

Entrepreneurial survivability during pandemic among micro-entrepreneurs

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Abstract. Entrepreneurs' survival strategies in developing economies before and after the Covid-19 pandemic were studied in order to identify micro-enterprises' actual pre- and post-pandemic situations. This paper examines the strategies employed by micro-enterprises to become competitive, the steps taken to overcome barriers and challenges, and the proclivity of companies to capitalize on current opportunities. This paper proposes that David J. Teece's dynamic capabilities theory can be applied through actions such as strategic collaboration with external stakeholders, the adoption of new technologies, ongoing research, and strategic networking. In this sense, knowledge enrichment on micro-enterprise business challenges and the skills they employ during unexpected crises, whether during a pandemic or outside of a pandemic period, can be improved. Furthermore, researchers can benefit from the increased understanding of the significance of dynamic capabilities.

Keywords: Pandemic, Survivability, Micro-enterprises, Dynamic Capabilities.

1 Introduction

The newly discovered Coronavirus (Covid-19) has rapidly spread around the world, affecting the global economy, industries, corporations, and micro-enterprises. Coronavirus first appeared in China and spread throughout the world, with a significant increase in patterns predicted to continue through 2021 without an end date [1]. Developing economies, such as Malaysia, are suffering from the spread of Coronavirus, and many businesses are being impacted by the pandemic's outbreak. Each entrepreneur faces unique challenges, survival skills, and tactics, not only during MCO but also before MCO hits developing economies. Most entrepreneurs, particularly those in micro-enterprises, will cease operations if the MCO is extended, resulting in an increase in the unemployment rate. According to the findings of a survey conducted on one developing economy, such as Malaysia, most businesses are likely to last less than three months if MCO continues [2].

There is no comprehensive statistical or official data on the impact of the pandemic on microenterprises in developing economies. Nevertheless, most micro-enterprises cannot survive without government assistance. For example, the Dewan Perniagaan Melayu Malaysia (DPMM) estimated that more than 53%, or 450,000, of the total 960,000 SMEs registered under the SME Corp have been severely impacted by the

pandemic and will be unable to survive without government assistance. Indeed, most micro-enterprises cannot survive the pandemic for more than two months, but, with government assistance, they could extend that [2]. The evidence is based on the findings of the special Survey (Online) effects of Covid-19 on Economy and companies/business firms, with the majority of respondents being micro-sales companies, with the highest percentage of business firms, 43.4 percent, followed by small-scale enterprises/business firms, at 9.1 percent and 7.2 percent, respectively, and medium and large, at 40.4 percent and 40.4 percent. According to the findings, 53.4 percent of respondents indicated that they could survive if they provided full-time/half-time paid leave to MCO employees. However, 67.8 percent of respondents reported no sales/revenues during MCO, while 12.3 percent of companies/business firms reported revenue from online sales/services and 9.8 percent reported revenue from on-site physical/shop sales. Furthermore, 42.5 percent of respondents estimated that if Covid-19 did not exist, it would take more than six months for their company/business firm to recover as expected. Another 28.7 percent estimated that it would take 4 to 6 months to recover, and another 1.9 percent said that their company/business firm would never recover and would be forced to close. Despite the fact that it is not an official statistic, it can provide an overview of the current situation.

The impact of MCO on micro-enterprises and the survival pattern is critical and should be investigated further for research insights. As a result, this paper is timely to achieve the main objectives: identifying the survival strategies of micro-enterprises during the crisis and providing the researcher with insights on the importance of micro-enterprises having survival strategies. The survival strategies of micro-enterprises during a crisis, and even during a pandemic, must be investigated further. The idea is that the pandemic affects most micro-enterprises, but a small percentage of firms survive the pandemic's extended duration of nearly one year. As a result, the surviving micro-enterprises deemed to have dynamic capabilities that allow them to thrive and survive even during a pandemic crisis.

Furthermore, because micro-enterprises can survive the pandemic, they will be able to survive longer and adapt to the challenging business environment. The impact of the Covid-19 pandemic crisis on micro-enterprises in terms of business continuity and recovery strategy should be investigated further [2]. Furthermore, it is hoped that it will establish long-term support mechanisms for SMEs, particularly during and after the crisis [2]. Government assistance is also important due to the loss of reliance on most small and medium-sized businesses and the need to close some of the premises and bear liabilities if there is no government intervention.

Government assistance is common, as some micro-enterprises reported "zero revenue" following the MCO's total business lockdown. Cash flow imbalances occur because owners must continue to incur mandatory expenses such as employee salaries, business loans, rental fees, utilities, and other fixed costs. Although commercial banks have offered a six-month moratorium period on all business loans, not all businesses are eligible. They use different types of financing, such as financial leasing. As a result, micro-enterprises must be dynamic in order to survive both during and after the pandemic. This can be seen when there is a transformation in the process, efficient resource management, strategies used in order, and effectiveness in addressing challenges.

However, in developing economies, this area of study is still under-explored and thus requires attention.

2 Brief Review of Literature: Covid-19 and Entrepreneurship

To deal with the pandemic situation, an entrepreneurial mindset is required. This means that the entrepreneur must be innovative, risk-taking, and market appropriate. To be more specific, they must consider this from the standpoint of using the social network. They must generate new business ideas and fill a gap in the current market. Being a creative entrepreneur by thinking outside the box and discovering new ways is critical to Covid-19's crisis prevention measures, allowing them to become competitive advantages in the global marketplace [3], [4].

2.1 Impact of Covid-19 on SMEs

A pandemic not only affects public health, but it also has a direct impact on global economies and small and medium-sized businesses (SMEs). The OECD Center for Entrepreneurship, Small and Medium-sized Enterprises, Regions, and Cities (CFE) studied the impact of Covid-19 on small and medium-sized enterprises and observed countries' efforts to improve SME survival strategies. The impact of the Covid-19 pandemic on small and medium-sized businesses is clear in terms of demand and supply, and financial markets will see further declines in confidence and credit cuts. In response to these issues, several policies are put in place, such as temporary tax breaks or direct financial assistance to small and medium-sized businesses. Emerging support packages that anticipate emergency loans to assist SME clients as well as the flexibility to repay existing loans are widely used in Korea, Singapore, and Malaysia. In Italy, the Italian Banking Association, in collaboration with the Business Association, has proposed a large-scale moratorium on the repayment of debts and mortgages, as well as the repayment of small loans and revolving credit lines for businesses, if the government agrees [5].

Non-essential enterprises facing temporary closure and mass movement are prohibited worldwide in response to the MCO. As a result, 70% of small and medium-sized enterprises in developing economies such as Malaysia reported a 50% drop in business within a week of the MCO's implementation. There are, however, a variety of cases involving businesses that use the online platform during this time period. For example, online food shopping increased by 53%, online grocery shopping increased by 144%, and online food delivery increased by 61%. Since the launch of food delivery services with strategic partners such as GrabFood and FoodPanda during the MCO period, there has been a 30 percent increase in orders, contributing to the growth of e-commerce in 2020 [6].

This indicates that the digital economy grows positively during MCO, making it important for small and medium-sized businesses to participate in the digital economy in order to increase their chances of survival and success during the pandemic. The agriculture industry in developing economies, such as Cameron Highland in Malaysia, is the best example of a business that has survived this period of containment. Farmers

were unable to sell their products due to logistical and transportation constraints, and thus had to dispose of them due to storage constraints. Eventually, they turned to other options, such as strategic partners and e-commerce platforms like Lazada, and they were able to sell 70 tons of products in three weeks [6], [7].

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However, online platforms face challenges because employees must work from home (WFH) during MCO. As a result, 84% of SMEs face challenges during the WFH process due to poor online connectivity [8]. Eventually, productivity is low, efficiency is low, and there is a lack of motivation to do business during MCO. In response to the SME digitization crisis, the Malaysian government launched the PRIHATIN Economic Stimulus Package, which includes 28 initiatives, the majority of which are financial in nature. MDEC has also collaborated with 237 local technology companies, including network providers, e-commerce platforms, and technology service providers, to provide discounts to encourage SME digitization. However, only 25% of Malaysian organizations are successful in response to the PRIHATIN Economic Stimulus Package, while 60% slow down. This indicates that there are obstacles that prevent such efforts from succeeding [9].

2.2 Business Losses Patterns and Industries Affected During the Pandemic

Travel restrictions and aversion to travel risk impacted tourism-related sectors, while interference with production in the global chain was dependent on manufacturing and exports. Economic activity fell as non-essential service providers' operations were halted and manufacturing firms' operating capacity was reduced. Consumption and investment activities have been hampered because social and recreational activities will be limited during the MCO. Aside from that, the commodity sector has been impacted by sharp drops in crude oil prices and volatile fluctuations [11]. Because of declining market demand and supply chains in the seafood industries, the pandemic outbreak had an impact on the aquaculture sector [13]. A decrease in household income leads to a decrease in purchasing power [14]. The MCO's extension has also had a significant impact on the tourism and hospitality industries. Flight operations have been suspended, and employees from various hotels and resorts are entitled to unpaid leave [15]. It had a negative impact on the developing economy. Malaysia recorded significant losses of RM3.37 billion in the first two months of the year 2020 as a result of massive cancellations of travel and tour packages, severely affecting hotels and airlines. As a result, Malaysia's GDP fell from 0.8% to 1.20%, or from RM 10.8 billion to RM 17.3 billion [15]. Researchers proposed that, as a result of the impact of the Covid-19 movement control order, enterprises performing various business activities obtain a broad spectrum of activities, implying that different industries assist researchers in better understanding the study issues [1].

The level of vulnerability varies greatly for low-income workers, minority business owners, and business owners with less educational involvement—minority-owned businesses are particularly vulnerable due to their low sustainability. Furthermore, business owners with a lower education level were vulnerable because their businesses were

in less resilient industries, such as construction and services (repairs, maintenance, and laundry services). Furthermore, 40 percent of small businesses (those with fewer than 20 employees) are more likely to close permanently in the first four months of a pandemic outbreak than firms with 100 to 499 employees with less than 5% of employees [12].

3 Discussion

3.1 Dynamic Capabilities as an Effective Solution for Solving Entrepreneurs' Obstacles

To capture the impact of the recent pandemic crisis on the capacity of developing economies, research is being conducted to investigate the economic crisis effects on SMEs Dynamic Capabilities. According to the findings, micro-enterprises are becoming more effective at utilizing resources and capabilities during times of crisis [16]. Another study looked at the relationship between the digitalization of small and medium-sized businesses and their public crisis responses. The findings revealed that digitalization enables small and micro enterprises to respond effectively to dynamic capabilities [17]. When dealing with a rapidly changing environment, dynamic capability is defined as the ability to build, integrate, and reconfigure internal and external resources. It is critical to the long-term viability of businesses in a changing environment. As a result, crises have created yet another opportunity for businesses to demonstrate their full potential by employing the principle of dynamic capabilities.

There are three emerging dimensions of dynamic capabilities in response to the crisis: the ability to sense the crisis, seize new opportunities arising from the crisis, and reconfigure resources to deal with the crisis. The arrival of the Covid-19 pandemic is undeniably unexpected for all businesses. However, some businesses are aware of the outbreak and believe that the onset of the pandemic will have a significant impact on business. The extent of the crisis will have an impact on day-to-day operations, such as disruptions in production and distribution, market failures, and staff shortages [18]. The greater the likelihood of survival during the crisis. Understanding the crisis is critical so that strategies for responding to the crisis can be developed ahead of time. It may be related to the first dimension of dynamic capabilities in a crisis [17].

When firms engage in dynamic capabilities, the likelihood of identifying new opportunities arising from the crisis appears to be higher. Social patterns are being broken, and new business opportunities are being created. For example, the pandemic's impact on business (some firms had to close) paved the way for the emergence of online business. Adopting dynamic capabilities can result in golden opportunities. As a result, the likelihood of new knowledge from the external environment is relatively high, encouraging firms to rehabilitate their businesses in line with the crisis in order to increase their chances of survival. For example, during a pandemic outbreak, most businesses can be seen providing delivery services due to the situational factors that prevent people from going outside. They can only enjoy the products and services while remaining in a safe zone via delivery. It is a new business opportunity that every company should consider in order to increase revenue [17].

Unifying firms can achieve the third dimension of dynamic capabilities, which is resource reconfiguration. From there, internal and external resources can be mobilized to address the crisis. Researchers agree that the Business Model Innovation (BMI) process is much easier in micro-enterprises than in larger firms because micro-enterprises are much more flexible for BMI to occur. Small and medium-sized businesses, unlike large corporations, can adapt to new rules due to their unique characteristics. According to this paper, firms can improve their performance by implementing a new business model that includes value creation, value proposition, and value capture. However, due to the nature of micro-enterprises, which can generate lower incomes than large corporations, there may not be enough resources and skills. As a result, they are not strategically oriented, and redesigning their entire business model can lead to increased risk, which some cannot bear [19].

4 Conclusion

The importance of dynamic capabilities in micro-enterprises was investigated in this paper. Micro enterprises are important because they create long-term employment opportunities and contribute to developing economies. In this regard, the government should focus more on assisting micro-enterprises to survive in a crisis. Furthermore, micro-enterprises must restructure their operations by implementing necessary improvements, such as digitization. This can be accomplished by collaborating with strategic partners such as Grab, Foodpanda, Shopee, Lazada, and others. In light of the fact that micro-enterprises are being forced to close their doors due to continuous losses as demand has declined, they must identify various alternatives that are appropriate for the critical situation. It is during a crisis that the full potential of micro-enterprises can be realized. People are aware that the pandemic reduces the likelihood of micro-enterprises surviving; however, micro-enterprises can still make a massive comeback by adapting to market changes. It is therefore critical for micro-enterprises to have entrepreneurial leadership qualities in order for them to survive.

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