



www.mecsaj.com/

Multi-Knowledge Electronic Comprehensive Journal For Education  
And Science Publications ( MECSJ )

Issue ( 44 ), 2021

ISSN: 2616-9185

EOI : 10.11246/mecsaj/01/44

## **The Hidden Cost in entrepreneurial SMEs and The Extent of Their Impact on Entrepreneurs and Entrepreneurship in Saudi Arabia**

**( Case Study in Services & Industrial Sector )**

**By**

**Asma Saad ALMaghyadi  
44181200**

**Rowaida M. ALMushi  
44181927**

**Supervisors**

**Dr. Mowffaq Orijah**

**Dr.Sultan Al-Boqami**

Innovation and Entrepreneurship Dept.

College of Business Administration

Umm Al-Qurra University, Saudi Arabia

---



## Abstract

Small and medium-sized entrepreneurial enterprises (SMEs) are important drivers of development in any given economy. Evaluating their performance is important in helping towards achieving a sustainable business environment. There are various hidden costs that entrepreneurial SMEs have to deal with, and most of these come as a result of how the business world views SMEs. The enterprises are often looked at as homogenous groups despite various size, sector, and age of operation. These firms are often considered closed systems, which brings the challenge of hidden costs not easily visible for the business owners. The complexity of running SMEs in Saudi Arabia brought by strong large companies is a challenge for upcoming enterprises. The research is concerned with studying hidden costs, determining the causes of their occurrence and the most prominent forms, and the methods used to treat them. The research studies how these hidden costs may affect the Enterprise performance in general and its profits and sustainability by investigating the different SMEs registered within Saudi Arabia. This is in the context of projects in the Kingdom of Saudi Arabia. The study employs qualitative methods of research in collecting data on the operations of different SMEs registered in Saudi Arabia.

**Keywords:** *hidden costs, impact on profits, business continuity, losses, repairs, entrepreneurial, enterprises.*

## المخلص

تعتبر المشاريع التجارية الصغيرة والمتوسطة الحجم (SMEs) محركات مهمة للتنمية في أي اقتصاد معين. تقييم أدائهم مهم للمساعدة في تحقيق بيئة أعمال مستدامة. هناك العديد من التكاليف الخفية التي يتعين على الشركات الصغيرة والمتوسطة الحجم أن تتعامل معها ، ويأتي معظمها نتيجة لكيفية رؤية عالم الأعمال للشركات الصغيرة والمتوسطة. غالبًا ما يُنظر إلى المؤسسات على أنها مجموعات متجانسة على الرغم من اختلاف حجمها وقطاعها وأعمارها. غالبًا ما تُعتبر هذه الشركات أنظمة مغلقة ، مما يجلب تحدي التكاليف المخفية التي لا يمكن لأصحاب الأعمال رؤيتها بسهولة. يمثل تعقيد إدارة الشركات الصغيرة والمتوسطة في المملكة العربية السعودية من قبل الشركات الكبيرة القوية تحديًا للشركات القادمة. يهتم البحث بدراسة التكاليف الخفية ، وتحديد أسباب حدوثها ، وأبرز أشكالها ، والطرق المتبعة في معالجتها. يدرس البحث كيف يمكن لهذه التكاليف الخفية أن تؤثر على أداء المؤسسة بشكل عام وأرباحها واستدامتها من خلال التحقق من الشركات الصغيرة والمتوسطة المختلفة المسجلة داخل المملكة العربية السعودية. هذا في سياق المشاريع في المملكة العربية السعودية. تستخدم الدراسة مناهج بحثية نوعية في جمع البيانات عن عمليات مختلف المنشآت الصغيرة والمتوسطة المسجلة في المملكة العربية السعودية.

**الكلمات المفتاحية:** التكاليف الخفية ، التأثير على الأرباح ، استمرارية الأعمال ، الخسائر ، الإصلاحات ، المقاولات ، المؤسسات.



## Introduction

Small and Medium-sized Entrepreneurial Enterprises are central for the development of major and upcoming economies of the world. These firms are vital to job and income creators, accounting to close to two-thirds of the world's employment opportunities. The promotion of SMEs has been an area of focus for most economies, and Saudi Arabia is on the frontline. The growing demand for SME-related goods and services has grown over the years, and many international agencies are closely working with different stakeholders to promote entrepreneurial SMEs. World Bank reports suggest that SMEs contribute close to 60 percent of employment across different countries, resulting in 40 percent of GDP among the emerging economies. In the coming 15 years, financial predictions estimate that close to 600 million workforces are projected in the regions of Asia and Sub-Saharan Africa. Most of the Gulf countries depend on petroleum and related industries as a source of revenue. However, there is a growing shift in the use of petroleum products as the world begins to be climate conscious. Hence, there is a need to find alternatives that would help in their respective economies' growth and sustainability.

Since it is difficult in the competitive environment to raise the prices of its services or increase the number of its business, it must control its costs and work to reduce them to the lowest possible level, and this can only be achieved through the use of productive capacities, which requires the organization to have the ability to positively adapt. With its own economic and social environment, and then controlling its human and material energies, and reducing effort, time and costs, on the other hand, Hidden costs can be in several forms, such as: Redundant energy for equipment and machinery; Storage of surplus needs, stores, and transportation operations; lack of optimal use of resources, whether human resources, which is the presence of reserve employees, or material resources such as not using machines to better use; delayed office work required; complaints not reported; the extra lost time is not utilized positively; change of manufacturing processes, Because it will not satisfy customers' needs; and product redesign due to lack of quality achievement.



## Background

To provide a theoretical basis for the study, previous studies on entrepreneurial SMEs were reviewed regarding hidden costs affecting SMEs' operations. First, we attended to the dearth of studies on entrepreneurial SMEs' hidden costs and then extended the review of studies on SMEs in other related fields. One pattern stood out that entrepreneurial SMEs' hidden costs can be generated from internal aspects of the business and external aspects. Business owners have control over the internal structure's costs but little control from the external factors. We found that that former stream of literature regarding hidden costs has attracted more studies with the dearth of studies on SMEs' hidden costs. Using the various aspects of the literature, the research questions for the paper were developed. Previous research has investigated entrepreneurs' characteristics and behaviors and how their decisions lead to hidden costs in their organizations.

There is little analytical work undertaken in regard to the development of SMEs in Saudi Arabia. However, the dearth of information existing among researchers and scholars in Saudi Arabia on SMEs provides a sense of the importance of the sector to the economy. The Entrepreneurial SMEs also provide a platform for innovations and sustainable initiatives since most are flexible and can easily take risks in invention and innovations.

## Statistical Overview of SMEs in Saudi Arabia.

Numerous examples across different countries and regions show how important small and medium enterprises (SMEs) are in supporting economic growth and development and increasing job opportunities. According to the General Authority for Statistics (GaStat), close to 560,083 SMEs registered in Saudi Arabia and employed one million Saudis. One major objective in the Saudi Vision 2030 is raising SMEs' contribution to the kingdom's GDP to 35 percent.



## **Challenges faced by SMEs in Saudi Arabia.**

1. The implementation of the VAT (Value Added Tax) has been a challenge for SMEs.
2. The strict restrictions placed by the Saudi government makes it difficult for SMEs to thrive. The restrictions often scare foreign investors into the country. Non-Saudi employees have greatly declined in the recent past due to the strict restriction and the growing cost of living.
3. Localization is also a practice slowly discouraging SMEs growth due to the shutdown done to non-Saudi enterprises.
4. Aspiring entrepreneurial SMEs in Saudi are not well trained in various aspects of running enterprises, and the majority of them head into bad debts that lead to eventual failure of their businesses.
5. Entrepreneurial SMEs in Saudi Arabia also faces a lack of innovation and poor coordination. The large organizations in the country follow strict quality standards that small companies may fail to match.

## **Research problem**

The lack of the entrepreneurial institution's performance is not due to the institution's structure alone nor to the behaviors within the institution alone. Rather, raising the institution's economic performance must pass simultaneous measures between each of the structures and behaviors to bring about compatibility between what is tangible economic and what is merely social and from then the reduction of imbalances, which represents the starting point of socio-economic theory.

Hidden costs generally arise due to the deterioration of the five components of the worker's professional life conditions: working conditions, organization, time management, communication, and training. Hidden costs result from the imbalances that the institution is constantly exposed to distortions, imperatives, conflicts, pressures. Therefore, the corporation searches for imbalances that consume economic resources without contributing to creating an added value (but may even cause deterioration of that value). Of imbalances is a source. Accordingly, it is very important to count these imbalances, record them, and estimate their costs if the imbalances generate a real loss for the organization, affecting the immediate results and the future productive capacity.



## Research Gap

Entrepreneurial SMEs in developed and emerging economies are known to play a critical role in supporting economic development and growth. SMEs increase employment opportunities by harnessing resources as well as promoting talent development. In Saudi Arabia, close to 99 percent of the private sector companies are classified as SMEs. However, the sector lags when compared to regional competitors and other global peers regarding size and value. The Entrepreneurial SMEs in Saudi contribute an average of 20 percent to the kingdom's GDP compared to 53 percent in the United Arab Emirates and the global average of 45 percent. Limited research has been conducted to ascertain the causes of the stagnation of SMEs in Saudi Arabia. One area of interest is the hidden costs and how they impact entrepreneurs and entrepreneurship in the Saudi Arabian market. With a vast number of young Saudis set to enter the workforce in the coming years, improving SMEs' status would come in handy for those getting to start their entrepreneurial businesses.

## The Study Area

The study will be conducted in the Saudi Arabia where the majority of the entrepreneurial SMEs are located. The Saudi population constitutes 0.45% of the world's population, with close to 35 million inhabitants in 2020, according to the world bank. The average monthly income in Saudi is in the ranges of SAR 14,800 to SAR 15,500. The country boasts of a two-tier economy with 16 million Saudis. The rest are majorly foreign workers. Saudi Arabia has, over the years, grown owing to the industrial and population growth together with the destination being a tourist hub in the region. The entrepreneurial SMEs in the region range from hotels, manufacturing, airlines, and general services.

## Study questions

**The main question:** How do hidden costs arise in the entrepreneurial Companies? How is it treated? How does it affect projects in the Kingdom of Saudi Arabia?



### **Sub-questions:**

1. What are the hidden costs?
2. What are the mechanisms and methods of detection?
3. How are these costs controlled?
4. How do hidden costs affect the profits and performance of institutions and entrepreneurial projects in the Kingdom of Saudi Arabia?
5. Does entrepreneurial SMEs have an effective system to control hidden costs? Do the entrepreneurs have information about how these types of costs are formed?

### **Assumptions:**

Based on the previous sub-questions, we can formulate the following hypotheses:

1. Managers have competence in managing the organization, which leads to the optimal use of available resources.
2. Directing it towards achieving the desired goals.
3. Providing good conditions for the employee that improves performance and thus reduces the costs of the organization.
4. The service organization controls most of the hidden costs.
5. Hidden costs have a direct impact on project profits and viability.

### **The importance of the research topic**

The importance of this topic lies in the direct impact of hidden costs on SMEs general performance, as the hidden costs that are saved directly translate into improving the entrepreneurial SMEs performance, because of the hidden costs of most corporate managers on the one hand, and the difficulty of evaluating them on the other hand, From this perspective, We put the spotlight on these types of visual costs to advance the level of entrepreneurial SMEs companies in Saudi Arabia.



### **Reasons for choosing to study:**

Since hidden costs affect the entrepreneurial SMEs negatively, and the lack of interest of managers in this type of costs, especially in SMEs, we decided to study this topic to:

- Raising awareness of those responsible for the seriousness of hidden costs
- The importance of controlling these costs in Companies help in cutting expenditure to help in increasing profitability of entrepreneurial SMEs.
- Study the impact of hidden costs on entrepreneurial institutional performance and corporate and project profits.

### **Study difficulties:**

The difficulties encountered in this study can be reduced to the following elements:

1. The lack of references that address the issues of hidden costs.
2. The companies' managers are not aware of this type of cost.
3. Refrain from providing us with sufficient information from the managers of the companies.
4. Transgression of the subject dimensions to psychology and sociology
5. The bifurcation and expansion of the subject in itself touch many aspects of the productive enterprise: communication, absence, work accidents, worker turnover, profitability, etc.

### **The methodology used in the research:**

The descriptive approach was used to complete the theoretical part of the research, and the analytical method was used using the interview to end the practical part of the research. The research involved in-depth literature review on the topic. A systemic review and meta-analysis were conducted alongside longitudinal studies examining the effects of hidden costs on SMEs and entrepreneurship. The report further involved analyzing previous studies from different electronic and journal articles related to hidden costs in small enterprises. The study analyzed different models used in the identification of hidden costs in business. The electronic databases consulted included Google Scholars, journals of business management, Jadwa Investment databases, and World Bank online resources and analyzed data from 2010 to 2020 to help in answering the research questions and the quantitative evidence.



Online searches for databases covering hidden costs, entrepreneurial SME operations, and business operations of Saudi Kingdom were conducted, and relevant literature was also searched, and bibliography of different studies were examined to help in building additional references. The topic-oriented search was used, and search terms incorporated included entrepreneurial SMEs, hidden costs, business in Saudi Arabia, Emerging and Advanced Markets, Gulf region business environment, and small enterprises. Extraction and selection of data were conducted in three stages. The first process involved database searches, the second stage was the screening of the different articles based on the respective title and abstract where inclusion and exclusion principles were employed. Finally, the selected papers were used for the review and data extraction.

There were however several difficulties experienced in the course of the research which included the problem of COVID-19 which made it difficult to move and do physical interviews and assess the operations of different enterprises. Majority of the enterprises lacked online resources which made it difficult to analyze their data exhaustively.

## **Chapter 2: LITERATURE REVIEW**

### **2.1 Entrepreneurial Enterprises**

Business is a set of activities that are characterized by being interrelated and carried on with a view to making profit. The basic economic unit within which this set of activities is carried out is the business enterprise. Hence, business enterprise is the organizational context within which men, idea, money, materials and machines are combined for the purpose of providing needed goods or services, in order to make a profit (Aderoba et al., 2015).

Entrepreneurship does not only mean introducing new products and services to the market but also questioning the established process of value creation that can be redesigned for enhanced efficiency and sustainability through devised business models (Kuckertz et al., 2020). Entrepreneurship is a dynamic process of vision, change, and creation that requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. This process of innovation and new-venture creation is accomplished through four major dimensions; individual, organizational, environmental, and process (Aderoba et al., 2015).



Entrepreneurship is the process of identifying, evaluating, and exploiting of opportunities (Leunbach et al., 2021) Entrepreneurial activity may occur in start-ups, Small and Medium Enterprises (SMEs) and large firms to a different degree (Kummitha & Kummitha, 2021; Gast et al., 2017). Entrepreneurial SMEs businesses can be considered as vehicles for both entrepreneurs introducing new products and processes that change industry as well as for people who simply run and own a business for a living (Topxhiu, 2012). Entrepreneurial enterprises can be defined as enterprises that "constitute better ways to meet existing demand or create new products (Topxhiu, 2012, p.97).

## **2.2 Small and Medium Entrepreneurial Enterprises**

### **2.2.1 The Concept of Small and Medium Enterprises**

Based on the different classifications and criteria employed in different countries and regions, small-scale enterprises may have a different definition. There seems to be no single definition accepted to describe a small firm (Aghelie, 2017). Batwa & Alamoudi (2019) defined SMEs as any business whose total fixed assets, the land not included, and the cost of investment does not exceed ten million riyals. The number of employees that a company has also defined is whether they can be listed as SMEs. Typically, companies whose employees do not exceed 50 are categorized as SMEs in Saudi Arabia. The Bolton committee of 1971 defined small and medium scale enterprises as fitting in the following criteria. A company with a relatively small share within their market scope. Secondly, a company is managed by its owner in a personalized way meaning there is no formalized structure of management; hence most of the operations are independent since they do not form part of the greater enterprise.

The Saudi Arabian Small and Medium Enterprise Authority defines SMEs as an enterprise with independent commercial registration with less than 249 employees and a turnover revenue of less than SAR 100 million. According to the Ministry of Labor and Social Development, Saudi Arabia SMEs contribute close to 22 percent to the kingdom's GDP compared to 70 percent of other economies. Five percent of Saudi Arabia's economy is attributed to SMEs. Saudi SMEs employ 34 percent of Saudi workers.



### **2.2.2 Relevance of Entrepreneurial SMEs to the Development of National Economy**

SMEs are dominating various aspects of business in the world economy, and Saudi Arabia is not an exception. According to Tripathi (2019), in the Saudi Vision 2030 plan, the kingdom is putting forward measures to raise SMEs' contribution from 20 percent of GDP to 35 percent. The measures are set to be achieved by allowing access to funds and allocating loans to the various SMEs. The government also further introduced initiatives geared towards boosting the SMEs, such as the King Abdulaziz City for Science and Technology's BADIR technology incubator program. Others include Saudi credit and loans from government banks solely for the development of SMEs.

### **2.3 Hidden Costs in SMEs**

Small and Medium entrepreneurial Enterprises are faced with various challenges, most of which make these businesses unsustainable. Hidden costs come in various sections of operation, and business needs to know how to deal with the different costs whenever they occur.

#### **2.3.1 Cost of Energy**

Tirupathi, Banerjee, & Riaz (2020) highlight the factors leading to SMEs' growth in the United Arab Emirates, a regional competitor of the Kingdom of Saudi Arabia. The authors acknowledge that the SMEs operating in the region are often characterized by fluctuating performances and growth. There is strong growth of SMEs in the region; however, the cost of energy is hampering some of the operations, making it unprofitable for most companies. Logistics encompasses various aspects and may involve transportation since storage forms an important part of the supply chain process. SMEs often require a significant amount of storage space depending on the goods and raw materials they use. Most of the SMEs may not have large warehouses. A small warehouse in itself may have a significant impact on sustainable energy costs. The general principles in most countries and Saudi Arabia included are to have businesses shift to renewable power sources. These renewable energies are expensive to set up and maintain. Entrepreneurial SMEs dealing with perishables such as restaurants, bakeries, and horticulture need coolers and freezers which are often powered using electricity.



### **2.3.2 Transport Cost**

Rehman et al. 2019 highlight how transportation costs are a barrier for most SMEs. Businesses need to transport raw materials and finished goods, especially when their suppliers and market are far from manufacturing. In most instances, the SMEs incur the cost of transportation, making the production cost escalate, making the returns go down. Ahmad et al. 2017 acknowledge that SMEs' greatest nightmare is supply chain management, which is a key sector in ensuring that consumers' needs are met.

### **2.3.3 Change of manufacturing processes**

The majority of Entrepreneurial SMEs have difficulty, especially during the startup phase. Most businesses in that stage are in their trial-and-error phase and are yet to realize their most appropriate specialization line. According to Alkhoraif & McLaughlin (2018), there seem to be limited studies on competitiveness and innovation in Small and Medium Enterprises in Saudi Arabia. Most SMEs' manufacturing processes within Saudi Arabia fall short of the international standards making exportation to markets like America and Europe difficult. Most Entrepreneurial SMEs have stuck to obsolete operations since most are afraid of the cost of lost productivity likely to be incurred while they transition to new infrastructures. There are underlying indirect costs that SMEs have to shoulder when upgrading their existing equipment. Better and efficient production provides a firm with a competitive advantage to utilize its resources effectively, thus maintaining high levels of quality performance. To remain a competitor enterprise is challenging for most SMEs without support and knowledge.

### **2.3.4 Increased costs from sustainable vendors.**

Aboelmaged (2018) notes that sustainability is a ubiquitous phenomenon underlying various firms' performances and functions. Another hidden cost that most SMEs have to deal with is the increased rates from vendors. The dynamic business atmosphere often pushes firms to transit to sustainable models hence the need to partner with vendors sharing similar values. Inflation and tough economic times push vendors to increase prices of goods and services to help cover the rising cost they incur in the process. The higher spending trickles down to Entrepreneurial SMEs within the respective supply chain, thereby increasing their expenses too.



### **2.3.5 Professional fees**

One of the greatest barriers to entrepreneurial SMEs is the professional fees. Abou-Shouk & Eraqi (2015) notes that professional fees add to the cost of operation, which makes some of the SMEs difficult to run. Not the majority of the business owners are confident about each aspect of business management, which may include handling finances, advertisement, legal services, and marketing. It is always necessary that a professional gets consulted if a particular business need seems outside the expertise of your team members. The smaller tasks often distract an individual from running their business. In Saudi Arabia, the cost of a lawyer may range from SAR 96000 to SAR 100000 for corporate transactions. Such costs are often heavy on upcoming entrepreneurial SMEs that are not well established.

### **2.3.6 Internal Operations of the enterprise**

An enterprise is often faced with daily operations in communication and transactions involving finances. Delayed payments can be a challenge for the business as it may fail to meet its operations. The company culture also contributes to other hidden costs which include mode of communication. A suitable approach would be choosing a meeting and communication strategy that would serve the team working in the entrepreneurial SME with the least cost possible. Idle resources are also costly in terms of storage and security. Finally, the insufficient processes often lead to additional costs hence advisable that the employees commit to activities that would be completed within a given time frame.

## **2.4 Causes of Hidden Costs**

Literature provides different evidence highlighting hidden costs in different areas of companies and institutions' operations. Literature also contains several examples of their analysis and identification. The topic of hidden cost is often undertaken in the studies of management and economy. There are discussions regarding nature, measurement, analysis, identification, and reporting different hidden costs. Marullo et al. 2018 highlight that the hidden costs mainly result from insufficient services and processes. The majority of the hidden costs emerge from poor management, with some arising as a consequence of the management taking or not taking particular risks for the business. The Hidden costs often arise when implementing the primary statutory activity and an outcome of unforeseen circumstances.



Different scholars define hidden costs as those expenses with direct reflection in a firm's information system, financial and managerial reports, and not found in the accounts or budget. The authors highlight that the hidden costs are in most instances due to insufficiency in quality, thereby representing a gap within the productivity.

Igwe and Kanyembo (2019) highlight the role of government towards SMEs. It is noted that several hidden costs arise from government interventions, which add to the cost of operation for SMEs. There is various evidence supporting the claim that government policies add to the cost of production. Taxation is one way in which governments affect entrepreneurial SMEs' operations. The entrepreneurial SMEs find business unsustainable based on their margin when the government introduces new regulations directly affecting their businesses. Some of the policies make entry into some markets difficult; hence SMEs have to pay hefty fees to operate. The national policies and regulations are vital to various decisions that an enterprise undertakes. The unpredictable changes in policies pose a great threat to SMEs' sustainability and the overall economy of Saudi Arabia. The lack of education and skills may also lead to the emergence of hidden costs in the business. The majority of entrepreneurs operating micro and small enterprises in Saudi Arabia have limited skills in running businesses. King and McGrath (2002) acknowledge that education and training are essential for any SME's success. Having vast knowledge of the business helps in blocking possible loopholes that may generate hidden and unprecedented costs.

## **2.5 Eliminating Hidden Costs**

Providing extensive learning and training is one way of equipping SME owners with the skills necessary to run their respective businesses. Small businesses mostly rely on informal learning processes that may not expose any unforeseen circumstances that may raise unprecedented costs (Whapshott and Mallett 2016). Various researchers agree that workplace learning provides a framework for ensuring efficiency in small businesses. Hidden costs can also be eliminated by encouraging professionalism in the running of the SME entrepreneurship. For instance, proper bookkeeping techniques need to be encouraged as a way of eliminating the hidden costs. Tracking every possible cost within the inventory is important as that helps in knowing where the costs can be reduced.



Addressing high carrying costs may help an entrepreneurial SME eliminate the hidden cost by transferring to a different storage location as their geographic location demands. Integrating technology in running the entrepreneurial SMEs is also another way of eliminating the unforeseen costs in the business. Most Entrepreneurial SMEs lack efficiency in their operations since they rely on an obsolete way of operations. Al-Somali, Gholami, & Clegg (2011) note that technology can play a vital role in changing the SMEs' operation in the kingdom. Studies from the World Economic Forum (WEF) recognizes that technologies present a great return on investment.

## **2.6 Effect of Hidden Cost on Entrepreneurs and Entrepreneurship.**

The hidden costs have an adverse effect on entrepreneurs and entrepreneurship. One thing common among entrepreneurs is risk-taking, which includes financial risks. The hidden costs often push business owners into making complex, risky decisions. It is very common to have entrepreneurs plunge into bad credit that further contribute to their mental breakdown.

The hidden costs are also a discouragement for entrepreneurs and other aspiring SMEs. The hidden costs are often expensive, making some businesses undesirable, thus pushing entrepreneurs away into venturing into such fields. In Saudi Arabia, there are great opportunities in the leisure and entertainment industry, but the hidden cost in such fields tend to scare away small enterprises. The entrepreneurship spirit is thus a loss in the process.

## **2.8. IFRS for SMEs**

International Financial Reporting Standards (IFRS) is a common language for financial reporting (Tumpach et al., 2021; Pena et al., 2017). It facilitates the harmonization of accounting practices (Bertranda et al., 2021). For making the accounting data internationally comparable, the IFRS have been adopted by companies throughout the world (Tumpach et al., 2021).



IFRS for SMEs is considered to be a modification and simplification of the full IFRS that aim to meet the needs of private enterprises financial reporting users and ease the financial reporting burden on private enterprises through using a cost-benefit approach (The American Institute of Certified Public Accountants, 2021). IFRS for SMEs is a self-contained global accounting and financial reporting standard that are applied for the general-purpose financial statements of entities that are known as small- and medium-sized entities in numerous countries (Eneh & Anyahara, 2016). Full IFRS and IFRS for SMEs are promulgated by the International Accounting Standards Board (The American Institute of Certified Public Accountants, 2021). Thus, IFRS for SMEs have, in most cases, different disclosure requirements. At the present there are 73 of the 140 jurisdictions whose profiles are posted requires or permits the IFRS for SMEs. Among The 73 jurisdictions that require or permit the IFRS for SMEs is Saudi Arabia (Eneh & Anyahara, 2016). Among other advantages is the implementation of the international audit. A company while preparing the financial statements in accordance with IFRS for SMEs is able to hold an international audit of its financial. This increases the internal control in a company, creates added value of financial statements of the firm itself (Klink, 2016). A fourth advantage is the ability to abandon the national standards. Companies in some countries during the preparation of IFRS for SMEs cannot apply the requirements of reporting according to national standards. This reduces the costs of transformation of financial reporting (Shakeyev, 2016).

On the other hand, the IFRS for SMEs has other several of disadvantages. The first disadvantage is that the implementation of IFRS for SMEs is very expensive and can be compared to the cost of implementation of the full set of IFRS. The second disadvantage is that any small and medium business can become public, e. release issued shares, bonds, bills of exchange, and then the company will have to prepare financial statements in accordance with the full set of IFRS. The third disadvantage is that it is not clear whether the potential investors trust such statements, which is made in accordance with IFRS for SMB. After all, a large number of disclosures in the financial statements allow investors to make sound economic (Eneh & Anyahara, 2016).



## 2.9. Types of expenses

Operating expenses are the costs that business firms incur in its daily operations but are not directly linked with the production process. Operating expenses are the costs expended by a company through each of its varied departments for producing a product or services for customers. These expenses include the transportation of the products, sale promotion with advertising, warehousing costs, establishment, salaries and wages, utilities, depreciation, transportation plus travel, and so on (Khalid & Khan, 2017). Advertising is one of the major operating expenses that has been recognized as the center of success for nearly all competent companies (Khalid & Khan, 2017). The term ROAS stands for return on advertising spend. It is a marketing metric that measures the amount of revenue the business earns for each dollar it spends on advertising. For all intents and purposes, ROAS is primarily the same as return on investment, or ROI. In this case, the money an enterprise is spending on digital advertising is the investment on which it is tracking returns. (Choi & Lim, 2020). Administrative expenses, on the other hand, are that costs incurred by SMEs on a more general basis and usually are not associated with a specific department. These expenses are grouped with individuals who are not performing technical support activities for SMEs such as the case with secretaries and receptionists. An example of an administrative expense would be the salaries and benefits for secretaries and receptionists. Another example would be the office supplies, telephone bills and postage that are used for the business (Venieris et al., 2015). All types of costs are associated in different ways with innovative entrepreneurship. Costs may not only influence the quantity of entrepreneurship but also the quality and type of entrepreneurship (Darnihamedani et al., 2018). Creating and applying novel and cost-effective strategies are considered to be important elements of business entrepreneurship (Mason & Brown, 2014).



## **Chapter :3**

### **3.1 Research Design and Method**

We primarily joined to dearth research on SMEs' hidden cost and then prolonged the analysis of entrepreneurial SMEs within other linked fields. One design stood upon essential SMEs' being fully hidden within essential costs. It became regenerated from inner features occupational and exterior features. Business holders have essential control over inner restructure's costs although slight control from exterior features. We discovered that the previous stream of works concerning hidden costs remained highly attractive within most additional research with a shortage of analysis on entrepreneurial SMEs' hidden costs. While using numerous features of works, the study inquiries essential paper is established. The preceding study has examined business' feature the preceding and how choices result in hidden costs within the business.

### **3.2 Structured interview**

The investigators interviewed the entrepreneurs in presence and remotely by requesting queries and recording the responses. The category of meeting assistances to recognize the queries directly from investigators and lets to gather more material.

### **3.3 Interview protocol**

The research started by carrying out interviews with Four various Entrepreneurial Small and Medium enterprises in Saudi Arabia. The Saudi Kingdom has strategies to present some of the not lively segments within the economy, helping with financial change and further offering businesspersons numerous chances. Factually, Entrepreneurial SMEs have remained recognized being significant sponsors to a diverse economy. In Saudi Arabia, enclosed rules took effect on an incomplete measure from 1990 to 1995, especially on the fifth growth strategy. The strategy remained set up in developing guidelines that could improve entrepreneurial SMEs' spread within the kingdom. Hence, within the sixth growth strategy of 1995 to 2000, commendations enabled a high level of recognition in boosting SMEs and additional having a unit for commanding the segment.



### 3.4 Data Analyses Procedures

The data examination is significant after finalizing the interviews and recording responses within the study. The closer to 100 entrepreneurial SMEs working within Saudi Arabia presently has remained considered inversely. Around 88 percent of trades are classified as micro, sense they employ among 1-5 workers. Gautam information also demonstrates that the aging bracket for SMEs within Saudi Arabia varies from 26 to 36 years. The representing a pool of fewer faced entrepreneurs. Hence, one would, remains noted within the percentage in the stated age bracket employed in SMEs is higher than the work marketplace averaging, hence signifying that entrepreneurial SMEs have likely offered occupations to millions of Saudi people. The feeding level and design of Saudis are likewise important for SMEs within a kingdom.

### 3.5 Population and Sampling

The researcher's gathered information from Four founders of Small and Medium businesses within the Saudi marketplace. The four businesses were chosen to carry out the research and recognize the effect of hidden costs within SMEs. The study might virtually identify as primary according to researcher's examination within the State of Saudi Arabia.

### Interview Query

**Personal Interview:** researchers were masters' scholars UMM ALQURA UNIVERSITY in Institute of creativity and entrepreneurship need to measuring essential degree and entrepreneurial companies are influenced by hidden costs. Therefore, people would likewise like cooperating and answering essential questions below concerning one field of study: Company name, Capability, Capital, Location, Production capacity, Company Products, Human Resources, Company activity, the goals of the company, Legal form, Organizational Chart, The different departments of the company.



www.mecsaj.com/

Multi-Knowledge Electronic Comprehensive Journal For Education  
And Science Publications ( MECSJ )

Issue ( 44 ), 2021

ISSN: 2616-9185

EOI : 10.11246/mecsaj/01/44

**Questions:** Do you think it is feasible to study hidden costs and develop solutions for them? From your point of view, what are the most hidden costs in your facility? Why do you think the estimated costs differ from the actual costs? Are you thinking of rethinking your business model to use some of your existing departments? Are you thinking of reducing the number of workers in your facility to avoid some hidden costs? In your opinion, the absenteeism of some employees from work is an influencing factor due to hidden costs? Explain that? In your opinion, how to deal with wasting time? As a small or medium business owner, are you thinking of creating a system to use the spent resources in a way that reduces hidden costs? Often hidden costs lie in operating a business? What do you think about that? Is the concept of hidden operating costs clear to you as an entrepreneur? Have you ever faced such costs and how were they dealt with and treated? The achievement accounting system does not help management to control the hidden costs. Explain this? Lack of awareness of the importance of developing the cost system using modern methods is one of the main obstacles towards increasing the percentage of hidden costs. What do you think? Lack of desire for development stands in the way of applying new hidden cost calculation methods, what do you think of that? Do you think introducing a system that addresses hidden costs will reduce the number of jobs? Why? Do you think that it is important to consider the hidden costs and to be among the items of feasibility studies and the estimated budgets and be mandatory? Talk about each of the factors that affect hidden costs, and do you have others that affect hidden costs: (1) The cyclical nature of manufacture; (2) Errors happen in assessing hidden cost basics; (3) Rare or emergencies.



## Chapter4

**The Brief of the Company:** The researchers did four meetings with the proprietor of every business, from services and industry field and the researchers within the chapter would do brief factors on each business.

	<b>1<sup>st</sup> Business (A)</b>	<b>2<sup>nd</sup> Business (B)</b>	<b>3rd business (C)</b>	<b>4<sup>th</sup> Business (D)</b>
<b>Business type</b>	services field	industrial field	Services field	Services field
<b>Formation date</b>	2016	2002		
<b>Business's lawful status</b>	Holding Company	Company	Company. Ltd	Sole Proprietorship
<b>Capital</b>		80000000 SR		650000 SR
<b>Head office</b>	Jeddah	Jeddah	Jeddah and divisions	
<b>Site</b>	Al Amir Fawaz Al Junoobi, Jeddah 22422	Jeddah - Al-Rayyan region	Leader Abdul Majeed, Jeddah, Saudi Arabia	Khamis Mushait 62468 6400
<b>Number of divisions</b>	18			
<b>Products of the business</b>	Chicken Burger, Meat Burger, Hot Dog, and Samples	Saudi Thobes		
<b>HR</b>	450 workforces	400 workers	501-1000 workers	70 workers
<b>The nature of business action</b>	Fast Food	Sewing and scheming Saudi Thobes	Freight-Clearance-Fatal-Conveyance	Restaurant; Haneez, Makmoot, Chicken and other cooked Arabian Foods
<b>Business purposes</b>	saving burger with replacement meat and ecosphere's main burger eatery, rendering to the Guinness Book of Records	Re-define the stylishness of gentlemen's clothes, and Lomar's modern designs connect	offering transport amenities providing transportation facilities	Development and high-value formation



www.mecsaj.com/

<b>Sections in the business</b>	Accounting Section – Procurement Sector – Promotion Department – Production Division- Delivery Branch - Section of HR	Marketing Section – Division of Human Resource – Freight Section – Operating Division		Accounting Section – obtaining segment – Marketing Branch – Production Unit- Section of HR
-------------------------------------	--	--	--	--

**Quantifiable Indicators:** (1) Absence; (2) Work & worker accidents; (3) Work turnover; (4) Poor Quality; (5) Differences of productivity; (6) Awareness

### **Absenteeism:**

It is one of the main problems faced by organizations and it is the main cause of dysfunction. It increases the direct and indirect costs, and it has been found that many institutions employ a number of workers in excess of the need for work, reaching one third in some cases, in order to cope with absenteeism. Thus, the hidden cost is increased by absenteeism and it is decreased by decreasing absenteeism.



**Company A** applies the indicator of absenteeism and the percentage of absenteeism is 2% and the owner takes in consideration the effect of it on the hidden cost but its percentage is low.

**Company B:** this Company doesn't apply the indicator of absenteeism and the information which we got from it doesn't have the percentage of absenteeism.

**Company C** applies the indicator of absenteeism and the manager considers it has a great effect on hidden cost but the percentage of absenteeism is 7 % and it is very low. Thus, this indicator doesn't have a great effect on the hidden coast of the company.

**Company D** applies the indicator of absenteeism with a percentage of 3% and the owner knows the effect of absenteeism on the hidden cost but it doesn't have a great effect because the percentage is low.

**Result:** this indicator doesn't have a great effect on the hidden costs because the percentage of it is very low in three companies and Company B didn't put this indicator in its information. This is consistent with (Khalifa Ahmad, 2017; Masoud, 2019) that indicated the effect of absenteeism on the hidden costs as it increases the hidden costs.



## Indicator of work accidents:

Work accidents are defined as the event that hinders the normal course of work and may result from human factors, unsafe conditions, or both factors together. It's caused by poor selection, lack of training, ineffectiveness of occupational health and safety programs. It increases the direct and indirect costs. Thus, the hidden cost is increased by work accidents and it is decreased by decreasing work accidents.

**Company A** applies the indicator of work accidents with a percentage of (5%) and the owner considers the effect of it on the hidden cost but, the percentage isn't high.

**Company B** applies the indicator of work accidents with a percentage of (5%) and the owner take in consideration the effect of it on the hidden cost but, the percentage isn't high.

**Company C** applies the indicator with a percentage of 7 % and it has an effect on the hidden cost to some extent as the percentage isn't low and they have direct and indirect cost.

**Company D** applies the indicator with a percentage of 1% and the owner knows the effect of work accidents on the hidden cost but it doesn't have a great effect as the percentage is low.

**Result:** this indicator has an effect to some extent on the hidden costs in all companies except Company D because the percentage of it is very low. The previous studies mentioned the effect of this factor on hidden costs (Masoud, 2019; Ahmad, 2018) that indicated that it increases the hidden costs.



## Work Turnover Indicator:

Work turnover is defined as: "A phenomenon represented in the movement in and out of the firm's workers, and this movement is measured by the changes that occur between employees during a certain period of time and generally within a year".

**Company A** doesn't apply the indicator of work turnover and the information which we got from it doesn't have the percentage of work turnover.

**Company B:** This Company doesn't apply the indicator of work turnover and the information which we got from it doesn't have the percentage of work turnover.

**Company C** applies the indicator of work turnover and the percentage of work turnover is 3 % and it is very low. Thus, this indicator doesn't have an effect on the hidden cost.

**Company D** doesn't apply the indicator of work turnover and the information which we got from it doesn't have the percentage of work turnover.

**Result:** this indicator doesn't have a great effect on the hidden cost because three companies didn't put this indicator in their information. The Company C applied this indicator but, it doesn't have a great effect because the percentage is very low. This is consistent with (Hamed, 2017) that indicated the importance of this factor.



## Non - Quality indicator

Non-Quality is defined as: the total deviation between the target quality and the quality actually obtained.

**Company A** applies the indicator of Non-Quality and the percentage is 10% and the owner of this company considers the effect of it on the hidden cost because, the percentage isn't low.

**Company B** applies the indicator of Non-Quality with a percentage of 2% and the owner takes in consideration the effect of it on the hidden cost but, the percentage is low.

**Company C** doesn't apply the indicator of Non-Quality and the information which we got from it doesn't have the percentage of Non-Quality.

**Company D** applies the indicator of Non-Quality with a percentage of 20% and the owner knows the effect of it on the hidden cost because the percentage isn't low.

**Result:** This factor is applied in all companies except Company C. It is high in Company D and it isn't high in Company A and it is low in company B. this is consistent with (Masoud; 2019; Ahmad; 2018; Bland et al. 1998) that indicated the effect of non - quality on the hidden costs as it increases the hidden costs.



## The productivity differences indicator

Productivity is defined as: "The relationship between the resources used in the production process and the results of that process."

**Company A** applies the indicator of the productivity differences with a percentage of 15% and the owner considers the effect of them on the hidden because, the percentage isn't low.

**Company B** applies the indicator of the productivity differences with a percentage of 20% and the owner considers the effect of them on the hidden cost because, the percentage is high.

**Company C** applies the indicator with a percentage of 20 % and it is high Thus, this indicator has an effect on the hidden costs. They increase the hidden costs.

**Company D** applies the indicator with a percentage of 20 % and it is high Thus, this indicator has an effect on the hidden coast. They increase the hidden cost.

**Result:** this indicator is high in all companies and has an effect on the hidden costs because the percentage of it isn't low and this gave us evidence that indicator is important in the hidden costs of these companies and increases of them in all companies. This is consistent with the previous studies mentioned the impact of this factor on hidden costs like the study by (Darwish & Alghaith, 2017; Fawzia 2016 Al Behar & Callen, 2015).

## Awareness indicator

Awareness is the state of being conscious of something. More specifically, it is the ability to directly know and perceive, to feel, or to be cognizant of events.

**Company A** applies the indicator of awareness with a percentage of 80% and the owner takes the consideration of the effect on the hidden costs because, the percentage is very high.

**Company B** applies the indicator of awareness with a percentage of 50% and the owner considers the effect of it on the hidden costs because, the percentage is high.

**Company C** applies the indicator of awareness with a percentage of 60 % and it is high Thus, this indicator has an effect on the hidden costs. It decreases the hidden costs.



**Company D** applies the indicator of awareness and the percentage of it is 70% and the owner takes the consideration of the effect on the hidden costs because, the percentage is very high.

**Result:** this indicator is high in all companies and has an effect on the hidden costs as the percentage of it is high and this gave us evidence that indicator is important in the hidden cost of these companies and decreases of the hidden costs in all companies. This is consistent with Brkani Fawzia (2015 – 2016).

Admit the business entrepreneurial SMEs have efficient and effective system in controlling hidden costs.

#### Data Analysis By using SPSS:

##### Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	<b>42.88<sup>a</sup></b>	<b>11</b>	<b>.005</b>
<b>Likelihood Ratio</b>	<b>45.667</b>	<b>33</b>	<b>.005</b>
<b>Linear-by-Linear Association</b>	<b>22.445</b>	<b>23</b>	<b>.004</b>
<b>N of Valid Cases</b>	<b>1234</b>		

**a. 9 cells (50.0%) have predictable count less than 5. The smallest expected count is .64.**



### ANOVA

Condition (1 = RD, 2 = PD, 3 = PA)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	14.447	12	2.999	4.99	.005
Within Groups	99.34	177	.599		
Total	113.897	189			

### ANOVA

Condition (1 = RD, 2 = PD, 3 = PA)

	Sum of Squares	Df	Mean Square	F	Sig.
<b>Between Groups</b>	<b>11.66</b>	<b>4</b>	<b>2454</b>	<b>4.45</b>	<b>.001</b>
<b>Within Groups</b>	<b>102.56</b>	<b>67</b>	<b>.451</b>		
<b>Total</b>	<b>113.978</b>	<b>13</b>			

The context of schemes within Kingdom of Saudi Arabia applies qualitative approaches of study in gathering information on processes of diverse SMEs recorded in Saudi Arabia. Small and Medium-sized entrepreneurial enterprises are essential for development of main and upcoming economies along the world. The common of economies observed as stunted facing essential challenges of awkward tax management crippling the volume of SMEs.



### Data Basis on Regression Analysis

Basis	DF	SS	MS	F	P
Regression analysis	15	5000.00	911.8	100.22	0.05
standard Error	99	5000.50	9112		
Entire	114	10,000.50	1832.0	100.22	0.05

The study inspects significant study examination regression assortments while employing the ANOVA practice being conducted by putting on a strong probability of SPSS analysis. Therefore, the p-value exploration was measured being 14.000, while  $p\text{-value} < 0.05$ .

### SPSS Output Study Significant Data

	N	Mean	Std. deviation	Standard error mean
Number of detectives	18890	182	1.88	0.05

### Chi-Square Training

Chi-Square investigate			
	Rate	Df	Asymptotic significance
Pearson Chi-square	100.689	89	0.05
Possibility connection	100.767	78	0.05



## Chapter 5

### Discussion

SMEs have excellent systems of communication, coupled with entrepreneurial management styles. Entrepreneurial SMEs are known to explore more technical spaces; hence innovation in small firms is likely to be efficient and effective. The hidden costs, however, reduce the efficiency of the SMEs. Based on the literature analyzed in the study, upcoming entrepreneurs have to deal with various obstacles and hidden costs. Based on the analysis, most enterprises in Saudi Arabia face the challenge of the cost incurred from professional services, costs generated from the incompetency of running the businesses, and cost due to government policies. The study showed that the majority of entrepreneurs in the kingdom have inadequate education and skills, which makes it difficult to run a successful and profitable business. Education and skills are necessary for entrepreneurs operating micro and small enterprises. The study suggests that entrepreneurs with skills and training are capable of detecting areas that are likely to generate hidden costs and act on them before they affect the operation of their businesses. For small firms to succeed in Saudi Arabia, it is necessary for entrepreneurs to be well-informed in areas such as management.

For SMEs in the technology sectors despite attaining college-level education, most of them still lack the entrepreneurial skills of handling various aspects of their businesses. Most of the management styles applied by such entrepreneurs are intuitive and not analytical; hence only focus on the day-to-day operations rather than projecting on the long-term issues. The consequences of poor managerial skills are that the SME owners are often ill-prepared to handle the hidden costs they may encounter in their business environment and effectively plan on countering them.

The national policies of a country directly impact the various hidden costs that entrepreneurs have to deal with. Based on the study, it is evident that tax policies and other necessary documentation required for business in the kingdom add to the hidden costs that entrepreneurs have to deal with. The different types of businesses attract various licenses which may increase the overall cost for the entrepreneurs. The lack of a clear distinction between entrepreneurial SMEs and well-established companies also is a challenge for most enterprises which have to deal with high incorporation costs similar to those charged to well-established enterprises. The unpredictable government policies within the kingdom and high taxation pose a great threat for the upcoming enterprises, thus interfering with how the entrepreneurial SMEs in Saudi Arabia.



Saudi Arabia is still advancing technologically, and the majority of businesses are still using traditional ways of running enterprises. The study indicates that as technology advances, it creates a challenge for the local businesses. Companies have to compete to adopt the latest technologies available; however, they come at a cost that entrepreneurs cannot shoulder. Managing a website would require additional staff similar to an individual who will be managing social media networks. Such advances add to the hidden costs that entrepreneurial SMEs have to deal with as they operate in Saudi Arabia. On a positive side, the technology can also help eliminate some of the hidden costs, including having a digital entry of suppliers and other businesses associated with your enterprise. Conducting procurement through the digital platform may also reduce other associated costs.

## **Implications**

The current study identifies several vital and practical outcomes that can get implemented to increase the success of Small and Medium Enterprises in Saudi Arabia concerning eliminating hidden costs incurred in the course of operation. These implications are majorly dealing with public policy implications as outlined below. There is a need for government action and policies towards entrepreneurial SMEs to be reasonable since the guidelines are crucial in defining a given enterprise's success. There is sufficient evidence from research that government policies are major causes of unprecedented costs influencing SMEs' operations. The Saudi Kingdom needs to cushion SMEs from unnecessary taxation by implementing a separate tax system for small businesses that cannot compete with big firms.

A further implication relating to government policy includes promoting entrepreneurial culture in the kingdom through small businesses' incentives. The kingdom can further set up training facilities for upcoming SME owners. The kingdom promotion may include tax incentives, insurance, and expert advice to small businesses. The government also has the power to promote the services and products of the SMEs to international markets.

## **Limitations and Future Research**

The study location was Saudi Arabia with specific reference to hidden costs; hence the conclusions are not generalizable. These findings, however, provide solid information for entrepreneurial SME research with the region and elsewhere. These findings only apply to SMEs hence may not be applicable for large firms. Additional limitations may also arise due to biases associated with the samples used. For instance, the study is based on the SMEs currently operating in Saudi Arabia. Consequently, it may be difficult to equate the difficulties faced by different entrepreneurial SMEs since the different owners' experience varies.



For future research in this area, the current study focused mainly on the SME hidden costs within Saudi Arabia, identifying a range of impact these costs have on entrepreneurship culture in the kingdom. The findings provide a valuable resource for other emerging economies and advanced markets. Cross-internationalization research would further expand and authenticate the findings from the study and help scholars and entrepreneurial SME owners understand SMEs' operations and ways of eliminating the hidden costs. Replicating the study in other regions would help determine whether the findings hold true in different locations, thus providing great support for the generalizability of the findings. Future research could use a quantitative survey instrument for the new research and test the findings based on its methodology.

## Recommendations

There is a great push towards providing a digitization platform for SMEs. The Saudi Arabian kingdom has a great mandate of ensuring that the entrepreneurial SMEs in the country can access modernized methods of conducting business. The use of digital technologies ensures that the hidden costs get eliminated through access to skills and talents, outsourcing for resources, and connecting the SMEs with partners that can help them in growing their businesses (Edvardsson, Durst, & Oskarsson 2019). Saudi Arabian entrepreneurial SMEs should consider digitalizing their operations to help understand both their local and global market. The Saudi Arabian digital communication platforms have slowly risen with close to 70 percent of their smartphone. Furthermore, Big Data and data analytics may provide enterprises with opportunities to detect and eliminate hidden costs. More training centers are also necessary at the micro level to help upcoming entrepreneurial SME owners manage the businesses more efficiently. The Saudi Arabian kingdom needs to organize trade fairs where the local SMEs can interact with well-established corporations to learn how to conduct business, thereby eliminating unprecedented costs and further forming partnerships helping the SMEs to firmly establish in their respective markets. Saudi Arabia should embark on the innovation skills offered to individual micro-enterprises such as simple registration processes, unified social and tax schemes. It seems much easier to formalize enterprises in the setup stage rather than those already existing. The kingdom should, therefore, put more emphasis on targeting efforts at the upcoming enterprises. The already existing enterprises need to be more formalized. There is also a need to improve and reform the magnitude of business entry in the country and have relatively soft measures that small enterprises can easily manage.



## Conclusions

Entrepreneurial SMEs' success in Saudi Arabia greatly depends on how the owners handle the hidden costs incurred in the respective businesses. The Saudi Vision 2030 greatly relies on the development and improvement of the SMEs; hence good strategies are required to ensure efficiency. The study has explored various factors leading to hidden costs for small enterprises in Saudi Arabia. The hidden costs increase the risk of many entrepreneurial SMEs collapsing. SMEs in Saudi Arabia are not well established; hence, most still face several management and bookkeeping challenges, which pose a threat of hidden costs emerging. In the Sustainable Development Goals (SDG), the United Nations (UN) aims to have the rising demand for jobs achieved both for men and women, senior citizens, persons with a disability, and youths. Promoting self-employment will lead to the creation of work opportunities by enhancing the creation of SMEs. Moreover, in countries like Saudi Arabia, the entrepreneurial SMEs present an opportunity for economic diversification and riding-off the country from overdependency on oil and petroleum, subject to price fluctuations and competition from other Gulf nations. The hidden costs, such as energy, transport, professional services, and government-induced policies, among others, are easily preventable when there is an enabling business environment for SMEs to thrive. Finally, the entrepreneurial SME owners also need to build capacity to raise the standard of their operations.



## References

- Aboelmaged, M. (2018). The drivers of sustainable manufacturing practices in Egyptian SMEs and their impact on competitive capabilities: A PLS-SEM model. *Journal of Cleaner Production*, 175, 207-221.
- Abou-Shouk, M., & Eraqi, M. I. (2015). Perceived barriers to e-commerce adoption in SMEs in developing countries: the case of travel agents in Egypt. *International Journal of Services and Operations Management*, 21(3), 332-353.
- Aderoba, C., T. & Babajide, D. A. Business Enterprises and Entrepreneurial Practices in Nigeria, *European Journal of Business and Management*, 7(8), 22-31.
- Aghelie, A. (2017). Exploring drivers and barriers to sustainability green business practices within small medium sized enterprises: primary findings. *International Journal of Business and Economic Development (IJBED)*, 5(1).
- Ahmad Hamed, A. A., Bohar, A. M., & Siam, M. (2017). The Impact of Supply Chain Management and Information Systems on Operational Performance: Empirical Evidence from SMEs in Saudi Arabia. *International Journal of Supply Chain Management*, 6(3), 232-238.
- Al-Darwish, M. A., Alghaith, N., Behar, M. A., Callen, M. T., Deb, M. P., Hegazy, M. A., ... & Qu, M. H. (2015). Saudi Arabia:: Tackling Emerging Economic Challenges to Sustain Strong Growth. International Monetary Fund.
- Alkhoraif, A., & McLaughlin, P. (2018). Lean implementation within manufacturing SMEs in Saudi Arabia: Organizational culture aspects. *Journal of King Saud University-Engineering Sciences*, 30(3), 232-242.
- Alrashidi, Y. A. (2019). Exporting Barriers Perceived by Manufacturing SMEs: Evidence from Emerging and Advanced Markets.
- Al-Somali, S. A., Gholami, R., & Clegg, B. (2011). An investigation into the adoption of electronic commerce among Saudi Arabian SMEs. *Journal of Electronic Commerce in Organizations (JECO)*, 9(2), 41-65.
- Batwa, A., & Alamoudi, R. H. (2019). Designing and Deploying an E-Business Model for Small and Medium-Sized Enterprises in Saudi Arabia. *Journal of Economics and Business*, 2(4).
- Bertranda, J., Brebissona, H. & Burietzab, A. (2021). Why choosing IFRS? Benefits of voluntary adoption by European private companies, *International Review of Law and Economics*, 65, 105968.



- Boubyan Masoud (2019), Contribution to Reducing Hidden Costs, Master's Memorandum, Khader University, p. 125
- Burkani Fawzia (2016) Mechanisms for detection and treatment of hidden costs in the service organization, p. 78
- Choi, J., A. & Lim, K. (2020). Identifying machine learning techniques for classification of target advertising, *ICT Express*, 6 (3), 175-180
- Darnihamedani, P., Block, J., H., Hessels, J. & Simonyan, A. (2018). Taxes, start-up costs, and innovative entrepreneurship, *Small Business Economics*, 51, 355-369.
- Edvardsson, I. R., Durst, S., & Oskarsson, G. K. (2019). Strategic outsourcing in SMEs. *Journal of small business and enterprise development*.
- Eneh, O. & Anyahara, I. (2016). International Financial Reporting Standards and Micro, Small and Medium Enterprises, *NG-Journal of Social Development*, 5(3), 46-54.
- Gast, J., Gundolf, K. & Cesinger B. (2017). Doing business in a green way: A systemic review of the ecological sustainability entrepreneurship literature and future research directions, *Journal of Cleaner Production*, 147, 44-56.
- Igwe, PA and Kanyembo, F. (2019), "The Cage Around Internationalisation of Smes and The Role of Government", Haddoud, M.Y., Jones, P. and Onjewu, A.-K.E. (Ed.) *International Entrepreneurship in Emerging Markets: Nature, Drivers, Barriers and Determinants (Contemporary Issues in Entrepreneurship Research, Vol. 10)*, Emerald Publishing Limited, pp. 161-176. <https://doi.org/10.1108/S2040-724620190000010015>
- Iqbal, T. (2020). You are entitled to access the full text of this document Investigating logistics issues in service quality of SMEs in Saudi Arabia. *Uncertain Supply Chain Management*, 8(4), 875-886.
- Journal of Accounting – Business & Management vol.1 (2017) 1-20
- King, K., & McGrath, S. (2002). Globalization, enterprise and knowledge: Education, training and development in Africa. Symposium Books Ltd.
- Khalid, W. & Khan, S. (2017). Impact of Operating and Financial Expenses on Sales Revenue: The Case of Fauji Fertilizer Company Limited, *International Journal of Business and Economics Research*, 6(3): 40-47.
- Khalifa Ahmad (2017) Controlling the hidden costs in increasing the profitability of the economic institution, Master's Memorandum, Khader University, p. 62
- King, K., & McGrath, S. (2002). Globalization, enterprise and knowledge: Education, training and development in Africa. Symposium Books Ltd.



- Klink, P. (2016). The International Financial Reporting Standard for Small and Medium-Sized Entities: the Need and Form of a Third-tier Financial Reporting Standard in Namibia, Unpublished master thesis; university of South Africa.
- Kuckertz, A., Berger, E., S., C. & Brandle, L.(2020). Entrepreneurship and the sustainable bioeconomy transformation, *Environmental Innovation and Societal Transitions*, 37, 332-344.
- Kummitha, H., R. & Kummitha, R., K., R. (2021). Sustainable entrepreneurship training: A study of motivational factors, *The International Journal of Management Education*, 19 (1), 100449.
- Leunbach, D. (2021). Entrepreneurship as a family resemblance concept: A Wittgensteinian approach to the problem of defining entrepreneurship, *Scandinavian Journal of Management*, 37, 101141.
- Marullo, C., Di Minin, A., De Marco, C. E., & Piccaluga, A. (2018). The "hidden costs" of open innovation in SMEs: From theory to practice. *Vanhaverbeke, W. Roijakkers, N. F rattini, F., Usman, M. Researching Open Innovation in SMEs. World Scientific Publishing*, 37-67.
- Mason, C. & Brown, R. (2014). Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship, Background paper prepared for the workshop organised by the OECD LEED Programme and the Dutch Ministry of Economic Affairs on Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship; The Hague, Netherlands.
- Pena, H., F., P. & Franco, J., B. (2017). Impact of IFRS on the quality of financial information in the United Kingdom and France: Evidence from a new perspective, *Intangible Capital*, 13(4), 850-878.
- Pigman, G. A. (2007). The World Economic Forum: A multi-stakeholder approach to global governance. Routledge.
- Rafiki, A. (2020). Determinants of SME growth: an empirical study in Saudi Arabia. *International Journal of Organizational Analysis*.
- Rahman, S. M., Khondaker, A. N., Hasan, M. A., & Reza, I. (2017). Greenhouse gas emissions from road transportation in Saudi Arabia-a challenging frontier. *Renewable and Sustainable Energy Reviews*, 69, 812-821.
- Rehman, N. U., Çela, A., Morina, F., & Gura, K. S. (2019). Barriers to growth of SMEs in Western Balkan countries. *Journal of Management Development*.
- Savall, H. (2003). An updated presentation of the socio-economic management model. *Journal of organizational change management*.



- Shakeyev, S., S. (2016). International Financial Reporting Standards for small and medium enterprises: the transition, the features, the advantages and disadvantages, *Bulletin of the Karaganda University*, 2(3), 1-7.
- Stephan, U. (2018). Entrepreneurs' mental health and well-being: A review and research agenda. *Academy of Management Perspectives*, 32(3), 290-322.
- Tende, S. B., & Abubakar, H. L. (2017). Achieving maximum performance through the practice of entrepreneurial ethics: evidence from SMEs in Nigeria. *International Journal of Economics and Management Engineering*, 11(4), 1079-1082
- The American Institute of Certified Public Accountants. (2021). International Financial Reporting Standard for Small- and Medium-Sized Entities, Retrieved from: [https://www.ifrs.com/overview/IFRS\\_SMES/IFRS\\_SMES\\_FAQ.html](https://www.ifrs.com/overview/IFRS_SMES/IFRS_SMES_FAQ.html)
- Tirupathi, A., Banerjee, A., & Riaz, S. (2020). Factors Leading to Sustained Growth of SMES in the UAE: A Concept Paper. *Journal of Advanced Research in Economics and Administrative Sciences*, 1(2), 91-105.
- Topxhiu, R. (2012). The role of entrepreneurship and enterprises for local economic development," *Academicus International Scientific Journal, Entrepreneurship Training Center Albania*, (5), 96-107.
- Tripathi, A. (2019). SMEs In Saudi Arabia-An Innovative Tool for Country's Economic Growth. *Sci. Int.(Lahore)*, 31(2), 261-267.
- Tumpach, M., Juhaszova, Z., Kubascikova, Z. & Kriskova, P. (2021). Datasets of impact of the first-time adoption of IFRS 16 in the financial statements of Slovak compulsory IFRS adopters, *Data in Brief*, 36, 106996.
- Venieris, G., Naoum, V., C., Vlismas, O. (2015). Organisation capital and sticky behaviour of selling, general and administrative expenses, *Management Accounting Research*, 26, 54-82.
- Whapshott, R., & Mallett, O. (2016). Managing Human Resources in Small and Medium-sized Enterprises.
- World Bank (n.a.). Small and Medium Enterprises (SMEs) Finance-Improving SMEs access to finance and find innovative solutions to unlock capital.