

Factors Impacting SMES' Business Sustainability Post-COVID-19 in Bucharest, Romania, from the Perspective of Resilience

Betty Cohen-Tzedec¹, Mihaela Bucur², Irina Gabriela Maiorescu³ and Robert Bumbac⁴

^{1) 2) 3) 4)} Bucharest University of Economic Studies, Bucharest, Romania.

E-mail: betty_cohentzedec@yahoo.com; E-mail: mihaela.bucur@com.ase.ro

E-mail: irina.maiorescu@gmail.com; E-mail: robert.bumbac@com.ase.ro

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Abstract

Organizations are undergoing continuous transformations, either due to technological innovation, sustainability practices, various crises (financial crisis, Covid-19), the war in Ukraine, accompanied by changes in regulations specific to each country or required by the pressures of climate change or globalization, so SMEs are constantly faced with problems of various kinds that require an up-to-date assessment of the business, especially when the threats are unpredictable. To stay in business, companies, and consequently their leaders, must adapt and survive with agility when faced with unforeseen or turbulent changes. The general objective is to identify the level of resilience reflected in the corporate sustainability of SMEs in Bucharest in order to strengthen organizational success factors. The study focuses on several resilience factors: leadership, organizational networks and change orientation and the extent to which they impact the business sustainability of SMEs in Bucharest, Romania, in the post COVID-19 period. The method of study is quantitative research in order to achieve the highest level of objectivity, using systematic measurements and statistical analysis. The investigation revealed that of the three structural components, change orientation has the greatest impact on corporate sustainability, followed by organizational networks and leadership. The added value of this study for academia is that the data was collected in Bucharest, Romania, with the aim of contributing to the long-term sustainability of organizations from a resilience perspective. The study is aimed at managers of Romanian SMEs to achieve the sustainability of their company.

Keywords

Resilience; business sustainability; leadership; organizational networks; change orientation; SMEs.

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Introduction

Organizational resilience in the context of sustainability is being researched worldwide (Heredia et al., 2022). The general objective of this article is to identify the level of resilience reflected in the corporate sustainability of SMEs in Bucharest in order to strengthen the organizational success factors. Therefore, the following questions will be answered:

- To what extent does leadership as a factor of resilience influence the business sustainability of Bucharest's small and medium-sized enterprises?
 - To what extent do organizational networks as a factor of resilience influence the business sustainability of Bucharest's small and medium-sized enterprises?
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● To what extent does change orientation as a factor of resilience influence business sustainability of Bucharest’s small and medium-sized enterprises?

A resilient company has the capacity for positive transformations in the face of unexpected crises that allows it to survive in the long term by defining the relationship between resilient business variables that can be associated with customers, suppliers, government, competitors, and its own personnel. This makes the present study relevant, since the company is part of the economy and its resilience impacts the resilience of an entire market, as it is directly related to its sector. A resilient company increases its knowledge of the vulnerabilities that can affect its performance, improves the quality of its managers' decisions, and helps them succeed in times of crisis (McManus et al., 2007). This research is based on the model of McManus et al. (2007), who belong to the Resilient Organizations research group, an institution that involves a team of researchers from New Zealand, in particular from the University of Canterbury and the University of Auckland, who have implemented their model in organizations, delivering results that confirm the presence of the resilience variable with the indicators that are part of the study and that are analyzed below.

The concept of business resilience is analyzed from a threefold perspective: resilient leadership, organizational networks, and change orientation as factors in business resilience, while corporate sustainability is also discussed from three perspectives: the economic, the social, and the environmental dimensions.

1. Review of the scientific literature

Both scholars and practitioners have become interested in recent years in business resilience and its' relation to sustainability, demonstrating the need to expand the body of knowledge on these topics. The analysis proposed in this research addresses organizational resilience, a concept that can be defined as "the ability to deal with challenging conditions by ensuring the existence and prosperity of the organization" (Aldianto et al., 2021, p.2). Therefore, organizational resilience is a form of situational awareness, vulnerability management, and recovery that organizations must exert against unexpected change to demonstrate their ability to absorb that change while maintaining their functionality in the marketplace and thus ensure the success of the organization. To survive in turbulent times, in an increasingly complex environment, while encountering unpredictable events, SMEs must "proactively adapt to internal and external shocks" (Conz et al., 2017, p. 2). Thus, the focus of the analysis is on the ability to prevent negative consequences, the ability to prevent negative consequences from worsening, and the ability to recover from negative consequences. In this context, several aspects are mentioned in the literature: the ability of an organization to improvise and respond quickly and effectively to abrupt changes, case in which, it could come out even strengthened, which explains that, when organizations are resilient, they can continue to face adversity and unexpected changes, justifying the relationship between resilient factors and long-term corporate sustainability, variables that are examined in this research. The concept of business resilience is analyzed from a threefold perspective: resilient leadership, organizational networks, and change orientation (see Figure no. 1).

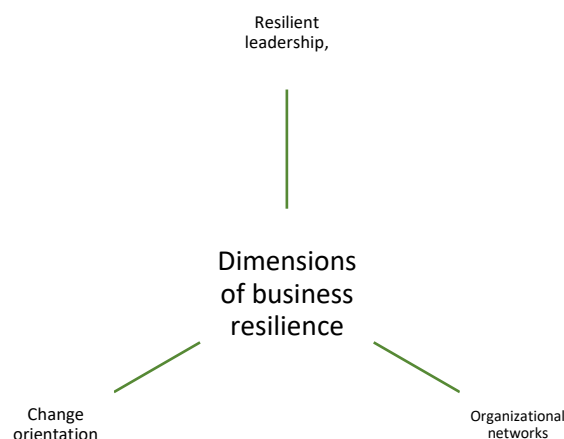


Figure no. 1. Dimensions of the business resilience variable

Source: Elkington, 1994

According to Vito et al. (2023), "leaders are coping with multiple challenges during the COVID -19 pandemic, and both individual and organizational resilience are critical to successfully manage this turbulent change" (p. 1). Several studies conclude that the level of resilience of the members of an organization is crucial for coping with crises (Lombardi, Cunha & Giustiniano, 2021; Prieto & Talukder, 2023), which includes the professional development of individuals and, consequently, their achievements or personal goals and well-being, up to the achievement of leadership positions (Charoensap-Kelly et al., 2021). Indeed, sustainable leaders can "allow a fast, resilient response which is competitive and appealing to all stakeholders" (Gerard et al., 2017, p. 116). The leader influences the behavior of his or her subordinates and consequently impacts the performance of the organization (Singh et al., 2023). The purpose of the study is not to determine what type of leadership organizations have, but rather whether innovation, creativity, and employee involvement are present and whether they are proactive in recognizing the changing situations within the organization. The purpose is to identify the values and principles of those companies that are still in the market thanks to timely decision making as one of the resilient factors, where leadership is an important component for the sustainability of the company, being the driving force of the organization to achieve the planned goals, being able to create and innovate together with their work group (Batool et al., 2022) and making decisions in times of unexpected changes in the organization.

The organizational networks are another factor in business resilience, especially in today's environment characterized by volatile market conditions that confront companies with constant change (Crick & Bentley, 2020). To deal with these phenomena, the company must be tolerant to change and demonstrate its ability to survive in the market. To do this, it is necessary to develop indicators of capabilities, create systems for labor relations, interdepartmental communication, as well as business relationships that allow employees to cope with unexpected changes while achieving the planned results (Kunz & Sonnenholzner, 2023). When organizational networks are confronted with the above situations, the consequences are evident in the performance of companies, manifested in changes in sales, production, and customer service, hence the urgency to develop resilience as a business protection tool. This allows the organization to continuously improve its ability to adapt and recover by redesigning its processes so that its suppliers and communication with its internal and external customers are in line with its objectives. The organizational network dimension contributes to improving the relationship between internal and external, as well as improving relationships with customers, suppliers, and others, using technology for effective communication, and others (Xie et al., 2022). Therefore, this dimension is an important tool for achieving long-term sustainability.

Change orientation is composed of organizational planning, a proactive attitude, and planning strategies (Prayag et al., 2023; Bastas & Garza-Reyes, 2022). Organizational planning is based on three components: self-motivation, which consists of making employees feel that they can effectively perform their assigned tasks according to organizational needs; adaptability, understood as the ability to recognize and respond effectively to changes in the organizational environment; and creativity, which is possible in an open organizational climate and causes the emergence of imaginative and practical alternatives to solve problems in the organization (Brennan et al., 2023). The proactive orientation consists of a personal and joint response to the internal and external demands of the company, so that it allows anticipating upcoming events and having the express will to face them. Moreover, it consists of two key elements: planned behavior and objective perception. The planning strategies are developed through: the objectives, which must be consistent with those of the company and expressed in a clear, systematic and understandable way to all members of the organization; the policies, which determine the behavior of action accepted in the company and which must be assumed by all members to generate institutional commitment and discipline; and the procedures for management, which refer to how to deal with changes in the business environment.

The concept of sustainability in business promotes social inclusion, optimizing the use of natural resources and reducing the impact on the environment, with the aim of protecting the planet for its future generations, without losing the economic and financial orientation of the company, which together create value for business stakeholders and provide a greater opportunity for long-term business continuity. The dimensions of the sustainability variables can be found in Figure no. 2 below.

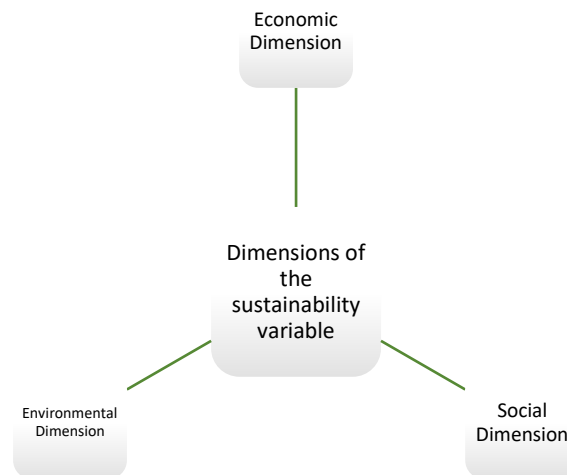


Figure no. 2. Dimensions of the sustainability variable

Source: Elkington, J. 1994

Sustainable development in a company contributes to responsible management by delivering economic, social, and environmental benefits simultaneously (Elkington, 1994), which is currently known as the Triple Bottom Line or Triple P, where the 3 P's stand for People, Planet, and Profit (Lariviere & Smit, 2022).

2. Research methodology

To carry out this research, a quantitative investigation was conducted to achieve the highest level of objectivity, making systematic measurements and using statistical analysis. The research aims to determine the relationship between two variables: business resilience (independent variable) and business sustainability (dependent variable). The first variable takes two values: High resilience and Low resilience, while the second variable also assumes two values: High business sustainability and Low business sustainability. For the resilience variable, an interview questionnaire and checklist table were used, while for sustainability, a Likert-type questionnaire was used that includes components of the variables.

The sample studied consists of 283 SMEs, with the sample used being made up of 163 companies. A response rate of 58% was obtained. Statistical software, SPSS 24, was used, with the results converted into charts using Microsoft Excel program. The general hypotheses are:

- H1 (Alternative Hypothesis): There is an impact of resilience on business sustainability of SMEs in Romania.
- H0 (The Null Hypothesis): There is no impact of resilience on business sustainability of SMEs in Romania.

3. Results and discussion

Using the SPSS24 computer program the results of the resilience variable were analyzed, as well as the leadership dimensions, organizational networks, and change perspective. The results are presented in Figure no. 3:

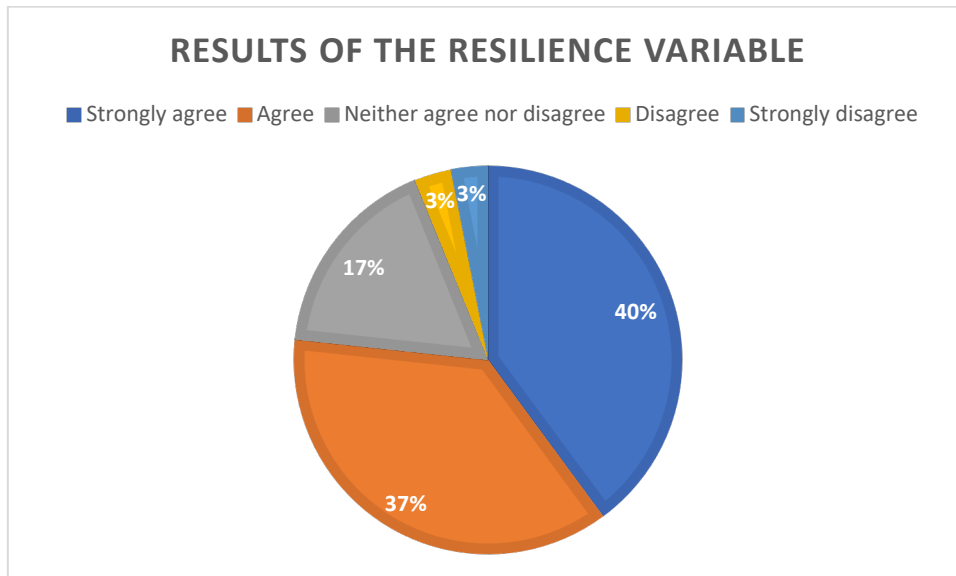


Figure no. 3. The results of the resilience variable

Source: author's research

77% of the respondents indicated that they "strongly agree" and "agree" as shown in Figure no. 3, which means that the independent variable resilience is necessary for stable management and therefore valid for the objective of the present study. 17% chose "neither agree nor disagree", while only 6% chose "disagree" and "strongly disagree".

The overall result of the business sustainability variable resulting from the survey applied and processed with the SPSS24 computer program, which includes the economic, social and environmental dimensions, corresponds to Figure no. 4:

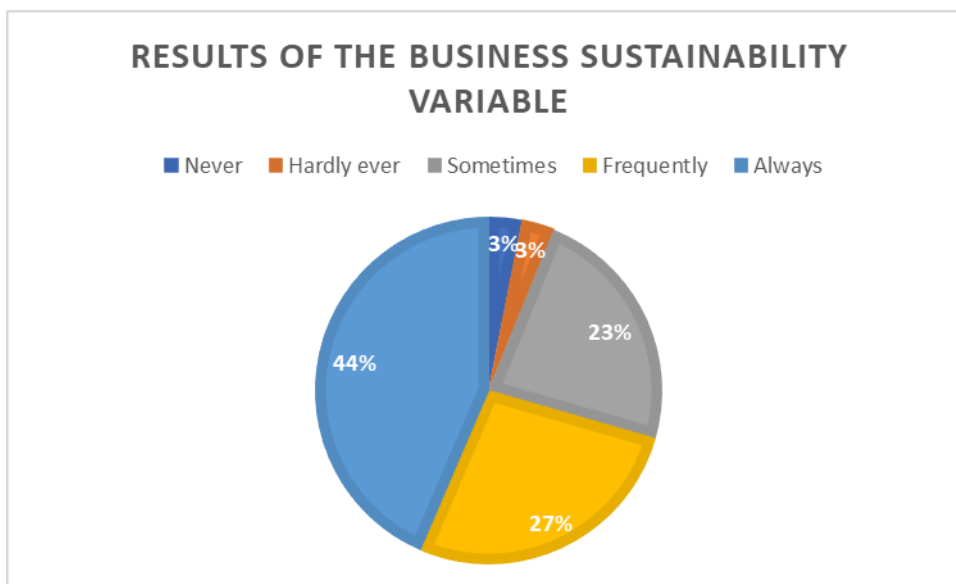


Figure no. 4. The results of the business sustainability variable

Source: author's research

According to the results, 71% of the respondents selected "frequently" and "always" as shown in Figure no. 4, consequently, the dependent variable business sustainability is acknowledged as an expected outcome of management and is therefore relevant to the purpose of this study. In addition, 26% of the respondents selected "sometimes" and "almost never", while only 3% selected "never".

Table no. 1 presents the results of testing the general hypothesis: (HS1) There is a degree of impact of resilience on the business sustainability of SMEs in Romania. The non-parametric technique of Spearman correlation coefficient was used, which is a statistical test that allows measuring the correlation or association of two variables and is applicable when the measurements are made on an ordinal scale, as it is the case in this investigation.

Table no. 1. Correlations of the variables (dependent and independent)

			Correlations	
			RESILIENCE	BUSINESS SUSTAINABILITY
Kendall tau_b	RESILIENCE	correlation coefficient	1,000	,952
		Sig.(2-tailed)		,000
		N.	163	163
	SUSTAINABILITY BUSINESS	correlation coefficient	,952	1,000
		Sig.(2-tailed)	,000	
		N.	163	163
Spearman's Rho	RESILIENCE	correlation coefficient	1,000	.962
		Sig. (2-tailed)		,000
		N.	163	163
	SUSTAINABILITY BUSINESS	correlation coefficient	.962	1,000
		Sig. (2-tailed)	,000	
		N.	163	163

Source: Author's research

Spearman's Rho correlation coefficient is 0.962, a very high positive correlation, p-value= 0.000. Highly significant differences are also found ($p < 0.05$) when comparing the scores of the 46 items in the relevant variables. As a result, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted.

Conclusions

Resilience has a significant impact on the business sustainability of SMEs in Bucharest, Romania (Spearman's Rho (correlation coefficient) 0.962 **, indicating a highly significant and strong positive correlation between the variables). There is a direct and significant correlation of 96.2%. This means that as resilience scores increase, business sustainability also increases and vice versa.

The present study and its results can be used by managers of small and medium enterprises, both in Bucharest and in Romania in general, as a tool for continuous support in improving their business management. Moreover, they will be able to understand and situate the concept of resilience as a factor of change in order to maintain the strengths of their companies even in critical situations.

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