

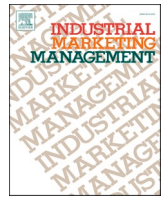
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# Relational governance mechanisms as enablers of dynamic capabilities in Nigerian SMEs during the COVID-19 crisis

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## ABSTRACT

During the COVID-19 crisis, small and medium-sized enterprises (SMEs) in developing markets, marred by significant institutional voids, grappled with a perennial lack of resources. This article seeks to understand how these SMEs activated their dynamic capabilities to manage business relationships during different phases of the crisis. Relying on the social exchange theory and drawing on semi-structured interviews with 42 business-to-business (B2B) SME owners in Nigeria, we examine the relational governance mechanisms of dynamic capabilities for SMEs during the COVID-19 crisis. Our findings reveal 12 relational governance mechanisms of dynamic capabilities of B2B SMEs. Furthermore, we disaggregate these 12 mechanisms into 34 relational governance micro-foundational components and demonstrate their relevance for B2B SMEs during different stages of the COVID-19 crisis in Nigeria.

## 1. Introduction

This article seeks to understand how SMEs in developing markets, marred by significant institutional voids, activate their dynamic capabilities<sup>1</sup> to manage business relationships during the five distinct phases of the COVID-19 crisis (pre-crisis normality, emergence, occurrence, aftermath, and post-crisis normality).<sup>2</sup> A crisis is a sequence of events that have severe negative impacts if not properly managed (Pedersen, Ritter, & Di Benedetto, 2020). Undoubtedly, the COVID-19 pandemic negatively affected societies and businesses worldwide (see, e.g., Pedersen et al., 2020; Cortez & Johnston, 2020; Obal & Gao, 2020; Zafari, Biggemann, & Garry, 2020). In response, governments created new rules and regulations at pace, and health emergencies dwarfed economic considerations. Indeed, the International Monetary Fund (International Monetary Fund, 2020) notes that the COVID-19 pandemic might have negative and unpredictable consequences similar to - or worse - than the

2008/2009 global financial crisis. Such a crisis has short- and long-term implications for firms' operations, whether marketing, sales, or production-related (Cortez & Johnston, 2020). For businesses, the challenges brought about by the COVID-19 pandemic are unprecedented, difficult, confusing, and require the interdependence of business partners (Cankurtaran & Beverland, 2020).

In many countries, the pandemic, coupled with governments' lockdown policies, triggered ecosystem paralysis, with business operations experiencing high levels of stress and panic (Zafari et al., 2020). During these situations, governments provided financial aid to support firms' operations and survival (Klein & Todesco, 2021). However, larger firms that have access to greater resources (including market and political connections) found it easier to survive than small and medium-sized enterprises (SMEs) (Kotey & Slade, 2005). For SMEs, their size and limited resources frustrate their activities during a crisis (Eggers, 2020). This resource gap between SMEs and large firms is even more

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<sup>1</sup> The ability of businesses to purposefully adapt their resource-base in order to meet their objectives is known as dynamic capabilities (Teece, 2007).

<sup>2</sup> Pedersen et al. (2020) identify five distinct crisis phases: pre-crisis normality, emergence, occurrence, aftermath, and post-crisis normality.

exacerbated in developing markets with significant institutional voids. Institutional void refers to the absence or inefficiency of market-supporting institutions required to consummate transactions in an economy (Amaeshi, Adegbite, & Rajwani, 2016; Khanna & Palepu, 1997). While institutional voids can be present in any economy (Liedong, Peprah, Amartey, & Rajwani, 2020), their prevalence in developing countries means limited government support for SMEs.

Furthermore, SMEs in developing countries are known to be the most vulnerable companies to external shocks (Markovic et al., 2021; Yeniaras, Kaya, & Dayan, 2020). As a result, SMEs operating in markets impacted by institutional voids tend to rely on their business relationships to effectively deal with crises, take advantage of opportunities, and reduce threats (Hoskisson, Covin, Volberda, & Johnson, 2011; Markovic et al., 2021). Yet, in the presence of institutional voids, dynamic capabilities which are heterogeneously distributed across firms can be enabled or inhibited by relational governance (Gao, Shu, Jiang, Gao, & Page, 2017; Yeniaras et al., 2020). Relational governance defines the rules and procedures that govern relationships among exchange parties, without which communications and relationships would fail (Zaheer & Venkatraman, 1995). During a crisis, it is challenging to rely on existing sets of business exchange rules and procedures (Winter, 2003). Thus, relational governance mechanisms, which are interacting states, processes, and behaviours that allow dynamic capabilities to trigger productive relationships, are required (Morgan & Hunt, 1994). Therefore, during periods of external shocks, the quality of relational governance mechanisms plays a significant role in SMEs' survival (Zafari et al., 2020).

However, existing literature on the topic provides a static view of B2B SMEs' relationships, disregarding the dynamic contextualised process through which relational-type capabilities might emerge (Bocconcelli, Murmura, & Pagano, 2018; Yaqub, 2013). While business relationships are critical for SMEs' survival and resilience, the actual social exchange management practices during crises are under-researched (Williams, Gruber, Sutcliffe, Shepherd, & Zhao, 2017; Zafari et al., 2020). More importantly, how SMEs in B2B relationships managed their operations during different phases of the COVID-19 pandemic remains unclear. While it is understandable that due to the ongoing nature of the pandemic, studies have only begun to document the effects and management of the COVID-19 crisis (see, e.g., Pedersen et al., 2020; Chesbrough, 2020), more knowledge is required to prepare SMEs to cope with the current and potential future crises. For example, how SMEs in developing markets utilise open innovation for survival during COVID-19, as Chesbrough (2020) suggested, is empirically under-explored (for the rare exception, see, e.g., Markovic et al., 2021).

In this regard, the dynamic capabilities view addresses how firms deal with changing environments (Barreto, 2010). However, it does not go far enough to identify the micro-foundations of relational exchanges (Barney & Felin, 2013; Kindström, Kowalkowski, & Sandberg, 2013). In addition, although some studies highlight factors associated with capabilities in developing markets (e.g., Gao et al., 2017; Habib, Basti, Karatzas, & Mena, 2020; Markovic et al., 2021), the relational governance mechanisms that activate these dynamic capabilities in crisis remain comparatively under-theorised. As such, anchoring dynamic capabilities on the social exchange theory (SET) helps explain the sustainability of relational exchanges (Navarro-García, Sánchez-Franco, & Rey-Moreno, 2016; Shanka & Buvik, 2019). Therefore, relying on SET, our research questions arise: (i) *What are the relational governance mechanisms that SMEs operating in markets with significant institutional voids use to activate their dynamic capabilities during a crisis?* (ii) *What are the micro-foundations of the relational governance mechanisms during the different phases of a crisis?*

To address these questions, we conducted in-depth, semi-structured interviews with 42 B2B SME owners in Nigeria. Nigeria, like many other developing countries, suffers from significant institutional voids reflected in unreliable sources of market information, prevalent information asymmetries, uncertain regulatory environment, inefficient judicial

system, and bureaucratic bottlenecks that stifle business transactions (Adegbite, 2010; Fosu, Danso, Agyei-Boapeah, Ntim, & Adegbite, 2020; Kwabi, Boateng, & Adegbite, 2019). Nonetheless, developing countries such as Nigeria still have high potential due to their market size, which explains their attraction as an investment destination for firms from developed countries (Khanna, Palepu, & Sinha, 2005). Developing countries represent a crucial component of the global economic system, such that in the past 50 years, their share of world GDP, investment, trade, and private consumption has doubled. Thus, advancing theoretical and empirical understanding of business activities in developing countries during the COVID-19 crisis, not only enables us to address our research inquiry but benefits the extant literature (Dekimpe & Deleersnyder, 2018).

Our theoretical contribution is threefold. First, we contribute to B2B marketing theory by providing a more fine-grained answer to how SMEs address crisis management, as called for by Pedersen et al. (2020) and Cortez and Johnston (2020). More specifically, we contribute to the literature by revealing 12 relational governance mechanisms and their 34 micro-foundational components that activate the dynamic capabilities of B2B SMEs in a developing country with significant institutional voids during crises. Prior research (e.g., Chesbrough, 2020; Klein & Todesco, 2021) examined crisis management relying on unitary higher-level constructs, while we offer a multi-stage view of crisis management. Second, we enhance the B2B marketing literature as we unpack 34 micro-foundational components of relational governance mechanisms used during different phases of crisis management. By doing this, we expand the theorising of SET into the five crisis management stages conceptualised by Pedersen et al. (2020). To the best of our knowledge, this is the first attempt at investigating this issue empirically. Lastly, we extend SET theorising of B2B SME relationship management to Sub-Saharan Africa, as we provide details on how SMEs can overcome institutional voids using their resources and relationships. In terms of managerial relevance, our findings offer insights for B2B SMEs in developing markets on how to develop concrete capabilities to cope with crises. The rest of this study is organised as follows. Section 2 reviews the relevant literature underpinning our research and introduces the theoretical framework. The research methodology is presented in Section 3, while findings and discussions are set out in Sections 4 and 5. Section 6 concludes and presents research implications.

## 2. Theoretical background

### 2.1. Crisis management in small and medium-sized enterprises

A firm is in crisis when unexpected and ambiguous events with repercussions for the entire firm occurs (Gabrielli, Russo, & Ciceri, 2019). Crises can be a singular event or a process (Jaques, 2009; Pedersen et al., 2020) and can be firm, sector, country, continent, or global specific (Hong, Huang, & Li, 2012). As crises could endanger the future existence of the firm, managers must respond urgently (Cortez & Johnston, 2020). Therefore, this paper draws insights from the ongoing global crisis, the COVID-19 pandemic, to examine our research questions. Considering the prolonged nature of COVID-19, we follow Pedersen et al. (2020) definition of crisis as a sequence of events that have severe negative impacts if not properly managed. This definition is apt because not only has the COVID-19 pandemic dominated global discourse since December 2019, but its economic and social ramifications have yet to be fully understood. The pandemic has been likened to 'wartime conditions' (Financial Times, 2020). Under such conditions, businesses have to redesign their relational thinking to survive and take advantage of emerging opportunities (Beverland, Wilner, & Micheli, 2015; Cankurtaran & Beverland, 2020).

Once the realities of the pandemic dawned, many firms (especially the large corporates) swiftly reconfigured and deployed their capabilities and resources to deal with the realities of the situation (Cankurtaran & Beverland, 2020). However, owing to limited resources,

SMEs could not adapt as quickly to the pandemic. Nonetheless, SMEs' importance to global markets cannot be overstated. For instance, SMEs account for 75% of the net jobs created and 99.7% of all employers in developed economies (Altman & Sabato, 2007). Similarly, formal SMEs contribute 60% of total employment and up to 40% of national income (GDP) in developing economies (World Bank, 2021). These statistics would be significantly higher if informal SMEs were also taken into account. Despite resource limitations, SMEs are characterised by their diversity, personality, independence, and smallness, making them flexible and responsive to their customers' demands (Franco & Haase, 2015; Koporcic, 2020). However, their liability of smallness (Aldrich & Auster, 1986) hinders their adaptation to crises. For instance, the COVID-19 pandemic accelerated the adoption of digital technologies by about five years for large firms (Baig, Hall, Jenkins, Lamarre, & McCarthy, 2020). At the same time, the lack of resources weakens how swiftly SMEs adapt to such developments. In fact, the smaller the SME, the more vulnerable it is to internal and external events (Eggers, 2020). Furthermore, in developed countries, the market supporting institutions are well established and serve as a foundation, allowing firms to thrive. This contrasts with developing countries where institutional weaknesses create endless institutional voids (Khanna & Palepu, 1997), thereby amplifying firms' difficulty to cope with crises (Liedong et al., 2020; Markovic et al., 2021).

Institutional voids negatively affect SMEs more than larger firms (Yeniarras et al., 2020). Still, SMEs remain the engines of developing economies (Beck & Demircug-Kunt, 2006). Despite institutional voids, many SMEs continue to survive in developing markets (Gao et al., 2017). However, although SMEs operating in environments with institutional voids are exposed to unpredictable shocks (e.g., political instability, insecurity, macroeconomic fluctuations, and lack of infrastructure) (Gao et al., 2017), the COVID-19 pandemic presents a different proposition. According to Doh, Rodrigues, Saka-Helmhout, and Makhija (2017), firms' typical strategic response to institutional voids is to internalise, substitute, borrow, or signal their resources and capabilities. However, these strategies might not be sufficiently dynamic during crisis periods, as they do not necessarily indicate functional resource commitment (Liedong et al., 2020) or allow SMEs to manage their fundamental business relationships. In this regard, the institutional environment significantly impacts firms' actions (Wright, Filatotchev, Hoskisson, & Peng, 2005). Considering the weakness or absence of formal institutions, actors in those markets develop informal substitutes (Ge, Carney, & Kellermanns, 2019; Peng, Sun, Pinkham, & Chen, 2009). Many of these substitutes are relational governance mechanisms (e.g., blat in Russia, Ubuntu in Sub-Saharan Africa, and Guanxi in China), which are needed to facilitate economic exchanges that enhance their survival (Ge et al., 2019; Lutz, 2009; Puffer, McCarthy, & Boisot, 2010). Under conditions of institutional voids, trust, social norms, and personal ties become essential mechanisms of cooperation and regulating activities (Astrachan, Binz Astrachan, Campopiano, & Baù, 2020; Ge et al., 2019; Peng et al., 2009; Puffer et al., 2010).

However, during an unprecedented crisis, such as COVID-19, relationships with business partners are coming under pressure from competitors, customers (Sheth, 2011), as well as government entities (Iriyama, Kishore, & Talukdar, 2016). As a result, the broader effect of COVID-19 may be long-term and substantial for SMEs and their relational exchanges in a context-specific manner (Pedersen et al., 2020). Some firms may gain new customers, while others might lose their existing relationships and fail (Pedersen et al., 2020). In developing markets especially, institutions cannot guarantee remediation or intervention (Gao et al., 2017). However, at the same time, the belief that a firm would survive crises to fulfil its obligations is critical in driving and managing relationships (Gao et al., 2017), and serves as a foundation of crisis management.

### 2.1.1. Relationship management and phases of the COVID-19 crisis

When environments are stable, firms usually leverage their

relationships to increase profitability (Dwyer, Schurr, & Oh, 1987). However, B2B relationships entail a broader consideration beyond profit during crisis periods, and reliance on existing relationships might be unsuitable during uncertain times (Obal & Gao, 2020). For many B2B SMEs, COVID-19 and lockdowns meant a substantial loss of markets (Cankurtaran & Beverland, 2020). It remains uncertain if businesses would return to what they were pre-COVID-19, as some business partners might not survive the crisis (Cankurtaran & Beverland, 2020). Hence, mindful relationship management during the different stages of a crisis is critical (Zafari et al., 2020), especially considering that opportunistic parties may reinterpret contract terms to suit themselves (Zaher & Venkatraman, 1995).

Few studies have examined the COVID-19 crisis and different relationship management practices. Cortez and Johnston (2020) conducted interviews with practitioners from Europe, the U.S., and Latin America in medium and large firms. They identified 22 practices (grouped into four broad areas of digital transformation, including decision-making processes, leadership, emotions, and stress) that should be managed during the COVID-19 pandemic. The study emphasised that these practices should be contrasted with firms' internal and external realities. Klein and Todesco (2021) also investigated how SMEs responded to the COVID-19 crisis, raising awareness of the role of digital transformation, as a set of tools to adapt during and after the pandemic, along with resilience engineering and knowledge management. Finally, according to Pedersen et al. (2020), different stages of a crisis require appropriate relationship management.

In this paper, we adopt Pedersen et al. (2020) model with five distinct phases (pre-crisis normality, emergence, occurrence, aftermath, and post-crisis normality)<sup>3</sup> as a basis for our study. As each stage differs, the dynamic capability requirements of SMEs vary (Hong et al., 2012; Pedersen et al., 2020). In the *pre-crisis phase*, firms seek to prevent, predict, or prepare for possible crises. For instance, firms can strive to be dynamic in this phase by changing their culture, improving relationships with their stakeholders, or generally preparing their enterprise for a risk management procedure (Badrinarayanan & Sierra, 2018; Bundy, Pfarer, Short, & Coombs, 2017). In the *emergence phase*, a crisis has not yet started, but its signs have become more apparent. In this phase, actors still have the chance to prepare and potentially curtail the adverse effects of the pandemic while positioning for the opportunities that will arise. Resources and capabilities at this phase include market diversification, innovation, and insurance (Hong et al., 2012). Upon the *occurrence* of the crisis, tactical crisis responses and actions are initiated. In this phase, many activities are implemented in response to government policies. At the occurrence stage, leadership, cost reduction, and target market switch become key capabilities (Bundy et al., 2017; Hong et al., 2012). The focus is on rebuilding in the crisis *aftermath stage*, while the *post-crisis stage* focuses on returning to normality.

Typically, firms strategically monitor regulatory developments and develop contingency plans for different scenarios (Singh & Yip, 2000). However, during a crisis, firms are often unprepared for regulatory changes (Barnes & Oloruntoba, 2005). Thus, the COVID-19 pandemic resulted in emergent and sudden government regulations, which impacted SMEs' relationships with their business partners (Obal & Gao, 2020). According to Stevenson et al. (2014), the network of a firm and the quality of its business relationships could determine how well a firm recovers from a crisis. However, crises create more resource limitations, such that firms need to mindfully manage their relationships to access resources, build adequate capabilities and safeguard against relational vulnerabilities (Zafari et al., 2020). Thus, there is a need to investigate how dynamic capabilities are enabled in managing crises. This is because, in practice, dynamic capabilities are underpinned by micro-

<sup>3</sup> The crisis management model suggested by Pedersen et al. (2020) bears similarity with Hong et al.'s (2012) model, which in itself is based off the work of Pearson and Mitroff (1993).



foundations, which are the “distinct skills, processes, procedures, organisational structures, decision rules, and disciplines” required to utilise dynamic capabilities (Teece, 2007, p. 1319). One way to do that is to examine the phenomenon through the lens of Social Exchange Theory (SET).

## 2.2. Social exchange theory (SET) as a framework for business relational exchange in times of crises

Firms need strategic agility (Goldman, Nagel, & Preiss, 1995; Teece, Peteraf, Leih, & S., 2016) and external exigencies (Ahhammad, Basu, Munjal, Clegg, & Shoham, 2021) to adapt quickly to uncertainties. During crises, SMEs utilise their dynamism to work cooperatively with other firms to achieve success (McGrath & O’Toole, 2013). However, dynamic capabilities are complex processes (Forkmann, Henneberg, & Mitrega, 2018), and their applicability in resolving crises differs from routine issues (Winter, 2003). Kraatz and Zajac (2001, p. 653) posit that “while the concept of dynamic capabilities is appealing, it is a rather vague and elusive one which has thus far proven largely resistant to observation and measurement”. Besides, bounded rationality in a context precludes the writing of complete contingent contracts (Zaheer & Venkatraman, 1995). Thus, even in settings where institutions are effective, contingencies can develop that make it costlier to conduct transactions (Zaheer & Venkatraman, 1995). This is noteworthy, as the COVID-19 crisis presents firms with relational challenges that require new and untested behaviours to manage (Zafari et al., 2020). Partners involved in relational exchanges derive non-economic benefits and engage in social and economic exchanges (Macneil, 1980). Relational exchange is critical to dealing with issues during times of health-based crisis (Powell, Mustafee, & Brown, 2018), such as COVID-19. For interdependent business relationships, a relational exchange is essential for survival during crises (Krause & Ellram, 2014; Markovic et al., 2021).

In this paper, relational governance suggests interfirm exchange, which involves significant relationship-specific assets. Norms that govern exchange behaviours in regular contract-based transactions are different from those in relational exchange (Kaufman & Stern, 1988). Hence, we anchor our study on Social Exchange Theory (SET). This theory is robust when investigating human coping attitudes and behaviours during times of crisis (Cortez & Johnston, 2020; Garner, 2017). The mechanism underpinning SET is relational interdependence, developed over time through interactions between exchange partners (Dwyer et al., 1987; Lambe, Wittmann, & Spekman, 2001). As SET focuses on the relationship among partners, it helps explain business relational exchange during crises. The SET is particularly suited to contexts where there are institutional voids, and non-contractual governance is important. During a crisis, it is challenging to create comprehensive contracts (Goetz & Scott, 1981), thus, ensuring non-contractual methods of governance becomes critical to successful business exchange (Lambe et al., 2001). This explains why SET has been used extensively in marketing research to understand the dynamics of business relational exchanges (Lambe et al., 2001).

SET has also been used to underpin studies focusing on crises. For instance, Krause and Ellram (2014) examined six cases among ten U.S. companies, concentrating on their dyadic relational exchanges during the 2008/2009 global financial crisis. The results show that some firms behaved more cooperatively and found ways to confront the downturn’s effects jointly, while others responded by acting competitively to maximise their individual outcomes. The literature concludes that economic and social realities are fundamentally intertwined (Bathelt & Glücker, 2003) and demonstrates that trust is essential to economic exchange (Zaheer & Venkatraman, 1995). To distinguish trust from more traditional transaction cost determinants, trust represents a sociological non-economic factor that complements economic ones in the governance of exchange relationships (Dore, 1987). Furthermore, Dore (1987), citing examples from the Japanese textile industry, argues for the significance of sociological elements (continuity, mutual

dependence, trust, and social norms) in relational exchange.

Prior B2B marketing literature (e.g., Eisenhardt & Martin, 2000; Wu, 2011; Yeniaras et al., 2020) has also integrated relational governance theory with dynamic capabilities in developing countries. For instance, Wu (2011), in their survey of 766 Chinese firms across multiple sectors, highlights how firms reconfigure and integrate their capabilities through social ties. Blyler and Coff (2003) also identify social ties as antecedents of dynamic capabilities. Similarly, Yeniaras et al. (2020) survey of 302 Turkish manufacturing firms suggests that access to social ties (business and political links) have positive relationships with planning flexibility and may enable firms to be flexible and modify plans during crises. Heirati and O’Cass (2016) surveyed 169 Iranian firms from multiple sectors, revealing that business ties have a stronger positive effect on firm performance than political ties in the context of dynamic marketing capabilities.

When firms invest in business relationships, they might also invest in more safeguards, so their transaction-specific assets are not opportunistically appropriated (Zaheer & Venkatraman, 1995). This is because quasi-integration investments impose higher termination costs on parties in relational exchange (Kay, 1992). Whereas some studies (e.g., De Wulf, Odekerken-Schroder, & Iacobucci, 2001) suggest that relational governance may have adverse effects on performance under certain situations, research, such as that of Palmatier, Dant, Grewal, and Evans (2006), posits that the effectiveness of relational governance depends on the strategy employed and the exchange relationship context. Efficient and effective relational governance occurs by creating strong relational bonds (De Wulf et al., 2001). By complying with the relationship-preserving norms, transaction costs are reduced, and revenue can be increased (Yaqub & Vetschera, 2011). Relational behaviours such as integrity, flexibility, and mutuality are positively associated with satisfaction in exchange relationships (Habib et al., 2020). SET reveals relational mechanisms as a distinct form of governance that supports commitment rather than opportunism in exchange relationships (Morgan & Hunt, 1994).

Despite these studies, many of which are quantitatively designed, an in-depth assessment of the complexities involved in enabling dynamic capabilities is not yet clearly described. Nor do existing studies consider relational exchange mechanisms during different phases of a unique global crisis in a market with institutional voids. For instance, Klein and Todesco’s (2021) study on how SMEs responded to COVID-19 was desk-based and did not reveal the micro-foundations of dynamic capabilities of SMEs before and during the COVID-19 pandemic. Furthermore, some researchers have studied the role of relational governance mechanisms in developing countries (see, e.g., Yeniaras et al., 2020) but are yet to consider the relational governance mechanisms of dynamic capabilities that SMEs utilise to maintain their B2B relationships in times of crisis. We aim to provide a micro-foundational understanding of this relationship in markets with significant institutional voids. By focusing on micro-foundations, this research offers a level of detail that allows the articulation of novel conceptual foundations (Kindström et al., 2013). Besides, this research is timely, considering that the COVID-19 pandemic is not static and is anticipated to have long-term repercussions for business relationships. The focus on SMEs offers a robust context for examining relational exchanges in-depth (Bocconcelli et al., 2018), as SMEs are the biggest employers of labour in many countries. Therefore, investigating how SMEs in markets with significant institutional voids, such as Nigeria, enable their dynamic capabilities during different phases of the COVID-19 crisis in a B2B marketing context is a much-needed inquiry.

## 3. Research methodology

To identify the relational governance mechanisms that enable dynamic capabilities used by SMEs in managing business relationships during different phases of a crisis, this study employs a qualitative interpretive methodology. This allows us to build an understanding of

the experiences of Nigerian SME owners before and during the COVID-19 pandemic. This method is fitting as knowledge about how institutional voids affect firms' resources and relationships in developing markets is underexplored (Liedong et al., 2020).

### 3.1. Case context

Given Nigeria's institutional challenges, the SMEs in Nigeria represent a practical research context for understanding crisis management during the COVID-19 pandemic. There are several descriptions of SMEs.<sup>4</sup> According to the Nigerian Bureau of Statistics (NBS), SMEs should have less than 200 employees (NBS, 2021). Consistent with this position, this research assumes that SMEs employ less than 200 people, with a turnover of less than 45 M Euros. In Nigeria, SMEs contribute 48% of the national GDP, account for 96% of businesses, and 84% of employment (NBS, 2021). The NBS isolates Microenterprises from SMEs. As of December 2017, the number of micro and small- and medium-sized enterprises stood at 41,543,028. Micro enterprises were 41,469,947 (99.8%), while those strictly categorised as SMEs were 73,081 (0.2%) (NBS, 2021). Thus, for reliability, given the low levels of literacy and informal business practice in Nigeria, this study focuses on SMEs whose owners have university degrees and comply<sup>5</sup> with the Corporate Affairs Commission (CAC) business registration laws in Nigeria.

### 3.2. Data collection

Semi-structured interviews were used to collect data and gain insights into research questions. The subjective approaches of SME owners enabled them to activate their unique skills, processes, procedures, organisational structures, decision rules, and disciplines in *sensing* opportunities and threats, *seizing* those opportunities, and *reconfiguring* resources (Teece, 2007). This helped provide a rich and valuable source of information for our research inquiry (Bryman, 2015).

Participants were drawn from B2B SMEs registered with the CAC. They were also members of associations such as Chambers of Commerce, Manufacturing Association of Nigeria (MAN), Women in Business (WIMBIZ), and Advertising Practitioners Association of Nigeria (APCON). We drew our sample from a mix of business sectors and four of Nigeria's six geographical regions. In total, 42 B2B SME owners were interviewed from 22 subsectors (18 service sectors and four manufacturing sectors).<sup>6</sup> The selected SMEs had been in operation between two and 44 years. Average turnover ranged from N7M to N2.5BN (\$0.017 M to \$6.1 M @ \$1 = N411.95 as of January 2, 2022). 33 were service companies, while nine were manufacturing companies. Companies were located in four regions and seven states (South West: Lagos 30, Ogun 3, Oyo 1; South-South: Rivers 2, Delta 2. North Central: Abuja 3. North West: Kano 1). Employees were between 1 and 97 full/part-time staff<sup>7</sup> (see Table 1). As this study examines relational governance mechanisms of dynamic capabilities for B2B SMEs, we selected a sample of B2B SME representatives by focusing on selecting "those people experiencing the phenomenon of [our] theoretical interest" (Gioia, Corley, & Hamilton, 2013, p. 19).

As most SMEs are owner-managed, we chose the owner or managing

partner as our respondent, as they were best positioned to provide the relevant data. This approach is consistent with the general recommendation to use the most knowledgeable respondent, especially in SME research (Huber & Power, 1985). The enriched data served as a control mechanism for assessing and comparing different views (Adegbite, 2015). Interview participants with the requisite profile were contacted randomly via emails, WhatsApp text messages, and telephone calls, outlining the research agenda. 37 interviews were conducted via Zoom<sup>8</sup> until saturation<sup>9</sup> was achieved, but we conducted five additional Zoom interviews to confirm data consistency. There was a very high degree of agreement among respondents' comments. All interviews were conducted in English, recorded, and transcribed. Each interview averaged 60–70 min. An interview guide (see Appendix) supported each conducted interview. The respondents were asked to focus on the COVID-19 crisis and provide details on their business relationships and government support. In addition to data collected through interviews, additional secondary data was collected through companies' websites, social media handles, and financial statements.

The interview questions were developed following existing literature, especially those based on relational governance and crisis management (e.g. Heirati & O' Cass, 2016; Hong et al., 2012; Pedersen et al., 2020; Yeniaras et al., 2020) (see Appendix). The interviews were conducted between February and March 2021 using the semi-structured interview technique. While encouraging two-way communication, this approach offered us more latitude to ask further questions as a reaction to what is considered an important response. Data generated from the interviews provide a deeper understanding and offer reasons for those beliefs and thoughts rather than enhance statistical validity (Flick, 2014). Our methodology is appropriate and consistent with previous studies on crisis management (e.g., Cortez & Johnston, 2020).

### 3.3. Data analysis

The recorded interviews were transcribed using the Otter.ai transcription software in the first instance and were subsequently manually corrected to aid 'data immersion' – a process involving rereading the transcribed text (Bradley, Curry, & Devers, 2007). While doing this, the text was further checked for completeness. The transcribed interview data generated 546 pages of text. We promised and ensured participants' anonymity such that social and business pressures were reduced. This research adopted an inductive approach, suitable for studying under-explored topics (Brown & Eisenhardt, 1997; Iglesias, Landgraf, Ind, Markovic, & Koporcic, 2020). The interview data collected for this study were later analysed using the NVivo software, which allowed for the subjective interpretation of the content of text data through a systematic classification process of coding and identifying themes and patterns (Hsieh & Shannon, 2005).

Data analysis included three stages. The first stage of the data analysis involved generating the sub-categories to make sense of the data, followed by an open coding procedure. This stage ensured that the transcribed material was classed into much smaller content categories (Weber, 1990). This process generated themes that represent the sub-categories close to participants' verbatims. The second stage of our analysis involved generating generic categories where the sub-

<sup>4</sup> EU and the UK define SME as a business with less than 250 employees and less than 50 M Euros turnover.

<sup>5</sup> Compliance included submission of annual financial reports. We obtained recent financial statements from all SMEs except 2 who informed us they needed board approval before sharing it with us.

<sup>6</sup> Other marketing studies (e.g., Yeniaras et al., 2020) have also used a mix of manufacturing and service sectors for their study. Thus, our sample selection was based on the need to have SET theorisation and not statistical sampling as we were not in pursuit of generalizability of the findings (Farquhar, Michels, & Robson, 2020) nor was it sector specific.

<sup>7</sup> Most SMEs utilised contract/ad hoc staff regularly.

<sup>8</sup> Even though as at the time of data collection, most restrictions had been lifted with activities back to pre-COVID-19 levels, social distancing and other health concerns meant physical face to face interviews were not advisable. In any case, 40 of the zoom interviews were done with cameras on, hence some of the advantages of physical face to face interviews were still applicable.

<sup>9</sup> A considerable volume of literature in qualitative research suggests that 'how many' is not what matters (Mason, 2010). A researcher should, therefore, aim to satisfy himself/herself that he/she has learned, and understands the phenomenon, enough to enable knowledge generation. This was the basis for determining the sample size.

**Table 1**  
Respondents and SME details.

Code	Position in Company	Sector	Average Turnover	Average Number of Staff (Contract + Full Time)	Years of Operation	Sex of participant	Location
Respondent 1	Owner	Clearing & Forwarding	\$2.5 M	31	13	M	Rivers
Respondent 2	Partner/Co founder	IT	\$0.25 M	7	4	M	Lagos
Respondent 3	Director	Advertising	\$0.97 M	30	11	F	Lagos
Respondent 4	Owner	Travel Agency	\$0.20 M	3	3	F	Lagos
Respondent 5	Director	FinTech	\$31 M	60	5	M	Lagos
Respondent 6	Owner	Furniture Manufacturing	\$0.97 M	60	40	F	Ogun
Respondent 7	Co-Owner	Furniture Manufacturing	\$0.30 M	6	4	M	Lagos
Respondent 8	Director/Son of Owner	Hotel	\$0.61 M	39	51	M	Kano
Respondent 9	Owner	FinTech	\$0.50 M	15	3	M	Delta
Respondent 10	Owner	Digital Sales	\$0.12 M	10	2	M	Delta
Respondent 11	Senior Partner/Founder	Legal Services	\$0.10 M	10	8	M	Lagos
Respondent 12	Owner	Beverage Manufacturing	\$0.20 M	40	10	F	Lagos
Respondent 13	Managing Partner/Grand daughter of Founder	School	\$0.13 M	75	36	F	Lagos
Respondent 14	Owner	PR Services	\$0.25 M	18	9	M	Lagos
Respondent 15	Owner	IT Training	\$0.95 M	97	16	M	Lagos/Oyo
Respondent 16	Franchise Owner	IT Franchising	\$0.32 M	19	9	M	Various States
Respondent 17	Partner/Co founder	Health Consultants	\$0.045 M	10	11	M	Lagos
Respondent 18	Owner	Clothing Sales	\$0.37 M	30	14	N	Abuja
Respondent 19	Owner	IT Services	\$0.73 M	12	2	M	Abuja
Respondent 20	Manager	Pre-School and Nursery	\$0.05 M	15	25	F	Lagos
Respondent 21	Senior Partner/Founder	Oil & Gas Servicing	\$6 M	92	8	M	Lagos/Port Harcourt
Respondent 22	Owner	Beauty Products Manufacturing	\$0.005 M	2	2	F	Lagos
Respondent 23	Owner	Advertising	\$0.030 M	3	10	F	Lagos
Respondent 24	Owner	Edutech	\$0.005 M	2	2	M	Lagos
Respondent 25	Co Founder	HR Consulting and Training	\$0.5 M	10	6	F	Lagos
Respondent 26	Owner	Document Shredding Services and Recycling	\$0.048 M	5	4	F	Lagos
Respondent 27	Partner/Co founder	Real Estate	\$0.17 M	18	12	M	Lagos
Respondent 28	Managing Partner/Son of Founder	Outdoor Advertising	\$1.1 M	11	18	M	Lagos
Respondent 29	Owner	Food Processing and Manufacturing	\$0.28 M	2*	2	M	Oyo
Respondent 30	Owner	Food Processing and Manufacturing	\$0.50 M	6	5	F	Abuja
Respondent 31	Managing Partner	IT Consultant	\$0.25 M	10	2	M	Lagos
Respondent 32	Owner	Swimming Services and Sales	\$0.05 M	7	4	F	Lagos
Respondent 33	Managing Director	SAP Consultant/Provider	\$0.8 M	12	8	M	Lagos
Respondent 34	Owner	SAP Consultant	\$0.25 M	1*	12	M	Lagos
Respondent 35	Managing Partner	Food Manufacturing	\$0.11 M	10	6	M	Ogun
Respondent 36	Co-Founder/Managing Partner	Edutech	\$2 M	22	11	M	Lagos
Respondent 37	Owner	Consulting	\$0.25 M	1*	8	M	Lagos
Respondent 38	Owner	Food Manufacturing	\$0.017 M	2	5	F	Ogun
Respondent 39	Owner	Lagal Services	\$0.015 M	4	7	F	Lagos
Respondent 40	Co-Owner	Home Moving/Interior Decoration	\$0.015 M	2	2	M	Lagos
	Owner		\$4 M	100	10	M	Lagos

(continued on next page)

Table 1 (continued)

Code	Position in Company	Sector	Average Turnover	Average Number of Staff (Contract + Full Time)	Years of Operation	Sex of participant	Location
Respondent 41		Pharceuticals marketing/production					
Respondent 42	Owner	IT	\$0.025 M	3	6	N	Lagos

\* Use contract/ad hoc staff when needed on projects.

categories were grouped under higher-order headings (Burnard, 1991). The aim here was to reduce the number of sub-categories by combining similar or dissimilar ones into broader higher-order categories (Dey, 2003). This second stage relied on the literature and the theoretical underpinnings of SET. At this stage, we analysed the emerging patterns in our data until adequate conceptual desegregated categories emerged (Eisenhardt, 1989). In the final stage, an abstraction procedure was followed to generate an overall description of the research problem (Nakpodia, Shrivies, & Sorour, 2020; Polit & Beck, 2012) and formed the basis of our theorising. Fig. 1 shows the first-order concepts, second-order categories, and aggregate themes, as per Gioia et al. (2013). For triangulation purposes, we confirmed that our final categories were consistent across all 22 SME subsectors and the country's regions. The emergent themes were also consistent with prior research on stages of crisis management (e.g., Hong et al., 2012; Pedersen et al., 2020). Our inductively derived insights were refined with theoretical insights from the existing literature.

Furthermore, to improve the trustworthiness of our data, researchers independently reviewed the data coding and the assignment of codes to categories (Campbell, Quincy, Osseman, & Pedersen, 2013). Researchers discussed codes, meanings, and categorisation until an acceptable level of consistency and understanding was achieved. Wherever there was disagreement, categories were modified, hence inter-coder reliability was maximised (Gioia, Price, Hamilton, & Thomas, 2010). Finally, as a form of post hoc analysis, and following Cortez and Johnston's (2020) study, we contacted research participants for feedback on our outcomes. These were considerably in agreement with our findings.

#### 4. Findings

Next, we present the relational governance mechanisms that enable dynamic capabilities in B2B relational exchanges. We focus on Nigeria as a market with significant institutional voids and on the five stages of the COVID-19 crisis. As established in the literature (e.g., Kindström et al., 2013; Teece, 2007), the majority of the respondents confirm that SMEs utilise dynamic capabilities, resulting in sustained business relationship exchange and competitive advantage. The capabilities mentioned regularly during the interviews include leadership, market and product diversification, innovation, communication, information access, and collaboration. Respondents generally confirm the necessity of these dynamic capabilities for B2B relationships in Nigeria. However, respondents complained that institutional voids in the country impacted their business activities:

"...you know, operating in Nigeria is very challenging as the government gives you little or nothing. You have got to be innovative in your marketing and communication. This is how your relationships, and, by extension, your business, can survive." (Respondent 13).

"I don't look at government actions or government activities in driving our business. I would rather see myself as a capitalist operating in a weak market environment and structure my information source, take leadership, innovate and diversify to be able to take advantage of the gaps in that market to make money. I also aim to develop solutions that answer the society's questions" (Respondent 9).

Our findings show that SMEs in Nigeria utilise generic, corporate-level dynamic capabilities. Below, we present 12 relational governance mechanisms, which are the aggregate themes in our data structure (see Fig. 1), and then disaggregate each mechanism into its micro-components (presented as second-order categories in Fig. 1), which are discussed subsequently.

#### 4.1. Relational governance mechanisms (RGM)

##### 4.1.1. RGM1: Social bonding

According to most of our respondents, the prolonged lockdowns caused by the COVID-19 pandemic enabled them to organise social bonding events with clients. These events were organised virtually with the "decision-makers of the companies in attendance" (Respondent 42). The SMEs engaged in social bonding "because empathy is good for business relationships as it allows B2B partners to support each other to win during challenging periods" (Respondent 5). Respondents 25 and 11 explain the bonding events further:

"What we were able to do was to stay in touch with our clients through virtual parties and events. If we cannot see them physically, we will meet with them virtually. An example of how we stayed in contact with our clients was organising an initiative called Virtual Coffee. We would schedule time with a customer between 30 minutes to one hour. And we just chat." (Respondent 25).

"During the lockdown, we had virtual Owanbes<sup>10</sup>...it was an elaborate virtual social gathering. We had a virtual barbecue and drinks. During the virtual social gathering, we continued our businesses, and we met new people." (Respondent 11).

We disaggregate the social bonding mechanism into four components, i.e., reasons for social bonding that was found in our data<sup>11</sup>: social bonding to establish a relationship; social bonding to deepen a relationship; social bonding to have a sense of belonging; social bonding as a source of strength.

##### 4.1.2. RGM2: family network loyalty

All our respondents recognise the value of their families for the business during the crisis.

"The loyalty of family network means that we can always rely on their own business for support." (Respondent 2).

Trust in family networks makes the SMEs develop a long-term view of their relational exchanges. This loyalty extends to internal and external networks of the SMEs and is critical in market environments where there is limited institutional support:

"My family is my number one support. You have family around you both as customers, or when they are in other companies you deal with, they

<sup>10</sup> Local Nigerian slang for open parties where people generally meet and merry.

<sup>11</sup> The disaggregate components represent the second order categories obtained from our data.





Fig. 1. Data structure.

protect your interests. I think for me, during the crisis, I have relied very much on the family network for my business survival". (Respondent 19).

We disaggregate the family network loyalty mechanism into two components, or the sub-parts: loyalty and trust in relationship

management; and family network for reliability.

4.1.3. RGM3: faith

Religion and faith are morally binding values that offer hope for

leadership in markets with significant institutional voids. For most of our respondents, faith fundamentally alters their firm decision-making and ethical behaviour and drives their business and individual decisions:

*“I think faith helps in any area of life, including developing relationships. Because it’s not just in businesses, it’s all areas of your life that you need to be able to rely on some higher power that guides you through the difficult times.”* (Respondent 22).

The lack of institutional support in developing countries means that people rely on faith and higher beliefs. These beliefs are directly transferred in relationships as morals and ethics:

*“I think number one is in the mindset in business. So, the religious faith gives you a mindset that helps you operate ethically, you know, because it is based on morals... that seeps into the way you treat your staff, the way you treat your customers. That customer service is just realised in key tenets of Christianity, and one particular verse I like is ‘treat others how you want to be treated’, and that feeds into our customer service.”* (Respondent 40).

Even for non-religious respondents, *“faith represents the most significant asset required to overcome the crisis and survive.”* (Respondent 1).

Based on our data, we disaggregate the faith mechanism into three components: faith for moral and ethical values; faith for business direction; and faith for leadership, hope, and drive.

#### 4.1.4. RGM4: strategic flexibility, nimbleness, and agility

Most of our respondents relied on strategic flexibility to maintain existing or win new relationships during the COVID-19 crisis. During the crisis, SMEs were more adaptable to individual business relationships than to standardised processes and procedures:

*“The crisis meant we had to manage expectations. We had to be flexible commercially with our customers. You cannot apply contracts without any human face or in a vacuum.”* (Respondent 31).

One such strategic flexibility by SMEs was the institution of flexible payment plans to cushion cash flow effects:

*“How were we able to overcome the huge financial strain on the business? One way was flexible payments agreed with our vendors. So, prior to COVID-19, with all of our vendors, we had maybe 30 days timeline for payments of raw materials. However, during and post COVID-19, 30 days became 90 days. Sometimes you could negotiate 120 days. We were flexible and adaptable as best as we could to ensure relationships were maintained.”* (Respondent 6).

Also, strategic flexibility and agility allowed SMEs to accept multiple changes or solutions from external partners:

*“We had situations whereby they [exchange partners] brought in solutions we didn’t think about to help us gain scale. This was flexible amid COVID-19 as we don’t normally easily open up our operations. So, flexibility was, for example, you want to change requests because you want to change something on your platform, and agility meant we immediately bend over backwards and implement the change at no extra costs.”* (Respondent 5).

*“I think you have to adjust; we didn’t have a choice; agility was common sense management. So, I think the agile movement, common sense operations, as well as the need to move ahead and the need to survive were paramount in driving decision making and relationship maintenance.”* (Respondent 23).

In terms of nimbleness, SMEs quickly accepted jobs that might otherwise require a lengthy bureaucratic process:

*“For us, let’s just get the money in so we’ll take the jobs, so there was not a lot of either negotiation in pricing or to be premium. Our objective was to get the business in and to help the clients. And then we just keep our doors open.”* (Respondent 40).

We disaggregate this mechanism into four components: flexibility in procedures and processes; flexibility in strategic cooperation with external partners; nimbleness in securing business; and agility to respond to partner’s requests.

#### 4.1.5. RGM5: domain experience

Many of our respondents assert that *“entrepreneurship is grit, particularly in Nigeria, and you just need to be gritty. You just need to soldier on.”* (Respondent 40). According to our respondents, the Nigerian environment has prepared them for crisis management as they regularly cope with different challenges:

*“I think our daily experience in this clime allowed us to cope with it. I think the fact that I have been coping for a while has helped, as I believe that this [COVID-19] would also be a thing of the past. So, while a lot of people outside Nigeria might see darkness, I just kept focusing on the light at the end of the tunnel.”* (Respondent 18).

*“...COVID-19 did not create any more stress or anxiety than all the other things that happen to the business operations and marketing.”* (Respondent 9).

The institutional voids in Nigeria have made SMEs rapidly learn to deal with:

*“...challenges, including police, security, tax regulators, miscreants, traffic, diseases such as Ebola, etc., with no answers or solutions forthcoming. SMEs learn every day, and COVID-19 was no different learning process.”* (Respondent 30).

We disaggregate the domain experience mechanism into two components: entrepreneurial grit; and a short learning curve.

#### 4.1.6. RGM6: innovative practices and creativity

Our respondents describe innovation as a dynamic process that they enabled by changing their behaviour during the crisis. *“In a nutshell, SMEs had to be creative and think out of the box.”* (Respondent 17). Innovative practices and creativity were essential to retaining relationships during COVID-19. SMEs went over and above contractual agreements in their marketing engagements:

*“For one of the clients who pays a retainer, we have to give back a portion of our retainer to support their marketing campaign - that is innovative. We have learned that if you don’t innovate and re-innovate, you will die.”* (Respondent 2).

*“COVID-19 brought in innovations and new ideas of approaching business marketing and relationships. For instance, in this environment, Zoom was non-existent in most people’s minds in 2020 January, but by March, the whole environment was talking about Zoom. Let’s have a Zoom burial, let’s have a Zoom wedding, let’s go out via Zoom.”* (Respondent 42).

Through continuous innovation, SMEs stayed relevant in service offerings and product development to match the prevailing circumstances. We thus disaggregate this mechanism into two components: creative marketing solutions; and innovative product/service developments.

#### 4.1.7. RGM7: endowment/savings

Many respondents attributed their flexibility and leadership in their B2B relationships during the COVID-19 pandemic to their endowment and saving. Generally, there is an existence of asymmetries in exchange

behaviour among partners in Nigeria. Many of the SMEs' business partners (especially larger firms) have power over them, and "sometimes the relationship appears lopsided" (Respondent 30).

"During this [COVID-19] period, we drew from our family endowment to keep business exchanges going. We would not want to lose out, especially when COVID-19 is over." (Respondent 30).

"Saving is a culture that I have always imbibed, and I feel it is necessary in these environments to cushion shocks and crises that we face. For example, we used our savings to refund clients." (Respondent 16).

"COVID-19 came abruptly. Nobody expected it. So, one of the things that helped us as a business is that we had savings. That helped us manage the shock. And so that was our relationship coping mechanism, to some extent, and, and it just made sense, it reinforced the fact that, as a business, you should always have money stashed away, for rainy days." (Respondent 7).

Based on our findings, we disaggregate the endowment/savings mechanism into three components: endowment/savings for capital injection; savings for internal operations continuity; and savings as an external shock absorber.

#### 4.1.8. RGM8: knowledge sharing, reaching out, and training

At the onset of the COVID-19 pandemic, our respondents were left without proper guidance as they recognised that their clients were equally scared and, in some cases, felt helpless. To fill the information void, most of our respondents shared knowledge about COVID-19 and used that opportunity to train their clients on virtual platforms and virtual business engagements:

"The business tried to connect with its customers via webinars, newsletters, and training on the use of virtual business platforms. So, even though there was no business going on, we connected to share knowledge and make them realise that we were available. So COVID-19 has been a game-changer." (Respondent 40).

"Our virtual knowledge sharing and training throughout the COVID-19 period was always a reason to communicate with the clients. With the business relationships maintained, we reaped the benefits when things began to ease." (Respondent 28).

We disaggregate this mechanism into three components: knowledge sharing of information; training on technical business aspects; reaching out as subtle relationship management.

#### 4.1.9. RGM9: adaptability and experience of mentors

For most of our respondents, being able to adapt to circumstances (including the use of ad hoc or contract staff) before COVID-19 meant that relationship management had continuously resided very much within the leadership of the SMEs:

"During COVID-19, my wife and I were in our study, working the phones, and generally working on the internet, and taking Zoom calls and stuff like that. So, it was just the two of us. I think, primarily, because we are not a large enterprise, the kind of overheads that large enterprises need to cover, we did not have those requirements. So, it was easier to readjust our resources and direct them to the areas that are important to the business's survival." (Respondent 8).

Hence, as COVID-19 metamorphosed into a crisis, they immediately reacted by reducing staff or their salaries and instituted payments that they called palliatives, which were a fraction of staff's regular salaries. Our respondents "had to be humane and pay the palliatives due to limited or non-existent government support for employees of private companies." (Respondent 14).

In addition, the majority of our respondents have had direct or

indirect mentorships, which helped them handle the crisis:

"I have got mentors that have been through three cycles of recession in Nigeria as business owners, and the common sense they passed to me was ...you don't wait till it hits fully before you act. You must immediately go leaner. Downsize immediately or initiate an arrangement you can afford." (Respondent 4).

This adaptability meant SME owners already had control of their marketing operations and could conserve their resources towards relationship management while relying on the experience of their mentors. Thus, we disaggregate this mechanism into two components: mentorship; and adaptability.

#### 4.1.10. RGM10: Collaborations

Respondents allude to their network's collaborative attitude and collectiveness and utilise these attributes to their advantage during the crisis:

"When I got the outsourcing job, I used to work in a bank. So, I recruited my former head of customer service ...we agreed on modalities. This person mainly worked remotely but could respond to all client emails and emergencies online. This made it cheaper for me to manage my business relationship." (Respondent 27).

The majority of our respondents affirm that they "sought strategic alliance collaborations with [institutional organisations] like police or vigilante service (Respondent 31), to overcome resource limitations." (Respondent 24).

Based on our data, we disaggregate the collaboration mechanism into two components: resource pooling; and strategic alliances for survival.

#### 4.1.11. RGM11: social media/internet

According to our respondents, a fundamental necessity for maintaining their relationships and building new ones was their ability to communicate to clients that they were still open for business, despite the enforced lockdown. To do this, social media represented a veritable marketing outlet that enabled dynamic communication:

"Social media was a lifeline. It was a steppingstone on which my business relationships were built during the crisis. I have a life on the internet, for example, if you google me, something about me and my services will come up. So, I have a presence. I have a good digital footprint online that helped me." (Respondent 35).

"The government of Nigeria introduced lockdown everywhere, and there was chaos and security challenges. Thank God for social media and the internet, which are outside government control. We were able to showcase our services to clients and organise events." (Respondent 6).

As suggested by SET, despite institutional voids and limited government support during the lockdown, "social media/internet allows two-way communication and a show of support and affection" (Respondent 21) among B2B exchange partners during the pandemic.

Thus, we disaggregate the social media/internet mechanism into four components: social media as a marketing outlet; social media as a communication outlet; internet for information source; and internet for track record verification.

#### 4.1.12. RGM12: Technology

Technology is widely acknowledged for its role in facilitating business efficiency and effectiveness. Hence, the availability of technology meant that SMEs were "able to do much more to drive business traffic and new leads" (Respondent 34). Our respondents assert that business is usually conducted face-to-face in Nigeria, and relationship building and maintenance are "more physical because you can command immediate

client attention” (Respondent 41). However, COVID-19 influenced the business survival of SMEs and forced them to become “digital natives quickly... With technology, most projects/services were delivered and at pace to the satisfaction of clients”. (Respondent 14).

The developed nature of virtual technology, including virtual delivery platforms, and payment solutions, among others, improved SMEs’ efficiency and effectiveness despite the COVID-19 crisis and the institutional void in Nigeria:

“Reliance on the technology itself, trying to deploy technology to reduce cost as a whole, reduced operating expenses.” (Respondent 18).

As a result, we disaggregate the technology mechanism into two components: technology for business facilitation; and marketing/commerce platform.

4.2. Summary

Based on the empirical data, we identified 12 relational governance

mechanisms, which enable dynamic capabilities. We then disaggregated these relational governance mechanisms into 34 distinct components representing their micro-foundations. These 34 micro-foundations are second-order categories inductively obtained from our data. They represent what Teece (2007) refers to as the “distinct skills, processes, procedures, organisational structures, decision rules, and disciplines” (Teece, 2007, p. 1319), or simply, micro-foundations that operationalised dynamic capabilities during the different stages of a crisis. Although the literature already lists different dynamic capabilities required during the different stages of a crisis (see Hong et al., 2012), there is a lack of detailed information on how these capabilities are operationalised (Kindström et al., 2013). Thus, Fig. 2 below illustrates the disaggregation of the identified micro-foundations of relational exchange mechanisms of dynamic capabilities and divides them into the 5 stages of crisis management.

Based on our findings, there are 6 micro-foundation components of relational mechanisms of dynamic capabilities in Stage 1, i.e., in pre-crisis, which are: internet for an information source, loyalty, and trust in relationship management, faith for moral and ethical values, and entrepreneurship grit.

ENVIRONMENT WITH INSTITUTIONAL VOIDS (appearing in Political Unrests, Endemic Corruption, Inept Legal Systems, Policy Flip Flop, Insecurity, etc)

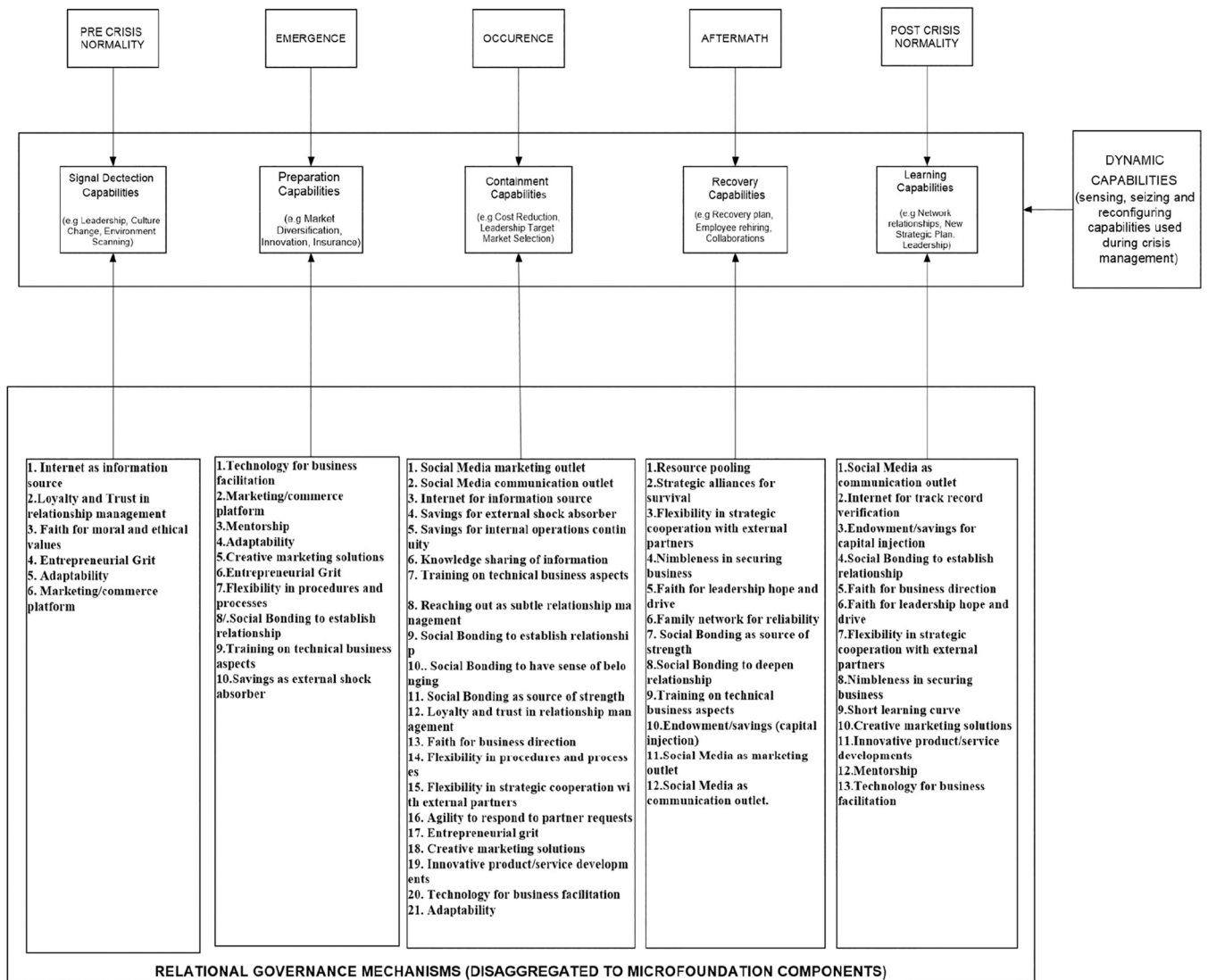


Fig. 2. Micro-foundation components of relational governance mechanisms utilised in SME crisis management. In Figure 2, we followed the 5 stages of crisis as conceptualised by Pedersen et al. (2020). The dynamic capabilities listed are postulated by Teece (2007), and studies like Hong et al. (2012) had listed them as higher order constructs for different stages of a crisis.



entrepreneurial grit, lean operations, marketing/commerce platform. For Stage 2, i.e., *emergence*, there are 10 micro-foundational components of relational mechanisms of dynamic capabilities: technology for business facilitation, marketing/commerce platform, mentorship, lean operations, creative marketing solutions, entrepreneurial grit, flexibility in procedures and processes, bonding to establish a relationship, training on technical business aspects, and savings for the external shock absorber. In Stage 3, i.e., *occurrence*, 21 micro-foundational components of relational mechanisms are detected: social media marketing outlet, social media communication outlet, internet for an information source, savings for external shock absorber, savings for internal operations continuity, knowledge sharing of information, training on technical business aspects, reaching out as subtle marketing, bonding to establish a relationship, bonding to have a sense of belonging, bonding as a source of strength, loyalty and trust in relationship management, faith for business direction, flexibility in procedures and processes, flexibility in strategic cooperation with external partners, agility to respond to partner requests, entrepreneurial grit, creative marketing solutions, innovative product/service developments, lean operations, and technology for business facilitation. In Stage 4, i.e., *the aftermath phase*, 12 micro-foundational components are found: resource pooling, strategic alliances for survival, flexibility in strategic cooperation with external partners, nimbleness in securing business, faith for leadership hope and drive, a family network for reliability, bonding as a source of strength, bonding to deepen a relationship, training on technical business aspects, endowment/savings, social media as a marketing outlet, and social media as communication outlet. Finally, as the data indicates, the 13 micro-foundational components, which will enable dynamic capabilities in Stage 5, i.e., *post-crisis*, are: social media as a communication outlet, internet (track record verification), endowment/savings (capital injection), bonding to establish a relationship, faith for business direction, faith for leadership hope and drive, flexibility in strategic cooperation with external partners, nimbleness in securing business, short learning curve, creative marketing solutions, innovative product/service developments, mentorship, and technology for business facilitation. Next, we proceed to discuss these micro-foundational components and how they affect dynamic capabilities, consistent with the five stages of crisis management (Pedersen et al., 2020).

## 5. Discussion

When a crisis is not well managed, it might have dire, irreversible consequences for firms (Pedersen et al., 2020). Moreover, in environments with significant institutional voids, B2B SMEs exposed to crises experience insecurity, governance inefficiencies, lack of justice, lack of adequate business support, and market information asymmetries (Eggers, 2020). Hence, focusing on the micro-foundations of relational exchanges, at different stages of the crisis, enabled us to establish a B2B crisis management relational exchange framework, specifically for SMEs in markets with institutional voids. Previous literature aligns with some of the findings of our study. For example, Cortez and Johnston (2020) also identify social media, virtual technology, and training, among others, as innovative practices utilised during crisis management.

Furthermore, the findings indicate that, due to significant institutional voids in developing countries, SMEs compensate for limited government support through faith and religion (Astrachan et al., 2020). Nigeria, a country with strong religious dispositions (Nakpodia et al., 2020), presents a rich and relevant context to assess the relationship between faith, dynamic capabilities, and relational exchanges. Our findings indicate that the micro-foundational components of faith were evident in Stages 1, 3, 4, and 5 of the COVID-19 crisis. For example, given limited government support in the country, as well as the global concern, faith strengthened leadership capabilities, and the determination of SME owners in Nigeria, as crucial factors of success. In highly turbulent and uncertain environments, mindful management of relationships through activities like faith, bonding, beliefs, and

spirituality, is essential to managing exchange relationships and building resilience (see similar findings in Zafari et al., 2020).

On the relational enabling influence of domain experience, SMEs needed to show survival determination in Stages 1, 2, 3, and 5 of the crisis management. The experience of facing regular crises becomes key micro-foundations to spur leadership, market diversification, and the development of new strategic plans and capabilities, as envisaged by the literature (e.g., Bundy et al., 2017; Hong et al., 2012). Similarly, our findings indicate that micro-foundations of mentorship and adaptability activate dynamic capabilities in Stages 1, 2, 3, and 5 of crisis management in Nigeria. Furthermore, for SMEs, family ties can compensate for institutional voids (Ge et al., 2019). Our study confirms that SMEs plan informally against external shocks by relying on their social and family networks (Yeniaras et al., 2020) to maintain and build relationships during Stages 1, 3, and 4 of crisis management. This is because, at such times, the already limited resources of SMEs make family ties one of their important assets, as generally, social capital is recognised as a mechanism of dynamic capabilities (Yeniaras et al., 2020). Also, in Nigeria, gifting endowments to family members or network partners is commonplace once such ties display trust and loyalty. Thus, in line with SET, endowments and savings aid business success (Lambe et al., 2001) and allow SMEs to maintain relationships and survive crises.

As Obal and Gao (2020) suggest, factors of volatility and criticality are important in firms' relational response to a pandemic or economic crisis. Our findings show that strategic flexibility and agility, as micro-foundations mechanisms, trigger dynamism during Stages 3, 4, and 5 of crisis management. This display of flexibility provides some certainty and prevents business failures (Habib et al., 2020). Our respondents further imply that components of training, knowledge sharing, and reaching-out programs activate the capabilities of SMEs in crisis Stages 2, 3, and 4, which increase their business partner's sense of belonging and shared experience of going through the crisis. This created a favourable emotional experience and a successful B2B exchange (Badrinayanan & Sierra, 2018). Our findings further suggest that SMEs in developing countries can overcome institutional void challenges (e.g., enforcement of contracts) by engaging in collaborations (see similar findings in Chesbrough, 2020). The findings demonstrate that SMEs use open innovation for strategic flexibility to co-create solutions with their business partners for various product and process challenges (Markovic et al., 2021) during the occurrence and aftermath stages of the COVID-19 crisis.

This paper also identified relational governance mechanisms that allow SMEs to engage in collaborative activities in Stage 4 of the crisis, providing the flexibility for existing contracts to adapt to unanticipated situations. These findings are consistent with existing literature (e.g., Baig et al., 2020), arguing that SMEs rapidly adopted virtual technologies during the pandemic. The findings indicate that technology helped develop capabilities needed to navigate Stages 1, 2, 3, and 5 of the COVID-19 crisis. However, the technology might not necessarily be a mechanism of capabilities in the aftermath of a crisis (Stage 4), as the focus is on activities such as rehiring laid-off staff and collaborations with exchange partners that require social capital. Similarly, respondents assert the importance of social media and the internet for business exchanges during Stages 1, 3, 4, and 5 of the crisis. This aligns with the literature (e.g., Cortez & Johnston, 2020), which posits that social media disseminates general information about events during the COVID-19 crisis. This information is crucial for SMEs' awareness of the situation, B2B relational exchanges, and ultimately, for their survival. Moreover, the findings reaffirm existing literature (e.g., Ge et al., 2019; Shanka & Buvik, 2019) that SMEs benefit from their investment in social bonding. Micro-foundations form the basis of successful realignment of a firm's dynamic capabilities (Kindström et al., 2013), allowing them to achieve superior B2B relational exchanges. Our respondents used these relational governance mechanisms of dynamic capabilities to cope with the emergent and sudden government regulations that affected their business relationships (see similar findings in Obal & Gao, 2020). The

data also confirms the value of informal mechanisms for business relational exchanges of SMEs in contexts marred by institutional voids (see, e.g., Cruz, Howorth, & Hamilton, 2013; Ge et al., 2019).

## 6. Conclusions

### 6.1. Theoretical implications

This paper aimed to answer the following research questions: (i) *What are the relational governance mechanisms that SMEs operating in markets with significant institutional voids use to activate their dynamic capabilities during a crisis?* (ii) *What are the micro-foundations of the relational governance mechanisms during the different phases of a crisis?* Our findings provided insights into the capabilities that SMEs in developing countries need in order to collaborate and manage their relationships. We also shed light on the relative importance of these relational governance mechanisms and how they vary during different stages of a crisis. Our theoretical contribution to B2B marketing theory is thus threefold. The first contribution is towards the relatively nascent field of crisis management in B2B marketing (see calls for research by, e.g., Pedersen et al., 2020; Cortez & Johnston, 2020). This study generates new insights on relational governance mechanisms that enable dynamic capabilities for B2B SMEs and their business exchanges during the COVID-19 crisis. Specifically, we reveal 12 relational governance mechanisms and 34 micro-foundational components of relational governance mechanisms of B2B SMEs operating in a developing country with institutional voids during a crisis. While prior research (e.g., Chesbrough, 2020; Klein & Todesco, 2021) examined crisis management relying on unitary higher-level constructs, this paper offers a multi-stage view of crisis management. The second contribution to B2B marketing literature is that we detailed the micro-foundational components of relational governance mechanisms used during the different phases of crisis management. By doing this, we expand the theorising of SET into the five crisis management stages conceptualised by Pedersen et al. (2020). To the best of our knowledge, this is the first attempt at investigating this issue empirically. Finally, as a third contribution, we extend SET theorising of B2B SME relationship management to Sub-Saharan Africa by exploring how institutional voids affect firms' resources and relationships. We showcase the importance of relational governance mechanisms of dynamic capabilities in a developing country context (Liedong et al., 2020). Most existing studies have addressed relational mechanisms as complex higher-order constructs (see, e.g., Chesbrough, 2020; Yeniaras et al., 2020). However, this isolates valuable information about the interaction of individual norms with the dimensions of relational outcomes (Yaqub, 2013). While we do not claim that our findings are an exhaustive inventory of micro-foundational components of relational governance mechanisms, the study advances the literature on the role of relational governance mechanisms of B2B SMEs in developing countries. This knowledge is critical for the survival and development of the relational exchanges of B2B SMEs in countries with institutional voids.

### 6.2. Managerial implications

Our findings bring insights for B2B SMEs in markets with significant institutional voids on concrete capabilities that should be developed to cope with crises. In other words, the relational governance mechanisms that enable dynamic capabilities and their micro-foundational components identified and discussed in this study could be implemented as useful SME strategies in developing countries, especially when managing crises. While the operating environment suffers from institutional voids, proper engagement with social capital and leveraging the benefits of social bonding and faith can greatly enhance B2B exchange relationships between SMEs and their partners. For example, faith cushions the shocks from external stimuli (such as crisis), which cannot be fully captured in contracts. Faith provides extra comfort to B2B partners that contracts would be fulfilled. Finally, our findings show that during

unprecedented times, SMEs should evaluate and re-evaluate their business relationships while considering the effect of disruptive changes on their businesses (Obal & Gao, 2020).

### 6.3. Limitations and directions for further research

Although this study explored the B2B relational exchange of SMEs in identifying relational governance mechanisms and their micro-foundational components, it has not measured these mechanisms and micro-foundations against specific performance outcomes. Consequently, a useful extension of the current research is to investigate and operationalise our study variables against specific performance measures. This could help generalise the actual process of relational governance mechanisms enabling dynamic capabilities. Further research could also investigate the phenomenon of faith and theorise on the usefulness and effectiveness of the concept for B2B SMEs in different contexts. In addition, the current study has focused on crisis management of SMEs, without examining the specific challenges the crisis has created for SMEs. Thus, further research could explicitly investigate the challenges that crisis create for SMEs operating in countries with institutional voids. Besides, while this research relied on semi-structured interviews with 42 SMEs from four of the six geographical regions in Nigeria, future studies could consider all six regions and a more inclusive stakeholder perspective (e.g., regulators and policy commentators) to generate broader insights. Finally, the results of this study might not be fully generalisable to all markets with institutional voids due to specific cultural aspects that influence Nigerian business practices. However, the study forges ahead research on the mechanisms of dynamic capabilities, which allow B2B SMEs to thrive and survive crises in environments with institutional voids.

## Appendix A. Interview Questions

1. How has COVID-19 impacted your business and your relationships with your business partners?
2. What exactly did you do as a business to make sure you kept making revenue?
3. How has COVID-19 affected your business plans?
4. When the COVID-19 is over, what do you plan to do with regard to your business? How will you make sure you stay in business?
5. Did your clients help your business during COVID-19? How? For example, were they patient and understanding?
6. How did COVID-19 affect your relationship with the businesses you deal with?
7. Have you ever faced any other crisis apart from COVID-19 in your business? (Crisis here means a difficult time or danger). Please give examples. What did you do when this crisis happened? How did you manage your business relationships?
8. How did you get the business running during the crisis?
9. How did you get the business back to normal after the crisis?
10. What were the important factors that helped your business cope with COVID-19 crisis (and any other crisis your business has faced)?
11. How influential was government or government institutions during crisis for your business?
12. Is there anything you have learned from the COVID-19 pandemic?
13. How prepared is your business prepared for any future crisis?
14. Is there anything else you would like to tell me about your business relationships, COVID-19 or Government interventions that I might not have covered?

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