

# Impact of the COVID-19 Epidemic on Micro and Small Enterprises and Business Strategies in the Post-Epidemic Era

-- Taking Beijing Micro and Small Enterprises as an Example

Pengxiang Liu<sup>1,\*</sup>

Graduate School, Emilio Aguinaldo College, Manila, Philippines

\*Corresponding author: pengxiang.liu.mnl@eac.edu.ph

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**Abstract:** The 3-year COVID-19 epidemic has a huge impact on the survival and development of micro and small enterprises. Taking micro and small enterprises in Beijing as an example, the paper analyzes the impact of COVID-19 epidemic on micro and small enterprises, as well as the survival of micro and small enterprises in response to COVID-19 and the changes of practitioners' working style, and focuses on the change of business philosophy, change of business objectives, and analyzed the business strategies and innovations of micro and small enterprises in the post-epidemic era, focusing on five aspects: change in business philosophy, change in business objectives, change in business strategies, innovation in business methods, and innovation in business transformation.

**Keywords:** Small and micro enterprises, COVID-19 epidemic, Business strategy, Transformation and upgrading.

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## 1. Introduction

From December 8, 2020, when the first case of COVID-19 was released in China, to December 7, 2022, when the State Council issued 10 new epidemic prevention policies, announcing that China's 3-year COVID-19 epidemic prevention and control began to be fully liberalized. Within 3 years, the COVID-19 epidemic had a huge impact on people's production and life. At the same time, it has brought a considerable impact and influence on the survival and development of small and medium-sized enterprises. We will take Beijing MSMEs as an example to explore what impact the COVID-19 epidemic has had on the survival and development of MSMEs? In the post-epidemic era when the epidemic is fully liberalized, what changes will happen to the business strategies and business practices of MSMEs?

In the era of mass entrepreneurship and innovation, small and micro enterprises account for a huge proportion of market players in China, over 90%. Micro and small enterprises are the driving force of China's economic development, playing a pivotal role in promoting economic growth, expanding employment and driving innovation. 3 years of epidemic, superimposed on the impact of external environmental changes, have had a huge impact on the survival and development of micro and small enterprises.

We conducted research on micro and small enterprises in Beijing through data collection tools such as questionnaires, face-to-face interviews, interviews, observation notes, video interviews, audio interviews, and analysis materials. From it, we analyze what negative or positive impacts have been experienced by MSMEs' operations under the impact of the epidemic? We use the survey to understand and gain insight into the business conditions of MSMEs, changes in business practices, what innovations will be made, the percentage of enterprises that will be innovative, and the judgment of MSMEs on their business prospects in the post-epidemic era.

## 2. Impact of COVID-19 on MSMEs

### 2.1. Questionnaire survey on the business situation of micro and small enterprises during the epidemic

We collected data by means of questionnaires, and 179 questionnaires were returned. The questionnaires were filled mainly by micro and small enterprises in the Beijing market, mainly by those in charge of the enterprises and senior managers, and combined with the above-mentioned multiple receipt collection tools, so they can directly reflect the current situation of the enterprises.

The statistics of the questionnaire data (only the top 5 categories with a high number of data in the form of Q&A) are as follows:

### 2.2. Analysis of the impact of the epidemic on small and micro enterprises

The survey involved a number of industries, with manufacturing and service industries predominating, construction, wholesale and retail trade and all accounting for a certain proportion. Several key issues in the survey show that the negative impact on micro and small enterprises mainly includes: more sales decline; more profit decline; more price decline; more obvious cost growth; more prominent sales fund arrears; more obvious labor cost increase; more employment decline; more obvious online office time growth; more obvious demand for epidemic prevention materials, online products and services; overall The overall decrease in market demand was more obvious; the overall life of employees brought great inconvenience, reduced income and increased cost of living; especially the outbound activities were restricted; because of the decrease in demand, some low-margin projects were also done; the positive impact on some enterprises included: actively

developing online business; the outlook was expected to be very positive; fewer enterprises had a stronger desire to

expand their business scale. More prominent is a significant increase in online sales and services in general.

Questionnaire data statistics table

No.	Questionnaire question	Statistics			Data Analysis
		Basically flat	Growth	Decrease	
1	Average annual sales during the outbreak compared to the pre-outbreak period	29%	29%	42%	Higher sales decline
2	Average annual earnings during the outbreak compared to the pre-outbreak period	29%	14.5%	56.5%	Higher earnings decline
3	Average prices of major products or services during the outbreak compared to the pre-outbreak period	57%		43%	More price drops
4	Average cost of major products or services during the outbreak compared to the pre-outbreak period	43%	57%		Cost increases are more pronounced
5	Sales fund arrears during the outbreak compared to pre-outbreak	29%	71%		Sales fund delinquency is more prominent
6	Labor costs during the outbreak compared to pre-outbreak	43%	57%		Labor costs have increased more significantly
7	Employment during the outbreak compared to pre-epidemic	29%	14.5%	56.5%	Higher decline in employment
8	Online office hours during the outbreak compared to the pre-outbreak period	43%	57%		Online office hours are growing more significantly
9	The main ways your company worked before the outbreak were	Offline	Online	Offline online combination	
		29%	14.5%	56.5%	
15	Judgment on the development prospect of the company after the epidemic	Positive	Negative	Flat	The outlook is expected to be very positive
		100%			
11	What is the biggest positive impact of the outbreak on your company	The competitiveness of the quality of services has been strengthened; a significant increase in demand for vaccination supplies; The transition to online and offline live streaming; Increased demand for online live streaming; Employees are more motivated.			Significant increase in demand for vaccination supplies and online products and services
12	What is the biggest negative impact of the outbreak on your company	Not convenient for work, not convenient for going out			Overall market demand is lowered more significantly
13	How has the outbreak affected the lives of your employees?	Extremely inconvenient transportation; Reduced employee income and increased travel costs inconvenience of living due to closure control; Working mostly from home; inconvenience of going out, saving as much as they can, and stressful life; Not much impact.			In general, this has caused great inconvenience to employees, reduced income and increased cost of living; in particular, activities outside the home have been limited.
14	What are your company's initiatives to address the impact of the epidemic?	Quality enhancement and cross-border innovation; Closed-loop management and strict control according to national requirements; Opening additional businesses and doing even those with low profits; Actively transforming the technological development of online events and exhibitions; Flexible adjustment of online and offline office.			Because of reduced demand, some low-margin projects also do; actively develop online business
15	What are the innovations in your operations during the outbreak?	Online + quality improvement; Online office; Inability to innovate in traditional industries; Active development of new business in response to new client issues; None.			Overall, there is less innovation and an increase in online services
16	What is your company's plan for the new year?	Downsizing of operations; Expanding the scale of operations; Maintaining the same; Other intentions.			Strong desire to expand business scale

Due to the impact of the epidemic, the difficulties faced by business operations are mainly manifested in reduced

operating income" "increased operating costs" "shrinking market", "loss of customers " etc. During the epidemic, enterprises delayed or suspended the resumption of work, resulting in a decline in business volume and a decrease in operating income, but the costs of personnel salaries, social security and rent still existed, causing a sudden increase in business pressure. During this period, staff mobility is reduced, making it more difficult for enterprises to sell their products in the traditional way.

There are also some enterprises operating better, and some have found business opportunities in the epidemic, but the proportion is small.

### **3. Survival of Micro and Small Enterprises in Response To COVID-19 and Changes in The Working Methods of Practitioners**

#### **3.1. Survival situation of MSMEs**

Most of the micro and small enterprises are operating in a difficult situation, with a sharp decrease in business income or even no turnover, and facing the pressure of high housing rent, employee wages, employee insurance, loans and various taxes. In the face of resuming work and production, in addition to the preparation of materials, labor, utilities required for production and operation, it is undoubtedly an added burden for SMEs whose cash flow is in a state of shock.

In addition, due to the domestic economic downturn caused by the epidemic, the whole society's capital turnover has become slower and the enterprise payback cycle has been extended, which has also caused great pressure on the operation of enterprises.

#### **3.2. Changes in the life and work styles of MSME practitioners**

Affected by the epidemic, the lifestyles of many micro and small business practitioners have changed dramatically. The time spent at home has increased, the proportion of online shopping has increased significantly, and the mode of entertainment has gradually shifted to mobile Internet. More people started to focus on shopping, video and live streaming platforms for entertainment and shopping.

In terms of work style, the proportion of people working from home has increased significantly.

In addition, it accelerated the renewal and iteration of some industries, and some small and micro enterprises in traditional industries quietly transformed.

### **4. Business Strategies and Innovations for Micro and Small Enterprises in The Post-epidemic Era**

#### **4.1. Change of business philosophy of micro and small enterprises in the post-epidemic era - change the concept and breakthrough**

During the research, we found a very enlightening phenomenon for business operation: the innovation of enterprises is more about the change of concept, followed by the application of new technology. Breakthrough, give up some romantic sentiments, return to the essence of business, and put the focus on building the profitability of the enterprise. These changes in concept are the ideological foundation and

solid power source of innovation. For example, in a concrete mixing and transportation company, the vision of the company before the epidemic was to get bigger before getting stronger, with a large number of purchases of various equipment and vehicles, which were basically monthly loan payments. The construction industry also suffered from the ripple effects of the epidemic, which put great pressure on the company to repay the loans. During the epidemic, the enterprise actively contacted small companies and individual households in the industry for joint operation, providing equipment support for small companies and individual households to carry out business, broadening business channels and increasing profitability, and finally surviving the crisis.

#### **4.2. Change of business objectives of micro and small enterprises in the post-epidemic era - put down emotions and focus on profitability**

From the research, we found that some micro and small enterprises had to put aside some so-called perseverance and sentiment and focus on profitability to survive. Some companies are looking for business opportunities in the crisis and exploring new development models. For example, a film and television company. The main business before the epidemic was the production of film and television dramas, from the late epidemic will stop all the film and television drama business, to short video advertising business; another film and television company, the main business before the epidemic is the operation of television programs, the late epidemic completely abandoned the original business, turned to live with the goods. Another company engaged in furniture production, the main sales method before the epidemic was wholesale and store sales, but during the epidemic the original business almost came to a halt and was forced to start online sales.

From these cases, we can see that some companies engaged in product manufacturing and sales have shifted their sales focus significantly to the Internet, and some companies engaged in cultural content production have had to put aside their sentiments and dreams and enter the field of live banding.

After the epidemic, the business model of these enterprises was basically continued, including the working style of some practitioners working from home was also retained by some enterprises.

#### **4.3. The change of business strategy of small and micro enterprises in the post-epidemic era - reduce risk and adapt to the market**

After the impact and baptism of the epidemic, some enterprises had to fall down; those who survived had to rethink their business methods and business strategies. In the research, more key words mentioned are survival, prudence, cost-cutting, scientific management, refinement management, adapting to market adjustment, adapting to consumer habits, adjusting products, adjusting structure, transformation, etc. From these key words, we can see that the company's business strategy has changed.

From these key words, we can see that the changes in business operation and strategy mainly include: reducing business operation cost through various ways, reducing

business operation risk, adjusting products to consumer habits and market adjustment, etc.

#### **4.4. Innovation of business methods of small and micro enterprises in the post-epidemic era - resource reorganization and integration development**

In our research, we also found that for some enterprises that were more seriously affected by the new pneumonia epidemic, in order to survive, some of them only kept their main business, and the related business outside the main business was either cut or cooperated with related enterprises; some of the service-oriented enterprises lost a lot of staff, and several companies merged their offices and shared their staff to carry out integration in the same industry; some of them started to seek other enterprises with complementary business. They are integrating and developing, and holding a group for warmth. For example, an exhibition company merged with another design company due to the loss of exhibition design personnel, and handed over the design business of exhibition to the design company for completion.

#### **4.5. Innovation of business transformation of small and micro enterprises in the post-epidemic era--passive to active**

The innovation of some enterprises' business strategies is also reflected in the shift from passive business to active business, and some of them turn to markets with better ceilings. For example, a network advertising agency company, whose previous main business was advertising business development, was a typical passive business, where businesses could approach you to do advertising or other companies to do advertising. During the epidemic this enterprise shifted its main business to product agency, still doing online advertising, and now doing it for its own products and making profit by selling them.

### **5. Positive Outlook of Micro and Small Enterprises on The Business Prospect in The Post-epidemic Era**

Through questionnaires and interviews, etc., we have come up with some statistics on the judgment of micro and small enterprises on their business prospects. Through these data we look at the following points:

#### **5.1. Perseverance and waiting for the flower to bloom**

Although a lot of enterprises closed down during the epidemic, most of the micro and small enterprises are

stubbornly surviving by reducing their operating costs to the limit. Like human beings, there is hope if they live.

#### **5.2. We have confidence in the government to introduce countermeasures**

For example, changing the business environment, boosting confidence, reducing the cost of financing, reducing rent, reducing tax and other measures to reduce the burden of enterprises, etc.

#### **5.3. Confidence in the business prospects of enterprises**

Most of the small and micro enterprises have turned around magnificently, transformed and upgraded in the baptism of the epidemic, actively adapted to the adjustment of the market and changed their thinking, and the enterprises have a way out.

Through the analysis of these findings, we found that the baptism of the epidemic is like a pair of invisible hands, pushing most of the small and micro enterprises to transform or don't push to the edge of closure.

In short, COVID-19 has had a huge impact on the survival of MSMEs and the way they work, as well as the transformation and upgrading of MSMEs. We have collected and analyzed data from micro and small enterprises in Beijing, and we found that most of the micro and small enterprises have transformed during the epidemic from the change of business philosophy to the change of business strategies, as well as the innovation of business methods and business transformation and innovation, and we found that most of the micro and small enterprises either transformed voluntarily or were forced to upgrade during the crisis.

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