The Sustainability of Women’s SMEs During COVID-19 Pandemic

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Abstract

The COVID-19 pandemic has momentously affected the world economy, including Indonesia, whose economy decreased by -2.07% in 2020. This phenomenon has presented monumental challenges and put heavy pressure on women entrepreneurs as social norms in Indonesia generally require women to bear the responsibility of taking care of household affairs. Meanwhile, a successful women-run business is typically characterized by personality, competence, and environmental support surrounding her. Therefore, in ensuring business sustainability, affording flexibility for women in running a business is needed. One way to achieve the goal is through running a business through digital means during economic downturns such as the COVID-19 pandemic. The research method used in this study is a quantitative method using an online questionnaire distributed to 250 women entrepreneurs as a data collection tool. Data were thereupon processed by using Amos, with the Structural Equation Model (SEM) application. This study shows that environmental competence and support have a consequential effect on organizational flexibility, while personality does not influence organizational flexibility. This study also finds that organizational flexibility significantly affects company performance.

Keywords: personality; competencies; environmental support; organizational flexibility; performance

JEL Classification: J16; M1

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1. Introduction

The COVID-19 pandemic has been going on for more than two years, and the pandemic has negatively affected the global economy, including Indonesia. Indonesia’s economic growth in 2020 has slumped by 2.07 percent (bisnis.tempo.co, 2021). Research by Vasilić et al. (2020) indicates that the pandemic mainly affects women entrepreneurs, reaching a figure of 76%, because they have to work from home. Therefore, in a time of economic downturn and health risks, special strategies are paramount to keeping businesses afloat (Manolova et al., 2020). Foss & Henry (2021) and Odeku (2020) conclude that the pandemic has negatively affected female entrepreneurship because these female entrepreneurs have had to balance the demands of business and household responsibilities. The demand for striking a balance between business and household activities can cause stress and further affect women entrepreneurs’ well-being (Djajagunawan & Genoveva, 2018; Women Entrepreneurship Knowledge Hub [WEKH], 2020). The differences between male and female entrepreneurs were stated by Heilman & Chen (2003), which asserted that the lack of balance in lifestyle, underappreciated competence, lack of appreciation for achievements, and limited mentors to guide women entrepreneurs are challenges in themselves.

In 2018, the number of Indonesian women entrepreneurs in the small and medium business sector was estimated to be around 60%. The said figure only contributed 9.1% to Indonesia’s gross domestic product (pelakubisnis.com, 2020). Regardless, women entrepreneurs have played a good part in the Indonesian economy. The importance of women entrepreneurs in contributing to economic development must be supported by the potential constraints that they possess, such as personality and environmental support (Nneka, 2015; Molino et al., 2018). A strong and unyielding personality, including support from the environment in this study, especially the family environment (Neneh, 2017), is very important for the sustainability of the business (Genoveva & Gaby, 2019). In addition, other studies have suggested that managerial skills or competencies in business can support company performance (Ismail, 2014; Schneider, 2017; Genoveva & Gaby, 2019).

Apart from personality factors, competence in business, and environmental support, the most important thing for survival during the pandemic is flexibility in doing business (Onoshakpor et al., 2020). Social distancing during the pandemic by working from home and implementing health protocols has given women entrepreneurs greater flexibility in running their businesses. One of the flexibilities that women entrepreneurs are allowed to do is to innovate and be creative in the way they run their business (Yang et al., 2014), including marketing their business digitally (Kamberidou, 2020). Based on the problems that we have done in previous research, this is a follow-up study in which we discuss whether personality, competencies, and environment support affect company performance through organizational flexibility during the COVID-19 pandemic. Our research involves exclusive samples from associations of women entrepreneurs.
To our knowledge, this is the first study during the COVID-19 pandemic that discusses the role of organizational flexibility as the moderating variable of women entrepreneur performance.

1.1. Women Entrepreneur

According to Pandian & Jesurajan (2011), a woman entrepreneur is a woman or a group of women, who starts, manages, and runs a business venture and who recognizes opportunities, develops, and grows a business venture successfully. On the other hand, Kemkar & Sharma (2016) state that a woman entrepreneur is a woman who takes the opportunity to form a business. As the sole decision-maker, the entrepreneur decides what kind, how, and how much of the goods or services to produce. An entrepreneur provides capital, supervises, and controls business activities. A woman entrepreneur will be defined as a person who creates a business venture through hard work and determination and the ability to be innovative (Sarker & Palit, 2014). Based on the above definitions, we conclude that a woman entrepreneur is a woman/group of women who has an idea, starts up a business, and is involved in running the business with a variety of creativity and innovation so that the business runs well.

1.2. Personality

Personality, as defined by Hisrich et al. (2017), is a part of the characteristics of entrepreneurship that is influenced by various factors, including education, personal values, age, work experience, moral support networks, and professional support networks. In the same fashion, Barlett & Ghoshal (1997) conclude that the characteristics include three things, namely attitudes/traits, knowledge/experience, and skills. Salovey & Mayer (1990) suggest that personality is not only a task-related skill but also the ability to monitor the feelings and emotions of oneself and others. When it comes to entrepreneurship, one’s success can be determined by her train of thought, which can be measured through emotional intelligence.

Sarwoko et al. (2013) in studying entrepreneurship in Malang, Indonesia, conclude that entrepreneurial characteristics of SMEs determine a company’s performance. Ubadi & Ali (2020) defined that the personality of an entrepreneurial leader affects the success of the company. Likewise, the manager’s personality directly affects a manager’s ability. On the other hand, a study on 162 managers by Shalender & Yadav (2019) in the Indian context concludes that a manager’s personality influences company performance. Based on the previous strands of research, we formulate the following hypothesis:

**H1: Personality has a positive influence on women-run business performance**
1.3. Competencies

Entrepreneurial competence is defined as the underlying characteristics such as specific knowledge, motives, traits, self-image, roles, and social skills that generate business ideas, sustainability, and growth (Mitchelmore & Rowley, 2013). Another study, Man et al. (2002) defines entrepreneurial competencies as the ability of an entrepreneur to do his job successfully. In the Malaysian context, Ahmad et al. (2010) use a measurement of entrepreneurial competence which includes: strategies in running a business, conceptual abilities, ability to see opportunities, capability to establish cooperation, desire to learn, strong personality and attention to ethical factors and trustworthiness.

The study of women entrepreneurs’ competencies encompasses a combination of management competencies and entrepreneurial competencies. The following entrepreneurship competencies cover the aspects of knowledge, opportunity, self-management, administration, human resource, decision-making, leadership, strategy, innovation and operational (Smith & Morse, 2005). The researchers also find that there is a positive and significant effect of competence on the performance of women entrepreneurs. In England and Wales, for example, the research conducted by Mitchelmore & Rowley (2013) concludes that competencies related to personal and relationship, business and management, entrepreneurial, and human relations competencies affect the development of women entrepreneurial businesses. Sarwoko et al. (2013) also come to a similar conclusion, concluding that higher competence of the SMEs owners leads to higher performance. Meanwhile, Sarker & Palit (2014) argue that 8 competencies determine the performance of women entrepreneurs. The more competencies women entrepreneurs possess, the more successful their business will become. Based on that line of reasoning, we formulate our second hypothesis as follows:

\[ H2: \text{Competencies has a positive influence on Women’s Business performance} \]

1.4. Environmental Support

Environmental support in this research refers to two matters. The first one is the external environment, such as support from government regulations, macroeconomic conditions, industrial growth, and opportunities to develop business. Apart from the external factor, environmental support also refers to internal affairs, which includes social support coming from family, relatives, colleagues, employees, and friends. In addition, it also includes support in a form of the availability of physical facilities to distribute products or services.

According to Oyewobi et al. (2013), the business environment is the interaction between internal and external organizational factors consisting of the physical and social factors concerned within and outside the organizational boundaries, which show a direct influence on individual and group decision-making actions. Hisrich et al. (2017) highlight that the social environment is an individual who supports entrepreneurs psychologically, usually coming from their closest people,
such as family and friends. They play an important role when entrepreneurs face problems and need discussion partners. Social support is very important for women entrepreneurs (Ekpe, 2011; Neneh, 2017; Molino et al., 2018). Social support usually comes from the closest family and includes emotional, financial, as well as work equipment (Neneh, 2017).

Our previous study concludes that social support as part of environmental support influences women entrepreneur performance (Genoveva & Gaby, 2019). Molino et al. (2018) in the Italian context also conclude that social support, along with competencies and self-efficacy, is influential on woman entrepreneurs’ business performance. Welsh et al. (2016)’s research in Turkey and Neneh (2017)’s in South Africa also arrive at the same conclusion that the environment, especially the family one, is the most influential factor on the performance of women entrepreneurs. Based on these conclusions, the third hypothesis in this study is constructed as follows:

**H3: Environmental Support has a positive influence on Women Business performance**

### 1.5. Organizational Flexibility

Organizational flexibility is a hallmark of both formal and informal institutions in exercising individual choices when the choice itself, rather than a particular behavior or action, becomes institutionalized targets, allowing flexibility and freedom to be established and explicitly maintained. The purpose is to preserve and protect to be more creative, innovative and encourage entrepreneurial behavior. This method provides individuals with the opportunity to choose new ways of doing experiments and combine ideas with available resources (Yang et al., 2014). Organizational flexibility is an interrelated factor because it integrates all functions, processes, and other organizational levels systematically (Doroudi & Babae, 2016; Onoshakpor et al., 2020).

Strategic flexibility refers to the way women entrepreneurs capture alternatives and provide various possible options for their companies by considering factors such as competence, technology, and relationships (Kamasak et al., 2016). Onoshakpor et al. (2020) find that during the COVID-19 pandemic many women entrepreneurs experienced problems and those who were able to survive were those who exercised flexibility in their companies. Wei et al. (2014) examine 213 firms and conclude that flexibility in resources significantly affects firm performance. In the same line, Ubadi & Ali (2020) conclude that organizational flexibility has a positive impact on company performance, flexibility in terms of competition, use of resources, information, and simplification of work procedures. Therefore, our fourth hypothesis goes as follows:

**H4: Organizational Flexibility has a positive influence on Women Business performance**
1.6. Company Performance

According to Aragón-Sánchez & Sánchez-Marín (2005), a company’s performance is something that is not easily measured. The easiest indicator is by looking at the company’s profit, Return on Investment, and sales level. Similarly, Sarwoko et al. (2013) argue that company performance can be measured by the profit earned, the level of capital turnover, the controlled market share, and the level of sales. Meanwhile, Li et al. (2005) use 3 indicators for performance measurement, namely how companies can create efficiency, increase growth, and profit.

Performance measurement also refers to qualitative measurement. This measurement uses a certain scale which is usually called a performance indicator. This measurement has a special scale as suggested by Aragón-Sánchez & Sánchez-Marín (2005). For example, corporate responsibility for the environment, the ability to develop new products and processes, the ability of teamwork, business knowledge, and experience. Lee & Tsang (2001) argue that there are three indicators in measuring the performance of small and medium-scale companies, namely the market, productivity, and the resulting profit. Business performance is represented by business growth, which consists of sales growth, growth in company assets, and profit growth.

2. Methodology

Based on findings and recommendations of the previous study, this study is a continuation of the two previous studies on women entrepreneurs (Djajagunawan & Genoveva, 2018; Genoveva & Gaby, 2019) by modifying variables and using different statistical tools. This study employs quantitative research with data collection tools in the form of questionnaires that are distributed online with convenience sampling. The questionnaire was distributed to 300 women small and medium enterprises through associations of women entrepreneurs. As many as 250 data can be processed using Amos, with SEM (Structural Equation Model) application. The selection of SEM as a data processing tool hinges on a large number of respondents and the research model that uses independent, dependent, and moderating variables (Hair et al., 2016).

The model in this study refers to the combination of some previous studies to produce the research framework perspective contained in Figure 1. The questions included in the questionnaire adapt variables from several studies. Personality variables in this study use indicators from Hisrich et al. (2017), consisting of 10 questions. The personality indicators include attitudes, traits, morals, professionalism, experience, knowledge, ways of thinking, and acting. Simultaneously, the Competencies variables use indicators from Smith & Morse (2005) which consists of 9 questions. Competency indicators include a combination of management competencies and entrepreneurial competencies such as knowledge, opportunities, self-management, administration, human resources, decision skills, leadership, strategic, relations, and operations. In addition, the Environmental Support variable refers to Oyewobi et al. (2013) which generates 6 questions,
encompassing physical factors (work facilities, finances, buildings) and social factors (family, friends, government).

The Organizational Flexibility variable uses the Yang et al. (2014) indicators, comprising 9 questions. Organizational flexibility during the COVID-19 pandemic includes creativity, innovation, simplification of work procedures, existing resources to the fullest, creation of new ideas, conversance with technological developments, market and promote and use of digital technology. Finally, the Company Performance variable uses indicators from Aragón-Sánchez & Sánchez-Marín (2005) which generates 10 questions. The indicators of company performance include profit, Return on Investment (ROI), number of customers, customer satisfaction, corporate responsibility to the environment, ability to develop new products and processes, teamwork skills, business knowledge, and experience. The total number of questions in the questionnaire is 44 questions.

3. Result and Analysis

3.1. Respondents’ Profile

The total overall number of respondents is 250 with the composition of the following: 30% of respondents aged before 30 67.2% between 30 and 40, and 2.8% being more than 40 years old. Table 3.1 also shows that the majority of respondents possess a bachelor’s degree, accounting for 63.6%, followed by Senior High School with 27.6% and others (master, Junior High School, and Doctoral) with 8.8%. The monthly income of respondents is mostly less than 50 millions (35.6%), followed by an income group of >100–250 millions (31.6%), >250 millions (18.4%), and >50–100 millions (14.4%). More than a half of the respondents employ fewer than 10 persons, while one-fifth employ between 10 and 25 persons, nearly 15% employ between 25 and 50 persons, and a tenth employ more than 50 employees. Table 1. Respondent’s Profile
Table 1: Regression Results for Household Size, Education, and Household Wealth in Indonesia, 1993–2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Category</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (in year)</td>
<td>&lt;30</td>
<td>75</td>
<td>30.0</td>
</tr>
<tr>
<td></td>
<td>&gt;30–40</td>
<td>168</td>
<td>67.2</td>
</tr>
<tr>
<td></td>
<td>&gt; 40</td>
<td>7</td>
<td>2.8</td>
</tr>
<tr>
<td>Education</td>
<td>Senior High School</td>
<td>69</td>
<td>27.6</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>159</td>
<td>63.6</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>22</td>
<td>8.8</td>
</tr>
<tr>
<td>Income (per month)</td>
<td>&lt;50 millions</td>
<td>89</td>
<td>35.6</td>
</tr>
<tr>
<td></td>
<td>&gt;50–100 millions</td>
<td>36</td>
<td>14.4</td>
</tr>
<tr>
<td></td>
<td>&gt;100–250 millions</td>
<td>79</td>
<td>31.6</td>
</tr>
<tr>
<td></td>
<td>&gt;250 million</td>
<td>46</td>
<td>18.4</td>
</tr>
<tr>
<td>Employees</td>
<td>&lt;10 person</td>
<td>136</td>
<td>54.4</td>
</tr>
<tr>
<td></td>
<td>&gt;10–25 person</td>
<td>52</td>
<td>20.8</td>
</tr>
<tr>
<td></td>
<td>&gt;25–50 person</td>
<td>37</td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td>&gt;50 person</td>
<td>25</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: Author’s Calculations, 2021

3.2. Confirmation Factor Analysis (CFA)

This study conducted validity and reliability tests on 100 respondents to measure the consistency and accuracy of the questionnaire. According to Hair et al. (2010) the minimum score for loading factors is 0.70. The measurement model between latent variables and observer variables shows that one observer variable from ten variables of Personality is not valid and reliable as the loading factor scores <0.70. On the other hand, the observer variables of Competencies totaling nine are considered all valid and reliable due to the loading factors scoring >0.70. As for the Environmental Support, one variable observer is not valid and reliable given a loading factor of >0.70. Organizational Flexibility, which comprises ten variable observers, is also deemed valid and reliable because the loading factor scores >0.70. For Company Performance, out of ten variables, there are four invalid and unreliable variables because of loading factors scoring <0.70. The summary of the validity and reliability is presented in Figure 2.

3.3. Structural Model Analysis

From Table 2, we understand that not all measurement of Goodness of Fit shows a good fit value. However, this model still qualifies as a good model because the main measurement used in this study is the RMSEA value. In this model, RMSEA shows a value of 0.060, well below the 0.10 threshold. This shows that the overall model is a good fit and has a good degree of precision (Hair et al., 2016).

3.4. Hypothesis Testing

The hypothesis testing can be seen in Table 3. The results of our study indicate that Personality does not influence Organizational Flexibility (H1), meaning
that the personality of a woman entrepreneur does not affect the ability of the woman entrepreneur to adapt to a pandemic situation. According to Salovey & Mayer (1990) personality includes a person’s feelings and emotions, since our respondents in this study are women, feelings and emotions do not always allow women to adapt to the situation that occurs, in this case, the COVID-19 pandemic (Foss & Henry, 2021; Odeku, 2020).

The results of our study indicate that Competencies has an influence on Organizational Flexibility (H2), which means that various abilities possessed such as knowledge in the fields of management, administration, business, decision-
making, implementing certain strategies, the ability to manage human resources
to business operational matters enable a woman entrepreneur to exercise flexibili-
ity in her business so that the business withstand an extraordinary time such as
COVID-19 pandemic. This study goes in line with the findings by Smith & Morse
(2005), Mitchelmore & Rowley (2013), Sarwoko et al. (2013) and Sarker & Palit
(2014).

Our study also proves that Environmental Support influences Organizational
Flexibility (H3), this result indicates that support from the environment, both
the internal environment (family, friends, relatives, employees, facilities owned
by the company itself) and the external environment (government regulations,
consumers, socio-economic conditions, interest rates) can affect the performance
of women entrepreneurs. Since the COVID-19 pandemic, government policies
have played a very important role in maintaining the sustainability of micro-scale
businesses. The results of this study are supported by previous studies, namely
research on female entrepreneurs in Indonesia (Genoveva & Gaby, 2019), in Italy
(Molino et al., 2018; Welsh et al., 2016), Turkey (Welsh et al., 2016), and in South
Africa (Neneh, 2017).

Our fourth hypothesis (H4) shows that Organizational Flexibility has an influ-
ence on Company Performance, meaning that the ability of women entrepreneurs
to adapt to the conditions of the COVID-19 pandemic is very important. Social
distancing, working from home and alternating employees render flexibility
very important, for example by conducting online activities including marketing
activities, contact with consumers, and purchasing raw materials. The results
of previous research indicate that women entrepreneurs who then learn digital
technology and change their online sales strategies can maintain their business.
This finding is very much in line with the results in both studies conducted
during the pandemic (Onoshakpor et al., 2020; Ubadi & Ali, 2020) and studies
done pre-pandemic (Wei et al., 2014; Kamasak et al., 2016).

Table 3: Regression Weights

<table>
<thead>
<tr>
<th></th>
<th>Est.</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Flexibility ← Personality</td>
<td>.069</td>
<td>.050</td>
<td>1.366</td>
<td>.172</td>
<td>Declined</td>
</tr>
<tr>
<td>Organizational Flexibility ← Competencies</td>
<td>.154</td>
<td>.065</td>
<td>2.369</td>
<td>.018</td>
<td>Accepted</td>
</tr>
<tr>
<td>Organizational Flexibility ← Environmental Support</td>
<td>.542</td>
<td>.144</td>
<td>3.761</td>
<td>***</td>
<td>Accepted</td>
</tr>
<tr>
<td>Company Performance ← Organizational Flexibility</td>
<td>.107</td>
<td>.191</td>
<td>2.557</td>
<td>.017</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Author’s Calculations, 2021

4. Conclusion

Based on the data analysis this study has performed, the author concludes that
personality bears no influence on organizational flexibility, while competence
and environmental support do possess an influence on organizational flexibility.
In addition, this study finds that organizational flexibility bears a significant
influence on the business performance of women entrepreneurs. That being said, competence and flexibility are crucial to maintaining and sustaining the business. Given the finding that competence and environmental support are pivotal in buttressing organizational flexibility, women entrepreneurs should focus in those regards so that they enable themselves to run their business more flexibly. Increased competence can be achieved through training, additional education on business matters, as well as familiarization with digital business. Support from family and employees can be obtained by involving them in some aspects of the business in token of contributing to the company. The government can provide support for micro-businesses by providing digital business training, financial support, initiating the exchange of goods and services between micro-entrepreneurs.

The limitations of this study are that respondents were exclusive to women entrepreneurs who had been members of the small and medium business women association during the COVID-19 pandemic. Future studies can extend this research to a wider range of entrepreneurs, not only women but also male and large-scale businesses. Future research could also add supporting variables, such as motivational factors, degree of self-efficacy, use of social media, and demographics.

References


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