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THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

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Abstract: *This study aims to analyze the role of community-based resources in the formation of a new organization. This is conceptualized as resources that are socially and culturally constructed within a community, can be mobilized easily and interpreted independently depending on the purpose of business owners. It is argued that community-based resources play a critical role in forming a new organization. We employ a qualitative approach to explain its role in establishing a new microbusiness in Indonesia. Based on the interview, we found that community-based resources that are represented by new ingredients and cooking methods (i.e., a new way of producing food) played significant roles in new micro-businesses' emergence in terms of expanding customers' demand, providing a clear timing for new organizational emergence, and allowing the condition of resource-driven structuration. A model involving rules/schema and community-based resources is displayed, as well as the discussion and implications of the study.*

Keywords: *Structuration, Rules And Community-Based Resources, Microbusiness*

Abstrak: *Penelitian ini bertujuan untuk menganalisis peran community-based resources dalam pembentukan organisasi baru. Community-based resources dikonseptualisasikan sebagai sumber daya yang dibangun secara sosial dan budaya dalam suatu masyarakat. Tipe sumber daya ini dapat dimobilisasi dengan mudah dan ditafsirkan secara bebas tergantung pada tujuan pemilik bisnis. Berdasarkan teori strukturisasi, argumen yang diajukan adalah community-based resources memainkan peran penting dalam membentuk organisasi baru. Penulis menggunakan pendekatan kualitatif untuk menjelaskan bagaimana sumber daya tersebut berperan dalam membangun bisnis mikro baru di Indonesia. Berdasarkan hasil wawancara, diketahui bahwa community-based resources yang memainkan peran penting dalam kemunculan bisnis mikro baru dalam hal memperluas permintaan pelanggan, menyediakan waktu yang jelas terkait dengan kemunculan organisasi baru, dan memungkinkan kondisi strukturisasi yang digerakkan oleh sumber daya. Sebuah model yang melibatkan aturan/skema dan community-based resources, diskusi, dan implikasi dari penelitian ini juga ditampilkan pada bagian tersendiri pada artikel ini.*

Kata kunci: *Strukturasi, Rules, Community-Based Resources, Usaha Mikro*

1. INTRODUCTION

The existence of microbusinesses are important because of its strategic roles, such as becoming leading player in economic activities and community empowerment, large job provider, poverty reduction, creators of new markets, and sources of innovation (LPPI and Bank Indonesia, 2015; Mazzarol et al., 2014; Okundaye et al., 2019). However, on the contrary, microbusinesses also have their embedded common problems, such as limited amount of capital, lack of human resource capabilities in business management, legality, and accountability (Hutahayan, 2019; LPPI and Bank Indonesia, 2015). The challenge of microbusinesses increases during the pandemic of Covid-19. It shocked the market and labor (International Labor Organization, 2020), the global economy condition was slowing down (International Trade Centre, 2020), and the GDP was reported declining 5.2% on average in 2020 (The World Bank Group, 2020). Under the crisis condition, the microbusinesses have to face double hardships. One of them is related to the life of existing microbusinesses where they must switch the business model in order to sustain their existence or, in the worst case, they choose to close their business operational. Other than that, amidst the bad circumstances, microbusinesses also have to operate under an even higher competition level. It is because the challenges emerged during the pandemic do not deterred people from opening a new microbusiness. Globally, in 2020, microbusiness was reported reaching 20% of growth which was double compared to any other year, and the condition continued until May 2021 (Hicks, 2021). However, the number could be greater than 20% since microbusiness mainly run the operational in the informal sector, so the reported number is usually below the actual. The plausible reason for this condition is the employee dismissal rate that was high, thus, they chose to open a new microbusiness to fulfill their needs.

In forming a new microbusiness, it should follow a certain mechanism where one of the explanations could be based on structure theory. Following Giddens (1984), structure associated with a social systems where the members of the structure are tied in a particular practices. Connecting the understanding of structure and the case of micro-businesses, the structure in this current research depicts the micro-businesses.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

Structure itself consists of rules and resources, in which rules represent generalizable procedures, and it functioned to enact the social systems, while resources display power sources of structure (Giddens, 1984). As mentioned, in forming structure, it needs resources. Resources and a firm are inseparable since basically the existence of a firm is built by a collection of resources (Penrose, 1995). Furthermore, resources are important in gaining a competitive advantage; however, in order to get there, a firm must exploit resources so that they can be used by the company (Penrose, 1995; Rubin, 1973). Combining the increased number of microbusinesses during the crisis time, the hardships faced by microbusinesses, and the need of a particular type of resources, the following question responding to the situation is which resources do microbusinesses need for forming a new organization?

Various previous research has been conducted under the topic of resources. Those are discussed resources as a factor that can impact organizational outputs, such as financial and non-financial performance (Deephouse, 2000; Wiklund & Shepherd, 2003; Zhu & Kraemer, 2002), sustainable competitive advantage (King & Zeithaml, 2001), and organization strategy (Hitt et al., 2001). However, aligning with the research question established before, this group is only focus on the effect of resources utilization in the existing business. The prior research already mentioned resources that have a role of organizing (Wiklund & Shepherd, 2003), however, it is still limited to the requirements of owned resources by the business owners, such as rare, inimitable, valuable, and non-substitutable. It doesn't mention the exact type of research that plays roles in terms of new business formation. Thus, it is important to explore more in terms of specific types of resources that can be used for forming a new organization.

To consider external resources – resources which are not possessed by particular organizations but can be utilized by other organizations or institutions – for the emergence of new organizational forms, this study pays attention to community-based resources. According to Astley (1985), a community is a set of diverse and internally homogenous populations that depend crucially on the nature of the technologies on which the populations exist. Within a community, resources are formed by social actors, institutionalized, and simultaneously constrain social actors'

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

behavior. Given such, community-based resources are considered different from organizational resources or organizational munificence because of two reasons. First, community-based resources may not be possessed by every organization in the community. Second, community-based resources can be more clearly identified than in the environmental munificence. Furthermore, this kind of resource is not simply the aggregation of individual and organizational resources, but community-based resources have their own meanings as the community values are infused. In other words, when a certain type of material (whether tangible or intangible) is identified as a resource in a community, such resource can reflect the community's values (e.g. Ruef, 2000; Swaminathan & Wade, 2000).

This suggests that community-based resources have a particular meaning for a certain community depending on what community's values are involved as well as how the social actors interpret it. Although the resources are the same, the community may perceive them as diverse as one another. This means that communities can create several kinds of resources which enable entrepreneurs, including those who originally did not own the resources within the community, to facilitate in founding new organizational forms and functioning as condition for organizing instead of survival. That is, community-based resources can be mobilized by the social actors for achieving their purposes. The mobilization is critical specifically for entrepreneurs since they consider how potential resources can be discovered easily or how they can mobilize the resources for their own goals. Considering that in the time of emergence, the assets may not necessarily be owned by the organization, then the existence of community-based resources can be one of the ways the organization possesses the resources in forming a new organization.

In explaining the process of new organizations emergence involving community-based resources, Giddens' theory of structuration (1979, 1984) and Bourdieu's theory of practice (1977) are utilized. By conducting this research, it is provided different explanation for the emergence of new organizational forms: explaining resources as socially constructed and considering the highest-level resources that play the role of organizing. This role is different from firm-level resources in terms of efficiency, survival, and competitive advantage. Furthermore, as

an illustration to clearly specify the role of community-based resources in forming a new organization, we use the emergence of new microbusiness in Indonesia as a research context. Existing microbusiness in Indonesia dominates other business sectors, such as small and medium enterprises with a percentage of over 95% (Tirta & Sarli, 2021).

This article is organized as follows. The background of the research becomes the first section of the article. The second part contains the research method. The third part explains the research findings. Finally, the discussion, conclusion, implications, limitations, and future research agendas are discussed in the fifth part of this article.

2. RESEARCH METHOD

This study takes microbusinesses in Indonesia as the research context because of several factors. Business in micro scale in Indonesia dominates other business scale, i.e., medium and small, with a total of 61.5 million existing business or 98.75% (Tirta & Sarli, 2021). Those microbusinesses play critical roles in Indonesia's economy, such as becoming key provider of employment, becoming a sector that has high resilience during the crisis time, and making a substantial impact on the country's GDP (Kurniawati & Setiawan, 2019). Moreover, Indonesia's statistical bureau reported that micro and small business, especially in the culinary industry, has booked the highest survival rate, which is 77.05% in 2020, and it was the highest among other industries (Rafei et al., 2020). Those reasons make conducting research in the context of microbusiness in Indonesia become interesting because it is shown that opening microscale business is attractive, thus, its process can be well-captured.

I conducted interviews with micro culinary business owners for the data collection. According to Undang-Undang Republik Indonesia, a microbusiness is defined as having fewer than ten employees with annual sales less than IDR 300 million in a year (Undang-Undang Republik Indonesia Nomor 20 Tahun 2008, 2008). The interview was conducted with the microbusiness owners who have experienced starting a new business, thus there are opportunities to explore community-based resources used to open a new microbusiness. As microbusiness owners strive to minimize the initial costs to start the business, community-based resources which can

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

be utilized freely become an increasingly important factor. Furthermore, a total of 20 informants were interviewed, each shared her/his experience regarding the process of business opening including the resources they utilized in opening the business. The number of 20 was considered adequate since the information provided by the informants was pretty similar to one another. It means that the data saturation was achieved.

In terms of finding the informants, we first enlisted the informants who met the criteria from our closest social circle. Then, we asked for help from those first informants, relatives, and colleagues to recommend micro culinary business owners who can be involved in the interview. Before the interview started, all of the informants were asked about their consent in terms of providing information related to their business that would be recorded. They have agreed to give their permission for an audio-recorded interview to be used. The information related to personal and family information and issues was kept private.

The interviews were mostly conducted in person by coming to the informants' house, to a business location, or to have a meeting in other places. In the case of the informants having a tight schedule, the interviews were conducted by using Whatsapp's video call service. The first author spent over a year collecting the interview data from microbusiness owners, resided in Bahasa Indonesia and Bahasa Jawa, between 2022 and 2023. Each interview took about one hour on average. The interview questions are around "how did you come into a decision to start a new microbusiness?", "how was the process of opening your new microbusiness?", "what kind of resources did you use to open your microbusiness?", and "how did you use the resources to help you open your business?".

Following the interview, we verbatim transcribed the results and coded them using the Gioia template (Langley & Abdallah, 2011). As explained before, the aim of this study is analyzing the role of community-based resources in the formation of new organizations by providing the process of microbusiness emergence. Achieving this goal, firstly, we identified the components to build a certain structure based on the factors in the structuration theory: rules and resources. Following the step in Gioia template, this first stage (first-order concept) is to gather information during the

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

interview and identify similar ideas. After that, I group them based on their commonalities across interviewees. Similar information serves as the foundation for the formation of second-order themes and non-overlapping dimensions (Gioia & Thomas, 1996). The groups as the result from the first stage then are named theoretically. After finishing identifying the components, I explain the role of community-based resources in microbusiness emergence by putting each component into a certain process. As a result, a structuration process of a new microbusiness emergence involving community-based resources can be presented.

3. RESULT

To figure out the roles of community-based resources for starting a new microbusiness, we first specify the structure components, i.e. the rules and community-based resources, and then presents the process of forming a new structure, depicted through the structuration process.

Schema in The Microbusiness Structuration Process

In Figure 1 and 2, it is shown the microbusiness owners’ statement regarding the recipe as the schema in the structuration process. Specifically, Figure 1 shows how the owners obtain their recipe and make it as a template for their microbusiness. Meanwhile, Figure 2 depicts the purposes of recipes modification that makes it a new guideline for the owners to run the business.

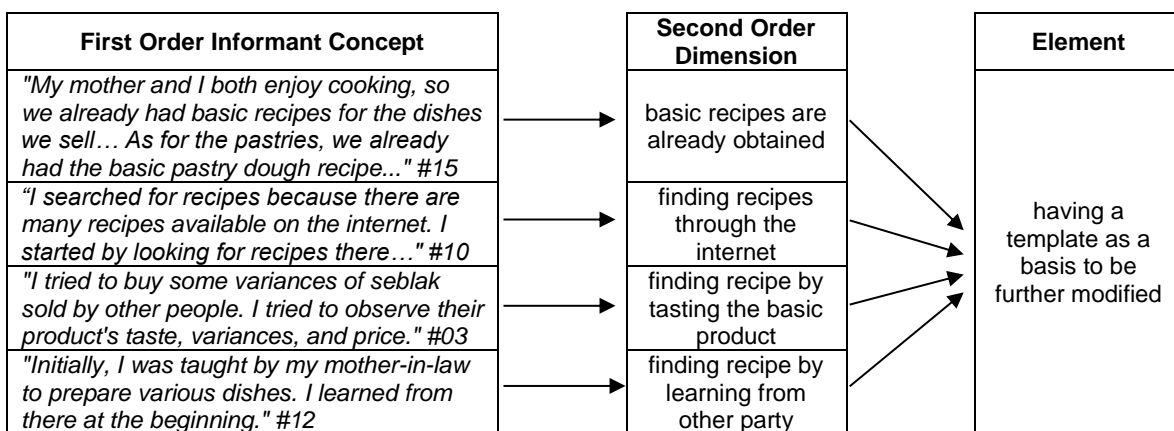


Figure 1. Old Schema in The Structuration Process

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

According to Figure 1, microbusiness owners can be grouped into four in terms of how they obtain the recipe. The first group did not clearly state their basic recipe sources; however, they gave information that they already had a recipe as basic to produce the products. Then, the second group of informants use the internet to get a basic recipe. The other group stated that they found the recipes by buying products from other sellers, tasted them, and identified the recipe through the process of tasting. Finally, the last group obtains recipes by learning the process from other parties. All of recipes obtained through this process become the basis for them to be further explored to create new versions of recipes and make them as owners' guideline in producing their culinary products. Since there are two rules to form a new structure, as depicted in Figure 1, and considering that the basic recipes that microbusiness owners owned are for further explored; thus, the basic recipes can be considered as old schema in the structuration process.

Meanwhile, we explain the purpose of the recipe changed through Figure 2. Basically, after obtaining the basic recipes, owners modified the recipe for some purposes. There are three groups of purposes based on the interview results. The first group is for the owners who stated that they modified the recipe in order to get a new and better one. The second group stated that they modified recipes in order to adjust the buyers' preference. The last group involves the owners who modify the recipes to stand out of competition as the purpose of recipes change. Initially, they understand that only producing similar culinary products with others can be harmful for their business existence, thus, they modify the recipes, initiate innovation from the modification they made, and produce new culinary products. Since through the modification process, owners develop new recipes or guidelines, then the modified recipes can be named as new schema in the structuration process.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

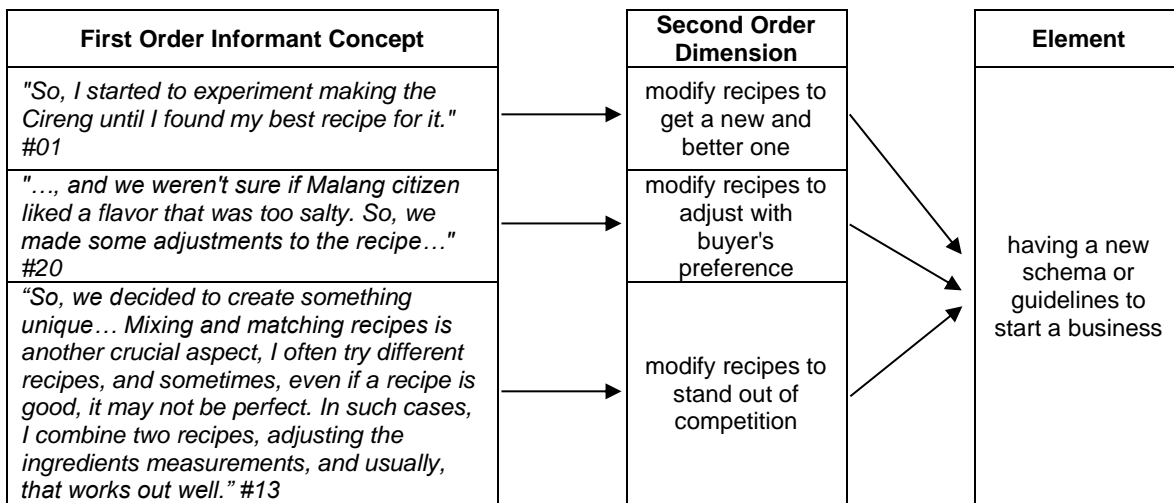


Figure 2. New Schema in The Structuration Process

The structuration process starts from the existence of an old schema that has been formed. As previously explained, this old schema is a procedure attached to existing micro culinary businesses and is used as a reference by new micro culinary business owners to start their business. Referring to the term schema, which is defined as a procedure, in the context of culinary business, the appropriate procedure is a recipe. Practically, the recipe here is the recipe used by micro culinary business owners to produce their products. In more detail, a schema is interpreted as a procedure that has generalization capabilities. Related to this meaning, recipes remain suitable as a form of scheme in the structuration process.

When owners plan to produce the same menu as that produced by other existing micro-businesses, the owner can actually use the recipes that are already available. This is a sign that the recipe is a procedure that can be generalized. Furthermore, according to the meaning of the schema, the function of a generalizable procedure is to form social systems. Based on this meaning, recipes are also suitable as a form of the schema. Since the main product of a micro culinary business is food, snacks, and drinks, the product can only be produced when the owners follow a series of procedures contained in a certain recipe to produce the product. When micro-business owners do not carry out these various procedures, no products are produced. Then, when no products are produced, a micro culinary business will not emerge.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

Thus, in conclusion, recipes are an appropriate form of rules or schema in micro culinary business.

Community-Based Resources as Component in The Structuration Process

In Figure 3, it is drawn the community-based resources that are utilized by microbusiness owners. According to the classification of informants, there are two factors that can be accounted for being community-based resources in the case of micro culinary business: ingredients and cooking method.

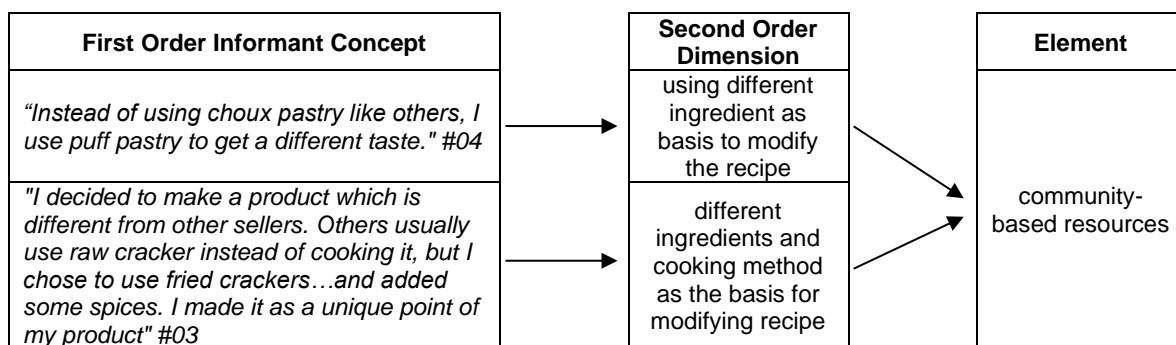


Figure 3. Community-Based Resources

Giddens (1979) defined resources as:

"...the media whereby transformative capacity is employed as power in the routine course of social interaction."

Based on this definition, Sewell (1992) stated that resources are anything that can be the source of power in the social interactions. In the context of micro culinary business, ingredients and cooking methods are appropriate forms of resources. Ingredients can be meant as different ingredients added to the existing recipe in order to result in new variant of products. Meanwhile, the cooking method can be considered as the new method added that is different from the ones in the basic or existing recipes. Those two factors appropriate to be accounted as resources since they can become sources of power for micro culinary business. Ingredients and cooking methods can determine the final quality of the culinary products, and, following it, the acceptance product rate, whether potential buyer will like or dislike it.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

Furthermore, in terms of community-based resources, ingredients and cooking methods are appropriate to be considered as this kind of resource. In the concept of community-based resources, one of the underlying arguments is these resources are widely available within a certain community and can be accessed by owners easily, or even freely. Based on the explanation given by informants, it is known that ingredients that they use for modifying the original recipe are widely available and simply accessible. Other than that, informants use the ingredients differently from their common use and utilize them for their own-specific purpose related to informants' culinary business.

This explanation also applies to other forms of community-based resources in micro culinary business, which is cooking methods. Especially nowadays when a lot of information is available in online media, it becomes easier for owners to get various cooking methods that are widely spread. Cooking methods are widespread as well as easily accessible and utilized by everyone. In the context of current study, owners commonly get them from the internet, discussing with family members and friends, and self-experimentation. Apart from the fact that community-based resources are widespread and easy to access, community-based resources also have the characteristic of being able to be actively mobilized by micro business owners and interpreted differently to suit their respective goals.

In sum, in the structuration process of micro culinary business, there are two components that build it: schema/rules and resources. Schema is divided into two: old and new; the old schema is represented by basic recipes used by the microbusiness owners, and the new one involves the modified recipes that are changed through modification process using resources as the media. Furthermore, the resource used is represented by the community-based resources which consists of ingredients and cooking methods.

The Role of Community-Based Resources in The New Emergence of Microbusiness

The role of community-based resources in the microbusiness emergence will be explained through the structuration process. The figure below shows the process of structuration using illustration from the micro culinary businesses in Indonesia.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

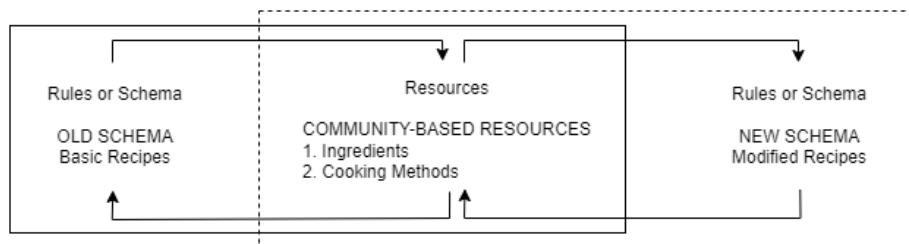


Figure 4. The Structuration Process of New Microbusiness Emergence

Figure 4 shows the whole structuration process that involves rules/schemas and resources. First, old schema is used by microbusiness owners as a template or basis for running a business. However, as the owners found some plausible reasons, such as the need for better recipes, adjusting the buyer's preference, and standing out from competition; they do not only accept the old schema as it is. Thus, the microbusiness owners go through experimentation process using old schema they are obtained from several resources.

During the experimentation, utilizing their instinct and experience in culinary, microbusiness owners mobilize resources from the community. They scan, choose, transpose the use, and apply the community-based resources into practice. They mostly transpose the resources into a new implementation, or, in other words, in a creative way in order to achieve their own goal. In this sense is modifying the old schema into a new schema, i.e., the modified recipes. It aligns with Sewell's (1992) who stated that resources can be accepted as transposable one, in which they can be appropriately implemented along with the old rules. A new schema as a new procedure applied by owners allows a new microbusiness emergence. It means that community-based resources can be an enabler of a novel form of microbusiness, and aligns with Ruef's (2000) statement about the novel arrangement as a result of new schema formation.

4. DISCUSSION

Community-based resources play a significant role in microbusiness emergence in terms of expanding customers' demand. This can be reflected in the story of major breweries and microbreweries. Carol and Swaminathan (2000) have

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

mentioned about how microbrewery can make a move and booked a great success. Microbrewery took into account the well-established rules of major breweries and incorporated the external styles into it. This became a bold move in the brewery industry because the incorporation brings new styles of beer that allows an expansion of market demand. Similar to the story in brewery industry, utilization of community-based resources by micro culinary business owners encourages variety of new culinary products to emerge. This condition widens the market demand and increases the number of potential customers.

In addition, the use of community-based resources makes the timing of new organizational emergence clear. Many ecological studies look at the transition of community configuration. Few studies specify the process of the transition. The selection assumption is so discrete that it has a limitation to explain the continuous phenomena of the emerging new organizational forms (Ruef, 2000). Community-based resources can fill the gap between the event-based assumption and processual phenomena. Community-based resources, which are based on interpretation, can determine the timing of the emergence of new organizational forms. In the case of micro culinary businesses, the new emergence occurred when owners mobilize new ingredients and or cooking methods which are widely spread within the community, give them their own interpretation in order to achieve certain goals, and implement them to the old rules/schema. Or, in other words, new microbusinesses will emerge when the owners utilize particular resources within the community, transpose them based on their interpretation, and incorporate them with the old rules to achieve their own goal.

The use of community-based resources allows the condition of metamorphic community evolution: resource-driven structuration. Astley (1985) pointed out the industry's growth has been dominated by a branching process in which each new branch emerged with the rise of a different organizational forms with innovation breakthroughs and focused on the isolation of personnel for using shared knowledge base in an existing population. The branching process should be fueled by the resource-driven structuration because the mutating branches are based on existing comps in a community. The branching process opens up the spectrum of new markets,

creates new compools, and relaxes selection pressures, thus it creates different avenues to random variation, called by ecological opportunity (Stanley, 1981). In the case of current study, community-based resources become enabler of micro culinary businesses branching process. The use of new ingredients and cooking methods as community-based resources that apply to old rules/schema, i.e., basic recipes, encourage the formation of various new micro culinary businesses. Finally, the resource-driven structuration simultaneously considers the competency-push and demand-pull perspectives (Kamien & Schwartz, 1982), but focuses more on the social actors' interpretation of community-based resources. This corresponds to Astley's (1985) emphasis on the importance of opportunistic choice, rather than environmental selection, for the central dynamic of organizational change.

5. CONCLUSION

This research has depicted that community-based resources play a significant role in new microbusiness emergence. First, the utilization of community-based resources can be a factor that allows microbusinesses' customers demand expansion. This condition aligns with the success booked by microbreweries that utilize the new path in brewing beer (Caroll & Swaminathan, 2000). Second, community-based resources also make the timing of new organizational emergence become clear. The mobilization of community-based resources by microbusiness owners' interpretation and its implementation on the old rules/schema become a signal of a new organizational emergence. Moreover, since the rules/schema and resources are recursively enact one another, then it can explain the continuous phenomena of new organizational emergence. It solves the limitation of selection assumption that fails to explain the phenomena as said by Ruef (2000).

The use of community-based resources also can explain the structuration process that is encouraged by resources, or resource-driven structuration. Aligning with Astley's (1985) statement about branching process of industry's growth, the resource-driven structuration can be linked with that branching process of an microbusinesses since new community-based resources applied to old rules/schema lead to a new microbusinesses emergence.

THE ROLE OF COMMUNITY-BASED RESOURCES IN FORMING A NEW MICROBUSINESS

This study provides theoretical and practical implications. Specifically for theoretical one, it explains different theoretical explanations for the emergence of new organizational forms. First, it explains resources as socially constructed which results in community-based resources. Moreover, this study considers the highest-level resources which play the role of organizing. Other than that, this study also provides a new theoretical view, in the sense of resource partitioning theory. Broadening the specialist group of resource partitioning theory, community-based resources can be a new compass for social actors to differentiate their business from other businesses. In other words, they can project a competitive advantage by utilizing community-based resources. Furthermore, this study also comes with some practical implications. Considering that community-based resources can be utilized depending on how potential entrepreneurs interpret them, then they can be taken into account as a source of innovation. The different entrepreneurs' interpretations of the same resources lead to different types of products.

Finally, this research comes with some limitations. First, the current study is limited to the use of community-based resources as a critical component for forming a new microbusiness. However, it is mentioned in the research finding that owners explore community-based resources using their instinct and experience that are embedded in their industry. The instinct and experience form the identity of potential entrepreneurs, and this can be reminiscence of effectuation logic (Stanley, 1981). Thus, future research can combine the identity as the internal factor and community-based resources as the external factor to become two essential factors in forming a new microbusiness. In addition, it is also mentioned in the findings that owners conduct some experimentation during the process of new business forming. Experimentation is also an essential part of effectuation (Kamien & Schwartz, 1982). Therefore, exploration in linking the structuration and effectuation can become a fruitful future research agenda. Second, the context of the study is microbusiness in an industry. It means that this study has a limitation due to its scope and results in limited generalizability of research findings. Overcoming this, similar research is needed involving various business scale and industries in order to increase the rate of generalizability.

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