



# Recommendations to Entrepreneurs and Small Businesses A Context for SMES in the New Normal

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## Abstract

The aim of this paper is to provide recommendations to entrepreneurs and small businesses emanating from the Covid-19 pandemic experience. The paper presents a discussion of entrepreneurial opportunities and lessons from the Covid-19 pandemic. If the world seizes the opportunities presented by this crisis to address fundamental challenges in the global economy, the new normal can be one that emphasizes resilience to change and unexpected shocks, embraces the possibilities offered by digitalization, prioritizes inclusiveness, and leads to sustainable growth. Additionally, the paper describes small business challenges associated with the Covid-19 pandemic. In the description, the authors touch base on the economic damage experienced by businesses while taking note of the new normal. The paper concludes by recommending entrepreneurs on how critical thinking will enable their business to survive during any similar Covid-19 eras.

**Keywords:** Barriers, Business Opportunities, Challenges, Covid-19, Entrepreneurship, Digitalization, New Normal, Pandemic

## Introduction

The Covid-19 pandemic has tested entrepreneurs' determination and ability to adapt to a changing economic climate. They faced challenges such as directing their businesses away from bankruptcy, dealing with low discretionary income, and customer uncertainty. The lack of pragmatic business recommendations exacerbated these challenges. Entrepreneurs should assess their adaptability, volatility, and preparedness for business success. Support structures should effectively monitor the entrepreneur component, identify and implement business recommendations, and re-evaluate their strategies to improve preparedness. This paper provides recommendations for small businesses and entrepreneurs to improve adaptability in their entrepreneurship journey, especially during the Covid-19 pandemic.

## 2. Covid 19 pandemic and small business operations

Scholars have long debated the source of entrepreneurial success, with factors such as culture, education, and training being proposed as determinants. The Covid-19 pandemic has challenged these notions, with new evidence from both developed and developing countries revealing how small businesses are coping with the challenges. Despite the challenges, small businesses have been thriving and successful entrepreneurial ventures, especially in developing countries. These entrepreneurs have used resilience business strategies to survive the pandemic, challenging the belief that small businesses tend to collapse due to poor strategic planning. This paper aims to explain how small businesses are coping with the challenges and turning new opportunities into sustainable business ideas.

## 3. Business opportunities presented by Covid 19 pandemic

SMEs including the self-employed account for 90% of businesses globally and provide 70% of employment worldwide. These businesses, typically entrepreneur led, are threatened by the Covid-19 pandemic, meaning that millions of jobs are at risk. Understandably, there are several resilience strategies in how entrepreneurs navigated the crisis through being agile, adaptive, and exploring new opportunities, utilizing government support, giving back to society, and even harbouring growth ambitions beyond the pandemic. A range of opportunities will be discussed, importantly the nature of new business opportunities in the pandemic fall broadly into five categories: (1) digitalization, (2) health and well-being, (3) local vs. global, (4) sustainability and (5) new business models and repositioning of the business. Such opportunities explain entrepreneurship success over a series of lockdowns, while other entrepreneurs expanded their product/services to new types of customer. The following section of the paper describes each of the opportunities in turn.

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### **3.1 Digitalization**

The pandemic has led to a shift towards online products, services, and delivery, with opportunities for businesses in online security, digital payments, marketing, and artificial intelligence. Entrepreneurs can develop online educational courses, direct sales, and increase social awareness, while also handling crisis communication for Covid-19-affected entities.

### **3.2 Health & well-being**

Entrepreneurs see opportunities in Covid-19-related physical health offerings, healthcare services, tele-medicine, mental health, and well-being. Opportunities include increased awareness of mental well-being, demand for tele-counselling, stress-mitigating offers, and digitally supported healthcare services. These opportunities include health equipment and Covid-19-safe products, as well as telemedical services.

### **3.3 Shift from global to local**

Digitalization is enabling entrepreneurs to reach international customers, but the pandemic has increased awareness of domestic markets and demand for domestic manufacturing and supply chains. Opportunities include local farmer collaborations and restoring production processes.

### **3.4 Sustainability and inclusion**

Remote work offers sustainability benefits, reduced commuting and travel, and increased awareness about waste reduction and circular economy business models. Digitalization can help social inclusion by providing cheaper access to services and products in remote areas.

### **3.5 New business models and repositioning of the business**

Entrepreneurs are exploring opportunities to adapt to Covid-related changes by developing new offerings, leveraging digitalization, and repositioning businesses. Examples include consulting, online courses, and new branding concepts for hospitality, travel, and real estate.

## **4. Extent of Covid-19 impact on small businesses**

The economic damage caused by Covid-19 and lockdowns is difficult to quantify, but it has led to a decline in incomes, rising unemployment, and widespread business closures, particularly affecting micro enterprises in South Africa. The crisis has highlighted the economic disadvantaged, particularly informal sector workers and rural microenterprises. The recovery phase must ensure popular support for open economies, protect and enable SMMEs, and raise awareness about available financial and other support.

## **4.1 Business approaches to Covid-19**

During the pandemic, small and medium-sized companies responded by protecting employees and customers, communicating closure plans, and seeking support from government and industry groups. However, some adopted retreating strategies, such as reducing assets or laying off employees. Resilience involved shifting sales to online channels and creating innovative products. Smaller micro enterprises were more likely to adopt agile responses, but also more retreating strategies. Larger businesses were more likely to adopt a resilient approach, highlighting their greater capacity to survive the storm. Assistance programs aim to guide at-risk rural micro enterprises towards a more resilient strategy.

## **5. Four main characteristics of the 'new normal' in the micro enterprise environment**

If the world seizes the opportunities presented by this crisis to address fundamental challenges in the global economy, the new normal can be one that emphasizes resilience to change and unexpected shocks, embraces the possibilities offered by digitalization, prioritizes inclusiveness, and leads to sustainable growth.

### **5.1 Resilience**

Countries learned an important lesson in the early days of the pandemic as they rushed to strengthen their small enterprises. It became clear that fostering business resilience in good times would help firms ride out crises, reduce the likelihood of bankruptcy and improve the state of the economy. Diversifying, connecting with business support organizations and building financial buffers can help contribute to increased SME resilience. For small businesses that are active in international supply chains, the resilience of their relationship with buyers and suppliers will also matter greatly.

### **5.2 Digital**

Digital technologies were flourishing before the pandemic hit. During lockdowns, whole parts of the world's economies shifted onto digital platforms. Teleworking, remote learning, teleconferencing, online health services, e-commerce and digital payments really made the world go round in many regions in the first half of 2020. In the months and years to come, digital facilities will no longer be optional. Consumers, clients, business partners and workers will come to expect them as a matter of course. Yet the move towards digital technologies must be accompanied by technical assistance, skill building and infrastructure support to ensure that it is inclusionary and equitable.

### 5.3 Inclusive

As is often the case with crises, Covid-19 has put the spotlight on those who are economically disadvantaged, such as informal sector workers, migrants and people in microenterprises. Inclusiveness globalization was already a concern before the pandemic. There is now a unique opportunity to rebuild the international order together, in a way that leaves no one behind. It will be crucial to ensure that the recovery phase lifts all the boats to maintain popular support for open economies.

### 5.4 Sustainable

Climate change was ranked as the top global business risk in a 2019 survey of insurance industry experts. The high perceived likelihood and severe impact of climate-related risks have ranked them highest in the World Economic Forum’s Global Risks Report. There is no reason to believe that climate risks will abate once the health crisis ends. Sustainability will therefore continue to be important in the new global economy. Retrofitting for both Covid-19 sanitary requirements and environmental friendliness may be a wise move.

## 6. Digital transformation a key feature

Digitalization is the use of digitized products or systems to create new organizational procedures, business models, and commercial offerings. Technologies like websites, social media, and wearable gadgets have helped firms innovate and exploit new market opportunities. However, firms have not fully appreciated the benefits of digitalization, and the Covid-19 pandemic is accelerating its adoption. Small enterprises may adopt new technologies to improve efficiency and competitiveness. The pandemic’s contagious nature may

accelerate the digitalization process, as businesses’ security depends on the effective use of digital technologies.

## 6.1 Drivers to Digitalization

### 6.1.1 Shift to remote working and remote operations

Digitalization is the use of digitized products or systems to create new organizational procedures, business models, and commercial offerings. Technologies like websites, social media, and wearable gadgets have helped firms innovate and exploit new market opportunities. However, firms have not fully appreciated the benefits of digitalization, and the Covid-19 pandemic is accelerating its adoption. Small enterprises may adopt new technologies to improve efficiency and competitiveness. The pandemic’s contagious nature may accelerate the digitalization process, as businesses’ security depends on the effective use of digital technologies.

### 6.1.2 Paperless offices and paperless organizations

Businesses are adopting digital technologies to improve operational efficiency and competitiveness. The Covid-19 pandemic has heightened the urgency of digitalization, making it attractive to businesses. Tools like laptops, storage devices, tablets, smartphones, and wireless broadband are becoming available for digitalization and paperless organization. This reduces reliance on paper documents, provides more access to information, and saves costs. Digitalization eliminates human errors and allows firms to become paperless organizations, saving money and promoting creativity.

**Table 1: Covid-19 A driver of digitalization.**

| Pre-Covid-19 forces   | Covid-19-effects as drivers   | Results  |
|---|---|--|
| <ul style="list-style-type: none"> <li>Financial and economic pressures to move to a paperless organization and remote working</li> </ul>   | <ul style="list-style-type: none"> <li>Many firms have been forced to transition to remote working and become increasingly paperless.</li> </ul>  | <ul style="list-style-type: none"> <li>Global economic realities have changed. Digitalization is regarded as critical. Increasing the infrastructure and conditions for digitalization and electronic commerce.</li> </ul> |
| <ul style="list-style-type: none"> <li>In both public and commercial companies, there is a greater acceptance of paper-based to electronic-based processes, methods, and routines.</li> </ul> | <ul style="list-style-type: none"> <li>Processes, methods, and routines are being shifted from paper to electronic at a faster rate.</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>Video conferencing and internet meeting tools should be used.</li> </ul>   | <ul style="list-style-type: none"> <li>Domestic and internal travel restrictions, as well as social alienation, drove companies to function online rather than face-to-face. Nonetheless, video conferencing and online meeting platforms have helped to alleviate or at least partially eliminate quarantine constraints and impacts.</li> </ul> |  |

Source: Developed for this paper

### 6.2 Barriers to Digitalization

Digitalization in businesses faces challenges such as technical infrastructure, institutional limits, security and privacy concerns, and organizational-level constraints. Resource restrictions, bureaucratic processes, and lack of top management commitment hinder digitalization. Some

people believe digital platforms are inferior to physical offices for social bonding and innovation. Digital working can also generate concerns about monitoring, insecurity, work-life balance, and employee resistance. Security is a concern, as electronic communication is vulnerable to hacking and internet disruptions.

**Table 2: Classification of post-Covid-19 barriers to digitalization**

| Barriers                         | Barriers/impediments in the adoption of digital technologies  | Breaking down the barriers and meeting new challenges   |
|----------------------------------|---|---|
| Technology infrastructure.       | <ul style="list-style-type: none"> <li>The technological and digital barriers that exist between cities and rural areas, as well as between industrialized and developing countries, impede the scale-up of digitalization.</li> </ul>  | <ul style="list-style-type: none"> <li>To enable digitization, funds should be invested in digital infrastructure.</li> </ul>   |
| Institutional constraints.       | <ul style="list-style-type: none"> <li>Formal institutions (such as national rules and regulations) might make it difficult to accept new technologies.</li> <li>Institutional barriers such as a lack of government support for digitization, a poorly constructed or designed education system geared toward digitalization, and a limited government skill formation program on digitalization are all examples of institutional impediments.</li> <li>Businesses have limited or no access to remote banking due to a lack of a consistent Internet connection.</li> <li>A lack of government infrastructure investment</li> <li>Policy churn and incoherence, as well as a desire to return to the familiarity of the past.</li> </ul>   | <ul style="list-style-type: none"> <li>At the national level, there is an investment in human capital.</li> <li>Creating a culture of online payment.</li> </ul>  |
| Security and privacy concerns    | <ul style="list-style-type: none"> <li>Workers and other stakeholders have privacy concerns.</li> <li>Uncertainty regarding security dangers and unprotected virtual environments.</li> <li>Lack of trust among businesses in their ability to survive cyberattacks and hackers.</li> <li>There's a chance of widespread or regional internet interruptions.</li> </ul>   | <ul style="list-style-type: none"> <li>Small firms will benefit from a national investment in security training, support, and assurances.</li> <li>More awareness of paradigm-threatening hazards; contingency planning</li> </ul>  |
| Organizational level constraints | <ul style="list-style-type: none"> <li>Lack of financial resources to cover the upfront costs of new technology investments.</li> <li>a lack of technical know-how to help with digitalization</li> <li>Inflexibility/reluctance to change in the workplace (typified by hard-to-change organizational routines, process and traditional ethos of the organization).</li> <li>Lack of awareness of new technologies and possible benefits from digitalization among businesses.</li> <li>Lack of understanding of the security and safety requirements that come with digitizing corporate activities.</li> <li>Face-to-face encounters are said to underpin the firm's business approach.</li> <li>Nostalgia.</li> <li>Employee resistance.</li> <li>Productivity being undermined by employee stress brought about by the intensification of work.</li> </ul> | <ul style="list-style-type: none"> <li>Creating a support network for businesses to help them through the change.</li> <li>Recognize that the benefits and costs of digitization are distributed unevenly.</li> <li>There is a need for immediate action to address this. Organizational 'good faith'; understanding that digitization may be jeopardized if past rules of fair play are broken.</li> </ul> |

Source: Developed for this paper

### 7. Survival strategies in the covid-19 era

The following points have become prominent areas worth each entrepreneur's investment for survival:

- Individual preparedness: An entrepreneur must invest on becoming adaptive to the changing external environment from a mindset perspective. Resultantly, an entrepreneur who is adequately prepared has greater adaptive skills. The adaptiveness of the entrepreneur

becomes of critical value in times when the business has to adapt to changes in response to external forces.

- Organizational agility: With economies becoming more turbulent while posing threats of unprecedented scenarios, it is unequivocal that entrepreneurs must invest in an adaptive business management style. This would allow quick responses to any external threats, inherently improving the survival chances of the business.

- Digitalization: The fourth industrial revolution has set its course and the need to be part of a digital environment cannot be overemphasized. Entrepreneurs must transform their operations into a digital oriented workspace.
- Innovative: In times of crisis, the ability of the business to be innovative will increase the chances of survival. When other businesses collapsed due to weak capital market performance, some e-commerce businesses thrived in the midst of the crisis. The secret was a combination of digitalization opportunities and being innovative.
- Diversify: Depending on the size of the business, it is important for entrepreneurs to diversify their services including those within an area of specialization. This would reduce the extent of risk they would encounter in the event that one of their offerings is affected.

## 8. Conclusion

The need to constantly evolve as a business is of immense value and cannot be overemphasized. Stagnation coupled with failing to be adaptive is a means to business failure. Digitalization has proved to be pivotal in improving the survival chances of business. Empowerment of entrepreneurs and staff through the upskilling of key skills will aid with the preparation for the unknown future 'tussles' such as those caused by Covid19. It is therefore, recommended to invest in an adaptive mindset nurtured by an adaptive management style as this increases the chances of survival. Thereafter, the entrepreneur must invest resources towards digitalizing their services.

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