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.

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 (Ayala & Manzano, 2014). This suggests that operational resilience has predictive validity to run a successful business that grows over time. Also, Powell and Baker (2021) found out that an SME's resilience significantly impacts resourceful behaviours, shaped by the leader's commitment to the business and its success. Whether a leader is driven by ideological commitments or by commitments based on their identity with their organisation can impact the business behaviours that they operate. Conz, Denicolai and Zucchella. (2017) discovered that SME operational resilience is linked to the ability of the leader to select and implement a range of strategies, depending upon the environment and circumstances they encounter. While sticking to one strategy can minimise risk in stable times, being flexible and adapting the strategy offers the organisation the best chance of survival in a turbulent environment. On the other hand, Smallbone, Deakins, Battisti, and Kitching (2016) found that strategies' flexibility and adaptability are central to SMEs' resilience, particularly during the economic downturn. The authors noted that there is no 'one size fits all solution and that sometimes strategies are only successful if

used alongside other approaches and interventions.

Other authors have also investigated the subject of SMEs resilience. For instance, Bamiatzi and Kirchmaier (2014) attribute resilience in small businesses to a tendency for their leaders to respond to challenging trading environments by embracing higher risk strategies like product innovation rather than the more prosaic retrenching approaches. Baron and Markman (2020) point to the influence of the leader's social capital and social skills in influencing the success of entrepreneurial businesses. Social capital is 'the actual and potential resources individuals obtain from knowing others, being part of a social network with them, or merely from being known to them and having a good reputation' and it is underpinned by social skills, including the ability to read others, and to impress and influence them. Also, Fisher, Maritz, and Lobo (2016) discovered that entrepreneurs exhibit high levels of resilience compared to the general population. Resilience is a predictor of entrepreneurial success at the individual level. This was also supported by Bernard and Barbosa (2016), who posited that resilience is a process that occurs in some individuals rather than a trait present in them. Doern (2016) 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 values creation and sustainable SMEs operational resilience in the new normal.

2. Literature Review

Value Creation

Allan (2016) asserted that value creation is about performing value chain activities to offer customers something they perceive as beneficial to them and ensure that the cost of offering the benefits does not exceed the benefits—it is about benefits and costs. The benefits that customers derive from a product can be from the product's features (performance, quality, aesthetics, durability, ease of use), the product's or firm's brand, the location of the product, the network effects associated with the product, or the service that comes with the product. Thus, designing a product, manufacturing, and testing it all add value since they all contribute to the product's features. 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. Distributing a product adds value when it brings the product closer to customers who would otherwise not have access to it. Performing activities that add more customers constitutes value creation for products that exhibit network effects. The more people who use the product, the more valuable it becomes to each user. Producer and product transaction costs: Managers can discover new technological opportunities to reduce these costs and increase value over time. They also can devise ways to lower the costs of transacting with customers and suppliers. For example, when personal computers were first developed, they were relatively expensive to produce. Over time, companies learned to reduce these production costs. As a result, the quantity of personal computers sold in the market has increased substantially and the total value created within this industry. This cut across consumer transaction costs, new products and services, converting organisational

knowledge into value and opportunities to create value.

SME entrepreneurs Resilience and the COVID-19 pandemic

SME entrepreneurs assess how the needs arise because of COVID-19 and how a business crisis can affect their business. Appropriate action is needed by considering several competitive aspects such as scenario planning, stakeholder analysis, development strategies, external and internal communication. Several indicators can be used to evaluate its reactive capacity and understand the impact of digital change whether it can reduce the negative effects of the COVID-19 crisis. After conducting external and internal analysis, SMEs must determine their business model. Digital transformation introduces new technologies for existing activities and a process of redesigning all business models. The business model canvas is logic for organisations to create, distribute, and catch value (Osterwalder, 2010).

The right digitalisation strategy is needed to achieve business goals, to develop SME products or services to be more competitive. Competitive advantage is related to cultural diversity, plurality and social motivation. In digital transformation, the proper testing of digital infrastructure is required. The steps that need to be taken in digital transformation in SME are as follows: 1) Creating the right mindset and shared understanding; 2) Determining the exemplary leadership; 3) Launching a superior digital business centre; 4) Formulating a digital strategy; 5) Discovering, developing, and gaining knowledge; 6) Creating new digital capabilities (Casalino, 2019). With the proper technology for system resilience, a business can carry out its digital transformation and create digital resilience.

Value Creation and SMEs Resilience

Dewald and Bowen (2018). Incumbent firms facing disruptive business model innovations must decide whether to respond through inaction, resistance, adoption, or resilience. We focus on resilient responses to simultaneous perceived threats and opportunities by managers of small incumbent firms. Using cognitive framing arguments, we argue that risk experiences moderate's perceptions of opportunity, whereas perceived urgency moderate's situation threat. We test our framework in the real estate brokerage context, where small incumbents face considerable challenges from disruptive business model innovations, such as discount brokers. Analysis of data from 126 real estate brokers broadly confirms our framework. We conclude with implications of our research for small business incumbents.

Branco, Ferreira, Meidutė- Kavaliauskienė, Banaitis, and Falcão (2019). Resilience is an increasingly important concept in current socioeconomic landscapes. Due to the competitive global context in which we live, this trend is particularly noticeable in small and medium- sized enterprises (SMEs). Due to their limited resources and capabilities, these firms are exposed to unfavourable scenarios that threaten their stability, viability, and development (i.e., their resilience). Thus, identifying the determinants of SME resilience and their respective cause- and- effect relationships is vital because these companies' resilience involves a wide variety of conceptual or theoretical issues that need to be understood more fully. This study proposes the creation

of a fuzzy cognitive map as a novel way to analyse the determinants of SME resilience. The fuzzy mental map was developed based on the insights obtained during two intensive group meetings with a panel of SME managers and entrepreneurs. The resulting well- informed, process- oriented framework contains the determinants that need to be considered in this research context. The static and dynamic analyses produced an improved understanding of the cause- and- effect relationships between determinants of SME resilience, which facilitates better strategic planning by these firms' managers. The proposed approach's practical implications, advantages, and limitations are also discussed.

Sullivan-Taylor and Branicki (2011) carried out a study towards addressing a gap in organisational resilience research by examining how small and medium enterprises (SME) manage the threat and actuality of extreme events. Pilot research found that the managerial framing of extreme events varied by various organisational factors. This finding informed further examination of the contextual nature of the resilience concept. Large organisations have been the traditional focus of empirical work and theorising in this area. Yet, the heterogeneous SME sector makes up approximately 99% of the UK industry and routinely operates under conditions of uncertainty. A comparative study examining UK organisational resilience emerged that SME participants had both a distinctive perspective and approach to resilience compared to participants from larger organisations. This article presents a subset of data from 11 SME decision-makers. The relationship between resilience capabilities, such as flexibility and adaptation, is interrogated about organisational size. The data suggest limitations of applying a one-size-fits-all organisation solution (managerial or policy) to creating resilience.

This study forms the basis for survey work examining the extent to which resilience is an organisationally contingent concept in practice.

3. Methodology

To answer the why, how, and when of the topic under inquiry, the study will use an explanatory design. This is done in order 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 Gill, Johnson, and Clark (2010) 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 Kock (2015). 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

	Loading	VIF	t-statistics	P value	AVE	Composite Reliability	Cronbach's Alpha
Constructs	≥ 0.7	<3.0	>1.96	<.05	≥ 0.5	≥ 0.8	> 0.7
Value Creation (VCr)					0.578	0.873	0.819
VCr1	0.720	1.564	12.845	0.000			
VCr2	0.779	1.607	9.615	0.000			
VCr3	0.751	1.547	15.842	0.000			
VCr4	0.778	1.841	16.357	0.000			
VCr5	0.771	1.948	17.579	0.000			
Sustainable SMES Resilience (CR)					0.615	0.864	0.790
CR1	0.776	1.590	13.386	0.000			
CR2	0.717	1.323	7.012	0.000			
CR3	0.855	2.683	24.150	0.000			
CR4	0.783	2.263	13.377	0.000			

As reported in the study instrument, Table 41 shows the factor loadings of all the measurement items for value creation and Sustainable SMEs Resilience among SMEs in Nigeria. The composite reliability, average variance extracted (AVE) computation, and Cronbach Alpha was also used to assess the instrument's validity and reliability. Meanwhile, the factor loading, composite reliability, AVE, and Cronbach Alpha recommended requirements were met.

Convergent and discriminant validity were also considered to determine 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.

Common Method Bias

The variance inflation factor (VIF) was used to check for common method bias. According to Kock, if a VIF is higher than 3.3, the model is affected by common method bias (2015). 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. This means that the model in Figure 4.1 has no common method bias.

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

		Path Coefficient	R-Square	Std. Dev	T-statistics	P-value
VCr	➡ SSR	0852	0.726	0.027	31.680	0.000

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 (β= 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 4.17: 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. Discussion

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 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 Dewald and Bowen (2018). 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. Branco, Ferreira, Meidutė- Kavaliauskienė, Banaitis, and Falcão (2019) 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, jeopardising 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 prioritise customers' expectations. Recognition of customers' unmet needs in the markets is a function of value creation. Therefore, SMEs are expected to focus on optimising 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 are enhanced by the value creation model.

5. Conclusion and Implications

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 recognising 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 prioritising customers' expectations. Recognition of customers' unmet needs in the markets is a function of value creation. Therefore, it is recommended that SMEs focus on optimising 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.

Acknowledgement

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