

# **SME Marketing Networking: A Strategic Approach during COVID-19**



## **A Dissertation**

*Submitted to the **Faculty of Business Studies (FBS)**, **Bangladesh University of Professionals (BUP)** in Partial Fulfillment of the Requirements for the Degree of **MBA (Professional)***

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9<sup>th</sup> July, 2021

# Letter of Transmittal

Date: 9<sup>th</sup> July 2021

Dr. Mohammad Zahedul Alam

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**Subject: Submission of Dissertation on “SME Marketing Networking: A Strategic Approach during COVID-19”**

Dear Sir,

This is my pleasure to present my dissertation entitled “SME Marketing Networking: A Strategic Approach during COVID-19”. I have tried my best to portray an analysis on the influence of marketing network on SMEs, especially in times like COVID-19. This helped me to learn more about the overall scenario of SMEs in Bangladesh. I would like to express my gratitude to you for all your support and guidance during the preparation of this study.

Please accept this report and oblige. I am eager to respond to any questions that you may have concerning the report.

Sincerely yours,

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## Supervisor's Certification

This is to certify that Mohammad Numanur Rashid, a student of the Professional MBA Program, Batch: 21 (MKT), ID: 19021006, has successfully completed his dissertation and submitted the report entitled “SME Marketing Networking: A Strategic Approach during COVID-19” under my supervision as the partial fulfilment for the award of MBA degree.

He has done his job according to my supervision and guidance. He has tried his best to do this successfully. I think this program will help him in the future to build up his finer career. I wish his success and prosperity.

.....

Dr. Mohammad Zahedul Alam

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# Abstract

**Purpose:** SMEs have been exposed to various challenges during the global pandemic. The motivation of the study is to develop insight relating to SMEs' recovery so far and the contribution of strategic marketing networking on their recovery

**Methodology:** This study used a qualitative analysis method of primary and secondary data obtained directly both from online survey and from various publication sources.

**Findings:** The findings from this study might assist in formulating the strategic decision focusing on SMEs revival and regrowth after the pandemic become stable. It showed the importance and direct correlation of marketing networking with the recovery of SMEs. Various growth factors were considered here and all showed positive relationship with marketing networking. As a strategic approach, it was recommended by almost all the SMEs that took part in the survey.

**Limitations:** The primary study was conducted with a very little number of sample compared to the overall SME population. Lack of related publications also hindered the overall research process.

**Originality:** This is the first study of investigating the role of SME marketing networking concentrating on the recovery from the effects of the current pandemic in Bangladesh.

**Keywords:** SMEs, COVID-19, Marketing Networking

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# **Chapter 1: Introduction**

## **1.1 Background of the study**

The enormous presence of SMEs in the industrial environment of economies of all types and sizes is a universal phenomenon. Their role and contributions in the process of economic growth and social progress is praised globally. These enterprises ensure employment for a major portion of the population. They also offer an alternative to the buyer groups and thus increase negotiation power of buyers against large enterprises.

Most experts believe that SMEs are young and comparatively fragile. They make handicrafts or boutiques, start as small units, grow big or disappear due to facing mountainous operational constraints. However, this stereotypical image of SMEs is neither the full picture nor universally true. Indeed, contrary to the misconceived belief, SMEs grow, survive and sustain as dynamic entities even in the fortresses of the industrialized world.

A large numbers of SMEs die prematurely, especially those started as “distress-pushed” or “survival-driven” self-employment seeking units in the developing or under-developed countries. But, there are those which are “entrepreneurship driven” typically seeking to exploit business opportunities perceived and capable of driving structural transformation of a developing economy through innovation, employment generation and productivity increase. The economic transformation of Taiwan is often mentioned as a classic example for this viewpoint.

Another popular school of thought looks at the SMEs in a small vs large context, for example SMEs have relatively high labour intensity compared to their larger counterparts. Such perception takes no notice of many positive virtues of SMEs which are particular to smallness. The reasonable approach should be to identify the numerous merits and advantages of smallness such as agility, innovativeness, entrepreneurial drive, specialization, market segmentation etc. These virtues facilitate their growth, expansion and sustainability by competing as well as complementing with their larger counterparts.

SMEs have been a leading source of new job creation, innovation, competitive power and economic growth since the 1970s in the USA and since 1980s in the OECD countries. Bangladesh also has 78,18,565 SME establishments in which 2,45,00,850 persons are engaged directly (Economic Census-2013, Bangladesh Bureau of Statistics). In light of these numbers, there has

been a significant shift in the consensus towards the superiority of SME-led entrepreneurial economy to that of the large enterprise-led, old fashioned economy (Audretsch and Thurik; 2001). There has arisen the need for focusing on the increasingly growing role played by the SMEs in the local, national and global competition process and its role in overcoming the economic downturn caused by the ongoing global pandemic.

## **1.2 Statement of the problem**

SMEs are often incapable of taking advantage of market opportunities that require large production, a wide range of products and continuous supply chain management. They lack necessary marketing skills to explore beyond the local market. Good news is they are aware of these obstacles. And that's why they join forces in collective endeavours by combining knowledge, skills and resources. These strategic marketing networks can improve their potential to reach larger target consumers, reducing the costs and risks involved in penetrating the market. This study has been conducted to explore how these strategic marketing networks have helped the SMEs to manage the economic backlash that came with the surge of COVID-19.

## **1.3 Purpose of this study**

In this study, I have tried to explore how small and medium sized enterprises (SMEs) use their strategic marketing networks to do business during a once in a lifetime pandemic. The COVID-19 pandemic that came to our country in early 2020, impacted businesses of all sizes and in all industries. Some industries have shown resilience against the economic downturn that came with the global health crisis. But, most SME entrepreneurs have found themselves in the “new normal” environments. The strongest impact of COVID-19 has been on human health and the perception of human health. Bangladesh like most other countries have adopted social distancing in order to reduce human-to-human transmission of COVID-19. This measure has led to lockdowns, reductions in consumption, and the elimination of businesses.

In this situation, strategic marketing networking for small and medium-sized enterprises (SMEs) should help increase the likelihood of overcoming the impact of the pandemic since SMEs have been badly hit financially due to their limited resources and expertise.

## **1.4 Research objectives**

Here are the objectives for conducting this study-

1. To determine the SME marketing network structure
2. To understand the role of SME marketing networking during COVID-19
3. To explore the phenomenon of recovering economic hardship through networking by SMEs

## **1.5 Research questions**

Here are the research questions for which I am willing to find answers to-

1. How much recovery has been done by the SMEs from the economic downturn caused by COVID-19?
2. What is the role of SME marketing networking to overcome the economic hardship during COVID-19?
3. What can be the learnings from this phenomenon that can be used for future reference?

## **1.5 Limitations**

This paper is not free from limitations. The fact that this study had to be done in the time of government imposed lockdown, is enough to hinder the research process alone. Moreover, the data collection process was hampered due to conducting it remotely. Lack of related journals and articles can be considered another key factor of limitations of this report. In many cases, up-to-date information was not found.

Time and financial constraints are also to be considered. Also, I have used qualitative research for analysis. Qualitative research involves a variety of quite different approaches, for collecting and analysing those information will be messy and time consuming (Silverman D., 2010). Because of these reasons, the dissertation may not guarantee that all the analysis are the overall view of the entire SME sector as well as the strategic approach of SME marketing networking to overcome the impact of COVID-19.

## **Chapter 2: Literature Review**

## 2.1 Importance of SMEs

Small and Medium Sized Enterprises have always taken vital roles in the global economy. SMEs are indispensable sectors of developed market economies (Hallberg, 2000; Veber & Srpová, 2008). They ensure employment and provide a better choice for customers and increase negotiation power of customers against SME's larger counterparts.

According to Schumacher (1973)-

- SMEs have a competitive structure.
- SMEs are more efficient.
- SMEs keep up with the new technology and new demands easier.
- SMEs working styles are not boring or monotonous.
- SMEs are more enduring to the economic crisis.
- SMEs have a more successful role in arranging income and increasing employment.

Nožička (2012) has stated that enterprises with not more than 250 employees are known as small and medium enterprises. They are incomparable to satisfy local and small markets, to create jobs, to enhance offerings but also to open markets based on the ability to flexibly utilize new ideas and technologies. According to Cooney and O'Connor (1996), smaller enterprises allow their size to move in closer contact with the market and to react flexibly to customers' requirements.

According to Yilmaz (2004), SMEs' advantages are-

- SMEs provide the strength of elements of the 'balance' income spectrum. This balance gains importance in terms of both economic and social sides. These enterprises are the sources of new discoveries and ideas. They contribute to the industries for providing required adaptability.
- SMEs have the opportunity to make a decision more rapidly. Because they work with less expense of management and general operating, they have faster and cheaper production.
- SMEs play an important role in creating non-governmental initiatives. Also they provide larger shares in employment and training. These enterprises are the first establishments in which many qualified workers receive technical training.



- SMEs constitute an effective way to expand manufacturing and industrialization to the whole country.
- SMEs are in the situation to be the manufacturer of intermediate goods and inputs of large industrial enterprises.
- SMEs may be effective in increasing quality of life, providing some opportunities for small investments to use labour force, raw material and financial sources that cannot be used because of social and political reasons.
- SMEs possess a significant role to fulfil the function to reflect small savings and family savings directly to the investments.

Technological innovations are important elements in the twenty-first century's economy. These are important resources of competitive advantage for companies, for the whole industry and also for the society (Butje, 2005). SMEs play an important role in technological innovation, especially in the early stages of the life cycle of technology. Since the Second World War more than 50% of innovations and even up to 95% of radical innovations have been created by SMEs. Some studies indicate that the process of continuous improvement in production can increase productivity and production flexibility and product improvement may lead to an increase in sales (Tidd et al., 2007).

In summary, SMEs are too important, too dominant and too much about creating the future business generation for marketing practitioners (Day, 2000). According to the report of European Community, the contribution of SMEs to the economic system can be summarized as the following- "these enterprises constitute a required part of commercial and industrial structure because of their numbers and studies about different cases; effects over all sectors having a field of manufacturing, trade and service; contributions to employment and level of welfare" (EC, 2003).

## **2.2 Problems of SMEs**

SMEs have some disadvantages too. Lack of availability of information, limited perspective on market orientation, competition and trends in the wider market environment cause great mortality for SMEs (Havlíček & Kašík, 2005). Lack of resources limits the possibilities for SMEs to invest

in new equipment and, hence, they often depend on the different actors in the network which have the right resources (Ulaga et al., 2002; Kowalkowski et al., 2013). The key to success in SME sector is the ability to coordinate the work with limited resources (Kowalkowski et al., 2013).

SMEs manifest a lower level of profitability than do their larger counterparts. However this lower level of profitability is consistent with at least two of the many roles (Carree and Thurik, 2003) SMEs play in the economy: “the seedbed and turbulence role” (Beesley and Hamilton, 1984) which creates economic growth at the expense of survival rates and profitability of those firms involved in this roles (Fritsch and Mueller, 2008) and interacting with their larger counterparts as a supplier while large firms outsource their less profitable non-core activities (Baumol, 2002).

SMEs do not have the economic power to enable them to rapidly introduce new products to the market (Cooney & O’Connor, 1996). Due to their size, they cannot benefit from economies of scale. Ford et al. (2006) say that SMEs have a lack of time to ensure that they can carry out their business. Nožička (2012) further highlights the need for customer information, competition and other members around the company to maintain a competitive advantage.

## 2.3 Comparison of SMEs and Large Firms (Advantages and Disadvantages)

According to Xhepa (2006), here is the comparative chart of small and large firms in terms of their advantages and disadvantages-

Factors	Small Firms	Large Firms
Marketing	Ability to react quickly to keep abreast of fast-changing market requirements.	Comprehensive distribution and servicing facilities. High degree of market power with existing products.
Management	Lack of bureaucracy. Dynamic, entrepreneurial managers react quickly	Professional managers able to control complex organisations and to establish corporate strategies.

	to take advantage of new opportunities and are more willing to accept risk.	
Internal Communications	Efficient and informal internal communication networks. Affords a prompt response to internal problem-solving; provides ability to recognise rapidly to adapt to change in the external environment.	Internal communications are often cumbersome: this can lead to slow reaction to external threats and opportunities.
Qualified Technical Manpower	Frequent lack of suitably qualified technical specialists. Often unable to hold up a formal R&D effort on a required scale.	Ability to attract highly-skilled technical specialists. Can support the establishment of a large R&D laboratory.
External Communications	Frequent lack of time or resources to identify and use important external sources of scientific and technological expertise.	Ability to “plug in” to external sources of scientific and technological expertise. Can afford library and information services. Can buy crucial technical information and technology.
Finance	Great difficulty in attracting capital, especially risk capital. Innovation can represent a disproportionately large financial risk.	Ability to borrow on the capital market. Ability to spread risk over a portfolio of projects. Better able to fund diversification into new technologies and new markets.

Economies of Scale and the Systems Approach	In some areas, economies form substantial entry barriers to small firms. Inability to offer integrated product lines or systems.	Ability to gain scale economies in R&D, production and marketing. Ability to offer a range of complementary products.
Growth	Can experience difficulty in acquiring external capital necessary for rapid growth.	Ability to finance expansion of production base. Ability to fund growth via diversification and acquisition.
Patents	Can experience problems in coping with the patent system. Cannot afford time and costs involved in patent litigation.	Ability to employ patent specialists. Can afford to litigate to defend patents against infringement.
Government Regulations	Often cannot cope with complex regulations. Unit costs of compliance for small firms are often high.	Ability to fund legal services to cope with complex regulatory requirements. Can spread regulatory costs. Able to fund R&D necessary for compliance.

Table 1: Comparative chart of small and large firms (Xhepa; 2006)

## 2.4 Networking in SMEs

Marketing networking in SMEs can be defined as the network process that are undertaken by SME owner/manager in managing their marketing activities (Carson, et al., 2004). In order to respond to the challenges in their business environment, SMEs are increasingly establishing different kinds of collaborative arrangements with other companies and organizations (Jarillo, 1989). Thus, they aim at sharing business risks, getting access to resources that they urgently need, and managing their innovations and market growth processes (Castells, 1996).

In the context of SME, owner/managers will have some kind of network that is likely to encompass all aspects of their business (Gilmore, Carson, Grant, Pickett and Laney, 2000). The literature supports the several dimensions of marketing networks that have been identified, to help better understand networking in SMEs within a marketing context. Marketing networking in SMEs is defined as the network processes that are undertaken by SME owner-managers in managing their marketing activities. The research challenge is to explore the marketing networks of SMEs and to determine how they actually influence their activities, especially in the context of the dramatic strategic change in their marketplace during the ongoing COVID-19 pandemic.

According to Carson et al. (2004), marketing networking process can be sketched as follows-

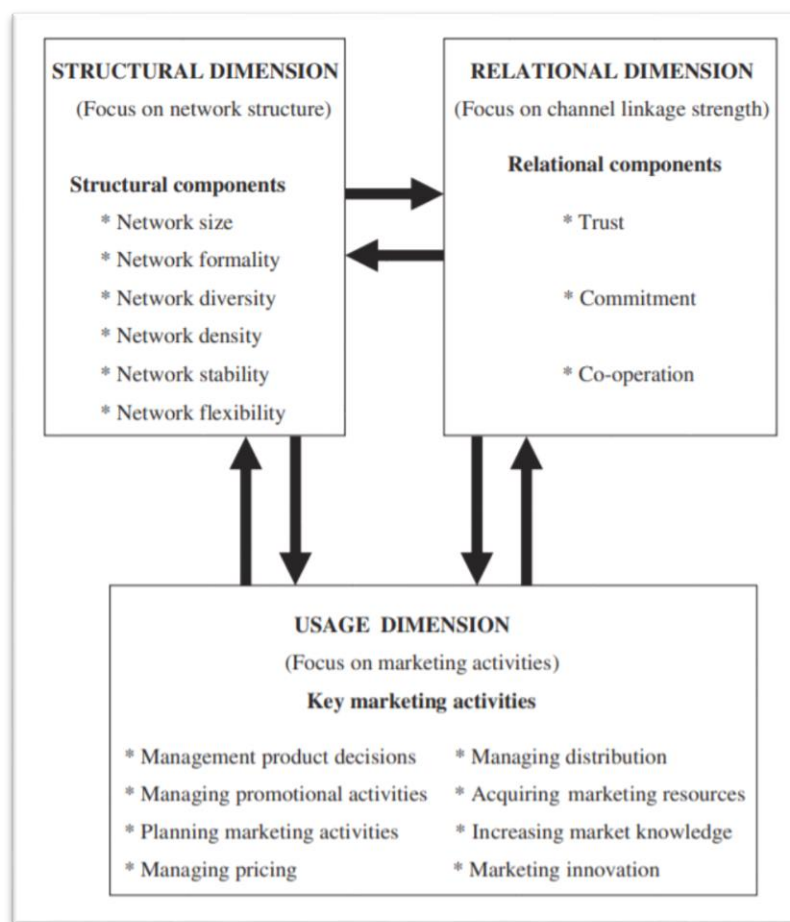


Diagram 1: Marketing network processes in SMEs (Carson et al.; 2004)

Hossein Hakimpoor et al. (2011) tried to create interrelationships between various marketing network dimensions and thus adapted four new integrative dimensions for marketing networking.

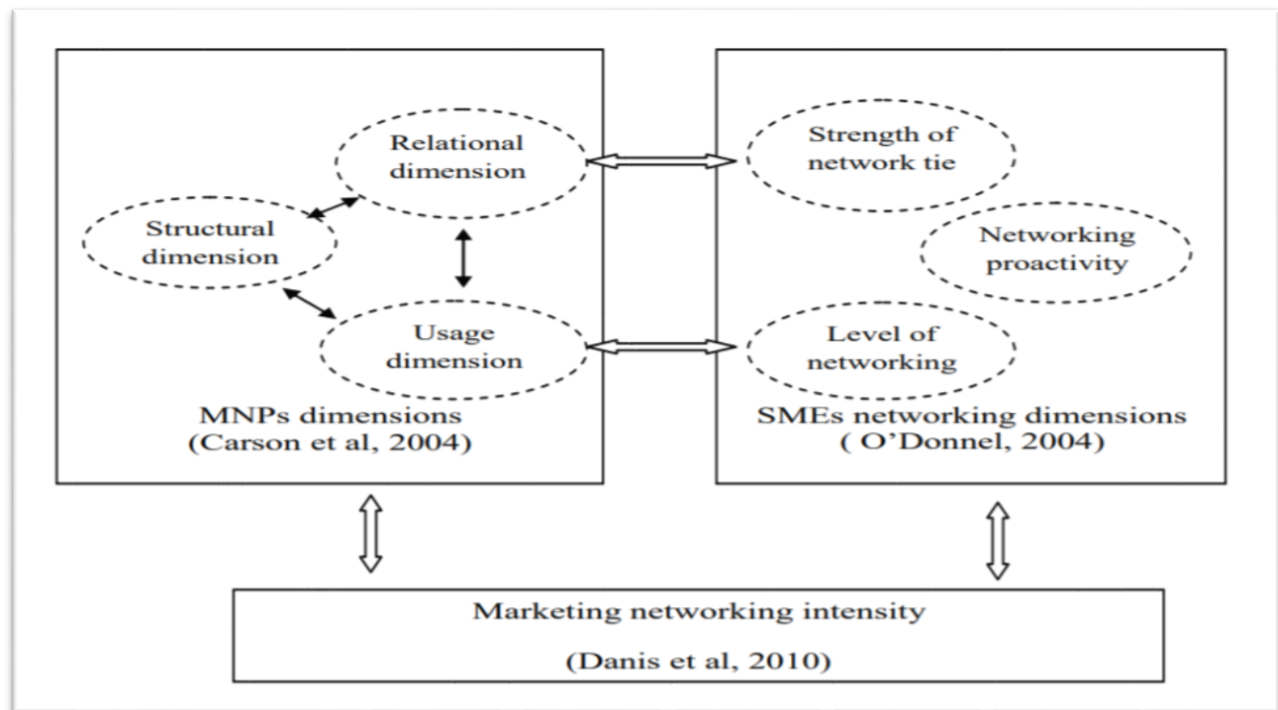


Diagram 2: Interrelationship between various Marketing Network Dimensions (Hossein Hakimpoor et al.; 2011)

These four new dimensions are:

1. “Marketing networking intensity” shows SME owner-managers tendency to use marketing networks in doing marketing. This dimension has resulted from integration between “level of networking” (Donnel, 2004), “Usage dimension” (Carson, et al., 2004) and “marketing intensity” (Danis, 2010).
2. “Marketing networking strength” that shows the strength of linkages between owner-manager and network actors. This dimension will be measured in terms of level of trust, commitment and co-operation between owner/managers and network actors (Carson, et al, 2004; Donnel, 2004).

3. “Marketing networking proactivity” indicates the extent of reactive or proactive networking in which an owner-manager engages with a particular actor in the marketing network (Donnel, 2004; Gilmore, et al, 2006).
4. “Marketing networking diversity” that shows the number and variety of network sources that an SME owner-manager uses in doing marketing (Carson, et al., 2004). This dimension refers to the structural dimension of marketing networks.

## **2.5 Impact of COVID-19 on SMEs**

SMEs of all types have experienced immediate effects of the lockdowns on their upward and downward activities. Specifically, on the supply side, stand-alone SMEs have faced considerable logistical issues (Jill Juergensen et al.; 2020). SMEs, according to Fitriyani et al. (2020), have bitter experience during a pandemic due to immense reliance on supply chains that are now almost stopped, increases in raw materials, and readiness to face changes in the way they do the transaction. In the study of Ratnasingam et al. (2020), the study findings explored two key issues- the financial management and the supply chain disruptions creating the major scratch on business operations. Furthermore, they noticed that most of the SMEs were operating well below their capacity.

An online survey conducted in Serbia in March and April of 2020 revealed that, SMEs have to undergo unprecedented experiences like switching business, unable to pay the fixed obligation, lay off employees, and limited access to resources (Beraha and Đuričin; 2020). Another study focused on assessing the potential effects of COVID-19 on Sri Lankan SMEs established that SMEs are acutely suffering because of the shortage of materials, the decline in both global and local demand for their products and services, difficulties in repaying loan and interest, cancellation of orders, dire cash deficit, and lack of savings (Robinson and Kengatharan; 2020). The study also found that the COVID-19 pandemic is emotionally challenging for both employees and operators of the SMEs. The SMEs are also aware that the weaker and vulnerable members would go out of business (Elshenawi and Wang; 2020), while the more efficient, forward-looking SMEs would come back stronger within a short period.

In Bangladesh, the economic distress caused by the COVID-19 pandemic has added to existing problems such as lack of access to finance (Nega and Hussein, 2016; Hernández-Cánovas and Koëter-Kant, 2010), a poor market linkage, absence of skilled labour, and lack of export market (Pasquini and De Giovanni, 2010). It is anticipated that due to disruption of SMEs normal business, the economy will experience a number of consequences including first, reduction of aggregate output, in the study of Mizanur (2020). On the supply side, every economic activity will surely be hampered more or less. This is because the supply chain of every product including access to raw materials has been substantially disrupted. Labour mobility too has been seriously impeded, as physical isolation is one key measure of minimizing the health risks. On the demand side, exporters who are experiencing diminished production capacities will also see markets for their final goods shrink. Local industries that cater to domestic residents are also experiencing a rapid decline in the demand for their goods and services. Small and medium enterprises (SMEs) that employ millions of workers and constitute the backbone of the economy appear to be more vulnerable.

According to the Bangladesh Bureau of Statistics, currently, Bangladesh's economy has been progressing with an average of 5.10% unemployment rate and this is so because about 78% of workforces are either directly or indirectly involved with SMEs operation. Addressing COVID-19 effects on employment due to the shutdown of enterprises or slow down business activities, it is anticipated that unemployment might substantially increase. The unemployment will create an unexpected income shock resulting in consumption reduction arising out of unemployment not only reduces the welfare of the individual but also reduces the aggregate demand of the economy (Chowdhury; 2020).



## **Chapter 3: Status of SMEs in COVID-19**

### 3.1 SMEs in Bangladesh during COVID-19

SMEs contribute 25% to our GDP, creating employment for 7.8 million people directly and providing livelihood for 31.2 million people (Household Income and Expenditure Survey, Bangladesh Bureau of Statistics; 2016). According to the Asian Development Bank, the SMEs in Bangladesh account for 70 to 80% of the non-agricultural sector employment. 40% of the manufacturing output is also by SMEs (RRP Sector Assessment, ADB). As SMEs are an important arm of economic growth, stakeholders of all sectors kept a keen eye on the impacts of COVID-19 on SMEs. As a result, several surveys and studies took place to measure the effect. These studies shed a light on economic distress that caused by the pandemic on the already vulnerable SMEs who had existing problems such as lack of access to finance, poor market linkage, absence of skilled labour, and lack of export market.

LightCastle Partners and Sheba.xyz jointly conducted a study of the SME sector on 6<sup>th</sup> to 8<sup>th</sup> April, 2020, in which 230 respondents of eight divisions took part. This study had some cruel observations-

- 52% of the respondents had to completely halt their business operations.
- Zero output due to the unavailability of raw materials and lack of scope to sell their outputs.
- 28% of the respondents have seen a drastic decrease in their revenue by over 50%
- Cash reserves are running dry or with their debtors.
- Services industry took a heavy hit as they are unable to provide their services and generate revenue.
- 46% SMEs will lay off more than 50% of their staff in order to cut costs
- 68% will have to permanently shut down their business if the lockdown continues for more than 4 months.

According to this study all the sections of any business was severely hit by the lockdown that was caused by the worldwide pandemic. The survey revealed that 42% of enterprises cut back their marketing expenditure while 23% have done the same in distribution. This implies businesses were taking initial cuts on these two fronts- marketing and distribution. With respect to salary, 24% had to cut down either to 0 or less than 10%.

Another study was carried out by the IFC and the World Bank, in partnership with the UK's Foreign, Commonwealth and Development Office in the months of June and August, 2020, which covered 500 MSMEs across the eight divisions of Bangladesh.



Figure 1: Business Pulse Survey: Impact of COVID-19 on MSMEs in Bangladesh (August, 2020)

According to this survey, around 37% of the MSME workers have lost their jobs, either temporarily or permanently, while 70% are now in vulnerable circumstances with 94% of enterprises experiencing a sharp drop in sales. 91% businesses have suffered the worst decline in cash flow due to the economic ramifications of the virus. The report also found out that the firms located in urban areas have been affected more than those located in rural areas. Reduction in the number of working hours was a severe and immediate impact of COVID-19 according to the report.

Another study conducted by Bangladesh Institute of Development Studies (BIDS) in September, 2020, in which they interviewed 375 enterprises and 360 workers of 15 SME clusters into 5 sectors during lockdown in April-May, 2020. They used a pre-COVID survey as a benchmark for the study. The key findings of the study are-

- 16 percent of all the SMEs were open during lockdown. Smaller family run SMEs were open in a higher percentage.
- Sectors like electrical and agro-processing expressed lesser anxiety and predicted that economy would bounce back in lesser time than other sectors.
- SMEs' annual revenue in 2020 will reduce by about 66 percent compared to 2019. Again electrical and agro-business reported lesser reduction of revenue than other sectors. Leather sector feared most about the reduction of revenue.
- 76% SMEs reported that they have unsold products in May, 2020 which is about twice as large as the inventory in the normal time in 2018. The value of unsold goods are the highest for agro-processing sectors, followed by handicrafts and electronics.
- 73% SMEs have pending loans as they do business on credit. Agro-processing has the highest amount of pending payment.
- 90% of the SMEs will either survive with huge loss or close their business if lockdowns continues for three months. The medium sized SMEs feared most of going out of business compared to their smaller counterparts.
- Around one month is needed to reopen the factory fully if the lockdown and all kinds of government restrictions are withdrawn completely.
- The average number of meals eaten by the SME workers before lockdown was around 3.064 which is around 2.733 after the lockdown. For the female workers the drop in meals eaten daily after lockdown is about half a meal.
- 26% SMEs are unaware of the incentive package announced by the government. About 70% SMEs are positive about receiving the incentive package.

Another study was found in this topic, which was conducted by Asadul et al. (December, 2020). They conducted survey on 1960 enterprise owners and 1014 workers across 18 districts in Bangladesh. From the owner's survey they found that-

- 69% businesses were closed during two months of lockdown (March 26-May 31, 2020). Only 2% remained open. After the economy reopened, 61% of the enterprises were fully open, 37% were partially open and 2% were closed.
- Compare to February, 2020 (before the lockdown period) sales dropped by 76% during lockdown and 52% in July, 2020 (after the end of lockdown).
- After the lockdown was lifted, 22% and 13% of the SME owners were unable to pay rent and utility bills, respectively for two reasons mostly- first, the owners are now paying for variable costs to run their businesses. Second, they may be able to negotiate with their landlords and pay rent later, since they are back in business.
- About 24% of SME owners laid off their workers during the lockdown, which was reduced to 11% after the end of lockdown.
- 75% of the owners reported that they faced disruption or extreme disruption in terms of receiving orders. 39% shut down their business. 40% were unable to pay employees and maintain business operations. 76% reported that having no income due to receiving no order as their main problem. 50% reported paying salaries to employees was the main issue.
- 61% owners reported having a shortage of raw materials. To cope with the shortage- 25% owners reduced production, 17% increased product prices, 14% was seeking new procurement channels and 13% delayed goods delivery. 45% of the owners are uncertain about when they will be able to operate in full capacity.

From the workers survey the researchers found that-

- Female workers were more likely to lose their jobs during the lockdown and less likely to be rehired afterwards. Compared to the pre-COVID level, income dropped 60% and 65% for male and female workers, respectively.
- Wage gap between male and female workers increased during COVID-19.
- 40% workers reported that they can't stop working for a living although they might get infected by COVID-19.

Lastly, a survey report by Centre for Policy Dialogue was published 23<sup>rd</sup> May, 2021 which was presented by Dr Fahmida Khatun. They telephonic survey was conducted on 70 female entrepreneurs across 34 districts of Bangladesh in October, 2020. The report found that-

- 41.4% had to shut down their business completely. But, 48.6% reported that they continued their usual business operations even after the start of COVID-19 pandemic.
- 44.4% have not been managed to pay rent regularly.
- 50% have not been managed to pay all government taxes and utility bills.
- 37% have fired or laid off their employees for COVID-19. But on the bright side, 46.8% SMEs neither laid off their workers nor reduced their salaries.
- 58.6% women have not heard about the stimulus package announced by the government for Women MSMEs in view of COVID-19. Only 7% have applied for any loan under the stimulus package.
- Reasons for not applying for loan under the stimulus package are-
  1. lengthy process; bank officials create extra hassle
  2. Bank officials do not encourage; some bank officials told them that there were no orders from the authority to give loans to women
  3. Lack of information regarding where to go, who to ask, what to do and how to apply for it
  4. They are worried about monthly repayment of loan, as many of them already have loans.

These studies confirm that Bangladeshi SMEs had a severe effect caused by COVID-19 pandemic. Both owners and workers have suffered and are still suffering as the second wave of corona is currently smashing through the nation.

### **3.2 Government of Bangladesh's Response to the Crisis**

Immediately after realizing the impact on the economy, the government of Bangladesh allocated Tk 93 thousand crores (USD 10.9 BN) as a primary stimulus package to revamp the economy. As part of this, small businesses in rural areas are supposed to get subsidized loans of Tk 3,000 crore under the Tk 20,000 crore stimulus package announced by the government to support SMEs. Moreover, on April 12 of 2020, a new stimulus package was unveiled worth Tk 5,000 crore to provide financial assistance to small and medium farmers in rural areas for boosting agricultural production. Moreover, agricultural loans were reduced to 4% from the previous 5% interest rate.

<b>SN</b>	<b>Stimulus Packages</b>	<b>Package Size (in billion BDT)</b>
1	Special fund for salary support to export-oriented industry workers	50
2	Working capital loans to affected industries and service sector	400
3	Working capital loans provided to SMEs, cottage industries	200
4	Expansion of export development fund (EDF)	127.5
5	Pre-shipment credit refinance scheme	50
6	Special honorium for doctors, nurses and medical workers	1
7	Health insurance and life insurance	7.5
8	Free food distribution	25
9	OMS at BDT 10 per KG	7.7
10	A cash transfer to targeted poor people	12.58
11	Expansion of allowance programs for the poor	8.15
12	Subsidy for the construction of homes for homeless people	21.3
13	Additional procurement of paddy/rice (200 thousand metric tons)	8.6
14	Support for farm mechanization	32.2
15	Subsidy for agriculture (on fertilizer)	95
16	Agriculture refinance scheme	50
16	Refinance scheme for lower income earning professionals, farmers etc	30
18	Low-interest loans to farmers, expatriate migrants and trained youth	32
19	Safety net program for export-oriented industry's distressed workers	15
20	Subsidy for commercial bank's suspended interests for April-May, 2020	20
21	Credit-risk sharing scheme for SME sector	20
22	Cottage, micro, small and medium enterprises (CMSMEs)	15
23	Disadvantaged elderly people, widows and female divorcees	12
<b>Total</b>		1240.53
<b>As % of GDP</b>		4.44

Table 2: Stimulus Packages by the Government of Bangladesh and Bangladesh Bank

As of January, 2021, the Bangladeshi government has approved 23 stimulus packages, with an overall outlay of 1.24 trillion taka which is 4.44 percent of GDP. Out of these 23 packages, the last two packages were declared in January 17<sup>th</sup> of this year. One of these was to support small and medium enterprises. This stimulus package amounts to Tk 1,500 crore. Under the package, SME Foundation will get Tk 300 crore, Bangladesh Small and Cottage Industries Corporation (BSCIC) will get Tk 100 crore. Joyeeta Foundation will get Tk 50 crore. NGO Foundation will get Tk 50 crore. Social Development Foundation will get Tk 300 crore. Palli Daridro Bimochon Foundation (PDBF) will get Tk 300 crore. Small Farmers Development Foundation will get Tk 100 crore and finally Bangladesh Palli Development Board will get Tk 300 crore.

SN	Packages	Amount (In billion BDT)	Disbursement (In billion BDT)	Implementation (%)	Remarks
1	Working capital loans for adversely affected large industry and service sector	330	302.7	91.53	Up to 31/01/2021
	Working capital loans for 'A', 'B' and 'C' type industries	70	1.03	1.47	Up to 31/01/2021
		400	303.1	75.77	
2	Interest subsidy for commercial banks against suspended interest for April-May, 2020	20	13.9	69.5	Required amount reimbursed
3	Working capital loans for CMSMEs	200	115.92	57.96	Up to 31/01/2021
4	Agricultural refinance scheme	50	34.66	69.32	Up to 31/01/2021
5	Payment of salary and allowances to the workers-staffs of the active export-oriented industries	50	50	100	Total amount disbursed



6	Pre-shipment credit refinancing scheme	50	1.36	2.72	Up to 31/01/2021
7	Refinance scheme for low-income earning professionals/ farmers/ small businessmen	30	14.29	47.63	Up to 31/01/2021
8	Export Development Fund (EDF)	127.5	91.32	71.62	Up to 31/01/2021
9	Credit Guarantee Scheme (CGS) for CMSMEs	20	-	-	Up to 31/01/2021
10	Agricultural loans for crops and harvest sector at 4 percent concessional interest rate	As per requirement	31.67	-	Up to 31/01/2021

Table 3: Implementation Status of Stimulus Packages of Bangladesh Bank (Up to 31/01/2021)

Out of 23 stimulus packages, 9 packages are directly concerned with Bangladesh Bank. Furthermore, Bangladesh Bank announced agricultural loans at a 4 percent concessional interest rate in the crops and harvest sector.

According to the previously mentioned survey conducted by Centre for Policy Dialogue, the rate of disbursement for the first stimulus package for vulnerable SMEs is slow compared to other stimulus packages. As of April 11, 2021 about 68% of the dedicated 22,000 crore BDT fund has been disbursed. Gender-wise disaggregation shows that 94% of the beneficiaries of loans under this package were male and only 6.0% were female (CPD, 2021). In March, 2021 Bangladesh Bank released a policy in support of the start-ups under the special funding facility of 500 crore BDT. According to this policy- 1. Banks could set up their own start-up funds with 1% of their operating profit; 2. 10% of this fund should be allocated among women entrepreneurs.

In summary, the government of Bangladesh has tried and is still trying heart and soul to help the SMEs as well as the overall economy to unlock the deadlock caused by the COVID-19 pandemic. Slow disbursement, lack of awareness and absence of digital transformation are the major challenges here.

### **3.3 Research Challenge**

There is clear evidence that SMEs actively network to manage their marketing activities. The research challenge is to address the linkage between SME marketing network dimensions and the recovery progress of SMEs from the economic backlash of the worldwide pandemic. Such study has not been found anywhere, needlessly to say in Bangladesh. This study also aims to suggest its learnings to propose future research directions, either by constructing the same conceptual model in a new context, location, culture etc. or by re-assessing and expanding the framework.

# **Chapter 4: Conceptual Framework**

From the literature review and the theoretical background of the study, a conceptual framework has been constructed, which will be the basis of the survey conducted on the SME entrepreneurs across the nation.

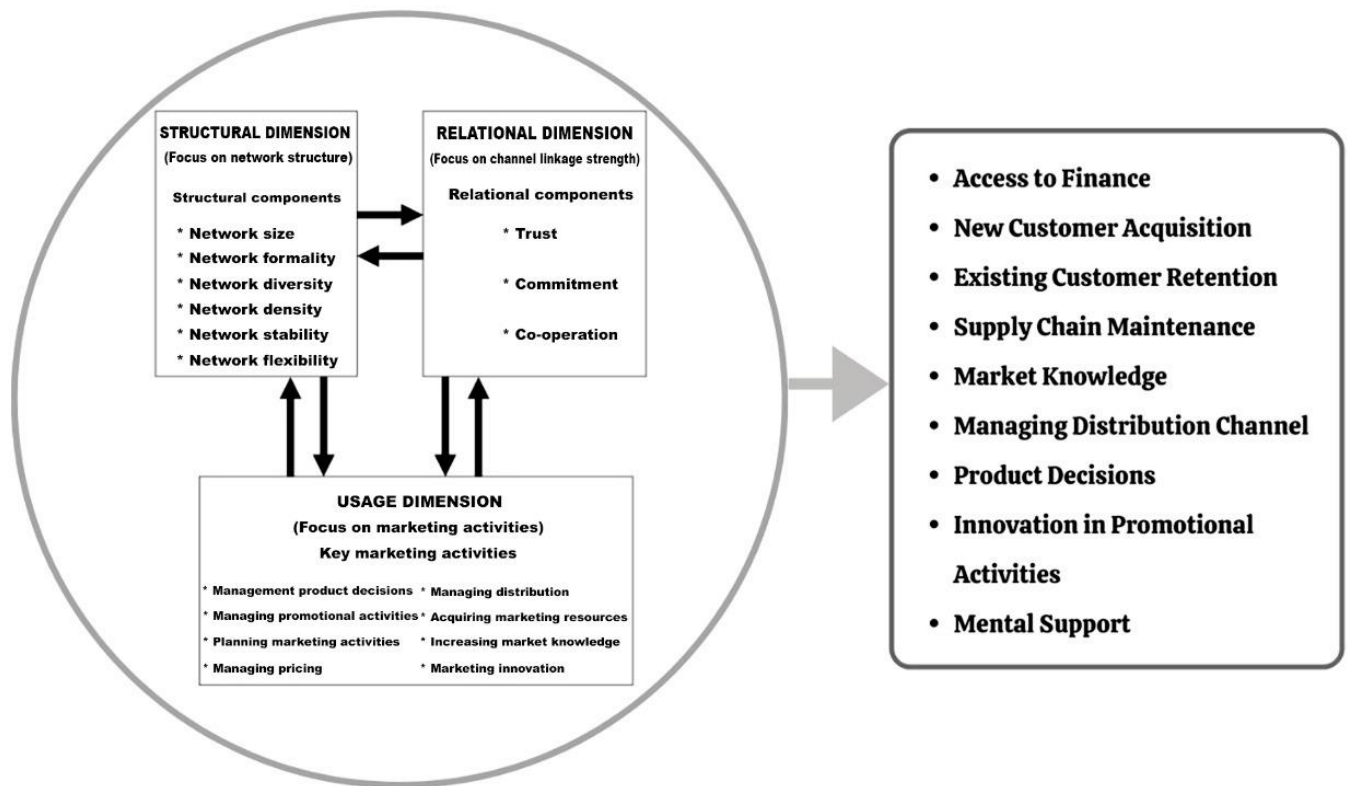


Diagram 3: Conceptual Framework

Here, on the left side we have marketing networking process as the independent variable, which was originally proposed by Carson et al. (2004). Their research focused on SME network activities in relation to strategic marketing with the conceptualization of three dimensions-

1. **Structural Dimension:** The structural dimension of each marketing network is defined in terms of structural components such as
  - a. **Network Size:** The actual number of direct contacts used by the owner/manager in each SME, to help him or her do marketing.

- b. **Network Formality:** The extent to which formal business network contacts are used in doing marketing compared to informal and social network contacts.
  - c. **Network Diversity:** The variety of network sources used in doing marketing.
  - d. **Network Density:** The extent to which network members are linked to each other.
  - e. **Network Stability:** The number of network linkages within the marketing network of an SME owner/manager that have existed for a minimum time duration.
  - f. **Network Flexibility:** The number of network linkages formed and the number of network linkages broken within a specific period.
2. **Relational Dimension:** The relational dimension focuses on the strength of linkages between the SME owner/manager and his or her network members, since the development and maintenance of these linkages is a key SME strength. The key components of this dimension are-
- a. **Trust:** It can be defined as the willingness to rely on an exchange partner in whom one has confidence. The level of trust between a SME owner/manager and another firm can and will change over time.
  - b. **Commitment:** The time and effort in maintaining network linkages which can be measured by the frequency of communication between a SME owner/manager and each network member.
  - c. **Co-operation:** The level of interdependence between a SME owner/manager and each marketing network member, which can be measured by the level of co-ordinated marketing activities and the level of reciprocity and mutual compatibility regarding marketing goals between a SME owner/manager and his or her linkage partners.
3. **Usage Dimension:** The usage dimension focuses on marketing activities in terms of how marketing network processes influence, or impact upon, the various marketing activities of SMEs. Some key marketing activities are-
- a. Managing Product Decisions
  - b. Managing Distributions
  - c. Managing Promotional Activities
  - d. Acquiring marketing resources
  - e. Planning marketing activities
  - f. Increasing market knowledge

- g. Managing pricing
- h. Marketing innovation

All of these marketing network dimensions and their components have strong literature support. In this study, this marketing network process will act as the independent variable. The dependent variables of this study are the challenges that the SMEs face specially during a once in a lifetime pandemic. The challenges that have been addressed in this study are-

1. **Access to Finance:** It refers to the stimulus packages that the government announced in the wake of COVID-19 to support and stimulate economic growth by providing financing to the SMEs. The current study intends to find out whether there is any linkage between access to finance and the network that the SMEs maintain.
2. **New Customer Acquisition:** New customer acquisition involves any activity in the business that brings in new clients and customers. Marketing networks are supposed to help in this regard.
3. **Existing Customer Retention:** It refers to the collection of activities SMEs use to increase the number of returning customers and to increase the profitability of each existing customer.
4. **Supply Chain Maintenance:** It refers to the smooth flow of goods, services and processes that transform raw materials into final products. In the pandemic situation, finding raw materials can be a huge challenge. As in this study, only the product-oriented SMEs are discussed, I wanted to find out whether the SMEs are getting any help from the marketing networks to maintain their supply chain.
5. **Market Knowledge:** It refers to the understanding of the industry trends, recent development of the sector, competitor analysis, customers' preferences, distribution channels etc. Marketing activities are performed based on the market knowledge. That's why it has been included as one of the key components of the dependent variable.
6. **Managing Distribution Channel:** It is a chain of distribution through which a goods or service passes until it finally reaches the end consumer. Distribution channels can be of many types- direct, wholesale, retail, agent or even the internet. As sales goes hand in hand with marketing, there should be a relational dimension between marketing networking and distribution channel of products.

7. **Product Decisions:** It is closely related to market knowledge and insights. Decisions regarding the physical product (size, style, specification, packaging, branding, standardization, legal considerations etc.) and product line management are the topics of discussion here. Any decisions regarding the product should have impact from the marketing networks and the decisions taken would have impact on the marketing activities. So, it's a co-dependent relationship, which I deemed important to discuss as a component of dependent variable.
8. **Innovation in Promotional Activities:** It is directly involved with the marketing networks. Being able to adapt to consumer behaviour and new technologies while maintaining a strong customer focus is essential. COVID-19 derailed many companies' marketing and promotional plans and pushed them to pivot their strategy. This study intends to find out if there is any linkage between the innovation in promotion and the marketing networks that the SMEs maintain.
9. **Mental Support:** Mental and Emotional support by offering genuine encouragement, reassurance, and compassion in tough times like COVID-19 can be a huge support for SME owners/managers who have struggled financially, emotionally and some of them physically too. As the study revolves around the ongoing pandemic, I wanted to find whether the SMEs got mental support from their marketing networks counterpart or not.

The independent and dependent variables of the conceptual model of this study have been discussed above with their relative components. The research design and methodology will revolve around this conceptual model.

# **Chapter 5: Research Design and Methodology**



## 5.1 Research Approach

Research is the process of collecting, analyzing, and interpreting data in order to understand a phenomenon (Leedy and Ormrod, 2001). The three common approaches to conducting research are quantitative, qualitative, and mixed methods (Williams, 2007).

Current research focuses at studying the following three questions: “How much recovery has been done by the SMEs from the economic downturn caused by COVID-19?”, “What is the role of SME marketing networking to overcome the economic hardship during COVID-19?” and “What can be the learnings from this phenomenon that can be used for future reference?”. Samples studied here are few. The internet survey data and some secondary data are concluded to answer the research questions above. Furthermore, the research doesn’t offer any final course of action. Therefore, the data analysis is not statistical or organized. Thus, this research belongs to qualitative research.

## 5.2 Research Design

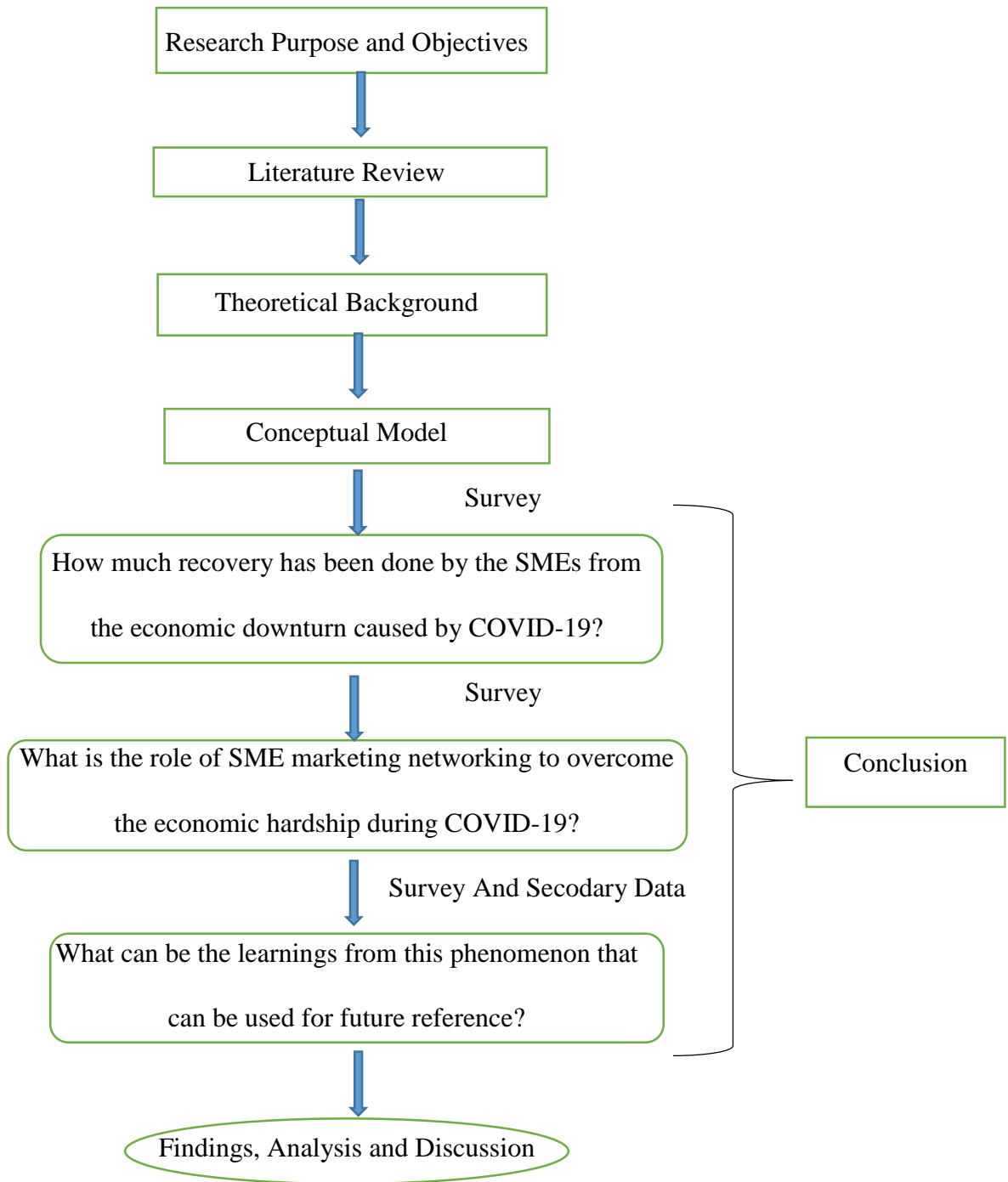


Diagram 4: Research Design of Current Study

## **5.3 Research Methods**

### **Online Survey**

In the current state of the pandemic, it is utterly impossible to reach a substantial number of samples for accumulating their responses. Therefore, an online survey was conducted via google forms with a structured questionnaire. Considering the time and mobility constraint, a structured questionnaire seemed the best option in the process of data collection, because-

1. It requires a lower cognitive load on the respondent,
2. It is easier for the researcher to analyse.

With my best possible efforts, I was able to reach 42 SME owners/managers with the structured questionnaire. Considering there are almost 10 million SMEs in Bangladesh, the sample size is too small. The survey was conducted on the first week of June, 2021.

### **Secondary Data Collection**

Secondary data are mainly collected from relevant online data, journals and articles. The reference data that was originally collected for other research purposes, will be used along with the online survey data collected for current dissertation by the author to make analysis, discussion and propose future research directions.

## **Chapter 6: Findings and Analysis**

## 6.1 Respondent's Profile

I was able reach 42 SME entrepreneurs successfully from 1<sup>st</sup> to 7<sup>th</sup> June, 2021. 23 of them were female and 19 were male. 16 respondents were in the age range of 30-39, 15 were in 20-29 range, and 10 were 40-49 age range and finally only one respondent in the age range of 50 to 59. 30 out of 42 survey respondents were from Dhaka division, which is almost 71.4%. From Rajshahi division I got 4 respondents, from Chittagong and Sylhet division I received 3 responses and both the Khulna and Rangpur division gave me 1 responses.

Different SME owners/ managers were the respondents of this survey. 12 of them or 28.6% of the respondents are from boutiques, fashion items or RMG sector. I got 7 respondents (16.7%), who work in handicrafts sector. Agriculture, information technology and food sector, each gave me 5 respondents (11.9%). 4 respondents were from leather sector (9.5%).

Sector that you mostly work on  
42 responses

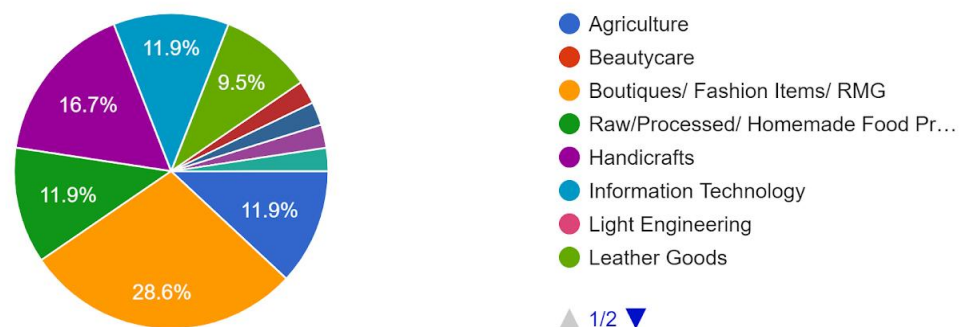


Figure 2: Distribution of samples by enterprise type

## 6.2 Recovery from the Impact of COVID-19

I asked the participants several questions about their recovery from the impact of COVID-19. The good news is most of the respondents have acknowledged that they have fully or partially recovered. Only 4 respondents stated that they haven't been recovered at all. 7 said they have recovered completely from the impact.

On a scale of 0 to 10, how much recovery have you done compared to the pre-COVID situation?  
42 responses

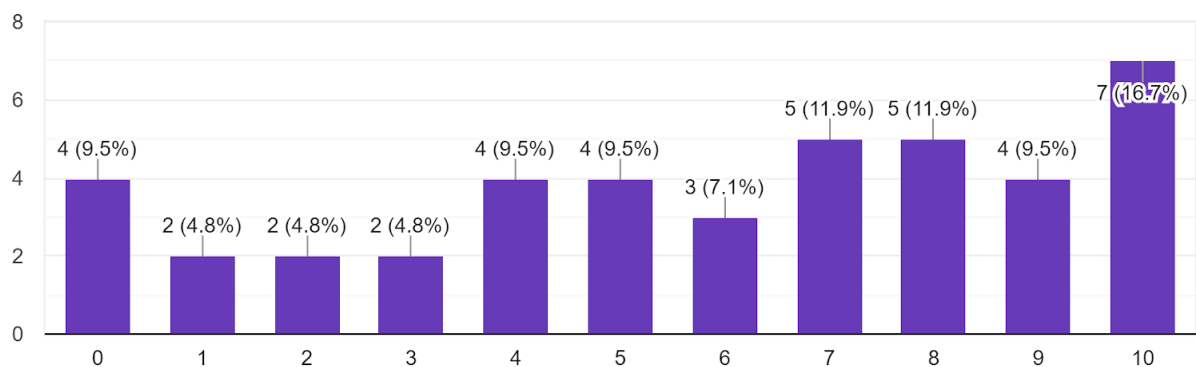


Figure 3: Recovery status of SMEs

Although, most of the enterprises have partially or completely recovered, most of the SMEs are still having less work force as well as less revenue compared to the pre-COVID situation. The benchmark of pre-COVID situation was set at February, 2020.

57.1% or 24 out of 42 respondents stated that they have less workforce compare to the pre-COVID times. Only 8 enterprises said that they are working with more people than pre-COVID situation. This indicates that the pandemic situation forced the employers to cut down their workforce and a lot of the employees haven't got their job back yet.

Compared to the pre-COVID situation, what is the current scenario of your work force?

42 responses

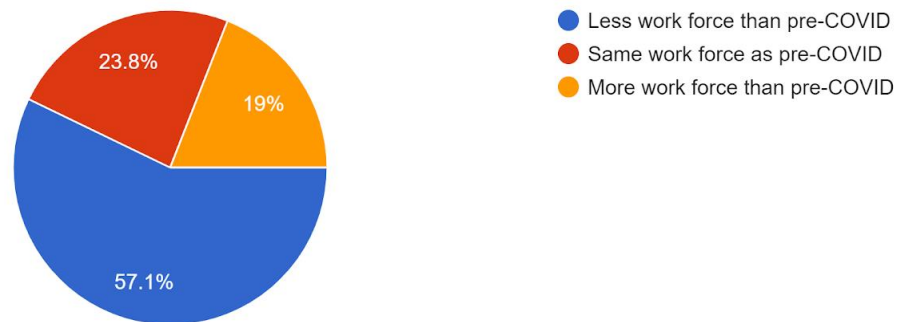


Figure 4: Workforce scenario of SMEs

Again, 52.4% or 22 out of 42 SMEs have reported that they are having less revenue compared to the month of February, 2020. 10 respondents said that they are having the same revenue like before and the rest 10 said they are having more revenue than before. So, here we can find an interesting observation. Although, most of the SMEs are having less revenue than before, they are considering themselves recovered from the backlash of COVID.

Compared to the pre-COVID situation, what is the current scenario of your revenue?

42 responses

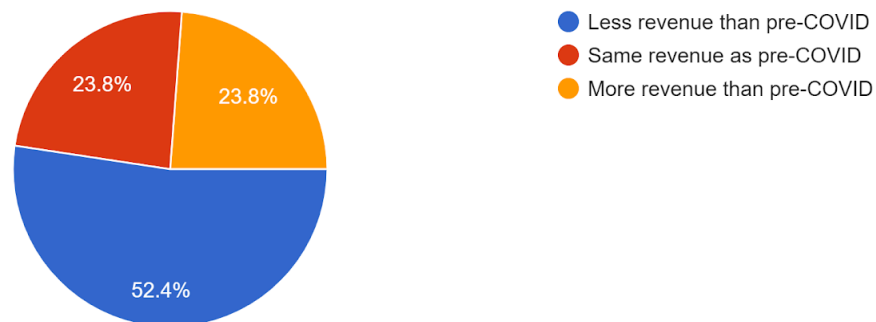


Figure 5: Revenue scenario of SMEs

In this section, I had another question to the SME owners/ managers to know whether they have received or applied for any loan under the stimulus packages announced by the government of Bangladesh. The purpose of this question was to identify whether the good will of the government is properly being utilized or not. More than three-fourth or 32 out of 42 respondents stated that they have neither applied for nor received loans.

Have you received or applied for any loan under the stimulus packages announced by the government?

42 responses

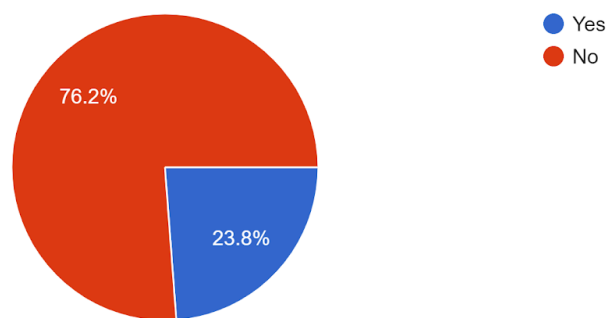


Figure 6: Access to Finance Status

### 6.3 SME Marketing Networking

In this section, my questionnaire was intended to discover the SME owners'/managers' knowledge about marketing network and its impact on their business especially in times like COVID-19 pandemic. To make sure that they don't get confused answering these questions, I provided a short lesson regarding marketing networking in this section prior to the questionnaire.

Almost three-fourth of the surveyed owners/managers are maintaining marketing network for their business according to my survey. Only 4 out of 42 participants stated that they don't maintain such networks. This reflects the critical need of marketing network for the SMEs.



Do you maintain marketing network for your business?

42 responses

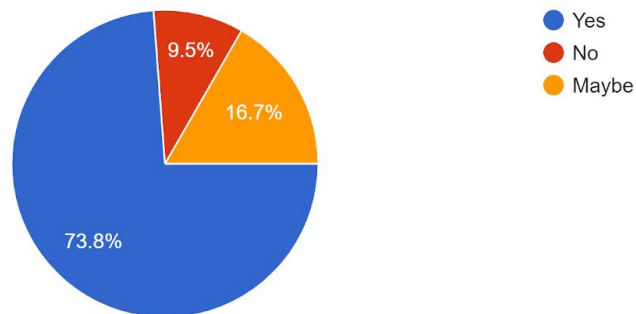


Figure 7: Marketing Network Scenario of SMEs

The concept of sustainable business growth is the maximum growth rate achievable via utilization of existing cash flow without increasing leverage or debt. Almost all the SME owners/managers think of marketing network as an essential tool for sustainable growth of their business.

Do you think marketing network is essential for SMEs to maintain a sustainable growth?

42 responses

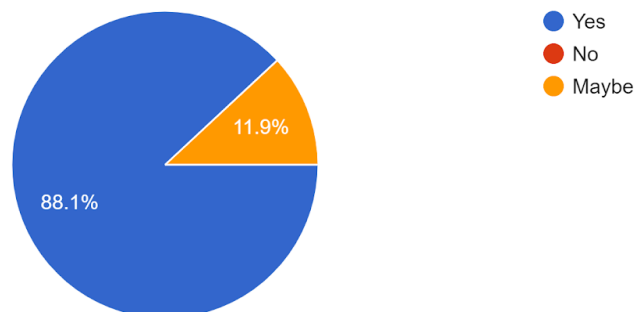


Figure 8: Marketing Network vs Sustainable Growth

The participants then took part in a five point Likert scale type questionnaire, which was intended to find out the relationship of marketing network dimensions and the dependent variables declared

on my conceptual background. I asked if the marketing network helped them in the following parameters.

<b>Variables</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Access to Finance	5	8	14	12	3
Customer Acquisition	4	3	10	14	11
Customer Retention	4	7	9	16	6
Supply Chain Maintenance	5	5	12	13	7
Market Knowledge	4	5	7	18	8
Distribution Channels	4	6	10	16	6
Product Decisions	3	6	7	18	8
Innovation in Promotion	5	4	11	13	9
Mental Support	4	5	13	13	7

Table 4: Likert Scale Questionnaire Result

From the above table, there is clear indication that most of the SMEs consider their marketing network essential for crucial growth parameters such as access to finance, new customer acquisition, existing customer retention, supply chain maintenance, gaining and increasing market knowledge, managing distribution channels, product decisions, innovation in promotional activities and finally mental support in times of COVID-19.

Around 60 percent credit for the recovery so far from the COVID-19 situation was given to marketing network by the SME owners/managers. Such a realisation allows for a speculation that networking can be harnessed into a proactive marketing infrastructure. This whole discussion also clarifies that SMEs do marketing by networking and this can be developed proactively as an approach for marketing which is totally compatible with the characteristics of SMEs.

On a scale of 0 to 10, how much credit will you give to marketing network for your recovery so far?  
42 responses

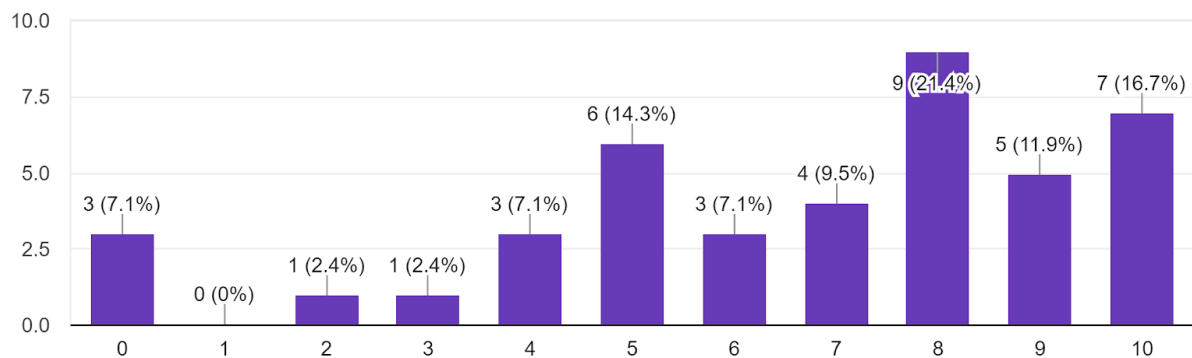


Figure 9: Credit Given to Marketing Network for Recovery So Far

Almost all the SME owners/managers certified that SMEs should maintain marketing network especially in times like COVID-19 pandemic. Carson et al. (2004) focused on the use of SME network activities in relation to strategic marketing, during a time of environmental change in the operating context of SMEs. Current study found a similar observation during COVID-19 and in the context of Bangladeshi SMEs.

Do you think SMEs should maintain marketing network especially in times like COVID-19 pandemic?  
42 responses

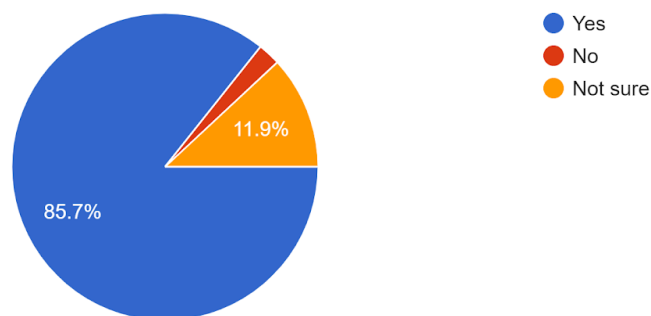


Figure 10: Need of Maintaining Marketing Network in COVID-19

# **Chapter 7: Discussion and Implications**

From this study, we can find the strategic relationship of SME marketing networking and the growth factors of SMEs, especially in times of COVID-19 pandemic. This paper answers the following research questions- “How much recovery has been done by the SMEs from the economic downturn caused by COVID-19?”, “What is the role of SME marketing networking to overcome the economic hardship during COVID-19?” and “What can be the learnings from this phenomenon that can be used for future reference?” We can see from the survey that more SMEs are considering themselves recovered from the impact of COVID-19 than those who are not considering themselves recovered. Some variables for growth were considered for this study- access to finance, new customer acquisition, existing customer retention, supply chain maintenance, market knowledge, managing distribution channels, product decisions, innovation in promotional activities and finally mental support. Most of the SMEs certified that there is a clear linkage between these variables and marketing networking. As a matter of fact, two-third credit for the recovery so far from the impact of COVID-19, was given to their marketing network. Almost all the SME owners/managers think that SMEs should maintain marketing network especially in times like COVID-19 pandemic.

The results of this research could be useful for both academia and in practice. The following subsections show the discussion on academic and managerial implications of the current study.

## **7.1 Academic Implications**

Academia can use the results as means to direct future research in the following ways-

1. Investigating more in-depth how specifically the variables interact together and explore if the focus on any particular linkage between the marketing network and growth factor variables causes complimentary or opposite impact on a SME’s resilience and sustainability.
2. Investigating the use of new technology options and the application of possibilities that can be relevant for marketing networking of SMEs. For example, facebook groups have recently been a good source of networking for SMEs.

3. Applying the research design for larger sample as well as for other sectors and investigating how those business groups have responded to the disruptions in their operations and markets.

Current study gives a rough idea of SMEs' strategic approach of marketing networking during COVID-19. More research is needed to identify typical scenarios relating to the implementation of networking in SME's operating sectors. Further research is also needed to support the development of appropriate and feasible methodologies for designing sustainable marketing network.

## **7.2 Managerial Implications**

Overall comprehensiveness and scale was not the focus of this study, but this paper aimed at gaining insights into strategic marketing networking approaches used by SMEs to cope with the pandemic. The findings of this study provides a basis of instruction to apply marketing networking approaches for SMEs especially in times like pandemic. Unstable and unpredictable environments force SMEs to rebuild their business strategy and change their operating model. In the disruption created by COVID-19, strategic marketing networking approaches have been an integral part of the operational processes of SMEs in terms of supply chain management, service delivery, distribution channels etc.

SMEs rely on existing networking dimensions, but they are also exploiting new possibilities. The flexibility of SMEs and their agile response can be seen as an advantage in such case. But the challenge is to overcome the lack of competences and capacity to take advantage of the situation. Building capacities and competencies should be a priority when business activities are reduced in times of changes.

# **Chapter 8: Conclusion**

SME sector in Bangladesh, like many other developed and developing countries in the world, provides employment and income for a large population. This sector generates about a quarter share of our country's GDP. The influence of COVID-19 motivates SMEs to reassess their core competencies, seek new opportunities, and redefine business models. This study attempts to assess the recovery conditions of SMEs from the COVID-19 disruption and the role of strategic marketing networking approaches in the recovery so far. The author's intention was to fill up the gap about the lack of research on the role of marketing networking dimensions in SMEs' context. We have observed that the application of networking approach had positive impact on the growth factors.

Study findings are based on a small number of samples and therefore, the findings cannot be generalized to all the SMEs operating in Bangladesh or other similar developing countries. Moreover, the study was conducted at the middle of the pandemic and therefore, the consequences and the level of recovery might vary in a few months. More research is needed to critically examine the robustness of the proposed theoretical framework in different growth stages of SMEs as well as different timeline of the pandemic. Another ground for future research would be to examine how the characteristics of growth factors and innovation influence the role of network relationships.



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