

COVID-19 Impact on Business Sustainability: A Case of Micro-Small and Medium Enterprises in Malaysia

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ABSTRACT

This paper examines the impact of COVID-19 pandemic on business sustainability among nine micro-small and medium enterprises (SMEs) in Malaysia. The paper also reviews literature on the history of COVID-19 disease during the period of February 15th and April 10th, 2020 which hit the country. The paper analyzes three factors that play a role in the micro-SME's business sustainability before and after the Movement Control Order. These factors are resource allocation, compensation and working implementation. Data was collected using an online survey and personal telephone interview. The final sample from these nine SMEs was 30 entrepreneurs with 60% (18) males and 40% (12) females. The vast majority companies have between 11-50 employees. The participating SMEs by industry involved were in the consumer goods, transportation equipment, retail and wholesale and food services. This paper confirms with the past study that health and safety of employees have the utmost priority. Micro-SMEs are concerned about business sustainability where responses to develop continuity team to manage business sustainability and decision making highlight the micro-SME's move towards the COVID-19. Following conclusions from the analysis are drawn that micro-SMEs are concerned over business sustainability, acting proactively, and making timely decision towards the COVID-19 outbreak. The results of this paper offer insightful information for micro-SMEs readiness in identifying critical positions, arranging crisis management, and making decision during the crisis. These findings highlight the need for further research to determine the post-pandemic activity and recovery plan of micro-SMEs to react towards the COVID-19.

Keywords: micro-SMEs, sustainability, COVID-19, Malaysia.

Introduction

The COVID-19 pandemic and accompanying economic crisis have opened an immediate opportunity to protect a micro-SME and their employees from the worst effects of the COVID-19 pandemic. The World Health Organization (WHO) made the COVID-19 pandemic announcement in March 11th, 2020 which had a profound impact to businesses, education, and all other

sectors of the economy. Consequently, the Malaysian government implemented the Movement Control Order (MCO) starting in March 18th to March 31st, 2020, as a move to curb COVID-19 outbreak (Government of Malaysia, 2020a, 2020b), in line with the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967. The MCO period was subsequently extended every fortnightly depending on the current condition of positive cases recorded.

This pandemic has impacted the economic sector of the country, as reported by Tight (2020) that micro-SMEs will more likely be vulnerable and experience more damages across every stage of the moves towards sustaining their business operation.

The primary aim of this paper is to examine SMEs actions in managing the impact of the pandemic on business sustainability through assessing several indicators which help to address firstly, the underlying issues on resource allocation; secondly, the compensation strategy that assists several levels of employees to perform work remotely; and finally, on the working implementation. These variables will gauge several factors on how micro-SMEs operate and manage their businesses from home to ensure the maximum productivity.

COVID-19 Pandemic and its Implications on Business Sustainability among Micro-SMEs

The COVID-19 pandemic is affecting hundreds of thousands of people globally including business and a micro-SMEs operator. In perspective of business sustainability, the extent to which an organization through its leaders strategize to maintain business functions or quickly resuming them in the event of a major disruption, is warranted. Crucially, as the outbreak is spreading rapidly, business leaders also must make fast decision to encounter possible setbacks. This paper highlights the impact of COVID-19 pandemic on business sustainability among micro-SMEs in Malaysia.

According to SME Corporation Malaysia, a micro-SME is defined as a company with sales turnover of less than RM300,000 or employs less than five people (SME Corp, 2020). SMEs are a key driver to the Malaysian economy. The SME sector contributes to more than two thirds of the total employment in the country and almost 40 percent to the economy. Therefore, it is important for the sector to remain resilient in the face of economic pressures that are affecting the country during this pandemic.

In order to understand the way micro-SMEs manage crisis during COVID-19 outbreak, it is important to understand the factors of sustainability focusing on the immediate term. As of 16 April 2020, around the globe, there were 2,076,015 confirmed COVID-19 cases with 138,008 deaths recorded (Ministry of Health Malaysia, 2020). The total number of cases in Malaysia during the period of this study were 553 to 5,073 from March to April 2020 (Government of Malaysia, 2020b). Due to the current

rise in trend of the COVID-19 pandemic, the Malaysian government has implemented a nationwide Movement Control Order (MCO) Phase 1 and Phase 2 which was expected to end by 28 April 2020.

The decision to impose MCO has witnessed number of implications on the way businesses are operated, allocation of resources and strategies implemented to maintain sustainability impact of addressing critical economic setbacks during this pandemic.

In order to sustain business of affected micro-SMEs, the Malaysian government had aggressively focused on mechanisms to support micro-SMEs, as announced on 27 March 2020 (Government of Malaysia, 2020b). Three mode of stimulus packages worth RM260 Billion (USD64.6 Billion) called *PRIHATIN* (the Economic Stimulus Package *Prihatin Rakyat*) was announced to cushion the impact of COVID-19 pandemic on Malaysian citizen including all businesses. Some of the stimulus packages offered include loan repayment deferments, wage subsidies, cash handouts and free Internet data for the next few months. On 6th April 2020, *PRIHATIN Plus* was announced as an additional package valued at RM10 billion to ease the financial burden of SMEs. In particular, the utmost agenda is to ensure businesses are maintaining their operations and to assure the workforce employability is sustained.

A Special *PRIHATIN* Grant amounting to RM2.1 billion was established for eligible micro enterprises (Government of Malaysia, 2020c). A grant of RM3,000 was provided to each company, benefitting almost 700,000 micro enterprises. The micro SMEs however are required to register with the Inland Revenue Board of Malaysia (LHDN) in order to receive this assistance. The local authorities and the Company Commission of Malaysia (SSM) will provide the list of eligible micro enterprises to the government.

The *PRIHATIN Plus*, interestingly had offered RM13.8 billion for the wage subsidy program to all companies with local employees earning a monthly salary of RM4,000 and below. The subsidies are:

- For companies with a workforce of more than 200 people, a wage subsidy of RM600 per month for every retained worker will be provided. The maximum number of workers that a company is eligible to claim for will be increased from 100 to 200 employees.
- For companies with employees between 75 to 200 people, a wage subsidy of RM800 per month for every employee will be provided.

- Finally, for companies with employees of less than 75 people, a wage subsidy of RM1,200 per month per employee. Through this improvement, companies will receive more benefits and assistance.
- This assistance is for a 3-month period and is specifically for employers registered with the Companies Commission of Malaysia (SSM) or local authorities before 1st January 2020 and are registered with the Social Security Organisation (SOCSO). It is estimated that 4.8 million employees will benefit from this initiative.
- For employers opting to accept this assistance, they are required to retain their employees at least for a period of 6 months, that is 3 months during the period receiving the subsidies and 3 months thereafter.

Source: Prime Minister Office, Government of Malaysia (2020c)

Managing well during this pandemic is the priority of every business owner and the stimulus packages offered from the Malaysian government is a big game changer. Among the important agendas that are needed to be focused on once the pandemic is over are the uncertainty and sustainability of business operation, post-pandemic business activity and recovery plan for the micro-SMEs.

In this paper, three factors that play role on the micro-SME's business sustainability before and after the Movement Control Order were explored. These factors are resource allocation, compensation and working implementation.

Methodology

A cross-sectional study was conducted among micro-SMEs with the assumption that entrepreneurs are aware of the strategy for business sustainability during the COVID-19 pandemic.

Data was collected using online survey and personal telephone interview. Questionnaires for this study were constructed based on specific items regarding the general COVID-19 issues and its impact on business sustainability, developed at the Universiti Malaysia Kelantan, with adaption from the survey of business responses to the Coronavirus outbreak in Singapore (MERCER, 2020). Nine micro-SMEs were involved in this study. The participants were well informed about the purpose of the study and provided consent for the usage of the data generated for publications.

The final sample from these nine SMEs was 30 entrepreneurs, with 60% (18) males and 40% (12) females. The sample had a mean age of 52 years old. Participating SMEs by industry involved include the automotive, retail and wholesale, services (non-financial), food and beverage services, transportation, and diesel trading. Participants provided informed consent to voluntarily participate in the study.

Results and Discussion

In Malaysia, the COVID-19 risk alert levels appear to have been raised and considerations for necessary adjustments related to its impact on business sustainability are discussed. Nine micro-SMEs organizations participated in this survey with the primary line of business include automotive (2), retail and wholesale (2), services (non-financial) (1), food and beverage services (3), transportation and diesel trading (1). All the participating organizations have frontline employees.

General COVID-19 Issues

In this sector, nine micro-SMEs were asked about the business continuity plan in place to manage their business during the COVID-19 pandemic. Only two micro-SMEs responded that their organizations have prepared for the consequences and shall implement the plan immediately. The remaining seven claimed that their organizations were in the process of developing a plan.

The pandemic has significantly impacted two out of the nine micro-SMEs because their employees need to work on-site. About seven out of nine organizations had claimed that their business needed to shut down.

As a result of the COVID-19 pandemic, majority of the organizations have taken several actions such as closing their retail outlets and offices.

The COVID-19 Pandemic Impact on Business Sustainability

Different sectors were affected differently during this pandemic therefore different mechanisms were applied to sustain the businesses. Retail sector including food and beverages services continue to operate while other sectors such as non-financial services, automotive, and transportation equipment claimed that they may see delay in demand. For example, in automotive and

transportation equipment sector, the organizations stated that there is a need to navigate the supply-chain challenges. Number of orders on automotive spare-parts for instance, is depending on the business network with suppliers in China. As the whole nation is aware, China is building up its capability measure internally during the COVID-19 crisis and therefore these sectors suffered.

Resource Allocation

The next section also explores possible preparation that micro-SMEs had to spend and put in place during the MCO period. Most spending is directed to three basic needs supporting employees' basic needs, preserving job, and assisting micro-SME businesses to survive post-pandemic crisis.

Majority of the organizations claimed that they have provided guidance and have increased communications among them in order to educate the employees to ensure their safety to commute and to be present at the worksite or at the office.

Compensation

In this section, the focus is to examine the extent to which the organization steps up to serve the workforce compensation. There are two categories of paid employees being questioned: the hourly rate employee, and the full time, monthly salaried employee. The issue is on the arrangement made by the company in response to the salary of the employee who were unable to work due to the quarantine imposed by the government during the MCO period.

Micro-SMEs claimed that for the hourly-paid employees, majority claimed that they do not have any employees belong in this category. However, in two of the responses on the hourly-paid employees who were unable to work remotely, the organizations negotiated to reduce the payment. In addition, with the recent announcement of the PRIHATIN Plus, for companies with employees of less than 75 people, a wage subsidy of RM1,200 per month per employee will be given. Through this initiative, micro-SMEs found that this scheme is helpful and agree that companies will receive more benefits and assistance.

No change was implemented on the salary for the monthly paid employees. 90% of the employers agreed to fully paid their employees during this MCO period.

Working Implementation

More than 30% of the respondents agreed that the organizations adhered to the mandatory company-wide arrangement for all employees.

Following the COVID-19 outbreak, more than 90% of the organizations closed their offices and only 10% claimed that they proceeded with the operation and monitored the work process closely.

Virtual teams, in response to the need to work on flexible hour, claimed that majority of the organizations are developing their own strategic checklist and best practices guides.

When questioned on the overall productivity of the workforce as employees work virtually, more than half of the respondents claimed somewhat concerned, 30% expressed very concerned while 10% claimed that they were not concerned.

Prior to the COVID-19 outbreak, more than 90% of the respondents claimed that they have less than 25% worked remotely on a regular basis.

Majority of the companies expressed that they were somewhat concerned on the reliability of their remote technology infrastructure. In ensuring the remote access availability works, more than 40% of the respondents had taken specific action to ensure outages are kept to a minimum; while 30% claimed that the management had installed extensive bandwidth testing. Approximately 30% of the rest of the respondents were not considering the remote technology infrastructure.

Conclusions

It is concluded that micro-SMEs are taking various opportunities in every crisis to work together for the good economy of its workforce, the business operation, and strategic plans for business sustainability. Despite all nations around the globe are facing similar complications, micro-SMEs are able to cope with immediate adjustments in the aspect of business sustainability such as managing and allocating resources, compensation issues and working implementation remotely from home. Micro-SMEs concerned over business sustainability and always act proactively and make timely decision towards the COVID-19 outbreak. The results of this paper offer insightful information for micro-SMEs readiness in identifying critical positions, arranging crisis management, and

making decision during the crisis. These findings highlight the need for further research to determine the post-pandemic activity and recovery plan of micro-SMEs to react towards the COVID-19.

Competing Interest Statement

All authors have read and approved the manuscript and take full responsibility for its contents. The authors have declared that no competing interest exists.

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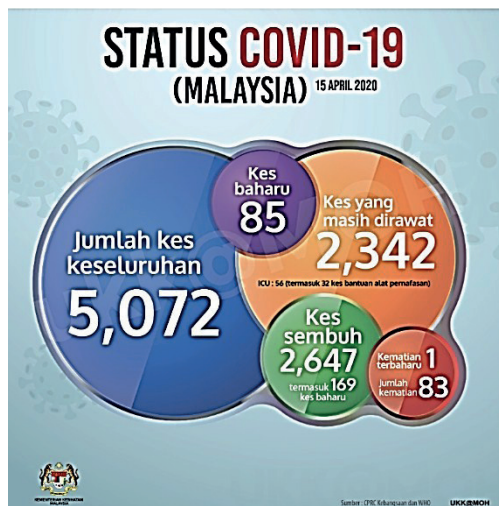
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