



**THE FUTURE OF SMES,
SUSTAINABILITY AND
THE PANDEMIC**

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EXECUTIVE SUMMARY

There is widespread agreement that adopting sustainable practices is critical for businesses, organisations, and society (Deng & Ji, 2015; Eccles, et al., 2014; Santos et al., 2013). While larger organisations have moved quickly in achieving sustainability goals, small to medium enterprises (SME) are falling significantly behind in implementing sustainability practices in their business activities (Mani et al., 2020; Nakamba et al., 2017). Although the advancement of large organisations in this regard is appreciable, nonetheless, society cannot fully benefit from sustainability unless SMEs implement sustainable practices, as these smaller firms account for many businesses globally (Chowdhury & Shumon, 2020). The engagement of SMEs in sustainability practices would not only contribute to global sustainability but these practices could enhance their competitive advantage (Moon et al., 2014). It has been established those sustainable organisations generally perform better than others that do not adequately maintain sustainable practices (Huq et al., 2014; Klassen & Vereecke, 2012;).

However, the adoption of sustainability practices by SMEs has suffered an unexpected setback because of the latest global pandemic – COVID-19 – which has significantly impacted businesses of all sizes (Ashford et al., 2020). It is a known fact that many SMEs have been dealing with policy challenges, environmental uncertainties, and business survival, particularly as a result of the impact of the COVID-19 crisis (Accountancy Europe, 2020). However, as always, crises bring with them circumstances that can translate to either opportunities or threats for entrepreneurship (Doern et al., 2019), depending on both the entrepreneurs and governments (Higgins-Desbiolles, 2020). Thus, the current pandemic can generate an opportunity for entrepreneurial activities, possible diversity of local economies (Greene & Rosiello, 2020), and support SMEs' reorientation towards sustainability practices (Albaz et al., 2020; Barbagila et al., 2021).

This report provides an overview of SMEs' sustainability practices during COVID-19 and the future of the agenda for all stakeholders involved. Based on a systematic literature review, we identify the challenges and opportunities of SMEs' sustainability during COVID-19. We further outline the role

of governments in implementing sustainability practices for SMEs, particularly in times of a crisis. By doing so, this study contributes to the literature on sustainability, as well as on SMEs. More importantly, the study's recommendations for post-pandemic recovery can serve as a guide for SMEs and governments in formulating strategies to enhance sustainability within these smaller firms.

This report is structured as follows. First, we provide an understanding of sustainability as a concept. Second, we detail the methodological approach taken. Third, we discuss the dominant themes emanating from the review of relevant literature and finally we provide recommendations for policy and to inform future research directions.

1. UNDERSTANDING SUSTAINABILITY AND SMES

The most-cited definition of sustainable development comes from the influential 1987 Brundtland Report published by the United Nation's World Commission on Environment and Development (WCED): 'sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987, p. 37). Sustainability is now key in the Sustainable Development Goals which are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice (United Nations, 2022). Over the years, sustainability research has evolved from including only the ecological dimension to the incorporation of economic and social perspectives (Hernández-Díaz et al., 2021). The economic dimension of sustainability centres on the value creation and continued success of an organisation for an indefinite time; the social dimension contributes to the social wellbeing of individuals and the society in which the organisations operate now and in the future; and the environmental dimension relates to the maintenance of natural capital and equilibrium in the natural environment to a certain degree (Murphy, 2013).

Dominantly, many companies focused on economic viability while considering community development and environmental protection activities as voluntary philanthropic activities (Das et al., 2020). However, the conventional view that organisations do not need to concern themselves with larger social and environmental issues, if they act ethically and legally, is now widely criticised (Sastry, 2011). This was elaborated by the Triple Bottom Line framework, which contends that business goals cannot be separated from the societies and environments within which the business operates (Elkington, 1998). In response to increased public scrutiny and legislative changes, businesses nowadays are becoming more conscious of the possible adverse effects of their operations on society and the

environment (Swarnapali, 2017; Tonello, 2012); and are, therefore, striving to integrate sustainable business practices into their corporate strategies (Chabowski et al., 2011).

Sustainable practices signal to internal and external stakeholders, such as employees, customers and investors, that a business is committed to doing good, and this can lead to increased stakeholder engagement and loyalty (Burks & Ratnam, 2021; Tamvada & Shrivastava, 2020). For instance, at Unilever, their main purpose is to make sustainable living commonplace (Polman & Bhattacharya, 2016). To achieve this, they are transitioning to renewable energy across their operations, finding new lower carbon ingredients, formulating their products to offer fossil-fuel-free cleaning products, and are aiming to achieve net zero emissions from their products up to point of sale by 2039 (Unilever, 2022). As a result of their position as a sustainable business, they have gained the trust of their employees, partners and customers (Bhattacharya, 2016). In 2015, Unilever was named a leader of the Food, Beverage and Tobacco Industry Group by Dow Jones Sustainability Index (Allen, 2015). They also enhanced their credibility and reputation as they became the third most searched company on LinkedIn, after Google and Apple (Chandler, 2019).

Given the current literature on sustainability, much of it is focused on larger organisations and multinationals while neglecting sustainability practices in SMEs (Rodgers, 2010), notwithstanding that SMEs are the predominant form of enterprise, accounting for approximately 90% of global businesses (Inyang, 2013). In addition, SMEs make immense contributions to the economic and social well-being of people across the globe, accounting for around 70% of employment, and generating up to 70% of global GDP (Woeffray, 2021). Considering these tremendous potentials, SMEs are capable of positively impacting sustainability (O'Reilly, 2020), and they play an important role in enabling,

constraining, and shaping the nature of growth, innovation, and sustainability of local and global economies (Woeffray, 2021).

However, since the onset of the COVID-19 pandemic, the ability of SMEs to embed sustainability in their business strategy and culture has been significantly constrained (Chowdhury & Shumon, 2020; Winarsih et al., 2020). In a bid to contain the spread of COVID-19 and minimise its public health impact, various far-reaching restrictive measures, such as social distancing and temporary closure of businesses, were implemented by governments across the globe (Shafi et al., 2021). Unfortunately, these restrictive measures created a self-perpetuating vicious cycle of loss of corporate and employment income, and a resultant weakening of purchasing power which further aggravated the operating challenges faced by businesses (Asad & Kashif, 2021). Although some sectors, such as the education sector, have shown a level of resilience or even found a new operating niche during the pandemic (Roberts, 2021), SMEs were deemed to be the most vulnerable (Gregurec et al., 2021). This is mainly because of their limited access to financial resources and gaps in specialised knowledge, making it difficult for them to respond swiftly to the challenges posed by the COVID-19 crisis (Klein & Todesco, 2021).

As SMEs fight to remain afloat and overcome the financial headwinds occasioned by the pandemic, investing in sustainability activities becomes a less desirable corporate goal (Natwest, 2021). For example, a recent study by Majumdar, Shaw and Sinha (2020) found that SMEs struggle to embed sustainable practices into their business strategies during a disruption or economic crisis due to a lack of liquidity. Governments in many countries have however, introduced several initiatives to provide essential support to SMEs in the immediate term (OECD, 2021). These actions are pivotal, but to maximise their impact, SMEs need to sharpen their

focus on building sustainability and replan for the next normal (Pu et al., 2021).

Investing in sustainable practices post-pandemic can help SMEs speed up their recovery (Albaz et al., 2020). For instance, SMEs can significantly decrease their overheads by effectively managing resources like water, energy, waste, and by embedding circular economy¹ principles internally (Suryantini et al., 2021). Also, as the pandemic heightened awareness about the need to be eco-conscious, consumers want to associate with businesses that are environmentally friendly (Barrio-Fraile & Enrique-Jiménez, 2021; Tamvada & Shrivastava, 2020). According to a report by Deloitte (2021) which was based on an online survey with a nationally representative sample of more than 2,000 British adults aged 18+, almost a third of consumers have stopped purchasing certain brands due to sustainability concerns; this figure increases to 45% among Generation Z. Further, a recent study conducted within the Swedish private sector, found that companies with a social purpose who are environmentally sustainable, are more likely to attract high-performing workers, particularly those from the Millennial and Generation Z demography (Metzger et al., 2021). Indeed, the implementation of sustainability goals will positively impact on the ability of SMEs to recover from the COVID-19 pandemic.

Thus, the aim of this report is to examine and analyse the current literature which concerns SMEs and sustainability in the COVID-19 period, with a particular emphasis on the challenges and opportunities presented to SMEs, and the government's role in their recovery. This will allow an understanding of COVID-19's impacts on SMEs

1 Circular economy is an economic system that replaces the 'end of life' concept with reusing, recycling, and recovering materials in production/distribution and/or consumption processes, with the aim to create environmental quality, economic prosperity and social equity, to the benefit of present and future generations (Kirchherr, Reike, & Hekkert, 2017).

sustainability and provide a basis for designing appropriate sustainability policies and strategies.

2. METHODOLOGY

To examine and analyse literature on the topic of sustainability, SMEs, and the impact of COVID-19 a systematic literature review was undertaken. First, we selected several keywords and four electronic databases. The keywords used included: 'COVID-19', 'SMEs' and 'sustainability', and the electronic databases were Web of Science, SCOPUS, EBSCOhost and ProQuest. Some articles may have used the word pandemic only or strictly referred to the omicron wave of the COVID-19 pandemic. For this reason, we searched for 'pandemic' and 'SMEs' and 'sustainability' as well as 'omicron' and 'SMEs' and 'sustainability.' The latter search only resulted in duplicates of the primary search of keywords and therefore we excluded these duplicates. This led to the conclusion that all articles, including the ones on the omicron variant would be included by searching 'COVID-19' and 'SMEs' and 'sustainability' as keywords. The time period for the searches was between January 2020 and February 2022. This process resulted in 8,196 articles.

Following this we filtered for the keywords to appear in the abstract and had 90 articles. This demonstrated that many articles only mentioned one or more of the keywords in instances throughout the text. Then we applied the exclusion criteria by going through the 90 texts manually. We excluded articles from non-UK and non-EU countries but included texts which were not country specific.

Finally, we excluded duplicates and texts. This resulted in a total of 15 articles (Table 1).

Subsequently, we read all 15 articles and sorted them by identifying the publication details, which included the title, author, journal, and year. Additionally, we noted the methods used, and the core argument of each individual article as can be seen in Appendix 1.

The themes for analysis were determined inductively and emerged after undertaking the following steps (Gioia et al., 2013): (1) immersion in the articles by reading and re-reading them; (2) manual coding whereby initial concepts in the data were identified and grouped into categories and key words, phrases, sentences, and paragraphs from the articles were highlighted and; (3) explored these categories grouping them into higher-order themes (Glaser & Strauss, 1967; Miles & Huberman, 1994). The main themes included: 'COVID-Induced Disruptions', 'Future Outlook', and 'Government Role'. The 'COVID-Induced Disruptions' refers to the immediate impacts of the COVID-19 pandemic on all aspects of SMEs sustainability. The 'Future Outlook' refers to how COVID-19 resulted in challenges and opportunities to secure the long-term sustainability of SMEs. Lastly, a repeated theme that emerged in the articles was the role of the UK and EU governments during the pandemic and the future

Table 1: Summary of findings

	Web of Science	SCOPUS	EBSCOhost	ProQuest	Total
Full text: 'COVID-19' and 'SMEs' and 'sustainability'	37	2,699	3,249	2,211	8,196
Abstract: 'COVID-19' and 'SMEs' and 'sustainability'	24	32	23	11	90
Manual exclusion criteria: excludes articles that are not in either a UK, EU or non-country specific context (excludes duplicates, and texts that were not books or articles)	10	2	3	0	15

role of the government in the recovery following the pandemic.

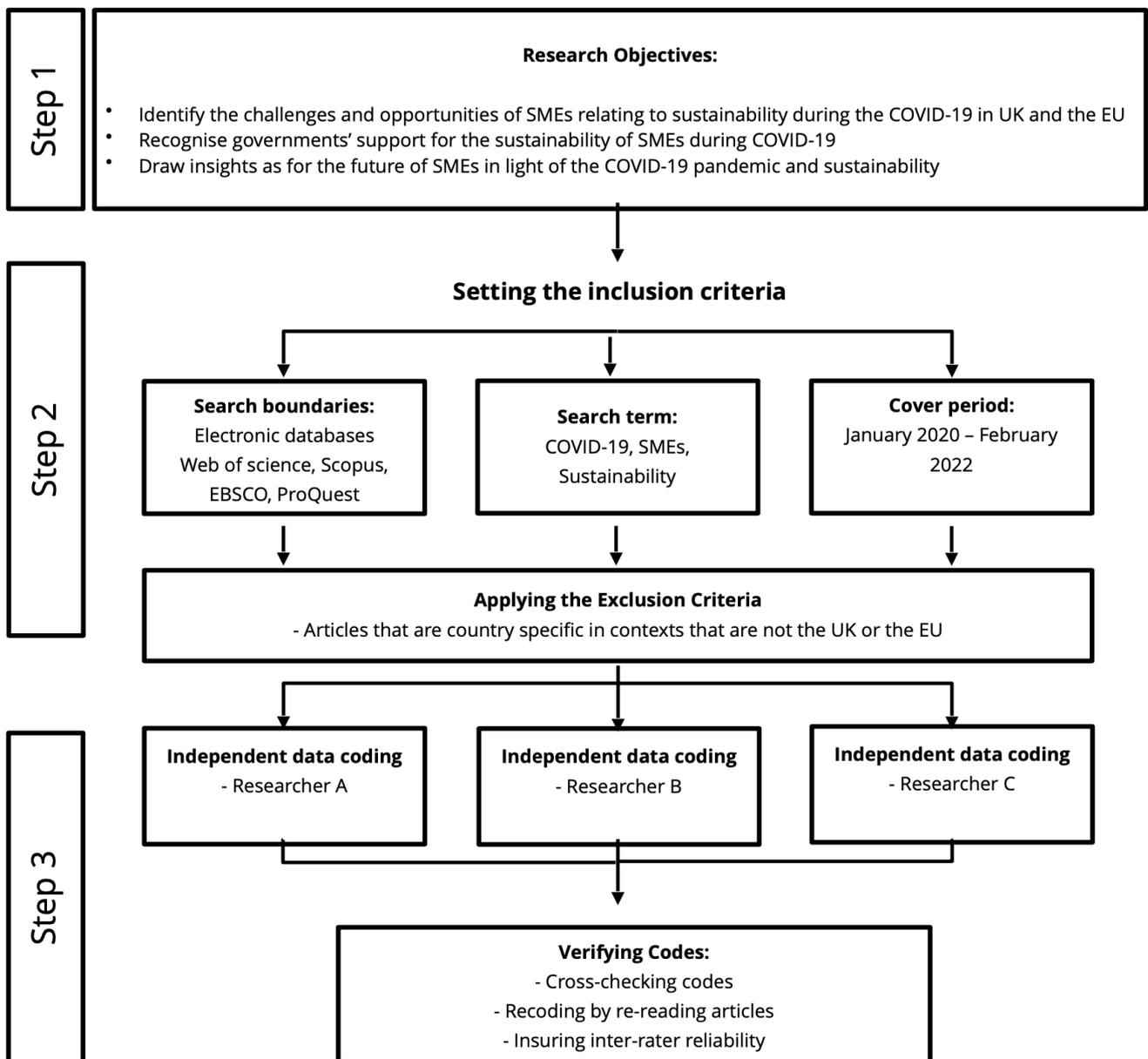
Our next step was to identify the sub-themes. The research team was assigned a main theme and reviewed the articles through the lens of that theme. That resulted in the emergence of the sub-themes (Table 2).

Table 2: Main Themes and Codes

Main Theme	Sub-themes			
Immediate Impacts	Services	Premises	Disruption (Cashflow and Supply chain)	Short-term Environmental Impact
Future Outlook	Digital Transformation	Economic Viability	Workers' Wellbeing	Climate Change
The Role of the Government	Direct support	Indirect support	Recovery	Access

Our last steps were to code the articles (a summary of which can also be found in Appendix 1) and write up a summary of the systematic literature review. Figure 1 details the process we undertook for the systematic literature review.

Figure 1: Steps in the Systematic Literature Review



3. FINDINGS

3.1 Immediate Impacts

There is significant evidence that the COVID-19 pandemic caused substantial disruption to the economy and to SMEs (Winarsih et al., 2020). In this section, we outline the immediate consequences brought by the pandemic, the different challenges SMEs have faced and how these enterprises tried to adapt to the changing economic landscape. Within the themes of immediate impacts there were a number of areas which were highlighted: services, premises, disruption and short-term environmental impact.

3.1.1 Services

Due to their financial structure and lack of emergency funds, SMEs were affected in a more pronounced way in comparison to larger organisations. In this sense, the literature goes into detail as to why SMEs have suffered dramatically from the economic impact of the pandemic. In their article, Chowdhury and Shumon (2020) mention a generalised lack of implementation of digital innovation practices, underdeveloped corporate awareness in the values of social responsibility towards stakeholders, and a dependence on human and financial resources concentrated within the family perimeter. In practical terms the restrictions put in place due to the pandemic took a heavy toll on industries such as the tourism and hospitality sector as human mobility and leisure businesses were impeded to provide their services and carry out their regular operations (Pelikanova et al., 2021). SMEs had to temporarily suspend their operations, resulting in severe financial repercussions. But the hospitality sector was not the only sector which had to deal with Covid-induced disruption. Data shows that the transportation industry, the energy sector, and real estate were also among the most affected (Ali et al., 2021).

3.1.2 Premises

Indeed, the pandemic also prevented workers from carrying out office-based tasks as restrictive measures increased and forced enterprises to transition to the virtual workspace. This proved to be particularly problematic for SMEs and all other businesses which could not pivot quickly and implement digital transformation practices (Winarsih and Khoirul, 2020). The hardship of this major change was especially felt by companies that did pivot to the virtual world in a timely manner. As a result of the mobility restrictions in place, many small retailers had to quickly reassess their marketing strategy (Manea et al., 2021). With the drastic change in the way customers shop, SMEs quickly had to find new ways to provide their products and services online (Winarsih et al., 2020). Although office-based operations had to be suspended, it is also worth mentioning that remote work proved to be a valid alternative in a number of instances. Often, working from home had been previously adopted by SMEs. Yet, the pandemic and the need to undertake day-to-day activities has pushed companies to normalise this practice, opening up new opportunities which were vastly unexplored until now (Rowan & Galanakis, 2020).

3.1.3 Disruption

Disruption was not simply limited to the working space, but it also affected all other aspects of SME operations. Cash flow represented a critical element in an SME's economic structure as these businesses had limited capacity to cope with impending financial obligations with no possibility to rely on their daily income. Adding to that, emerging difficulties related to supply chain management and logistics were rife within the SME sector. Delays did not merely apply to the delivery of goods and services as the supply chain had been highly impacted too, and prices of raw materials in the stock market had risen notably (Kumar et al., 2020). As SMEs are pushed to find swift

solutions to COVID-related problems, stakeholders and business partners are expecting 'business as usual' putting SMEs under immense pressure (Chowdhury & Shumon, 2020).

3.1.4 Short-term environmental impact

However, the opportunity to implement new practices moving towards digital transformation, SMEs are now in the position to pursue sustainable initiatives in a more decisive way. The pandemic did not obscure the pressing nature of the climate crisis. On the contrary, the lockdown and the restrictive measures limiting human mobility seemed, at least at first, to have benefited the environment overall with a marked decrease in air pollution. Although the major downturn in commuting and industrial pollution helped, it needs to be highlighted that the adoption of other valuable, sustainable initiatives had to be put on hold (Manea et al., 2021). Chowdhury and Shumon (2020) maintain that SMEs have proven to be particularly reluctant when it comes to leaving room for innovative sustainable practices in times of profound crisis. This is caused by high implementation costs, the uncertainty of the current economic condition and the subsequent tendency of a company to rely on consolidated ways to do business rather than exploring new territories.

3.2 Future Outlook

The second theme concentrated on what the future might hold for SMEs whereby Rowan and Galanakis (2020) believe that the COVID-19 pandemic will fuel the next wave of economic and social innovations among SMEs. However, the articles reviewed also make clear that many challenges have arisen from the COVID-19 pandemic and will continue to rise as SMEs seek long-term sustainability. The articles reviewed look at all aspects of long-term sustainability including digital transformation, economic viability, workers' wellbeing and climate change.

3.2.1 Digital transformation

A longer-term process is the digital transformation which has helped SMEs solve some sales and logistical issues brought to light by COVID-19 (Winarsih et al., 2020). This was both a challenge and an opportunity as some businesses have not had the possibility or capacity to undergo a digital transformation, but in other cases there has been an opportunity for reaching wider target markets and reducing costs (Winarsih et al., 2020). In a study on Czech SMEs in the hotel industry, over 50% of respondents were compelled by the COVID-19 pandemic to move towards digitalisation (Pelikanova et al., 2021). Certain respondents confirmed that without the pandemic such changes would have taken more time (Pelikanova et al., 2021). Not only did COVID-19 push for companies to move towards digitalisation but according to Chen et al. (2021) also led to discussions on how the digital transformation can result in AI-based decisions to support SMEs navigate future black swan events (i.e. unpredictable events that are beyond what is normally expected of a situation and has potentially severe consequences).

Another issue SMEs faced is the mismatch between the expectations of stakeholders and SMEs' ability to meet those expectations (Chowdhury & Shumon, 2020). While individually SMEs might not have a high impact, collectively they do, hence the raised expectations of stakeholders around the world. However, SMEs face numerous challenges to becoming socially sustainable such as the lack of expertise, the cost of implementation of sustainable practices, access to loans, and the perceived benefit of implementing sustainable practices (Chowdhury & Shumon, 2020). To bridge this gap between the expectations of SME stakeholders and the challenges SMEs face in implementing socially sustainable practices, having a unified social sustainability standard for SMEs is plausible (Chowdhury & Shumon, 2020). Yet, while this is a challenge it is

also an opportunity. Indeed, it has been suggested that SMEs can be innovative while implementing social sustainability practices, creating awareness, and developing human capital amongst other suggestions (Chowdhury & Shumon, 2020).

3.2.2 Economic viability

In terms of financial sustainability, governments were tasked with the challenge to avoid exacerbating existing inequalities as they addressed the economic crisis because of the COVID-19 pandemic (Pelikanova et al., 2021). Aziz et al. (2021) explain that within SMEs, the decisions leaders make in a period of organisational change such as the COVID-19 pandemic, will shape the future of their business and be crucial to ensuring the sustainability of the business. This demonstrates that both governments and SMEs owners will need to make crucial decisions for SMEs to be economically viable.

3.2.2 Worker's wellbeing

Moreover, COVID-19 posed a threat to the sustainability and survival of firms, this includes having to consider making cuts to workers' welfare (Ali et al., 2021). While looking at the supply chain resiliency during the COVID-19 pandemic Ali et al. (2021) found that while it may benefit supply chain resiliency to deploy more flexible contracts it could also have negative future implications as workers may decide that they prefer more certainty. This is a challenge SMEs will need to face going forward as they make decisions that can impact both the financial and social sustainability of their businesses.

3.2.4 Climate change

Regarding environmental sustainability, Pelikanova et al. (2021) highlighted that SMEs in the hotel industry found that only 10% of respondents perceived the COVID-19 pandemic as an impetus to think more about sustainability. The authors

found that SMEs are aware of Corporate Social Responsibility (CSR) and include it in their strategies, but this only plays a minor role (Pelikanova et al., 2021). Furthermore, the pandemic exposed how interdependent businesses, nature, society, the economy, and education are within the business environment (Mohammadian et al., 2020). Additionally, CSR plays a key role in reaching sustainable development and ensuring environmental sustainability (Mohammadian et al., 2020) but it appears that SMEs are not taking this CSR approach (Pelikanova et al., 2021).

According to Berzina and Tsoy's (2021) study, one Latvian company decided to use lockdown to develop a more sustainable and eco-friendly company. This, of course, is just one case so further research would need to be done on whether a more significant number of companies used lockdowns to make significant changes in their company to achieve sustainability either/or the financial and ecological sense of the word (Berzina & Tsoy, 2021). On the contrary, Hrivnák, Moritz and Chreneková (2021) found that almost all the companies they surveyed suspended the purchase of new technologies and innovation processes during the pandemic. They attribute the managerial leadership in making such decisions to the resilience of SMEs in knowledge-intensive industries.

As COVID-19 has had an impact on SMEs, so in the near future will climate change. Rowan and Galanakis (2020) bring attention to the fact that some industries, namely the food sector, will be impacted disproportionately by global warming, putting pressure on the supply chain. Manea et al. (2021) note that SMEs not able to manage the shift from the linear economy to the circular economy will suffer losses or may become economically inviable. SMEs will also need to reassess and redesign their production processes (Manea et al., 2021). This is due to the prediction that the economy will shift increasingly from product disposal to reuse and

recycling (Manea et al., 2021).

3.3 The Role of the Government

SMEs are more inclined to implement sustainable practices when they are being supported by various stakeholders such as government and non-governmental organisations (Chowdhury & Shumon, 2020). As a result, governments across the globe have introduced several policy initiatives to encourage the adoption of sustainable practices by SMEs (Chowdhury & Shumon, 2020). Such support becomes more critical during a disruption that has severely impacted on the operational cost of SMEs (Ali et al., 2021). The operations of SMEs across the world have been severely impacted by the COVID-19 pandemic, and support from relevant stakeholders such as the government and policy-makers, can be a real boom, and incentivise good sustainability practices (Chowdhury et al., 2021). The key themes that emerged from the literature with respect to the role of the government include: direct support, indirect support, recovery and access.

3.3.1 Direct support

Extant literature on government support during COVID-19 highlighted various financial incentive packages provided to help SMEs mitigate the impact of the COVID-19 pandemic; some of these supports are direct while the others are indirect (Berzina & Tsoy, 2021). Subsidy for employees' salaries and compensation for loss of income due to the pandemic were the most direct measures utilised by governments to support SMEs (Chowdhury & Shumon, 2020). Compensation for loss of income was provided to the self-employed, and direct support in the form of subsidy for part of employees' salaries proved to be highly effective in supporting SMEs during the pandemic period (Hrivnák et al., 2021). For instance, in Australia, the government provided an incentive called 'job-keeper support', to enable SMEs to retain staff (Chowdhury &

Shumon, 2020). The Cambodian government also contributed 60% to the salary of SMEs employees who were rendered jobless because of a factory closure (Chowdhury & Shumon, 2020). Other direct instruments used by governments to support vulnerable SMEs have included grants, emergency cash flow and liquidity measures (Rowan & Galanakis, 2020).

3.3.2 Indirect support

Beyond these direct measures, governments also used indirect tools such as tax incentives, postponement of debt repayments to banks, and loan guarantees to support SMEs during the COVID-19 pandemic (Winarsih et al., 2020). Between April and October 2020, the Russian government approved the delay of tax instalments for SMEs in the tourist and hotel sectors (Berzina & Tsoy, 2021). In the Slovak Republic, 80% of entrepreneurs interviewed by Hrivnák et al. (2021) applied for preferential tax rate, 23% percent used postponement of statutory deadlines for income tax, and 16% applied for non-payment of taxes from income.

3.3.3 Recovery

Several studies delineated that these government measures catalysed the recovery of SMEs and enhanced their implementation of sustainable practices (Ali et al., 2021; Chowdhury & Shumon, 2020; Chowdhury et al., 2021; Hrivnák et al., 2021). For example, a study by Berzina and Tsoy (2021) found that government support helped one of the company's they investigated to become more environmentally, socially, and economically sustainable. The organisation utilised this period of disruption and the financial support offered by the government to adapt their product to the principles of sustainable operations and train their staff. In line with this, a study by Hrivnák et al. (2021) found that government's compensation of employees'

salaries during the pandemic increased the chances of employment retention and SMEs' sustainability by up to eight times. Their study also revealed that the utilisation of tax aids by SMEs during the pandemic increased their chance of maintaining employment and supported their business's sustainability by three times. Although these are just few cases, it highlights that support from the government, especially during a disruption, can foster sustainable practices amongst SMEs.

3.3.4 Access

Another recurring theme within the literature relates to the accessibility of information on government regulations and COVID-related measures (Hrivnák et al., 2021). For example, a study by Rowan and Galanakis (2020) found that while there are financial stimulus support packages provided by governments, there is an unprecedented dearth in critical information such as changes to rules regarding self-isolation and social distancing. Further, in a study by Hrivnák et al. (2021), up to 61% of respondents considered dissemination of information by the Slovakian government about the prepared restrictive measures to be chaotic and insufficient. The study showed that many SMEs learnt about the measures in force from social networks rather than official sources, and that the provision of information by the Ministry of Health was chaotic. The authors stated that this information is important because it enables businesses to make priority decisions on core needs for recovery post-COVID-19.

Pelikanova et al. (2021) also found that the requirements set for SMEs to access government support were difficult, making the accessibility of the funds almost impossible. For example, 'taking care home schooling' aid provided by Czech government to SMEs could only be paid if the applicants could show evidence from their children's school testifying that the school was closed in April (Pelikanova et

al., 2021, p. 539). This requirement was an obstacle because all schools were closed in April 2020 and no parent could get evidence from their school which was already closed.

4. DISCUSSION

The COVID-19 pandemic has undoubtedly taken a heavy toll on SMEs. Plenty of research has been undertaken on the reactive measures taken by these businesses in times of economic and financial crisis (Soinien et al., 2012). Due to the uniqueness of the circumstances, not much literature has been produced on the ways SMEs can overcome the challenges and ensure sustainable practices in response to the recent the pandemic. This study identifies twelve sub-themes emerging from recently published papers on the topic. The sub-themes are categorised into three key groups: immediate impacts, future outlook and the role of government. As previously mentioned, the scope and resonance of the COVID-19 crisis cannot be compared to any other financial crisis. Indeed, contrary to economic recessions, in this case repercussions severely affected all aspects of business life, from the closure of offices to the ceasing of all business activity altogether (Pilotti, 2020). Previous research on the topic has primarily focused on single challenges in times of crisis, such as cash flow disruption (Pal, Torstensson & Mattila, 2014) or the halting effect major challenges can have in slowing down the adoption of sustainable practices (Ulubeyli et al., 2018). Nonetheless, this unidirectional approach would not fit the current multi-faceted context. Instead, this report aimed at incorporating multiple factors into its analysis.

Several scholars have highlighted how some of the changes implemented during the crisis, namely innovation driven by digital technology, will shape how SMEs will operate in the new normal (Papadopoulos et al., 2020). Extant research on SMEs' economic activity in times of crisis points out how difficulties emerging by a critical disruption spur – or at times forces – companies to pursue structural change (Bartik et al., 2020; Farhoud et al., 2021). This refers not only to the company's financial structure but to all aspects of its business. The all-round threat to business-as-usual pushed SMEs to rethink the foundations of office life, such as on-site

work (Papadopoulos et al., 2020). In this sense, the implementation of remote work, as well as other digital practices, has been a focal point of literature on SMEs. Several studies in the literature have noted how crises do not necessarily fuel or hamper the adoption of innovative practices by SMEs (Thorgren & Alma Williams, 2020). Rather, crises act as a catalyst for companies to either give the missing push leading to implementation or the definitive shutdown of innovative initiatives (Giannacourou et al., 2015). But the 'new normal' has shifted focus in further enhancing SMEs' resilience, for example, having more than one supplier. In case of disruption from one supplier, production can continue by sourcing from another supplier (Thukral, 2021). Furthermore, businesses are now beginning to think more strategically about uplifting their digital capabilities as imperative (Thukral, 2021).

This report further considers the role of governments and in what ways institutions support SMEs in times of crisis. Based on the body of work produced on the topic, scholars agree that national governments play a key role in ensuring the survival of enterprises when critical disruption takes place (Anton & Onofrei, 2016). However, according to Park et al. (2020), the same resources that keep these companies afloat seem not to be enough to increase SMEs' growth. Direct and indirect government support is pivotal in aiding businesses, but monetary influx alone has proved insufficient to guarantee prosperity for SMEs in the long-term (Irfayanty & Azis, 2012). In many instances, targeted government aids, such as open access to funding schemes, or the elimination of structural barriers, have proved to be not only critical safety nets but also innovation drivers for SMEs (Otsche & Usang, 2021).

In conclusion, COVID-19 presented immense challenges for SMEs but opened them to opportunities for innovation in terms of social, economic, and environmental sustainability for SMEs that may not have arisen had it not been for

such an all-consuming black swan event. In some cases, this shift towards a more sustainable future was supported by governments around the world with direct support such as compensation for loss of income and indirect support such as tax incentives.

5. POLICY RECOMMENDATIONS

Our study undertook a systematic literature review to explore how SMEs approach sustainability practices since COVID-19. We identified the challenges and opportunities of SME sustainability for the future of their businesses and using this as the basis to inform the future of SME policy in the UK and further afield. Ongoing interventions are needed to give small businesses immediate relief and build long-term resilience. Thus, the following policy recommendations have been developed in line with our findings. In the short-term the following recommendations could be implemented:

- Upskilling SMEs where sustainability training for SMEs should be made compulsory. For example, the current energy prices are going to have implications for small business, and this could be one key area for the training in supporting SMEs.
- Policies should be inclusive of sustainability in all delivery support services. The policies need to ensure that all SMEs understand the importance of sustainability both for their business and for the wider environment.
- Government should help reduce SMEs' administrative and financial burden and thereby contribute towards achieving sustainable aims.
- It should be understood that knowledge- and capacity-building resources to help accelerate recovery and adapt for the post-COVID-19 environment are required for those disparately affected.
- Detailed information on policies being delivered and funds mobilised should be available for SMEs and this can also help assess the true cost of government support and provide lessons and insights into its effectiveness.

In the longer-term, government needs to ensure the following recommendations are considered:

- Government policy in the UK needs to outline the framework of a sustainable entrepreneurship programme, that focuses not only on profitability and growth as core targets of the business, but alignment and achievement with the Sustainable Development SDGs.
- Entrepreneurs should be educated on the value of the SDGs and the impact these goals can have on business value, since due to shifting consumption demands for more ethical businesses, these will have a lasting impact on the resilience of SMEs.
- Government needs to plan how to react and think about SMEs and their survival in crises – looking at ways to change thinking as to how to pivot business models in future crises.

The World Economic Forum published the 'key drivers of future-readiness' which highlights a set of organisational capabilities and orientations that are likely to enable SMEs to grow financially in the long-term, to impact society and the environment positively, to successfully respond to shocks, and to seize opportunities that emerge from constant disruption (Figure 2). These key drivers could potentially assist government in formulating policies and initiatives which would be of benefit to SMEs.

Figure 2: Areas can help future-proof SMEs



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APPENDIX 1

Summary of the Reviewed Articles

Publication Details	Method	Core argument	Research themes (see Table 2)
Pelikanova, Cvik, & MacGregor (2021)	Literature review + investigative case study of 11 Czech hotel SMEs was performed, based on the questionnaire survey and semi-structured in-depth direct interviews. The data was then processed through holistic thematic analysis	Sustainability: the promising sustainability potential is underdeveloped; the digitalization is on the right track and progressively becoming a corner point of business conduct; entrepreneurial readiness and planning and behavioural strategies are basically recognized, but their application is behind expectations; corruption reminds a dormant demon behind; the bureaucracy flowers (or at least has a potential to flower), regardless the presence or absence of crises.	Immediate Impact: Services; Premises; Disruption Future Outlook: Digital Transformation; Economic Viability; Climate Change The Role of the Government: Access
Winarsih & Khoirul (2020)	Literature review	Due to their structure, SMEs are particularly vulnerable to the consequences of the pandemic. In order to ensure financial stability and sustainability to these companies, digital transformation and government support are essential.	Immediate Impact: Disruption Future Outlook: Digital Transformation The Role of the Government: Indirect Support
Chowdhury & Shumon (2020)	Literature review	Due to the implementation costs, SMEs typically find it hard to adopt sustainable practices. Yet stakeholders and the competitive business environment they are in force them to. This study identifies internal and external factors which contribute to the struggle faced by SMEs to apply socially sustainable practices.	Immediate Impact: Short-term Environmental Impact Future Outlook: Workers' Wellbeing The Role of the Government: Direct Support; Recovery
Manea, Ignat & Semencescu (2021)	Analysis of 118 business plans and a number of budgets from SMEs & Literature Review	There will be a transition from the linear economy to the circular economy. Governments will need to take an active role in involving SMEs in this transition using its financial and technical resources to adapt to this new global model.	Immediate Impact: Short-term Environmental Impact Future Outlook: Climate Change

Ali, Suleiman, Khalid, Tan, Tseng, & Kumar (2021)	Literature review using resource-based theory (RBT) and contingency theory (CT) as theoretical approaches	While most of the competition between food supply chains lies between supply chain rather than between firms, this article lays out ways in which firms can make decisions leading to supply chain resilience (SCRes). It does so using a four quadrant solution based on the time and cost needed to react to acute disruptions such as the COVID-19 pandemic.	Immediate Impact: Disruption; Premises Future Outlook: Climate Change
Berzina & Tsoy (2021)	Interviews	Due to the pandemic people travelled more sustainably as travel was limited; however, the article found that spending on local tourism decreased. In one of the cases in the interviews with Latvian companies, a campsite reported that they took measures to make the campsite more environmentally friendly in the long-term.	Immediate Impact: Disruption; Short-term Environmental Impact; Future Outlook: Climate Change The Role of the Government: Direct Support; Indirect Support; Recovery
Mohammadian, Wittberg, Castro & Bolandian (2020)	Designed a future hypothetical scenario in order to apply theory - DRM (Doost Research Methodology) was used as an analytical tool	The COVID-19 pandemic showed how interrelated business, nature and society are. The article repeatedly emphasised the use of technology to ensure a blue-green economy through a CSR approach.	Future Outlook: Climate Change
Luis, Víctor, Valentín, & Esteban (2022)	Literature review	Digitalization will decrease consumption of certain goods but increase consumption of others. The article identifies the consumption of minerals as a threat to sustainability. If this is done responsibly blockchain technology especially if combined with artificial intelligence in the future may lead to more efficient solutions for even more complex problems.	Immediate Impact: Short-term Environmental Impact Future Outlook: Digital Transformation
Aziz, Mat, Zainuddin, & Bhana (2021)	Literature review of over 30 sources mainly retained from ScienceDirect and Google Scholar	This paper looks at strategic decisions and leadership styles in SMEs. The study found that the transformational and transactional leadership styles are the most prominent practices by the leaders during organisational change.	Immediate Impact: Disruption Future Outlook: Workers' Wellbeing

Rowan & Galanakis (2020)	Literature review (43 projects funded by the Irish government under Science Foundation Ireland's Disruptive Technology Initiatives + first 64 'Green Deal' selected start-ups and SME projects recently funded by the European Innovation Projects)	This paper argues that the Covid pandemic will trigger, as it happened for other tragic events throughout history, a surge in innovative disruptive technologies and ideas that will revolutionise the agri-food sector. Enhanced innovation leading to the creation of new disruptive technologies in the agri-food domain will inform new products and services that will address challenges and opportunities for the intensive sustainability of the industry.	Immediate Impact: Services; Short-term Environmental Impact Future Outlook: Digital Transformation; Workers' Wellbeing The Role of the Government: Direct Support; Access
Chen, Lim, Tan, Govindan, & Kumar (2021)	Real-world databases	Adopting new technologies pertaining to digital transformation can be used to maximise pandemic preparedness and minimise business disruptions	Future Outlook: Digital Transformation
Barrio-Fraile & Enrique-Jiménez (2021)	20 experts: 10 academics and 10 professionals	SMEs lack knowledge for sustainability, and therefore do not fully understand the benefits and value that integrating sustainability into their strategic plan can bring to the company. However, Covid-19 has changed the focus in CSR areas of action and in the prioritisation of stakeholders. Companies now prioritised actions related to the work environment.	Future Outlook: Workers' Wellbeing
Muñoz-Pascual, Galende, & Curado (2021)	An online questionnaire involving a sample of 245 certified innovative Spanish SMEs	Knowledge, motivation, and relationships have a positive impact on creativity, creativity fully mediates human resources and sustainable product innovation performance	Future Outlook: Workers' Wellbeing
Hrivnák, Moritz, & Chreneková (2021)	141 questionnaires were obtained from knowledge-intensive SMEs in Slovak Republic	Digitalization, internal policies optimising variable costs, and utilisation of direct governmental supportive measures helped knowledge intensive SMEs to increase resilience towards COVID-19 pandemic	Future Outlook: Digital Transformation The Role of the Government: Direct Support; Recovery, Access

Chowdhury, Paul, Kaisar, & Moktadir (2021)	Systematic literature review	This systematic literature review on the supply chain studies on the COVID-19 pandemic identified the following reoccurring themes: impacts of the COVID-19 pandemic, resilience strategies for managing impacts and recovery, the role of technology in implementing resilience strategies, and supply chain sustainability in the light of the pandemic.	Future Outlook: Digital Transformation
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