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CONSEQUENCES OF THE COVID-19 PANDEMIC ON SMES AND THE PSYCHOLOGICAL HEALTH OF ENTREPRENEURS (eight-month follow-up)

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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 October 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. This summary of findings constitutes the analysis of the third data collection (eight-month follow-up) on this longitudinal project including the recruitment (June 2020), the first follow-up (November 2020) then the present follow-up (February 2021).

METHODOLOGY AND SAMPLE

The total sample includes **265 people** in business who responded to the data collection carried out in February 2021 and who had been recruited in June 2020. The sample is made up of respondents from Quebec (63.8%), Ontario (9.5%), Alberta (11.3%) and Saskatchewan (6.8%). It is mainly made up of women (52.5%), white (90.8%) with an undergraduate university degree (50.8%). The age ranges from 22 to 75 years old. Most have one (27.1%) or two (32.1%) children. The company had pre-pandemic revenue of between $ 200,000 to $ 299,999 (median) and forecasts revenue for the next year. Companies had an average of 16.23 employees (median of 3). The main sectors of activity represented are professional, scientific and technical services (27.5%), manufacturing (15.1%), other services (10.5%), the information and cultural industry (7.8%), health care and social assistance (7.4%) and retail trade (6.6%).

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

CONSEQUENCES OF THE PANDEMIC ON THE SMES

When answering in February 2021 and asking the situation since last October, less than half of the sample (41.4%) saw their sales increase, 9.6% saw their sales remain intact compared to the same period in 2019, while the others had a slight or greater decrease (49%). In July, the decrease in sales affected slightly fewer entrepreneurs (46.1%). So the more the pandemic progresses, the more sales seem to decline. The changes in the number of employees are very similar: 55.9% had no change, some experienced an increase (33.3%), the rest had layoffs (10.7%). Although layoffs have decreased compared to October 2020 (14%), recruitment has decreased (33.3% compared to 40.8% in October). While 44.8% found it easy to recruit good employees, 50.6% felt it was rather difficult. The increase in entrepreneurs who found it difficult to recruit good employees (50.6% versus 44.8% in October) may partly explain the decrease in recruitment. In terms of profitability, 39.2% believe that next year's level of profitability will be enough to pay their full-time salary and more, while 21.9% (25.5% in October) believe that next year will be a little profitable, but not enough to live on it and 20% believe that the income will be equivalent to the expenses. 18.9% of respondents believe that next year will be in deficit (15.7% in October). Also, 31.3% are satisfied with the financial performance of their post-pandemic business, which remains relatively low and less than in October 2020 (33.5%).

In terms of optimism measures, we find that 78.5% are rather optimistic about their business development for the next year (median of 4, scale of -10 to +10) (70% in October and 71.5% in July). Their optimism is less regarding the overall economic conditions for the next year, with 62.8% who are optimistic. This rate is improving, however, from October 2020, when only 43.6% were optimistic.

The business environment in which the company operates is considered to be quite disrupted (median of 5, scale of 0-no change to 10-complete and radical change). Faced with this change, entrepreneurs see it as more of an opportunity than a threat 57.1% of the time. Over time, the perception that COVID-19 can bring opportunities, therefore increasing compared to October 2020 (49.7%).

In addition, the pandemic generated changes in the customer base for 82% of the sample (86% in October). This was an opportunity to introduce new products or services for 80.5% (86.3% in October) or to source from a new supplier for 65.5% (73.4% in October). While 19.9% (17.4% in October) of the sample did not change their use of technologies for their business operations, 80.1% increased their use in times of pandemic (for example in using remote working tools or developing an e-commerce platform).

Despite the decrease in sales, the increase in the perception that next year will be in deficit and the decrease in satisfaction with financial performance, entrepreneurs are rather optimistic about the development of their business in the next year and 57.1% consider that the pandemic mainly brings opportunities. This perception of opportunity is however increasing compared to last October.

80.1% of entrepreneurs have increased the use of technology in running their businesses to deal with the pandemic. The use of technology is down very slightly compared to last October (82.6%).

Since last October, 88.9% (90.8% in October) of companies have had to reorganize work to take into account the new health measures. Also, a decrease in liquidity was observed among fewer entrepreneurs (44.8%) than in October (44.8% against 47.6% in October and 52.7%in July). This forced fewer entrepreneurs to take on more debt (42.9% against 47.6% in October and 56.8% in July), and only 27.2% saw their debt decrease (25.8% % in October). Overall, the situation, therefore, seems to be improving on this side for the sample

Financial debt and liquidity indicators suggest that the sample has improved overall between July, October 2020 and February 2021.

SUPPORT AND RESOURCES

To deal with the pandemic, the various levels of government have put in place support measures. We find that since October, 33.7% (28.9% in October) of those questioned have not used these measures, while only 47.9% (52.8% in October) have benefited from some of the measures and 18.5% (18.3% in October) benefited from several of them. For eligible entrepreneurs, these measures are always considered moderately sufficient (median: 6 out of 10) and moderately adapted (median: 6 out of 10).

Overall, entrepreneurs feel that they have fairly easy and sufficient access to various resources to meet their obligations and projects. As shown in Figure 1, the most accessible resource remains business contacts (5.38 out of 7), followed by useful and quality training (5.34 out of 7), quality consulting services (5.16 out of 7) and quality employees available when needed (4.90 out of 7). The least accessible resource is access to rich opportunities to exchange views with other entrepreneurs (4.45 out of 7) and sufficient financial support on adequate terms (4.48 out of 7) and as well as access to quality feedback on their project (4.70 out of 7) and quality emotional support (4.83 out of 7). In the context of a pandemic, these latter resources are particularly important for entrepreneurs, yet they are the ones that seem the least accessible.

Compared to last October, sufficient financial resources and suitable conditions, as well as access to rich opportunities to exchange with other entrepreneurs, remain the resources considered least accessible by entrepreneurs.

Since the start of the pandemic, access to quality business contacts, emotional support, useful and quality training, and quality counselling services has improved. Conversely, entrepreneurs perceive that they have less and less access to rich opportunities to interact with other entrepreneurs. For other resources (employees, financial support and feedback on his project), entrepreneurs say it is less accessible compared to October, but more than at the start of the pandemic.

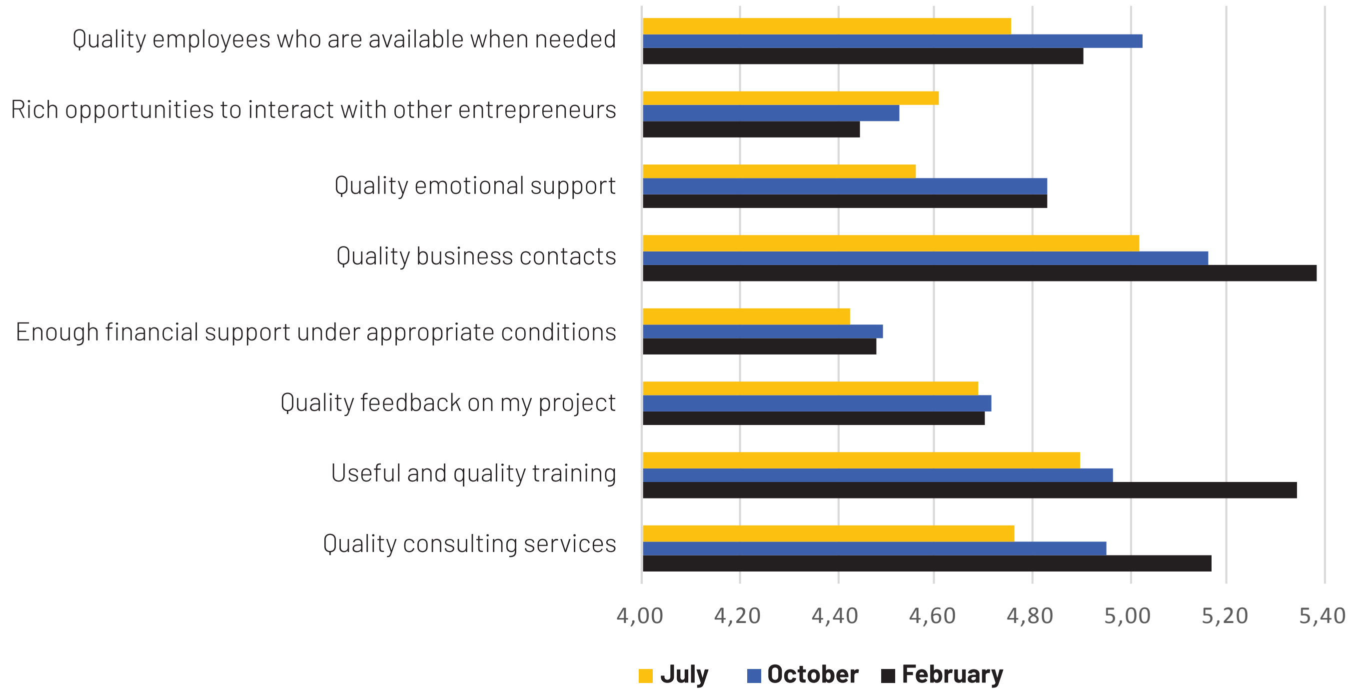

Figure 1. Access to resources for entrepreneurs (July 2020, October 2020 and February 2021)

INNOVATION COLLABORATION

Innovating consists of developing new products or services, improving existing products/services, improving methods or processes, introducing new technologies or changing the organizational structure.

Between October 2020 and February 2021, only 39.8% of entrepreneurs collaborated with other companies to innovate and 81.7% (70.3% before October) believe that this level of collaboration has increased while only 8.7 % (18.3% in October) noticed a decline in innovation collaboration. This is a decrease in collaboration from the previous period when 49.2% said they collaborated to innovate at this time. Companies can also collaborate for reasons other than to innovate.

Between October 2020 and February 2021, only 37.2% of entrepreneurs collaborated with other companies for reasons other than to innovate, whereas for the previous period, this rate was at 49.4%. In companies that collaborated, 81.4% of entrepreneurs said the level of these collaborations increased while only 9.3% saw a decrease in collaboration with other companies.

"The COVID-19 pandemic seems to have brought the companies to collaborate among themselves to innovate, but also, to survive. Entrepreneurs have less collaborated to innovate and for other reasons since last October."

CHALLENGES AND PSYCHOLOGICAL HEALTH

Here we present the main elements of psychological health management. Respondents were asked to specify if they were experiencing this challenge at the moment (scale of 1-Not at all to 5-Very much). Figure 2 presents the percentage of respondents who mentioned experiencing "4-Somewhat" and "5-A lot" at the moment for the different challenges. As we can see, the most important seems to be the management of stress and psychological load (46.1%), followed by the management of the balance between the different spheres of entrepreneurial life (43 %), to have a good knowledge of oneself (41.4%) and of coping with the psychological burden of entrepreneurial life (40.2%).

We note that compared to October 2020, managing the balance of the different spheres of life, dealing with the psychological burden of entrepreneurial life or having a good knowledge of oneself are challenges considered more important in February (compared to October), which indicates a decline in this area. However, these challenges are considered less great than at the start of the pandemic. Managing stress and psychological load is the biggest challenge right now, and more so than at the start of the pandemic. This is therefore an issue to watch.

Managing stress and psychological load is the biggest challenge mentioned by entrepreneurs.

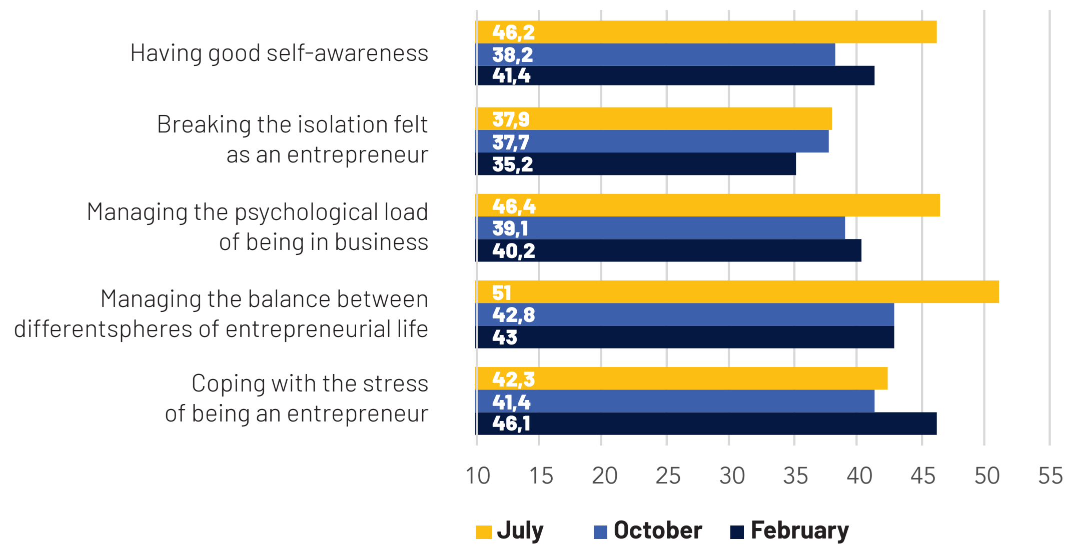

Figure 2. Challenges experienced in the management of psychological health (July 2020, October 2020 and February 2021)

We also used a burnout measure for the entrepreneurs in the sample. The average burnout score is 4.36 (out of 7) while for a previous sample taken at the start of the pandemic, entrepreneurs obtained a slightly higher average score of 4.95 and 4.38 in October (out of 7). Based on the relative burnout thresholds calculated on the current sample, there would be 32.0% of entrepreneurs who would be considered professionally exhausted in February 2021 compared to 30.2% in October 2020 and 32.6% in July 2020. The situation seems rather stable at this level.

32.03% of entrepreneurs would be considered to be professionally exhausted, which constitues a rather stable situation since the start of the pandemic.

In terms of subjective well-being, the measure shows the frequency of feelings of well-being (i.e., in a good mood, calm, vigorous, etc.) over the past two weeks. The scale ranges from 0-Never to 5-All the time. We find that the sample shows a rather average subjective well-being (average score of 3.40), which is a slight improvement compared to July (average score of 3.33), but a slight decline compared to October. (mean score of 3.50).

Situations such as the COVID-19 pandemic are likely to generate stress. 22.8% of entrepreneurs are often or quite often stressed (average score 3.17 out of 5). The perceived quality of sleep, on the other hand, is slightly above average (average of 1.19) and it has improved slightly since July (average of -0.01) and October (average of 0.78)

The rate of entrepreneurs who sometimes or often feel lonely (Average 1.84 out of 3) remained stable in February (60.1%) compared to October (59.8%). Also, a total of 63.5% of the sample is somewhat or totally satisfied with being an entrepreneur (rate of 56.9% in July and 62.3% in October), which constitutes a slight rise over time. When entrepreneurs are asked the probability of still being an entrepreneur in the next five years, 64.4% of the sample consider remaining an entrepreneur at a probability of 80%, which constitutes a increase in resilience since October (46.7%) and July (55.2%).

The pandemic did not have a detrimental effect on the satisfaction of being an entrepreneur and the intention to stay there for the next five years

HOW TO MANAGE STRESS AND AVOID EXHAUSTION

These preliminary results show that entrepreneurs, like people in general, use three main coping strategies in the face of stress: task-oriented strategies, emotion-oriented strategies and avoidance-oriented strategies.

We have also observed that some people cope with stress by taking alcohol, drugs or medication. It is also an avoidance strategy, but it involves risks to physical health in the medium to long term

We found that 35.5% oriented towards tasks often, or quite often (39.6% in October and 40.4% in July), while 41.9% oriented towards emotions (37.8% in October and 42.7% in July) and 46.9% were oriented towards positive avoidance (49.2% in October and 49.4% in July). When it comes to taking alcohol, drugs or medication, only 34.3% take them quite often or often. This rate remains stable compared to October (36.0%) and July (35.6%). Figure 3 shows the evolution of coping strategies in the face of stress by showing the evolution of averages over time, rather than the proportions of those who use these strategies "quite often" or "often".

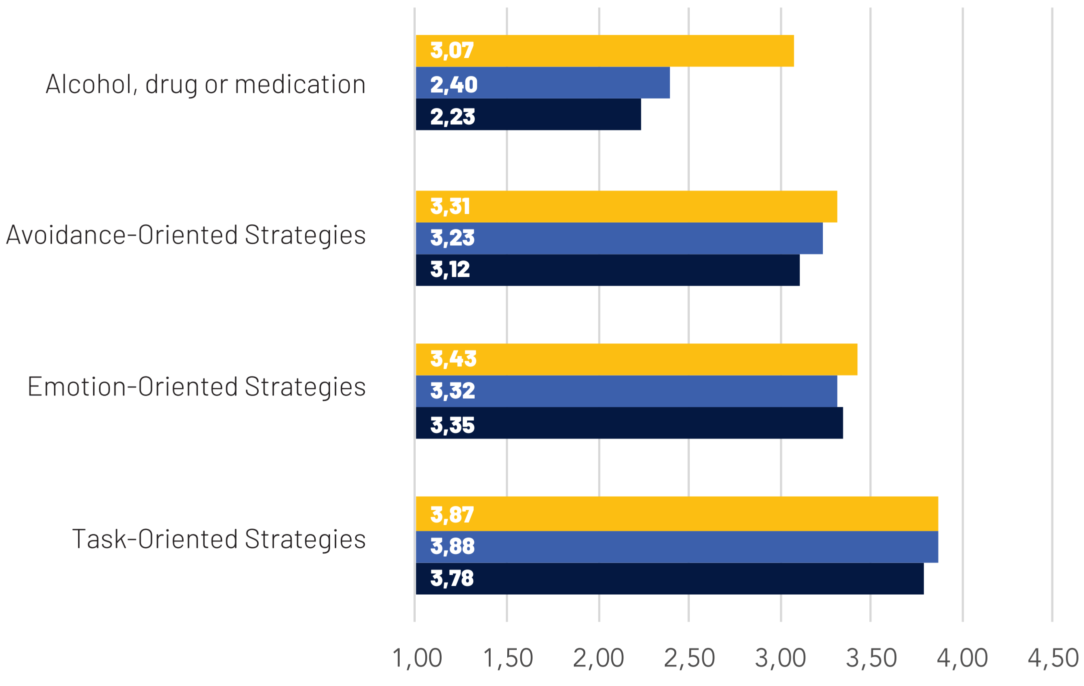

Figure 3. Coping strategies to deal with stress (July 2020, October 2020 and February 2021)

To cope with the stress caused by the overload of work, the entrepreneur gains by focusing on the task, but also and above all, taking time away from his company to replenish his energy (walking, physical activity, reading, meditation etc.).

Overall, the sample has reduced its alcohol, drugs or medication consumption since last October as well as compared to July.

To increase their well-being, reduce stress and avoid burnout, entrepreneurs must recharge their batteries by seeking emotional support, opportunities to exchange with other entrepreneurs, turn to advice or training in order to be supported in the face of the difficulties experienced!

NEXT STEPS

Further analyzes will be carried out in the coming weeks. We would like to extend our sincere thanks to everyone who took the time to answer this questionnaire.

This vast research project includes the last follow-up in June 2021. This follow-up will be of great importance in order to observe how the changes will have evolved on the SME and to see the potential consequences on the psychological health and the well-being of the entrepreneurs.

Next follow-up:
June 2021!
Save the date!

Thank you for your participation!

For more information:

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