How do Small and Medium Enterprise (SME) survive the COVID-19 outbreak?
Fika Fitriasari

Management Department, Universitas Muhammadiyah Malang, Indonesia

Received: 10-04-2020 | Revision: 11-04-2020 | Accepted: 15-04-2020

Abstract
The purpose of this study is to describe a business model that can be applied to the SME during the COVID-19 pandemic with Business Model Canvas approach so that SME can survive (Business Resilience). This research uses a qualitative method, with literature studies taken from several sources both printed and electronic media, books, and research results accessed from various electronic journals. The data analysis used is content meta-analysis through an interactive procedure consisting of four stages: data collection, data condensation, data presentation, and drawing conclusions. The business model that can be applied to SME is the Business Model Canvas. Three important elements of business resilience are product excellence, people behavior, and process reliability, Business resilience is supported by digital transformation. Digital transformation exists when new digital skills emerge and digital tools are adopted. The right digitalization strategy is needed in achieving business goals and developing SME products or services to be more competitive. Competitive advantage is related to cultural diversity, plurality and social motivation. In the process of digital transformation, the correct digital infrastructure testing is required. By using the appropriate technology for system resilience, a business can carry out its digital transformation and create digital resilience.

Keywords: business model canvas; business resilience; COVID-19; SME

Introduction
Corona Virus Disease 2019 (COVID-19) was first discovered in Wuhan, China. Global data of COVID-19 cases on April 7, 2020 reached 1,214,466 confirmed cases, with a total of 67,767 deaths spread across 211 countries / regions. The first coronavirus case was announced by the Government of Indonesia on March 2, 2020 (www.covid19.go.id). As a preventive action to limit the surge in coronavirus cases, a Government Regulation was issued regulating large-scale social restrictions. This regulation is contained in PP No. 21 of 2020 concerning Large-scale Social Restrictions in the Framework of Accelerating the Handling of COVID-19. Large-scale social restrictions include at least consolation of schools and workplaces, restrictions on religious activities, and restrictions on activities in public places or facilities.

Coronavirus outbreaks cause global health emergencies, and a global economic slowdown. Trade, investment, and employment have all been affected and the crisis will have an impact on achieving the Sustainable Development Goals. The development of coronavirus outbreaks affects various sectors with a scale of loss that tend to be very broad and multi-sectoral. The sectors most affected are trade, tourism, transportation, education, and health (Abulescu, 2020). Small and Medium Enterprise are the most threatened group of entity because they do not...
have the resources to survive the crisis. The consequence that will occur due to the economic crisis is the increasing role of state intervention and international financial institutions. State policies are taken in the form of loan delays and tax payments, the takeover of some work or social security costs with a central budget, prioritizing safety and disaster management (Sulkowski, 2020).

Competition is a good economic mechanism when the economy fully uses available resources, in a static perspective, grows through more efficient use of scarce resources. However, after the COVID-19 pandemic, in the medium term, we face the risk of economic depression, and high levels of bankruptcy and unemployment for several years. In such an environment, the priority goal is to stimulate economic growth as soon as possible, and create a mechanism of redistribution that will reduce economic suffering for the lower economic classes and to ensure that the economic framework that is created will be more resilient in the future. Thus the employment stimulus and helping companies is needed in the sectors affected by the crisis, especially SME and also a number of large companies, preventing bankruptcy (Jenny, 2020).

The development of Small and Medium Enterprise (SME) in Indonesia showed a fairly good pattern before the COVID-19 outbreak. Various policies in favor of SME were rolled out by the Government to influence the growth in the number of SME units. SME have a significant role in increasing employment, forming gross domestic product (GDP), and providing safety nets, especially for people affected by the financial and economic crisis. The contribution of SME in the creation (GDP) in 2018 will reach 14,038,598.5 (in billion). Data from the Ministry of Cooperatives and SME of Republic of Indonesia, shows that SME as a whole have experienced good development and growth over the years. For example in 2014, the total number of SME units was 57,900,787. Last year's data shows that the number of SME units has reached 64,199,606 (www.depkop.go.id).

The history of the Indonesian economy records the contribution of SME in facing various crises. As during the monetary crisis in 1998, SME became a national economic buffer and remained strong supporting the national economy. However, at this time, the SME sector will be the most vulnerable sector to the economic crisis caused by COVID-19, because this business depends on the velocity of money from the sale of merchandise. If the spread of the corona virus and its effects are not dealt quickly, SME are predicted to worsen. The current global recession is inevitable. How deep and long this recession depends on the success of the steps taken to prevent the spread of COVID-19, the effects of government policies to overcome liquidity problems in SME, policies to support families experiencing financial difficulties, and policies to secure employment, and supply chains are also important consideration (Fernandes, 2020). The purpose of this study is to describe the business model that can be applied to the SME during the COVID-19 pandemic with the Business Model Canvas approach so that SME can survive ("Business Resilience").

**Research method**

This research uses a qualitative method, with literature studies from several sources both (print and electronic media), books, and research results accessed from various electronic journals. Data analysis used is content meta-analysis through an interactive procedure consisting of four stages: data collection, data condensation, data presentation, and drawing conclusions. The description of the business model is described by using Business Model Canvas (BMC), then evaluating using SWOT analysis on each element of Business Model Canvas (BMC). Some definitions of the concepts that form the basis of research are about Business Model Canvas (BMC).
The Business Model Canvas developed by Alexander Osterwalder can be an approach that is easily implemented by business organizations in an effort to evaluate and change or reform the business model of the company or SME which consequently create a new business model that is more appropriate and suitable for application. Re-examining the overall business model is very important, but looking at each component in detail is also an effective way for innovation and renewal. An effective way to do this is to combine SWOT analysis (strengths, weaknesses, opportunities, and threats) with Business Model Canvas. The purpose of this research is to describe the business model that has been implemented by Depot Selaris with a Business Model Canvas approach and formulate appropriate and applicable business development strategies for Depot Selaris in long-term business development with Business Model Canvas. A Business Model is describing an idea about how an organization creates, delivers and captures the values of a business. The concept of a business model must be simple, relevant, and intuitively easy to understand with no intention of simplifying very complex company functions. (Osterwalder & Pigneur, 2010).

| Key Partners | Key Activities | Value Propositions | Customer Relationships | Customer Segments |
|--------------|----------------|--------------------|------------------------|-------------------|
| • Who are our key partners? | • What key activities do our value proposition require? | • What value do we deliver to the customers? | • What type of relationship does each of our customer segments expect us to establish and maintain with them? | • For whom are we creating values? |
| • Who are our key suppliers? | • Our distribution channels? | • Which one of our customer's problems are we helping to solve? | • Which ones have we established? | • Who are our most important customers? |
| • Which key resources are we acquiring from partners? | • Customer relationships? | • What bundles of products and services are we offering to each customer segment? | • Through which channels do our customer segments want to be reached? | |
| • Which key activities do partners perform? | • Revenue streams? | • Which customer needs are we satisfying? | • How are we reaching them now? | |

| Key Resources | Value Structure | Revenue Streams |
|---------------|----------------|-----------------|
| • What key resources do our value proposition require? | • What are the most important costs inherent in our business model? | • For what value are our customers really willing to pay? |
| • Our distribution channels? | • Which key resources are most expensive? | • For what do they currently pay? |
| • Customer relationships? | • Revenue streams? | • How are they currently pay? |
| • Revenue streams? | • Which key activities are most expensive? | • How would they prefer to pay? |

Source: Osterwalder & Pigneur (2010)

Figure 1. Business Model Canvas (BMC)

The Business Model Canvas is presented in the form of a canvas consisting of 9 interconnected boxes. Osterwalder and Pigneur believe that the best business model can be described through nine basic building blocks that show how a business aims to earn money. The nine boxes or blocks can be the first step to determine from where a company transform their business model. The nine blocks cover four main areas of business, namely: customers, offerings, infrastructure, and financial capabilities. The business model framework is in the form of a canvas and consists of nine blocks containing interrelated elements which illustrate how an organization creates benefits and get benefits for and from its customers. The nine elements of the Business Model
Canvas include customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structures.

Customers Segments, is the core of a business model that can provide profits for the company. Without customers, no company can last long. A business model can determine large or small customer segments. Value Propositions are a variety of products and services that will create value for certain segment customers. Channels is a medium for companies to communicate with their customers to convey a value proposition. Customer Relationships explains about maintaining relationships between companies and consumers. The company must explain the type of relationship each customer segment wants to build. Revenue Streams are revenues or income that a company receives from its customers on value propositions given by the company to customers. Key Resources explains the most important assets needed to make a business model work well. Every business model requires key resources. Key Activities explain the important things that a company must do to make its business model work. Key partnerships describe the network of suppliers and partners that make business models work well. Companies create alliances to optimize their business models, reduce risk, or obtain resources. Cost Structure describes all costs spent to operate the business model. Cost structure describes the most important costs that occur when operating in a particular business model (Osterwalder & Pigneur, 2010).

Results and Discussion

The role of management in a business is to monitor and act on uncertainty, and to ensure that components of the business model are adjusted to meet the dynamics of change (Demil and Lecocq, 2010). Some specific tasks in managing the dynamics of the business model according to Foss and Saebi (2017) are namely; monitor internal and external risks and uncertainties that endanger business models, anticipate potential consequences, and implement actions designed to modify business models so that company performance can be improved. The company’s strategic goal after determining the focus of its business model is to limit the business model and find a path so that the company’s competitive advantage can be maintained (Cortimiglia et al., 2016; Chesbrough, 2010; Teece, 2010).

Some companies start a business model by designing or increasing their main activities and main resources, then they innovate all components of the business model. This result applies to large companies and SME following a formal strategy process (Cortimiglia, 2016). However, Laudien (2017) and Lindgren (2012) describe that most SME do not have a formal business model strategy, because the contextual business model process appears naturally. The focus of SME that improve their business models is on the internal components of the value chain, value propositions, or target customers (Arbussa et al, 2017; Lindgren, 2012). To achieve competitive advantage, SME must own or create or design a business model. Business model process going from design to implementation illustrated in Figure 2. The business model design illustrate a strategy into a business model blueprint. Then the business model has to be financed through external or internal funding, and finally it has to be implemented into an actual business enterprise.
SME entrepreneurs assess how the needs arising because of COVID-19, because a business crisis can affect their business. Appropriate action is needed by considering several competitive aspects such as scenario planning, stakeholder analysis, development strategies, external and internal communication. Several indicators can be used to evaluate its reactive capacity and understand the impact of digital change whether it can reduce the negative effects of the COVID-19 crisis. After conducting external and internal analysis, SME must determine their own business model. Digital transformation not only introduces new technologies for existing activities, but also a process of redesigning all business models. The business model canva as a logic for organizations to create, to distribute and to catch value (Osterwalder, 2010).

Creating value is the main goal of every company or SME that wants to succeed. Therefore, the first step that must be taken by SME in strategic planning is to develop a map of the business model rather than a business plan, which can be formed properly after the model is understood and validated (Casalino, 2015). The business model that can be applied to SME is the canvas business model, which is standardized and recognized for all businesses and allows managers to visually represent companies to create, to distribute, and to capture value for their own customers (Osterwalder, 2004). The canvas business model is based on a visual language that is quickly learned and can be accessed by everyone even if it does not come from a professional background. It can be equalized to maximum the people involved and at the same time represents a good communicative advantage of business model canvas (Ahmad, 2003).

The nine elements of the Business Model Canvas include customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structures. The first discussion is about Key Partners, a company is a system that acts in a large ecosystem, so it is impossible to stand alone without partners. Key Partners are suppliers who are the key to make the business model function properly. The supplier network is needed to meet various needs such as optimizing resources; reducing the risks of competition; developing economies of scale; acquiring particular resources and activities; competing in a wider market; discovering new customers; spreading the brand to a wider audience. Creating a solid partnership is very important, because the company cannot fulfill all of its needs through its own resources and activities (Frusciante, 2014). The identification of key activities in a company is very easy to do, depending on the business sector (Casalino, 2014). There are three main activities (key activities) in the company, namely; productive (manufacturing company), problem solving (service-based companies), and maintenance or
development of networks (such as Google and Facebook). SME in the business services sector generally do productive activities and problem solving.

Digital business uses technology to create new value in business models, digital economic growth makes society easier and more familiar with digital service products that encourage companies to seek new advantages in the digital space. Digital business creates competitive advantage based on the extraordinary combination of digital and physical resources and builds comparative advantage. Digital business is changing the way organizations in using and thinking about technology, innovation, revenue, and market growth. Key Resources need to be identified to make the business model works, which is in the form of; physical resources, intellectual resources, human resources, and financial resources. Good value propositions are made so that companies or SME can transfer intrinsic values and intangible values such as; making products / services accessible, offering an innovation, improving products / services by adding relevant features, using brands for identity, reducing product / service prices, reducing risks associated with products / services, and improving product design (Cavallari, 2015). At this time, SME need to consider developing digital businesses.

Creating the right SME product and service package for certain customer segments is very important. Identification is needed for different customer segments, such as; different needs, different channels, different methods, different methods of interaction are used, different clients, and several aspects that can determine certain profitability. Customer relations represent the type of relationship a company has with various customer segments. Various forms of customer relations depend on the business model, some customer relationships such as personal assistance, dedicated personal assistance, self-service, automatic services, co-creation (relationships which based on various value creation processes).

Channels is a medium for companies to communicate with their customers to convey a value proposition. Channels on the elements of the business model canvas explain how a company reaches a definite customer segment (Osterwalder & Pigneur, 2010). Channels are points to connect with their clients. Channels can be direct or indirect, if SME use a multichannel strategy, all channels must be considered together, making it easier to create relationships with consumers. The digital age is a multichannel era in which to reach consumers requires the selection of the right message and deliver it on time and precise, and proper to target consumers. Furthermore, the variables that must be considered in the composition of revenue streams are price and payment methods, because both are very important for managing financial flows and creating a sustainable business model. There are two payment methods that generate different revenue streams, namely one-time payment solution, and recurring payments. Employers must conduct a comparative analysis of costs with revenue streams. The revenue streams must be higher than the cost so that the business model will be sustainable.

The Cost Structure in the business model canvas map placed last, because it is directly related to key resources, key activities, and key partners. By analyzing the cost structure, a business model consists of fixed costs, variable costs, economies of scale, economies of scope. The revenue stream can be compiled together with an analysis of the cost structure to create a sustainable business model and to maintain the success that
has been achieved (business resilience). Business or organizational resilience is the organization's ability to anticipate, prepare, respond, and adapt to gradual changes and sudden disturbances in order to survive and prosper. Managing organizational resilience requires the implementation of habits and best practices to produce business improvement by building competencies and abilities in all aspects of the organization. This allows entrepreneurs to take risks and make the most of available opportunities (Metallo, 2012).

Three important elements of business resilience are product excellence, people behavior, and process reliability. Some important steps to achieve business resilience are as follows: 1) Diagnosing risks and interdependencies among SME, a business must first define business expansion and determine earning drivers; 2) Adapting company strategies and opening models, a business must using cost and benefit analysis that links cross-functional risk mitigation planning with company strategy; 3) Surviving increases risk and complexity, which involves developing an organizational structure that oversees and combines risk monitoring and intelligence. Business resilience now needs to consider digital transformation. Digital transformation exists when new digital skills emerge and digital tools are adopted. This is a transformation that needs rearrangement of the previous business model to make room for new practices that are more effective and efficient (Casalino, 2012).

The right digitalization strategy is needed to achieve business goals, to develop SME products or services to be more competitive. Competitive advantage is related to cultural diversity, plurality and social motivation. In the process of digital transformation, it is required the correct testing of digital infrastructure. The steps that need to be taken in digital transformation in SME are as follows: 1) Creating the right mindset and shared understanding; 2) Determining the right leadership; 3) Launching a superior digital business center; 4) Formulating a digital strategy; 5) Discovering, developing, and gaining knowledge; 6) Creating new digital capabilities (Casalino, 2019). With the proper technology for system resilience, a business can carry out its digital transformation and create digital resilience. Digital resilience is a balance between taking advantage of opportunities and managing digital risks faced, and a balance between human resources, processes and technology needed. Collaboration is the key to the success of digital resilience, collaboration is needed between team leadership and risk, security and technology teams as well as collaboration with other key business stakeholders such as; communication with the community, law, marketing, etc.

Conclusions

Attitude is a consistent predictor of behavior. The Planned Behavior Theory that was initiated by Icek Azjen is still a relevant theory to explain the latest phenomena, especially the association of attitudes towards the Novel Corona Virus Dessea 19, on eating behavior. The belief, which is a component of attitudes about viruses originating from China, is dangerous, difficult to treat, and influences consumer behavior in meeting food needs. The impact of beliefs about the virus is that consumers care or pay attention to the food products they choose, concerning the country of origin of the food producers they eat, and also food ingredients. Besides, because the virus is dangerous and difficult to treat, consumers avoid direct contact with sellers or food providers, so they use the means of payment that might avoid spreading the virus by using electronic money or avoid using paper money.
References
Ahmad, S., & Schroeder, R. G. (2003). The impact of human resource management practices on operational performance: Recognizing country and industry differences. *Journal of Operations Management, 21*(1), 19-43. https://doi.org/10.1016/S0272-6963(02)00056-6

Albulescu, C. (2020). Coronavirus and financial volatility: 40 days of fasting and fear. Published Mar 9. arXiv preprint arXiv: 2003.04005.

Arbussa, A., Bikfalvi, A. and Marquès, P. (2017), “Strategic agility-driven business model renewal: the case of an SME”, Management Decision, Vol. 55 No. 2, pp. 271-293.

Casalino, N., Dâtri, A., Braccini, A.M. (2012), A quality management training system concerning ISO standards for sustainable organisational change in SMEs, in International Journal of Productivity and Quality Management (IJPQM)

Casalino, N., Cavallari, M., De Marco, M., Gatti, M., Taranto, G. (2014), Defining a Model for Effective e-Government Services and an Inter-organizational Cooperation in Public Sector, Proceedings of 16th International Conference on Enterprise Information Systems - ICEIS 2014, INSTICC, Lisbon, Portugal, vol. 2, pp. 400-408.

Casalino, N., De Marco, M., Rossignoli, C. (2015), Extensiveness of Manufacturing and Organizational Processes: An Empirical Study on Workers Employed in the European SMEs, Smart Innovation, Systems and Technologies, 2nd International KES Conference on Smart Education and Smart e-Learning, SEEL 2015, vol. 41, pp. 469-479, Italy.

Casalino, N and Żuchowski, I and Labrinos, N and Munoz N, Ángel L and Martín-J, José A. (2020). Digital Strategies and Organizational Performances of SMEs in the Age of Coronavirus: Balancing Digital Transformation with An Effective Business Resilience. Law and Economics Yearly Review Journal - LEYR, Queen Mary University, London, UK, Vol. 8, part 2, pp. 347-380, 2020; ISSN 2050-9014.

Cavallari, M., De Marco, M., Rossignoli, C, Casalino, N. (2015). Risk, Human Behavior, and Theories in Organizational Studies. Proceedings of Wuhan International Conference on E-Business. WHICEB 2015. Wuhan, China, AIS, Association for Information Systems, AIS Electronic Library (AISeL), pp.283-297.

Chesbrough, H. (2010), “Business model innovation: opportunities and barriers”, Long Range Planning, Vol. 43 No. 2, pp. 354-363.

Cortimiglia, M.N., Ghezzi, A. and Frank, A.G. (2016), “Business model innovation and strategy making nexus: evidence from a cross-industry mixed-methods study”, R&D Management, Vol. 46 No. 3, pp. 414-432.

Demil, B. and Lecocq, X. (2010), “Business model evolution: in search of dynamic consistency”, Long Range Planning, Vol. 43 No. 2, pp. 227-246.

Fernandes, Nuno. (2020). Economic Effects of Coronavirus Outbreak (COVID-19) on the World Economy. Available at SSRN: https://ssrn.com/abstract=3557504 or http://dx.doi.org/10.2139/ssrn.3557504

Foss, N.J. and Saebi, T. (2017), “Fifteen years of research on business model innovation: how far have we come, and where should we go?”, Journal of Management, Vol. 43 No. 1, pp. 200-227.

Frusciante, A.D., Elshendy, M., Casalino, N. (2014), How Motivation Brings to Healthy Organizations: Methods and Incentives to Increase Satisfaction, Efficiency and Productivity, Open Review of Management, Banking and Finance, Regent’s University, London, UK, pp. 134-141.

Jenny, Frederic, Economic Resilience, Globalization and Market Governance: Facing the COVID-19 Test (March 28, 2020). Available at SSRN: https://ssrn.com/abstract=3563076 or http://dx.doi.org/10.2139/ssrn.3563076

Laudien, S.M. and Daxböck, B. (2017), “Business model innovation processes of average market players: a qualitative-empirical analysis”, R&D Management, Vol. 47 No. 3, pp. 420-430.

Lindgren, P. (2012). “Business model innovation leadership: how do SME’s strategically lead
business model innovation?”, International Journal of Business and Management, Vol. 7 No. 14, pp. 53-66.

Metallo, C., Agrifoglio, R., Ferrara, M., Casalino, N., De Marco, M. (2012), Why should people use wiki in academic environments? An empirical analysis of undergraduate students, Proceedings of the IASTED International Conference on Computers and Advanced Technology in Education, CATE 2012, pp. 431-437.

Osterwalder, A. (2004). The business model ontology. A proposition in a design science approach. Doctorate thesis l’Ecole des Hautes Etudes Commerciales de l’Université de Lausanne. http://www.hec.unil.ch/aosterwa/PhD/Osterwalder_PhD_BM_Ontology.pdf

Osterwalder, A., Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. New Jersey: John Wiley & Sons, Inc.

Selkowski, Lukasz. (2020). Covid-19 Pandemic, Recession, Virtual Revolution Leading to De-globalization?, Journal of Intercultural Management; Vol.12 No.1 pp 1-11.

Teece, D.J. (2010). Business models, business strategy and innovation. Volume 43 page 172- 194: Elsevier. Long Range Planning

https://www.covid19.go.id/
