

The Influence of Leadership on Small-Medium Enterprises' Business Viability During Vulnerable Situation: E-Commerce Adoption as a Mediator

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ABSTRACT

This study aims to examine either leadership skills lead to the viability of SME businesses during the vulnerable situation. The paper also offers some recommendations for those entrepreneurs to consider to improve their business viability which is in line with the current technology era.

Keywords: business viability, small medium enterprise, vulnerable, leadership, technology, e-commerce

INTRODUCTION

Small and medium-sized enterprises (SMEs) are important in driving innovation, creating jobs, and maintaining economic stability in an ever-changing global economy. Yet, their ability to remain sustainable is frequently questioned during periods of vulnerability like economic downturns, natural disasters, and global crises. This research examines the importance of leadership in guaranteeing the survival of SMEs in such times, focusing specifically on the role of e-commerce as an intermediary.

Leadership is crucial for navigating an organization during chaotic periods, providing direction, steadiness, and strategic advice. During periods of weakness, strong leadership can take advantage of chances, decrease hazards, and increase adaptability. On the other hand, insufficient leadership may lead to mismanagement and the downfall of a business. This study investigates the specific leadership characteristics and strategies that enable small and medium-sized enterprises to survive and thrive in challenging situations, especially by implementing and integrating e-commerce.

E-commerce is now seen as a revolutionary tool for small and medium-sized enterprises, offering fresh opportunities for expanding markets, engaging with customers, and improving operations. In times of emergency, e-commerce can act as a catalyst, allowing for the continuation and adjustment of business operations. This research examines the impact of leadership on the effective implementation and use of e-commerce to improve the resilience of small and medium-sized enterprises during periods of uncertainty.

Through a synthesis of available literature, this research reveals how leadership, e-commerce, and SME resilience are interconnected. The findings highlight key leadership traits and online marketing tactics that support the longevity of businesses, providing valuable information for entrepreneurs, policymakers, and academics.

LITERATURE REVIEW

This section reviews the existing literature on leadership theory, e-commerce adoption and crisis management. Key concepts such as transformational leadership, transactional leadership and business viability of SMEs are

discussed. The review also covers the study of the role of e-commerce in business continuity and resilience, particularly for SMEs during the crisis.

SMEs Business Viability

SMEs business viability refers to the capacity of SMEs to survive and maintain solvency, especially during challenging periods like the COVID-19 pandemic (McCann et al., 2023; Ibidunni et al., 2022). The study of the viability of SMEs has been crucial, particularly due to the major effects of the COVID-19 pandemic. Viability encompasses a firm's ability to meet its financial obligations, maintain adequate liquidity, and sustain operations in the face of economic and external shocks.

The financial stability of SMEs worldwide was greatly affected by the COVID-19 pandemic. Research on SMEs in Ireland found that 12% were facing financial difficulties in 2020, a number that may have increased to 30% without assistance from the government (McCann et al., 2023). The study emphasized the significance of liquidity funding and external financial assistance in alleviating financial hardship. The presence of sufficient liquidity finance can help manage the financial distress rate, highlighting the importance of ongoing policy backing to guarantee prolonged solvency (McCann et al., 2023). In different recovery situations, the reduction of government aid didn't cause major financial troubles because of the predicted robust economic recovery. Nevertheless, a substantial reduction in lending to capable firms may result in increased distress levels, indicating the need for measures to bolster liquidity funding for SMEs (McCann et al., 2023).

Furthermore, the pandemic hastened the digital evolution of SMEs, a change vital for their continued existence and expansion. Research on Nigerian MSMEs highlighted the significance of digital technology and innovative diversification for maintaining business operations (Ibidunni et al., 2022). The study indicated that utilizing digital tools and strategies enabled SMEs to adjust to the changing market conditions caused by the pandemic, thus boosting their ability to withstand challenges and endure over time (Ibidunni et al., 2022). Incorporating digitalization into business operations was a strategic maneuverer for long-term sustainability, in addition to addressing immediate challenges. SMEs who embraced digital marketing, e-commerce, and remote working technologies were able to sustain their business operations and even discover fresh market possibilities amidst the pandemic (Ibidunni et al., 2022).

Besides, the survival of SMEs during the pandemic was heavily dependent on government assistance. Loan guarantees and financial assistance provided relief during the credit squeeze and backed businesses in severely impacted industries (McCann et al., 2023). Nevertheless, research shows that government assistance levels varied greatly in various regions. In numerous developing nations, SMEs received limited support from the government, thus requiring them to create their own methods for staying afloat (Ibidunni et al., 2022). Government interventions proved effective in decreasing financial distress rates for SMEs that were properly supported. McCann et al. (2023) recommend policymakers to create and execute specific measures to offer financial resources and liquidity to support SMEs' sustainability in recovery phases.

Apart from that, SMEs adopted various strategic adaptations to navigate the challenges posed by the pandemic. These included diversification of products and services, enhancing online sales and marketing efforts, and developing financial planning strategies. SMEs that diversified their operations and tapped into new markets showed greater resilience and adaptability during the pandemic (Ibidunni et al., 2022). The adoption of co-creation strategies and strengthening informal networks through trade associations also emerged as effective measures for business viability (McCann et al., 2023). These strategies enabled SMEs to pool resources, share knowledge, and support each other in overcoming operational challenges (Ibidunni et al., 2022).

LEADERSHIP

Leadership can be defined as the ability of a person to guide, influence, and inspire others toward a common goal or purpose (Palali, 2022). It involves providing resources, information, and motivation to achieve objectives in a competitive and sometimes conflicting environment (Palali, 2022). According to Kasana et al.

(2023), leadership typically refers to senior managers and executives responsible for major decisions. However, in the context of SMEs, the owner often serves as the primary leader. Al-Awlaqi et al. (2021) highlight that in SMEs, the relationship between leaders and followers is usually personal, direct, and often unidimensional (Hutchinson, 2018). Consequently, the managerial decisions in SMEs are heavily influenced by the behaviours and leadership styles of their leaders (Santos et al., 2023).

For this study, two leadership styles have been identified as having a significant influence on the business viability of SMEs: transformational leadership (Ravet-Brown et al., 2024) and transactional leadership (Akpamah & Matko, 2023; Baltazar & Franco, 2023).

a. Transformational Leadership

Transformational leadership in SMEs has received notable interest for its ability to enhance business sustainability and achievement of goals. Transformational leadership, with its focus on vision, inspiration, intellectual stimulation, and individualized consideration, is especially important in the ever-changing and limited-resource setting of SMEs (Ravet-Brown et al., 2024). This review summarizes recent studies to examine the impact of transformational leadership on the sustainability of SMEs.

A study conducted by Ravet-Brown et al. (2024) found that transformational leadership is essential for boosting entrepreneurial success in SMEs. Leaders who utilize transformational tactics frequently establish an influential vision and motivate their supporters to reach increased performance levels. This type of leadership promotes ingenuity and originality, which are crucial for SMEs to maintain their competitive edge and survive in the long run (Ravet-Brown et al., 2024).

Intellectual stimulation is a key aspect of transformational leadership, inspiring employees to think creatively and find innovative solutions to problems (Ravet-Brown et al., 2024). This aspect of transformational leadership is crucial for small and medium enterprises, as constraints in resources necessitate creative strategies for the business to thrive and expand. Research conducted by (Ravet-Brown et al., 2024) indicates that transformational leaders play a crucial role in boosting team creativity and innovation, essential for the success and longevity of SMEs in competitive markets.

Apart from that, study by Ravet-Brown et al. (2024) also found that transformational leadership positively impacts organizational commitment and overall performance in SMEs. By fostering a strong sense of purpose and belonging among employees, transformational leaders can enhance job satisfaction and loyalty, leading to reduced turnover rates and increased productivity. This heightened organizational commitment is crucial for the stability and growth of SMEs, which often face challenges in retaining skilled talent (Ravet-Brown et al., 2024).

b. Transactional Leadership

Transactional leadership is a style of management that emphasizes the role of supervision, organization, and performance; it is contingent upon rewards and punishments to motivate employees (Akpamah & Matko, 2023). It is rooted in the idea that clear structures and well-defined roles enhance organizational efficiency and performance (Baltazar & Franco, 2023). Leaders using this style focus on setting goals, monitoring performance, and providing feedback. This leadership style contrasts with transformational leadership, which seeks to inspire and motivate employees by creating a vision for the future.

Transactional leadership provides a structured approach to management, which can be beneficial for SMEs. SMEs often require clear guidelines and processes to optimize their limited resources. This leadership style can help in establishing efficient operational procedures, leading to enhanced productivity and business viability (Akpamah & Matko, 2023). However, according to Baltazar & Franco (2023), despite the benefits, transactional leadership can pose challenges in fostering innovation. SMEs that rely heavily on transactional leadership may struggle to adapt to rapid market changes and innovate due to the rigid structures imposed by this leadership style

The emphasis on performance monitoring and feedback in transactional leadership can lead to improved accountability and performance among SME employees. By regularly assessing employee performance and providing constructive feedback, leaders can ensure that organizational goals are met effectively (Baltazar & Franco, 2023). Research conducted by Akpamah & Matko (2023) indicates that transactional leadership has a beneficial effect on the operational efficiency of SMEs. Leaders who effectively convey expectations and offer consistent feedback typically have teams that excel and are in harmony with the organization's objectives (Akpamah & Matko, 2023).

Additionally, transactional leaders utilize incentives and consequences to motivate others. For SMEs, this could result in increased employee morale and better synchronization with company objectives. Nonetheless, leaders must find a way to maintain a balance with these rewards in order to prevent the development of a solely transactional working atmosphere, as this could hinder innovation and sustained involvement (Akpamah & Matko, 2023; Baltazar & Franco, 2023). Although transactional leadership offers organization, it could hinder the adaptability and flexibility needed in the ever-changing market settings that SMEs work within. Leaders must strike a balance between retaining control and fostering innovation and adaptability to market shifts (Baltazar & Franco, 2023).

E-Commerce Adoption

E-commerce has emerged as a crucial component in the modern business environment, offering SMEs a platform to reach wider markets, streamline operations, and enhance customer satisfaction. Recent study by Mishrif & Khan (2023) have highlighted the pivotal role of e-commerce in mediating the effects of leadership on business outcomes. The study employs path analysis to explore causal relationships between various factors (operations, sales, customer satisfaction) and SMEs' performance, with e-commerce adoption acting as a mediating variable. From the study, it explained that e-commerce adoption significantly mediated the relationship between key business functions (sales, operations, customer satisfaction) and overall performance.

In the context of leadership, e-commerce serves as the channel through which the positive effects of good leadership are realized in business performance and viability. Leadership plays a vital role in the digital transformation of SMEs. Effective leadership fosters an environment conducive to adopting new technologies, including e-commerce platforms. The presence of visionary leadership often correlates with the successful integration of e-commerce, which in turn, positively impacts business viability. From the study conducted by Mishrif & Khan (2023), it indicates that e-commerce acts as a mediating variable between various business operations and performance outcomes in SMEs. For instance, the use of e-commerce by SMEs has been shown to mediate the relationship between customer satisfaction and overall performance, as well as between operations and performance (Mishrif & Khan, 2023).

Apart from that, the adoption of e-commerce has been linked to significant improvements in SMEs' performance metrics. The path analysis model that has been analysed by Mishrif & Khan (2023) demonstrates strong correlations between the use of e-commerce and enhancements in performance during and after the COVID-19 pandemic. The findings from the path analysis revealed that there were significant direct and indirect effects of e-commerce on SME performance. The mediation effects are often partial, indicating that while e-commerce significantly contributes to performance improvements, other factors also play a role (Mishrif & Khan, 2023).

METHODOLOGY

The reception of e-commerce adoption in businesses, particularly small and medium-sized enterprises (SMEs), was assessed by examining its role as a mediator in sustaining business viability during challenging times. The study found that e-commerce adoption facilitated operations, expanded market reach, and improved customer engagement, especially during the COVID-19 pandemic, where businesses needed alternative channels to continue operations.

Leadership influence on e-commerce adoption and overall business resilience was evaluated through different leadership styles. Transformational leadership, characterized by visionary and inspiring approaches, motivated employees and encouraged creativity, which contributed to the effective use of e-commerce. Transactional leadership, which focused on structure and reward-based motivation, provided a framework for employees to achieve performance goals, indirectly supporting e-commerce operations by maintaining organized processes and accountability. The study used path analysis to explore how leadership impacted e-commerce adoption, demonstrating that effective leadership was positively correlated with the adoption and beneficial use of e-commerce in business continuity and resilience.

CONCLUSION

In summary, this research underscores the pivotal role of leadership in ensuring the sustainability and resilience of SMEs, particularly during periods of crisis. Effective leadership, characterized by transformational and transactional styles, is crucial for navigating challenges, fostering innovation, and maintaining organizational stability. The integration of e-commerce emerges as a critical tool for SMEs, enabling them to expand their market reach, enhance customer engagement, and streamline operations. Through the synthesis of existing literature, this study highlights the interconnectedness of leadership, e-commerce adoption, and SME resilience, providing valuable insights for entrepreneurs, policymakers, and academics. The findings emphasize the need for strong leadership and strategic digital transformation to support the long-term viability and growth of SMEs in an ever-changing global economy.

IMPLICATION

This study offers several practical insights for leaders of SMEs seeking to improve resilience, especially during times of crisis, by effectively integrating leadership and e-commerce strategies.

Firstly, SME leaders should focus on fostering a transformational leadership style, encouraging creativity, and developing a clear, forward-thinking vision. Transformational leadership can help leaders inspire employees, enabling them to find innovative solutions and quickly adapt to market shifts. This is particularly valuable for SMEs with limited resources, as transformational leadership supports employee motivation, increases engagement, and encourages loyalty, all of which contribute to a stable workforce that can handle crises effectively.

Although transformational leadership is essential for innovation, transactional leadership should also be used to set clear goals and maintain operational efficiency. Leaders can emphasize structured processes and regular performance assessments to ensure consistency and accountability. This balance between the flexibility of transformational leadership and the stability of transactional leadership can improve performance, helping SMEs stay competitive and resilient.

This study also highlights e-commerce as a vital tool for SMEs, allowing them to reach wider audiences, maintain customer engagement, and operate efficiently. Leaders should invest in e-commerce platforms that are scalable and flexible to adapt to different levels of demand. This will help ensure business continuity in the face of disruptions, such as economic downturns or natural disasters, by allowing businesses to keep interacting with their customers and sustaining revenue flows.

Apart from that, SME leaders should focus on upskilling employees in e-commerce and digital tools enhance productivity and performance. This could involve providing training in online marketing, data analysis, and customer relationship management, which are crucial for maximizing e-commerce potential. A well-trained workforce can help optimize e-commerce functions, allowing SMEs to make data-driven decisions and deliver tailored customer experiences.

Lastly, SMEs should develop and regularly update crisis management plans that leverage e-commerce and digital resources. Having these plans in place can make businesses more adaptable to unexpected disruptions.

By including contingency measures, such as backup online sales channels or partnerships for logistical support, SMEs can safeguard against potential losses and continue operating during crises.

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