

The Consequences of the **COVID-19 Pandemic** on SMEs and the **Psychological Health** of Entrepreneurs

**Summary
of Preliminary
Results**
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The Research Project

The COVID-19 pandemic has led to considerable social and economic upheaval. Starting in March 2020, the Canadian provinces imposed confinement measures on individuals and closed certain businesses or industries. Some were able to continue their operations, but had to reorganize their workplaces to comply with the guidelines set forth by public health authorities. During the period from March to July 2020, these restrictions increased and were subsequently gradually relaxed, notwithstanding a few exceptions. However, no business can escape the new public health guidelines. This is the context in which this study aims to shed light on the consequences of these upheavals on SME management and the psychological health of entrepreneurs.

Methodology and Sample

We recruited individuals in business through various partners and networks, including the [École des entrepreneurs du Québec \(ÉEQ\)](#), the [Regroupement des Jeunes Chambres de Commerce du Québec \(RJCCQ\)](#), the [Canadian Mental Health Association \(CMHA\)](#), [Bonjour Startup Montréal](#), partners from [Université du Québec à Trois-Rivières](#) and [Université Laval](#) as well as social media platforms such as LinkedIn and Facebook, and directly with former participants in past studies. The total sample was composed of 636 individuals in business found mainly through social media (64.9%) and contacts from previous studies (23.6%) (Figure 1). The sample included respondents from Québec (43.8%), Ontario (21.4%), Alberta (8.2%) and British Columbia (8.2%). The majority were men (54.2%), White (85.6%), born in Canada (99.3%), and held an undergraduate degree (56.3%). Respondents were between 21 and 74 years of age (average = 40). The majority live with a spouse/partner (85.4%) and have one (47.8%) or two (21.9%) children. The companies have been in business for approximately five years (median) and had a pre-pandemic annual turnover of \$1M to \$2M (median), as well as 20 employees on average (median = 12). The businesses mostly operate in manufacturing (23.8%), professional, scientific and technical services (22.7%), the information and cultural industry (9.7%), other services (6.3%), retail trade (6.2%) and wholesale trade (5.1%).

The sampling technique does not make it possible to obtain a sample that is representative of the entrepreneurs in Canada.

Sources of recruitment

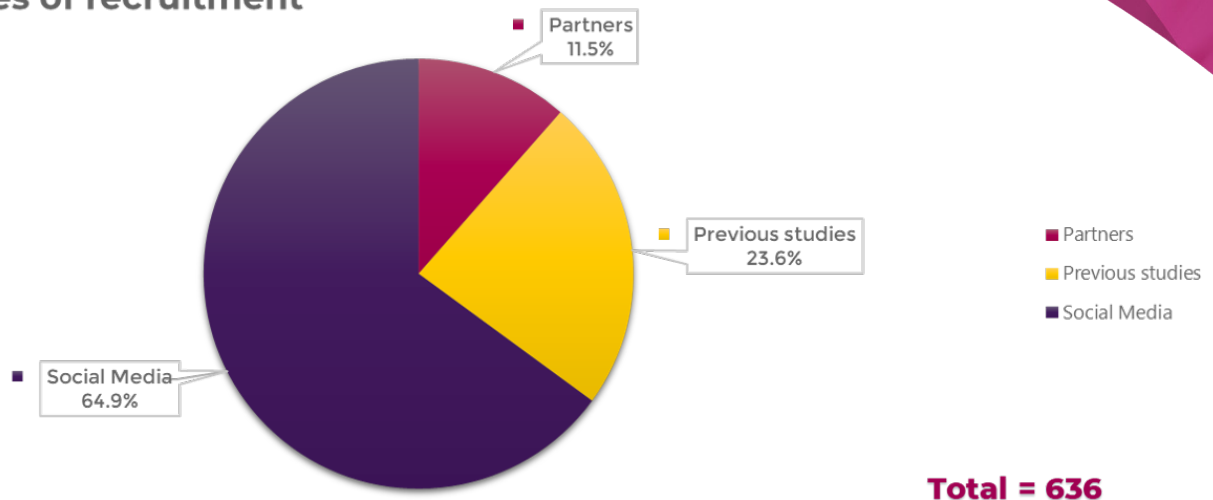


Figure 1. Sources of Recruitment and Total Sample

Consequences of the Pandemic on the SMEs

The majority of respondents (54.5%) saw their annual turnover increase or remain the same after the onset of the pandemic, whereas the others saw a slight decrease (37.2%) or a more significant drop, 3.5% of whom were forced to close their doors (either temporarily or permanently).

Changes in the number of employees are very similar: 54.8% saw no change (27.4%), some saw an increase (27.4%), and the rest reported a decrease of 1 to 3 employees (34.5%) or more (10.7%). With regard to profitability, 37.7% believe that profits in the post-COVID-19 year will be similar to the previous year, whereas 39.2% believe they will be lower and 23.1% believe they will be higher. Whereas 33.4% report being less satisfied with their company's performance post-COVID-19, 24.9% report no change in their satisfaction and 41.7% report even higher satisfaction.

With regard to measures of optimism, 26.3% of respondents were rather pessimistic about the development of their businesses in the next year, whereas 69.4% were rather optimistic (median = 4; scale of -10 to +10). Their optimism is less glowing about the global economic situation in the coming year, with 38% being pessimistic and 56.1% being optimistic (median = 2; scale of -10 to +10). The change in the business environment was deemed rather significant, as can be seen in Figure 2 (mode: 7/10). Faced with this change, entrepreneurs believe that it represents more of a threat in 25.7% of cases, whereas 64.7% believe it represents opportunities. In this regard, the pandemic has brought about changes in clientele for 84.5% of the sample (median impact of 4/10). This was an opportunity to introduce new products or services 85.7% (median impact of 4/10) or to purchase from new suppliers (79.6%). Whereas 36.0% of the sample did not report any changes in the use of technology in the business' operations, 59.9% increased their use of technology during the pandemic (i.e. by using teleworking tools or by developing an e-commerce platform).

The entrepreneurs were rather optimistic toward the development of their businesses in the coming year and 64.7% believed the pandemic mostly generated opportunities!

59.9% of the entrepreneurs increased their use of technology in managing their businesses to deal with the pandemic.

Scope of the Change in the Business Environment

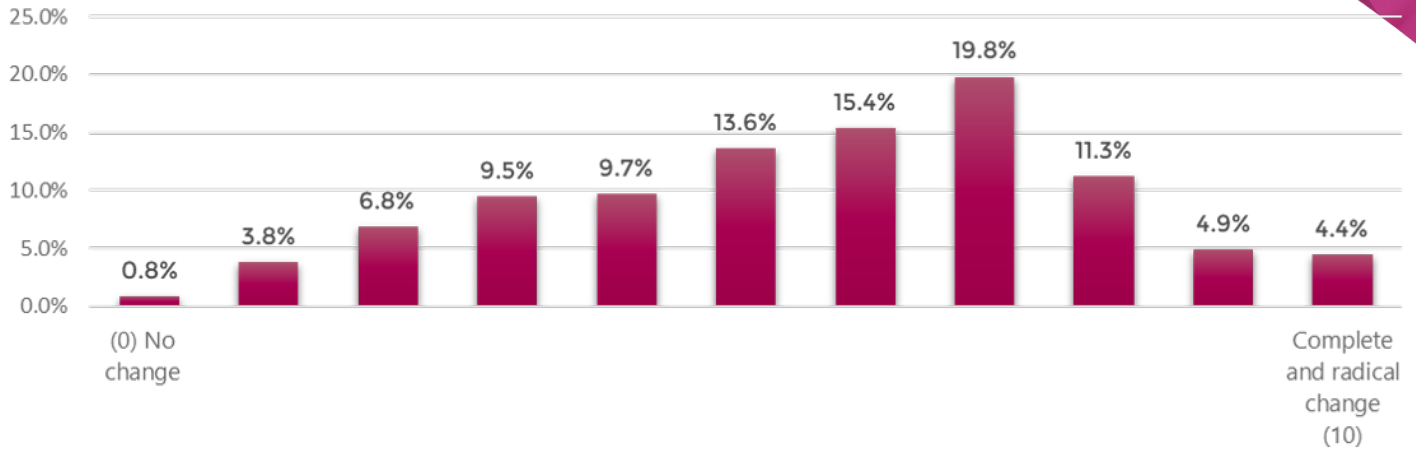


Figure 2. Scope of the Change in the Business Environment

Although all of these changes may have positive consequences in certain regards and for certain people, the fact remains that 94.6% of the businesses had to reorganize work as a result of the new health measures (median impact of 5/10). Also, a drop in liquidity was reported by 51.8% of respondents, whereas only 34.1% saw an increase. This forced 58.3% of the sample to go into greater debt, and only 16.2% saw their debt load decrease.

Overall, the changes to the business' operations were reported as being slightly easier than more difficult to implement (Figure 3). A total of 91.8% foresee other changes to come in the next three months. Several individuals believe these changes to be permanent. A total of 51.2% believe that a few of the changes will be maintained over time and 32.8% believe that many of the changes will be maintained (Figure 4).

84% of the entrepreneurs believe that the changes stemming from the pandemic will be maintained over time.

Degree of Difficulty of the Changes in the Business

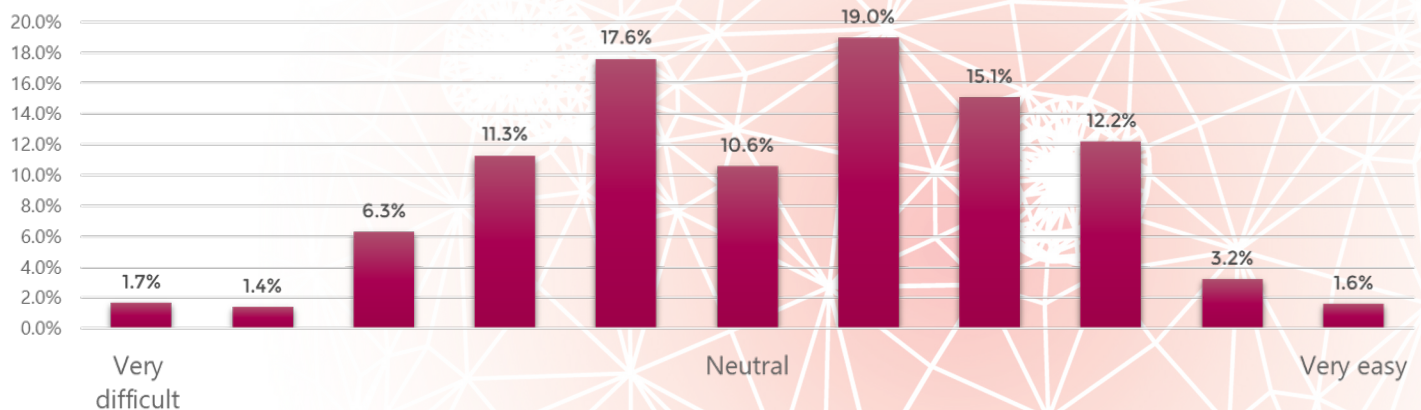


Figure 3. Degree of Difficulty of the Changes in the Business

Degree to Which Changes in the Business Are Permanent

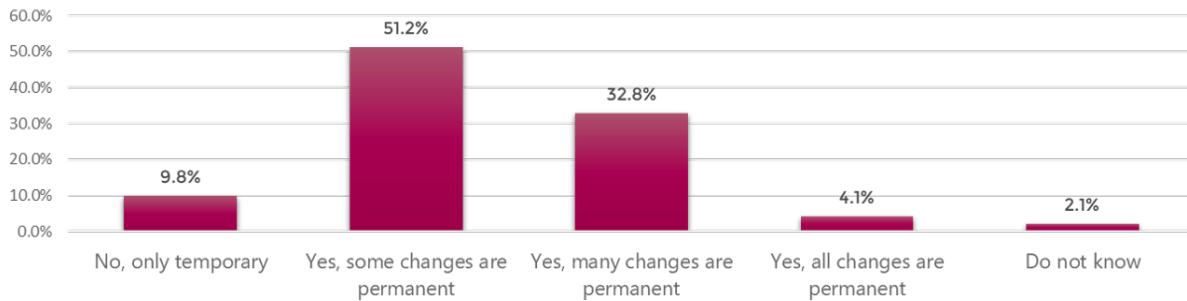


Figure 4. Degree to Which Changes in the Business Are Permanent

Support and Resources

In order to deal with the pandemic, the various levels of government have implemented support measures. Our findings show that 13.3% of respondents were not eligible for these measures, whereas 63.5% were eligible for some measures and 21.6% were eligible for several. For the eligible entrepreneurs, these measures were deemed moderately sufficient (Figure 5) and moderately suitable (Figure 6).

Degree to Which Government Support Measures Are Sufficient

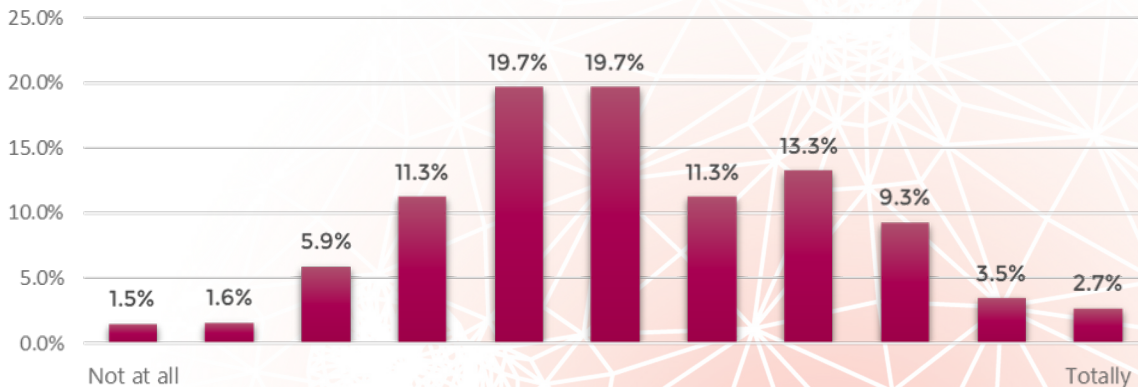


Figure 5. Degree to Which Government Support Measures Are Sufficient

Degree to Which Government Support Measures Are Suitable

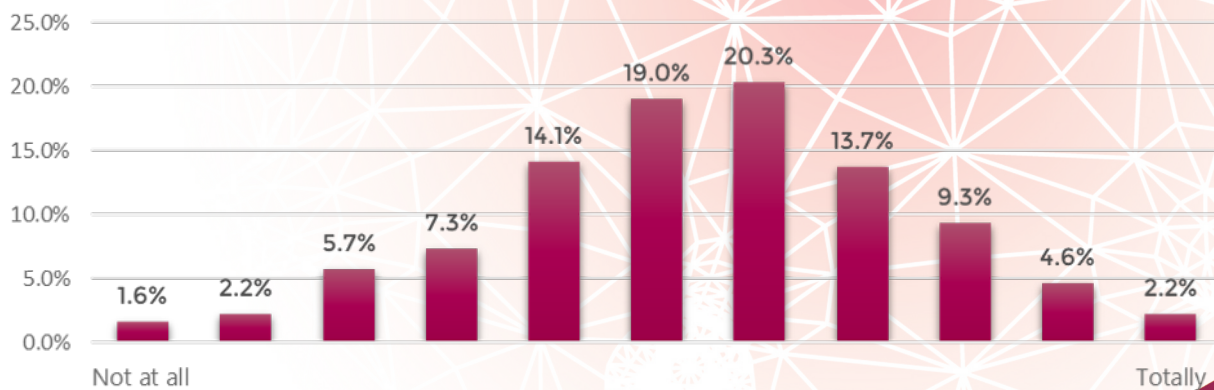


Figure 6. Degree to Which Government Support Measures Are Suitable

Overall, the entrepreneurs report having easy enough access to various resources and in sufficient amounts to deal with their obligations and projects. As shown in Figure 7, the most accessible resource is business contacts (5.05/7), followed by useful and quality training (4.92/7), quality consulting services (4.79/7) and quality employees who are available when needed (4.78/7). The least accessible resource was enough financial support under appropriate conditions (4.46/7) and access to quality emotional support (4.59/7). In the context of a pandemic, these latter two resources are especially important for entrepreneurs, yet they appear to be the least accessible. It should be noted that financial support is perceived as less accessible for women (4.34) than for men (4.64), whereas both sexes perceive the same access to the other resources .

Enough financial support under appropriate conditions as well as access to quality emotional support were deemed the least accessible by the entrepreneurs.

I have easy and sufficient access to...

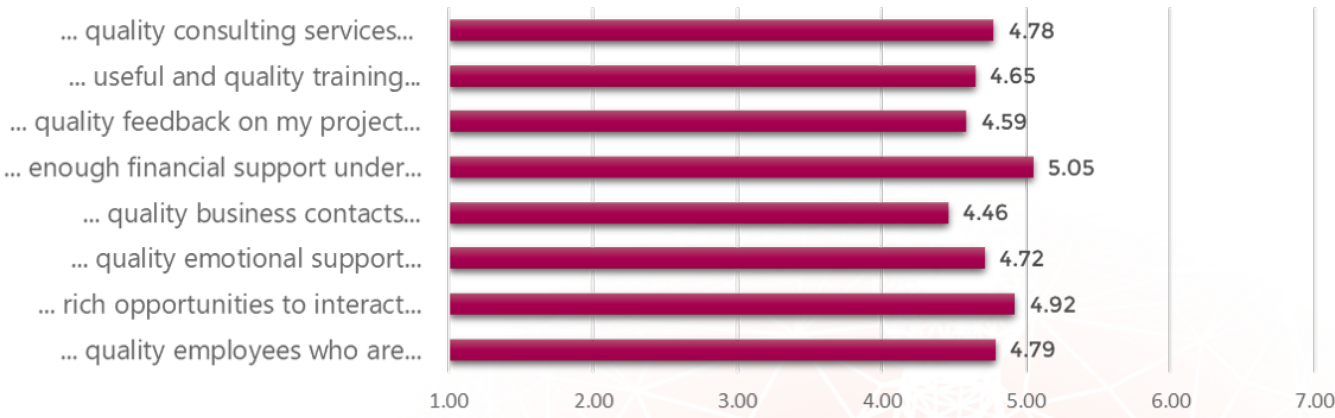


Figure 7. Access to Resources by Entrepreneurs

Challenges and Psychological Health

Managing work/life balance remained the greatest challenge reported by the entrepreneurs.

Entrepreneurs face many challenges. In normal times, we have shown that managing psychological health is the 2nd most significant challenge to deal with ([view the summary](#)). What follows are the main elements of psychological health management and the proportion of respondents who reported facing these challenges or difficulties "4- Somewhat" or "5-A lot" during this time (scale of 1-Not at all to 5-A lot). As can be seen in Figure 8, the most significant challenge at this time appears to be managing the balance between different spheres of entrepreneurial life (53.1 %), followed by coping with the stress of being an entrepreneur (48.4%), managing the psychological load of being in business (44.5%) and the need to break the isolation felt as an entrepreneur (40.2%).

We also used a measure of exhaustion¹ for the entrepreneurs in the sample. The average score for exhaustion was 4.26 (out of 7) whereas for a prior sample taken before the pandemic², the entrepreneurs obtained an average score of 3.62 (out of 7). Based on the relative exhaustion thresholds calculated from the current sample³, 39.2% of the entrepreneurs could be considered to have reached

39.2% of the entrepreneurs could be considered to have reached a burnout point.

Challenges Experienced by the Entrepreneurs (% Somewhat or A lot)

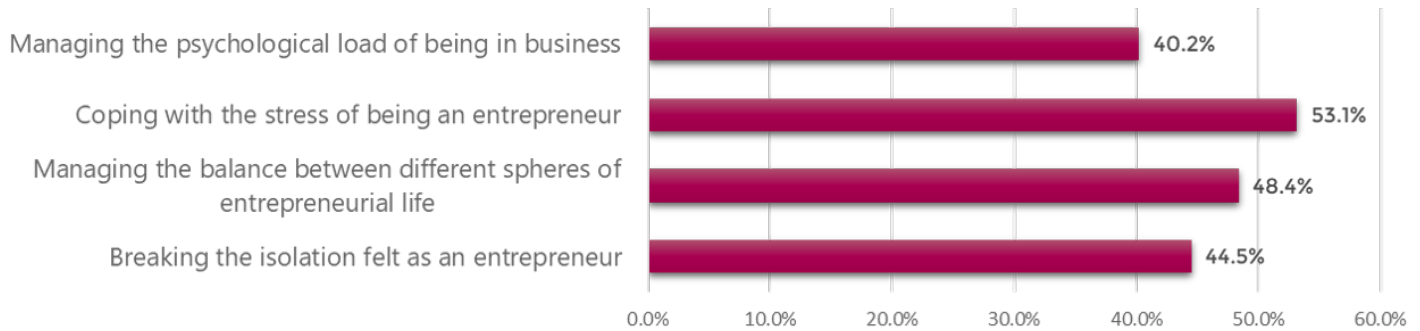


Figure 8. Challenges Experienced with Regard to Psychological Health Management

a burnout point.

In terms of subjective well-being, the measure indicates the frequency of having experienced a sense of well-being (i.e. in good spirits, calm, vigorous, etc.) in the previous two weeks. The scale varies from 0-At no time to 5-All of the time. We considered individuals with an average score of 0 to 2 (from "At no time" to "Less than half of the time") to have a low sense of well-being. Our findings show that 45.4% of the sample obtained a low subjective well-being score.

54.6% of the entrepreneurs obtained a sufficiently high subjective well-being score.

Situations such as the COVID-19 pandemic are likely to generate anxiety. We used measures of prospective and inhibitory anxiety⁴. This anxiety is linked to the fear of the unknown in situations of uncertainty. Experiencing anxiety in the face of uncertainty may lead a person to want to plan and control everything (prospective anxiety) or avoid taking action (inhibitory anxiety). The entrepreneurs experienced more prospective anxiety (average = 4.42/7) than inhibitory anxiety (average = 3.90/7).

Perceived quality of sleep varied from (-10) "Really bad" to (+10) "Really good" with a median of (0) "Neither bad nor good" (average = 0.41).

Moreover, a total of 47.2% of respondents were fairly or totally satisfied with being an entrepreneur. When asked to indicate the likelihood of their still being an entrepreneur in five years, half of the sample estimated the probability of still being an entrepreneur at 80% or more.

1 Exhaustion subscale by Maslach, C., S. E. Jackson and M. P. Leiter. (1996), *Maslach burnout inventory manual (4th ed.)*, Palo Alto, CA, Consulting Psychologists Press.

2 https://oraprdnt.uqtr.quebec.ca/pls/public/docs/GSC1512/O0002391688_D_fis_entrepreneurs_r_sum_recherche.pdf

3 The threshold is calculated using the following formula: $z = \text{Mean} + (\text{Standard Deviation} \times 0.5)$.

4 Carleton, R. N., M. P. J. Norton and G. J. Asmundson (2007), "Fearing the unknown: A short version of the Intolerance of Uncertainty Scale," *Journal of Anxiety disorders*, vol. 21, n° 1, pp. 105-117.

How to Manage Stress and Avoid Exhaustion ?

Our preliminary results show that entrepreneurs, as do people in general, use three major coping strategies to deal with stress: task-oriented strategies; emotion-oriented strategies; and avoidance-oriented strategies.



When entrepreneurs face stress by *being task-oriented*, they identify and adjust their priorities, analyze the problem before acting and make a decision based on their intuition. When they deal with stress by *being emotion-oriented*, they daydream about better days or places, blame themselves for having procrastinated or become preoccupied by what they have to do. Lastly, when they deal with stress by *being avoidance-oriented*, they take breaks or days off to get themselves out of the situation, speak to someone or exercise.

We also observed that certain individuals dealt with stress by **consuming alcohol, drugs or medication**. This is also an avoidance strategy, but one that is inconsistent with the others.

We have seen that 52.7% of respondents were task-oriented often or fairly often, whereas 28.5% were emotion-oriented and 32.7% were avoidance-oriented in the same proportions. With regard to consuming alcohol, drugs or medication, 24.5% of respondents did so fairly often or often.

The preliminary results⁵ show that the more the coping strategies were task-oriented and avoidance-oriented, the less stress the entrepreneurs experienced and the more they reported subjective well-being. Conversely, the more entrepreneurs used emotion-oriented strategies or alcohol, drugs and medication, the more stress they experienced and the lower their degree of subjective well-being. It is very likely that stress or a low degree of subjective well-being leads to higher consumption of psychotropic substances.⁶

It should also be noted that entrepreneurs who had to deal with significant work reorganization experienced higher levels of exhaustion and stress and had a stronger tendency to use psychotropic substances. Increasing debt load also had a negative effect on exhaustion and stress and decreased subjective well-being.

It is also important to point out that only the avoidance-oriented strategy made it possible to improve sleep, which in turn reduces stress, exhaustion and greatly increases subjective well-being.

To deal with stress caused by work overload, entrepreneurs benefit from not only focusing on the task at hand, but also from taking breaks, speaking to others and exercising.

In order to increase their sense of well-being, reduce stress and avoid exhaustion, entrepreneurs must revitalize themselves by seeking out emotional support, opportunities to interact with other entrepreneurs, turn to resources for advice and training in order to get the support they need to deal with the challenges they face!

⁵ These analyses are based on correlations. It is impossible to prove that one causes the other. Other confounding factors may also be at play and have not been considered.

⁶ Murphy, S. A., R. D. Beaton, K. C. Pike et L. Johnson (1999), "Occupational stressors, stress responses, and alcohol consumption among professional firefighters: A prospective, longitudinal analysis," *International Journal of Stress Management*, vol. 6, n° 3, pp. 179-196.

Moreover, entrepreneurs need to revitalize themselves by seeking quality emotional support, opportunities to interact with other entrepreneurs or even seek advice or training from specialized organizations, all of which are associated with greater well-being and less stress and exhaustion. In this context, we cannot overemphasize the importance of entrepreneurs taking care of themselves by taking the time to maintain a healthy life balance and turning to the resources that are available to help them deal with the challenges they face.

Next Steps

Further analyses will be carried out in the coming weeks. We wish to extend our deepest thanks to everyone who has taken the time to answer this questionnaire. On behalf of the students working on this project, we also wish to thank all of those who have chosen to donate their \$20 compensation, which makes it possible to offer a scholarship of \$3,260!

This major project includes follow-ups in four (4), eight (8) and twelve (12) months. These follow-ups will be of capital importance in order to observe how the changes will have impacted the SMEs over time and to see the potential consequences on the psychological health and well-being of entrepreneurs.

***Any question about this project ? Please send an e-mail to the main researcher, Étienne St-Jean, Ph.D.
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***Next follow-up
early October 2020!
Looking forward to
it! Thank you for
your participation!***