



ISSN: 2230-9926

Available online at <http://www.journalijdr.com>

IJDR

International Journal of Development Research

Vol. 14, Issue, 06, pp. 65994-65997, June, 2024

<https://doi.org/10.37118/ijdr.27373.06.2024>



RESEARCH ARTICLE

OPEN ACCESS

SURVIVAL AND DEVELOPMENT STRATEGIES FOR SMALL AND MEDIUM-SIZED BUSINESSES, BASED ON THE COVID-19 PANDEMIC EFFECTS, STRESS AND THE NEED FOR INNOVATION

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ARTICLE INFO

Article History:

Received 17th March, 2024

Received in revised form

18th April, 2024

Accepted 20th May, 2024

Published online 30th June, 2024

Key Words:

Mudança Organizacional, Pequenas e Médias Empresas (PME), Pandemias, Estresse. Inovação.

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ABSTRACT

Objetivo: O objetivo deste estudo é investigar as PMEs com colaboradores com saúde emocional ameaçada pelo estresse, para propor estratégias adaptativas que gerenciem essa tensão por meio da inovação. **Referencial Teórico:** Neste tópico, são apresentados os principais conceitos e teorias que fundamentam a pesquisa. Destacam-se as pós-pandemia PMEs com desafios, e sua gestão com inovação, é crucial para sua sobrevivência, adaptação e produtividade, fornecendo uma base sólida para a compreensão do contexto da investigação. **Método:** A metodologia adotada para esta pesquisa compreende uma abordagem qualitativa, com um desenho fenomenológico. A coleta de dados foi realizada por meio de observações. **Resultados e Discussão:** Os resultados obtidos revelaram as PMEs precisam acessar informações para desenvolver uma cultura organizacional robusta com equipes de alto desempenho. A colaboração entre sectores é crucial para a inovação. COVID-19 aumentou a demanda por políticas de apoio. A alfabetização financeira, marketing digital e os esforços coordenados são essenciais para o sucesso e bem-estar emocional. Na seção de discussão, esses resultados são contextualizados à luz do referencial teórico, destacando-se as implicações e relações identificadas. Possíveis discrepâncias e limitações do estudo também são consideradas nesta seção. **Implicações da Pesquisa:** As implicações práticas e teóricas desta pesquisa são discutidas, fornecendo insights sobre como os resultados podem ser aplicados ou influenciar práticas no campo da Transformação Organizacional e Inovação. Essas implicações podem abranger os setores comercial, de serviços, educacional, entre outros. **Originalidade/Valor:** Este estudo contribui para a literatura com uma abordagem inovadora sobre a gestão do estresse em pequenas e médias empresas durante períodos de crise. A relevância e o valor desta pesquisa são evidenciados por propor estratégias adaptativas que gerenciam a tensão organizacional por meio da inovação.

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Citation: Valentin Alonso-Novelo, Jorge R. Salazar-Canton and Francisco G. Barroso-Tanoira. 2024. "Survival and Development Strategies for Small and Medium-sized Businesses, Based on the Covid-19 Pandemic Effects, Stress and the Need for Innovation". *International Journal of Development Research*, 14, (06), 65994-65997.

INTRODUCTION

The objective of this paper is to propose survival and development strategies for small and medium-sized enterprises (SMEs) as a consequence of the COVID-19 pandemic, employees stress, and the need for innovation. To this end, first will be addressed the current situation of SMEs, highlighting their importance due to their diverse sectors and the number of jobs they generate. Next, this work will analyse the impact of work-related stress on these enterprises, both in general terms and as a consequence of the pandemic. The third factor of examination will be the importance of innovation and its four categories. Finally, conclusions will be presented, integrating the aforementioned factors (pandemic, stress and innovation) to propose strategies that help SMEs to survive and develop.

THEORETICAL FRAMEWORK

According to the World Health Organization [WHO] (Organización Mundial de Salud [OMS], 2023), the COVID-19 pandemic affected over forty-eight million people, with more than 1.2 million deaths worldwide. In Mexico, there were 201,163 deaths in 2020, which is 35% more than reported by the Ministry of Health for that period (Forbes Staff, 2021). This scenario necessitated changes in the work relationship within organizations. Due to recommendations from various health authorities worldwide, organizations had to learn to operate in an unprecedented "new normality." Remote work and digital tools, once used for entertainment, became regular work tools. According to Coronado-Contreras and Llanos-Reynoso (2020), cited by Coronado and Llanos (2023), the pandemic demonstrated that 70%

of the jobs can be done remotely. Nonetheless, only 20% of the companies have the necessary culture and digital infrastructure to implement this efficiently. Stress has generally increased due to the complex, dynamic and competitive nature of the world, exacerbated by job, economic and political uncertainties and other relevant issues such as security and health. Compared to the pre-pandemic situation, the most important aspect at risk was life itself. According to Romero-Luna (2006), SMEs are the driving force of any country's economy. At the beginning of the 21st century, they represented 95% of total enterprises in the European Community, employing over two-thirds of the total workforce (Kauffman, 2001). Currently, SMEs, combined with micro-enterprises, account for 90% of global enterprises, employing 60-70% of the workforce and contributing with 50% of the global Gross Domestic Product (GDP), forming the backbone of societies worldwide. They serve as livelihoods for the poorest workers, women, youth and other vulnerable groups (Organización de las Naciones Unidas [ONU], 2023). In Mexico, SMEs engender 72% of the workforce. According to the National Institute of Statistics and Geography (INEGI), as of 2023, there are an estimated 4.9 million SMEs in Mexico, with 1.2 million founded in 2021. The number of new SMEs exceeds those that close, especially post-2020, marking the beginning of the post-pandemic era (DocuSign Contributor, 2023).

An economic crisis is anticipated to affect all countries, creating tension for both individuals and organizations (Georgieva, 2020). Given these circumstances, the need to be creative and innovative to produce and market goods, products and services that satisfy consumers becomes increasingly imperative. This can generate competitive advantages for organizational survival and development, benefiting family, local, regional, national, continental and global economies. This unique disruption has forced companies to become more resilient, managing financial, human, and material resources more effectively to adapt swiftly to the environment. The organizational environment's impact on SMEs branches from their intensive use of human capital and their significant contribution to a country's GDP, especially in developing countries like Mexico (ONU, 2023; DocuSign Contributor, 2023). Adding to this, technological lag, lack of integration and association, high operational costs, poor organization and deficiencies in internal processes, along with inadequate business vision and training among owners, result in inefficient internal management. This underscores the importance of innovation as a strategy to adapt to the new conditions in today's business world. Innovation can help resolve these issues by incorporating new organizational cultures while leveraging the entrepreneur's product or service knowledge. Continuous promotion of creative and innovative techniques is crucial; otherwise, the company risks offering unoriginal products, goods or services that don't stand out from competitors. To meet demanding consumer needs, constant innovation is the way forward. Another necessity for SMEs is managing stress effectively, which will help their staff become more tolerant to pressure and handle demanding situations more easily. Finally, it is important to note that SME owners often don't fully understand the true meaning and importance of innovation and effective stress management, perceiving these as issues specific to large companies (Anderson et al., 2014). These topics, stress and the need for innovation, will be addressed in detail later.

Work-Related stress in SMEs during the Pandemic

The term was originally adapted from the English "stress", used in physics to refer to the force that, when applied to an object, causes it to stretch, deform or break. It is defined by the Real Academia Española (2020) as the "tension caused by overwhelming situations that trigger psychosomatic reactions or severe psychological disorders." The term is also synonymous with fatigue, anxiety, anguish and exhaustion. Selye (1956) first applied this concept to psychology to explain the psychological and physical processes of people under tension. Stress is a physiological reaction to perceived threatening or overly demanding situations, affecting the body accordingly. The American Psychological Association (APA) identifies three types of stress: (a) acute, the most common, related to

anticipated pressures of the future or recent past; (b) episodic acute, typical of overly agitated, bad-tempered, irritable and anxious individuals, leading to constant tension, and (c) chronic, which is permanent, harmful and destructive to the mind, body and life, frequently affecting low socioeconomic strata, dysfunctional families or individuals who have experienced traumatic events (American Psychological Association, 2023). The WHO (OMS, 2003) defines stress as "the reaction individuals may have when faced with demands and pressures not matching to their knowledge and abilities, challenging their capacity to cope." According to Selye (1956), there are two types of stress: positive or good stress (eustress), occurring when employees are highly motivated, results-oriented and constantly active, typically when organizations provide the necessary tools and support for task and goal achievement. This type of stress boosts productivity. However, when this tension rises and affects health, it becomes negative stress (distress) (Fidalgo, 2011). Colloquially, stress usually refers to distress. Eustress arises when individuals face challenging situations, leading to adaptive responses and positive emotions such as enthusiasm, vitality, optimism, disease resistance or physical vigour. In contrast, work-related distress leads to fatigue, irritability, lack of concentration, low productivity and poor creativity. It also has psychological and physical consequences (e.g., heart diseases, irritable bowel syndrome, among others) with negative impacts on organizations (e.g., absenteeism, impunctuality, depersonalization and lack of productivity). It also significantly increases staff turnover and workplace accidents (OMS, 2003). These effects are generally caused by two main factors: (1) the individual's interaction with others, and (2) the organization as a system of people organized through a contract (Salazar-Cantón, 2011).

Causes of Stress

The WHO (OMS, 2003) reported various causes of stress in the workplace: poor working environment, conflicts among co-workers (e.g., mobbing or workplace harassment), absence or inadequacy of problem-solving procedures, insufficient salaries to meet basic needs, lack of professional development or unfair promotions, family pressures, lack of family support for workplace demands, lack of recognition, inadequate leadership and poor communication, among others. These factors create tensions that can lead to distress (Salazar-Cantón, 2011). During the COVID-19 pandemic, these causes not only persisted but strengthened with additional variables such as life itself, job security, market company survival and the necessity of rapidly adapting to technology and remote work ("home office"). Therefore, stress has a dual impact: (1) on employees, given their personal, family, and co-worker interaction circumstances; and (2) on the organization, generating stress drivers. Both pathways reduce productivity and profitability in organizations. Thus, stress is a barrier to developing dynamic capabilities in a company, which are the ability to integrate, build and reconfigure internal and external competencies to face changing environments, fostering the creation of competitive advantages (Teece et al., cited by Rueda-Sánchez et al., 2022).

Need for Innovation: Regarding the concept of innovation, the Real Academia Española (2020) defines it as "the action and effect of improving, creating or modifying a product and introducing it to the market," and the Oslo Manual (OECD/European Communities, 2007) defines it as "the introduction of a new or significantly improved product, good or service, a process, a new marketing method or a new organizational method in business practices, workplace organization or external relations." This latter definition emphasizes the importance of novelty or significant improvement in goods, products or services, as well as processes, methods, internal procedures and the adoption of new and healthy practices. For example, process innovation contributes to reducing unit or distribution costs, improving product quality, producing or distributing new products, enhancing job satisfaction (boosting labour productivity) and implementing new and improved work methods. The Oslo Manual (OECD/European Communities, 2007) distinguishes four categories of innovation based on their object, answering the question: What is being innovated? A brief description follows:

- a) **Product Innovation:** Introducing a product, good or service with "significant improvements" in its main characteristics, performance or applications. In services, this could involve better customer service and promptness. Design changes or seasonal marketing adjustments are excluded.
- b) **Process Innovation:** Redesigning or redefining activities in a process to reduce costs, improve product quality or enhance service delivery. Hammer and Champy's (1993) reengineering process involve "radically reviewing and redesigning processes to achieve better performance in costs, quality and speed."
- c) **Organizational Innovation:** Implementing a new method related to the entity's organizational structure, procedures and work routines, as well as new collaboration schemes among companies (e.g., cooperation and collaboration networks). Authors like Davenport (1993) and Lam (2005) highlight the important role of this type of innovation, a prerequisite for successfully manifesting other innovation categories within organizations. Organizational innovation can improve profitability by reducing costs, increasing effectiveness in customer response processes, improving organizational environment and facilitating communication, among other benefits. An example is the Japanese business culture, which has outperformed American companies by adopting concepts such as quality circles or just-in-time. It's important to note that mergers or acquisitions do not constitute innovation according to the Oslo Manual (OECD/European Communities, 2007). However, if a significant organizational culture change result from such a merger or acquisition, it could be considered this type of innovation.
- d) **Marketing Innovation:** Improving the positioning of products, goods or services by applying fundamental marketing policies such as product, price, promotion and place-distribution.

METHODOLOGY

The methodology adopted for this research comprises qualitative approach, with a phenomenology design. Data collection was carried out through observations.

RESULTS AND DISCUSSIONS

It can be stated that for SMEs, it is urgent to have the necessary and relevant information to enable business owners to transform themselves into true entrepreneurs who possess a vision and drive their businesses to become intelligent entities. These entities should foster an organizational culture to allow the integration of genuine work teams, interacting cooperatively and maintaining high performance standards to adapt and succeed amid existing competition. These is aligned with Bratianu et al. (2006) studies, (comma) which state that organizational intelligence is the SME competence of dealing with knowledge conducive to get the finest solutions for its survival and success in an aggressive atmosphere. An essential aspect of this transformation is training these owners and their work teams as a precondition to trigger innovations within organizations. To achieve this, universities and governments must also undergo transformations that enable them, not only to establish connections but also to form, in collaboration with companies, a massive work team that generates knowledge-based societies to propel business development. Moreover, stress caused by the disruptions of the health crisis compels government to create sensible health policies providing opportunities for personnel's wellbeing alongside with economic guidelines that provide effective support to ensure organizational survival and development. In addition, companies fighting for their economic survival and protecting their human capital are forced to review different approaches, strategies, structures and processes to adapt to the new market conditions and reorient their products and services to meet existing needs. SMEs must adopt new approaches on doing things through participative and flexible management mechanisms (Real et al., 2023). SMEs must

maintain a stable growth rate, but they don't always have the capacity to do so. It is necessary for them to constantly review their business models and venture into e-commerce and digital marketing to expedite payment methods through online devices. They also need to be scalable, meaning they should have the capability to increase their production. This will make them less vulnerable to market changes or even allow them to withstand difficult times like those caused by the COVID-19 pandemic (Real et al., 2023). It is necessary for SME personnel to have knowledge of personal and business finance, as well as access to credits and governmental support, if available. In this regard, universities play a crucial role as they are the generators and disseminators of knowledge. Therefore, the task is not easy, but possible. It is simply a matter of having the correct attitudes and adjusting their plans, programs, and processes to SMEs reality (Real et al., 2023). Today, more than ever, it is imperative that the government, business sector, educational institutions and Civil Society Organizations (CSOs) work more coordinated and communicate more effectively to achieve proper linkage in this "new normality", within the framework indicated by the Sustainable Development Goals (SDG) established by the United Nations (ONU, 2015). Only in this way success will be achieved by SMEs, generating the added value the country needs.

CONCLUSION

Based on the objective, the proposal of survival and development strategies for SMEs as a consequence of the COVID-19 pandemic, employee stress and the need for innovation, is the following:

- a) Generate information systems that help businesses to become intelligent organizations.
- b) Trigger innovations within SMEs' staff and owners.
- c) Adopt participative and flexible management mechanisms as new approaches for doing everyday activities.
- d) Constant revision of business models (eliminate comma) to make sure they are scalable and adaptable.
- e) Work co-ordinately with the Government, business sector, universities and Civil Society Organizations (CSOs) to achieve proper linkage in this "new normality" for helping SMEs improve performance and create value, overcoming the pandemic effects, stress and the need for innovation.

ACKNOWLEDGEMENTS

Thanks to the Univesidad Autónoma de Yucatán (UADY) and Consorcio de Universidades Mexicanas (CUMex).

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