the pandemic, based on the survey results. In response to environmental hostilities created by the pandemic, firms invested in innovation to create new products and services as well as technologies that could minimize costs and improve their performance. A high level of entrepreneurial orientation and changes in strategy were, therefore, used to mediate the environmental hostilities experienced by firms in the course of the pandemic. The fourth hypothesis H4 is, therefore, rejected, based on the findings of the study.

The severity of the challenges experienced by firms in the course of the pandemic period did not influence the level of entrepreneurial orientation that SMEs had to deal with the environmental challenges they faced. As a response to the environmental challenges, firms relied on their entrepreneurial orientation to innovate new products and find ways of growing their businesses. Irrespective of the severity of the crisis created by the pandemic, firms were still able to innovate and identify lasting solutions that enabled them to survive in their industries. The fifth hypothesis H5 is, therefore, inaccurate and rejected.

Entrepreneurial orientation influenced the strategic choices made by firms to deal with the environmental challenges created by the pandemic. In response to the pandemic, firms adopted numerous strategies that were meant to help them cope, by both reducing their internal operating costs as well as growing their revenue streams. Firms relied on their entrepreneurial orientation to identify effective strategies that best suited their business models in the course of the pandemic. The sixth hypothesis, H6, is, therefore, accurate and accepted, based on the findings of the study.

Generally, the findings of the study showed that there was a high level of entrepreneurial orientation among Saudi Arabian SMEs. Firms were also optimistic and aggressive in their response to the environmental hostilities created by the pandemic. Strategic changes played a key role in enabling firms to overcome the challenges they faced.

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