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COVID-19 RECESSION AND FIRM PERFORMANCE – WHAT ARE THE DETERMINING FACTORS

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ABSTRACT: The impact of COVID-19 was felt globally, efforts have been put in place to combat the viral pandemic and develop a cure or vaccine against the virus. The pandemic has affected businesses leading to loss of revenue and jobs on a large scale. The purpose of this research was to investigate the determinants of firm performance in the Covid-19 recession. The study was considered important considering the harsh effects of the recession on the businesses. The study focused on investigating factors that are important for firms to continue their performance during the covid-19 recession period. The study was carried out in Malaysia and Thailand. The study investigated the effects of strategic flexibility, opportunity recognition, organizational slack resources, improvisation capabilities, and proactive marketing on firm performance in recession. The study was carried out using Structural Equation Modeling. The findings of the study indicated that for both Malaysia and Thailand, strategic flexibility, organizational slack resources, and proactive marketing has a significant and positive effect on firm performance. As well, proactive marketing was found a mediator of the effect of strategic flexibility and opportunity recognition on firm performance. The research recommended that the management should consider investing in extensive marketing. As well strategic management should consider strategic flexibility as a mechanism of reducing the recession effects on the firm. Management could properly utilize the organizational slack resources to propel the business and permit the firm to experiment with new strategies as well as pursue new dimensions for better performance.

KEYWORDS: *Firm performance, organisational slack resources, proactive marketing, strategic flexibility, opportunity recognition,*
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1. INTRODUCTION

Recession is an economic concept that refers to the widespread severe decline in economic activities across the economy that lasts for several months. The recession periods are characterized by high levels of unemployment, high inflation, lower customer spending, reduced GDP growth, and rising government debt in attempts to stabile the economy. According to (Green & Winters, 2010), since 1870, the global economy has experienced an approximated 33 recessions that lasted for

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an average of 14 recessions. Economic recession results from various factors, including the fall in real wages such as inflation which outstrips the nominal wage (Knudsen, 2011). Also, the economic recession can be caused by reduced customer confidence. Often, consumers reduce their spending where they perceive the economy to be bad, and this leads to limits on the amount of money in circulation and a drop in business investment leading to recession. The other significant factors capable of causing a recession in the economy include trade wars, which push the global economy into a downturn, fiscal austerity, and the rise in interest rates leading to negative wealth effects and less spending, among other factors.

Although Economic recessions last for a few months, they have various effects on business performance that last far longer. Incorporating the views of Fapohunda (2012), the author states that economic recessions have severe impacts on business profits. Often, during recessions, consumers become wary of their spending habits, resulting in challenges in businesses to attain the usual sales. Reduced sales may lead to overhead costs impacting negatively on the profits. Similarly, recessions lead to severe reductions in business cash flows. Where customers restrict their spending, some businesses may go out of business and may lead to delays in supplier payments for businesses dealing in B2B sales (Lowth et al., 2010). In other times, businesses may take much of their time chasing invoices and consequently reduce business cash flow in the economy.

The recent COVID-19 pandemic led to massive shocks to the global economies resulting in one of the worst global economic recessions since World War 2. While that have been several global economic recessions in the past, none of these was tied to a global medical emergence like the covid-19 economic recession. The covid-19 recession occurred after the coronavirus pandemic in 2019 and had far-reaching severe economic consequences to more than 183 countries across the world. According to Chaplyuk et al. (2019), the COVID-19 recession caused economic declines of near-historic proportions. The impact of the covid pandemic had economic shocks in several dimensions, including widescale unemployment due to the shutdown of businesses. For instance, in the US, up to 38 million individuals filed for unemployment (Rothwell, 2020).

The COVID-19 recession also had severe impacts on the global GDP growth. With the institution of widespread lockdowns and restricting travel across many countries to curb the spread of the virus, businesses suffered greatly, with many shutting down. Abuselidze and Slobodianyk (2019) reported on the expected impact of the coronavirus pandemic. They stated that in Africa, countries were faced with recession after over 25 years, and the World Bank predicted that the Sub-Saharan economy would shrink from 2% to 5% in 2020. In the US, the country's GDP growth was predicted to drop by 34% as a result of the recession effects of the COVID-19 pandemic. The pandemic also had effects on the consumers' confidence leading to recession (Fernandes, 2019). A study on the global consumer confidence index indicated a drop by 8.7 points to 40.0. The reduction in consumer confidence led to a decline in spending and contributed to the covid-19 related global recession.

The outbreak of the Covid-19 pandemic resulted in a severe drop in business activities that profoundly affected business performance in many organizations. The COVID-19 recession in particular, had significant severe effects on small and medium enterprises across the world. Shen et al. (2020) in their survey on the impact of the covid-19 recession on small businesses indicated that there were mass layoffs and business closures among SMEs during the first few weeks of the pandemic. The closure of SMEs was associated with the uncertainty that surrounded the covid-19 pandemic regarding the negative expectations of the duration of the crisis. Similarly, many SMEs, unlike the larger organizations were financially fragile with limited operational cash (Cowling et al., 2015). Due to the decline in consumer spending as a result of the covid-19 recession, many SMEs

were faced with financial crunches with limited cash on hand for monthly expenses; this led to mass layoff and an overall decline in business performance (Knight, 2020; Zeidner, 2020).

Large business organizations also felt the effects of the covid-19 recession with the continuation of the epidemic. According to International Trade Center (2020), up to 73% of business organizations across the US reported a drop-in business activity with up to 50% decline in sales during the COVID-19 recession. The decline in business activity among businesses is associated with the mandatory restrictions to close businesses to the public in a bid to curb the spread of the coronavirus. The administrative restrictions contributed to 63% of business inactivity (Roper & Turner, 2020). Also, issues related to supply logistics during the pandemic contributed to an 8% decline in business activity, while lack of business opportunities resulted in a 7% decline in business activities (Peoples et al., 2020). The decline in business activities contributed to a severe decline in business performance and consequently led to the recession.

2. LITERATURE REVIEW

Recessions cause severe effects on business organizations and affect their performance and survival. However, different business organizations are affected differently during the recession and can use different strategies to ensure their survival (Aebi et al., 2012). During the COVID-19 recession, business organizations were faced with various challenges resulting from the pandemic. However, there are various ways in which businesses could turn adversity into an advantage to improve their performance.

The concept of strategic flexibility involves the firms' quick recognition and response to changes from the external environments impacting business performance. The aspect of strategic capability involves the business organizations' capabilities to manage economic risks and respond to business threats and opportunities by quickly committing resources action (Zandi et al., 2020). Nadkarni and Narayanan (2007) maintain that in the event of economic challenges, including economic recessions, corporate turnarounds can be achieved through strategic flexibility. In the article, the author suggests that a successful turnaround in firms can be achieved where firms are capable and flexible enough to make use of the available resources. Strategic flexibility thus allows firms to reallocate resources during the recession that helps them adapt and improve their performance in times of adversity.

Kazozcu (2011) expounds on the various aspects that can be taken into consideration during strategic flexibility aimed at improving business performance during the economic recession. For instance, when formulating strategic flexibility, businesses should analyze the different solutions available, the amount of time needed to respond to the change, and the perspective of the organization towards the change (Brozovic, 2018). During a business crisis, such as the COVID-19 recession, business organizations benefit from the use of strategic flexibility by quickly identifying and understanding sources of business decline and linking the sources of decline with the firms' turnaround strategies (Yawson, 2020). Through strategic flexibility, firms during the COVID -19 recession can benefit from having the flexibility to respond to new competitive business patterns and redeploying critical resources through diversity to develop new markets to survive the crisis.

The recognition of opportunities is the other strategy that can be used by firms during the recession to ensure improved performance and survival. Economic recessions such as the one created by the COVID-19 pandemic are characterized by high levels of uncertainty, coupled with a decline in consumer demand and increased competition (Srinivasan et al., 2005). Naturally, many businesses may opt to cut down on costs while reducing their investments which leads to a reduction in operations and performance. However, Conti et al. (2020) posits that one can choose to

view the recession as an opportunity by identifying alternative processes and applying new knowledge to ensure improved firm performance. For example, during the great depression, various firms, including Proctor and Gamble, Camel, and Chevrolet, identified alternative opportunities leading them to flourish during the 1929-1933 great recession (Gulati et al., 2010).

Conti et al. (2015) adds that new opportunities during a recession can be identified in the form of the use of modern equipment to reduce production costs, new products to meet the changing consumer preferences, and innovation. Often business opportunities recognized during the recession have the potential for high returns and can help business organizations to gain competitiveness (Vera & Crossan, 2005). For example, business organizations can take advantage of the undervalued resources in the market to increase their productivity. Thus, active recognition of opportunities by firms during the recession is positively linked to improved business performance. Recessions can inflict severe effects on the performance and survival of business organizations.

However, firms can prosper during recessions through maximum utilization of the organizational slack resources. He (2020) affirms that organizational slack resources involve the excess capacity of resources of the minimum necessary required to produce particular output maintained by firms. In many firms, slack resources include excess inventory, indirect staff, and excess cash resources, among other slack resources. Herold (2006) situates that the use of slacks in organizations is considered an instrument that enhances performance in firms facing external challenges, including recessions. Often slack resources include cash and its equivalent, which the organizational management may wish to hold onto during recessions for any financial emergencies.

Latham and Braun (2011) articulate that the greater ability of slack resources in business organizations during recessions provides a greater chance of improved performance and business turnarounds. Thus, the presence of slack during the onset of the recession provides the firms with the opportunity to promote organizational innovations and creativity, including aggressive marketing aimed at improving performance and ensuring firm survival during the recession periods. Businesses during economic recessions can also use the improvisation capabilities concept to improve their performance and ensure business survival. Conforto et al. (2016) points out that the concept of improvisation capabilities involves the organizational ability to quickly and spontaneously reconfigure resources towards the building of new operational capabilities to address external business uncertainties created by the economic recessions. In support, Yong (2016) infers that the improvisation capability was initially used as a way of fixing business problems arising from poor planning. However, it gained success as a way of improving performance during periods of uncertainty in business.

During economic recession periods, individuals are likely to alter the demand patterns due to increased uncertainty leading to delays in purchases. Consumers during this period are likely to search for affordable alternative products. Firms, on the other hand, are faced with intense competition that risks the firms' survival (Peltonen). Tseng et al. (2015) suggest that improvisation capability is positively associated with changes in firm performance during recessions. In this case, thus, using improvisation capability helps in the creation of quick reactions to changes in business environments and the creation of stranger spontaneity leading to improvements in business performance and ensuring firm survival.

Economic recession periods present hostile business environments for firms to operate. In situations of business environment uncertainties, often, the business can take various risks to ensure its survival. Proactive marketing is one of the risks that firms can engage in to boost performance and ensure organizational survival. O'Malley et al. (2011) informs that proactive marketing involves the view of the recession period as an opportunity and the development and execution of responses

aimed at creating change. Often proactive marketing is viewed as offensive marketing responses during recession aimed at improving the firm's performance (Amissah & Money, 2015). Often, firms during recessions tend to cut costs by reducing their marketing activities; in this case, consumers become more conservative and only favor products that are considered strong brands and are associated with limited risks. Gyulavári and Kolos (2015) is of the view that firms that take risks to engage in proactive marketing stand a chance of creating a reassuring signal to the consumers and can improve the strength of their brands and consequently will be able to improve their performance. Firms engaged in aggressive marketing during the recession periods are likely to perform better in the market and will ensure the survival of their businesses.

2.1 Proposed Model

The proposed model was developed with a critical evaluation of the literature and theoretical background. The model has six latent variables. Four of them were independent variables (strategic flexibility (SF), opportunity recognition (OR), organizational slack resources (OS), and improvisation capabilities (IC)), one dependent variable – firm performance (FP) in recession, and one mediating variable – proactive marketing (PM). The hypotheses are listed below.

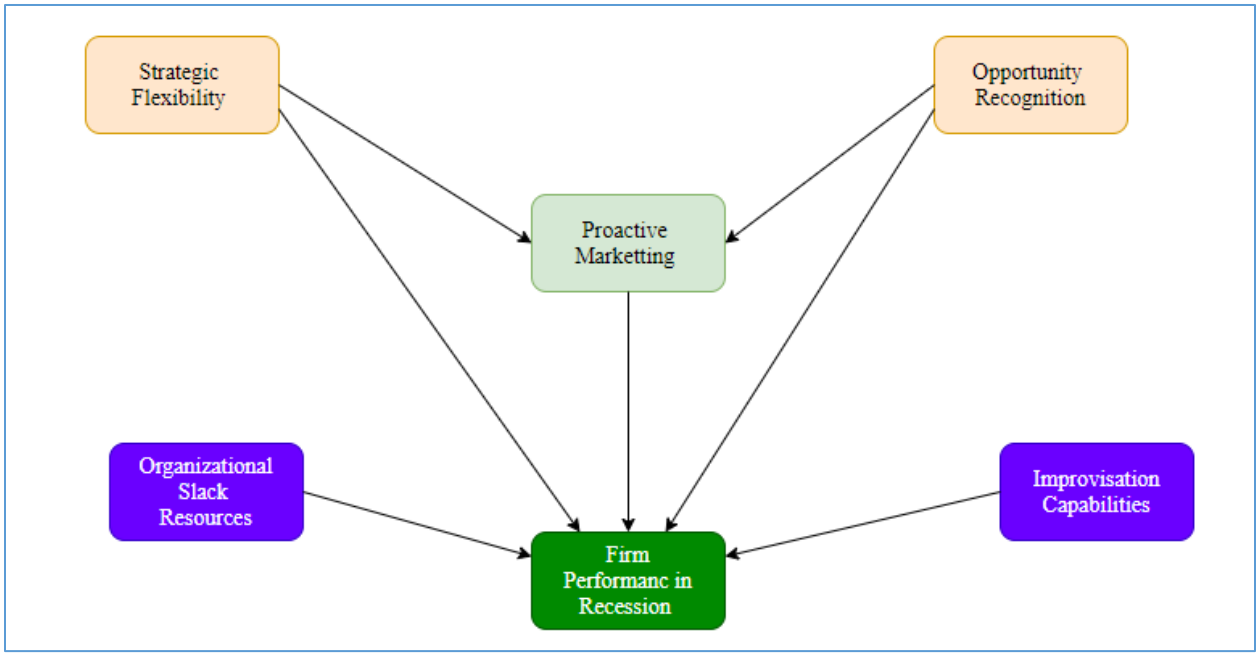

Figure 1. Conceptual framework

H1: Strategic flexibility is positively associated with change in firm performance in recession
H2: Opportunity recognition is positively associated with change in firm performance in recession
H3: Organizational slack resources is positively associated with change in firm performance in recession
H4: Improvisation capabilities is positively associated with change in firm performance in recession
H5: Proactive marketing mediates association between strategic flexibility, opportunity recognition and

3. METHODOLOGY

The data used to evaluate the hypothesis of this study was obtained from companies' management personnel in Thailand and Malaysia. There was no specific sector that we focused on to ensure collecting as much data as possible. It was expected that the management personnel of various departments (such as accounting, finance, marketing, human resource departments) has a good knowledge regarding the effect of recession to their companies' performance, and the strategies adopted to cope during the Covid-19 pandemic business recession. The data was collected through a structured questionnaire. The questionnaire was comprised of closed-ended questions and the responses were developed on a 5-point Likert- Scale. The questionnaire was sent to the companies through email. In each country, a total of 400 copies of the questionnaire were sent and requested that they should be shared among the different departments in the company. The returned copies of the questionnaire were filled and upon evaluation, a total of 249 and 352 respondents from Malaysia and Thailand respectively data were considered suitable for analysis.

The measurement development was made from previous research. Proactive marketing was measured using a four-item scale. The organizational slack resources were measured using a five-point scale obtained from (Bromiley 1991; Chattopadhyay, Glick, and Huber 2001; Nohria and Gulati 1996). The strategic flexibility was measured using a four-item scale as it was developed by Grewal and Tansuhaj (2001). Opportunity recognition was measured using a five-item scale as proposed by Srinivasan et al. (2005). Improvisation capabilities were measured using a five-item scale as developed by Vera & Crossan et al. (2005). Change in firm performance during the recession was measured using five indicators as suggested by Srinivasan et al. (2005). The hypotheses were evaluated using Structural Equation Modeling. However, before the hypothesis was evaluated, the proposed model was tested fitness using various measures such as reliability, validity, and confirmatory factor analysis (CFA). The data analysis was conducted using AMOS version 26 and SPSS version 20.

4. RESULTS AND DISCUSSION

4.1 Model Evaluation

Model evaluation is a critical step of this article as it determined the fitness of the model, and how suitable the model constructs could effectively estimate the hypothesis of the study. The model was evaluated using three metrics, validity, reliability, and confirmatory factor analysis (CFA). The model evaluation was conducted separately for Malaysia and Thailand.

Model Evaluation for Malaysia

The first metric to undertake was the Confirmatory Factor Analysis (CFA). The required threshold of the CFA finesses indices according to Hair et al. (2010), Forza & Filippini (1998), Greenspoon & Saklofske (1998) and Awang (2012) should be as follows: RMSEA < 0.08; GFI/NFI/CFI/TLI/ > 0.9 (satisfactory fit) and > 0.8 (acceptable fit); X2/df < 0.5. The model fitness for Malaysia indicated that X2/df = 2.147, CFI = 0.906, IFI = 0.908, GFI = 0.828, RMSEA = 0.068. Comparing the results with the set threshold, all the fit indices were satisfactory, while GFI was acceptable. This confirmed the model fitness according to CFA analysis. The next analysis was for the reliability and validity analysis as presented in the section below.

The reliability and validity analysis as presented in Table 1 below. According to Brunner & Süß (2005), Fornell & Larcker (1981), Netemeyer et. al. (2003), the threshold for reliability and validity analysis should be as follows: factor loadings > 0.5, AVE > 0.5, Cronbach's alpha > 0.7 and Composite reliability > 0.7. From the results presented below, factor loadings ranged between 0.602

to 0.845, AVE ranged from 0.543 to 0.673, Cronbach's alpha ranged from 0.788 to 0.861, composite reliability ranged from 0.854 to 0.911. These thresholds were met, which confirmed the reliability and validity of the study constructs.

Table 1. Model Evaluation for Malaysia

Latent Variables	Observed Variables	Validity Analysis		Reliability Analysis		
		Factor Loadings	(AVE)	Cronbach 's Alpha	rho_A	Composite Reliability
FP	FP1	0.716	0.543	0.788	0.801	0.854
	FP2	0.737				
	FP3	0.81				
	FP4	0.8				
	FP5	0.602				
IC	IC1	0.835	0.619	0.846	0.851	0.89
	IC2	0.774				
	IC3	0.805				
	IC4	0.75				
	IC5	0.768				
OR	OR1	0.814	0.643	0.861	0.862	0.9
	OR2	0.815				
	OR3	0.811				
	OR4	0.818				
	OR5	0.75				
OS	OS1	0.693	0.556	0.84	0.842	0.882
	OS2	0.756				
	OS3	0.702				
	OS4	0.781				
	OS5	0.789				
	OS6	0.749				
PM	PM1	0.817	0.673	0.878	0.879	0.911
	PM2	0.845				
	PM3	0.818				
	PM4	0.797				
	PM5	0.824				
SF	SF1	0.793	0.619	0.846	0.849	0.89
	SF2	0.814				

	SF3	0.803
	SF4	0.751
	SF5	0.771

Source: Research data

Model Evaluation for Thailand

Confirmatory Factor Analysis was used to evaluate the fitness of the model. The required threshold of the CFA finesses indices according to Hair et al. (2010), Forza & Filippini (1998), Greenspoon & Saklofske (1998) and Awang (2012) should be as follows: RMSEA < 0.08; GFI/NFI/CFI/TLI/ > 0.9 (satisfactory fit) and > 0.8 (acceptable fit); X2/df < 0.5. The model fitness for Malaysia indicated that X2/df = 2.108, CFI = 0.936, IFI = 0.936, GFI = 0.872, TLI = 0.926, RMSEA = 0.056. Comparing the results with the set threshold, all the fit indices were satisfactory, while GFI was acceptable. This confirmed the model fitness according to CFA analysis.

The next analysis was for the reliability and validity analysis as presented in Table 2. According to Brunner & Süß (2005), Fornell & Larcker (1981), Netemeyer et al. (2003), the threshold for reliability and validity analysis should be as follows: factor loadings > 0.5, AVE > 0.5, Cronbach's alpha > 0.7 and Composite reliability > 0.7. From the results presented below, factor loadings ranged between 0.628 to 0.834, AVE ranged from 0.536 to 0.652, Cronbach's alpha ranged from 0.782 to 0.867, composite reliability ranged from 0.852 to 0.904. These thresholds were met, which confirmed the reliability and validity of the study constructs.

Table 2. Model Evaluation for Thailand

Latent Variables	Observed Variables	Validity Analysis		Reliability Analysis		
		Factor Loadings	(AVE)	Cronbach's Alpha	rho_A	Composite Reliability
FP	FP1	0.711	0.536	0.782	0.79	0.852
	FP2	0.723				
	FP3	0.79				
	FP4	0.797				
	FP5	0.628				
IC	IC1	0.834	0.646	0.863	0.865	0.901
	IC2	0.793				
	IC3	0.814				
	IC4	0.771				
	IC5	0.806				
OR	OR1	0.789	0.633	0.855	0.855	0.896
	OR2	0.79				
	OR3	0.823				
	OR4	0.806				
	OR5	0.769				

OS	OS1	0.675	0.565	0.845	0.846	0.886
	OS2	0.753				
	OS3	0.73				
	OS4	0.772				
	OS5	0.79				
	OS6	0.784				
PM	PM1	0.805	0.652	0.867	0.867	0.904
	PM2	0.84				
	PM3	0.796				
	PM4	0.792				
	PM5	0.804				
SF	SF1	0.754	0.625	0.85	0.851	0.893
	SF2	0.818				
	SF3	0.818				
	SF4	0.795				
	SF5	0.766				

Source: Research data

4.2 Evaluation of hypotheses

The study intended to answer five hypotheses by conducting a Structural Equation Modeling (SEM). The study investigated the firm performance, and how different factors are subject to this performance during the recession period, specifically during the COVID-19 recession period. The results for Thailand and Malaysia, both of which are middle-sized developing economies are compared. The results for each country are discussed differently.

Malaysia Results

The results for Malaysia are presented in Table 3 and Figure 1 below.

Table 3. Hypothesis Evaluation for Malaysia

	Paths	β	S.E.	C.R.	p-value
H1	SF → FP	0.311	0.081	3.839	***
H2	O_R→ FP	0.113	0.075	1.512	0.131
H3	OS→ FP	0.23	0.051	4.538	***
H4	IC→ FP	0.039	0.044	0.892	0.373
H5	PM→ FP	0.284	0.123	2.313	0.021
H6	O_R→ PM→ FP	0.142	0.094	7.891	***
	SF→ PM→ FP	0.131	0.088	7.513	***

Note: *** = significant at 0.01, ** = significant at 0.05, SF = Strategic flexibility, OR = opportunity recognition, OS = organizational slack resources, IC = improvisation capabilities, FP = firm performance, PM = proactive marketing

Source: Research data

The results indicate that the path coefficient between strategic flexibility and firm performance (H1) is positive and significant (β = 0.311, p = 0.000), supporting hypothesis 1 of the study. Similarly, the path coefficient between organizational slack resources and firm performance (H3) is positive and significant (β = 0.23, p = 0.000), supporting hypothesis 3 of the study. The path coefficient between proactive marketing and firm performance (H5) is positive and significant (β = 0.284, p = 0.021), supporting hypothesis 5 of the study. However, hypothesis 2 and hypothesis 4 were not supported. The paths coefficient between opportunity recognition and firm performance was insignificant (β = 0.113, p = 0.131), while the paths coefficient between improvisation capabilities and firm performance was insignificant (β = 0.039, p = 0.373). The study also evaluated the mediating effect of proactive marketing for the effect of opportunity recognition, strategic flexibility on firm performance. Proactive marketing is a significant mediator between opportunity recognition and firm performance (β = 0.142, p = 0.000); and as well a significant mediator between opportunity recognition and firm performance (β = 0.131, p = 0.000).

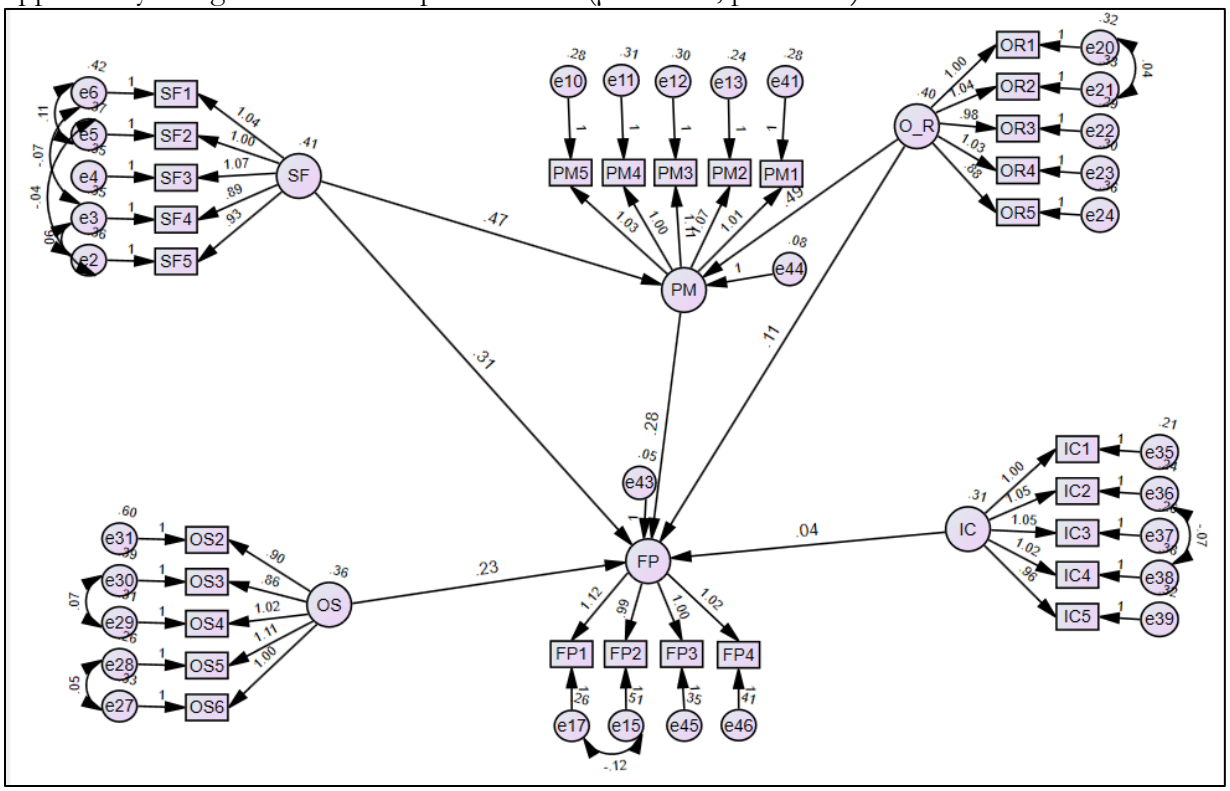

Figure 2. Hypothesis Evaluation for Malaysia

Source: Research data

Thailand Results

The hypotheses analysis for Thailand was conducted independently of that of Malaysia, and the results are presented in Table 4 and Figure 3.

Table 4. Hypothesis Evaluation for Thailand

Paths	β	S.E.	C.R.	p-value

H1	SF → FP	0.269	0.062	4.324	***
H2	O_R → FP	0.16	0.062	2.594	0.009
H3	OS → FP	0.29	0.045	6.443	***
H4	IC → FP	0.027	0.035	0.765	0.444
H5	PM → FP	0.285	0.096	2.965	0.003
H6	O_R → PM → FP	0.144	0.072	8.652	***
	SF → PM → FP	0.128	0.056	8.463	***

Note: *** = significant at 0.01, ** = significant at 0.05, SF = Strategic flexibility, OR = opportunity recognition, OS = organizational slack resources, IC = improvisation capabilities, FP = firm performance, PM = proactive marketing

Source: Research data

From the results presented in above, most of the path coefficients were significant. The path coefficient between strategic flexibility and firm performance (H1) is positive and significant ($\beta = 0.269$, $p = 0.000$) supporting hypothesis 1. The path coefficient between opportunity recognition and firm performance (H2) is positive and significant ($\beta = 0.16$, $p = 0.009$) supporting hypothesis 2. The path coefficient between organizational slack resources and firm performance (H3) is positive and significant ($\beta = 0.29$, $p = 0.000$) supporting hypothesis 3. Similarly, path coefficient between proactive marketing and firm performance (H5) is positive and significant ($\beta = 0.285$, $p = 0.003$) supporting hypothesis 5. However, hypothesis 4 was not supported since the path coefficient between improvisation capabilities and firm performance was not significant ($\beta = 0.027$, $p = 0.444$). The mediation effect of proactive marketing was evaluated. The results indicated that proactive marketing is a significant mediator between strategic flexibility and firm performance ($\beta = 0.144$, $p = 0.000$); and as well a significant mediator between opportunity recognition and firm performance ($\beta = 0.128$, $p = 0.000$).

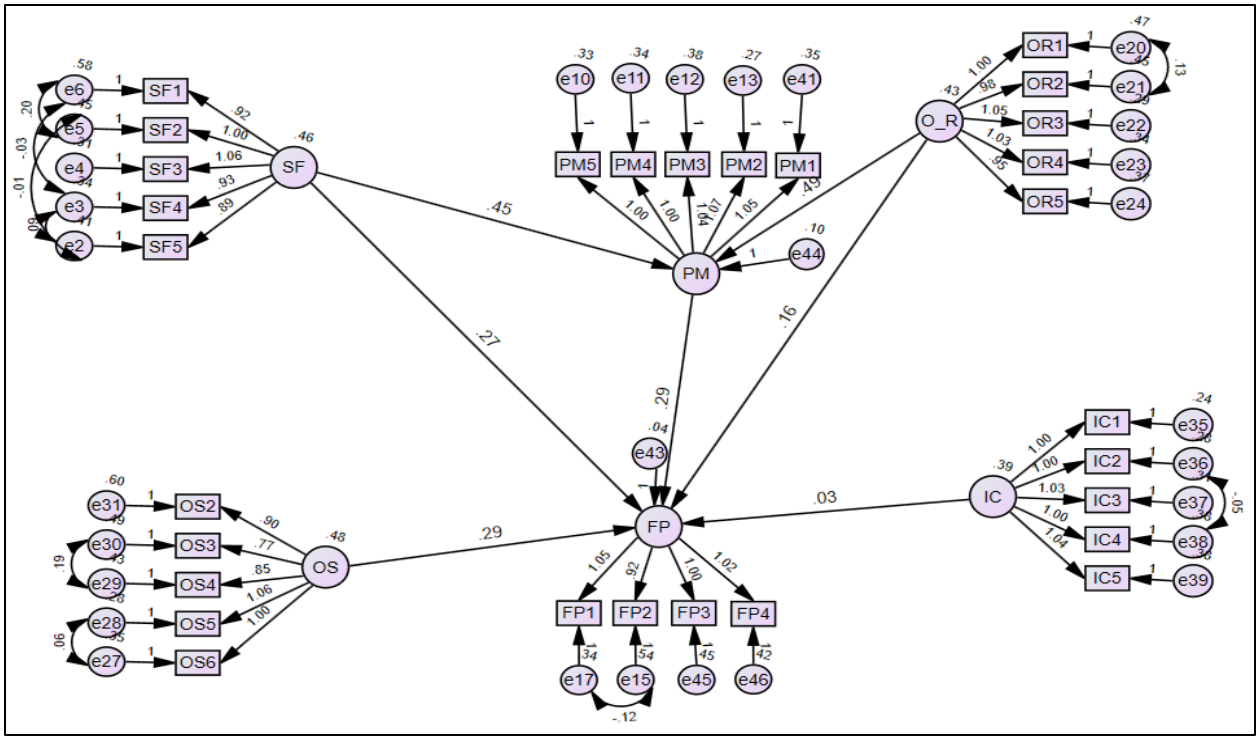

Figure 3. Hypothesis Evaluation for Thailand

Source: Research data

The study evaluated the firm performance during the covid-19 recession, and the factors that influenced their performance in Thailand and Malaysia. The results displayed interesting results. The first step in this discussion is the comparison of the results of the study for Thailand and Malaysia. The summary of the hypothesis is presented in Table 5 below.

Table 5: Summary of the Hypothesis

		Malaysia		Thailand	
	Paths	**β**	**Supported?**	**β**	**Supported?**
H1	SF → FP	0.269***	Yes	0.311***	Yes
H2	O_R → FP	0.16***	Yes	0.113	No
H3	OS → FP	0.29***	Yes	0.23***	Yes
H4	IC → FP	0.027	No	0.039	No
H5	PM → FP	0.285***	Yes	0.284**	Yes
H6	O_R → PM → FP	0.144***	Yes	0.142***	Yes
	SF → PM → FP	0.128***	Yes	0.131***	Yes

Note: *** = significant at 0.01, ** = significant at 0.05, SF = Strategic flexibility, OR = opportunity recognition, OS = organizational slack resources, IC = improvisation capabilities, FP = firm performance, PM = proactive marketing

Source: Research data

The first notable result is that strategic flexibility has a significant and positive influence on the firm performance for both Thailand and Malaysia. The results indicated that an improvement in one unit of strategic flexibility during the Covid-19 pandemic recession would result in 0.269 and 0.311 units increase in firm performance for Malaysia and Thailand respectively. These results were supported by that of Grewal & Tansuhaj (2001) who observed that strategic flexibility influences the firm performance through its ability to manage political, economic, and environmental risks by the ability of the firm to promptly respond to the market threats and opportunities. Strategic flexibility is critical as it allows the building of a portfolio of strategies options, and flexible resources pool, which could be utilized for the benefit of the firm during the recession period. Strategic flexibility enables the development of resources for the management during the crisis period.

Organizational slack resource is another vital factor that is vital for the firms during the recession period. According to the current results, one unit increase in opportunity recognition would result in 0.29 and 0.23 units increase in Malaysian and Thailand firm performance during covid-19 recession respectively. These findings are supported by other researchers. For instance, Nohria & Gulati (1996) indicated that the slack resources (underutilized resources such as human resources, excess cash, and unused productive capacity), if properly put into use would propel the business and permit the firm to experiment with new strategies as well as pursue new dimensions of long-term opportunities during the recession. If a firm can develop a new project, product, or service needed during the recession period, it can help in its differentiation, compete with others, and possibly acquire considerable market share.

It is also notable that in a recession, proactive marketing was found to be a critical factor as far as firm performance is concerned. The results indicated that a one-unit increase in proactive marketing would result in 0.285 and 0.284 units increase in firm performance for Malaysian and Thailand respectively. These results are in line with that of Hillier and Baxter (2001) who indicated that the firms which take the risk of spending more in marketing their products and services during the recession period perform better. The reason for this is attached to the fact that as customers are more conservative and take fewer risks, the marketing firms send a reassuring signal of confidence to them regarding their ability to stay on top of the market and provide quality products and services. This gives an incentive to the customers to switch from brands that appear to be weak. Proactive marketing was considered a critical factor in this study in such a way it significantly mediates the effects of strategic flexibility and opportunity recognition on firm performance during the recession. However, it is important to note that improvisation capabilities did not influence the firm performance during the COVID-19 recession period.

From the theoretical perspective, the investigation of the firm performance during the covid-19 recession period was a new and valuable contribution to the literature, considering very limited research has been performed on the area. Since the time of finalizing this article, the recession effect of covid-19 was still high. Therefore, investigating this aspect and incorporating study factors such as proactive marketing was a great contribution. Secondly, a theoretical model whose fitness was proved was developed to investigate the firm performance during the recession period. This framework could be expounded in future research.

From the managerial flexibility, three important contributory recommendations are made. First, proactive marketing is a critical aspect for firms to consider during the recession period. Through during the recession period, the marketing manager face stiff pressure to cut down their marketing expenditure, this study proposes the management should consider investing in extensive marketing. Secondly, this study suggests that strategic management should consider strategic flexibility as a mechanism of reducing the recession effects on the firm. This would include aspects such as the

building of a portfolio of strategies options, and flexible resources pool, which could be utilized for the benefit of the firm during the recession period. Lastly, management could properly utilize the organizational slack resources to propel the business and permit the firm to experiment with new strategies as well as pursue new dimensions of long-term opportunities during the recession.

5. CONCLUSION

The research focus was to investigate the determining factors of the firm performance during the recession period. The study was considered important in the prolonged period of the COVID-19 recession, which has affected all businesses and economies. The study was carried out in Malaysia and Thailand, which are developing countries. The data were collected from 249 and 352 management respondents from firms operating in Malaysia and Thailand respectively. The hypothesis of the study was evaluated using Structural Equation Modeling. The finding of the study indicated that an improvement in one unit of strategic flexibility during the Covid-19 pandemic recession would result in 0.269 and 0.311 units increase in firm performance for Malaysia and Thailand respectively.

Additionally, one unit increase in opportunity recognition would result in 0.29 and 0.23 units increase in Malaysian and Thailand firm performance during the COVID-19 recession respectively. The results indicated that a one-unit increase in proactive marketing would result in 0.285 and 0.284 units increase in firm performance for Malaysian and Thailand respectively. Proactive marketing was found to be a significant mediator between flexibility and firm performance as well as between opportunity recognition and firm performance. However, improvisation capability did not influence firm performance during the COVID-19 recession. One limitation is that this study investigated the firms' performance during the COVID-19 recession period. It is hypothesized that different recession period has different effects on the financial performance of firms. Therefore, the application of the findings in other recession periods should be appraised carefully.

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