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SME Resilience to Covid-19: Insights from Non-Essential Service Providers in Nairobi

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Abstract

The theory of dynamic resource orchestration explains the differentiated response of homogeneous ecosystem organizations to systemic disruptive shocks. The Covid-19 precautionary measures in Kenya have exempted some essential service providers and government agencies, resulting in a differentiated Covid-19 impact across the national SMEs landscape. This article adopted an extractive thematic analysis technique to draw insights from in-depth interviews and discussions with owners and managers of 6 broad-range SMEs considered non-essential services providers excluded from the Covid-19 cessation of movement waiver. The article advanced insights on SMEs' resilience through dynamic resource orchestration capability. It sought to establish whether the possession and orchestration of dynamic resources capabilities differentiated highly resilient SMEs from non-resilient ones. The article identified business diversification, slack finance, intra-stakeholder collaboration, self-reinvention, positive psychology, technology leverage, and cost management as precursory resilience agents within Kenyan SMEs. Research gaps were identified, and recommendations for future research were proposed.

Keywords: *SME Resilience; Covid-19; Non-Essential Service Providers; Systemic Disruptive Events; Resource Orchestration*

JEL Classifications: *D14; G04; G21*

Introduction

Small and Medium Enterprises (SMEs) account for a significant collective share of employment and wealth creation (Sun et al., 2021). However, disruptive events affect SMEs disproportionately due to their relative lack of resource endowment and limited capabilities, making them more vulnerable to disruptive shocks (Bourletidis & Triantafyllopoulos, 2014; Branco et al., 2019). Since December 2019, the Covid-19 global health crisis has been responded to by various measures, including lockdowns and cessation of movements, to curb its spread. Across the world, the SME sector has been the most affected by the resulting business activity reduction due to Covid-19. A survey of Chinese SMEs revealed that over two-thirds of the SMEs could not survive past a second month with their prevailing cash flows (Lu et al., 2020). Similar reports have been documented in the United Kingdom, which showed that within months of the Covid-19 disruption, over 40 percent of SMEs had shut down, and another 35 percent were facing imminent closure (Nyamboga & Ali, 2021).

An antithesis to the general literature production that advances the narrative of crises as entirely posing existential threats to the business sector is the observation that some firms record an excellent yield and seem to thrive in disruption (Bourletidis & Triantafyllopoulos, 2014). For instance, it is documented that while some retail businesses in China experienced losses, others did exceptionally well: those that relied on physical spaces such as restaurants, car dealers, movie theaters, and supermarkets were severely impacted, whereas local neighborhood convenience stores and online markets thrived (Lu et al., 2020).

From this observation, a distinction can be made between firms that depend on dynamic resources and those that rely on static resources. Dynamic resources can be transformed and reconfigured with relative ease, while static resources require structural reconfiguration. The size of SMEs makes them agile and quick to respond to disruptive shocks, but at the same time, they experience a comparably faster transmission of disruption impact on their finances due to their relatively shorter trading cycles (Branicki et al., 2017). However, limited research has been directed at the drivers of such a level of resilience to systemic disruption, especially in the developing country SME context (Saad et al., 2021).

In Kenya, the Covid-19 induced restrictions have affected SMEs more severely than large enterprises because SMEs have comparatively lower capital reserves, a smaller asset base, and consequentially, lower productivity (Dyduch et al., 2021). According to data maintained by the Central Bank of Kenya, most affected firms are in the SME business segment as they account for 98 percent of all business enterprises in the country (Noor, 2020). The sector also employs over 14 million Kenyans (Nyamboga & Ali, 2021).

Studies conducted in the pandemic period in Kenya suggest that some SMEs were staring at dissolution, others barely survived, while a few made it through. For instance, Masago et al. (2020) surveyed SMEs in Narok Town in Kenya and found that more than half of the SMEs were contemplating closure if the situation persisted. In contrast, Suleiman (2020) used anecdotal evidence to advance the notion of self-reinvention by observing that some business sectors in Kenya exploited the opportunities presented by the Covid-19 pandemic by venturing into the production of masks and other Covid-19 prevention necessities.

The first case of Covid-19 was reported in Kenya on March 12, 2020 (Mbae, 2020). As the Covid-19 case reporting increased rapidly afterward, the government took immediate proactive measures, including rapid closure of all social spaces, encouraging citizens to stay home, and imposing strict dusk-to-dawn curfew with movement exception for persons providing essential or medical-related services (Aluga, 2020). The measures applied by Kenyan government were part of a universal campaign recommended by the World Health Organization applied across the world to decelerate the spread of the pandemic.

The prevention measures applied by the government to counter the spread of the pandemic had a far-reaching impact on people and businesses in Kenya. Estimates by the Kenya National Bureau of Statistics indicated that up to 1.7 million Kenyans across different sectors lost their jobs in the first 3 months of the crisis (Wangari et al., 2021). The government crafted several policy responses to tackle the general decline in business. For instance, in April 2020, Parliament passed a Tax Law amendment reducing personal and corporate income tax by 5%, waiving tax on people earning less than Kshs24,000 (US$240), and reducing value-added tax (VAT) from 16% to 14%, besides other transfer measures and social safety nets that were implemented by the authorities in parallel (The Center for Policy Impact in Global Health, 2020).

The general objective of this study is to understand how non-essential service providers respond to systemic disruptive shocks. The specific objectives of the study include:

- To understand how systemic disruptive events such as the current Covid-19 impact non-essential service providers.
- To assess the financial and non-financial cost of the pandemic on the least privileged business in a small open economy.
- To trace the trajectory of small enterprise business prior, during, and after systemic disruptive shocks.
- To understand how ex-ante preparedness helps businesses remain resilient during and aftershocks.

The main questions of the study are the following:

- What are the most challenging issues SMEs face during systemic crises?
- How do SMEs prepare for disruptive shocks?
- Does ex-ante crisis preparedness lead to a better response plan?
- What are the likely contingency plans SMEs put in place to avert the most severe impacts of systemic disruptive shocks?
- What are the salient attributes of a resilient SME?
- What differentiates a resilient SME from a non-resilient SME?

Literature Review

In a business context, being resilient means anticipating, coping with, adapting, and recovering from disruption and change in the business environment (Radović-Marković et al., 2017). Prior to the Covid-19 pandemic, the concept of resilience had already attracted a thriving body of scholarly literature (Radović-Marković et al., 2017). Among the early contributors to resilience research within the SME space include Bourletidis and Triantafyllopoulos (2014), who studied SMEs' strategies, tactics, and success stories in times of crisis. Their study was conducted among 20 SMEs from across different business sectors in Athens and Piraeus, Greece. Their results delineated critical success drivers that distinguished resilient SMEs from collapsed ones. The success drivers identified in their study include product and service re-engineering, cutting down the non-essential production costs, negotiating trade-credit conditions, and intra-industry supply chain collaboration. Their study findings provide valuable insights into the present research because all participating SMEs fit the category of non-essential service providers. However, the research was not conducted within the context of a national lockdown. Thus, it was not clear whether such strategies would drive resilience in the post-Covid era.

Kantur (2015) contributed to the literature by developing a scale for organizational resilience based on a mixed-methods design and established robustness, agility, and integrity as 3 critical dimensions for SME resilience. Their work was subsequently corroborated by Campos (2016), who explored SME resilience dimensions in a post-disaster recovery context in Davao City, Philippines. Campos identified internal control, planning, business philosophy, external support, and internal communication as 6 critical SME resilience metrics. He concluded that these metrics, collectively, explain 72 percent of SME resilience.

Alberti et al. (2018) suggested a more comprehensive approach to SME resilience measures by adopting an all-encompassing framework of enablers. According to Alberti, SME resilience enablers fall into 2 distinct categories, resource enablers and strategic enablers. In a sense, Alberti's assertions mirror the underlying intertemporal link between a firm's short-term performance and long-term strategic growth. Thus, short-term resource enablers reflect a firm's ability to accumulate capital slack, develop new products, and retain customers in turbulent times. Understandably, long-term strategic enablers pertain to the firm's transformative capacities in core business focus, market development, and sustenance of long-term alliances.

Zubair et al. (2020) examined the actual effects of the 2007 financial crisis on private firms in the Netherlands' SME sector. The study found that SMEs significantly scaled back their investment during the financial crisis. Those findings have further been expounded by Affa et al. (2020), whose regression model established that organizational resilience predicted SME survival rate. Affa et al. (2020) further suggested that strategic agility, adaptability, and resource slack are important resilience drivers. However, firm survival itself can be operationalized as a measure of organizational resilience. Hence, the operationalization of firm survival as an outcome rather than a dimension of SME resilience may amount to a conceptual ambiguity.

The Covid-19 pandemic triggered a renewed and accelerated interest in resilience discourse and has seen an outbreak of research activities since its onset (Chen et al., 2021; Hillmann & Guenther, 2021). Within this discourse, Dijk (2020) delved into entrepreneur resilience research within the SME sector, focusing on utilizing innovation in handling adversities like the Covid-19 pandemic. The methodology adopted in Dijk (2020) was an online semi-structured interview of ten restaurant owners in the region of Twente in the Netherlands. However, the study found no support for the idea that organizational resilience predicts success in coping with adversities. Nonetheless, innovation contributed positively to organizational survival. The study's exclusive focus on restaurants limits the generalizability of the research findings to the hospitality sector.

Omar et al. (2020) assessed the impact of Covid-19 lockdown on SMEs' survival strategies in Malaysia and found that pre-crisis resilience strategies prepared the firms for Covid disruptions through capital rationing and cash flow reconfiguration. Although the transmission mechanism was not entirely clear, it is presumed that resource reconfigurability contributed to accelerating the transmission of policy decisions into resilience outcomes. The research findings underline the importance of resource orchestrability in attaining firm-level resilience.

Islam et al. (2020) examined entrepreneurial self-efficacy, business resilience, and creative work etiquettes in selected foodservice industries in Kazakhstan, using structural equations modeling to understand how these factors played out in SMEs' performance during Covid-19. They found that entrepreneurs' psychological capital and innovative work behavior predicted continued performance and sustainability despite Covid-19 disruptions. Comparable findings to Islam et al. (2020) were proposed by Alves et al. (2021), who explored SMEs' Covid-19 survival strategies in Macau. They interviewed 6 small firm owners and established that SME resilience to Covid-19 disruptive shocks was due to the existence and deployment of crisis management strategies. Accordingly, they proposed a resilience model focusing on customer experience, dynamic learning, financial orchestration, and product and equipment redeployment.

Most of the Covid-19 research on SME resilience does not distinguish between essential and non-essential service providers, irrespective of the policy-level positive discrimination accorded to the former. For instance, essential service providers enjoyed unrestricted movement beyond lockdown borders and curfew hours and benefited from various government incentives and stimulus packages, while non-essential service providers faced the entire burden of the movement restriction. This differentiated treatment results in several challenges in comparing the 2 market segments. Firstly, it provides a knowledge gap about respective resilience drivers of SME market space. Secondly, it creates market distortion that disrupts the unit-value measurement (the numéraire) of each market segment's net benefits and costs. Thirdly, it makes it difficult even for the policymakers to gauge the net impact of such discriminatory treatment because market force was not objectively applied to assess the net contribution of each segment to the general economy. Perhaps, policymakers may have relied on medical urgency as the single most critical policy guideline.

In a market such as Kenya, where non-essential service providers play a critical role in job creation, it is challenging to understand the rationale behind ignoring the role of non-essential service providers. One would have expected some form of policy prioritization for non-essential sectors during recurrent systemic crises such as Covid-19. This paper contributes to the resilience debate by exploring whether the possession and orchestration of dynamic resources differentiate highly resilient SMEs from non-resilient ones within the non-essential service providers' category.

Theoretical Framework

Resource Orchestration View (ROV) was used as the theoretical lens to explain non-essential service provider SME resilience drivers. This theory extends the resource-based view of the firm by centering its focus on structuring, bundling, and leveraging resources into capabilities (Peuscher, 2016). A resource is defined as any input that a market player deploys to sustain its competitive advantage (Arrighetti et al., 2018). Advances in resilience research suggest that not all resources contribute to organizational resilience (Gupta, 2019). Thus, a distinction between dynamic and static resources has been proposed to measure resource transformative capacity. In that regard, dynamic resources have a premium role because they can be converted, reconfigured, and redeployed with ease to respond to environmental turbulence.

According to Dyduch et al. (2021), dynamic resource orchestration involves reacting positively to crises, sensing new opportunities, and reconfiguring a firm's resources to create value under turbulence. To this end, a growing body of literature has emphasized the creation of dynamic resource slack – defined as a bundle of dynamic assets an enterprise has more than that required to sustain day-to-day operations (Dolmans et al., 2014). The literature has accorded salience to dynamic resource slack as they are seen to cushion enterprises against environmental shocks (Omar et al., 2020). Dynamic resource slack falls into 3 categories: available, recoverable, and potential (Vanacker et al., 2017). Available slack represents the excess capital reserves or liquidity that is available for immediate use. Recoverable slack includes working capital items quickly convertible into cash, such as accounts receivable and inventory. Potential slack comprises available but unutilized credit lines that cushion the company's core liquidity and provide operational comfort to the management (Nguyen et al., 2019). Slacks are essential because they provide the flexibility needed to respond to market shocks swiftly (Bao et al., 2020).

The theory of dynamic resource orchestration postulates that enterprise managers make rational resource orchestration decisions by structuring the portfolio of available human and material resources, bundling them into financial and non-financial capabilities, and leveraging on capabilities to generate short-term value, improve competitiveness, and build long-term strategic growth drivers (Berseck, 2018). According to Furnival et al. (2019), the theory of dynamic resource orchestration explains intra-industry resilience differential, particularly when the ecosystem firms face a crisis of systemic magnitude. For instance, Dyduch et al. (2021) applied the theory to investigate the ability of SMEs value generating capability during the Covid-19 pandemic. Their seminal work revealed what they referred to as first-order dynamic capabilities. The first-order dynamic capabilities include several operational enablers that firms can grasp to increase their competitive edge in the market. These enablers include, for instance, firms' ability to raise funding and adapt to the virtual working environment. Firms can also use the exceptional circumstances to empower staff to make independent decisions with minimum or no supervision, capitalize on the crisis to create market entry barrier, innovate in product and service delivery, take maximum advantage of available technology, move and recalibrate resources with agility, and capitalize on intra-firm networking (Dyduch et al., 2021).

Research and Methodology

This study adopted a qualitative case study approach in keeping with Ridder (2017), who argued that case study qualitative design is the preferred method used for an in-depth investigation of real-life phenomena within a pre-set environmental context. Several recent scholars have supported this approach, including Ebneyamini and Sadeghi Moghadam (2018), Chowdhury et al. (2020). In line with this approach, we investigated each case as a separate study, and we subsequently compared the results with the other studies. The aim was to advance the theory of dynamic resource orchestration by comparing similarities and differences between separate cases. According to Starman (2013), a case study design allows for a detailed consideration of contextual features that may otherwise be challenging to decipher. It further allows for a thorough examination of underlying causational mechanisms embedded in individual cases. In this respect, it was justifiable to reject sample representativeness and embrace analytical induction instead. Qualitative samples are purposively selected through a deliberate and careful choice of cases and research participants to attain information richness and result relevance.

Accordingly, this research purposively elected 6 non-essential service providers who were considered to have been impacted by the Covid-19 pandemic. The convenience sampling procedure entailed that the researcher identifies a sample from the researcher's network for ease of access. This is also in line with qualitative research philosophy since, in this case, the researcher can connect with the subjects. The sample included the following: video and photography outfit representing event service sector, public transport operator from the transport sector, a primary school representing education sector, accounting and auditing firm signifying professional service sector, a restaurant representative of the hospitality sector, and content development representing publishing sector. The selection criterion for the study was based on employee headcount and annual turnover. The headcount was based on the Kenyan definition of SME. The Kenya National Bureau of Statistics defines small enterprises as having 50 employees or fewer, and medium enterprises as having between 50 and 99 employees (Kenya National Bureau of Statistics, 2016). The annual turnover criterion was based on the Micro and Small Enterprise Act 2012 that defines small enterprises as having yearly turnover ranging from 5 hundred thousand to 5 million shillings (Ministry of Industrialization, Trade and Enterprise Development, 2012).

Data were collected from in-depth interviews with the SME owners. Most of the interviews were conducted on the telephone and social media to respect the Covid-19 physical distancing measures. Where face-to-face meetings were scheduled, the customary physical distancing measures were respected as required by the National Emergency Response Committee (Aluga, 2020). The interviews lasted between one and 2 hours, and the interviews were conducted in the English language. The interview covered 3 thematic areas: SME profiles, the impact of the Covid-19 on the SMEs, and resilience strategies before, during, and after the pandemic. The accuracy of the interviews was validated by sending interview summaries to interviewees for confirmation within 72 hours. Trustworthiness of the research was assured through member checking, thick description, and maintenance of an audit trail (Nowell et al., 2017).

Findings

The firms selected for this research were code-named to preserve their anonymity and respect their privacy (Elliott, 2018). Table 1 summarizes the identities of the participants. The sample comprised 2 sole proprietorships, one partnership, 2 limited liability companies, and one nonprofit organization. Additionally, except for one, all firms offered purely intangible services.

Table 1: Identities of Case-study SMEs

Case code	Business Nature	Industry	Business Form
Case 1	Content development	Publishing	Sole proprietorship
Case 2	Accounting & auditing	Professional services	Partnership
Case 3	Video and photography	Event service	Limited company
Case 4	Commuter service	Public Transport	Sole proprietorship
Case 5	Restaurant	Hospitality	Limited Company
Case 6	Primary school	Education	Nonprofit

Table 2 presents profiles of the sample case-study firms in terms of size, turnover, and operating years. From a revenue perspective, participants included 2 small and 4 medium-sized enterprises, while only one was in the medium-sized category from an employee size perspective. All of the firms in the sample are labor-intensive, as expected in this business category. They have been in business for at least 5 years, with the longest existing being the primary school, operating for 21 years.

Table 2: Profiles of Case-study SMEs

Case code	Staff Count	Turnover	Operating years
Case 1	2	Kshs3.2 million (US$32,000)	15
Case 2	15	Kshs15 million (US$150,000)	13
Case 3	3	Kshs5 million (US$50,000)	12
Case 4	7	Kshs3.2 million (US$32,000)	6
Case 5	70	Undisclosed	8
Case 6	35	Kshs35 million (US$350,000)	21

Case 1: Content Development Firm

Case 1 is a small owner-managed content creation and development firm that started business 15 years back as a typesetting bureau offering printing, photocopying, and cybercafé services. Over time, the owner ventured into researching, writing, and developing content for various users and is no longer in the typesetting business—the clientele range from individuals to organizations in the private and nonprofit sectors. Before the outbreak of Covid-19, the owner had introduced related training services that attracted students from various universities.

The national lockdown disrupted a few ongoing classes. However, the disruption did not adversely affect the firm since content development was already being conducted online, and the training services had not gained much traction by then. On the contrary, the business made record-breaking sales though the owner does not attribute the performance to the Covid-19 pandemic. Compared to pre-Covid performance, revenues increased by over 70 percent — the highest ever since the business started. During the financial year, the firm obtained 2 major assignments — one from a longtime associate and the other due to the firm's marketing efforts.

Although the owner had not initiated a crisis management plan or any formal risk management strategy, he had deliberately diversified the income stream. He changed the business model by conducting all business operations and transactions online, thus eliminating physical business. During the early years of business, he had employed 4 full-time staff and one casual staff and maintained a physical office. However, when business did not pick up according to plan in those early years, he retrenched all staff and shut down the office. Since then, and for the last 10 years, the firm has been run from a home office. As a result, the business operated with very minimal overhead costs.

The owner responded to the disruption by introducing online training services via Zoom. The owner also negotiated a flexible rent payment arrangement for the home-cum-office to ease the financial pressure. He engaged in regular spiritual fellowship and encouraged positive self-talk with his associate staff, whom he routinely employed on-demand. The owner believes that the spiritual connection was instrumental in keeping their sanity intact despite the disruption and, in the view of the owner, was the greatest thing that ever happened: the fact that they remained physically, spiritually, and mentally healthy.

The owner identified physical distancing as the main challenge to the business. As a result, the business owner moved most of the training and meetings online. According to the owner, key lessons from the disruption were that maintaining relationships, preserving reputation, and creating alternative income streams is critical to business survival.

Case 2: Accounting and Auditing Firm

Case study 2 is a 13-year-old partnership business that provides external auditing and accounting services to sole traders, other partnerships, and tier 3 companies. They also deal with the church and para-church institutions. The majority of their customers are based in Nairobi County. However, they also have several customers from other counties in Kenya and across the globe.

When the national lockdown was announced in March 2020, the firm was at its busiest season. According to the manager, they had a 3 months survival chance. They were moderately prepared. What they do, which they started quite a while back, is that they have an excellent relationship with their clients. The firm had also maintained cash reserves that could sustain staff for about 3 months, and, as a result, the firm did not retrench its staff. They were able to absorb the shock within a brief time. They could recognize it and make preparation: they moved on and offset it because they reacted swiftly.

One of the innovative ways they responded to the pandemic was ensuring that their employees were safe by picking up staff in the morning from their homes and dropping them back after office hours. They also had an officer visiting them from time to time to test them of Covid-19 at the company's cost. However, one of their firm's senior executives contracted Covid-19 and self-quarantined though later recovered.

One of the plans the firm had was to reduce monthly payroll for staff. This matter was transparently discussed with the staff, and they agreed to the decision. However, the firm did not have to do so. On the contrary, they even managed to pay salaries early and hire extra people. The firm had the tradition of starting the business day with morning devotions. Devotions were carried out every Monday, where different people led the devotion. Their devotions focused on the positives, which had a positive impact on the staff's mental health. One of the positives was that their operations cost dropped as they began to do most of the activities online. In the process, they trained their clients to prepare proper books of accounts, which made their auditing work easier. For instance, the firm sent 2 people to the field for more days in a week, but now it sends one person a day. The manager maintained that the standard of operations with clients would not be reduced. Instead, what will happen is that if the client does not continue to keep books the way they are supposed to be done, then they will provide accounting services for them and charge them for that service, which means an additional income stream for the firm.

The firm had 2 bank loans that it was servicing, and they had an understanding with the banks about rescheduling but did not actualize it as they were able to service loans as planned. Their greatest threat was the landlord because rent accounted for a large share of their overheads. The firm was considering moving out to a cheaper neighborhood, but the landlord persuaded them to stay at a reduced cost, cutting the rent by about 30 percent, and the remaining rent was put on a flexible payment plan. The payment schedule arrangement was temporary because cash flows were expected to improve.

On the accounts receivable front, the firm offered its debtors more relaxed settlement terms on the condition of advance deposit but maintained income acknowledgment on an accrual basis.

The firm had a slight hitch with the taxman on VAT because it had a recurring problem making payments. According to the manager, the moment the firm invoices clients, VAT becomes payable. So, they decided that they were not going to pay VAT for amounts not paid. Accordingly, they were issuing proforma invoices to their clients instead. The firm also negotiated with Kenya Revenue Authority (KRA) on previous amounts that were already due. Because of Covid-19, the firm convinced KRA to extend a grace period to engage their clients to pay first. This plan ensured that they remained compliant.

From the manager's perspective, the firm did not experience a tremendous impact from the Covid-19 crisis. The drop in income was about 20%. However, the manager attributed less than half of this reduction to Covid-disruption. The other half was due to other environmental factors. To an audit firm, this was not out of the ordinary. The firm expects that by the end of the year 2023, it shall have fully recovered.

At the time of the interview, the firm was in its low seasons. However, as other audit firms shut down, they managed to stay afloat because they inherited some clientele from the collapsing boutique audit firms. The firm was even able to gain a few significant clients as a result.

Moving forward, the manager recognized the need to invest in staff development. The staff needed to be technologically savvy to leverage on the gains. The firm is keen to retain the more significant portion of the operations virtually and only make minimal physical visits to customers. Secondly, the manager realized that there was a need for staff to be prepared psychologically by making them realize that there comes a time when business experiences shock.

Another recognition was the need to build cash reserves. According to the manager, this should be intentional and incorporated in their systems and policies to prepare more professionally and psychologically. He expressed that people should be prepared to handle change, anticipate it, and do the right things to prevent, absorb and navigate it.

The manager also reflected that it was time they involved employees in almost everything about the firm. Another thing the manager identified as a weakness was succession planning, which needed to be fast-tracked. The firm had not given this much prominence. The firm needed to do proper succession planning in terms of having many employees with high qualifications. The firm had something in place, but it was not concretized and documented so that there is no guesswork in case disruption happens.

Case 3: Event Service Provider

Case 3 is an owner-managed limited company providing video and photography services for weddings and other social events. The owner also runs a subsidiary company that sells laboratory equipment. The owner has employed 3 people and several on-demand support staff.

When the pandemic struck, the video and photography business was severely affected as equipment suddenly became redundant due to a lack of business. However, the owner, who also runs a family farm that produces farm products and once had tried his hand in the timber business, long believed that one cannot rely on a single source of income. With this mindset, he deliberately diversified income streams by investing in totally different business sectors. This upfront diversification paid off. As soon as the first Covid-19 case was reported in Kenya, the owner started looking for Covid-19 prevention utilities such as facemasks, PPE, and sanitizers for supply to various institutions, including NGOs. The owner-operated under the umbrella of the laboratory equipment company, which he accorded full attention after lockdown pushed the event service sector out of business.

Unlike the event services, the laboratory equipment services in the health sector were positively affected by the Covid-19 pandemic. The owner was not prepared for any disruption in the strict sense of the word but was grateful that he had some idle funds to exploit the pandemic's opportunities. The firm focused on what the market demanded. They used the laboratory equipment business as a vehicle to import sanitizers, face masks, and Infrared thermometers. To the owner, the pandemic was a blessing in disguise. The company made one of the highest revenues in history. Supply of these items and reselling them to mainly NGOs accounted for 70 percent of the revenues. Business income increased by 70 percent, of which 75 percent was directly attributed to the Covid-19 pandemic. One of the reasons for this success was the company's collaboration with actors in the supply chain. The firm had very cooperative suppliers in China, enabling them to supply the goods just in time to a ready market.

As the economy reopened, so did the event service business return to life. However, Covid-19's business still accounted for about 30 to 40 percent of total income. According to the owner-manager, the lab-related income has enabled them to support the event service business. The event service business had a total of 8 employees who were employed on-demand. The business paid employees per job done. This method enabled the business to keep its costs down. Moving forward, there was an increased realization about the need to set aside an emergency fund for any eventuality and to get ready always.

Case 4: Passenger Service Vehicle Operator

Case 4 is a 7-year-old, owner-managed passenger service vehicle business commonly known in Kenya as matatu. The business owned and operated 3 units of 14-seater Nissan Caravan that plied in the eastern outskirts of the Nairobi metropolitan. The assets were financed by a loan obtained from a Savings and Credit Cooperative Society (SACCO) in which the owner was a member.

When the Government of Kenya announced national lockdown in March 2020, the business was experiencing a cash crunch as all income was going into loan repayment. Apart from a daily allocation put aside for vehicle service and maintenance, the firm had not anticipated disruption of such magnitude, nor did it have any proper crisis management plan in place. The disruption negatively impacted income. The business recorded a severe dip in incoming cash flow: revenue dropped by over 70 percent as the vehicles suddenly started operating below capacity.

The firm had employed 7 workers, including 3 drivers, 3 conductors, and one maintenance personnel. All were paid per day. The owner immediately called a meeting with staff to agree together on the way forward. The firm focused on expense reduction. The employees agreed to take a pay cut to sustain themselves under the circumstances. The firm also examined every other expense and stopped those that it could. The firm also negotiated a grace period of principal loan repayment with the SACCO. The manager expressed that if they did not immediately take these measures, the firm would not have survived for even a month.

To support revenue, the firm removed the seats from one Caravan and began supplying oranges into Nairobi. This move bridged the income gap. However, this was a temporary stop-gap measure, which the firm stopped once the economy reopened and the lockdown was lifted.

According to the manager, the business has since recovered to a large extent. However, the cost of doing business increased due to Covid-19 prevention measures required by the government to purchase thermometers and sanitizers. Salaries were nevertheless restored to the original amount. Moving forward, the critical lesson from the disruption, according to the owner-manager, was that savings are very critical. The firm plans to create financial slack that is adequate to keep the company going for at least 3 months as a mitigation measure in the future. The firm also recognized the importance of diversifying income streams, though there were no immediate concrete plans.

Case 5: Restaurant & Catering

Case 5 is a medium-sized restaurants chain employing 70 full-time staff and at least 30 casuals. It operates 9 outlets, including 4 in Nairobi Central Business District (CBD). Most of the restaurant's branches are located within college campuses, with 2 in Nairobi City center and western Kenya. Although walk-in patrons represent the main clientele base, the business also provided outside catering services to various organizations and events since their presence within university campuses strategically positioned them to cater for many events on the college grounds, particularly during weekends. Besides, some colleges also provide accommodation services for international guests during significant functions such as graduation ceremonies. The owner also operated a private hospital as a subsidiary business and a wholesale outlet in one of the cities.

The business was severely hit by the government's directive to shut down all learning institutions. Two of the restaurants that operated within university campuses entirely shut down, while the remaining operated below capacity. The company had an inventory of raw food that it had to evacuate for use in the private hospital when Covid-19 forced all education institutions to shut down. However, one hospital staff contracted Covid-19, and all the staff members were subsequently quarantined, and the hospital closed in consequence. As the pandemic continues, the firm experiences an increase in the cost of raw materials but could not equally increase the price of food due to existing contractual arrangements.

The firm responded to the disruption by proposing between 10% and 20% reduction in staff payroll, losing 10 of its employees who could not cope with salary reduction. The rest were ordered to work in shifts on a pay-per-shift basis.

The pandemic was a challenge to some of the firm's staff because they were caught unprepared, but the firm attempted to ease the impact on staff. To help employees cope with the pandemic, the owner paid all salary arrears, offered salary advances, and issued shopping vouchers for selected dedicated staff members. As Covid-19 continued, the owner sent a monthly cash relief to the employee made redundant, while those retained worked on low pay. Additionally, some staff members were redeployed to the wholesale business. The firm negotiated an overdraft facility to meet urgent cash flow requirements.

Case 6: Primary School

Case 6 is a 21-year-old private academy that admits pupils from preschool to primary education. The academy is run as a nonprofit enterprise under a church umbrella. Unlike a typical private enterprise, the academy is governed by a deacon board, and proceeds support the church's overarching mission. The headteacher oversees the school's day-to-day operations, supported by 35 academic and administrative staff. The deacon board provides regular oversight to the overall financial governance of the academy.

The academy had no crisis management plan, although it had put together many risk management strategies. Over the years, the academy built its cash reserve for other reasons and carefully managed its assets and cash flow. The shutdown of learning institutions brought about mixed tidings for the academy. Revenue dropped by over 50 percent, attributable mainly to the closure of schools for 2 terms during which the academy did not earn tuition-fee income.

To manage the adverse impact of Covid-19 and ensure business continuity, the academy took several measures, including investing in I.T. During the school closure. The academy started online learning programs. It charges a minimal fee that is paid directly to academic staff for basic livelihood sustenance. This measure enabled the academy to retain employees and remain in operation. Additionally, the academy reduced staff salaries and negotiated flexible credit terms with creditors to manage overall business expenses. It also obtained additional financial support from the parent organization to partially cover its funding requirements. As a religious-based academy, spiritual support and morning prayers proved critical to maintaining its staff morale during the pandemic.

With the reopening of schools, enrollment increased by 50 students from 650 to 700. The increase in enrollment was attributed primarily to the closure of other private schools. Although revenue had severely dipped by more than 50 percent in 2020, the academy projected a record increase in revenue from 35 million shillings before Covid-19 to 46 million shillings by 2021 year-end.

Moving into the future, the academy identified implementing the Competency-Based Curriculum (CBC) program as one of its challenges due to investment requirements in new infrastructure for the junior secondary school part. The academy will continue to build its cash reserve to ensure it has enough financial muscle to respond to future issues. It also intends to maintain a conservative investment strategy. Management recognized that the business environment could be very messy and, therefore, being continuously alert was identified as critical to remaining resilient.

Discussion

Operational disruption emerged as a cross-cutting factor in all the case studies. The Covid-19 pandemic disrupted all the SMEs' operations to various extents, but each firm had a unique experience with Covid-19. Half of the case study firms were severely disrupted due to their business nature and services offered, particularly physical services. For instance, a video and photography firm was rendered out of business due to a ban on physical gathering. The passenger service provider operated significantly below capacity as most commuters worked from home, and the restaurants became redundant due to the shutdown of schools that formed their main clientele base. The other 3 firms that survived the disruption were in sectors that did not necessarily require physical presence. These firms offered services that could be remotely managed. The least affected firm was already operating from home long before the pandemic, essentially rendering the associated operational disruptions irrelevant for it.

Contrary to expectations, the economic impact of the Covid-19 disruption was insignificant to most of the cases. The income of half of the cases was not adversely affected, and the ones affected were on the path to recovery within the year. Two firms posted historically high revenues, although only one firm attributed increased revenue to the pandemic. The second firm attributed its high revenues to its marketing efforts and business model. This finding aligns with Bourletidis and Triantafyllopoulos (2014), who observed that some firms record positive results and thrive in disruption. One of the not adversely affected did not realize positive revenues but promptly instituted mitigate measures that cushioned it from revenue disruption. The most negatively affected SME saw its revenue decline by more than 70 percent due to its business nature being a commuter service provider. Of the other 2 adversely affected though not as severely, one offered services that could be remotely provided while the other operated subsidiary businesses that provided essential services.

The firms are classified into 3 resilience categories and ranked from the most resilient to the least. From the most resilient to the least resilient, the 3 categories are prospering, maintaining, and recovering firms. Prospering firms are those that recorded incremental revenue post-Covid. Maintaining firms are firms that did not experience any form of performance deviation. In contrast, recovering firms have experienced severe disruption in operations and income but have either since restored normalcy or are on the path to recovery. The 6 salient resilience themes that emerged from the data are pre-Covid diversification, slack finance, collaboration, self-reinvention, positive psychology, and technology leverage. Table 2 shows that all firms adopted at least 4 of the 6 resilience drivers.

Collaboration strategy figured as a typical resilience driver for all firms. This finding is in line with Alves et al.'s (2021) insight that firms resort to stakeholder support through reviving and maintaining positive relations with employees, suppliers, landlords, government, and creditors during a crisis. For instance, collaboration with employees guarantees human resource support and maintains business continuity. Collaboration is considered a win-win strategy in situations of distress, and, in this specific case, the firms managed through collaboration to manage overhead expenses while employees retained their jobs. Collaboration with the other stakeholders, such as creditors, yielded flexible payment terms and credit availability that eased cash flow pressure. Collaboration with suppliers led to a faster turnaround time that reduced time-to-market. These findings are corroborated by Zutshi et al. (2021), who identified collaboration as a critical risk mitigation strategy for SMEs during the Covid-19 pandemic.

The self-reinvention strategy was the second most ideal strategy for SMEs included in the study, as it was adopted by 5 out of 6 firms. The most prosperous firm capitalized on the pandemic to generate revenues. The public service vehicle operator restructured its asset by reconfiguring the passenger vehicle into a pickup truck. Asset reconfiguration for secondary utilization is a core resource orchestration strategy applied by several companies during harsh times. For instance, Albers and Rundshagen (2020) note that several airline companies in Europe have resorted to reconfiguring part of their passenger fleet into cargo to capitalize on increased cargo global cargo traffic. It is widely believed that asset reconfiguration, particularly in the aviation industry, is one of the core competitive strengths of the industry and a potential path to full recovery (Czerny et al., 2021; Dube et al., 2021). Some firms quickly built their online competencies and reinvented themselves into online service providers.

The slack financial buildup was another favored strategy adopted by 4 out of 6 firms in the sample. Some firms implemented a pay-per-service plan for their staff and suppliers, while others took prior deliberate actions to build their cash reserves to cushion their operations in times of distress. These firms could absorb the initial financial shock while taking their time to develop alternative revenue-generating strategies. This finding aligns well with Omar et al.'s (2020) study of SMEs' survival strategies in Malaysia in the post-Covid era.

Leverage on technology was another strategy applied by 4 SMEs through horizontal growth into new businesses. Venture into new lines of business requires significant investment outlays and takes time to mature. However, companies with diversified know-how could easily venture into unchartered ventures. Three of the study sample SMES had strategically done so as a risk management measure before Covid-19, while one was forced into diversification. The finding affirms Alves et al.'s (2021) qualitative analysis of SMEs in Macau, China, in the wake of the Covid-19 pandemic, which found that diversification was a key resilience driver. Other firms leveraged ICT by building their competencies and capacities in the online space. As a result, these firms successfully defended their market share by attracting more customers.

Some firms adopted positive psychology, emotional reconnection, and spiritual bonding. The spiritual reconnection was not considered a distinct strategy as it was implemented with other core strategies. Positive psychology was achieved through regular staff fellowships, during which staff encouraged and prayed with each other. The SMEs' focus on the brighter side of life potentially relieved Covid-19 anxieties, thereby preserving the sanity needed to concentrate on the job. This finding agrees with Islam et al. (2020), who studied the performance of SMEs in Kazakhstan during the critical period of Covid-19 and found that psychological capital was instrumental to continued performance and sustainability despite Covid-19 disruptions.

Table 3: Taxonomy of SME Resilience Drivers

	Case1	Case2	Case3	Case4	Case5	Case6
Diversification	X		X	X	X	
Slack finance		X	X		X	X
Collaboration	X	X	X	X	X	X
Self-reinvention	X	X	X	X		X
Positive psychology	X	X	X			X
Tech leverage	X	X				X
Pay-per job	X		X	X	X	
Resilience Score	6	5	6	4	4	5
Resilience Metric	High	Average	High	Low	Low	Average

The above discussion and findings compare with previous research on SMEs' resilience in comparable contexts.

First, the study found that some firms posted historically high revenues, although only one firm attributed increased revenue to the pandemic. The second firm attributed its high revenues to its marketing efforts and business model. This finding aligns with Bourletidis and Triantafyllopoulos (2014), who observed that some firms record positive results and thrive in disruption.

Second, the collaboration strategy employed by some firms conforms with the findings of Alves et al.'s (2021) insight that firms resort to stakeholder support through reviving and maintaining positive relations with employees, suppliers, landlords, Government, and creditors during a crisis. Collaboration strategy has also been identified by Zutshi et al. (2021), who identified collaboration as a critical risk mitigation strategy for SMEs during the Covid-19 pandemic.

Third, asset reconfiguration for secondary utilization as a core resource orchestration strategy was corroborated by Albers and Rundshagen (2020). They noted that several airline companies in Europe have resorted to reconfiguring part of their passenger fleet into cargo to capitalize on increased global cargo traffic. However, it might be argued that, while airliners do not necessarily SMEs, the concept of asset reconfiguration still applies, albeit at a varying scale for SMEs compared with the airline industry.

Fourth, self-reinvention through increased investment in inherent competencies and strengths such as increasing technical capacities for online service delivery was affirmed by Islam et al. (2021) notion of self-reinvention, suggesting that self-reinvention is a crucial survival strategy for SMEs during a crisis.

Fifth, slack finance buildup as a strategy to prolong firm survival during crisis confirms with findings by Omar et al. (2020), who suggested that some Malaysian SMEs survived the Covid-19 sweep because of financial slack they built before the crisis.

Finally, positive psychology as a resilience driver conforms with the insights advanced by Islam et al. (2020), who studied the performance of SMEs in Kazakhstan during the critical period of Covid-19 and found that psychological capital was instrumental to continued performance and sustainability despite Covid-19 disruptions.

Conclusion

This study has provided a taxonomy of resilience drivers that characterize non-essential service SMEs in Kenya. The resilience drivers identified in this research through thematic analysis are strategic diversification, slack finance, stakeholder collaboration, self-reinvention, positive psychology, technology leverage, and pay-per-job. The study found that the more these drivers are deployed in combination, the higher the resilience of non-essential service sector SMEs. It was also evident that prospering firms manifested specific resilience drivers that were not common to most SMEs. These unique drivers are strategic diversification, self-reinvention, positive psychology, and the pay-per-service employment model. These strategies constitute differentiating resilience factors of non-essential service sector SMEs and, therefore, warrant greater attention.

Irrespective of the business sector, stakeholder collaboration is core to non-essential service sector SME resilience at every level of the resilience hierarchy. Relationship management and trust-building are central in stakeholder collaboration. Study results suggest that these should be integrated into the firm's operational culture and cultivated sustainably, not as a one-off experience. The results emanating from the thematic analysis also suggest that self-reinvention is a crucial success factor for SMEs to sustain operations during challenging times. However, self-reinvention requires pre-crisis preparedness, environmental alertness, vigilance, and a risk-taking culture within the organization. Successful self-reinvention also requires decisiveness, swiftness, agility, and a propensity for improvising and organizational learning on the go.

The study also reveals that positive psychology emerges as more critical to success than financial slack. This finding means that psychological capital is a key resilient driver in the non-essential service SME sector. Slack finance is considered a necessary but not sufficient condition for business sustainability. Similarly, ICT leverage is a sector-specific resilience driver relevant only to the knowledge service sector such as education, publishing, and professional service sectors. It is nonetheless a dynamic resource that facilitates self-reinvention and organizational learning. By extension, it is noteworthy that sectors that necessitate investment in static resources like fixed assets were less resilient than sectors dependent on dynamic resources.

In retrospect, this study has contributed to the knowledge of resilience drivers relevant to non-essential service SMEs in Kenya. However, the article has limitations that present grounds for further research inquiry. One of the most important revelations in this study is the concept of psychological capital and its salience for SME resilience. The present study has not explored this in greater depth. Thus, it would be interesting to advance research in this area with specific reference to the business case for its deployment in the enterprise world. Another limitation is that the research participants were drawn from the researchers' social networks. Therefore, this study may be replicated and enhanced by generating probabilistic samples using quantitative methods.

Furthermore, the research context bears an inherent limitation in that the Covid-19 pandemic is still in full force and, therefore, complete visualization of organizational resilience may not be attained now. This limitation is because resilience incorporates a full round of analysis that comprises firm status pre-crisis, during a crisis and post-crisis. The final leg of the Covid-resilience trajectory has not yet been materialized by this time.

Finally, the limited scope of this research did not allow for a full-spectrum application of the qualitative methodology since the case study approach has inherent limitations that have been further compounded by the level of in-depth analysis carried out in this paper. The researcher is aware of these limitations. Therefore, this paper recommends that future research include wider-spectrum industry analysis, research context expansion beyond Kenya, consideration of a longitudinal dimension, and introduction of mixed-methods design.

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