

SMEs' Changing Organisational Landscape: Strategising the Workplace of the Future

Zutshi, A. (ambika.zutshi@deakin.edu.au), Deakin Business School, Deakin University, Australia

Mendy, J. (jmendy@lincoln.ac.uk), Lincoln International Business School, Lincoln, UK

Thomas, A. (mailashaat@gmail.com), Wroclaw University of Science and Technology, Poland

Sarker, T. (tapan.sarker@usq.edu.au), University of Southern Queensland, Australia

The varied challenges brought by the COVID-19 pandemic have left many SMEs floundering. Here are solutions they can leverage to grow and innovate.

All of us are having to operate under a 'new normal' in a post-COVID-19 pandemic peak. On the one hand, as business organisations have been trying to move towards normal operational and financial capability post the 2007/08 global crash, the outbreak of the pandemic in 2019/20 has provided many new challenges and opportunities. Dealing with the challenges will enhance business organisational and operational efficiency and effectiveness and enable staff and Human Resource Management to innovatively think outside the box. As the lifeblood of regional and national economies worldwide, Small and Medium Enterprises (SMEs) are pivotal in spearheading innovative strategies of how Human Resource professionals and staff can mitigate against the challenges whilst maximising the opportunities from now onwards.

The following are some of the key global challenges that are being experienced by SMEs at varying degrees:

Supply chain issues: COVID-19 exposed the good, bad and ugly of supply chain networks and the traditional global interconnectivity that business organisations such as SMEs were previously reliant on. Whilst having few key suppliers was keenly encouraged in the past as a sign of strong relationships between organisations, the breakdown of one of the localised supply chain networks interlinking businesses wreaked havoc globally. This was the experience of SMEs which had limited resources to pay above-market prices to secure raw materials and products.^{1, 2, 3}

Inflation: The high inflation levels at the start of 2022 resulted in the skyrocketing of prices and lower real wage growth.⁴ Inflation triggered a domino effect as SMEs had to increase the prices that consumers/clients paid for goods and services. Additionally, banks increased interest rates and costs of living soared. Consequently, consumers tightened their belts and reduced non-essential spending. Hospitality and retail, which bore the brunt of the pandemic lockdowns, are being hit financially again as consumers reduce their spending.

SMEs should now be at the forefront of offering flexible working arrangements for their employees so that they can fit workplace/space and work times with their other commitments. Employees have had a taste of flexibility during lockdowns and are expecting more.

Labour shortages: Everyone was ecstatic with the opening of borders from late 2021 into 2022 as that would imply freer movement of goods and, more importantly, people. However, this has not been the case across countries and sectors because of a combination of reasons including an increased emphasis on work-life balance and employee well-being during the pandemic.⁵ Other reasons involve change of careers and/or work location preferences, the slow pace of the reopening and full operational functioning of departments leading to delays in visa processing, and lack of flights because of inadequate staff training and development during the pandemic.⁶

Moratorium period of loans with banks and financial providers: During the peak of the COVID-19 pandemic, most businesses globally had been provided a lifeline of paused return of loan repayments. Such a lifeline ended during the latter part of 2021 and early 2022. Coupled with high inflation, supply chain, and labour disruptions, SMEs are struggling to survive.⁷

ESG requirements: The European Union was the first to introduce and mandate environmental, social, and governance (ESG) requirements for companies across all sectors.⁸ Despite its timeliness during the pre-pandemic period and its welcome across the world, the costs associated with their implementation in 2022 and beyond needs further conversation among parties, including business owners, governments, Human Resources and staff to avoid putting additional challenges on already resource-pressurised SMEs and reducing it to another tick-box exercise.

The above-mentioned challenges pose a picture of doom and gloom for SMEs; nonetheless, the new normal, post-pandemic also provides opportunities as follows:

Operate in hybrid mode: Everyone has become accustomed to making transactions and operating online. If a business, including SMEs, wishes to survive, operating and offering a hybrid mode will need to be a part of the new organisational DNA. Doing so will ensure that businesses do not lose existing customers who prefer online platforms and may attract new customers globally as they will not be restricted by geographic or time differences constraints.⁹

Adopt new Human Resource policies to retain staff: There has been widespread pain felt across businesses to attract and retain staff globally.¹⁰ SMEs should now be at the forefront of offering flexible working arrangements for their employees so that they can fit workplace/space and work times with their other commitments.¹¹ Employees have had a taste of flexibility during lockdowns and are expecting more.¹² Whilst flexibility cannot be easily offered across all sectors, businesses could consider splitting a full-time role into possibly two part-time ones. This option may increase initial recruitment and selection costs; nonetheless, it provides greater flexibility and performativity to staff and efficiencies to businesses. Jointly, organisations and staff will be able to map out essential roles and tasks, completion and support mechanisms, and the outsourcing of non-direct value-adding tasks and roles.

The varied challenges brought by the COVID-19 pandemic have left many SMEs floundering. Here are solutions they can leverage to grow and innovate.

Collaborate with other businesses: SMEs should increasingly strive to collaborate with other businesses to reduce their overhead costs and increase purchasing power which will provide them with economies of scale.^{13,14} For example, if a café opens for breakfast and lunch, it could rent (or share rent) of its premises with a restaurant which is generally only open for dinner. This arrangement provides SMEs with a win-win and assists in sharing of fixed costs (e.g., premises rent, council rates).

Collaborate with educational institutions to address/resolve some of their issues: SMEs can hire students by setting up internships or work-integrated learning courses and develop contemporary, real business problem-solving programmes for new starters.¹⁵ This will benefit businesses in sourcing staff who will be able to do research and find alternatives to their current challenges, and students will gain new insights and experiences into resolving real business problems. In some cases, the same students may be retained as employees, which saves recruitment and selection, induction, training and development costs for the SMEs.

1. Martinsuo, M. and Luomaranta, T. (2018). “Adopting Additive Manufacturing in SMEs: Exploring the Challenges and Solutions”, *Journal of Manufacturing Technology Management*, Vol. 29 No. 6, pp. 937-957. <https://doi.org/10.1108/JMTM-02-2018-0030>
2. Macchion, L., Toscani, A.C. and Vinelli, A. (2022). Sustainable Business Models of Small and Medium-sized Enterprises and the Relationships to Be Established within the Supply Chain to Support These Models. *Corporate Social Responsibility and Environmental Management*.
3. Giotopoulos, I., Kontolaimou, A. and Tsakanikas, A. (2022). “Digital Responses of SMEs to the COVID-19 Crisis”, *International Journal of Entrepreneurial Behavior & Research*, 28(7), pp. 1751-1772. <https://doi.org/10.1108/IJEER-11-2021-0924>
4. Armantier, O., Koşar, G., Pomerantz, R., Skandalis, D., Smith, K., Topa, G. and Van der Klaauw, W. (2021). How Economic Crises Affect Inflation Beliefs: Evidence from the COVID-19 Pandemic. *Journal of Economic Behavior & Organization*, 189, pp. 443-469.
5. Ayoko, O.B., Caputo, A., & Mendy, J. (2022). Management Research Contributions to the COVID-19: A Bibliometric Review and Analysis of the Contributions from the *Journal of Management & Organization*. *Journal of Management and Organisation*.
6. Barbagila, M., Buttice, V., Giudici, G., Mendy, J., Sarker, T., Sharma, G.D., Thomas, A. and Zutshi, A. (2021). “Supporting SMEs in Sustainable Strategy Development Post-COVID-19: Challenges and Policy Agenda for the G20”.

7. Ayoko, O.B., Caputo, A., & Mendy, J. (2022). Management Research Contributions to the COVID-19: A Bibliometric Review and Analysis of the Contributions from the Journal of Management & Organization. *Journal of Management and Organisation*.
8. Gjergji, R., Vena, L., Sciascia, S. and Cortesi, A. (2021). The Effects of Environmental, Social and Governance Disclosure on the Cost of Capital in Small and Medium Enterprises: The Role of Family Business Status. *Business Strategy and the Environment*, 30(1), pp. 683-693.
9. Zutshi A., Mendy, J., Sharma, G.D, Thomas, A., and Sarker, T. (2021). From Challenges to Creativity: Enhancing SMEs' Resilience in the Context of COVID-19. *Sustainability*, 13(12), 6542. <https://doi.org/10.3390/su13126542>
10. Islam, M.A., Mendy, J., Haque, A.A., & Rahman, M. (2022). Green Human Resource Management Practices and Millennial Employees' Retention in Small and Medium Enterprises: The Moderating Impact of Creativity Climate from a Developing Country Perspective. *Business Strategy & Development*.
11. Ayoko, O.B., Caputo, A., & Mendy, J. (2022). Management Research Contributions to the COVID-19: A Bibliometric Review and Analysis of the Contributions from the Journal of Management & Organization. *Journal of Management and Organisation*.
12. Zutshi A., Mendy, J., Sharma, G.D, Thomas, A., and Sarker, T. (2021). From Challenges to Creativity: Enhancing SMEs' Resilience in the Context of COVID-19. *Sustainability*, 13(12), 6542. <https://doi.org/10.3390/su13126542>
13. Zutshi A., Mendy, J., Sharma, G.D, Thomas, A., and Sarker, T. (2021). From Challenges to Creativity: Enhancing SMEs' Resilience in the Context of COVID-19. *Sustainability*, 13(12), 6542. <https://doi.org/10.3390/su13126542>
14. Albats, E., Podmetina, D. and Vanhaverbeke, W., (2021). Open Innovation in SMEs: A Process View towards Business Model Innovation. *Journal of Small Business Management*, pp. 1-42. DOI: 10.1080/00472778.2021.1913595.
15. Jain, N., Thomas, A., Gupta, V., Ossorio, M. and Porcheddu, D. (2022). "Stimulating CSR Learning Collaboration by the Mentor Universities with Digital Tools and Technologies – an Empirical Study during the COVID-19 Pandemic", *Management Decision*, 60(10), pp. 2824-2848. <https://doi.org/10.1108/MD-12-2021-1679>
16. Islam, M.A., Mendy, J., Haque, A.A., & Rahman, M. (2022). Green Human Resource Management Practices and Millennial Employees' Retention in Small and Medium Enterprises: The Moderating Impact of Creativity Climate from a Developing Country Perspective. *Business Strategy & Development*.