



Review Article

The Study of Shenzhen SMEs' Adaptive Strategies in Facing the Decoupling Trend with the US New Tariff Policy

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Abstrak . This study examines the adaptive strategies employed by small and medium-sized enterprises (SMEs) in Shenzhen in response to the decoupling trend associated with the new US tariff policy. Given the increasing complexity and unpredictability of international trade dynamics, Shenzhen SMEs must innovate and diversify their operational approaches to sustain competitiveness. The re-search highlights the significance of enhancing innovation capabilities, which enable SMEs to develop new products and services that meet shifting market demands. Additionally, the study emphasizes the importance of market diversification and supply chain flexibility, allowing SMEs to mitigate risks related to tariff impacts. Collaborative networks facilitate resource sharing and knowledge exchange, further bolstering adaptability. The findings indicate that by fostering a proactive entrepreneurial orientation and engaging with policymakers, Shenzhen SMEs can effectively navigate the challenges posed by the US tariff policy, ensuring long-term sustainability and growth in a competitive landscape through a sample of 190 SMEs in April of 2025.

Keywords: SEMs' Adaptive Strategies, Decoupling Trend, US New Tariff Policy.

1. INTRODUCTION

The recent US tariff policy has considerably impacted small and medium-sized enterprises (SMEs) in China, particularly those that depend heavily on exports to the United States. Under the current administration, tariffs on Chinese goods have surged significantly, with rates reaching as high as 145% for various products. This has placed many Chinese SMEs in a challenging predicament as they cope with increased costs and disrupted supply chains [1] Due to these tariffs, many small businesses face production halts and unsold inventory accumulation. Companies like Sorbo Technology, which previously thrived on exports to the US, now find their products lying dormant in warehouses as the high costs associated with tariffs make shipping unaffordable [2] This trend is observed across multiple sectors, where businesses that once relied on American retailers such as Walmart now confront severe threats to their operations due to these inflated shipping prices. The economic repercussions extend beyond the businesses themselves to the workers employed by these SMEs. Factory workers are experiencing reduced hours and wages as companies scale back production in light of the tariffs. Reports have indicated significant drops in daily earnings for some workers, illustrating the broader economic challenges the trade conflict poses. Additionally, the unpredictability of tariff policies has created a cautious atmosphere regarding investment

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and growth within these enterprises. Many business owners have resorted to survival strategies, such as scaling back operations, freezing hiring, and postponing new product development [3]

This retrenchment is essentially a response to the uncertain nature of tariffs and the fear of further escalations in trade tensions. Given these challenges, some Chinese SMEs actively seek to diversify their markets beyond the United States. They are exploring opportunities in regions such as Europe and the Middle East to reduce the risks associated with their reliance on American consumers. However, this transition to new markets presents challenges, including adapting products to meet consumer preferences and navigating regulatory environments. Overall, the latest US tariff policy has created a turbulent environment for Chinese SMEs, compelling them to rethink their business strategies and adapt to a rapidly evolving global trade landscape [4]

This study explores Shenzhen SMEs' adaptive strategies in dealing with the decoupling trend with the US new tariff policy, with the following objectives: 1) To examine the influencing mechanisms of improving the Shenzhen SME adaptive intention based on recognizing change, fostering innovation, and market diversification. 2) To offer suggestions for Shenzhen SMEs on improving the adaptive business development strategies under the decoupling trend with the US market by enhancing their competitiveness in a dynamic business environment.

2. RESEARCH OBJECTIVES

This study explores Shenzhen SMEs' adaptive strategies in dealing with the decoupling trend with the US new tariff policy, with the following objectives: 1) To examine the influencing mechanisms of improving the Shenzhen SME adaptive intention based on recognizing change, fostering innovation, and market diversification. 2) To offer suggestions for Shenzhen SMEs on improving the adaptive business development strategies under the decoupling trend with the US market by enhancing their competitiveness in a dynamic business environment

3. THEORETICAL FOUNDATION

3.1 Definition of the Resource-Based Theory of Competitive Advantage

The Resource-Based View (RBV) theory helps explain how Small and Medium Enterprises (SMEs) can adapt to challenging political situations. It says a company's unique resources and skills are key to its success and performance [5] SMEs can use these resources in uncertain political climates to deal with challenges and find new opportunities. In adverse political environments, SMEs may face more uncertainty and risk, threatening their survival and growth. The RBV argues that firms with valuable, rare, and hard-to-copy resources are

better able to handle these challenges. For instance, SMEs that build strong relationships with local customers, suppliers, and government agencies can use these connections to understand the political scene and adjust their strategies. These re-relationships can protect SMEs from political risks, helping them stay stable during difficult times. The RBV also highlights the need for dynamic capabilities. These skills help firms change and build in-ternal and external strengths in response to a fast-changing envi-ronment. When facing political problems, SMEs may need to change their products, explore new markets, or adjust their operations. For example, an SME might shift its business model to target more stable markets or change its offerings to meet customers' needs affected by political unrest. Being adaptable is crucial for staying competitive and ensuring long-term success. Additionally, the RBV stresses the importance of knowledge and skills. SMEs that focus on improving their employees' abilities and encouraging innovation will respond better to political challenges. By building their internal skills, these businesses can better predict changes in the political landscape and create effective strategies to reduce risks [6]

3.2 Definition of Contingency Theory of Strategic Man-agement

Contingency Theory suggests that effective organizational strategies depend on internal and external factors. This means no one approach works for every situation [7] The theory stresses the need to adapt strategies to fit specific circumstances, especially for Small and Medium Enterprises (SMEs) facing a challenging political environ-ment. In unstable political situations, SMEs should evaluate their unique challenges, like regulatory changes, fluctuating markets, and shifting consumer behavior. By understanding these factors, SMEs can adjust their management, operations, and marketing. For exam-ple, a company might expand its product range or target new markets to maintain stability during political upheavals. The contingency approach also highlights the importance of flexibility. SMEs should monitor the political landscape and be ready to change their strate-gies. This adaptability allows them to take advantage of new op-portunities while reducing risks tied to political instability. Leadership plays a crucial role in this process. SME leaders need to under-stand the specifics of their environment. They should use their ex-periences and feedback from stakeholders to guide their decisions. By creating a culture of responsiveness and awareness, SMEs can become more resilient and continue to succeed, even in politically challenging times [8]

3.3 Definition of Terms

1) In a hostile external political business environment, small and medium enterprises (SMEs) adaptive intentions are characterized by a proactive mindset and strategic orienta-tion. This refers to how SMEs respond to challenges arising from political instability, regulatory changes, and evolving market dynamics. Such an adaptive intention signifies SMEs' commitment to modifying their strategies, operations, and business models to bolster resilience and maintain

competitiveness. In these challenging environments, SMEs often demonstrate an increased awareness of external threats and opportunities. This heightened awareness prompts them to reassess how they allocate resources, innovate their products or services, and deepen their engagement with various stakeholders. To navigate uncertainties effectively, SMEs may focus on building strong relationships with local communities, government entities, and other businesses, thereby establishing supportive networks that can assist them in overcoming obstacles [9]

2) Change recognition of adaptive strategies in small and medium-sized enterprises (SMEs) within a challenging political business environment involves the awareness and response to alterations in operational conditions stemming from negative political influences. Such factors may include regulatory changes, political instability, and economic downturns that adversely affect business operations and market positioning. To successfully navigate these difficulties, SMEs must adapt their strategies accordingly. This could mean modifying business models, enhancing operational efficiencies, diversifying product or service offerings, or exploring new market opportunities. By effectively recognizing environmental changes, SMEs can proactively tackle potential threats and capitalize on opportunities, fostering resilience and sustainability even in unfavorable political circumstances [10]

3) Fostering innovation in the adaptive strategies of small and medium-sized enterprises (SMEs) is crucial, especially when faced with a hostile external political business environment. This process involves encouraging creative thinking and the development of new ideas to modify business practices in response to unfavorable political conditions. SMEs often encounter significant challenges such as regulatory changes, political instability, and economic downturns, which can jeopardize their operations and competitive edge. To effectively navigate these obstacles, SMEs must foster an innovative mindset, enabling them to devise and execute novel approaches in their products, services, and processes. Key strategies for fostering innovation include promoting employee collaboration, investing in research and development, and being receptive to new technologies and business models. By embracing innovation, SMEs can establish more adaptable and resilient strategies, increasing their chances of survival in a volatile political landscape while capitalizing on new opportunities [11]

4) Market diversification of SME adaptive strategies under a hostile external political business environment refers to the approach small and medium-sized enterprises (SMEs) use to expand their operations into new markets or segments in response to adverse political conditions. This strategy is crucial when political instability, regulatory changes, or economic downturns threaten existing business activities. By diversifying their markets, SMEs aim to reduce risk and dependence on any single market, which can be particularly vulnerable to political upheaval. This may involve exploring new geographical regions, targeting different customer demographics, or introducing new products tailored to emerging market needs. In

a challenging political landscape, market diversification allows SMEs to mitigate the impact of negative external factors by spreading their risk across multiple revenue streams. It encourages them to proactively seek opportunities beyond their traditional markets, thus enhancing their resilience and sustainability [12]

3.4 Conceptual Framework

To understand how small and medium-sized enterprises (SMEs) adapt their strategies in a challenging political environment, we can examine three key parts: change recognition, fostering innovation, and market diversification. Each part is essential for helping SMEs respond to challenges and take advantage of new opportunities. Change recognition means that SMEs can spot and understand changes in their external environment, especially those related to political factors like new regulations, political instability, or economic downturns. SMEs must know these changes to anticipate possible threats and adjust their strategies. By recognizing these shifts, SMEs can prepare for the challenges of a difficult political climate, helping them remain flexible and responsive [13] Fostering innovation is another crucial part of this approach. In challenging political situations, SMEs must create a culture of innovation that encourages them to develop new products, services, or processes. This innovation helps them stand out from competitors and meet changing market demands. It can take many forms, such as new technology, different business models, or better operational processes. By focusing on innovation, SMEs can improve their ability to adapt and succeed, even in adverse conditions [14] Market diversification helps SMEs reach new markets or customer segments. This strategy reduces dependence on any market, which could be vulnerable to political problems. By expanding their market presence, SMEs can lower their risks and create multiple sources of income, improving their overall stability. This approach helps lessen the adverse effects of political issues and opens up new paths for growth [15] Thus, change recognition, fostering innovation, and market diversification are key to SMEs' adaptation. By effectively combining these strategies, SMEs can navigate the challenges of a difficult political environment, ensuring they remain sustainable and competitive in the long run.

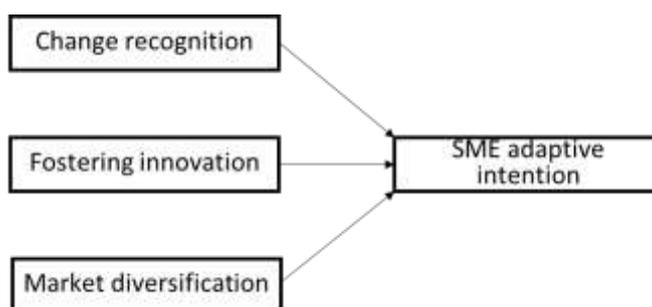


Figure 1. The Conceptual Framework

3.5 Research Restriction

Research shows that small and medium-sized enterprises (SMEs) in Shenzhen face several challenges due to new tariffs and the trend of leaving the US market. First, SMEs deal with complex and changing tariff rules. These rules raise operational costs and create uncertainty in pricing, making it hard for SMEs to plan long-term investments and expand their markets. Second, the de-coupling trend disrupts supply chains. SMEs must reevaluate their supply chains and look for new suppliers or materials. This process can take a lot of time and money, and may also limit their access to high-quality materials that they used to get from the US. Lastly, SMEs may struggle with innovation. The financial pressure from tariffs can make it difficult for them to invest in research and development. This lack of investment can stifle the innovation needed to stay competitive, as they focus on immediate operational issues instead of long-term growth.

4. RESEARCH HYPOTHESIS

4.1 The Correlation between Change Recognition and SME Adaptive Intention

A key area of study is how small and medium-sized enterprises (SMEs) recognize changes and how this affects their ability to adapt in a challenging political environment. SMEs need to identify and understand changes in their surroundings to shape their strategies effectively. In political instability, changing regulations, and economic uncertainty, SMEs must stay aware of factors that could impact their operations. Change recognition means being aware of various external influences on business performance. This includes recognizing political risks, consumer behavior shifts, and market changes. The idea is that SMEs that are good at recognizing these changes are more likely to develop strategies that strengthen their resilience and competitiveness. SMEs spot potential threats from new regulations or tariffs, they can adjust their business models, expand into new markets, or innovate their products to respond to these challenges. A complex political environment often demands quick responses from SMEs. Those with strong change recognition skills are better prepared to implement flexible strategies that match the changing context. This adaptability may involve entering new markets, changing supply chains, or investing in new technologies. By actively recognizing changes, SMEs can improve their chances of surviving and growing in uncertain times [16].

H1 There is no positive correlation between change recognition and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

4.2 The Correlation between Fostering Innovation and SME Adaptive In-tention

The relationship between fostering innovation and the adaptive intentions of small and medium-sized enterprises (SMEs) in a challenging political business environment suggests that promoting innovative practices significantly enhances SMEs' ability to adapt to adverse political conditions strategically. In settings marked by instability, regulatory changes, and economic uncertainties, innovation becomes essential for SMEs to maintain their competitiveness and resilience. When SMEs cultivate a culture of innovation, they position themselves to develop new products, services, and processes that enable them to effectively navigate the challenges posed by a complex political landscape. This focus on innovation allows SMEs to respond to shifting market demands and external pressures more effectively, enhancing their capacity for adaptation. For example, SMEs that dedicate resources to research and development or adopt emerging technologies can streamline their operations and distinguish themselves from their competitors, which is particularly important during turbulent times. Additionally, fostering innovation encourages a proactive mindset among SMEs, allowing them to identify and capitalize on opportunities arising from political shifts. Those SMEs that prioritize innovative approaches are more likely to explore new markets or adjust their business models in response to changing consumer preferences and regulatory requirements. This level of adaptability is vital for survival and growth, empowering SMEs to respond swiftly to external threats [17]

H2 There is no positive correlation between fostering innovation and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

4.3 The Correlation between Marketing Diversification and SME Adaptive Intention

The hypothesis concerning marketing diversification and its relationship with the adaptive intention of small and medium-sized enterprises (SMEs) in a challenging external political business environment argues that the strategic implementation of marketing diversification plays a significant role in enhancing SMEs' adaptive capabilities. In situations marked by political instability, regulatory shifts, and economic uncertainty, marketing diversification emerges as a vital strategy for SMEs aiming to mitigate risks and capitalize on new opportunities. This hypothesis indicates that SMEs that pursue marketing diversification, such as expanding their product offerings, targeting new customer segments, or exploring different geographic markets, are more effectively equipped to respond to external pressures. By adopting diversified marketing strategies, these enterprises can lessen their reliance on a single market or product, spreading risk and bolstering resilience against

unfavorable political conditions. For instance, when faced with regulatory changes affecting one market, SMEs with diverse marketing approaches can shift their focus to other stable markets or products, sustaining overall performance. Moreover, marketing diversification enables SMEs to improve their competitive edge by engaging with a broader audience and responding more adeptly to evolving consumer preferences. In a politically charged environment, where consumer behavior can change rapidly due to external forces, SMEs employing diversified marketing strategies are better positioned to align their offerings with emerging trends and demands. This level of adaptability is essential for fostering growth and ensuring long-term sustainability [18]

H3 There is no positive correlation between marketing diversification and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

5. PROPOSED METHOD

5.1 Population and Sample

This research population comprises SMEs in Shenzhen, China, which faces a hostile external political business environment. As of the end of August 2024, there were 4,325,956 commercial entities in Shenzhen, a year-on-year increase of 5.34%. Of these, 2,638,217 were enterprises, a year-on-year increase of 4.56%, accounting for 60.99% of the total commercial entities in Shenzhen. [19]A sample of 190 was collected for this study's analysis in April 2025 through the WeChat Survey Platform.

This study's minimum research sample size [20]

1. Confidence level: 95% ($Z = 1.96$)
2. Estimated proportion p : 0.5 (for maximum variability)
3. Margin of Error E : 0.05 ($\pm 5\%$)
4. $n = Z^2 \cdot p \cdot (1-p)E^2$
5. $n = (1.96)^2 \cdot 0.5 \cdot (1-0.5) = 0.9604 \cdot 0.5 = 0.4802 \approx 192$ $(0.05)^2 = 0.0025$
6. 192 respondents would be needed for the adjusted sample size of this study based on a confidence level of 95%

6. RESEARCH RESULTS

The relationship between change recognition and key factors such as financial support and competitive analysis is particularly noteworthy for small and medium-sized enterprises (SMEs) in Shenzhen. This correlation is especially evident as these businesses operate within a challenging external political environment.

Financial support is pivotal in empowering SMEs to recognize and adapt to shifts in their operational landscape. Adequate financial backing enables these enterprises to invest in innovation and modify their strategies in response to new challenges. This financial stability

allows SMEs to explore new opportunities and helps them enhance their capabilities, strengthening their adaptive intentions[21]

Equally important is the role of competitive analysis, which aids SMEs in understanding their market position and industry dynamics. By engaging in competitive analysis, SMEs can identify market trends and evaluate the strengths and weaknesses of their competitors. This informed decision-making aligns with their adaptive strategies and fosters a proactive approach to recognizing changes, allowing them to adjust effectively to external pressures.

Financial support and competitive analysis are critical factors that enhance the ability of SMEs in Shenzhen to recognize changes and adapt their strategies, particularly in a complex political landscape. The positive correlation between these elements highlights the significance of resource availability and market awareness in promoting resilience and innovation among SMEs.

H1 There is a positive correlation between change recognition and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

Studies show that small and medium-sized enterprises (SMEs) in Shenzhen are more likely to adapt when they foster innovation. This ability is linked to three key factors: innovation capability, entrepreneurial orientation, and resilience and agility. This is especially important in a challenging political environment.

Innovation capability helps SMEs create new products and services to meet changing market needs. When SMEs innovate well, they can spot environmental shifts and respond effectively. This skill allows them to use new technologies and processes, boosting their competitiveness even in tough times[22]

Entrepreneurial orientation is also important. SMEs that are proactive, willing to take risks, and open to new ideas are better at recognizing changes in their surroundings. This proactive approach helps them manage political uncertainties and exploit potential opportunities [23]

Resilience and agility are essential for SMEs facing difficulties. Resilience helps them withstand challenges and bounce back from failures, while agility allows them to adapt to new information or market changes quickly. Together, resilience and agility build a culture of adaptability crucial for SMEs in a hostile political landscape through innovation [24]

Overall, the strong link between fostering innovation, innovation capability, entrepreneurial orientation, and resilience and agility highlights the importance of these

factors in helping Shenzhen SMEs adapt. By developing these qualities, SMEs can navigate their environment more effectively and maintain their competitive edge.

H2 There is a positive correlation between fostering innovation and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

Market diversification for small and medium-sized enterprises (SMEs) in Shenzhen depends greatly on market knowledge, networking, and collaboration. These factors help SMEs adapt, especially when facing a challenging political business environment.

Understanding how the market works gives SMEs important insight into what consumers want, current trends, and the competition. This knowledge helps them find new opportunities and adjust their strategies, making them more effective in diversifying. When SMEs understand the market well, they can make decisions that better align with their adaptive goals and manage challenges from external political issues [25]

Networking and working together are also key to successful market diversification. By teaming up with other businesses, SMEs can pool resources, share knowledge, and use each other's strengths. This teamwork encourages innovation and helps SMEs enter new markets more easily. The collaboration boosts their ability to adapt to changes and seize new opportunities [26]

The connections between market diversification, market knowledge, networking, and collaboration highlight the importance of these factors. By focusing on these areas, SMEs in Shenzhen can better position themselves for success in a complex political environment, improving their resilience and chances for growth.

H3 There is a positive correlation between market diversification and SME adaptive intention in facing the decoupling trend of the US new tariff policy.

7. CONCLUSIONS

Finally, SMEs should actively participate in understanding and influencing policy. They should engage with policymakers to advocate for better trade conditions and seek support for navigating international trade complexities. By staying updated on tariff changes and participating in discussions, SMEs can better adapt to new regulations. US tariff policy affects small and medium-sized enterprises (SMEs) in Shenzhen. Because tariffs raise costs and uncertainty, these businesses must adapt to stay competitive and sustainable.

7.1 Managerial Implications:

First, SMEs should boost their innovation efforts. They need to create new products and improve existing ones to stand out. Investing in research and development can help them offer better value and resist price increases from tariffs. This focus on innovation can help them keep current customers and attract new ones.

SMEs should also look to diversify their markets and supply chains. By exploring markets beyond the US, like Southeast Asia or Europe, they can reduce reliance on one market and lower risks from tariff changes. They should consider sourcing materials from different suppliers to lessen the impact of tariffs on their costs.

Collaboration is key for SMEs. By forming partnerships with other businesses, both locally and internationally, SMEs can share resources and knowledge. This can help them better handle the challenges posed by tariffs. Joining industry groups and going on trade missions can also strengthen their networks.

Good financial management is crucial in this situation. SMEs must monitor their finances closely and look for different funding options to support their adaptive strategies. They might seek government grants, loans, or investments to help with innovation and market expansion.

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