

Organizational Agility Among Selected SMEs in the Philippines during the Covid-19 Pandemic: Genesis and Implications

Maria Victoria P. Tibon
De la Salle University

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

The Covid 19 pandemic has brought challenges and opportunities alike to small and medium enterprises (SMEs). Changes in the environment in terms of market, competition, customer preferences, technology and social factors have occurred that need to be responded to for SMEs to remain competitive. Organizational agility enables SMEs to gain competitive advantage by recognizing these changes and responding to them in a swift, efficient and innovative manner through the deployment of internal resources. Through secondary data analysis, this research explores the origin, development and implications of organizational agility during this time of the Covid 19 pandemic. among SMEs in the Philippines.

Keywords: organizational agility, SMEs, Covid 19 Pandemic

1. INTRODUCTION

Challenges, such as globalization, fast technological advances, competition, disruptive business models, emerging new markets, constantly evolving consumer preferences demand response from firms in order to remain competitive (Zitkiene & Deksnys, 2018; Zutshi, Mendy, Sharma, Thomas, & Sarker, (2021). This is especially true at this time of the Covid 19-pandemic and for firms that are small and medium in size, commonly referred to as SMEs (small and medium sized enterprises).

Covid 19, a virus which attacks the respiratory system and currently considered a pandemic, originated in the Wuhan province of China in December 2019. It has had a tremendous impact on the world economy (Hidayati & Rachman, 2021; Obrenovic, Du, Godinic, Tsoy, Khan, & Jakhongirov, 2020). It caused disruptions in economic activities in the ASEAN region (Indrastuti, 2021). The magnitude and speed with which changes in economic conditions of an organization occurred were remarkable (Bundtzen & Hinrichs, 2021) and has effects on the profitability and sustainability of SMEs (Zutshi, etal , 2021). Covid 19 took a huge toll on SMEs in the Philippines (ITC, 2020). It also posed challenges and opportunities. Zutshi, etal (2020) identified challenges to SMEs that include cost and finance-related challenges, disruption of activities and existential difficulties.

Especially in Asia, small and medium sized enterprises (SMEs) are considered the backbone of the economy (Hidayati & Rachman, 2021). In fact, they employ 60% of the workforce and account for more than 99% of registered businesses in the Philippines (ITC, 2020). It is important, therefore, for SMEs to remain competitive. SMEs need to respond to the challenges and opportunities posed by the Covid-19 pandemic.

A quick and innovative response to challenges such as those brought about by Covid 19, is a result of organizational agility. Organizational agility is the ability to deal with unexpected changes in the environment. It enables firms to gain and maintain competitive advantage in a fast-changing and challenging business environment. Through successful adaptation to external forces by agile enablers, abilities and practices, a firm is able to take advantage of changes in the environment and remain competitive (Zitkiene & Deksnys, 2018).

Organizational agility, as explained by Zitkiene and Deksnys (2018)'s model, includes drivers, enablers, abilities and practices. Drivers are the causes and reasons for organizational agility. Enablers make organizational agility possible. Abilities, on the other hand, are what the organization can do to respond effectively to change and remain competitive. Practices are what the organization actually does, that is, actions in response to challenges and opportunities. Taken together, drivers, enablers, abilities and practices make up the unified concept of organizational agility and explains the state of organizational agility of firms.

2. STATEMENT OF THE PROBLEM

What is the state of organizational agility of SMEs in the Philippines? Specifically, what are the agile enablers, abilities and practices of Philippine SMEs mobilized to respond to the challenges and opportunities, that is, agility drivers, posed by the Covid-19 pandemic?

3. OBJECTIVE

This study aims to identify the agile drivers, enablers, abilities and practices of Philippine SMEs to respond to the challenges and opportunities posed by the Covid-19 pandemic.

4. SIGNIFICANCE

The study sought to provide empirical basis for the unified concept of organizational agility as embodied in the conceptual model of Zitkiene and Deksnys (2018). In so doing, we can have a better appreciation and understanding of the importance and applicability of the development of organizational agility among SMEs in the Philippines, in the wake of challenges and opportunities posed by shocks, such as Covid 19.

5. SCOPE AND LIMITATIONS

The study made use of secondary data and will be limited to small and medium sized enterprises (SMEs) surveyed for the SME Competitiveness Survey (SMECS) and the ITC COVID-19 Business Impact Survey in the Philippines in 2020.

6. REVIEW OF RELATED LITERATURE

The Covid-19 severely impacted the global economic system with supply and demand shocks (Manolov, Brush, Edelman, & Elam, 2020). Restrictions and unprecedented economic lockdowns were imposed by governments worldwide to contain the

transmission of the virus (Abubakar & Garko, 2020). As a result, on the supply side, contact-intensive business sectors were affected by the lockdown policies and global supply chains were likewise disrupted. On the demand side, there were abrupt rises as well as drop in demand. Demand for hospital equipment and supplies, personal protection equipment, household staples and digital services rose while demand for services such as non-emergency healthcare, bars, restaurants, entertainment or travel and accommodation services dropped (Manolov, T., etal, 2020).

Covid 19 has made trade sluggish (Hidayati & Rachman, 2021). SMEs had difficulty meeting fixed and operational costs. They also had to put a halt in operations because of unavailability of materials, no market demand and problems with worker availability (Zutshi,etal, 2021).

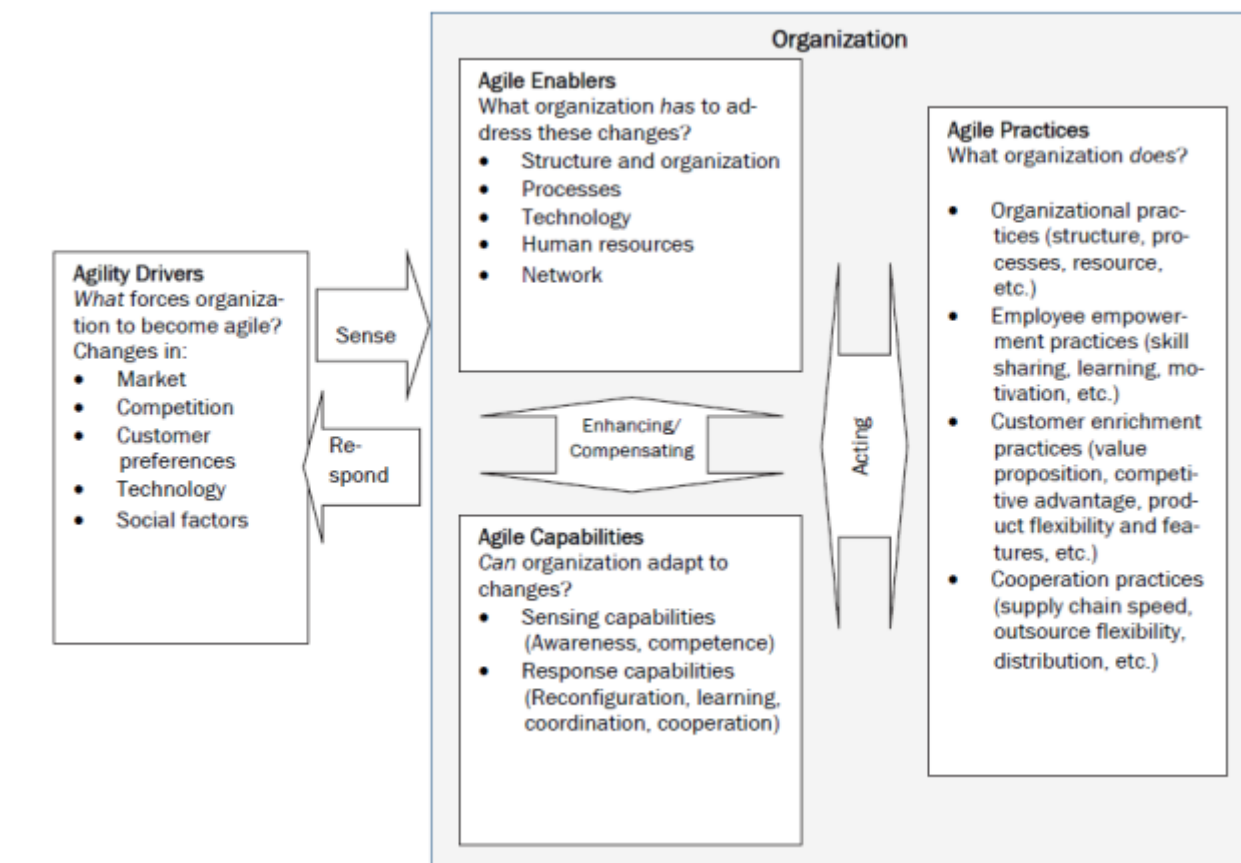
Amidst the lag in performance, SMEs need to be agile (Zutshi, etal , 2021). Organizational agility is “the capacity of an organization to efficiently and effectively redeploy/redirect its resources to value creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant” (Teece, etal, 2016, as cited in Geiger, Elshaw, & Jacques, 2020). Organizations have to respond quickly, in times of economic crises and uncertainty such as the Covid 19, by innovating and creating value for customers by identifying their needs and preferences (Dyduch, Chudziński, Cyfert, & Zastempowski, 2021).

Agility is the awareness of situational variables such as cost, adaptability, quality, delivery, collaboration, and quantity and making timely responses. Business models are adjusted as organizations focus on identifying, monitoring, and mapping indicators of change while reorganizing resources. Changes in demand and purchase habits occurred during Covid 19 (Obrenovic, etal, 2020).The increase in in-store online sales is a business opportunity (Abubakar & Garko, 2020). Repositioning is imperative to get hold of the market. Innovations, such as shifting to an online product and service customization (Obrenovic, etal, 2020), were made readily available and launched into the market (Dyduch, etal, 2021).

Zitkiene and Deksnys (2018) formulated a conceptual model of organizational agility that explains its genesis, its feasibility, capabilities and practices. There are five main categories of drivers, the causes and reasons for organizational agility, namely: changes in the market, competition, customers, technologies and social factors. Enablers, which make organizational agility feasible and possible include structure and organization, processes, technology, human resources and network. Capabilities are interdependent with enablers.

The model is depicted as follows:

Figure 1. Organizational agility conceptual model



From. *Montenegrin Journal of Economics*, 14 (2), 115-129 by Žitkienė, R., & Deksnys, M., 2018

Dyduch, et al (2021) identified organizational abilities that are important for firms to have, especially in the context of the Coronavirus crisis, namely:

- The ability to obtain financing;
- The ability to work in virtual teams;
- Delegation of power and greater autonomy of employees;
- The ability to take advantage of opportunities that appear during a crisis;
- The ability to innovate and/or imitate;
- The ability to differentiate between products and services offered;
- The ability to use and develop modern technologies;
- The ability to move resources quickly;
- Good work organization and proper planning;
- The ability to maintain and develop efficient IT systems; and
- The ability to use personal relationships. (p. 3)

Obrenovic, et al. (2020) identified the characteristics of businesses that sustain business operations during a pandemic. It includes distributed leadership, workforce empowerment and an adaptive culture. Those that remain competitive are technologically adept and able to leverage Internet and Communication Technology (ICT). Trusting relationships with stakeholders are maintained through the integration of online

communication with business operations. They invest in human resources and have a financial contingency plan. They also have a shorter and more diversified supply chain.

7. METHODOLOGY

This study is a secondary data analysis of data collected from the 2019 SME Competitiveness Survey (SMECS) and the 2020 ITC COVID-19 Business Impact Survey in the Philippines. The aims of these surveys are to assess the competitiveness of small Filipino firms and the impact COVID-19 had on their ability to compete and trade globally.

Data for this study were obtained from 514 businesses, mostly SMEs (about 92%) from Metro Manila, Central Luzon, Calabarzon and Cebu City regions to whom the 2019 SME Competitiveness Survey was administered. Responses from 454 of these firms to the 2020 ITC COVID-19 Business Impact Survey were from telephone interviews and were likewise considered to complement the competitiveness survey. In this study, these data will serve to provide empirical basis to the conceptual model of Organizational Agility by Zitkiene and Deksnys done in 2018.

8. RESULTS AND DISCUSSION

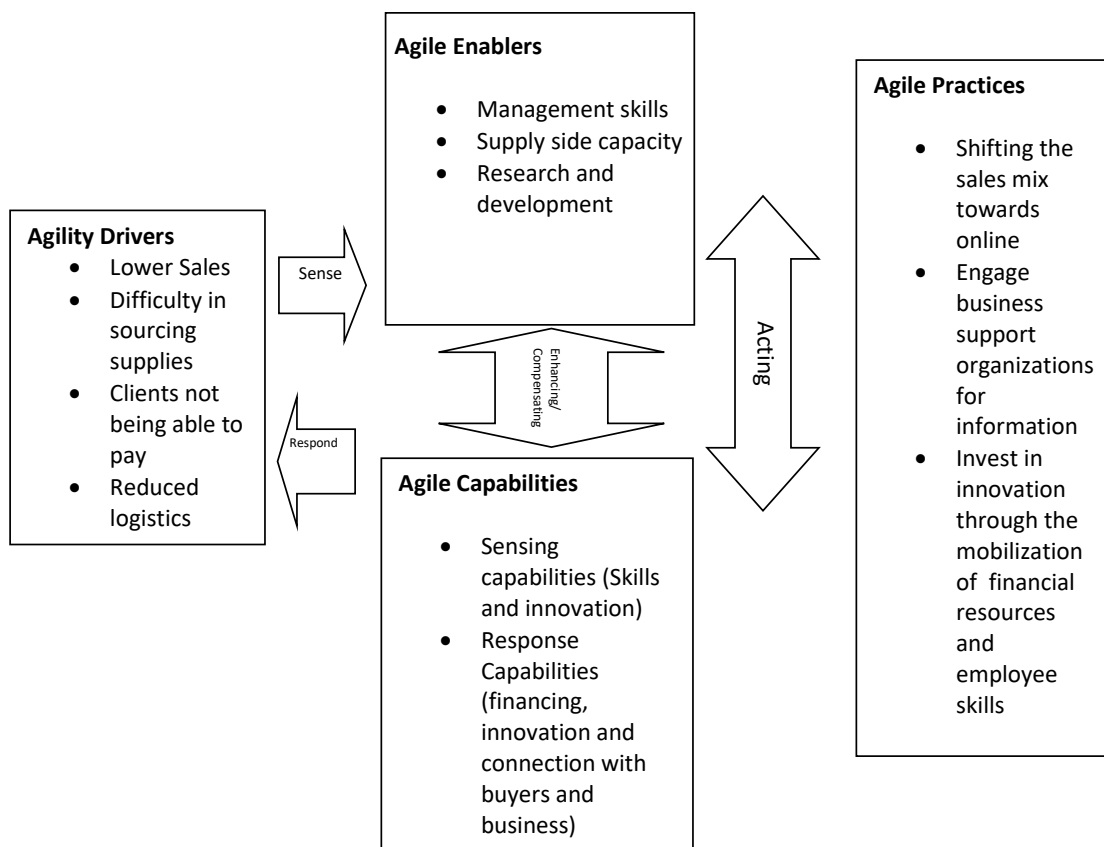
The Covid 19 pandemic has affected SME business operations in the form of lower sales, difficulty in sourcing supplies, clients not being able to pay and reduced logistics services. Ninety nine percent of those surveyed in the 2020 ITC COVID-19 Business Impact Survey were affected by the pandemic. Of the four effects, lower sales were most experienced (88% of the respondents) followed by difficulty in sourcing supplies (86% of the respondents), reduced logistics services (46% of the respondents) and lastly, clients not paying bills (33% of the respondents) (ITC, 2020). These are the drivers or causes and reasons for the organizational agility of SMEs in the Philippines. They serve as basis for organizational agility's genesis.

According to the 2020 ITC COVID-19 Business Impact Survey, the effect of shocks caused by Covid 19 is better handled by management skills and supply side capacity. Companies with investments in research and development are more competitive amidst shocks (ITC, 2020). Thus, management skills, supply side capacity, research and development make organizational agility possible. They are the enablers of organizational agility.

The survey likewise revealed that those with skills, financing and innovation can adapt to market trends better. Firms that have connection with buyers and business support organizations are more competitive (ITC, 2020). Skills and innovation are sensing capabilities while financing, innovation and connection with buyers and business are response capabilities. These capabilities make organizational agility possible.

In terms of organizational agility practices, the surveys indicate that companies that shifted the sales mix towards online channels, were better able to engage business support organizations for information and invest in innovation through the mobilization of financial resources and employee skills were more competitive.

From the foregoing, the state of organizational agility of SMEs in the Philippines at the time of Covid 19 pandemic can be depicted as follows:



9. CONCLUSION AND RECOMMENDATIONS

Small and medium sized enterprises were adaptive and competitive amidst the Covid 19 because of organizational agility. The state of organizational agility among SMEs was influenced by the alignment of innovation, knowledge, skills and resources. SMEs combined enablers and capabilities to deal with unexpected changes in the environment via rapid and innovative responses and likewise adapt to consumer needs and changing marketplace.

REFERENCES

- [1] Abubakar, N., & Garko, B. I. (2020). Innovation as a key strategy for surviving and thriving amid COVID-19 pandemic. *Dutse International Journal of Social and Economic Research*, 5(1), 23-31.
- [2] Bundtzen, H., & Hinrichs, G. (2021). The Link Between Organizational Agility And VUCA–An Agile Assessment Model. *SocioEconomic Challenges*, 5(1), 35-43.

- [3] Dyduch, W., Chudziński, P., Cyfert, S., & Zastempowski, M. (2021). Dynamic capabilities, value creation and value capture: Evidence from SMEs under Covid-19 lockdown in Poland. *Plos one*, 16(6), e0252423.
- [4] Geiger, J., Elshaw, J., & Jacques, D. (2020). Establishing the foundations to measure organizational agility for military organizations. *Systems*, 8(4), 44.
- [5] Indrastuti, D. K. (2021). Impact of Confirmed, Death, and Recovered Cases of COVID-19 Toward Stock Exchange Composite Index. *Review of Integrative Business and Economics Research*, 10, 1-10.
- [6] International Trade Centre (2020). Promoting SME Competitiveness in the Philippines: Compete, Connect and Change to Build Resilience to Crises. ITC, Geneva.
- [7] Manolov, T. S., Brush, C. G., Edelman, L. F., & Elam, A. (2020). Pivoting to stay the course: How women entrepreneurs take advantage of opportunities created by the COVID-19 pandemic. *International Small Business Journal*, 38(6), 481-491.
- [8] Obrenovic, B., Du, J., Godinic, D., Tsoy, D., Khan, M. A. S., & Jakhongirov, I. (2020). Sustaining enterprise operations and productivity during the COVID-19 pandemic: "Enterprise Effectiveness and Sustainability Model". *Sustainability*, 12(15), 5981.
- [9] Žitkienė, R., & Deksnys, M. (2018). Organizational agility conceptual model. *Montenegrin Journal of Economics*, 14 (2), 115-129
- [10] Zutshi, A., Mendy, J., Sharma, G. D., Thomas, A., & Sarker, T. (2021). From Challenges to Creativity: Enhancing SMEs' Resilience in the Context of COVID-19. *Sustainability*, 13(12), 6542.