

Research conducted by:



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

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(four-month follow-up)

## 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 second data collection (four-month follow-up).

## METHODOLOGY AND SAMPLE



The total sample includes 496 people in business who responded to the two data collection phases carried out in June 2020 and October 2020. The sample is made up of respondents from Quebec (55.8%) and Ontario (14.8%), Alberta (11.7%) and British Columbia (7.2%). It is mainly made up of men (52%), White (86.2%) with a first cycle university degree (47.8%). The age ranges from 22 to 75 years old. Most have one (34.8%) or two (30%) children. The company had pre-pandemic sales of between \$ 400,000 to \$ 499,999 (median) and forecasts the same sales for the next year. The companies had an average of 23.63 employees (median of 6). Most businesses operate in professional, scientific and technical services (24.2%), manufacturing (14.6%), the information and cultural industry (11%), other services (8.3%), retail trade (7.7%) and health care and social assistance (7.2%).

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 responding in October 2020 and asking about the situation since last June**, the majority of the sample (53.9%) saw their sales increase or remain intact compared to the same period in 2019, while the rest had a slight decrease (46.1%) or a larger decrease. The changes in the number of employees are very similar: 45.2% had no change, some experienced an increase (40.8%), the rest made laid offs (14%). While 40.7% found it easy to recruit good employees, 44.8% felt it was difficult. In terms of profitability, 37.6% believe that next year's level of profitability will be enough to pay their full-time salary and more, while 25.5% believe that next year will be somewhat profitable but not enough to live on it and 21.2% believe that the income will be equivalent to the expenses. 15.7% of respondents believe that next year will be in deficit. 33.5% also say they are satisfied with the financial performance of their post-Covid-19 business, which remains relatively low.

In terms of optimism measures, we find that 70% are somewhat optimistic about the development of their business for the next year (median of 3, scale of -10 to +10)(71.5% in June). They are less optimistic about the overall economic conditions for the next year, with only 43.6% who are optimistic.

The business environment in which the company operates is considered to be quite disrupted. Faced with this change, 49.7% of the entrepreneurs believe it is more of an opportunity (57% in June). Over time, the perception that COVID-19 can bring opportunities, therefore, seems to diminish.

In addition, the pandemic caused **customer shifts** to 86% of the sample. This was an opportunity to introduce **new products or services** for 86.3% or to source from a **new supplier** (73.4%). While 17.4% of the sample did not change their **use of technologies** for their business operations, 82.6% increased their use in times of pandemic (for example by using remote work tools or by developing an e-commerce platform).

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## 82.6% of entrepreneurs have increased the use of technology in the management of their business to deal with the pandemic

Although all these changes can have positive consequences in some respects and for some people, the fact remains that since last June, 90.8% of companies have had to reorganize work to take into account the new health measures. Also, a decrease in liquidity was observed in 47.6% of those questioned. This forced 47.6% of the sample to take on more debt, and only 25.8% saw their debt decrease. At the start of the pandemic, the decline in business liquidities was observed among more entrepreneurs (56.8%), forcing 52.7% of respondents to take on more debt. Overall, the situation, therefore, seems to be improving on this side for the sample.

Financial indicators of debt and liquidity suggest that the sample has improved overall between June and October 2020.



# SUPPORT AND RESOURCES

To deal with the pandemic, the various levels of government have put in place support measures. We find that since June, 28.9% of the people questioned have not used these measures, while 52.8% have benefited from some of the measures and 18.3% have benefited from several of them. For eligible entrepreneurs, these measures are considered moderately sufficient (median: 5 out of 10) and moderately appropriate (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 is business contacts** (5.16 out of 7), followed by quality employees who are available when needed (5.02 out of 7), helpful training and support quality (4.97 out of 7) and quality advisory services (4.95 out of 7). **The least accessible resource is sufficient financial support on adequate terms** (4.49 out of 7) and access to rich opportunities to interact with other entrepreneurs (4.52 out of 7) as well as access to quality feedback on their project (4.72 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. It should be noted here that apart from the availability of quality employees perceived to be significantly more accessible for men (5.09) than for women (4.97), access to other resources is perceived to be more accessible for women than for men.

Sufficient financial resources and under suitable conditions as well as access to rich opportunities to exchange with other entrepreneurs are the resources considered least accessible by entrepreneurs.

FIGURE 1. ACCESS TO RESOURCES FOR ENTREPRENEURS (JULY AND OCTOBER 2020)



## 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.

**Since March 2020**, 49.2% of entrepreneurs have collaborated with other companies to innovate and 70.3% believe this level of collaboration has increased while only 18.3% have noticed a decrease in innovation collaboration. **Since March 2020**, 49.4% of entrepreneurs have collaborated with other companies for reasons other than to innovate. 61.9% of entrepreneurs believe that the level of these collaborations has increased while only 21.6% saw a decrease in collaboration with other companies.

The COVID-19 pandemic seems to have led SMEs to collaborate with each other to innovate but also to survive.



# CHALLENGES AND PSYCHOLOGICAL HEALTH



Here we present the main elements of psychological health management and the proportion who reported experiencing this challenge "4-Somewhat" or "5-A lot" at the moment (scale of 1-Not at all to 5-A lot). As can be seen in Figure 2, the most important challenge at the moment seems to be managing the balance between the different spheres of entrepreneurial life (42.8%), followed by stress management and psychological load (41.4%), coping with the psychological burden of entrepreneurial life (39.1%), and having good self-knowledge (38.2%).

We note that compared to July 2020, managing the balance of the different spheres of life, dealing with the psychological burden of life as an entrepreneur or having a good knowledge of oneself are challenges considered less great in October, which indicates an improvement at this level.

Managing a work-life balance remains the biggest challenge mentioned by entrepreneurs.

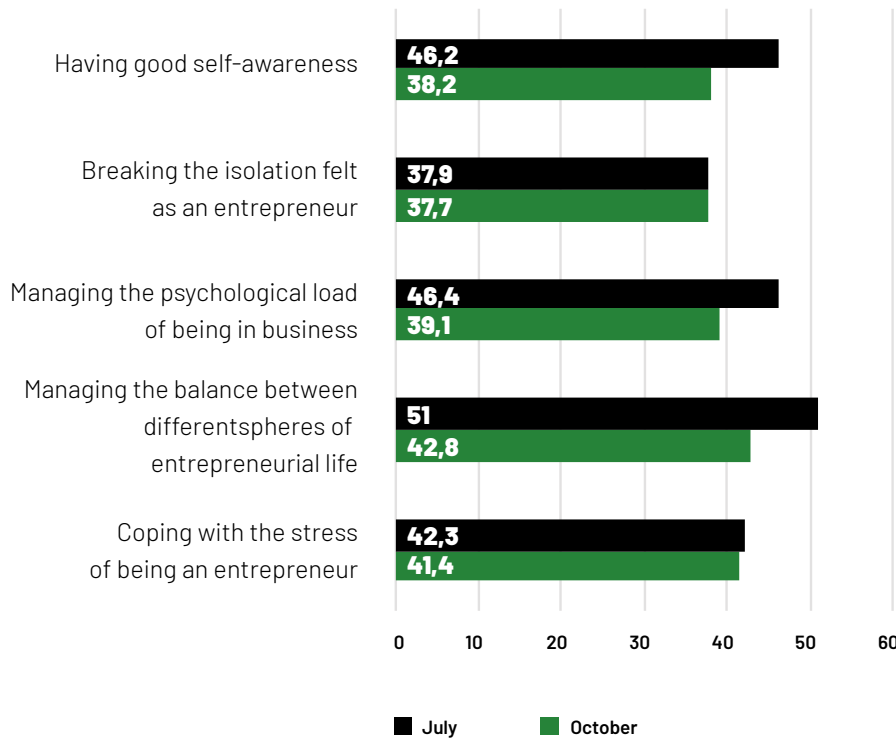


Figure 2. Challenges Experienced with Regard to Psychological Health Management (July vs October)

We also used a **burnout** measure for the entrepreneurs in the sample. The average burnout score is 3.64 (out of 7), whereas, for a previous sample taken at the start of the pandemic, entrepreneurs obtained a higher average score of 4.19 (out of 7). Based on the relative burnout thresholds calculated on the current sample, there would be 28.9% of entrepreneurs who would be considered to be professionally exhausted in October compared to 31.2% in July. There is therefore a slight improvement in exhaustion in the sample.

28.9% of entrepreneurs would be considered to be professionally exhausted, which is a slight improvement for our sample.

In terms of **subjective well-being**, the measure allows knowing the frequency of the feeling of well-being (ie. In a good mood, calm, vigorous, etc.) during the past two weeks. The scale ranges from 0-Never to 5-All the time. We find that the sample has a rather average subjective well-being (average score of 3.03), which is a slight improvement compared to July (average score of 2.84).

Situations such as the COVID-19 pandemic are likely to generate **stress**. Only 17.7% of entrepreneurs are often or quite often stressed (average score 3.11 out of 5). This rate is relatively similar to that observed in July. The perceived **quality of sleep**, on the other hand, is rather average (average of 0.78) and it has improved slightly since July (average of -0.01).

Despite the fact that 47.3% of entrepreneurs sometimes or often **feel lonely** (average 1.8 out of 3), a total of 62.3% of the sample is somewhat or **totally satisfied with being an entrepreneur** (rate of 56.9% in July). When asked for the probability of still being an entrepreneur in five years, 46.7% of the sample consider remaining an entrepreneur at a probability of 80%, which constitutes a decline in resilience since July (55.2% planned to remain an entrepreneur at this time in this probability level).





# HOW TO MANAGE STRESS AND AVOID EXHAUSTION



Our 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.

Overall, the sample has reduced its consumption of alcohol, drugs or medication since last July.

We found that 41.9% were oriented towards tasks often, or quite often, while 29.4% were oriented towards emotions and 30% oriented towards positive avoidance (e.g. doing regular exercise). For the alcohol, drug or medication use, 20% take them quite often or often. In July, we found that 56.9% were oriented towards tasks often, or quite often, while 21.5% were oriented towards emotions and 21.5% were oriented towards avoidance. When it comes to alcohol, drugs or medication, also 21.5% take them quite often or often. Figure 3 shows the evolution of coping strategies to deal with stress.

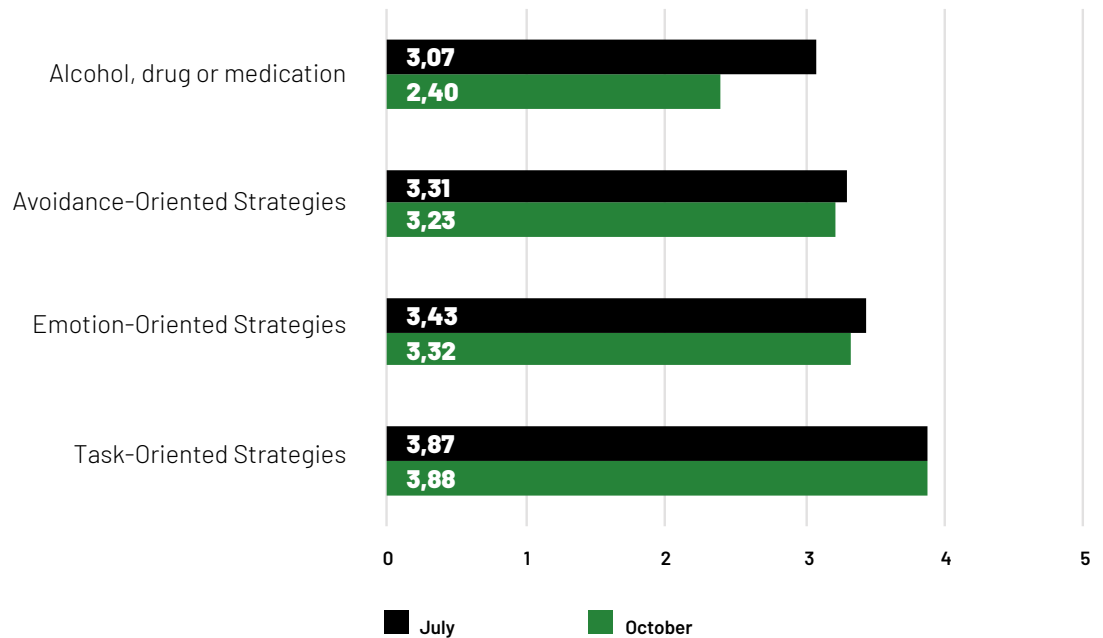


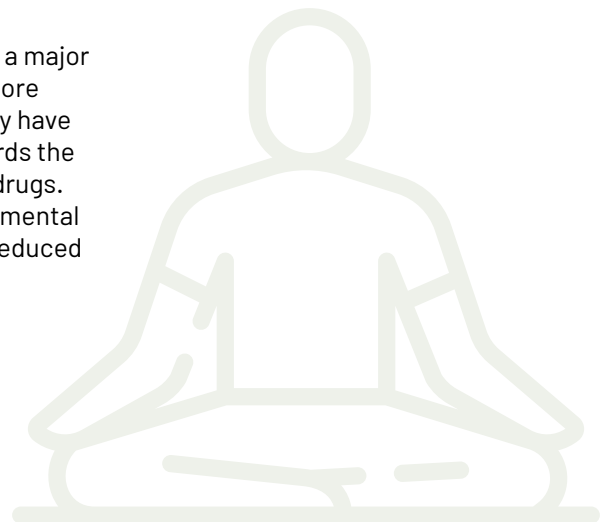
Figure 3. Coping strategies to deal with stress (July vs October)

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

Preliminary results show that the more task-oriented and avoidance-oriented strategies are used, the less the entrepreneur is stressed and the more she/he shows subjective well-being. Conversely, the more the entrepreneur uses emotionally oriented strategies or uses alcohol, drugs or medication, the more stressed he or she will be and the less his or her subjective well-being will be. Stress or poor subjective well-being is very likely to lead to increased consumption of psychotropic substances.

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 advise or training in order to be supported in the face of the difficulties experienced!

It should also be noted that entrepreneurs who have faced a major reorganization of work show more exhaustion and stress, and they have a more marked tendency towards the consumption of psychotropic drugs. Increased debt also has a detrimental effect on burnout, stress and reduced well-being.



## 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. We would also like to thank, on behalf of the students working on this project, all the people who donated their compensation of \$ 20 since the start of this project, which will make it possible to offer a scholarship of 5,640 \$!

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

Next follow-up:  
**February 2021!**  
Save  
the date!

Thank you  
for your  
participation!

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