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A Framework of Factors Influencing Performance of Small and Medium Enterprises (SMES) in Tourism Industry During Covid19 Pandemic ERA

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Abstract
The Movement Control Order (MCO) and travel restrictions enforced to combat the COVID-19 epidemic which have harmed Malaysia's tourist and hospitality industry. Since its emergence in Wuhan, China, it has grown into one of the world's most serious problems. For instance, consider the performance of SMEs in the tourist industry, which has seen a dramatic decline in sales, putting the Visit Malaysia 2020 (VM2020) campaign at danger. Furthermore, cash flow issues, shutdown of operations, layoffs, retrenchment, and weakened businesses' potential for future development were identified as major barriers for SMEs in the tourist industry during this epidemic. Therefore, the goal of this research is to better understand the relationship between stakeholders, CSR, and the performance of small and medium-sized businesses in the tourist industry during the novel COVID-19. This is significant since SMEs account for the majority of existing and new entrants into the tourist sector. To accomplish so, this article used Freeman's stakeholder orientation theory, which includes market orientation (consumer and competitor), employee orientation, and supplier orientation, all of which are influenced by pandemics. We will undertake focused research to investigate how corporate social responsibility (CSR) by Caroll (1991) mediates interactions between stakeholders and SMEs. According to the framework, this analysis could help to boost SMEs tourism in Malaysia during the pandemic and assist managers/owners of SMEs tourism in solving their problems during and after the pandemic. Furthermore, this report emphasised the detrimental influence on Malaysia's tourist and hospitality industries as a result of a catastrophic pandemic disease spreading throughout the world. Despite this, the tourism industry is regarded as the world's fastest-growing economy. Finally, this conceptual analysis will assist the authority in taking further safeguards and determining the appropriate policy to apply in the future. Hence, this framework will contribute valuable evidence for business enterprises in the tourism sector.
Keywords: Covid-19, Tourism industry, Small and Medium Enterprises (SME), Stakeholder Theory, Movement Control Order (MCO)

Introduction
The services sector is a country's most important economic contributor. Not only does it rely on hotels, transportation, and food and beverages, but it also involves the entrepreneurship of the people. It focuses on the traditional, one-of-a-kind nature of local cuisine and crafts, as well as well-known sites. After growth and commodities, tourism is Malaysia's third-largest contributor to GDP. In 2018, this industry provided 5.9% of GDP growth. The "Visit Truly Asia Malaysia 2020" initiative was created with the purpose of attracting 30 million tourists and creating $100 billion in tourism income in Malaysia by 2020. However, since the extraordinary Covid-19 pandemic, the hospitality and tourist industries have taken a battering. According to the approximate of Malaysian government, the country's GDP fell by 0.8 percent to 1.2 percent last year (RM 10.8 billion to RM 17.3 billion). Inbound international travellers to Malaysia's most popular sites have decreased due to the closure of international borders during the time of movement control order (MCO) that has been in effect since March 18, 2020 (Rahim, 2020). The current Visit Malaysia Year 2020 (VMY2020) promotion has been cancelled, according to the Ministry of Tourism, Arts and Culture. This might have an influence on the government's goal of 30 million visitors during the Visit Malaysia 2020 campaign (Malay Mail, 2020). The Malaysian government has conducted a thorough study of the COVID-19 pandemic because the World Health Organization defined the approach that must be followed in order to prevent the spread from spreading widely.

Individuals associated with the tourism sector in Small and Medium Enterprises (SME), in particular, would suffer the most as a result of the revenue decrease, (Nicolaides, 2015). Including owners, employees, competitors, trade associations, unions, customers, activist groups, and the financial community, as well as travel agents, tour operators, media, hotels, taxis, public authorities, and even suppliers, are among the stakeholders, according to the UNWTO. The same source, Peric et al (2014) presents a list of 12 major kinds of stakeholders significant to the firm. In the academic and professional worlds, corporate social responsibility (CSR) is getting a lot of attention. Porter and Kramer's approach stated that the implementation of CSR projects might have an influence on the company's strategy. During this pandemic, CSR initiatives have grown increasingly popular in many industries. It has been identified as a critical topic for company managers to comprehend and manage. Previous research found that connections between organisations and their stakeholders have a beneficial impact on company performance (Alireza et al., 2020, Jahansoozi, 2006; Peng and Luo, 2000). While some studies show a positive relationship between CSR and firm performance (Maron, 2006; Wu, 2006; Rodgers et al., 2013; Gallardo-Vázquez and Sánchez-Hernández, 2014a), others older claim a negative influence (Boyle et al., 1997; Wright and Ferris, 1998); additionally, further studies are unable to demonstrate the direction or the sign of the relationship (Barnett and Salomon, 2006).

Existing research is limited in that it does not include stakeholders in the performance analysis. To begin with, the prior study had several limitations in that it could not track all corporate governance, CSR, and financial outcomes factors that may impact the analysis. They also have a limited amount of time to do the research. Second, previous research has advised that future studies should include more sorts of stakeholders, such as customers, because they may have a substantial effect on the firm's performance. According to another previous study, companies must contribute to CSR adoption since there is a clear relationship between
the company's CSR efforts and its stakeholders. Finally, Agyemang and Ansong, (2017) research findings suggested future studies to give treatments that clearly dive into the principles of financial success, stakeholder participation, and CSR activities. The aforesaid scenario has prompted this study because the influence on both the sales and supply chains is huge and still unpredictable, and the relationship between stakeholders and CSR is remain favourable to tourist performance. As a result, the researcher will be talked on the three key issues in this study. The first is the performance of SMEs in the tourism industry, which have seen a significant reduction in income as a result of the COVID-19 epidemic. Second, despite the fact that CSR implementation in Malaysian SMEs is not as effective as in big or publicly listed businesses in Bursa Malaysia, the adoption of CSR practises by all industries has been increasingly prevalent during this epidemic. Third, taking into account stakeholders in the performance of tourism SME's and the organization's efforts to contribute stakeholders through CSR activities.

As a result, the three main issues described above, namely the relationship between stakeholders, Corporate Social Responsibility (CSR), and the performance of Small and Medium Enterprises (SMEs) in the tourism sector during the COVID-19, can be determined, as small enterprises were viewed as a competitive sector in terms of promoting more job opportunities and improving the socio-economic quality of tourism, (Chernyshev, 2014). Stakeholder theory will focus on establishing relationships and value between firms and their stakeholders, whereas CSR highlights the benefit to society as a whole, (Dmytriiev & Freeman, 2017). Although the two principles differ in certain ways, they may be used to improve company performance and society as a whole.

At this time, firms should look not only for financial performance but also for society’s benefit and the welfare of their stakeholders, thence, SME owner/ manager needs to perform his/her role effectively to maintain and develop the position of the firm in the market and generate legitimate income for the stakeholders and the business itself. The presence of CSR in this conceptual study will further help the authority to take precautions and best policy to be implemented in future.

Literature Review
Small and Medium Enterprise (SME)
Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) categorised SMEs according to their annual sales turnover or the number of full-time employees. For the manufacturing sector, businesses with a sales turnover of less than RM50 million and less than 200 employees are eligible. SMEs in the services and other industries are businesses with annual sales of less than RM20 million and fewer than 75 employees (SMECorp, 2019). In 2016, SMEs accounted for 98.5 percent of all business establishments across all economic sectors in Malaysia, 36.6 percent of GDP, and 65.3 percent of employment. Because of the large number of SMEs that have established themselves in the market, any business or economic downturn would undoubtedly affect a wide range of industries as well as national economic growth. Small business performance, on the other hand, is defined as a company's ability to produce employment and luxury via the establishment, survival, and sustainability of a firm (Sandberg et al., 2002).

SMEs Business Activities in the Hospitality and Tourism Industry
Since the formation of the Tourist Development Corporation (TDC) in 1972, the Hospitality and Tourism Industry (HTI) has been recognized as one of Malaysia's main economic sectors,
Local eateries that cater to visitor demands; housing in the form of homestays, longhouses, budget hotels, and boutique hotels; transportation; and other essentials are among the SME enterprises in the hospitality and tourism industry. (Sulaiman Sajilan et al., 2016). (Othman and Rosli, 2011) classify tourist business activities into four groups: (1) food and lodging services, (2) retail and souvenirs, (3) travel agents, transportation, and sport, and (4) those that do not fall into the preceding categories. According to Main and Morrison (2002), tourism SMEs are typically run by their owners, who are often married couples. This type of family business is known as a "copreneur".

According to the Malaysian SME Corp, the services sector is also expanding, accounting for more than 60% of Malaysian SMEs' Gross Domestic Product (GDP) (2014). Malaysia's government's continuing efforts to develop the tourist sector have a positive impact on the operations of SMEs in the tourism industry. This is because there are many chances for SMEs to grow in the hospitality and tourist industries due to the modest amount of start-up capital required, and the barriers to entry appear to be very low (UNESCAP, 2005). The tourist industry's SMEs will have a significant influence on Malaysia's economic growth. Malaysia was rated ninth in the world by the United Nations World Tourism Organization in terms of international tourist arrivals (UNWTO).

**Stakeholder Theory**

Freeman (1984) defines the Stakeholders as “any group or individual who can affect or affected by the achievement of the organization’s objectives”; however, in one of his most recent definitions, he considers them to be "those groups who are vital to the survival and success of the corporation". Stakeholders are categorized in two, which are primary and secondary. In the opinion of Freeman (1984), primary stakeholder or also called internal stakeholder, is categorized as customers, competitors, shareholders/investors, employees, and suppliers, which shows that organizations face a wide variety of stakeholders. The key aim of stakeholder theory is to protect against detrimental impacts on the tourism sector during this pandemic. According to Freeman (1984), the business's stakeholder focus is the degree to which the organization takes care of the interests of all individuals involved and hence tries to address those interests. Customers, competitors, employees, and suppliers are the subject of this point of view article. This stakeholder orientation is useful for the convergence of SMEs tourism resources and social network tools, as well as for the shared growth of businesses and society. In the end, it would boost company efficiency based on the concepts of (Kramer, 2006). Over the last three decades, stakeholder management has grown to become one of the most important aspects of CSR. As previously stated by Freeman et al (2010) the function of stakeholder theory within CSR is not just to persuade managers to think about the best overall outcome for society, but also to think about how the interests of the company's stakeholders may be met.

**Market Orientation and Firm Performance**

Based on previous research (e.g., Kohli and Jaworski 1990; Narver and Slater 1990), market orientation (MO) was defined as an organizational culture that focuses on analysing and acting on customers' demands, predicting and responding to rivals' activities, sharing that data across the business, and taking coordinated action to produce greater customer value. Consumer orientation, rival orientation, and inter-functional teamwork are the three behavioural components of business orientation, according to Narver and Slater (1990). Customer orientation refers to the understanding of target consumers today and in the future.
in order to produce a continual increase in demand for them. Inter-functional collaboration demands the methodical use of capital in order to deliver greater value to target consumers. Competitor orientation includes recognising current and potential competitors, as well as their strengths, limits, and skills. A consumer-oriented business may retain existing consumers by keeping them pleased and loyal, attracting new customers, attaining the required level of growth and market share, and therefore obtaining the desired rate of sales productivity; (Homburg and Pflesser, 2000).

Marketing idea focuses on establishing customer connections, marketers are better positioned to incorporate stakeholder issues into strategic planning. Several academics have investigated stakeholder perspectives of tourism impacts on their communities in the goal of improved understanding, as clients or tourists are also significant stakeholders. They are the major revenue generators for the tourism and entertainment sectors, Belinda's (2008). Most previous research look at the combined impact of corporate orientation and/or stakeholder orientation on outcomes, according to (Vieregge, 2015). In market literature on customer orientation and competitive orientation, there was also a positive influence on organisational performance, according to (Bearden, 2005). The concept also included a tourism component, which was decided by the quantity of tourist arrivals, which would help SMEs become more efficient. It was argued that fulfilling customer requirements and motivating employees to assist customers would increase shareholder value and help fulfil stakeholder interests, (George's, 2003).

Employee orientation and SMEs performance
Employee orientation refers to a company's aim to address its employees' interests and meet their job demands (Lings et al., 2000; Webster, 1992). Freeman (1984) considers employees to be an important group of stakeholders in big organisations, however Greenley and Foxall (1996) classify employees as non-consumer stakeholders. Companies with a high level of orientation will get trust and respect from their employees, which will eventually lead to higher performance and financial outcomes than others, Bussy and Suprawan (2012). As workers have direct connection with guests, it is vital for the concerned management to understand the elements that impact the employee's performance. Second, in the tourist business, it is the hotel industry employee who guarantees that his visitors are pleased. According to research on human resource management, gratified employees have higher morale and job motivation, and they will work harder, more productively, and expeditiously (Becker and Gerhart, 1996; Berman et al., 1999), resulting in increased organisational effectiveness (Koys, 2001). Kotter and Heskett (1992) agree with this position on the value of workers, saying that employees are a contributing element to a firm's success. Frontline personnel who provide customer care will serve their clients better if they are pleased with their jobs, resulting in higher levels of customer satisfaction and, inevitably, increased sales (Kotter and Heskett, 1992; Koys, 2001; Webster, 1992). As a result, small and medium-sized firms should guarantee that their employees are involved, according to Juntunen et al. (2010); otherwise, personnel might have a negative impact on the brand and risk its credibility.

Supplier Orientation and Firm Performance
Suppliers, according to Donaldson and Preston (1995); Clarkson (1995), are as essential as consumers as main stakeholders. If a company's suppliers leave, it will suffer greatly. The conventional zero-sum relationship between a company and its suppliers should be replaced with a long-term partnership built on mutual trust. Firms that maintain stable cooperative
relationships with a small number of suppliers may outperform those that possess a big number of suppliers.
The travel and tourists sector is often regarded as the best in the world, according to the majority of people. As a result, the composition of the tourism sector is not surprising, as certain elements of tourism, such as housing, transportation, food and beverage firms, leisure companies and enterprises, travel agencies, and tour operators, are key components of the tourist supply chain, according to (Ţigu and Călăreţu, 2013). As previously said, there is no one entity in the tourist sector; nevertheless, the combination of multiple sectors includes main providers such as destination attractions, all modes of transportation, service, and the lodging business. Primary suppliers are also involved in the case of secondary suppliers. Suppliers and other business relationships are interconnected, with one's success influencing the others. Poor supplier selection leads to significant challenges, and repeated sourcing issues result in long-term issues that harm your business. Financial and economic losses, as well as a damaged image and unfavourable press, are all part of this, (Boer et al., 2001). In order to develop long-term partnerships, a balance of control between the parties, as well as continuity, is required to form cooperative buyer-supplier relationships, (Spekman et al., 1998).

The mediating role of Corporate Social Responsibility (CSR)
Caroll (1991) proposed a fundamental definition of CSR as a concept that combines ethical, technical, discretionary, business, and legal anticipation of human communities to commercial organisations as a commitment not just to business but also to social welfare as a whole, in light of CSR views. In this context, the presence of CSR is dependent on a company's obligation to consider the wellbeing and beneficial commitment of society through legal, economic, and positive business implementation activities that could benefit various stakeholders, such as business professionals, clients, staff, vendors, shareholders, and various community groups, as well as the environment.

Previous research on CSR in tourism and hospitality has found that the lens used to study the procedure is frequently dictated by the motives for studying the procedure, which can range from CSR as a tool to increase corporate income, boost political efficiency, or increase transparency for stakeholders to CSR as a way to study decision-making ethics. CSR influences the emotive aspect of a business's image, whereas brand loyalty influences the practical image, (Martnez et al., 2014). Corporate social responsibility may be used by tourism companies to promote economic growth, cultural appreciation, environmental conservation, efficient services, live services, and organisational efficiency. This is because the CSR tourism industry will have an impact on a wide range of stakeholders. According to Freeman (1994), CSR engagement will create links among various groups of stakeholders, resulting in improved company performance, according to the stakeholder idea. This plan will be beneficial to the company's prosperity as well.

CSR is a major contributor to businesses' balanced growth, generating wealth, and creating values that can be reinvested to produce economic growth that benefits society as a whole, (Farrington et al., 2017). According to research, tourism companies can distribute scarce capital to improve social welfare, and their attention to shareholder and other stakeholder preferences and requirements (including employees, customers, local populations, and government) has a significant impact on employee attitudes, motivation, and retention, (Supantia and Butcher, 2019).
In brief, CSR frequently seeks to assist mankind or anybody other than organisations and companies that are influenced by their social policies and practises. CSR is not a required procedure, but rather a way to voluntarily comply with a variety of rules that benefit both society and the business that implements them. On the grounds of this, SME management should incorporate social responsibility practises into their social goals and use them as a strategic tool to help businesses manage expenses, improve their business image, retain qualified employees, and achieve financial success in the long run, according to (Turyakira et al., 2014).

Based on the above discussion, the following model and hypotheses were recommended:

![Figure 1: The Proposed Framework](image)

<table>
<thead>
<tr>
<th>Independent Variable (IV)</th>
<th>Mediating Variable (MV)</th>
<th>Mediating Variable (MV)</th>
</tr>
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<tbody>
<tr>
<td>Customer Orientation</td>
<td>Corporate Social</td>
<td>Firm Performance</td>
</tr>
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<td></td>
<td>Responsibility (CSR)</td>
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<tr>
<td>H1</td>
<td>H5</td>
<td>H9</td>
</tr>
<tr>
<td>Competitor Orientation</td>
<td>H2</td>
<td></td>
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<tr>
<td>Employee Orientation</td>
<td>H3</td>
<td></td>
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<tr>
<td>Supplier Orientation</td>
<td>H4</td>
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</tr>
</tbody>
</table>

Hypotheses

H1: There is a significant relationship between customer orientation and SMEs performance.
H2: There is a significant relationship between competitor orientation and SMEs performance.
H3: There is a significant relationship between employee orientation and SMEs performance.
H4: There is a significant relationship between supplier orientation and SMEs performance.
H5: There is a significant relationship between customer orientation and CSR.
H6: There is a significant relationship between competitor orientation and CSR.
H7: There is a significant relationship between employee orientation and CSR.
H8: There is a significant relationship between supplier orientation and CSR.
H9: There is a significant relationship between CSR and SME performance.
H10: CSR mediates the relation between customer orientation and SME performance.
H11: CSR mediates the relation between competitor orientation and SME performance.
H12: CSR mediates the relation between employee orientation and SME performance.
H13: CSR mediates the relation between supplier orientation and SME performance.

Conclusion and Expected Contributions

Beyond the importance of the tourism contribution to the economic development, the goal of this study was to examine the relationship between Stakeholder orientation, CSR and the
performance of SME in tourism sectors during the pandemic of Covid-19. We also seek also to investigate the mediating effect of CSR between stakeholder orientation and firm performance. To justify the selection of the stakeholder and CSR practices as factors affecting tourism SMEs performance, we referred to the theoretical frameworks such as stakeholder theory and Carroll’s four-part concepts. In the stakeholder theory it consisted of customer, competitor, employee and supplier orientation as independent variable. Whereas, Economic, Legal, Ethical & Philanthropic are the components of Carroll’s CSR Pyramid which will further posited to intervened the relationship.

Based on the findings of a literature analysis of the tourist sector, SMEs' business success is hugely influenced by internal and external variables, including financial and non-financial metrics. Similarly, the impact on stakeholder orientation and small business performance in tourism sectors is well recognised in the literature especially during this pandemic. Tourism generates economic possibilities for small entrepreneurs in a variety of tourism-related business activities, including local agricultural, manufacturing, service, and construction-related industries, due to low start-up costs and low barriers to entry. The most noticeable are business prospects in tourism-related services, such as lodging, food outlets, tourist agents or guides, shopping, and sport facilities, because both local and international travellers require a variety of services during their stays on the islands.

SMEs play a leading role in the Malaysian economy. Therefore, investigation of their performance is a worthwhile scholarly endeavor. To overcome the tourism and hospitality industry’s downfall, both parties (Malaysian government and business owner) must aggressively play the roles of SME’s survival strategies. The Malaysian government should assist all people who have been harmed by the covid-19 outbreak. Otherwise, if the situation stays unchanged, these industries will not be able to thrive for very long. With the government’s help, they can address the problem of Covid-19’s present position, which has such a catastrophic impact. Every firm and sector will need time to get back on track to success.

As for the business owner of the service sectors, they should also have strategies of their own such as taking part of their firm in CSR activities as CSR can be a "win-win" option for both communities and organizations in terms of gaining long-term benefits. Over the years, a variety of studies have investigated the effect of CSR on a number of organizational outcomes, such as brand equity, Nguyen and Oyotode (2015), business success, Becchetti, et al (2007), and firm performance, (Peloza, 2006). According to the stakeholder principle, Freeman (1994), CSR engagement will reinforce relationships between various groups of stakeholders, such an approach will have beneficial impacts on the performance of the business. Similarly, Jo and Harjoto (2011) contend that CSR involvement by managers is used to resolve stakeholders’ conflicts and thereby maximize equity resources. In this study, we focus on Carroll’s four-part concepts of CSR which has been the most long-lasting and often quoted in the literature was originally stated the primary definition as a concept involving ethical, economic, discretionary, corporate, and law advances in human communities for business firms and also the general social welfare in which it will positively influence on business performance.

This model will help in identifying some expect that influence the sustainability of the performance to society’s especially to owner/ manager of SMEs tourism sector during this COVID-19 pandemic in the future for their venture in the global market. Thus, owner/ manager of SME that apply the recommended approach derived from the results of this study will gain better performance to their firms. As for administrators, they will be guided on what
should be emphasized by the owner/manager in the SMEs tourism to improve the performance of their firms. Lastly for the researcher, the investigation will uncover critical areas in the context of stakeholders, Corporate Social Responsibility (CSR) and SMEs tourism performance during this COVID-19 pandemic that many researchers could not explore.

In this present study we, therefore, attempt to explore whether the contributions of CSR are responding to customer, competitor, employee and supplier orientation with most urgent actions such as creating awareness, and other in-kind supports as well as contributions of time and expertise as the entire world is now grappling with the effects of the COVID-19 pandemic in businesses, particularly in SME tourism and other small businesses that are related.

References


