

Organizational Resilience and Sustainability of Small and Medium Enterprises in the Philippines

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Abstract: *The purpose of this study is to determine the relationship of organizational resilience and sustainability of Small and Medium Enterprises (SMEs) in the Philippines. The study used a descriptive-correlational research design. Validated survey questionnaires were distributed to 400 managers and owners of SMEs in the Philippines. The collected data were analyzed using mean, standard deviation, and regression. The results showed that the organizational resilience and sustainability of SMEs in the Philippines were very high. Moreover, the study also found that organizational resilience is significantly related to SMEs sustainability ($r = 0.510$) in the Philippines with a p -value of 0.001. When organizational resilience and sustainability are analyzed using regression analysis, organizational resilience is a predictor of sustainability with an R square value of 0.226 and a p -value of 0.001. It means that 22.6% of the effect in the variation of sustainability is explained by organizational resilience as a predictor.*

Keywords: organizational resilience, sustainability, and small and medium enterprises.

I. INTRODUCTION

Small and Medium Enterprises (SMEs) are needed for the success of any company's economic progress. These could help alleviate poverty and promote economic growth and development – thus, it would be helpful to maintain and aid in the growth of these enterprises. A sustainable future is foreseeable with SMEs. Unfortunately, sustaining SMEs in one country proves challenging due to the competitive nature of the global economic status (Pedraza, 2021). The World Economic Forum (2024) predicts that a global risk will have a significant negative impact on several countries and industries within the next ten years. However, according to World Bank (*n.d.*), SMEs can help improve economic growth and prevent this financial disaster. Despite the numerous positive possibilities that SMEs can provide, some researchers doubt their role in improving the economy. Ali Asgary and his co-researchers (2020) expressed concerns that SMEs are less prepared to manage the risks, and their institutional support is weak. These enterprises do not have business continuity and crisis management cultures and systems in developing and merging economies.

According to Denyer (2017), organizational resilience is an organization's ability to anticipate, plan for, respond to, and adapt to change and instability in order to endure and thrive.

It is the organization's capability to adapt, grow, and progress following disruptive events (Duchek, 2019). It enables leaders to make swift decisions in response to business challenges (Williams et al., 2017).

In the face of uncertainty and disruption, organizational resilience and sustainability are essential for business success. Incorporating these practices into strategic planning enables organizations to better manage challenges and build a foundation for long-term growth (Mehta et al., 2024)

This study aimed to evaluate the organizational resilience and sustainability of SMEs in the Philippines and determined their relationship.

II. LITERATURE REVIEW

Organizational Resilience

Organizational resilience reflects an establishment's capacity to endure extreme challenges, recover, and regain stability. It speaks more than the time-specific responses to particular disasters; it also allows a view into more considerable organizational resilience and governance issues (Denhardt et al. 2018). Resilience involves the individual, organizations, and systems in the business.

Horne III (1997) argues that resilience should be viewed as a system, comparing it to natural ecosystems rather than machines, primarily focusing on survival. He states that resilience emphasizes withstanding stress rather than improving overall organizational capacity. This is where governance becomes crucial. Governance enables innovation and exploring new opportunities while maintaining the existing variables within the business. 'Older' firms that embrace innovation tend to make more analytical and adaptive decisions, creating strategies that can serve future generations (Saarikko et al., 2020). Leaders must create conditions for organizations to adapt. Establishing these conditions requires intentional leadership efforts to cultivate and enhance leadership and individual governance, supported by processes and activities that foster adaptive behaviors throughout the business (Boylan & Turner, 2017).

Organizational resilience is significant to the Philippines' small and medium-sized enterprises (SMEs). These businesses make up a considerable portion of the Philippine economy, and their ability to withstand adversity, adapt to change, and recover is critical for their survival and for maintaining the broader economic balance of the nation (Herbane, 2019). Organizational resilience is not limited to crisis response; it encompasses SMEs' ability to endure, rebound, and recover. This trait is especially significant due to SMEs' vulnerability to external shocks and resource limitations. The ability to recover from challenges is key to the sustainability of these enterprises (Núñez-Ríos et al., 2022).

Sustainability

Corporate sustainability is prevalent in big organizations and companies. Unfortunately, the same cannot be said for small and medium-sized entities (SMEs). It is the opposite. Social and environmental practices are neglected in SMEs, especially in emerging markets. Existing literature suggests that a collaborative mode of operation, government policy and facilitation, and supporting organization culture can positively influence the sustainability performance of SMEs, thus equating to improving their financial performance (*Das et al., 2019*). The concept of sustainability has been around for a long time in the literature; nevertheless, most businesses only became interested in it when it became increasingly difficult to thrive without it. As a result, long-term viability is critical for next-generation firms (*Rana, 2019*).

The prominence of corporate sustainability is well-established within larger organizations and companies; however, the same cannot be said for small and medium-sized entities (SMEs). SMEs in emerging markets often exhibit a conspicuous lack of attention to social and environmental practices. Existing literature emphasizes that a collaborative mode of operation, government policies, and the cultivation of a supportive organizational culture can collectively positively impact the sustainability performance of SMEs. That, in turn, improves their financial performance (*Das et al., 2022*).

The importance of sustainability discussions is particularly profound when considering the context of Philippine Small and Medium-sized Enterprises (SMEs). These SMEs constitute a vital component of the Philippine economy, making their pursuit of sustainability all the more significant. In a nation where economic growth and stability are closely tied to the success of SMEs, adopting sustainable business practices takes on added importance. These practices are essential to ensure that the economic growth spurred by SMEs is robust and environmentally and socially responsible (*Catapang, 2022*).

To thrive in the highly competitive business setting, Philippine SMEs must adopt sustainability principles as a cornerstone of their operations. The challenge lies in identifying strategies attuned to the specific context of the Philippines and the unique dares these businesses face. What works for large multinational corporations may not directly apply to SMEs, necessitating the development of tailored approaches. The development of these strategies holds the key to unlocking the manifold advantages that corporate sustainability offers, especially for smaller enterprises (*MSMED Council, 2018*).

By successfully implementing sustainability strategies, SMEs in the Philippines can unlock numerous benefits. Beyond merely adhering to corporate responsibility, these strategies can have a final and positive impact on the financial performance of SMEs. Sustainable practices can result in cost savings, increased efficiency, and improved relationships with customers and stakeholders. Furthermore, adopting sustainability measures can provide a unique selling point for SMEs, differentiating them in the market and enhancing their competitive edge (*Cudia et al., 2019*).

However, the impact of sustainability extends beyond financial considerations. It also encompasses the broader dimensions of sustainable development, which are crucial for the well-being of the Philippines as a nation. As SMEs commit to sustainability, they can significantly contribute to sustainable development's economic, social, and environmental scopes. In monetary terms, they drive growth and create job opportunities essential for the nation's development. Socially, they can promote ethical practices, inclusivity, and community well-being. Environmentally, their sustainable operations can lead to reduced environmental impacts, conservation of natural resources, and an overall reduction in their carbon footprint (*Moreno, 2023*).

Pursuing corporate sustainability is not just an abstract concept for Philippine SMEs; it is a practical imperative with profound implications. Their role in the Philippine economy is too substantial to ignore, and their potential to foster sustainable development is immense. By identifying and implementing context-specific strategies for sustainability, SMEs in the Philippines can strengthen their financial performance, gain a competitive advantage, and make meaningful contributions to the economic, social, and environmental facets of sustainable development in their nation (*Kokubun, 2019*).

III. MATERIALS AND METHODS

Research Design

The research was a quantitative and descriptive-correlational. Descriptive design was used to describe the perception of the SMEs in the Philippines on their organizational resilience and sustainability. Correlational design was used to quantify the relationship of organizational resilience and sustainability.

Participants/Data Sources

The respondents of the study were 400 managers and owners of the small and medium enterprises in 12 different regions of Luzon, Visayas, and Mindanao in Philippines which were selected through purposive sampling procedure. Most of the SME respondents were registered as partnership and sole proprietorship (57.50%), and (42.50%) were registered as corporations and cooperatives. About 52.50% had been in the operation for 1-10 years and 47.5% had been in the operation for 11 years and above.

Tools and Instruments

The study utilized a questionnaire in data gathering which was composed of three (3) major parts: Part 1 – Demographic Profile, Part 2 – Organizational Resilience, Part 3 – Sustainability. The demographic profile includes type of business registration and number of years in business operation. The questionnaire used a five-point Likert scale with a degree of intensity 5 – Strongly Agree, 4 – Agree, 3 – Somewhat Agree, 2 – Disagree, and 1 – Strongly Disagree for parts 2 and 3. The reliability results revealed an acceptable index of 0.850 for organizational resilience, 0.789 for sustainability.

Procedures

Data were collected using a self-constructed survey questionnaire. The survey questionnaire was submitted to the AUP Ethical Review Board for review after being validated by experts and reliability testing. Based on the computed number of respondents for the selected 12 regions in the Philippines, the survey questionnaires were administered personally by the researcher to managers and owners of SMEs based on their willingness to participate in the study for a period of five months. After collecting all the distributed survey questionnaires, the researcher consulted and submitted the data to the statistician for encoding and statistical analysis.

Analysis Techniques

Data were collected, encoded, organized, and analyzed using SPSS. Descriptive statistics, specifically mean and standard deviations, were used to measure the perception of the respondents about their organizational resilience and sustainability. Correlation was used to quantify the relationship of organization resilience and sustainability.

IV. RESULTS AND DISCUSSION

After gathering enough responses, data were encoded, organized, and analyzed using SPSS. Results of the different statistical analysis are discussed as follows:

A. Perceived Organizational Resilience and Sustainability

Descriptive results of the organizational resilience and sustainability of SMEs in the 12 regions that are located in Luzon, Visayas and Mindanao of Philippines are presented in Table 1.

Table 1. Descriptives Statistics for Organizational Resilience and Sustainability

Variable	Mean	Std. Deviation	Scaled Response	Verbal Interpretation
Organizational Resilience	4.6740	.29064	Strongly Agree	Very High
Sustainability	4.4093	.49059	Strongly Agree	Very High

Legend: 1.00 – 1.49 (Strongly disagree, Very Low); 1.50 – 2.49 (Disagree, Low (Somewhat agree, Fair), 3.51 – 4.50 (Agree, High); 4.51 – 5.00 (Strongly agree, Very High).

Source: Calculated by Authors

Results of the study in table 1 show the organizational resilience and sustainability of SMEs in the Philippines as evaluated by their managers and owners. For organizational resilience, it has a statistical mean of 4.6740 with a standard deviation of 0.29064 which is equivalent to a response scale of strongly agree and it is verbally interpreted as very high, which means that the respondents perceived the organizational resilience of SMEs in the Philippines as very high.

The finding for organizational resilience is consistent with the study of Linnenluecke (2017) that organizational resilience enables SMEs to absorb shocks, recover from setbacks, and continue to operate effectively despite changes in the business environment. Organizational resilience is critical for coping with market fluctuations, economic downturns, and even global crises. SMEs with clear goals and streamlined structures were 30% more likely to recover from disruptions, such as the COVID-19 pandemic, than those without these foundations (*World Bank, n.d.*).

SMEs with active continuity plans, effective communication channels, and positive work environment experience less downtime and financial loss during crises. These are critical factors for fostering adaptability and innovation in SMEs (*Herbane, 2019*).

The managers and owners of the SMEs also perceived their sustainability as very high with a mean of 4.4093 and a standard deviation of .4093. According to Smith (2020) SMEs that integrate sustainability into their operations are better positioned for long-term success, as they can attract customers, investors, and talent who prioritize sustainable practices.

B. The Relationship of Organizational Resilience and Sustainability

The relationship of policy organizational resilience and sustainability was determined using Pearson-Product-Moment Correlation. Results of the correlation are shown in Table 2.

Table 2. Correlation Between Organizational Resilience and Sustainability

		Sustainability
Organizational Resilience	Pearson Correlation	.510**
	Sig. (2-tailed)	.001
	Interpretation	Significant

**Correlation is significant at the 0.01 level (2-tailed)

Based on the results of the correlation in Table 2, organizational resilience and sustainability are significantly correlated with a correlation value of 0.510 and a p-value of 0.01.

When the relationship of organizational resilience and sustainability were analyzed using regression analysis, the results of the regression analysis in Table 3 shows that organizational resilience is a predictor of sustainability.

Table 3. Regression Analysis Results of Organizational Resilience and Sustainability

Predictor	R	R Square	SE	Sig. (P-value)
Organizational Resilience	0.476	0.226	0.43209	0.001

Dependent Variable: Sustainability

Based on the results of the regression analysis in Table 3, organizational resilience appeared to be a very significant factor to predict sustainability with an R value of 0.476 and a p-value of 0.001. The effect of organizational resilience in the variation of the dependent variable could be explained by squaring the value of R. R square of 0.476 is 0.226. It means that 22.6% of the effect in the variation of sustainability is explained by organizational resilience as a predictor.

Previous studies emphasized that organizational resilience enhances adaptability and fosters a proactive approach to sustainability challenges (*Duchek, 2019*), more likely to adapt quickly and innovate, ensuring sustainability even in volatile conditions (*Möller & Halinen, 2017*) and that resilient organizations can better navigate environmental and operational disruptions, ultimately supporting sustainable growth (*Linnenluecke, 2017*).

V. CONCLUSION

The main purpose of the study is to assess the organizational resilience and sustainability of SMEs in the Philippines. It aims also to determine the relationship between the two variables.

Based on the results of the study, the research concludes that the managers and owners of the SMEs who participated in the study perceive the organizational resilience and sustainability of the SMEs in the Philippines as very high. Organizational resilience and sustainability are positively correlated with a magnitude of 0.510 at p-value 0.001. When organizational resilience and sustainability are analyzed using regression analysis, organizational resilience is a predictor of sustainability with an R squared value of 0.226 with a p-value of 0.001.

The study recommends that the managers and owners of SMEs in the Philippines continue to strengthen their organizational resilience through training programs that focus on coping strategies, leadership adaptability, risk management that will bolster business stability, developing contingency plans and strong foundational structures that enhance preparedness for operational challenges, and fostering a culture of adaptability that is critical to effective responses to disruptions.

For future research, consider additional variables that might influence SMEs sustainability like the use of technology like artificial intelligence.

AUTHORS' CONTRIBUTIONS

The authors were all involved in the conceptualization, methodology, data analysis, and writing (original draft and revisions) of the research. However, since Dr. Tilfemar Mutia has a business and affiliated with the SME organization in the Philippines, he facilitated the distribution and collection of the survey questionnaires, Dr. Jolly Balila facilitated the encoding and statistical analysis of the data, and Dr. Ruben Carpizo supervised the whole research activities.

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