

Analysing The Impact of Covid-19 On UK SMES and Strategies Adopted, A Study on SMES in The UK Hospitality Sector

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Annotation. This article analyses the impact of the COVID-19 pandemic on the hotel business and the economy as a whole. The hotel sector is considered an important source of income and job creation in many countries. The restrictive measures and closures caused by the pandemic have led to a significant reduction in revenue and problems for small and medium-sized enterprises in the industry. The purpose of the study is to determine the strategies and intentions adopted by the UK hotel industry during the crisis. A qualitative research approach will be used to collect data. Analysing the data, the authors show that hotel companies have faced immediate and long-term consequences of the pandemic, including closures, reduced revenues and problems with demand recovery. This study is useful for understanding the impact of COVID-19 on the hotel sector and the strategies adopted in the UK, especially for small and medium-sized enterprises in this industry.

Keywords: hotel business, pandemic, COVID-19, economic growth, small and medium enterprises, jobs

Introduction

Hospitality is considered one of the industries that have been affected significantly during the pandemic. The hospitality and hotel sectors play an important role in the economic growth of the countries. However, during the pandemic all, countries around the world suffered from Covid-19 and it affected their whole economy. Along with that hospitality and hotel sector are also at the top of the list of industries that had experienced a significant crisis. The purpose of this research is to identify the UK's hospitality industry's intentions and strategies adopted during the COVID-19 crisis. A qualitative research approach will be used to gather the data for this investigation. The hospitality sector throughout the world has suffered from the COVID-19 epidemic, which has had both immediate and long-term effects and, UK hospitality sectors, are also included in that. The immediate impacts of the government's order of lockdown are visible and reflected in the revenues that have been snatched away by sudden hospitality company closures (Adam, and Alarifi, 2021). Numerous SMEs s have had their revenues slashed and their long-standing supply chain disrupted as a result of such abrupt closures, putting their future viability at risk. The long-term impacts of COVID-19 have not yet been established; nonetheless, they are likely to be typified by the low demand of customers for hospitality services as a result of health and hygiene concerns. Because of the COVID-19 epidemic, there has been a significant uptick in interest in studies of the hospitality sector (Abhari et al., 2021). So, the present research will be produced to “analyse the impact of Covid-19 on UK SMEs and strategies adopted, a study on SMEs in the UK hospitality sector.

Literature Review

The hospitality sector is considered one of the important economic sources in the United Kingdom. As an example, at £59.3 billion in 2019, the UK hospitality business contributed almost 3% of the country's gross domestic product (GDP). Moreover, a quarter of all British jobs (7.1%) were held by people employed by this sector in the three months running up to March 2020. Many employees in the SME industry are under the age of 30; they are also more likely to be foreign-born, part-time workers, and workers from minorities. As compared to other professions, the average hourly salary in the hospitality business is much lower. Restrictions in the SMEs industry have had a significant impact on trade. As a result of the limitations placed on the restaurant industry, everything from the number of people who can be accommodated inside to the hours of operation was taken into consideration, including the potential impact on consumer capacity and demand. While limits and closures reduced client demand and company income, hospitality firms remained to confront fixed expenditures, such as specific property and labor expenses (Walmsley et al., 2018).

In the SMEs industry, specific segments performed better than others. A few examples of this are nightclubs and companies in major cities. In contrast to SMEs that rely on foreign tourists, camping and self-catering lodgings recovered more quickly. In the pandemic, the lodging business lost the most money of any industry. During times of public health restrictions, output was drastically reduced. The food and SMEs industry's economic output was 90% lower in April 2020 than it was before the epidemic. For the whole year of 2020, "the hotel industry's economic output was 42% lower than in 2019." In 2021, "the hotel industry's output was 21% lower than in 2019." It has been predicted that the hotel industry's contribution to the UK GDP would fall from 3 percent to 2 percent in 2020 and 2021, respectively. The number of employees in the industry decreased by "90,000, or 3.6 percent, from January-March 2020 to October-December 2021." As a whole, employment fell by 1.3 percent throughout this period (Sheehan et al., 2018).

Because of the CJRS or furlough program, the hotel industry was one of the most often used sectors for job protection. 2.13 million hotel employees were furloughed in total, accounting for 18 percent of all furloughed employees. There started to be a scarcity of hospitality workers in 2021 as the economy began to recover. Since February 2022, there have been 166,000 hospitality industry job openings, accounting for 7.8% of total employee positions. In addition to numerous firms recruiting at once, employees who had been furloughed and those who had relocated during the epidemic do not return to their positions. Accommodation and food services "employed 2.53 million people in Britain in the three months up to March 2020, or 7.1% of all workers in the country."

The pandemic was a disaster for companies that have large amounts of debt from the government or investors. In many situations, hospitality firms will not be able to promptly repay the large amounts of debt incurred during the epidemic. Tourism and hospitality firms will benefit from continuing the temporary lower VAT rate of 5% until September 30, 2021, which will help them, retain more of the income from their products and services. "Businesses in the retail, hotel and leisure industries in England will be eligible for business rate relief worth over £6 billion in 2021-22" which will assist in keeping costs low as they expand.

Research Methodology

Accurate data assessment and analysis are achievable when researchers adhere to an appropriate research ethic. "Interpretivism," "Realism," and "Pragmatism" are the three most common research ideologies, according to a recent study. Interpretivism philosophy has been taken into account in this inquiry. Using interpretivism researcher philosophy, the researcher could better represent the discrepancy. It also helped to examine the situation from all angles and get the most accurate data possible (Rinjit, 2020). Observing the interpretivism researcher philosophy has been beneficial since the research has many topics to investigate. That assisted in identifying and resolving research challenges and providing guidance in making decisions throughout the inquiry. As a result, the researcher proceeded more quickly and efficiently. As an additional bonus, this research approach ensures the inclusion of error detection, which validates the results and raises the investigation's credibility.

If the proper research approach is followed, the study may be carried out in a logical sequence. "Deductive" and "inductive" research methods are two of the most common techniques employed in studying the subject matter. This study will use an "inductive" approach to better analyse the data. The "inductive approach" has been used to identify the research's core aspects. An "inductive approach" aims to uncover as many potential outcomes from the information that has been obtained. As a result, this method assisted in identifying research trends and establishing ties to theory. However, this helped create the study topic and then answered it sequentially throughout the inquiry. Furthermore, inductive reasoning was used to address investigative concerns' positive and negative aspects. The ability to generate hypotheses from observations has also been made available. For example, an inductive method summarises and characterizes the study phenomena based on comments from an inquiry. Thus, it effectively analysed the impact of dependent and independent variables on the outcome. The researcher observed the number of guests and employees in the Hilton Kensington Hotel as it is considered one of specific SME hotels with less than 250 workers in London. The observation conducted by analyzing data before pandemic and after pandemic figures.

Likewise, in the present issue, the disadvantages possessed by the pandemic and the advantages of the strategies adopted will be evaluated by the researcher. Another quantitative mono strategy cannot be employed in the current issue as it is mostly used in case of the numeric data and requires statistical analysis that is

completely irrelevant to the present issue (Saunders, Lewis Thornhill, 2003). Nonetheless, qualitative analysis will provide richness of the experience to the SMEs by providing in-depth information. Therefore, the qualitative data research strategy will be used.

Discussion

According to some data analysis, the hospitality and hotel sector is considered one of the industries in which many foreign and domestic workers are employed. Accommodation and food services employed 2.53 million people “in Britain in the three months up to March 2020, or 7.1% of all workers in the country.” In the first quarter of 2013, there were around 2 million employees (Motta, 2017). By the first quarter of 2020, there was a 25 percent rise over the 2013 total. The number of people employed “in the industry grew by 11% over that period.” The industry employed 7.1% of the total workforce, making it the seventh biggest employer among the top 20 industrial sectors in the economy. Taken in its broadest sense, the hospitality and leisure industry, as defined in chapter 1.1, is “the third largest employer in the United Kingdom,” according to the trade group UK Hospitality.

Compared to other industries, the hospitality sector has more employees under 35, foreign-born workers, part-time workers, and people from minority ethnic origins. In March 2020, 46% of hospitality positions were full-time, and 54% were part-time, according to the ONS. In comparison, full-time workers make up 68% of the workforce, while part-timers make up 32%. This age group comprised 35% of the workforce in 2019, compared to 11% across all industries. Trade restrictions have particularly hard hit the SMEs industry (Pacheco, and Tavares, 2017). In addition to forced closures and restricted opening hours, there were restrictions “on the number of people that could meet indoors, mixing between households, alcohol sales, and table-service requirements.” Hospitality enterprises still had to deal with high fixed expenditures like rent and salaries, even after being forced to close or curtail operations.

After the pandemic, there are still numerous companies and SMEs that are suffering from a financial disability, and the hospitality industry is considered one of them. However, SMEs in the hospitality sector have to find a way to combat the impacts of Covid-19. At any scale, “the United Nations International Strategy for Catastrophe Risk Reduction (UNISDR) defines a disaster as an occurrence” that significantly influences society's ability to operate due to a combination of factors, including exposure, vulnerability, and capacity. Alonso, et al., (2020), claim that a “catastrophe is a catastrophic change that can only be dealt with after the fact by making contingency plans or reactive solutions.” Others focus on the unexpected nature of catastrophes, the government's inability to plan for such disasters adequately, and the social or political consequences. An incident that can endanger an organisation's existence is considered a crisis when the source, effect, and resolution are unclear, and the perception that choices need to be made fast is prevalent. Mxunyelwa, and Vallabh, (2017), defined a crisis as an occurrence of such magnitude and unpredictability that it can have both positive and negative effects on a system.

A crisis refers to a significant incident that may adversely affect an organisation, business, industry, its target market(s), products/services/reputation, or any combination of those things. Some systems may not return to normal after a crisis because they have changed. In countries where Covid-19 is under control, the SMEs industry has begun to adjust to a post-pandemic future that is less predictable proactively (Burhan et al., 2021). Due to the prospect of a second wave of infection and the impending recession, small firms must maintain their savings strategy while aggressively pursuing technology efficiency and innovation opportunities. To diversify their income streams, SMEs should rethink their existing business strategy that relies heavily on short-term room sales. “Finding strategies to keep the “human touch” and balance service automation is another problem in the “new normal” situations.” During quarantine periods, several SMEs have employed robots to alleviate clients' feelings of loneliness and isolation. As a clear example of this, in the Hilton Hotel Kensington, the cleanliness and safety of the staff and guests highly concentrated. They used check-in and check-out with contactless technology, main contact points have protective barriers in place and there were social separation measures in place. After the covid pandemic, to engage more customers Hilton Kensington used high-protective measurements like personal protection equipment is worn by employees, staff members are subjected to temperature checks, guests can conduct temperature checks. These procedures promoted them to recover after covid pandemic step by step (Source given from:expedia.com).

Conclusion

The summary part of chapter five gives information about the short insight of the research paper and introduces the reader the way how the research is conducted. In this part of the research paper, chapter four and the main analysis and findings of the work are analysed by the researcher. The findings chapter is mainly analyzed using the four objectives that are explained in the summary part above.

As a result of this investigation, a pandemic crisis management model for the SME hotel industry is refined based on worldwide SME's strategic reactions to the epidemic. To begin with, it provides a beginning point for further conversation and study in this field. Some important information may be missed if just English-language news sources are used. Future studies should include non-English news stories in the database to further understand SME's tactics in certain nations (Alvarez et al., 2021). Further research into SME categories (e.g., multinational chains vs local/small SMEs) will uncover inventive techniques used by SMEs of varying sizes and resources.

This paper is mostly concentrated on Covid-19 adverse impacts on the hospitality SMEs in the UK, mainly focused on the hotel sector, and our findings indicate that there are some effective methods used to combat the results of the global pandemic after the lockdown finished. Readers also can find valuable information about the strategic position of the UK hospitality industry and mainly hotel sector. Furthermore, the labour shortages in the UK hospitality industry is investigated in this research paper by considering Brexit as the main reason for it.

The findings in this research paper indicate that a study conducted by UK inbound on behalf of its members during the pandemic examined the commercial circumstances and company survival and recovery probability in the UK. When asked about the effect of additional UK border restrictions implemented as a result of the Omicron variant in early December, more than 100 member firms confirmed that they had either received a cancellation or were expected more in the weeks leading up to Christmas.

To conclude, the impact of Covid-19 on the SMEs hospitality sector of the UK is adversely recognised by almost all SMEs of the UK. However, the hospitality industry is the one that experienced serious financial losses during and after the pandemic. After the pandemic, to make the market more valuable and stronger the government should support the businesses in legal and political ways. The readers can find more information about the strategic analysis of the SMEs of the hospitality sector in the findings chapter above by analysing the PESTEL framework. The findings show that after the pandemic, the restaurant and hotel industry have started to emerge again and relations between countries raised significantly. This, of course, creates a high demand for the hospitality industry, including restaurants, clubs, and hotels. According to Kukanja et al., (2021), there is a promising demand for 2022, but firms must exist to convert it.

In the future, other themes may emerge, and some of the current findings may not apply to different situations, which is a potential avenue for further study. Samples from various geographic and cultural contexts might provide fresh insights. Studies considering how things have changed through time have a more significant stake in the outcome. More issues devoted to the COVID-19 epidemic will undoubtedly be required in the future to ensure that literature captures its progression and advises methods to lessen its effects (Belghitar, Moro, and Radić, 2022). Another drawback of the research is the chosen topic is a little bit wide and comprises a large amount of information. So, the researcher has to investigate so much information and should choose the appropriate one for the research. For future research, specific, informative, and detailed topics should be chosen to make the research process more effective and reachable.

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