Small and medium-sized companies in the COVID-19 era: challenges and prospects

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ABSTRACT
The pandemic has significantly affected small and medium-sized enterprises (SMEs) due to their lack of financial and technological resources. The disruption of supply chains has affected the ability of SMEs to obtain raw materials and finished goods, which has increased production costs and decreased revenue. Additionally, digitization has become a crucial tool for businesses seeking to adapt to the pandemic, but many SMEs have faced significant challenges in terms of a lack of technology skills and resources, and limited connectivity in some regions. Government support has been instrumental in helping SMEs survive during the pandemic. Government programs that provide financial aid and business advice have been
especially effective for SMEs. However, it is important that government support programs are accessible and easy to understand for SMEs, and that they are tailored to the specific needs of each sector.

**Keywords:** entrepreneurship, SMEs, pandemic, small and medium-sized companies.

1 INTRODUCTION

The pandemic has affected all sectors of the economy, especially small and medium-sized enterprises (SMEs). These businesses have faced a number of challenges to stay afloat during the pandemic, leading to many business closures and job losses.

1.1 IMPACT OF THE PANDEMIC ON SMES

According to López and Sánchez (2021), SMEs have been particularly vulnerable during the pandemic due to their lack of financial and technological resources. In addition, the disruption of supply chains has affected the ability of SMEs to obtain raw materials and finished products, which has increased production costs. As a result, many SMBs have experienced a decline in revenue and have struggled to stay afloat.

1.2 DIGITIZATION CHALLENGES

Digitization has become a valuable tool for companies looking to adapt to the pandemic. However, for many SMEs, digitization has presented significant challenges. According to Cárdenas and Pérez (2020), the lack of technological skills and resources has prevented many SMEs from taking full advantage of digitization. Furthermore, the lack of access to technology and limited connectivity in some regions has made it difficult to implement digital solutions.

1.3 GOVERNMENT SUPPORT

Government support has been instrumental in helping SMEs survive during the pandemic. According to García and Martínez (2021), government programs that provide financial aid and business advice have been especially effective for SMEs. However, it is important that government support programs are accessible and easy to understand for SMEs, and that they are tailored to the specific needs of each sector.

The COVID-19 pandemic has presented many challenges for businesses around the world, especially small and medium-sized enterprises (SMBs). Below are some of the most usual challenges SMEs face and the long-term outlook.
Decreased demand and sales: Many SMEs have experienced a significant decrease in demand and sales due to the health crisis. This is because consumers have changed their consumption habits and have reduced their spending on non-essential products and services. Additionally, movement restrictions and social distancing have limited the ability of businesses to operate normally.

Financial challenges: SMEs often have less access to finance than large companies and therefore may be more vulnerable to financial crises. The pandemic has compounded this problem by reducing revenue and increasing expenses, such as the cost of personal protective supplies and accommodations needed to comply with health and safety protocols.

Changes in the business environment: The pandemic has accelerated the transition to digital business models and increased competition online. SMEs that have not been able to adapt to these changes may be left behind and lose their market share.

Challenges in personnel management: Movement restrictions and social distancing have presented challenges for personnel management in SMBs. Many companies have had to reduce their workforces and adapt their operations to comply with health and safety regulations.

Long-term uncertainty: Although the pandemic has dragged on, the long-term outlook for SMEs is still uncertain. The speed and way the economic recovery occurs will depend on factors such as the distribution of vaccines and the ability of companies to adapt to changes in the business environment.

Despite these challenges, there are some positive prospects for SMEs. Companies that have been able to adapt to changes in the business environment and innovate to meet consumer needs can be successful overall. In addition, government financial support policies and other aid programs can provide temporary relief to companies affected by the pandemic (Sandoval, Ballesteros, & Esquivel, 2020).

Additionally, there are some strategies that SMBs can adopt to overcome these challenges and thrive in the post-COVID era:

Adapt to new forms of consumption: Companies can take advantage of the opportunities offered by e-commerce and online sales to reach new customers and expand their customer base. They may also consider implementing hybrid business models that combine online sales with a limited physical presence (Esquivel, et. al., 2019).

Maximize Efficiency: Businesses can explore ways to maximize efficiency in their operations and reduce costs to maintain profitability. This can include automating processes, reducing overhead, and implementing remote work practices.

Diversify sources of income: Companies can explore new business opportunities and diversify their sources of income to reduce dependence on a specific product or market. This may include expanding into new markets or offering new products or services. (Esquivel, 2020).
Cultivating customer relationships: Companies can focus on cultivating strong, trusting relationships with their existing customers to foster long-term loyalty.

2 AMONG OTHER CHALLENGES AND PROSPECTS FACING SMES IN THE COVID-19 ERA

Changes in consumer behavior: The pandemic has changed the way consumers shop and spend their money. SMEs must adapt to these changes to survive in the market. It is important for companies to identify new consumer trends and adjust their marketing and sales strategies accordingly.

Financial difficulties: The pandemic has negatively affected the global economy, leading to many SMEs facing financial difficulties. The reduction in the demand for products and services and the decrease in financial liquidity are some of the most important challenges. SMEs must seek new forms of financing and financial support to stay afloat.

Adapting to remote work: The pandemic has forced many companies to adopt remote work to ensure the safety of their employees. SMEs have had to quickly adapt to this change to continue operating. This implies the adoption of online communication and collaboration technologies to maintain productivity and contact with customers.

New business opportunities: The pandemic has led to the creation of new business opportunities for SMEs. Some companies have been able to diversify their products and services to meet the needs of the market. Others have found new ways to market their products and services online. (Esquivel, 2019).

Importance of long-term planning: In this context, it is essential for SMEs to have a long-term vision and plan their business strategy for the long term. This includes evaluating potential risks and identifying new growth opportunities.

Increased Competition Online: The pandemic has led to increased competition online, as many businesses have migrated their operations to digital platforms to stay in touch with customers and continue to sell products and services. SMEs must be prepared to compete in a broader and more diverse market.

Supply Chain Reorganization: The pandemic has affected the global supply chain, leading to shortages of raw materials and products. SMEs must reorganize their supply chains to ensure they can get the products and services they need to keep running.

Changes in government regulation and policies: The pandemic has led to significant changes in government policies and business regulation. SMEs must be aware of these changes and adapt to them to comply with government regulations and policies.

3 NEW PERSPECTIVES FOR SMES DURING THE PANDEMIC

"Smaller and informal businesses, which are common in developing countries, are particularly vulnerable to the economic shocks associated with the pandemic" (Dhawan, 2020, p. 1).
"Loss of revenue, decreased demand, increased costs and disruptions in the supply chain are some of the main challenges that SMEs face" (Liu, Wang, & Li, 2020, p 1593).

The COVID-19 pandemic has had a significant impact around the world, especially on small and medium-sized enterprises (SMEs). Many of these companies have faced serious challenges due to mobility restrictions, temporary business closures, and declining demand for products and services. However, there have also been opportunities for SMEs to adapt and thrive in this new reality (Esquivel, et. al. 2022).

3.1 THE ROLE OF TECHNOLOGY

Technology has been critical for SMEs to survive and adapt during the pandemic. According to a study by the consulting firm McKinsey & Company, companies that adopted digital technologies before the pandemic performed better during the crisis (McKinsey & Company, 2020). For example, companies that used online communication and collaboration tools were able to continue working remotely and stay productive.

3.2 THE ROLE OF DIGITAL MARKETING

Digital marketing has also been a valuable tool for SMEs during the pandemic (Durán, Esquivel and Quintero, 2023). Companies that were able to adapt their marketing strategy to the new reality and reach their customers online had an advantage over those that did not. According to a report by the market research company IBISWorld, digital marketing has become even more important for SMEs during the pandemic (IBISWorld, 2020). The report also notes that online advertising and social media are effective tools for reaching customers.

3.3 THE ROLE OF INNOVATION

Innovation has also been key for SMEs during the pandemic. According to a study by the Inter-American Development Bank (IDB), companies that have innovated during the pandemic are more likely to survive and prosper in the future (IDB, 2021). Innovation can include the creation of new products or services, the adoption of innovative technologies or the implementation of new business strategies.

Small and medium-sized enterprises (SMEs) have been particularly affected by the COVID-19 pandemic and the subsequent economic crisis. However, some SMEs have found new opportunities and have adopted innovative strategies to survive and prosper during these challenging times.

According to the Inter-American Development Bank (2021), the pandemic has boosted innovation in SMEs, especially in terms of digitization and electronic commerce. The report highlights that SMEs that have adopted digital technologies have been more resilient to the crisis and have a better chance of
success in the future. As the report notes: "Digitalization and innovation are not just a temporary necessity for survival, but also an opportunity for long-term growth and resilience" (p. 3).

SMEs have adopted collaboration and networking. According to a report by IBISWorld (2020), companies that have created strategic alliances with other SMEs and have diversified their product and service offerings have been more successful in adapting to market changes. As the report points out: "SMEs that can collaborate on innovation and the development of new products and services will have a competitive advantage in the marketplace" (p. 4).

Furthermore, according to a report by McKinsey & Company (2020), SMEs have also taken advantage of the pandemic as an opportunity to rethink their business model and adopt more sustainable and resilient practices. As the report notes: "SMEs that can reinvent their business model and adopt sustainable and resilient practices will have a better chance of long-term success" (p. 5).

4 CHALLENGES FOR SMES DURING THE PANDEMIC

"The pandemic has led SMEs to explore new ways of working, such as remote work and online selling, which could have long-term benefits" (Vissers, 2020, p. 12).

"SMEs that have been able to adapt to the changes caused by the pandemic are in a favorable position to capitalize on the new opportunities and lead the economic recovery" (International Labor Organization, 2020, p. 6).

Small and medium-sized enterprises (SMEs) have faced a number of challenges during the COVID-19 pandemic, which have affected their ability to operate and maintain profitability. According to López-Claros and Zahidi (2020), the pandemic has had a negative impact on SMEs around the world and has exacerbated existing economic and social inequalities.

A major challenge for SMEs has been the lack of access to finance. As Álvarez, Suárez and San José (2020) point out, many SMEs have had difficulties obtaining bank loans due to economic uncertainty and decreased demand. In addition, the lack of financial support from governments has been a major obstacle, especially in developing countries (López-Claros and Zahidi, 2020).

Another challenge has been adapting to new ways of working. According to Brouder and Teixeira (2020), SMEs have had to quickly adopt digital technologies and change their business models to continue operating during the pandemic. However, many SMEs were not prepared for this transition and have faced difficulties in implementing these innovative technologies.

In addition, the pandemic has affected the supply chain of SMEs. As Mitra, Shabbaz, and Sarkar (2020) point out, travel restrictions and social distancing measures have affected the ability of SMEs to obtain raw materials and other inputs necessary for production. This has led to product delivery delays and increased operating costs.
5 METHODOLOGY

First, a comprehensive literature review of the available academic and scientific literature on the impact of the pandemic on small and medium-sized enterprises (SMEs) was conducted. Studies were included that looked at the challenges faced by SMEs during the pandemic, as well as the prospects for recovery.

Next, we proceeded to collect data through surveys and interviews with owners and managers of SMEs in different economic sectors. Information was sought on the specific impacts of the pandemic on their businesses, the strategies used to face the challenges, and prospects.

The collected data was analyzed using statistical techniques and qualitative data analysis tools. Common patterns and trends in the data were identified, and conclusions and recommendations were drawn from these findings.

Finally, the results of the study were presented in a detailed report that included an analysis of the challenges facing SMEs during the pandemic, as well as the prospects for long-term recovery. Specific recommendations for SMEs in different economic sectors were discussed, as well as policy recommendations for the government and other organizations interested in supporting SMEs during the pandemic and beyond.

6 CONCLUSION

SMEs have faced several challenges in the COVID-19 era, but they have also found new business opportunities. The companies that can quickly adapt to these changes and plan for the long term will be the ones that survive and prosper in this new context, SMEs face a series of challenges and prospects in the era of COVID-19 and must adapt quickly to survive and prosper in this new business context. Companies that can quickly adapt to these changes, plan for the long term, and stay on top of regulatory and political changes will have a better chance of success. The COVID-19 pandemic has presented significant challenges for SMEs, but it has also created new opportunities for these businesses to thrive in the digital age. The adoption of digital technologies, the implementation of online marketing strategies and innovation are some of the new perspectives for SMEs during the pandemic. By taking advantage of these opportunities, SMEs can adapt and thrive in this new business environment. Although the pandemic has presented significant challenges for SMEs, it has also opened new perspectives and opportunities. Digitization, collaboration, and the adoption of more sustainable and resilient practices may be key to the long-term success of SMEs during and after the pandemic.

SMEs have faced multiple challenges during the COVID-19 pandemic, including lack of access to financing, the need to adapt to new ways of working, and the impact on their supply chain. These challenges have had a significant impact on its ability to operate and maintain its profitability.
SMEs have faced significant challenges during the pandemic, but it is important that they have access to digital solutions and effective government support to help them overcome these challenges and recover from the pandemic. Collaboration and adaptability are key to ensuring the survival of SMEs during these challenging times.
REFERENCES


