Chapter 16
Exploring the Nexus Among the Business Coping Strategy:
Entrepreneurial Orientation and Crisis Readiness – A Post-COVID-19 Analysis of Pakistani SMEs

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ABSTRACT

The recession due to COVID- 19 causes uncertainties in the industry's immediate operating landscape as well as other unprecedented impacts. Due to the immense magnitude of impacts posed by recessionary events, this present study proposes the significance of understanding the phenomena while examining the subject of crisis readiness of SMEs during COVID-19 era. The main objective of the study is to examine the impact of business coping strategy and entrepreneurial orientation on the crisis readiness of Pakistani-based SMEs. The study emphasized the necessity of delineating the effects of extremely disastrous and unforeseen events. This is because the understanding of the effects of such cataclysmic event is more important than the prediction of the event's occurrence. The study has employed a Suraya-based method, and data is collected with the aid of a questionnaire. The response rate was 78%, which qualifies the minimum response rate criteria. The SEM-PLS is used to analyse the data. The results of the study have provided support to hypothesized results.

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1.0. BACKGROUND

With recession making up the key context of this study, the previous discussions had shown that the effects of recession on the daily performance of SMEs is rather substantial compared to the effects of common or minute disruptions that occur on typical business days. The effects during recession have been found to disrupt not only the operations and performance of the manufacturing industry, but also the economy of the nation as a whole. Therefore, while emphasizing that "performance during recessionary period is a crucial dependent variable worthy of investigation in its own right" (Sarnovics & Iesalnieks, 2018), this current study also aims to inject the essence of recessionary events into the examination of firm performance. Predominantly, this study highlights the necessity of determining the most suitable measure for performance. Recessionary events are deemed as a rare phenomenon (Scholten, Scott, & Fynes, 2019) with diverse impacts and diverse levels of ambiguity and uncertainty created afterwards (Lau, Lee, & Jung, 2018). Its rare occurrence renders this phenomenon as unique, exceptional, and un-definable (Kuipers, 2019) on top of being fast-paced and typically with sensitive time limits (Kyrychok, 2017).

Due to the abovementioned features, firms usually do not have enough chances to learn more about recessionary events which resultantly limit their capability of safeguarding their performance during such periods. It is especially difficult to measure and draw comparisons between firm performances against such milieu, as the ambiguous recessionary period poses different effects with different magnitudes on the firms. This present study believes that the performance measurement of a firm should be quantifiable and comparable across all firms. Hence, this study asserts that the financial or accounting-based performance measures utilized in previous inquiries are not suitable for capturing firm performance during recessions. This is because such measures are short-term performance indicators that only capture portions of past and current activities and do not integrate the future aspects of firm performance which makes up a significant element for firms in periods of disruption. It has also been indicated that the ultimate measure of financial performance is mainly determined by industry-driven factors; therefore, using such objective measures to compare the performances of firms could lead to distorted findings (Saebi, Lien, & Foss, 2017). Similarly, accounting-based performance measures such as return on investment (ROI) has also been deemed as "sensitive to changes in times and strategy" (Yong, 2016). Biasness can occur with ROI due to accounting manipulations linked to tax minimization (Masuya & Yoshida, 2020; Yong, 2016) and variances in the accounting procedures employed (Yong, 2016).

The failure process model introduced by Amoah (2018) also credited organizational success and failure during recessionary periods to remedial actions. The significance of remedial strategies in affecting firm performance has in fact been theoretically and empirically proven. Theoretically, the relation between strategy and performance has been addressed by prominent strategists including Stead and Stead (2019) and, Ung, Brahmana, and Puah (2018). Despite certain differences in their conceptualization of strategy particularly in terms of specificity and focus, the scholars basically agree that proper strategy adoption can lead to the improvement or attainment of anticipated performance. For example, the generic competitive strategy by Stead and Stead (2019) emphasizes on the creation of competitive advantage via cost leadership, distinction, and focus strategy. Firms that employ such strategies are projected to foster competitive advantage thus resulting in enhanced performance (Stead & Stead, 2019). The positive effect of proper strategy on firm performance has been empirically proven by several studies (Hansen, Nybakk, & Panwar, 2015; Mehralian, Nazari, & Nooriparto, 2017; Njuguna & Bett, 2018). Njuguna and Bett (2018) studied the effect of competitive strategies on the performance of mobile telecommunication companies in Kenya. Using Porter's theory, the study revealed that strategies made for competitive land-

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