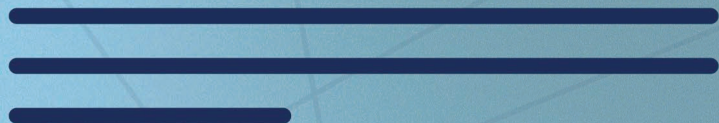
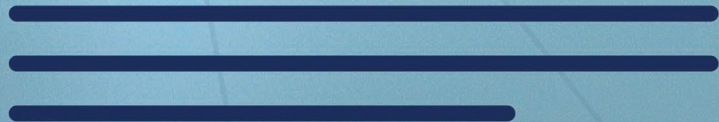




# Looking for the New Normal



April 2022

***Business at OECD (BIAC) 2022 SME survey report***



# Contents

---

<b>Key findings and policy messages</b>	4
<b>Section I: Current situation and new challenges</b>	5
a) The overall business climate	5
b) Key challenges for SMEs	6
c) Returning to pre-Covid operational capacity	8
<b>Section II: SME management and digitalization</b>	10
a) SME management and tools adopted	10
b) SME digitalization	12
c) Gig economy	14
<b>Section III: Outlook for economic recovery</b>	16
a) Strengthening resilience to future crises	16
b) Economic outlook	17
<b>Methodological note</b>	18



# Looking for the New Normal

## Key findings

- Members report that the COVID-19 pandemic has had a significant impact on their business operations, and brought a number of new challenges. Temporary challenges, such as disruptions to logistics and production, were identified as key concerns during the pandemic. Getting back on a sustainability track and achieving growth will be a top priority for SMEs going forward, crucial for global job growth.
- Many SMEs have successfully managed to tackle temporary disruptions to their business operations, while future challenges are more linked to adapting to future business models, and being internationally competitive and attractive in the labor market. In this regard, SMEs are considering diversification and resilience concerns as challenges they will have to continuously tackle as they recover.
- Survey participants indicated they have swiftly adopted digital solutions to change the way they do business, including a shift to e-commerce and remote working practices. The positive impacts of digitalization will further encourage SMEs to innovate and adopt online solutions not only to adapt the way they do business and interact with consumers, but also to change their approaches to hiring and retaining staff members, while focusing on reskilling and upskilling of current employees.
- Looking ahead, more than half of respondents are looking for options to diversify their business, while over a third are considering changing their business practices altogether. To address these concerns, business owners are trying to make better use of connecting with industry associations as well as benefiting from public policy support available to them.
- Returning to pre-Covid operational capacity is a priority, but not yet a reality for the majority of SMEs, especially in the services sector. While many of them are confident they could withstand a crisis similar to Covid-19 in the future, market uncertainty and insecurity in the current context remain top concerns. SMEs find it difficult to further navigate their way through supply-chains and are facing labor shortages and difficulties in hiring and retaining staff members.

## Policy messages

- While the short-term economic outlook for SMEs was improving (prior to the war in Ukraine), policy action should support SMEs in becoming more productive and international through the use of new tools and business models.
- Providing continuous support for SME digitalization and promoting innovation continues to be a top priority. Support policies must be aimed at strengthening the technological competence of SMEs through training, access to advice, data and global information, with policies encouraging digital uptake. In particular, public policy should also focus on enhancing digital connectivity and investment in ICT infrastructure in rural and remote areas.
- The pandemic has underlined the importance of strengthening SME resilience and capacity to withstand economic shocks. Our survey identifies the need for additional support for upskilling and reskilling of employees, with further support needed to make SMEs more sustainable and help find alternative markets.
- Barriers to international trade and investment hinder SMEs' ability to develop and sustain business operations both in large and niche markets. Policies should be aimed at better integrating SMEs into local supply chains helping them capitalize on the trend that many large enterprises are looking for suppliers from closer distance.
- Building SME resilience and strengthening their capacity to emerge as drivers of our economies has to be coupled with structural reforms, and fostering greater international cooperation. Support for digital transition, including for teleworking and e-sales, innovation and technology development, upskilling and reskilling, and sustainability will be key policy asks for the 'New Normal'.

# Section I: Current situation and new challenges

## a) The overall business climate

Asked about the impact of COVID-19 on their business, members report that it has negatively impacted their business operations, forcing companies to adapt their practices and search for solutions to tackle new challenges. However, given the pace of recovery of business climate, thanks to the gradual rollout of vaccination programs and ongoing support by governments, many of our members have indicated an improvement in their operations. Given the timing of the survey, new challenges related to the war in Ukraine are not reflected in its findings.

### Highlights:

Our survey results showcase that the absolute majority of respondents, 89% (see figure 1) have in one way or another experienced disruptions to their business operations, as a direct impact of the COVID-19 pandemic, with more than half of them experiencing strong or moderate effects of the crisis, forcing them into a survival mode and changing the way they do business.

Regarding the importance of the pandemic on their customer base, figure 2 provides an illustration of how the increase in customer base for 38% of respondents is outweighed by 40% of them for whom customer base has decreased moderately or significantly.

With 11% of respondents indicating they have not been affected by the pandemic, and 22% answering they had no change to their customer base, we can assume that 11% of respondents whose business operations were affected, had faced other challenges due to disruptions in their business operations.

Figure 1

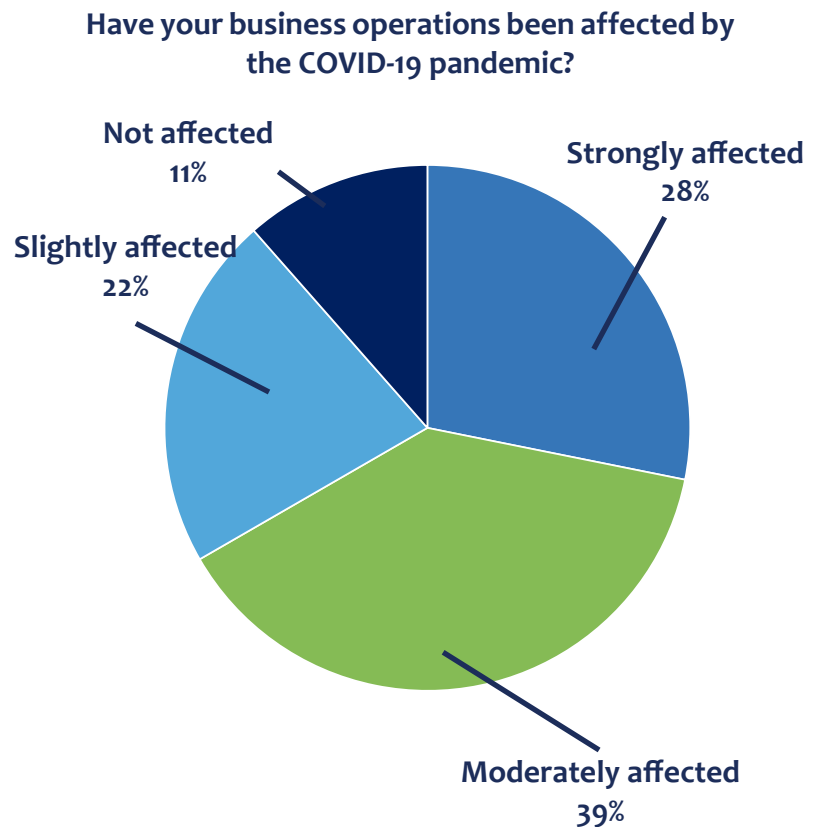
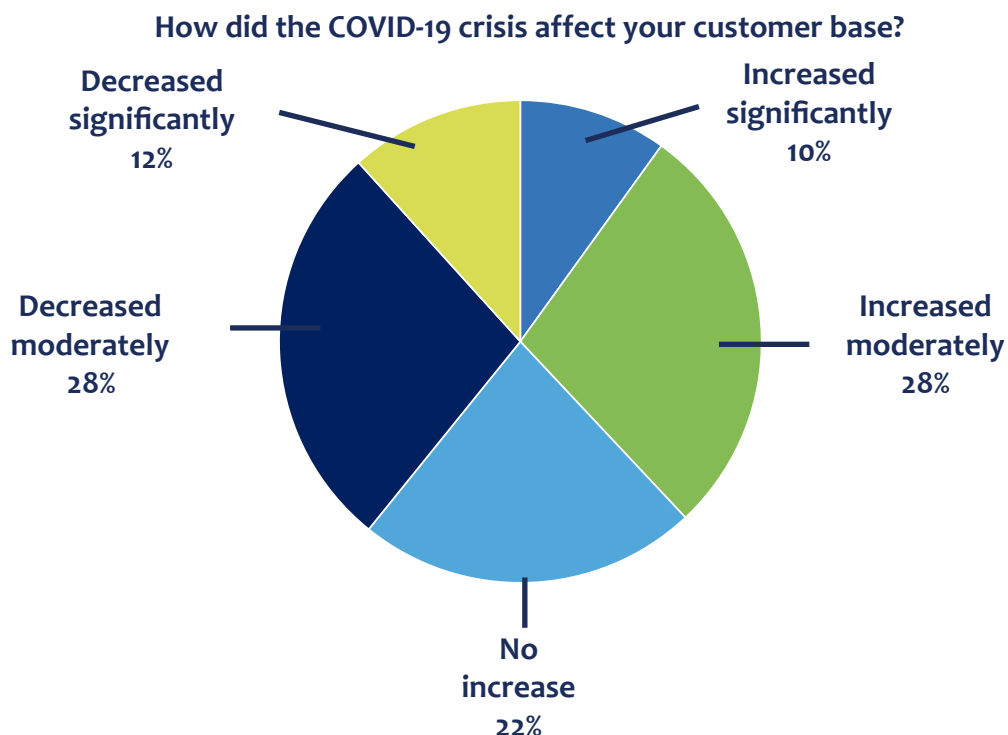


Figure 2



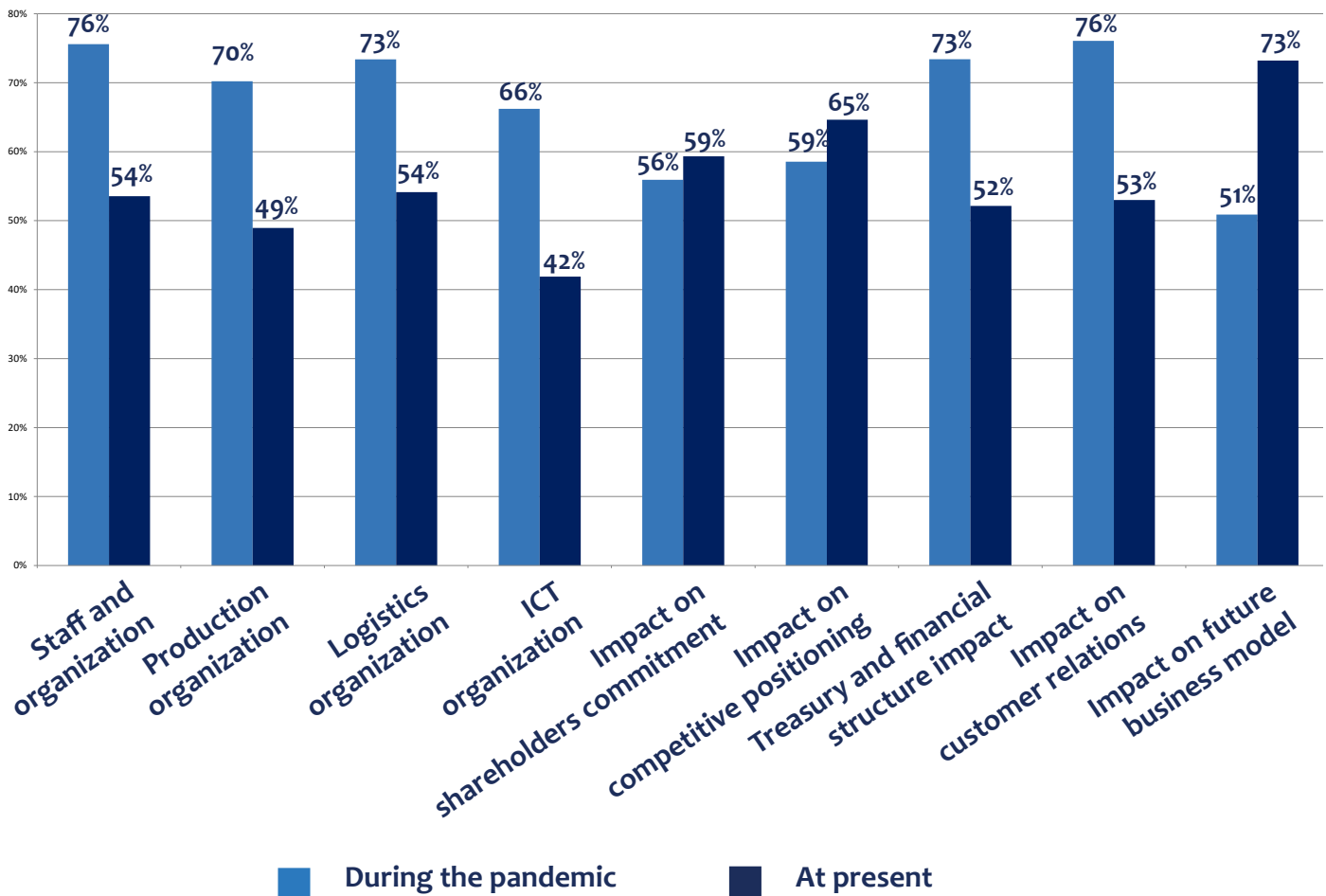
## b) Key challenges for SMEs

Our survey has identified several challenges that SMEs have faced during the pandemic, with new ones arising as the pandemic becomes endemic. While members have been successfully dealing with short-term disruptions due to the pandemic, changes to the business model in light of market uncertainty dominate across our membership.

### Highlights:

The majority of respondents, over 70% (see figure 3) have identified staff and organizational issues, production, logistics organization, treasury and financial structure impacts and impacts on customer relations as key challenges during the COVID-19 pandemic. This highlights that our members were faced with bottlenecks in supply chains, dampening their businesses prospects due to immediate impacts of the pandemic.

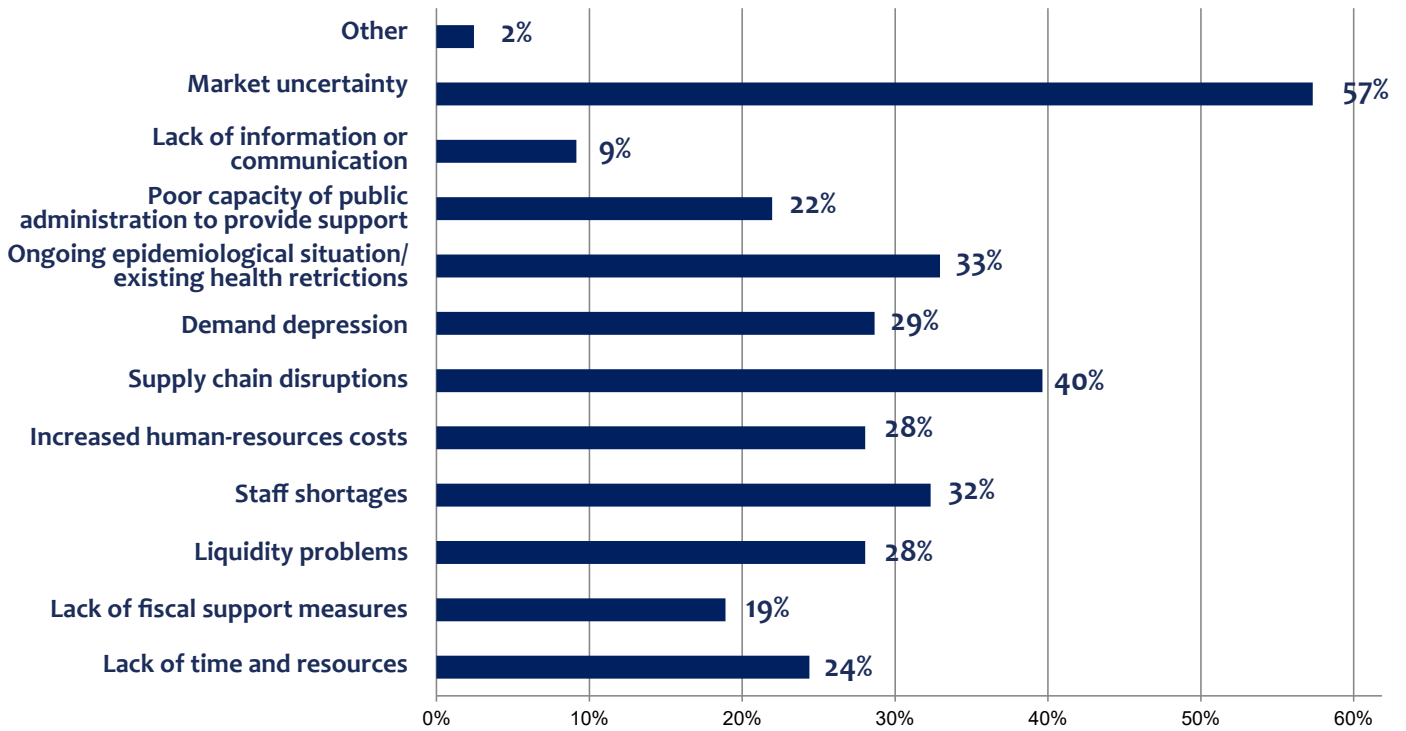
**Figure 3**  
What were, and remain, the top impacts of the pandemic and challenges for your business?



The top concern for companies as they recover from the pandemic, illustrated in figure 3, is the impact on future business models, with a jump from 51% of members seeing it as a challenge during the pandemic to 73% identifying it as one of main concerns moving forward. In this context, respondents identified impacts on competitive positioning and shareholders commitment as key present challenges.

On the other hand, issues such as treasury and financial structure impact, staff, production, logistics and ICT organization were more seen as temporary disruptions, and are now causing less challenges than during the health crisis. The biggest drop is seen on ICT organization concerns, illustrating the successful navigation of SMEs towards digitalizing their operations, where 66% of SMEs have identified it as a challenge early on, but only for 42% of them it continues being so.

**Figure 4**  
**What is the biggest obstacle returning to pre-pandemic operational capacity?**

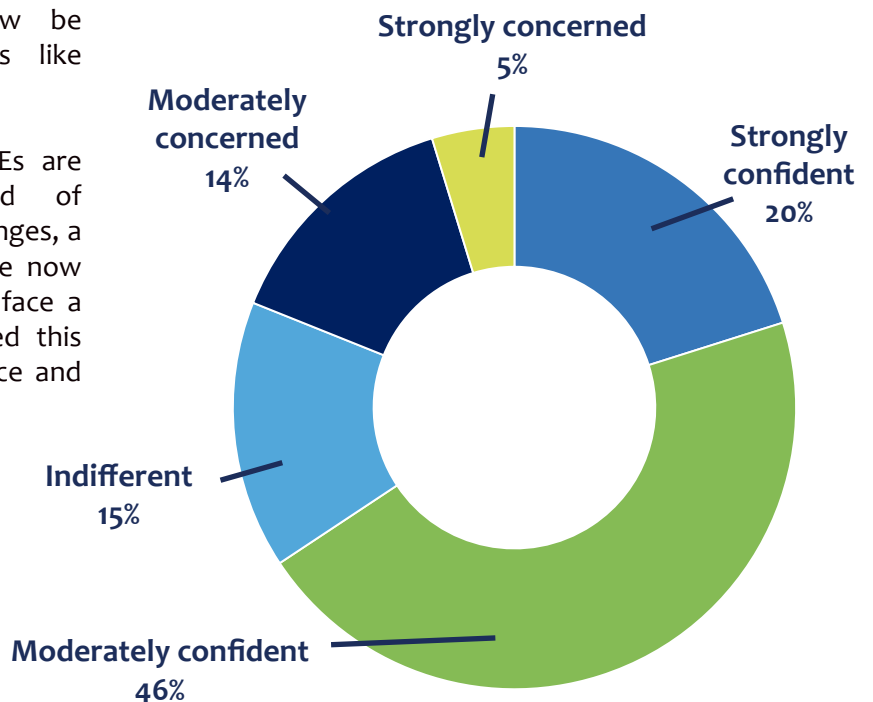


In terms of the biggest obstacles SMEs face in their return to pre-Covid operational capacity, for more than half of respondents (57%) market uncertainty and insecurity in the current labor market remains a cause of concern (see figure 4). After suffering severe disruptions during the pandemic, SMEs find it difficult to further navigate their way through supply-chains (40% of respondents), cope with remaining health restrictions (33%) and are facing labor shortages and difficulties in hiring and retaining staff members (32%). Several members have also identified difficulties keeping up with increasing demand, rising cost of energy and raw materials, as well as lost physical contact with their clients.

Despite the varying challenges that SMEs have, and continue to face in the context of disruptions caused by the pandemic, figure 5 shows the majority of respondents (66% combined) feel either strongly, or moderately confident their business operations would now be better prepared to handle a crisis like COVID-19 if it occurred in the future.

Our survey finds that only 19% of SMEs are strongly, or moderately concerned of their capacity to navigate through challenges, a new similar crisis could bring. SMEs are now finding themselves equipped better to face a potential new crisis, as they have used this opportunity to strengthen their resilience and adapt their businesses (see figure 5).

**Figure 5**  
**How confident are you that your business operations will be better prepared to handle a crisis like COVID-19 if it occurred in the future?**



## c) Returning to pre-Covid operational capacity

The deterioration of the overall business climate is reflected across our membership, with uncertainty for future markets. According to our survey, even though SMEs feel confident in their capacity to withstand similar disruptions in the future, returning to pre-pandemic operational capacity is a priority, but not yet a reality for the majority of SMEs.

### Highlights:

A clear majority of respondents have indicated that the overall economic environment in their country, compared with pre-pandemic period has either remained similar, or became worse (32% and 40% respectively). In the context of economic recovery from the COVID-19 pandemic, only a very minor fraction identified the current economic environment as much better (2%), with clouded economic outlook ahead.

While 39% of surveyed SMEs identified their current sales as similar to the situation they had before the crisis, the overall majority have said that their productivity has reached the same levels only to some extent, or has not yet bounced back (35% and 26% respectively).

Figure 6

How would you rate the overall economic climate for SMEs in your Country compared to pre-COVID-19 times?

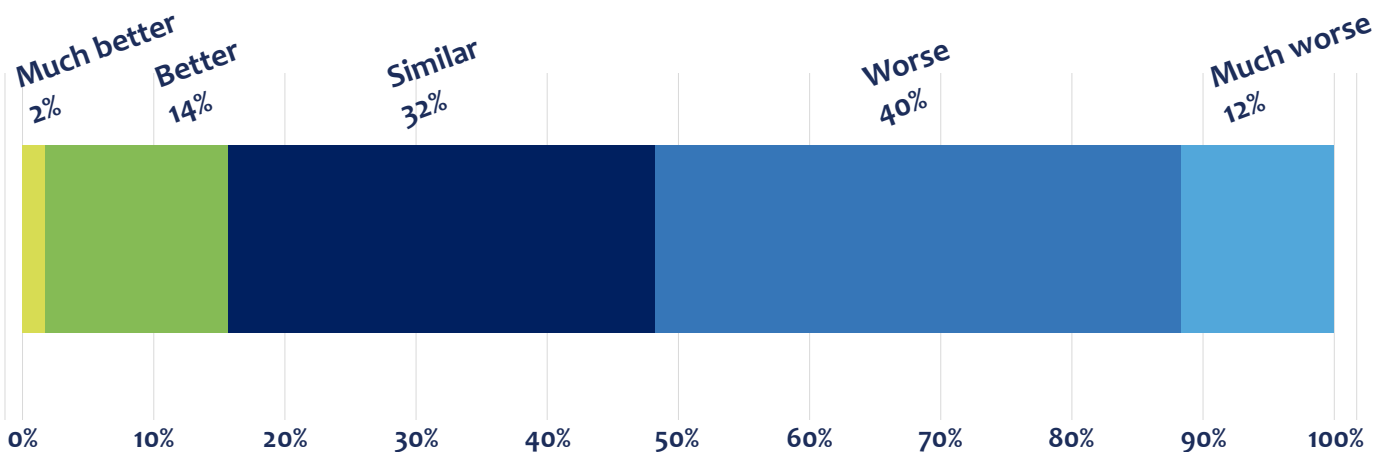
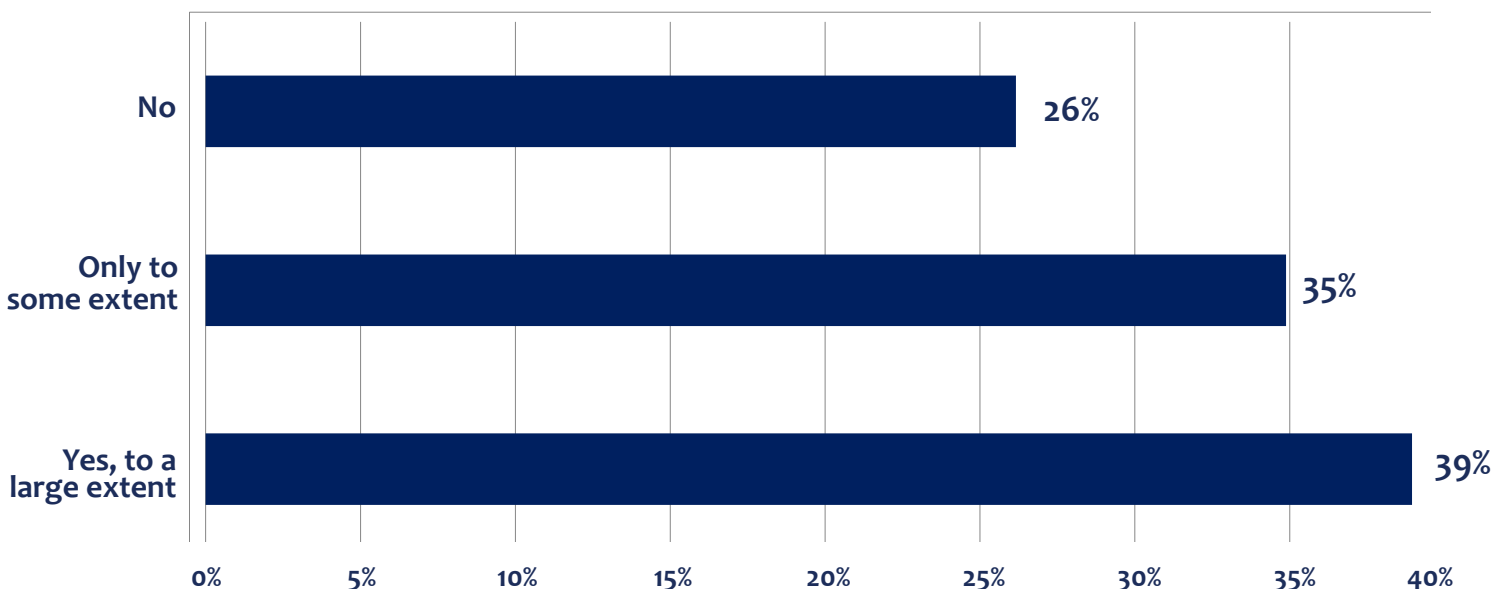


Figure 7

Has your company productivity and/or sales returned to pre-pandemic levels?





# 2 in 3

SMEs now feel either strongly or moderately confident that their business operations would now be better prepared to handle a crisis like COVID-19 if it occurred in the future.

# 51% to 73%

The increase in companies seeing the transition to future business models as a challenge during the pandemic to those seeing it remaining as a challenge moving forward

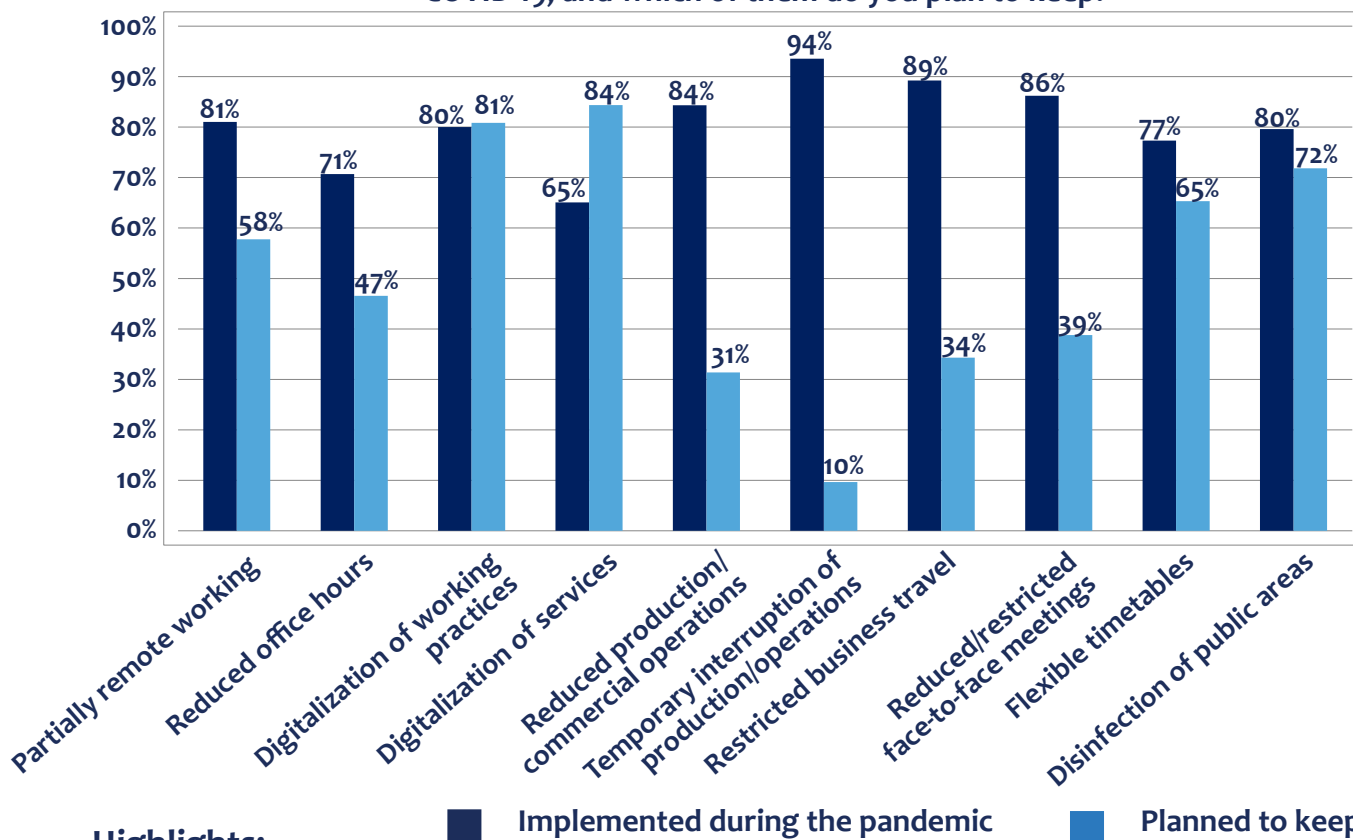
## Section II: SME management and digitalization

### a) SME management and tools adopted

Our survey respondents have had a number of tools at their disposal that they have adopted during the pandemic, some of which were temporary adaptation measures, while others have permanently changed the way SMEs do business and manage their staff. While many SMEs have successfully dealt with temporary disruptions and short-term challenges caused by the crisis, certain tools that have allowed them to address Covid-related challenges are now permanently adopted.

Figure 8

What measures have you implemented in response to the spread of COVID-19, and which of them do you plan to keep?



#### Highlights:

■ Implemented during the pandemic ■ Planned to keep

Due to the devastating impacts of the pandemic on global supply chains, markets and health restrictions, almost all respondents, 94% (see figure 8) have indicated they had to temporarily interrupt production or commercial operations. 84% indicated they had to reduce production, 86% restricted face-to-face meetings and 89% restricted business travel. However, these measures were mainly applied during the pandemic.

SMEs have indicated they are planning to keep many of the tools adopted in the future. Overwhelmingly, digitalization of working practices has been implemented by 80% of respondents and is a measure to be continuously invested in by 81% of SMEs. Similarly, Digitalization of services, such as e-commerce, cloud computing solutions have served 65% of SMEs, but as they strengthen their resilience, 84% of respondents intend to further digitalize their services in the future. Another measure implemented as a response to the pandemic which will remain in place is disinfection of public areas – 72% of SMEs will continue the practice that 80% of them have implemented during the pandemic.

Changes to staff management and work organization are also visible in our survey. Majority of business owners have had to reduce their business practices (71%), while almost half of them (47%) intend to continue doing so. This corresponds to providing flexible timetables for staff and work organization, with 65% of SMEs planning to continue this measure, down from 77% who have implemented such during the pandemic.

In light with government restrictions of physical presence at the office across our global SME membership, 81% of SMEs have identified that they had to implement remote, or partially remote working practices, while 58% of them are planning to continue working this way, permanently changing the way SMEs do business.

**Figure 9**

**To what extent does the remote working practice apply to you?**

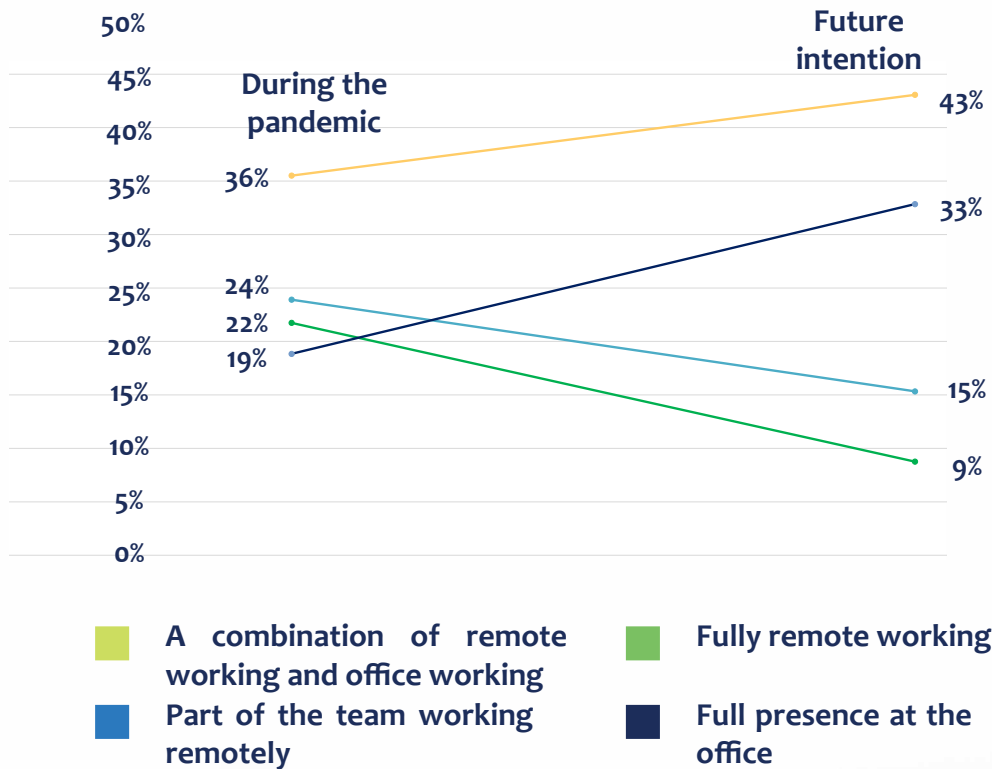


Figure 9 further illustrates the trend in more detail – of surveyed SMEs, only 19% had continued their operations through the crisis with all staff fully present at the office. While this is increasing to 33% as we emerge from the pandemic, this working model has been altered permanently. Up from 36% during the pandemic, now 43% of respondents indicate they are planning to implement a combination of remote and office work, using office rotation plans in their workplace. While working fully remotely or having part of the team working remotely was rather common across SMEs (22% and 24% respectively), businesses are slowly returning to being present at the office as the economy recovers and health-related restrictions ease across countries.

Overall, the nature of SMEs and their versatility have enabled them to react swiftly and take necessary actions to stay afloat. The COVID-19 pandemic has accelerated already existing trends of digitalization, in both, adopting digital technologies for services and working practices. While reduced production and commercial operations have more or less picked up, SMEs will still engage in less face-to-face meetings and business travels, than before the pandemic.

## b) SME digitalization

For many SMEs, digital technologies have been instrumental in allowing the continuation of economic activity and the provision of essential services during the crisis. Our survey identifies that more SMEs plan to undertake digital initiatives and digitize their practices they have adopted during the pandemic, illustrating a permanent shift towards digital technologies. While many of the digital tools have already implemented, or were planned to be implemented regardless of the pandemic, the crisis has accelerated the ongoing trends and encouraged further digital uptake by small businesses.

Figure 10

Which of the digital tools have you adopted for your business during the pandemic, and which of them do you plan to keep?



### Highlights:

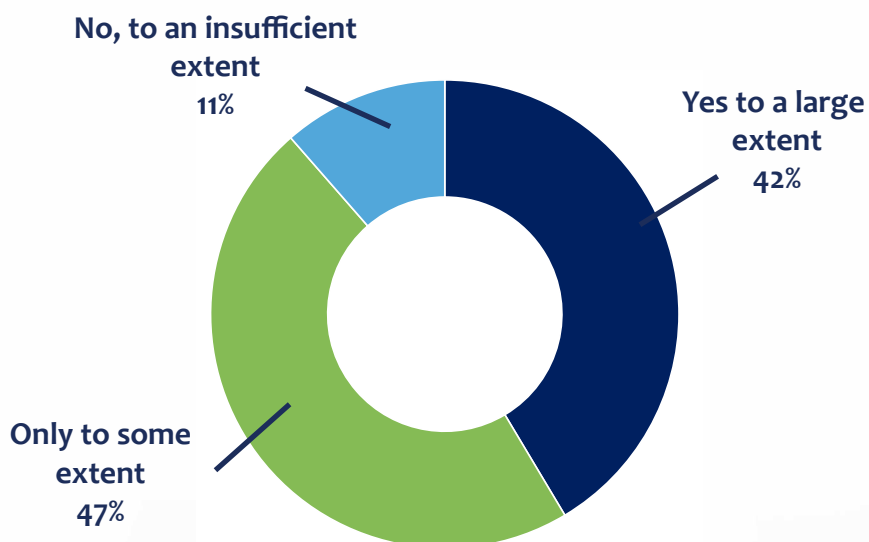
We have asked our members to select those digital tools that they have adopted during the pandemic, and which of them are they planning to keep. Overwhelming majority of SMEs are planning to keep numerous digital tools, which they might not have necessarily adopted during the pandemic. For example, while 58% of SMEs have indicated they have updated their cybersecurity infrastructure during the pandemic, 93% of them have said they are planning to pay continuous attention to this issue, as a top concern in their digitalization efforts going forward.

In terms of digital infrastructure, our survey finds that SMEs have used the opportunities provided by the pandemic to digitize and, in this way, strengthen their resilience. 63% of respondents have implemented high-speed broadband solutions and 88% are planning to continuously update it. Similarly, businesses have invested in solutions such as cloud computing, including finance or accounting software, computing power, etc., while 90% of them will continue paying close attention to upgrading their cloud computing capabilities. This goes hand in hand with 86% of respondents paying closer attention to big data opportunities, up from 50% of them who invested in it during the pandemic.

The digital tools taken during the pandemic have also changed the way SMEs do business with customers and suppliers. They have engaged and will increasingly continue to engage with their clients through the use of digital advertising (63% during the pandemic and 87% currently), using digital tools for customer relationship management (70% during and 73% currently), engaging in e-commerce (70% during and 81% currently) and issuing electronic invoicing (69% during and 84% currently). Figure 11 further exemplifies the trend, whereas 42% of respondents have indicated that most of their communication with the public sector, new employees, suppliers and other parts of their businesses will not take place online, while 47% of them agreed this will take place to a certain extent.

**Figure 11**

**Do you envisage that more of your communication with the public sector, new employees, suppliers, and other parts of your business to take place online?**



Approaches to SME employees have also been impacted by the wave of digitalization that has swept during the pandemic. While 66% of SMEs have been using digital platforms for hiring staff, 83% of them are planning to do so in the future. Similarly, digital tools can and, by most SMEs (83%), are planned to be used for training new employees, who will have the opportunity to carry out their responsibilities remotely, as 86% of small businesses will continue adopting remote working practices, up from 74% during the pandemic.

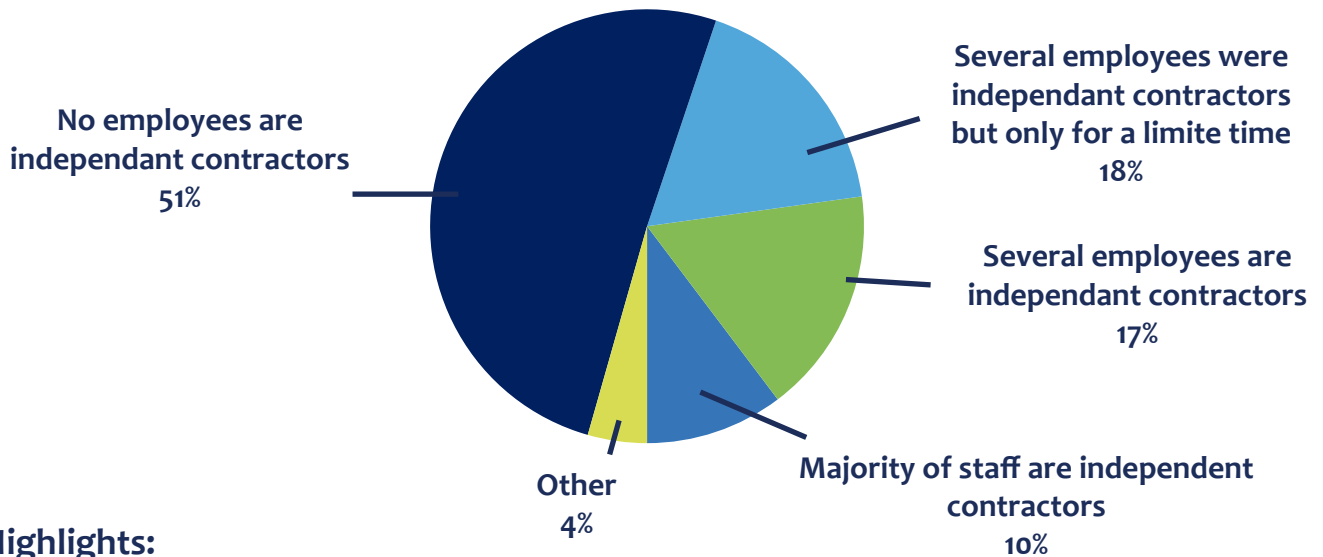
Our survey finds that not only have SMEs adopted a wide range of digital tools to weather through the pandemic, but the crisis has showcased them opportunities that open up with the uptake of digital technologies, to an extent, where 83% of our surveyed SMEs have indicated that their enterprise resource planning will now take place online.

## c) Gig economy

While survey respondents are overall not overwhelmingly participating in the ‘gig economy’, hiring temporary workers is generally seen as a positive practice which can increase business competences. With flexible working arrangements and implementing remote working practice, ‘gig economy’ can be a rewarding and filling a specific need or vacancy practice.

**Figure 12**

Have you engaged in recruiting on-demand workforce, taking part in the ‘gig economy’?

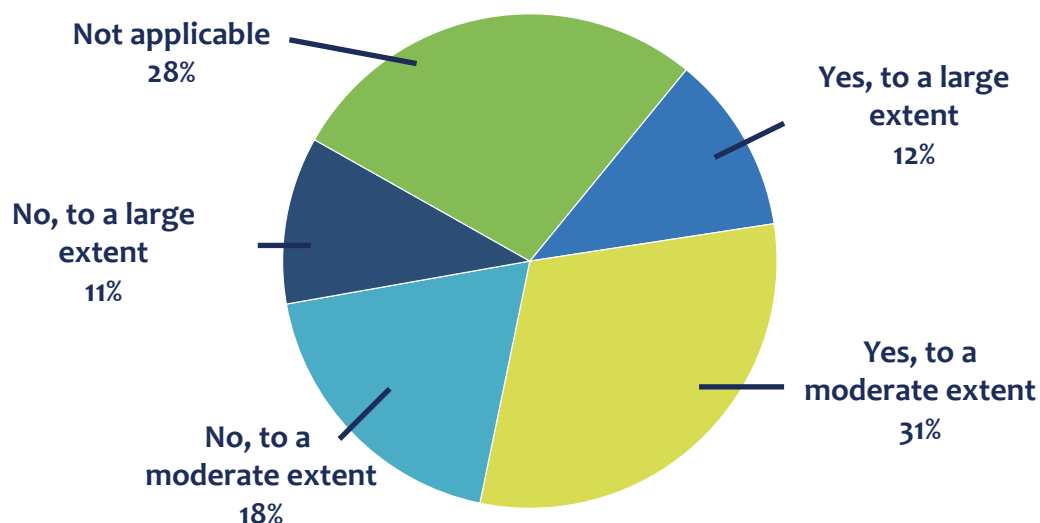


### Highlights:

Our survey finds that only 45% of SMEs are engaging in recruiting on-demand workforce and in this way participate to the ‘gig economy’ (see figure 12). While 10% of small business count on majority of their staff as temporary workers, most of the surveyed SMEs have, or have had just a few on-demand employees for a limited period of time. Members also indicated that they approach temporary workers in order to react to unplanned demand fluctuations in production and, varying by the nature of their business, coordinate with teams of “gig experts” specific in fields for particular projects.

**Figure 13**

Do you consider the ‘gig economy’ to contribute to increasing your business competences?



Even so, almost half of SMEs that have answered our survey (43% combined - see figure 13) agree that ‘gig economy’ as such can contribute to increasing their business competences, serve as a source of new innovative ideas, boosting productivity and other.

# 81%

of respondents to continue investing in digitalization of working practices

# 43%

of SMEs are planning to implement a combination of remote and office work, using office rotation plans in the workplace up from

# 36%

during the pandemic

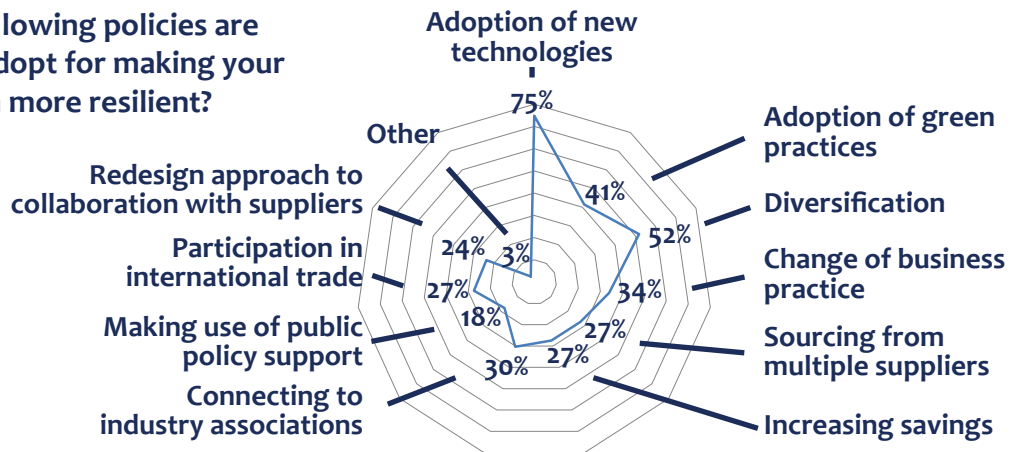
# Section III: Outlook for economic recovery

## a) Strengthening resilience to future crises

The COVID-19 pandemic has not only served as an opportunity to adopt new technologies and business practices, but also to better equip SMEs to weather future potential crises by strengthening their resilience. In addition to continuing with the measures implemented during the pandemic to cope with its challenges, SMEs are also adopting a number of forward-looking tools and/or are changing their business practices completely.

**Figure 14**

**Which of the following policies are you planning to adopt for making your organization more resilient?**



### Highlights:

In addition to the adoption of digital and new technologies as the most widely used tool to foster business resilience (75% of respondents), almost half of surveyed SMEs (41%) are also considering to complement them with adoption of green practices, such as sustainable production processes, implementing energy efficiency solutions and other, as illustrated by figure 14.

Over half of SMEs (52%) are also considering various diversification options and increasing saving options (27%), as labor markets recover. In this context, 27% of small business are looking to source from multiple suppliers and participate in international trade, while 34% of them are considering changing their business practice entirely. Similarly, almost a quarter of small businesses (24%) are looking into redesigning their approach to collaboration with existing suppliers, to take various risk-assessment measures into consideration. Other answers included exploring merger and acquisition policies, or seeking to create new products or services.

Nonetheless, SMEs are now finding themselves in a position to better take use of connecting to industry associations (30%) as well as benefiting from public policy support. In this regard, they have indicated that additional support for innovation and technology development, upskilling and reskilling would help them best to prepare for future crises (25% and 20% of respondents respectively – see figure 15). Answers also indicate that support for sustainability, assistance in finding alternative markets and support for digitalization could be of equal importance in assisting SMEs increase their longevity and become more efficient (17% all three options), all in all avoiding protectionist or “non-market” rhetoric in designing such policies.

**Figure 15**

**Which support measures would you think would help best to adapt to new challenges and better prepare for future crises?**





## b) Economic outlook

Despite numerous challenges SMEs have faced and/or continue to face, the economic outlook remains rather mixed. While some businesses have already reached the pre-pandemic operational levels, others still experience difficulties and the top overall priority remains scaling up businesses, achieving growth, and identifying ways to strengthen future preparedness.

### Highlights:

Taking all of the challenges we have identified above into consideration, we asked our members what is their main business priority at present. The majority of responses, as illustrated by figure 16, are centered on achieving growth (29%), focusing on business consolidation (19%) and further developing their products or services (18%) to coincide with growing their business. 7% of respondents have indicated that their top priority at the moment is investing in future resilience and robustness, and investing in staff, while the least of current concerns for small businesses remains paying back accumulated debts – only 4% of responses. The former indicates how SMEs finances are in a much better shape than could have been expected, not least thanks to different public finance support schemes. Other responses include diversifying markets, reinventing certain business processes or even all of the above.

Returning to pre-pandemic operational levels remains a main concern for as much as 11% of small businesses. This corresponds to the 69% of those that have identified they have not reached these levels at present (see figure 17). Almost half, 46% of SMEs say it will take then more than 6 months to fully recover from the pandemic, while 24% estimate it could even more than 1 year. One out of ten surveyed SMEs could not even give such estimate as they find it too early to give estimates.

Figure 16

What is your main business priority at the moment?

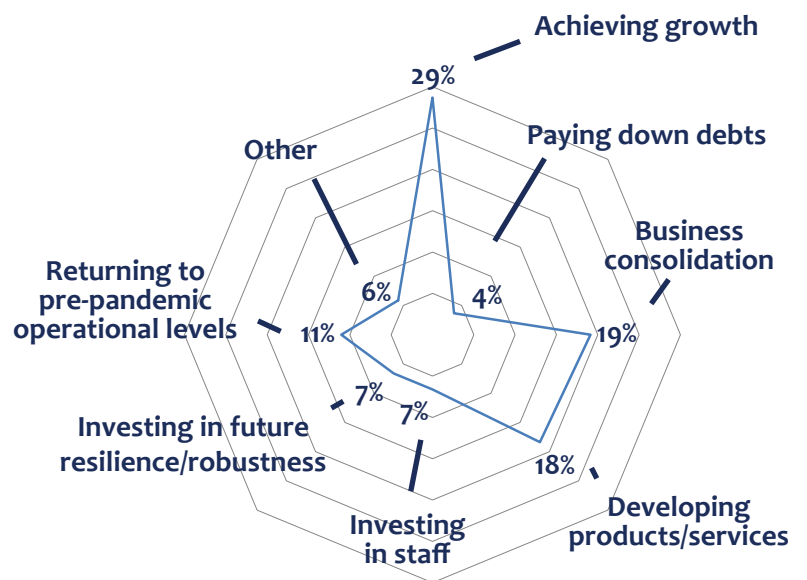
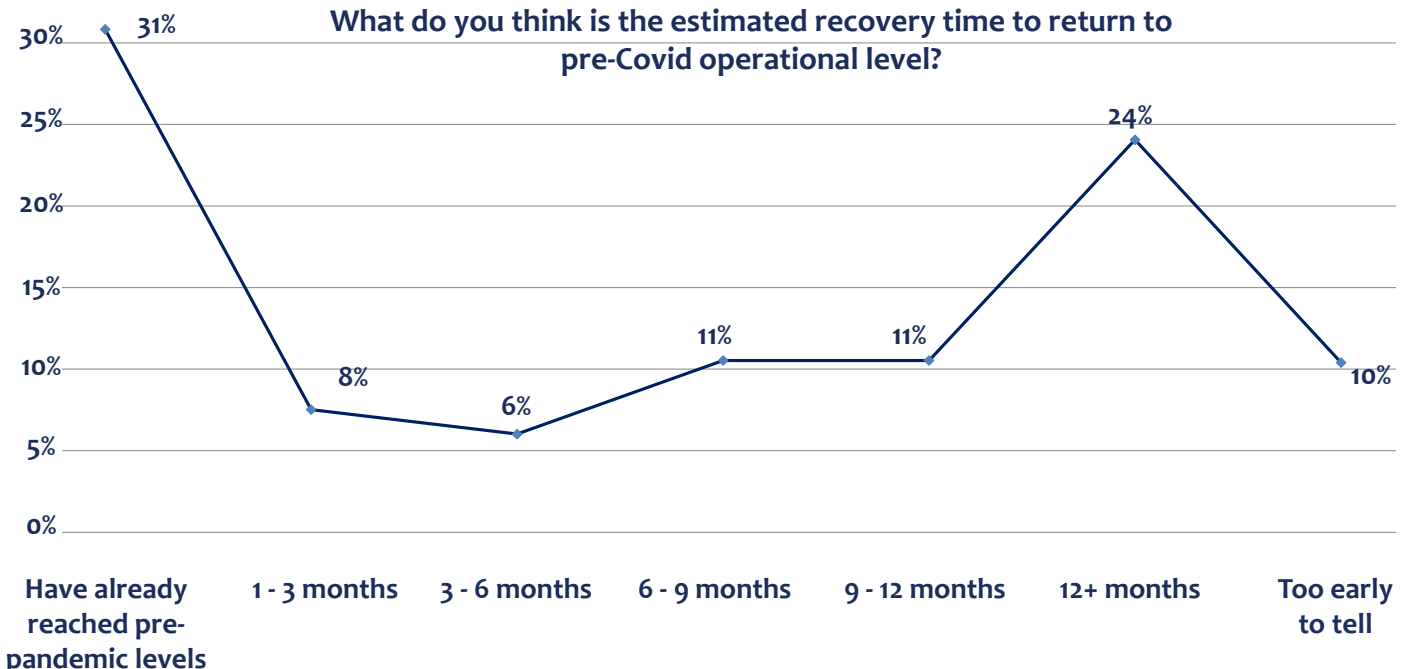


Figure 17

What do you think is the estimated recovery time to return to pre-Covid operational level?





# Methodological note

## Timeline

Our survey was launched in December 2021 and carried out between 15 December and 1 February 2022. This synthesis report was prepared in March 2022. It therefore does not take into account recent geopolitical developments with regards to the war in Ukraine. Given the rapid evolution of the economic and health situation and significant cross-country variation, it cannot be excluded that the different timings of member responses influence aggregate results.

## Respondents

240 SMEs from over 40 countries (Eastern and Western Europe - 52% combined, Central America - 15%, South America and MENA regions - 10% each), who are mostly either micro companies of 1-5 or small businesses employing 10-50 workers (34% and 29% respectively) participated in the survey on a voluntary basis. Vast majority of our members are working in services and/or production sector (96% combined).

Majority of respondents have indicated that their business markets are primarily focused on national markets (38%), or are international, operating in rural/local, national and international markets (26%).

In responding to the survey, it was expected that the individual respondents (typically business owner or senior leadership) would aim for well-balanced and representative responses based on the economic situation in their country, challenges and realities they business face and the tools they have implemented to face these challenges in their own business. Only one response per company, was accepted. This survey was launched by the initiative of our *Business at OECD* (BIAC) Committee on SMEs and Entrepreneurship.

## Confidentiality

In order to encourage respondents to freely put forth their respective views and priorities, it was decided to fully ensure the confidentiality of their responses by only communicating aggregate results. For the purposes of this synthesis report, the names of participating organizations and their responses have been anonymized.

## Survey Structure

The survey was structured into three main parts:

- I. Current situation and new challenges
- II. SME management and digitalization
- III. Outlook on economic recovery

## Contact

If you would be interested in further information, please contact *Business at OECD* Policy Manager, Rokas Morkunas ([morkunas@biac.org](mailto:morkunas@biac.org))





# BUSINESSatOECD

*Business at OECD*  
13/15, Chaussée de la Muette  
75016 Paris  
France

Tel: +33 (0)1.42.30.09.60  
Email: [contact@biac.org](mailto:contact@biac.org)