

Navigating the New Normal: How Entrepreneurial Orientation and Personal Characteristics Influence MSME Performance during the COVID-19 Crisis

Titien Agustina¹, Luluk Tri Harinie², Berkat², Rinto Alexandro², Alfiannor¹

¹STIMI Banjarmasin, Indonesia

²Universitas Palangka Raya, Indonesia

titienagustina9@gmail.com, luluk3harinie@feb.upr.ac.id, berkat.pisi70@gmail.com, rinto.alexandro@fkip.upr.ac.id, alfiannor.net@gmail.com

Abstract. The negative impact of COVID-19 has spread to almost all aspects of life around the world. Along with changing quarantine policies in different countries, attention is now focused more on how to deal with the "current normal" rather than looking for the "next normal" in doing business, with the aim of achieving sustainable development. This research highlights the challenges and opportunities faced by micro, small and medium enterprises (MSMEs) during the COVID-19 crisis. Within the conceptual framework, this research provides an overview of trends in times of crisis, based on various quantitative reports. The population in the study is MSMEs. The sample in this study was 135 respondents. The main message of this research is the current direction of travel of MSMEs, which not only focuses on maintaining profitability post-crisis, but also at this time. This research emphasizes several implications for adaptation, with the aim of reducing the impact of the pandemic on efforts to improve the ability of MSMEs to co-create value with consumers. Current and future implications are debated in this study. The COVID-19 pandemic has accelerated the digitalization of MSMEs globally, forcing them to adopt digital technologies to sustain operations. However, challenges such as uneven access to financing and digital infrastructure remain a major concern. This article emphasizes the need for policy support through financial incentives, training programs, and information technology infrastructure to increase MSMEs' resilience in the face of crisis and foster innovation. The discussion provides insights into adaptation strategies that are crucial to rebuilding and strengthening the MSME ecosystem in the future.

Keyword: Entrepreneurial orientation, personal characteristics, performance, UMKM

1. Introduction

The COVID-19 pandemic is an unexpected situation and has far-reaching consequences for companies across all sectors and industries globally (Sharma et al., 2022). COVID-19, a pandemic that has created global chaos, has forced many countries to implement partial or total lockdowns to control the spread of the virus (Mehta, Saxena, & Purohit, 2020). While economic aspects are closely related to public health measures, this has resulted in economic instability that signals a change in market dynamics. In the context of the pandemic and the resulting economic instability, consumers have shown significant changes in their behavior. While remaining price-sensitive, they are more likely to look for added value when considering new or alternative brands. In addition to value, aspects such as availability, convenience, and support for local businesses are also key factors in purchasing decisions (McKinsey & Company, 2020). Changes in culture and lifestyle have become a serious challenge for businesses. In the face of this situation, entrepreneurs must pay greater attention to their ability to respond with sufficient creativity and innovation (Ratten, 2020). Creativity is defined as the process of building new ideas or products that have potential benefits. In addition, creativity is considered a key component in overcoming problems (Fillis and Rentschler, 2010).

The COVID-19 pandemic affected several economic activities and impacted businesses globally (Su et al., 2021). The existence of these crises raises important questions about the strategies that companies can use to respond effectively to external threats (Bouncken et al., 2022). In the COVID-19 situation, restrictions imposed by the government have become obstacles for businesses, even leading to business closures, which threaten their existence. Overall, crises and disasters complicate SMEs' access to resources and create pressing financial problems. The global economic crisis due to the COVID-19 pandemic has caused disruptions on both the demand and supply sides, negatively impacting the world economy (Abachi and Iorember, 2017). The COVID-19 pandemic has had a significant impact on the global economy. Most countries in Asia, which are trying to strengthen their economies, have felt the impact in various sectors (Shafi et al., 2020). Small and medium-sized enterprises (SMEs) are facing various challenges, including decreased demand, shortage of raw materials, cancellation or reduction of export orders, as well as difficulty finding labor due to national lockdown policies. The sudden onset of the COVID-19 crisis has left many businesses unprepared for the challenges of operational disruption. Given that this crisis is expected to last for several years, companies face significant difficulties in adapting to a prolonged situation (Bartik et al., 2020).

Small businesses have been particularly resilient during the crisis, as they focused on studying how the COVID-19 pandemic impacted entrepreneurship and SMEs around the world (Belitski et al., 2021). Small and Medium Enterprises (SMEs) are the backbone of the economy as they contribute greatly to the provision of employment worldwide. Small and Medium Enterprises (SMEs) are the backbone of the economy as they contribute greatly to the provision of employment worldwide (Mpi, 2019). Small and medium-sized enterprises (SMEs) are considered to make an important contribution to a country's development. Some governments, especially in underdeveloped or developing countries, seek to support and strengthen the SME sector to achieve development goals and address unemployment issues (Dar et al., 2017). The contribution of SMEs to the economy at different income levels is significant. In high-income countries, SMEs contribute about 55% to GDP and provide employment for about 65% of the workforce. This contribution figure increases in low-income countries, where SMEs account for about 60% of GDP and create employment for about 70% of the workforce. However, in middle-income countries, SMEs are far more dominant, contributing more than 70% to GDP and accounting for more than 95% of employment (Hyder & Lussier, 2016). Despite their strong role during economic crises such as the European economic depression of 2000 and the Eurozone debt crisis, the ongoing challenge of supporting the growth and competitiveness of SMEs remains a key focus for governments around the world. The impact is disruption to economic activity and supply chains, which in turn affects corporate performance. The coronavirus pandemic is closely linked to the global economy, affecting the business activities of firms and corporations at large (Su et al., 2021). Resilient entrepreneurs

possess a number of individual characteristics such as optimism, proactivity, perseverance, motivation, flexibility and self-assurance that enable them to respond more effectively to crises (Portuguez Castro & Gómez Zermeño, 2021).

MSMEs have been more severely impacted by COVID-19 than large businesses, mainly because they dominate sectors such as retail, hospitality, food services, entertainment, and construction (Albaz, Mansour, Rida, & Schubert, 2020). To face challenges and optimize opportunities, entrepreneurs must have strong resilience. Resilience is a crucial aspect of entrepreneurial crisis management as it helps in understanding how businesses can adapt or resist change (Khan, 2018). The concept of resilience integrates the creative and innovative ability to adjust and change business activities according to market needs and customer orientation, while applying creativity in dealing with problems to take advantage of emerging opportunities (Ratten, 2020). On March 27, 2020, the IMF announced that the world had entered a recession, and that the duration and depth of this recession would be determined by two main factors, namely the response to the virus itself and the effective and coordinated measures in response to the crisis (UNDP Regional Bureau for Asia and the Pacific, 2020).

Entrepreneurs' self-confidence and the level of stress they experience can influence the coping strategies used by firms (Meyer et al., 2022). The literature on resilience in business and management is growing (Hillmann, 2021). The emergence of emergencies and the global economic crisis resulted in a negative impact on various aspects of people's lives and strategic innovation in corporate business (Yang et al., 2020; Huang et al., 2021; Zhang and Zhu, 2021). Previous research (Bressan et al., 2021) has identified key actions taken by SMEs to increase their resilience to crises. Global health crises and public emergencies increase raw material costs, restrict employees in employment, create challenges for companies in running work schedules, and ultimately put companies in a survival situation during the crisis (Gugler et al., 2020; Howell, 2020; Chebolu-Subramanian and Sundarraj, 2021). Entrepreneurs' self-confidence and the level of stress they experience can influence the coping strategies used by firms (Meyer et al., 2022). The literature on resilience in business and management is growing (Hillmann, 2021). The emergence of emergencies and the global economic crisis resulted in a negative impact on various aspects of people's lives and strategic innovation in corporate business (Yang et al., 2020; Huang et al., 2021; Zhang and Zhu, 2021). Previous research (Bressan et al., 2021) has identified key actions taken by SMEs to increase their resilience to crises. Global health crises and public emergencies increase raw material costs, restrict employees in employment, create challenges for companies in running work schedules, and ultimately put companies in a survival situation during the crisis (Gugler et al., 2020; Howell, 2020; Chebolu-Subramanian and Sundarraj, 2021).

Crisis situations are also often the starting point for new opportunities (Klyver & Nielsen, 2021), which innovative entrepreneurs take advantage of to develop new products and services, or even introduce new technologies to manage their businesses (Clauss et al., 2021). This research investigates the characteristics of the types of innovators who responded quickly to the opportunities and challenges that emerged during the COVID-19 crisis (Ebersberger and Kuckertz, 2021). The study showed that startups with high levels of innovation were the first to respond to changes in the business environment. And this has a negative effect on employees' emotional well-being (Zhou et al., 2022) resulting in a decrease in employees' innovative behavior (Moradi et al., 2020; Azadi et al., 2021; Lebni et al., 2021; Su et al., 2021d). Employees' negative emotions become a hindrance in efforts to improve corporate innovation, which in turn affects product competition (Zhang et al., 2017). They highlight that crises provide new opportunities for innovative startups, and that they respond more quickly than established organizations. New companies are still in the opportunity-seeking stage and are not yet tied to a specific business model, established companies have a historical record that narrows their search options and can result in path dependency (Schreyögg & Sydow, 2011). Established firms make strategic changes when they identify performance differences between set targets and expected performance (Levitt & March, 1988).

Educating employees on coping strategies can reduce their mental burden, which in turn will increase employee productivity and benefit the company (Maqsood et al., 2021; Rahman et al., 2021). The pandemic has led to an increase in psychological and physical violence that is detrimental to mental well-being. Social media often plays a positive role in providing accurate, relevant and useful health information to companies and employees. Social support to employees by organizations creates a peaceful and productive work environment. While the COVID-19 pandemic is detrimental, it also opens up opportunities for innovation and market growth. Further study on innovation helps companies respond to the economic crisis. The crisis opened up opportunities for new businesses, especially in meeting the high demand for personal hygiene and safety products such as hand sanitizers and face masks. As existing businesses did not have enough capacity or resources, many new micro, small and medium enterprises (MSMEs) emerged to capitalize on these opportunities and make a profit. Existing MSMEs also took the opportunity to enter the new market, although many entrepreneurs were disappointed by the disruption to their business activities (UDENSA, 2020). Theoretical and practical approaches are important to understand the impact of COVID-19 on innovation and improving company performance. Many companies consider competitive strategies to increase the chances of achieving competitive advantage, while corporate social responsibility (CSR) activities have been shown to improve company performance and market share (Frangko, 2019). The resilience of SMEs also depends on the resilience of their ecosystem. As such, support from government or public policy also has a significant role to play in improving the resilience of small businesses and promoting more inclusive and sustainable growth.

Organizations consider corporate competitive strategy to increase the likelihood of competitive advantage, while CSR activities improve firm performance and organizational performance (Giroud and Mueller, 2011). Competitive strategy being a key means to achieve corporate goals, many researchers have directed in-depth attention to corporate strategy, with a more critical focus on testing the relationship between corporate product competition and firm performance (Raith, 2003; Pant and Pattanayak, 2010; Sheikh, 2018; Javeed et al., 2020). Recognizing that product competition in the market positively contributes to the improvement of business firm performance (Sheikh, 2018). Other research states that intense product competition creates a highly competitive business environment, resulting in low pricing power and minimal profits for companies and corporations. The impact varies significantly due to differences in the data used, time periods considered, and different performance measures. Therefore, scholars highlight the importance of conducting further research to critically analyze the true impact of product market competition on outperformance (Guney et al., 2011; Sheikh, 2018). This was triggered by the COVID-19 outbreak, which has resulted in serious global economic impacts (Crick and Crick, 2020).

This situation has resulted in drastic behavioral changes in the interactions and behaviors of individuals in society, along with the increasing death toll from the virus worldwide. In the absence of an effective cure, the practice of social distancing and self-isolation has become the "new normal" in an attempt to control the spread of the virus and mitigate its impact (Ratten, 2020b). The pandemic has disrupted global business with significant lockdowns and social restrictions. Sectors such as sports, travel, tourism, hospitality and manufacturing have been deeply affected. Workplace closures disrupted supply chains and reduced production, while falling incomes and layoffs led to decreased consumer spending, leading to job losses and business closures (International Monetary Fund, 2020). Restrictions imposed after the emergence of COVID-19 led to the cessation of operations of manufacturing units. The virus was first detected in China, where most of the factories supplying finished products to the world are located. The United Nations Conference on Trade and Development (UNCTAD) estimates that the impact of the COVID-19 outbreak could result in a 5 to 15% drop in global foreign direct investment due to factory closures and reduced production (UNCTAD, 2020). Facing a crisis, the efforts of individual entrepreneurs are crucial, but government policy support is also needed to help businesses survive and plan for post-crisis recovery (Hidayat et al., 2020).

Creativity is seen as the construction of new ideas or products that have added value. It is also seen as a key element in dealing with problems. Therefore, creative leadership is considered more important than conventional management methods in dealing with complex and often unpredictable environmental conditions (Fillis & Rentschler, 2010). The main barriers to innovation include limited adequate funding, limited managerial skills or qualifications, and limited access to necessary technology and knowledge (Ferreira, Raposo, Fernandes, 2014). Especially in this crisis situation, the closure of non-essential businesses imposed by the government has had a severe impact on SMEs. Many of them have been forced to cease operations due to rising rental costs and dwindling financial resources, resulting in financial fragility (Petropoulos, 2020). The vulnerabilities and challenges faced by small businesses depend on how consumer behavior changes and government-imposed health regulations. However, not all businesses react in the same way to the dynamics and complexity of change caused by COVID-19 disruptions across different organizations (Bartik et al., 2020).

In recent years, a number of studies have addressed the conditions and factors that favor the digital transformation of businesses as well as the public policies that foster this phenomenon, considering its impact on job creation and economic growth (Sahut et al. 2019). The COVID-19 pandemic is also driving changes in consumer habits and organizational innovation programs, accelerating the digital transformation of micro, small and medium-sized enterprises (MSMEs) and large corporations (Gavrila Gavrila and De Lucas Ancillo 2021; del Olmo-García et al. 2020). The perception of young entrepreneurs is critical as they are seen as drivers of innovation and economic growth, and have a desire to bring about positive change in society (Damoah 2020).

2. Research Methods

This research uses a survey research design, which requires data collection from the target population, namely MSME entrepreneurs. A total of 135 respondents were sampled using purposive sampling technique. Structured questionnaires were used for data collection to ensure higher response and easier analysis. The questionnaires were personally administered and on-site collection was done to guarantee 100% return. Instrument validity was determined using face and content validity and content to ensure that all items were representative of the entire domain that the study wanted to measure. To determine the internal consistency of the research instrument, the reliability test was carried out using the Cronbach alpha test. Cronbach alpha. Data analysis used descriptive and descriptive statistics, and hypotheses were tested with ordinary least squares regression ordinary least squares regression using SPSS version 25. The model specification for this study assumes an underlying relationship between communication skills and customer satisfaction in the COVID-19 era on the one hand and on the other hand and between analytical ability and internal process quality and internal process quality of MSMEs on the other hand. The following is the conceptual framework:

3. Results and Discussion

Validity Test

Validity describes how well the data collected covers the actual area of investigation (Ghauri & Gronhaug, 2005). Validity basically means "measuring what you want to measure" (Field, 2005). A scale or measuring instrument can be said to have high validity if the instrument performs its measuring function, or provides measurement results in accordance with the purpose of the measurement (Peijuan, et al., 2017; Zilvinskis, J., Masseria, A. A., & Pike, 2017).

Table 1. Validity Test Results

Variables	Item	Rcount	Rtable	Description
Orientation entrepreneurial	X1.1	0,1637	0,864	Valid
	X1.2	0,1637	0,818	Valid
	X1.3	0,1637	0,847	Valid

	X1.4	0,1637	0,850	Valid
	X1.5	0,1637	0,816	Valid
Personal Characteristics	X2.1	0,1637	0,864	Valid
	X2.2	0,1637	0,818	Valid
	X2.3	0,1637	0,847	Valid
	X2.4	0,1637	0,850	Valid
	X2.5	0,1637	0,816	Valid
Performance	Y.1	0,1637	0,882	Valid
	Y.2	0,1637	0,945	Valid
	Y.3	0,1637	0,915	Valid
	Y.4	0,1637	0,801	Valid
	Y.5	0,1637	0,912	Valid

Source: SPSS Data Processing, 2024.

Reliability Test

The reliability test is carried out after the validity test to ensure that questions or statements that have been considered valid are also reliable. In this study, researchers set a minimum reliability coefficient of 0.60 using Cronbach's alpha. The reliability testing criteria are as follows: if the Cronbach's alpha (α) value is greater than 0.60, then the instrument is considered to have good or reliable reliability. Conversely, if the Cronbach's alpha value is less than 0.60, then the instrument tested is considered unreliable.

Table 2: Reliability test

Variables	Nilai Cronbach's Alpha	Description
Orientation entrepreneurial	0,895	Reliable
Personal Characteristics	0,909	
Performance	0,934	

Source: SPSS Processed Data, 2024

Normality

Normality can be assessed from the Normality P-P plot of the Standardized Regression which shows the distribution of the data. If the data is distributed along the diagonal line, this indicates that the model meets the assumption of normality. However, it is important to consider that the assumption of normality is not always fully met in every context of data analysis, and the use of the model should be carefully reviewed to avoid overly dogmatic conclusions. Table 3 and Figure 1 show the results of the normality test using the SPSS version 25 application.

Table 3. Normality Test

	Unstandardized Residual
N	144
Kolmogorov-Smirnov	0,59
Asymp.Sig (2-tailed)	0,200

Source: SPSS Processed Data, 2024

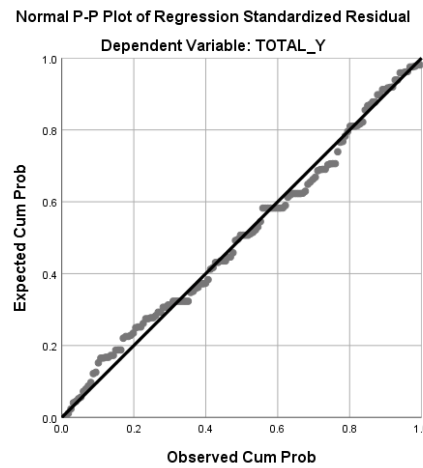


Figure 2. Plot Test

Multiple Linear Regression Analysis

Multiple regression analysis involves data processing using simple regression, but with the addition of more than one variable, as explained by Sanusi (2022). The T test is used to test the significance of the relationship between the independent variable and the dependent variable partially. The influence between variables can be assessed based on statistical significance, with a p value that is less than 0.05 (5%) and a t-count value that exceeds the corresponding t-table value. Details of the linear regression model and the impact of its variables through the T-test can be seen in Table 2.

Table 4. Multiple Linear Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1			Beta		
	(Constant)	2,184	1,446	1,510	0,133
	Total_X1	0,322	0,081	0,245	3,980
	Total_X2	0,646	0,066	0,604	9,801

Source: SPSS Data Processing, 2024.

Coefficient of Determination

Table 5. Coefficient of Determination

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate
1.	0,721	0,520	0,513	3,381

Source: SPSS Data Processing, 2024.

Table 3 shows that the influence given by entrepreneurial orientation (X1) Personal Characteristics (X2) and Performance (Y) is 0.721 or 72.1%. The remaining 29.9% is influenced by variables outside the study.

F test

The simultaneous test or F test shows the simultaneous effect given by the independent variable on the dependent variable. The influence between the independent variable and the dependent variable can be seen in the significant value $\ll \alpha$ 0.05 (5%) and the $F_{count} > F_{table}$ value. The results of the F test or simultaneous test are shown in Table 4 below:

Table 6. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
-------	----------------	----	-------------	---	------

1	Regression	1743,935	2	871,967	76,279	0,000
	Residual	1611,815	141	11,431		
	Total	3355,750	143			

Source: Data Processed, 2024

The simultaneous influence given by the two independent variables including Entrepreneurial Orientation (X1) Personal Characteristics (X3) and Performance (Y) can be seen from the significance in Table XXX. The significant value listed in table XXX is 0.000 <0.05. This shows that there is a simultaneous significant positive effect of entrepreneurial Orientation (X1) Personal Characteristics (X3) and Performance (Y).

Discussion

The COVID-19 pandemic has pushed organizations across sectors to adapt quickly to drastic changes in the way they operate. Be it the for-profit sector, the public sector, or non-profit organizations of any size, all have been forced to shift to digital and/or remote touchpoints. The sudden cessation of face-to-face events and interactions has accelerated this transition, forcing the world of work to adopt new models that previously went unnoticed. Organizations in key sectors such as health, social services, legal services, as well as educational and cultural institutions, have had to deal with similar challenges almost overnight. They were forced to abandon pre-pandemic work guidelines and develop new strategies and methods to keep communicating and interacting with their diverse stakeholders. In this process, digital technology became a key tool that enabled the continuation of operations and services, albeit with various constraints and limitations. With promotional and advertising budgets increasingly limited, the pandemic has put additional pressure on organizations' operations and performance. They must find innovative ways to run effective marketing and communication campaigns without relying on large budgets. The utilization of social media, webinars and other digital platforms is becoming an increasingly important solution in reaching audiences and stakeholders.

The pandemic has forced organizations to pay attention to the well-being of employees working remotely. Mental and physical support is becoming a priority, with many organizations introducing wellness programs and work flexibility to help employees adapt to stressful situations. This transformation has not only affected the way of working, but also affected the overall culture of the organization, creating a more dynamic and adaptive work environment. The COVID-19 pandemic, while posing many challenges, has also opened up opportunities for organizations to re-evaluate their working methods, adopt new technologies, and create more resilient and flexible strategies for the future. This transformation, while forced by circumstance, can provide a foundation for innovation and increased efficiency across multiple sectors.

After 2020, the world witnessed a widespread wave of innovation and experimentation across organizations and sectors. Digitalization, which became the new mantra in business model transformation, forced companies and institutions across the globe to re-evaluate the way they operate. Sectors ranging from healthcare to education to public services are adopting digital technologies to improve the efficiency and effectiveness of their services. Organizations that were previously slow to adopt technology are now racing to implement digital solutions, such as online collaboration platforms, remote management systems and cloud-based services (see Morgan, Anokhin, Ofstein & Friske, 2020). Experimenting with these new business models and innovative approaches not only enables operational sustainability amidst the pandemic, but also opens up new opportunities for future growth and development. This digital transformation, triggered by urgent needs during the pandemic, has changed the way businesses work, interact and serve, creating a more dynamic and adaptive business landscape.

Changing business models have both light and dark sides, especially when it comes to major exogenous shocks such as the COVID-19 pandemic. On the one hand, the shift to digital technologies and new working models has spurred innovation and created previously unimaginable opportunities, allowing some organizations to survive and even thrive (Morgan et al., 2020). However, the dark side is equally prominent: many organizations struggle to adapt quickly to major disruptions, experience

failures in technology integration, and face internal cultural challenges. Moreover, these sudden changes often lead to workforce instability, with many workers feeling overwhelmed or losing their jobs. While business model changes may be necessary to survive the crisis, they also carry substantial risks that require careful and strategic management (Morgan et al, 2020; Fairlie, 2013). The latest recession has triggered a rise in entrepreneurship and new business creation in the United States, fueled by a surge in unemployment and mass layoffs. Amidst the difficulty of finding a conventional job, many see business ownership as a promising alternative to financial survival (Farber, 1999; Parker, 2009; Krashinsky, 2005; Fairlie, 2013). As the Great Recession has led to many business closures and foreclosures, it is necessary to question its impact on business formation. On the one hand, recessions cause a decline in business income and wealth, but on the other hand, limit opportunities in the wage/salary sector, making the true impact on entrepreneurship ambiguous (Gbadamosi, 2023). Research suggests that despite the overall economic downturn, a slackening labor market may have an impact that outweighs the negatives. This can result in higher rates of business formation during recessions, suggesting a growing trend of entrepreneurship despite difficult economic conditions (Gbadamosi, A., 2015).

Resilience in entrepreneurial crisis management highlights the ability of businesses to adapt or resist change in difficult situations. It is receiving increasing attention, especially amid the challenges faced (Kuckertz et al., 2020). Resilience facilitates their ability to overcome challenges during a crisis and optimize the situation. The concept is complex, involving a number of beneficial personal attributes, traits and behaviors (Ayala & Manzano, 2014). Entrepreneurial action requires a resilient frame of mind that can be a catalyst in community recovery. Responsiveness to crises has significant consequences for local economies, encompassing job creation, wealth growth, competitive dynamics, and economic development, on both short- and long-term scales. Resilience incorporates creativity and innovation to adapt and change business activities according to customer and market needs. Businesses react to the economic impact of COVID-19 with a variety of strategies. Entrepreneurial orientation is necessary to deal with the challenges arising from the pandemic. Entrepreneurial orientation involves firm behavior in market product innovation, encouraging internal innovation culture, taking risks, and taking the lead in generating proactive innovation (Wang & Altinay, 2012). A resilience-based systems approach is needed to prepare the socio-economic system for future shocks. SMEs play a key role in today's economy as generators of employment and value-added. Strengthening business resilience and linkages among SMEs and their business ecosystems will support the economy as a whole to face future challenges (International Trade Center, 2020).

The focus on the "new normal" is to increase SME resilience, including supplier diversification to anticipate disruptions, as well as maintaining profit reserves as a buffer during difficult periods. The crisis revealed gaps in operations and technology investments, prompting businesses to think more strategically about increasing digital capabilities. Resilient SMEs are considering online sales and adopting cloud solutions for a secure and flexible platform. In addition, maintaining employee morale and motivation is an important focus in recovery strategies, involving them in planning to maintain engagement and ownership in their responsibilities. Research shows that it takes several months for new employees to reach the same level of productivity as existing colleagues (KPMG, 2020). Resilient business practices are a significant challenge due to their high cost and pressure on limited resources, especially in the context of the size of the business and the escalation of the crisis at hand (Sausser, Baldwin, Pourreza, Randall, & Nowicki, 2017). Small businesses generally rely on weekly projections to maintain their position in the market and relevance. Under crisis conditions, the financial vulnerability of businesses increases, demanding systematic measures and government intervention to revive the entrepreneurial ecosystem (Maritz, Perenyi, Waal, & Buck, 2020). Traditionally, the focus has often been on individual entrepreneurs and their organizations without considering their environmental context. However, in a globally connected era, entities must be able to operate effectively and sustainably within complex and closely linked ecosystems (Ratten, 2020a).

The success of policies and their implementation to restore the business environment is critical. Current intervention measures are necessary to provide immediate relief to small businesses and strengthen their resilience in the long term (Zaki, 2001 & Arpac et al., 2008). Governments recognize the important role of SMEs in post-crisis economic recovery, and many of them have announced stimulus measures and programs to support them during the pandemic. Government policies that support economic growth are highly desirable (Lux, Macau, & Brown, 2020). This article highlights that entrepreneurship is not appropriate for all individuals, but rather a complex process that depends on characteristics, resilience, and external support factors. The article proposes four research propositions that require empirical research through comparative studies or cross-sectional studies across countries, as well as analysis of the impact of specific policies on SME resilience and entrepreneurship. In-depth case studies are needed to understand how SME entrepreneurs cope with crises and government interventions in different countries, given the different vulnerabilities and challenges faced by small businesses. Current empirical research on entrepreneurship and COVID-19 is still at an exploratory stage, given the uncertainty of government policy measures. The article has some limitations due to its conceptual nature and broad topic coverage, especially with the ongoing COVID-19 pandemic. With the emergence of this new variant of the virus, its impact on businesses, especially SMEs, still needs to be further observed and researched. Entrepreneurship is the process of providing goods and services with added ingenuity to meet the evolving needs of society. At the core of any entrepreneurial activity lies the ability to capitalize on opportunities that lead to new services, products and methods (Frederick et al. 2016). During the COVID-19 crisis, experts have used various theories to understand and explain the economic impact of the pandemic on small businesses in different countries, firm sizes and severity of the crisis. Theories include disaster theory, resilience, dynamic capabilities, and digitalization (Belitski et al. 2021).

In this study, participants mentioned constraints such as lockdown restrictions, changes in demand and market conditions, and sudden changes in household economic status due to the pandemic. Recent studies have shown that the COVID-19 crisis has severely affected MSMEs, which face issues such as financing difficulties, supply chain disruptions, decreased demand, and decreased profits (Shafi et al. 2020; Asiati et al. 2021). Entrepreneurial capabilities and qualities, such as business idea development, financial resource acquisition, and network establishment, can be identified as important factors in business start-up decisions during the pandemic (Išoraite and Gulevičiūtė 2021). Meanwhile, Lopes et al. (2021). During the pandemic, people's preferences for work changed, with many starting to opt for self-employment in this new environment. This suggests an increase in the perceived value of entrepreneurship by people during COVID-19, with the advantage of having more entrepreneurial skills and abilities than before (Lopes et al., 2021).

In the era of digitalization, product and service innovation is key to attracting new customers and retaining existing ones. However, young entrepreneurs face a number of barriers in creating digital innovations. The findings of this study offer several policy implications that could address these challenges, helping them start online businesses during and after economic disruption. It is important for the government to provide significant support to new MSMEs, especially in terms of financing, technical capacity building, marketing strategies, and business registration processes. Financial initiatives such as tax deductions, loans, grants, subsidies and similar incentives need to be seriously considered to encourage technological innovation in MSMEs, which can optimize operational efficiency (Quimba and Rosellon 2019). In the face of MSMEs' vulnerability to significant economic impacts, it is urgent for policies to provide financial support in the early stages of the pandemic. This aims to address survival challenges, maintain liquidity, and minimize job losses (Juergensen et al. 2020; Asiati et al. 2021). Studies show that technical, financial and non-financial assistance such as networking, mentorship, education, training, consulting and skills development have a significant impact on the survival of new MSMEs. Government support has also been shown to have an important relationship in this regard (Hung Kee et al. 2019; Pu et al. 2021). A second very important action is

government support in the form of training programs that involve developing technical, marketing and financial literacy skills for young entrepreneurs. Research has shown that expertise in technology and innovation has a significant positive impact on the resilience of MSME businesses during the pandemic (Anggadwita et al. 2021).

Research states that accounting capabilities, both managerial and financial, have a significant and positive impact on MSME performance during the pandemic. The use of digital technology can strengthen these capabilities by providing more accurate, effective and efficient financial data and reports (Apriyanti and Yuvitasari, 2021). Third, in the face of accelerated market digitalization, the government needs to accelerate the improvement of the country's information technology infrastructure. This aims to support and accelerate digital innovation in MSMEs and advance the economy as a whole (Salac and Kim 2016). The government's role in boosting the competitiveness of the energy industry and IT infrastructure industry is an important factor to address this issue as competition intensifies for quality products and services that can reduce the cost of internet connection. In addition, the government should offer viable options for effective broadband connectivity, especially to remote and rural areas, through new satellites that can complement current fiber technology connectivity.

4. Conclusion

This conceptual study highlights the challenges faced by MSMEs during the COVID-19 pandemic, particularly in relation to access to finance and uneven digital technology infrastructure. While the pandemic has driven accelerated digitization and business transformation, MSMEs still face significant difficulties in meeting these needs. Appropriate policy responses are crucial to strengthen MSME resilience, which include financial incentives, training programs to improve digital skills, and improved information technology infrastructure. Adaptation strategies focused on rebuilding the MSME ecosystem are critical in maintaining their business viability and promoting future economic recovery. Amidst dynamic changes in the global economy, the role of MSMEs in co-creating value with their customers is increasingly important, highlighting the need for continued support to ensure their vital role in a sustainable and innovative economy.

References

- Abachi, P., and Iorember, P. T. (2017). Macroeconomic and household welfare impact of increase in minimum wage in Nigeria: A computable general equilibrium model. *Am. J. Econ.* 7, 249–258. <https://doi.org/10.1111/1467-8268.12344>
- Anggadwita, Grisna, Erni Martini, Ratih Hendayani, and Muhammad Rafi Kamil. 2021. The Role of Technology and Innovation Capabilities in Achieving Business Resilience of MSMEs During Covid-19: Empirical Study. Paper presented at 2021 9th International Conference on Information and Communication Technology (ICoICT), Yogyakarta, Indonesia, August 3–5. <https://doi.org/10.1109/icoict52021.2021.9527464>
- Arpac, O., Bird, G., & Mandilaras, A. (2008). Stop interrupting: An empirical analysis of the implementation of IMF programs. *World Development*, 36(9), 1493–1513. <https://doi.org/10.1016/j.worlddev.2007.09.001>
- Bartik, A. W., Bertrand, M., Cullen, Z. B., Glaeser, E. L., Luca, M., & Stanton, C. T. (2020). How are small businesses adjusting to covid-19? Early evidence from a survey (No. w26989). National Bureau of Economic Research. <https://doi.org/10.3386/w26989>
- Belitski, Maksim, Christina Guenther, Alexander S. Kritikos, and Roy Thurik. 2021. Economic effects of the COVID-19 pandemic on entrepreneurship and small businesses. *Small Business Economics*. <https://doi.org/10.1007/s11187-021-00544-y>

- Belitski, M., Guenther, C., Kritikos, A., & Thurik, R. (2021). Economic effects of the COVID-19 pandemic on entrepreneurship and small business. *Small Business Economics*, 58, 593–609. <https://doi.org/10.1007/s11187-021-00544-y>
- Bouncken, R. B., Kraus, S., & de Lucas Ancillo, A. (2022). Management in times of crises: Reflections on characteristics, avoiding pitfalls, and pathways out. *Review of Managerial Science*. <https://doi.org/10.1007/s11846-022-00580-2>
- Bressan, A., Alonso, A. D., & Kok, S. K. (2021). Confronting the unprecedented: Micro and small businesses in the age of COVID-19. *International Journal of Entrepreneurial Behavior & Research*, 27(3), 799–820. <https://doi.org/10.1108/IJEER-09-2020-0602>
- Crick, J. M., and Crick, D. (2020). Coopetition and COVID-19: collaborative business-to-business marketing strategies in a pandemic crisis. *Ind. Market. Manag.* 88, 206–213. <https://doi.org/10.1016/j.indmarman.2020.05.016>
- Damoah, Obi Berko Obeng. 2020. Strategic factors predicting the likelihood of youth entrepreneurship in Ghana: A logistic regression analysis. *World Journal of Entrepreneurship, Management and Sustainable Development* 16: 389–401. <https://doi.org/10.1108/WJEMSD-06-2018-0057>
- Dar, M. S., Ahmed, S., & Raziq, A. (2017). Small and medium-size enterprises in Pakistan: Definition and critical issues. *Pakistan Business Review*, 19(1), 46–70. <http://dx.doi.org/10.22555/pbr.v19i1.1245>
- Erlinawati, Erlinawati., Muslimah, Muslimah. Test Validity and Reliability in Learning Evaluation. *Bulletin of Community Engagement*. Vol.1, No. 1 (2021). <http://dx.doi.org/10.51278/bce.v1i1.96>
- Ferreira, J. J., Raposo, M., & Fernandes, C. I. (2014). Technological vs. professional services and location influences on KIBS innovative capacity in times of crisis. In K. Rüdiger, M. P. Ortiz, & A. B. González (Eds.), *Entrepreneurship, innovation and economic crisis lessons for research, policy and practice* (pp. 11–20). Cham, Switzerland: Springer. https://doi.org/10.1007/978-3-319-02384-7_2
- Frederick, Howard, Donald F. Kuratko, and Allan O'Connor. 2016. *Entrepreneurship: Theory, Process, Practice*. Victoria, Australia: Cengage Learning. <https://doi.org/10.1111/etap.12244>
- Ebersberger, B., & Kuckertz, A. (2021). Hop to it! The impact of organization type on innovation response time to the COVID-19 crisis. *Journal of Business Research*, 124, 126–135. <https://doi.org/10.1016/j.jbusres.2020.11.051>
- Emami, A., Ashourizadeh, S., Sheikhi, S., & Rexhepi, G. (2021). Entrepreneurial propensity for market analysis in the time of COVID-19: Benefits from individual entrepreneurial orientation and opportunity confidence. *Review of Managerial Science*. <https://doi.org/10.1007/s11846-021-00499-0>
- Field, A. P. 2005. *Discovering Statistics Using Spss*, Sage Publications Inc. <https://doi.org/10.53841/bpspag.2005.1.56.31>
- Fillis, I., & Rentschler, R. (2010 p. 65). The role of creativity in entrepreneurship. *Journal of Enterprising Culture*, 18(1), 49–81. <https://doi.org/10.1142/s0218495810000501>
- Franko, L. G. (2019). Global corporate competition: who's winning, who's losing, and the R&D factor as one reason why. *Strateg. Manag. J.* 10, 449–474. <https://doi.org/10.1002/smj.4250100505>
- Ghauri, P. & Gronhaug, K. 2005. *Research Methods In Business Studies*, Harlow, Ft/Prentice Hall. <https://doi.org/10.1177/0170840608094705>
- Gbadamosi, A. (2015), 'Exploring the Growing Link of Ethnic Entrepreneurship, Markets, and Pentecostalism in London (UK): An Empirical study', *Society and Business Review*, vol. 10, No. 2, pp.150-169. <https://doi.org/10.1108/sbr-11-2014-0053>

Gbadamosi, A.; Madichie, N. O.; Mogaji, E. Innovation and Sustainability in Business Turbulence: Navigating the 'Now Normal' through Value Co-creation. *Preprints* **2023**, 2023110255. <https://doi.org/10.20944/preprints202311.0255.v1>

Giroud, X., and Mueller, H. M. (2011). Corporate governance, product market competition, and equity prices. *J. Finance* 66, 563–600. <https://doi.org/10.1111/j.1540-6261.2010.01642.x>

Gubareva, M. (2020). The impact of Covid-19 on liquidity of emerging market bonds. *Finance Res. Lett.* 42:101826. <https://doi.org/10.1016/j.frl.2020.101826>

Gugler, K., Weichselbaumer, M., and Zulehner, C. (2020). Employment behavior and the economic crisis: evidence from winners and runners-up in procurement auctions. *J. Public Econ.* 182: <https://doi.org/104112.10.1016/j.jpubeco.2019.104112>

Guney, Y., Li, L., and Fairchild, R. (2011). The relationship between product market competition and capital structure in Chinese listed firms. *Int. Rev. Financ. Anal.* 20, 41–51. <https://doi.org/10.1016/j.irfa.2010.10.003>

Hidayat, M., Latief, F., Nianty, D., Bahasoan, S., & Widiawati, A. (2020). Factors influencing resilience of micro small and medium entrepreneur (MSME) during COVID 19 outbreak in South Sulawesi Province Indonesia. *TEST Engineering and Management*, 83, 26707–26721. <https://doi.org/10.31219/osf.io/cme2j>

International Trade Centre. (2020). COVID-19: The great lockdown and its impact on small business. International Trade Centre. Retrieved from <https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/ITCSMECO2020.pdf> . <https://doi.org/10.18356/f0188605-en>

Javeed, S. A., Latief, R., and Lefen, L. (2020). An analysis of relationship between environmental regulations and firm performance with moderating effects of product market competition: Empirical evidence from Pakistan. *J. Clean. Prod.* 254:120197. <https://doi.org/10.1016/j.jclepro.2020.120197>

: Mukaram Ali Khan, Syed Sohaib Zubair, Kashif Rathore, Maryam Ijaz, Sumreen Khalil & Muhammad Khalil | (2021) Impact of Entrepreneurial Orientation Dimensions on Performance of Small Enterprises: Do Entrepreneurial Competencies Matter?, *Cogent Business & Management*, 8:1, 1943241. <https://doi.org/10.1080/23311975.20>

KPMG. (2020). COVID-19: SME survival phase two—Rebuilding your business. Retrieved from <https://home.kpmg/au/en/home/insights/2020/06/COVID-19-survival-for-sme-phase-2.html>. <https://doi.org/10.18356/1e320e53-en>

Kuckertz, A., Brändle, L., Gaudig, A., Hinderer, S., Morales Reyes, C. A., Prochotta, A., ... Berger, E. S. (2020). Startups in times of crisis – A rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, 13, e00169. <https://doi.org/10.1016/j.jbvi.2020.e00169>

Kuckertz, A., & Brändle, L. (2021). Creative reconstruction: A structured literature review of the early empirical research on the COVID-19 crisis and entrepreneurship. *Management Review Quarterly*, 72, 281–307. <https://doi.org/10.1007/s11301-021-00221-0>

Levitt, B., & March, J. G. (1988). Organizational learning. *Annual Review of Sociology*, 14, 319–340. <https://doi.org/10.1146/annurev.so.14.080188.001535>

Lopes, João M., Sofia Gomes, Tânia Santos, Márcio Oliveira, and José Oliveira. 2021. Entrepreneurial Intention before and during COVID-19—A Case Study on Portuguese University Students. *Education Sciences* 11: 273. <https://doi.org/10.3390/educsci11060273>

Maqsood, A., Abbas, J., Rehman, G., and Mubeen, R. (2021). The paradigm shift for educational system continuance in the advent of COVID-19 pandemic: mental health challenges and reflections. *Curr. Res. Behav. Sci.* 2:100011. <https://doi.org/10.1177/0272684X20965811>

Mehta, S., Saxena, T., & Purohit, N. (2020). The new consumer behaviour paradigm amid COVID-19: Permanent or transient? *Journal of Health Management*, 22(2), 291–301. <https://doi.org/10.1177/0972063420940834>

Moradi, F., Tourani, S., Ziapour, A., Abbas, J., Hematti, M., Moghadam, E. J., et al. (2020). Emotional intelligence and quality of life in elderly diabetic patients. *Int. Q. Commun. Health Educ.* 42, 15–20. <https://doi.org/10.1177/0272684X20965811>

Mpi, D. L. (2019). Encouraging Micro, Small and Medium Enterprises (MSMEs) for economic growth and development in Nigeria and other developing economies: The role of ‘the Igbo apprenticeship system’. *The Strategic Journal of Business & Change Management*, 6(1), 535–543. <https://strategicjournals.com/index.php/journal/article/view/1078>
<https://doi.org/10.61426/sjbcem.v6i1.1078>

Peijuan, Z., Ming, W. C., Zhouhong, Z., & Liqi, W. (2017). A new active learning method based on the learning function U of the AK-MCS reliability analysis method. *Engineering Structures*, 148, 185–194. <https://doi.org/10.1016/j.engstruct.2017.06.038>

Petropoulos, P. (2020). IBISWorld: Industry insider: How disruption from COVID-19 is affecting SMEs. Retrieved from <https://www.ibisworld.com/industry-insider/coronavirus-insights/how-disruption-from-COVID-19-is-affecting-smes/>. <https://doi.org/10.26686/wgtn.21398904>

Rahman, M., Saifuzzaman, M., Ahmed, A., Mahin, M. F., and Shetu, S. F. (2021). Impact of COVID-19 on mental health: a quantitative analysis of anxiety and depression based on regular life and internet use. *Curr. Res. Behav. Sci.* 2:100037. <https://doi.org/10.1016/j.crbeha.2021.100037>

Raith, M. (2003). Competition, risk, and managerial incentives. *Am. Econ. Rev.* 93, 1425–1436. <https://doi.org/10.1257/000282803769206395>

Ratten, V. (2020a). Coronavirus and international business: An entrepreneurial ecosystem perspective. *Thunderbird International Business Review*, 62(5), 629–634. <https://doi.org/10.1002/tie.22161>

Ratten, V. (2020b). Coronavirus (COVID-19) and entrepreneurship: Changing life and work landscape. *Journal of Small Business & Entrepreneurship*, 32(5), 503–516. <https://doi.org/10.1080/08276331.2020.1790167>

Ratten, V. (2020c p. 10). Coronavirus (COVID-19) and entrepreneurship: Cultural, lifestyle and societal changes. *Journal of Entrepreneurship in Emerging Economies*, Epub ahead of print, 1–15. <https://doi.org/10.1108/jeee-06-2020-0163>

Sanusi, Anwar. 2012. *Metodologi Penelitian Bisnis*. Jakarta; Salemba Empat. <https://doi.org/10.31237/osf.io/xp62v>

Sausser, B., Baldwin, C., Pourreza, S., Randall, W., & Nowicki, D. (2017). Resilience of small- and medium-sized enterprises as a correlation to community impact: An agent-based modeling approach. *Natural Hazards*, 90(1), 79–99. <https://doi.org/10.1007/s11069-017-3034-9>

Schreyögg, G., & Sydow, J. (2011). Organizational path dependence: A process view. *Organization Studies*, 32(3), 321–335. <https://doi.org/10.1177/0170840610397481>

Sharma, G. D., Kraus, S., Liguori, E., Bamel, U. K., & Chopra, R. (2022). Entrepreneurial challenges of COVID-19: Re-thinking entrepreneurship after the crisis. *Journal of Small Business Management*. <https://doi.org/10.1080/00472778.2022.2089676>

Sheikh, S. (2018). CEO power, product market competition and firm value. *Res. Int. Bus. Finance* 46, 373–386. <https://doi.org/10.1016/j.ribaf.2018.04.009>

Shafi, M., Liu, J., & Ren, W. (2020). Impact of COVID-19 pandemic on micro, small, and medium-sized enter-prises operating in Pakistan. *Research in Globalization*, 2(1), 100018. <https://doi.org/10.1016/j.resglo.2020.100018>

Su, Z., McDonnell, D., Cheshmehzangi, A., Abbas, J., Li, X., and Cai, Y. (2021b). The promise and perils of Unit 731 data to advance COVID-19 research. *BMJ Glob. Health* 6:e004772. <https://doi.org/10.1136/bmjgh-2020-004772>

su, Z., McDonnell, D., cheshmehzangi, a., abbas, J., li, X., & cai, Y. (2021). the promise and perils of Unit 731 data to ad-vance cOViD-19 research. *BMJ Global Health*, 6(5), e004772. <https://doi.org/10.1136/bmjgh-2020-004772>

Taherdoost, Hamed. Validity and Reliability of the Research Instrument; How to Test the Validation of a Questionnaire/Survey in a Research. *International Journal of Academic Research in Management (IJARM)*. Vol. 5, No. 3 (2016). <https://doi.org/10.2139/ssrn.3205040>

Thukral, Esha. COVID-19: Small and medium enterprises challenges and responses with creativity, innovation, and entrepreneurship. Wiley Online Library. <https://doi.org/10.1002/jsc.2399>

UDENSA (2020). Micro and small Medium Enterprises(MSMEs) and their role in achieving sustainable development goals. https://doi.org/10.1007/978-981-99-4829-1_3

UNCTAD. (2020). Coronavirus could shrink global FDI by 5% to 15%. Retrieved from <https://unctad.org/news/coronavirus-could-shrink-global-fdi-5-15>. <https://doi.org/10.18356/ae73fe43-en>

UNDP Regional Bureau for Asia and the Pacific. (2020). The social and economic impact of COVID-19 in the Asia-pacific region. Retrieved from <https://www.undp.org/content/undp/en/home/librarypage/crisis-pre-vention-and-recovery/the-social-and-economic-impact-of-covid-19-in-asia-pacific.html>. <https://doi.org/10.18356/9789216040338c008>

Wang, C. L., & Altinay, L. (2012). Social embeddedness, entrepreneurial orientation and firm growth in ethnic minority small businesses in the UK. *International Small Business Journal: Researching Entrepreneurship*, 30(1), 3–23. <https://doi.org/10.1177/0266242610366060>

Williams, N., & Vorley, T. (2014). Economic resilience and entrepreneurship: Lessons from the Sheffield City Region. *Entrepreneurship & Regional Development*, 26(3–4), 257–281. <https://doi.org/10.1080/08985626.2014.894129>

Yang, Z., Chen, Y., and Zhang, P. (2020). Macroeconomic shock, financial risk transmission and governance response to major public emergencies. *Manag. World* 36, 13–35. <https://doi.org/10.3390/su141912571>

Zaki, M. Y. (2001). IMF-supported stabilization programs and their critics: Evidence from the recent experience of Egypt. *World Development*, 29(11), 1867–1883. [https://doi.org/10.1016/s0305-750x\(01\)00074-2](https://doi.org/10.1016/s0305-750x(01)00074-2)

Zhang, F., and Zhu, L. (2021). Social media strategic capability, organizational unlearning, and disruptive innovation of SMEs: the moderating roles of TMT heterogeneity and environmental dynamism. *J. Bus. Res.* 133, 183–193. <https://doi.org/10.1016/j.jbusres.2021.04.071>