

Review Article

Determinants for small and medium enterprises and entrepreneurship success post COVID-19

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ABSTRACT

COVID-19 pandemic has brought significant and multiple challenges for small and medium enterprises (SMEs). While SMEs have traditionally faced financial and non-financial crises, the pandemic has brought about additional uncertainties on how to maintain business continuity. The purpose of this paper is to examine how SMEs can mitigate against COVID-19-related crisis by examining the impacts that the pandemic has had on them through a review of 34 articles. The thematic analysis from the literature covered three overarching and inter-related challenges including: (i) cost and finance-related challenges, (ii) disruption of activities, and (iii) existential difficulties. This paper highlighted three major crises emerging out of the COVID-19 pandemic for SMEs. Cost-and finance-related challenges, disruption of SME activities amidst COVID-19 pandemic and Digital technologies. The paper's value lies in addressing the gap between the espoused literature's claim of the beneficial impact of new technological advancements and SMEs' ability to survive in the context of the COVID-19 pandemic.

Keywords: SMEs, COVID-19, Resilience, Technological advancements

INTRODUCTION

The COVID-19 pandemic continues to hit the profitability and sustainability of SMEs in an unprecedented way. This paper addresses the question 'how do SMEs mitigate against their challenges and develop resilience capability when faced with a crisis such as COVID-19?' by examining the literature on SME challenges in the context of the COVID-19 pandemic. The study covers both developed and developing countries to see what role, if any, has been played by individuals and organisations alike in developing creativity and resilience characteristics that might help SMEs in sailing through the toughest crisis of their lives.

The outbreak of the COVID-19 pandemic led to a number of new contexts for studying the SMEs, including the need to be agile to boost a lag in performance, to

increase productivity in order to mitigate against financial difficulties.¹⁻⁴ Some early studies highlighted the need for SMEs to be dynamic if they are to resolve the COVID-19 crisis, without actually showing the aspects wherein such dynamism might help. For instance Ba et al highlighted the challenges faced by such enterprises but falls short on providing a set of recommendations that can help them survive and develop during and post-COVID-19.⁵ Some of emerging literature studying SMEs in context of COVID-19 pandemic suggests that a strategic set of responses required to enhance their chances of survival.⁶⁻⁸

Most recently, Musa and Aifuwa have identified how technology can help SMEs address their growing challenges through the use of social media to help with budgetary, business transactions, and cash flow problems. However, the extent to which these recommendations have facilitated resilience capacity in financial areas such

as accounts monitoring, the promotion of a firm's products and services and the proper maintenance of cash flow for the affected SMEs has not been investigated and articulated in the scholarship on SMEs.⁹

The limited, yet emerging scholarship studying SMEs in the context of COVID-19 falls short of developing a comprehensive set of recommendations that would both address the key challenges relating to SMEs' financial performance while enhancing some level of creativity and resilience that would bring about survival during and post-COVID-19. This gap is addressed in this paper.

Strategic responses from developed and developing economies have started to emerge as part of packages to address SMEs' finance-related challenges in the wake of COVID-19. In the context of developing economies, e.g., Alves et al examined how SMEs have survived in Macau, whereas Ba et al studied the financial policies needed to do so in Vietnam.^{5,14} In Nigeria, Fitriarsi developed a framework for SMEs to cope with the COVID-19 finance challenge, whereas Gerald et al examined how SMEs can develop strategic foresight for surviving the crisis.^{1,8} Nvanga and Zirima captured how employees reacted to the use of digital technologies in Zimbabwe.³ Another study highlighted how organisations can develop automation in mitigating against movement control orders (MCOs) that have been imposed as an additional crisis by the Malaysian government.¹⁴

Musa and Aifuwa identified how technology can promote products or businesses and maintain cash flow as well as resilience.^{2,9} Similarly, in the context of developed economies, Brown et al identified the negative impacts of COVID-19 on SMEs' entrepreneurial finance in the United Kingdom.¹⁵ Additionally, some studies exposed SMEs' financial fragility in the United States.^{16,17} To help mitigate such crises in the developed world, suggestions include the use of digital technologies.^{7,9,18} However, our knowledge of how SMEs develop both the creativity and the resilience to help them mitigate against the financial constraints has not been addressed. Likewise, we do not know whether developing a framework that includes a range of recommendations can provide additional value by helping SMEs address COVID-19-related crises.

Although the SME adversities call for greater focus on using technologies to enhance their resilience, the identification of various resilience types such as childhood resilience in times of poverty and violence, personal resilience in the context of low-income countries, psychological resilience to enable positive adaptation and ecological resilience to deal with natural hazards have still not facilitated the type of high-performance work systems recommended for organisational survival.

The COVID-19 pandemic is hitting the entire business activity harshly, but its impact on SMEs is fatal indeed. The post-COVID-19 world would witness the large

businesses use all possible means to bring back their volumes and margins. Such eager attempts by the large businesses may well side-line the smaller businesses from the market. To reclaim their space by winning back a significant market share, the SMEs need to get their act together, think out of the box and rediscover themselves in unprecedented ways. Researchers specialising in the field of SMEs are busy exploring the ways and means that could help the SMEs tangibly relaunch themselves without highlighting what framework can help in this regard. However, not only is the number of such studies limited but their contribution is also seen to be all over the place. Consolidating the contributions of such studies to synthesise their findings remains a daunting task. We attempt to extract the findings from the existing literature in this context in order to help improve the performance of SMEs in the post-COVID-19 world.

World health organization has advised that rapid reviews offer timely information to policymakers to react to the emergency. This paper follows WHO recommendation to develop a framework of recommendations that will fill such an underdeveloped and neglected aspect in this area.¹⁹

Attempts in the emerging literature on how SMEs cope with adversity have emphasised the role of digital technology as a structural tool but has failed to address the fundamental practical problems associated with how to resolve not only the financial difficulties associated with the pandemic but also the resilience setbacks that have arisen as a result of the COVID-19 crisis. Using a systematic reviewing methodology, the paper examined 34 articles from various databases.

LITERATURE REVIEW

This paper reports on the findings of a rapid review as recommended by the systematic methodology.^{10,12,20-24} Due to the merits of transparency, replicability, and rigor, this methodology is gaining prominence in social sciences as well.^{11,12,23,25,26} The research studying SME's entrepreneurial activities and resilience in the context of the COVID-19 pandemic is still evolving, therefore various databases (including SCOPUS, web of science, and google scholar) were searched for the articles (from journals, books, or conferences) for this paper. We used the combination of keywords (SME) AND (resilience OR COVID-19 OR profitability OR sustainability OR economy OR value) on these databases.

The initial search conducted between 1 and 15 December 2020 resulted in 67 articles, of which 22 were removed primarily because they were duplicate and non-English articles, which gave a total of 45 articles. Next, two authors independently scrutinized the titles and abstracts and elicited another 11 articles as they did not focus on SMEs in the context of the COVID-19 pandemic, leading to the final inclusion of 34 articles for the paper.

RESULTS

The study highlighted three major crises emerging out of the COVID-19 pandemic for SMEs.

Cost-and finance-related challenges for SMEs

SMEs are facing a resource crunch for covering fixed operating costs such as rent and mortgage payments, utilities, and insurance. Questions were raised with respect to potential existential dispute if these costs were not met due to past and ongoing restrictions for business operations. Different sets of challenges were being experienced by SMEs in Sichuan Province, China, where they were unable to continue work because of insufficient availability and access to raw materials, nearly null market demand, and the workers refusing to re-join. This research also found severe liquidity crisis being experienced by SMEs due to lack or delay of reimbursement of permanent operational costs.

Disruption of SME activities amidst COVID-19 pandemic

The activities of SMEs have been ruthlessly disrupted by the COVID-19 pandemic. It calls for expertise, resilience, and perseverance at the managerial level to boost pliability. Studying the creative industry in the region of Yogyakarta and practical revitalisation strategies on Indonesian SMEs in the tourism industry, Hadi stated that the primary resources are significant for key business activities for providing customers with additional value.² SMEs in tourism is supported by a range of business travel partners, including agents and communities.² SMEs can contribute and work with regulatory (including health) agencies to implement a number of initiatives that would assist towards their continued operations including the application of health-related as well as business policy measures. Coupled with the compulsory use of sanitizers and masks, technological advancements such as payment transfer platforms and portals are thought to be beneficial.⁸

Existential challenges for SMEs

COVID-19 impacted the resumption of work, income, and confidence of SMEs, and presented a huge existential challenge to SMEs.

The level of digitization in contemporary times lends much exclusivity to the challenges thrown by COVID-19, ensuing strategies knitted around digital adoption and integration.

Social media

The rise of the new techno-centric paradigm can be a requisite ingredient for SMEs' coping ability. This could also influence the promotion of products or businesses via the increasing use and adoption of social media and

information technologies, especially beyond the lockdown restrictions. The increasingly sophisticated tools of connectivity and networking mechanisms used in digital technologies can enhance the modes of communication for SMEs.

Digital technologies (DT) and innovation

Strategic adoption can lead to enhanced competitiveness, productivity, performance, and embracing of new skills and digital opportunities. Such characteristics can enhance SMEs' competitive advantage and resilience when faced with their larger counterparts.²⁷⁻²⁹

DISCUSSION

Taking into account the obtained results, it is possible to say that entrepreneurs of SMEs recognize in the following order that:

Owner-managers of SMEs have to face challenges, such as digital technology, automation, and artificial intelligence (all of which still loom). This is perceived as the first of the priorities within the studied. The greatest challenge involves empowering owner-managers and employees with the skills to manage data, and technology they needed to engage with customers in new ways. Those skills will be the defining competitive differentiator of their performance. These observations are compared and in accordance with other previous study.³⁰

A hands-on approach is needed to act on key scenarios and strategies that allow a differentiation in the environment. It is vital setting multiple business scenarios and building flexibility into planning to fit them. Having a varied range of scenarios can allow for more agility and flexibility in both the planning process itself and the SMEs responses to the changes that may emerge. These observations are compared and in accordance with other previous study.³¹

Now and future behave of SMEs should incorporate crisis management as a way to deals with major events that threatens to harm the performance as business and its stakeholders. Crisis, as the one SMEs are actually living, could appear in three forms threats, surprises and fast changes. It is not desirable new events that might hit again in the way COVID-19 is doing. For that reason, SMEs need to dealing with crisis before, during, and after they have occurred, and crisis management provide with the skills and techniques required to identify, assess, understand, and cope with a crisis situation, especially from the moment it first occurs. These observations are compared and in accordance with the other previous study.³²

Maintaining an ongoing, open dialog with stakeholders should be a key responsibility of owner-managers of every SMEs as business conditions change. Managing

interactions with customers, suppliers, financial institutions governments, investors, activists and many others, may be particularly vital during and after the pandemic. All of them may offer key ideas that owner-managers should consider for channel the future of the SMEs for the post-pandemic era. These observations are compared and in accordance with other previous study.³³

Successful SMEs should redesign their operations and supply chains to protect itself against potential crisis and to bounce back from present one. Building resilience is all about maintaining a positive mindset, a willingness to grow and an ability to learn from setbacks. Owner-managers and employees of SMEs should employ the ability of resilience and rise to the challenges of pandemic and the times to come that may bring another kind of crisis. These observations are compared and in accordance with other previous study.³⁴

Decentralize decision making is something that owner-managers should implement to make smart decisions quickly during the pandemic. During crisis-response efforts, owner managers recognize that is necessary to empowered frontline employees with decision-making authority min order to improving their engagement with customers in a turbulent environment. These observations are compared and in accordance with other previous study.³⁵

CONCLUSION

SME entrepreneurs are facing the worst economic crisis in decades with COVID-19 complicating their subsistence, but it is perfect time to create opportunities to rethink entrepreneurship's priorities in the face of crisis and in the dawn of a new normal. The priorities put to the consideration of SME entrepreneurs in this study were the result of the analysis of documents published by the several authors, but the review of other references allowed to confirm that these criteria tend to be important at present to face the pandemic and for a post-pandemic future. The future scope of this research should be oriented to follow up the priorities between these criteria and others that can begin to be taken into account. How entrepreneurs, especially those within the SME sector, can create additional value when their firms try to respond to the predominantly finance-related challenges resulting from COVID-19 has been presented in this paper. This review of 34 articles, which may be viewed by other scholars as a limitation, however, provides opportunities for researchers, to empirically test our framework of recommendations that have been propositioned to help SMEs and their owners add value to their crises-ridden environments. This will help them to survive in the face of the COVID-19 crises.

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