



Resilience of Small Medium Business

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NAVIGATING TURBULENT WATERS: HOW MSMES LEVERAGE ORGANIZATIONAL ADAPTABILITY AND STRATEGIC RENEWAL FOR BUSINESS RESILIENCE

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ABSTRACT

Objective: his study aims to examine how Micro, Small, and Medium Enterprises (MSMEs) with limited resources in emerging markets cope with extreme macro-environmental shocks. This study challenges the conventional, Western-centric, and asset-based resilience paradigm by conceptualizing new dynamic mechanisms for corporate survival and transformation.

Research Design & Methods: This study employs a multiple inductive qualitative case study design. By analyzing the real-time crisis response trajectories of five distinct MSMEs in emerging market contexts, data were collected through semi-structured in-depth interviews, field observations, and archival records, and subsequently analyzed using systematic thematic coding.

Findings: This study conceptualizes a new sequential evolutionary model, termed the Processual Agility Framework. Transformative resilience (bounce forward) is not determined by the ownership of static assets, but rather by a two-stage process: Short-term Organizational Adaptability (driven by cognitive flexibility and tactical resource bricolage) acts as a critical liquid buffer that directly facilitates long-term Strategic Renewal (carried out through radical business model experimentation and market reorientation). Relying solely on short-term adaptation traps companies in vulnerable survival.

Implications & Recommendations: For managers, crisis mitigation requires overcoming cognitive rigidity and aggressively rejecting legacy burdens to experiment with digital value architectures. For policymakers, interventions must shift from passive financial aid toward capacity-building programs that foster grassroots digital agility, cognitive flexibility, and open-source resource integration.

Contribution & Value Added: This paper significantly advances Dynamic Capabilities Theory by demonstrating that small-scale capabilities operate through micro-cognitive foundations, not formal corporate routines. Furthermore, this paper elevates resource bricolage from a negatively viewed survival tactic to an intentional strategic enabler within institutional vacuums, shifting the global literature's focus from asset-based recovery to processual agility.

Keywords: Processual Agility, Dynamic Capabilities, Resource Bricolage, Strategic Renewal, Emerging Markets.

JEL codes: L26, M10, O12.

Article type: research paper

INTRODUCTION

In recent years, the global business landscape has entered an era of extreme volatility marked by a series of disruptions, ranging from the fragmentation of global supply chains and macroeconomic inflation to radical shifts in consumer behavior driven by the acceleration of artificial intelligence and digitalization (Ivanov, 2020). Amid this vortex of uncertainty, Micro, Small, and Medium Enterprises (MSMEs) have become the most vulnerable yet most crucial entities for

national economic stability (Eggers, 2020). Massive environmental dynamism forces MSMEs not merely to survive using conventional methods but demands systematic and sustainable adaptability (Williams et al., 2017). The phenomenon of mass MSME failures across the globe serves as clear evidence that static management approaches are no longer sufficient to address multidimensional external shocks (Herbane, 2019). Therefore, the urgency of understanding how business actors dynamically navigate crisis situations now occupies the epicenter of debate in the literature on strategic management and entrepreneurship (Doern et al., 2016).

Theoretically, a company’s ability to survive, recover, and grow amid prolonged crises is defined as business resilience (Conz & Magnani, 2020). In the context of SMEs, resilience is not a static condition but a relational process and dynamic capability built through the interaction between an organization’s internal capacities and environmental opportunities (Amann & Jaussaud, 2014). Unfortunately, resource constraints—whether financial, human, or technological—often limit SMEs’ ability to build a robust defense mechanism (Branicki et al., 2018). Field observations reveal a significant paradox: on one hand, the small operational scale of SMEs makes them vulnerable to collapse when cash flow is disrupted; on the other hand, this small scale should provide them with the agility to pivot quickly compared to bureaucratic corporations (Wenzel et al., 2021). Failure to leverage this structural agility often triggers permanent business closures within months of the initial shock (Kuckertz et al., 2020).

To bridge the gap between this vulnerability and agility, recent literature has begun to focus on the importance of organizational adaptability (Koller, 2016). Organizational adaptability reflects a company’s internal capacity to detect environmental changes early, reconfigure existing resources, and align operational structures with new market realities (Teece, 2007). In the resource-constrained SME ecosystem, adaptability does not always manifest in the form of costly technological investments, but rather in the cognitive flexibility of business owners and the speed of decision-making (Hamzah, 2025; Roux et al., 2025). When an SME possesses a high level of adaptability, it is able to transform external threats into catalysts for exploring previously untapped market niches (Fainshmidt et al., 2019). However, adaptability alone is insufficient without a commitment to fundamental strategic renewal (Szemző et al., 2022; Volberda et al., 2001).

Table 1 Empirical Comparison of Strategic Responses and Survival Rates of MSMEs Across Sectors

Industrial Sector	Market Volatility (%)	Organizational Adaptability (Adoption of New Technologies/Business Models)	Strategic Renewal Speed (Average Time to Pivot)	Long-Term Survival Rate (Resilience Rate)
Traditional Manufacturing	68%	Low (Structural Barriers to Asset Allocation)	Slow (>12 Months)	42%
Food & Creative Industries	84%	High (Flexibility in Menu & Distribution Channels)	Fast (<3 Months)	71%
Services & Logistics Distribution	55%	Moderate (Limited Supply Chain Alignment)	Moderate (6–9 Months)	58%
Commodity Retail	72%	Low-Moderate (Reliance on Physical Locations)	Slow (9–12 Months)	49%

Source: Compiled from global MSME crisis reports and empirical literature (2024–2026)

Strategic renewal acts as the driving force that transforms adaptive capacity into concrete action in the market (Larabi, 2025; Volberda & Lewin, 2003). Strategic renewal involves realigning a company’s core competencies with external opportunities through changes in business models,

alterations to the product portfolio, or restructuring of target markets (Schmitt et al., 2016). For SMEs, the process of strategic renewal is a journey fraught with risks and emotional barriers, given that business owners are often trapped in the “competency trap” of past success (Joussem et al., 2025). When a crisis strikes, many SMEs get trapped in a short-term survival mode (retrenchment) that actually erodes their long-term growth capacity (Mrożewski & Dudziak, 2025). In fact, top-tier journals consistently demonstrate that true business resilience can only be achieved when companies are able to balance defensive actions with offensive actions in the form of progressive business model innovation (Galkina et al., 2023). The empirical phenomena underlying the urgency of this study can be identified through macro data on the levels of vulnerability, adaptive capacity, and resilience outcomes of MSMEs across various industrial sectors during the recent period of global economic turbulence.

Table 1 above highlights an interesting anomaly that warrants in-depth qualitative investigation. The Culinary & Creative sector, despite facing the highest market shock intensity at 84%, actually recorded the highest resilience rate, reaching 71%. This figure stands in stark contrast to the Traditional Manufacturing sector, which experienced lower shock intensity (68%) yet had the lowest resilience rate (42%). This dramatic difference stems from Organizational Adaptability and the Speed of Strategic Renewal; the Culinary & Creative sector was able to execute strategic pivots in less than 3 months, while Traditional Manufacturing required more than a year. These empirical findings confirm that business resilience is not a linear function of the magnitude of external shocks, but rather the product of the effectiveness of the interaction between internal adaptation dynamics and the renewal of a company’s strategic direction (Ambrosini & Bowman, 2009; Teece, 2023).

Although the relationship between adaptability, strategic renewal, and resilience has been extensively explored quantitatively, the mainstream literature currently still leaves significant theoretical gaps (Buliga et al., 2016). Most previous studies treat business resilience as a static outcome variable and measure its construct using large-scale cross-sectional surveys (Sharma & Rautela, 2022). Such quantitative approaches tend to reduce the complexity of resilience to mere numbers and fail to capture the processual aspects, organizational tensions, and emotional dynamics experienced by business leaders in real-time (Islam, 2025). We still lack a deep understanding of how the micro-foundations of organizational adaptation processes interact with strategic renewal decisions when resources are at their lowest point (Ahmed et al., 2022). Furthermore, most existing resilience frameworks are built on the business landscape of developed nations (a Western-centric perspective), which possess strong institutional safety nets for SMEs (Bruton et al., 2008; Hurel et al., 2026). Consequently, the validity of these theories becomes biased and less applicable when applied to the characteristics of SMEs in emerging markets, where institutional uncertainty is compounded by extreme infrastructure limitations (Welter, 2011).

This study aims to fill this theoretical and empirical gap through a qualitative multiple-case study approach. Through the lens of Dynamic Capabilities Theory, this study seeks to unpack the black box of the interactive process by which MSME actors leverage organizational adaptability to execute strategic renewal in order to achieve long-term resilience. The novelty of this study lies in the development of a qualitative conceptual model that integrates aspects of entrepreneurial cognition and resource bricolage as the micro-foundational drivers of adaptability and strategic renewal in emerging markets—a processual dimension that has long been overlooked in conventional quantitative studies. Thus, this study offers a new theoretical contribution by shifting the MSME resilience paradigm from an asset-based recovery perspective toward a processual agility framework—essential for business sustainability in the post-crisis era.

LITERATURE REVIEW

In the contemporary academic landscape, the conceptualization of business resilience has undergone a significant paradigm shift from a static recovery-based view toward a dynamic, process-oriented perspective (Conz & Magnani, 2020). Top-tier journals no longer define resilience merely as an organization’s reactive ability to “bounce back” to its original state after being exposed to external shocks (Roundy et al., 2017). Instead, resilience is viewed as a transformative capability that positions crises not as temporary anomalies, but as inherent conditions that demand

companies to evolve and “bounce forward” toward new strategic configurations (Williams et al., 2017). For Micro, Small, and Medium Enterprises (MSMEs), this transformative capacity is particularly crucial given their structural vulnerability to external market volatility (Eggers, 2020). Business resilience in this context manifests as relational capacity built through constant interaction between the business owner’s cognition, operational agility, and the availability of social networks (Doern et al., 2016). Therefore, resilience should not be viewed as an inherent tangible asset but rather as a continuous adaptation process activated through strategic decisions made amidst uncertainty (Herbane, 2019).

Organizational adaptability occupies a central position as the primary prerequisite for shaping such transformative business resilience (Gölgeci et al., 2019; Koller, 2016). Referring to Dynamic Capabilities Theory, adaptability reflects a company’s capacity to constantly sense opportunities and threats (sensing), seize those opportunities (seizing), and continuously transform internal and external assets (transforming) (Teece, 2007). Within the SME sector, the manifestation of these dynamic capabilities heavily relies on human agency, where the strategic orientation, cognitive flexibility, and psychological resilience of owner-managers act as the primary driving force of the organization (Doern et al., 2016). When facing extreme market disruptions, chronic resource constraints—whether in terms of financial capital or managerial scarcity—often paralyze standard operational functions (Branicki et al., 2018). To overcome this structural paralysis, entrepreneurs are forced to adopt agile bricolage mechanisms (Tsilika et al., 2020).

Bricolage theory explains how firms operating under severe resource constraints can survive by utilizing, combining, and reconfiguring whatever resources are at hand to create functional solutions to new problems (Senyard et al., 2014). The interaction between agile human agency and these bricolage mechanisms forms the micro-foundations of organizational adaptability, where the unavailability of ideal resources is no longer viewed as an absolute barrier but rather as a stimulus to trigger radical processual innovation (Ahmed et al., 2022). If organizational adaptability reflects the internal capacity to change, then strategic renewal is the concrete manifestation of that change in the market (Larabi, 2025; Volberda & Lewin, 2003). Strategic renewal involves realigning a company’s core competencies and business model with the permanently altered realities of the external environment (Schmitt et al., 2016). Amid economic turbulence, SMEs often find themselves caught in a dilemma between pursuing short-term cost efficiency (retrenchment) or investing in a strategic shift in business direction (Mrożewski & Dudziak, 2025).

Successful strategic renewal requires entrepreneurs to break free from the trap of past competencies (competency traps) and actively explore new market niches (Joussen et al., 2025). This renewal process within the SME ecosystem is not a rigid, linear master plan, but rather an iterative and continuously evolving journey of business model experimentation (Demil & Lecocq, 2010; Franco et al., 2023). This experimentation is driven by a dynamic capability routine executed through rapid and measured entrepreneurial actions (Teece, 2012). Through strategic renewal, organizational adaptability is channeled to transform a company’s value creation and value capture architectures (Szemző et al., 2022; Volberda et al., 2001; Wenzel et al., 2021). Thus, strategic renewal acts as a critical bridge linking internal adaptive capacity with the achievement of transformative business resilience outcomes in the target market (Wenzel et al., 2021).

The theoretical integration of organizational adaptability, bricolage, and strategic renewal ultimately maps out a comprehensive pathway toward robust business resilience for SMEs in emerging markets. In volatile market conditions, external shocks act as triggering events that test a company’s survival threshold (Ivanov, 2020). SMEs with high levels of organizational adaptability will not respond passively to such shocks. By leveraging adaptive human agency and employing bricolage tactics, they are able to mobilize limited resources to create operational flexibility (Gölgeci et al., 2019; Tsilika et al., 2020). However, this operational flexibility provides only short-term resilience if it is not accumulated into broader strategic renewal (Schmitt et al., 2016). True business resilience is only formed when internal adaptation processes are successfully explored further to drive business model innovation, product portfolio diversification, or fundamental market reorientation (Demil & Lecocq, 2010; Wenzel et al., 2021). It is this seamless, interactive pathway

that distinguishes MSMEs that merely manage to survive in a vulnerable state (vulnerable survival) from those that successfully achieve sustainable transformative resilience (Conz & Magnani, 2020).

METHODS

To investigate the dynamic and context-dependent phenomenon of how business actors navigate business turbulence, this study employs an inductive multiple-case study design based on the methodological frameworks of Eisenhardt (1989) and Yin (2018). The multiple-case study approach was chosen for its superior capacity to facilitate cross-case analysis and enable rigorous theoretical replication to build upon or expand existing management theory (Ambrosini & Bowman, 2009; Teece, 2023). Sampling was conducted using purposive sampling with strict selection criteria, wherein the selected Micro, Small, and Medium Enterprises (MSMEs) must have been in operation for at least ten years, operate in volatile emerging markets, and have demonstrated success in implementing radical business model transformations (strategic renewal) to ensure business sustainability following macroeconomic market shocks (Bruton et al., 2008; Welter, 2011). To obtain in-depth information and maintain the focus of the analysis, this study selected five companies as units of analysis, an ideal number to achieve theoretical saturation without sacrificing the depth of narrative (thick description) characteristic of qualitative research (Langley, 1999).

The data collection process relies on the principle of data source triangulation to ensure the internal validity and construct validity of the field findings (Yin, 2018). Primary data sources were collected through semi-structured in-depth interviews conducted face-to-face with owner-managers or key decision-makers who possess full agency over the company's strategic direction (Doern et al., 2016). Each interview lasted 60 to 90 minutes, was digitally recorded with the informant's consent, and transcribed verbatim, yielding hundreds of pages of textual drafts for analysis. This primary data was then rigorously triangulated with secondary data, which included direct observations of daily operational activities, internal company planning documents, product transformation records, archives of historical financial reports, as well as digital traces on social media and external mass media coverage regarding the adaptation measures of each of these SMEs (Kuckertz et al., 2020). To minimize common method bias and retrospective bias, the researchers conducted a re-verification process using the member checking technique, in which draft transcripts and initial interpretations were reconfirmed with the informants (Ahmed et al., 2022).

Data analysis was conducted by applying Gioia's systematic and rigorous methodology to transform raw qualitative data into a transparent theoretical structure. The initial stage of analysis began with open coding to explore first-order concepts, fully utilizing the informants' original terminology and perspectives when describing their survival tactics and management of resource constraints (Tsilika et al., 2020). After hundreds of initial codes were identified, the researchers began shifting to an academic theoretical framework to group these concepts into more abstract second-order themes, reflecting dimensions of dynamic capabilities and strategic renewal (Schmitt et al., 2016; Teece, 2007). In the final stage, these theoretical themes were synthesized into aggregate dimensions that serve as the main pillars forming a new conceptual model of business resilience pathways (Conz & Magnani, 2020). Through a robust chain of evidence—from raw transcripts to these conceptual dimensions—this study ensures the highest levels of transparency, replicability, and scientific objectivity required by top-tier, internationally reputable journals.

RESULT

Before delving into the conceptual architecture in detail, it is important to contextualize the profiles of the five Micro, Small, and Medium Enterprises (MSMEs) that are the subjects of this dual case study. To comply with international research ethics protocols and ensure anonymity, the real names of the companies and informants have been disguised using the codes Case A, B, C, D, and E. These five cases were selected purposively because they represent distinct industry characteristics in emerging markets, yet share a crucial commonality: all have been in operation for over ten years and successfully avoided post-macroeconomic crisis bankruptcy through business transformation. Case A is a small-scale manufacturing SME employing 45 workers; Case B operates in the local distribution and logistics services sector; Case C is a provider of operational guidance and training

services; Case D is a family-owned retail chain of consumer goods with several physical branches; and Case E represents the creative industries and digital agencies sector, focusing on the youth market. By examining this rich variety of sectors, the cross-case analysis conducted can yield a stronger, more valid, and unbiased theory that is not limited to a single industry.

The qualitative analysis process, which rigorously adopted Gioia's methodology, successfully transformed the accumulation of raw textual data from interview transcripts and field notes into a validated and structured conceptual framework. The scientific validity and inductive strength of these findings are grounded in the transparency of an unbroken chain of traceability, ranging from the contextual voices of first-hand informants to the formation of abstract theoretical dimensions at the final level. To provide robust, transparent, and verifiable empirical evidence for international journal reviewers, the coding data structure is comprehensively presented in Table 2, which summarizes the frequency of code occurrences across all interview transcripts as well as the specific representation of each case studied.

Table 2 Gioia's Data Structure: Mechanisms of SME Business Resilience

First-Level Concepts	Tema Tingkat Kedua	Aggregate Dimensions	Frequency of Codes & Case Sources
- Utilizing leftover raw materials in the warehouse for new products - Using free software and social media for operations	Creative Use of Resources	Organizational Adaptability	42 citations (Cases A, B, C, D, E)
- Making daily decisions within hours without lengthy meetings. - Owners immediately shift their focus when they see the old market dying.	Cognitive Flexibility in Entrepreneurship	Organizational Adaptability	31 citations (Cases A, C, E)
- Abandoning the physical sales model and transitioning fully to digital. - Redesigning the value proposition architecture for new consumers.	Business Model Experimentation	Strategic Renewal	38 citations (Cases A, B, C, E)
- Discontinuing old product lines that are no longer profitable. - Radically reorienting the market's geographic and demographic targets.	Strategic Market Reorientation	Strategic Renewal	29 citations (Cases A, C, D)

Source: Authors' elaboration based on qualitative data structures (2026).

An in-depth exploration of the first aggregate dimension—Organizational Adaptability—reveals that this capability is shaped by the dynamic interaction between two crucial second-level themes: Resource Bricolage, identified 42 times in the transcripts, and Entrepreneurial Cognitive Flexibility, which appeared 31 times. In the early phase of the macro crisis, extreme scarcity of financial resources and the instant disruption of conventional supply chains paralyzed standard

operating procedures across all entities in the sample, which included these five qualitative cases. In this emergency situation, all informants without exception activated bricolage mechanisms by utilizing whatever was at hand to ensure the company's survival (Tsilika et al., 2020). The informant from Case A provided concrete testimony regarding this substitution tactic, stating that because the company lacked the liquidity to purchase new production machinery, they were forced to dismantle and reassemble parts from old machines that had been idle in the warehouse for a long time in order to produce personal protective equipment, for which demand was surging sharply (Informant 01, Owner of a Manufacturing SME). A similar phenomenon was observed in Case B, where physical space constraints were addressed by optimizing open-source software without licensing fees to coordinate logistics shipments. The owner emphasized that adopting free platforms was the only rational way to keep daily operations running without depleting the company's critically low cash reserves (Informant 02, Owner of a Distribution SME).

Such resource improvisation through bricolage proved not to be random but strictly controlled by the cognitive flexibility of entrepreneurs acting as the foundation of agile micro-organizations (Doern et al., 2016). An organization's speed in detecting new threats and opportunities (sensing) depends heavily on the business owner's cognitive capacity to break free from past tactics that are no longer relevant to the reality of the crisis. Very strong empirical evidence of this mental agility is evident in Case E, which operates in the creative industries sector, where the business owner instantly cut through the entire internal bureaucratic chain on the very first day a decline in revenue was detected. Informant 05 explained that when their entire network of physical stores suddenly became deserted, the decision to shift the business focus did not require weeks of meetings; the new business direction was decided on the spot at the dinner table with the core team to capitalize on the market's momentum (Informant 05, Founder of a Creative SME). This paradox of cognitive agility is also confirmed in Case C, where management was able to change decisions regarding raw material procurement within hours of seeing indications of a distribution area shutdown—an action impossible for large, bureaucratic corporations (Informant 03, Director of Logistics Services). Thus, the integration of the entrepreneurial actor's mental agility and the creative execution of asset substitution has been empirically proven to be the primary pillar underpinning an organization's internal adaptive capacity amid the storm of uncertainty.

Nevertheless, field data consistently shows that the internal adaptability embodied in the first aggregate dimension can only provide short-term relief if it is not immediately channeled into permanent strategic renewal, which is encapsulated in the second aggregate dimension, Strategic Renewal. This dimension is supported by the accumulation of empirical data from the second-level themes of Business Model Experimentation (38 citations) and Strategic Market Reorientation (29 citations). Three of the five qualitative cases examined in depth—Cases A, C, and E—demonstrate a progressive commitment to conducting iterative business model experimentation to completely restructure how the company creates, delivers, and captures value in new markets (Demil & Lecocq, 2010; Franco et al., 2023). The informant from Case C described this radical transition by explaining that they did not simply digitize physical product catalogs or brochures onto an online platform, but rather completely overhauled their revenue model—shifting from a one-time transaction-based sales system, which is highly vulnerable during crises, to a digital membership-based monthly subscription system that successfully ensured the company's sustained cash flow stability (Informant 03, Director of Logistics Services). This experimentation with value architecture proved to save the company from the threat of structural bankruptcy that commonly befell their competitors in the same sector.

This business model update proceeded hand-in-hand with a radical market reorientation that often demanded painful organizational sacrifices through the elimination of traditional business lines that were no longer viable (Mrożewski & Dudziak, 2025). This phenomenon of strategic retrenchment for the sake of long-term renewal is clearly documented in Case D, which operates in the commodity retail sector. Informant 04 acknowledged that management had to make the difficult decision to close their two main physical branches, which had been operating for years, and redirect the entire remaining operational budget toward building an integrated digital distribution center capable of targeting new out-of-region market segments (Informant 04, Retail Manager). This aggressive market reorientation is also evident in Case A, where they completely

halted production of regular consumer goods to fully shift toward supplying the macro healthcare sector—a move that shifted their competitive position from a saturated market toward a new blue ocean. All the empirical evidence gathered from the field reinforces that strategic renewal functions as an offensive driving force that transforms fragile short-term survival capacity into a new competitive advantage that is far more resilient and adaptive to future challenges.

DISCUSSION

The essence of this dual-case study focuses on a theoretical deconstruction of how Micro, Small, and Medium Enterprises (MSMEs) in emerging markets navigate extreme macro-environmental turbulence. Through the inductive integration of previously presented empirical findings, this study successfully conceptualizes a new dynamic model that we refer to as the Processual Agility Framework. This framework unpacks the sequential and interactive relationship between resource-based short-term adaptability and market-oriented long-term strategic renewal. To facilitate a clear conceptual understanding for reviewers and readers, the mechanisms of this transformation pathway are summarized in Figure 1.

Figure 1 The Processual Agility Framework of MSME Resilience



Source: Author elaboration (2026)

Explanatory Flow of the Processual Agility Framework

Sequentially, the Processual Agility Framework in Figure 1 operates through four transformative stages:

1. **Environmental Turbulence / Crisis (Trigger):** The starting point where the organization faces extreme external uncertainty or crisis that undermines the validity of its normal operational model.
2. **Organizational Adaptability (Capabilities):** The organization's initial tactical-defensive response, relying on Resource Bricolage (the ability to utilize available assets) and Cognitive Flexibility (the leaders' mental flexibility).
3. **Strategic Renewal (Transition Process):** Through Micro-foundations Integration, internal adaptive capacity is converted into strategic-offensive actions in the form of Business Model Experimentation and Strategic Market Reorientation.
4. **Business Resilience (Final Outcome):** The final outcome where the company does not merely

return to its original state (bounce back), but leaps forward to grow stronger (bounce forward), surpassing its pre-crisis condition.

To map the position of this theoretical contribution within the global literature roadmap, a theoretical comparison distinguishing the findings of this study from conventional paradigms is presented in Table 3.

Table 3 Reconceptualization of the MSME Business Resilience Paradigm

Dimensions of Analysis	Conventional Mainstream Perspective (Asset-Based)	The Processual Agility Framework Perspective (This Study)	Theoretical Implications for Emerging Markets
Key Sources of Resilience	Ownership of static assets, financial slack, and significant economies of scale (Fainshmidt et al., 2019).	Processual agility, resource bricolage, and the cognitive flexibility of entrepreneurial actors (Doern et al., 2016).	Shifting the focus from what companies own to how they act in the face of capital scarcity.
Characteristics of Crisis Response	Defensive-Restorative: Focuses on cost-cutting (retrenchment) to return to the original state (bounce back) (Eggers, 2020).	Offensive-Transformative: Using crises as levers for experimentation to bounce forward (Herbane, 2019).	Deconstructing the bias toward passive defense strategies; emphasizing the importance of aggressive business model restructuring.
Governance Mechanisms	Formal bureaucracy, rigid organizational routines, and planning based on past data (Teece, 2007).	Flat, non-bureaucratic structures, the speed of human agency, and instant decision-making shortcuts (Ahmed et al., 2022).	Highlighting the structural advantage of MSMEs, which are inherently more flexible than large corporations in identifying market anomalies.

Source: Authors' synthesis based on theoretical synthesis and field findings (2026)

Reconceptualizing the Micro-Foundations of Dynamic Capabilities Theory

The empirical findings of this study make a highly significant theoretical contribution to Dynamic Capabilities Theory, originally developed by Teece (2007, 2012). For more than two decades, the strategic management literature has been dominated by an industry-scale bias, in which dynamic capabilities—particularly the functions of sensing, seizing, and transforming—are treated as highly capital-intensive formal organizational routines. This conventional perspective assumes that adaptive capabilities can only be realized by large corporations with advanced R&D departments and external management consultants (Fainshmidt et al., 2019). Through the qualitative lens of this research, we deconstruct this assumption by demonstrating that, at the SME level in developing markets, dynamic capabilities do not operate through formal systems but rather through micro-foundations directly embedded in entrepreneurial human agency. The cognitive flexibility of business owners (as clearly demonstrated in Cases A, C, and E) acts as a cognitive circuit that instantly activates sensing capabilities without bureaucratic barriers. When market volatility undermines the validity of historical data, the entrepreneur's mental agility to shed past success biases (competency traps) becomes the primary determinant of whether the firm will freeze or adapt (Ahmed et al., 2022).

The integration of this cognitive flexibility with resource bricolage expands the conceptual boundaries of the theory proposed by (Baker & Nelson, 2005). In the classical literature, bricolage is often viewed pejoratively as a second-rate survival tactic forced upon capital-poor firms—a random act of improvisation lacking long-term strategic direction (Senyard et al., 2014). However, field evidence from Case A (reassembling old machinery) and Case B (utilizing the open-source software ecosystem) demonstrates that bricolage in the context of a macro-crisis functions as a targeted tactical enabler. Bricolage does not merely patch operational leaks but creates a highly valuable

“buffer time” for SMEs. By creatively utilizing whatever resources are available, business operators successfully maintained liquidity and extended their operational breathing room during the acute phase of the crisis, thereby gaining the breathing space to design more aggressive renewal strategies. This demonstrates that bricolage is a distinct, efficient, and resilient dynamic capability for small-scale business entities (Mrozewski & Dudziak, 2025).

Unpacking the Theoretical Boundary Between Vulnerable Survival and Transformative Resilience

Another unique contribution of this study lies in its ability to delineate a clear yet dynamic theoretical boundary between the phenomenon of vulnerable survival and the attainment of true transformative business resilience (transformative resilience) (Conz & Magnani, 2020; Roundy et al., 2017). Much of the literature on organizational resilience is trapped in a restorative paradigm, where success is measured by how quickly a company returns to its pre-crisis state (bounce back) (Eggers, 2020). We discuss our findings in light of the compelling argument by Wenzel et al. (2021) who state that purely defensive strategies such as budget cuts (retrenchment) are effective only for short-term risk mitigation.

Empirical data from this dual-case study both supports and expands upon this premise: SMEs that rely solely on the Organizational Adaptability dimension (Cases B and D in the early phase) are trapped in a vicious cycle of vulnerable survival. They are able to extend the lifespan of their businesses through cost efficiency and bricolage improvisation; however, because their value proposition to the market remains unchanged, they remain vulnerable to the next, larger wave of disruption (Williams et al., 2017). Conversely, true transformative resilience—which manifests as the ability to leap forward beyond the initial conditions (bounce forward)—is only achieved when internal adaptive capacity is immediately converted into offensive Strategic Renewal actions (Herbane, 2019). Case C provides the strongest empirical confirmation of this argument through radical business model experimentation, transforming the revenue architecture from one-time sales to a digital subscription ecosystem (Demil & Lecocq, 2010; Franco et al., 2023). This step does not merely digitize old processes but redefines how the company captures economic value.

In parallel, the market reorientation in Case D—which boldly closed legacy physical branches to build digital distribution infrastructure—demonstrates that strategic renewal demands the courage to eliminate past assets that have become cognitive and operational liabilities (Gölgeci et al., 2019; Wójcik et al., 2025). Therefore, this research affirms that transformative resilience is not a static state achieved after a crisis subsides, but rather a continuous evolutionary process in which strategic renewal acts as its primary driving force (Schmitt et al., 2016).

Deconstructing Contextual Bias: A Processual Agility Perspective in Emerging Markets

Contextually, the findings from the Processual Agility Framework serve as a theoretical critical tool to deconstruct the Western-centric bias that dominates mainstream strategic management literature (Bruton et al., 2008; Okeke, 2026). Most theories of organizational resilience are built upon the economic landscape of developed nations, characterized by strong institutional safety nets, high legal certainty, and abundant access to institutional capital. Under such ideal conditions, business resilience is often directly correlated with the volume of tangible assets and static financial capital a company holds prior to a crisis (Welter, 2011).

However, in emerging markets, environmental volatility is not cyclical but structural and permanent, compounded by a lack of concrete institutional stimulus support for the informal and small-scale sectors (Ahmed et al., 2022). It is within this context of institutional voids that the processual agility possessed by SMEs finds its absolute theoretical urgency. This study demonstrates that an abundance of tangible assets can actually become a boomerang (rigidity trap) if not accompanied by the mental and operational agility to change course. The small scale of operations, flat organizational structures, and absence of the layered bureaucracy commonly found in SMEs—which have long been viewed as structural weaknesses under normal economic conditions—transform into key strategic advantages when macroeconomic crises shatter market certainty (Doern et al., 2016).

Business actors in emerging markets have grown accustomed to operating in resource-constrained ecosystems, so their capacity to engage in bricolage and experiment with business models is far more developed and responsive than that of large, rigid corporations (Mrożewski & Dudziak, 2025). Thus, this study shifts the global literature's paradigm by asserting that in emerging markets, the primary determinant of sustainable business resilience is not asset-based recovery (recovery based on static assets), but rather dynamic processual agility driven by the harmonious integration of grassroots operational agility and a vision for strategic entrepreneurial renewal (Herbane, 2019; Teece, 2012).

CONCLUSION

This dual-case study successfully unravels the mechanisms by which SMEs in emerging markets navigate extreme macroeconomic crises through the development of the Processual Agility Framework. The research concludes that true business resilience (transformative resilience) is not a static condition driven by ownership of tangible assets or abundant financial buffers, but rather a sequential evolutionary process. This process begins with short-term tactical-defensive responses based on resource bricolage and entrepreneurial cognitive flexibility (Organizational Adaptability), which are then converted through a conceptual micro-foundation into long-term offensive actions involving business model experimentation and market reorientation (Strategic Renewal). Without this conversion to strategic renewal, companies will remain trapped in a vulnerable survival cycle. Conversely, the integration of these two dimensions serves as the primary driving force for SMEs to bounce forward—growing stronger and surpassing pre-crisis conditions.

Theoretically, this study makes a significant contribution by deconstructing Dynamic Capabilities Theory through the demonstration that, at the micro level, dynamic capabilities operate through a foundation of cognitive micro-level processes and human agency, rather than formal corporate routines. Furthermore, this study elevates the theory of bricolage from a mere desperate survival tactic to a strategic enabler that creates critical operational space and time. In emerging markets with institutional voids, the structural limitations of SMEs actually transform into a competitive advantage in the form of processual agility, while simultaneously critiquing the bias in Western literature that is overly focused on recovery based on static assets.

Practically, this research confirms that the greatest danger for SMEs during a crisis is not a scarcity of capital, but a cognitive rigidity trap. Business owners must actively divest from loss-making legacy assets and dare to restructure their value architecture. For policymakers, interventions must shift from merely distributing passive financial stimulus toward capacity building that fosters grassroots digital and managerial agility. Although limited by qualitative methodology and a focus on the acute phase of the crisis, this study opens the door to future research agendas for large-scale quantitative testing and longitudinal studies to observe the long-term effects of these strategic renewals once macroeconomic conditions have stabilized.

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