



## The Resilience of Micro and Small-Scale Entrepreneurs

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### Abstract

Entrepreneurs often face significant work challenges, such as financial issues, managing team members, external shocks, and rapidly changing business trends. Therefore, it is not surprising that resilience as a concept is needed by entrepreneurs in order to ensure the sustainability of their businesses. The purpose of this study is to describe the level of resilience among entrepreneurs, particularly in small and micro enterprises. A total of 143 entrepreneurs in the Jabodetabek area were part of the study, of which 83 were entrepreneurs in the culinary sector, and 60 were entrepreneurs in other sectors. Measuring Entrepreneurial Resilience uses an adapted Connor Davidson Resilience Scale (CD-RISC) version. Based on the analysis, the majority of those participating were found to exhibit moderate resilience. Higher levels of resilience were found among entrepreneurs with longer tenure. This study may have implications for further research and interventions that are effective in improving entrepreneurial resilience.

**Keywords** *Entrepreneur, Micro, Small, Resilience*

### INTRODUCTION

Research on micro, small and medium enterprises (MSMEs) is on the rise due to their important role in economic growth in developing countries (Rani et al., 2019; Sánchez et al., 2018; Kahn et al., 2022). In Indonesia, MSMEs contribute 60.51% of the Gross Domestic Product (GDP) and absorb 96.9% of total employment. The share of the MSME sector in Indonesia is divided into micro enterprises (98.67%), small enterprises (1.22%), and medium enterprises (0.10%). Although micro and small enterprises dominate, their development is not as large as medium enterprises (satudata, 2019). According to the BPS survey (2021), compared to 2019 (5.80%) and 2018 (5.66%), the growth rate of micro and small enterprises was - 17.63%, which is significant. Therefore, it is important to focus on developing micro and small industries.

Entrepreneurs are an essential part of the success of any business enterprise. Entrepreneurs are in charge of the development and management of a business for profit. They must have a vision to turn ideas into enterprises, be innovative, be open to change, and be willing to face obstacles and reduce uncertainty (Chhatwani et al., 2022). In the aftermath of the COVID-19 pandemic, entrepreneurs still face many uncertainties. They are filled with many questions about what the future holds. Entrepreneurs continue to experience increased stress and worry about the health and sustainability of their businesses (Block et al., 2022). Although entrepreneurship is often portrayed as a profession that requires dedicated, passionate, and risk-taking individuals, they also face a range of negative emotional states, such as stress, fear, and anxiety, that negatively impact their level of well-being (Corner et al., 2017). Entrepreneurs may experience significant stress due to the challenges posed by the highly uncertain and multiple work demands they face (Rauch et al., 2018), the interconnected nature of their work and their personal lives (Patel et al., 2019), and the potential threat of entrepreneurial failure (Ucbasaran et al., 2013). This situation requires entrepreneurs to endure, cope with, and/or overcome significant and unique work-related challenges to maintain the business (Chadwick & Raver, 2020).

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Resilience is a core characteristic of entrepreneurs that drives their performance and allows them to sustain their operations during challenging times (Santoro et al., 2021). Resilience is important for individuals, organizations, and communities to cope with health challenges as well as economic and social changes (Liu et al., 2020). Korber and McNaughton (2018) found that entrepreneurial resilience can increase an individual's desire to start a new business or find solutions to improve an existing business. Resilience is defined as the ability to recover or rebound from adversity, conflict, failure, or even positive events (Luthans, 2002). From the perspective of the theory of ecology (Holling, 1973), resilience is the ability to maintain a state of equilibrium after a period of turbulence. The concept of resilience in entrepreneurship has also been widely researched in organizational and individual aspects. This research emphasizes resilience from an individual perspective as the ability to continue living a purposeful life after adversity (Tedeschi & Calhoun, 2004).

Based on the above description, it can be concluded that every entrepreneur faces critical situations and needs to be resilient to deal with them to keep the business running. The resilience possessed by entrepreneurs makes it possible for them to continue sustainably running a business or to start a new business (Branicki et al., 2017; Fatoki, 2018; Alshebabami & Murad., 2022). Entrepreneurs' resilience helps them find innovative solutions to cope with difficulties and makes them more optimistic about their business (Runst & Thomä., 2021; Schepers., 2021; Elshaer & Saad., 2021). This study aims to determine how resilient entrepreneurs are based on demographics. Previous research has identified several antecedents of entrepreneurial resilience, including personal and contextual factors. Personal factors include personality (Runst & Thomä., 2021), self-efficacy (Kogut & Mejri., 2021; Candelas & Franco., 2020), passion and emotions (Taifur et al., 2020; Branicki et al., 2017; Gibb et al., 2020). Contextual factors include perceived social support (Franco et al., 2022; Kogut & Mejri., 2021) and business competitors (Gibb et al., 2022).

## **LITERATURE REVIEW**

The term resilience has been defined in a variety of ways by researchers. Richardson (2002) describes resilience as coping with adversity, change, or opportunity through identifying, enhancing, and enriching protective factors. Bonanno (2004) defines resilience as maintaining psychological and physical stability when faced with potentially highly disruptive events. Tedeschi and Calhoun (2004) view resilience as the ability to move on or to continue to live a purposeful life in the aftermath of adversity. Resilience is also a dynamic process. It involves positive adaptation in significant adversity (Luthans et al., 2000).

Entrepreneurial resilience refers to the ability of an entrepreneur to withstand adversity and overcome it quickly (Seraj et al., 2022). Fatoki (2018) considers entrepreneurial resilience as the ability to achieve goals despite barriers, focus under pressure, recover from difficulty, manage uncomfortable emotions, cope with change, and manage stress. At the individual level, entrepreneurial resilience is understood as the psychological state of the entrepreneur and functions as an essential personal skill to mitigate the highly fragile dynamics of technology and society and achieve sustainability (Ahmad et al., 2019).

In particular, the resilience of the entrepreneurs in the micro and small business sector has also been found to have an impact on the resilience of the business towards sustainability. The dynamic and flexible characteristics of micro and small enterprises are considered to be better able to respond to environmental pressures compared to larger enterprises, which can more easily adapt and innovate to change (Portuguez & Gomes., 2021). However, several studies have found that micro and small enterprises are vulnerable to crises, whether natural, government financial, security, or health crises (Games & Sari., 2020; Enesi & Ibrahim., 2021; Alshebami, 2022). Therefore, business owners must have a strong resilience in dealing with crises.

Entrepreneurial resilience affects the sustainability of the business during and after the crisis (Rani et al., 2019; Sheraj et al., 2022; Elshaer & Saad, 2021; Fatoki, 2018), strengthens the intention and commitment to run the business (Alshebami, 2022), and inhibits the negative effects on entrepreneurial orientation (Leonelli et al., 2019). The existence of a role as the main actor in the business makes the resilience of small and micro entrepreneurs have an impact on the culture of learning and facilitating change in the business so that employees are better prepared to innovate (Runst & Thomä., 2021). In small and micro enterprises, the entrepreneur plays a very important role. The entrepreneur's experience, value system and personality will dominate decision-making (Kelliher and Reinl., 2006). Therefore, examining entrepreneurial resilience as a predictor of business resilience is necessary.

Manzano & Ayala (2013) stated that entrepreneurial resilience includes entrepreneur's ability to cope with instability and changes in the business environment, ability to maintain good health and energy despite business pressures, ability to bounce back from personal and business setbacks and difficulties, and ability to change to a new way of running the business when the previous way is not suitable. Bulmash (2016) describes the characteristics of entrepreneurial resilience as follows:

1. Hardiness refers to the entrepreneur's ability to exercise personal control and not wait for support from others.
2. Resourcefulness refers to entrepreneurs' skills, capacities, and resources to cope with adverse conditions.
3. Optimism is the entrepreneur's ability to maintain a positive attitude despite difficult circumstances. Optimism helps entrepreneurs to learn from past mistakes and to see mistakes as opportunities rather than failures.

## **RESEARCH METHOD**

This study uses a descriptive-analytical method. It directly examines primary data. Questionnaires are distributed offline and online. The stages of descriptive analysis are the collection of data on the background of the participants based on questionnaires and the exploration of data based on predetermined variables. Data were collected using the Connor Davidson Resilience Scale (CD-RISC). The CD-RISC consists of 25 items, including 9 items on aspects of hardiness, 9 items on aspects of optimism and 7 items on aspects of resourcefulness. The CD-RISC scale was translated into Indonesian by an independent translator and a translator who understood the concept of resilience. The results were then checked for similarities and differences. A consensus was reached on the translation. The next step was to translate the scale back into the original language by a professional translator and the results of the back-translation showed no difference in meaning between the two scales. It was decided to do a pilot test the scale with 37 entrepreneurs. The pilot test results showed that the items could be understood and used in the following collection of research data. The scale's reliability was 0.851, which means that the scale is reliable.

A total of 143 small and micro-entrepreneurs from different sectors participated in this study. However, the researchers distinguished between culinary and non-culinary sectors. A convenience sampling technique was used to recruit study participants. Furthermore, the researcher included open questions to get a picture of the entrepreneur's crisis situation.

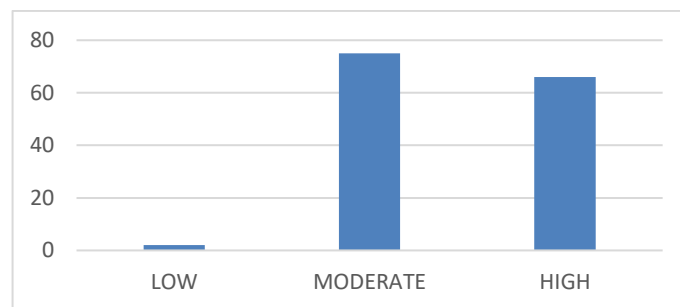
## **FINDINGS AND DISCUSSION**

The data shows that the number of participants involved in this study was 143 people, of which 63.6% were male and 36.4% were female. The participants in this study ranged from 19 to 56 years. The mean age of the participants was 28.97 years. Regarding educational level, 65.7%

were high school/vocational high school graduates, 25.9% were bachelor's degree holders, 7.7% were junior high school graduates, and 0.7% were postgraduate degree holders. The business sector of the respondents is 58% the culinary sector and 42% the non-culinary sector (fashion, laundry and informal tutoring).

The participants of this study were entrepreneurs with 1-3 years of business activity (30.8%), 3-5 years of business activity (25.9%), less than 1 year of business activity (18.9%), 5-10 years of business activity (18.2%) and more than 10 years of business activity (6.25%). While carrying out business activities, 58.7% of respondents have another regular job as a source of income (as an employee in another organization), and 41.3% of respondents are fully self-employed.

The resilience picture was obtained in the moderate category based on the findings of 143 small and micro-entrepreneurs who became research respondents. This is shown in Figure 1:



**Figure 1.** Resilience Levels of Small and Micro Sector Entrepreneurs

According to Figure 1, the percentage of entrepreneurs with low resilience is 1.4% (2 participants), moderate resilience is 52.4% (75 participants) and high resilience is 46.2% (66 participants). The study found that male and female entrepreneurs did not differ when it came to resilience ( $p=0.122$ ). Many studies have examined the relationship between gender and individual resilience, but there is no consensus on this issue. Ayşe & KOĞAR (2021) meta-analysis found that men are generally more resilient than women. However, gender may not make a difference in resilience due to the characteristics of the job, which is a family business. Further research is needed to investigate the role of the family in running a business.

Likewise, there was no difference in the level of resilience among business owners based on the type of business ( $p=0.458$ ). Entrepreneurial resilience is determined by entrepreneurs' attitudes toward technology (Muhammad et al., 2021). Entrepreneurs' readiness for business management and technology adoption make them more resilient. This could explain why the type of industry makes no difference to the level of an entrepreneur's resilience.

Having other jobs outside the business also made no difference in resilience levels ( $p=0.545$ ). Passion is an antecedent of entrepreneurial resilience (Gibb et al., 2022). However, in the micro and small business sector, family members are often in charge of the business. Therefore, further research is needed to determine how much of the entrepreneur's role is in running the business or whether other parties run it so they can still work as employees.

However, it was found that entrepreneurs who have been in business for a longer period of time were found to have higher levels of resilience ( $p=0.03$ ). These results are consistent with previous studies. When entrepreneurs are experienced in running a business in an uncertain environment and have direct experience in dealing with difficult situations, entrepreneurs become resilient (Branicki et al., 2017). Lack of experience in successfully coping with difficult events makes business owners less resilient (Marcazzan et al., 2022).

In the open-ended questions, we asked about the current business obstacles or crises. The most common issues were competition from other online entrepreneurs, expensive raw materials, declining customer interest, difficulty developing innovative ideas, and constraints on adapting to changing local policies.

### CONCLUSIONS

In running a business, entrepreneurs are faced with competitive situations, change, and uncertainty. This situation requires high resilience for entrepreneurs as key actors in the business. The findings of this study regarding the moderate level of resilience provide an opportunity for further research to strengthen entrepreneurs' resilience, especially on a small and micro scale. Micro-entrepreneurs' resilience in this study is not determined by gender, business sector, and other occupations outside the business. However, the length of time running a business was found to be a differentiator in the level of resilience of small and micro-scale entrepreneurs. Researchers suspect that experience in overcoming crises will be an important asset in improving resilience. The existence of sharing and community opportunities can be utilized to develop resilience. This can be investigated further in future research.

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