

Psychological Perspective of Economic Sustainability in the Context of Sri Lankan SMEs: A Conceptual Paper

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This paper, in the SME context, proposes a theoretical framework for assessing the Economic Sustainability (ES) of organizations from a psychological lens. In the face of catastrophic events; whether natural or man-made, organizations are expected to bounce back and continue the business under any devastating condition. SMEs, those often labelled to be experiencing high mortality rate in general, find it hard to recover and sustain the business followed by a devastating vent (Wishart, 2018). The process of becoming resilient and subsequently achieving long-term sustainability demands several resources specifically, financial, human, managerial, social capital, networking, competitiveness, and technological. Diverse theoretical models claim different resource bases as drivers of economic sustainability. Nevertheless, as per the researchers' understanding, Psychological Capital (PsyCap) of businessman/entrepreneur has hardly been recognized as a driver of organizational sustainability whilst its greatest potentiality as an inner driver of individual behaviour (Gaur, 2020, Luthans, Avolio, Avey, & Norman, 2007). Founding on the premises of the seven-level models of human and organizational consciousness; the Barrett's model of 1998 (Barrett, 2006; Janse, 2018), this study proposes a model in which PsyCap leads to organizational resilience and ES of SMEs.

SME dominance is evidenced in almost all the economies; developed, developing, and underdeveloped (Robbins, Pantuosco, Parker, & Fuller, 2000). Hence, the sustainability of SMEs holds a significant impact on the society, by improving the well-being of owners, employees, and local residents (Bansal & DesJardine, 2014; Burch, 2018). Among the principal characteristics that distinguish SMEs from large organizations, uncertainty with respect to business continuity is a key non-size distinction (Storey, 1994; Wedawatta & Ingirige, 2016). While confronting the mounting extreme events/disasters, many SMEs face the utmost challenges, and often many abandon the business. Resultantly, a greater probability of ceasing trade has been a black spot in the SME literature (Storey, 1994). World statistics evidenced an identical pattern in terms of the SME mortality rate (Filho, Albuquerque, & Nagano, 2017). Divergently, literature (e.g.; Winnard, Adcroft, Lee, & Skipp, 2014; Miemczyk & Luzzini, 2016) suggest that sustainable businesses would remain resilient and even capable of growing the business despite the roadblocks on their way.

Organizational Resilience (OR) is simply about how organizations manage uncertainty

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and is most likely to be achievable provided that they are backed by strong leadership (Lee, Vargo, & Serville, 2013). This entrepreneurial leadership ability of an entrepreneur to lead an enterprise in the course of a disaster is heavily supported by his/her psychological properties (Frese, & Gielnik, 2014). As such, PsyCap of SME owners reserves the greatest power of predicting the resilience and sustainability of their businesses. Barrett's Seven Level Models of Human and Organizational Consciousness (1998, 2006) stated survival as the prime need of individuals while for organizations, it is financial/economic sustainability (Barrett, 2006, Janse, 2018). In the SME context, where the owner and the business share inseparable existence, the survival needs of the owner extend up to the survival needs of the business: ES. PsyCap of owners thus can be presumed to predict the resilience and the ES of SMEs. In the absence of any conceptualization of sustainability where PsyCap of owners is the exogenous variable, the study will primarily question how the PsyCap of SME owners explain the variations in OR and ES of SMEs. Specifically, the study would explore; how the owner's PsyCap affects ES, and OR and how OR affect ES.

Global communities, including businesses, are increasingly becoming more vulnerable to disasters/extreme events. For instance, recent COVID 19 pandemic paralyzes all the functions of the entire world. SMEs are well-known for their greater probability of business uncertainty whilst their mammoth role in the national economies. The proposed psychological approach towards OR and ES, theoretically is the one that originally projected the PsyCap within the ES frame. Practically, it holds implications for manipulating uprising SME mortality with no/ minimum additional resources, yet utilizing the most commanding inner traits of individuals.

Keywords: *Economic Sustainability, Organizational Resilience, Psychological Capital, SMEs, Sustainability*

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