

# Strategy used by Small-Scale Food Entrepreneurs against the Impact of the Covid-19 Pandemic

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## Abstract

The presence of small-scale food enterprises contributes significantly to the country's income while also providing numerous job opportunities in the community. The purpose of this study was to look at how small-scale food entrepreneurs try to stay in business while dealing with the effects of COVID-19. The strategies factor was developed using factor analysis, and descriptive analysis was used to examine demography, strategy practices, and the assistance in enhancing entrepreneurial strategy. This research has identified three strategies factors: add skills, service and supply, and reduce expenses. However, entrepreneurs must enhance their strategy by utilizing government assistance. As a result, the government must be vigilant in providing entrepreneurs with the assistance they require to rehabilitate businesses affected by the COVID-19 pandemic.

Keywords: SMEs, New Norms, Strategy, Government Assistance

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## 1.0 Introduction

Small-scale food enterprises play an important role in the country's economic development from the contribution continued to Gross Domestic Product (GDP). In 2018, the contribution of small businesses to the Gross Domestic Product (GDP) in Malaysia increased by RM 521.7 billion, or 38.3 percent compared to RM491.2 billion, or 37.8 percent, in 2017. (Che Wan, 2019). Small-scale food enterprises in Malaysia is an enterprise that is often worked on and developed by various layers of society, especially for the rural population, B40 (bottom 40%) and mostly worked by women (SME. Corp Malaysia, 2020). In 2019, the SME sector has created 7.3 million job opportunities for Malaysians and has reduced unemployment in the country (SME. Corp Malaysia, 2020).

However, in early 2020, small-scale food enterprises worldwide were hard hit by the COVID-19 pandemic, which was declared a pandemic by the World Health Organization (WHO) and spread to entire states, districts, and areas where the outbreak was highly contagious. Since the outbreak of COVID-19, the government's decision to implement the Movement Control Order (MCO) to combat the spread of this epidemic in Malaysia has restricted the movement of the entire society, preventing all forms of economic activity from taking place as usual. However, small-scale food entrepreneurs experienced an explosion of economic downturn as a result of the declaration of an emergency and the implementation of quarantine to contain the disease's spread (Katooro, 2020).

According to Murnaena (2020), there was fear and concern among the local community about the occurrence of COVID-19 infection, which is the cause of the country's economic decline among entrepreneurs. Because of the losses suffered, the implementation of movement control orders (MCO) complicates the situation for food operators (Shaharuddin et al., 2021). Small-scale food enterprises must compete with larger enterprises since most businesses must transition to digital platforms, or information technology, such as the use of social media. Running a business on the internet allows for various forms of marketing, particularly on social media, which was popular during the COVID-19 pandemic (Nurulhayah & Liyana, 2021). Small businesses must also accept that business practices have changed since the spread of the COVID-19 outbreak. If entrepreneurs refuse to adapt to digital business, the transition to digital technology will be difficult (Hazwan, 2020). Many customers will prefer to shop online rather than interact with other shoppers in person. As a result, small traders must accept this new norm and adapt to the current globalization era (Mareno et al., 2022). In summary, this study has two objectives: i) to identify strategies used by small-scale food entrepreneurs to defend their business in the pandemic era, and ii) to investigate the availability of assistance used to improve existing strategies.

## 2.0 Literature Review

Coronavirus disease 2019 (COVID-19) is defined as a disease caused by a novel coronavirus that causes severe breathing problems. The city of Wuhan in China's Hubei

Province was where the plague was first discovered (Aprinda, 2020). On December 31, 2019, the World Health Organization (WHO) announced the outbreak to the entire world (Aprinda, 2020). On January 30, 2020, WHO proclaimed the COVID-19 outbreak a worldwide health emergency and a pandemic. The coronavirus disease year 2019 is known as COVID-19 and is brought on by SARS-CoV-2. The name was created to eliminate connotations of a virus's origin related to location, population, or animal associations. The pandemic has affected the world from an economic, social, and political perspective because authorities in each nation are attempting to break the virus chain, which is supposed to be done by regulating people's behavior (Aprinda, 2020).

Food enterprises are defined as food services that offer whole meals for immediate consumption, whether in traditional restaurants, self-service restaurants, or take-out restaurants that are permanently or temporarily erected or have no seating facilities. Dishes offered for immediate consumption are considered, rather than the type of facility for preparing the meal (Fauziah, 2020). Small and Medium Enterprises (SMEs) are defined differently in each country, but in Malaysia, SMEs can be defined by two factors: annual income and employee count. SMEs are classified into three types: micro, small, and medium. With fewer than 30 employees, the annual income for the small category ranges from RM 300,000 to RM 3 million (SME Corp. Malaysia, 2020). Previous researchers, such as Sarafino (1994), defined resilience as the ability to rise above problems or the ability to not dissolve in stress-related feelings. According to Reivich and Shatte (2002), resilience strategy is the ability to respond to life's difficulties in a healthy, productive, and positive manner. According to Reivich and Shatte (2002), the strategy not only allows a person to overcome or recover from adversity but also allows a person to improve aspects of his/her life to make them better.

### **2.1 The impact of the Covid-19 Pandemic on small-scale food businesses**

Understanding the effects of the COVID-19 pandemic on small-scale food operators is essential for developing a better strategy for supporting those affected by this pandemic disaster. According to Stephan et al. (2021), the COVID-19 pandemic has caused small-scale business owners to express concern since, on average, 61 percent of business owners believe that the COVID-19 outbreak poses a threat to their industry. This is because a disease that is easily communicable and is spreading among humans is growing more violent (Mohd Danial, 2021). The government enacted a movement control order that restricted people's freedom of movement (Mohd Farhan, 2021). Due to the regulation that prohibits the opening of non-essential establishments, this immediately forces business owners to close their locations (Sadar et al., 2020). Because the government in Uganda made steps to ensure that there was no high social mobility among the population in that country, women entrepreneurs in Africa endured an economic recession (Lakuma et al., 2020).

Entrepreneurs are compelled to adapt to a new norm to maintain their businesses as a result of this business closure by embracing digital technologies (Mareno et al., 2022). According to Muhammad Thoriq and Mohd Abdul (2021), one of the obstacles for

entrepreneurs who initially do business physically is the use of digital technology because doing business online necessitates knowledge to minimize unfavorable risks. Furthermore, due to a lack of knowledge in the use of information technology, entrepreneurs over the age of 40 will have trouble accessing the internet. Additionally, as a result of their unpaid supplier obligations, small-scale food producers are also impacted by the growth of the COVID-19 outbreak (Harifah et al., 2021). This is because business owners who lost their source of revenue during the pandemic period did not have a significant cash flow, which made it difficult for them to pay their debts to food suppliers (Harifah et al., 2021). According to a study by Paaso et al (2020), food suppliers started requesting payment from business owners who were behind on their debts because, indirectly, food suppliers also faced financial issues.

## **2.2 Strategy to Overcome the Impact of the Covid-19 Pandemic in Small Scale Food Enterprises**

Small entrepreneurs who plan strategies can help them overcome the challenges and impacts they face, particularly during this pandemic era. Furthermore, Rima *et al.* (2021) stated that research discovered that this pandemic crisis was a blessing to small entrepreneurs because the presence of this outbreak improved entrepreneurs' entrepreneurial quality. This is because the crisis has created more opportunities for entrepreneurs to innovate, solve problems, and grow their businesses. Learning how to use digital and communication technology (ICT) is one of the tactics used by small-scale food businesses during this pandemic. According to Harifah et al. (2021), business owners view digital technology as a platform that helps food entrepreneurs sell their products throughout this crisis.

According to Gardner and Blondeau (2020), small-scale food entrepreneurs employed four techniques throughout this pandemic: first, comprehending the problem; second, creating possibilities; third, resilient approach; and fourth, entrepreneurial innovation. Small and medium-sized food entrepreneurs (SMEs) must first evaluate the impact of the pandemic on their businesses, such as raw materials, lower demand, and supply chain disruptions. Therefore, by comprehending how the COVID-19 pandemic problem is hurting enterprises, it can be created the formulation of crisis management for the recovery phase in the short term and long term. Entrepreneurs who develop new chances for enhancing the use of digital technology and fostering collaboration with other parties, such as employees, suppliers, and distributors, as well as food delivery services, are demonstrating how to deal with the pandemic crisis in business (Khurana *et al.*, 2022).

To maintain continuity, sustainability, and the future of their firm, small-scale food entrepreneurs also employ resilience techniques. Resilience is seen as a crucial quality in personal responses to protect enterprises from unfavorable repercussions and unforeseen catastrophes. Product design, digital technology, and smart transformation are all parts of entrepreneurial innovation in this Covid-19. Entrepreneurial innovation occurs when business owners employ tactics including developing new consumer value,

taking risks, and extending product markets internationally, where this innovation can assist in easily navigating challenging circumstances (Li et al., 2022).

### **2.3 Enhance the Small-Scale Entrepreneurs Strategy**

According to the National SME Development Council (2006), strategy in enterprises has been improved with government assistance to help entrepreneurs be more resilient during this pandemic era. The Human Resource Development Portal (HRD Portal) has been launched by 'Pembangunan Sumber Malaysia Berhad' (PSMB) to assist SME entrepreneurs. Some information, such as courses, seminars, and conferences, will be shared through this portal to help entrepreneurs get accurate online training. Furthermore, employers and employees can increase their productivity online by using this portal (National SME Development Council, 2006). In this pandemic era, the government also offers several seminars for SMEs on how to market e-commerce so that they can develop digital marketing skills (Ali and Colleagues, 2020). Besides that, involves collaboration with key organizations as the final step to enhance strategy, particularly during this pandemic era. The importance of cooperation among raw material suppliers can improve business management efficiency while avoiding disruptions in the raw material stock cycle in enterprises (Zutshi et al., 2021). Government aid in the form of "automation and digital facilities" help can be used to enhance the marketing strategy for food items. This is done to keep the food products produced at a high standard. This is because equipment to maintain the texture and quality of food items, such as chiller machines, freezers, hard food product packaging, and mixers, can provide food operators more confidence to put ideas into action.

The Special Care Grant (GKP) is a second government program designed to assist small enterprises impacted by COVID-19. During the implementation of MCO, GKP was developed as a resource for small business owners in terms of income sources. Each eligible SME entrepreneur who participates in this initiative receives RM3,000 (Ministry of Finance Malaysia, 2020). Helping entrepreneurs who are impacted by the MCO's implementation is the goal of this assistance. The success of this support may be observed when business owners use it as start-up money for ventures that have been impacted by commercial building closures (Zainol *et al.*, 2022). Adding inventory, buying raw materials, and building up financial reserves are all part of the start-up capital for a business. This is so that SME entrepreneurs can rebuild their businesses after being negatively affected by the COVID-19 pandemic crisis.

### **3.0 Methodology**

Respondents for this study were selected from among small-scale food entrepreneurs who had been affected by the COVID-19 pandemic. The survey forms were handed out to 476 people from agencies of the Federal Agricultural Marketing Authority (FAMA) and *Dewan Bandaraya Kota Kinabalu* (DBKK). The questionnaire employed a five-level Likert scale, with responses ranging from 'Strongly Disagree' to 'Disagree,' 'Not Sure,' 'Agree,'

and 'Strongly Agree.' In this study, a quantitative approach was used, with purposive and snowball samplings. Factor analysis was applied to 14 items related to the strategy used by entrepreneurs to sustain their existing businesses. Furthermore, descriptive analysis with frequency, percentage, and mean score values was used to examine the strategy factors and the assistance needed by entrepreneurs to enhance their strategy. Based on Table 1, Likert scale levels were interpreted through three levels as used by Pepe and Fleming (1994).

Table 1: Mean Score Index

Mean Score Index	Level
1.00 to 2.33	Low (L)
2.34 to 3.66	Moderate (M)
3.67 to 5.00	High (H)

Source: Pepe and Fleming (1994)

## 4.0 Results

By performing factor analysis to classify products that fulfill the characteristics, the findings are concentrated on the marketing technique utilized by small-scale food entrepreneurs. The next step is to perform a mean score analysis to determine which factor has the highest average mean score after the items have been organized according to the relevant factor category. The results of this research also demonstrate how small-scale food entrepreneurs benefit from government funding for the advancement of tried-and-true methods.

### 4.1 Demography of the Respondents

Females outnumbered males (392 respondents) (84 respondents). With 173 respondents, the age group of 21 to 30 years old was the majority operating food enterprise. The Bugis ethnic group had the most respondents in terms of ethnicity (198). The majority of respondents (285 in total) who ran this business were married. With a total of 265 respondents, the majority of those working in food products had a secondary level of education.

Table 2. Demography of the Respondents

Demography of the Respondents	Percentage (%)	Frequency (person)
<b>Sex</b>		
Male	18	84
Female	82	392
<b>Age</b>		
<20 years old	2	7
21-30 years old	36	173
31-40 years old	23	111
41-50 years old	22	103
>51 years old	17	82
<b>Ethnicity</b>		
Bugis	42	198

Bajau	23	108
Malay	10	47
Dusun	5	24
Others	21	99
<b>Marital Status</b>		
Single	34	162
Married	60	285
Widowed/Divorced	6	29
<b>Education Level</b>		
Primary	12	58
Secondary	56	265
High School	20	93
Degree	13	60

#### 4.2 Covid-19 Impact on Small and Medium Enterprises (SME)

According to Figure 1 below, the demand effect on food goods, which had a mean value of 4.20 had the highest mean value, followed by the financial effect, at mean=4.00, and the marketing impact of the new norm, which had a mean value of 3.80. This demonstrates that small-scale food businesses are affected by the public's decreased desire to buy food from outside sources since the covid-19 pandemic issue began, particularly during the early stages of the outbreak.

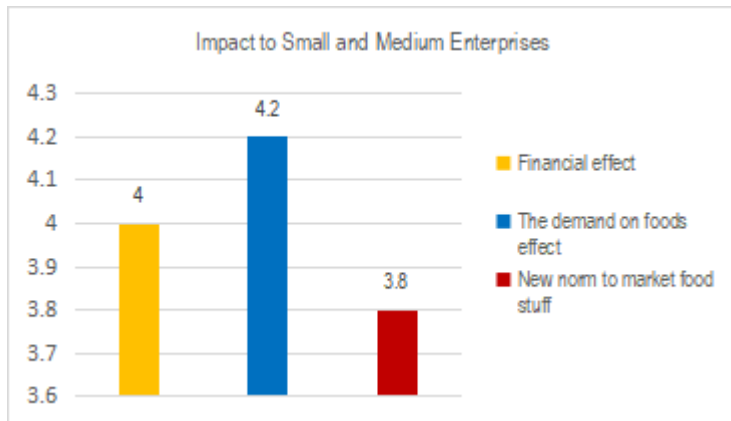


Figure 1: Impact to Small and Medium Enterprises

Because fewer people are ordering food, the respondent has indirectly encountered financial issues with the firm. Additionally, respondents experienced the effects of the new norm from the perspective of increased pressure on entrepreneurs to utilize digital technology during this crisis, which was a particular challenge for entrepreneurs who lacked experience using digital technology for the marketing of food items (Moreno et al., 2022)

Therefore, the primary effects on small-scale food entrepreneurs during this pandemic are the effects of demand on the food products being grown and the financial effects, followed by the effects of the new norm on the marketing of food products. As a result, the entrepreneurs develop a strategy that should be put into action to ensure that the effects experienced are short-term.

### 4.3 Analysis of Factors on Strategy Used by Entrepreneurs

If the KMO value is greater than 0.60, factor analysis is appropriate. This strategy has a KMO value of 0.835, indicating that the data does not have multicollinearity issues and that the items in question are suitable for factor analysis. To determine whether correlations between items were sufficient to perform factor analysis, Bartlett's Test of Sphericity was used. The p0.05 significant test result for strategy indicated that the correlation between the items was suitable for factor analysis. The KMO test, Bartlett's test, factors, items, loading factor, eigenvalues, percentage of variance, and Cronbach's alpha analysis for strategy are shown in Table 3. The extraction method used the principal component, and the rotation method used varimax with the lowest value of 0.30, as suggested by Field (2013). Following that, Cronbach's alpha values for all factors were 0.895, 0.725, and 0.794 for resilience (Table 3), with values greater than 0.70 indicating high validity.

Table 3: Factors Analysis of Resilience Used by Entrepreneurs

Item	Factor		
	1	2	3
<b>Add Skills</b>			
Be creative in business	0.877		
Improve product quality	0.848		
Increase entrepreneurial knowledge	0.824		
Diversify products	0.760		
<b>Service and Supply</b>			
Make COD delivery		0.837	
Work with food delivery agencies		0.789	
Place the product in grocery stores		0.767	
Doing business at gas stations		0.541	
Become an agent		0.512	
<b>Reduce Expenses</b>			
Reduce the number of employees			0.825
Reduce employee salaries			0.824
Hire family members as employees			0.759
Prepare when requested			0.691
Sell long-lasting food products			0.371
Cronbach's Alpha	0.895	0.725	0.794
Total Variance Explained	3.164	3.001	2.652
Percentage Variance Explained	17.579	16.672	14.736

Notes: Kaiser-Meyer-Olkin Measure of Sampling Adequacy= 0.835;  $\chi^2 = 4533.046$ ; Bartlett's Test of Sphericity Significance= 0.000; df=153



Figure 2 shows three factors deduced from a factor analysis test: the skills factor, which contains four items and contributes a total variance of 17.579 with an eigenvalue of 3.164; the service and supply factor, which contains five items and contributes a total variance of 16.672 with an eigenvalue of 3.001. The third factor, reducing expenses, has five items and contributes to a total variance of 14.736 with an eigenvalue of 2.652. According to the literature review, the built strategy factor could give entrepreneurs a positive mindset to defend their businesses.

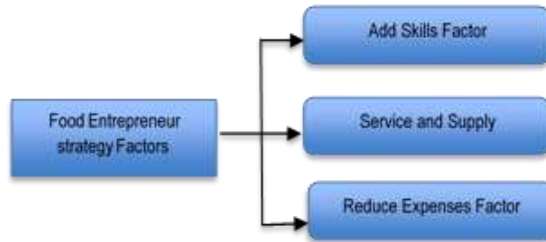


Figure 2: Food Entrepreneur Strategy Factors

### 4.3 Strategy Used in Sustaining Enterprises during the COVID-19 Pandemic

Table 4: Strategy of Small-Scale Food Entrepreneurs to Survive During the COVID-19 Pandemic

Add Skills Factor	Mean	Scale	Average min score
Improve product quality	4.30	H	4.30
Be creative in business	4.40	H	
Increase entrepreneurial knowledge	4.20	H	
Diversify products	4.30	H	
Service and Supply Factor	Mean	Scale	Average min score
Make delivery service	4.40	H	4.04
Place the product in grocery stores	3.90	H	
Doing business at gas stations	3.40	H	
Doing business online	4.30	H	
Work with food delivery agencies	4.20	H	
Reduce Expenses Factor	Mean	Scale	Average min score
Reduce the number of employees	4.40	H	4.30
Reduce employee salaries	4.30	H	
Hire family members as employees	4.20	H	
Sell long-lasting food products	4.30	H	

Table 4 shows that the majority of small-scale food entrepreneurs practice 'being creative in business under the add skills factor (mean=4.40). Respondents who use the online sales method said they edit product photos before posting them on social media to make the products sold look appealing. Meanwhile, a respondent who traditionally sells

'amplang' chips and trades used the method of giving free plates for the first ten purchases. With a mean of 4.40, the item 'make delivery service' is the most dominant strategy used by respondents in the service and supply factor. In this study, respondents claim that they use food delivery services to enhance their revenues. Some respondents also work with food delivery services like GrabFood and FoodPanda, while others perform private deliveries to ensure that the ordered food products reach the consumer location safely.

Next, the reduced expenses factor indicates that one of the dominant strategies used is 'reduce the number of employees,' with a mean=4.40. Respondents claimed that by reducing the number of employees during this pandemic, they would be able to lower the production of working capital, such as wages and employee welfare. Furthermore, the labor that needs to be done in the food industry during this crisis does not necessitate a significant number of employees (Bajkó, et al., 2022). Therefore, the factors of developing skills and decreasing expenses had the greatest value for the overall average mean score, showing a value of 4.30, followed by the factors of service and supplier, which showed a value of 4.04.

#### **4.4 Enhancing Strategy Through Government Assistance**

The COVID-19 pandemic's impact on small-scale food entrepreneurs has prompted them to consider the strategy required to sustain existing businesses. However, small-scale food entrepreneurs continue to require government assistance to improve their strategies (Zainol et al., 2022). The assistance required by respondents to improve their existing strategy is shown in Table 5 below. The results show that respondents need the most help with 'training to expand the product market through online advertising,' with a mean=4.40. Following that, 'to create a website for the product' and 'government marketing assistance' each received a mean=4.30, followed by assistance in 'training to sell products live,' which received a mean=4.20. Finally, 'assistance in automation and digital facilities' received a mean score of 3.10, indicating a moderate level.

According to interviews with Federal Agricultural Marketing Authority (FAMA) officers, they collaborated with Shopee in 2021 and registered food entrepreneurs' products, specifically Sabah food products, in Shopee e-commerce marketing to enhance entrepreneurs' existing strategy. As a result, the FAMA company officer encourages small-scale food entrepreneurs to use information technology so that they can participate in marketing through Shopee e-commerce.

*"...we also collaborated with Shopee last year (2021) where we helped entrepreneurs to market their products there (Shopee), especially for Sabah products...yes, the products we market at Shopee are only for registered entrepreneurs, with a license, at least..."*

*(Informant: FAMA Company Officer)*

Table 5: Enhancing Strategy

Improving Resilience	Mean	Scale
Training to expand the market through online advertising	4.40	H
Training to create a website for the product	4.30	H
Marketing assistance from the government	4.30	H
Training to sell products 'live'	4.20	H
Providing a website for entrepreneurs to market their products	4.10	H
Discount on course/class/training participation fees	3.90	H
Assistance with internet data	3.70	H
Assistance in automation and digital facilities	3.10	M

## 5.0 Discussion

According to the research, small-scale food businesses are most affected by the public's declining appetite for food. Because the prepared food is coming from unidentified sources and the public is unaware of the epidemic's infection status among food vendors, this effect is brought on by the public's anxiety that it may not be safe from the spread of the covid-19 outbreak. This has prompted business owners to employ a variety of measures to protect already-existing companies during this crisis. Stephan et al. (2021) stated that to avoid gathering a large number of people at once, food entrepreneurs such as restaurants, stalls, night markets, and booths are not permitted to operate. As a result, typical methods of selling food cannot be used at this time because business premises are being closed.

The resulting strategy is a result of the impact that small-scale food entrepreneurs had during the pandemic era. With the implementation of new business norms, enterprise activities have changed (Aziz et al., 2021). According to Rosita et al. (2017), food entrepreneurs must use brand identity to build stronger and more resilient corporate entities in the market. This can demonstrate an entrepreneur's business creativity. Entrepreneurs must be creative in giving their products a good brand in terms of graphic design, attractive and informative labels, and value (Rosita et al., 2017), According to Mahani and Suraiya (2018), entrepreneurs should use smart packaging in their businesses to make them appear more creative and appealing to customers.

According to a study conducted by Muhammad Zakwan et al. (2021), food entrepreneurs use a cash-on-delivery (COD) strategy to deliver to the customer's location. This is to boost entrepreneur profits as a result of many people being afraid to gather in large numbers at business premises due to the outbreak of COVID-19 in the country. Furthermore, food entrepreneurs are implementing initiatives to reduce the number of employees to keep businesses from becoming overburdened. Respondents stated that because of the declining demand, this pandemic does not necessitate a large amount of manpower to produce the product.

However, respondents required government assistance to boost the existing strategy used during the pandemic. Doing business online is one of the strategies with the highest value, as it was used by the majority of respondents. However, because doing business online has become a priority for marketing products in the new norm, respondents who lack the necessary skills must also comply and present themselves in this manner. Entrepreneurs who were inefficient in their use of online marketing, according to Ali et al. (2020), were unable to sustain their businesses. As a result, with assistance such as training to expand the market through online advertising and training to create a website, respondents' strategy in terms of online business can be increased. Furthermore, strategies, such as being creative in business, can be enhanced with government marketing assistance. This can increase consumer trust and ensure the product's safety before it reaches the consumer. Finally, the study's findings reveal three built-in strategy factors: the skills addition factor, the service and supply factor, and the expense reduction factor. 'Be innovative in business', 'make deliveries', and 'reduce the number of employees' are strategy items that are frequently used. To increase strategy, respondents required 'training to expand the market through online advertising.'

## **6.0 Conclusion**

Finally, this study examined small-scale food entrepreneurs' strategies for protecting their enterprises in the face of the severe consequences of the pandemic era on their industry. According to the data, the majority of business owners have found that cutting costs and improving skills are two of the most effective measures for halting the growth of the covid-19 epidemic. To protect their firm, they could employ a short-term or long-term approach. However, it has been discovered that the existing strategies used by food operators need to be improved with the assistance of the government. In general, new norms have prioritized online businesses for entrepreneurs. Because there are still entrepreneurs who lack skills in using digital technology to market their products online, entrepreneurs require government assistance in the form of 'training to expand the market through online advertising.'

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## **Article Contribution to Related Field of Study**

These findings can be used by entrepreneurs as a guide to help them better prepare for the challenges that their businesses may face. Furthermore, this research can assist

authorities in developing strategies to assist small-scale food entrepreneurs in increasing their strategies, particularly those affected by the COVID-19 pandemic.

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