



## **Building Resilient Micro-Small Enterprises: A Case Study of MSEs in The Midst of The Covid-19 Pandemic**

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**Abstract:** *The pandemic has affected various sectors of life. The pandemic has attracted the attention of many parties to assess the impacts that arise outside of health impacts, one of which is the impact on micro and small enterprises (MSEs). The central role of MSEs in the national economy is the primary driver of research on how MSEs build resilience in times of crisis. This study focuses on the strength of MSEs during the Covid-19 pandemic. MSEs are the mainstay of the national economy. Therefore, various aids for the recovery of MSEs have become the focus of national economic recovery throughout the world, including Indonesia. This study uses quantitative and qualitative methods on MSEs that are still able to maintain their continuity to this day. This research focused on revealing several characteristics of MSEs' resilience according to the number of workers, income trends, and the extent to which individual resilience affects organizational resilience. The analysis also revealed a process-based model of how MSEs builds resilience during this ongoing crisis.*

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**Keywords:** *crisis and renewal; resilience; resilience building; resilient mses*

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### **Introduction**

The Covid-19 pandemic has caused tremendous turmoil in various sectors such as health, the economy, and even the micro and small business sector are among the worst (Kemenkeu, 2020a). During this pandemic, most companies (65%) had to temporarily freeze their business operations and the other 3% even had to run out of business. Micro-businesses with less than 10 employees are also estimated to be times more likely to go bankrupt compared to medium businesses with more than 51 employees (ILO, 2020).

Business continuity for MSEs has become an intense topic among academics and practitioners. Even when the economy is doing well, the continuity rate for micro-small businesses is actually still a concern. A survey conducted by the United States Small Business Administration (SBA) states that only half of small businesses survive more than 5 years and less than a third survive more than 10 years (SBA, 2016). In a state of crisis like today, the truth can be very diverse.

The Covid-19 pandemic apparently will last longer than predicted and the economic impact that occurs may induce long-term consequences. If it lasts longer, the economic downturn may spread to non-urban area and cause greater problems (Yusuf et al., 2020). In

2020, the government initiated a rescue program called PEN (National Economic Recovery) to reinforce economic recovery by allocating nearly 30% of PEN funds for the MSE alone (Kemenkeu, 2020b).

Some questions emerge, how do MSEs build the ability to survive during a crisis they knew nothing about like the current pandemic? If we take a snapshot of the MSE's current resilience, what will be the characteristics we discover?

To observe organization's resilience, it is necessary to recognize the capacities and capabilities of the integrated parts that comprise the whole system, recognize how each element relates to each other, and how each element relates to the environment, and predict critical responses from the environment before and after the crisis (Van Der Vegt et al., 2015). Under similar comprehension, experts believe that the predominant element of the resilience of an organization is the fundamental part of the organization itself as a complex system, that are individuals within the organization itself (Kuntz et al., 2017). The main strengths of the organization's resilience are represented by the characteristics of individuals involved in an organization, such as skills, capacities,

attitudes, cognitive, and coordination processes.

The approach to resilience is different at every level of the organization, from the individual to the strategic level (Koronis & Ponis, 2018). The interpretation of resilience at each level of the organization is also distinctive according to its respective contexts, even though the intentions of the whole action remain the same.

**Table 1. The Fundamental Concept of Resilience in an Organization**

Strategic level	Individual level
Change without first experiencing crisis	Ability of people to absorb crises
Change without suffering a significant accompanying trauma	Ability of people to remain loyal and operational
Take action before it is a final necessity	Rebuild the social capital and interrelationships

Source: Koronis & Ponis (2018)

Koronis & Ponis (2018) summarized the main factors that determine an organization's resilience, they are preparedness, responsiveness, adaptability, and the learning process. Through these 4 factors, it revealed that technical readiness and social coordination alone are not enough in dealing with crises, organizations also need an appropriate culture and a willingness to learn constantly from every adversity. Building an organization's resilience is a part of the complex process to establish business continuity.

The main objective of this research is to capture characteristics of MSEs' resilience and to model the process of building resilience. Research around characteristics of resilience is rarely disclosed in the context of MSEs. The discussion around resilience's characteristics still requires a substantial amount of research to reveal what actually occurred. Meanwhile, the discussion regarding the process of building resilience tends to concentrate on enabling factors and supporting dimensions fostering resilience establishment. Further detailed investigation on process-based

resilience-building models is still a fruitful area of research.

The framework developed by Branicki et al. (2018) displayed the position of individual resilience and organizational resilience in an attempt to establish a resilient organization. The framework is also equipped with the principal indicators of each resilience type. However, the framework did not explicitly illustrate the importance of the time dimension (responsiveness). As earlier explained, responsiveness is one of the four dimensions of resilience formation. Branicki et al. did not explicitly illustrate the enabling factors that play a critical role before, during and post-disruption. Thus, a framework that incorporates time elements is crucial in creating a process-based model toward resilient organizations.

The framework developed by Xiao and Cao (2017) actually involved time dimension and multi-level analysis in explaining the process of establishing a resilient MSE. However, this framework did not explicitly indicate the importance of the preparedness dimension. Xiao and Cao (2017) also did not explicitly indicate enabling factors that should be fulfilled before the disruption. This framework also did not describe the journey for establishing a resilient organization as shown by Branicki et al. (2018).

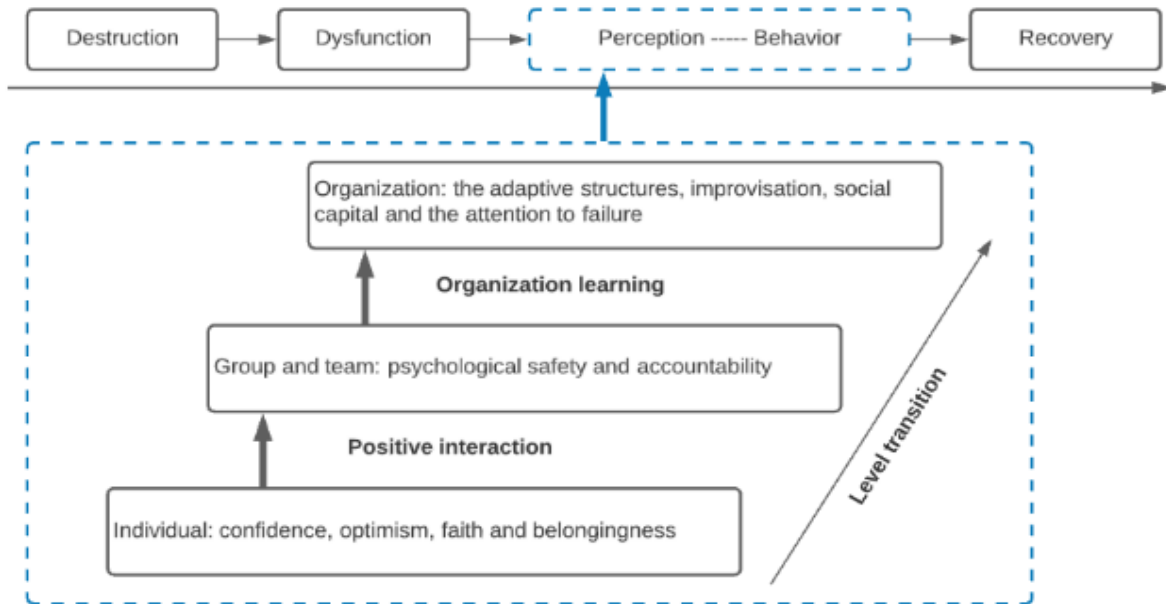
A thorough examination was done to the framework by Koronis and Ponis (2018) for building organizational resilience, the resilient organization framework by Branicki et al. (2018), and the multi-level process of creating resilience during the disruption by Xiao and Cao (2017), we developed a model that combines three frameworks above with a deeper and wider analysis.

#### *Entrepreneurial resilience*

The fundamental elements of an organization are individuals within an organization. Koronis & Ponis (2018) and Kuntz et al (2017) considered that the formation of a resilient organization begins from the resilience of the individuals who constitute the organization. Whereas in the context of MSEs, the role of MSE actors is surely compelling. The MSEs rely on the judgments and experiences of their actors

(owners or managers) in managing and making decisions during a crisis. Unlike large

ability of an organization to withstand and flourish during and after a crisis.



**Figure 1. Theoretical Model of Organizational Resilience**

Source: Xiao & Cao (2017)

companies, MSE tends to confront limitations with regard to resources, knowledge, capital, and information on promoting resilience (Branicki et al., 2018).

Entrepreneurial resilience is generally defined as individual resilience in the context of entrepreneurship or the personal characteristics of an entrepreneur. An entrepreneur's individual resilience is the main component that determines a resilient or non-resilient MSE, especially in a challenging season. Branicki et al (2018) stated that individual resilience is one of the factors that is usually exploited to gauge the resilience of an organization.

*Organizational resilience*

Organizational resilience is indispensable for all organizations in the face of rapidly dynamic markets, enabling organizations to furnish innovative responses to markets (Ates & Bititci, 2011). Some experts argue that resilience should represent a system, not solely focus on individuals or basic elements of the system (Adger, 2000). Organizational resilience refers to the abilities of a system that operates beyond the individual characteristics or elements that constitute a system. Organizational resilience is the collective

Organizational resilience is the product of a continuous transformation that begins from collective individual resilience forming psychological safety for every team or function in the organization to establish strategic and innovative decisions against uncertainties in the business (Xiao & Cao, 2017).

*Becoming resilient MSEs*

Research on organizational resilience in MSEs is often overlooked because this domain tends to be overshadowed by researches on large enterprises. The existing literature on resilience tends to refer to large organizations with a formal structure and well-established bureaucratic procedures. Thus, the resilience model of large enterprises may be reasonably irrelevant to the resilience of MSE due to differences in structure and procedures.

A framework for building resilient SMEs was proposed by Branicki et al. (2018), illustrated in Figure 2. This framework view resilience from the perspective of actors managing SME Branicki et al. argued that resilient SMEs can be observed from two different factors, one is from the individual resilience of SME actors or entrepreneurial resilience and the other one is from organizational resilience. These two factors

have different purposes, where entrepreneurial resilience influences resilient SMEs through the creation of strategies, the use of social networks, crisis adaptation, and the interrelationships between individuals within the organization. On the other hand, organizational resilience influences resilient SMEs through the provision of resources, slacks, planning, and expertise in managing difficulties. According to Branicki et al., the factor that hinders SMEs from becoming resilient also originates from the SME limitations in accessing those four organizational resilience enablers.

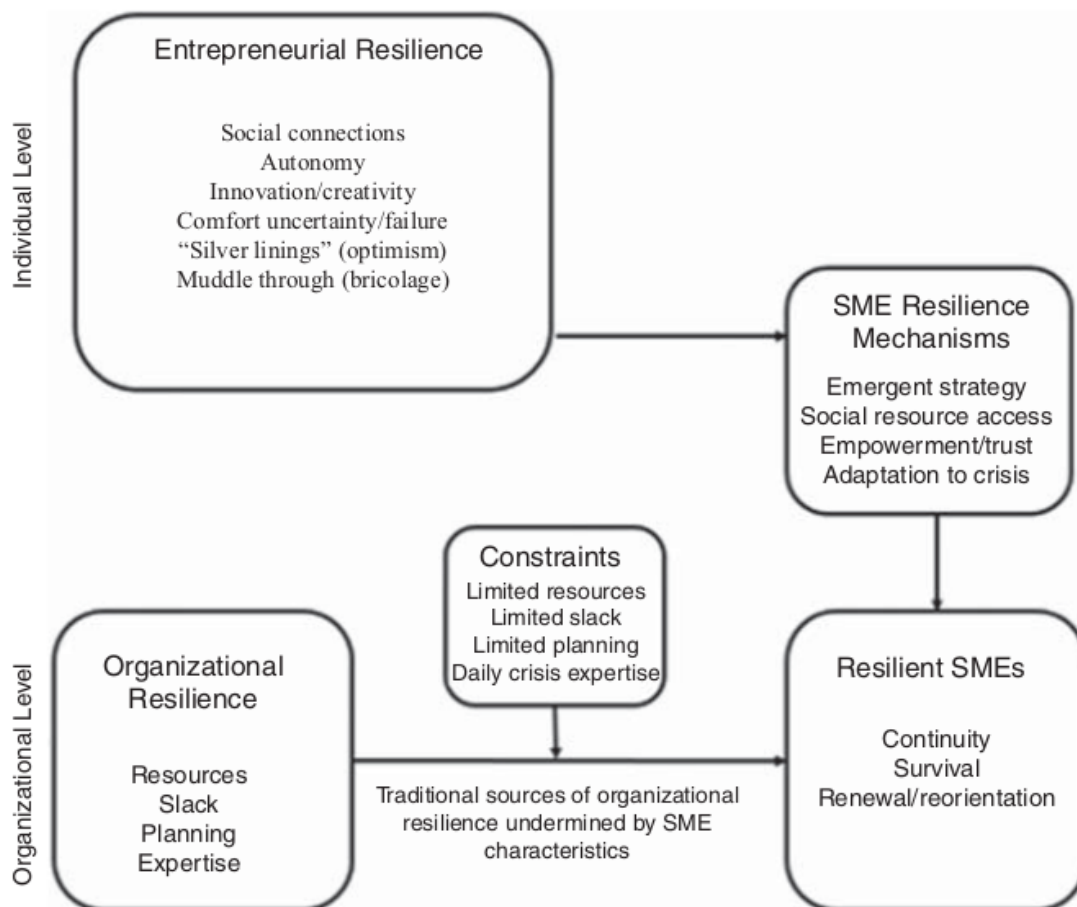
Although various researchers have revealed the characteristics and enabling factors of resilient MSEs, yet room for improvement still exists for academic research covering the construction and mechanism in building resilient SMEs. Some experts argued that an organization's resilience is circumstantial or individualistic, which means

that resilience will be greatly influenced by circumstances under study (Lengnick-Hall et al., 2011; Van Der Vegt et al., 2015). Thus, it becomes critical to comprehend that resilience is constructed from a complex involvement of various enabling factors and the results of multi-levels of analysis (Branicki et al., 2018; Xiao & Cao, 2017).

**Method**

The research was conducted using both quantitative and qualitative methods. The quantitative method was used to distinguish the resilience characteristics of MSEs and to recognize the process of establishing resilience by MSE actors during the pandemic crisis.

The number of samples in this study was 54 individuals, of which 50 individuals were in the survey sample and 4 individuals were in the interview sample. Data collection through a survey was conducted for a week (21 May



**Figure 2. A Framework of Resilient SMEs**

Source: Branicki et al., (2018)

2021 to 29 May 2021). Surveys were created and recorded using Google forms™ online services, surveys were distributed through multiple digital social media platforms. Interviews were conducted after the survey data collection process ended, which is on 1 - 11 June 2021. Interviews were conducted online using Microsoft Teams™ and Zoom™.

The survey was designed to gauge the degree of entrepreneurial resilience and organizational resilience using the indicators variable proposed by Branicki et al. (2018). The degree of entrepreneurial resilience is measured using six indicators, i.e. social connections, autonomy, innovation/creativity, comfort uncertainty/failure, “silver linings” (optimism), muddle through (bricolage). The overall measurement of entrepreneurial resilience was represented by 12 questions. The degree of organizational resilience is measured using four indicators, i.e. Resources, Slack, Planning, Expertise, and was represented by four questions. Each indicator in the survey was presented using Likert-like scales.

The significance test was performed using a two-tailed T-test. A Two-tailed T-test is used when the direction of the hypothesis being tested is unknown. The T-test is generally divided into two, i.e. the paired T-test and the independent T-test. Paired T-test is used to test whether any statistical differences occurred in certain characteristics among groups of samples. An Independent T-test is used to test whether any statistical differences occurred between two different groups of samples. In this study, each test was assumed to have a different mean and variance with a significance level = .05.

Qualitative data analysis was accomplished by the thematic analysis method, a commonly used method in qualitative research by recognizing patterns and or themes and or the relationships between each theme. Thematic analysis was applied to all interview cases. The thematic analysis aims to identify and collect emerging themes in every case. Nevertheless, if one or more themes appeared in only certain cases, it is still

considered a finding theme. The approach we used in theme selection is that a certain phenomenon will be selected as a theme if the phenomenon is able to capture the interests associated with the discussion, even though the phenomenon did not appear in all interview cases.

## Result and Discussion

The resilience characteristics of MSEs in this study show concise portraits of MSE actors' resilience during this pandemic. Resilience characteristics are usually momentary, it tends to change over time and circumstances. This study reveals the characteristics of MSEs actors' resilience based on gender, number of current employees, trends in income, and the correlation between individual resilience and organizational resilience.

The analysis begins to examine how pandemic affects the business continuity of MSEs. One of the main indicators of business continuity is profitability or the ability of MSEs to maintain revenue streams. This study measures the impact of the pandemic on MSEs only through one single indicator, income trends. The survey showed that the majority of MSEs experienced a downward trend in income (62%), only a small proportion was able to raise their income (14%). In terms of income trends, the findings in this survey are similar to other findings that MSE is having a difficult time during this pandemic.

The majority of respondents also indicated a downward trend in income in each category. 63.15% of MSEs with 1-4 employees or micro-businesses, 75% of MSEs with 5 to 19 employees or small businesses, and 50% of MSEs with more than 20 active employees or medium-sized businesses, experiencing a downward trend in income. From this finding, it can be concluded that the Covid-19 pandemic has negatively affected

**Table 2. Summary of Resilience Measurement**

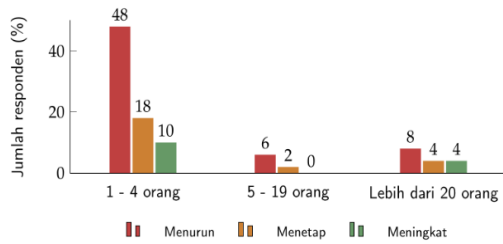
<i>Var</i>	<i>items</i>	<i>min</i>	<i>max</i>	<i>mean</i>	<i>sd</i>	<i>skew</i>	$\alpha^c$
<b>total</b>	16	49	76	63.54	5.905	-.362	.850
<b>ER</b>	12	37	56	48.84	4.396	-.456	.801
<b>OR</b>	4	8	20	14.7	2.426	-.125	.893

Note:  $\alpha^c$  Alpha Cronbach

MSEs in all classes, whether micro, small, or medium enterprises.

*Characteristics of resilience based on gender*

The test aims to examine whether any significant differences occurred in the degree of resilience between female and male respondents. The T-test results are displayed in Table 3, where ERp (0.1895) and ORp (1



**Figure 3. Distribution of Income Trends According to MSE**

> (0.05). Based on these results, it can be concluded that there are no statistically significant differences in both ER and OR scores between female and male respondents. This result showed that the degree of resilience between female and male respondents is similar or there is no empirical evidence to conclude otherwise.

**Table 3. Characteristics of Resilience Based on Gender**

	ER score		OR score	
	Male	Female	Male	Female
mean	48.167	49.85	14.7	14.7
variance	18.83	19.292	5.734	6.431
df	41		39	
t-Stat	-1.334		0	
P(T<=t)	0.1895		1	
two-tail				
t Critical	2.0195		2.0226	
two-tail				

*Characteristics of resilience based on gender*

The test aims to examine whether any significant difference in the degree of resilience between groups of respondents according to the number of employees. The groups of respondents were categorized into two groups, i.e. the group with 1-4 employees and the group with more than 5 employees. In this analysis, the group with 5-19 employees was merged with the group with more than 20 employees. The T-test results are displayed in

Table 4, where ERp (0.02452) and ORp (0.00163) < (0.05). Based on these results, it can be concluded that differences in the degree of resilience (both OR and ER) exist between respondents from micro-business units (1-4 people) and respondents from small-medium enterprises (more than 5 people). The results indicate that larger business units (>5 workers) tend to have a higher degree of resilience than smaller business units. The average degree of resilience in small-medium enterprises ER=51 and OR=16.83 is higher than the degree of resilience in micro-enterprises ER=48.15 and OR = 14.03.

**Table 4. Characteristics of Resilience Based on Number of Employees**

	ER score		OR score	
	1 - 4	> 5	1 - 4	> 5
Employees	1 - 4	> 5	1 - 4	> 5
Mean	48.15	51	14.03	16.83
Variance	20.461	10.545	4.242	5.424
df	26		17	
t-Stat	-2.387		-3.738	
P(T<=t)	0.0245		0.0016	
two-tail				
t Critical	2.0555		2.1098	
two-tail				

Further analysis is to examine the correlation between the MSE in this category with the degree of resilience. The survey employed an ordinal scale to distinguish the size of MSE, so it can be represented on a numerical scale. In this analysis, the MSE group with 1-4 employees was represented on a numerical scale of 1 and the MSE with more than 5 employees was represented on a numerical scale of 2. Using Pearson's correlation between the size of MSEs and ER score indicates a weak positive relationship  $r_{x,er} = .279$ . In contrast to entrepreneurial resilience, the degree of organizational resilience indicates a moderate positive relationship with the size of MSE  $r_{x,or} = .499$ .

It can be concluded that the larger the MSEs, the higher degree of organizational resilience. However, the size of MSEs can't be considered as a good indicator in predicting the degree of entrepreneurial resilience.

*Characteristics of resilience based on income trends*

This feature indicates whether any difference in the degree of resilience occurred between the group of respondents who

encounter a declining income trend and the group of respondents who encounter a consistent or even increasing income trend. The T-test results are displayed in Table 5, where ERp (5.398E-05) and ORp (0.0182) <  $\alpha$  (0.05). Based on the results, it can be stated that differences between the groups exist. The result indicates that respondents with a consistent or increasing income trend displayed a higher degree of resilience (both ER and OR) than respondents with a declining income trend.

**Table 5. Characteristics of Resilience Based on Income Trends**

Income trends	ER score		OR score	
	Down ward	Upward	Down ward	Upward
mean	47.129	51.632	14.032	15.789
variance	18.716	8.135	4.299	6.842
df	48		32	
t-Stat	-4.432		-2.488	
P(T<=t) two-tail	5.398e-5		0.0182	
t Critical two-tail	2.011		2.037	

Furthermore, analysis was carried out to examine the relationship between income trends and the degree of resilience. Pearson's correlation analysis between income trends and ER indicates a moderate positive relationship  $r_{x,er} = .502$ . However, the correlation between income trends and OR demonstrates a weak positive correlation  $r_{x,or} = .355$ .

Through this analysis, it can be concluded that a positive income trend indicates a higher degree of entrepreneurial resilience of the MSE's actors. Nevertheless, this study cannot justify the causative relationship between those variables whether a positive income trend leads to a higher degree of entrepreneurial resilience or the other way around. On the other hand, income trend is considered an inadequate indicator of MSE's organizational resilience.

*Associations between individual resilience and organizational resilience*

The motive behind this analysis is to deeper examine the existing findings stated that the formation of organizational resilience is a multi-level process and starts from the fundamental elements of an organization, i.e. the people (Branicki et al., 2018; Kuntz et al., 2017; Xiao & Cao, 2017). This analysis aims

to investigate how and to what degree entrepreneurial resilience influences organizational resilience.

First, the analysis was conducted to observe whether any difference exist between ER scores and OR scores of all respondents. Since two variables originate from the same group of respondents, then the appropriate method is paired T-test. The numerical measurements of ER and OR in the survey were represented with different ranges of value, where ER score ranges from 12 to 60, while OR score ranges from 4 to 20. Before comparing those variables, both variables must be normalized to the equivalent scale, i.e. range of 0 – 100.

The T-test results in Table 6 stated that  $P_t = 5.62E-06 < (0.05)$ , which means that ER score and the OR score are statistically different. We can see that  $ER_{mean} = 76.75$  and  $ER_{sd} = 9.16$  while  $OR_{mean} = 66.87$  and  $OR_{sd} = 15.16$ . Based on this analysis, it can be stated that the degree of entrepreneurial resilience tends to be higher than the degree of organizational resilience. The Pearson correlation coefficient between those variables indicates a moderate positive relationship  $r_{er,or} = .453$ . These results demonstrate that entrepreneurial resilience can be considered a good indicator of organizational resilience.

Further analysis is to model the relationship between individual resilience and organizational resilience using linear regression analysis. This analysis relies on the existing literature which stated that the formation of organizational resilience is a multi-level process and begins from entrepreneurial resilience.

**Table 6. Paired T-Test Between Normalized ER and OR Score**

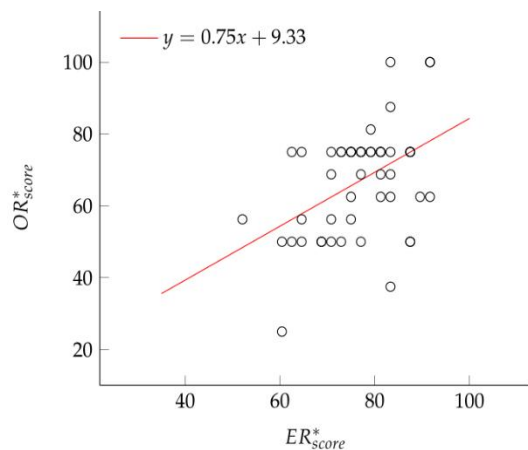
	ER score*	OR score*
Mean	76.75	66.87
Variance	83.86	229.99
Std deviation	9.16	15.16
Pearson correlation	0.453	
df	49	
t-Stat	5.093	
P(T<=t) two-tail	5.62E-06	
t Critical two-tail	2.009	

\*Normalized score

Therefore, ER is assigned as the independent variable (x) and OR as the dependent variable (y). Linear regression analysis produces an intercept coefficient of 9.33 and a slope coefficient of .75 so that the relationship between the two variables can be modeled as  $OR_{score} = 0.75 * ER_{score} + 9.33$ . The linear regression graph of the ER and OR scores is shown in Figure 4.

#### *Process-based Resilience Building Model*

The implications of an extraordinary event such as the current pandemic are enormous, depending on the point of view and aspects of the study. This study explicitly views the impact of the Covid-19 pandemic from the viewpoint of MSEs who endure a



**Figure 4. Linear Regression Graph Between ER and OR**

negative influence by the pandemic. The analysis of the study concentrates on the process of managing the disruption.

The formation model of this study illustrates a process-based journey towards a resilient MSE. This model is a process-based framework, so it shall be considered as a continuous process cycle. an MSE remains resilient only if the resilience formation cycle is constantly operating. The model was derived from three findings in the study, i.e. pandemic disruption, basic resilience, and resilience mechanisms.

#### *Pandemic Disruption*

No organization is perfect, neither is MSE. Every organization certainly has latent problems that have existed ever since the organization was established. Under common circumstances, minor weaknesses of the

organization do not always pose a major risk, therefore the resolution of these problems is often delayed or even overlooked. However, during pandemics, the potential risk of each hardship also fluctuates. Interviewees indicated that some minor problems tend to pose a greater risk when pandemics hit. MSEs encounter escalated risk for each of the hardships they endure. The quick fix to existing problems and as well as new obstacles must be immediately resolved. Therefore, MSEs ought to address two categories of problems at once, i.e existing weaknesses that were previously overlooked and new hardships due to shifts in the business environment.

Everyone interviewed indicated that the pandemic revealed a new reality about their current business model. A business model that previously worked well but is no longer relevant today. MSEs have become conscious of their business model does not always operate as expected. MSEs discover that when there is a market shift, the business model must also adapt. MSEs recognize that managing a crisis must be an indistinguishable element of a business strategy. A business strategy without crisis management capabilities will still threaten business continuity in times of crisis. When the existing business model no longer served its purposes, then modernizing the business model becomes a must. If an MSE is still operating with the old business model, then its business continuity could be at stake.

#### *Resilience Capital*

Organizational resilience can be observed from two different perspectives. First, the ability to bounce back from unexpected, adverse, or detrimental conditions. Second, the ability to uncover and develop new capacities or new opportunities from an unexpected event (Lengnick-Hall et al., 2011). From both points of view, resilience is a form of ability or strength or advantage of an organization, something that a must to earned. To establish this capability, organizations need certain resources that must be ready on hand before resilience capability can be established. The resources needed to establish resilience are often referred to as resilience



activator or resilience capital (Huang & Farboudi Jahromi, 2021; Powley, 2009).

Financial readiness or access to sources of financial capital is crucial to entrepreneurship and business resilience. Contracts and credits renegotiation with partners, sourcing raw materials, performing new strategies, exploring new tactics, acquiring and adapting technologies during a crisis always require financial readiness. MSE can be financially prepared by accumulating funds on hand and by accessing parties who have the capacity to grant funds.

MSEs need to acknowledge uncertainty and ambiguity in unexpected events or crises. The ability to interpret dilemmas in crisis is an essential determinant in the transformation process, but it is no longer sufficient. The ability of entrepreneurs to envision how their organization will look in the future; the ability to imagine future scenarios and develop various activities according to the current context. Organizations that are going through disruption require entrepreneurs or leaders who are comfortable with uncertainty (Branicki et al., 2018) and able to foresee the future (Morais-Storz et al., 2018). Uncertainty and ambiguity urge business actors to become pragmatic, result-oriented, frugal, resourceful, and eager to make unpopular decisions (Pittz & Liguori, 2020).

Long-term vision can be interpreted as the determination of entrepreneurs in retaining and sustaining their purposes in times of uncertainty. Holding precise and strong goals encourages entrepreneurs to accumulate strength to keep the organization on track notwithstanding uncertain circumstances.

Various findings remarked on the vital role of entrepreneur behavior in promoting organizational resilience. The individual resilience of leaders has been demonstrated to affect the resilience of the organization and the employees they supervise (Branicki et al., 2018; Lengnick-Hall et al., 2011). Leadership plays a central role in an organization in a disruptive era, the leader recognizes and interprets shifts in markets and signals the organization to change procedures and routines (Teo et al., 2017).

All participants acknowledged that leadership really determines the company's future in times of crisis. Leaders are expected to be able to mitigate ambiguity and uncertainty. When usual procedures and routines no longer work well, direct intervention from the leader can promote resilience in the workplace. Especially for micro-small businesses, the role of the leader is indispensable, because the leader is usually also the owner and acts as the ultimate decision-maker. The role of leaders in MSEs tends to be profound than in larger enterprises (Falkner & Hiebl, 2015).

#### *Resilience Mechanisms*

MSEs tend to be cautious only of previous crisis experiences, tend to disregard crises that have never been experienced (Spillan, 2003). Under this pandemic, many MSEs become more vulnerable to risk, particularly with limited financial and human resources (Vargo & Seville, 2011). This study observed that micro and small enterprises tend to disregard preparedness to deal with disruptive settings. MSEs respond reactively to crises, only reacting when necessary after shifts begin to disrupt the status quo.

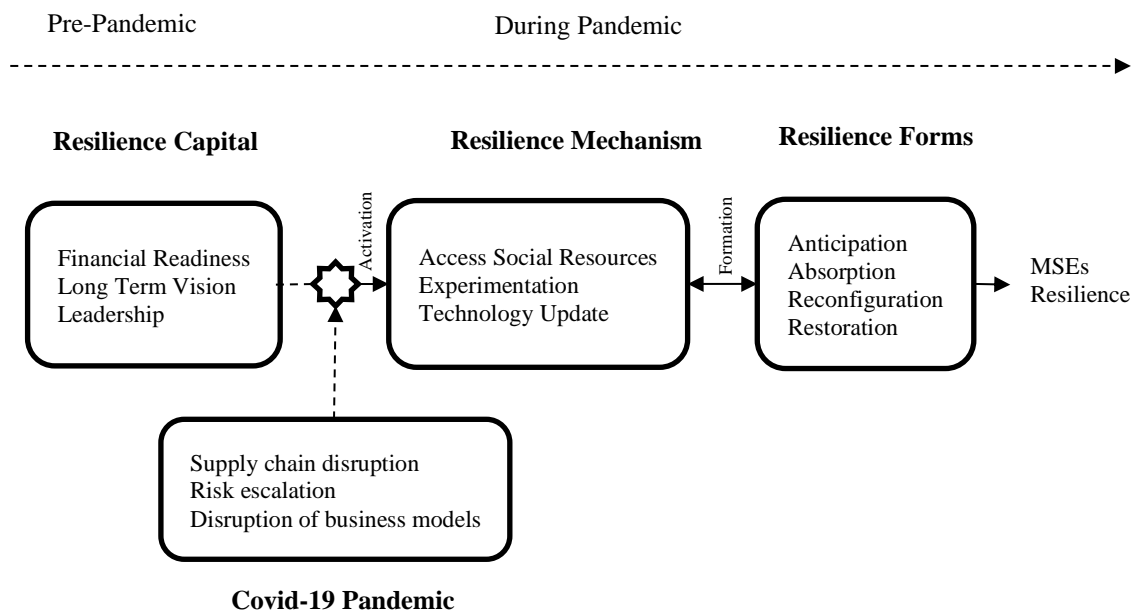
Social connection has proven to be able to provide unexpected resources for anyone who can access them. Every individual and organization must preserve social capital. Social capital assists MSEs to efficiently obtain essential resources such as funds and labor. Social capital has also been proven to provide non-financial benefits for business actors in times of crisis (Huang & Farboudi Jahromi, 2021). MSEs usually inquired assistance from family, colleagues, friends, and fellow entrepreneurs. Participants also indicated that social capital was one of the most critical supports during the pandemic. The social connection of a leader or business actor is one of the features of individual resilience that directly influence organizational resilience (Lengnick-Hall et al., 2011; Van Der Vegt et al., 2015). Various researches also stated that socially engaged entrepreneurs tend to adapt well post-crisis (Kahn et al., 2013).

MSEs in crisis often experience limited resources, a lack of raw materials, and higher

costs of obtaining new resources. Improvisation and experimentation are becoming the only plausible alternatives for MSEs to manage uncertainty. Entrepreneurs attempt their best to utilize the resources currently ready on hand to seek new opportunities, often referred to as entrepreneurial bricolage. Entrepreneur's ability to experiment is driven by entrepreneurial resilience such as comfort against failure and uncertainty, optimism, autonomy, and proactive nature (Branicki et al., 2018). The entrepreneur's eagerness to experiment is also backed by resilience capital preparedness. If the entrepreneur's resilience capital is well-planned (financial, vision, and leadership), then the entrepreneur's enthusiasm to experiment with new things is usually high. We believe that Innovation is one of the products of experimentation.

business continuity (Manfield & Newey, 2018). Thus, the resilience of each MSEs will be greatly influenced by its actual setting when encountering a crisis. The findings in this study indicate that although the formation of resilient MSEs is strongly influenced by individual resilience, renewal or reorientation of business strategies is equally essential.

The findings in this study are summarized into a process-based model towards a resilient MSE. This model suggests that resilience capital is the asset that MSEs should be well-planned and available at any time because crises could happen at any moment. In a very small business, resilience capital may very similar to the individual resilience of the business owner. The individual resilience of the MSE's actors is the main determinant of resilience formation at the organizational level. Based on these findings,



**Figure 5. Process-Based Model of Resilience Building**

Source: data analysis by author (2021)

In times of crisis, entrepreneurs often find that existing routines and procedures are no longer able to support business continuity (Teo et al., 2017), especially if slacks are not planned (Manfield & Newey, 2018). MSE's reactions to the crisis are usually influenced by the availability of slack resources. MSEs with slack resources can establish the capacity to absorb disruptions, but MSEs with no slack available have to improvise and experiment frugally in order to survive and maintain

the formation of resilient MSEs should always begin with the individual in the system. Then, the starting process of resilience formation is triggered by unexpected and disruptive events. Disruptive events trigger existing practices to become irrelevant then challenge MSEs to face new realities. Only when MSEs acknowledged that their current business practices are obsolete then they start to implement the resilience formation mechanism at all levels.

This model also demonstrated that the process towards a resilient MSE does not end at executing the resilience mechanisms. The process still requires MSE to renew its strategies by determining the appropriate form of resilience. Resilience is the multi-faceted ability of a system that embraces avoiding, absorbing, adapting, and recovering from adversity (Madni & Jackson, 2009). Disruptions may affect MSEs to adapt changes both internally and externally. Therefore, MSEs must decide carefully and pay full attention to the appropriate form of resilience according to the results of the resilience mechanism. The process between the resilience mechanism and deciding the form of resilience is tedious and likely to occur back and forth. Resilient MSEs are accomplished when the MSEs correctly decide the appropriate form of resilience and deal with changes seamlessly.

### Conclusion

The birth of new MSEs is always increasing because the business establishment is relatively easy. On the other hand, the failure rate of MSEs is also quite high and this rate is possibly higher particularly when disruptive events persist. The increasing changes in the market provoke MSEs to be aware of this risk. This study proves that the degree of entrepreneurial resilience is positively correlated with the income trend. At the organizational level, larger enterprises tend to be more resilient than smaller enterprises. The micro-business owner must pay more attention to resilience formation at the organizational level. The process of resilience formation begins at the individual levels such as financial readiness, develop a long-term vision, and practice effective leadership. Through resilience mechanisms that encompass harnessing social capital, experimentation, and renewing strategies, MSEs can determine the relevant form of resilience to deal with adversity. The process of resilience formation is a non-stop cycle and must be carefully preserved.

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