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## IMPLEMENTATION OF THE WAP MSME BUSINESS STRATEGIES TO MAINTAIN BUSINESS CONTINUITY DURING THE COVID-19 PANDEMIC

**Laras Ayu Kinanti**

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia  
[larasakinanti@gmail.com](mailto:larasakinanti@gmail.com)

**Hilda Rossieta, SEAk., MComm., Ph.D.**

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia  
[hilda.rosie@ui.ac.id](mailto:hilda.rosie@ui.ac.id)

## **IMPLEMENTATION OF WAP MSME BUSINESS STRATEGIES TO MAINTAIN BUSINESS CONTINUITY DURING THE COVID-19 PANDEMIC**

*Laras Ayu Kinanti\**, *Hilda Rossieta*

Master of Accounting Program, Faculty of Economics and Business, Universitas  
Indonesia

### **ABSTRACT**

This study aimed to evaluate the implementation of business strategies chosen by micro, small, and medium enterprises (MSMEs) to maintain business continuity during the Covid-19 pandemic in Indonesia. It examined the case study of a micro-business unit engaged in the sale of sportswear in Indonesia. The strategy map shows that WAP MSME implemented business diversification strategies and marketing mix promotion during the Covid-19 pandemic. Financial ratio analysis was applied as the performance measurement to assess the success of the business strategy. The results showed that the business strategy implemented by WAP MSME provided cash inflows to its business units, thus enabling WAP MSME to maintain business continuity during the Covid-19 pandemic.

**Keywords:** business strategy; Covid-19 pandemic; micro small medium enterprise, strategy map.

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\* Corresponding Author's Email: [larasakinanti@gmail.com](mailto:larasakinanti@gmail.com)

## 1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) account for a relatively large number of business units in Indonesia, reaching 65,465,496 units in total, with micro-enterprises as the largest category. While MSMEs play an important role as contributors to Indonesia's Gross Domestic Product (GDP), they must also contend with obstacles and challenges such as globalization, financial crises, and regulatory changes. Thus, to achieve their business goals, MSMEs should establish a proper business strategy for maintaining business continuity. MSMEs are typically flexible in adapting to conditions. In Indonesia, at times of economic crisis, many MSMEs can maintain their business. However, MSMEs were severely impacted by the coronavirus disease 2019 (Covid-19) pandemic. As strong independent businesses, Indonesian MSMEs are faced with the challenge of withstanding every crisis that occurs (Nikmah, Rahmawati, & Sukma, 2021). Bank Indonesia data reveal unstable sales growth for the clothing sector during the Covid-19 pandemic in Indonesia. A continuous decline in sales threatens the business continuity of MSMEs in the clothing industry; therefore, to maintain their businesses, MSMEs must implement changes in business strategies capable of stemming the continuous losses that can pose the risk of bankruptcy. The sales growth data are shown in Table 1.

**Table 1 Monthly Growth of the Real Sales Index for the Clothing Sector  
 (month to month in percentage form)**

| Month     | Year  |       |
|-----------|-------|-------|
|           | 2020  | 2021  |
| January   | -30.3 | -7.2  |
| February  | -16.4 | -8.7  |
| March     | -28.7 | 8.4   |
| April     | -34   | 14.9  |
| May       | 20.7  | 18.4  |
| June      | -9.3  | -16.6 |
| July      | 9.7   | -34.2 |
| August    | 0.8   | 2.5   |
| September | 3.4   | 6.3   |
| October   | 2.4   | 11.5  |
| November  | 6.4   | 5.6   |
| December  | 7.8   | 7.5   |

Source: data processing results from Bank Indonesia

During the Covid-19 pandemic, the MSME sector in the form of family-owned firms was forced to contend with significant business uncertainty. At the time, the government developed a loan scheme to help support the sector through the difficult period. Many MSMEs fail in the short term due to problems of knowledge concerning the market, a lack of formal planning in forecasting demand for their goods, a lack of managerial and technical skills in business management, and limited economic resource ownership (Caballero-Morales, 2021).

The government enacted Government Regulation Number 21 of 2020 concerning Large-Scale Social Restrictions (PSBB) to accelerate the handling of Corona Virus Disease 2019 (Covid-19). In taking measures to avoid crowds in public places, one of the impacts of the PSBB Regulation was the cancellation of sports activities. The Covid-19 pandemic thus posed a problem for the business continuity of MSMEs in Indonesia. Various business sectors were compelled to adapt their business processes in response to changes in people's consumption patterns and the enactment of new pandemic-related regulations. WAP MSME, as an MSME engaged in the sale of sportswear, experienced a decline in sales, which can impact the cash flow required to sustain operations.

The problems considered in this study can be formulated in the context of how WAP MSME implemented business strategies to maintain business continuity during the Covid-19 pandemic. The study aims to evaluate the business strategy adopted by WAP MSME to maintain its business continuity during the Covid-19 pandemic as an event that adversely impacted the business. The study covers WAP MSME's business strategies for the period of 2020–2021, that is, during the Covid-19 pandemic.

This research is expected to benefit academics and researchers in terms of revealing how MSMEs implement business strategies. The results of this study are expected to provide information on the business strategies that MSMEs in Indonesia implemented to maintain business continuity during the Covid-19 pandemic. It is also hoped that this research can provide benefits to WAP MSME and other MSMEs in Indonesia in terms of evaluating their chosen business strategy and whether it was appropriate for maintaining business continuity during the Covid-19 pandemic.

## **2. LITERATURE REVIEW**

### **2.1. BUSINESS STRATEGY**

A strategy is a set of coordinated actions taken by managers to challenge competitors and achieve superior profits. A good strategy focuses not only on achieving profits and competitive success in the short term but also on the success that can support growth and safeguard the future over the long term. Therefore, an organization's choice of strategy is important in maintaining its business continuity (Thompson, Peteraf, Gamble, & Strickland III, 2020).

A company's strategy defines how it maximizes the value of the resources within its control, which includes decisions related to the specific resources it will invest in. Decisions on the allocation of company resources will consider the type of business in which the company is engaged and the types of resources in which it needs to invest in the context of its business portfolio. A decision regarding the company's business type and market segment in which to operate is necessary if it wishes to expand its scope beyond a single product market (Simons, 2014).

Business strategy deals with the way a company chooses to compete in the predefined product market. After determining the market in which it will compete, the company must be able to attract customers and build market share so that it can distinguish itself from its competitors to create value in the market and offer something unique and valuable to its target customers. Business strategies are generally derived from the company's resource allocation strategy. The predetermined business strategy can then also be used to determine the company's goals and performance measurement (Simons, 2014).

### **2.1.1. RESOURCE-BASED VIEW**

Resources are anything that can be considered a strength or weakness owned by a company (Caves, as cited in Wernefelt, 1984). Resources can be physical or intangible and include human capital at the micro-level such as interpersonal relationships and leadership (Wright, Dunford, & Snell, as cited in Gibson, Gibson, & Webster, 2001). The Resource-Based View (RBV) is a managerial framework used to determine the strategic resources that a company can exploit to achieve sustainable competitive advantage. Strategic resources have four characteristics: they are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, as cited in Mishra, 2017).

New information technologies and global markets have altered the fundamental assumptions regarding modern business. As such, companies gain a sustainable competitive advantage not only from tangible assets but also from the information environment, which means the manufacturing and service sectors require new capability to achieve competitive success. A company's ability to mobilize and exploit its intangible assets is decisive in the creation and maintenance of its competitive advantage (Simons, 2014).

Society can also be a major resource for companies, especially in tumultuous times. Based on their psychological and sociological profiles, individuals can unofficially become part of the company. When society becomes an important factor, companies

tend to make greater investments in developing communities to contribute to each other's strengthening of the circular economy (Gibson et al., 2001).

An RBV strategy aims to build a sustainable competitive advantage. As the foundation for achieving this, a company's strengths are based on the basic competencies it acquires via the availability and implementation of internal resources. The greatest problems that MSMEs face concern limitations in the internal conditions of the business, such as funding, their ability to master technology, and limitations regarding managerial knowledge. MSMEs can implement RBV strategies by combining various elements. These can include strengthening value with networks (Rahman, as cited in Nikmah et al., 2021) and using value, rarity, imitability, and organization (VRIO) framework analysis to capture value, reduce costs, or achieve efficiencies in production processes that are expected to increase the value of products or services (Newbert, as cited in Nikmah et al., 2021).

### **2.1.2. SWOT ANALYSIS**

SWOT is an acronym for strengths, weaknesses, opportunities, and threats. By conducting a SWOT analysis, a company can identify its strengths and weaknesses along with the opportunities that exist, thereby enabling it to develop and confront the threats that affect business continuity (Simons, 2014). A SWOT analysis can help in determining whether or not a strategy will be effective by examining the relationship between a company's strengths and weaknesses and how these compare to its competitors' strengths and weaknesses. A SWOT analysis can also help determine the effectiveness of a strategy in terms of deflecting external threats and positioning companies to capitalize on opportunities in the market (Thompson et al., 2020).

### **2.2. MICRO, SMALL, AND MEDIUM ENTERPRISES**

Small businesses vary greatly in size and capacity, which is evident through their independent actions, organizational structures, and different management styles. Eight key management factors influence the success or failure of business growth. Four of these – financial resources, personnel resources, system resources, and business resources – come from the internal organization, and four – the owner's goals, operational ability, managerial ability, and strategic ability – derive from the business owners (Churchill & Lewis, 1983).

Compared to large companies, small and medium-sized businesses tend to have a market orientation that provides a greater potential competitive advantage. This is partly because such businesses are closer to customers and are often more flexible in responding to customer needs or desires. Small and medium-sized businesses are also well positioned to quickly determine customer needs. In addition, the hierarchy and bureaucracy of small and medium-sized businesses tend not to be overly complicated. As such, their relatively informal organizational structures enable them to implement marketing plans quickly (Keskin, 2006).

In contrast, however, small and medium-sized enterprises also face unique problems in terms of formulating business innovation strategies. These problems may be caused by i) deficiencies arising from limited resources, including technological competence; ii) the influence of the owner or manager in making business decisions; iii) the dependence of the business on a small number of customers and suppliers; and iv) the tendency for efforts to be focused more on short-term operational efficiency according to the conditions at a given time. Thus, small and medium-sized businesses tend to pay relatively little attention to the concept of marketing when formulating business strategies since most such firms do not conduct market research and do not engage in market planning for the long term (Keskin, 2006).

## 2.2. FINANCIAL RATIO MEASUREMENT

Thompson, Peteraf, Gamble, and Strickland III (2020) stated that no two companies will ever have the same character and competitive strength in an industry. Financial ratios are one means of determining and comparing the relationship between different sorts of financial information. A profitability ratio is a type of financial ratio used to measure the efficiency with which a company uses its assets and manages its operations (Ross et al., 2019). The profitability measurements used in this study are profit margin and return on assets (ROA), where the latter measures the rate of return on the assets used to generate profits. The ratios are calculated according to the following formulas.

$$\text{Profit margin} = \frac{\text{Net income}}{\text{Sales}} \dots\dots\dots(1)$$

$$\text{Return on Assets (ROA)} = \frac{\text{Net income}}{\text{Total assets}} \dots\dots\dots(2)$$

## 2.3. STRATEGY MAP

A strategy map can be used to customize an organization's particular strategy and describes the intangible assets that drive performance enhancements for the organization's internal processes that have the maximum leverage for delivering value to customers, shareholders, or the community. The balanced scorecard offers a framework for describing strategies by creating value from four perspectives, namely financial, customer, internal process, and learning and growth. These elements link together as a chain of cause-and-effect relations that enhance and align intangible assets to improve performance. While the action plans define and provide resources for the strategic initiative, they must also be aligned with the strategic themes and viewed as an integrated bundle as opposed to a group of standalone projects (Kaplan & Norton, 2004).

### **3. RESEARCH METHODS**

This research comprises a case study. Case studies involve the empirical investigation of specific contemporary phenomena in a real-life context using a variety of sources of evidence (Robson, 2002; Saunders et al., 2012). A qualitative research method was used; this method employs descriptive data in the form of written or spoken words from people and actors that can be observed. Qualitative research is conducted to explain and analyze phenomena, events, social dynamics, attitudes and belief, and the perceptions of an individual or group towards something. The primary data were collected via semi-structured interviews with individuals such as the owners and customers of WAP MSME. Secondary data were gathered from literature studies in books and journals to explain the theories and concepts used to support this research. A review of the 2019–2021 WAP MSME financial documents was also conducted to determine the state of the business unit during the Covid-19 pandemic.

A list of questions and themes was prepared in a semi-structured interview. Some of the questions in the interview were omitted based on the specific context encountered as well as the relation to the research topic. The order of the questions could also be varied depending on the flow of the conversation. It was possible to use additional questions in the interview to explore questions and research objectives related to the nature of events in the organization (Saunders et al. 2012). The questions asked in the interview related to the condition of the business unit, its challenges and business operational activities during the Covid-19 pandemic, customers, employees, and the use of technology in the business unit. The interview respondents comprised the WAP MSME owners and customers.

### **4. ORGANIZATION PROFILE**

WAP MSME was established in 2010 with an initial capital of Rp 10,000,000 in cash and machines from business owner deposits. It conducts its operational activities in Bandung, West Java, and is engaged in the sale of sportswear. Its markets comprise both domestic and foreign markets such as Japan, New Zealand, and the United Arab Emirates. Based on the definition and categories of MSMEs in Government Regulation No. 7 of 2021, WAP MSME is included in the category of micro-enterprises, with sales of around Rp 865,293,000 in 2019. WAP MSME has 13 divisions comprising sales, finance, and production employees. Customers place wholesale orders of around 12 pieces that are typically for use by sports teams. WAP MSME's sales are conducted by online transactions; customers place product orders with the sales admin through the firm's social media. Customers can also order sportswear featuring certain designs that are created by the production division.



## 5. RESULT AND DISCUSSION

Barney (as cited in Mishra, 2017) stated that in the RBV theory, the resources capable of maintaining a company's competitive advantage have four characteristics: valuable, rare, inimitable, and non-substitutable (VRIN). Table 2 contains the VRIN analysis of the resources owned by WAP MSME.

**Table 2 VRIN Analysis of WAP MSME's Resources**

| <b>Indicator</b>  | <b>Description</b>  |
|-------------------|---|
| Valuable          | The materials used in sportswear production are difficult to obtain, especially when demand in the market is high; business units thus have to compete with competitors. The apparel association is a valuable business network through which to secure materials availability and maintain WAP MSME's business continuity. |
| Rare              | The apparel association has become a business network for obtaining customers. Without membership of this association, the business unit is unable to expand its market share.  |
| Inimitable        | Attractive product designs attract customers to order sportswear from WAP MSME. It is not easy for competitors to imitate the employees' ability to create unique product designs; it therefore becomes a strength to compete in their market.  |
| Non-substitutable | Cooperation with suppliers and customers cannot be substituted because the business unit has joined an apparel association. Not being a member of the association would make it more difficult to cooperate with suppliers to provide materials, which would disrupt the business value chain.                              |

Based on the results of the interviews with the owners, WAP MSME does not experience severe financial problems because its business capital is derived entirely from the owners' deposits and it has no bank loans, meaning there is no principal amount or loan interest to repay. The owner is also the proprietor of the place of business operation, which means the business unit pays no rental fees for operation and storage. This is a strength and enables the owners to focus on operational funds. However, the fact that the business capital is derived entirely from the owner is also a weakness. It limits the ability of WAP MSME to expand quickly to develop new products other than sportswear, as per the information shared by the following respondent.

*"If the financial problems from the company's side are not too much of a problem, at most obviously, the income is reduced. Weakness is [...] not taking out loans for expansion."* (WAP MSME owner)

The Covid-19 pandemic represented an external threat to WAP MSME. The enactment of the PSBB Regulation changed people's behavior and they ceased to play team sports. This led to a fall in sportswear sales at the beginning of the Covid-19 pandemic in Indonesia. However, WAP MSME seized the opportunity to produce new goods based on its existing machines and employee skills; these included the cloth masks required by communities and the Personal Protective Equipment (PPE) used by health workers to help prevent the spread of Covid-19 cases. WAP MSME also entered retail sales by allowing orders for at least one sportswear product that could be customized. This enabled it to maintain cash inflow for the business units from the main business, as per the information submitted by the following respondent.

*"The sport is shifting to individuals, forced to new opportunities. [...] cloth masks were needed because medical masks at that time were very scarce [...] Production shifted to making cloth masks and Personal Protective Equipment (PPE). [...] We started making custom jerseys for retail, even though its price is more expensive, but the enthusiasm from customers turned out to be good."* (WAP MSME owner).

WAP MSME also experienced problems when customers were unable to make payments on orders. This led to an accumulation of inventory that filled the storage area. In response, a decision was taken to reduce production levels to prevent full storage and the risk of unsold products. On the basis of the information submitted by the respondents, the business strategy is derived from the vision and mission of the organization. WAP MSME's vision during the Covid-19 pandemic was to maintain business continuity and avoid the risk of bankruptcy, which would have been detrimental to the owners. Based on the information provided by the respondents, Table 3 shows the SWOT analysis for WAP MSME.

**Table 3 SWOT Analysis of WAP MSME**

| <b>Indicator</b> | <b>Description</b>  |
|------------------|---|
| Strength         | <ul style="list-style-type: none"><li>i. Employee turnover is low; expertise and employee skills can support the business units in carrying out business operational activities and maintaining business continuity.</li><li>ii. The football community and jersey collectors are already familiar with the WAP brand because the business has joined an apparel association in Indonesia; this serves as its business network to make sales offers to customers.</li></ul> |

| Indicator   | Description   |
|-------------|---|
|             | <ul style="list-style-type: none"> <li>iii. Its production machine tools and employee skills enabled the business to diversify its products by making cloth masks and PPE, thus maintaining business continuity during the Covid-19 pandemic.</li> <li>iv. There are no financial problems linked to the payment of a loan principal or interest because the business capital comes from the owner of the capital; this enables the business to focus on its operational activities and maintain the continuity of its business.</li> <li>v. The business builds relationships with other suppliers in the apparel association as its business network and can make changes with suppliers under certain conditions to maintain business continuity.</li> </ul> |
| Weakness    | <ul style="list-style-type: none"> <li>i. Expansion ability is constrained due to the limited business capital owned; the business raises capital through bank loans, so this does not affect business continuity.</li> <li>ii. The product range was trimmed to prevent excess inventory and full storage sites, thus avoiding the risk of unsold products that can affect business continuity.</li> </ul>   |
| Opportunity | <ul style="list-style-type: none"> <li>i. The business was able to switch to producing cloth masks and PPE as items required by the community and health workers during the Covid-19 pandemic. This provided an opportunity to sell new products and maintain business continuity.</li> <li>ii. The implementation of the PSBB regulations during the Covid-19 pandemic in Indonesia, which led to a rise in the number of people exercising individually, enabled the business to make retail sales to maintain business continuity.</li> </ul>  |
| Threat      | <ul style="list-style-type: none"> <li>i. There were no wholesale sportswear orders at the beginning of the pandemic after team sports were suspended in line with the implementation of the PSBB regulations. This posed a risk to business continuity.</li> <li>ii. Customers failed to make payments due to the cancellation of sports activities, leading to the risk of operating losses that threatened business continuity.</li> </ul>   |

After obtaining data on the business processes and conducting interviews with the respondents, it was discovered that changes arose within the business operations during the Covid-19 pandemic in Indonesia. One such change was a decrease in sportswear sales for three months at the beginning of 2020. This was due to the issuance of government regulations regarding PSBB, under which people were prevented from gathering to engage in team sports activities. The impact was that business units had no cash inflow from the sale of sportswear; however, they were still required to pay fixed business costs such as employee salaries and electricity.

WAP MSME decided to produce cloth masks and PPE, which at that time were essential items for use by the community to prevent the transmission of Covid-19. The urgent requirement was exacerbated by the fact that Indonesia held very low stocks of medical masks at the beginning of the pandemic. This meant that these items were

prioritized for health workers and members of the public were encouraged to use cloth masks that could be washed and reused.

WAP MSME's choice of business diversification strategy to counter the lack of sportswear sales had the potential to impact business continuity. The diversification strategy it chose, that is, to make new products, including cloth masks and PPE, enabled it to create sales and receive cash inflows that it could use to finance its business operations and prevent more severe operating losses. In addition to diversifying the business, WAP MSME reviewed its product marketing in an effort to attract new customers. It permitted minimum orders of one sportswear item, which enabled the firm to increase its retail market share. This shift was triggered by the enactment of PSBB regulations that prohibited crowds, which in turn led to a change in people's behavior and habits as they switched to individual sports activities. WAP MSME also registered with a well-known e-commerce platform in Indonesia to further extend its customer reach, promote its businesses, and make it easier for them to capture retail sales, notably for sportswear products.

Organizations must choose the right strategy to maintain their business continuity and support business growth in the long term (Thompson et al., 2020). In this case, WAP MSME chose to implement a business diversification strategy by focusing on its resource strengths, such as the machines that it could use to produce cloth masks and PPE. This was in line with the RBV, which highlights how a firm's strategic resources can underpin its competitive advantage and provide a way to maintain business continuity.

WAP MSME's decision to implement a business diversification strategy by making new products and retail sales also aligns with Simons (2014), who described how business units must make decisions on the market segments to target as part of their wider product-market expansion. Previously, WAP MSME only took large or wholesale orders for sportswear; however, the shift into retail sales provided a means of expanding market share. In addition, cloth masks and items of PPE were necessities during the Covid-19 pandemic and WAP MSME was able to increase its market share by offering these two new product types. In general, MSMEs were able to maintain business continuity during the Covid-19 pandemic by conducting business operations online (Bai, Quayson, & Sarkis, 2021). While WAP MSME already sold its products online through social media before the pandemic, it subsequently decided to register its business on e-commerce platforms to attract new customers, grow its popularity, and offer retail sales.

Based on financial data from WAP MSME, it can be seen that the firm generated an operating profit in 2019, prior to the Covid-19 pandemic. However, in 2020, it made various changes to its business processes, which resulted in a decline in business profits compared to 2019. The firm then made an operating loss in 2021. Table 4 displays the calculation of the profitability ratio using the profit margin.

**Table 4 Calculation of WAP MSME Profit Margin for 2019–2021**

| <b>Year</b> | <b>Sales</b>   | <b>Operating Profit/ Loss</b> | <b>Profit Margin</b> |
|-------------|----------------|-------------------------------|----------------------|
| 2019        | Rp 865,293,000 | Rp 169,968,760                | 19.64%               |
| 2020        | Rp 965,758,186 | Rp 67,110,013                 | 6.95%                |
| 2021        | Rp 660,953,500 | (Rp 996,437)                  | -0.15%               |

From Table 4, it can be seen that WAP MSME experienced a decrease in operating profits in 2020. This was when the Covid-19 pandemic first struck in Indonesia and the implementation of PSBB regulations led to a decline in sportswear sales. Meanwhile, the firm incurred an operating loss in 2021 as a result of the considerable costs involved in repairing machines. Its operational activities were disrupted and it was forced to replace machine parts in order to continue. The business also incurred additional costs when outsourcing to third parties to ensure the on-time completion of orders, maintain customer trust, and guard against customer disappointment with the service they received. It also spent considerable sums on the sponsorship of various sports teams by outsourcing to produce other sports equipment. Both costs were charged as business operating costs in one period, which resulted in a loss. The owners have an agreement that capital for the business should only come from business operating profits and not loans. However, there was a fear that a decline in business capital would lead to problems with business operations in the following year.

The profitability ratio calculations for ROA show a rise in the total assets owned by the business unit over the past three years, reflecting the purchase of new machines in 2020. However, WAP MSME also saw a decrease in ROA over the same period. This translates as a fall in the amount of net profit generated from every portion of funds invested in the assets owned by the business unit. The fall in ROA was caused by business operating losses in 2021 due to the replacement of spare parts for machines, which required a considerable financial outlay. As such, this decline in ROA can affect the future continuity of the business in terms of its ability to generate profits from the assets it owns. The calculation of ROA is shown in Table 5.

**Table 5 Calculation of ROA of WAP MSME for 2019–2021**

| <b>Year</b> | <b>Operating Profit/ Loss</b> | <b>Total Assets</b> | <b>Return on Assets</b> |
|-------------|-------------------------------|---------------------|-------------------------|
| <b>2019</b> | Rp 169,968,760                | Rp 200,188,500      | 84.90%                  |
| <b>2020</b> | Rp 67,110,013                 | Rp 294,188,973      | 22.81%                  |
| <b>2021</b> | (Rp 996,437)                  | Rp 304,142,101      | -0.31%                  |

To increase customer satisfaction, WAP MSME always communicates the progress of orders to customers. It also responds to customers and provides the information they need, especially for new customers to help them understand the ordering process. To improve post-sales service, customers can also return defective orders. From the results

of the interviews with loyal WAP MSME customers, they were quite satisfied with the products and services provided in terms of both the materials and prices, thereby providing a reason for repeat orders at WAP MSME, as reflected in the following respondent statements.

*“If the product is rejected or damaged, it can be returned, we will fix it later. [...] there are several vouchers and promos that [...] can be free shipping throughout Indonesia with a certain amount.”* (WAP MSME owner)

*“This product is of fairly good quality in terms of material, name set, and logos. Everything is different. The quality of the product itself is good and the price is also affordable.”* (WAP MSME customer)

*“Their production, it’s normal, around three to four weeks, rarely late.”* (WAP MSME customer)

*“The most distinguishing of the design itself and the designs are always unique, it’s different from other jerseys.”* (WAP MSME customer)

WAP MSME provides sales promotions in the form of discounted shipping costs for orders in all regions of Indonesia. As a result, customers are satisfied with the products and services provided both materially and in terms of the prices offered, which encourages them to re-order. WAP MSME has also collaborated with a social foundation to donate cloth masks and PPE to health workers in several regions of Indonesia and encouraged customers to participate in this social activity. When making decisions, the owners of WAP MSME must pay attention to the three non-financial perspectives in the balanced scorecard to ensure that a positive causal relationship is developed with the performance of the business units. In this way, the business units achieve not only short-term goals such as the pursuit of business profits, but also long-term goals to maintain business continuity and not pose a threat to the business owners.

The information provided by various interviewees indicated that the strategy maps derived from the SWOT analysis and the four perspectives of the balanced scorecard, namely financial, customer, internal process, and learning and growth, led to the introduction of product diversification and a different marketing mix by WAP MSME during the Covid-19 pandemic. The strategy map is shown in Table 6.

**Table 6 Strategy Map of WAP MSME**

| <b>Perspective</b> | <b>Purpose</b>  |
|--------------------|---|
| Financial          | Sales were quite stable during the Covid-19 pandemic, which helped to maintain business continuity. |
| Customer           | i. Attract new customers by offering new products and retail sales to maintain revenue.             |

| Perspective         | Purpose   |
|---------------------|---|
|                     | ii. Increase customer satisfaction by providing responsive service so that customers will not turn to competitors and business continuity is maintained.  |
| Internal Process    | i. Providing responsive post-sales services that can maintain business continuity.<br>ii. Improving the quality of the production process by maintaining and checking machines regularly to support business continuity.  |
| Learning and Growth | i. Providing training to employees to understand changes in business processes, such as diversifying the product to support business continuity during the Covid-19 pandemic.<br>ii. Providing employee training on the use of new machines to reduce the risk of production errors that can impact operational activities and business continuity. |

From Table 6, it can be seen that WAP MSME's business strategies as a whole supported business continuity during the Covid-19 pandemic. From a financial perspective, the business units were able to continue making sales and generating cash inflows from new products to enable them to pay their employees and maintain their business operations, despite some changes in their business processes. The financial perspective, which had a positive impact on the business operations of WAP MSME during the Covid-19 pandemic, was supported by the three non-financial perspectives of customer, internal process, and learning and growth.

Churchill and Lewis (1983) explained that both the organization and its owners are influential in determining the success of a business's growth, especially when it faces challenges. During the Covid-19 pandemic, WAP MSME's goal was to maintain its business continuity. The owner had the strategic ability to see the opportunities that arose by matching the strengths and weaknesses. This enabled it to implement a business diversification strategy based on the sale of new products and also to adapt its marketing mix to increase market share through the addition of new, individual customers.

## 6. CONCLUSION AND RECOMMENDATION

WAP MSME implemented a product diversification strategy by producing cloth masks and PPE items that were essential for use by the community and health workers during the Covid-19 pandemic. WAP MSME also adjusted its marketing product mix to enable the business to continue selling sportswear, which is its main business activity. It also acquired new market share from retail sales in the form of customers who were unable to participate in team-based sports due to the implementation of the PSBB regulations.

In terms of the business strategies implemented by WAP MSME during the Covid-19 pandemic, there was a decrease in financial performance during 2020 and 2021, as

shown by the profitability ratios calculated. Both the profit margin and ROA ratios fell during the period 2019 to 2021. In 2021 there was a large cash outflow to replace machine spare parts. This was charged in the related period, creating an operating loss that in turn produced negative values for the profit margin ratio and ROA in 2021.

WAP MSME's business diversification and product mix marketing strategies were quite successful in maintaining business continuity during the Covid-19 pandemic as they enabled the firm to continue selling sportswear at the same time as adding new products. WAP MSME thus protected its cash inflows, which it used to pay the employees and continue its operational activities in selling sportswear.

Based on the analysis and discussion in the previous section, it is recommended that WAP MSME maintains its sales and sales promotion activity through e-commerce to attract new customers and increase sales. Sales promotions can also be used to maintain and build customer loyalty. The owners of WAP MSME should pay attention to the customer, internal process, and learning and growth perspectives when making decisions so that business units can achieve their profit goals in the short term while also protecting business continuity for the long term.

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