



Original paper

Impact of Social Norms on Japanese Small Businesses' Survival: Conflict Management Amid the COVID-19 Pandemic

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Abstract This study examines how governmental business restrictions and community social norms under the COVID-19 pandemic affected small businesses in terms of business continuity, suspension, and resumption. Through interviews with 27 small Japanese businesses, this study analyzes business continuity using the KJ Method (affinity diagram). The analysis reveals that the four conflicts associated with business continuity, suspension, and resumption can be organized into two polar tensions: compliance–compatibility decisions and business–value–compatibility decisions. Conflicts were as follows: cancellation of all (events and gatherings) versus business-as-usual (social norms within the community); government standards versus voluntary standards (response to government policies); compensation for sales loss versus extensive use for future growth (securing business funds); and mutual help versus new relationships (relationships with customers and suppliers). It showed that small businesses responded along the axis of not only protecting their company values but also adapting to social institutions and norms. Moreover, conflict management is an important source of resilience for small businesses, focusing on corporate culture in different societies.

Keywords: Small business, Business continuity, COVID-19, Japan, Social norm, Conflict management

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1. INTRODUCTION

Beginning in early 2020, the COVID-19 pandemic had spread globally, affecting business continuity and daily life. The worldwide spread of COVID-19 had also stirred economic activities and led to an economic slowdown (Makridis and Hartley 2020). Unsurprisingly, business continuity is an essential part of community recovery during a pandemic, as it falls under natural hazards, such as hurricanes, earthquakes, tsunamis, and other disasters (Storr *et al.* 2015).

The impact on small businesses had been particularly significant during the pandemic period. Small businesses usually have fewer resources and tend to be more disproportionately impacted during catastrophes than larger businesses as they devote more time to daily operations than to pandemic preparedness or planning (Alves *et al.* 2020; Chang *et al.* 2022). Additionally, they must cope with more than internal changes in their operations, such as securing funds and maintaining human resources. These challenges include navigating governmental and administrative restrictions, such as city and regional lockdowns and even blockades; adhering to business regulations; and coping with decreasing demands due to border controls, stay-at-home norms, and social distancing (Chang *et al.* 2022; Dörr *et al.* 2022). With these restrictions, the pandemic created an opportunity for small businesses to utilize a series of support policies, such as special loans, grants, and subsidies. This raises academic questions about the effects of pandemic-related restrictive policies on productivity, innovation, and entrepreneurship (Dörr *et al.* 2022).

The present study aims to investigate how small businesses in Japan have been managing conflicts caused by external factors such as social norms, institutions, and support. The Japanese government and residents attempted to control social activities through restrictions that heavily relied on voluntary actions and were not legally binding, including those that directly affected small business continuity. This has been reviewed in the later part of the paper. In Japan, numerous small business owners voluntarily complied with these restrictions and social norms even before support institutions or systems were fully established. It is reasonable to argue that this compliance created a conflict between continuing businesses and shutting them down to curb the spread of the infection. This study focuses on this conflict and how small businesses in Japan have managed to balance business continuity and operations.

The research design for the study is as follows. First, it reviews the context surrounding small businesses during the COVID-19 pandemic. It focuses predominantly on support systems, restrictions, and social norms as a case study of Japan. Subsequently, the research methods and interviewee profiles of the small Japanese businesses targeted in this study are presented. It then presents the factors that influenced the decision to suspend, continue, or resume business, considering support systems, restrictions, social norms, and interview data.

1.1 Context surrounding small businesses during a disaster

During the pandemic, small businesses employed various approaches to ensure business continuity. Specifically, the reviews will focus on the following three key areas: Pre-pandemic preparedness and available resources, response and business continuity during the pandemic, and possible external responses including supply chain changes.

First, nearly all small businesses entered the pandemic period lacking preparedness. The impact of the pandemic had significantly varied across industries. For example, service industries (*e.g.*, travel, hotels, and food services), which experience more frequent contact with customers, suffer major losses, whereas manufacturing and retail tend to be less affected or even profitable (Fairlie and Fossen 2022; Small and Medium Enterprise Agency 2021). Although focusing on differences among industries is important, small businesses tend to have lower priorities for disaster planning (Flynn 2007), less preparation (Cox 2022), and fewer human and financial resources (Imai *et al.* 2021) than larger businesses. This makes it difficult for them to implement adequate proactive measures against pandemics. However, these can be understood not only as a lack of resources but also as an advantage of being able to quickly share business policies and develop new businesses (Runyan 2006). The impact on small businesses varied by industry. While they had fewer resources to devote to countermeasures and could not employ them prior to the pandemic, this may have led to a more flexible response.

Second, small businesses attempted to adapt to the pandemic through internal business changes. Examples include implementing flexible human resource practices, reducing costs (Alves *et al.* 2020), introducing remote work (Zhang *et al.* 2022), and reframing the business vision (Cox 2022). Modifying or changing a business model does not invariably improve firm performance (Katare *et al.* 2021). However, small businesses are proactive and positive in their response to catastrophes (Ogai *et al.* 2020; Seki *et al.* 2020). Small businesses' psychological resilience is not limited to the private sphere; it also positively affects their businesses, such as leadership and management performance (Hadjielias and Christofi 2022).

Third, small businesses respond differently to leverage the assistance and support they provide during disasters. During disasters, the new financial and time surpluses generated by grants, aid programs, and other monetary support policies prompt them to rethink their business vision and seek an internal visioning process to explore the resources available for use (Millett 2006). Thereafter, these surpluses are used not only to review the vision of the business but also to invest in employees, such as fostering skill development (Cox 2022), strengthening customer relationships (Alves *et al.* 2020), and even reviewing supplier relationships. In conducting visioning processes, small organizations should collaborate with their employees, suppliers, and other stakeholders as having new business actions that will allow them to move together would be effective (Sheth 2020).

Small businesses had attempted to overcome the pandemic with various internal changes and external adaptations despite their lack of resources (*e.g.*, Cox 2022). However, a new challenge, especially during this pandemic, had also been raised, specifically administrative

restrictions and corresponding government support, which may have potentially impeded recovery (Chang *et al.* 2022; Dörr *et al.* 2022). In the following sections, we discuss the case of Japan and review the support, restrictions, and social norms that can affect business decisions.

1.2 The Japanese context

First, the Japanese government implemented new measures to support small and medium businesses during the pandemic. Among them, the “Subsidy Program for Sustaining Businesses [*Zizokuka Kyufu-kin* in Japanese]” program by the Small and Medium Enterprise Agency (Small and Medium Enterprise Agency 2020) was utilized by a relatively large number of small businesses. This program, which was implemented from May 1, 2020, to February 15, 2021, provided up to 2 million yen (equivalent to approximately 18,000 USD) to small- and medium-sized corporations and businesses and up to 1 million yen (equivalent to approximately 9,000 USD) to sole proprietors, targeting organizations that recorded a 50% decrease in sales from the previous year. Additionally, the Japan Finance Corporation, a governmental financial institution, implemented the “New Coronavirus Infection Special Loan” (Japan Finance Corporation 2020), offering up to 80 million yen (equivalent to approximately 720,000 USD) in virtually interest-free loans for the first three years through interest subsidies, to businesses whose sales had declined by 5% or more compared to their income over the previous four years. Small businesses could obtain financing by considering these programs, which had relatively low eligibility hurdles and were uniquely implemented during the pandemic.

Second, in addition to the aforementioned support policies, the Japanese government implemented policies to directly and indirectly restrict the operations of small businesses. Table 1 summarizes the duration of the Emergency Declarations and “Area-Focused Intensive Measures for Prevention of the Spread of Infection” and the contents of those requests that potentially affected the business continuity (*c.f.*, Cabinet Secretariat 2022). Voluntary stay-at-home requests and other measures issued to the public were not legally binding but were likely to have caused a decrease in demand in the specific industry sector. In addition, specific requests were issued to certain industries and businesses in the form of voluntary restraints on events and requests for restaurants to shorten their hours. Most restrictions were not legally binding and were based on voluntary decisions. However, because of this, small businesses had to make their own decisions about suspending or changing their operations as the number of people infected with the novel coronavirus increased or decreased. Although no legal penalties were implemented at the beginning of the outbreak (and the penalties after the law was revised in February 2021 were not excessively heavy), the continuation of business could have been perceived by the public as noncompliance; that is, not cooperating in the prevention of infection.

Table 1. Restrictions and requests that could affect small businesses in Japan

	State of Emergency (1st)	State of Emergency (2nd)	State of Emergency (3rd)	State of Emergency (4th)	Area-Focused Intensive Measures for Prevention of the Spread of Infection
Period	4/7-5/25/2020	1/8-3/21/2021	4/25- 6/20/2021	7/12- 9/30/2021	1/9-3/21/2022
Maximum number of prefectures covered	47 (All prefectures)	11	10	21	36
Request of “stay-at- home”	✓	✓	✓	✓	
Closure request (restaurant)			✓	✓	
Request for shorter hours (restaurant)	✓	✓	✓	✓	✓
Request for closure (large commercial facilities, etc.)	✓		✓		
Request for shorter hours (large commercial facilities, etc.)	✓		✓	✓	
Event Limitations	✓	✓	✓	✓	✓

* Modified based on the Cabinet Secretariat (2022) for the period before and after the interviews were conducted (by the April 2022). Notably, the timing of lifting and content of regulations were inconsistent in each prefecture.

Third, these restrictions and requests by the government resonated with social norms of “self-restraint [*Jishuku*].” These include the public refraining from going outside and ensuring compliance, which reinforced an impact on businesses (Nishi 2020; Yamori and Matsubara 2022). For example, acts of “self-restraint police,” which was basically considered a kind of vigilantism—including harassment of stores open for business and exclusion of cars with out-of-prefecture license plates—occurred and were discussed social networking services and widely reported by the mass media (Matubara 2021). In fact, such “self-restraint [*Jishuku*”

practices in Japan have been repeatedly implemented by the public in response to the current pandemic in large events or catastrophes, such as World War II, the fall of Emperor Shōwa (*Hirohito*), and the 1995 Kobe Earthquake (Ito 2021)⁴. As past practices indicate, even in a social system based on “requests” that are not legally binding, it is highly likely that small businesses will be unable to simply deny the requests. They would likely have to deal with more complex compliance issues through the social norm of “self-restraint.”

1.3 Objectives of the study

This study examines how government restrictions on businesses and the norms of local residents influence small businesses to operate, suspend, or resume their businesses. It then investigates how these restrictions, requests, and norms have cascaded down the chain to affect small business continuity. These include the use of government assistance programs and the redefinition of employees, customers, and supply chains.

2. METHODS

2.1 Data collection

2.1.1 Sampling

We selected 27 businesses (28 individuals) as research participants (Table 2) using snowball sampling to ensure the rapidity of the study. This is largely because changes in systems and regulations during the pandemic had significantly impacted businesses. Notably, regional differences in infection risk and regulations (e.g., declaring a state of emergency) were considered in the sampling, including urban and non-urban areas, type of industry, and number of employees. The average number of employees was 2.9 (including business owners) with a variance of 8.7. Table 2 provides information on the participants, with their names reported as pseudonyms.

2.1.2 Interview procedure

Semi-structured interviews were conducted using Zoom, an online conferencing tool. Interviews were conducted in the participants’ native language (Japanese) between July and September 2021 by the first and second authors.

⁴ Specifically, those practices include “self-restraint” in raising prices or lowering prices during World War II, hoarding goods during the 1970s energy crisis, exporting by Japan due to the Japan-U.S. trade friction in 1980s, holding events following the fall of Emperor Showa, refraining from TV and radio commercials during the 1995 Kobe Earthquake, using night lights and neon lights during the 2011 Tohoku Earthquake, and shipping agricultural and fishery products due to the Fukushima Nuclear Powerplant accidents.

Table 2. Research participants and their business information

No	Date	Name	Prefectures	Area	Type of business	Degree of profit change*
1	7/20	Ono	Iwate	Rural	Construction	n.d.
2	7/25	Yoshioka	Tokyo	Urban	General Incorporated Association	--
3	7/26	Nagai	Osaka	Urban	Urban Planning Consultant	n.d.
4	8/2	Murayama	Kyoto	Rural	Fishing	+
5	8/3	Tanigawa	Kyoto	Rural	Restaurant	-
6	8/3	Mogi	Kanagawa	Urban	Restaurant (wine bar)	--
7	8/4	Kakehata	Iwate	Rural	Tourism Association	--
8	8/4	Sekiguchi	Kyoto	Rural	Hostel Owner, Business Consultant, Restaurant, Food Manufacturing	-
9	8/5	Nakano	Wakayama	Rural	Guest House	--
10, 11	8/6	Handa, Hatayama	Kyoto	Rural	Design and construction, business consulting, real estate consultant, café restaurant.	n.d.
12	8/8	Azuma	Kyoto	Rural	Food Manufacturing	-
13	8/9	Kinoshita	Iwate	Rural	Dining Bar	--
14	8/10	Machida	Kumamoto	Rural	Machine Manufacturing	n.d.
15	8/10	Mitsuno	Kochi/ Kyoto	Rural	Career Support Non-Profit, Restaurant, Retail Business	-/n.d.
16	8/12	Fujii	Osaka	Urban	Land Operator	--
17	8/12	Kodate	Iwate	Rural	Designer, Advertisement	n.d.
18	8/16	Akita	Kanagawa	Urban	Italian Restaurant	-
19	8/16	Yoneyama	Gifu	Rural	Mobile Goods Store, Food Stand	-
20	8/21	Miyagi	Osaka	Urban	Designer, Photographer	n.d.
21	8/21	Tomikawa	Tokyo	Urban	Noodle Restaurant	-
22	8/23	Kobayashi	Tokyo	Urban	Dining bar	--
23	8/24	Yamaoka	Tokyo	Urban	Trader	++
24	8/28	Ito	Tokyo	Urban	Meat Processing, Beer pub, restaurant	n.d./--
25	8/29	Takahashi	Tokyo	Urban	Restaurant, Fish retailer	--/-
26	9/3	Osawa	Kanagawa	Urban	Bedding Sales	-
27	9/4	Oda	Tokyo	Urban	Video Production	n.d.
28	9/11	Umehara	Tokyo	Urban	Rock Music Bar	--

* The average impact of each industry is shown on a 5-point scale (--, -, n.d. (no difference), +, ++) based on changes in profits by industry in the second quarter of FY2020, following Fairlie and Fossen (2022).

The interview sessions lasted for 40 to 90 minutes per business. The purpose of the interviews, voluntary nature of participation, and data-handling procedures were explained before conducting the interviews. Additionally, we sought participants' permission to record their responses, and only consenting participants were video recorded. After the interviews were conducted, we again confirmed the handling of the data and obtained permission to use the interview data from the participants. The interview sheet was based on questionnaires from another study conducted in the United States on small businesses and their adaptation to the COVID-19 pandemic (Cox 2022). The contents included 14 items, for example "infectious disease preparedness prior to the pandemic," "the business condition when this pandemic began and how to respond," "the business shut down or resume, considering the impact of government policies," "current concerns and challenges," "training to acquire new skills," "business supplier changes," and "the relationship or interaction with local community." All interview data were transcribed as textual data by the authors in charge of the interviews and analyzed as follows:

2.2 Data analysis

2.2.1 Analytical procedures

We employed a two-step research design to focus on the management of conflicts caused by "external factors," which is the focus of this study. First, a KJ method analysis (or affinity diagram) was used to illustrate the dataset of the interviews and generate a new context within the dataset.⁵ Second, we focused on external factors to extract the restrictions, requests, and social norm elements that influence business decisions.

2.2.2 KJ-method analysis of interview content

For analyzing the interviews in the first step, the Jiro Kawakita's KJ method (c.f., Scupin 1997; Shimura 2005) was employed to clarify the process of the small businesses' practice in terms of "how they adapted under the pandemic." The KJ method is a heuristic method that organizes the obtained data and creates new concepts from them or finds new contexts from the interrelationships among data (Kawakita 1973)⁶. For data processing, all text data were coded as a single unit of a series of sentences with coherent meanings, and all coded data were organized by integrating them and generating concepts and subcategories. Both authors created

⁵ Traditionally, researchers have implemented the KJ method (Kawakita, 1973); however, in recent years, it has also been applied in workshops involving research participants. In this study, business owners, who were research participants, were not involved in the implementation of the KJ method.

⁶ Moreover, we used Modified Grounded Theory Approach (M-GTA; Kinoshita 2007) as a supplemental analysis. However, we could not follow the complete procedure of M-GTA, such as generating concepts using analytical worksheet tools in parallel with the interviews, due to the time limitation of the interviews.

a diagram based on the KJ-method classification and identified mutual codes and relationships among categories (see Appendix Figure 1 after 27 interviews).

Theoretical saturation, a level wherein additional interviews would result in very few new codes appearing and no additional new findings could be added (Whittemore *et al.* 2001), was checked for the first and second authors by conducting classification using the KJ method at the end of the 3rd, 19th, and 27th interviews. At the end of the 19th interview, theoretical saturation had been partially achieved; eight additional participants were interviewed to confirm theoretical saturation. Additionally, other coding data collected from small businesses in the U.S. (Cox 2022) were used to examine the content’s validity. The obtained data generated 38 concepts and nine subcategories at the time of the 28 interviews (Appendix Table 1). However, few new concepts were added with the addition of eight new interview participants. Therefore, the first author concluded that a certain degree of theoretical saturation was achieved.

2.2.3 Extraction of external factors that influenced decisions

Table 3. Classification of Management Decisions

Contents of Management Decisions	Periods	Data
Suspension of Business	Around January–May 2020	16
New Business Development	(Until the end of the first state of emergency)	8
Business Resumption	Around June–December 2020	29
Difficulties in Resuming Business	(before the second state of emergency)	19
Decisions within the Rules by the Government	Around January–July 2021	19
Switching to Own Rules	(after the second state of emergency)	4
Decisions based on Infection with Neighbor		4

The KJ-method illustration revealed that external adaptations (*e.g.*, administrative requests and social norms) were one of the characteristics of Japanese businesses. Hence, the authors initiated the analysis again. To analyze the governmental restrictions, requests, and social norms that influenced business decisions during the pandemic, we extracted interview content and concepts regarding suspension (or partial suspension), resumption, and development of new businesses (approximately 100,000 out of 430,000 words). As the prevalence of COVID-19 has changed over time, we recategorized the data by focusing on the following two factors: The content of the management decisions and the periods of the decision. Consequently, the

extracted data were divided into seven decision contents and three periods for a total of 99 data points (Table 3). Table 3 refers to interview codes as a single unit.

2.2.4 Data presentation

First, we present data on how small businesses responded to and decided to shut down owing to government restrictions on business, as well as resident norms, in chronological order, based on the categories in Table 3. Moreover, the results describe cascading issues such as access to government assistance programs and the redefinition of supply chains, which are subsequently generated by restrictions, requests, and social norms.

3. RESULTS

3.1 Suspension and resumption of business

3.1.1 Suspension of business and development of new businesses (January–May, 2020)

From January to May 2020, when the first outbreak of COVID-19 occurred in Japan and the pandemic gradually spread, numerous businesses decided to shut down their operations because of declining or disappearing demand for their services. A tour guide, Fujii (No. 16), who had been operating a business for inbound tourists, saw no more tourists from overseas because of waterfront measures around early March 2020, and a video production company owner, Oda (No. 25), who had a string of cancellations of clients' advertising and event publicity requests because the need for such services dissipated, shut down operations. Murayama (No. 4), a fisherman, stopped his business in May 2020 because he could no longer make a profit, considering the significant drop in fish prices.

In addition to these demand changes, small businesses must consider social norms. Examples of relatively early decisions to suspend business include a guesthouse and private library (No. 9) that stopped taking reservations for lodging in March 2020 in anticipation of a high-risk infectious disease outbreak based on news reports, and a restaurant and fish retailer in Tokyo (No. 25) that closed in April 2020 in response to the Tokyo prefectural government's request for a voluntary curfew issued on March 25, 2020. In April 2020, the first state of emergency was declared, and more small businesses closed their operations. In April 2020, restaurants in Kyoto Prefecture were exempted from the closure request; however, one restaurant shut down because other restaurants in the same community closed one after another. Mr. Tanigawa, who runs a Japanese restaurant, recalled the situation at that time.

Tanigawa (No. 5): "My restaurant opened on April 23 [after the state of emergency was declared]. However, some people told me, 'Tanigawa, how long are you going to stay open?' It seemed we reached a situation where we had to close the restaurant. Then, influenced by my

neighbor's situation, I decided to close. [...] As I looked around, I noticed that everyone else was closing their business, and it seemed as if it were a crime to remain open. I can still remember this situation. I had no choice but to close the restaurant.”

Some businesses had shut down because of changes in local community norms. These norms not only forced them to shut down their businesses but were also exclusionary. Mitsuno (No. 15), a non-profit organization (NPO) that operates staying-type training programs, stopped accepting clients from outside the region, who were his main clientele, by the end of February We 2020. Mitsuno explained that the reason for the decision was because of the term “out-of-prefecture,” which was a new word and separated those inside and outside the region. Thus, in addition to responding to changes in demand during this period, small businesses had to deal with social norms, making it difficult to continue operations even if demand persisted.

3.1.2 Business resumption and difficulties in resuming business (June–December 2020)

In June 2020, when the first emergency declaration was lifted, numerous businesses sought to resume operations. When resuming business, these small establishments had to contend not only with the government's guidelines for preventing the spread of infection but also with examples of small businesses implementing their own unique measures that were even more thorough than the government guidelines. For example, Mitsuno (No. 15) asked clients to take care of their health two weeks before coming to his sites because the maximum incubation period of COVID-19 was considered about two weeks at the time; similarly, a lodging business owner, Sekiguchi (No. 8), requested guests to take a PCR (polymerase chain reaction) test before staying at his sites; Takahashi, a fish retailer and stand-up bar in Tokyo (No. 25), voluntarily thinned out seating areas, installed partitions, and shortened business hours; Akita, an Italian restaurant owner (No. 18), attempted to reduce infection risk by adopting a business style that avoided crowding in the restaurant (*e.g.*, only one group visit at a time and four groups per day) and by voluntarily installing air purifiers.

On the contrary, there were difficulties in resuming business during this period because clear criteria were lacking, especially regarding whether those outside the community should be accepted. A food manufacturing business (No. 12), which had suspended on-site tours as a measure against the infection, had a dispute over hosting tours and interviews with celebrities and the mass media, which were considered highly effective forms of publicity. Many festivals and other events that attracted outsiders were also controversial. Yoshioka, a shopping district office staff member in Tokyo (No. 2), and Kakehata, a tourism council representative (No. 7), reported that all events in 2020, without exception, were cancelled. Kakehata explained this as follows:

Kakehata (No. 7): Holding community festivals or events has been difficult, as in the past. In many cases, the direction was not to hold them. We have made efforts to prepare for such events and tried to hold them as before, but, finally, we could not do so because the situation

does not allow it. [...] Neither can we make all participants aware of the rules (for the event) nor can we control the event. This makes us think “it is safer not to do it.” We tried to do this and thought about it a lot. However, we decided that canceling all the events would be better.

During this period, there were no administrative prohibitions on events or festivities by the government. However, small businesses, including Kakehata, still do not implement them in light of this situation. This narrative indicates that small businesses were aware of the risk of having people from outside the community or of setting up a place for an unspecified number of people to gather if there were infected people. In this case, the concern is not government guidelines, nor is it a specific person; it is the blurred social norm of *Jishuku*, or potential criticism from the community and society in general. Even without government restrictions, small businesses had to adopt their own measures to meet social norms, making it difficult for them to resume operations.

3.1.3 Switch to new criteria: Government rules, own operating rules, and increasing infections (January–July 2021)

During this period, the government announced various requests and rules (Table 1) and small businesses made business decisions within the rules set by the government. The state of emergency required the closing or shortening of business hours, which affected small businesses, especially restaurants and bars. For example, in response to the state of emergency, Tomikawa, who runs a Japanese noodle restaurant (No. 21), suspended their evening business. Umehara, who runs a bar (No. 28), chose to close as it could not cover its fixed costs even with compensation from the government. Kobayashi, who runs a dining bar (No. 22), switched from night dining to a lunch business serving *udon* noodles because of a lack of customers who could spend sufficient time at the bar because of shortened business hours.

However, even when operating under government rules, government agencies had seen cases of anonymous complaints and harassment reports. Specifically, Akita, an Italian restaurant owner (No. 18), received frequent calls from people saying, “What the hell do you think coronavirus is? Can you understand? Or this is war, dammit.” In other cases, reports were made to three different agencies, including the local police and two community associations, regarding people drinking beer in a happy manner (Beer pub, No. 24), and in which an anonymous person wrote on a checklist posted outside of a restaurant to prevent the spread of the infection, “You are not checking here. You idiot!” (Bar No. 28).

However, some businesses did not follow the rules set by the government but operated under their own rules. Even after the request to ban the use of alcoholic beverages during the state of emergency, the stand-up drinking bar owner, Takahashi (No. 25), continued to offer alcoholic drinks. However, he had his own set of business rules—such as “two people per group, leave within 30 minutes, and no more than two alcoholic beverages”—and asked customers to

cooperate in not spreading the infection. He stated that breaking government rules would help protect the jobs of his employees and the businesses of his suppliers.

Takahashi (No. 25): On April 25, 2021, the government requested people to avoid alcohol consumption. I then began wondering whether simply following the government's policies or requests was really beneficial for society. After that, I began thinking that we did not care about what happened to ourselves—our standard should be to protect our stores and the lives of the people who supported them. Essentially, the lives of our employees; my own; and, always in my mind, the lives of our suppliers. I always keep my suppliers' livelihoods in mind. These standards supported my decision to oppose this request.

During this period, the government's influence on business continuity was relatively larger than in the previous period when social norms were dominant, and there was a great deal of struggle and effort among small businesses to establish their own standards for business continuity in the face of governmental regulations. Notably, most small businesses were cooperative in preventing the spread of the infection, by adopting all possible measures against the virus by ensuring the business continuity of the supply chain, including their business partners. The switch to the original business rules was a result of businesses' efforts to devise countermeasures. While continuing business simply by complying with administrative restrictions and requests was difficult, small businesses devised and implemented their own measures to both continue business and prevent the spread of the novel coronavirus.

3.2 New conflicts created by restrictions, requests, and social norms

3.2.1 Securing funds: To compensate for sales losses or optimally utilize financial aid

Small businesses were forced to secure funds to maintain their operations during the pandemic and took advantage of various programs, including benefits, grants, and subsidies. Not all businesses faced a shortage of funds to continue their operations during the pandemic. The government's new support scheme also created opportunities to expand businesses in the future. Hatayama, who was running a design firm (No. 11), reported that he used special loans from the Japan Finance Corporation because they were interest free. Similarly, Ono, owner of a construction business (No. 1), stated that the reason he had used the loan was "not because we are in trouble or anything [...] but the terms and conditions were good." The Subsidy Program for Sustaining Businesses and other forms of benefits were used as catalysts for businesses to decide to close, and loans and grants were utilized for infection control measures such as disinfectants and acrylic panels, rent subsidies, and employment maintenance. Numerous small businesses recognized the pandemic as a business crisis and were rationally determined to participate in government programs based on whether they would be advantageous to their future business visions.

However, small businesses also recognized government support as something dangerous that could hurt their entrepreneurship. Photographer and designer Miyagi, who was infected with

COVID-19 during the first wave in early 2020, continued working in the hospital while hiding her infection, to avoid the stigma of being an “infected person.” Moreover, she stated that she had not received any benefits or subsidies.

Miyagi (No. 20): I was eligible [for benefits]. However, I was hospitalized. It cost me about 700,000 [yen], which was covered by national insurance. The government paid for all of it. Therefore, I decided to work hard and pay taxes. [...] Additionally, several people around me were self-employed, but do you know something about them? There were people who received benefits illegally, and some have been arrested. [...] I did not want to be one of them; hence, I had not checked the benefits at all. I did not receive any support and I had no such intention.

Akita (No. 18), who receives compensation payments from restaurants by complying with requests for closure, also revealed the anguish of continuing to receive them and complying with the request as follows:

Akita (No. 18): I hate to tell you this, but some restaurants are beginning to say, “We do not want the payment anymore; thus, let us be free to do what we want.” I do not know if I should join that camp or if I should follow the request. I cannot just criticize people who choose to do so and those who protect their businesses and employees. I think each business owner should decide what is correct.

Following government rules and relying on government aid can undermine the sense of business ownership. The sense of entrepreneurship was undermined by repetitive requests placed on small businesses by local and national governments and the accompanying benefits and subsidies.

3.2.2 Customer and supplier relationships: Whether to support each other or seek new allies

Restrictions and the associated differences in support (*e.g.*, compensation payments for restaurants) pose significant problems in coordinating relationships with suppliers. Numerous small businesses are attempting to keep their supply chains unchanged. Akita (No. 18), who runs an Italian restaurant, purchased an excessive amount of food from a wholesaler that was not eligible for any benefit, even when the waste rate exceeded 50%. Mogi (No. 6), who runs a wine bar, periodically stocked wine even when the stocks were full and tried stocking bread baked by a friend and his wife as much as possible. Several businesses believed that they should not change their relationships with their suppliers because of the pandemic, even if they faced difficulties in managing their own businesses.

The relationship between businesses can be considered as a two-way reciprocal relationship rather than a one-way relationship. Machida (No. 14), a manufacturer who stated that his business had not suffered a major downturn and had been recovering owing to a gradual increase in capital investment in 2021, intentionally used nearby restaurants, hotels, and other

business partners who had “taken care of” him in the past, even if they were unnecessary, together with his employees, using the cost savings from reduced sales activities and business trips. The surplus of funds generated by the demand change and government policies, especially for restaurants that had to refrain from operating due to government restrictions or government measures to compensate for closures, was spent not only on the survival of their own businesses but also on non-profit and altruistic activities to maintain the supply chain.

4. DISCUSSIONS

4.1 Conflict management

Conflicts associated with business continuity, suspension, and resumption can be organized from four perspectives (Table 4). The small businesses decided to continue their businesses while struggling with which of the two opposing policies to choose. The conflict, which is multidimensional and involves gradations, can be understood in the form of tensions between the two poles (X versus Y)—specifically, cancellation of all events (events, gatherings, etc.) versus business as usual (social norms within the community); government standards versus voluntary standards (response to government policies); compensation for sales loss versus extensive use for future growth (securing business funds); and mutual help versus new relationships (relationships with customers and suppliers). The former implies greater compatibility with compliance, while the latter is more inclined toward maintaining corporate value (c.f., Paine 1997). The management of these four conflicts has been important for Japanese small businesses, which consider these social institutions and norms and try to maintain their businesses by suspending or resuming operations and establishing infection countermeasures and standards.

Table 4. Axes of conflict management for small businesses in Japan
(prepared by the authors based on Paine 1997)

<i>Axis</i>	<i>Compliance type</i>	<i>Value type</i>
<i>Social norms within community</i>	Cancellation of all (events, gatherings, etc.)	Doing as usual
<i>Response to government policies</i>	Government standards	Voluntary standards
<i>Securing business funds</i>	Compensation for sales loss	Extensive use for future growth
<i>Relationships with suppliers</i>	Mutual help	New relationship

1) Cancellation of all versus business-as-usual (social norms within the community): The spread of the infection changed the way businesses continued to operate and related to the community in the form of “self-restraint [*Jishuku*].” This, in turn, fostered a norm of “it is safer to do nothing” as the initial declaration of the state of emergency. Small businesses were reducing face-to-face visits and canceling events owing not only to national guidelines but also to the impact on the community. This precipitated a dilemma in small businesses’ form of socializing: Whether to continue socializing and hosting events as before or cancel them altogether.

2) Government standards versus voluntary standards (response to government policies): Small businesses in Japan were initially more influenced by the aforementioned social norms, but gradually began following the government’s policies and rules. While small businesses proactively introduced infection control measures, they began to understand that continuing to run their businesses by simply following government requests and restrictions would be difficult. Should they simply follow governmental standards as their business stance or should they choose to establish voluntary standards (or even act against national standards)? Hence, the conflict over whether to follow governmental standards or establish voluntary standards was at the heart of the decision.

3) Compensation for sales loss versus extensive use for future growth (securing business funds): Should small businesses refrain from using benefits, grants, and loans to maintain their sense of entrepreneurship and business independence, or should they seize the opportunity to take advantage of it and optimally utilize it to stabilize and even invest in their business? This conflict also affects the entrepreneurial spirit of autonomous businesses.

4) Mutual help versus new relationships (relationships with customers and suppliers): Small businesses feel that they should refrain from changing suppliers or helping each other. However, the restrictions and benefits for specific industries (*e.g.*, restaurants) have caused business owners to experience mixed feelings about taking advantage of them. In particular, those representing the restaurant industry use the benefits of maintaining relationships with their suppliers not only to invest in business but also to maintain their supply chains.

4.2 Residential compliance and governmental restrictions

Responding the axis of not only preserving value as a business, but also adapting to social institutions and norms is important for small businesses. This can be interpreted as a conflict over how to reconcile business continuity with infectious disease control measures that could limit businesses. Naturally, the four axes of conflict identified in this study differ across cultures and countries. For example, because trust, not contracts, replaced business transactions among Japanese suppliers (Sako and Helper 1998), a sudden change in the supply chain is likely to be considered a breakdown of trust, that is, some form of noncompliance. Hence, it is more likely to be a unique Japanese axis of conflict, in which the surplus of funds from benefits

raises the question of whether funds should be set aside for trust in suppliers. In a contract-based society such as the United States, a change in suppliers and employees is unlikely to create such a conflict; therefore, other issues, such as seeking new suppliers or upgrading skills for employees (Cox 2022) may emerge as the axis of conflict.

Thus, an important source of resilience for small businesses may be to focus on conflicts unique to each business culture and consider how to manage them. Small businesses have few resources and advanced planning does not always help in the event of a real disaster (Flynn 2007; Graham 2007; Sakamoto *et al.* 2015). Building case studies pertaining to this combination of conflicts as a training opportunity for small businesses may be a useful approach (*e.g.*, Crossroads; Yamori 2008). Focusing on the difference between “compliance” and “value” types, practical research should be conducted on when and how small businesses themselves shift their strategies.

An analysis focusing on these types of conflicts can also have important implications for policies during a pandemic that have continuous and cyclical effects, such as the expansion or contraction of infection and the introduction of government restrictions and subsidies. In other words, “carrot-and-stick” governmental policies will not merely impact demand and a change in business form, but will also create psychological conflicts for business owners and force them to adjust. However, in Japan, businesses that may have originally existed could have created other avenues of survival, such as excess purchases or wasteful capital investments for their suppliers. An undesirable combination of institutions and restrictions may ultimately prevent businesses from retreating and may even impede the overall productivity of society. Policymakers must make decisions that consider the impact on entrepreneurship and psychological conflicts created by a combination of restrictions and requests, benefits, grants, and loans.

Of course, we should be cautious about overgeneralizing this study’s results because it potentially includes both sample and desirability biases. Table 2 presents the differences in effect among different business types as a reference point for this study. However, it is possible that the perception of inequality within specific business types, rather than between different types, is a critical factor influencing behavior that conflicts with ethical values in the employer's environment. Further longitudinal and cross-sectional studies, including quantitative surveys, qualitative analysis at multiple time points, and comparisons with other countries (*e.g.*, the United States) will be necessary to validate the findings.

5. CONCLUSION

By focusing on social norms, this study analyzes how small businesses in Japan measured business continuity during the COVID-19 pandemic. They faced conflicts between compliance and business value (Table 4). The conflict was found to have four major axes: Cancellation of

all versus business-as-usual (social norms within the community); government standards versus voluntary standards (response to government policies); compensation for sales loss versus extensive use for future growth (securing business funds); and mutual help versus new relationships (relationships with customers and suppliers). By reconciling these conflicts, small businesses can develop strategies and sustain themselves. As small businesses are greatly affected by government restrictions, support, and societal norms, developing measures and plans in advance is difficult for them. Moreover, they are more unlikely to have a risk management and analysis department. This study contributes to the existing literature by demonstrating the effectiveness of managing conflicts rather than advance planning and proposing that conflict management can be a possible source of resilience for small businesses.

ETHICS

This study followed the procedures of a collaborative study conducted in the United States that passed ethical reviews (*c.f.*, Cox, 2022).

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