

# COVID hammers UK firms – but sparks digital ‘pivot’ for some

22 December 2020

---

- **Over 40% of UK’s small and medium-sized firms report COVID-related hit to turnover, while 3 in 10 forced to cut jobs**
- **Around 200,000 firms could be close to collapse based on analysis of those trading insolvently or running out of cash**
- **But a fifth of firms report positive impacts from the pandemic, with many embracing digital technologies and green agenda**

More than four in ten of the UK’s small to medium-sized firms have suffered a hit to their turnover from COVID-19 this year, new survey data suggests.

The findings, from the [Enterprise Research Centre](#)’s annual State of Small Business Britain report, also show that just over 30% of small and medium-sized enterprises (SMEs) have shed jobs in spite of government financial support measures such as the furlough scheme.

And in separate analysis within the report, the ERC estimates that around 200,000 SMEs could be close to collapse due to costs exceeding revenues and dwindling cash reserves. It notes that many hundreds of thousands of entrepreneurs and self-employed workers have been excluded from financial support during the pandemic.

This year’s State of Small Business Britain report contains findings from the ERC’s new Business Futures Survey of 1,000 small and medium-sized firms, completed in December 2020. It shows the scale of the COVID-19’s negative impacts across the SME population, with the services sector and key industries such as retail and hospitality hardest hit.

Nearly three-quarters of firms regard the pandemic as an obstacle to the success of their business. And 41% see the ongoing uncertainties around Brexit in a similar light as the UK reaches the end of the transition period.

But more surprisingly, 21% of SME leaders stated that COVID-19 had had a positive impact on their business, with around a quarter of firms growing turnover this year and a fifth taking on new staff.

Regardless of its impact, the pandemic has forced many firms to re-evaluate their priorities. According to the survey, 74% say reducing costs has become more important, followed closely by introducing new business processes (72%) and making increased use of digital technologies (65%).

Perhaps unsurprisingly, 95% of firms reported using video conferencing software more. But SMEs are also making greater use of advanced technologies such as the Internet of Things (64% reporting greater use), augmented or virtual reality (51%) or artificial intelligence or machine learning (48%).

Around a third of firms (34%) said greater digital adoption had resulted in more sales, while nearly one in four (38%) said it had boosted their innovation activity.

And while some saw investment in technology as a necessary step to cope with lockdown restrictions, for nearly one in five it had prompted a 'pivot' to completely different business models.

The survey data also shows a growing awareness of sustainability among firms, with 72% saying they had taken steps to minimise the environmental impact of their business over the past year, in spite of COVID-19. Large numbers reported taking actions within the business to move towards 'net zero' targets.

The ERC's Director, Professor Stephen Roper, said its findings showed a need for policymakers to prioritise key areas in 2021, including more tailored business advice to support resilience, addressing the decline in R&D investment and a renewed focus on workplace mental health.

***"Our research underlines the enormous challenges and hardships the UK's small business community has faced from the pandemic," he said. "It has also highlighted Brexit as a key and growing source of concern for many UK businesses alongside these challenges.***

***"However, we have also seen plenty of evidence this year that SME leaders can be innovative and adaptable in the face of a crisis. A significant proportion of businesses have pivoted and introduced new processes and technologies in 2020, under pressure and at pace, leading to major changes in ways of working and doing business.***

*“As we move into 2021, with the pandemic far from over and a new trading relationship with the EU coming into effect, we need a coordinated effort from governments and enterprise agencies UK-wide to help businesses ride out the shocks and face future challenges.”*

**ENDS**

**Notes to editors**

**1. Full report : *The State of Small Business Britain 2020***

**2. About the Enterprise Research Centre**

The ERC is the UK's leading independent research institute on growth, productivity and innovation in small and medium-sized enterprises (SMEs). It is funded by the Economic and Social Research Council (ESRC), Department for Business, Energy and Industrial Strategy (BEIS), Innovate UK, The Intellectual Property Office (IPO) and the British Business Bank (BBB). The ERC is producing the new knowledge around SMEs that will allow us to create a business-friendly environment nationwide, grounded in hard evidence. We want to understand what makes entrepreneurs and firms thrive so we can spread the lessons from best practice and make the UK a more successful economy. The Centre is led by Professors Stephen Roper of Warwick Business School and Mark Hart of Aston University, Birmingham. Our senior researchers are world-class academics from both Aston and Warwick Universities as well as from our partner institutions which include Queens University Belfast and the University of Strathclyde.

**<http://www.enterpriseresearch.ac.uk>**