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RECTOR'S MESSAGE



Congratulations Faculty of Business and Management of Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani on the publication of the 6th Volume of FBM Insights!

I am very pleased to know that there are more than 40 authors and more emerging issues are being presented in this latest volume of FBM Insights. This portrays that UiTM Kedah Branch is actively involved in disseminating business related information and knowledge to the public.

I hope this bulletin can provide an opportunity for the Faculty of Business and Management staff to produce more academic materials and develop their skills in academic and creative writing. Furthermore, more initiatives should be launched to support this life-long process.

Again, well done to the Faculty of Business and Management and those who were involved directly and indirectly with the publishing of FBM Insights Vol.6. I wish FBM Insights all the best and continue to grow and move rapidly forward in the future.

Prof. Dr. Roshima Haji Said
Rector
Universiti Teknologi MARA (UiTM)
Cawangan Kedah



السلام عليكم ورحمة الله وبركاته

Assalamualaikum warahmatullahi wabarakatuh

Welcome to the 6th Edition of FBM Insights 2022. This edition boasts 40 articles by the academics of Faculty of Business and Management UiTM Kedah Campus. The topics involved a broad range of business and management knowledge. Congratulations to all authors for your endless support and valuable contribution to the newsletter.

FBM Insights was mooted in 2020 and it came about with the intention to encourage and improve research writing activities among the lecturers of UiTM Kedah's Business and Management Faculty. As the editions progressed, the support from the academics has not faltered. I hope the support continues in editions to come.

I would like to congratulate the editors and the committee for the hard work and perseverance in managing the newsletter. All the best to everyone and thank you again.

Dr. Yanti Aspha Ameira Mustapha
FBM Insights Advisor

16	COMPARISON BETWEEN CONTENT MARKETING AND PAID MARKETING <i>Sarah Sabir Ahmad, Azfahanee Zakaria & Anis Liyana Mohd Arif</i>	42
17	NEW RESILIENT SURVIVAL MODEL FOR MALAYSIAN SMALL AND MEDIUM-SIZED ENTERPRISES DURING AND POST-CRISIS OF COVID-19 <i>Mohamad Hanif Abu Hassan, Wahidah Shari & Zuraidah Mohamed Isa</i>	44
18	BUILDING ORGANIZATIONAL SUSTAINABILITY IN TIME OF CRISIS <i>Norhidayah Ali & Azni Syafena Andin Salamat</i>	50
19	THE ADOPTION OF BLOCKCHAIN- SUPPLY CHAIN FRAMEWORK AMONG HALAL FOOD PRODUCERS <i>Siti Fairuza & Purnomo M Antara</i>	53
20	HAPPINESS AT WORK ACROSS GENERATIONS <i>Rosliza Md Zaini, Intan Nazrenee Ahmad & Shakirah Mohd Saad</i>	56
21	THE 3C's OF CHANGE LEADERSHIP: A BRIEF OUTLOOK <i>Azfahanee Zakaria, Syed Mohammed Alhady Syed Ahmad Alhady & Sarah Sabir Ahmad,</i>	58
22	THE IMPACTS OF FOOD INFLATION ON POVERTY IN MALAYSIA <i>Nor Azira Ismail, Shahiszan Ismail & Jamilah Laidin</i>	60
23	WHAT IS INDUSTRY 5.0? THE NEXT MANUFACTURING REVOLUTION <i>Rosliza Md Zani, Syukriah Ali & Mursyda Mahshar</i>	62
24	MALAYSIA: FACTORS INFLUENCING UNEMPLOYMENT AMONG GRADUATES <i>Jamilah Laidin, Nor Azira Ismail & Shahiszan Ismail</i>	65
25	TO LOAN OR NOT TO LOAN <i>Anita Abu Hassan, Rosliza Md Zaini & Mohd Syazrul Hafizi Husin</i>	67
26	DIGITAL RISK ON INTERNATIONAL BUSINESS <i>Etty Harniza Harun, Musdiana Mohamad Salleh & Hasni Abdul Rahim</i>	69
27	THE INFLUENCE OF CREATIVE SALES PROMOTIONS TOWARDS SHOPEE USERS <i>Fatihah Norazami Abdullah, Nor Edi Azhar Mohamed & Noriza Mohd Saad</i>	72
28	TECHNOLOGY ACCEPTANCE MODEL (TAM) IN EDUCATION <i>Baderisang Mohamed, Mohd Sukor Md Yusoff & Ira Syazwani Mohamad Marzuki</i>	75
29	SHARING ECONOMY: A NEW INSIGHT <i>Azyyati Anuar, Daing Maruak Sadek & Hafizah Hammad Ahmad Khan</i>	79
30	THE ROLES OF SOCIAL MEDIA INFLUENCER IN DIGITAL MARKETING <i>Ramli Saad, Wan Shahrul Aziah Wan Mahamad & Yong Azrina Ali Akbar</i>	81
31	CHALLENGES OF LEARNING KEYBOARDING SKILLS DURING COVID-19 PANDEMIC <i>Nurul Izzati Idrus, Norafiza Mohd Hardi & Nurfaznim Shuib</i>	84

NEW RESILIENT SURVIVAL MODEL FOR MALAYSIAN SMALL AND MEDIUM-SIZED ENTERPRISES DURING AND POST- CRISIS OF COVID-19

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Abstract

When something unpredictable causes confusion, the concerns can be disastrous not only for Malaysian small and medium-sized enterprises (SMEs) but also for the country's economic structure. In this regard, how can SMEs survive after a crisis period caused by the COVID-19 pandemic? The study aims to develop a resilient survival model towards ensuring the continuity of SMEs during and after a crisis. The study will apply quantitative and qualitative approaches, via questionnaire distribution and focus group discussion with an expert. Based on the comprehensive review of previous literature and supported by the theory of contingency, a conceptual framework will be developed with some potential variables, such as leadership characteristics, organizational operations, dynamic capabilities and information technology, which can help SMEs to survive this crisis. The proposed conceptual model can be useful for policymakers, small business owners and managers, to understand how the coordination of identified initiatives can play an important role in surviving this crisis. The study will also provide recommendations for small businesses on ways to stay competitive through resilience strategies. This study hopes to contribute to existing crisis management literature by identifying strategies for SME survival and resilience, specifically in developing regions during periods of prolonged crises.

Keywords: COVID-19; Crisis management; sustainability; survivor; SMEs

INTRODUCTION

In Malaysia, the implementation of the Movement Control Order (MCO) has affected small and medium entrepreneurs as they now suffer from business closure, cancellation of orders, and income reductions due to lack of customer demand (OECD, 2020) Prolonged business closure may disrupt a country's economic growth. A strategy for continuity of operations is crucial to ensure the survival of the business entities. Therefore, the main objective of this study is to develop a resilient survival model towards ensuring the continuity of small and medium-sized enterprises (SMEs) during and after a crisis. Despite the extensive literature on SMEs, there is still a need for research on the effect COVID-19 related issues in terms of a company's sustainability. This study is expected to provide a resilient survival model for local SMEs for their business continuity, especially during and after a crisis.

The COVID-19 pandemic has impacted businesses negatively. Businesses have to innovate fast to remain alive or be plunged into closure due to a severe lack of cash flow. Millions of enterprises have lost their projected incomes, and millions of work positions have been conceded (Bank Negara Malaysia, 2021). According to the Ministry of Entrepreneur Development and Cooperatives, a total of 37,415 businesses were shut during the period of the Covid-19 pandemic that hit the country, consisting of 26,007 micro-enterprises and 2,738 SMEs (Business Today, 2021). Most countries have intensively worked on adopting many initiatives, both financial and non-financial, to support business sustainability.

According to Bank Negara Malaysia, the Malaysian economy grew moderately at 0.7% in the first quarter of 2020 from 3.6% in the fourth quarter of 2019 as the GDP was affected by the COVID-19 pandemic and the implementation of the MCO (Syahirah, 2020). The SME Association of Malaysia is estimating that up to 30% of SMEs may collapse over the next one year (Tan, 2020). In order to support the sustainability and survival of SMEs, the Malaysian Government has introduced several stimulus packages for entrepreneurs, one of them being the enhancement of the Wage Subsidy Program. This program was introduced under the Prihatin Economic Stimulus Package to subsidize the affected employers.

However, relying solely on government effort is not enough to sustain a business and market survival. According to the Malaysian Institute of Economic Research (MIER) and the Malaysian Entrepreneurship Academy (AUM), the economic stimulus package offered by the government must not be considered as the only appropriate remedy over the long run. (Alves et al.,2020). Entrepreneurs themselves need to deal with unexpected conditions and prepare appropriate strategic plans to survive.

Therefore, this study aims to develop a resilient survival model for SMEs to ensure the continuity of their business during and after a crisis. This objective is in line with one of the aims of the National Entrepreneurship Policy 2030 (DKN 2030), to make Malaysia an entrepreneurial country by 2030. This policy identifies eight issues and challenges (Refer to Figure 1)that need to be addressed towards creating a conducive entrepreneurial ecosystem to increase competitiveness at the national and global levels. Having proper survival and sustainable strategies can help to overcome issues of capability, sustainability, and scaling of SMEs, especially during and after a crisis.



Source: National Entrepreneurship Policy 2030
 Figure 1: Issues and Challenges of Malaysian Entrepreneurs

LITERATURE REVIEW

Crisis and performance of Small and Medium-sized Enterprises (SMEs)

Extant literature has suggested that small firms may be more vulnerable to crisis events due to lower levels of resource constraints, preparedness, relatively uncertain market positions, and higher dependence on government and local agencies (Herbane, 2013; Runyan, 2006). Furthermore, crisis events can bring about emotional and psychological stress to employees and managers of SMEs (Doern, 2016; Leung et al., 2005).

Alves et al. (2020) qualitative analysis was conducted among SMEs in China after the outbreak of the corona virus, it was found that the sudden decline in market demand had the most negative impact on SMEs. Besides, they discovered that small enterprises were very sensitive and were hugely impacted by the crises.

In another study, Rathore and Khanna (2020) examined the impact of government interventions during the COVID-19 crisis on micro, small, and medium-sized enterprises in the Indian manufacturing sector. They found that up to 70% of entrepreneurs agreed that they would not survive the crisis after three months if the lockdown mode continued.

In response to the impact of the COVID-19 pandemic, researchers have assessed the strategies taken by entrepreneurs to mitigate the potentially negative impacts of the crisis (Doern et al., 2019), including changes in marketing, sales, and employment practices. However, this area of research is still limited, especially in developing countries (Fabeil et al., 2020). Jose et al. (2020) provided a qualitative analysis of small businesses in Macau, in the months following the outbreak. They found that firms that had formal planning and strategies before the outbreak tend to have longer survival history. Bishop (2019) found that diverse and strong knowledge helped companies to recover rapidly after crisis events.

In another related study, Schoemaker et al. (2018) investigates how organizations prosper in a challenging environment. They argued that leadership can drive the mindsets of operationally oriented managers away from trying to be overly precise toward trying to be roughly right. Besides, it can create highly visionary entrepreneurs to operationally focused managers to bring about practical change when necessary. Schoemaker et al. (2018) further discussed that dynamic capabilities promote an idea to help firms to identify profitable configurations of competencies and assets, assemble and orchestrate, and exploit with an innovative and agile organization. They further agreed that information technology can assist increase the efficiency of business performance especially related to the systems, products and services. Teece (2014) list some important point to ensure the production runs smoothly such as efficient manufacturing, marketing, strong partnerships, and capable operational leadership. In this regard, it is critical for organizations to have access to such capabilities.

THEORETICAL DISCUSSION

This study intends to ascertain the significance of developing a resilient survival model towards ensuring the continuity of SMEs during and after a crisis. As mentioned in the introduction businesses have been implicated negatively. Many countries have worked on adopting various initiatives, both financial and non-financial, to support business sustainability. Based on an extensive literature review, this study will use the theory of contingency, supported by the theory of reinforcement, to conceptualize the relationships among variables. The details of the discussion are as follows:

Theory of Contingency

The contingency theory has acknowledged the role of strategies in uplifting a firm's performance and sustainability. The concept of contingency was first developed in the early to mid-1960s (Otley, 1980). The contingency theory postulates that an efficient organization depends on the alignments of various internal and external factors, such as leadership characteristics, organizational operation, dynamic capabilities, and information technology.

Hence, contingent leaders are flexible in choosing and adapting to succinct strategies to suit changes in situations at a particular period in time in the running of the organization. This study is guided by contingency theory and previous related literature to investigate the SMEs' survival during and after the COVID-19 pandemic.

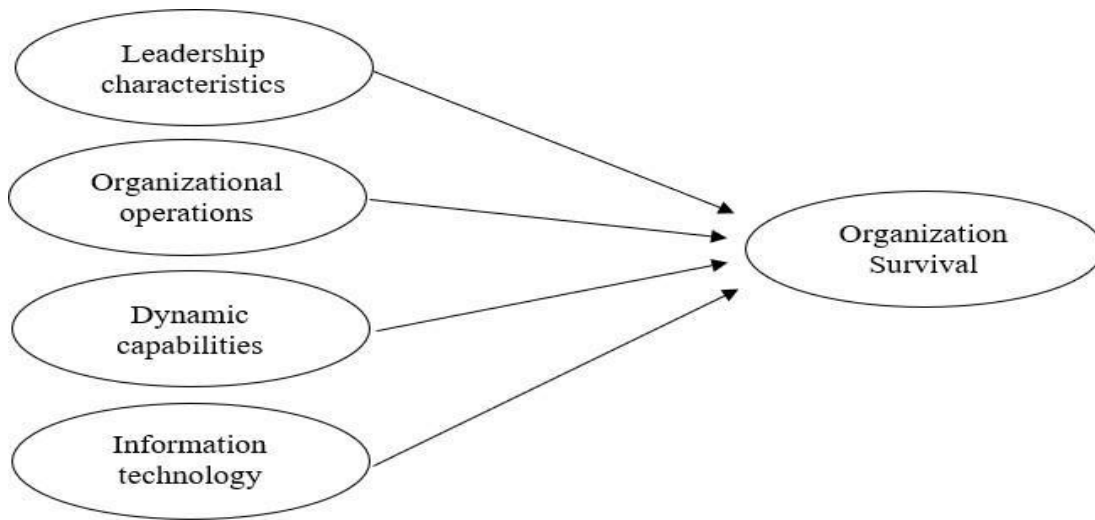


Figure 2: Theoretical Framework

METHODOLOGY

As the aim of this study is to investigate the impact on and strategies of SMEs during and after the COVID-19 crisis, it will be necessary to obtain the views of top management and entrepreneurs who are directly involved with the small and medium-size ecosystem. Thus, a quantitative and qualitative approach will be appropriate to serve this research purpose. In addition, the theory of contingency will be used as a guide for developing questions for the semi-structured interview and the questionnaire for this study.

In order to achieve the objective, this study will distribute questionnaires to 350 Malaysian entrepreneurs of SMEs via purposive sampling. Data will be analyzed using cross-tabulation and multiple regression. Findings from questionnaires will be utilized to develop a survival model for SMEs during and after the COVID-19 outbreak as stated in the objective. In order to ensure that the model is appropriate and can be implemented, an expert group discussion (EGD) will be conducted. The panel will comprise those who have expertise and experience in this area, including 3 entrepreneurs, 2 SME Corp. representatives, and 2 Bank Rakyat Head of Regional Managers (Small and Medium Enterprise Cooperative).

CONCLUSION

This research is relevant to the government's National Entrepreneurship Policy 2030 (DKN 2030) agenda, to make Malaysia an entrepreneurial country by 2030. This policy identifies eight issues and challenges (refer to Figure 1) that need to be addressed towards creating a conducive entrepreneurial ecosystem to increase competitiveness at the national and global levels. Having proper survival and sustainable strategies can help to overcome issues of capability, sustainability, and scaling of SMEs, especially during a crisis period.

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