

# Crisis Management of Small and Medium Enterprises in Response to the COVID-19 Public Health Crisis: The Case of Colombia

Juan Sebastián Cuervo-Sánchez

## Abstract

Literature in crisis management has extensively developed over the last decades. Nevertheless, most studies have focused on analysing large companies and evidence of strategies adopted by small and medium enterprises (SMEs) to face a crisis is usually limited, especially in developing countries. Therefore, this study seeks to answer how COVID-19 has impacted SMEs in Colombia, determining the strategies that business owners have adopted to confront this event. Through a mixed method approach, we analyse SME business processes most impacted by the pandemic and identify major strategies adopted by business owners to mitigate adverse consequences. The results show that areas where SMEs experienced more problems were short-term employee payments, significant declines in customer demand, and re-purposing products and services. To face the crisis, many SMEs used different strategies, such as enhancing their usage of online marketing channels, building new alliances with key stakeholders, entering new markets, or serving different clients.

**Keywords:** COVID-19, SMEs, Colombia, crisis management

## Introduction

### Organisational crisis and crisis management

Organisational crisis has been defined in several ways. Pearson and Clair (1998) developed a definition of organisational crisis, adopted in this study for its management applicability, simplicity, and incorporation of multiple perspectives. For them, organizational crisis is “a low-probability, high-impact situation that is perceived by critical stakeholders to threaten the viability of the organisation and that is subjectively experienced by these individuals as personally and socially threatening” (Pearson and Clair, 1998, p. 19). Therefore, through its mostly unpredictable nature, a crisis may threaten an organisation’s survival and profitability.

Although many descriptive models have been developed to guide crisis management, most have classified crisis management strategies as proactive or reactive (Vašíčková, 2019). Others models emphasise crisis development stages. Mitroff et al. (1987) developed a systemic approach to study a crisis, distinguishing four crisis phases: detection, crisis, repair and assessment.

In this model, each phase is composed of specific crisis management strategies. In the detection stage, the firm develops a prevention plan to

Fecha de recibido: 11/10/2021. Fecha de aceptación 7/12/2021

Correo electrónico: js.cuervo1030@uniandes.edu.co

Citar como: Cuervo-Sánchez, J (2021). Crisis Management of Small and Medium Enterprises in Response to the COVID-19 Public Health Crisis: The Case of Colombia. *Revista RETO*, 9.

ensure the company's preparedness for a probable crisis based on warning signals. Weaknesses are evaluated and dealt with to minimise possible disturbances to the company's processes. However, some companies minimise this stage's importance or have not established procedures to detect a crisis.

Once the crisis unfolds, the company strives to mitigate potential damages, and achieve minimum disruption to everyday operations. Repair procedures are developed to contain the crisis and isolate the company from further damage, re-establishing and recovering affected resources and processes. Moreover, assessment strategies are developed to evaluate impacts of the crisis and promote organisational learning to better prepare for future disturbances.

Although each phase is prominent at specific moments, all strategies are interdependent over the distinct phases of any crisis. For example, the company may use assessment procedures to reorganise and initiate changes during the repair stage. Thus, proactive crisis management strategies maximise adequate planning and promote sufficient evaluation to reduce the chances of a recurring crisis while, simultaneously, conducting repairing procedures.

This study uses Mitroff's (1987) classic conceptualisation of a crisis to analyse SMEs' proactive and reactive approaches to the COVID-19 crisis and to determine how these strategies changed over time at different crisis phases (detection, crisis, repair, and assessment). Notably, SMEs may have different approaches to crises that differ in managerial approach, market sector involvement, and operational location, specially an uncommon event such as COVID-19. Therefore, analysing SMEs' responses to this public health crisis may result in specific strategies and responses not common in previous crisis management events or contexts. Therefore, before conducting the analysis, the existing literature on SME crisis management strategies is reviewed concerning other types of crisis events.

### **Crisis management in SMEs**

Research and conclusions on SME crisis management vary depending on context and world-

wide location (Vargo and Seville, 2011). Previous research has identified that, at the detection stage, environmental scanning, clear leadership, and management involvement in is crucial to mobilise organisational resources easily and promote order during crisis (Hong et al., 2012). A common approach of most SMEs is cost reduction once the crisis unfolds (Shen et al., 2020). Moreover, other firms prefer to target different markets, especially when the crisis impacts a specific economic sector (Lee et al., 2015), while a few others embrace innovation to deal with disruptive situations (Ulubeyli et al., 2018).

After a crisis, some SMEs have reported customer and supplier communication as a determinant to renegotiate commercial terms and maintain positive opinions from stakeholders (Schütze et al., 2011). Recovery plans vary between SMEs; however, a common approach is rehiring previous employees to minimise contract costs (Varum & Rocha, 2013). Furthermore, during the resolution stage, some companies conduct strategy redesign derived from organisational learning to focus on process innovation in a new business context (Kottika et al., 2020). Nevertheless, SMEs' approaches in crisis assessment activities are varied since many companies cannot survive post-crisis (Naidoo, 2010) nor establish appropriate learning procedures to guarantee long-term preparedness for the future (Alves et al., 2020).

Thus, various possible crisis approaches may exist based on SME planning styles and for SMEs located in developing countries, which face certain cultural and economic specificities. Consequently, these differences may have resulted in distinctive approaches to face the COVID-19 crisis in emergent economies, such as Colombia, which are important to analyse.

### **Methods**

This study uses a mixed methods approach to identify how the COVID-19 pandemic has impacted SMEs in Colombia and what strategies SMEs have used to face the crisis. First, a preliminary survey was administered to a sample of Colombian SMEs with two main objectives: 1) identifying SME business processes more affected by the COVID-19 crisis and 2) identifying how, compared

to other types of crises, the COVID-19 pandemic has affected specific SME business processes. The survey instrument was based on previous national questionnaires used to assess COVID-19 impacts (ACOPI, 2020; Confecamaras, 2020), with additional questions developed by the authors. Once the survey questionnaire was piloted to test understanding and validate answer choices, the instrument was applied to 850 SME managers.

Due to national lockdown restrictions, the survey was delivered via e-mail to a list of SMEs affiliated with the National Learning Service of Colombia (known in Spanish as SENA). In this study, participating SMEs came from different regions in Colombia and responded to our survey between September and November 2020. This study used purposive sampling as the survey instrument was applied to companies previously registered in SENA databases. This sampling technique was preferred over a random sample as data collected was mainly used to conduct exploratory analysis and further orient qualitative analysis. Data were analysed using Stata 15 software.

Next, semi-structured interviews were conducted with specific SMEs that answered the survey. Participation was voluntary, and the questionnaires were based on Mitroff's (1987) Crisis Management Model, grouped by the four crisis stages and SME responses to the survey. Thus, questions were constructed to analyse how the company had prepared to face the crisis and strategies implemented to overcome difficulties associated to the crisis. Additionally, questions were designed to assess how the company was trying to re-establish everyday operations of the business

(repair phase). Although at the time of this study, the COVID-19 pandemic was still developing, the questionnaire included assessment questions to analyse if the crisis was promoting organisational learning during the pandemic.

The interview was responded by the SME CEO or a high-level management leader with sufficient knowledge of the companies' business strategy. SME cases were selected based on a most-different design (Seawright and Gerring, 2008) consisting of companies with quite different characteristics but which faced the same event, the COVID-19 crisis, who worked in different industries and sectors and were able to sustain business operations. This approach was favoured to capture various strategies used by SMEs in several economic sectors.

Next, interviews were coded and analysed by two researchers using NVivo 10 software. Initial themes were selected based on the topics identified in SME crisis literature, allowing themes to emerge. Seven SMEs were interviewed following this procedure.

## Results

### Survey results

A total of 850 SMEs responded to the descriptive survey between September and November 2020. Table 1 shows a summary of the results in the four dimensions evaluated: impact on (1) business operations, (2) financial sustainability, (3) commercial and marketing channels, and (4) management perceptions about COVID-19:

Table 1. Impact of COVID-19 on operations, finance, marketing, and management perceptions of SMEs (N = 850)

Impacts on financial sustainability		Impacts on business operations	
Difficulty paying debts to banks or lenders?	N (%)	Current work placement	N (%)
Yes	526 (61.9)	In office	8 (0.9)
No	324 (38.1)	In home	224 (26.3)
Difficulty paying debts with suppliers?	N (%)	In office and house	21 (2.5)
Yes	529 (62.2)	Another modality	597 (70.2)
No	321 (37.8)		

Difficulty paying operative costs?	N (%)	Stop production or operations	N (%)
Yes	570 (67.1)	Yes, totally	173 (20.3)
No	280 (32.9)	Yes, partially	421 (49.5)
Actions to overcome expenses	N (%)	No	256 (30.1)
Order of new credits	328 (15.0)	Service or operations still on-site	N (%)
Refinancing debts	344 (15.8)	Yes	409 (48.1)
Suspension of contracts	257 (11.8)	No	441 (51.9)
Reduction of salaries	283 (13.0)	Have you permanently closed the business or a site?	N (%)
Dismissals of people	294 (13.5)	Yes, close definitively	103 (12.1)
Freezing of contracts	221 (10.1)	Yes, close some sites	115 (13.5)
Close of investments	217 (9.9)	No	632 (74.4)
Rebalancing of investments	49 (2.2)	Impacts on marketing strategies	
Stop payments of dividends	97 (4.4)	What is the behaviour of your client market?	N (%)
None of the above	91 (4.2)	We have access to more clients	84 (9.9)
Impact on business management perceptions		We have maintained our same client base	204 (24.0)
COVID-19 situation will improve in 6 months	N (%)	We have lost clients	562 (66.1)
Totally agree	67 (7.9)	Sales channels before the pandemic	N (%)
Agree	185 (21.8)	Sales with representatives	448 (31.4)
Not agree nor disagree	220 (25.9)	Ecommerce or web page	283 (19.9)
Disagree	236 (27.8)	Sales spots	244 (17.1)
Totally disagree	142 (16.7)	Catalogues or magazines	86 (6.0)
COVID- 19 represents new opportunities	N (%)	Social media	256 (18.0)
Totally agree	66 (7.8)	None of the above	108 (7.6)
Agree	212 (24.9)	New channels after the pandemic	N (%)
Not agree nor disagree	202 (23.8)	Web page	394 (20.3)
Disagree	206 (24.2)	Instagram	297 (15.3)
Totally disagree	164 (19.3)	Facebook	341 (17.5)
COVID-19 positive changes in management	N (%)	LinkedIn	128 (6.6)
Totally agree	89 (10.5)	Ecommerce	147 (7.6)
Agree	327 (38.5)	Selling in WhatsApp	637 (32.8)
Not agree nor disagree	202 (23.8)	New distribution channels since the pandemic	N (%)
Disagree	140 (16.5)	Outsourced home delivery services	0 (0.0)

Totally disagree	92 (10.8)
We were able to follow sanitary rules	N (%)
Totally agree	171 (20.1)
Agree	349 (41.1)
Not agree nor disagree	122 (14.4)
Disagree	134 (15.8)
Totally disagree	74 (8.7)
Productivity has been sustained even in COVID-19	N (%)
Totally agree	99 (11.6)
Agree	215 (25.3)
Not agree nor disagree	104 (12.2)
Disagree	264 (31.1)
Totally disagree	168 (19.8)

Source: Authors' preparation

Internal home delivery services	150 (20.1)
Peak up in with online sales	50 (6.7)
Distribution with apps	35 (4.7)
None of the above	512 (68.5)
Changes in customer demands	N (%)
Product	194 (17.9)
Package	112 (10.4)
Communication and publicity	181 (16.7)
Distribution	281 (26.0)
None of the above	313 (29.0)
Behaviour of sales during the pandemic	N (%)
Our sales have increased 50-100%	11 (1.3)
Our sales have increased 0-50%	45 (5.3)
Our sales have stayed the same	148 (17.4)
Our sales have reduced 0-50%	296 (34.8)
Our sales have reduced by 50% - 100%	350 (41.2)

Overall, the results showed a consensus on the negative impacts of the COVID-19 crisis on financial sustainability: 61.9% of SMEs had difficulty paying bank debts or credits, 62.2% had difficulty covering payments to suppliers, and 67.1% struggled to pay operative costs (production, salaries, rent, etc.). Moreover, SMEs used a wide range of strategies to face financial difficulty, the most common being debt management and employment restructuring strategies such as soliciting new credits (15.0%), refinancing existing debts (15.8%), employee dismissal (13.5%), and salary reduction (13.0%).

SMEs reported varying impacts of the pandemic on everyday business operations. Most SMEs used exclusively home-based work (26.7%), but many did not have specific working routines, reporting that the home-office work dichotomy did not strictly apply to them (70.2%). Almost all had to stop operations partially (49.5%) or did not stop them at all (30.1%), finding other mechanisms to sustain operations. Half of these SMEs maintained

services to clients on-site (51.9%) and, at the moment of the survey, had not been forced to close the business permanently (74.4%).

Changes in market demand were evident for most businesses; however, marketing and sales strategies to confront the crisis widely varied between SMEs. Notably, 66.1% of surveyed companies reported having lost clients, and 41.2% and 34.2% reported sales were reduced by half or by much more, compared to their average sales levels, respectively. Most companies (31.4%) used direct sales with shopkeepers or representatives to sell their products.

Once the pandemic started, many companies turned to the online messaging application WhatsApp as a channel to sustain direct sales (32.8%), or they used webpages (20.3%) to communicate with clients. Most SMEs did not implement new distribution channels in the short run (60.8%) or offered home delivery services (20.1%). Similarly, although companies considered changes in the distribution channels as the most com-

mon new requirement solicited by customers (26.0%), many denied short-term fluctuations in overall customer tastes and preferences (29.0%).

Furthermore, SMEs significantly differed in their opinions that the COVID-19 situation would improve in the next six months, with the most-voted answers being agree (21.8%) and disagree (27.8%). Similarly, there was no clear consensus if COVID-19 had led to new market opportunities, with 24.9% agreeing and 24.2% disagreeing with this statement. However, companies mostly agreed (38.5%) that COVID-19 had resulted in positive changes in company management, and that they were able to cover the expenses of sanitary and public health demands imposed by the government (41.1%). Perceptions of changes in productivity also widely varied, with 25.3% agreeing that productivity had improved after COVID-19 and 31.1% disagreeing.

### Interviews with SME managers

Table 2 summarises the profile of the seven companies interviewed to deepen in the stories of managers about COVID-19 consequences and the changes reported in the survey. Interviews helped to determine how these changes occurred or manifested at each crisis stage and how SMEs responded to them.

Table 2. Profile of Interviewees of SME companies

Name	Economic sector
Company A	Business consultancy
Company B	Sales, advertising, and publicity services
Company C	Labour training and human resources
Company D	Restaurant and fast-food industry
Company E	Residential housing and estate sales
Company F	Large retailer of household and office supplies
Company G	Tourism and entertaining services

Source: Authors' preparation

Companies were selected based on consent given to be interviewed and variety of industries,

prioritising companies belonging to different economic sectors. Thus, the next section describes the main findings divided according to Mitroff's (1987) four stages of crisis development.

### Detection phase

All companies reported not having previous plans or crisis management strategies to guide their actions to face a public health crisis. Similarly, none had developed a well-planned system or plan to face other types of organisational crises. Some companies had experienced a crisis, mostly related to financial difficulties or a decrease in product or service demand but had previously used a 'manage-as-you-go' approach as reflected below:

*The organisation did not have anything set up beforehand, like, for a similar situation or other types of crises [...] what we must do or how should we proceed. [...] It took us suddenly, and we did not have something to solve such a situation. [...] We were in a comfort zone (Extract 1).*

*We have not faced a crisis [...] maybe some issues related to taxes, ... so we basically do not know what is to have economic stagnation. [...] We usually find ways to overcome any problems (Extract 2).*

Although most SMEs reported major financial impacts from the pandemic, few reported them as a detonating event that led them to worry about COVID-19. Instead, most companies recognised the severity of the crisis through its impact on clients, allies, and suppliers. The crisis was felt throughout their entire business network and slowly affected each SME differently either in a sudden stop of client purchases, changes in customer demands, or a sudden cancellation or postponement of recently closed business deals.

*One client of restaurants told me that if this turns into a pandemic (it still had not), 'this is going to deeply impact us'. [...] When he told us that, we started to worry. [...] The clients called me that Friday and Saturday. [...] They started to call me from everywhere, [...] and they told me, 'Mister, we have to stop absolutely everything!' (Extract 3).*

*The client usually needs an advertising campaign, but he said, 'Why would I need it now if I can't reach the final consumer because the consumer can't leave his home to buy my product (due to the pandemic)?' (Extract 4).*

*We were in negotiations, ready to sign four agreements that were going to, as we say, be a major hit. [...] They had fieldwork, travels, and everything. [...] We were already ready to start and suddenly all stopped. [...] All airports were closed, the world closed up. [...] It was terrible (Extract 5).*

Based on the different services or business models, each SME experienced a sudden stop of major contracts with clients (Extract 5), changes in client demands (Extract 4), or an abrupt reduction in customers' usual product orders (Extract 3). Most companies reported that organisational response to the crisis was initially delayed, mostly because of the extended belief that the initial lockdowns were preventive, especially by top managers, and the situation could not scale or worsen over time. Although people recognised the possibility of the virus arriving in Colombia, they underestimated its impact on the business network:

*If this situation arrives, we thought, it was going to be something temporary that would not surpass one month. [...] This is something that would not affect us [...] that would only last 15 days, so we felt self-assured in the board. [...] In the first lockdown, we thought this is something only for prevention if things get worse. [...] That was happening in China, and it would be difficult to arrive here. [...] We never thought it would have such a major impact (Extract 6).*

## Crisis phase

During the highest peak of the crisis, each SME used different strategies to face these consequences. The first and most common strategy adopted was wage reduction for some employees, especially high-paid or senior employees, as well as the decision to work from home. Layoffs were more common in SMEs that based their business models on project development rather than product sales. This policy was mostly adopted at the initial crisis stages when sales severely dropped.

*The first decision was not to risk the employees; obviously, it was the decree of lockdown, so all had to work from their houses. [...] Then, after a month, [...] we started to feel the economic burden. [...] We adopted the decision to reduce salaries, first, only for top managers, then we were obligated to do it for employees also (Extract 7).*

*Yes, we had to lay off much of our staff because projects had been stopped, so we told them we had*

*to let them go. [...] Why would we let them stay if we cannot do anything? (Extract 8).*

However, in mid-course, many SMEs adopted alternative strategies and methods to face the crisis: (1) offering new products or services highly in demand during the pandemic, (2) redesigning existing products or services to meet customer demands in the pandemic, and (3) returning or deviating to alternative products and service lines with lower fixed costs or that were initially not strategic for the business. SMEs that adopted the first strategy recognised new business opportunities during the pandemic, while those who adopted the second or third strategy reported these methods were only applied to reduce losses or sustain, at least at minimum levels, current sales.

*At that time, we decided to create educational material in the area of biosecurity assessment and health protocols. [...] We used our skills to develop communication and biosecurity material, and that was the way we were able to overcome the first three months. [...] We also started to design webinars with several allies to promote our services on communication and marketing channels [...] that helped us gain new clients (Extract 9).*

*We started to do business with other customers in the area that required other types of basic products. [...] We conducted commercial printing that is paid much lower, but we had the printing machine there, so we took advantage of it to cover some immediate needs of some businesses that needed stronger publicity (Extract 10).*

*We had to make the decision almost to stop the business and, in my case, return to the job of consultancy with clients that I had in my past professional career as a way to sustain the administrative costs and taxes of the business, which did not stop (Extract 11).*

## Repair phase

Most SMEs had limited knowledge of government aid for their sectors. SMEs' most well-known public aid was the public subsidy offered to companies to cover employees' wages (PAEF). However, its use highly varied between SMEs, and, in some cases, it was solicited while in others it was not. In addition, other SMEs reported having trouble receiving the subsidy:

*Thank God we have not required any subsidy, but we could need it in the near future. [...] However, some of our clients had told us that Fondo Emprender cancelled their debts, so we know that some help exists (Extract 12).*

*The only subsidy we know is the subsidy to cover wages because we have used it; We really do not know what else is offered to us (Extract 13).*

*Yes, we know the plans of support on wage payments. (PAEF) [...] We obtained the right to use this aid, and now is the time we have not received it. [...] We are very sceptical, so we feel like we were used to be one more figure in the government's statistics, but the disbursement never happened (Extract 14).*

During the interviews, one specific challenge that especially retail-sector SMEs reported during this phase was the difficulty of resetting operations with certain clients and suppliers as the pandemic had reduced client purchasing power and the ability of certain suppliers to offer services consistently since only specific sectors were allowed to function normally during lockdowns:

*Yes, some organisations have resumed operations, but with a lot of restrictions, a lot of fear, and much lower budgets than we had dreamed of. [...] The drop in budgets and consumption of our clients are quite clear (Extract 15).*

*When we started to have more orders again, and companies started to order more things, [...] we had a lot of trouble because our technology providers were closed. Therefore, we had to call them, contact them many times, even go to the warehouses because they said, [...] 'I have the store closed'. [...] We said, 'I need to buy some stuff'. He told me then that 'it has to be quick because of the lockdown, send me a photo or your ID to recognise who will pick up the supplies'. [...] They all had to sell in a rather incognito mode because anything could happen (Extract 16).*

Another emergent theme reported, especially by SMEs who negatively perceived the impact of the pandemic, was a feeling of uncertainty. Although they wanted to resume business activities at initial pre-pandemic levels, some feared that the situation would become worse once again, which restrained them from making major investments or returning to operations:

*The incertitude continues. The contagion peaks still can be seen in the world. This morning, we saw that France is returning to lockdown and that Italy is facing the same. [...] The hope was the vaccine, but*

*the process is going terribly slow and not yet started here. [...] Until herd immunity guarantees us to trust that these lockdowns won't occur again, it's absurd to think that we will re-open a store or the office; there is no assurance (Extract 17).*

## Assessment phase

Most SMEs considered that, apart from positive or negative outcomes of the pandemic, this episode taught key lessons, contributed to organisational learning, and increased agility in decision-making:

*It led us to reinvent ourselves, to definitely identify that we could not leave all our eggs in one basket, [...] that we could not live exclusively with the company we were dealing with. That is what we will continue to do, to evolve (Extract 18).*

*We make decisions more quickly now, before they were a little more, let's say, not delayed but analysed much more our decisions. We looked at the plan. Now we simply review quickly because business goes very fast, and we look at the opportunities, and we bet on them (Extract 19).*

However, although the pandemic contributed to re-evaluating most SMEs way of doing business, differences existed in what managers thought would persist over time once the pandemic was over. Most SMEs recognised the importance of utilising and sustaining internet and social media channels, and almost all found work at home as valid, which, in most cases, guaranteed adequate production levels, unlike managers had previously believed:

*Definitely, we will continue strengthening ourselves in the digital world. [...] It was the first learning [...] to exploit a number of tools that we had, and we were just kind of curious about, but which now became our work tool (Extract 20).*

*We are going to keep what has been done so far, especially the teleworking [...] that is a wonderful decision, and this time at home, made us realise that it works, and it works well (Extract 21).*

*I think that one of the great ideas that will continue for the rest of my life is that there is no need to have a location, there is no need to have an office for you to do the things that you have to do, and, at the end of the day, getting paid for sitting around is going to be revalued a little bit. [...] Just do what you have to do (Extract 22).*

Finally, an emergent topic mentioned by most managers was human resources management, an area of continuous organisational learning. Most companies recognised how the pandemic had led to employee dismissal and created new challenges of promoting wellbeing for those still employed. Many employees had to work long hours, and the dividing line between personal and work life became thinner during the pandemic. Therefore, most companies recognised the long-term priority of promoting an adequate working environment that guarantees employee wellbeing:

*Working from home invades your time and personal space. [...] Working from home gives you 24/7 availability for both the company and the clients, and that is not good. [...] We are now working much more in creating awareness on area managers to respect the work and life balance of people and suppliers (Extract 23).*

Nevertheless, restrictive measures have continued due to the pandemic because vaccination in Colombia has only recently begun, and the country is still far away from herd immunity. Therefore, many interviewees believed that their learning in the assessment phase might change over time as the pandemic and market conditions in Colombia start to change mid-course as the vaccination efforts improve epidemiological conditions. Moreover, many companies will continue to evolve in their assessment of the pandemic, lessons learned, and beliefs as they discover how to react to future crises originating from the pandemic.

## Discussion

The results allowed identifying general impact patterns of the COVID-19 crisis on developing-country SMEs to determine how they have managed these events. Generally, most SMEs interviewed followed a reactive approach, according to Houghet al. (2005), because they considered the virus a completely external event, with a low probability of impacting Colombia. Consequently, most short-term strategies were defensive mechanisms to overcome the immediate crisis impacts, such as reducing salaries, forfeiting clients, stopping rent payments, and adapting to government public health regulations, such as the closure or reduction of business operations. Therefore, most SMEs experienced a crisis stage with important

short-term impacts on profits, which is why strategies used during this period were mostly based on a 'do-as-you-go' approach, with first decisions mostly implemented only after the first national lockdown.

Many SMEs only recognised the magnitude of the crisis through its impacts on suppliers, specific clients, and abrupt changes in client demands and industry capital flows. Many SMEs initially started to recognise the possible future consequences of the pandemic through its adverse effects on supply chains, which led some SMEs to be prematurely alert of COVID-19 during the first stages of the pandemic. Similarly, these negative effects discouraged future investments of many SMEs during the recovery and assessment phases of the crisis since most companies considered market conditions still inadequate with supply chains that had not yet recovered from the impact of the lockdowns.

The results are consistent with organisational theories emphasising the role of business networks in leveraging power and acquiring privileged information from events that impact market conditions (Gareth, 2013). Strong business networks not only facilitate the exchange of physical resources (supplies, money, etc.) but also the efficient flow of valuable market information—in this case, the early effects of the pandemic on other businesses. This privileged information may help managers predict future outcomes and respond adequately to existing threats (Borgatti, 2003; Bourletidis, 2013).

Furthermore, many SMEs outperformed other companies during the crisis, mostly because of managers who could leverage business contacts in their networks, such as past clients and large strategic stakeholders (e.g., consultancy projects in Extract 11). These alliances helped some SMEs negotiate new deals to transform and adapt current products and services to the new market demands during the pandemic. Therefore, our results align with previous research on the importance of leadership during crisis episodes (Boiral, 2020).

Unlike other crises, the COVID-19 pandemic impacted almost all supply chains and market agents, limiting certain SMEs in particularly vul-

nerable sectors (such as tourism) from leveraging alternative business models and allies. Consequently, many SMEs may face problems in overcoming this type of crisis since their business networks tend to be small compared to other large firms. Similarly, their competitive position and influence in these networks are usually marginal, limiting their bargaining power and ability to find the most relevant allies in a moment of need (Jurgensen, 2020).

The government's role is key in a nationwide or a public crisis impacting all market agents. The government subsidises some SME operative costs, such as taxes and wages, and due to its privileged position, it may help in connecting different companies, managers, clients, and other strategic market stakeholders. This central position in the business network helps governments encourage alliances and promote collaboration between different economic stakeholders. However, the results showed that most SMEs considered government policies as limited or insufficient, and many SMEs had poor knowledge of public programmes to help SMEs during the crisis. In some cases, SMEs reported bad experiences with subsidies offered by government authorities (Extract 14). Consequently, the role of large business associations and public institutions is key in promoting collaborative work between different private and public institutions. Via business associations, including business sector chairs and public institutions such as SENA in Colombia, this work may facilitate establishing valuable business alliances.

Another key element is SME strategies adopted during the crisis and recovery stages. As previously mentioned, some SMEs sustained their business models, found alternative client niches, and repurposed their products, while others could not take advantage of new opportunities. One common element among successful SMEs was the ability to overcome product blindness or extreme focus on what they were selling, focusing instead on identifying their value propositions and strengths. This shift allowed some to leverage resources to offer products consistent with new market demands and requirements.

For example, some SMEs produced health-protective materials and clothes, or sold high-demand food and personal hygiene products during

the pandemic. Therefore, a change in mentality from what we sell to what we can offer allowed many businesses to repurpose their value propositions, leverage organisational resources, and build new offerings to create additional value from current customer demands. Although most companies acknowledged the importance of having a presence in social marketing channels, some SMEs used these channels exclusively to sell existing products and services that were not necessarily tailored to emerging market needs aroused during the pandemic.

Finally, in most cases, the results showed high levels of organisational resilience, even for SMEs that endured negative outcomes due to the pandemic, consistent with other international studies (Neilson, Humphries, & Ulysea, 2020). For most SMEs, COVID-19 represented an external market force that promoted organisational change by building a high level of urgency for doing things differently (Kotter, 2012). This finding is consistent with previous studies in which crisis-detonating events usually obligate managers to promote radical or structural changes (Burnes & Cooke, 2013). In most cases, the crisis helped reduce unnecessary bureaucracy and improve the time spent in decision-making.

Similarly, the crisis helped many businesses recognise the importance of human resources, debunking self-sustaining managers' beliefs about how and where work should be done. Nevertheless, organisational change tends to be unstable once initiated, especially if a company does not establish a coalition of change or strategies that guarantee that new changes can be sustained (Nurunnabi, 2020). Therefore, SMEs require the creation of a strategy to face the external threats of COVID-19, along with a plan to promote organisational skill-building with adequate conditions to guarantee the sustainment of change in contexts of high incertitude.

## Conclusions

These results identify the critical consequences of the COVID-19 pandemic on SMEs in developing economies. These companies are usually more vulnerable to a crisis than larger firms due to smaller operations, dependence on smaller cus-

tomers niches and markets, and limited financial capabilities. Nevertheless, the pandemic has also promoted a market transformation and organisational learning, fostering a newfound resilience and developing alternative business models to address new market dynamics.

In some organisations, the pandemic has also positively changed how businesses are managed, creating alternative ways of working, developing new marketing channels, improving business productivity, and establishing new products and ideas. Properly managed, the COVID-19 crisis can lead to accelerated organisational transformation, diversification of products and services, and the development of new channels and business models. However, such processes can only occur if companies can overcome and manage the crisis and sustain the positive transformations generated by COVID-19 in the long term.

Today's market reality and public health environment require the support, design, and strengthening of public policies aimed at three main strategic areas: (1) the rescue and support of SMEs in particularly vulnerable sectors, including recovery and reactivation of economic activities, (2) the development of alternative purchasing channels and policies to stimulate customer demand and promote supply chain sustainment, and (3) business support, especially for small- and medium-sized enterprises, to accelerate company adaptation processes to transform according to COVID-19 reality.

### Conflict of interest

The authors declare that this research was conducted without any financial or commercial relationship or interest that would constitute a conflict of interest.

## References:

- Alves JC, Lok TC, Luo Y and Hao W (2020). Crisis management for small business during the COVID-19 outbreak: Survival, resilience, and renewal strategies of firms in Macau.
- Arrúa AA and Ríos DF (2020). COVID-19 y cadena de suministro de alimentos: estatus y perspectivas. *Investigaciones y Estudios-UNA*,11(2): 43-55.
- Bartik AW, Bertrand M, Cullen Z, Glaeser EL, Luca M and Stanton C (2020). The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences* 117(30): 17656-17666.
- Boiral O, Brotherton MC, Rivaud L and Guillaumie L (2021). Organizations' Management of the COVID-19 Pandemic: A Scoping Review of Business Articles. *Sustainability* 13(7): 3993.
- Borgatti, SP, and Cross R (2003). A relational view of information seeking and learning in social networks. *Management science* 49(4): 432-445.
- Burnes B and Cooke B (2013). Kurt Lewin's Field Theory: A Review and Re-evaluation. *International journal of management reviews* 15(4): 408-425.
- Herbane B (2013). Exploring crisis management in UK small and medium-sized enterprises. *Journal of Contingencies and Crisis Management* 21(2): 82-95.
- Hong P, Huang C and Li B (2012). Crisis management for SMEs: insights from a multiple-case study. *International Journal of Business Excellence* 5(5): 535-553.
- Hough MG and Spillan J (2005). Crisis planning: Increasing effectiveness, decreasing discomfort. *Journal of Business & Economics Research (JBER)* 3(4).
- Jones GR (2013). *Organizational theory, design, and change*. Boston: Pearson: 31-33.
- Juergensen J, Guimón J, and Narula R (2020). European SMEs amidst the COVID-19 crisis: assessing impact and policy responses. *Journal of Industrial and Business Economic* 47(3): 499-510.
- Kotter JP. (2012). *Leading change*. Harvard business press.
- Kottika E, Özsoymer A, Rydén P, Theodorakis IG, Kaminakis K, Kottikas KG and Stathakopoulos V (2020). We survived this! What managers could learn from SMEs who successfully navigated the Greek economic crisis. *Industrial Marketing Management* 88: 352-365.
- Lee N, Sameen H and Cowling M (2015). Access to finance for innovative SMEs since the financial crisis. *Research policy* 44(2): 370-380.
- Mendoza G (2021). Revisión sistemática de literatura sobre los protocolos de bioseguridad en establecimientos alimenticios en Territorio Colombiano. *Doctoral dissertation*, Universidad Cooperativa de Colombia, Facultad de Ingenierías, Ingeniería Industrial, Barrancabermeja, Colombia.
- Mitroff II, Shrivastava P and Udwadia FE (1987). Effective crisis management. *Academy of Management Perspectives* 1(4): 283-292.
- Mitroff II, Pauchant TC and Shrivastava P (1988). The structure of man-made organizational crises: Conceptual and empirical issues in the development of a general theory of crisis management. *Technological Forecasting and Social Change* 33(2): 83-107.
- Naidoo V (2010). Firm survival through a crisis: The influence of market orientation, marketing innovation and business strategy. *Industrial marketing management* 39(8): 1311-1320.
- Naradda SK, Ekanayake EM, Abeyrathne KN, Prasanna RP, Jayasundara JM and Rajapakshe PS (2020). A Review of Global Challenges and Survival Strategies of Small and Medium Enterprises (SMEs). *Economies* 8(4): 79.
- Neilson C, Humphries JE, Ulyssa G (2020). COVID-19 Encuesta internacional de expectativas pequeñas y medianas empresas. Available at: [https://covid19sbs.org/assets/survey\\_results/Colombia.pdf](https://covid19sbs.org/assets/survey_results/Colombia.pdf) (accessed October 03, 2020).

- Nurunnabi M (2020). Recovery planning and resilience of SMEs during the COVID-19: experience from Saudi Arabia. *Journal of Accounting & Organizational Change*.
- Omar ARC, Ishak S and Jusoh MA (2020). The impact of Covid-19 Movement Control Order on SMEs' businesses and survival strategies. *Geografia-Malaysian Journal of Society and Space* 16(2).
- Parnell JA (2015). Crisis Management and Strategic Orientation in Small and Medium-Sized Enterprises (SMEs) in Peru, Mexico, and the United States. *Journal of Contingencies and Crisis Management* 23(4): 221-233.
- Pearson CM and Clair JA (1998). Reframing crisis management. *Academy of management review* 23(1): 59-76.
- Pedauga L, Sáez F and Delgado-Márquez BL (2021). Macroeconomic lockdown and SMEs: the impact of the COVID-19 pandemic in Spain. *Small Business Economics*: 1-24.
- Perwaiz A (2015). Thailand floods and impact on private sector. *Disaster Management and Private Sectors*: 231-245. Springer, Tokyo.
- Seawright J and Gerring J (2008). Case selection techniques in case study research: A menu of qualitative and quantitative options. *Political research quarterly* 61(2): 294-308.
- Schütze J, Baum H, Ganß M, Ivanova R and Müller E. (2011). Cooperation of SMEs—Empirical evidence after the crisis. *Working Conference on Virtual Enterprises*: 527-534. Springer, Berlin, Heidelberg.
- Shen H, Fu M, Pan H, Yu Z and Chen Y (2020). The impact of the COVID-19 pandemic on firm performance. *Emerging Markets Finance and Trade* 56(10): 2213-2230.
- Suarez S (2020). Marketing en tiempos de crisis generado por la COVID-19. *Management Learning* 38(5): 519-538.
- Ulubeyli S, Kazaz A, and Sahin S (2018). Survival of construction SMEs in macroeconomic crises: Innovation-based competitive strategies. *Journal of Engineering, Design and Technology*.
- Vádan P (2018). Crisis Management and Socio-Political Risk in the Hellenistic Age. *The University of Chicago*.
- Vargo J and Seville E (2011). Crisis strategic planning for SMEs: finding the silver lining. *International Journal of production research* 49(18): 5619-5635.
- Varum CA and Rocha VC (2013). Employment and SMEs during crises. *Small Business Economics* 40(1): 9-25.
- Vašíčková V. (2019). Crisis Management Process—A Literature Review and a Conceptual Integration. *Acta Oeconomica Pragensia* 2019(3-4): 61-77.
- Weick KE. (1988). Enacted sensemaking in crisis situations. *Journal of management studies* 25(4): 305-317.