

Values Creation and Sustainable SMEs Operational Resilience in the New Normal: Empirical Evidence from Nigeria

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Abstract: - This study investigated the relationships between value creation and sustainable SMEs operational resilience in Nigeria. The study adopted a cross-sectional research design. Four hundred and twenty (420) SMEs operators were recruited for the study using purposive and convenient sampling methods. Smart PLS (3.0) was adopted as a statistical tool for the analysis. The findings revealed that value creation had a considerable influence on sustainable SMEs operational resilience. This study contributes to the existing knowledge on the established business models and SMEs' resilience in a developing economy like Nigeria. This study recommends that the owners of SMEs should be flexible and constantly review their business models in line with the new trend in the business world to create values for the existing and potential customers. The study concludes that value creation contributes significantly to Nigeria's sustainable SMEs operational resilience.

Key-Words: - Value creation, sustainability, business innovation, operational resilience, SMEs

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1 Introduction

In today's competitive business environment, sustainable SMEs resilience plays a significant role in the survival of businesses, particularly during the turbulent business environment as necessitated by the outbreak of the COVID-19 pandemic. Most SMEs are still struggling and yet to come out of the effect of a pandemic. Some businesses that survived the pandemic's heat could be due to their operational resilience and the sustainable value that has been generated by such SMEs.

The literature has established that entrepreneurs with a high resilience tend to sustainable business growth [1]. This suggests that operational resilience has predictive validity to running a successful business that grows over time. Also, [2] found out that an SME's resilience significantly impacts resourceful behaviours, influenced by the leader's dedication to the company's success. [3] characterized a small and medium-sized business as one that has an average revenue of less than four hundred thousand naira (₦400, 000) and employs between 5 to 100 people for its operation. The business behaviours that a leader engages in are influenced by whether they are driven by ethical convictions or obligations based on their identity with their enterprise. According to [4], SME operational resilience is linked to the leader's ability

to pick and implement a variety of solutions based on the environment and conditions they face. While sticking to one strategy in a stable environment might reduce risk, in a tumultuous environment, being adaptable and adjusting the strategy gives the business the best chance of survival. On the other hand, [5] found that strategies' flexibility and adaptability are central to SMEs' resilience, particularly during the economic downturn. The authors pointed out that there is no such thing as a "one-size-fits-all" solution, and that some tactics are only effective when combined with other methods and initiatives.

Other authors have also investigated the subject of SMEs resilience. For instance, Small businesses' resilience is attributed by [6] to their executives' predisposition to adapt to adverse economic circumstances by pursuing higher risk methods like product innovation rather than the more practical retrenchment approaches. [7] point to the influence of the leader's social capital and social skills in influencing the success of entrepreneurial businesses. The actual and potential resources that individuals gain through knowing others, being a member of a social network with them, or simply being acknowledged by them and having a good reputation are referred to as social capital and it is underpinned by social skills, including the ability to

read others, and to impress and influence them. Also, [8] Entrepreneurs have been found to have higher degrees of resilience than the overall population. At the individual level, resilience is a determinant of future success. This was also supported by [9], who posited that resilience is a process that occurs in some individuals rather than a trait present in them. [10] also noted that a tendency for prior experience of shocks in business owners increases the likelihood of SMEs resilience. None of these studies focused on the relationships between values creation and sustainable SMEs operational resilience in the new normal. This suggests a research lacuna that this study tried to fill. To this end, this study explores the relationships between value creation and sustainable SMEs operational resilience in the new normal.

2 Literature Review

2.1 Value Creation

[11] defines value creation as engaging in business processes to offer customers with what they perceive to be useful while ensuring that the cost of delivering the advantages does not outweigh the benefits—it's all about economic impacts. Customers can gain benefits from a product's qualities (performance, quality, aesthetics, durability, ease of use), the product's or firm's brand, the product's or firm's location, the network effects associated with the product, or the product's or firm's service. As a result, the process of developing, manufacturing, and testing a product all provide value because they all contribute to the product's attributes. The value created is the difference between the benefits that customers perceive and the cost of providing the benefits. A company's advert is considered value addition when the customer's perception of the product is improved upon. When a product is distributed, it brings it closer to customers who would not otherwise have access to it. Value creation for items with network effects is defined as efforts that add more customers. The more people who use the product, the more valuable it becomes to each user. Producer and product transaction costs: Managers might look for new technical options to cut costs and provide value over time. They can also come up with solutions to reduce the costs of doing business with clients and suppliers. Personal computers, for example, were relatively expensive to manufacture when they were initially introduced. Companies learned to lower these production costs over time. As a result, the total value created within this industry has expanded

significantly, as has the number of personal computers sold in the market. This cut across consumer transaction costs, new products, and services, converting organizational knowledge into value and opportunities to create value.

2.2 SME Entrepreneurs Resilience and the COVID-19 Pandemic

SME Entrepreneurs examine how COVID-19 will affect their business and how a business crisis will affect them. Several competitive characteristics, such as scenario planning, stakeholder analysis, development plans, and external and internal communication, must be considered in order to take appropriate action. Several indicators can be used to assess its resiliency, comprehend the impact of digital change, and determine whether it can mitigate the negative consequences of the COVID-19 problem. SMEs must design their business model after completing external and internal evaluations. Digital transformation is a process of revamping all business models and introducing new technologies for existing activity. The business model canvas is logic for organizations to create, distribute, and catch value [12]. Economic growth is related primarily to earnings imbalance, which is typically caused by the boom in the "FIRE" economy. SDG 8 promotes sustainable and prosperous economic growth, optimal and practical opportunities, and fair jobs for all, while SDG 10 focuses on reducing income inequality as it affects economic growth: finance, insurance and real estate sectors of the economy [13].

To reach corporate goals and to build SME products or services that are more competitive, the correct digitalization strategy is required. Cultural diversity, pluralism, and social motivation are all linked to competitive advantage. Digital transformation necessitates thorough testing of digital infrastructure. The following are the stages that need to be performed in a SME's digital transformation: 1) Developing the correct mentality and common understanding; 2) Identifying exceptional leadership; 3) Establishing a superb digital business center; 4) Formulating a digital strategy; 5) Learning, developing, and gaining expertise; 6) Developing new digital capabilities [14]. With the proper technology for system resilience, a business can carry out its digital transformation and create digital resilience.

2.3 Value Creation and SMEs Resilience

[15] When confronted with disruptive business model changes, incumbent companies must choose

whether to react with inaction, resistance, adoption, or resilience. We concentrate on small incumbent firm managers' robust reactions to simultaneous perceived threats and opportunities. We suggest that risk experiences moderate perceptions of opportunity, whereas perceived urgency moderates scenario threat, using cognitive framing arguments. We put our approach to the test in the real estate brokerage industry, where modest incumbents are up against disruptive business model developments like bargain brokers.

Resilience is becoming a more essential idea in today's socioeconomic landscapes, according to [16]. This trend is particularly visible in small and medium-sized businesses due to the competitive global environment in which we live (SMEs). These businesses are vulnerable to unfavorable circumstances that jeopardize their stability, profitability, and growth due to their limited resources and competencies (i.e., their resilience). Identifying the causes of SME resilience, as well as their separate cause-and-effect interactions, is critical because the resilience of these businesses encompasses a wide range of conceptual or theoretical challenges that need to be better understood. The building of an imprecise cognitive map as a unique technique to analyze the causes of SME resilience is proposed in this study. The intuitionistic cognitive map was created using information gleaned from two rigorous group meetings with a group of SME managers and entrepreneurs. The determinants that need to be examined in this study setting are contained in the well informed, process oriented framework that results. The stationary and non - stationary analyses resulted in a greater knowledge of the cause-and-effect links between determinants of SME resilience, allowing managers to plan more strategically.

[17] investigated how small and medium companies (SME) deal with the threat and reality of extreme disasters in order to fill a vacuum in organizational resilience research. The management narrative of extreme occurrences differed, depending on numerous organizational characteristics, according to a pilot study. This discovery prompted further research into the concept of resilience's context. The traditional focus of empirical research and thought in this area has been large organizations. Despite this, the heterogeneous SME sector accounts for nearly all industry and operates in a constant state of flux. SME participants exhibited a distinct viewpoint and approach to resilience when compared to participants from bigger businesses, according to a comparative study studying UK

organizational resilience. A subset of data from 11 SME decision-makers is presented in this paper. The association between resilience capabilities like flexibility and adaptation and organizational scale is investigated. The findings point to the difficulties of using a one-size-fits-all organizational resilience strategy (managerial or policy). This research will be used to conduct a survey to see how much resilience is an organizationally conditioned notion in practice.

3 Problem Formulation

To answer the why, how, and when of the topic under inquiry, the study will use an explanatory design. This is done to better understand the relationship between business model innovation, technology capabilities, and SMEs resilience. Descriptive research design allows the researcher to look at the research from a variety of angles and provide a more comprehensive summary than other types of research. The study's target population would be all registered SMEs in Lagos State, as determined by the Corporate Affairs Commission. Members of the management team, including the company's CEO and owners, supervisors, and directors, who are members of the National Association of Small and Medium Scale Enterprise (NASME) (592); Association of Small Business Owners Nigeria (ASBON) (414); National Association of Small Scale Industrialists (NASSI) (522) and Association of Micro Enterprise of Nigeria (AMEN) (312), as well as copies of the questionnaire.

The [18] and [19], statistical procedure was used to compute the minimal sample proportion, which resulted in a sample size of 420. This is required to estimate the population variation at a 5% level of significance and a 95% level of confidence.

Entrepreneurs and associations, or a combination of both, will be chosen using the purposive sampling technique. The study will focus on entrepreneurs who have been in business for at least five (5) years. Because the research participants will be chosen from a vast pool of supervisors, business owners, middle, and top-level managers of SMEs registered with the four (4) agencies, this technique becomes

relevant. These four organizations were chosen because they are the only ones whose members have benefited from expert business assistance from both local and international entities. To choose streets from the GRA, Lagos State, and middle area clusters, a convenience sample technique will be used. To assess for common technique bias, the variance inflation factor (VIF) was used. If the VIF is more than 3.3, the model is affected by common method bias, according to [19] If all factor-level VIFs from a comprehensive collinearity test are equal to or less than 3.3, the model does not suffer from common method bias. The proposition and structural resilience VIF scores are both less than 3.3. This suggests that there is no common technique bias in the model reported in this study.

Convergent and discriminant validity were also taken into account in the study while establishing construct validity. Convergent validity indicates that there is a link between the value proposition and the structure's resilience. Discriminant validity, on the other hand, does

not require that a measure be highly correlated with the measures from which it is expected to differ; instead, it must be substantially associated with the standards from which it is expected to deviate. The factor loadings of each measurement item surpass the prescribed thresholds. As a result, all of the objects have a substantial amount of variability.

Furthermore, the methodology equated AVE with the constructs' squared correlation when analyzing discriminant validity. The latent variable's AVE is greater than the dormant and model constructs' squared correlations. Table 1 displays the factor loadings of all the assessment items for value proposition and structure resilience among SMEs in Nigeria, as reported in the survey instrument. The validity and reliability of the instrument were further assessed using composite reliability, average variance extracted (AVE) computation, and Cronbach Alpha. Meanwhile, the recommended requirements for factor loading, composite dependability, AVE, and Cronbach Alpha were met.

Table 1. Construct validity and Reliability

	<i>Loading</i>	<i>VIF</i>	<i>t-statistics</i>	<i>P Value</i>	<i>AVE</i>	<i>Composite Reliability</i>	<i>Cronbach's Alpha</i>
<i>Constructs</i>	≥ 0.7	< 3.0	> 1.96	< 0.05	≥ 0.5	≥ 0.8	> 0.7
<i>Value Creation (VCr)</i>					<i>0.578</i>	<i>0.873</i>	<i>0.819</i>
<i>VCr1</i>	<i>0.720</i>	<i>1.564</i>	<i>12.84</i> 5	<i>0.000</i>			
<i>VCr2</i>	<i>0.779</i>	<i>1.607</i>	<i>9.615</i>	<i>0.000</i>			
<i>VCr3</i>	<i>0.751</i>	<i>1.547</i>	<i>15.84</i> 2	<i>0.000</i>			
<i>VCr4</i>	<i>0.778</i>	<i>1.841</i>	<i>16.35</i> 7	<i>0.000</i>			
<i>VCr5</i>	<i>0.771</i>	<i>1.948</i>	<i>17.57</i> 9	<i>0.000</i>			
<i>Sustainable SMES Resilience (CR)</i>					<i>0.615</i>	<i>0.864</i>	<i>0.790</i>
<i>CR1</i>	<i>0.776</i>	<i>1.590</i>	<i>13.38</i> 6	<i>0.000</i>			
<i>CR2</i>	<i>0.717</i>	<i>1.323</i>	<i>7.012</i>	<i>0.000</i>			
<i>CR3</i>	<i>0.855</i>	<i>2.683</i>	<i>24.15</i> 0	<i>0.000</i>			
<i>CR4</i>	<i>0.783</i>	<i>2.263</i>	<i>13.37</i> 7	<i>0.000</i>			

As reported in the study instrument, Table 1 shows the factor loadings of all the measurement items for value creation and Sustainable SMEs Resilience among SMEs in Nigeria. The validity and reliability of the instrument were further assessed using composite reliability, average variance extracted (AVE) computation, and Cronbach Alpha. Meanwhile, the recommended requirements for factor loading, composite dependability, AVE, and Cronbach Alpha were met.

Convergent and discriminant validity were also considered to determine and to construct validity in the study. Convergent validity is evidence of a link between **value creation and Sustainable SMEs Resilience**. In contrast, discriminant validity does not need that a measure is strongly correlated with the measures from which it is supposed to differ; it needs to be highly associated with the measures from which it is expected to vary. Each of the individual measurement item factor loadings exceeds the prescribed thresholds. As a result, there is a significant level of variety in all of the items. Furthermore, while examining discriminant validity, the analysis equated AVE with the constructs' squared correlation. The AVE of the latent variable exceeds the squared correlations between the dormant and model constructs.

3.1 Common Method Bias

The variance inflation factor (VIF) was used to check for common method bias. According to [19], if a VIF is higher than 3.3, the model is affected by common method bias. The model does not suffer from common method bias if all factor-level VIFs from a comprehensive collinearity test are equal to or less than 3.3. As a result, for value creation and Sustainable SMEs Resilience, all of the VIF values for each item and measurement construct are less than 3.3.

Table 2. Path Coefficients for Value Creation (VCr) and Sustainable SMEs Resilience (SSR)

	Path Coefficient	R-squared	Std. Dev	T-statistic	P-value
VCr	0.852	0.726	0.027	31.680	0.000
SSR					

Table 2 depicts the smart partial least squared statistical results, which focused on the relationship between value creation and sustainable SMEs resilience. The findings show that value creation significantly affects Sustainable SMES Resilience. Specifically, the findings revealed that value creation has significant influence on Sustainable SMES Resilience ($\beta = 0.852$, $R^2 = 0.726$, t -statistics = 31.680 > 1.96, P -value = 0.000 < 0.05). The Path coefficient of 0.852 implies a high degree of relationship between value creation and Sustainable SMEs Resilience. The R^2 value of 0.726 indicates that a 72.6% variance in Sustainable SMES Resilience can be explained by value creation.

Table 3. Discriminant Validity

	Sustainable SMES Resilience (CR)	Sustainable SMES Resilience (SSR)
Sustainable SMES Resilience (CR)	0.784	
Sustainable SMES Resilience (SSR)	0.852	0.760

Table 4.17 shows the discriminant validity of the observed variables' correlation matrix. As seen in the table, the diagonal elements (1) surpassed the highest squared association between the research constructs for all of the research constructs.

4 Problem Solution

The study examined the extent to which value creation influenced the SMEs resilience of SMEs in Lagos, Nigeria. The finding revealed that value creation affects the firms' resilience. This is depicted in the direct relationship that exists between value creation and sustainable SMEs resilience. This is calculated equal to 0.852 with the r-square value of 0.726, which suggests 72.6% variance of sustainable SMEs resilience is explained by value creation and the T-statistics of 31.680, which is above the critical value of 1.96 at the confidence level of 95%. Value creation is carrying out value chain activities to provide customers with something they perceive to be valuable while ensuring that the cost of providing those advantages does not outweigh the edges—all, it's about benefits and costs. Customers can benefit from a product's features, the product's or firm's brand, the product's or firm's location, the product's

or firm's network effects, or the product's or firm's service. This finding validates the submission of [15]. They opined that when confronted with disruptive business model developments, leading firms must decide whether to react with inaction, resistance, adoption, or resilience. The focus should be on small dominant business managers' resilient responses to perceived threats and opportunities simultaneously. [16] noted that resiliency is becoming increasingly crucial in today's socioeconomic environments. This trend is evident in small and medium-sized businesses due to the competitive global environment in which we live (SMEs). These businesses are vulnerable to unfavourable circumstances because of their limited resources and capabilities, jeopardizing their stability, profitability, and growth. These findings imply that the ability of the SMEs to create, innovate and often take actions that go beyond the demands of the situation will perhaps help the SMEs prioritize customers' expectations. Recognition of customers' unmet needs in the markets is a function of value creation. Therefore, SMEs are expected to focus on optimizing the delivery of products and ensuring that customers keep getting value for the products. Invariably, creating new systems, rules, and metrics that enable firms to implement new businesses successfully is enhanced by the value creation model.

4 Conclusion

The study also concludes that if SMEs consistently search for high-quality business possibilities and offer better and more affordable products than their competitors, they will maintain a competitive advantage in the market. Furthermore, if SMEs frequently launch new products that suit the needs of society's people, with the certainty that the correct items will be available at the right time and place, such SMEs will remain relevant in the market. It was concluded that recognizing unmet client demands in the marketplace is a function of value generation.

SMEs should concentrate on improving product delivery and ensuring that customers continue to receive value for their money. The value creation approach invariably enhances the establishment of new processes, regulations, and measurements that successfully deploy new enterprises. It was also concluded that SMEs should encourage teams to build prototypes with fewer resources by regularly collecting consumer feedback and using various marketing tactics to obtain customer insights to make items that satisfy consumers' needs, profits

and assured incomes will increase. SMEs should also set realistic and achievable goals for their businesses in providing products and services that will meet customers' needs to grow their customer base for positive brand recognition.

SMEs must also intensify efforts to create, innovate, and often take actions that go beyond the demands of the situation by prioritizing customers' expectations. Recognition of customers' unmet needs in the markets is a function of value creation. Therefore, it is recommended that SMEs focus on optimizing the delivery of products and ensuring that customers keep getting value for the products. This can be done by creating new systems, rules, and metrics that successfully implement new businesses.

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- Alake O. R. has carried out the introduction, literature review, problem formulation.
- Adegbuyi O.A has carried out Abstract and conclusion.
- Babajide A.A has carried out problem solution

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