



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



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ISSN: 2222-6990

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i11/14987> DOI:10.6007/IJARBSS/v12-i11/14987

Received: 17 September 2022, **Revised:** 21 October 2022, **Accepted:** 04 November 2022

Published Online: 25 November 2022

In-Text Citation: (Ramli & Ithnin, 2022)

To Cite this Article: Ramli, K., & Ithnin, H. S. (2022). Conceptual Framework: Independent Business Owner's Agility and Financial Resilience. *International Journal of Academic Research in Business and Social Sciences*, 12(11), 2837 – 2845.

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Vol. 12, No. 11, 2022, Pg. 2837 – 2845

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Conceptual Framework: Independent Business Owner's Agility and Financial Resilience

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Abstract

As crisis, challenges and survivals are parts of human evolutions, it's our judgement, resilient and creativity that will endure our paradigm shifts either to become better or remain stagnant forever. What we are experiencing in terms of economic recession is not new. In Malaysia for example, we had recessions in 1988 and 1997. In the world context, there was Great Depression in 1930, Oil Crisis in 1973 and an Economy Depression during the President Obama Era in 2008.

This study makes an effort to address the problem of escalating household debt and monetary instability year-round. The pandemic Covid-19, which resulted in the collapse of countless businesses and significant unemployment, worsens this situation even further. It demonstrates that the majority's income sources are not resilient. Initiatives by the Malaysian government to offer short-term incentives, including Bantuan Prihatin Rakyat, i-Sinar, and others, help people survive in the short term but do nothing to address their financial issues or lower household debt.

This circumstance demonstrates how susceptible to unpredictable external environments and lack of resilience the primary sources of income are. This study makes an effort to look at the financial resiliency of independent business owners.

Keywords: Recession, Pandemic Covid-19, Financial Resilience, Independent Business Owner (IBO)

Background of the Study

There is a tonne of evidence from earlier studies indicating the connection between agility and performance outcomes (Bouguerra et al., 2021). We know little about how agile organizations affect certain groups of people that are connected to the company, despite the fact that there is a wealth of literature on strategic agility that focuses on organizational flexibility and variation. On how agile organizations could contribute to the reduction of family debt, clear advice at lower, more specific levels of analysis is required.

Despite the fact that there is a lot of literature on strategic agility that focuses on organizational flexibility and variety, we know little about how agile organizations effect specific groups of people that are related to the company. Clear guidance at lower, more

detailed levels of analysis is needed regarding how agile organizations could help individual as independent business owner to achieve financial resilience.

Amway was chosen for this study as a direct selling organization that uses multilevel marketing, also known as network marketing, which offers chances for many people to establish businesses, regardless of their financial situation or educational experience. The company was selected due to its history of being healthy, stable, and resilient.

Background of Amway

Amway is one of the biggest and most well-known multilevel marketing (MLM) companies in the world. In the Michigan town of Ada, Rich DeVos and Jay Van Andel started Amway in 1959. Amway unveiled a brand-new business strategy that year that capitalized on the value of interpersonal connections.

With more than 3 million business owners or agents spread across more than 100 nations, Amway stands out from its rivals on a global scale. Amway is not overly dependent on any one market as a result. As a result, Amway is able to sell its goods to more customers and increase its profit. Despite this, women are the ones that buy the majority of Amway products. Additionally, Amway has won various awards, including as the LEED Gold certification and Asia Pacific Frost & Sullivan Filtration Company of the Year Award, among others. These accolades put Amway at the top of the list when compared to other multilevel marketing firms (Edrak et al., 2013).

Amway (Malaysia) Berhad

Amway's operations in Malaysia begin in Ipoh in 1976. The company was formerly known as Amway Malaysia, and it was engaged in the sale of consumer products through its direct selling business model. They sell a variety of products, including nutrition and wellness products, skincare and cosmetics, personal care products, home care products, personal accessories, food and beverages, clothes, household appliances, and cutting-edge home technologies (Loo et al., 2020).

The largest direct selling company in the world and the only one that is publicly traded is Amway. According to the Ministry's official website, the business is registered with the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) and is the only one that needs to renew its license once every ten years.

Research Problem

This study addresses the issue of significant uncertainties in individual financial positions as a result of economic disaster caused by global crisis as a result of pandemic.

In a number of nations over the past ten years, the percentage of household debt to GDP has increased quickly (Lombardi et al., 2017). At the height of the Covid-19 outbreak in December 2020, Malaysian household debt increased from an 82.7 percent share to 93.2 percent of the nation's nominal GDP. According to CEIC data, December 2020 saw a record high of 93.2 percent while December 2008 saw a record low of 60.4 percent (Malaysia, 2020). Statistics show that people are having more financial problems, which calls for effective answers.

The direct selling industry is doing well at a time when the majority of the world's economies are experiencing rising unemployment. The World Federation of Direct Selling Associations

(WFDSA) said in its 2018 Direct Selling Report that global direct sales rose by 2.3 percent from US\$175.3 billion in 2019 to US\$179.3 billion in 2020. Research indicates that the three-year Compound Annual Growth Rate (CAGR) is increasing despite the damage caused by Covid-19. The direct selling industry grew at a 3.0 percent CAGR from 2017 to 2020 (excluding China), displaying resilience at a time when most commercial sectors are seeing a decline due to the pandemic (Caluza, 2020).

The positives of direct selling include the potential for financial independence, increased wages, the growth of interpersonal and professional skills, flexible scheduling, and a better ability to take care of families. Additionally, they claim that direct sellers benefited from improving their self-worth, self-assurance, and sales skills. As a result, the number of direct sellers has grown along with a significant increase in their incomes, and the direct sellers are content with the standard of their employment. Additionally, the report notes that women's ability to save has significantly grown as a result of becoming financially independent (Mohammed & Thoomkuzhy, 2021)

This study identifies the direct selling sector as one of the sectors that not only survives but also grows quickly in the wake of catastrophe. This study encourages individuals to consider the possibility of the direct selling industry as one way to help them recover from a recession and achieve financial resilience that can last in any situation.

Research Questions

The following inquiries are addressed to achieve a distinct focus of answers intended from this research, which is to identify the factors impacting each of the research aims.

1. What are the factors to achieve financial resilience among IBOs?
2. How IBOs' agility can promote financial resilience?
3. Does agility mediate the relationship between psychological empowerment and financial resilience?

Research Objectives

Specifically, the study is conducted to fulfil the following objectives:

1. To investigate the factors that contribute to financial resilience among IBOs.
2. To examine the impact of IBOs' agility on financial resilience.
3. To determine whether IBO agility is the mediating variables between psychological empowerment and financial resilience.

Framework of Underpinning theory

The psychological empowerment model, which speaks of people's psychological drive to carry out their duties efficiently, will be used in this study. Employees feel psychologically empowered when they comprehend the importance of their job obligations, which ask for the development of skills and competences (Soleimani et al., 2022). Other than that, psychological traits like creativity and risk-taking are also quite important (Franco & Landini, 2022). Muduli and Pandya cite 2018 as the year in question (Franco & Landini, 2022), Such inherent characteristics of the workforce depend on dispositions like familiarity with novel concepts, readiness to pick up new skills, and self-assurance in one's capacity to handle additional jobs, all of which can be encouraged by some form of psychological empowerment. This study, which is based on a psychological model, will investigate the factor that would enable IBOs to develop financial resilience.

The psychological empowerment idea claims that motivated employees are more excited about their work. This demonstrates a culture where employees want to define their work function and context and actually feel confident doing so (Spreitzer, 1995).

The Psychological Empowerment Instrument, developed by Dr. Gretchen M. Spreitzer, is used by many business owners who desire to flourish in today's global business environment. Spreitzer asserts that exceptional businesses attract top managers and encourage employee creativity by allowing employees the autonomy to act independently and in the best interests of the company as a whole, free from micromanagement.

Figure 1 below shows the conceptual framework includes independent variables and dependent variables as well as mediator. This framework is adapted from (Muduli, 2016).

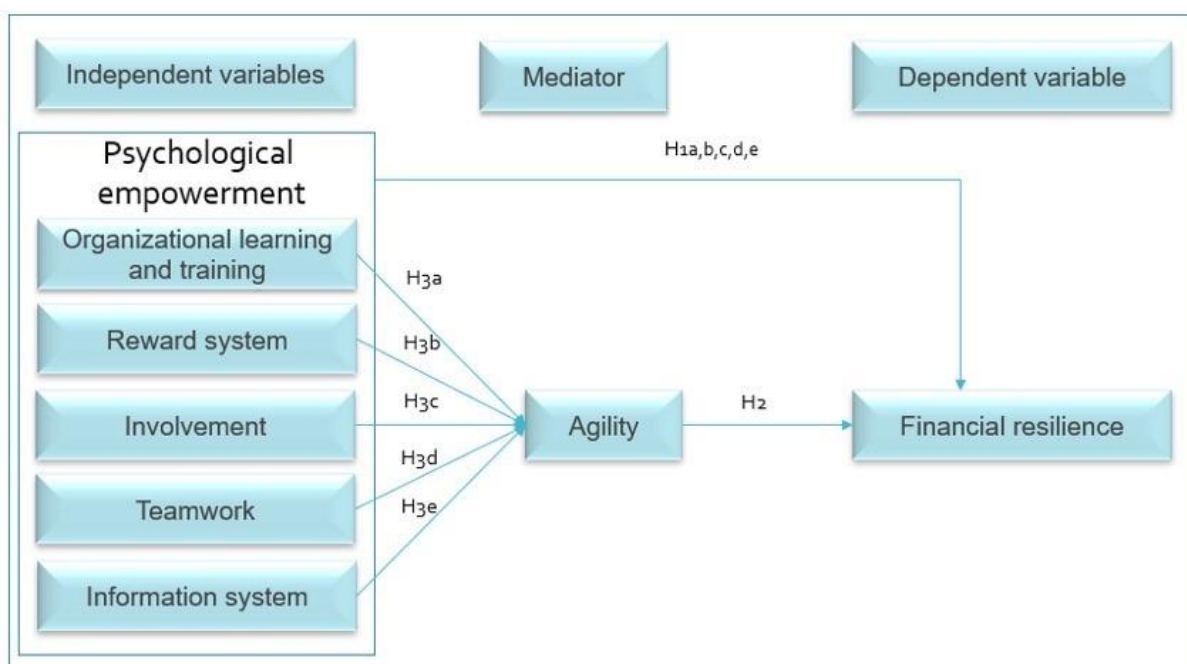


Figure 1: Conceptual Framework

Explanation of Variables

Organizational Learning and Training

Without utilizing staff members' expertise and skills, agility cannot be attained. The most adaptable professionals make the most of their abilities by proactively innovating just before a need arises (Muduli, 2019).

Effective training requires that the organization nurture and develop a learning environment in which employees are encouraged to be open and innovative in seeking new ideas. Such a climate facilitates the acquisition of knowledge and skills, thereby enhancing strategic flexibility and the ability to adapt and to respond to changes in the market and work environments (Alavi, 2017).

Reward System

Traditional compensation techniques like profit-sharing, gain-sharing, and employee stock option plans have been demonstrated to be less effective at fostering work-force agility than

non-traditional rewards like skill-based pay systems, improvement-based incentives, and non-monetary benefits. Employees are paid for the quantity and quality of skills they have learned, for instance, under a skill-based pay system, which is consistent with maintaining workforce adaptability (Muduli, 2019).

Involvement

Low-order employee participation practices have the potential to directly enhance workforce agility, they really serve primarily as its foundation; only high-order practices placed on top of that foundation result in workforce agility. Hopp and Van Oyen (2004) came to the conclusion that through increasing the effectiveness of training, multitasking, and collaboration, power-sharing techniques have the best potential to enhance the workforce agility architecture. Employee autonomy, is one of the most crucial factors influencing workforce agility (Sherehiy & Karwowski, 2014).

Teamwork

An organizational focus on teamwork requires consideration of the internal, external, intra-group, and cross-functional team working contexts, which has been found to increase worker adaptability. Organizations may benefit from the synergy produced by cross-sector collaboration for the prompt completion of projects. Workers receive the precise, thorough, and useful business intelligence they need to make informed business decisions in an efficient and friendly team environment (Muduli, 2019).

Information system

Effective information systems (IS) are essential to promoting workforce operational speed and flexibility. Organizational leaders can encourage employees to feel more knowledgeable and prepared to be adaptable and collaborative by giving them access to timely information about customers, accounting, business performance, and management. Group decision support systems and other communications and mobile technologies can be utilized to support and improve an organization's operational speed and flexibility (Muduli, 2019).

Financial resilience

Financial resilience, according to Klapper & Lusardi, 2020, is the capacity to endure life events that have an impact on a person's income and/or assets. Researchers have examined the national economy's financial resilience to determine whether it can sustain these occurrences (Setyorini, 2021). To survive and advance, it is crucial for everyone to have the ability to foresee and prepare for gradual change as well as unexpected interruptions (Hussain & Papastathopoulos, 2022).

Determining a company's capacity for innovation is a crucial need for evolving and staying on top of customer expectations in the fast-paced world of today (Aboelmaged, 2014). Individuals' willingness to change faces the same difficulty.

Although the expansion of Covid-19 has a detrimental effect on health, it also has a wide range of social and economic repercussions (Susilo et al., 2020). The threat of losing their jobs, crippling illnesses, injuries, the high cost of large homes or cars, as well as worsening economic conditions as a result of the Covid-19 pandemic, which threatens financial stability and causes financial instability, are just a few of the problems that humans face as a result of these issues.

Therefore, having financial resilience is necessary to handle difficult financial circumstances as well as problems in daily life. Financial resilience can be quite helpful in the event of a disaster (Setyorini, 2021). Financial performance, robustness, and flexibility are components of financial resilience (Hussain & Papastathopoulos, 2022).

Agility

Individual agility is the ability and aptitude for quick thinking. Agile businesspeople are individuals that are able to adjust to changing conditions in order to enhance operations and procedures. (Bouguerra et al., 2021).

The agile organizational concept has attracted a lot of attention in the strategy and management academic world. In order to be competitive, businesses seeking long-term growth and success in a world that is getting more volatile, unpredictable, complex, and ambiguous (VUCA) must be flexible (Xing et al., 2020). The ability of the organization to incorporate team-level entrepreneurial behaviors, talents, and activities that are catalysts for continuous strategic agility and innovation through a well-managed human resource management process is necessary to meet these requirements, according to the same study (Gligor, 2013).

Entrepreneurial businesses or organizations might have distinctive characteristics that set them apart from their large, well-established rivals, and these characteristics might have different implications for what it means to be agile in such settings. The preponderant role performed by entrepreneurial teams in determining the performance of entrepreneurial enterprises is also of great significance in this study. This encompasses their makeup as well as their experience, capability for making decisions, capacity for learning, and organizing skills (Xing et al., 2020).

Worker adaptability, a novel aspect of work organization, is given rising attention in management and strategy literature, which is also due to its greater relevance. (Franco & Landini, 2022).

This study attempts to apply workforce agility and entrepreneurialism as drivers of agility to IBOs agility as the study's targeted group. According to Holbeche, 2018 as quoted by (Franco & Landini, 2022), substantial study has been done on the factors that influence company agility as well as the skills needed to maintain firm agility. By utilizing the two dimensions of worker agility—task agility and time agility—we contend that IBOs agility can support financial resilience.

Research Hypotheses

This study tries to investigate the following hypotheses:

- H1a There is a relationship between organizational learning and training and financial resilience.
- H1b There is a relationship between reward system and financial resilience.
- H1c There is a relationship between involvement and financial resilience.
- H1d There is a relationship between team work and financial resilience.
- H1e There is a relationship between information system and financial resilience.
- H2 IBO's agility has a positive relationship with financial resilience.

- H3a IBO's agility mediate the relationship between organizational learning and training and financial resilience.
- H3b IBO's agility mediate the relationship between reward system and financial resilience.
- H3c IBO's agility mediate the relationship between involvement and financial resilience.
- H3d IBO's agility mediate the relationship between teamwork and financial resilience.
- H3e IBO's agility mediate the relationship between information system and financial resilience.

Table 1

The relationship between research questions, research objectives and hypotheses

Research questions	Research objectives	Hypotheses
What are the factors to achieve financial resilience among IBOs?	To investigate the factors that contribute to financial resilience among IBOs.	H1a There is a relationship between organizational learning and training and financial resilience H1b There is a relationship between reward system and financial resilience H1c There is a relationship between involvement and financial resilience H1d There is a relationship between team work and financial resilience H1e There is a relationship between information system and financial resilience
How IBO's agility can promote financial resilience?	To examine the impact of IBO's agility on financial resilience	H2 IBO's agility has a positive relationship with financial resilience
Does agility mediate the relationship between psychological empowerment and financial resilience?	To determine whether IBO agility is the mediating variables between psychological empowerment and financial resilience	H3a IBO's agility mediate the relationship between organizational learning and training and financial resilience H3b IBO's agility mediate the relationship between reward system and financial resilience H3c IBO's agility mediate the relationship between involvement and financial resilience H3d IBO's agility mediate the relationship between teamwork and financial resilience H3e IBO's agility mediate the relationship between information system and financial resilience

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