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SMES' BUSINESS RESILIENCE: A THEORETICAL REVIEW

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Abstract:
The business resilience of a firm shows its ability to cope with turbulence that may arise in the internal or external environment where the firm operates. Small and medium-sized enterprises (SMEs) represent the most numerous and important sector of enterprises, fulfilling multiple economic and social functions. This paper focuses mainly on the theoretical review of the concept of SME business resilience and the factors influencing this SME resilience, especially in the post-Covid-19 period, as well as on the analysis of the role and importance in general of SMEs in the global economy, especially in Europe. It is important to note that the existence of SMEs that have still managed to survive the post-pandemic crisis has attracted the attention of researchers in terms of their resilience, but also the factors that influence it.

Key words: SMEs, business resilience, factors, Covid-19

JEL classification: M10, M14

1. INTRODUCTION

To date, there is no consensus on the use of a single definition of the resilience phenomenon (Braga, 2020). "Resilience can be defined, in simple terms, as the ability of a system to cope with shocks and maintain its functioning in a similar way; it reflects how much a society, business or ecosystem can withstand changes before reaching a critical point that leads to an irreversible transformation to a new state of equilibrium" (Walker, 2020). Resilience is the ability to successfully adapt to stress and adversity (Wu et al., 2013) Resilience has become a fairly well-known term in different fields and has been used in response to potential dangers that would challenge the ability of individuals, institutions, countries to cope with them. (Dumitraşcu, 2020). Resilience is a notion that reflects the (universal) ability of an individual or a system to develop and thrive in adverse conditions; also, resilience is a notion that reflects people's ability to recover from trauma, thus making them even stronger (Nelly, 2017). The concept of resilience has applicability in many fields and can be approached alongside the concepts of trauma and traumatism in the procedures for analyzing and remedying traumatic and conflict situations (Braga, 2020).

Academic research on resilience began around 1960 with pioneering studies by Norman Garmezy, who, after studying the fact that children with schizophrenic parents were not affected by psychological illnesses even though they grew up with them, concluded that a certain quality of resilience played a central role in mental health (Coutu, 2002). On the other hand, the term resilience is also used in economics, business, engineering, and ecosystems (Morisse & Prigge, 2017).

"Resilience is an increasingly used term and it represents the ability of a system to absorb various disturbances and to maintain its basic functions and structure despite these disturbances" (Goudenhooft, 2024). Resilience for both physical and social systems can be defined as consisting of the properties illustrated in figure no. 1.

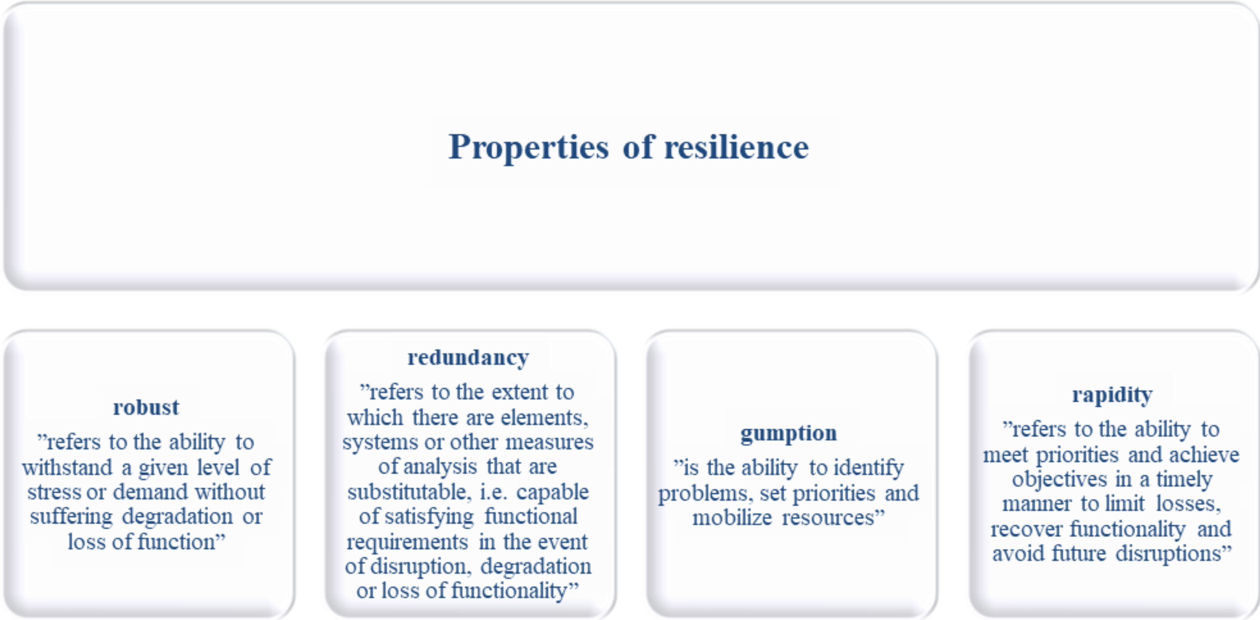

Figure no. 1. Properties of resilience
Source: Adaptation after Bruneau & Reinhorn (2006)

In today’s business environment, resilience is a top priority for organizational leaders and is considered a key driver of success between 2020 and 2030; as the business environment becomes increasingly volatile and unpredictable, companies that deliberately develop the ability to manage uncertainty and ambiguity—that is, resilience—are best positioned to thrive (Close et al., 2020). The process of business resilience involves two major strands:

1. Absorptive capacity, which is based on elements such as redundancy, robustness, and agility—essential competencies for dealing with initial shocks;
2. Adaptive capacity, which includes resourcefulness, adaptability, and flexibility—skills that allow organizations to reinvent themselves and respond effectively to change (Corrales-Estrada et al., 2021).

Perceptions of resilience from the perspective of business owners/managers:

“*Resilience, to me, is what happens when things go wrong or what happens when the unexpected happens and how well you are able to cope with it. So it’s planning for emergencies and putting resources or a back-up in place in case of the unexpected.*

Resilience to me is supporting people who have been in a crisis position to restore them and become resilient to what is happening around them.”
(Adekola & Clelland, 2020, p. 4)

2. A SHORT OVERVIEW ABOUT SMES’ ROLE IN WORLD ECONOMY, ESPECIALLY IN EUROPE

Small and very small enterprises still play an important role in the economy (Alberti et al., 2018). SMEs operate in many markets such as urban, rural, local, regional, national and international; small and medium-sized enterprises bring hope and great essence to the development of all economies (Akbar et al., 2017). Small and medium-sized enterprises (SMEs) are indispensable in the global economy, acting as engines of growth, innovation and job creation (Anjorin et al., 2024).

The economic, cultural and social differences between countries are reflected in both the definition and classification of SMEs, and over the years, each country has had different approaches when it comes to the notion of small and medium-sized enterprises (Robu, 2013). There are typologies based on the number of employees, the turnover achieved or the industrial branch of the company. In Europe, the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises that employ fewer than 250 people and that have an annual turnover not exceeding 50 million euros and/or an annual balance sheet total not exceeding 43 million euros (see OfficialJournaloftheEuropeanUnion).

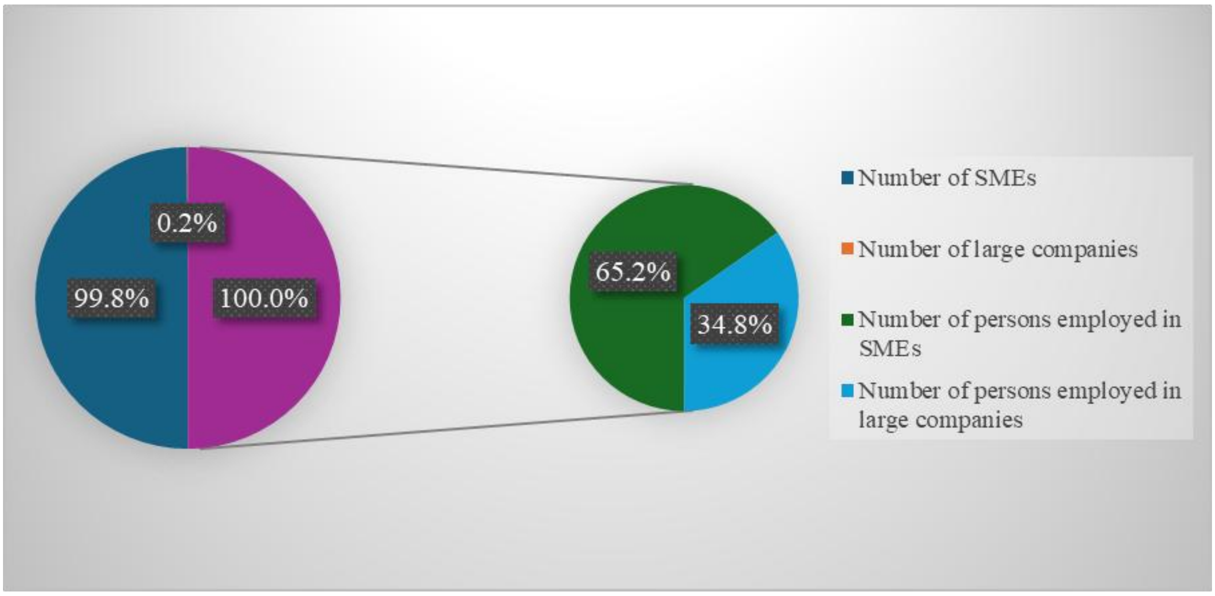

Figure no. 2. Economic structure of enterprises in EU, 2023
Source: processing of authors based on data from Annual report on European SMEs
(see AnnualreportonEuropeanSMEs)

According to the European annual report, SMEs in 2023 numbered 25,807,736 (99.8% of all enterprises – see figure no. 2), and large companies were 4,342 (0.2% of all enterprises – see figure no. 2). Regarding the people employed in SMEs in Europe in 2023, they were 88,730,412 (65.2% – see figure no. 2), and people employed in large companies were 47,355,823 (34.8% – see figure no. 2). Not only in Europe, but in all countries in the world, SMEs play a vital role in the manufacturing sectors, job creation, poverty reduction, innovation and economic growth (Naradda et al., 2020).

3. SMES' BUSINESS RESILIENCE

Defining resilience in an SME context

In the literature, the resilience of small and medium-sized enterprises (SMEs) is frequently associated with their ability to adapt, survive, reduce their vulnerabilities, recover quickly, as well as with durability, sustainability, performance improvement, prompt reaction to changes and the development of new skills and opportunities in a difficult context. In Table 1, a set of definitions of resilience in the context of SMEs can be observed.

Table no. 1. Resilience definitions in SMEs context

The years in which the definition was given	SME resilience is defined as
2003-2023	The resilience of a business or organization is its ability to absorb, manage, and respond effectively to shocks and disruptions — whether economic, political, legal, technological, natural, or social — while continuing to operate and maintain performance over time. This involves not only surviving disruptive events, but also continuous adaptation, strategic transformation, and capitalizing on emerging opportunities, even in hostile or unstable conditions.

The years in which the definition was given	SME resilience is defined as
	Resilience encompasses: • the ability to quickly identify problems, set priorities, and mobilize adequate resources to prevent functional degradation; • managerial responsiveness and ingenuity, essential in reinventing the organization and building robust, context-specific strategies; • persistence and flexibility in the face of sudden or major changes in the business environment; • income sustainability and the integration of a sense of social responsibility, including in areas such as female entrepreneurship, despite cultural or systemic barriers; • the ability to continuously rebuild, innovate and adapt business models to dynamic market realities; • the balance between vulnerability and operational capacity, to maintain long-term competitiveness; • proactive and strategic response to constantly changing risks, to ensure the stability and evolution of the company even in crisis contexts (economic, political, natural or institutional). • essentially, a resilient organization not only survives and functions in the face of adversity, but is able to flourish, innovate and maintain its relevance in an uncertain and volatile global environment.

Source: Adaptation based on specialized literature (Saad et al., 2021; Kotsios, 2023; Herbane, 2019; Sullivan-Taylor & Branicki, 2011).

It is important to note that “the term resilience comes from the Latin resiliens or resilio, which means to jump, to bounce (back), to return or recoil. Although it seems ambiguous, the original word captures very well the essence of the concept – the idea of coming back, of recovery. Although there is no universally accepted definition of the term, as it takes different forms depending on the field, this essential characteristic (*return*) is preserved in the vast majority, if not all definitions. At the individual level, studies in the field of resilience are over half a century old, but the concept has received particular attention, especially in the last 20 years” (Ceacîr, 2021).

Resilience has a significant positive impact on business sustainability within SMEs; as the level of resilience increases, so does the business's ability to remain sustainable over time. (Prastian et al., 2022). ”Business resilience and continuity planning is the creation of processes and systems to ensure that a company or business can continue operations after a crisis scenario, by creating a business resilience plan, it can help to examine a range of disaster scenarios for potential points of failure, focusing on the details of recovery plans, potential mitigations and alternatives, with interest in analyzing for precautionary opportunities and preventive measures” (Benabed, 2023).

Review of factors influencing SMEs resilience, especially in the Covid-19 pandemic

The Covid-19 pandemic has had a profound impact on all sectors of the economy, including the micro, small and medium-sized enterprises (SMEs). Social restrictions imposed to limit the spread of the virus have significantly reduced the ability of SMEs to cope with disruptions, highlighting their vulnerability (Hadi, 2020). The health crisis has negatively impacted SMEs in both developed and developing economies (Aldianto et al., 2021). These enterprises, often less capitalized and with limited resources, have proven to be particularly exposed to economic crises, and over 50% of SMEs globally have experienced recession during the pandemic (International

Trade Center, 2020). Among the biggest challenges SMEs faced were: imbalances between demand and supply, lack of financial resources to cover current needs, mobility and border restrictions, lack of staff, extreme weather conditions, difficulties in communicating with existing and potential customers, as well as the pressure to quickly adopt digital solutions and IT infrastructure (Brown et al., 2022).However, despite the severe and prolonged impact on profitability and sustainability, some SMEs have demonstrated a remarkable capacity for post-pandemic survival. This resilience has attracted the attention of researchers, who have begun to investigate its determinants (Lestari et al., 2024).

Several studies have identified key determinants of resilience during the pandemic. For example, Lestari et al. (2024) highlighted that compliance costs and government support contribute positively to strengthening the resilience of SMEs. Technology adoption was also found to be a key factor in increasing adaptive capacity, while knowledge and financial resources did not have a significant impact on resilience in the studies analyzed. Patuelli et al. (2022) added a series of complementary factors, including: geographical proximity to suppliers, mutual trust in business relationships, sectoral resilience characteristics, positive product perception, work digitization, optimization of customer and supplier relationships, implemented safety measures, flexible decision-making structures, organizational adaptability, continuous learning of digital skills, and strategic optimism in the face of uncertainty. In another study, Hidayat et al. (2020) showed that entrepreneurial personality and government support have a direct effect on the resilience of SMEs. Unlike other research, this study concluded that the use of technology does not have a significant impact. The results highlight that, in the uncertain context of the pandemic, the personal resilience and entrepreneurial spirit of business leaders have become determining factors in the ability to respond to challenges and keep the business functional.

Therefore, the resilience of SMEs in the face of the Covid-19 crisis was influenced by a combination of structural, human and technological factors. From institutional support and digital adaptation, to entrepreneurial attitude and internal reorganization capacity, all have contributed essentially to the survival and, in some cases, even the development of these enterprises in times of crisis.

4. CONCLUSIONS

In conclusion, resilience is the ability to manage periods of crisis and to return to "business as usual" as quickly as possible after the crisis. Developing and maintaining resilience should be the goal of any company, not just SMEs. This paper chose to debate the topic of resilience for SMEs because SMEs represent a very important category within the economy of each country. The presence of SMEs in Europe in 2023 in the number of 25,807,736 (99.8% of all enterprises) highlights the essentiality and key role in the economy of this type of sector that is so numerous. SME resilience is often described in the specialized literature by company adaptation, company survival, minimizing vulnerability, rapid recovery, durability, sustainability, increased performance, responsiveness and development of new capabilities and opportunities in a challenging environment. Regarding the factors influencing the resilience of SMEs, recent studies have focused on capturing the factors that stimulated the survival and proper functioning of SMEs during the Covid-19 period, thus specifically analyzing SMEs with strong resilience and that have remarkable results in the post-Covid-19 period. Among these factors that influenced the resilience of SMEs are: compliance costs, government support, technology adoption, a flexible approach to unprecedented problems, continuous learning of digital skills, entrepreneurial personality, etc.

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