



CHALLENGES AND OPPORTUNITIES OF GLOBALIZATION FOR SMES IN LONDON, UK IN POST-COVID 19 PANDEMIC AND STRATEGIES FOR FUTURE ADVANCEMENTS

Dr Lasta Dangol

Regent College, London affiliated with the University of Bolton, UK

ABSTRACT

This research aims to investigate the current rationale of opportunities and challenges in going global for SMEs in London, UK from the viewpoint of native business owners. The research was implemented in the context of the recovery stage of this economy in post Brexit and post-COVID-19. Using interpretivism and qualitative methods, the interviews created many interesting insights about the three main themes of this business situation. Findings reveal that while opportunities of globalization have become greater for SMEs in London, challenges for them have been riskier due to the lasting impacts of Brexit and economic burdens after the Covid 19 pandemic. Strategies were suggested by SME owners for future direction of globalization. However, those were also acknowledged to be achievable with more supports from the City's Council and the UK government, large corporations, and other native SMEs. With the limitations of scalability and the lack of vast market data using quantitative methods, this research still contributes to the existing literature with a vivid picture of organizational readiness and future orientation of London's SMEs towards globalization.

Keywords: Globalization, SMEs, Covid-19, Strategies, Brexit

Cite this Article: Dr Lasta Dangol, Challenges and Opportunities of Globalization for SMES In London, UK in Post-Covid 19 Pandemic and Strategies for Future Advancements, International Journal of Business and Globalisation (IJBG), 1(1), 2024, pp. 1-15.

<https://iaeme.com/Home/issue/IJBG?Volume=1&Issue=1>

1. INTRODUCTION

The outbreak of the COVID-19 pandemic had lasting impacts on the operations of SMEs across the globe, not only those in London, UK. Before this pandemic, the Small and Medium Enterprises in the UK were in the pace of recovering after Brexit, focusing on e-commerce and digitalization (McGovern, 2023). However, with the global disaster of COVID-19 pandemic, the SMEs across the UK have had a lot more challenges to go global.

Since 2017, witnessing the rise of e-commerce platforms, social media, and the upcoming advancements of AI-based advancements, SMEs in post-Brexit Britain have also been reported as those who can exploit more advantages from those technologies to participate in the global gig economy. Those are the models and platforms that can provide the UK-based SMEs with more advantages in resource management, Customer retention management, and procurement arrangements (Lyon & Dhingra, 2021). As compared with their peers in Thailand, who have exploited a lot of benefits from governmental support and their advantageous location in their globalization process, there are many lessons that the UK-based SMEs can follow (Korwatanasakul and Paweenawat, 2020; Oyegoke et al., 2024).

Moreover, as reported by Mariyudi (2019), the success factors of SMEs in globalization should be professionally and sustainably planned by the management of SMEs, according to the range and depth of resources they can exploit, and the current contextual position of their operations. It was easier to understand that UK-based SMEs have had more challenges with globalization than their peers, especially when analyzed in this period (McGovern, 2023). They have experienced the lasting impacts of Brexit and its constraints for cross border trades, labor migration, and the withdrawals of global investors from a limited financial environment. Besides, the UK-based owners of SMEs in the UK have had lower readiness of their operations to be re-designed for internationalization (Naradda Gamage et al., 2020). Labor issues, technological advancements, the consequences of global value chain disruptions, and weak global awareness of these brands have hindered their decisions to go global and achieve a faster pace of recovery (Hrtan, 2021).

However, despite those challenges and difficulties, this is also the time that UK-based SMEs in London should re-consider their model of operation to change that into globalization so that they can participate in this global trend, exploit benefits from their integration into the gig economy, and enhance their pace of recovery successfully.

1.1. Background

Since 2021, the native UK-based SMEs have had a lot (more) challenges in post Brexit and post-pandemic period. Before these crises, these UK-based SMEs faced technological, structural, and legislative challenges for internationalizing their operation (Telukdarie et al., 2023). This challenging period is the time when this government strongly develops FDI attractions to boost economic advancements (Ward, 2023). The high-quality capital flows would change the economic environment in London to be more competitive, and the larger corporations that acquire more benefits. However, these initiatives of the UK government and London's authorities have not been satisfactory as expected, due to several constraints of its economic environment in this uncertain economic period (Milas et al., 2024). Moreover, in 2023, newly developed initiatives of this government are designed to attract and sustain FDI flows from multinational groups. This scheme, in the long run, would widen the operation gaps between the large corporations and the domestic SMEs (Telukdarie et al., 2023; Lee, 2012). Thus, it is crucial that SMEs in London critically consider their models of operation to stay competitive and participate in the global markets (Joyce, 2024). The research problems to be depicted in this research include the up-to-date challenges for SMEs in London in this period, the opportunities that they can achieve in this uncertain economic time, and strategies for enhancing their pace of globalization successfully.

1.2. Research Problem

This research aims to investigate the current significance, opportunities and challenges that SMEs in London, UK, have faced toward globalizing their businesses and entering the global competition scenario.

There has been a body of literature in this field; however, those studies have not specifically focused on examining the significance of readiness for globalizing UK-based SMEs in post Brexit and post-Covid-19 period. According to Enaifoghe (2024), this is the time when those SMEs around the world have been struggling to recover their performance, re-evaluating the opportunities and challenges, and constituting their level of readiness for globalization at this time is a vital factor for future competitiveness.

1.3. Aims and objectives

This research aims to examine the opportunities and challenges for UK-based SMEs in London for globalization after the breakdown of the global value chain, Brexit's lasting consequences, and the COVID-19 crisis to this economy. This should be translated into specific objectives:

- To examine the possible opportunities for London's SMEs to recover in this period of recovery after Brexit and Covid 19 under globalization.
- To describe and evaluate possible challenges for London's SMEs' globalization process, especially in the context with high economic uncertainty in this period.
- To suggest strategies for London's SMEs to globalize sustainably and achievable in the future.

1.4. Research questions

The above aims of this research should be accomplished based on answering the questions of the research:

- What are the opportunities for London's SMEs to recover in this period of recovery after Brexit and Covid 19 under globalization?
- What are the challenges that London's SMEs have to overcome in their progress of globalization?
- What strategies that London's SMEs can apply for successful globalization processes in the future?

1.5. Significance of the research

Credit access is one significant challenge for UK-based SMEs to resolve in this period. Business activities were hampered significantly because of the Brexit's consequences, labor migration, financial constraints of SMEs in the country due to the low FDIs into the country, and the outbreak of the COVID-19 pandemic. *The UK* government aimed to help SMEs recover with better resource deployments; however, the UK banks have limited financial access for SMEs in this period, due to their weaknesses: lack of financial transparency, and higher default risks, and lack of assets for a mortgage (Calabrese et al., 2018). As compared with larger corporations, SMEs are those with more risks to recover. Those vague supporting policies and unclear guidelines were not enough to help SMEs in the UK and London to recover, at least in a traditional scheme (Rittenhofer, 2015).

This research is implemented while witnessing the rise of the **Gig** economy, aiming at exploiting the opportunities and challenges for SMEs to take more innovation to recover. In a broad term, SMEs have more difficulties in globalization than large corporations (Bissoondeal et al., 2023). Nevertheless, this is when SMEs should tackle changes under globalization to enhance their pace of recovery (Tiwasig, 2021). The result and implications of this research would develop new insights for SMEs in London to design, modify, and enhance their models of globalization in a safer, financially achievable, and sustainable scheme (Ensari & Karabay, 2014).

2. LITERATURE REVIEW

2.1. Globalization definition and significance

According to Sen and Haq (2010), Globalization is the term used to describe the processes in which countries and regions would economically integrate to create a global network for trading, collaborating, communication, or transport. This is a changing social process in which cross-culturalization would be highlighted for participation across several groups. All participants in this process should receive their cultural and economic exchanges. This term can be applied across social, cultural, commercial, and economic environments (Skiver et al., 2013). Enaifoghe (2024) defined that economic globalization has had the most significant impacts, which would help countries enhance their performance on global grounds through cooperation across bodies.

Besides, Sen and Haq (2010) reported that globalization has both challenges and opportunities. It can help specific countries to boost the strengths of their labors and share in the global markets, reduce the monopoly of resources and comparative advantages of nations, or remove borders from trading across countries. However, this process also has the drawbacks of widening weaknesses and business gaps between countries or between the giant corporations with the smaller ones (Tiwasing, 2021). Thus, firms, according to their size and the planned scope of operation, should carefully consider and balance between the benefits and threats before participating in globalized markets. A successful globalization process will bring the participants with more success factors than global risks (McAdam et al., 2010).

Since the 1995, the UK has considered the importance of globalization for economic development in the 21st century. However, as compared with the rest of the world, the UK-based SMEs are still not familiar with this global change. Instead, those small and medium size companies in the UK still needs 2 – 3 years more to reach the stage of globalization of others in the EU region (Thrassou, 2021). Up to 2015, there have been over 70 agreements between this country with other countries/regions to favor the globalization process of businesses in the UK (Sinkovics et al., 2018; Brown et al., 2019).

2.2. The challenges of globalization for SMEs in London in this recovering period

There have been many pieces of research examining the challenges for the SMEs across UK to go global in post Brexit and since the end of Covid 19 pandemic. According to Ahmad et al. (2020) and Calabrese et al. (2018), SMEs, with their rising importance in the national economy, have contributed to the recent developments of this economy significantly. SMEs are those who have had a more direct impact on job creation, poverty reduction, and human resource development. The rise of SMEs also creates more favorable conditions for social development in the UK (Skiver et al., 2013; Anderson, 2011). However, turning to the 21st century, the role of SMEs is expected to change, and they need to adapt to global contexts to remain achievable for this economy. On the bright side, globalization would help SMEs to become more influential when trading across borders (Golovko & Valentini, 2011). However, there are still challenges that they need to overcome to achieve the expected benefits of going global (Sinkovics et al., 2018).

The first challenge for SMEs when participating in the global markets, as reported by several researchers (Liñán et al., 2020; Enaifoghe, 2024; Etemad, 2022), is that they are planning to enter the global markets, which have become much more intense since the beginning of the 21st century. As compared with the global competitors, those UK-based SMEs are reported to be less competitive and experienced (Troilo, 2013). Thus, as suggested by Savrul (2014) and McAdam et al. (2010), before going global, SMEs should prepare their domestic stand, resource availability and stability, and capabilities for changes to tackle challenges and difficulties in their first approaches to global markets.

For instance, technologies and institutional structures are the main challenges that these firms should improve first for a comparative competency in the globalized scale (Thrassou, 2021).

The second limitation that owners of SMEs in London should critically consider is the lack of experience and skills in macro management, including models of collaboration and cooperation with foreign partners (Enaifoghe, 2024). As reported by Etemad (2022), more than half of small and medium size enterprises in medium cities like London cannot afford the international standards in business and corporate management. When they enter the financial markets overseas, those would become their limitations (Mukherjee, 2018). To change and improve their dimensions in their global participation, there are still a lot of things for the owners of UK-based SMEs in London to achieve in the short run (Wild et al., 2016).

The final and most important challenge for SMEs in London to go global is from the financial perspective. As compared with the larger brands and their foreign peers, these London-based SMEs have had lower financial capabilities, capital limitations, and a narrower base of international market and knowledge to form their relations with foreign banks (Sarmah and Saikia, 2023). Their integration with foreign partners and networks would be limited significantly with those weaknesses (Enaifoghe, 2024). Besides, the budget setting of SMEs in this city, when analyzed under internationalized standards, is much less secure and reliable than the foreign partners. As analyzed and reported by Bissoondeal et al. (2023), these would become critical risks for those SMEs to ensure their financial performance in the overseas markets, which is also one important hindrance force for the foreign brands to cooperate with them.

2.3. Opportunities for globalization of SMEs in London

The first prospect for SMEs in the UK to go global is that they can widen their base of customers, stakeholders (such as foreign banks and investors), and suppliers. On this scale, the UK has had over 70 trade agreements (FTAs) would be transferred into best values for these SMEs (Korwatanasakul and Paweenawat, 2020). The agreements between UK and other countries and regions show the mutual commitment to protecting the benefits and advantages of businesses on a global scale. With the support of those agreements, SMEs in the UK would have many advantages in accessing the global value chain and customer base and acquiring the technologies and services according to international standards (Sen and Haq, 2010).

Besides, the manufacturing SMEs are those receiving more benefits when globalizing their operation on the globe since they would face and acquire the advanced technologies that have helped the global giants to thrive (Anand, 2015). As compared to the competition level in the domestic markets, acquiring those advanced technologies would help SMEs increase their domestic competitiveness (Baffour Awuah and Amal, 2011). Moreover, when accessing the global markets, SMEs from should have more significant opportunities to develop bilateral and multilateral trade agreements, which would facilitate their challenges to enter the international markets and expand their customer base significantly (Korwatanasakul and Paweenawat, 2020).

Thirdly, as reported by O'Rourke (2019), assessing the global markets can also increase the overall quality of the human resources of SMEs. Compared with limiting their operation in the domestic markets, globalizing their operation would mean more access to global talents, which can increase the overall effectiveness and outcomes of HRM of SMEs (Bijaoui, 2016). This is because of the serial process of training, fostering, developing, and improving strategies for SMEs to make their workforces adapt to international standards. In the long run, the more they operate in the global market, the more competitiveness they can derive from their recently developed workforce (Stouraitis et al., 2017).

Challenges and Opportunities of Globalization for SMES In London, UK in Post-Covid 19 Pandemic and Strategies for Future Advancements

Moreover, with the higher quality of the workforce and the upgraded organizational structures, SMEs can also create a better model of globalization and cooperation, so that they can enhance the pace of development across several markets (Prasanna et al., 2019). In today's context of economic recovery in post – Covid 19, these are valuable advantages for SMEs in the UK to accelerate their recovery stage (Naradda Gamage et al, 2020).

Finally, just like the efforts of this government to attract FDIs, accessing the financial markets also means larger financial resources for UK-based SMEs. This is contrary to their current situation in domestic markets in the UK. Since the end of the Covid 19 crisis, the SMEs have had limitations to access national capital, because of stricter policies of the central banks in the UK. While foreign investors are expected to contribute more capital to this economy, these resources are only planned for state-level models of operation, and large corporations (Prasanna et al., 2019). The SMEs are beyond the scope of those inflows of FDIs. Thus, globalizing is the strategic choice to help SMEs return to their competition in both domestic and international markets. In the next 5 years, this strategic choice will help SMEs in London to thrive on both scales (Youssef et al., 2023).

2.4. Research gap

This research aims to resolve the literature gaps reflecting the current opportunities and threats for the SMEs in London, UK to go global, in the context of rising government attraction for FDIs and the lasting consequences of Brexit and the Covid-19 pandemic on their operation in the domestic markets. The result of this research would construct a new picture of the current status and direction for the development of SMEs in this recovery period.

3. RESEARCH METHODOLOGY

This research has an ambitious expectation to explore a wide phenomenon in London, UK, with the results to be applied and deployed by small and medium-size enterprises across the UK. With this significance for upcoming applications, the research decides to use the Research Onion (Saunders et al., 2012) to form the methodology before implementing this research.

3.1. Research design

First, the researcher decides to apply interpretivism philosophy and inductive approach to this methodology. This decision would ensure that the findings are practically achievable and applied to SMEs in London, UK. This choice entails the mono-method experiment and qualitative research method, which is the face-to-face interview, to help the researcher collect the cross-sectional data from the participants to the most descriptive level possible (Prasanna et al., 2019; Cahoon, 1987). This choice features the primary data collection which is deeply rooted, market-based, and derived from the experience of the participants, which is impossible when applying the quantitative method. Besides, by using the interview, the research can also have an achievable level of control, validity, applicability, and practicality of the research results. Moreover, the researcher also understood that using this approach can generate specific, operational, and contextual data about the enterprises, which are very valuable for developing research findings (Walliman, 2010).

3.2. Data collection

The researcher will generate the primary data collection in this research by mono-method experiment. There is a series of 15 interviews with participants, each would generate the records, video tapes, and hand-written scripts. The time length for each interview would be between 20 and 30 minutes, and each participant is allowed for 5 – 10 extended time for further discussions.

Each interview should include 15 – 20 minutes, with more open questions, to collect raw data for the three main themes of this research. The three types of primary data of these interviews will be then transcribed into a paper version with a solid format according to the three themes of the research objectives (Walliman, 2010). These will be the main input for a later phase of data analysis.

3.3. Sampling

From the beginning of this research, the researcher decided to invite the owners (current or former) of SMEs in London, UK, who have been working in the industry in post Brexit and post-pandemic period and with up-to-date observations of the research phenomenon. This entails using purposive sampling techniques to select the participants and send invitation emails to them (Cahoon, 1987). The researcher used personal relations to get references from 2 SME owners in London and sent invitation emails to 20 SME owners across the state. They can be the owners, investors, or co-owners of SMEs that have been operating in the London market for over 3 years. Besides, those enterprises should still be operating at the time of the research. All participants are expected to reply to the email in 2 days. Only 15 participants were invited as the primary respondents in this research.

3.4. Data analysis

The researcher has a solid and transparent primary data collection in the research, which has also been arranged into three main themes. In this stage, the researcher uses thematic coding to analyze each theme according to 3 sub-themes, codes, and arguments clearly cited by each participant. This scheme can help the researcher to create findings that have clear meaning to the opinions and ideas of the participants (Saunders et al., 2012). In each subtheme, the researcher can also extract the attitudes, feelings, expressions, or indications from the participants based on the observations clearly written in handwritten notes. From the clusters of ideas, arguments, and indication of subthemes, the main themes will generate the findings that are capable of justifying the research questions accordingly (Cahoon, 1987).

3.5. Ethical considerations

In this research, due to the complexity of the research problems and the series of interactions with the participants, ethical considerations are important or ensure the values and applicability of the research results and findings. The first important ethical issue for this research is prior consent and approval for the use of the private data of participants. These two perspectives were clearly cited in the invitation email, recommending that upon replying to the email, the participants agreed with the process, results, and applications of the research results. Their personal information will be kept secret, and any further uses should be notified to them 3 days in advance. Secondly, the progress and settings of the interviews were designed to comprise beneficence, respect, and assurance for professional outcomes. Finally, the researcher also takes responsibility for the mental and physical health of all participants during the research progress.

3.6. Limitations of this research

The first limitation of this research is at its scalability. As compared with hundreds of thousands of SMEs in London markets, the responses of 15 participants can only generate professional, site-based, and context-bound data for a larger market scale. Secondly, the researcher cannot have a reliable channel to assess and justify the arguments and data supplied by the participants about the operation of their SMEs. This may create some variances in their market performance when reported in this research.

In a better scenario, this research can be enhanced more with a quantitative approach to invite approximately 100 owners of SMEs across the UK, and their quantitative data contribution can enhance the applicability of this research significantly. Finally, this research only examines the hierarchical dimensions of SMEs in the globalization process from the owners, lacking the ideas contributions, and reflections of other stakeholders. However, within the scope of this research, the researcher decides to focus on forming data collection from the owners of SMEs only, who have had the most descriptive, controllable, and manageable view of the research problem.

4. ANALYSIS

4.1. Theme 1: opportunities of globalization for SMEs in London

The first advantage of globalization for SMEs in London is that the city has the geographical advantages of being the hub of transportation, linking to many reputed cities in the region. Besides, the human resources of this city have high quality, with developed infrastructure. Besides, being the city of history and culture, the SMEs in London expected that they have more advantages to go global. Since then, with the geographical benefits and initiatives of those agreements, these owners of SMEs have planned to expand their operations to markets with more favorable conditions.

“We have planned for going global since 2016 because our city has many advantages” (1st interviewee).

“We had a real plan to be implemented for global market expansions in 2020, and the next year came the pandemic...” (3rd interviewee)

“...going global provides a greater scale of markets for us to compete, especially in specific customer segments, with the larger corporations...” (6th interviewee).

The owners of those SMEs agreed that going global would help them narrow the gaps in their operation with the larger corporations in this city and competitors in the relational cities. According to their view, without going global, in the next 10 years, they cannot seize the desired market segments from the giant competitors.

“This is a very good choice for us to facilitate what we have faced in the domestic markets...” (7th interviewee).

“We already knew that the further we go, the larger markets we can acquire...” (11th interviewee).

Secondly, more than half (9) of participants revealed that going global also means a strong background for their operation, especially in procurement and inventory management. They noted that before the 2020s, their operations (mostly in manufacturing of completed products) had strongly (and deadly) relied on only the local suppliers. This meant less bargaining power for these SMEs when negotiating the quotes with their partners, due to the limited quantity of their orders. They have researched for more suppliers in the cities nearby; however, the result was not satisfactory. Going global would mean a larger network for them in procurement.

“Although buying from local suppliers is still good for us, we still need something more, such as long-term terms of cooperation with others across the UK for better prices and product categories...” (1st interviewee)

“...the pandemic taught us a very important lesson: never rely on only one or two overseas suppliers. However, only when the pandemic came that we recognize that...” (6th interviewee)

With the above arguments, the rise of social media sales and e-commerce, now that the SMEs in London can collaborate with other foreign partners, not only suppliers, but customers, investors, collaborators, manufacturers, etc. which would enhance their capacities significantly.

“We go global for the larger size of stakeholders....” (13th interviewee).

“...calling for more investors from overseas is more practical, achievable, and less competitive than in the domestic markets...” (5th interviewee).

Thirdly, all interviewees agreed that going global, which is planned in the long run, can increase their capabilities for sustainable development and long-term competitive advantages.

“...in the UK, we have over 70 trade agreements and more, and we should have more advantages from those to get internationalized...” (6th interviewee)

“...in the next ten years, our choice to globalize the operation would bring us a lot more than just the number of customers..” (4th interviewee).

“...we can grow our operation in both markets, with the larger pools of resources and technologies...” (7th interviewee).

In summary, the thematic analysis in this research revealed that globalization can provide SMEs in London with both short and long-term advantages. Firstly, with the increasingly limited finance markets in the UK after Brexit, reaching the global market can help them access more financial resources. Secondly, they can also mitigate their current competitive situation with the other giants in this city, which they have understood to not be changed in the short term. Thirdly, going global, with the expanding size of stakeholders, also means that SMEs can enhance their stakeholder management and better methods of resource deployment. Finally, the SMEs understood that the government of London is trying to attract FDIs, which can only support the enhancements for the larger corporations, not the SMEs. Thus, this decision to go global would provide them with a lot of opportunities to thrive in both markets.

4.2. Theme 2: challenges for SMEs in London to go global

The majority of participants noted that they have acknowledged the benefits and advantages that globalization can bring to their businesses; however, there have been still challenges that have hindered their decisions for implementation over the last 5 years (while there are still the lasting effects of Brexit and the Covid 19 pandemic).

The first challenge for those SMEs is the rationale of finance. This also includes the financial risks for them when entering the global markets. These owners reflected that, since 2015, SMEs in this city have not been granted with favorable conditions to access more financial resources to expand their operation. While they cannot get supports from the banks in this city, getting from banks in other cities is even more difficult.

“We recognized that those agreements can only bring benefits for the giants, while our businesses have had more difficulties to survive...” (7th interviewee).

‘...what does more FDIs mean to us? Nothing and we had more things to resolve when the customers now have a lot more choices...’ (4th interviewee).

These owners showed their disagreements with the increasing number of competitors, which has limited their market shares. They noted that in the last 5 years, they have seen double more number of competitors in such a reputed city, resulting in much more competition for them.

‘We have been struggling to survive from the large waves of newcomers, not to mention the expansion of other domestic giants...’ (6th interviewee).

Challenges and Opportunities of Globalization for SMES In London, UK in Post-Covid 19 Pandemic and Strategies for Future Advancements

Thus, going global, even when there is no COVID-19 crisis, still needs a lot more time to prepare. Although all participants understand that globalization can bring their business a large market scale, a larger base of customers, and a greater stakeholder structure, they still need more financial support, such as from the government. However, still, they have been disappointed by the limited range of supports from this government.

‘...we are still waiting for more support from the government or the banks in London to get internationalize our operation...’ (11th interviewee).

The second challenge for SMEs in the city is that they do not have a detailed, practical, and achievable model for long-term development for globalizing their operation. As compared with their peers in Thailand or Indonesia, those SMEs in those countries had more support from the local authorities, foreign brands, and situations in terms of technologies and best industrial practices (Lawrence, 2011). However, in London, there has not been an official institution specializing in helping SMEs to step into the global markets (Enaifoghe, 2024). This means that SMEs in this city would have to face and resolve all market risks overseas, which they are seriously concerned about.

‘We have not even started globalizing, because we see a lot of risks...’ (12th interviewee).

‘...we cannot deal with a lot of HOW, WHERE, WHEN and WHAT, while trying to stay alive in the domestic markets...’ (5th interviewee).

‘...who can assure us about the benefits of going global?....’ (15th interviewee).

Finally, these owners also stated that they do not have the macro-market experience and skills to choose and design their models of penetration, which the larger brands are capable of. Their businesses, mainly focusing on manufacturing and trading in the domestic markets, do not have the necessary experience and profession to collaborate with a third party in case needed, which they consider as safer than simply entering the new foreign markets.

‘...we always think that staying in the domestic markets is safer, difficulties are rising...’ (11th interviewee).

‘...now we only focus on recovering our businesses to normal, and let the mission of globalization for later...’ (9th interviewee).

4.3. Theme 3: strategies for London’s SMEs to globalize their operation successfully

All interviewees knew that this government has attracted more foreign capital by increasing the attention of the business environment in London. These policies and strategies can make foreign investors more interested in the city and create the long term plan to expand their operation to other regional cities. Thus, the first strategy that they considered as most practical is that this government offers the foreign partners the most achievable models for collaboration for domestic SMEs to collaborate.

“We think our government can do much better when developing the more favorable models of collaboration for us...” (12th interviewee).

“...offering the foreign investors better models of investments should also include more advantages for the SMEs like us...” (14th interviewee).

Secondly, the SMEs should be innovating their models of operation to collaborate with larger brands to enter (penetrate) the new global markets. This is more achievable for both sides since co-branding can help both sides to facilitate and reduce market risks together while expanding their brand awareness simultaneously in new markets.

‘...why the larger brands cannot help us? We can enter the new markets together, and our strengths can support each other?...’ (13th interviewee).

“...When we can collaborate, market risks in new territories can be researched and resolved much better...” (8th interviewee).

“...SMEs can also cooperate to develop the most achievable model of market penetration together...” (interviewees 15th).

As mentioned by the interviewees 10th, 12th, and 15th, this is a new approach that can also help SMEs to enter the global markets more safely. Their cooperation would synthesize their strengths, with more resources, capital, and brand awareness, and they can compete with the customer's requirements and overseas competitiveness more successfully.

5. DISCUSSIONS AND IMPLICATIONS

Firstly, according to the interesting findings retrieved from the interviews, the participants, with their experience in operation management over the last 10 years, reflected that the majority of SMEs in London have recognized the benefits and long-term advancements of globalization. As the lessons they learned from the corruption of the value chain, the economic challenges from Brexit, and the stagnancy of their performance during the pandemic, globalization can provide them with more stability and availability of resources and customer base. Besides, going global can also mean less domestic competitiveness, greater market scale and global customer base, and more resources for sustainable development. However, so far, very far from the geographical advantages of this city being the hub to attract tourists and FDIs, the SMEs are those being lagged behind the economic advancements of globalization in the UK (Etemad, 2022). Thus, supposed that they do not receive more support from the government and other larger corporations to go global, the above opportunities of globalization are still beyond their capability (Matt et al., 2020).

Secondly, the participants strongly depict the low readiness of small and medium-sized companies in London to approach the global markets. Over the last two decades, they have operated in the narrowed business environment where the major incomes are from the tourists, outside investors, and external partners. They have not had a strong local market in this city. These limitations are still good for them before Brexit; nowadays, those have become the main challenges limiting their capabilities to go global, and requires more time for them to adapt. This is understandable since their operational structure is simple and with limited experience in managing macro sections. To ensure their achievements when going global, they must be supported by collaborating with the other larger brands or guided to collaborate with the foreign brands to enter the new, overseas markets with safer strategies (Golovko & Valentini, 2011).

Thirdly, this research receives very interesting suggestions from the owners of these 15 SMEs in London. According to their observations of the current market scenario, their experience in their industry, and the lessons learned from their competition with the larger brands in this UK local market, they suggested the most achievable approaches for SMEs in this city towards globalization. The first approach is that the government can create models of collaboration to attract foreign investors which includes strategic participation of SMEs in this city for mutual benefits. Those may be co-branding, reverse franchising, or temporary importing/re-exporting. Those are the models that can help SMEs in London demonstrate their best strengths while mitigating the overseas risks under foreign brands. The second approach is another interesting one, which, under the guidance and institutional support of the government and possibly the larger brands, SMEs in the same city can collaborate to create an innovative model of market penetration. This can help them deal with overseas risks and market gaps with their synthesized resources, competencies, and capital. Accordingly, SMEs can globalize their operation in foreign territories more achievably (Liñán et al., 2020).

Finally, SMEs were also suggested in this research to develop an innovative approach to entering the foreign market based on collaborating with other SMEs in the foreign markets, so that both sides can share expertise, experience, skills, market data, and human resource quality to synthesize and combine the strengths of both. This is the strategy that SMEs in London can implement to effectively expand to relational markets (Juris et al., 2021).

6. CONCLUSIONS

To conclude, this research reveals that the owners of SMEs in London still acknowledge the benefits and advantages that globalization would bring to their operations. They also have a long-term plan for globalizing their operation to foreign markets, especially in the coming years to mitigate the rising competition in this city. However, while the government has accelerated the pace of attracting FDIs, which would significantly increase local competition, the SMEs in this city are still struggling to overcome the long term impacts of Brexit and Covid 19 pandemic on their operation. This results in the lagged implementation of their globalization programs. However, the SMEs in the country were also described as not receiving considerable support from the government and other corporations to secure and avoid risks when internationalizing their operation in foreign lands. Moreover, as compared with their peers in other countries, SMEs in this city still lack experience, macro skills, and competencies in managing cross-border operations and trade, and the applicable and achievable models of collaboration at an international level (Matlay and Fletcher, 2000).

REFERENCES

- [1] Ahmad, N. H., Iqbal, Q. and Halim, H. (2020) *Challenges and opportunities for SMEs in industry 4.0*. USA: IGI Global.
- [2] Anand, B. (2015) 'Reverse Globalization by Internationalization of SME's: Opportunities and Challenges Ahead', *Procedia, Social and Behavioral Sciences*, 195, pp. 1003–1011.
- [3] Anderson, W. (2011) 'Internationalization Opportunities and Challenges for Small and Medium-Sized Enterprises from Developing Countries', *Journal of African Business*, 12(2), pp. 198–217.
- [4] Baffour Awuah, G. and Amal, M. (2011) 'Impact of globalization: The ability of less developed countries' (LDCs') firms to cope with opportunities and challenges', *European Business Review*, 23(1), pp. 120–132.
- [5] Bijaoui, I. (2016) *SMEs in an Era of Globalization : International Business and Market Strategies*. New York: Palgrave Macmillan US.
- [6] Bissoondeal, R. K., Binner, J. M. and Milas, C. (2023) 'Brexit and coronavirus: financial perspectives and future prospects', *The European Journal of Finance*, 29(16), 1825–1834.
- [7] Brown, R., Liñares-Zegarra, J. and Wilson, J. O. S. (2019) 'The (potential) impact of Brexit on UK SMEs: regional evidence and public policy implications', *Regional Studies*, 53(5), pp. 761–770.
- [8] Cahoon, M. C. (1987) *Research methodology*. Longman.
- [9] Calabrese, R., Degl'innocenti, M. and Zhou, S. (2018) *Access to Finance and Growth of Innovative SMEs after Brexit*. The University of Edinburgh. Available at: <https://www.pure.ed.ac.uk/ws/portalfiles/portal/64654396/PaperRP.pdf> (accessed: 6th September 2024)

- [10] Enaifoghe, A. (2024) 'Enhancing Small and Medium Enterprises (SMEs) in a Globalized and Innovative Economy: Challenges and Opportunities', *International Journal of Business, Economics, and Social Development*, 5(2), pp. 130–138.
- [11] Ensari, M. Ş., and Karabay, M. E. (2014) 'What Helps to Make SMEs Successful in Global Markets?' *Procedia, Social and Behavioral Sciences*, 150, 192–201.
- [12] Etemad, H. (2022) *Small and medium sized enterprises and the COVID-19 response : global perspectives on entrepreneurial crisis management*. Northampton, Massachusetts: Edward Elgar Publishing.
- [13] Golovko, E., and Valentini, G. (2011) 'Exploring the complementarity between innovation and export for SMEs' growth', *Journal of International Business Studies*, 42(3), pp. 362–380.
- [14] Hrtan, D. (2021). *Challenges of UK SMEs exporting to the European markets in the post Brexit period*. Department of Business and Management – Aslborg University. Available at: https://vbn.aau.dk/ws/files/414937976/IBE_thesis_DanielHrtan.pdf (accessed: 6th September 2024)
- [15] Joyce, R. (2024). Foreign Direct Investment: UK's project total grows as Europe's falls. EY Website. Available at: https://www.ey.com/en_uk/newsroom/2024/07/foreign-direct-investment-in-uk-grows-as-europe-declines (accessed: 6th September 2024)
- [16] Juris, R., Adamko, P. and Savov, R. (2021) 'Innovation of Small and Medium-Sized Enterprises from the Perspective of Globalization'. *SHS Web of Conferences*, 92, pp. 7029.
- [17] Korwatanasakul, U. and Paweenawat, S. (2020) *Trade, global value chains, and small and medium size enterprises in Thailand: A firm-level panel analysis*. ADBI Working Paper Series. Available at: <https://www.adb.org/sites/default/files/publication/604661/adbi-wp1130.pdf> (Accessed: 3 September 2024).
- [18] Lee, Y., Shin, J., and Park, Y. (2012) 'The changing pattern of SME's innovativeness through business model globalization', *Technological Forecasting & Social Change*, 79(5), pp. 832–842.
- [19] Liñán, F., Paul, J. and Fayolle, A. (2020) 'SMEs and entrepreneurship in the era of globalization: advances and theoretical approaches', *Small Business Economics*, 55(3), pp. 695–703.
- [20] Lyon, J. and Dhingra, S. (2021) *The impacts of Covid-19 and Brexit on the UK economy: early evidence in 2021*, Center for Economic Performance. Available at: <https://cep.lse.ac.uk/pubs/download/cepcovid-19-021.pdf> (accessed: 6th September 2024)
- [21] Mariyudi, M. (2019) 'Success factors of SMEs: the case of Indonesia', *International Journal of Business Innovation and Research*, 19(1), pp. 1.
- [22] Matlay, H. and Fletcher, D. (2000) 'Globalization and strategic change: some lessons from the UK small business sector', *Strategic Change*, 9(7), pp. 437–449.
- [23] Matt, D. T., Modrak, V. and Zsifkovits, H. (2020) *Industry 4.0 for SMEs: Challenges, Opportunities and Requirements*. Palgrave Macmillan.
- [24] McAdam, R., Moffett, S., Hazlett, S. A., and Shevlin, M. (2010) 'Developing a model of innovation implementation for UK SMEs: A path analysis and explanatory case analysis', *International Small Business Journal*, 28(3), pp. 195–214.
- [25] McGovern, M. (2023). The Effect of Brexit on the Management Consulting Industry for UK- and EU-based Firms. *Management Consulting Journal*, 6(1), pp. 24–36. <https://doi.org/10.2478/mcj-2023-0004>

- [26] Milas, C., Panagiotidis, T., and Papapanagiotou, G. (2024). UK Foreign Direct Investment in uncertain economic times. *Journal of International Money and Finance*, 147, pp. 103132. <https://doi.org/10.1016/j.jimonfin.2024.103132>
- [27] Mukherjee, S. (2018) 'Challenges to Indian micro small scale and medium enterprises in the era of globalization', *Journal of Global Entrepreneurship Research*, 8(28), pp. 1–19.
- [28] Naradda Gamage, S. K., Ekanayake, E., Abeyrathne, G., Prasanna, R., Jayasundara, J. and Rajapakshe, P. (2020) 'A Review of Global Challenges and Survival Strategies of Small and Medium Enterprises (SMEs)', *Economies*, 8(4), pp. 79.
- [29] O'Rourke, K. H. (2019) 'Economic History and Contemporary Challenges to Globalization', *The Journal of Economic History*, 79(2), pp. 356–382.
- [30] Oyegoke, A. S., Fisher, B. W., Ajayi, S., Omotayo, T. S., and Ewuga, D. (2024). The disruptive factors and longevity effects of Covid-19 and Brexit on the SMEs construction supply chain in the UK. *Journal of Financial Management of Property and Construction*, 29(1), pp. 115–134. <https://doi.org/10.1108/JFMPC-11-2022-0057>
- [31] Prasanna, R., Jayasundara, J., Naradda Gamage, S. K., Ekanayake, E., Rajapakshe, P. and Abeyrathne, G. (2019) 'Sustainability of SMEs in the Competition: A Systemic Review on Technological Challenges and SME Performance', *Journal of Open Innovation*, 5(4), pp. 100.
- [32] Rittenhofer, I. (2015) 'The reflexive case study method: a practice approach to SME globalization', *International Journal of Entrepreneurial Behaviour & Research*, 21(3), pp. 410–428.
- [33] Sarmah, A. and Saikia, B. (2023) 'Business challenges of the nascent and mature micro small and medium enterprises (MSMEs): a comparative analysis from India', *Journal of Global Entrepreneurship Research*, 13(1), pp. 20.
- [34] Saunders, M. N. K., Thornhill, A. and Lewis, P. (2012) *Research methods for business students* (Sixth edition.). Pearson Education.
- [35] Savrul, M., Incekara, A. and Sener, S. (2014) 'The Potential of E-commerce for SMEs in a Globalizing Business Environment', *Procedia, Social and Behavioral Sciences*, 150, pp. 35–45.
- [36] Sen, A. and Haq, K. (2010) 'Internationalization of SMEs: Opportunities And Limitations In The Age Of Globalization', *The International Business & Economics Research Journal*, 9(5), pp. 135–142.
- [37] Sinkovics, R. R., Kurt, Y., and Sinkovics, N. (2018) 'The effect of matching on perceived export barriers and performance in an era of globalization discontents: Empirical evidence from UK SMEs'. *International Business Review*, 27(5), pp. 1065–1079.
- [38] Skiver, R., Hong, P. and Lee, C. (2013) 'Challenges and opportunities for SMEs competing in the global market: A literature review for future research'. *International Journal of Electronic Customer Relationship Management*, 7, pp. 191 - 207.
- [39] Stouraitis, V., Boonchoo, P., Mior Harun, M. H., and Kyritsis, M. (2017) 'Entrepreneurial perceptions and bias of SME exporting opportunities for manufacturing exporters: A UK study', *Journal of Small Business and Enterprise Development*, 24(4), pp. 906–927.
- [40] Telukdarie, A., Dube, T., Matjuta, P., and Philbin, S. (2023) 'The opportunities and challenges of digitalization for SME's', *Procedia Computer Science*, 217, pp. 689–698.

- [41] Thrassou, A. (2021) The changing role of SMEs in global business. Volume II, Contextual evolution across markets, disciplines and sectors (1st ed. 2020..). Cham, Switzerland: Palgrave Macmillan.
- [42] Tiwasing, P. (2021) 'Brexit and Skill Shortages: An Empirical Analysis of UK SMEs', *Economics and Business Letters*, 10(1), pp. 9-15.
- [43] Troilo, M. (2013) 'Market Orientation of SMEs in Southeast Asia: An Empirical Analysis', *The Copenhagen Journal of Asian Studies*, 30(1), pp. 53–79.
- [44] Walliman, N. (2010) *Research Methods*. Taylor & Francis.
- [45] Ward, M. (2023) *Foreign Direct Investment Statistics*. Research Briefing – House of Common Library. Available at: <https://researchbriefings.files.parliament.uk/documents/CBP-8534/CBP-8534.pdf> (accessed: 6th September 2024)
- [46] Wild, J. J., Wild, K. L. and Ball, A. (2016) *International business : the challenges of globalization* (Eighth Edition). Boston: Pearson.
- [47] Youssef, I. S., Salloum, C. and Al Sayah, M. (2023) 'The determinants of profitability in non-financial UK SMEs', *European Business Review*, 35(5), pp. 652–671.

Citation: Dr Lasta Dangol, Challenges and Opportunities of Globalization for SMES In London, UK in Post-Covid 19 Pandemic and Strategies for Future Advancements, *International Journal of Business and Globalisation (IJBG)*, 1(1), 2024, pp. 1-15

Article Link:

https://iaeme.com/MasterAdmin/Journal_uploads/IJBG/VOLUME_1_ISSUE_1/IJBG_01_01_001.pdf

Abstract Link:

https://iaeme.com/Home/article_id/IJBG_01_01_001

Copyright: © 2024 Authors. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

This work is licensed under a **Creative Commons Attribution 4.0 International License (CC BY 4.0)**.

