

SMEs of Beirut Rising FROM THE RUBBLE

On the 4th of August, 2020 a catastrophic explosion hit Lebanon, gravely damaging Beirut and its surrounding neighborhoods. The explosion caused more than 204 deaths and 7000 injuries. It has also left more than 300,000 homeless. Hundreds of households lost their means of livelihoods and properties.

The massive explosion caused immense suffering to the people of the city. It also caused tremendous damage to its physical and cultural fabric, and dealt a severe blow to multiple economic sectors, hitting the heart of entrepreneurship, free lancers and digital districts.

According to Lebanon SME Strategy "A Roadmap towards 2020" published in 2014 by the Ministry of Economy and Trade in Lebanon, SMEs in Lebanon constitute around 90% of total enterprises in the country. Subsequently, the key for restoring the Lebanese economy would be through supporting young entrepreneurs and free-lancers.

Consequently, Make Your Mark in partnership with Konrad-Adenauer-Stiftung - Lebanon office, conducted a series of 4 webinars which discussed key strategies and crisis management plans to support SMEs and free-lancers affected by the August 4th Beirut port explosion.

The 4 webinars took place on 19, 22, 28 October and 19 November 2020. For each webinar, an expert guest speaker was invited. The number of participants for each webinar ranged between 28 and 38 participants. The following topics were discussed:

- 1- Business Plan Re-evaluation, by Mr. Tony Samia, Online business consultant and digital strategist.
- 2- Post Crisis Management: Hedging against currency and raw material risk, by Mr. Jean Tawile, MENA region political economy expert.
- 3- Entrepreneurship in a Business Family, by Mr. Nicolas Boukather, Chairman of the board of A.N. Boukather.
- 4- Wise Business Decisions for Start-ups in Lebanon, by Ms. Jennifer Mansour, entrepreneur and owner of Little Melly – Baby Solids.

Against this backdrop, Make Your Mark and Konrad-Adenauer-Stiftung - Lebanon office, present this synopsis aiming to disseminate knowledge to anyone interested in exploring guidelines related to doing business, sustaining small and medium enterprises and considering venturing as a start-up and free-lancer.

We believe that Lebanon's economy is as powerful as its enterprises – as such this brief is but a beacon of hope despite the gloomy scene Lebanon is going through.

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MAIN ISSUES RAISED DURING THE FOUR WEBINARS WERE:

- SME's in Lebanon are facing a serious financial crisis especially after the Beirut Blast.
- The Lebanese Lira has lost its purchasing power, widely affecting SMEs value chains.
- Lebanon still does not have a unified national and economic plan, that forms a roadmap for decision-makers and stakeholders as a reference to form policies and enhance different sectors.
- Exchange rates will only rise from now on.
- Family businesses are highly affected by the economic crisis in Lebanon, especially small businesses.
- Problems you may face in a startup and their solutions, specifically in Lebanon.

Accordingly, recommendations were suggested through-out each webinar, following an extensive discussion and conversation between the guest-speaker and the participants.

The recommendations are as follows:

- During crises, SMEs' main drive behind daily operations is to survive. Nowadays, one of the main tools in conduct of businesses is to shift to online platforms in order to deliver services. With proper planning and adaptation to online businesses while taking into consideration cost and budget forecast, SMEs are on the pathway to success. This will help them build a strong foundation within their internal infrastructure. They will also be able to further survive other crisis that might hinder their delivery of services and management and operations.
- SMEs must plan, forecast, and use non-traditional tools in order to protect themselves, survive the crisis, and hopefully even grow.

These non-traditional tools include:

- Dealing with cash.
- Refinancing loans at low rates from individual investors rather than banks.
- Making use of governmental loans.
- Offering goods and services to Lebanese firms abroad who are seeking to help SMEs in Lebanon.
- Taking the help that is being offered by the international community.
- Merging with other similar struggling companies
- Adapting to a new economic system.

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- A good structure that would allow a family business to survive and grow in times of crisis is a "soccer pitch" structure. In a "soccer pitch" structure the goal keeper represents the main values of the firm. The "defense" area represents the base business (the mature part, the cash cows of the business where it is important to diversify and grow) The "middle field" of the soccer pitch represents the high-growth businesses (those that are maturing and becoming profitable). The "offence" area in a soccer pitch represents breakthrough businesses (innovation, cash drainers). The middle field and offence areas are essential, as they provide the potential for growth. Players at the bench are outside the soccer pitch. They represent the future star players of the firm (youth, new ideas, new generation mentality...); the youth of Lebanon. This generation is very innovative and knowledgeable, and that must be put in use, as a positive attitude at a business goes a long way.

Moreover, it is important to note that the customers are a firm's best ambassadors, and thus must be kept emotionally connected. Likewise, customers of competitors must also be kept in mind.

- Leadership, the right business model, innovation, execution, and networking are the main pillars of success in a startup. In a country that is going through an economic crisis, multiple problems rise ahead of start-ups. The problems will mainly be inflation, supplier quality, recruitment difficulties and client skepticism. Transparency in your work will make suppliers and clients more trustworthy of your work. Building a good relationship with all your business network (suppliers, employees, and clients) will assure high quality products, efficiency, and growth.