

The interrelationship of community resilience and business resilience. A qualitative study on the role of community for small business survival

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1. INTRODUCTION

Community resilience is a concept that has been widely discussed across multiple disciplines, from engineering, sociology to psychology and economics [1]. The topic has gained wide attention following the rise of natural disasters, human induced disasters and the Covid 19 pandemic. The recent pandemic has tested the resilience of communities due to its effects on physical health, psychological wellbeing and business activities. To recover from adverse events such as disasters or pandemics, government bodies put priorities on programs that help to alleviate further sufferings such as the recovery of physical infrastructures, social systems and economic impacts.

Entrepreneurial actions either as spontaneous efforts or as a policy-based interventions have demonstrated their significant roles to alleviate further sufferings and poverty of the community members [2]. Following adverse events, entrepreneurs often act as the key agent who mobilize resources needed to rebuild the community. Meanwhile, local governments often focus on using entrepreneurial actions as the strategy to create jobs by supporting the creation of new ventures to rebuild the economy [3]. However, despite the potential role of new venture creations to support the economic recovery of the community, new venture creation itself is a long and challenging process. Data shows that on average, the ability of new businesses to survive in the first five years after being founded is less than 50% [4]. The level of business survival is even lower for businesses that were founded during the crisis with the risk of failures increases to 61% [5]. Many factors can contribute to the survival of new ventures. These may include individual factors such as values, goals and motivations of the entrepreneurs, business-related factors such as the availability of start-up funding, and contextual factors such as the supply of resources and the demand of the products in the area where the new ventures operate [6]. These contextual factors may change overtime, making the persistence of venturing efforts become more difficult and unpredictable.

Given the high risk of failure of business ventures particularly those that were founded during the period of crises, we, therefore, aim to explain factors that may affect the survival of business ventures during a crisis. More specifically, we aim to explore the role of community for the survival of business ventures following the Covid 19 pandemic in Indonesia. A better understanding of this topic is important given that venture survival is an indication of business resilience [7] and surviving ventures can help the community to recover from the economic impacts of crises as they activate value chains and create jobs. In doing so, we believe that our study contributes to entrepreneurship literature by explaining the interrelationship between community resilience and small business resilience. Moreover, our findings may contribute to the design of resilience recovery programs particularly on those focusing on economic empowerment by bringing empirical evidence on an important factor that contribute to venture survival following an adverse event.

2. METHODS

This study uses qualitative approach, using interview data from small business entrepreneurs whose businesses were able to survive from the Covid 19 pandemic. Our focus was on retail business, given that this type of business was heavily impacted by mobility restriction policy in all over the world including Indonesia [8]. Our interviews were conducted in three different communities, representing a village, a small city, and a big city. This is inline with the definition of a community which refers to the aggregation of individuals within a specific geographical area who are connected by a shared location [9].

The first interview was conducted in late 2021; after the height of the pandemic. The second and the third interview were conducted in 2023, when small businesses began to recover from the crisis. Initially, these interviews were conducted as a part of three different research projects. However, the three research projects

have similarities in terms of the purpose and the targeted informants. The three interviews were targeted at small business entrepreneurs to unpack the impact of pandemic on their businesses and the important factors that contribute to the survival of their businesses.

Our first interview was conducted in Molompar Raya, a small village in Sulawesi Island where we interviewed five entrepreneurs who run retail businesses, such as restaurants and furniture stores. The second round was conducted in Blitar, a small city in east Java, where we interviewed four entrepreneurs who run their businesses in the city centre. The last one was conducted in Surabaya, the second biggest city in Indonesia, where we interviewed five entrepreneurs who operated their businesses near a campus. A total of 38 interviews were conducted, covering interviews to fourteen entrepreneurs, their family members, and their customers to triangulate the data. In the data analysis process, the author and teams read and codes the transcripts separately, to create and identify themes within and across each case. We conducted data analysis within each case of the small ventures, followed by a cross-case comparison [10].

3. RESULTS AND DISCUSSIONS

Our findings indicated that in the small village as the first community that we interviewed, Covid 19 pandemic had a minor effect to the community. The limited mobility of community members outside their village had made the number of active Covid 19 were low. During the pandemic, small businesses continued to operate with minimal disruptions given that customers could still come to the stores. In addition, the businesses run by the entrepreneurs that we interviewed have utilized online channels to reach customers. They relied on personal Facebook account to offer products and use the messaging feature to receive orders and to communicate with customers who were also their friends and neighbours. This made the sales performance of the small ventures did not experience a significant decline.

Meanwhile, the results of our interviews in the second community which took place in a small city indicated a significant impact of pandemic on community members and small businesses. The relatively high active Covid cases and the mobility restriction policy had made local residents limit their activities outside their homes. Consequently, sales were dropped to zero as customers stopped coming to the city centres where their stores operated. Meanwhile, their suppliers also stopped their operations, adding more threats to the survival of their ventures.

The results of our interviews in the big city as the third community indicate severe impacts of pandemic to communities and small businesses. The combination of mobility restriction and working and studying from home practices had created a shock to the community as individuals who previously lived or worked in the areas moved to safer places or went back to their hometowns. Moreover, a number of entrepreneurs in our data including their families and employees were even infected by the virus. As a result, they had to close their businesses to avoid health risks and because their customers were no longer coming.

Our data also show that while in the first community business could relatively open as usual, in our second and third community, small businesses had to implement adaptive strategies or simply chose to wait for the situation to get better. For example, in the second community, the entrepreneurs chose to continue opening their stores and implemented health protocols to reduce the risk of infections despite almost no customer coming to their stores. Some of them also tried to activate online channels such as social media and electronic marketplace to connect with customers. However, the complete recovery of their businesses finally took place after the pandemic, where locals started to go back to city centres for shopping. In the third community, business had to close for weeks to months, leaving the entrepreneurs in a situation where they had to sell their assets or switched to other jobs to get income. When the number of infections started to decline, entrepreneurs then tried to re-open their businesses by targeting local residents as their customers, given that students and workers had not came back to live in the area. Similar to businesses in the second community, their businesses started to recover when the pandemic ended, thus attracting students and workers to go back to live in the area.

Our findings thus highlight the important role of local communities for business survival. During the pandemic, businesses that were disrupted were businesses that operated in an area where the locals had to limit their daily activities such as going for a shopping. Moreover, businesses that had to shut down were businesses where the people in the area moved somewhere else during the pandemic. The businesses were able to re-open after the entrepreneurs adjusted their target to locals and when students and workers started to come back and lived in the area. In addition, our study also highlights the impact of surviving businesses

for local community. First, we found that surviving businesses were those who provide value for local customers. These were businesses whose loyal customers were able to obtain products that they perceived as having high quality, affordable price, or offering services that solved customers' problems. Second, our data showed that all of the surviving business employing family members and local workers, thus ensuring the availability of jobs in the area. As discovered in the data from our second community, despite experiencing loss of revenues, entrepreneurs continued to hire their employees because of strong bonds between them.

4. CONCLUSIONS

Our study highlights the interrelationship between community resilience and business resilience. This study showed that when community members were able to recover from the health risks of pandemic, small businesses were also able to recover by continuing their operations that once were disrupted. The surviving businesses also benefit the local community with valuable offerings to enjoy and by providing jobs for the locals. Our findings thus may inform policy makers on the importance of contextual factor for economic recovery program following an adverse event. Government sponsored new venture creations initiatives should be aimed at exploiting local opportunities by fulfilling local demands of products and services while at the same time empowering local entrepreneurs. This is to increase the chance of survival of small ventures as the continuity of small businesses rely on their communities. This message is important amidst the higher preference of government and venture capitalists to support new ventures creation initiatives that display the potential for a fast growth by utilizing high technology and targeting wide geographical area of market. Although this type of venturing is important, however, the economic impact of local small venturing for community is also evident, thus should not be overlooked.

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