


Advancing SME Sustainability: Rising Above the Atrocities of Crisis

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EXECUTIVE SUMMARY

The world has been struck by multiple crises that crippled the socio-economy of nations in the past. The impact of these crises was so significant that they initiated numerous policy changes worldwide. The radical crises in this context refer to the Spanish flu, the Asian financial crisis, the global financial crisis, and the current COVID-19 pandemic. Due to their small capital structure with limited resources and fragile nature, SMEs were severely impacted by these crises. Many SMEs were forced to close down their business operations. Somehow, the remaining SMEs managed to persist and survive through the crises. Moving forward, SMEs can better prepare for future crises by understanding and learning from the predicaments of these past crises. Consequently, SMEs must also be adaptive to new business environments and responding promptly to crises by realigning their strategies to achieve business sustainability in the long term.

INTRODUCTION

Nineteen-eighteen was when the deadliest influenza pandemic, often known as the Spanish flu, struck the world. This disease infected one-third of the world population, estimated at 500 million, and wiped out 50 million lives during the 18 months pandemic (CDCP, 2020). The impacts of the pandemic were severe due to the lack of critical care measures, such as intensive care support and mechanical ventilation, which were not available in 1918. Influenza vaccines did not exist at that time, and even antibiotics had not been developed yet (Jordan et al., 2019). Besides, the global magnitude and spread of the pandemic were exacerbated by World War I, which itself is estimated to have killed roughly 10 million civilians

and 9 million troops (Garrett, 2007). Fast forward to 2020; the world is confronted with another virus pandemic, namely the Covid-19 crisis. Since its formal declaration as a global pandemic by the World Health Organisation (WHO) on 11th March 2020, this pandemic has infected more than 190 million people with over 4 million deaths worldwide. The Covid-19 pandemic has caused numerous socio-economic issues to nations, businesses, and people. Although the current pandemic might not be as deadly as the Spanish flu a century ago, its economic consequences are undoubtedly much worse. While the economic condition of the countries is critical at all times, people's well-being and livelihood are equally important. This situation has put tremendous stress on the governments.

Between the Spanish flu and Covid-19 pandemics, the world has experienced various other crises, impacting most parts of the world in different magnitudes and dimensions. In the past three decades, the other most critical global crises that severely affected the nation's socio-economy were the Asian financial crisis in 1997, followed by the global financial crisis in 2007. Many businesses – both large and small, new and established ones, were severely impacted during these crises, with many forced to close down due to various financial-related obstacles. SMEs, in particular, were not spared from the devastating effects due to their small capital structure with limited resources. The extent of the impacts on businesses varied in each crisis due to dissimilarity nature and root causes. Moreover, the progressive globalisation among businesses has initiated an innovation-driven era characterised by intense competition, shorter product life cycles, and high product varieties. This has led to a complex-globalised supply chain (Dietrich et al., 2020). These crises nevertheless have caused considerable damages to businesses at large. Only a handful of business sectors continued to survive throughout the challenging period. In hindsight, valuable lessons from these crises can be adopted to tackle issues in the current situation and future.

This chapter aims to understand the implication and root causes of each crisis. The diagnosis of each crisis will assist SMEs in identifying and learning from the challenges. With this, SMEs can adopt some of the practical solutions applied by businesses during the past crises, in tackling the crisis that may arise in the future. Consequently, this chapter will also deliberate and discuss practical approaches that SMEs need to strive to recover from the current Covid-19 pandemic and any other crises in the future. Some of the crucial questions to be answered here would be: How have SMEs approached the problems encountered during the past crises? What were the constraints faced by SMEs then? How could SMEs survive the crises? What have they done right? What else can SMEs learn from these crises? If a similar challenging situation is to recur in the future, can SMEs handle them more effectively? What do SMEs need to do more and better in tackling business challenges during the current Covid-19 pandemic? More importantly, what kind of business strategy must SMEs implement in ensuring business sustainability in the long term? The chapter will also focus on the impacts and approaches in addressing these crises, specifically for SMEs operating in Malaysia.

BACKGROUND

No matter how well a crisis is handled and overcome, new crises will continue to occur in the future, albeit in different forms and magnitude. When thoroughly understood and leveraged, valuable lessons learned from past crises can provide helpful guidance to handle future crises. For instance, many of the measures implemented during the Spanish flu pandemic a century ago are remarkably similar to those applied in the current Covid-19 pandemic (Bishop, 2020). During the Spanish flu era, seven main precautions against influenza were recommended as effective containment measures, namely the avoidance of

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