

Exploring Small Medium Enterprise (SME) Owners' Resources for Resilience

Syahrul Nadwani Abdul Rahman^{1*}, Norhidayah Ali², Azyyati Anuar³

¹²³ Faculty of Business and Management UiTM Kedah Branch, 08400 Merbok, Kedah, Malaysia

Authors' Email Address: ¹nadwani@uitm.edu.my, ²norhidayah@uitm.edu.my, ³azyyati@uitm.edu.my

Received Date: 12 October 2023
Accepted Date: 22 November 2023
Revised Date: 19 December 2023
Published Date: 31 January 2024

*Corresponding Author

ABSTRACT

Resilience can be defined as the aptitude to recover from unexpected events and sustain an acceptable level of competence. In contemporary times, it is irrefutable that every form of business and company must possess resilience. Some businesses, especially Small and Medium Enterprises (SMEs), are not as robust and will fold under pressure. Certain owners experienced failure due to their insufficient awareness, which hindered their ability to demonstrate resilience. Moreover, the insufficiency of financial resources and limited access to necessary assets significantly contribute to the ineffectiveness of business activities. This study aims to explore how the resources of SME owners add to the resilience of businesses. The most common sources of resilience amongst the owners appear to be a combination of adaptation and social support. Regarding owners' adaptability, most business owners make efforts to adjust to the prevailing circumstances due to the occurrence of crises and disruptions in business operations. This study identified a range of social support mechanisms available to owners within diverse organizational structures. These mechanisms include support from individuals external to the company, social interactions with newly acquainted individuals, as well as internal and external relationships with individuals within the organization and potential collaborators if required. The study used purposive sampling, specifically targeting a limited sample size of five SME owners in Kedah. The structured interview serves as the primary method for collecting data. Subsequently, the textual data was transcribed to facilitate analysis through a coding procedure. Therefore, themes will be employed to link certain facts.

Keywords: adaptability, owners' resources, resilience, small and medium enterprise, social support

INTRODUCTION

Resilience has been studied and explored by many researchers across several years and various contexts. It can be described through different views such as individual, organizational, sectorial, and societal. By looking at the individual view, resilience can be explained as the capability to take in extraneous disturbance together with stress and bring back past form. Additionally, it indicates the capacity for capitalizing on the impact and stress to enhance one's strength (Hillmann & Guenther, 2021). On the flip side, resilience at the organizational level is being able to recover quickly from setbacks while keeping up a good level of performance (Hillmann & Guenther, 2021). Nevertheless, there is no unified definition of resilience in the economics and management field.

Nowadays, it is undeniable that all types of companies must be resilient. Nonetheless, numerous unexpected situations can sometimes force a company to change its normal activities. Basically, when this situation happens, certain companies, such as Small and Medium Enterprises (SMEs), are unable to endure the impact and will finally surrender from the market since they are less resilient. Some of the crises that can negatively impact company survival, as depicted by Bhati et al. (2016), are the Global Financial Crisis (GFC), natural disasters, health hazards, pandemic disease, economic recession, and political uncertainty. Among all the mentioned crises, pandemic disease has had several consequences on organizational activities worldwide.

In this era of globalization, some economies in developed countries have been successful due to the SMEs run in the country. Although in Malaysia, the number is lower, the SME business sector is considered important as it contributes significantly to the country's economic income, thus producing successful young entrepreneurs. Moreover, successful young entrepreneurs create new businesses, increase employment opportunities, and provide substantial support for generating unique business growth while enlarging current businesses for forthcoming domestic advancement. Hence, the success of young entrepreneurs in the field of SME business has a positive impact on the economic development of the country.

Significance Of SMEs to Malaysia Economics, Social, and Environment

The rapid globalization has had a tremendous impact and change in the country politically, socially, and economically. National Entrepreneurship Policy 2030 (NEP 2030) emphasizes that all levels of society can enjoy the prosperity of the country fairly and equitably (SMEinfo, 2022). Based on the economic growth model's path, Malaysia focuses on generating economic growth through increasing productivity efficiency. In the development of SMEs, productivity efficiency is highly emphasized and is one factor contributing to this industry's success (SMEinfo, 2022). This has also been proven in most foreign countries (SMEinfo, 2022). Note that the platform provided by the government helps entrepreneurs to succeed. Therefore, through the efforts made by the Malaysia External Trade Development Corporation (MATRADE) and the Malaysia International Halal Showcase (MIHAS), the positive development of SMEs in exploring market opportunities globally and giving the impression that the planning targeted in the SME Master Plan 2012-2020 outlines the goal of the sector to gross domestic product (GDP) can be realized (SMEinfo, 2022).

Among the significance of SMEs is to improve the economy of the community, especially to the rural population. This industry is mostly established in rural areas in line with the concept of "One Village, One Product" (Mustiraya et al., 2021). For example, handicraft factories, cracker mills, and those who work in the factories will afford to sell their products to the residents and other visitors. Furthermore, they also sell the products at night markets, farmers' markets, and sales carnivals. Other than that, this business can provide job opportunities to the community, specifically to the residents where SME entrepreneurs need many workers to generate and further increase their production (Mustiraya et al., 2021). For example, chip and cracker factories require workers to prepare cooking materials, packaging, and market their products, and this requires between 15 to 20 workers to conduct their operations.

The presence of SMEs in rural areas can also help in improving the agriculture and fisheries sector (Mustiraya et al., 2021). SMEs require basic supplies to be used in the production process. Normally, these basic supplies can be gained from agricultural, fisheries, or forestry products. Indirectly, agricultural and fisheries activities are also increasing in the area, and the subsistence agricultural products of the villagers, which have been difficult to market, have now become the target of SME entrepreneurs. To meet the growing demand of SMEs for raw materials, the government has provided expertise and financial subsidies to farmers and fishermen through agricultural agencies such as Federal Agricultural Marketing Authority (FAMA), Malaysian Agricultural Research and Development Institute (MARDI), Farmers' Organization Authority (PELADANG), and others

(SMEinfo, 2022). Furthermore, SMEs have improved the tourism sector in our country, as Malaysia is famous for its various arts and cultures from people of various races and religions. Tourists who visit Malaysia love to buy handicrafts as souvenirs, and Malaysia has numerous handicrafts from various ethnicities and races.

PROBLEM STATEMENT

Many entrepreneurs can survive and expand their businesses, whether they are just starting or have been in business for a while. Some of them failed since they lacked the necessary understanding to be resilient. Furthermore, a lack of funds and resources is a major contributor to the failure of business operations (Bhati et al., 2016; Sharma & Rautela, 2022). Most literature tends to conceptualize small firm resilience at the organizational level (Hillmann & Guenther, 2021). As a result, it tends to overlook the importance of the small business owner's resilience, as well as actual evidence of a favorable link between individual resilience and business success (Conz et al., 2023). To this day, the literature pertaining to the owner's capacities to deal with such challenges is largely ignored and narrowly defined as a set of experiences, education, or traits (Wall & Bellamy, 2019). In terms of conceptual and empirical investigation, the contribution of the small business owner's resources in fostering firm resilience is still inadequate (Wall & Bellamy, 2019). Thus, this research explores possible explanations of how SME owners' resources contribute to business resilience. Therefore, it is necessary to investigate further the owners' resources of resilience, particularly regarding SMEs, in terms of how they react in times of crisis and what they believe about the significance of people outside the organization who will help them become more resilient. The primary obstacles that SMEs encounter as various industries rebound from the crisis, particularly the impact of the pandemic, are escalating expenses and diminished income (Odebunmi, 2022). The costs associated with conducting business and sustaining profitability are significant problems (Odebunmi, 2022).

LITERATURE REVIEW

SME Owners' Resources for Resilience

Within the context of small firms, resilience has tended to be conceptualized and examined at the organizational level but not at the individual level (Hillmann & Guenther, 2021; Korber & McNaughton, 2017). For example, Sharma and Rautela (2022) have theorized how internal factors promote resilience and emphasize the importance of organizational structure and managerial characteristics. Besides, the authors also explain how external factors like globalization interact with enabling factors like technology and supply chain integration to generate competitiveness. At the organizational level, the characteristics of the owner-manager are limited to multitasking abilities, managerial skills, and training and education (Sharma & Rautela, 2022). In the context of a small firm, owner-manager resilience is potentially exposed to situational circumstances such as work overload and personal responsibility for others and is identified as a key driving factor in strategy development and realization processes (Conz et al., 2023). Additionally, small firms have unique characteristics in terms of lack of resourcefulness, technical capability, organizational configuration, and rapidity (Conz et al., 2023), all of which link directly to the owner. Similarly, the rise of emerging evidence on how business owners can utilize their individual resources to support their firm's resilience demonstrates a positive relationship between these two constructs (Conz et al., 2023).

Alternatively, Wall and Bellamy (2019) have mentioned in their work regarding individual resources, which focus on managers of the organization. Such resources can be described as intelligence, problem-solving capabilities, and abilities to improvise and generate new ideas or courses of action in challenging circumstances. In the context of small firms, earlier research highlighted that problem-solving and the mobilization of resources to resolve problems or address disruptions were a barrier to resilience in small firms. However, there was the potential for agile and rapid responses (Wall

& Bellamy, 2019). Wall and Bellamy (2019) discovered that cognitive factors possessed by a small firm's manager, such as problem-solving, could lead to fundamental changes in business models, particularly in relation to responding to new business opportunities.

Another resource that can be useful for SME owners could be sociability, self-awareness, and the awareness of others, encouraging a mutually supportive network of relationships, which is drawn upon when needed in challenging circumstances (Wall & Bellamy, 2019). Other studies have highlighted the functional role of strong and weak social networks under various competitive and cooperative environments in responding to business disruptions (Gianiodis et al., 2022). As Wall and Bellamy (2019) stated, having diverse social networks and interactions with other people outside the firm may provide a protective and mobilizing function when dealing with disruptions in a small business context.

METHODOLOGY

This study is conducted using an exploratory qualitative method that is based on grounded theory. Purposive sampling is employed, which accounts for a small sample of SME owners in Kedah. The summary of the informants is displayed in Table 1. A total number of five informants are selected, which fulfils several criteria. The criteria are as follows:

- i. Must be the owner of the business and,
- ii. The business has operated for 5-20 years.

Table 1: Informants Summary

Company	Sector	Business Model	Business life (as in year 2021)	Staff (as in the year 2021)	Location
SME1	Construction	B2B	18	20	Alor Star
SME2	Foods & Beverages	B2C	13	14	Sungai Petani
SME3	Manufacturing	B2C	9	5	Sungai Petani
SME4	House Cleaning	B2C	5	6	Kulim
SME5	Construction & Interior Design	B2B & B2C	6	5	Sungai Petani

The structured interview is used as the key data collection technique. The interview session was conducted by a researcher, and each event lasted between 15 and 20 minutes and was manually transcribed. This interview session is conducted through a phone call. During the interview session, informants are informed about the privacy of their conversations, and all the information is to be used for academic purposes only. Textual data were transcribed for analysis using a coding process. Consequently, themes will be used to attach specific data.

Data Analysis

During the interview, each informant is asked to answer two questions adapted from Branicki et al. (2018). The questions are developed based on past literature that focused on owners' resources, such as how they respond and react when facing a business crisis, as well as how they see relations with others that could benefit the small firm's business operations. Generating the code from textual data is conducted by a researcher and presented in Tables 2 and 3, which summarize the informant's feedback for question 1 and questions respectively as follows:

- *Question 1: What is your response when your business is facing a crisis, for example, financial crisis, natural disasters, health hazards, pandemic disease, economic recession, and political uncertainty?*

Table 2: Informants' Feedback for Question 1

Informant	Answer / Feedback	Code
SME1	Just go with the flow and try to find the best way to cope with that by identifying our core capabilities and fully utilizing them.	<ul style="list-style-type: none"> ▪ Abilities
SME2	I did not have any control over the situation when the Prime Minister announced the first MCO in March 2020. My business is totally based on the B2C model. We serve our customers better when they come to dine in at our restaurant , and when the public needed to stay at home, we lost our income for at least six months.	<ul style="list-style-type: none"> ▪ Inability
SME3	For the first five years after leaving the partnership, we had a hard time gaining the client's trust. But, after the former client gave a suggestion to create a FB page to promote our work that has been completed as well as testimonials of satisfied clients, slowly, many new clients began to recommend our service to their contacts. We admit it was a bit tedious at first to adopt the idea because we had no experience operating a social platform, but we managed to learn.	<ul style="list-style-type: none"> ▪ Supportive ▪ Abilities
SME4	It is hard. But try to learn by looking at how other businesses do. The most important thing is to make observations and try to avoid the same mistakes as they did. Slowly, we will get an idea of how to solve the problem.	<ul style="list-style-type: none"> ▪ Intelligence ▪ Abilities
SME5	I think I have just got to see how the opportunities can be derived from the first MCO. My renovation works at the site may be suspended, but my previous clients keep on texting me asking for my advice for decoration and interior design ideas since they tend to get bored while staying put at home for quite some time... so why not I just focus on online consultation instead of waiting for the physical works to resume.	<ul style="list-style-type: none"> ▪ Capabilities ▪ Social relation ▪ Abilities

➤ *Question 2: What do you think about the importance of people outside the organization in the small firm's business operations to become more resilient?*

Table 3: Informants' Feedback for Question 2

Informant	Answer / Feedback	Codes
SME1	We are more confident in getting information from members of the organization because they are more aware of what the firm needs to form a business strategy. External social support is more about getting feedback on the level of product or service quality.	<ul style="list-style-type: none"> ▪ Internal relation ▪ External relation
SME2	For me, relationships with others will be beneficial to our business as they can spread out what we can provide. But be careful, sometimes people have their own agenda... I mean the bad or negative one.	<ul style="list-style-type: none"> ▪ Social relation
SME3	I love to chat with people...(laughing). Sometimes, I purposely start a conversation with someone I do not know. By doing that, I managed to make new contacts.	<ul style="list-style-type: none"> ▪ Social relation
SME4	We just focused on existing clients and customers as they are our target market. In the meantime, we do accept any new collaboration outside if needed. If they can affirm us that there is a business potential to deal with.	<ul style="list-style-type: none"> ▪ Existing relation ▪ External relation

SME5	We have obviously lots of informal ones, and then we occasionally have a formal one . Through them, we get various information in finding new opportunities to further strengthen the business strategy . In addition, they also introduced us to companies that are opening opportunities for SME contractors to get new tenders with their companies.	<ul style="list-style-type: none"> ▪ Informal and formal relation ▪ Capabilities ▪ Support
------	--	---

FINDINGS

For the first question, some of the respondents expressed an openness to moving the business in different directions, and others appeared to be more reluctant. For example, **SME2** expresses an inability to adapt their business approach while facing a crisis:

“We serve our customers better when they come for dine-in at our restaurant. And when the public needed to stay at home, we lost our income for at least six months.”

However, **SME5** indicated their problem-solving capability and ability to deal with challenges in a responsive and adaptable way:

“I think I have just got to see how the opportunities that can be derived from the first MCO... since they (clients) tend to get bored while staying put at home for quite some time... so why not I just focus on online consultation instead of waiting for the physical work to resume.”

Another informant, **SME3**, illustrates how they were frustrated by their current progress to survive the adverse effect of a certain crisis but able to see alternative ways forward:

“We admit, it was a bit tedious at first to adopt the idea because we had no experience operating a social platform, but we managed to learn.”

For the second question, all the SME owners in the study agree with the importance of others in relation to the small firm’s business operations. One informant, **SME5**, emphasizes the benefits that they gain from the interactions with others via different networks:

“We have obviously lots of informal ones, and then we occasionally have a formal one... In addition, they also introduced us to companies that are opening opportunities for SME contractors to get new tenders with their companies.”

This is contrary to the **SME1** approach that focuses more on the single main confidante, supported by the referral of ideas across the workforce. The owner explains that:

“We are more confident in getting information from members of the organization because they are more aware of what the firm needs to form a business strategy. External social support is more about getting feedback on the level of product or service quality.”

As for **SME4**, the owner adopts a more structured approach and would meet with external social support to discuss business matters.

“In the meantime, we do accept any new collaboration outside if needed. If they can affirm to us that there is a business potential to deal with.”

Using the codes generated from the transcribed data earlier, the researcher then uses a theme to attach specific data that can be categorized under the category as stated in Table 4, summarized the findings as follows:

Table 4: Findings Summary

Themes	Codes	Supporting Cases	Score
Owners' Adaptability	▪ Abilities	▪ SME1, SME3, SME4, SME5	4/5
	▪ Capabilities	▪ SME5	1/5
	▪ Intelligence	▪ SME4	1/5
Owners' Social Support	▪ Support	▪ SME3, SME5	2/5
	▪ Social relation	▪ SME2, SME3, SME5	3/5
	▪ Internal relation	▪ SME1	1/5
	▪ External relation	▪ SME1, SME4	2/5
	▪ Informal and formal relation	▪ SME5	1/5
	▪ Existing relation	▪ SME4	1/5

This study aligns closely with the research conducted by Wall and Bellamy (2019), which revealed that small business owners often possess four distinct resources contributing to their ability to maintain resilience in their businesses. The first resource is the flexibility in framing and addressing challenges, which can be described as the owner's adaptability. Secondly, the owner's feeling of purposefulness pertains to the use of longer-term goals as guiding principles for sense-making. Thirdly, the owner's sense of confidence pertains to optimistic sentiments and self-assurance. Lastly, the owner's social support pertains to the resources available through social networks. However, this study has only identified two of the four resources, specifically owners' adaptability and social support.

Framework Development

Based on the findings, the researcher then tries to map the proposition by illustrating it in a framework (Figure 1). This framework will be useful to explore SME owners' resources for resilience as well as to answer the research question stated earlier.

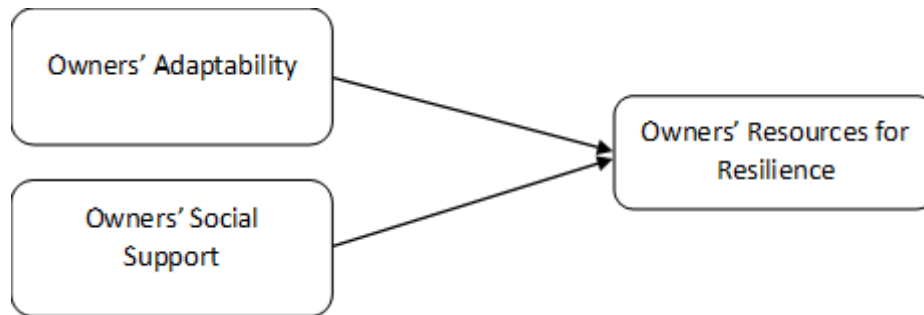


Figure 1: Framework Development for exploring Small and Medium Enterprise (SME) owners' resources for resilience.

CONCLUSION

This study examined SME owners' resources for resilience within the diverse context of the operation of their small firm. In terms of owners' adaptability, most business owners attempt to adapt to the situation due to the crisis and business interruption. However, only a few can explore and exploit the owner's resources, such as intelligence and capabilities. In terms of social support for owners, this study discovered a wide variety of relationships across diverse organizational structures, such as support from people outside the company, social relationships with new meeting people, as well as internal and external relationships such as people in the organization and any potential collaborators if needed. This

finding will help SME owners identify and capitalize on the benefits of each owner's resource in order to improve organizational resilience. It is suggested that any future study be able to broaden the scope of the study, considering that the small number of respondents in this study reduces the likelihood of being generalized to a larger population. Furthermore, future studies may concentrate on specific industries or business models.

ACKNOWLEDGEMENTS

The contents of this paper and the analysis it encompasses would not have been feasible without the invaluable assistance provided by the participation of all informants involved in this study. We would like to extend our profound appreciation to Universiti Teknologi MARA (UiTM) and Arshad Ayub Graduate Business School (AAGBS) for consistently encouraging and fostering the development of our writing skills, with a particular emphasis on producing work of good quality and excellence.

FUNDING

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

AUTHORS' CONTRIBUTION

The conception and planning of the background of the study were undertaken by Syahrul Nadwani Abdul Rahman. The literature review was conducted by Norhidayah Ali and Syahrul Nadwani Abdul Rahman. Azyyati Anuar and Syahrul Nadwani Abdul Rahman were responsible for devising and implementing the methodology, as well as analyzing and interpreting the obtained results. The responsibility of writing the manuscript was assumed by Syahrul Nadwani Abdul Rahman. The authors collectively contributed valuable feedback and played a significant role in shaping the research, analysis, and manuscript.

CONFLICT OF INTEREST DECLARATION

We hereby affirm that the article in question is the original work of the Authors and Co-Authors. The article has not been previously published and is not currently being considered for publication elsewhere. The present article has not undergone the process of submission for publication, nor has it been previously published, either in its entirety or in any partial form elsewhere. We affirm that all authors have made substantial contributions to the research, accuracy, and integrity of the data and its analysis for the purpose of submitting it to the Jurnal Intelek.

REFERENCES

- Bhati, A., Upadhayaya, A. & Sharma, A. (2016). National disaster management in the ASEAN 5: an analysis of tourism resilience. *Tourism Review*, 71(2), 148-164.
- Branicki, L. J., Sullivan-Taylor B. & Livschitz, S. R. (2018). How Entrepreneurial resilience generates resilient SMEs. *International Journal of Entrepreneurial Behavior & Research*, 24(7), 1244-1263.
- Conz, E., Magnani, G., Zucchella, A. & De Massis, A. (2023). Responding to unexpected crises: the roles of slack resources and entrepreneurial attitude to build resilience. *Small Business Economics*, 61, 957–981. <https://doi.org/10.1007/s11187-022-00718-2>

- Gianiodis, P., Lee, S.H., Zhao, H. Z., Foo, M. D. & Audretsch, D. (2022). Lessons on small business resilience. *Journal of Small Business Management*, 60(5), 1029-1040, DOI: 10.1080/00472778.2022.2084099
- Hillmann, J. and Guenther, E. (2021). Organizational resilience: a valuable construct for management research?. *International Journal of Management Reviews*, 23, 7–44. DOI: 10.1111/ijmr.12239.
- Korber, S. & McNaughton, R.B. (2017). Resilience and entrepreneurship: A systematic literature review. *International Journal of Entrepreneurial Behavior and Research*, 24(7), 1129-1154. <https://doi.org/10.1108/IJEER-10-2016-0356>
- Mustiraya, R., Sudrajat, A., & Supriatna, D. (2021). Government role in the development of small and medium enterprises (SMES): Comparison between Indonesia and Malaysia. *Proceedings of the 5th International Seminar on Border Region*, Chiang May. https://intsob.com/wp-content/uploads/2021/07/5th_INTSOB_2019_paper_2.pdf
- Odenbunmi, O. (2022). *The biggest challenges SMEs face and how to overcome them*. Portcities. <https://portcities.net/blog/latest-news-from-odoo-portcities-2/the-biggest-challenges-smes-face-and-how-to-overcome-them>
51#:~:text=Rising%20Costs%20%26%20Reduced%20Revenue,and%20other%20general%20business%20costs.
- Sharma, S. and Rautela, S. (2022). Entrepreneurial resilience and self-efficacy during global crisis: Study of small businesses in a developing economy. *Journal of Entrepreneurship in Emerging Economies*, 14(6), 1369-1386. <https://doi.org/10.1108/JEEE-03-2021-0123>
- SMEinfo (2022). *Policy & Regulation*. <https://www.smeinfo.com.my/sme-masterplan/>
- Wall, T. & Bellamy, L. (2019). Redressing small firm resilience: exploring owner-manager resources for resilience. *International Journal of Organizational Analysis*, 27(2), 269-288.