

Chapter 9

Innovative and Resilient SMEs in the Face of COVID-19 Business in an Emerging Economy

Luis Enrique Valdez

Instituto Tecnológico de Sonora, Mexico

ABSTRACT

The objective of this study is to analyze and verify the effects of innovation management on economic indicators and corporate performance of SMEs in the south-central region of Sonora in Mexico. A multi-group analysis was also carried out to verify whether there are significant differences between companies that adopted the home office and those that did not adopt it in their operational processes. The sample analyzed is 498 SMEs with between 6 and 250 employees in the commerce sector. To collect the information, a questionnaire was prepared and applied to the SME manager online through the LimeSurvey Professional platform. The field work was carried out from February to October 2021. The PLS-SEM was used for data analysis. The results report that innovation management has positive and significant effects on economic indicators and on the corporate performance of SMEs. It is also revealed that economic indicators have a small positive and significant effect on corporate performance.

INTRODUCTION

Today's hectic changes, such as advances in technology, ecological problems, social and political conflicts have been strongly affecting the whole of society and even more so large and small organizations (Nelson, 2009; David J. Teece, 2010). However, there are external factors generated by problems related to health and/or diseases, which are little visualized in organizations by decision makers. In this case, the emergence of the COVID-19 disease caused by the new coronavirus known as SARS-CoV-2. According to the World Health Organization (WHO, 2021) first learned of the existence of this new virus on December 31, 2019, when it was informed of a group of cases of "viral pneumonia" that had been declared in Wuhan (People's Republic of China). This pandemic has caused serious health problems, which have permeated all business sectors due to restrictions on mobility and physical contact of people

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from its emergence to the present. Since 2020, the International Monetary Fund and the World Bank have reported serious economic problems (recession) in most regions due to COVID-19 and asserting that it is one of the worst economic crises since the one manifested to from 1930 in the United States of America. In addition, the pandemic has affected the Latin American and Caribbean (LAC) region more significantly, according to data from the (World Bank, 2021), COVID-19 has had a significant human cost, and its economic and social effects are being felt globally. To minimize these impacts the (World Bank, 2021) has declared and launched a combination of new projects, the restructuring of existing projects with emergency components, and the use of our disaster financing instruments. The main purpose of these actions is: 1) to save lives threatened by the pandemic; 2) protect the poor and vulnerable; 3) help save jobs and businesses; and 4) working to contribute to a more resilient recovery. According to data from the OECD (2020), the most serious problems that companies face are in supply chains, cash flows and, in the impossibility of meeting the delivery dates of goods and services. In addition, a weak final demand for imported goods and services, an increase in risk aversion in financial markets and a decrease in confidence in business can be seen. According to other relevant data of the (OECD, 2020), In LAC, the COVID-19 crisis has been a very strong blow to micro and small companies (SMEs) that do not have the necessary resources to absorb the impact. Up to 2.7 million businesses in LAC are likely to close, most of them micro businesses, representing a loss of 8.5 million jobs. Faced with these difficulties and adversities, companies for their survival have had to adapt to external changes through resilience and innovation (creative thought processes). Therefore, resilient companies adopt and execute innovation-based strategies to face challenges and challenges from a holistic perspective. Starting from the theory of theory of contingency (Cognitive and technical capacities to face the challenges of the internal and external environment) (Barney et al., 2001; Donaldson, 2006). Where the effectiveness of the strategy depends on managerial capacities and the level of adaptation to constant market changes (Han et al., 1998; Matsuno & Mentzer, 2015; Slater & Narver, 1995). Organizational design can help managers achieve better financial and market performance outcomes for their organizations by adopting a more effective structure. The contingency approach helps managers identify mismatches between their structures and contingencies, such as size and diversification, which, in turn, are part of the organization's strategy (Donaldson, 2006). From resource-based theory (a perspective of innovative capacity focused on business reaction to compete locally and globally through the mix of tangible and intangible resources) (Barney et al., 2001; Barney et al., 2011). Without a doubt, these strategic actions lead companies towards strong competitiveness and a substantial improvement in their corporate performance. Our study aims to analyze and verify the effects of innovation management on economic indicators and on the corporate performance of SMEs in the south-central region of Sonora in Mexico. We also try to find out if there are significant differences between SMEs that have implemented the home office and those that have not implemented it within their innovation processes, during the COVID-19 pandemic. With the above context, the study tries to answer the following questions: 1) innovation management is key element to raise economic indicators and corporate performance of SMEs? And 2) home office is a strategic factor that raise the management of innovation and corporate performance of SMEs? This article has been structured as follows: The first part presents the theoretical review, the empirical review, and the development of the hypotheses. Second, the methodology used, the sample and its characteristics are explained, as well as the justification of the variables under study. Finally, the results, discussions, conclusions, and future lines of research are shown.

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