



# Recovery Strategies of MSMEs in Pampanga: A Basis for Emerging Resiliency Framework During COVID-19 Pandemic

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**Abstract :** The study describes the coping strategies of MSME businesses in Pampanga during the COVID-19 pandemic, and to develop a resiliency framework appropriate for MSMEs on any disruptions cause by unforeseen events like the pandemic. The crisis had taken a huge toll on the economy, especially the MSMEs which effectively provide the majority of jobs in the economy, recognized as the leading vehicle for economic development were the hardest hit. The study is qualitative in nature, using phenomenological approach, data gathered during the interview were analyzed and categorized into themes that serve as the basis for the emerging resiliency framework. The various challenges of the MSMEs like decline in sales, laying off employees, temporary closure of business, liquidity problems, inability to pay debts, disruption in the supply of raw materials, tremendous uncertainty on what the future holds and the absence of business continuity plan, still, some businesses opted to see beyond the pandemic and realize the opportunities that lay behind the contagion. Opportunities like the emergence of new business markets beyond the area that businesses serve thru partnerships with other businesses, the change in behavior and preferences of consumer predominantly the change to online commerce of the consumers gave rise to the connection to digital system and IT industry, and innovation is the central point of the strategy. The MSMEs resiliency framework can be seen in the perspective of three categories, preventive, responsive and recovery strategies at the heart of the framework.

**IndexTerms -** Micro, Small and Medium Enterprise (MSME), resiliency framework, strategies, pandemic

## I. INTRODUCTION

The global introduction of general lockdown where all countries were forced to implement in an attempt to slow down the spread of COVID-19 brought about by the corona virus has placed an immense strain on societies and economies of countries around the globe (WHO, 2021). Major disruptions were felt across economic and social sectors and according to the International Monetary Fund (IMF), the global economy is expected to experience its worst recession since the Great Depression of the last century.

The COVID-19 which empirical studies have classified as a black swan event. The black swan theory or theory of black swan events is a metaphor that describes an event that comes as a surprise, has a major effect, and is often inappropriately rationalized after the fact with the benefit of hindsight (Atkinson-Clement and Pigalle, 2021). However, other published research have classified it as a “gray swan” since it was inevitable given prior history like the Spanish Flu, and the virus had shift its behavior (Collins, 2020).

In the Philippines, the pandemic crisis brought about by the virus has taken a huge toll on the economy as well. The economy shrunk by 2% in 2020 after expanding 5.9% in 2019 and with unemployment rate at 8.7% in 2020 (psa.gov.ph). The micro, small and medium enterprise (MSME’s) sector, which effectively provide the majority of jobs in the economy, recognized as the leading vehicle for economic development, employ 60% of the Filipino workforce, where majority of them are involved in industrial activities, and a considerable number is directly tied into global, regional and local value chains or clusters (Amegbe & Hanu, 2016 and UNIDO, 2020) were the hardest hit by the pandemic.

Gern and Mosle (2020) stated that the pandemic affected businesses because of the domestic measures taken by the government to contain the virus, there was a drop in global demand, supply chain disruptions and a deterioration in the economic environment. Another study by del Rio-Chanona et al. (2020) and Kraus et al. (2020) concluded that the global pandemic resulted in a partial and full shutdown of plants and factories had led to a significant disruption to supply chains. In the developed nations,

it is believed that businesses that relied on physical space and shops suffered losses; while those businesses that utilize mainly the online space did particularly well (Kantar Consulting, 2020; Bouey, 2020). In addition to the reduced sales recorded by businesses with a physical presence, Kuckertz et al. (2020) found that such businesses continued to incur fixed costs, such as the cost of rent and insurance, during the lock-down; thus, maintaining their outflows with no commensurate revenue inflows.

Depending on the type of enterprise, the effect of the pandemic to businesses are in varying degrees. Some enterprises may have not been negatively affected yet, whereas others have lost key staff, lost customers and clients to competitors due to the disruption, may have seen their stocks perish during the extended period of closure, discontinued product offering in the market or simply run out of cash (Che et al, 2020).

The frightening complexity caused by the Covid-19 pandemic and the threat of an economic crisis that might be greater than the 2008-2009 financial crisis then raises the question, "Can MSMEs as the frontline of the economy return to normal after Covid-19?" since they are at the forefront of crises because all the people are limited to do activities outside the home (Hadi & Supardi, 2020). Arokodare and Asikhia (2020) in their study stated that majority of the business establishments find it to be an enormous task to maintain positive performance always, and this is even more difficult to achieve in phases of economic meltdown, shutdown of commercial activities and staying at home as is being witnessed today as a result of the novel Coronavirus'.

There are no one-size-fits-all solutions for the problems encountered by the MSME's. In some cases, it may be possible to simply pick up where business stood before the pandemic or a lockdown, in others, the whole business may need a turnaround. Some businesses may even face inevitable closure. Experience from disaster recovery around the world shows that businesses had reduce performance, had also experience decline and bankruptcy during the phase that follows a disaster even if they survived the disaster itself because they were not fully aware the situation in the market changed in the wake of a disaster (Humas, 2020 and Lu et al, 2020).

Philippines, in partnership with the Department of Finance, the Asian Development Bank (ADB) conducted an enterprise survey during 28 April–15 May 2020 to identify the impact of the lockdown on businesses due to the pandemic. Survey responses concluded that quarantine restrictions, which began on 16 March to contain the spread of the virus, had a significant impact on business activity. Two-thirds of businesses closed temporarily, with most others (29%) reducing operations. Of those remaining open, most (78%) operated at half capacity or less. Only 4% of the enterprises maintained full operations. Liquidity was a serious concern for most enterprises as working capital became scarce, which is the reason for the request of wage subsidy from government support measure (57%). Broken supply chain and logistics were serious issues in the operations of businesses. Upstream MSME closures are felt by downstream factories that are relying on the parts they produce for MSMEs. Without the parts and necessary logistics to bring in materials and ship out products, many factories can barely produce or have no place to store the products. And fourth, worries about revenue and cash flow: Because of the widespread low market demand, many small businesses have found that reopening only means they continue to pay rent and salaries without revenue. Many will pay staff minimal wages or lay off staff, which can further reduce demand (Bouey, 2020).

While the role of the MSMEs are recognize in the economy, it is equally important to understand how catastrophic events can affect business operations. One impediment for MSMEs to survive during the Covid-19 period is because majority of them still operate their business conservatively so that when there is a social distancing policy in order to reduce the number of spikes in the spread of Covid-19, conventional business activities will automatically stop (Sulastri et al, 2020). Most MSMEs do not have business continuity plans. They have been hit by COVID-19 without being prepared and need to work out their recovery in the absence of such plans.

In the wake of the pandemic cause by the COVID-19, strategic responses from developed and developing economies have started to emerge as part of packages to address MSMEs' finance-related challenges (Zutshi et al, 2021). The pandemic has turned the strategic objectives of many organizations from "profit-seeking" to "search for resilience" both absorptive and adaptive resilience (Baggio et al., 2015; Conz & Magnani, 2019). Small and medium enterprises are so sensitive in environment that they should keep strength to continue business operations in all circumstances (Bilan, Mishchuk, Roshchyk, Joshi, 2020; Chen, Liu, 2018).

Any form of disruptions in the economy that shaken the survival of businesses are substantial to examine as this necessitates both the government and private entities to strategizes on how to keep the business operations abreast with such disturbances. Doern et al (2019) concluded in their study that business models have changed and Williams et al. (2017) stated that many enterprises, especially the micro, small and medium, use crisis management in order to develop resilience in the workplace and restore the functions of their organization to regular operation in order to cope with this situation. However, studies by Francisco et al. (2020) suggest that MSMEs size and structure for examples are small and flat organizations allowed them to be resilient during the COVID-19 pandemic, despite many of them lacking business continuity plans (BCPs) and crisis preparation. As the pandemic progressed, these firm characteristics made it easier to disseminate information and respond faster within the organization. As Demirel and Mazzucato (2012) also found that it may be influenced by the size of the company on the effect of innovation on firms' growth and survival.

With these, resiliency plays a significant role in business endurance to survive any social and economic disruptions. In the business world, the term "resilience" refers to an organization's ability to thrive, adapt, and evolve in the face of adversity (Fiksel, 2006; Hamel & Välikangas, 2003) as well as responding to all types of risks that organizations may face, ranging from cyberspace threats to natural disasters, and many others (www.itgovernance.co.uk, 2020). It also refers to an organization's ability and expertise in keeping its resources and capabilities at a steady level, getting reorganized and able to support its operations if a disruption occurs, despite the challenging business environment in which it functions (Păunescu and Argatu, 2020).

Cambridge Industrial Innovation Policy, a project led by the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) developed a foundational framework for ASEAN policymakers to enhance the resilience of micro-, small- and medium-sized enterprises that could mitigate the impact of future disasters and crises like the COVID-19. The framework was based on the four phases of disaster risk management (prevention, preparedness, response and recovery). The policy and guidelines provided information on how the appropriate agencies can identify and categorize resources, determine roles and responsibilities, establish coordination mechanisms and include disaster risk management in existing or new policies and regulations (ACCMSME, 2020).

National MSME Resilience Core Group developed the MSME Guide to Disaster Resilience, designed to serve as a reference material for MSMEs in understanding business continuity practices and the basic concepts of disaster risk reduction and management. One of the areas of consideration stated in the guide is to align with the community need, and that resilience necessitates a collaborative, harmonized, adjustable and scalable approach where the responsibility for disaster recovery is shared among all sectors of the community including individuals, families, community groups, businesses and all levels of government (DTI, 2020).

An empirical study conducted by Duchek (2020) stated his view on an organization's resilience from a procedural aspect, and identified three stages of the resilience process; namely (1) anticipation, (2) overcoming, and (3) adaptation; that organizations who are resilient responded not only thru previous or reactive action, but also to existing and future or unforeseen problems. Adaptation could support organizations minimize the damaging effects of unforeseen events or mitigate them in two ways: through reflection and knowledge gained thru the event and by integrating the opportunities for organizational change.

The past three years showed that there was a growing body of studies showing how the pandemic has affected global and national economies as well as different business sectors in developed economies (Nicola et al., 2020; ONS, 2020) while limited evidence exists on its impact on businesses in developing economies. Majority of studies are focused on recovery of businesses operations after natural disasters like strong typhoon that results to floods and earthquakes.

## NEED OF THE STUDY.

MSMEs are the most vulnerable in the crisis period like the pandemic. Where majority of studies are focused on recovery of businesses operations after natural disasters like strong typhoon that results to floods and earthquakes. The COVID-19 pandemic is different from other crises, and studies on MSMEs resiliency recovery strategies framework to handle such vulnerability on developing countries like the Philippines are limited.

### Objectives of the Study

The present study investigates the performance of the MSME's after the quarantine lock down up to this point. The analysis specifically addresses to answer the research questions.

1. What are the challenges experienced by MSMEs during the pandemic?
2. What coping mechanism strategic activities were implemented and adopted to mitigate the impact of the pandemic on the performance of the business?
3. What are the opportunities that emerged in business operation experienced by MSMEs?
4. Based from the data, what emerging framework could be developed on the resiliency and recovery of MSME's?

## II. RESEARCH METHODOLOGY

This study focused on the business owners' experiences on their operations for the past year at the height and the second wave of COVID – 19 pandemic. To realize such, the researcher employed phenomenological research. According to Christensen, Johnson and Turner (2010) the primary objective of a phenomenology study is to explicate the meaning, structure, and essence of the lived experiences of a person, or a group of people, around a specific phenomenon. A phenomenological research design is a study that attempts to understand people's perceptions, perspectives and understanding of a particular phenomenon. Creswell 1998 points that the best criteria to determine the use of phenomenology is when the research problem requires a profound understanding of human experience common to group of people.

### 3.1 Population and Sample

Purposive and judgment sampling technique was used in the selection of the participants. This sampling is the deliberate choice of participants based from the qualities of the participants who have experience the central phenomenon or the key concept being studied. That the business had continued its operation during the pandemic The participants were nine (9) MSME's business owners located in the province of Pampanga, with a capital of two million and less, maximum of fifty number of employees or less, who have continued their operation after the lockdown and are still in operation up to the time of the study.



**Table No. 3.1: Participants in the Study**

Participant	Nature of Business	Product Offered
P1	Food	Delicacies and pastries
P2	Food	Rice cakes and pastries
P3	Catering	Various Filipino dishes
P4	pottery	Different variants of pots
P5	Pots and Garden accessories, landscaping materials	Pots (clay and plastic) and landscaping accessories
P6	garden	Ornamental plants
P7	Steel works	Plants holder and decorative designs
P8	Pastries	Pies, tarts, doughnuts, brownies,
P9	Pets Business	Lovebirds, fishes and rabbits

### 3.2 Data and Sources of Data

For this study secondary data has been collected. From the website of KSE the monthly stock prices for the sample firms are obtained from Jan 2010 to Dec 2014. And from the website of SBP the data for the macroeconomic variables are collected for the period of five years. The time series monthly data is collected on stock prices for sample firms and relative macroeconomic variables for the period of 5 years. The data collection period is ranging from January 2010 to Dec 2014. Monthly prices of KSE - 100 Index is taken from yahoo finance.

### 3.3 Theoretical framework

The theoretical concept of the study was based on the concept of psychological resilience to comprehend the procedures and influences on micro and small business resilience in the context of the COVID-19 pandemic, which makes the business environment more uncertain (Sharma et al., 2020) and threatens the business survival (Doern, 2021). Psychological resilience pertains the capability of an individual or an entity to adapt or flourish in the face of life's harsh conditions, uncertainties, and difficult circumstances (Kong et al., 2015).

### 3.4 Data Analysis

An interview with the participants was done both via online platform and face to face, either via google link or zoom, at a time according to their convenience.

The researcher made use of content data analysis in the research process. Systematically, the data was analysed in such a way that it was diligently read and transcribed line by line. Furthermore, the data was divided into meaningful analytical units prior to the utilization of key point coding to employ key terms through detailed examination of text passages. Baraceros (2016) defined coding as the act of using symbols such as letters or words to represent subjective data to guarantee secrecy or privacy of the data.

The next step was the grouping of codes into concepts according to their commonalities. Based from similar concepts, themes or categories was drawn and an illustration was made by representing the experiences of the business owners or managers. Baraceros (2016) further affirmed that qualitative data analysis is a rigorous act of a thematic or theoretical organization of ideas into a certain format that is capable of representing groups of responses.

#### 3.4.3 Comparison of the Models

The next step of the study is to compare these competing models to evaluate that which one of these models is more supported by data. This study follows the methods used by Chen (1983), the Davidson and Mackinnon equation (1981) and the posterior odds ratio (Zellner, 1979) for comparison of these Models.

## IV. RESULTS AND DISCUSSION

**Table 4.1 Challenges encountered during the pandemic**

Table 4.1 shows per theme the challenges that the participants experienced during the first two years of the pandemic.

**Sales Decline.** An enormous drop in sales due to limited mobility of consumers in coming to establishments and limited operation of business imposed by the government was experienced by all business owners' participants in the study. Decline in sales is the primary evident of the impact of the pandemic, as experienced by other firms in the Philippines in the survey conducted by World Bank in 2020. The social restrictions imposed by the government and decline in sales, business owners were forced to lay off temporarily their number of employees, while others opted to reduce the employees working hours, thus living them with salaries to make it while waiting for the conditions of the pandemic to improve. This decisions are more preventive measures for long term losses (Delgado, 2021).

P1 "sales went down a lot, I though this pandemic will only last for one month, at the most"

P5 "Sales will determine the continuous operation of the business. The lockdown lasted far longer than we anticipated"

Temporary lay-offs. Temporary closure of businesses, as ADB Philippine Enterprise Survey on COVID-19 Impact (Asian Development Bank, 2020), reported a 63%, 13,878 firms surveyed from November 26 to December 10, 2020, reopened following the easing of protocols on November 2020. And that only 9% operated at full capacity. Furthermore, 21% opted for voluntary closures despite government provisions for reopening and 7% permanently closed due to business losses. As Musiak (2020) Travel bans and restrictions imposed during the pandemic also contributed to unavailability of some of raw materials needed by the firms in their operation, a log on distribution on finished products specifically if the much-needed supplies are coming from the National Capital Region and other nearby provinces.

P3 *"I do not wish to terminate some of my employees, this is the last thing that I would want to do, but I am running out of cash to pay their salaries"*

P5/P9 *"I do not really want to lessen the number of my employees, so what I did is lessen the number of days of work. At least they still have some salaries to support their families"*

Liquidity problems. Participants in the study stated that many of the owners of these MSMEs had little cash on hand toward the beginning of the pandemic, and that one of the business owners decisions would mean that they had to either dramatically lessen their operational expenses, lay off more than 50% of their employees, or worst, declare bankruptcy and stop operation. A similar study, a survey conducted by Small Business Pulse indicate that roughly 50% of businesses report having a large negative effect from the COVID-19 pandemic and that only 15–20% of businesses have enough cash on hand to cover 3 months of operations (Bohn et al., 2020). Liquidity problems resulted to inability to pay rents, loans, amortizations and other short term debts. Falling behind on their payments is also a concern to this firms.

P2 *"nobody expected pandemic could happened. My cash on hand is only sufficient to run the business, just enough to pay what I need to pay, salaries, rents, bills, payment for raw materials needed..... One of my problem if the business could survive because I am running out of cash"*

Supply Chain Disruption. One of the major challenge experienced by MSMEs, travel bans and restrictions in areas imposed during the pandemic brought limitations on the raw materials needed in their operations. A similar findings on the study by Musiak (2020) stating that travel bans contributed to unavailability of some of raw materials needed by the firms in their operation, a log on distribution on finished products specifically if the much-needed supplies are coming from the National Capital Region and other nearby provinces. The ability of leveraging technology and information, as well as supplies network represent strong positive predictors for resilience management in case of natural disasters or any other environmental or natural disruptions (Tibay et al., 2017).

P4 *"my raw materials are coming from Bulacan. They could not just deliver anytime I request delivery. Sometimes, they do not have stocks of the raw materials I need"*

P1 *"we are dependent on the delivery of our supplies. Often times, delivery is delayed due to travel restrictions or employees have been infected with the virus"*

Uncertainty during pandemic. Business owners are uncertain on the future of their businesses, with similar findings on the empirical study by Altig et al. (2020a) and Barrero et al. (2020) which indicated that the pandemic represents a fundamental shock to the economy through the uncertainty that it injected among economic actors, predominantly the businesses. As the quarantine restrictions lessen, and vaccines were given to the public, owners concentrated more on the future of their businesses.

P2 *"no one knows when the pandemic will end. I thought the effect of the virus is not that serious, but it's worst"*

P9 *"God only knows what will happened to our business. Specially the micro businesses, can we survive and still continue our business if this Covid will last longer than expected?"*

Lack of Business Continuity Plan. Participants expressed that planning is integrated in their business operation, but not the type of planning that pandemic of entrails. The business continuity plan, which is a technical, administrative, and management activities with purpose to plan recovery steps and restore critical business assets after an unforeseen event which have disturbed the functions (Yuliawati et al, 2021). It involves planning how business operations key services or products can continue amidst any environmental disturbances or pandemic like the COVID-19. MSMEs included in the study do not have business continuity plan since they were caught unprepared with the onslaught of the pandemic. Cybulski (2016) found that many business owners do not consider it to be a high priority. This is supported by other empirical evidence conducted in Thailand (Kato & Charoenrat, 2018), New Zealand, (Hatton, Grimshaw, Vargo & Seville, 2016) and the United States of America (Familiano et al, 2021), revealing that MSMEs have a low level of preparedness for business continuity, including a failure to put in place a plan project for their enterprise, that this kind of planning is not a priority for businesses.

P2 *"we are unprepared for this kind of tragedy event in the business. We didn't plan for anything like this. If its typhoon or flood, we are somewhat experience, but this?"*

P4 *"we do not have plans for anything like these? Who among us planned? Even the government does not have one."*

Table No. 4.1 Challenges Encountered by the Participants

THEMES	PARTICIPANT / CODING
Sales Decline	P1 "sales went down a lot.." P5 "sales will determine if we will continue the business"
Temporary lay-offs	P5 "I do not want to lessen the number of employees" P3/P9 "I have to lessen the number of work force?"
Temporary Closure of Business	P5 "need to close the business temporarily, no customers" P4 "close the business at the height of pandemic"
Reduction of Working Hours	P5/P9 "Instead of closing the business, I reduced the number of working hours of my employees"
Liquidity problem	P2 "limited cash on hand to support the operation business" P8 "just enough to pay salaries of my limited employees"
Supply Chain Disruption	P4 "our suppliers do not have stocks of my raw materials" P1 "delayed delivery of raw materials due to travel ban"
Uncertainty in Pandemic Times	P2 "no one knows when the pandemic will end" P9 "can we survive this pandemic?"
Lack Business Continuity Plan	P3 /P8 "we do not have plans for this pandemic"

Table 4.2 Coping Mechanism Strategies

Table 4.2 shows the coping mechanism strategic themes that were derived from the participants' responses during the interview. Strategies are the lifeblood of business operations. In the study, due to limited mobility of customers, different strategies were developed by the MSMEs to cope the business vulnerability brought by the COVID-19 pandemic.

**Product Line.** Business owners expanded and repackaged their product line to cater the restricted market. Angelidou et al, 2022 stated in their empirical study that environmental shock like the pandemic, expanding their product line offering is a means to get the most out of the change in the consumer environment and behavior. Other businesses strategized in bringing the market to the customers.

P1 and P7 *"we need to think of a product that fits our customers today, we did not actually change the product, we just offered in smaller variants"*

P8 *"Our products are not saleable today, and I have to think of other products that can be added in our business"*

**Social Media.** Empirical studies have established that digitization thru the use of social media increases their online presence and sales. These results suggest that MSMEs' entrepreneurs consider online business to be beneficial, if not profitable. The pandemic augmented the e-commerce activities in the country as wary consumers are staying home to avoid exposing themselves to disease vectors of the COVID - 19, avoid physical direct contact, impact of the media and social norms (Truong, 2022).

P2 *"I'm not well versed in Facebook applications, but my kids are. They are good and they taught me some of the Facebook applications. I have to learned because my customers are in the social media"*

**E-commerce.** Filipinos spend an average of 4 hours every day in using different social media platforms like Facebook, Tweeter, Instagram and Tik tok, which is the highest in Asia Pacific Region. Business owners begun advertising and selling products and services through online marketplaces and using mobile message services and social media, which they believe is the key why they survive the pandemic. E-commerce paved the way for the business owners to enhance their technological skills.

P8 *"At this time, online selling is the answer"*

P9 *"If you are not present online, your business will not survive"*

**Delivery System.** Restricted mobility limited the consumers in going to other market, a reason for the MSMEs in optimizing the usage of online transportation delivery services. Grab and other local delivery transportation and food system emerged during the pandemic period, and still remain up to this point. The presence of this online delivery was warmly welcomed by the consumers considering the ease of ordering, the practicality of use, security and the costs are low (Tungkup, 2021).

P3 *"Local deliveries are operating"*

P4 *"Grab and other local delivery system became popular this time of pandemic, it is cheaper. As long as I have a tricycle. This could also be an added business opportunity for us."*

**Cashless Transactions.** Before the COVID 19, Filipinos had the lowest use of digital payment methods at 63% among 10 countries in the Asia-Pacific region that were surveyed. However, during the pandemic, the increase in reliance on mobile and online channels as part of daily activities has reshaped the digital economy in the Philippines, especially in terms of social resilience and digital payments (World Bank 2020). More consumers are opting for Digital payments that uses various modes of payments such as mobile payment, mobile wallet, and electronic payment (Alkhawaiter 2020).

P6 *"Payment is not a problem since we accept G-cash. I am not comfortable before in using cellphone for payment, I believe it is not safe. But now, I realize how convenient it is to use the G-cash. It is safer for my customers sinc according to health protocols, the virus can be transferred thru money also"*

P7 *"no need to pay cash"*

**Cost control strategy.** A decision of several firms to implement this strategy by eliminating and reducing their costs by removing non-important expenses in the business. The cutting of the non-profitable part of their business and closing their non-important branches (EL-Charani and EL-Abiad, 2019 and Santono, 2020).



P2 “I need to cut down on other expenses, since some of our products are not making profit. What we can save can be used to other business expenses like salaries of our employees.”

P4 “I have to lessen some business operations expenses”

The pandemic has created a need for businesses to modify their operations and systems to ensure their employees safety through the implementation of social distancing rules and other resilience measures (Deloitte, 2020). Health protocols imposed by COVID-19 Inter Agency Task Force (IATF) are taken and followed in order to protect the health and safety of workers and the customers as well.

P1 “Transmission of the virus is very aggressive, and for the safety of our customers and all of us here, it’s important that we practice the recommended health and safety protocols. We wear gloves and always disinfect our surroundings, alcohol and sanitizers are always available”

**Table No. 4.2 Coping Mechanism Strategies Implemented by MSMEs during Pandemic**

THEMES	PARTICIPANT / CODING
Product Line	P1/P7 “we need to think of products that fits our customers today” P8 “we need to add products”
Social Media /Digitization	P2 “my kids taught me facebook application” P5 “I learned how to use social media”
E-commerce	P8 “in this time, online selling is the answer” P9 “if your not in online, your business will close”
Delivery System	P4 “grab and other local delivery system became popular this pandemic” P3 “local delivery are operating”
Cashless Transactions	P6 “payment is not a problem, we have gcash” P7 “no need to pay cash”
Cost Control Strategy	P2 “I need to cut down unnecessary expenses” P4 “I have to <u>lessen</u> some business operations expenses”
Health and Safety Measures Protocol	P1 “Health and safety protocols are implemented for all of us” P9 “We always clean our area for our safety and the customers”

**Table 4.3 What Opportunities emerged during pandemic?**

Table 4.3 shows the themes generated on the opportunities that the participants’ experienced. Opportunities are external factors that could have an effect on the performance of a business, whether micro, small or medium enterprise. It is a chance to take advantage of an occurrence in the market to begin a business. For an organization strategy to best conceive, it is imperative for owners to identify the best market opportunities. Successful business owners often says that success is seeing opportunities in spite of the existing threats and negative conditions in the business environment. The changing business environment and managing change to adapt to an uncertain future are challenges faced by MSMEs to survive. Opportunities is when businesses respond quickly to changes in the market and environment (Sulastri et al, 2020).

**New Markets.** Emerging new business markets during pandemic. Existing markets are dwindling, opportunities could be looking for other markets that the business could serve. Frequently changing consumer preferences play a crucial role in the market, with numerous factors influencing such changes even during periods of stability (Bareja-Wawryszak, 2022). Changes in consumer behaviour are reflected on the supply side of the market. Firms’ resiliency and survivability is determined in the ability to adapt to shifting consumer needs, even under exceptional circumstances such as the pandemic and lockdown (Tao et al, 2022). Thus, it is essential for businesses to appropriately acquire market information.

P4 “I was able to attract new customers. They are not my existing customers. They are online customers, sometimes, they are not from this locality.”

**Change in consumer behavior.** Aside from the effects of COVID – 19 on the business market itself, the sheer duration and the ensuing uncertainty of the pandemic has inevitably taken its toll on the mental condition of communities worldwide, most especially consumers. Frequently changing consumer preferences play a crucial role in the market, with numerous factors influencing such changes even during periods of stability (Bareja-Wawryszak, 2022). Changes in consumer behaviour are reflected on the supply side of the market. Firms’ resiliency and survivability is determined in the ability to adapt to shifting consumer needs, even under exceptional circumstances such as the pandemic and lockdown (Tao et al, 2022). Thus, it is essential for businesses to appropriately acquire market information. Undoubtedly, several empirical researches have established and accentuated, the pandemic changed almost every aspect of consumers’ lives, and the related shifts in their attitudes and preferences necessarily oblige suppliers of goods and services to introduce and implement new solutions in order to meet their requirements (Calkins, 2021).

P7 “A lot of customers buying plants emerged this pandemic. Before, there are only few who buys plants. I first noticed this on facebook post, that’s why we have have designed some pots for this customers.”

**Innovation.** Innovation has become a necessity for all contemporary enterprises that want to survive in a world characterized by competition, technological change, and recurring crises. It is also the preparation for the ever changing consumers wants and desires. From a MSME perspective, innovation commonly indicates new products or processes that address customer needs more competitively and profitably than existing ones (Adam & Alarifi, 2021).

P9 “we need to change the variant of some of the products that we are selling, products that customers during pandemic would like to buy.”

**Social Media Marketing.** The use of information technology such as the use of internet is not new. Social media usage of customers more than doubled during the time of pandemic, such that MSMEs capitalizes on this platform as a promotional tool for their products and services.

P3 *“You have to be in social media for customers to see what you are selling”*

P6 *“Learn how to use social media to survive”*

**Expand business partnership.** Part of the business coping strategies requires broader co-operation or informal partnerships with other small businesses to strengthen networks. These business owners expanded their co-operation with other business owners and formed informal partnerships that complement their existing product or service offerings to the market they serve (Yuliawati et al, 2021).

P5 *“I found a partner in my business that complements my product”*

**Table No. 4.3 Opportunities that MSMEs Saw during Pandemic**

THEMES	PARTICIPANT / CODING
New Markets	P4 “I have new customers that emerge in online selling” P2 “We have new markets now”
Change in Consumer Behaviour	P7 “because of the pandemic, consumers change, they want to relive stress while quarantined at home” P9 “people change, they want to forget the virus”
Innovation	P9 “innovation is the key, to cater the customers during this time” P1 “this something new and smaller, that’s what we need”
Social Media Marketing	P3 “you have to be in social media for customers to see” P6 “Learned how to use social media to survive “
Expand Informal Business Partnership	P5 “I found a partner in my business that compliments my product” P6 “Expand business partnerships is our strategy, it made the operation easier”

**Figure No. 1: Emerging Resiliency Framework**

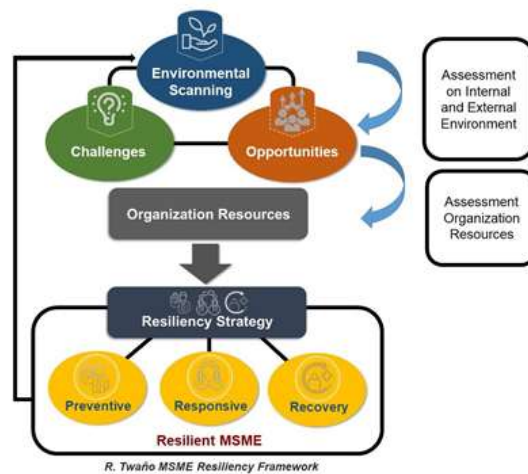
Figure No. 1 illustrates the emerging resilience framework based on the themes derived from the challenges, coping mechanism and opportunities in the study. Challenges experienced by the MSMEs are assessed both from internal and external environment which impacted the business performance especially during the pandemic. Proper identification thru environmental scanning of all business resources, both tangible and intangible, is the starting point of assessment. From scanning, it is appropriate to identify what are the challenges and opportunities that MSMEs experienced.

Sales decline, temporary lay-offs, temporary closure of business operation, reduction in working hours, liquidity problems and the absence of a business continuity plan are internal challenges experienced by the MSMEs, while supply chain disruption due to unavailability of the much-needed raw materials, lack of transport system due to stricter quarantine measures and travel ban imposed by local municipalities, and uncertainty of pandemic are the external challenges. Those that survive and continued business operation after the slacking of the quarantine restrictions saw opportunities that the pandemic brings. Business owners with a positive outlook, responded to support and address the limits generated by difficult health and safety protocols and the difficulty surrounding the continuance of business operations thru product and service innovation. MSMEs capitalizes on the external opportunities, like changes in consumer behavior and preferences, responding to the changing preferences and needs of the consumers, new markets that emerge during pandemic and social media marketing and utilize their existing resources to overcome the challenges. From the identified challenges and opportunities, organization need to examine the organizations tangible and intangible resources, which are not only the basis for maintaining competitive advantage, but these are the ones that will be utilized and optimized by the MSMEs in forming their resiliency strategy.

Resiliency strategy based on the outputs were categorized into three areas, preventive strategy, responsive strategy and recovery strategy; adapted from the “Resilience Guidelines for ASEAN Governments. Prevention strategies are defined as regulatory and physical measures to ensure that disruptions that could affect business operations are prevented, or their effects mitigated. Responsive strategy are the taking of appropriate measures to respond to an incident, including action taken and measures planned in anticipation of, during, and immediately after the incident to ensure that its effects are minimized and that persons affected by the incident are given abrupt relief and support. Recovery strategies are ways to restore business operations to a minimum acceptable level following a business disruption (Sulastri et al., 2021).

Health and safety measures protocol implemented by the IATF to minimize and mitigate the widespread of virus that compromises health of human resources, changes in the working hours by shifting working schedules rendered by the employees are categorized as Preventive strategies, while developing new product line or modifying and innovating existing products and services to respond to the changes in the consumer market needs, digitization and utilization of social media platforms and cost control of other aspect of business operations to lessen cost are part of the responsive strategy. MSMEs creation of a business continuity plan is one of the significant factors of a responsive strategy. Adaption of online delivery system appropriate to the restrictions imposed by regulations, cashless transactions to minimize exposure of consumers and informal partnerships with the MSMEs to widen networks and serve new markets are the recovery strategies in the framework.



**Figure 1: R. Twaño MSME Resiliency Framework**

## V. Conclusions

The Covid – 19 pandemic affected not only the health and economic aspect but also the various sector of every country. Businesses were the one that were greatly affected, especially MSME's as the major contributor to economic GDP and employment. Though there are various challenges encountered by the MSMEs like decline in sales, laying off employees, temporary closure of business, liquidity problems, inability to pay debts, disruption in the supply of raw materials and tremendous uncertainty on what the future holds, still, some businesses opted to see beyond the pandemic and realize the opportunities that lay behind the contagion.

The series of lock downs severely affected the micro, small and medium industry, however, opportunities like the emergence of new business markets beyond the area that businesses serve, the change in behavior and preferences of consumer predominantly the change to online commerce of the consumers gave rise to the connection to digital system and IT industry. MSMEs need to rethink their business strategies to quickly respond to the pandemic crisis.

For MSMEs to be flexible, adaptive, receptive to the changing environment, recovery strategies should be centered on businesses resources, both tangible and intangible and its ability to remain competitive in the uncertainties of the market environment. MSMEs starting to re-design coping strategies, including making new products or services that are appropriate to market needs and modifying their existing products.

The MSMEs resiliency framework can be seen in the perspective of expanding product line offering and cost control strategy for firms internal scanning. E-commerce and a digital shift through strong presence in different social media platforms, utilize cashless transactions and local delivery system in the area for external assessment.

## Recommendations

During phenomenal environmental disruptions like the pandemic, businesses should assess internal and external areas that affect their operations. Proper identification of the challenges that directly affect the business operations could serve as a basis for change in strategic planning and direction of the business. Assessment on the opportunities that a phenomenon brings, examine the market and the consumers on the changes in behavior and preferences plays an important aspect in developing coping strategies. Capitalize on the opportunities and businesses internal resources. Invest in digitization of the business, or optimize the free social media platforms that are available. Enhance online advertisements to attract wider online audience, using updated and even free social applications like live stream.

The lack of empirical evidence proving the effectiveness of the use of digital technologies in both developed as well as developing countries. It should be noted that these digital advancements alone are not capable of resolving the diverse range of socio-political and legal barriers that pose limitations to the performance and resilience of MSMEs. Future research on the creation of business models centered on the MSMEs resiliency can be studied, and a Business Continuity Plan of MSMEs could be developed.

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