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Adaptive Strategies of MSMEs in Transforming Challenges Into Opportunities During the COVID-19 Pandemic Era

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Abstract

The world has been grappling with the waves of the COVID-19 pandemic since 2020, and to this day, no accurate prediction has been made regarding its end. Indonesia is no exception, with uncertainty still looming over the resolution of this global crisis. However, recent data indicate a general decline in cases, including infection rates and mortality due to COVID-19. The pandemic has had a profound impact across all aspects of life, including politics, economics, society, education, and national security. This unprecedented humanitarian disaster was unforeseen by anyone. Economically, the pandemic has caused significant disruptions, affecting both state revenues and individual incomes, particularly for those in the private sector. Large-scale and small-scale businesses alike have experienced drastic declines in earnings, a situation unparalleled in prior times. Consequently, many companies, regardless of size, have been compelled to downsize their workforce or enforce layoffs, leading to an inevitable rise in unemployment rates within society. The economic ramifications of this pandemic highlight the urgent need for adaptive strategies to address these challenges

Keywords: COVID-19 Pandemic, Economic Impact, Unemployment, Business Decline, Adaptive Strategies

INTRODUCTION

Since 2020, countries around the world have been grappling with the waves of the COVID-19 pandemic, and there is still no clear prediction of when it will end. Indonesia, like many other nations, is no exception to this uncertainty (Clemens & Veuger, 2020). Although current data show a general decline in both the number of cases and mortality rates due to COVID-19, the impact of the pandemic has been significant across various aspects of life, including politics, economics, social issues, education, and national security. COVID-19 has created an unprecedented humanitarian crisis (Abidin et al., 2021). Economically, the pandemic has had a profound impact on state revenues and the incomes of individuals, particularly those working in the private sector. Both large and small businesses have experienced a dramatic decline in revenue, a situation not seen in previous times. Consequently, many companies have been forced to downsize their workforce or even lay off employees, resulting in a sharp increase in unemployment rates within society.

In the education sector, the pandemic forced a shift from face-to-face classroom learning to online learning through digital platforms such as Zoom. This shift posed significant challenges, especially in terms of transferring values and attitudes, which are difficult to convey effectively without face-to-face interaction between teachers and students (Aguayo et al., 2019). In this uncertain environment, planned efforts from the government, society, families, and individuals are needed to adapt to this abnormal situation and ensure survival (Abidin et al., 2021). The government and society have taken various preventive and treatment measures to curb the spread and impact of COVID-19, although controlling the pandemic has not yet been fully achieved.

The pandemic has also affected events involving large gatherings at local, national, and international levels, including the cancellation of the 2021 Hajj pilgrimage to prevent the spread of COVID-19 in countries sending pilgrims to Saudi Arabia. The economic sector has been one of the most severely impacted by the spread of COVID-19 (Anita et al., 2022). The effects have been felt not just by individuals and communities but also by the national economy. A significant portion of the national budget in 2020 was allocated to addressing the pandemic, which had claimed the lives of over 4.35 million people worldwide, according to WHO data published on August 17, 2021. In Indonesia, over 3.8 million people had been infected with COVID-19, and more than 10,492 had died.

The economic sector, particularly entrepreneurship, has been one of the most severely affected. Many businesses have had to downsize or even shut down due to their inability to pay employees' salaries. According to BPJS data up to July 2021, 1.1 million workers were furloughed, 380,000 were laid off, and 630,000 informal sector workers were impacted by the pandemic (Behera et al., 2022). However, the entrepreneurial sector is seen as a potential driver for revitalizing the national economy (Abduvaliev & Bustillo, 2020). By stimulating this sector, economic activities can gradually recover, ultimately increasing the income of workers, whether in urban or rural areas. Therefore, it is essential to understand which sectors of entrepreneurship have been most affected by COVID-19, the adaptive strategies that can be employed to maintain business operations, and examples of businesses that have managed to grow and develop during the pandemic.

This study aims to analyze the impact of the COVID-19 pandemic on the entrepreneurial sector. Identify adaptive strategies that entrepreneurs can implement to survive during the pandemic. Examine case studies of businesses that have managed to grow and thrive despite the pandemic.

METHODS

This study employs a qualitative research approach to gain a comprehensive understanding of the impact of the COVID-19 pandemic on the entrepreneurial sector and to identify the adaptive strategies that businesses have utilized to survive and thrive during this period. Data collection will involve multiple methods to ensure a thorough examination of the subject. Semi-structured interviews will be conducted with entrepreneurs, business owners, and experts in small and medium-sized enterprises (SMEs) (Coffie et al., 2023). These interviews will facilitate in-depth discussions regarding how businesses were affected by the pandemic, the strategies they adopted to maintain operations, and the challenges they faced.

To complement the individual interviews, focus group discussions (FGDs) will be organized with small groups of entrepreneurs from different sectors. These discussions will provide collective insights into the shared experiences of businesses and highlight common themes and variations in adaptive strategies. Additionally, secondary data will be gathered through document analysis, including government reports, industry publications, and relevant news articles, to provide a broader context and support the primary data findings.

RESULTS

Several Entrepreneurial Sectors That Were Most Impacted by the Spread of the COVID-19 Virus

When examining the global condition of nations, it is evident that no nation can achieve prosperity and earn respect from others without economic progress. Economic advancement can only be reached if there is a strong entrepreneurial spirit among its people. A concrete example of this is China. Following the 2008 Olympics, which amazed the world, and the success of its astronauts venturing into space, China is now expected to play a significant role in helping address the global financial crisis. Without economic progress, these accomplishments would not have been possible for China. One of the main drivers of China's economic progress is the entrepreneurial spirit of its people, supported by strong government policies. According to Nkansah et al., (2024), one of the factors that contribute to a country's advancement is when the number of entrepreneurs makes up at least 2% of its population. Currently, the number of entrepreneurs in Indonesia is approximately 400,000, which is less than 1% of its population of around 200 million people. This is in stark contrast to the United States, where 11.5% of the population are entrepreneurs, and Singapore, where 7.2% of the population are engaged in entrepreneurship. As a result, it is no surprise that both of these countries are among the most economically advanced in the world.

The COVID-19 pandemic has now entered its second year in Indonesia, showing no signs of when it will end and has impacted various sectors significantly. The hospitality industry has faced severe consequences, with many hotels forced to shut down due to low occupancy rates and a lack of guests. As of early April, the Ministry of Tourism and Creative Economy reported that 1,500 hotels across the country had temporarily closed (Battour et al., 2021). Similarly, the currency exchange industry has been negatively affected as restrictions on international travel have reduced the need for money-changing services. Fitness centers, too, have struggled as indoor activities and shared equipment pose a significant risk of virus transmission. Many fitness studios and gyms have closed their doors, and some have adapted by offering online fitness classes.

The film and TV production industry has also faced challenges, with many productions halted due to the risk of spreading the virus. Airlines have been severely impacted as well, with operational restrictions making it difficult for many to survive, especially since passenger transport is their main source of income. Travel agencies have also been affected due to limited flight schedules, resulting in a significant drop in bookings and hesitance among people to travel. Barbershops and hair salons have experienced a decline in customers as government recommendations to stay home have discouraged people from leaving their houses, further affecting businesses in this sector.

The real estate market has seen a downturn, driven by reduced household incomes, making people hesitant to purchase properties. Wedding organizers have faced disruptions due to social distancing measures, leading many to postpone wedding receptions and opt for simpler ceremonies without the need for elaborate planning. Lastly, micro, small, and medium enterprises (MSMEs) have also been heavily impacted by the pandemic (Iqbal et al., 2021). Approximately 87.5% of all businesses operating in Indonesia have experienced challenges, with 93.2% of them facing negative sales impacts. However, some positive reports have emerged: 12.5% of respondents reported no economic effects from the pandemic, and 27.6% reported an increase in sales. Among the six main sectors of MSMEs, only the agricultural sector saw growth at 16.7% in December 2020, while the processing industry grew by 1.5%, construction declined by 17.9%, trade dropped by 3.2%, real estate rose by 13%, and community services increased by 2%.

Survival Strategies for Businesses in the Era of the COVID-19 Pandemic

To continue surviving and remaining viable during the COVID-19 pandemic, businesses and SMEs need to adopt strategic approaches to generate revenue and avoid employee layoffs. The following strategies have proven effective in times like these, it is crucial to think outside the box when identifying business opportunities. Running a business in the same way as before, without adapting to current market conditions, can be detrimental. To find ideas, consider how the COVID-19 pandemic has affected consumers, the challenges it has posed, and the solutions to those challenges. In summary, understand consumer issues and create practical and creative solutions (Antoniadis et al., 2019). Consumer shopping behavior in Indonesia has changed significantly during the COVID-19 pandemic (Amoroso & Chen, 2017). As consumers have been spending less time outside the home, shopping activities have shifted to online platforms. Consumers now seek quality products that maintain cleanliness and safety without leaving their homes. Consequently, sales have shifted from physical stores to online and e-commerce platforms.

During vulnerable times, marketing and communication efforts play a critical role in maintaining business stability. In response to the COVID-19 pandemic, businesses should communicate the measures taken for the safety of consumers and the community during the crisis. Strategies such as offering delivery services and using e-commerce platforms aim to ensure consumer safety during shopping. Businesses should clearly convey their commitment to consumer safety and health. The challenging period caused by the COVID-19 pandemic will eventually come to an end, but its timeline remains uncertain. Rather than waiting in uncertainty, it is advisable to prepare a plan for the upcoming months that accounts for scenarios where the pandemic still affects your business.

The holy month of Ramadan, which occurs once a year for a full month, presents a unique business opportunity. By analyzing consumer shopping trends during Ramadan in previous years, businesses can see this period as a chance to achieve higher profits. Ramadan can be a crucial time for your business, offering an opportunity for growth amidst the pandemic. Innovation is necessary to identify key problems, specifications, and unique aspects during and after the pandemic, as well as the ways to address these challenges and deliver unique services. Developing new and improved solutions is essential during these times. Creating a compelling story that explains why a product exists helps consumers understand its relevance and need within society (Leckel et al., 2020). In simple terms, brand storytelling is an effective form of promotion that positions the product as a valuable presence in the market.

Every business has its strengths and weaknesses. Businesses are designed to have a competitive edge over others by leveraging their unique strengths, which ultimately helps them thrive in the market. Strategic collaborations with service providers or delivery services (using contact numbers and official Instagram accounts, for example, like those of Bakoel Rujak) can strengthen your business's position. Acquiring new customers can be costly and is not as simple as turning your hand. Therefore, maintaining relationships with existing customers is vital. Efforts to do this can include providing helpful tips and sending greetings for religious holidays that are celebrated by customers. While this may seem minor, it can have a significant impact on customers, making them feel valued and attended to.

DISCUSSION

During the COVID-19 pandemic, most business sectors and SMEs faced significant challenges, primarily characterized by a drastic decline in revenue and the looming prospect of workforce downsizing, with the worst-case scenario being layoffs. However, some business units managed to grow and develop during the pandemic (Ramadhanti & Slamet, 2020). The following section presents a brief profile of such a business unit, providing insights for similar ventures on how to remain viable and contribute positively to society. This business began in early March 2020, coinciding with the official announcement of the pandemic in Indonesia. Initially, the owner operated a women's clothing boutique located in Karebose Link (Karlink), Pasar Butung, and Yeza Malika (Urip Sumoharjo Street, Makassar). Over time, as the pandemic progressed, there was a drastic decline in public demand for clothing, leading to the closure of the boutique.

To meet daily needs, an idea emerged to pivot towards a business more suited to the current climate in Makassar, where crowd restrictions and movement limitations were enforced. The decision was made to develop a food service business, which is widely popular. The business was launched online, initially facing some difficulties (Coffie et al., 2023). However, due to perseverance, patience, hard work, dedication, and creativity in offering a menu that was unique to Makassar (fruit salad with seven types of spices), the venture began to thrive. The business philosophy was simple yet impactful: "During a pandemic, people's movements are restricted, but the need for food and snacks cannot be limited." The added value of this home-based industry is its partnership with local fruit farmers, collaboration with an online delivery service, and the employment of several staff members.

CONCLUSION

The outbreak of the COVID-19 pandemic did not mean the end of the economic sector, which is a vital aspect of life that allows individuals, families, communities, nations, and countries to sustain their livelihoods. While some businesses thrived in the pre-pandemic era, others, particularly SMEs, struggled to survive during the disruptions of the pandemic. However, there were business units that managed to withstand and even increase their revenue during the COVID-19 pandemic by implementing effective strategies and introducing innovative approaches. Creative entrepreneurs transformed the pandemic into an opportunity to tap into local potential and expand their market reach to national and even global levels. For instance, by offering a selection of seven different types of chili sauces, a business in Makassar effectively addressed consumer preferences, allowing buyers to choose according to their tastes. This strategy proved to be an effective approach to stay competitive in the tight culinary market of Makassar. The key takeaway from this case is: "Creative individuals turn challenges into opportunities." This highlights the hope of achieving the goal where two percent (2%) of Indonesia's population engages in entrepreneurial ventures—a benchmark of national progress and development.

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