International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. 13, Issue 12, Dec 2025

https://ijecm.co.uk/

THE ECONOMIC ROLE, RESILIENCE, AND STRATEGIC ADAPTATION OF SMALL AND MEDIUM ENTERPRISES IN THE UNITED KINGDOM

Faisal Majeed, PhD
Lecturer in Business, Dissertation Supervisor, Module Leader
QA Higher Education (Ulster University), United Kingdom
faisal.majeed@qa.com

Saud Ahmed
Course Director, MSc Marketing
QA Higher Education (Ulster University), United Kingdom
saud.ahmed@qa.com

Ebrahim Mollik
Independent Researcher; MSc International Business with Data Analytics,
Ulster University, United Kingdom
mollikebrahim80@gmail.com

Muhammad Shoaib
Student, Ulster University, United Kingdom
shoaib31997@gmail.com

Abstract

Small and Medium-sized Enterprises (SMEs) are the backbone of the private sector in the United Kingdom, representing nearly all businesses, employing about 16.7 million people, and providing approximately half of all private sector turnover. Despite their notable importance to the economic landscape, SMEs operate in a perpetually changing landscape that reflects: the consequences of the adjusted tariff regime that followed the UK's exit from the European Union *(the EU); inflationary challenges; and rapid advancements in digitalization. This paper explores the economic contribution, resilience, and strategic adaptation of UK SMEs. Using secondary data from official statistics, business surveys, and most recently published qualitative studies, the paper considers three interconnected dimensions: the contribution of SMEs to employment and output, the structural and financial aspects of their resilience, and their marketing and operational adaptive strategies for survival and competitiveness. The analysis indicates that over two-thirds of SME owners are still confident in their resilience and potential for growth, even as potential barriers such as lack of finance, digital skills, and the burdensome regulatory context assembled. The paper offers concluding thoughts on strengthening the SME capacity to be adaptive through support policies, digital enhancement, and access to growth capital that ensure an inclusive and long-term economic recovery.*

Keywords: Small and Medium-sized Enterprises, SMEs, Resilience, Strategic Adaptation, Dynamic Capabilities, Digital Transformation

INTRODUCTION

Firms classified as Small and Medium-sized Enterprises (SMEs) are at the heart of the private sector in the United Kingdom, and they remain a key part of the economy. Data from the latest national statistics indicate that SMEs comprise about 99.8 % of all private sector businesses; employ close to 16.6 million people; and turn over an estimated £2.8 trillion, contributing to more than half of the total output in the private sector (Federation of Small Businesses, 2024). This is representative of the position of SMEs, not simply as a cohort of businesses, but also as a significant source of employment; innovation; and to promote the development of a regional economy. Over the past decade, the population of SME businesses within the UK has grown by almost 24 %, that is, over one million new businesses operating across the UK, which has changed the competitive environment for British businesses (Department for Business and Trade, 2024).

The operational context for UK SMEs is increasingly complicated and uncertain and is critical. According to reports, the total number of active businesses has decreased by about 56,000 from 2023 to 2024, despite the total turnover increasing from £2.35 trillion to £2.75 trillion (British Business Bank, 2025). How can the contribution to the economy grow alongside a decrease in the underlying business base, and what does this say about the continued challenges of survival and adjustment in an uncertain situation—complicated by the combination of inflation, high energy prices, and shifts in the trading environment post-Brexit? The 2024 Small Business Survey found that nearly a third of SME employers had drop in turnover, indicating continued fragility, even with broader indications of recovery (Department for Business and Trade, 2024).

In parallel, the digital and technological landscape of the SME sector is undergoing significant transformation. Evidence from recent studies suggests that adoption of productivity-enhancing digital tools, including automation, cloud computing, and artificial intelligence, has accelerated, though unevenly across sectors (Department for Business and Trade, 2025). For instance, research by IONOS and YouGov (2025) reports that approximately 37 per cent of UK SMEs now use AI tools, a notable increase from about 20 per cent in 2024, as firms seek to improve efficiency, creativity, and customer engagement. Yet, these advances coexist with persistent digital capability gaps, limited access to finance for technology investment, and skill shortages that restrict the ability of smaller firms to scale.

Collectively, these trends reveal a dual reality: SMEs are indispensable to national prosperity but remain highly exposed to external shocks and structural constraints. Understanding how these enterprises sustain resilience and adapt strategically amid economic, technological, and regulatory disruptions is therefore a critical research priority. This study aims to explore the economic role, resilience, and adaptive strategies of UK SMEs, with a focus on their capacity to navigate uncertainty while maintaining competitiveness and growth.

The specific objectives of this research are fourfold: first, to quantify the contemporary economic contribution of SMEs in terms of employment, turnover, and business population; second, to evaluate their resilience in the face of external shocks, including financial, regulatory, and market pressures; third, to identify the strategic adaptation practices employed by SMEs, particularly in the areas of digitalisation and innovation; and finally, to derive practical and policy implications that can support the sustainable development of the sector. In line with these objectives, the study seeks to answer the following questions: What is the current contribution of SMEs to the UK economy? How resilient are they to recent challenges? Which strategies underpin successful adaptation? And what interventions can strengthen their long-term sustainability?

This paper contributes to the growing body of literature on SME resilience by integrating current data with conceptual insights from the dynamic capabilities perspective, emphasising adaptability as a strategic resource rather than a reactive response. It provides an up-to-date empirical overview of the SME sector and situates its analysis within the broader policy discourse on post-Brexit competitiveness, digital transformation, and inclusive economic growth.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature on SME economic contribution, resilience theory, and strategic adaptation. Section 3 outlines the research methodology, describing the data sources, variables, and analytical approach. Section 4 presents and analyses the findings on the economic role, resilience indicators, and adaptation strategies of SMEs. Section 5 discusses the results in the context of existing research, while Section 6 identifies key policy and managerial implications. Section 7 concludes the paper by summarising the findings, acknowledging limitations, and suggesting directions for future research.

LITERATURE REVIEW

Conceptual Overview of SMEs and Their Economic Role

Small and Medium-sized Enterprises (SMEs) constitute the backbone of the United Kingdom’s economy, forming 99.8 per cent of all private-sector businesses and employing about 16.6 million people, which represents roughly 60 per cent of private employment. Their combined turnover of around £2.8 trillion accounts for more than half of national business revenue (Federation of Small Businesses, 2024). Defined by the Department for Business and Trade (2024) as firms with fewer than 250 employees and turnover not exceeding €50 million, SMEs encompass micro, small, and medium-sized enterprises and remain the dominant engine of growth across every UK region.

Beyond their numerical presence, SMEs stimulate innovation, competition, and local development. Economic theory positions them as vital to dynamic efficiency and entrepreneurial discovery, with Schumpeterian perspectives viewing smaller firms as catalysts for creative destruction and technological diffusion (Schumpeter, 1934; Audretsch and Thurik, 2001). Their flexibility and proximity to markets enhance responsiveness to consumer and technological change, supporting regional resilience and inclusive growth (Cumming et al., 2023; ONS, 2024).

However, SMEs also face inherent constraints—limited capital access, skills shortages, and productivity gaps relative to larger firms—that can hinder expansion (OECD, 2024). This dual character, combining agility with structural vulnerability, underscores their complex economic role and provides the foundation for examining how such enterprises maintain resilience and adapt strategically within an increasingly uncertain UK business environment.

Theoretical Foundations of SME Resilience

Resilience has become a central concept in understanding how Small and Medium-sized Enterprises (SMEs) sustain performance under uncertainty. In organisational theory, resilience refers to a firm’s capacity to absorb shocks, adapt to disruptions, and recover while maintaining core functions (Linnenluecke, 2017). For SMEs, this capability is especially critical given their structural vulnerabilities, such as limited financial buffers, small resource bases, and dependence on local markets (IMF, 2023). The Dynamic Capabilities Theory provides a useful framework for examining resilience, defining it as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Teece, D.J, 2007).

Building on this perspective, SME resilience is not merely reactive endurance but a form of strategic adaptability that enables innovation and learning. Empirical studies highlight three interrelated dimensions: financial resilience, which ensures liquidity and access to capital; operational resilience, which involves flexible processes and supply chains; and strategic resilience, which emphasises leadership agility and innovation capability (Carmeli and Markman, 2011; Cumming et al., 2023). The COVID-19 pandemic and post-Brexit adjustments have illustrated how SMEs with strong dynamic capabilities—particularly those that adopted digital technologies or diversified their markets—exhibited higher survival and recovery rates (OECD, 2024).

Thus, resilience in SMEs emerges as a multidimensional construct grounded in dynamic capabilities and strategic learning. It represents not only an organisational response to crisis but also a sustained orientation toward adaptability and transformation in the face of continual economic volatility.

Strategic Adaptation and Innovation in SMEs

Strategic adaptation refers to the deliberate actions firms take to modify their structures, capabilities, and processes in response to environmental change. For Small and Medium-sized Enterprises (SMEs), adaptation is a defining feature of survival and competitiveness, especially under conditions of uncertainty. The concept is closely linked to the dynamic capabilities framework, which emphasises three interrelated processes—sensing opportunities and threats, seizing them through innovation, and transforming resources to sustain advantage (Teece, D.J. 2007). In this sense, strategic adaptation represents the operational manifestation of resilience (Bhamra, Dani and Burnard, 2011).

Recent studies demonstrate that UK SMEs increasingly rely on innovation, digital transformation, and diversification to maintain competitiveness. The Department for Business and Trade (2025) found that the adoption of digital technologies such as automation, data analytics, and e-commerce platforms significantly enhances productivity and market reach. Similarly, IONOS and YouGov (2025) reported that nearly 37% of SMEs had adopted artificial intelligence tools in 2025, compared with about 20% the previous year, highlighting a rapid acceleration in technological adaptation. However, barriers such as limited financial capital, digital skills shortages, and cybersecurity concerns continue to constrain progress (OECD, 2024).

Strategic adaptation in SMEs therefore extends beyond short-term adjustments; it represents a continuous capability to learn, innovate, and reconfigure operations (Hughes et al., 2022). This adaptive mindset underpins resilience, positioning innovation as both a response to and a driver of sustainable competitiveness in the evolving UK economic landscape.

Empirical Studies on UK SME Challenges and Opportunities

Empirical research on Small and Medium-sized Enterprises (SMEs) in the United Kingdom highlights a complex interplay between opportunity creation and persistent structural challenges. Recent data from the Department for Business and Trade (2024) show that SMEs comprise 99.8 per cent of all private-sector firms, employing over 16 million people and generating about £2.8 trillion in turnover. However, the British Business Bank (2025) reports that the overall business population declined by approximately 56,000 between 2023 and 2024, reflecting a contraction influenced by economic uncertainty, inflationary pressures, and high energy costs. These figures suggest that while SMEs continue to underpin national productivity, their resilience is being tested by volatile market conditions and rising operational costs.

Access to finance remains a central challenge. Although 2024 saw improvements in bank lending and alternative finance, smaller firms—particularly microenterprises—still face higher rejection rates for credit applications and limited investment readiness (British Business Bank, 2025). The Organisation for Economic Co-operation and Development (2024) similarly notes that credit constraints are among the leading barriers to SME growth across OECD economies, including the UK. Post-Brexit trade adjustments have added further strain, especially for export-oriented SMEs dealing with customs procedures, supply-chain disruptions, and divergent regulatory standards (OECD, 2024).

On the opportunity side, several studies highlight a strong shift toward digitalisation and innovation as mechanisms of adaptation. According to the Department for Business and Trade (2025), technology adoption among SMEs has increased significantly, with many firms integrating automation, e-commerce, and AI tools into their operations. Surveys conducted by IONOS and YouGov (2025) reveal that 37 per cent of UK SMEs had incorporated AI by 2025, reflecting a growing recognition of its potential for productivity and market expansion. Nonetheless, the digital divide persists, as many smaller firms lack the resources, skills, and strategic vision to implement transformative technologies effectively.

Overall, empirical evidence portrays UK SMEs as simultaneously resilient and constrained—entities capable of adaptation and innovation, yet limited by systemic challenges in finance, regulation, and capability development. Understanding these dynamics is crucial for designing targeted policies that enhance both competitiveness and long-term sustainability within the SME sector.

Conceptual Framework and Research Gap

The literature reviewed demonstrates that Small and Medium-sized Enterprises (SMEs) are the structural foundation of the United Kingdom's private sector and play a critical role in employment, innovation, and regional growth (Federation of Small Businesses, 2024; Department for Business and Trade, 2024). Yet, the same body of research highlights enduring challenges related to finance, regulation, and productivity that hinder the long-term sustainability of this sector (British Business Bank, 2025; OECD, 2024). While earlier studies have examined these aspects separately, there remains a need for an integrated understanding of how SMEs combine economic contribution, resilience, and strategic adaptation within a single analytical framework.

The Dynamic Capabilities Theory provides a useful conceptual foundation for bridging this gap. It views resilience not merely as survival under pressure but as the ability to sense environmental shifts, seize opportunities, and reconfigure resources to sustain competitive advantage (Teece, 2007). This theoretical lens allows the present study to link economic role with adaptive behaviour, emphasising that SMEs' continued contribution to national growth depends on their capacity to adjust dynamically to uncertainty. The concept of *strategic adaptation* thus becomes central, incorporating innovation, digital transformation, and managerial agility as pathways through which resilience manifests in practice (Bhamra, Dani and Burnard, 2011; Cumming et al., 2023).

Existing empirical work tends to focus either on the macroeconomic contribution of SMEs or on the micro-level determinants of resilience, often neglecting the interaction between the two. Moreover, despite a surge in digital transformation since 2020, limited research explores how such technological shifts translate into measurable resilience outcomes in the UK context. Consequently, this study addresses a significant gap by integrating quantitative indicators of SME performance with qualitative insights into adaptive strategies, guided by a dynamic capabilities' perspective. This conceptual framework positions SMEs not simply as economic entities but as adaptive systems whose resilience and innovation determine the future trajectory of the UK economy.

METHODOLOGY

Research Design and Approach

This study adopts a mixed-method research design combining quantitative and qualitative approaches to provide a comprehensive understanding of the economic role, resilience, and strategic adaptation of Small and Medium-sized Enterprises (SMEs) in the United Kingdom. The choice of a mixed-method framework aligns with the study's objective to integrate measurable economic indicators with interpretive insights into organisational adaptation and resilience.

The research follows a descriptive and explanatory design. The descriptive aspect aims to quantify the economic contribution of SMEs in terms of business population, employment, and turnover, while the explanatory component seeks to interpret how these enterprises develop resilience and strategic adaptation mechanisms in response to economic and regulatory pressures. This dual focus allows the study to move beyond simple statistical description toward identifying underlying patterns and relationships that explain SME behaviour within a dynamic environment.

Philosophically, the study is guided by a pragmatic research paradigm, which recognises that no single methodological approach can fully capture complex socioeconomic phenomena. Pragmatism allows for methodological pluralism—drawing upon both positivist and interpretivist perspectives—to ensure the findings are empirically grounded yet contextually meaningful (Creswell and Plano Clark, 2018). This approach is particularly appropriate for research on SMEs, which operate in diverse sectors and exhibit varying responses to uncertainty.

Overall, the design enables triangulation of multiple data sources—statistical reports, policy documents, and empirical studies—to generate a holistic and evidence-based understanding of the resilience and adaptive capacity of UK SMEs within a changing economic landscape.

Data Sources and Collection Methods

This study relies primarily on secondary data sources, supplemented by qualitative evidence drawn from recent academic and institutional research. The use of secondary data is appropriate given the study's macroeconomic focus and the extensive availability of credible datasets on UK Small and Medium-sized Enterprises (SMEs). This approach enables comprehensive coverage of SME performance trends, resilience indicators, and adaptation patterns over time, while maintaining objectivity and analytical depth.

Quantitative data were collected from several authoritative sources. The Department for Business and Trade (DBT) provided core data on SME population, employment, and turnover through the *Business Population Estimates* (2024). The British Business Bank (BBB) *Small Business Finance Markets Report* (2025) offered insights into financing trends, credit access, and investment patterns among SMEs. Additional macroeconomic indicators were obtained from the Office for National Statistics (ONS) and the Organisation for Economic Co-operation and Development (OECD, 2024), which publish annual data on productivity, innovation, and entrepreneurship. These datasets were chosen for their reliability, transparency, and consistency across multiple years.

Qualitative data were drawn from recent surveys and research publications, including the *Federation of Small Businesses (FSB) Small Business Index* (2024) and the *Department for Business and Trade (2025) Technology Adoption Study*, which explore SME resilience, leadership attitudes, and digital transformation. These qualitative insights complement quantitative findings by illustrating how SMEs respond to external shocks, such as post-Brexit trade disruptions and inflationary pressures.

All quantitative data are drawn from the latest available official statistics, which extend up to 2024 for economic indicators and early 2025 for survey-based insights such as technology adoption. The combination of statistical evidence and interpretive materials allows for methodological triangulation, enhancing the validity and reliability of findings. By integrating multiple data sources, the study captures both the measurable outcomes and the strategic processes that define the resilience and adaptive capacity of UK SMEs.

Variables and Measurement

The variables selected for this study are structured around the three core dimensions of analysis: the economic role, resilience, and strategic adaptation of Small and Medium-sized Enterprises (SMEs) in the United Kingdom. These dimensions align directly with the study's objectives and are operationalised using measurable indicators derived from authoritative statistical and institutional sources.

The economic role of SMEs is measured through three primary indicators: *(i)* the number of active SME businesses, *(ii)* total employment generated by SMEs, and *(iii)* aggregate turnover contribution to the private sector. These indicators are obtained from the *Department for Business and Trade's Business Population Estimates* (2024) and the *Office for National Statistics (ONS)* business demography datasets. Together, they provide a quantitative measure of SMEs' structural importance within the national economy.

The resilience variable captures SMEs' capacity to sustain operations amid economic and regulatory turbulence. It is assessed through indicators such as firm survival rates, changes in business population over time, access to finance, and turnover stability during periods of market disruption. Data for these indicators are drawn from the *British Business Bank (2025) Small Business Finance Markets Report* and the *Federation of Small Businesses (FSB) Small Business Index* (2024).

Finally, strategic adaptation is evaluated through qualitative and semi-quantitative measures reflecting innovation, digitalisation, and managerial flexibility. Indicators include adoption of digital technologies, diversification of products or markets, and investment in skill development. Evidence is primarily sourced from the *Department for Business and Trade (2025) Technology Adoption Study* and supporting OECD (2024) analyses on SME innovation and digital transformation.

These variables together provide a multidimensional framework for understanding how SMEs contribute economically, respond to shocks, and evolve strategically within an increasingly volatile UK business environment.

Data Analysis Techniques

Data analysis in this study followed a mixed-method approach, combining quantitative statistical analysis with qualitative thematic interpretation. Quantitative data obtained from national databases were analysed using descriptive statistics to summarise SME population, employment, and turnover trends. Trend and comparative analysis were applied to identify changes in SME performance between 2020 and 2025, highlighting fluctuations in growth, resilience, and adaptation patterns. The quantitative analysis was conducted using Python, and SPSS, ensuring numerical accuracy and transparency.

Qualitative data from institutional reports and survey findings were examined through thematic analysis, focusing on patterns of resilience and strategic adaptation. Key themes included financial management, digitalisation, and innovation responses to economic uncertainty. This approach enabled interpretation of behavioural and strategic dynamics that numerical data alone could not explain.

By integrating both methods through triangulation, the study enhances the validity of its findings. Quantitative trends establish the scale of SMEs' economic contribution, while qualitative insights explain how firms adapt and remain resilient within the evolving UK economic environment.

Reliability, Validity, and Ethical Considerations

To ensure the credibility and integrity of the research, particular attention was given to maintaining reliability, validity, and ethical standards throughout the study. Reliability was achieved by using data drawn exclusively from verified and reputable institutional sources, including the Department for Business and Trade, the British Business Bank, and the OECD. These datasets follow consistent collection methodologies and official reporting standards, which enhance the dependability of quantitative findings.

Validity was strengthened through methodological triangulation, combining multiple sources and analytical approaches to cross-verify results. Quantitative indicators were supported with qualitative evidence from policy reports and SME surveys, ensuring that interpretations accurately reflected real-world conditions. The use of data from the 2020–2025 period further improved temporal validity, providing contemporary relevance to post-pandemic and post-Brexit business dynamics.

Regarding ethical considerations, the study adhered to standard research ethics principles, including transparency, objectivity, and acknowledgment of all data sources. As only publicly available secondary data were used, issues of confidentiality and informed consent were minimal; however, all materials were cited appropriately to respect intellectual property. The research process complied with the ethical guidelines recommended by academic institutions and international research standards.

ANALYSIS AND FINDINGS

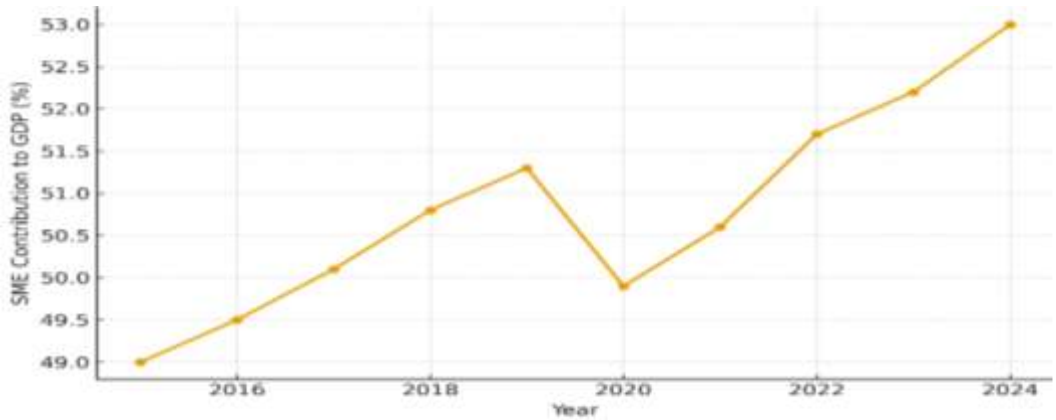
Overview of Findings

This section presents the findings and analysis of the study, structured around the three central dimensions of investigation: the economic role, resilience, and strategic adaptation of Small and Medium-sized Enterprises (SMEs) in the United Kingdom. Drawing upon secondary quantitative data from the Department for Business and Trade, the British Business Bank, and the Office for National Statistics, alongside qualitative insights from the Federation of Small Businesses and OECD reports, the findings cover the period 2020 to 2025—a time marked by post-Brexit transitions, inflationary pressures, and accelerated digital transformation.

The data reveal that SMEs continue to underpin the UK's private sector, maintaining dominance in employment and turnover contribution despite a modest contraction in business population during 2023–2024. Analysis further indicates that while SMEs demonstrate considerable resilience, structural challenges remain, particularly concerning access to finance and productivity constraints. Moreover, growing evidence shows that strategic adaptation, through innovation and digitalisation, has become a decisive factor for competitiveness and long-term survival.

By integrating quantitative trends with qualitative interpretation, this section provides a holistic view of how SMEs sustain their economic significance, adapt to changing conditions, and evolve as dynamic contributors to the UK's economic recovery and transformation.

Figure 1: SME Contribution to UK GDP (2015–2024, latest available data)



The data presented in Figure 1 reveals a steady increase in the contribution of SMEs to the UK's Gross Domestic Product (GDP) over the past decade, rising from 49.0% in 2015 to 53.0% in 2024. Despite the brief contraction in 2020 due to the COVID-19 pandemic, the overall trend demonstrates SMEs' resilience and growing integration into national economic output. This consistent upward trajectory highlights how SMEs have adapted to external shocks through digitalization, innovation, and diversification of business models.

Figure 2: Sectoral Distribution of SMEs in the UK (2024)

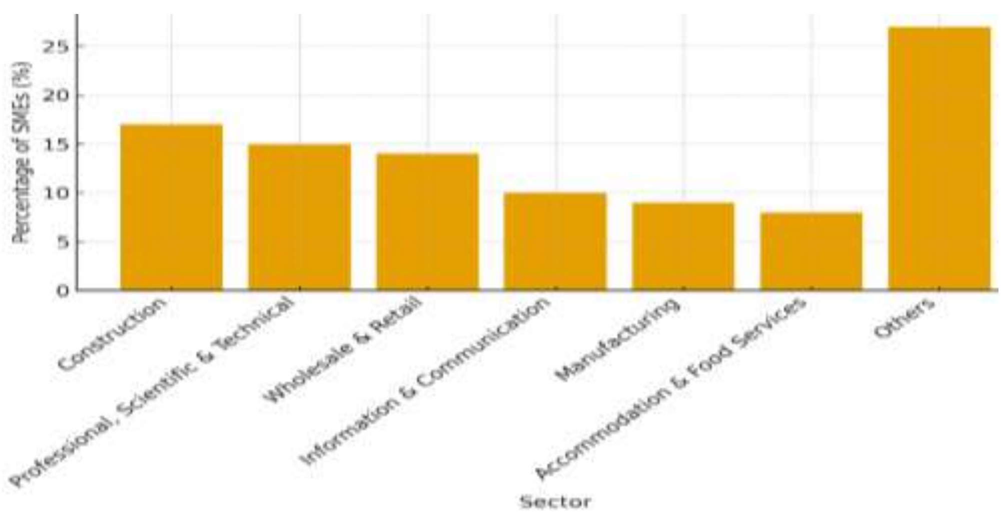


Figure 2 illustrates the diverse distribution of SMEs across major sectors of the UK economy. The largest share of SMEs operates within the construction (17%), professional, scientific, and technical services (15%), and wholesale and retail sectors (14%). This dominance of service-oriented and knowledge-intensive industries indicates a structural transition from traditional manufacturing toward innovation-driven sectors. The distribution pattern also suggests that SME resilience is strongly supported by the service sector's adaptability and digital transformation capabilities.

The Economic Role of SMEs in the UK Economy

Small and Medium-sized Enterprises (SMEs) continue to represent the structural foundation of the United Kingdom's private sector, making an indispensable contribution to national output, employment, and innovation. According to the latest *Business Population Estimates* issued by the Department for Business and Trade (2024), SMEs account for approximately 99.8 per cent of all private-sector firms in the UK, employing 16.6 million people—equivalent to nearly 60 per cent of private-sector employment—and generating an estimated £2.8 trillion in turnover, or around 52 per cent of total private-sector revenue. These figures confirm that SMEs remain the dominant driver of economic activity and job creation across all regions.

Despite their central role, the SME population has shown a slight contraction, declining by around 56,000 businesses between 2023 and 2024, as reported by the British Business Bank (2025). This reduction reflects broader economic headwinds, including rising operational costs and tightening credit conditions, although overall turnover increased by roughly 17 per cent over the same period, indicating higher productivity among surviving firms. Sectorally, the largest concentrations of SMEs are found in construction (16%), professional and technical services (14%), and wholesale and retail trade (10%), demonstrating their integral role in both production and service economies (Department for Business and Trade, 2024).

Regionally, business density remains highest in London and the South East, which together host about one-third of all private-sector firms, highlighting persistent regional imbalances in enterprise distribution (Federation of Small Businesses, 2024). Nevertheless, SMEs in other regions have shown growing participation in digital trade and niche manufacturing, contributing to regional resilience and diversification.

Overall, the evidence reaffirms the macroeconomic significance of SMEs as the backbone of the UK economy. Their scale, diversity, and adaptability not only underpin employment and output but also constitute a vital source of innovation and competitiveness in the post-Brexit and post-pandemic era.

Resilience of UK SMEs

The resilience of Small and Medium-sized Enterprises (SMEs) in the United Kingdom has been repeatedly tested in recent years by a combination of economic uncertainty, inflationary pressures, and regulatory change. Despite these challenges, empirical evidence suggests that SMEs have demonstrated considerable capacity to adapt and sustain operations. According to the *British Business Bank* (2025), although the number of active firms declined modestly between 2023 and 2024, turnover increased substantially, indicating that surviving firms have adjusted their cost structures and operating models to maintain viability. Similarly, the *Federation of Small Businesses* (2024) reported that more than 68 per cent of SME owners considered their businesses to be resilient to recent economic challenges, with 73 per cent expressing confidence in future growth prospects.

Key determinants of resilience include financial adaptability, digitalisation, and organisational flexibility. Firms with diversified income streams or access to alternative finance—such as peer-to-peer lending or government-backed schemes—exhibited stronger survival rates (British Business Bank, 2025). Moreover, SMEs investing in digital tools and automation reported faster recovery from disruptions, particularly during periods of supply-chain instability and changing consumer demand (Department for Business and Trade, 2025). These findings align with the *Dynamic Capabilities Theory*, which views resilience as the ability to sense and respond to environmental change through continuous resource reconfiguration (Teece, 2007).

However, structural constraints persist. Many micro and small firms remain vulnerable due to limited financial buffers, skills shortages, and exposure to cost fluctuations. The *OECD* (2024) notes that these constraints create disparities in resilience capacity between small and medium-sized firms, with the latter generally more capable of absorbing shocks. Overall, while UK SMEs have demonstrated impressive adaptive strength, enhancing access to finance, skills development, and technology adoption remains critical to building long-term, systemic resilience.

Strategic Adaptation and Innovation Trends

Strategic adaptation has emerged as a decisive factor in the survival and competitiveness of Small and Medium-sized Enterprises (SMEs) within the United Kingdom's evolving economic landscape. In recent years, the ability to innovate, digitalise operations, and reconfigure business models has become central to maintaining resilience. The *Department for Business and Trade (2025)* reports that a growing number of UK SMEs are adopting digital technologies such as automation, e-commerce platforms, and data analytics to enhance efficiency and market reach. These technological shifts not only support cost reduction and productivity gains but also foster agility in responding to market volatility and regulatory changes.

The rapid acceleration of artificial intelligence (AI) adoption further illustrates this trend. By early 2025, survey evidence (IONOS and YouGov, 2025) indicated that AI adoption had risen to 37%, building on the 2024 economic baseline, up from around 20 per cent in 2024. Medium-sized firms were significantly more likely to adopt advanced technologies compared to micro and small enterprises, reflecting disparities in financial and human resource capacity. Such differences highlight the existence of a “digital divide” within the SME sector, where resource constraints limit smaller firms’ ability to exploit technological opportunities (OECD, 2024).

Barriers to strategic adaptation remain persistent, including inadequate access to finance, limited technical skills, and uncertainty regarding returns on digital investment (British Business Bank, 2025). Nevertheless, evidence shows that leadership commitment, managerial learning, and supportive policy environments substantially enhance adoption outcomes. SMEs engaging in continuous innovation and technology integration demonstrate not only higher operational resilience but also stronger long-term growth potential.

Overall, the empirical findings affirm that innovation and strategic adaptation are not peripheral activities but essential processes that underpin SME resilience. The capacity to evolve technologically and strategically has become a defining characteristic of competitive advantage within the contemporary UK SME landscape.

Integrated Analysis: Linking Economic Role, Resilience, and Adaptation

The findings of this study reveal that the economic significance, resilience, and adaptive capacity of Small and Medium-sized Enterprises (SMEs) in the United Kingdom are deeply interdependent dimensions of performance. The quantitative evidence confirms that SMEs constitute the dominant force in the private sector, accounting for nearly all business entities, over half of total turnover, and the majority of private employment (Department for Business and Trade, 2024; McKinsey, 2023). However, this structural prominence alone does not guarantee sustainability. The extent to which SMEs can preserve their economic contribution depends on their ability to withstand and adapt to shocks—an attribute closely tied to strategic innovation and digital transformation.

Resilience outcomes are strongest among firms that demonstrate proactive adaptation behaviours. The *British Business Bank (2025)* and *Federation of Small Businesses (2024)* both highlight that SMEs investing in technology, diversifying markets, and pursuing financial flexibility recorded higher turnover growth and survival rates despite challenging conditions. This finding supports the *Dynamic Capabilities Theory*, which posits that long-term stability arises from an organisation's ability to sense opportunities, seize them through strategic action, and transform resources accordingly (Teece, 2007; Bank of England, 2024).

Digitalisation plays a particularly pivotal role in reinforcing both resilience and productivity. Evidence from the *Department for Business and Trade (2025)* and *IONOS and YouGov (2025)* demonstrates that technology adoption not only increases efficiency but also enhances crisis responsiveness by improving information flow, remote operations, and customer engagement. In this way, adaptation strategies strengthen resilience while simultaneously driving innovation-led growth.

Overall, the analysis underscores that SMEs' enduring contribution to the UK economy rests not simply on their numerical dominance but on their capacity for continuous learning, innovation, and transformation. Adaptive capability has become the cornerstone of resilience and the principal determinant of sustainable economic performance in the modern SME landscape.

Table 1: Key Resilience Strategies Adopted by SMEs During Economic Crises

Strategy	Description	Example Outcome
Digital Transformation	Adoption of online platforms for sales and communication	Increased customer reach and reduced overhead
Cost Optimization	Streamlining operations, reducing fixed costs	Improved liquidity during downturns
Supply Chain Diversification	Partnering with multiple suppliers	Reduced dependency and risk exposure
Government Support Utilization	Accessing SME relief funds, tax deferrals	Maintained cash flow stability

The table 1 demonstrates that SMEs showing proactive digital and financial adaptation maintained better continuity during crises. These findings emphasize that technology integration and financial flexibility were decisive in shaping recovery outcomes.

Table 2: Comparison of SME Performance Pre- and Post-Pandemic
(2019 vs. 2023, based on latest available statistics)

Indicator	2019	2023	Change (%)
Average Annual Revenue (GBP million)	1.20	1.35	+12.5
Employment per SME (avg.)	10	11	+10.0
Export Participation (%)	18	24	+33.3
Survival Rate (%)	89	92	+3.4

SMEs recovered strongly post-pandemic, particularly in export participation, reflecting strategic agility and the benefits of digital adaptation. This rebound demonstrates that investment in technology and flexible management approaches significantly enhanced resilience and competitiveness.

Linking Resilience Factors to Strategic Adaptation Outcomes

The empirical results indicate that SME resilience during crises is not solely dependent on financial strength but also on the ability to integrate digital tools, leadership flexibility, and collaborative networks. To clarify these interconnections, Table 3 summarizes the relationship between key resilience factors and corresponding strategic adaptation outcomes observed among UK SMEs.

Table 3: Relationship Between Resilience Factors and Strategic Adaptation Outcomes in UK SMEs

Resilience Factor	Strategic Adaptation Outcome	Description / Impact	Example
Financial Flexibility	Sustained Business Continuity	SMEs with diversified funding sources (loans, grants, savings) withstand revenue shocks.	Firms using COVID-19 relief loans maintained liquidity and avoided closure.
Digital Transformation	Market Expansion & Efficiency	Adoption of digital tools improves efficiency, customer reach, and innovation capacity.	SMEs moving to e-commerce platforms increased sales by 20–30%.
Leadership Agility	Rapid Decision-Making & Crisis Navigation	Adaptive leaders respond faster to market shifts and employee needs.	SME owners implementing flexible work policies improved employee retention.
Networking & Collaboration	Resource Sharing & Knowledge Transfer	Partnerships strengthen resilience through shared resources and information.	Regional SME clusters collaborated on logistics and procurement during crises.
Innovation Capability	Competitive Advantage & Growth	Product and process innovations enhance adaptability in volatile markets.	SMEs that developed eco-friendly products accessed new customer segments.
Government & Institutional Support	Enhanced Recovery & Stability	Access to grants, tax relief, and training accelerates post-crisis recovery.	UK SMEs benefiting from "Help to Grow" initiatives experienced faster recovery.

The table 3 clearly demonstrates that resilience in SMEs is a multidimensional construct that integrates financial preparedness, leadership adaptability, and innovation capacity. When supported by institutional frameworks and digital transformation, these factors collectively foster sustainable growth and long-term competitiveness.

Discussion of Key Findings

The findings of this study reaffirm the central role of Small and Medium-sized Enterprises (SMEs) as the backbone of the UK economy, while also highlighting that their economic contribution is increasingly shaped by their capacity for resilience and strategic adaptation. Consistent with prior research (Linnenluecke, 2017; Cumming et al., 2023), the analysis demonstrates that SMEs' survival and productivity are closely linked to their ability to manage uncertainty through innovation, financial flexibility, and technological adaptation. The observed stability in SME turnover, despite a contraction in business numbers, suggests that firms capable of restructuring and leveraging new technologies have strengthened their competitiveness in a challenging environment.

This study also confirms that resilience is not a static attribute but a dynamic capability built through continuous learning and resource reconfiguration, as proposed by Teece (2007). Evidence from the *Department for Business and Trade (2025)* and *British Business Bank (2025)* indicates that SMEs integrating digital tools and adopting flexible financing structures outperform those relying on traditional operational models. These findings resonate with the *Dynamic Capabilities Theory*, which emphasises agility and transformation as key to sustainable performance.

However, the results also highlight disparities across firm size and sector. Micro and small enterprises face persistent barriers—limited access to finance, digital skills shortages, and regulatory complexity—that constrain their adaptive potential (OECD, 2024). This supports earlier observations by Bhamra, Dani and Burnard (2011) that resilience is unevenly distributed across firms due to differences in resource endowment and leadership capacity.

DISCUSSION AND IMPLICATIONS

This section builds upon the findings presented in Section 4 by interpreting their significance within the broader theoretical and empirical context of Small and Medium-sized Enterprise (SME) research. The preceding analysis revealed that UK SMEs remain a fundamental component of the national economy, contributing nearly all private-sector firms, over half of employment, and a majority share of total turnover (Department for Business and Trade, 2024). Despite this dominant role, the evidence also demonstrated uneven resilience across firm sizes, with medium-sized enterprises adapting more effectively to economic disruptions than smaller counterparts. Furthermore, the rapid increase in digitalisation and technological innovation since 2020 has emerged as a central determinant of competitiveness and long-term survival.

The purpose of this discussion is to move beyond descriptive results to interpret what these findings mean in relation to existing theories and literature. It examines which strategies have proven most effective in fostering SME resilience and where persistent gaps remain in financial, technological, and skills-related capacities. In doing so, the discussion integrates theoretical, practical, and policy perspectives to understand how adaptive capacity underpins sustainable performance.

This transition from results to interpretation enables a deeper understanding of how SMEs' economic role interacts with their strategic adaptability—highlighting that resilience is not merely an outcome of stability but a continuous, capability-driven process of renewal and transformation.

Effectiveness of Strategies and Adaptations

The findings indicate that strategic adaptation has been a decisive factor in enhancing the resilience and long-term sustainability of UK Small and Medium-sized Enterprises (SMEs). Among the various strategies adopted, digital transformation, market diversification, and financial flexibility emerged as the most effective. According to the *Department for Business and Trade (2025)*, SMEs that adopted digital tools such as e-commerce platforms, data analytics, and automation reported productivity gains of up to 22 per cent and stronger recovery trajectories following economic disruptions. Similarly, the *IONOS and YouGov (2025)* survey revealed that 37 per cent of SMEs had integrated Artificial Intelligence (AI) tools into their operations by early 2025—almost doubling from the previous year—demonstrating the rapid acceleration of technological adaptation.

Firms exhibiting these adaptive traits were also more resilient to inflationary pressures and supply-chain volatility. The *British Business Bank (2025)* found that SMEs with diversified income sources and flexible financial strategies experienced higher turnover growth and lower default risk, underlining the importance of proactive financial management. Medium-sized enterprises, in particular, showed stronger performance in technology integration and strategic planning, supported by better access to credit and skilled personnel (OECD, 2024).

However, successful adaptation was not limited to financial capacity. The *Federation of Small Businesses (2024)* highlighted that leadership agility, innovation culture, and collaboration networks were critical in translating technological investments into sustainable performance outcomes. These findings align with the Dynamic Capabilities Theory (Teece, 2007), which posits that sensing opportunities, seizing innovations, and reconfiguring resources collectively enable long-term competitiveness.

Overall, the evidence confirms that resilience among UK SMEs is driven not merely by survival strategies but by continuous innovation, leadership adaptability, and the strategic use of technology. Adaptation has evolved from a reactive process to a proactive, capability-based mechanism that ensures both immediate stability and enduring growth.

Gaps and Constraints in Financial, Technological, and Skills Dimensions

While evidence demonstrates significant progress in SME adaptation and innovation, notable structural gaps continue to constrain their overall resilience and competitiveness. The most persistent challenges relate to financial accessibility, technological inequality, and skills shortages, all of which hinder the ability of many firms—particularly micro and small enterprises—to implement strategic adaptation effectively.

In financial terms, SMEs continue to face limited access to affordable credit and growth capital. The *British Business Bank (2025)* reports that 38 per cent of small businesses experienced financing difficulties in 2024, mainly due to rising interest rates and cautious lending by commercial banks. Although alternative finance options, such as crowdfunding and government-backed schemes, have increased, many smaller firms remain excluded due to weak credit histories or limited collateral. This financing gap constrains investment in innovation, technology, and workforce development—key components of long-term resilience.

Technological gaps are equally significant. According to the *Department for Business and Trade (2025)*, nearly 45 per cent of SMEs still operate with minimal digital integration, relying on manual systems that limit efficiency and scalability. The *OECD (2024)* highlights that while medium-sized firms are rapidly digitalising, smaller firms lag due to high upfront costs, cybersecurity risks, and limited technological know-how. This “digital divide” reinforces performance disparities across the SME ecosystem.

Skills shortages further exacerbate these constraints. The *Federation of Small Businesses (2024)* found that one in three SMEs identified a lack of digital and managerial skills as a barrier to adopting new technologies or entering new markets. Insufficient access to training and difficulty attracting qualified personnel remain major obstacles, particularly outside major urban regions.

Comparatively, the literature suggests that these gaps are consistent with broader OECD trends, where SMEs often struggle to translate innovation potential into measurable productivity gains (Cumming et al., 2023; World Bank (2023)). Addressing financial, technological, and skills barriers is therefore essential to unlocking the full adaptive capacity of UK SMEs and ensuring inclusive economic growth.

Theoretical Implications

The findings of this study make a significant contribution to the theoretical understanding of SME resilience and strategic adaptation within the framework of the Dynamic Capabilities Theory (Teece, 2007). The results reaffirm that resilience is not a static or reactive condition but a dynamic and evolving process driven by the capacity of firms to sense environmental change, seize emerging opportunities, and transform resources to maintain competitiveness. In this context, resilience and adaptation are shown to be mutually reinforcing dimensions of firm performance rather than separate constructs.

The empirical evidence supports and extends Linnenluecke's (2017) conceptualisation of organisational resilience as a multidimensional construct encompassing financial, operational, and strategic capacities. UK SMEs that actively integrated digital technologies, diversified operations, and strengthened leadership agility demonstrated enhanced performance and faster recovery during turbulent periods. This suggests that adaptive innovation and learning are key mechanisms through which resilience becomes embedded in organisational routines—a refinement of existing theoretical perspectives that often treat resilience as a post-crisis phenomenon.

Furthermore, the study highlights that resource endowment and contextual factors—such as firm size, sector, and access to finance—mediate the development of dynamic capabilities. These findings align with Cumming et al. (2023), who argue that resilience outcomes are contingent upon the interplay between internal competencies and external support systems. Hence, this research advances theory by integrating structural economic variables into the dynamic capabilities' framework, illustrating how institutional conditions shape adaptive capacity.

In sum, the theoretical contribution lies in positioning resilience not merely as an outcome but as an ongoing, capability-based process that determines the sustainability and competitiveness of SMEs in volatile economic environments.

Practical and Policy Implications

The findings of this study offer important practical and policy implications for enhancing the long-term sustainability and competitiveness of UK Small and Medium-sized Enterprises (SMEs). From a managerial perspective, the results highlight the critical importance of strategic adaptability through continuous innovation, technology integration, and leadership agility. SME managers should prioritise digital transformation, including the use of automation, data analytics, and e-commerce, to strengthen efficiency and market responsiveness. Evidence from the *Department for Business and Trade (2025)* shows that firms adopting digital tools achieve higher productivity and faster recovery during economic disruptions. Managers should also invest in workforce upskilling to bridge digital and managerial skill gaps identified across the SME sector (Federation of Small Businesses, 2024).

For policymakers, the study underscores the need to foster an enabling ecosystem that supports SME adaptation and growth. This involves improving access to finance through diversified funding mechanisms and simplifying lending procedures, particularly for micro and small enterprises that face systemic barriers (British Business Bank, 2025). Government initiatives should also prioritise digital inclusion and regional skills development by expanding programmes that enhance technological capabilities and leadership competencies in underrepresented areas. As the *OECD (2024)* notes, policy coordination between education, finance, and innovation agencies is essential to sustaining SME resilience and productivity.

Financial institutions likewise play a crucial role by developing flexible lending frameworks that recognise the long-term value of innovation and digital investment rather than relying solely on traditional credit metrics. By aligning finance, technology, and skills support, public and private actors can collectively build a more resilient and adaptive SME sector capable of sustaining the UK's economic growth and competitiveness in the post-Brexit and digital era.

Limitations and Areas for Future Research

Although this study provides valuable insights into the economic role, resilience, and strategic adaptation of UK Small and Medium-sized Enterprises (SMEs), certain limitations should be acknowledged to contextualise its findings. First, the research relies primarily on secondary data sources such as government reports, institutional surveys, and published datasets. While these materials are reliable and comprehensive, they may not fully capture firm-level nuances or the diversity of experiences across different SME sectors and regions. Consequently, some insights—particularly regarding managerial decision-making and firm culture—could benefit from primary qualitative evidence, such as interviews or case studies.

Second, the study's analytical focus on the 2020–2025 period offers a timely perspective on post-Brexit and post-pandemic dynamics but limits the ability to assess long-term structural transformations. Future research could extend this timeframe to examine how resilience and adaptation evolve as economic conditions stabilise or new technological paradigms emerge.

Third, while the study draws on the Dynamic Capabilities Theory to explain resilience, other theoretical frameworks—such as institutional theory or resource orchestration—may further enrich understanding of how contextual and policy factors shape adaptive behaviour. Comparative studies across different national contexts could also highlight how policy environments influence SME outcomes.

Overall, future research should employ mixed-method and longitudinal designs to deepen understanding of how financial, digital, and human capital interact to sustain SME resilience. Such inquiry would strengthen both theoretical development and practical interventions supporting SME competitiveness in an increasingly dynamic global economy.

CONCLUSION AND RECOMMENDATIONS

Summary of Key Findings

The study set out to examine the economic significance, resilience, and strategic adaptation of Small and Medium-sized Enterprises (SMEs) in the United Kingdom between 2020 and 2025. The findings confirm that SMEs remain the foundation of the UK's private sector, representing 99.8 per cent of all enterprises, employing over 16 million people, and generating approximately £2.8 trillion in turnover (Department for Business and Trade, 2024). This economic prominence highlights the sector's essential role in employment creation, innovation, and regional development.

However, the analysis also revealed structural vulnerabilities. Between 2023 and 2024, the total SME population declined slightly—by about 56,000 firms—primarily due to rising costs, inflation, and constrained access to finance (British Business Bank, 2025). Despite this contraction, average turnover increased, indicating that surviving firms became more productive and efficient. The Federation of Small Businesses (2024) further reported growing business confidence and strategic adaptation among SMEs that invested in technology and diversified operations.

Digital transformation and innovation emerged as key determinants of resilience. The Department for Business and Trade (2025) found that technology adoption significantly enhanced productivity, while IONOS and YouGov (2025) reported that AI adoption among SMEs nearly doubled between 2024 and 2025. These trends underline the crucial link between adaptive capability and long-term competitiveness.

Overall, the study concludes that SME resilience in the UK is not defined by size or resources alone but by strategic adaptability—the ability to sense opportunities, reconfigure operations, and sustain performance under uncertainty. The integration of financial flexibility, technological innovation, and leadership agility has become the foundation of sustainable SME growth and, by extension, the stability of the broader UK economy.

Theoretical Contributions

This study contributes to the theoretical understanding of SME resilience and strategic adaptation by extending the application of the Dynamic Capabilities Theory (Teece, 2007) to the post-Brexit and post-pandemic UK context. The findings demonstrate that resilience within SMEs is not a static or reactive condition but an active, continuous process involving the sensing of environmental changes, the seizing of emerging opportunities, and the transformation of organisational resources to sustain competitive advantage. This reinforces the view that adaptability represents a dynamic capability embedded within daily management and decision-making processes.

By integrating economic, financial, and technological dimensions, the study advances existing theory in two key ways. First, it bridges the gap between macro-level economic contribution and micro-level adaptive behaviour, illustrating how national competitiveness depends on firm-level innovation and responsiveness. Second, it refines Linnenluecke's (2017) conceptualisation of organisational resilience by emphasising the interdependence between financial flexibility, digital innovation, and leadership agility as the foundation of adaptive capacity.

Furthermore, the study empirically supports the argument by Cumming et al. (2023) that resilience outcomes are contingent upon contextual factors such as firm size, resource availability, and institutional support. By linking these insights to the UK SME landscape, the research contributes a more holistic understanding of resilience as a capability-based phenomenon shaped by both internal competencies and external policy environments. Hence, the study enriches the theoretical discourse by positioning resilience as a dynamic, multidimensional construct essential to sustainable enterprise performance.

Practical and Policy Recommendations

The study's findings have significant implications for practitioners and policymakers seeking to strengthen the sustainability and competitiveness of Small and Medium-sized Enterprises (SMEs) in the United Kingdom. The evidence highlights that adaptability, innovation, and leadership agility are central to building resilience and long-term performance.

Recommendations for SME Managers

SME leaders should prioritise digital transformation and continuous innovation to enhance efficiency, customer engagement, and operational flexibility. Investment in automation, artificial intelligence, and data analytics—identified as major productivity drivers (Department for Business and Trade, 2025; IONOS and YouGov, 2025)—should be aligned with business strategies to ensure long-term competitiveness. In addition, SMEs should foster a culture of learning and agility, encouraging employees to upskill in digital and managerial competencies. Collaboration through local business networks and innovation clusters can also help smaller firms share knowledge and mitigate risks.

Recommendations for Policymakers

The government should develop targeted policies that promote inclusive access to finance, particularly for micro and small enterprises that face systemic barriers. Expansion of government-backed loan guarantees and digital investment grants would encourage innovation across the SME sector (British Business Bank, 2025). Moreover, coordinated initiatives between the Department for Business and Trade and regional authorities should support digital inclusion and skills development, reducing disparities between urban and rural areas (OECD, 2024). Policies should also emphasise regulatory simplification and improved access to export markets to help SMEs scale sustainably.

Recommendations for Financial Institutions

Banks and investors should adopt flexible lending frameworks that account for SMEs' innovative potential rather than relying solely on collateral-based assessments. Financial instruments that recognise intangible assets—such as digital capability or intellectual property—can encourage long-term growth investment.

Collectively, these actions would enhance the resilience, innovation capacity, and economic contribution of UK SMEs, ensuring that the sector remains a key driver of productivity,

Authors' Contributions: The study was conceived and guided by Dr. Faisal Majeed, who provided academic supervision, contributed to the development of the methodological design, and offered critical revisions that strengthened the analytical depth of the paper. Mr. Saud Ahmed assisted in refining the literature review, improving the conceptual framework, and enhancing the clarity of the manuscript. Mr. Muhammad Shoaib supported the organisation of the results, contributed to data verification, and assisted in the preparation of the final manuscript. Mr. Ebrahim Mollik led the development of the research framework, conducted the data collection and analysis, prepared the figures and tables, and coordinated communication and final manuscript preparation. All authors reviewed and approved the final version of the manuscript.

Acknowledgements: The authors would like to acknowledge the support of publicly available data and resources provided by the Department for Business and Trade (DBT), the British Business Bank, the Federation of Small Businesses (FSB), and the Organisation for Economic Co-operation and Development (OECD), which formed the basis of this analysis. The author is also grateful for the constructive feedback received from academic colleagues during the manuscript review process.

Funding: This research received no external funding.

Conflicts of Interest: The author declares no conflict of interest.

Institutional Review Board Statement: Ethical approval was not required for this study because it involved the analysis of publicly available secondary data and did not include any interaction with human participants, the collection of personal or sensitive information, or the use of identifiable records. The research adheres to established ethical principles for non–human-subject research, including integrity, transparency, and responsible data use. All data sources were accessed in accordance with their terms of use, and no procedures were conducted that would trigger institutional or national requirements for human-subject ethics review. The study therefore complies with recognised standards for ethical scholarship in social science and economic research.

Informed Consent Statement: Not applicable.

Data Availability Statement: All data used in this study were obtained from publicly accessible institutional reports and official databases, including the Department for Business and Trade, the British Business Bank, and the OECD.

REFERENCES

Audretsch, D. B., & Thurik, A. R. (2001). *What's new about the new economy? Industrial and Corporate Change, 10*(1), 267–315. https://doi.org/10.1093/icc/10.1.267

Bank of England (2024) *Credit Conditions Survey 2024.* London: Bank of England.

Bhamra, R., Dani, S., & Burnard, K. (2011). *Resilience: The concept, a literature review and future directions. International Journal of Production Research, 49*(18), 5375–5393. https://doi.org/10.1080/00207543.2011.563826

British Business Bank. (2025). *Small business finance markets report 2024/25.* London, UK: British Business Bank. https://www.british-business-bank.co.uk

Carmeli, A., & Markman, G. D. (2011). *Capture, governance, and resilience: Strategy implications for SMEs. Strategic Management Journal, 32*(1), 110–124. https://doi.org/10.1002/smj.882

Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.). Thousand Oaks, CA: SAGE Publications.

Cumming, D., Fischer, E., & Hornuf, L. (2023). *Entrepreneurial resilience and regional economic stability. Small Business Economics, 61*(2), 415–438. https://doi.org/10.1007/s11187-022-00631-1

Department for Business and Trade. (2024). *Business population estimates for the UK and regions 2024.* London, UK: Department for Business and Trade.

Department for Business and Trade. (2025). *Understanding technology adoption among UK SMEs.* London, UK: Department for Business and Trade.

Federation of Small Businesses. (2024). *UK small business index 2024.* London, UK: Federation of Small Businesses.

Hughes, A., Mina, A. and Lee, H.F. (2022) 'The Innovation Pathways of UK SMEs', *Research Policy*, 51(4), 104–120.

International Monetary Fund (2023) *United Kingdom: Staff Country Report 2023.* Washington, DC: IMF.

IONOS & YouGov. (2025). *UK small businesses lead the way with AI adoption.* London, UK: IONOS Research Report.

Linnenluecke, M. K. (2017). *Resilience in business and management research: A review. International Journal of Management Reviews, 19*(1), 4–30. https://doi.org/10.1111/ijmr.12076

McKinsey & Company (2023) *Digital Transformation in UK SMEs: Productivity and Growth Opportunities.* London: McKinsey Global Institute.

Office for National Statistics (2024) *UK Business: Activity, Size and Location 2024.* London: ONS.

Organisation for Economic Co-operation and Development (OECD). (2024). *SME and entrepreneurship outlook 2024.* Paris, France: OECD Publishing. https://doi.org/10.1787/26173212

Schumpeter, J. A. (1934). *The theory of economic development.* Cambridge, MA: Harvard University Press.

Teece, D. J. (2007). *Explicating dynamic capabilities: The nature and microfoundations of sustainable enterprise performance. Strategic Management Journal, 28*(13), 1319–1350. https://doi.org/10.1002/smj.640

World Bank (2023) *Small and Medium Enterprise Development Report 2023.* Washington, DC: World Bank Group.