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SME Resilience in the Face of COVID Disruption: A Conceptual Framework

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Abstract:

The effect of COVID-19 on firms' operations has been the worst of any previous epidemic. The overall supply chains, corporate operations, and performance have all been impacted by the COVID-19 pandemic, making small and medium-sized organizations more susceptible. At the same time, a sizable body of research-based literature demonstrates the detrimental impact of disruptions on firms. There is a severe lack of literature on the effects of disruptions on performance among small and medium enterprises (SMEs) and the elements that could increase their resistance to disruptions in sub-Saharan African economies. The research suggested that disruption absorption plays a moderating role as an in-house resource to reroute and counteract the consequences of operational disruptions brought on by the COVID-19 pandemic on the performance of SMEs around the world and in Nigeria.

Paper type: Conceptual paper
Keywords: SME Performance, Disruption Absorption Resilience, Covid-19 Disruption, Nigeria

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1. Introduction:

According to statistical reports, organizations have recently faced an increase in the amount of unanticipated and catastrophic events (Paul and Chowdhury, 2020). The World Health Organization (WHO) just proclaimed the Corona Virus Disease (Covid-19) epidemic, which has hit every country in the world, a worldwide pandemic on March 11, 2020 (WHO, 2020). Small and medium-sized enterprises are now more exposed due to the pandemic's effects on their typical operations and supply chains (Ali et al., 2021). Compared to other pandemics, the Covid-19 pandemic has negatively impacted businesses (Koonin, 2020; Laing, 2020; Mogaji, 2020).

The disease's quick spread across the continents of Europe and America has made it more difficult for different industries to move goods and services freely (Lee et al, 2020). As a result of the supply chains being interrupted by extreme lockdowns to slow the disease's rapid spread, it has become very difficult for businesses to carry on with operations (Ivanov, 2020). Despite the enormous economic disruptions caused by the Covid-19, some companies that produce essential products saw an immediate and sharp increase in demand. However, a significant shortage of raw materials due to the supply chain disruption overwhelmed such firms (Rapaccini et al, 2020). Despite providing significant job opportunities and contributing to the gross domestic product in developing countries, (Mahmoud & Garba, 2019; Mahmoud, 2015), entrepreneurial efforts that result in the formation of SMEs are more vulnerable to disruptive pressures (Mahmoud & Garba and Daneji, 2021).

Moreover, businesses and their supply chains are more susceptible to disruptions in sub-Saharan African nations like Nigeria due to the region's unstable institutional, economic, and market conditions and poor supply chain infrastructure (Essuman et al., 2020). Researchers have been urging more research on supply chain disruptions and the relationship between performance and various contextual and organizational factors even before the recent Covid-19 pandemic (Parast and Shekarian, 2019). This research will help us better understand this relationship. The need for more research on operational resilience elements like disruption absorption is developing (Essuman et al., 2020).

However, research scholars have made several attempts to investigate how resilience factors affect operational disruptions in terms of performance (Essuman et al., 2020; Yu et al., 2019; Wong et al., 2019). Even though these studies came to some interesting conclusions, many researchers, including Pettit et al., (Dormady et al. 2019), (Wong et al., have called for more research into how resilience factors, like "disruption absorption," affect the link between disruption and performance. Although studies on operational disruptions have not yet examined disruption absorption's moderating effects on SMEs' operational disruption relationships with multidimensional performance variables (i.e., financial and non-financial performance), it is known that DA can redirect the negative impact of operational disruption-performance relationships to a positive outcome.

Therefore, the resource-based view theory (Barney, 1991) conceptualizes the moderating effect of disruption absorption resilience on the link between COVID disruption to operations and SMEs' financial and nonfinancial performance. Illuminating disruption absorption as a valuable, one-of-a-kind, non-substitutable, and uncommon resource for SMEs in the face of disruptions will validate the resource-based view of business resilience. To build, reorganize, and maintain SMEs' performance and competitive advantage, these crucial aspects of disruption absorption must enable businesses to counteract the detrimental consequences of disruptions (Essuman et al., 2020).

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2. Literature Review:

2.1 SMEs Performance:

According to Peloza & Papania 2008), the performance of SMEs is a crucial concept in business and entrepreneurship studies. It frequently serves as the focus of business management studies (Richard, Devinney, Yip, & Johnson, 2009). There is, however, a lack of agreement about firm-level performance, particularly concerning the choice of measures and their multidimensional nature (Richard et al., 2009). Scholars must choose performance dimensions pertinent to their context and scope because using aggregate company performance measures may distort crucial information and risk the validity of research findings (Ray et al., 2004). Studies on the effect of interruptions on SMEs' performance are essential to Nigeria's economy, given the current COVID-19 disruptions. Due to their undeniable significance in gauging SME performance, particularly during disruptive events, fiscal performance (FP) and nonfinancial performance (NFP) facets are involved in this paper.

2.2. Operational Disruption:

According to Chen, Liu, and Yang (2015) and Ivanov et al. (2017), disruptions are catastrophic situations that are frequently hard to predict and control, making it impossible to eliminate them from company operations. According to Essuman, Boso, and Annan (2020), disruptive events first affect the organizational operations system. Operations disruption is the frequency with which existing organizations experience unanticipated incidents that inhibit the smooth operations of their businesses (Blackhurst et al., 2011). Operational disruption is also defined as a larger or smaller decline in the performance of a firm's average level (Essuman, et al, 2020). Any unanticipated event adversely impacts an organization’s routine operations is an operational disruption (Schmidt and Raman, 2012). For instance, business disruptions can include failures in logistics and suppliers, unplanned plant shutdowns, shortages of materials, and transportation problems (Schmidt and Raman, 2012).

2.3. Disruption Absorption:

Disruption absorption is an organization's ability to preserve the structure and regular operations while experiencing disturbances (Essuman et al., 2020). The disruption absorption notion was proposed in this study using the disruption profile framework (Li et al., 2019). According to the concept, the resilience of operations can be measured by documenting the usual level of operating performance before disruption incidences (Essuman et al., 2020). Following this information on operating performance, operational resilience (disruption absorption) can be assessed by:

1.Calculating the size of the drop in the level of regular operating performance right after a disruptive incident and before the start of any recovery action

2.calculating the time, it takes for an organisation to resume normal operations after starting the recovery action.

An inordinate decline in regular performance indicates that an organization is lacking disruption absorption ability (Buyl et al., 2017; DesJardine et al., 2017; Li et al., 2019)., whereas a smaller drop in regular operations level denotes a firm’s greater absorption ability (Blackhurst et al., 2011). The notion of operational resilience based on disruptive absorption is relevant (particularly for SMEs), as it might be unrealistic and expensive for firms to remodel the area of operations on every occasion of disruptive incidence (Essuman et al., 2020).

2.4. Operational Disruption and SMEs Performance:

Positive organizational outcomes, including return on sales and profits, brand image, stock return, employment, consumer safety, and overall performance, are seriously threatened by disruptions (Chowdhury et al., 2019; Elliott et al., 2019; Paul & Chowdhury, 2020). Researchers (Haraguchi & Lall, 2015; Paul & Chowdhury, 2020) have drawn attention to the negative effects of operations disruptions on firm-level results. Challenges in obtaining resources and liquidity issues tend to worsen during disruptions, and this is due to the slowdown in consumer spending and cautious investors (Eggers, 2020). The government's restrictions to combat the coronavirus's

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spread have negatively impacted the performance and operations of SMEs (Suryawanshi & More, 2020). Additionally, this has led to job losses, client dissatisfaction, and a decline in market share (Bartik et al., 2020). Due to their limited resource capacity, SMEs are more vulnerable to worldwide disruptions, such as the one brought on by the coronavirus pandemic (Eggers, 2020). As a result, this study suggests that.

H1- Covid-19 operational disruption will have a detrimental impact on SMEs' financial performance.

H2- Covid-19 operational disruption will have a detrimental impact on SMEs' nonfinancial performance.

2.5. Disruption Absorption and SMEs Performance Relationship:

Firms with higher absorption to disruption can withstand or continue operating despite them (DesJardine et al., 2017). More absorption to disruption coupled with a moderate effect of disruptions, on the other hand, may not always cause the average degree of operating performance to plunge below a predetermined critical benchmark that may compel recoverability measures (Essuman et al., 2020).

According to several studies, there is a favourable correlation between performance and resilience. For example, Yu et al. (2019) and Wong et al. (2019) investigated how resilience components affect financial performance. Similarly, Kwak et al. (2018) demonstrate a favourable association between resilience components and a firm's competitive advantage. (Chowdhury et al., 2019) also illuminate the interactions between relational practice and network complexity that create the link between resilience components and performance. Accordingly, companies that are better at managing disruptions tend to have higher levels of disruption absorption (Kwak et al., 2018), which leads to improved performance (Essuman et al., 2020).

As a result, the research proposed that:

H3- Disruption absorption will be positively related to financial performance.

H4- Disruption absorption will be positively related to nonfinancial performance.

2.6. Moderating Influence of Disruption Absorption on Covid-19 Disruption to Operations and Dimensions of SMEs Performance:

Any third variable that might alter the exogenous and endogenous variables relationship is known as a moderator. According to Hair Jr. et al. (2017), the moderating effect occurs when the intervening variable alters the strength or even the direction of a relationship between independent and dependent variables in a model.

Accordingly, disruption absorption is an important capability that helps businesses mitigate the negative effects of disruptions, such as unfortunate delivery performance, inefficiencies, poor reputation, lost deals (Essuman et al., 2020), and SMEs' overall financial and nonfinancial performance. The association between operational disruption and SMEs performance parameters could affect the direction or the degree of the relationship with disruption absorption acting as a moderating variable (Hair Jr et al., 2017).

H5- The negative link between Covid-19 operational disruption and financial performance will be moderated by disruption absorption.

H6- The negative link between Covid-19 operational disruption and nonfinancial performance will be moderated by disruption absorption.

3. Conclusion:

This research paper highlights the significance of managing operational disruptions and evaluating the performance of small and medium-sized enterprises (SMEs) in Nigeria using two-dimensional constructs. The paper reveals that the current literature mainly focuses on the effects of disruption on operational efficiency (Essuman et al., 2020) and financial performance (Eggers, 2020) of larger organizations in Europe (Rapaccini et al., 2020), disregarding the broader financial and non-financial aspects of performance. To address these gaps, the article proposes that the ability to absorb disruptions can moderate the relationship between operational disruptions and SMEs' financial and non-

financial performance. This study aims to contribute to the existing knowledge on adaptability, disruption, and performance in SMEs within sub-Saharan Africa.

Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, Which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved By The Local Ethical Committee in The University.

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الشركات الصغيرة والمتوسطة في مواجهة ازمة جائحة كوفيد: إطار مفاهيمي

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هذا العمل مرخص تحت اتفاقية المشاع الابداعي نَسب المُصنَّف - غير تجاري - الترخيص العمومي الدولي 4.0
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مستخلص البحث:
كان تأثير كوفيد-19 على الشركات هو الأسوأ من أي وباء سابق. تأثرت من خلالها سلاسل التوريد العالمية وعمليات وأداء الشركات بجائحة كوفيد-19، مما جعل المؤسسات الصغيرة والمتوسطة (SME) أكثر عرضة للتأثر. في الوقت نفسه، تظهر مجموعة كبيرة من الأدبيات القائمة على ابحاث الاثر الضار للاضطرابات على الشركات. هناك نقص حاد في الأدبيات المتعلقة بآثار الاضطرابات على أداء المؤسسات الصغيرة والمتوسطة والعناصر التي يمكن أن تزيد من صمودها تجاه الاضطرابات في الاقتصاديات الأفريقية وجنوب الصحراء الكبرى. وأشار البحث إلى أن احتواء الاضطراب يلعب دورا وسيطا كعنصر داخلي لإعادة توجيه وتحييد تأثير الاضطرابات التشغيلية الناجمة عن كوفيد-19 على أداء الشركات الصغيرة والمتوسطة في العالم والبيئة النيجيرية.

نوع البحث: ورقة عمل مفاهيمية

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