



A Review of the Role of Digital Solutions for the Private Sector During the Covid-19 Pandemic in Bahrain

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Report developed with:



Disclaimer:

The views expressed in this study do not necessarily reflect UNDP or Derasat's point of view.

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Virtual Bahrain 2020

VIRTUAL BAHRAIN 2020 is a 2-day virtual event that focuses on technology, leadership, and change. In our real-time environment of unprovoked disruption,



Virtual Bahrain Online Conference and Exhibition is a 2-day virtual event that focus on technology, leadership, and change.

Virtual Bahrain aims to highlight the #TeamBahrain achievements as we now witness how Bahrain unites, stands strong and emerge steadily after the national challenges we have been facing, this event offers extensive opportunity to provide a network-rich conference and exhibition on how different sectors are coping up with the challenges of today’s “new normal”.

In these unprecedented and uncertain times, promoting awareness and providing information and advices from our experts is key to organizations to deal with adapting the new normal. The event aims to help lift the country’s spirit, keep people connected and highlight the continuous contribution of several private and public sectors.

This event aims to continue enabling the ICT to be one of the major sectors in the Kingdom to support the economy and sustainability of government services, through the continues collaboration between the private and public sectors.



Foreword

While the impact of the COVID-19 pandemic globally cannot be understated, most pundits and international experts at the time that this study was published believe that we have not yet seen the worst of it. The pandemic has affected countries across all dimensions of development, from health and education to mental wellbeing and gender equality; from environmental degradation to exclusion and inequality; and from economic systems as a whole to individual livelihoods and prospects for the future.

In the case of Bahrain, the outbreak reached the country at a time when the national health system was well prepared to respond to an increase in demand for health services. At the inception of the pandemic, the Government set up an inter-ministerial task force, ensuring the coordinated guidance and implementation support at all levels, from emergency health infrastructure, human resources, and public information campaigns, to mandatory provisions on testing, contact tracing, and use of PPEs.

Simultaneously, Government-led largescale bail-out and support interventions reached individuals and businesses. Such measures targeted unemployment and income losses for individuals, as well as businesses reduced revenues from contractions in sales, lower investments, and the related difficulties in honoring obligations such as loans, payroll to employees, and other financial arrangements.

Building on existing studies on the economic impact from the pandemic on the business sector, this analysis focuses particularly on businesses that operate within or in parallel with the digital economy, technology, and innovation. Virtual Bahrain 2020 presented an ideal platform for us to carry out this review that is less a stocktaking from the past, and more a review of evidence to build forward better, seeing how businesses can be vibrant actors of change, able to find solutions for their own sustainability while becoming more resilient and sustainable in the future, to support the Bahraini economy reach a higher level of preparedness, efficiency and productivity.

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Executive Summary

UNDP Bahrain & Gulf Future Business conducted a study directed at businesses that operate in the digital and IT fields in Bahrain, to assess and understand the social and economic impact of COVID-19 on Bahrain and how the pandemic has affected businesses in the way they operate and their plans for the future.

The study was planned and implemented to assess and understand:

- 1) How the COVID-19 pandemic has affected businesses
- 2) How businesses have evolved their digital capabilities and infrastructures to cope with the human and economic impact of the pandemic, and
- 3) What measures have been taken to safeguard against similar crises in the future while taking into account the principles of resilience, sustainability, and inclusivity.

The study took place during the largest digital event in Bahrain, Virtual Bahrain 2020, organized by Worksmart for Events Management. The event was an opportunity to promote the study and survey to 500+ attendees who represented companies operating in sectors targeted by the study.

In addition to the direct survey, focus groups with 25 decision makers and managers were conducted following the event to learn from their experience of responding to the COVID-19 pandemic and their progressing plans to remodel their businesses to be more resilient in the future.

Based on the responses received, the general consensus among participants is that that the Kingdom of Bahrain was prompt and proactive in taking precautionary measures against the spread of COVID-19, such as closing educational institutions, restricting air travel to and from the Kingdom, suspending cultural and recreational activities, and enforcing strict social distancing rules, which in turn prevented the need to enforce a nationwide curfew, which would have further increased the adverse social and economic impact and added to the complexity of managing businesses throughout the pandemic.

Based upon this general understanding of government measures, businesses believe they are in state of shared responsibilities with the government to combat COVID-19 in every sense, and have made several

changes to their health policies and business procedures to comply with government announced regulations and guidelines.

Businesses believe the economic recovery from COVID-19 will take considerable time and that change will be massive, affecting policies, business structures, procedures, processes, as all must adopt to the new norm of doing business, post COVID-19.

Businesses appreciate the role technology have played in dampening the adverse effect of the pandemic and are excited about new technologies and how they could be utilized in progressing into a more resilient and globally competitive businesses.

1. Summary of Results

This report examines the impact of the COVID-19 pandemic on the social and economic settings in the Kingdom of Bahrain, and how the pandemic has affected business operations and future plans. The main findings are as follows:

Impact to Revenues

59%

Of companies reported a decrease in monthly revenues of up to 50%.

30%

Of companies reported a revenue decrease of more than 50%.

11%

Of companies reported minimal or no impact to their monthly revenues.

Impact to Operations

22%

Of participants reported loss of major sales opportunities.

16%

Of participants reported loss of key market.

13%

Of participants reported difficulty of meeting operational costs.

Impact to Workforce

62%

Of companies reduced their workforce by up to 50%.

15%

Of companies reduced their workforce by more than 50%.

23%

Of companies reported no change in their workforce.

2. Methodology

To fulfil the objectives of the study, data was collected through both an online survey that surveyed 65 decision makers, and focus groups of 25 managers from the targeted sectors companies. To serve the objectives of this paper, the respondents chosen for this study come predominantly from the digital and technology sectors – a small segment of Bahrain’s private sector. As such, data from this study provides a more detailed understanding of the views and experiences of this sector in particular rather than Bahrain’s private sector as a whole.

The survey questions were phrased to place the participants’ focus on the financial, operational and human resources aspects of the pandemic’s impact, with emphasis on the role technology and digital infrastructure has played in mitigating some, if not all, of the adverse impacts.

During focus groups, participants were asked to expand on their answers to the online survey and discuss the areas of their business that were impacted the most, the digital solutions that have been most effective in mitigating the negative impact, and their future plans for responding to and managing through a similar crisis.

The study took place during the largest digital event in Bahrain, Virtual Bahrain 2020, organized by Worksmart. The event was an opportunity to promote the study and query 500+ companies operating in the study’s target sector. Throughout the event, speakers, and attendees were reminded of the study and were provided with the link to participate.

Following the event, a selected group of speakers and participants were invited to participate in focus groups to discuss their views, share their experiences, and discuss strategies with other businesses on how to be better prepared and equipped to respond to similar situations in the future.

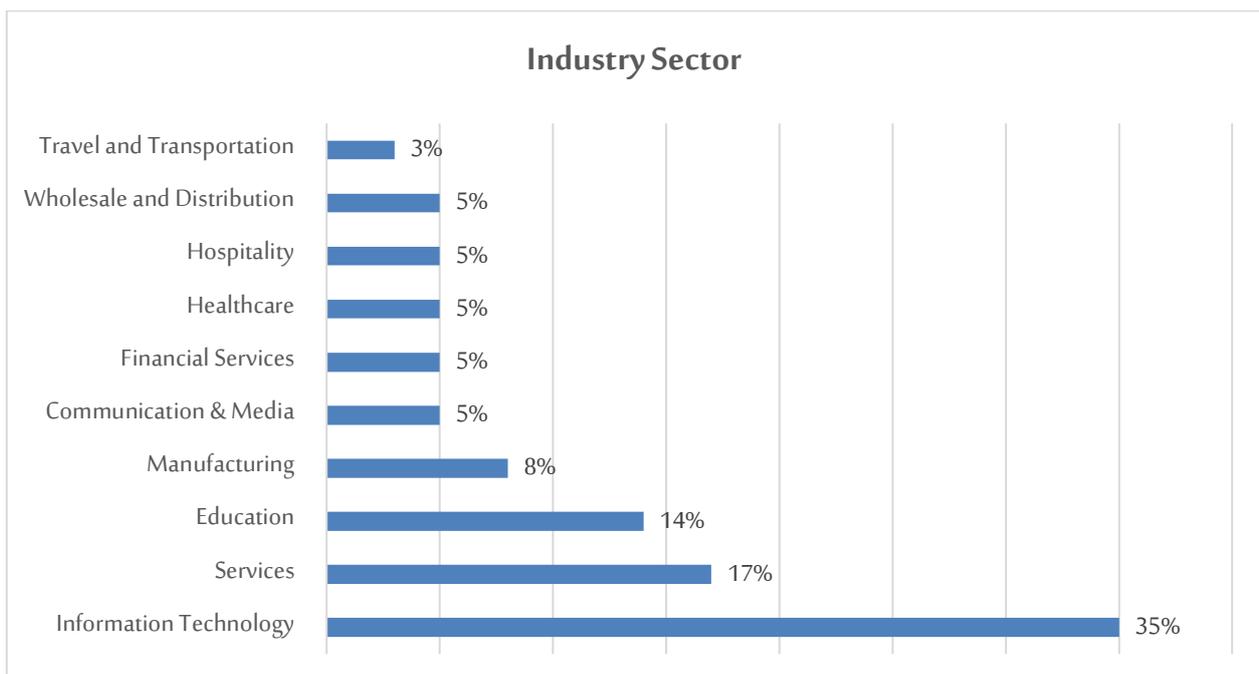
3. Study Results

The following figures represent the demographics and opinions of the leaders and stakeholders regarding the impact that the COVID-19 pandemic had on their businesses and future plans. The results of this research are consistent with the data published by the Bahrain Chamber of Commerce and Industry (BCCI) in September 2020 on the impact of COVID-19 on the private sector, particularly with regards to COVID-19’s negative impacts on revenues, workforce reductions, and expansion into digital operations.

3.1. Industry Sectors Surveyed

To satisfy the study objectives, the largest segment of participants invited for the survey were decision makers and managers of Information Technology companies (35% of total companies surveyed). These companies provide technology products and services, to all sectors of the economy, such as software and hardware solutions, online services, digitalization services, outsourced ICT, ecommerce, and digital marketing services.

Figure 1: Distribution of Industry Sectors Surveyed



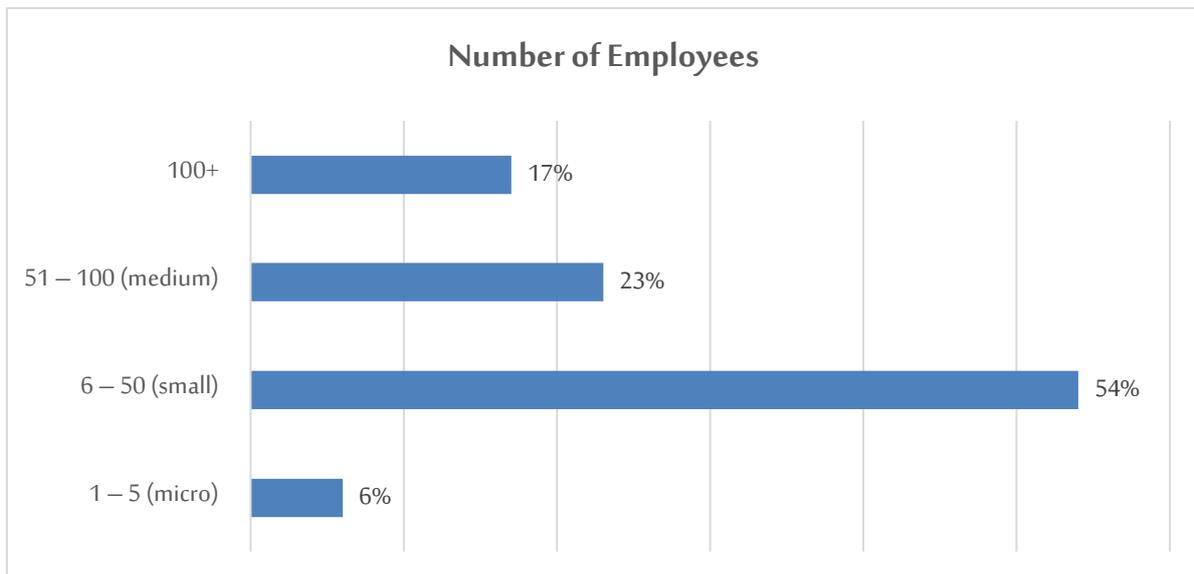
3.2. Number of Employees in Company

To assess the impact of technology in relation to company size, participants were asked to indicate the number of employees in their companies, as a measure of company size (micro, small, medium, and large).

The classification is in accordance with the classification guidelines of the official SME classification, issued by Ministry of Industry, Commerce and Tourism (MOICT).

As Figure 2 shows, the majority of survey respondents represented small enterprises (i.e. companies with between 6 to 50 employees).

Figure 2: Distribution of Number of Employees in Company



3.3. How did you see your revenues impacted since the start of the COVID-19 pandemic in Bahrain?

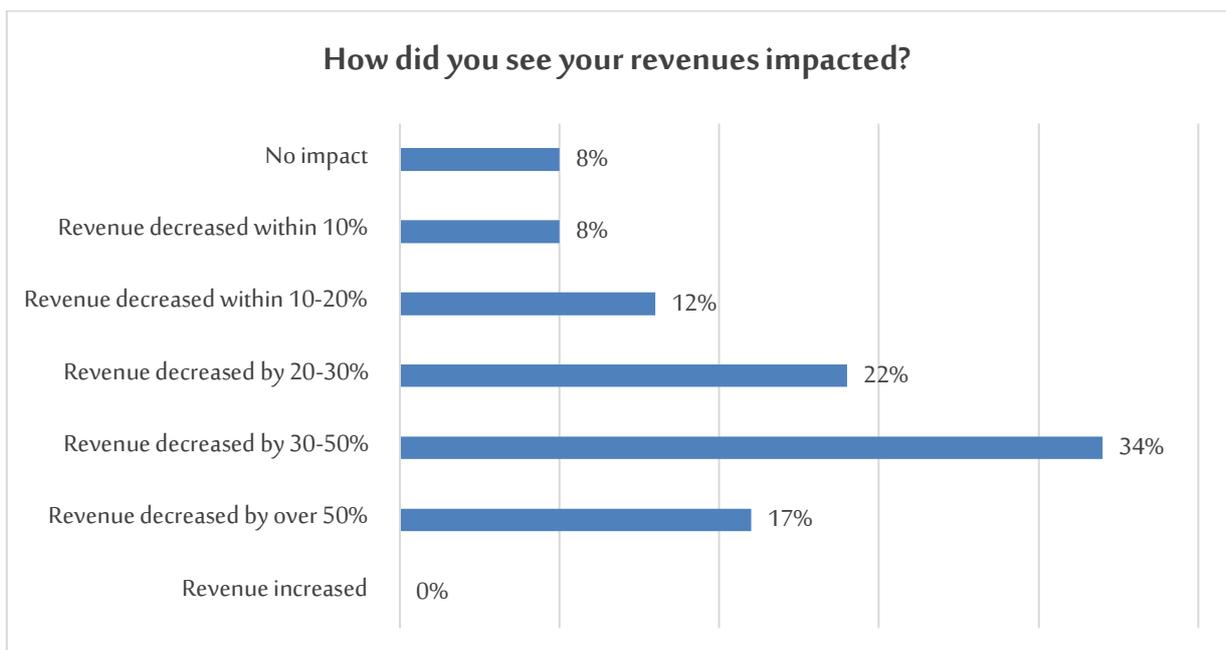
As a direct measure of the financial impact of COVID-19, participants were asked to indicate the change in their revenues since the start of the pandemic.

The study data indicates considerable financial losses sustained by the companies surveyed, with 59% of companies reporting a decrease in monthly revenues of up to 50% compared to the months before the pandemic, while 17% of the companies reported a revenue decrease of above 50%, adding to a total of 92% of companies reporting substantial financial losses due to the pandemic.

Only 8% of companies surveyed reported minimal or no impact to their monthly revenues, while no companies reported an increase in revenue.

The survey results are consistent with the input received from decision makers and managers during the focus groups conducted during and after the Virtual Bahrain Event. In the view of decision makers and managers, the COVID-19 pandemic undoubtedly had a considerable and adverse financial impact on revenues due to clients and customers reviewing their purchase decisions, as well as government orders for some companies to partially or completely halt their operations until the pandemic is under control.

Figure 3: Revenues impacted since start of COVID-19 pandemic



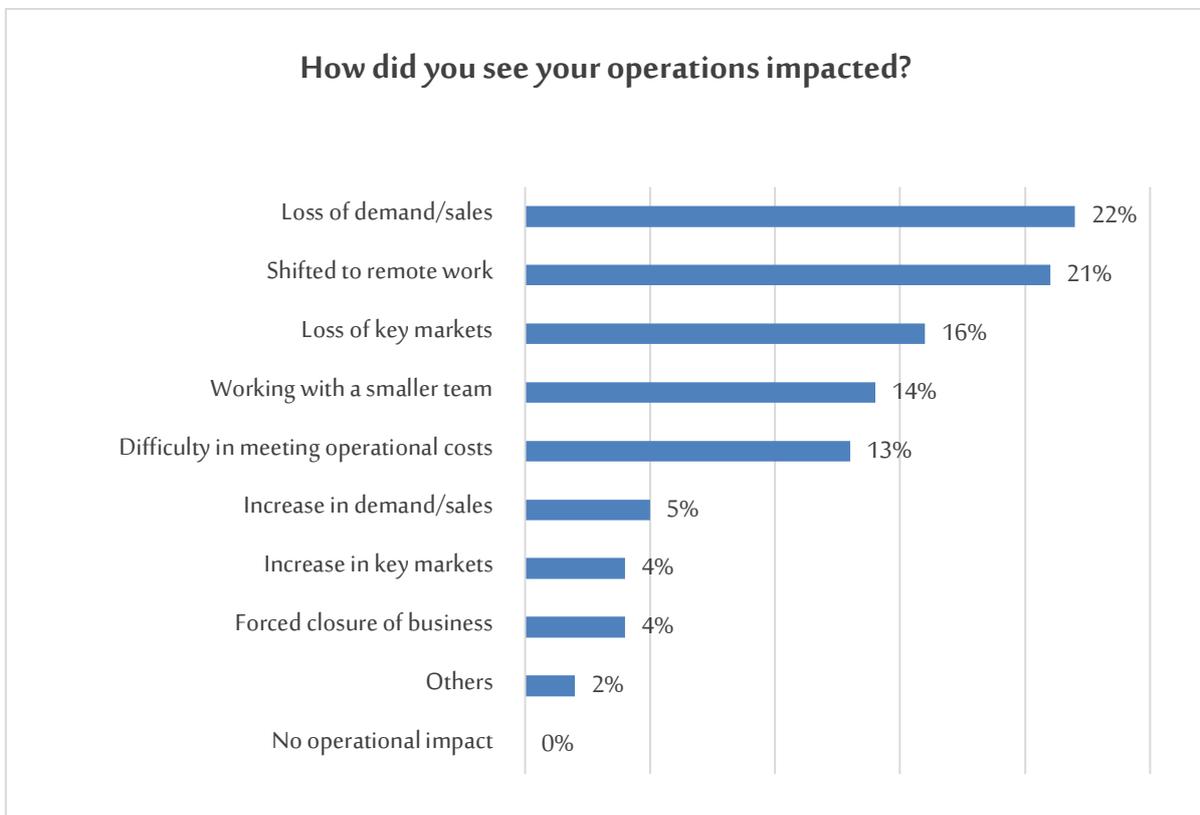
3.4. How did you see your operations impacted since the start of the COVID-19 pandemic in Bahrain?

To assess the impact of the pandemic on the companies' operations, participants were then asked to indicate the changes in their operations and the challenges they faced.

In line with the reported financial impact, 22% of participants reported loss of sales, 16% of participants reported loss of key market and 13% of participants reported difficulty meeting operational costs, adding to a total of 51% of participants reporting adverse impact on their operations.

Interestingly, close to 10% of participants reported increased sales and growth in key markets, representing companies with solutions and services that flourished during the pandemic, such as those providing ecommerce solutions, online or social media ordering, local delivery, and outsourced services provided to local and regional companies seeking outsourced ICT services, digital marketing and technical support services, as part of their COVID-19 motivated change.

Figure 4: Operations impacted since start of COVID-19 pandemic



3.5. How did you see your workforce impacted since the start of the COVID-19 pandemic in Bahrain?

To measure the social impact of the pandemic, participants were asked to indicate the changes to their company's workforce.

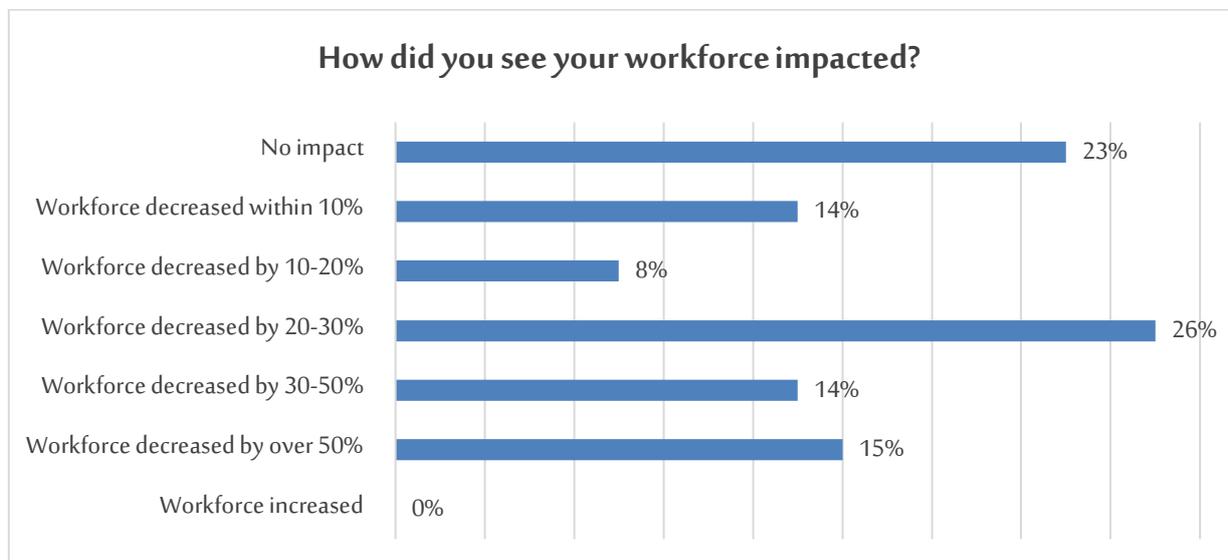
The survey data shows that 62% of companies reduced their workforce by up to 50%, while 15% of companies reduced their workforce by more than 50% since the start of the pandemic. Thus in total, 77% of companies reported facing negative workforce impacts attributed to the COVID-19 pandemic.

Only 23% of companies reported no changes to their workforce; these were large enterprises with more established and diversified markets and customer bases, who opted for reviewing their general expenses and overheads as a first measure of response, while keeping their workforce unchanged (as confirmed through focus groups).

In addition to survey data, the majority of decision makers that met during the focus groups following Virtual Bahrain confirmed that the primary decision made in response to the spread of COVID-19 was to lower the number of employees working for the company, for health and financial reasons.

All managers linked their downsizing decision to financial losses, which they viewed as considerable and irrecoverable in the near future with a lack of future visibility as to when the economy would recover.

Figure 5: Workforce impacted since start of COVID-19 pandemic



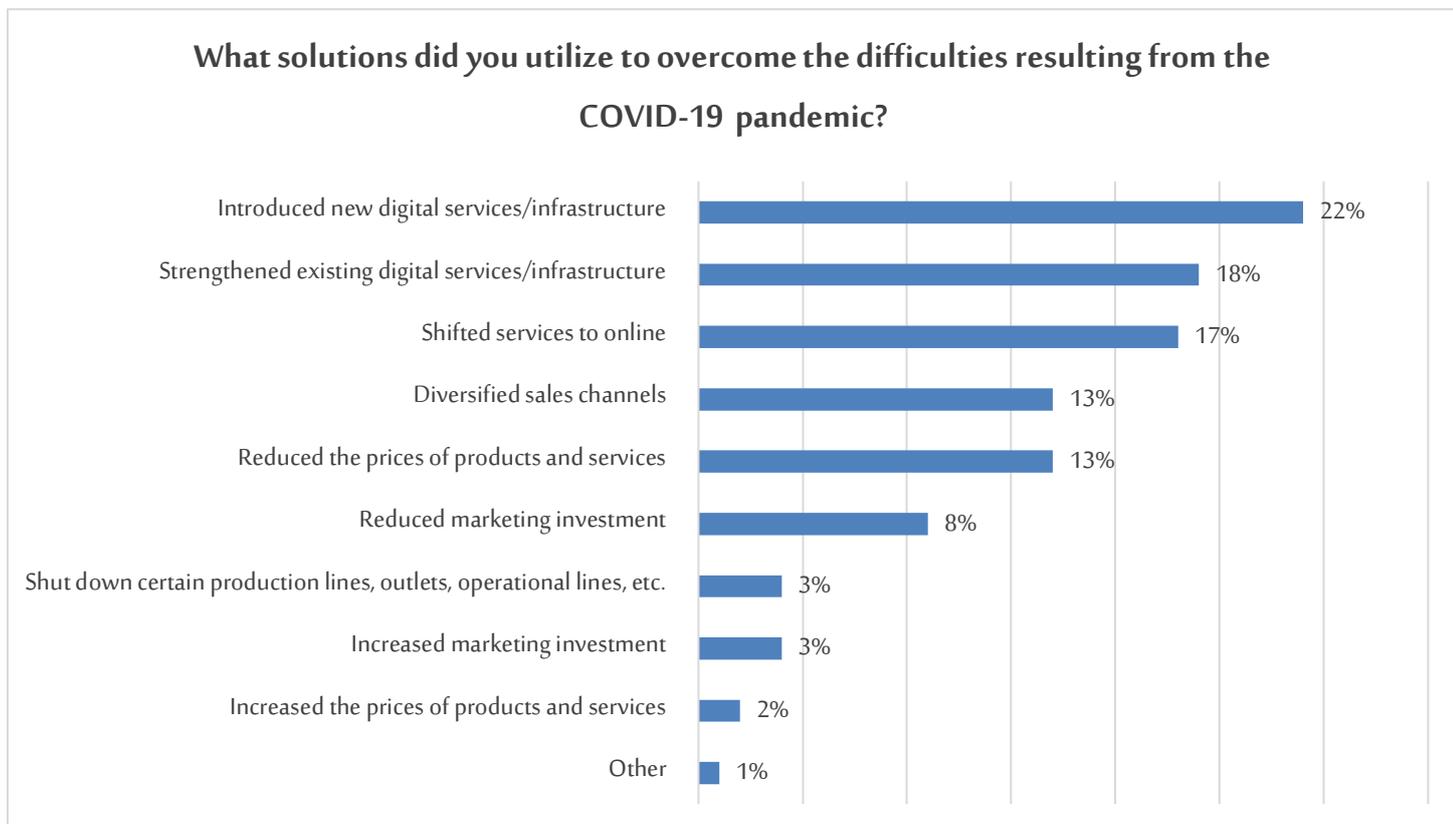
3.6. What solutions did you utilize to overcome the difficulties resulting from the COVID-19 pandemic?

To assess the top solutions adopted in response to the COVID-19 pandemic, the participants were asked to indicate solutions they resorted to and the business areas affected (see Figure 6).

In response to the pandemic, 40% of companies made investments in new technology infrastructure or upgraded existing ones, a decision that indicates decision makers' pre-existing appreciation of the role digital technology plays in their business.

Coupled with an additional 46% of companies choosing to diversify sales channels and shift to providing services online, it is evident that companies are acknowledging technology-based solutions being the drivers for a more efficient and resilient business model.

Figure 6: Solutions Utilized to overcome difficulties resulting from COVID-19 pandemic



Being risk averse, 12% of total companies responded by decreasing sales and marketing activities or chose to shut down operations altogether.

The data is consistent with opinions voiced by managers met during the focus groups, with the majority of participants stating they prioritized marketing and sales expenses second to payroll expenses, with the typical plan of response being to reduce workforce and follow up with reducing marketing and sales expenses, before resorting to the most drastic decision of all, to shut down the business.

3.7. Please describe the digital solutions that have been most effective and sustainable to your organization?

In terms of the digital solutions that were most effective and sustainable to the participants' organizations, the majority of participants reported an increased use of online and cloud-based solutions, in an effort to optimize their operations to respond more effectively to the sudden and massive changes imposed by the pandemic.

Across all sectors, companies adopted online collaboration and meeting solutions (Zoom, Microsoft Teams, Google Hangouts) for interacting with customers as well as partners.

Companies also moved to using cloud-based solutions for managing their accounts and finances (QuickBooks online, Sadad E-invoicing and ZOHO invoice), marketing and sales (ZOHO CRM, Pipedrive, and Microsoft CRM).

During focus groups, managers were glad to report that close to 30% of their existing technology setup has moved to cloud-based solutions.

Managers were surprised with the relative ease, convenience, and guaranteed reliability and security of migrating to cloud-based solutions.

3.8. In what ways is your enterprise reorganizing itself to better prepare itself for similar crises in the future?

When asked about how their companies were reorganizing themselves to better prepare for similar crises in the future, all companies considered digital transformation as the most important factor in their business planning and are reorganizing work.

During focus groups, managers confirmed that COVID-19 was a strong motivator to accelerate their digital transformation agenda, in an effort to become more agile and resilient against unexpected and unprecedented crises in the future.

To do this, managers plan to rework their strategic plans to focus on reinventing services, developing proactive processes, and integrating into digital channels for marketing, sales, and customer services, by digitalizing their core processes and functions and outsourcing the non-core processes and functions to global digital platforms, those providing just in time resources and services.

Furthermore, companies plan to reorganize their human resources for more productivity, by introducing changes to their policies, salary scale and schedule, internal HR processes, systems and outsourcing some HR functions to local or global services providers.

Companies are introducing more flexible working policies with matching performance monitoring and auditing processes and systems and are considering rolling out performance-based salary structures, to reduce the fixed component of their monthly expenses as a primary objective and to incentivize all employees to generate sales for the company.

Consistent with findings from other studies conducted, such as the Bahrain Chamber of Commerce and Industry (BCCI) COVID-19 report update for September 2020, managers plan to immediately implement their stated plans for change, with targets set for as early as 3-6 months.

These results indicate a major shift in the way digital solutions are perceived, utilized, and budgeted for, with a very positive and upside potential for companies to become more digitally enabled.

3.9. Has your company incorporated elements of environmental sustainability and inclusion in your preparation measures? If so, describe which ones.

The majority of managers considered measures taken to digitally transform their businesses to be environmentally friendly, with a lower carbon footprint due to the reduction of driving or travel required to meet customers and partners, and with in-person meetings replaced by online meetings.

Managers also estimated a huge contribution to the environment with processes and transactions moving online, in a near paperless system, with less materials and energy consumed in printing, storing, and later disposing of paper documents.

Some managers are considering energy saving and alternative energy solutions to power their businesses, for a more sustainable and environmentally friendly operation.

Large enterprises survived noted that pursuing environmentally friendly and sustainable solutions is a core objective of their enterprises, and some have implemented multimillion renewable energy projects in overseas locations, taking advantage of economy of scale and solar power production efficiencies in those locations (ie. Australia).

4. Analysis

The study and focus group data suggest a strong consensus among leaders and decision makers that the COVID-19 pandemic has adversely impacted business revenues, operations, and workforces across all sectors and for companies of all sizes.

The following is a concise analysis of the data and insights received during focus groups:

1. Companies' responses to the pandemic was slower than expected, according to several decision makers.
2. In response to the pandemic, companies prioritized addressing expenses over seeking more business.
3. In a systematic pattern, companies' primary responses were to downsize and keep only essential resources, followed by decreasing marketing and sales expenses, before resorting to more drastic measures, such as offering the business for sale, terminating all employment contracts, and preparing the business for closure.
4. Prior to the pandemic, implementing digital solutions was a subordinate objective in the long-term plans for majority of the companies, however the events of the pandemic led many of these companies to prioritize said objectives.
5. The majority of digital solutions implemented by companies were utilized to respond to changes imposed by the pandemic, with the primary example being work from home solutions. These were utilized in response to the government orders for social distancing and the reduction of number of employees physically attending offices.
6. The pandemic brought to light the importance and value of ecommerce, not only as a measure of reducing traditional expenses, but also as a measure of expanding markets and capitalizing on opportunities.

7. Founders and executive management currently recognize business continuity as a major concern going forward, with plans set to address shortfalls, by incorporating business continuity measures and assessing operational risks more regularly and rigorously.
8. Founders and management currently recognize the importance of continuously reviewing and improving all aspects of their business model, in an effort to progress to a more optimized model to deliver value to end-customers, profitably and sustainably.
9. All companies are revising their business planning processes to be more transformative than reiterative, with considerable time and effort to be dedicated to researching digital solutions that could potentially reinvent their businesses. Companies are proactively seeking digital solutions and are more receptive to technology driven change and believe the next big change to their business and market as a whole, is definitely technology driven. Therefore, companies are exploring innovative solutions with transformative impact across all functions of their businesses. Technology Services oriented companies are streamlining their prospecting and sales processes for a more proactive selling drive, and digitalizing and optimizing their services delivery to provide solutions at a greater operating scale and value to end customers.
10. Companies are revising their financial priorities with future plans to respond to the adverse effects of the pandemic, with the primary direction being to focus on cash management and increasing cash reserves.

5. Recommendations for Future Crises

In line with insights received from the survey, focus groups, and secondary data, the following are peer recommendations of measures that were proven to be effective in mitigating the adverse impact of COVID-19 on businesses in Bahrain.

Financial Recommendations

To become more financially agile and survive crises similar to COVID-19, companies should:

- Review and update financial plans continuously to reflect conditions and changes in the macro environment, rather than micro trends in their own sector or industry.
- Evaluate capital expenses on a longer-term basis.
- Consider renting against purchasing equipment & assets.
- Revise financial policies to prioritize conservation of cash.
- Consider business continuity insurance.

Operations Recommendations

To remain resilient to crises similar to COVID-19, companies should:

- Commit to a digital transformation plan.
- Review and update existing business model continuously.
- Diversify customer base.
- Expand into global markets.
- Develop a diversified range of services and products.
- Consider shifting towards a more online operating model.
- Adopt a flexible costing and pricing model.

- Develop and integrate into multiple products and materials supply and delivery channels.
- Evaluate business priorities more finely, continuously.

Workforce Recommendations

To fend against adverse impact to company and employees in situations similar to COVID-19 or worse, companies should:

- Create a work from home policy.
- Monitor government issued policies, standards, and procedures and recommendations.
- Invest in infrastructure and digital solutions that enable employees to work from home efficiently.
- Establish a clear and transparent communication strategy for crisis situations.
- Train employees to utilize digital solutions.

6. Conclusion

Study data and opinions of decision makers and managers point to a shared conclusion that although Bahrain has a world class ICT infrastructure, and developed ICT industry, with much to offer to local companies, the companies did not take full advantage of existing infrastructure and digital solutions, at first sight of COVID-19. That being said, companies have progressed incredibly fast to adopting digital solutions as part of their response and recovery efforts.

Upon realizing the value of the simplest digital solution (ie. video conferencing), companies have realized the potential technology has.

We believe Bahrain has adopted very well to the pandemic and companies will continue to explore and introduce digital solutions into their operations to become more efficient and resilient in similar situations in the future. This moment thus represents a golden opportunity for the Government of Bahrain to implement targeted support schemes to assist companies to become more digitally enabled, in a move to accelerate the Kingdom's plans to progress to a digital economy.

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