Sapientia Foundation Journal of Education, Science and Gender Studies (SFJESGS), Vol.3 No. 4 December, 2021; pg. 135-144; ISSN: 2734-2522 (Print); ISSN: 2734-2514 (Online)

# SUSTAINABILITY AND RESILIENCE AS A STRATEGIC OPTION FOR SMALL AND MEDIUM ENTERPRISES SURVIVAL

**BY**

**VICTOR AMADIN IDEHEN**

**Corresponding Author: Department of Entrepreneurship,**
**Faculty of Management Sciences,**
**University of Benin, Edo State, Nigeria. Email: victor.idehen@uniben.edu**
**ORCID: https://orcid.org/0000-0003-1004-1562**

**&**

**IYORE ASEMOTA**

**Department of Entrepreneurship,**
**Faculty of Management Sciences,**
**University of Benin, Edo State, Nigeria. Email: iyore.asemota@uniben.edu**

## ABSTRACT

*This study examined sustainability and resilience as a strategic option for firm survival. The methodology used is review of relevant and extant literature, report of Apple, IBM, and Cadbury Nig. PLC, after which conclusion was made. It was revealed that Apple, IBM and Cadbury Nig. PLC were resilient to halt sliding into failed organizations by reducing their cost of operation; by trimming their product offering, reduction in number of employees, innovative in design, encouraged a culture of accountability, effective wage system and review of the supply chain. Their major focus was to increase customer satisfaction and their market shares which results in efficient and effective operation of the organization. Such a resilient strategy rebound the firm on the part of success.*

**Keywords: Sustainability, Resilience, Apple, IBM and Cadbury Nig. PLC.**

## Introduction

Many researchers have attributed reasons why small and medium enterprises (SME) fail but there is paucity of information on small and medium enterprises resilience as a strategic tool to halt failure. In the face of turbulent and uncertain environment, most SMEs consider divestiture as a strategic tool against changes in technology, intense competition, high complexities in the demand market and dynamic economic environment. Such divestiture options sometime expose SMEs to more probable risks and greater uncertainty. Most firm fail because they quit easily, strategically holding on against all odd could be a push to success.

How then do SMEs cope with internal disruptions occasioned by unpredictable/unforeseen event due to economic recessions, stiff competition, loss of major buyers, new technology, quality of infrastructure which affect the growth of the SMEs remain the focal point of this research work. To compete in a turbulent business environment, SMEs must seek for stability that comes from resilient strategic tool to halt failure. Operational sustainability practices can enhance the resilience of a firm and support its growth. Failure of firm to adopt resilience can exacerbate poverty, banditry, robbery and other social vices due to unemployment. Therefore SMEs should take advantage of their limited size to be agile, adaptable, innovative and resilient during challenging time.

It is against this background the study aim to analyze the impact of sustainability on firm survival. To achieve this, we will review some organization strategies; precisely, Apple, IBM and Cadbury Nig. PLC in face of turbulent in the organization. Such strategic tool will be useful to SMEs to fight for their survival and will also help policy makers initiate supportive policies for SMEs survival. Accordingly, the work will be structured into introduction; which highlights the motivation for the research work, literature review; which explained the conceptual, theoretical and empirical framework, methodology; which explained the method of data collection and analysis, findings and discussion, implications, conclusion and recommendation.

## Literature review

Resilience has been referred to as the incremental capacity of an organization to anticipate and adjust to the environment. That is the capacity of a system to absorb disturbances while retaining its structure and functions. Wagnild (2009) posits that resilience is the ability to recover from adversity. Some SMEs have shown a certain level of resilience and even found a new operating niches in the face of the pandemic (COVID-19). Their response to this disruption has impacted their resilience as well as their chances to overcome this crisis (Akpan et al, 2018). Small and medium enterprises are changing their business models in order to adapt to this changing environment. This has led to lockdowns, and use of ICT. Internal disruption in an organization is an opportunity to transform business models as supports for business processes. New strategic approaches for SMEs should help increase the likelihood of overcoming the impact of disturbances in the organization. Denyer (2017) posit that resilience as a strategic objective designed, help a company survive and prosper. Denyer further argues that a resilient organization is more agile, flexible, adaptive, robust and more competitive compare to less resilient organization. Meyer (1982) opined that adaptations have three main phases of anticipatory, responsive and readjustment to unforeseen circumstances. Small businesses that are resilient exhibit significant characteristics such as the ability to respond adaptively and efficiently to environment jolt to avoid mishaps (Holbrook & Nemeth, 2021). The ability to recover swiftly and efficiently and the ability to learn and adjust accordingly, ensure the survival of the business by keeping normative control over the organization structure and vulnerability (Linkangas et al, 2010). Mary Jo and Cunliffe (2006) have distinguished four elements or domains such as (a) organizational culture and identity (b) organizational strategy (c) Corporate design, structure and processes (d) organizational behavior and performance which altogether are referred to as strategic response to the external environment. Organization must have a culture of resilient to undesirable event. When an organization is resilient, all internal elements and factors would be resilient in order to turn the organization model into a resilient organization model. Therefore, resilience should be injected into all domains, including operations, structure, strategy and environmental culture.

It is a resilient organization culture that produces resilient employees who may have the cognitive capabilities to recognize potential agitations and respond appropriately. Therefore, resilient employees in an organization increase productivity and job satisfaction, increase turnover and have the capacity to recover from the crisis shock swiftly and appropriately.

The next critical domain is the strategic domain, leaders have to prepare their organizations for adversity, and as such they need to practice the proactive management of risks when it comes to anticipation of disruptive events. Organization resilient developed overtime respond to adversity and learn from it.

The next critical domain is the structure of the organization. Agile businesses change their structure in response to environment uncertainty, including changes in business models or products according to new market trends. Resilient organization engaged talented managers to take responsibilities for business continuity and managing the business operation in a resilient way. Therefore strategic leaders can add to organizational resilience by mitigating threats and leveraging opportunities. Larger firms have more capacity for resilience than smaller firms. Limited size and finances of SMEs limit their capacity for resilience but SMEs can take advantage of their size to be more flexible toward change and adapt easily. Sustainability deals with reducing negative impacts on environment. Sustainability could also connote the ability to be maintained at a certain rate or level or to endure in a relatively ongoing way the resilience strategy. SMEs have to seek and find opportunities, reinvent themselves and develop new business strategy in face of turbulent in their organization. SME has been defined by Small and Medium Enterprise Development Agencies of Nigeria (SMEDAN, 2007) as micro enterprise with less than 10 employees and less than #5million assets. Small scale enterprise as those that have 10 to 49 employees with #5 million to #10 million assets while medium scale enterprises is an enterprise with employees of 50-199, with total asset value of #50 million to less than #500 million. Chinonye et al. (2015) posits that National Economic Reconstruction Fund (NERFUND) define small scale industries as those industries whose fixed asset and cost of new investment does not exceed #10 million. In summary, small business can be seen as one that is independently owned and operated and is not dominant in its field of operation. Small and medium enterprises contribute greatly to Nigeria gross domestic product and capacity utilization. It provides jobs for the teaming population and enhanced the prosperity of the nation (NBS, 2019)

**Theoretical background**

The research work will be hinged on strategic choice theory and resource based theory. According to strategic choice theory developed by John Child 1972, there exist a link between choice undertaken by the top management and performance of business. Actions of identifying, evaluating, mitigating and monitoring unexpected events or conditions determine the overall performance of an organization.

Resource based theory propounded by Wernerfelt in 1984 argues that firms use resources to gain competitiveness and thus performance (Rumelt, 1984). For example, the key skills set and competence of staff in an organization have a bearing on the performance of the organization. Risk identification, evaluation, mitigation and monitoring requires an organization to have certain resources in terms of best practices, technology and concept to easily curb the risks in the organization which are best explained by the resource based theory.

**Empirical framework**

Abeysekara et al (2019) investigated the extent to which firms in the Sri Lankan apparel industry practice supply- chain resilience (ScRes) capabilities and examine whether ScRes practices affect the performance and competitive advantages of those firms. Partial least squares structural equation modeling (pls-SEM) to quantitatively analyze questionnaire data collected from 89 Sri Lankan apparel manufacturers was used. The study found that supply- chain risk management culture positively affects ScRes capabilities, namely, re-engineering, agility and collaboration. Agility shows the greatest influence on firm performance and competitive advantage.

Santoro et al (2020) studied the impact of employee- level and entrepreneurial-level resilience on firm performance in small family firm. A survey of 195 entrepreneurs managing small family firms was conducted. Results revealed that the dimensions of employees-level resilience affect performance positively when the entrepreneur has a strong propensity towards personal resilience. Varshney and Varshney (2017) assess the relationship between resilience and job satisfaction and the impact of resilience on three keys aspects employee performance, researchers polled 126 managers in Saudi Arabia's construction industry. Their findings show that resilience mediates the relationship between job satisfaction and both adaptive performance and contextual performance, but does not however affect task performance. Balugani (2020) empirically evaluate the impact of resilience and sustainability strategy measured by means of sustainability maturity index (SMI) on the financial performance of a company. A data sample from 53 organizations was collected through structured interviews and analyzed to identify possible relationships between the SMI and financial performance indexes. It was revealed that profitability does not show a significant relationship with sustainable strategic intent. Interestingly, for country of origin, size of the organization and market focus, likewise do not have a significant relationship with SMI.

**Apple (Company's profile and history)**

Apple had lost over $1 Billion on an expansive line of products that included flops like the Newton message pad, a hand held device similar to a palm pilot. Even worse, the company was 90 days from being insolvent. Apple recovery began with a $150M investment from Microsoft. Next, the company trimmed Apple's product offering so that it could focus on selling a small number of transformative devices. 3,000 employees were laid off and discontinued about 70% of Apple products, including the Newton message pad and the company also pushed for more innovative design.

The company newfound focus paid off the following year with the release of the imac; with a sleek, translucent design and an easy internet setup, the consumer friendly desktop computer sold nearly 800,000 apple units in its first 5 months. The products success made 1998 Apple's first profitable year since 1995. Imac, designer Jony Ive followed up on his success with the ipad in 2001 and theiphone in 2007. Today Apple is $ 300B Company, and a household name synonymous with attractive product design.

IBM **(Company's profile and history)**

IBM lost $8B due to flogging mainframe sales, IBM's various internal sales teams were consistently in competition with another to the detriment of the company. Rather than having sales people sell individual pieces of hardware, the company focus toward being a holistic IT services provider. Under the new structure, IBM representatives would help clients build the perfect technology stack, even if it included a couple products made by IBM's competitors.

As the company worked to establish a coherent brand and a shared company's wide mission, IBM fired the 40+ ad agencies it had used to market its various product lines. The company tied employees pay to IBM's overall performance, instead of the employee individual unit.

The company created a culture of accountability by urging employees to produce tangible results quickly, rather than studying things to death.

Sapientia Foundation Journal of Education, Science and Gender Studies (SFJESGS), Vol.3 No. 4 December, 2021; pg. 135-144; ISSN: 2734-2522 (Print); ISSN: 2734-2514 (Online)

The company strategy worked, with the high recurring margins of the services business providing more profitable than simple hardware sales. IBM had gone from losing $8B to making $7.7Bin 2002. Today, IBM is worth over $100B.

**Cadbury Nig. PLC (Company's profile and history)**

Cadbury Nigeria was incorporated in 1965 and is the market leader in sugar confectionery, gum and food beverages in Nigeria with strong market shares across all three categories. The company operates through two segments, Confectionery and Food Drinks and intermediate cocoa products. Cadbury Nigeria is a member company of Cadbury Schweppes PLC, a major player in the global confectionery and beverages market with 40,000 employees and business operations in 200 countries.

The Confectionery and Food Drinks segment is involved in the production and sale of Bourvita, Bubba, Stimorol, Tom Tom, Trebor, Ahomka, Bittermint and Eclairs products. The intermediate cocoa products segment offers cocoa powder, cocoa butter, cocoa liquor, and cocoa coke. It distributes its products through a network of 43 distributors. Number of employees is 2,300.

Cadbury Nigeria is the market leader in Sugar confectionery, gum and food beverages in Nigeria with an overall market share of 58%. In June 2006, the Security and Exchange Commission (SEC) expressed concern on issues arising from Cadbury's annual reports and accounts for 2005, particularly in the areas of inadequate disclosure, non- compliance with the corporate governance code and obtaining loans for the payments of dividends to shareholders, contrary to SEC regulations.

In 2009, Cadbury Nigeria offered to raise #22.218 billion by way of rights to existing shareholders, in a bid to enable the company reclaim its pride of place in the market. The bulk of fresh capital is to be used to repay bank borrowings amounting to #15.55 billion or 72 percent of the offer's net profit, while the remaining #6.14 billion or 28percent will be invested in improvement of capacity supporting infrastructure, efficiency initiatives and upgrade of utilities.

On the future plans, the directors noted that after a major strategic review in 2008, Cadbury Nigeria has commenced an extensive restructuring exercise to restore its path to profitability growth. The company has also identified significant growth potential from its core brands; Bournvita and Tom Tom , as they appeal to a very wide spectrum of Nigerian consumers having been available in the market place for almost 40 years. The strategy review also focused on opportunities to improve efficiency and quality of products through a disciplined approach to international bench marking and investment in infrastructure projects. This approach is expected to yield both productivity benefits as well as provide opportunities to streamline production processes and align the factory for future growth.

In an overview of the company's growth strategy, it also hinted of the review of its distribution network, key accounts and institutional customers, with the appointment of new ones to ensure the widest reach of its products. This is done by redefining sales region and establishing new ones. There has also been a review of the supply chain operations in a bid to enhance operational performance of key manufacturing lines and cost reduction.

**Findings and Discussions**

The relevant literature on Apple, IBM and Cadbury Nigeria PLC shows resilience on the part of the organizations to halt failure. We will discuss such strategic importance resilience under the following headings:

**(i) Reduction in cost of operation**

The study revealed that Apple in order to enhance its competitive advantage, embark on trimming Apple product offering so that it could focus on selling a small number of transformative devices; laid off 3,000 employees, discontinued about 70% of Apple products and the company was more innovative in its design. IBM strategy on cost reduction focus on the elimination of 40+ ad agencies it had used to market its various product lines, tied employees pay to IBM's overall performance instead of the employees individual unit, created a culture of accountability by urging employees to provide tangible results quickly, rather than studying things to death.

Cadbury Nig. PLC strategic measure was on the review of its distribution network, key accounts and institutional customers, with the appointment of new ones to ensure the widest reach of its product. There was also a review of the supply chain operation in a bid to enhance operational performance of key manufacturing lines and cost reductions.

**(ii) Increased customer satisfaction**

One of the key strategic Apple decision was to innovate to meet customer satisfaction and the subsequent withdrawer from the market, product that was inadequate in meeting the aspiration of the public. IBM strategy initiative was to help clients build the perfect technology stack, even if it includes a couple products made by IBM's competitors. Cadbury Nig. PLC strategy review focused on opportunity to improve efficiency and quality of products through a disciplined approach to international benchmarking and investment in infrastructure projects.

**(iii) Increased market shares**

Apple was able to increase its market share with the release of imac; with a sleek translucent design and an easy internet setup, the consumer friendly desktop computer sold nearly 800,000 units in its first 5months. The company followed up with this success with the ipad in 2001 and iphone in 2007. IBM's market share improvement showed with the high, recurring margins of the service business providing more profitable than simple hardware sales. Cadbury Nig, PLC experienced a rebound of its product due to internal reorganization that ensures strict compliance to procedures and review of its supply- chain.

**(iv) Efficiency and Effectiveness in operations**

Apple with its attractive product design, product operational efficiency and distribution network enhanced Apple revenue of over $300 billion. The IBM strategic initiative has moved IBM from losing $8 billion to making $7.7 billion in 2002. IBM is worth over $100billion. Cadbury Nig. PLC reorganization of its distribution network or rather supply chain and prudent financial management enhanced the operational performance of key manufacturing lines and cost reduction.

**Implications**

The study revealed that Apple focused on selling a small number of transformative devices, laid off 3,000 employees, discontinued about 70% of Apple products and the company was more innovative. The implication is that SMEs must take painful strategy decision to reposition a failing organization. There must be a stringent effort to survive. It is better to shed excesses in operation than wind up. SMEs must show sustainable resilience to halt failure. When firm's cut down cost, it has enough revenue resources to enhance the organization performance. The organization must continue to innovate to keep with trend or face extinction. IBM strategic choice to tie employees pay to IBM's overall performance is a strategy for employees to improve on their performance. When firms tie productivity with reward, it increases the profitability of the firm. Every employee feels they have a stake in the organization. The collective loyalty of the employees will quarantine the success of the firm. When employees are tasked to attract more pay, the firm is the utmost beneficiary. The employee who is not able to meet with set target could either be retrained or showed the way out. Every stakeholder should know it is not business as usual. The survival of the firm is paramount.

Cadbury Nig. PLC review of its distribution network is an indication that firm must analyze its leakages and develop strategy to curb excesses. Operations can either be increased or reduced to meet exigency of the organization. Organization should be able to enforce the most appropriate reorganization that enhanced the performance of the organization. When organization faces downturn, it is time to re-strategies and re-launched the operational facilities of the organization. One of the key strategic Apple decision was to meet customer satisfaction and the subsequent withdrawal from the market, product that was inadequate in meeting the aspiration of the public. The implication is that SMEs must always put the customer first. They must continuously innovate to meet the demand of the customers. They should not fail to withdraw product that are inadequate to enhance their competitive positions. SMEs must guide jealously their market share, if possible, introduce new product to remain relevant or enhance quality of existing product. SMEs must continuously pursue efficiency and effectiveness in its operations in order to enhance their revenue. Apple with its attractive product design, product operational efficiency and distributive network was able to enhance their revenue base.

## Conclusion

SMEs, in order to enhance their operational performance must pursue resilience strategy to remain relevance. SMEs should not wait until the organization is insolvent before embarking on resilience strategies. Instance where divestiture is not an option, resilience in operational capabilities with adequate resilience strategy has the capacity to rebound the firm on the part of success. Apple, IBM and Cadbury Nig. PLC were on the verge of failure, when management strategic decisions revamp the organizations to success. Therefore SMEs must continuously pursue resilience strategy if it must remain relevant. Winners never quit. Divestiture is a painful resilient strategic decision to weed the SMEs into core competence. Such decision could be the last resort after due consideration of other strategic measures.

## References

Abeysekara, N., Wang, H. & Kuruppharachchi, D.(2019). Effect of supply- chain resilience on firm performance and competitive advantage: A study of the Sri Lanka apparel industry. *Business Process Management Journal*, 1673-1695

Akpan, I.J., Udoh, E.A.P., & Adebisi, B.(2020). Small Business awareness and adoption of state of –the –art technologies in emerging and developing markets; Lesson from COVID-19 pandemic. *Journal of Small Business and Entrepreneurship*,1-18

Balugani, E. (2020). Empirical evaluation of the impactof resilience and sustainability on firm performance. *Sustainability 12*(5), 1742

Chinonye, L.M., Akinbode, M.O., & Onochie, M.P. (2015). Strategies for financing small and medium enterprises in Nigeria: concept and issues. *International Journal of Business and General Management*, *4* (5), 25-38

Gorjian Khanzad, Z & Gooyabadi, A.A. (2021). Development of strategy resilience framework for small businesses post Covid-19. *Businesses, 1*, 127-141

Holbrook, J. & Nemeth, C (2021). Resilience engineering potential for advanced air mobility (AAM). In proceedings of the 72nd international symposium on aviation psychology, Corvallis, or USA, 18th 21st May 2021, 128-133

Linkangas, L. (2010). The resilient organization. New York: The Mc Graw Hill Companies, inc. *Harvard Business Review*, 30

Mary Jo, H.& Cunliffe, A.L. (2016). Organization theory: modern, symbolic and postmodern perspectives; Oxford University press: Oxford UK

Meyer, A. (1982). Adapting to environment Jolts. Adm. SCI.Q.,27,515 [Cross Ref]

National Bureau of Statistics (2019). Nigeria Gross Domestic Product Report Q4 full year 2018)

Rumelt, R. (1984). Towards a strategic theory of the firm. In R.B. Lam (Ed), competitive strategy management, 566-570. Englewood Cliff, NJ: Prentice Hall.

Santoro, G., Messeni-Petruzzelli, A. & Del Giudice, M. (2021). Searching for resilience: The impact of employee-level and entrepreneur-level resilience on firm performance in small family firm. *Small Business Economics* 57, 455-471

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2007). National policy on micro, small and medium enterprises, Abuja: Federal Republic of Nigeria

Varshney, D. & Varshney, N.K. (2017). The effect of resilience on performance and job satisfaction among construction managers in Saudi Arabia. *Global Business and Organizational Excellence, 36* (5), 36-45

Wagnild, G. (2009). A review of the resilience scale. *Journal of Nursing measurement, 17* (2), 105 113.