

Leading MSME during COVID-19 Crisis by Utilizing Pro-social and Spirituality Approach

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Abstract. COVID-19 doesn't spread pandemic disease only, but also transmits economic crisis globally. Small business enterprises (MSMEs) as one of the national economic pillar in Indonesia were greatly affected by the crisis. This paper attempts to elaborate the business resilience of MSMEs and to examine the impact of pro-social leadership, spiritual practice in business, and health protocols on MSMEs' resilience. This paper is based on a cross-sectional and quantitative which was supported by 506 owners and/or managers of MSMEs in Jawa dan Sumatera. The data were collected by online form and were analysed by using the PLS-SEM approach. The result explains that in dealing with Covid-19, MSMEs need a pro-social behaviours approach in leading business and practicing spirituality in doing business. Health protocol of COVID-19 does not impact on business resilience significantly. This study contributes to the organizational behaviour theory, especially leadership in MSMEs during crisis.

Keywords: Business Resilience; Pro-Social Leadership; Spirituality

1 Introduction

Covid-19 has had a devastating domino effect globally. It was starting from a health crisis that causes a high mortality rate and spreads rapidly globally. Then, it has continued with social distancing and it has impacted on the cessation of economic activities. It leads to a financial crisis that has the potential to become a global economic recession (Jackson, Weiss, Schwarzenberg, & Nelson, 2020).

Micro, small and medium enterprises (MSMEs) as one of the pillars of the national economy which currently has number more than 60 million units. It's about 98% of the MSMEs are micro businesses. However, MSMEs was contributing more than 60% of GDP, providing 97% of jobs, and generating more than 60% of investment. During COVID-19 related financial crisis, a study explained that 79% of MSMEs experienced a decrease in the number of sales more than 50% (Pakpahan, 2020).

So far, MSMEs as one of the economic pillars have the best resilient capability to the crises when it is compared to corporation or big companies. Since the monetary crisis in 1998, in 2008, and now in 2020; MSMEs are the winning economic pillars that are most "resilient" Therefore the ability of MSMEs to survive or business resilience of MSMEs is an interesting subject to be elaborated. This paper aimed to elaborate business resilience of

MSMEs and to examine the impact three factors (COVID-19 health protocol, pro-social leadership, and spirituality practice) on MSMEs resilience . Do the three hypothesized influential factors affect significantly on business resilience?

2 Literature Reviews

2.1 Business Resilience

Resilience is a relatively new concept that lacks clarity but increasingly popular in day-to-day conversation across various contexts. Resilience is known as a capacity which enable an individual, group, organization, or community to handle the crisis, to avoid its negative consequences, and to become stronger ultimately (Eliot, 2011) From health perspective, resilience refers to the ability to cope with difficult, stressful and traumatic situations while maintaining or restoring normal functioning (Mandiü & Pavloviü, 2020).

For successfully struggling in doing business during COVID-19, MSME's as a social system requires resilience. MSME resilience could be viewed in individual, organizational, or socio-economic system perspective (Korber & McNaughton, 2018). Business resilience is defined as ability of organizations or individuals to resolve or recover quickly from a broad kind of encountered failures or setbacks; as well as solvability on various problems. (Chowdhury, M. H., Quaddus, & Agarwal, 2019).

MSME resilience is reflected into three dimensions in this paper: hope, problem resolution, and toughness. Based on the systematic literature review, Korber and McNaughton (2018) found that the antecedents of business resilience which have been empirically tested are vulnerability, preparedness, coping ability, risk mitigation, success factors, self-efficacy, optimism, adaptive capacity, transformability, adaptability, and mitigation (Korber & McNaughton, 2018). This paper supposes to examine the impact of three antecedents on business resilience: (1) COVID-19 healt protocol as preparedness or mitigation approach, (2) pro-social leadership as transformability, and (3) spirituality practices as coping ability.

H1: COVID-19 health protocol impacts on business resilience positively and significantly

H2: Pro-social leadership impacts on business resilience positively and significantly

H4: Spirituality pratice impacts on business resilience positively and significantly.

2.2 COVID-19 Health Protocol

COVID-19 virus became widespread to various countries. The government in Indonesia declared the protocol for inhibiting the spread of the Coronavirus. Such healthcare protocols are encouraged to be implemented across Indonesia and sectors or economic areas and centrally guided (Kementarian Kesehatan, 2020). This protocol is a set of procedures for being discipline in applying cleaner and healthier lifestyle principles. The awareness for implementing health protocol can be leveraged throgh conducting online seminars intensively (Yana, Fadillah, Dewi, & Siburian, 2020).

It have been reported many times by physical health is associated with personal resilience. Previous studies found that: (1) decreasing in physical health symptoms was associated with improvement in resilience (Osofsky, et al., 2019), (2) physical activity was related with resilience positively (Ower, et al., 2019), and (3) physical functioning impacted significantly on resilience (Swanson, Geller, DeMartini, & Fehon, 2018). Considering these empirical facts,

this paper proposes to examine COVID-19 health protocol as health protection initiative impacts on business resilience.

H1: COVID-19 health protocol impact positively and significantly on business resilience

2.3 Pro-Social Leadership

Leaders with a high level of resilience are able to respond in positive ways to the economic crises. They are able to increase the level of resilience of those around them. Pro-social leaders focus on realizing and fulfilling the psychological needs and physical health of their followers and also to influence subordinates' welfare positively (Elliot, 2020). Pro-social leader is someone who lives, leads, and acts for the welfare of others and the world. He or she is inspired by empathy, without regard to reward or punishment, takes actions to bring about the welfare of those they are committed to serve. (Ewert, 2018). The main goals of pro-social leader might include adding value, improving health, creating wealth, or sustaining a comparative advantage for the organization (Lorenzi, 2004).

Previous study in Mainland China with involved 434 employees found that humble leadership facilitates employee resilience (Zhu, Zhang, & Shen, 2019). Other empirical study in India with involved 525 Gen Y leaders who work in the information technology industry, revealed that leadership traits was positively and significantly associated with resilience (Bargavi, Samuel, & Paul, 2017). Based on those empirical facts, this paper formulates and hypothesizes that pro-social leadership positively and significantly impacts on business resilience

H2: Pro-social leadership impact positively and significantly on business resilience

Empirical study by collecting data through questionnaire responses from a random sample of construction personnel based in Hong Kong found that transformational leadership has a significant impact on safety climate and the safety climate impacts safety behavior (Shen, Ju, Koh, Rowlinson, & Bridge, 2017). If COVID-19 health protocol is viewed as safety behavior in MSME's business daily activity, then pro-social behavior can be expected as the antecedent. Based on the approach, this paper develops hypotheses that pro-social behavior impacts positively and significantly on COVID-19 health protocol.

H3: Pro-social leadership impact positively and significantly on COVID-19 health protocol

2.4 Spiritual Practice

Spirituality has more to do with our affective or qualitative experiences and relates to our value system, our wisdom of who we are, where we come from, how would we like to be remembered, and why we are (Makkar & Saini, 2018). It is a metaphysical and intrapersonal relationship with a transcendent force which provides motivation, purpose, and a sense of connectedness with others (Makkar & Saini, 2016). When experiencing the setbacks, failures, or other traumatic life experiences, people need strong motivation to pass through it. Spirituality is a personal resource which can be utilized for boosting motivation or life spirit.

This paper simplifies spirituality with Islamic religious practices. Owner or manager of MSMEs who reports conducting Islamic religious practice regularly (e.g. prayers, fasting, reading Qur'an, giving money for the poor, and others) is indicated as highly spiritual person. Previous longitudinal study by Al-Khazali, Bour, Roubaud, and Zoubi, (2017) over the period December 31, 2005 to December 31, 2015 found that religious practice, through its influence on investors' emotion and moods influenced on the behavior of the stock markets and

investors in 15 Islamic countries . It indicated religiosity practice impacts directly or indirectly on business or market activities.

A systematic literature reviews found that a family’s shared beliefs or religious beliefs provided purpose or direction for all family members individually in making positive perception and bigger acceptance on the difficulty of life (Oh & Chang, 2014). Based on those studies, this paper develop several hypothesizes. Do spirituality practices impact positively and significantly on business resilience, implementation of COVID-19 health protocol, and pro-social leadership?

H4: Spiritual practice impact positively and significantly on business resilience

H5: Spiritual practice impact positively and significantly on COVID-19 health protocol

H6: Spiritual practice impact positively and significantly on pro-social leadership

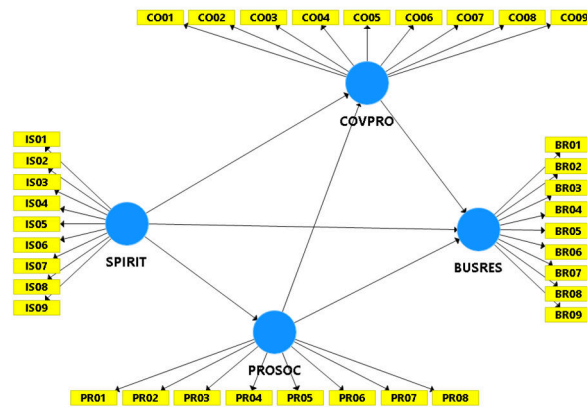


Fig. 1. Proposed Research Model

3 Methodology

A causal research was conducted for providing materials for this paper. The number of MSME in Indonesia is about 60 million units. The study was focused in Jawa and Sumatera about 48 million unit (estimated 80% from Indonesian MSME). For the large number of population, this study is required about 385 MSMEs as respondents. By using convenience sampling as one of non-probabilistic sampling method, this study have successfully collected from 521 MSMEs in Jawa and Sumatera. The complete and valid data were about 503 respondents. The profile of respondent is presented in Table 1. The respondents are female (55%) and have age below than 40 years old (55%). Most of them are as owners and/or managers of MSME (83%) which diploma and bachelor degree's as educational background (52%). The scale of their business are mostly in micro level (71%).

Table 1. Respondent Profile

Profile of Respondents				
Gender	Male	226	45%	45%
	Female	277	55%	100%
Age	20 – 29	101	20%	20%
	30 – 39	176	35%	55%
	40 – 49	136	27%	82%

Profile of Respondents				
	50 – 59	70	14%	96%
	> 59	20	4%	100%
Education	High School	131	26%	26%
	Diploma	60	12%	38%
	Bachelor	201	40%	78%
	Master	86	17%	95%
	Doctor of PhD	25	5%	100%
Position	Owner	171	34%	34%
	Owner and Manager	246	49%	83%
	Manager	86	17%	100%
Enterprise Scale	Micro Business	357	71%	71%
	Small Business	96	19%	90%
	Medium Business	50	10%	100%

4 Results and Discussions

Table 2 displays the result of validity and reliability testing for all items and variables. Outer Loading (OL) score was used as parameter of valid item. For item with OL score less than 0,70 was excluded from the research model, because it is not a valid item. All items listed in Table 2 are valid items. Average Variance Extracted (AVE) score was used as parameter of valid variable. A valid variable must have AVE score more than 0,50. All variables listed in Table 2 are valid variables because their AVE scores are more than 0,50. Table 3 shows the result of discriminant validity analysis. The diagonally bold scores indicate the root square of AVE scores. For being discriminantly valid variable, it requires the score more than 0,7 or the score is the highest score in its column. All diagonally bold scores are more than 0,7 and they are the highest scores in its column. This result explains that all variables are discriminantly valid. For reliability analysis, CA (Cronbach's Alpha) or CR (Composite Reliability) scores are used as the parameters. All variables have CA or CR score more than 0,70. Those indicate that all variables are reliable. From the result of validity and reliability analysis, this paper concludes that research model in Fig. 2 and Fig.3 are structured by all valid items are valid and all valid and reliable variables.

Table 2. Validity and Reliability Analysis

Variable, Dimension and Indicators			OL	AVE	CA	CR
Business Resilience (BUSRES)	During Covid-19 I am thinking about new ideas for my business	BR06	0,71	0,638	0,809	0,875
	During Covid-19 I am looking for new ways or solutions in business	BR07	0,85			
	When I failed to try a run a new idea, I am keeping trying again and again	BR08	0,86			
	Even though experiencing failure repeatedly, I am keeping looking for new ideas	BR09	0,78			
COVID-19 Health Protocol (COVPRO)	Our business provides facilities for washing hands along with soap	CO01	0,75	0,65	0,93	0,94
	Our business provides a reminder to keep my distance	CO02	0,79			
	My business provides a barrier for direct contact between employees and customers	CO03	0,77			
	I disseminate information to employees about the dangers of Covid-19	CO04	0,76			
	I socialize to employees about personal	CO05	0,84			

Variable, Dimension and Indicators		OL	AVE	CA	CR		
	hygiene before, during, and after doing work						
	I socialize to employees to keep their distance	CO06	0,87				
	I attempt to remind the employees to carry out the Covid-19 health protocol	CO07	0,88				
	We remind our customers to comply with the Covid-19 health protocol	CO08	0,78				
	I directly reprimand employees or customers who violate the Covid-19 health protocol	CO09	0,83				
Pro-Social Leadership (PROSOC)	I am telling the employees that this business is our home for being together	PR01	0,79	0,601	0,905	0,923	
	I am telling the employees that the progress or bankruptcy of this business was the result of our work together	PR02	0,81				
	I am involving them to look for new ideas for business	PR03	0,75				
	I am involving employees in making decisions for the business	PR04	0,72				
	I am providing financial assistance for helping the employees survival	PR05	0,72				
	I am selling my personal assets for supporting employees' living cost	PR06	0,71				
	I am spending time with the employee for encouraging them to survive	PR07	0,86				
	I am sharing stories and experiences to strengthen employee morale	PR08	0,84				
	Spirituality Practice (SPIRIT)	I am conducting the obligatory prayers five times at the beginning of time	IS01	0,71	0,528	0,845	0,884
		I am read the Qur'an and explore the meaning every day	IS04	0,78			
I am conducting additional <i>sunnah</i> prayers such as <i>Rawatib</i> , <i>Dhuha</i> , or <i>Tahajud</i>		IS05	0,76				
I am giving money or <i>infaq</i> to the poor or orphans		IS06	0,79				
I am conducting the additional <i>sunnah</i> fasting (Monday-Thursday, mid-month, or Prophet David)		IS07	0,74				
I am doing <i>dzikir</i> or prayers regularly (morning-evening, <i>Asma ul Husnah</i> , others)		IS08	0,81				
I am honest in measuring and explaining merchandise		IS09	0,43				

Table 3. Discriminant Validity

	[1]	[2]	[4]	[5]
[1] Business Resilience (BUSRES)	0,799			
[2] COVID-19 Health Protocol (COVPRO)	0,180	0,808		
[3] Pro-Social Leadership (PROSOC)	0,389	0,526	0,776	
[4] Spiritual Practice (SPIRIT)	0,253	0,302	0,296	0,726

Result of hypothesizes testing is shown in Table 4. From six hypothesizes, five are accepted (H2, H3, H4, H5, and H6) and one hypothesis is rejected (H1). H1 has path coefficient is negative with t-Statistics less than 1,96 or p-Value higher than 0,05. H0 is accepted and H1 is rejected. It indicates that COVID-19 health protocol does not influence business resilience of MSME significantly.

Table 4. Hypothesizes Testing

	Hypotheses	Path Coeff.	t-Statistics	p-Values	Result
H1:	COVID-19 Health Protocol ==> Business Resilience	-0,068	0,94	0,35	Rejected
H2:	Pro-Social Leadership ==> Business Resilience	0,378	4,88	0,00	Accepted
H3:	Pro-Social ==> COVID-19 Health Protocol	0,481	7,60	0,00	Accepted
H4:	Spiritual Practice ==> Business Resilience	0,165	2,55	0,01	Accepted
H5:	Spiritual Practice ==> COVID-19 Health Protocol	0,163	2,89	0,00	Accepted
H6:	Spiritual Practice ==> Pro-Social Leadership	0,305	5,67	0,00	Accepted

Fig. 2 explains the result of PLS algorithm calculation. Business resilience as dependent variable is influenced by COVID-19 health protocol, spiritual practice, and pro-social leadership are about 17,5%. It explains that there are about 82,5 impact of other influential factors on business resilience do not elaborate yet in the research model.

Fig.3 visualizes the result of hypothesis testing. Business resilience of MSME in Indonesia is influenced directly by spirituality practice and pro-social leadership. Pro-social leadership impacts on COVID-19 health protocol too. The higher level of pro-social leadership, more intensively owners and/or managers of MSME to force the implementation of COVID-19 health protocol in daily business activity. The spirituality practices also impact on business resilience indirectly. It impacts on pro-social leadership and the pro-social leadership impact on business resilience. Spirituality practices impacts on COVID-19 health protocol too.

For being more resilient in doing business during COVID-19, the owner and/or manager of MSMEs are recommended to leading people and managing the business by utilizing spirituality and pro-social behavior. Spirituality practices is most influential factor. It is not only impact on business resilience directly, but also indirectly. It is not only impact on business resilience, but also on COVID-19 health protocol implementation and pro-social leadership. Pro-social leadership impact positively and significantly on business resilience and on COVID-19 health protocol. Unfortunately, the implementation business resilience does not impact significantly and positively on business resilience. It can be understood because most respondents come from micro business scale. The micro business serves the mid to low level of customer segment in social economic status. The customer does not really concern on health protocol for protecting them from COVID-19 virus. The research could have different conclusion, if it is conducted in medium business or corporate business scale. The customers have perceived COVID-19 health protocol as hygiene factor in buying decision or selecting business partners.

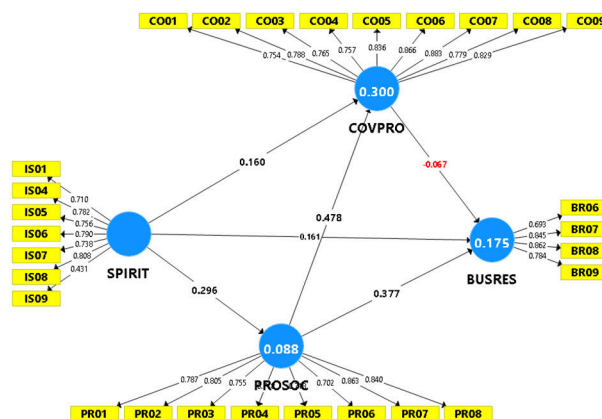


Fig.2. Research Model with PLS Algorithm Result

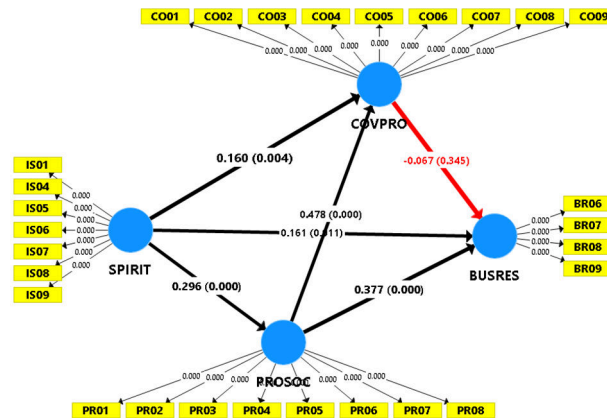


Fig.3. Research Model with Bootstrapping Result

5 Conclusions

MSME as one of economic pillar must be supported for maintaing and leveraging business resilience. Spirituality practices is proven as most influential factor. Because it does impact directly but also indirectly on business resilience. Spirituality practices impact on business resilience significantly and impact on pro-social leadership and COVID-19 health protocol. By improving spirituality practice and pro-social leadership simultanoesly, it will impact directly on business resilience of MSME in Indonesia.

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