Entrepreneurial and SME Resilience During Crisis Episodes:
Are Risk Management and Entrepreneurial Resilience Linked?

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EXECUTIVE SUMMARY

Businesses and individuals have experienced multiple crises that have led to major financial and developmental impacts for entrepreneurs and small and medium sized enterprises (SMEs). Researchers believe that entrepreneurs should be innovative through means of resilience skills, risk management, and identifying new opportunities. This chapter aims to investigate entrepreneurial resilience during crisis episodes, investigating the development of resilience and how it helps a business survive a crisis episode while considering the likelihood that entrepreneurial resilience and risk management are linked, how it is linked, and if it can be improved and utilised for success. An anonymous survey was conducted to investigate how entrepreneurs have been impacted by the pandemic, their attitudes surrounding risk assessments, and how their adaptations and innovations impacted the development and survival of their business. The conclusion discusses research findings and suggestions to support the survival of entrepreneurs and SMEs during crisis episodes.

INTRODUCTION/BACKGROUND

Previous crises within the last century have highlighted that businesses should either be fighting a crisis or preparing to fight for an upcoming crisis. Throughout history, it has become apparent that many businesses forget about crises that have previously occurred and therefore do not prepare for the next upcoming one (Ribera, 2020). Within the last decade there has been SARS, Ebola, Zika, MERS and

HIV/AIDS pandemics, which suggests that pandemics are not rare, however pandemics are usually confined to geographic areas or particular groups, decreasing the impact on a global level (Phillips-Wren et al., 2020). With that said, the crisis episode that is the COVID-19 pandemic has snowballed, creating devastating impacts on businesses across the world (Caliguiri et al., 2020). Disasters and crisis episodes are abrupt and often cause devastating results such as death, destruction and economic uncertainty for individuals and businesses. Disasters take place unexpectedly throughout the world whether they are natural disasters or a result of man-made developments in which governments and other leadership bodies are responsible for finding ways to cope and guide the nation/country that is experiencing the disaster (Olson & Wu, 2020).

Entrepreneurship is thought to be one of the main elements that lead to the development of local economies as entrepreneurial ventures create jobs, social inclusion and an increase in productivity. Due to this, European policy makers have placed an emphasis on fostering entrepreneurship in deprived societies and communities in an attempt to encourage employment and productivity in young citizens (Kleinhans et al., 2017). Entrepreneurs are considered to be one of the main drivers for economic progress within a country as they create wealth in the society that they open and operate their business in (Peng & Shekshnia, 2001).

Some researchers believe that an entrepreneur should act innovatively and dynamically during a crisis episode (Ratten, 2020) and research has highlighted that the entrepreneur achieves these actions through the identification of opportunities, risk management, innovation, proactivity and resilience skills (Branicki et al., 2018; Portuguez Castro et al., 2020). Previous research has suggested that innovation is the main tool for entrepreneurs (Drucker, 1994) and that entrepreneurship and innovation are intrinsically correlated as innovation is not necessary for starting a new business and conversely an individual could be considered an innovator whether or not they have created a new business. There have been suggestions that the entrepreneurial ventures that involve innovation create the highest level of value (Lima, 2021) and innovative businesses grow at a faster pace as they introduce new methods of products, open new markets and they are involved in the introduction of new goods and organisations within multiple industries.

There is a paradox that suggests that while entrepreneurs are more likely to take risks, they do not have a higher risk propensity. Along with this, entrepreneurs do not think that they should be considered risk takers (Palich & Bagby, 1995) as they are desensitised to the risks that they come up against and therefore do not think that the decisions they make are risky and they accept any risks that they may possibility come up against as they do not think that they will happen (Busenitz, 1999). Additionally, entrepreneurs tend to act quickly on their business venture, exploiting brief windows of opportunity (Hambrick & Crozier, 1985), therefore making a risk analysis too time consuming and almost impossible to evaluate (Gilmore & Kazanjian, 1989; Shapira, 1995). Although many entrepreneurs consider creating a risk management plan too time consuming, even if they made time to create a risk management plan the likelihood that the risk management plan would have considered a crisis episode is very small. Eduardsen, (2021) discusses how the traditional risk management plan does not consider risks where the likelihood of the risk occurring is low, thus still leaving entrepreneurs and SMEs vulnerable to many crisis episodes.

This chapter is going to evaluate whether or not risk management can be considered a contributing factor to the success of an entrepreneur being resilient in the same way that innovation is often considered a factor in entrepreneurial resilience.

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