

Business Model Innovations (BMI) by Small and Medium Enterprises (SMEs) during Covid 19 Pandemic. Case of Harare, Zimbabwe

Nyasha Adlety Nyamadzawo¹, Charles Chitumba² and Witness Tigere Ukama³

¹MTech. Strategy and Innovation, Harare Institute of Technology, Harare, Zimbabwe

²Technopreneurship Department, Harare Institute of Technology, Harare, Zimbabwe

³Technopreneurship Department, Harare Institute of Technology, Harare, Zimbabwe

E-mail: nyashaa.nyamadzawo@gmail.com

Abstract. The Business Model Innovation (BMI) concept has gained increased attention in recent years and has been seen as essential for company's growth and survival. Since Covid 19 (CV-19) pandemic, SMEs have been the most vulnerable because of restrictions and regulations by which have affected company's income. This study explores empirically the BMI by SMEs during the CV-19 pandemic. A quantitative descriptive approach was used to carry out the study. It was discovered through the study that the CV-19 pandemic had dire impact on SME operations and also that has led most SMEs to carry out adaptive BMI in order to survive the effects of the pandemic. Findings from research allow understanding the nature of business model innovations by SMEs in Zimbabwe during CV-19 pandemic. Therefore, this research helps to further advance BMI theory through exploring the concept in a practical and disruptive situation like CV-19.

Keywords: *business model, business model innovation, Covid 19 pandemic, small to medium enterprises*

1. Introduction

The outbreak of Covid-19 (then after CV-19) pandemic in various parts of the globe has given serious impact on health and economy in terms of trade, investment and tourism. However, since the covid-19 pandemic started, SMEs have been more vulnerable compared to large business. The crisis caused by the covid-19 pandemic has become the proper moment for SMEs to enhance the standard of their products or services and to develop various strategies for offering goods or services supported by their business' concern. This study seeks to appraise Business Model Innovations by SMEs during the Covid 19 pandemic. Specifically, the study focused on SMEs in Harare, Workington area and deliberately excluded other SMEs in other parts of the country. Furthermore, the study covers the period from March 2020 to current prevailing CV-19 environment. This research study makes contributions towards empirical knowledge and understanding on business model innovations that SMEs have engaged in to survive in this turbulent business environment.

According to Magaisa and Matipira (2017), "The SMEs of the Ministry of Micro, Small and Medium Enterprises in Zimbabwe represent between 80 and 90% of the country's workforce, while contributing at least 60% of Zimbabwe's GDP". Despite this contribution, Zimbabwe has one of the

largest informal economies in the world, surpassed by Bolivia (Medina & Shneider, 2018). Therefore, a great deal of effort is needed to manage the survival and growth of small businesses, especially in the CV-19 pandemic. Musvanhiri (2020) in an article titled Coronavirus: Zimbabwean companies count the cost of economic impact; It notes that the coronavirus outbreak has affected small businesses in Zimbabwe and that Zimbabwean entrepreneurs were struggling to get supplies from China. The closure of factories in China has had a serious impact on their profits. SMEs are expected to get worse if they don't adopt new strategies. Kraus et al. (2020) identified temporary business model innovation (BMI) as a possible solution to recover from the crisis. If a BM innovates through substantial changes within the elements and / or their configuration (Foss and Saebi, 2017), new opportunities are faced that increase the company's performance and should help SMEs recover.

There is an incessant debate on the differences between business models and strategy concepts (Frijs et al., 2015) as most researchers use these two terms interchangeably (Magretta, 2002). However, the business models and strategy have distinctive characteristics. The business model refers to the logic of the company, its operations and how it generates value for shareholders. The strategy refers to the selection of the business model that the company uses to compete in the market and describes how the company manages its competitors and its external environment (Magretta, 2002; Casadesus-Masanell & Ricart, 2010). Zott and Amit, (2008) and Frijs et al., (2015) agree that the concepts of business model and business strategy are complementary rather than the same.

The BMIs were classified according to the origin of the innovation, the degree of innovation or its novelty. Environmental forces such as a generally increasing rate of development, globalization, technological developments, deregulation and growing interest in sustainability issues have sparked interest in business model innovation, Wirtz et al. (2010). Various definitions by the authors refer to business model innovation as a change in the structure of the entire business model or individual elements of it, either as a reaction to opportunities or challenges in the organization's environment or as a vehicle for diversification. and innovation, (Geissdoefer et al, 2018). Spieth and Schneider (2016) conceptualize business model innovation as a "new to the company" change that affects at least one of the three dimensions of the business model: value offering, value creation architecture, and model logic. According to Fossi and Saebi, (2016) highlight that there are four lines of research on BMI, namely, the conceptualization and classification of BMI; IMC as a process; BMI accordingly; BMI and organizational implications. Overall, the BMI literature includes notable differences in the definition and conceptualization of the key construct which can be seen as a feature of emerging research. The available literature recognizes that BMIs can differ in terms of at least two dimensions. The first dimension sought in the literature is the degree of novelty of the BMI. Some academics highlight BMIs that are new to a company (although not necessarily new to an industry), for example Bock et al., (2012); Johnson, Christensen and Kagermann, (2008). Another relevant dimension researched in the literature is the scope of BMI, i.e. how much of a BM is affected by a BMI. At one extreme, BMI can only affect one component, such as the value proposition; at the other extreme, it can involve all the components of the BM and the architecture that unites those components (Amit & Zott, 2012; Schneider & Spieth, 2013).

Foss and Saebi (2016) evaluate BMI in terms of "scope" and "novelty". They distinguished four types of BMI which are evolutionary BMI, adaptive BMI, focused BMI and complex BMI. Although the core elements of BMI - the steps presented in most of the articles - are somewhat different, it was noted that they could be grouped into six main steps which can be traced back to the general literature on business model innovation. These steps are: conception, feasibility, prototyping, decision making, implementation and sustainability (Wirtz and Daiser, 2018).

There are three generally agreed components of BMI which are: value creation, value delivery and value acquisition. The value creation dimension of the business model describes what is offered to the customer (Parida, Sodan & Reim, 2018). Value delivery describes how activities and processes are used to deliver the promised value. Revised business models may often require the development and application of new capabilities (Raichinger et al.). New business models require the review of operational processes and activities for global delivery. Value capture is the third component of the

BMI and refers to the income model and its financial viability, with particular attention to possible sources of income and cost structure, Parida et. al, (2018).

According to Foss and Saebi (2016), the BMI literature includes significant differences in the definition and conceptualization of the key construct, which is the first gap in the literature. Many authors agree with this effect, as the various definitions of BMI given also demonstrate. The second gap is in the matching and identification of background and BMI results. The BMI theorization must clearly identify the antecedents and consequences of the focal phenomenon. Andreini and Bettinelli, (2017) agree that future explorations related to skills, cognition and context emerge as areas where potentially interesting developments are found. Huang et al. (2012), for example, point out that BMI occurs when the company observes and responds to environmental and customer-related changes. Contingency and moderation variables are another gap that needs to be addressed in future research. Numerous contributions to the BMI literature indicate the role of organizational skills, leadership actions and learning processes in achieving BMI, leaving out other organizational literature. This gap also includes examining the role of organizational skills and leadership, the role of learning and experimentation, the role of cognition (eg Aspara et al. (2013). Finally, most studies on BMI examined are qualitative in nature; offering a rich understanding of the phenomena in question. However, the use of additional methods will advance the investigation considerably. Furthermore, with the information obtained, researchers must continue to recognize the importance of translating the practical information (Daspit, 2017).

The COVID-19 pandemic has severely affected small and medium-sized businesses around the world due to government-mandated and recommended closures and working time cuts in an effort to slow the spread of the virus. It has been found in various studies, for example (Mazikana, 2020; Chaora, 2020) that maintaining business operations has been difficult for SMEs around the world, especially in developing countries such as Zimbabwe. Syriopolous, (2020) stressed that most SMEs should also close their businesses after CV-19, provided they have limited financial capacity and a high level of operational risk due to their small size. Shortages of goods or supply disruptions were a major challenge highlighted in most of the studies. There have been supply chain disruptions, especially for those relying on imported products. Brown and Rocha, (2020) said the blockade caused an exponential decline in global economic activity, as evidenced by a rapid decline in production, supply chain challenges, and a decline in global trade. Another challenge faced by SMEs is that of operational challenges and the risk of business closure in order not to stay afloat due to the restrictive measures imposed by the government as a way to reduce the spread of the coronavirus. Fairlie, (2020) documented that the CV-19 pandemic crisis caused long-term economic challenges related to lower start-up rates, a sharp rise in unemployment rates and a drop in demand that reduced SME growth prospects.

However, the CV-19 pandemic has been a catalyst for digital marketing. Most SMEs have moved from traditional marketing to digital marketing platforms, for example WhatsApp and Facebook, Mazikana (2020). Baldwin & Di-Mauro, (2020) stressed that SMEs using digital technologies such as e-commerce are strategically positioned to adapt to the CV-19 pandemic crisis. Some SMEs have seen opportunities in other industries and have diversified their operations ever since. For example, there has been a sharp increase in demand for reusable masks, hygiene products such as soaps, disinfectants, towels and other hygiene products, Chaora, (2020).The objectives of this study are:

- i.To assess how CV-19 has affected survival and growth of SMEs.
- ii.To investigate the nature of business model innovativeness in SMEs in Zimbabwe during CV-19.

2. Research Design and Methodology

This study took a philosophical view of pragmatism. This is because it emphasizes functional knowledge and understanding. Furthermore, this research philosophy allows the researcher to use any combination of methods necessary to find answers to research questions. This study adopted the quantitative descriptive research design that (Creswell, 2014). The descriptive design was chosen

because its aim is to describe the current situation and innovations of the SME business model during the CV-19 pandemic. This design was used because it allowed the researcher to access sufficient data of the appropriate richness and depth from a manageable size of the population of employees and owners of SMEs.

According to Boyle (2016), a total population comprises of all individuals in a group from which the sample might be drawn. The population of this research study was made up of management and owners of SMEs in Harare specifically operating in Workington area.

Variable		Frequency (n= 131)	Percentage (%)
Gender	Male	86	65.6
	Female	45	34.4
Position	Owner	38	29.0
	Director	34	26.0
	Manager	34	26.0
	Supervisor	25	19.1
Sector	Manufacturing	31	23.7
	Retail	35	26.7
	Food and agriculture	26	19.8
	Minning	8	6.1
	Clothing and textile	3	2.3
	Hospitality	4	3.1
	Hardware & Construction	20	15.3
	Transport	4	3.1
Years in operation	1-3 years	51	38.9
	4-6 years	35	26.7
	7-10 years	22	16.8
	over 10 years	22	16.8

The research study used the method of non-probabilistic sampling, which implies that the possibility that each representative is selected from the entire population is unknown and offers a variety of possible techniques for defining the samples, based on the judgment of the researcher (Saunders , Lewis and Thornhil, 2016). The non-probabilistic sampling techniques used in this study are convenience sampling and intentional sampling. Intentional sampling allows the researcher to identify, select and collect various cases of information related to the phenomenon of interest (Palinkas et al., 2015). Convenience sampling is defined as a method adopted by researchers in which they collect market research data from a conveniently available group of respondents (Palinkas et al., 2015).

In this study, a sample size of 150 participants who are in SMEs were studied and the sample size was derived using the Cochran formula. Boddy (2016) concluded that the larger information power the sample holds, the lower number of participants is needed, and vice versa. The major research instrument used for data collection in this study were questionnaires segmented in three sections focusing on demographic information and business profile information, quantitative questions and open-ended questions respectively. The questionnaires were targeted to both the owners and employees of SMEs in strategic positions, and where these are were not available, supervisors or second in command participated. Also the questionnaires were self-administered.

The researcher carried out a pre-test with the respondents who are in the SME sector through a convenience sampling. The pre-test method used was interviewee questioning. This allowed the researcher to clarify any doubts to the participants. The Cronbach alpha test and the Kaiser-Meyer-Olkin (KMO) test and the Barlett test were performed on the questionnaire to ensure the validity and reliability of the research. The data was analyzed using IBM SPSS version 25 and content analysis. Examples of tests performed include the paired Pearson correlation analysis which was performed to determine the degree of correlation between variables, regression, and ANOVA testing.

The research was approved by the ethics committee of a highly recognised tertiary institution in Harare, Zimbabwe. A number of ethical considerations were employed in this study which include free and informed consent; autonomy and voluntariness; integrity and confidentiality.

3. Results

Table 1.1: Response rate Source: Survey Data 2020

Respondents	Sample Size	Number of Responses	Response Rate
Total	150	131	87%

Source: Survey Data 2021

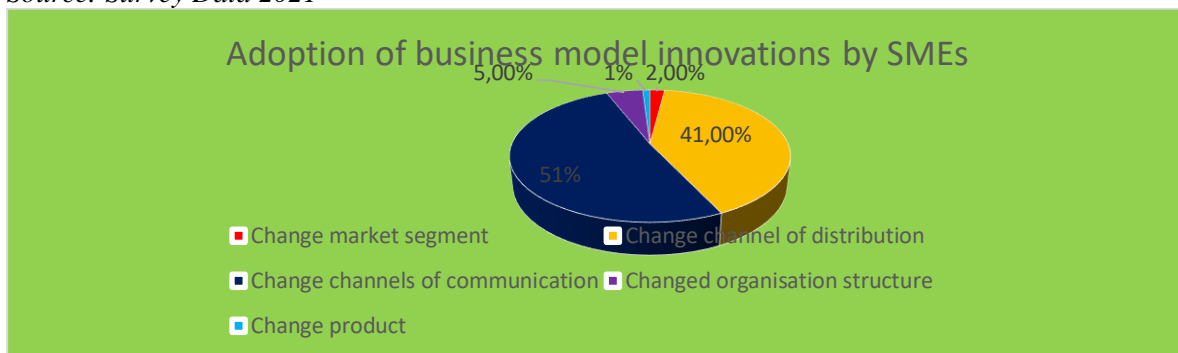


Figure 1.1: Adoption of Business model innovations by SMEs Survey Data (2021)

Analysis of responses on Impact of CV-19 on Revenues and Impact of CV-19 on Cashflows

Impact of CV-19 on Revenues and Impact of CV-19 on Cashflows was tested using the regression analysis where the coefficient value of 0.774 was generated showing that Impact of CV-19 on Revenues had an influence of 77.4% on affecting the outcome on the dependent variable Impact of CV-19 on Cashflows This finding shows that 22.6% influence on impact of Covid 19 on cashflows can be explained by other factors which can be the basis for future studies. The results from the questionnaire are also consistent with the views expressed in interviews where most interviewees expressed the view that Covid-19 has seriously impacted and their revenues and consequently, their cash flows have also suffered. The findings are supported by literature that states that, organizations across the globe have either completely shut-off or partially closed significantly impacting on the revenue generation of the firms and cashflows according to Washington, (2020) as cited in literature review.

Regression Analysis of responses on impact of CV-19 on profits and impact of CV-19 on operation costs

Furthermore, the study aimed at investigating the influence impact of CV-19 on profits and impact of CV-19 on operation costs. Responses gathered are presented on figure 4.4 as seen on the output diagram from the SPSS version 25. The coefficient value of .416 was generated showing that the impact of Covid 19 on profits influence operation costs of SMEs by 41.6% with 58.4% influence being accounted for by other factors not covered in the present study thus presenting an opportunity for other researchers to investigate on these factors. The findings entails that in as much as SMEs improve on profitability in light Covid 19, this will result in a positive improvement of operation costs by 41.6% coefficient level. The findings are supported by literature where several scholars including Askdin (2020) and Washington (2020) Covid 19 significantly affected profitability of organizations which also had a direct effect on operation costs as most firms were either operating at below capacity or not at all. Fixed costs however still required to be paid which seriously dampened the future of

SMEs. To reduce the burden of Covid 19 on operations costs, SMEs have to improve on their profitability so that operation costs can be effectively covered.

Analysis of responses on Impact of CV-19 on Customer base and Workforce

Analysis of responses on Impact of CV-19 on Customer base and Workforce generated a coefficient value of .526 showing that the role played by Covid 19 on Customer base has an influence of 52.6% in affecting workforce leaving 47.4% influence to be explained by others factors not covered in this study. On this basis this lays a foundation for future studies to investigate on the other factors accounting for 47.4% influence. Impact of CV-19 on Customer base is positively related to workforce availability this was supported by Kumar (2021) who states that Covid 19 completely shut off the customer base for most organizations, consequently the workforce that is needed on several organizations has also declined.

Table 1.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.062 ^a	.004	-.026	1.651

a. Predictors: (Constant), Adopt any of the following BMI

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.352	1	.352	.129	.721 ^b
	Residual	89.933	33	2.725		
	Total	90.286	34			

a. Dependent Variable: Stopped Operations; b. Predictors: (Constant), Adopt any of the following BMI

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.367	1.445		2.330	.026
	Adopt any of the following BMI	-.145	.403	-.062	-.360	.721

a. Dependent Variable: Stopped Operations

Regression analysis conducted on the stoppage of operations and adoption of Business Model Innovations generated an F- Value of 0.129 on ANOVA given that all the values ranging from 0.000 to 0.5 show existence of the relationship. The researcher found out that there is a significant relationship that exists between stoppage of operations and the adoption of BMI. Acceptance of the relationship was shown by the F-value of 0.129 that was significant at 5%. The findings entail that in as much as SMEs improves on their operations, the adoption of BMI will also increase.

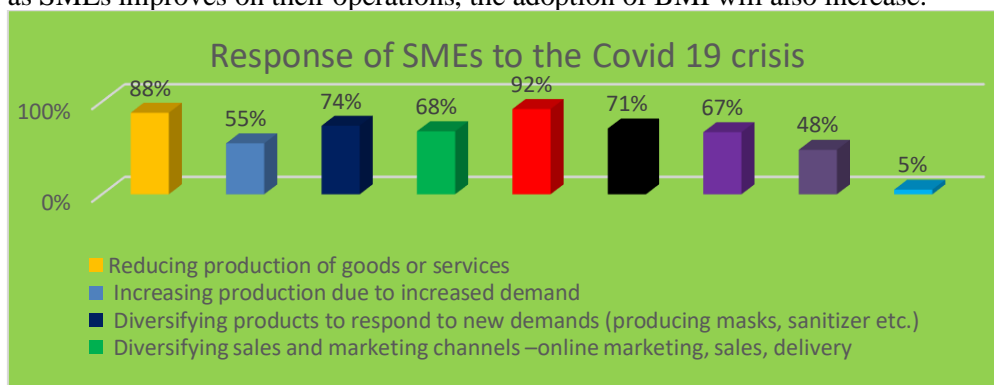


Figure 1.2: Response of SMEs to the Covid 19 crisis
Source; Primary Data 2021

How CV-19 affects survival and growth of SMEs.

Impact of CV-19 on Revenues and Impact of CV-19 on cashflows was tested using the regression analysis where the coefficient value of 0.774 was generated showing that Impact of CV-19 on Revenues had an influence of 77.4% on affecting the outcome on the dependent variable Impact of CV-19 on cashflows. This finding shows that 22.6% influence on impact of Covid 19 on cashflows can be explained by other factors which can be the basis for future studies. The results from the questionnaire are also consistent with the views expressed in interviews where most interviewees expressed the view that Covid-19 has seriously impacted and their revenues and consequently, their cash flows have also suffered. The findings are supported by literature that states that, organizations across the globe have either completely shut-off or partially closed significantly impacting on the revenue generation of the firms and cashflows according to Washington, (2020) as cited in literature review.

Furthermore, the investigation on the influence impact of CV-19 on profits and impact of CV-19 on operation costs. Responses gathered show a coefficient value of .416 was generated showing that the impact of Covid 19 on profits influence operation costs of SMEs by 41.6% with 58.4% influence being accounted for by other factors not covered in the present study thus presenting an opportunity for other researchers to investigate on these factors. The findings entails that in as much as SMEs improve on profitability in light Covid 19, this will result in a positive improvement of operation costs by 41.6% coefficient level. The findings are supported by literature where several scholars including Askdin (2020) and Washington (2020) Covid 19 significantly affected profitability of organizations which also had a direct effect on operation costs as most firms were either operating at below capacity or not at all. Fixed costs however still required to be paid which seriously dampened the future of SMEs. To reduce the burden of Covid 19 on operations costs, SMEs have to improve on their profitability so that operation costs can be effectively covered.

Responses on Impact of CV-19 on Customer base and Workforce generated a coefficient value of .526 showing that the role played by Covid 19 on Customer base has an influence of 52.6% in affecting workforce leaving 47.4% influence to be explained by others factors not covered in this study. On this basis this lays a foundation for future studies to investigate on the other factors accounting for 47.4% influence. Impact of CV-19 on Customer base is positively related to workforce availability this was supported by Kumar (2021) who states that Covid 19 completely shut off the customer base for most organizations, consequently the workforce that is needed on several organizations has also declined.

Nature of business model innovations in SMEs in Zimbabwe during CV-19.

The study sought to find out the current state of operations in light of the Covid 19 crisis, whether SMEs have had to stop their operations due to the Covid 19 crisis and the results of the study show that a majority of the respondents once stopped their operations but have since resumed operations. These findings also echoed the same sentiments shared by the World Health Organisation (2021) who found out that a majority of organizations came to a standstill in their operations at some point in their operations due the Covid 19 pandemic. They further state that only a few businesses that offered essential service remained opened during this period. Regression analysis conducted on the stoppage of operations and adoption of Business Model Innovations generated an F- Value of 0.129 on ANOVA. The researcher found out that there is a significant relationship that exists between stoppage of operations and the adoption of BMI. Acceptance of the relationship was shown by the F-value of 0.129 that was significant at 5%. The findings entail that in as much as SMEs improves on their operations, the adoption of BMI will also increase.

The respondents were pondered about their response to the CV-19 crisis. The results of the study show that the majority of respondents responded to the CV-19 crisis adjusting operational processes. The findings are in line with the findings of Smith, (2020) who stated that a majority of business organizations has had to alter their business models in a bid to cope up with the Covid 19 crisis. In a bid to analyze the level of adoption of BMI by SMEs, the respondents were asked about the adoption of BMI and the results of the study show that a majority of the respondents have changed their

channels of communication and also changed their channel of distribution a way dealing with the business environment in light of the Covid 19 crisis. These findings are in line with the findings of Mhizha, (2021) who found out that a majority firms have had to adopt new business models as the Covid 19 pandemic has significant altered the market conditions of any business either for the best or mostly, the worst. Also, Mauro, (2020) underscored that SMEs employing digital technologies such as e-commerce are strategically positioned to adapt to the CV-19 pandemic crisis.

The results then show that the nature of Business Model Innovativeness by SMEs in Zimbabwe has been mainly in channels of communication with customers and changing their distribution channels with a number of respondents mentioning use of online marketing, online payments and home delivery of products. This agrees with Chahal, (2021) who further stated that most companies have been forced to engage in online presents so as to cope with the restrictions imposed by CV-19. This also goes on to display that most of the BMI adopted by SMEs in Zimbabwe has been adaptive BMI. As stated by Saebi et al., (2016) adaptive BMI involves changes in the business model that are new to the firm but not necessarily new to the industry. Teece, (2010) highlight that this is when the firm adapts the design of its BM in response to changes in the external environment, and in this case the CV-19 pandemic.

Conclusion

This study was aimed at appraising Business Model Innovations by SMEs during the Covid 19 pandemic. Specifically, the study focused on SMEs in Harare, Workington area and deliberately excluded other SMEs in other parts of the country. Furthermore, the study covers the period from March 2020 to July 2021.

It was discovered in the study that CV-19 had an impact on revenues, cash flows, profit, operation costs, customer base, workforce and supplies. The results from the questionnaire were also consistent with the views expressed in interviews where most interviewees expressed the view that Covid-19 has seriously impacted and their revenues and consequently, their cash flows have also suffered. Some of the respondents highlighted that they have been negatively affected by the closing of borders as they relied on imports from countries like China and South Africa among others. To add on, others have indicated high operating costs in a difficulty economy with fixed costs still to be met despite everything. Respondents to the survey and interviews also highlighted challenges of slow deliveries by suppliers and airlines with other respondents emphasized challenges of samples and products taking longer to reach destinations which have since resulted in delays in getting orders.

It was also revealed in the study that there is a significant relationship that exists between stoppage of operations and the adoption of BMI. The results of the study show that the majority of respondents responded to the CV-19 crisis by adjusting operational processes thus showing that they adjusted their BM. A majority of the respondents changed their channels of communication and also changed their channel of distribution as a way of dealing with the business environment in light of the Covid 19 crisis. It is also of great importance to note that the nature of Business Model Innovations by SMEs in Zimbabwe has been mainly in channels of communication with customers and changing their distribution channels with a number of respondents mentioning use of online marketing, online payments and home delivery of products. This also goes on to display that most of the BMI adopted by SMEs in Zimbabwe has been adaptive BMI.

Limitations of the study are that the researcher could not fully access financial records for most of the SMEs as they did not consent with that. Time was also a restricting factor for this study as it was carried during the pandemic with restrictions that were also in place. Also the study only focused on management thus limiting information that could have been obtained from other employees for example clerks and cashiers who do the daily recordings. Lastly, there was limited past researches on the topic as BMI had been previously examined in different circumstances to Covid 19 pandemic.

It is therefore recommended from this study that future research may focus on other factors which also influenced a drop in revenues, cash flows, profit and supplies other than issues directly linked to the pandemic. Another area of research could be studies on how the SMEs went through the BMI process

and also how it has affected leadership, culture and other important elements of the enterprise. Also, it is recommended to do a future study on the role played by culture in BMI success. How effective the BMI have been in promoting growth and survival of the SMEs during the pandemic is also another area to be explored. Lastly, the sustainability aspect of the BMI by SMEs during the pandemic is an important area of future research.

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