Strategic Agility or Resilience: What Should SMES Focus on During the Crisis?

Abstract. The article provides an outline for the utilization of strategic agility and resilience practices as part of the crisis management in small and medium enterprises (SMEs). The nature of strategic agility and organizational resilience are analysed from the comparative perspective. The importance of strategic agility and entrepreneurial resilience as the reaction to crisis are considered and evaluated. It was found that both aspects are highly crucial for successful overcoming of the crisis situation, with each of the case should be considered individually.

Keywords: strategic agility, resilience, SMEs, comparative analysis

Introduction

For many decades businesses have focused on improving material and information flow and efficiency in different departments, recognizing the importance of competitive advantages based on time in the dynamic business environment. Success stories from various companies seem to confirm that speeding-up operations can be a competitive advantage. Although operational
performance and speed have been improved, companies are struggling because they are unable to address unforeseen challenges and environmental challenges. As a result, companies should focus not only on increasing speed, but also on increasing agility, resilience and adaptability (Shin et al. 2015). Research on the strategic agility and resilience of firms is high topicality in today’s management literature. The fast development of new digital technologies has led to a situation in which firms are forced to continuously improve the efficiency of their existing business model and simultaneously develop radical new solutions and business models to cope with the potential threats of new market entrants (Clauss et al., 2020).

Numerous academics define the concept of resilience - a company's ability to protect organizations from circumstances that threaten their lives, absorb, react and recover from situations, such as the global competition, the advance in technology, the increasingly demanding customer requirements, natural disasters & etc. The latest global recession is compared with a shocking event because of its intensity and durability, in which resilience begins to characterise not only the ability of the business to survive, but also to "maintain in more or less its pre-event structure and functions" event” (Alberti, Ferrario and Pizzurno 2018).

In business context, agility is a new breed of term where the contextual usage varies depending on the domain of research. The research on agility in a broad sense can be divided into two categories. According to one perspective, agility is an externally focused basic ability that allows a company to quickly adjust its processes to deal with market fluctuations and unexpected changes in customer requirements. Another is that agility is not a separate ability, but rather an effective strategy, framework, system, or management practice based on multidimensional functionality. An agile organization should be not only adaptable in its operational activities, and moreover quick to modify its strategy in order to respond effectively and flexibly to the changing environment (Shin et al. 2015).

This study examined how small and medium-sized businesses prioritize strategic agility and resilience in times of crisis. These effects have previously been studied separately, but little research has been done on small and medium-sized businesses. Most of the research was carried out in MNEs and in non-crisis conditions.
SMEs

Apart from a generation, recent months have seen the rising trend of the global crisis. The COVID 19 epidemic has led to widespread disease, death, and dramatic decline in the global economy in just a few months. Organizations traditionally start preparing for crises ranging from daily disturbances to "hard- to foreseeable, disruptive and potentially unfavorable events" Although organizations confront a range of crisis scenarios, rare occurrences of "black swan" are truly transcending corporate strategy or prototypes of resilience (i.e. unpredictable, rare events with a catastrophic impact). It can be asserted that the COVID-19 pandemic is such, since (Thorgren and Williams 2020):

1. its repercussions are largely unknown (Thorgren and Williams 2020);
2. the crises continue to stay endless insight; and (Thorgren and Williams 2020)
3. the effects on human health and economic welfare are increasingly devastating, with a forecast global economic contraction of at least 2% (Thorgren and Williams 2020).

SMEs are the most vulnerable to the COVID-19 crisis, despite their significant role, because of their relatively vulnerable economic condition which has led to the launch of an unprecedented range of government programs, such as financial support, contingency approach, and payment delays (Thorgren and Williams 2020).

Huge corporate companies have long dominated international business (MNEs). But as many as 90 percent of all companies comprising small and medium-sized enterprises (SMEs). Many SMEs have spread to several international markets, with many earning halves or more of total foreign revenues. At least one-third of global goods trade is accounted for by SMEs. The growing role of international small and medium-sized businesses is reflected in the increase of 'entrepreneurship.' Study is however underdeveloped and fragmented on SME internationalization. Different literatures investigate the condition of international business research and exporting small businesses systematically. Usually, previous research has produced mixed perspectives, which show that more compelling quantitative studies are required. Exporting SMEs face foreign, small and innovative liabilities. Due to these
liabilities, when expanding abroad, SMEs need to develop and use appropriate strategies and guidelines to support performance. In contrast to changes in liabilities facing small and medium-sized exports, globalization is linked with increased competitive levels overall. This applies to competitive industries in developed economies and in developing markets, which hurry to see numerous new possibilities in the quickly growing middle class, with numerous MNE's and smaller companies. The market is packed with domestic and international competitors, for example, the new worldwide challenger companies from emerging economies (Knight, Moen and Madsen 2020).

Small companies need a high degree of stress, threats, and uncertainty to be able to withstand and react in a changing ecosystem. SMEs must have certain characteristics and capabilities that provide them with security, stability, and a perceived standing on changing sand to be able to resist, react and recover if everything 'wobbles' around the company. Resilience is increased in harsh situations when the small and medium-sized enterprises have been effectively exploring and/or using, relying on their past success in investing in risky, long-term return projects or improving efficiency by well-established methods. Therefore, resilience is made possible by strategic coherence as it increases the risk of reliability through the development of a sense of continuity during adverse situations. The coherent allocation of exploration and/or exploitation resources in small and medium-sized enterprises will provide direction and stability (Iborra, Safón and Dolz 2020).

At least partly it depends on the size of the business and how to handle these unforeseen changes. By anticipating and avoiding and preparing to reduce their vulnerabilities, large companies can deal with unexpected changes. MNEs usually use their greater financial resources to recreate their structures, expand their supply chains, boost their coverage for insurance, or use it for experiments. SMEs may have more difficulty in anticipating resource shortages, and they usually have smaller management procedures when planning, so that other resources can resist and cope with disruptions (Iborra, Safón, and Dolz 2020).

To deal properly with adversity, SMEs working in intensely disadvantaged conditions need to develop various options. Small businesses also focused on
improving product quality while medium-sized companies focused on technological advances and extroversion. In different conditions, SMEs should look at strategic agility and resilience to survive in a competitive market. Nowadays, it is harder to survive for SMEs but a different economic downturn creates more challenges for companies and they should take action to continue to work in the market (Kottika et al. 2020).

**Strategic agility**

The academic community for strategy and management has received a lot of attention on strategic agility issues. The concept of strategic agility, which was invented by Doz and Kosonen in 2008, is supported by many researchers in the field of strategic agility (Xing et al. 2020). The most common assumption regarding strategic agility is that large, well-established operating companies can evolve and produce new products. Strategic agility allows firms to respond to external uncertainty and turbulence by seeking to seize new opportunities. In the face of overwhelming change and instability, strategic agility has practical consequences for organizational renewal and innovation. On the other hand, current awareness of strategic agility is largely focused on research from large, leading organizations such as multinational enterprises (MNEs), with little attention paid to entrepreneurial firms and new projects (Xing et al. 2020).

Strategic agility has been studied in a variety of contexts and literature sources. For example, a study in the hospitality industry has shown that strategic sensitivity is influenced by both internal and external factors, making joint ventures especially important in ensuring agility. Strategic agility can also promote local business model innovation in an international context through leveraging specialized IT skills, identifying entrepreneurial opportunities, and designing customized goods. Furthermore, strategic agility encourages cooperation both within and amongst businesses (Demir et al. 2021).

Interestingly, strategic agility has been identified as a firm-level framework for acquiring opportunities in foreign industries as well as an organizational potential for making effective path decision making. Strategic agility in international business is dependent on the adoption of cultural values, the implementation of global
interdependencies across the company's global network, organizational sensitivity to custom design and adjustments, leadership unity across the ranks, and resource fluidity to react to diverse needs. Strategic agility necessitates not only adaptability but also flexibility, which can be attained through strategic and creative attitudes as well as proactive attitudes. Furthermore, organizational agility based on individual creativity or flexible work arrangements can greatly enhance the business's competitive advantage of quickly responding to customer needs. Strategic agility, when combined with efficiency, allows enterprises to be sensitive to external stimulation rather than creating value, as implied by the global integration argument (Demir et al. 2021).

Overall, strategic agility is essential for a company's global recognition because it enables them to adapt quickly to changes in their markets. Strategic agility allows businesses to adapt their resource configurations, systems, and tactics in response to changes in their markets. In other words, being agile necessitates the ability to coordinate resources and be continuously sensitive to various changes. Despite the value of strategic resilience in various organizational disciplines, a lot of researchers have only focused primarily on additional drivers, external contingencies, and internal contingencies that mediate its impacts, such as environmental uncertainty and the global business environment (Demir et al. 2021).

Strategic agility leads to managerial actions requiring coordinated guidance and meaning for organizations. Organizations may use a strategic aim and horizontal alignment processes to coordinate activities around a common goal. Surprisingly, these critical organizational contingencies have received little publicity in the sense of foreign business agility. Furthermore, despite the value of agility for firm-level operations, firms' international success is largely determined by pace. Whereas prior studies investigated organizational agility as an intermediary, among other things, in the connection between business intelligence and speed as a result, we argue that the two results are separate but interrelated abilities that contribute to global recognition (Demir et al. 2021).

Resilience

Numerous studies found that SMEs are the most vulnerable and least able of
all organizations in times of crisis. SMEs are more responsive to financial fluctuations and cash fluctuations, the regulations, and technology changes and shifting consumer demands, as well as even economic instability compared to large organizations. Small and medium-sized enterprises, though, have some benefits over large companies because they are flexible and customer-friendly (Pal 2021).

The phrase 'resilience' is derived from the Latin term resilients, meaning the action of rebounding, jumping, or rebound. It was first invented and later used extensively in scientific research. The capacity of individuals to recover from adversity or trauma is called psychological factors. Resilience is also a famous area of interest in management research. The greatest part of management resilience research at the individual analysis level comes from positive psychology and that research on organizational resilience at the strategic analysis level is rare and expensive in comparison (Iborra, Safón, and Dolz 2020).

Organizational resilience – a term introduced in 1982 by Meyer – may be classified as the success of companies with their capability, behavior, and attitude in predicting, dealing with, and recovering from financial burden. For its significance, researchers have tried to explore particular discrete elements, including the resource-sack role to prevent and anticipate incidents and human resource practices, and environmental and social methods, such as resources, organizational structures, practices, or systems to promote resilience in companies. Resilience can, even so, necessitate certain capacities to manage the resulting tensions (Iborra, Safón and Dolz 2020).

Researchers have emphasized these tensions, but they continue today since resilience involves such things as experimentation, reaction, modification, flexibility, and also those things that are obtained by conditions such as reliability, continuity, safety, stability, or adaptation. Some researchers believe that firms should focus on precedents that increase the performance of threatening disorders through their routines, their consistency, and their supervision to achieve stability. In turn, other researchers would like to emphasize the importance of experimentation in the field of adaptability and flexibility by innovation and diversity. Thus, to deal with this gap and react to this controversy, we suggest that
resilience in small and medium-sized enterprises may require certain skills that allow flexibility in dealing and adjusting, and robustness to remain safe and stable under trouble (Iborra, Safón and Dolz 2020).

Conclusion

To sum up, SMEs are the most vulnerable and least able to survive during the economic downturn. Considering that SMEs are 90% of all businesses in the world and they play an important role in the economy. As well as MNEs, SMEs create different strategies to stay in the business environment and deal with the economic downturn, competitors, new companies, etc. While not all SMEs can deal with difficulties. Numerous researchers in the field of management propose the concept of strategic agility and resilience as a competitive advantage. Even, from my point of view, SMEs should consider this option as an opportunity to stay in the business during the crisis, but also improve this concept and adapt it for their businesses. SMEs can perform better and survive, but they should focus on long-term strategy and create individual strategic agility and resilience concepts. From the academic side, there were a few studies of strategic agility on SMEs. A lot of research was done on the case of MNEs. As a future research direction, scholars can focus on the SME sector and analyze its strategic agility and resilience strategy during the time of crisis. All in all, it depends on the situation, but SMEs can focus on two concepts: strategic agility and resilience to get a competitive advantage and survive during the crisis.

References:


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