

Entrepreneurship and Covid-19: Challenges and opportunities

**An assessment of the short- and long-term
consequences for UK small businesses**

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and Pierre-Jean Hanard



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The Covid-19 crisis has caused enormous distress around the world and demands urgent research to interrogate how it has impacted upon, and how it will continue to reshape, multiple features of economy and society. We hope that this series of KBS Covid-19 Research Impact Papers will provoke new debate among our UK and international partners in business, civil society and government. We look forward to building new ideas for policy and practice that foster a more inclusive, sustainable and responsible future.

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Entrepreneurship and Covid-19: Challenges and opportunities

An assessment of the short- and long-term consequences for UK small businesses

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Summary

There is not a single day without news on the negative economic, health and mental wellbeing impacts of the Covid-19 pandemic. The four-month lockdown in the UK put significant pressure on the 5.86 million UK entrepreneurs, small businesses and self-employed, with many seeing their livelihoods and wellbeing threatened. Yet new opportunities also emerged and, beyond economic considerations, UK entrepreneurs are making contributions to the societal fabric of the UK through volunteering and giving to charity.

This report discusses insights from a study of UK entrepreneurs that captured their situation during the lockdown. It reflects how impacts differed for women and men entrepreneurs and those located in and outside of London. We capture entrepreneurs' long-term outlook beyond the pandemic in terms of job creation and opportunities. The study discerns five long-term trends for the post-Covid economy related to increased awareness of personal wellbeing, business resilience, accelerated digitalization, building of local supply chains and inclusive business models. In sum, there is much potential for small business to contribute to 'building back better' a more inclusive and greener post-Covid economy, especially if they are enabled by targeted support measures.



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Highlights

Background

Entrepreneurs are the backbone of the UK economy: 5.86 million small and medium-sized enterprises (SMEs) in the UK contribute 52 per cent of the £2.2 trillion turnover generated by the private sector and employ 60 per cent of all private sector employees.

They are particularly threatened by the current pandemic as they typically have fewer resources than larger firms. This means that potentially 16.6 million jobs are at risk.

We surveyed 361 entrepreneurs (308 SME owner-managers and 53 self-employed) at the height of the pandemic (6 May–13 July during the lockdown to contain the spread of Covid-19) to map the impact of the pandemic on their businesses and the entrepreneurs personally.

How entrepreneurs were affected by the pandemic

A staggering 61 per cent of entrepreneurs report that the very existence of their business was under threat due to a significant decrease in trading activities. This means that in our sample alone, the jobs of 214 entrepreneurs and their 2,114 employees are at risk.

Entrepreneurs frequently struggled with cancelled or postponed orders, receiving payments, found it challenging to pay suppliers and their business's running costs.

So far only a minority (19 per cent) of SME employers were forced to lay off staff. The Coronavirus Job Retention Scheme temporarily mitigated job losses with 45 per cent of SME employers in our sample having applied for it. 'Younger' companies could not benefit from the Scheme as they could not demonstrate a two-year-plus revenue track record.

If we have a second wave we might not be able to survive.

Entrepreneur in the study

It has forced positive changes e.g., we now work fully remotely effectively and productively. Staff like this...

Entrepreneur in the study

How entrepreneurs reacted to the pandemic

Entrepreneurs are known for their agility and this was confirmed during the Covid-19 pandemic: 73 per cent of entrepreneurs surveyed adapted their plans for the business (two in three did so by Mid-March). Nearly three in four of entrepreneurs applied for government support.

Almost half of the entrepreneurs were able to capture new business opportunities during the lockdown by developing new products and services (especially in the digital space), others reviewed business practices or repositioned their businesses entirely. Many entrepreneurs leveraged existing digital and online capabilities; others started to cater for the healthcare space (NHS/Covid related).

Given how entrepreneurs and their businesses are intertwined, the strain the pandemic had on their businesses impacted entrepreneurs' mental wellbeing. Their life satisfaction and perceived stress worsened during the crisis.

Many entrepreneurs started working from home with over two in three working solely from home or working more from home. In combination with childcare (due to schools and nurseries being closed), this added pressure to over one in five of the respondents.

Even though for most the survival of their business was at stake, two in three gave personal money, one in three volunteered their personal time, and 44 per cent of entrepreneurs volunteered their business' services/products for good causes (helping other businesses, charities, or public workers). Almost 50 per cent did so because of the pandemic.

Long-term opportunities and realities

Entrepreneurs looked to the future with confidence with nearly half seeing their business surviving the crisis eventually and one in three expecting their business to be even larger than pre-pandemic. 72.5 per cent of entrepreneurs expected to add employees to their business over the next five years. Past research indicates that such expectations are a good predictor of employment growth over time.

Entrepreneurs also anticipated an acceleration of their existing business, often tied to online services. Many expect cost savings due to increased remote working, others are reviewing their business offerings and the business model itself. Many see opportunities related to a shift in customer behaviours due to the pandemic.

Despite this optimism, many entrepreneurs are in a precarious position: 49.2 per cent were planning for the next 12 months only and 53.2 per cent predicted that they would run out of money within the next 12 months if the current situation continued.



Different impacts on women and men entrepreneurs?

There were few pre-crisis differences in the businesses led by women and men, the former tended to be somewhat smaller, though of similar age and profitability.

Women-led businesses were impacted more adversely than those of men with 72 per cent (vs. 56 per cent) seeing their businesses experiencing lower trading volume.

While their perception of the long-term positive effects of the pandemic was similar to men's; women perceived fewer long-term opportunities and were less likely to expect their businesses to grow post pandemic.

With respect to wellbeing, men and women entrepreneurs experienced similar drops in life satisfaction. Yet women entrepreneurs experienced more stress – likely due to their businesses being more adversely affected.

Women more so than men entrepreneurs volunteered their business' offerings to support charities (50 vs. 42 per cent for men), or gave money (80 per cent vs. 62.5 per cent) and volunteered their time (40 per cent vs. 28 per cent) for charities or good causes.

Entrepreneurs in and outside of London'

Businesses based in (vs. outside of) London had more employees, were younger and less likely to be profitable although similar in size pre-pandemic.

London-based entrepreneurs saw a greater reduction of trading than entrepreneurs residing in the rest of the country. Yet, all entrepreneurs shared a similarly optimistic outlook in the

short- and long-term. London-based entrepreneurs even tended to expect more net job growth over the next five years.

The life satisfaction of entrepreneurs outside of London suffered less than that of London-based entrepreneurs. All entrepreneurs experienced increases in stress.

Working from home is a new feature for many London-based entrepreneurs – while entrepreneurs outside of London were more often working from home already.

Conclusion

Our survey paints a picture of short- and long-term opportunities but also vulnerability of SMEs and entrepreneurs in the Covid-19 pandemic. Many face real challenges to sustain their business going forward. Building on the insights from the survey we reflect on five trends for the post-Covid economy and on targeted support measures to help UK SMEs thrive.

Two cross-cutting general trends relate to (1) Personal resilience: an increased awareness of mental wellbeing, both for entrepreneurs and staff (eg related to increased working from home), and as a business opportunity, and (2) Business resilience including developing capabilities to be agile, to spot and exploit new opportunities.

Three specific trends concern (3) Accelerated digitalization; (4) A move from global to local supply chains, and (5) Inclusive and social business models.

UK SMEs and entrepreneurs hold much potential to help 'build back better' a more inclusive and greener post-Covid UK economy.

Introduction

Entrepreneurship is important to the UK economy. There were 5.86 million small and medium-sized enterprises (SMEs) at the start of 2019², who provided employment to 16.6 million people (60 per cent of all private sector employment) and generated 52 per cent of the £2.2 trillion turnover generated by the UK private sector. These businesses, often entrepreneur led, are particularly vulnerable to crises, because they typically have fewer resources than large businesses. Yet job losses in SMEs often go unnoticed in the news as they are much less attention-catching than job losses in large businesses – even though in the aggregate job losses in SME are bound to be larger. Given the scale of the Covid-19 pandemic, understanding the experience of entrepreneurs in these difficult times as well as the outlook they have for what lies ahead in the short- and long-term are therefore critical to sustain, and potentially support, this vital part of the UK economy.

This report draws on data that we collected from 361 UK entrepreneurs between May 6th and July 13th with the help of entrepreneur associations, chambers of commerce and by directly reaching out to SME owner-managers and the self-employed. The data collection period overlaps with the lockdown of the UK to contain the spread of the Coronavirus. The lockdown is still in place but has been gradually lifted over the last month (eg some schools reopened early June, some clothing retailers later that month while public houses re-opened in England on July 4th). The precise timings vary across the UK nations and many schools, universities and businesses remain closed at the time of writing.

Our study is part of an ongoing global research project led by us at King's College London and covering 31 countries and will trace the impact of the Covid-19 on entrepreneurs over time (for more information see www.kcl.ac.uk/research/supporting-entrepreneurship-covid-19-pandemic-global-study-entrepreneurs-resilience-well-being). However, we can provide initial insights on how the pandemic impacted SMEs in the UK based on our sample of 361 UK entrepreneurs. We compared our sample to the UK population of SMEs and entrepreneurs using the Department for Business, Energy and Industrial Strategy (BEIS) *Business Population Estimates for the UK and the Regions 2019* and for characteristics of the individual entrepreneurs data from the Global Entrepreneurship Monitor. The full comparisons and sample description are available upon request. Businesses in our sample more often trade in the business service sector compared to the national average. Certain regions of the UK are also overrepresented (especially London, Scotland, and the South East) and others underrepresented (Midlands, Yorkshire and Humber, and the North West). Entrepreneurs in our study are older, more educated, more likely to be men and white compared to nationally representative samples of entrepreneurs. The businesses in our sample are larger than average in terms of employees.

The report is structured as follows:

Section 1 presents how the Covid-19 pandemic affected entrepreneurs and SMEs.

Section 2 considers how they reacted to the pandemic in their business and personally. This includes the use of government support by entrepreneurs and their social response (volunteering and charitable giving) during this pandemic.

Section 3 offers a view of the long-term opportunities and challenges that lie ahead for entrepreneurship in the UK.

Section 4 considers gender differences in how the pandemic impacted women and men entrepreneurs, in how they reacted and in their post-Crisis outlook.

Section 5 considers differences between entrepreneurs based in and outside of London.³

Section 6 reflects on trends for the post-Covid economy that emerged from our analyses and how entrepreneurs may be supported based on our findings.

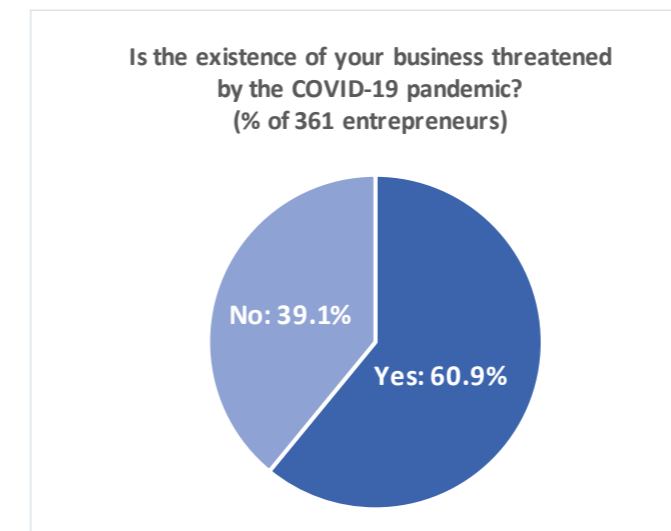
1. How entrepreneurs were affected

In this section we discuss how the Covid-19 pandemic impacted entrepreneurs in our study.

Although a minority of entrepreneurs is faring well, most entrepreneurs were negatively affected by the pandemic, with payment delays from customers being one of the most frequently mentioned challenges, along with reduced trading activities. While some businesses had to lay off staff, most of them had so far managed to retain their staff.

Worryingly 61 per cent of the 361 entrepreneurs we surveyed said that the very existence of their business was threatened by the Covid-19 pandemic (Figure 1). This means that in our sample alone the jobs of 214 entrepreneurs and their 2,114 employees are at risk. Entrepreneurs 'fear that work will dry up' and are, for instance, worried about the lack of demand 'clients have cancelled work', 'no business coming in' and the collapse of funding from investors.

Figure 1



Fortunately, for most entrepreneurs the threat of job loss has not yet materialized. Most employers (81 per cent) did not lay off staff yet but 19 per cent had already done so (Figure 2). A larger share of employers (43 per cent) in our sample had furloughed staff (Figure 3). Some businesses had furloughed nearly all of their staff. These numbers align with the fact that the Coronavirus Job Retention Scheme was the most utilized government support scheme in our sample (see Section 2).

Figure 2

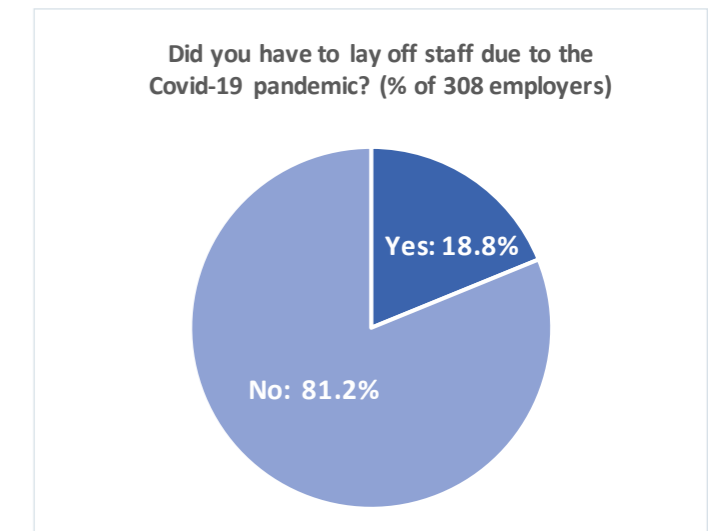


Figure 3

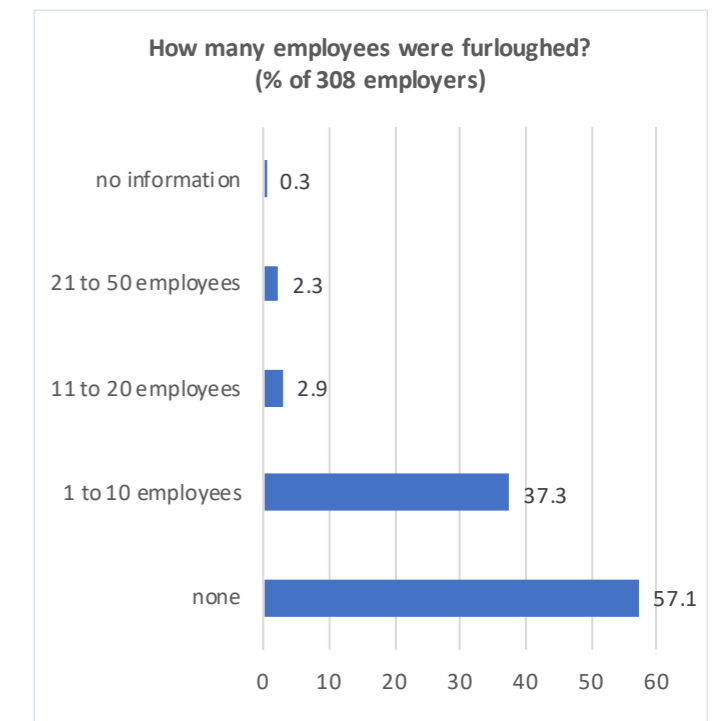
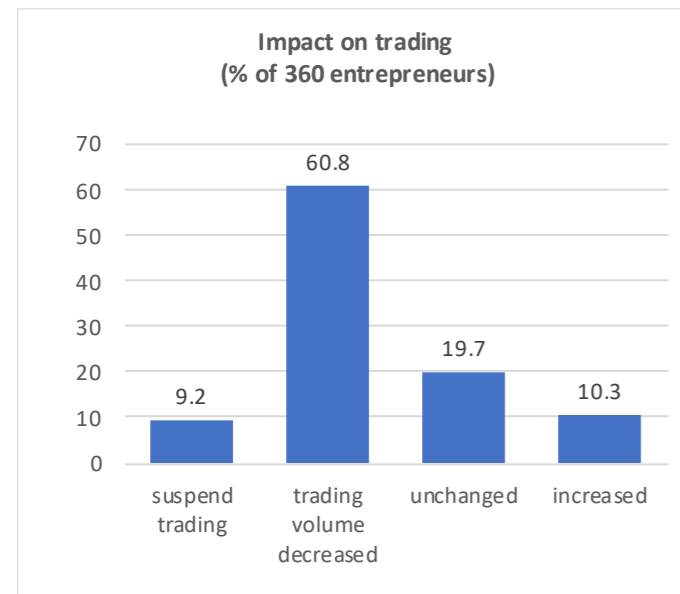


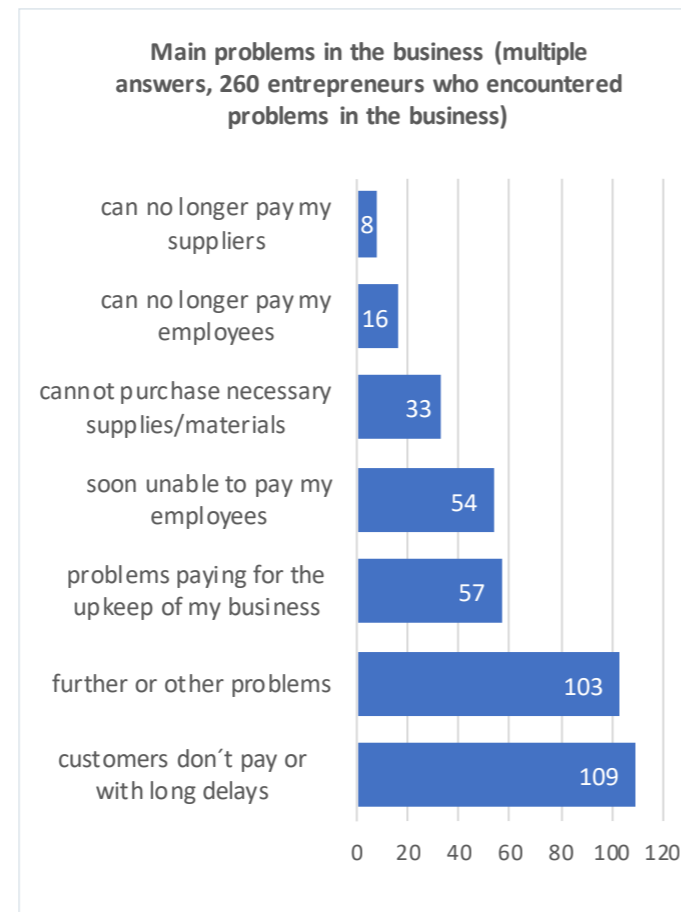
Figure 4



Most entrepreneurs reported that trading decreased (61 per cent) or they had to stop trading entirely (9 per cent, Figure 4). For instance, entrepreneurs described work as 'being paused', clients delaying purchasing decisions or recounted instances of many clients just stopping or cancelling work and losing big contracts. Notably, for a minority of entrepreneurs (10 per cent) trading increased (Figure 4). We unpack the reason for this increase in Section 2 where we detail the opportunities that entrepreneurs saw in the pandemic.

While a minority of entrepreneurs (28 per cent) reported that their business was not impacted by the pandemic, the majority encountered problems. As Figure 5 shows, the most common challenge was obtaining payment from their customers (mentioned by 109 or 30 per cent of entrepreneurs in our sample) following by problems to pay for the running costs of the business (mentioned by 57 entrepreneurs or 16 per cent, Figure 2). Approximately 15 per cent of entrepreneurs thought they would soon be unable to pay their employees.

Figure 5



In their elaborations of other problems that they encountered, entrepreneurs noted challenges for their workforce 'employees are struggling with childcare/home schooling while trying to continue working full-time', 'wellbeing of staff as a result of working remotely, absence of meaningful face-to-face contact due to same' or 'R&D pace is slowed. Team morale is suffering.'

There were also challenges related to the unpredictability and uncertainty about demand: 'work dropped off drastically at the start of lockdown but for the last two weeks I have too much work and I am trying to do it all in case work drops off again.' 'The costs of running the business during Covid have an impact on the cash flow that might have an effect in the future. Especially if we have a second wave we might not be able to survive' and 'UK business support helps with short term but actually makes long term planning more difficult, because you don't want to make decisive cutbacks whilst support is there.'

2. How entrepreneurs reacted

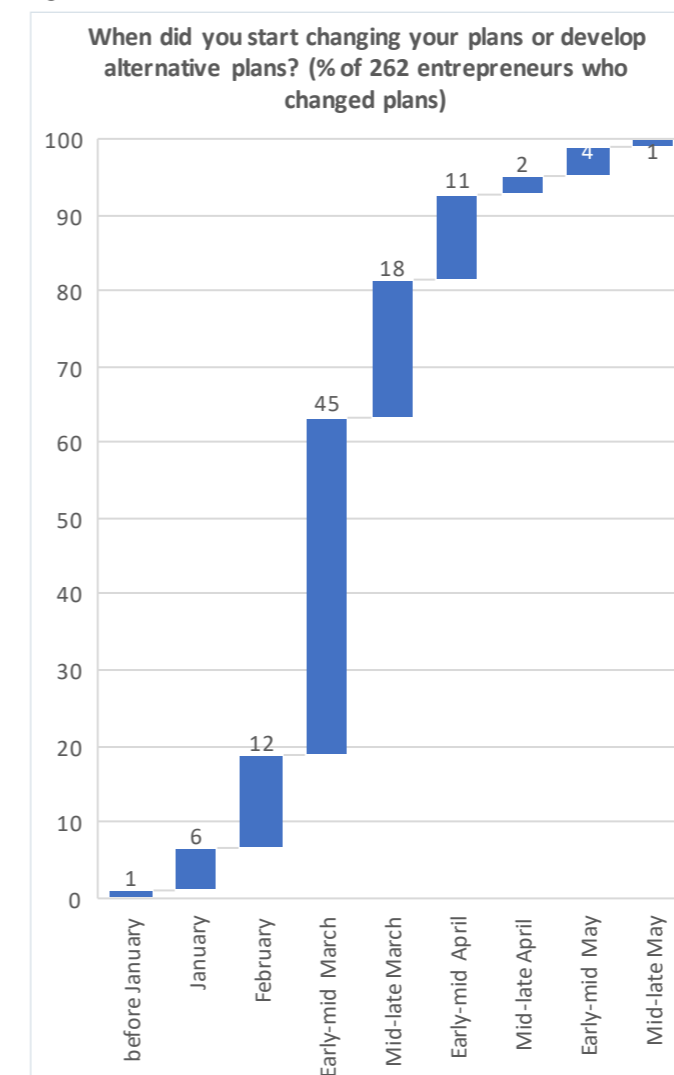
In this section, we discuss how entrepreneurs reacted to the pandemic. We examine how the pandemic impacted their business, the use of government support, the impact on the entrepreneurs themselves, and entrepreneurs' contribution to society.

2.1. Impact on the business

We consider how proactive entrepreneurs were in changing their business in response to the pandemic, and whether they encountered new opportunities for their businesses.

Although businesses navigate the pandemic in different ways, there is evidence that a proactive stance is beneficial. Research shows that businesses that weathered the 2008 financial crisis well, were proactive in making changes to their plans and the way they worked.⁴ Most entrepreneurs sought to adapt to the Covid-19 pandemic by changing their plans (73 per cent or 262 entrepreneurs). Of these most (63 per cent) had changed their plans or developed alternative plans by mid-March and over 80 per cent had done so by the end of March 2020 (see Figure 6).

Figure 6

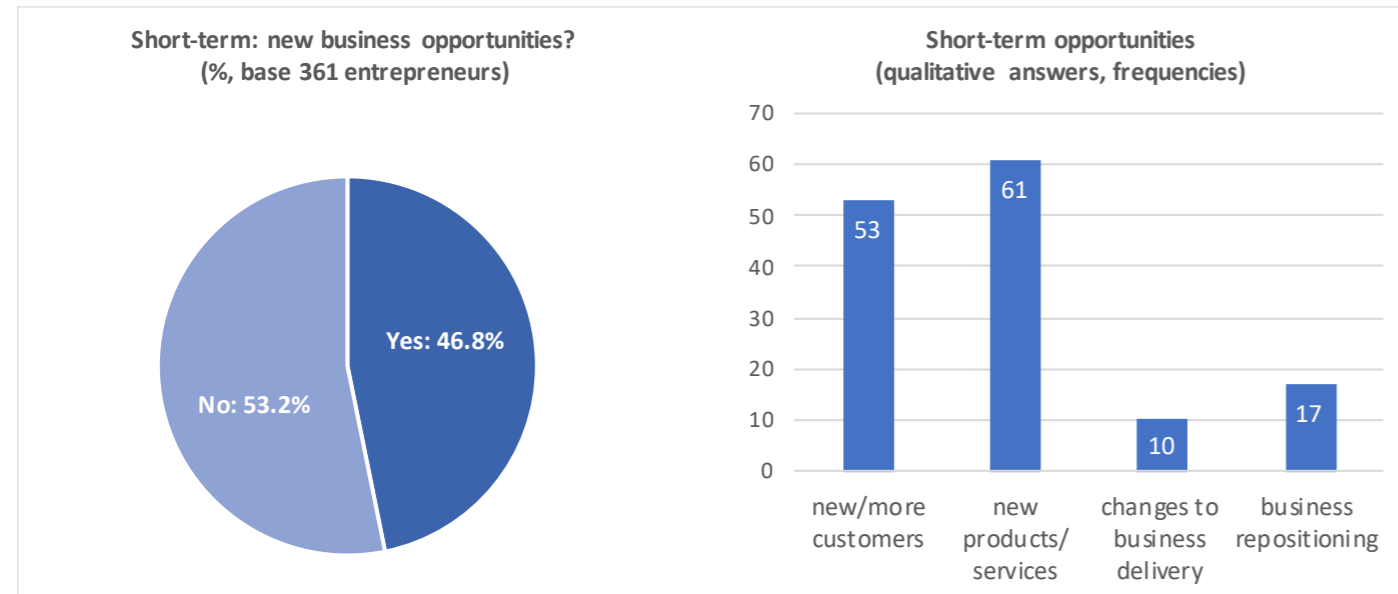


In line with the changes of plans to their business, nearly half of entrepreneurs in our sample, agreed that, in the short term, there were new business opportunities for them during the pandemic (Figure 7, left hand side). 164 entrepreneurs shared specific examples with us that described the nature of these business opportunities. These examples fell broadly into four categories (Figure 7, right hand side).

First, entrepreneurs reported new customers or more customers. For instance, one saw a 300 per cent growth over the lockdown, others noted that they expanded their product/services to new types of customers. Second, entrepreneurs reported that they developed new products or services in response to the pandemic and lockdown. Many accelerated the development of different digital products/services or helped their clients to develop digital offerings. Others reported that they developed new services to support their business clients to deal with the crisis. Several examples of new products and services also related to the NHS, health services, and Covid-19 directly.

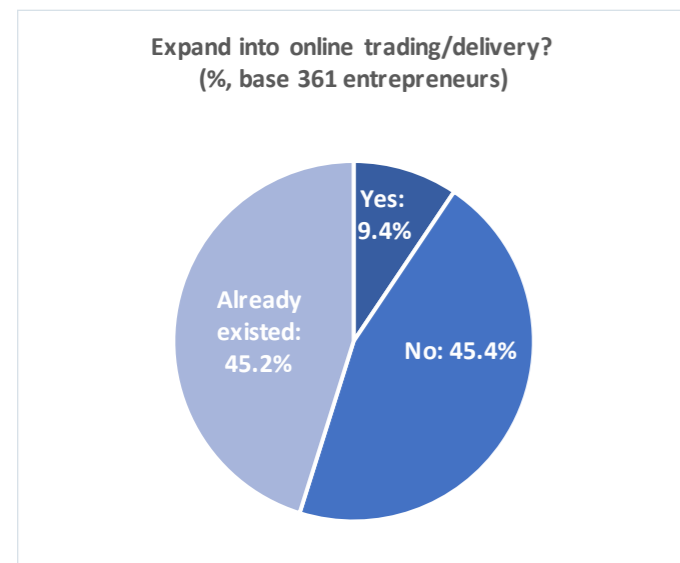
Less frequent than new customers or products/services were mentions of opportunities related to more fundamental changes to their business. In terms of changes to business delivery, the third category of opportunities, entrepreneurs noted new ways of distributing products/services (eg online delivery, online support, new platforms), new ways of working (remotely), new ways of producing and procuring (eg due to disruption of supply chains, relocation of manufacturing to the UK but also international expansion enabled by online services). The fourth type of opportunities, related to a repositioning of the business either in terms of significant changes to products/services, tapping into new markets, and developing new revenue streams, or a combination of these three elements.

Figure 7



We also enquired explicitly about the expansion of online trade as this had received much attention in the media. Few of the entrepreneurs in our sample newly engaged with online trading or delivery (Figure 8). In fact, many seemed well-prepared, with 45 per cent of entrepreneurs already having online capabilities prior to the pandemic and 9 per cent building these capabilities because of it.

Figure 8



2.2 Use of government support

The UK government put in place measures to support entrepreneurs through the pandemic. The most popular of these was the Coronavirus Job Retention Scheme to furlough employees with 40 per cent of the entrepreneurs in our sample applying for it (Figure 9, 45 per cent entrepreneurs with employees, see Figure 10), followed by government backed loans and cash grants (eg available through local councils or specific types of businesses through Innovate UK). Businesses also made use of deferred tax and rate payments. For some government support provided a lifeline, as one entrepreneur put it '95 per cent trading fall off – without gvmnt help would have had to make staff redundant – huge refund requests depleted cash reserves'.

Over a quarter of entrepreneurs (27 per cent) said that they did not apply for any of the government support schemes (see bottom of Figure 9). It is worth mentioning that some young start-up businesses stated that they were falling through the cracks: 'I was told that within my first year of trading and without two-years-plus established income tracking I was ineligible for support'; 'I do not qualify for this as the company was officially incorporated late.'

Figure 9

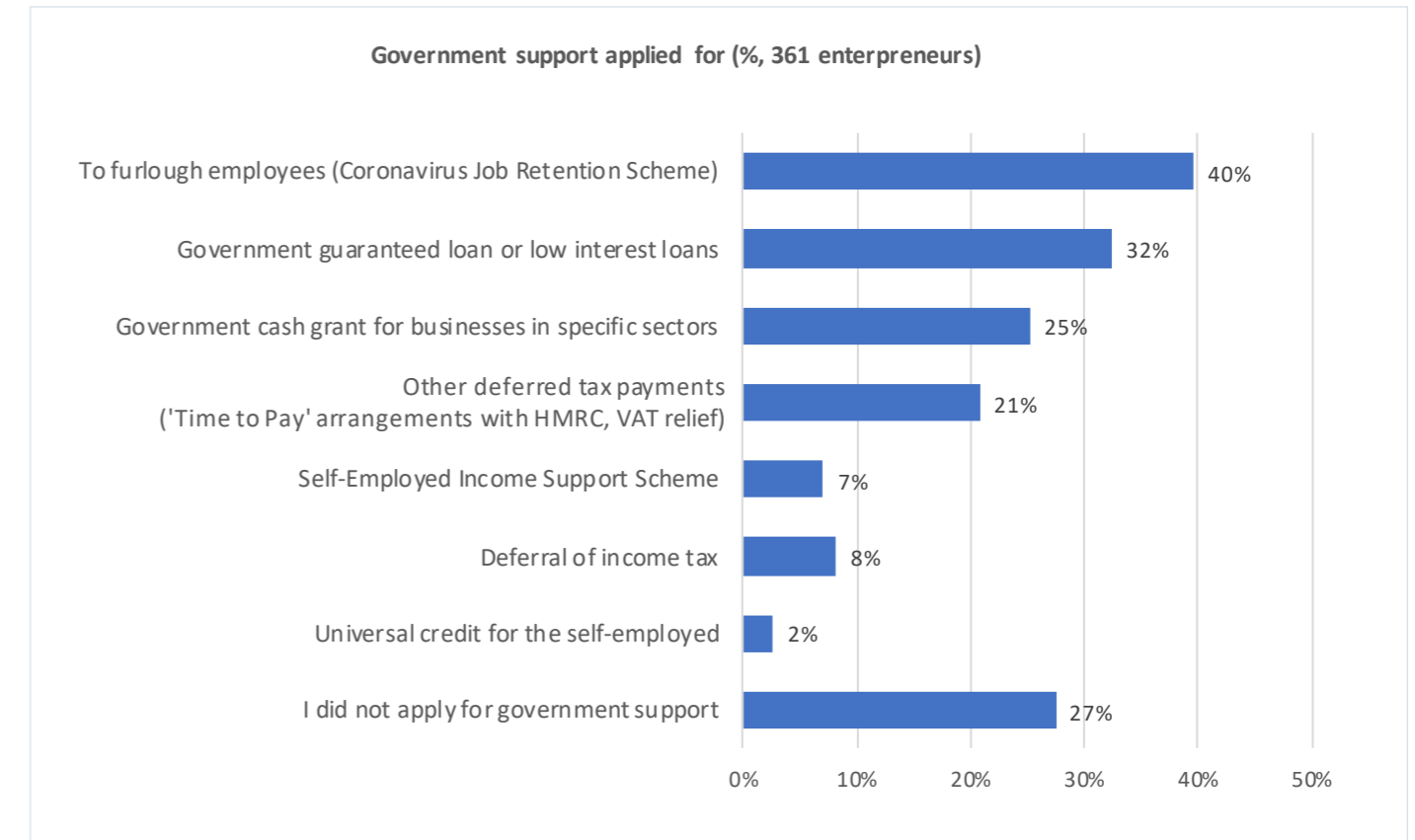
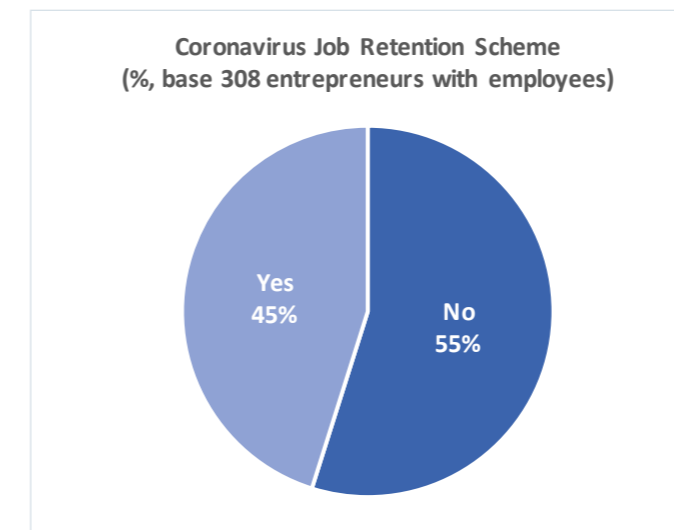


Figure 10

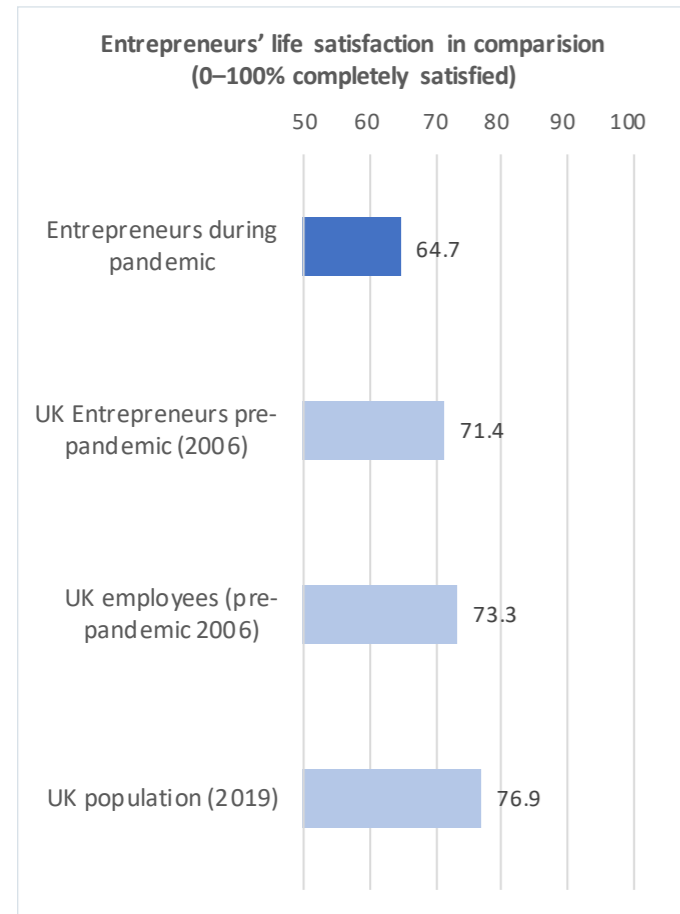


2.3. Impact on entrepreneurs

The pandemic impacted entrepreneurs' mental wellbeing negatively. Moreover, it changed their personal situation by increasing their responsibilities for childcare and forcing many to work from home.

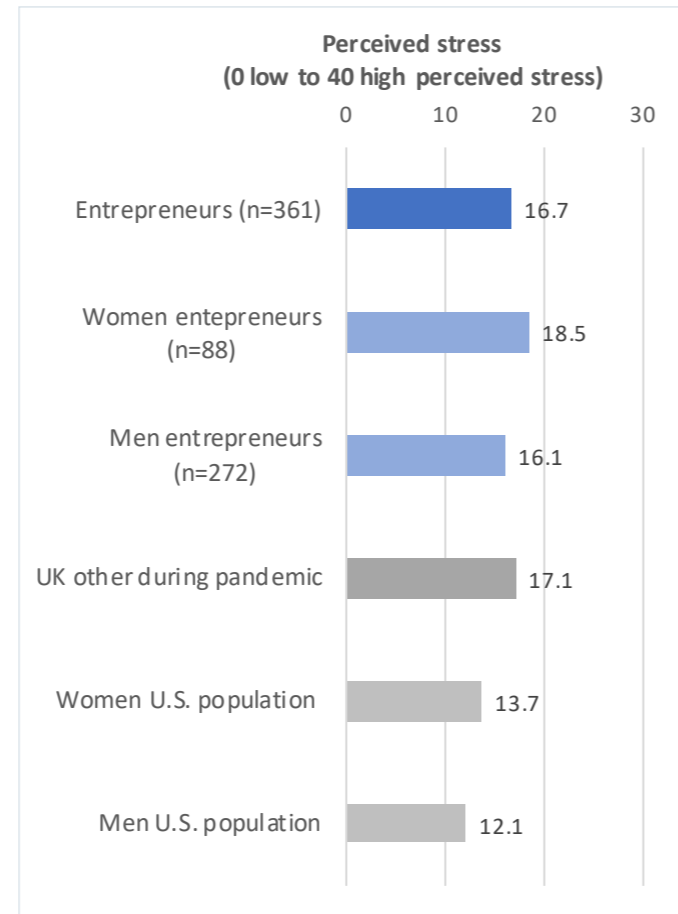
First, in terms of the mental wellbeing, we asked entrepreneurs questions about their happiness (experienced satisfaction with life overall) and their level of stress (Figure 11 and 12). Life satisfaction is scaled from 0 per cent (lowest) to 100 per cent (highest). We see that entrepreneurs' life satisfaction was at 65 per cent, thus over the mid-point of this scale suggesting that entrepreneurs are generally satisfied. However, when we compare their life satisfaction to representative samples of UK entrepreneurs (and employees) prior to the pandemic⁵ and the UK population⁶, we see a substantive drop against any of the three comparison groups.

Figure 11



The picture is similar for how stressful entrepreneurs perceive their life currently (perceived stress). We asked questions on how frequently one feels overwhelmed, out of control and generally nervous, irritable, and upset over the past month. Perceived stress is scaled from 0 (lowest) to 40 (highest). At an aggregate level, higher scores predict poorer mental and physical health, an early warning indicator of disease. Scores between 14 and 26 indicate moderate levels of stress and the perceived stress level experienced by entrepreneurs in our sample fall in that range. Few UK comparison scores are available. A comparison with a large UK online sample of non-entrepreneurs during the pandemic (UK other Figure 12)⁷ suggests that UK entrepreneurs are similarly stressed. Comparing these scores to those we would typically expect to see in the population in non-pandemic times⁸ (Figure 12) reveals that entrepreneurs suffer from more stress, especially the women entrepreneurs in our sample.

Figure 12



The lower mental wellbeing also reflects how the business and the entrepreneur are intertwined and especially the personal financial consequences. For instance, entrepreneurs in our survey noted: 'we are living off the saving we have been building for retirement – this will mean I will have to work for many years more to replace them' and 'I have reduced income and am living off reserves intended for facing Brexit issues.'

Second, the pandemic impacted entrepreneurs personally in terms of childcare and change to their place of work. Just over a fifth of entrepreneurs (22.7 per cent of 361 entrepreneurs) had to start caring for their children at home because schools and nurseries closed. Some noted that their main problem in the business was in fact 'restricted hours due to kids being off school.' (There were few gender differences which we discuss in Section 4.)

Over a third (38.6 per cent) of entrepreneurs started to work solely from home, while others intensified working from home (22.8 per cent; Figure 13) during the pandemic. However, over a third of entrepreneurs (37.8 per cent) saw no change in their place of work, either because they kept working on their business premises or because they were already working from home. While some entrepreneurs noted the positives 'doing all of my meetings on Zoom saving loads of travelling time', others also saw 'reduced productivity due to working from home.'

Figure 13

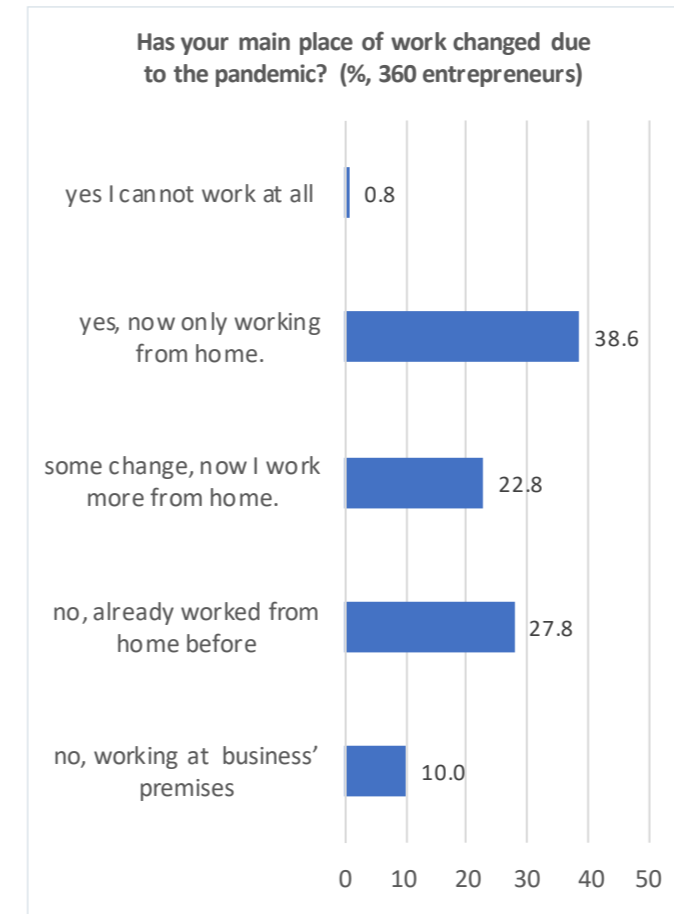
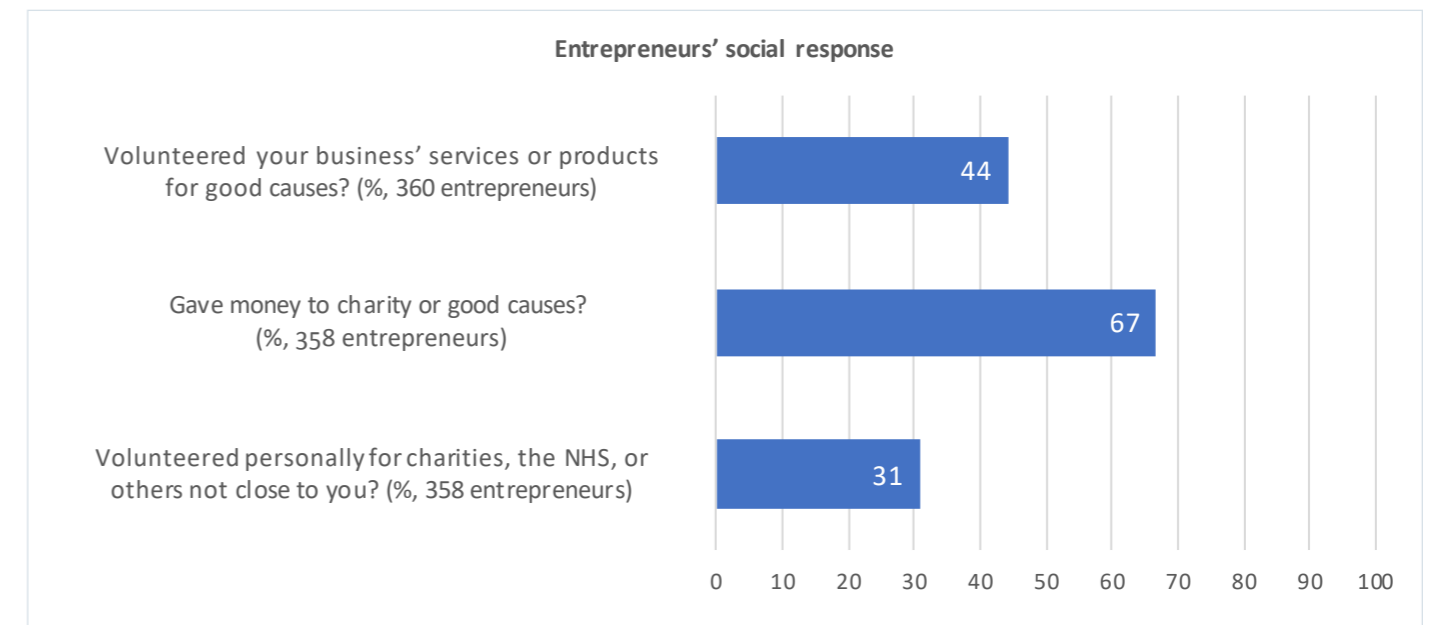


Figure 14



2.4. Entrepreneurs' social response

While the businesses of most entrepreneurs suffered (Section 1), UK entrepreneurs were nevertheless giving back to society during the pandemic in three ways (Figure 14).

They were giving back through their business: 44 per cent of entrepreneurs volunteered their business' services/products for good causes, to help other businesses, charities, or public workers in the past month. And half of those who did (49.7 per cent) did so due to the pandemic.

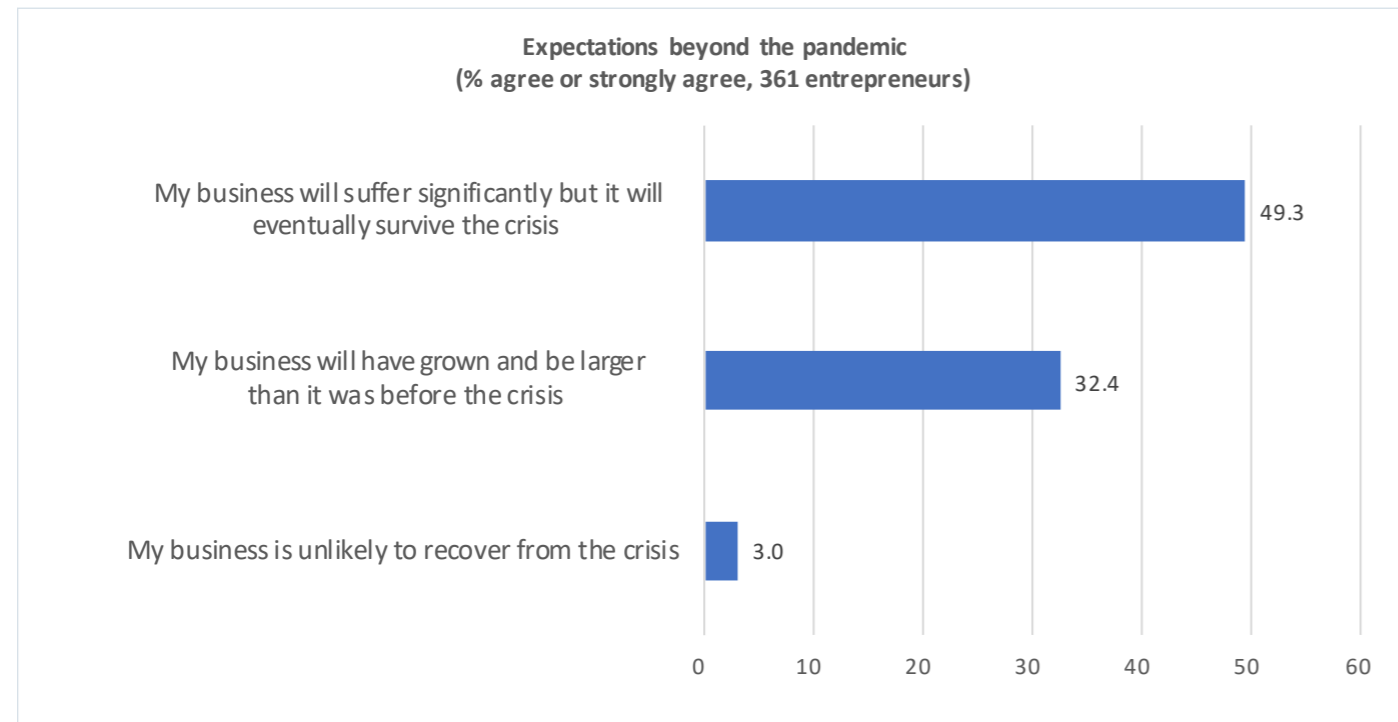
Entrepreneurs were also giving back personally either by giving money to charity or by volunteering time to work for good causes. Entrepreneurs engaged in both, though more gave money than time (about two thirds/67 per cent vs. about one third/31 per cent, Figure 14). This is perhaps not surprising considering the long weekly working hours of entrepreneurs. Half of the entrepreneurs in our sample worked 46 hours or more per week. Yet nearly a third (31 per cent) of entrepreneurs managed to personally volunteered time (i.e. worked for free for charities, the NHS, or otherwise supported others who were not their family and friends.), with half of them (49.1 per cent) doing so because of the Covid-19 pandemic.

3. How entrepreneurs see the longer term: opportunities and realities?

Entrepreneurs had generally positive expectations for their business in the long term beyond the pandemic. We discuss first general expectations for their business, job creation expectations and then explore what types of positive impacts and opportunities they saw. This is followed by a reflection on the business's preparedness in terms of planning and resources that are likely needed to act upon future opportunities.

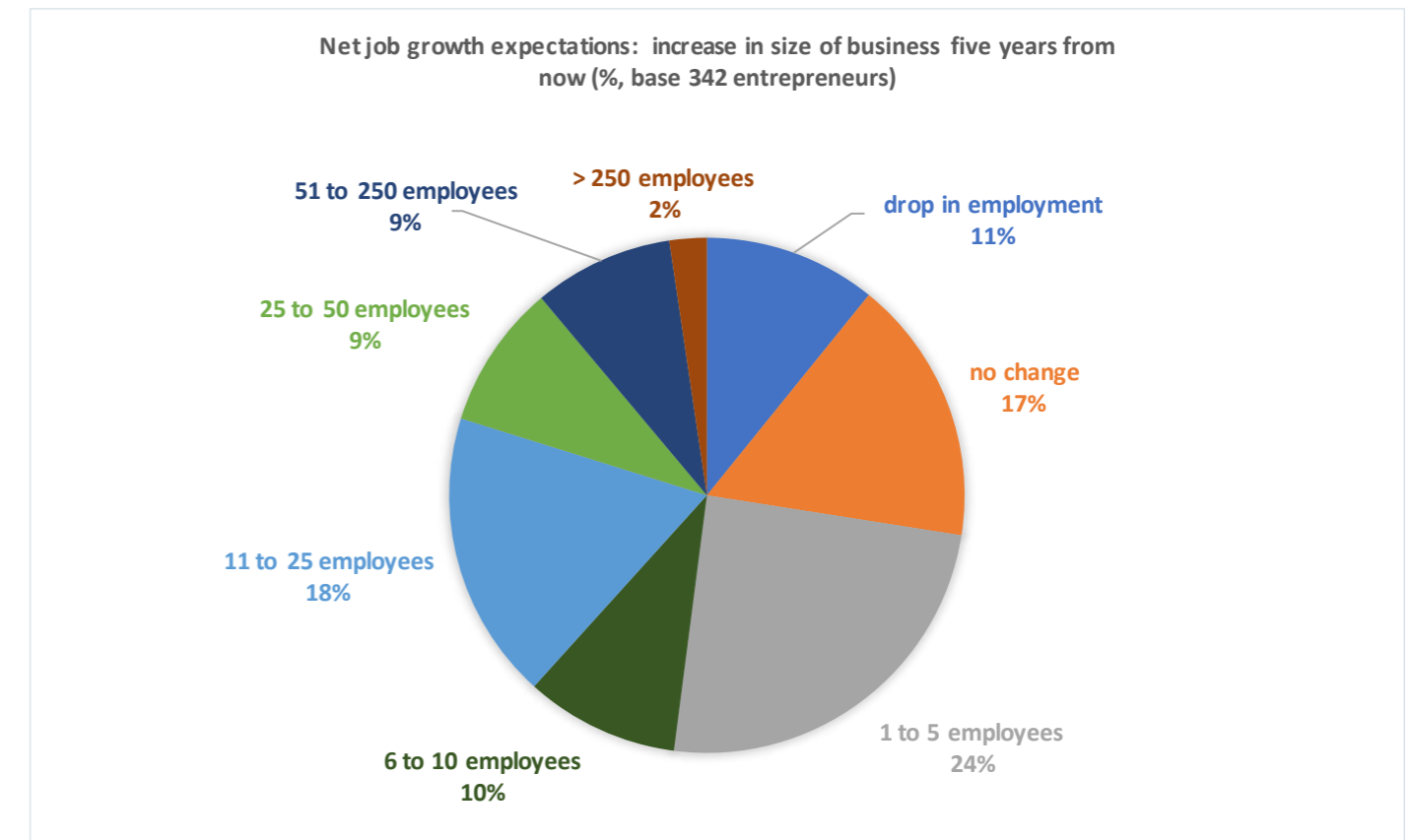
In terms of the general expectations for the business beyond the pandemic, nearly half (49.3 per cent) of the entrepreneurs were confident that their business would eventually survive the crisis although they also believed their business would suffer significantly (Figure 15). Nearly a third of entrepreneurs (32.4 per cent) even thought that their business would be larger than it was before the crisis, while only very few were sceptical about their business' outlook and believed that their business would not recover.

Figure 15



This positive long-term sentiment is also reflected in the specific job growth expectations of entrepreneurs (Figure 16). Relative to the current number of employees, few entrepreneurs expect a drop (11 per cent) or no change (17 per cent) in employment in the long-term (5 years). The majority (72.5 per cent) expect to add employees to their business and most additions are expected to be substantive (i.e., nearly half of entrepreneurs expect to hire more than five employees). Notably, while these are expectations, past research following entrepreneurs over time finds that such growth expectations are a good predictor of actual employment growth in firms.⁹

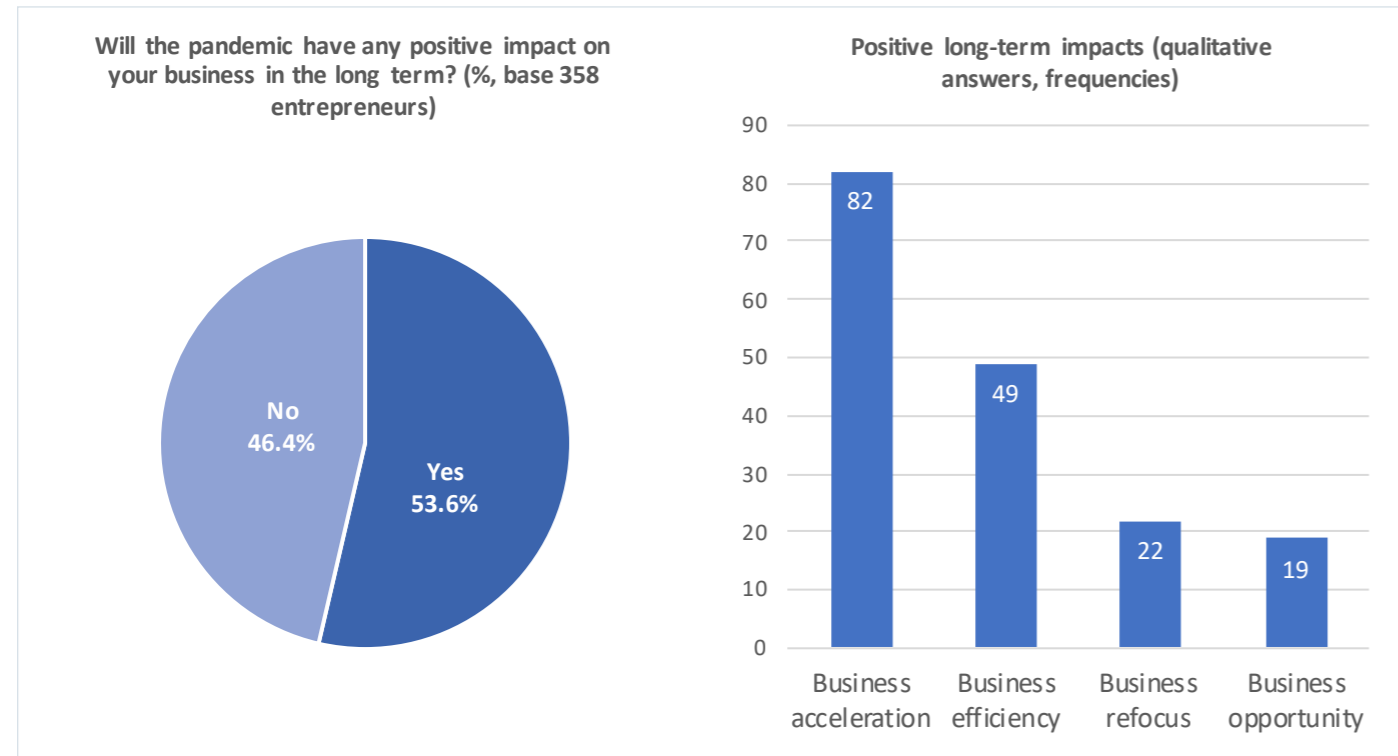
Figure 16



Over half of entrepreneurs (53.6 per cent) saw positive long-term impacts of the Covid-19 pandemic on their business (Figure 17). 172 entrepreneurs provided qualitative explanations of this positive impact. These explanations fell broadly into four categories (Figure 17) from doing more of the same in higher volume, to doing the same but more efficiently, to refocusing the business and capturing new business opportunities.

1) Business acceleration was the most mentioned positive long-term impact of the pandemic which the entrepreneurs saw as resulting in more business based on their existing product and offering. For many entrepreneurs this was directly tied to increased demand for online services and delivery that they were already offering. One entrepreneur noted that the pandemic 'cements the shift to e-commerce'. Others equally saw the pandemic as accelerating an existing trend to more digital offerings and trading from B2B marketplaces to greater demand for digital advertising and search engine optimization, and remote learning. Others noted that remote working would increase demand for learning and coaching products, and products supporting remote working. Others noted that business acceleration was a consequence of them demonstrating their agility in responding to client demands ('we have been able to show how responsive we can be and have had a lot of publicity about this') or otherwise strengthening customer relationships.

Figure 17



2) Business efficiency and resilience referred to improvements in processes and practices to obtain cost savings, or cost reductions due to the anticipated need for less office space and time savings from remote working (eg 'cost reduction in office accommodation resulting from more staff being able to work from home'). Some entrepreneurs saw these efficiency savings tied to positive work-life changes for themselves and their staff. 'It has forced positive changes eg we now work fully remotely effectively and productively. Staff like this and there is an opportunity to reduce premises costs.' And noting 'improved staff wellbeing with more confidence to allow working from home as they please.' While others noted the positive environmental consequences that come with greater efficiency. 'Our business will be greener as we travel less and have less of an impact on the environment around us. Smaller office space and more online work.'

3) Business refocus captures how some entrepreneurs saw the crisis as a time for strategic review, to review their existing products and services or indeed their entire business model.

Entrepreneurs noted that the pandemic led to a 'shift in focus' and allowed 'time re-evaluate offering' to find out how the '...businesses can be tailored to respond to changes in the social, economic and health and wellbeing ... in our society.' For several entrepreneurs, the refocus was linked to online trade, which they saw as coming to dominate their business in the future. While some entrepreneurs viewed the pandemic as a chance to focus on developing new products, others saw an opportunity for a more fundamental refocus towards 'leaner organisation, more focused on core product' as well as using the opportunity to try out new products.

4) Business opportunity captured entrepreneurs' responses that noted opportunities related to introducing new products and services or venturing into a new market. This category is related to the previous one but more explicitly focused on new offerings (eg new insurance products or online services), often in response to changes in customer behaviours triggered by the pandemic (eg more exercise, more home working, less travel, more online trading, and more willingness to engage with technology and digital solutions). Entrepreneurs viewed the greater digitalisation also as an opportunity to enter new geographically distant markets that may have previously only been reachable at great expense.

3.1 Preparedness to act on long-term opportunities?

Notwithstanding their positive outlook and optimism for the long term, most entrepreneurs did not yet have the business planning in place that would ensure potential opportunities turn into revenue. Nearly half of the entrepreneurs (49.3 per cent) currently focus their planning on the short-term and were planning for less than one year ahead (see Figure 18). Of course, our survey took place during the lockdown (May – early-July) and entrepreneurs may engage in business planning following the easing of lockdown restrictions post-July.

The situation is similar in terms of financial resources (Figure 19). On the upside, almost a third of entrepreneurs seemed to have a solid financial base (30.3 per cent say that they can sustain their business and won't run out of money) and a further 16.5 per cent had sufficient resources to sustain themselves for one year. Worryingly, this leaves over half of all businesses in our study being vulnerable over the coming 12 months, including a third of businesses (36.7 per cent) facing challenges to sustain themselves in the next six months (and 13 per cent in the next three months) if the pandemic continues or a second wave of infections emerges.

Figure 18

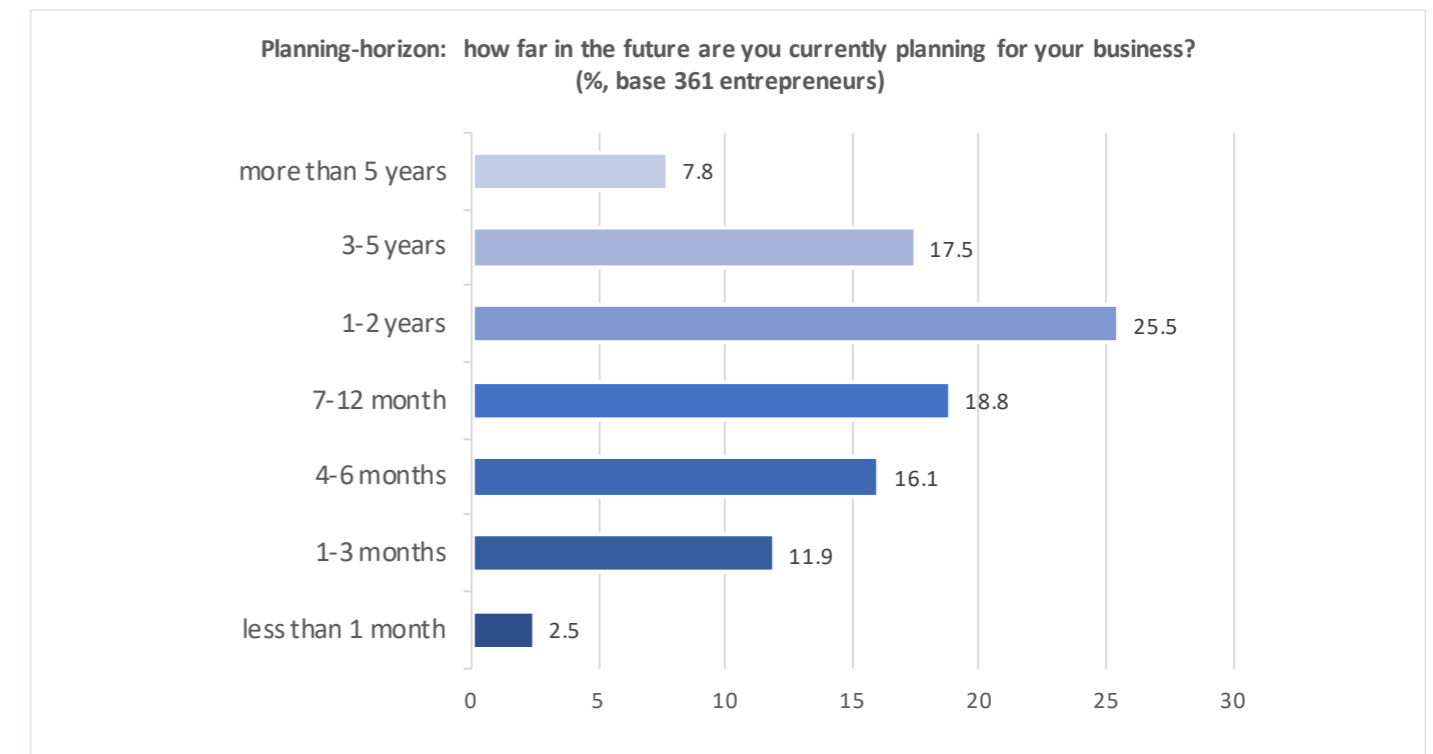
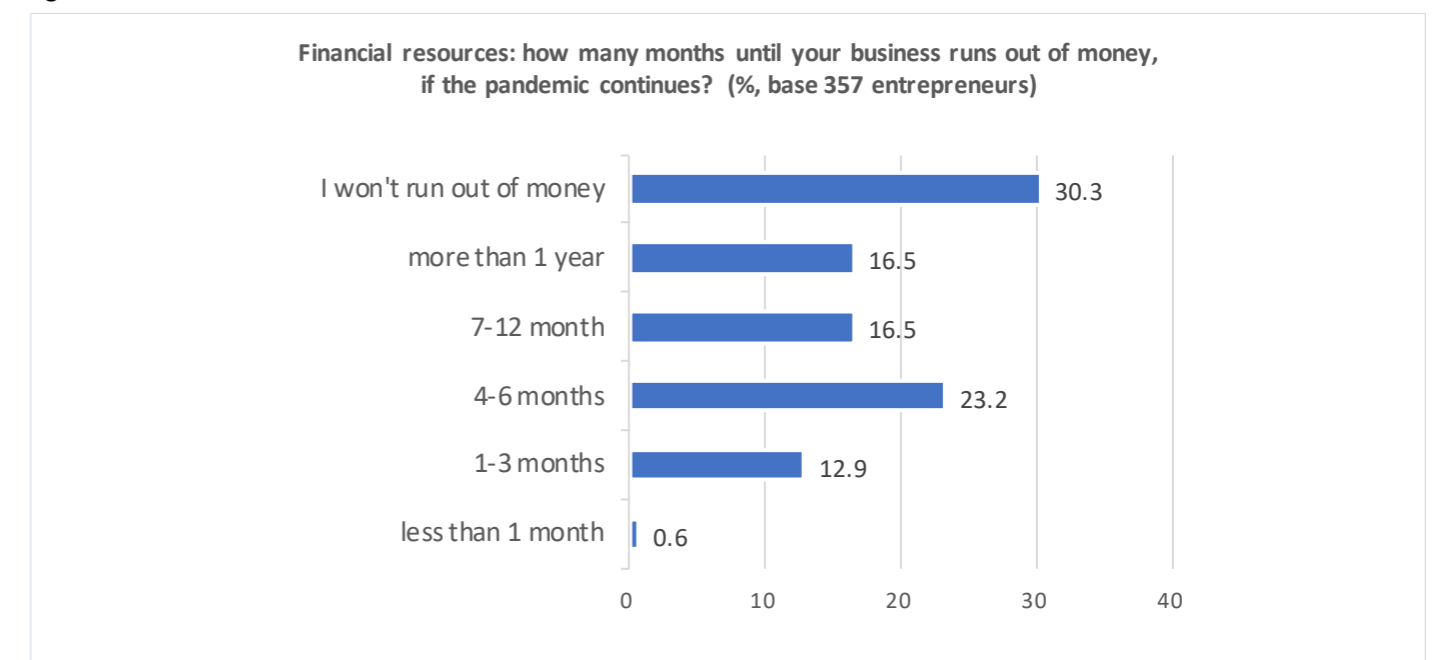


Figure 19



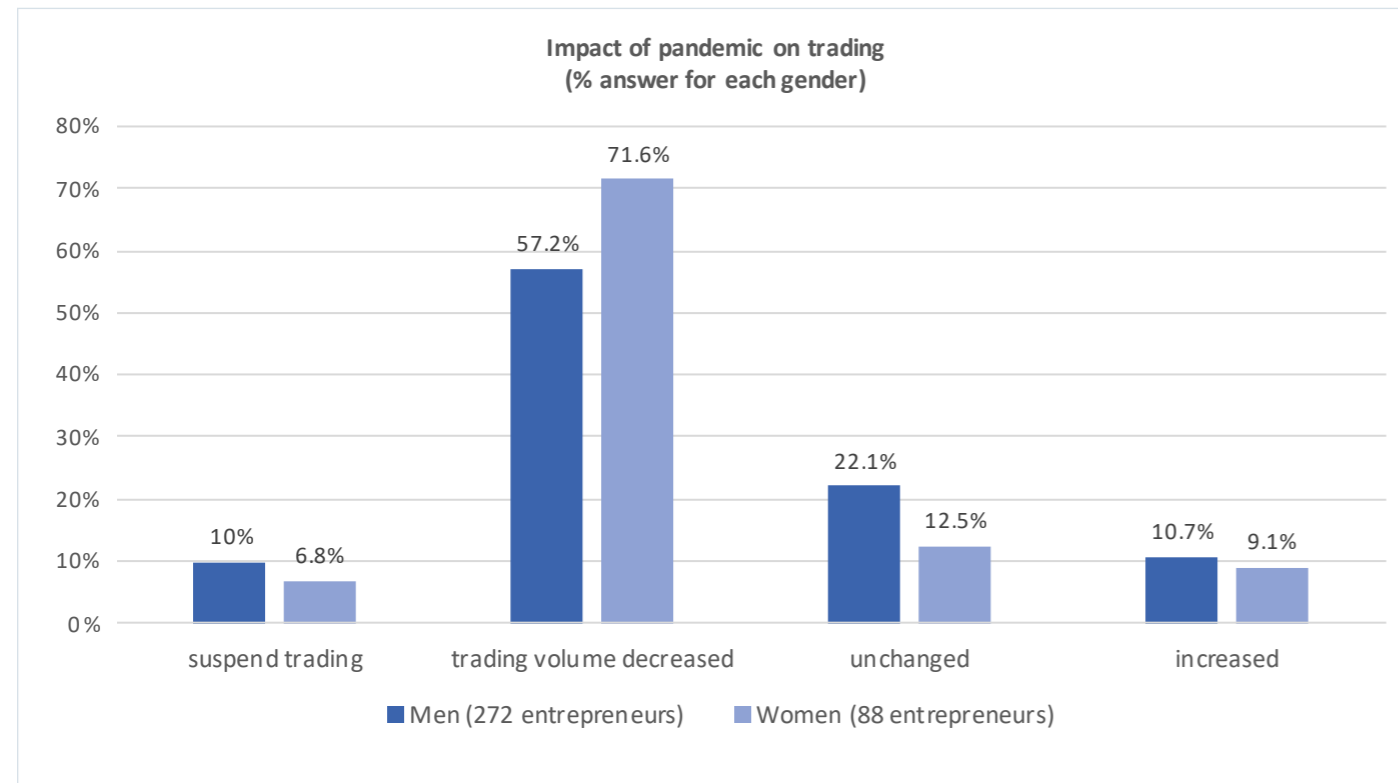
4. Did women and men entrepreneurs fare differently?

There is a well-documented gender gap in engagement in entrepreneurship in the UK.¹⁰ Similarly, in our sample, men entrepreneurs are overrepresented (272 men to 88 women entrepreneurs). In our sample women-led businesses did not differ from their male counterparts in terms of the age of their businesses and profitability before the pandemic. Women's and men's businesses differed in size (number of employees and turnover before the pandemic). Women's business tended to be smaller. Women were more frequently self-employed than men and the majority (51 per cent) employed between 1–5 employees. Similarly, more women than men reported lower turnover (up to £50k – 31 per cent compared to 16 per cent), whereas men more often reported turnover above £1 million (24 per cent vs. 13 per cent). Women- and men-led businesses operated in similar industry sectors.

Following the same structure as in Sections 1–3, we first discuss how women and men entrepreneurs were affected by the pandemic, how they reacted to it, and then turn to their longer-term outlook. We conducted statistical tests to establish whether differences between women and men entrepreneurs were substantive or only due to chance. Where we include graphs and discuss gender differences these were statistically significant. We also comment on similarities. The latter are not supported by graphs, because the graphs would be similar to those already shown in the previous sections.

While there are many areas where women and men did not differ, on balance the Covid-19 pandemic impacted women entrepreneurs more adversely than men entrepreneurs.

Figure 20



Women-led businesses suffered greater reduction in trading, but were less likely to lay off staff. They reacted later in terms of changing their business plans, but more often expanded their business activities into online trading and delivery of services. Women entrepreneurs worked more often from home and were more stressed. Their social response to the crisis was stronger, they more often than men gave money, volunteered their personal time or their business' offerings to support charities or good causes. They saw similar future opportunities but were less optimistic about long-term job growth expectations. Women entrepreneurs appear to reflect more on the impact of crisis on their personal wellbeing and look for ways to improve their businesses and their lives.

4.1. Were women and men entrepreneurs affected differently?

A similar share of women and men entrepreneurs saw the existence of their businesses threatened by the crisis (65 per cent vs. 60 per cent). There were also no statistically significant differences¹¹ in the share of entrepreneurs from both genders that furloughed staff or laid off staff.

In terms of impact on trading activities, businesses run by women more often experienced a reduction in the trading volume during the pandemic (71.6 per cent compared to 57.2 per cent). More men than women-led businesses encountered either unchanged (22.1 per cent vs. 12.5 per cent) or increased trading (10.7 per cent vs. 9.1 per cent) (Figure 20). However, the most dramatic impact (suspending trading) was also more frequently experienced by men (10 per cent vs. 6.8 per cent).

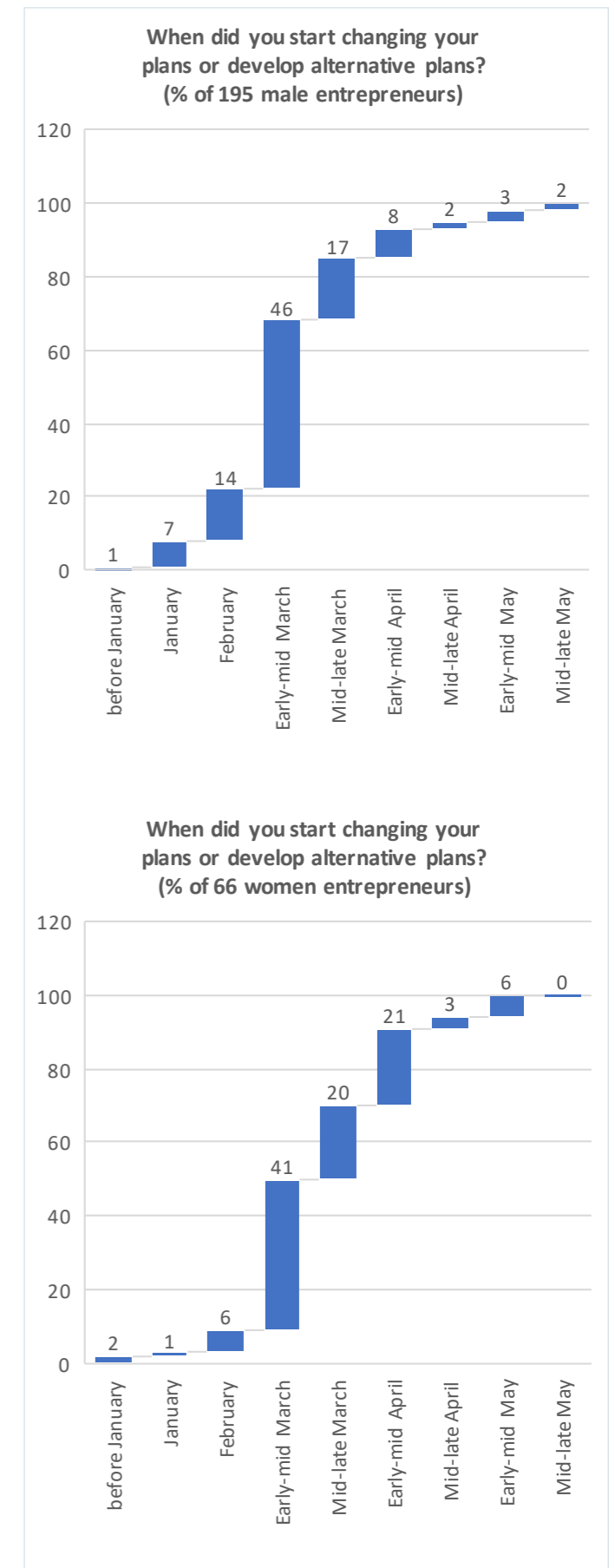
We did not find significant differences in the major problems that women and men entrepreneurs faced in the pandemic. For instance, entrepreneurs' of both genders struggled equally with not receiving payments or receiving payments with delay, faced challenges to pay for the upkeep of their business and anticipated problems being unable to pay employees or suppliers (see Figure 5 for the general list of challenges that entrepreneurs encountered). There were however some qualitative differences in their accounts of 'other problems' that they encountered with women and men noting specific challenges. It seems that men find it somewhat more difficult to work from home: 'learning to work from home', 'working from home has unknown cultural and productivity issues', 'reduced productivity due to working from home', while none of the women entrepreneurs pointed this out. It may be that women entrepreneurs were more used to working from home already (see Figure 23 below). Consistent with the greater drop in trading for women-led business (Figure 20), women slightly more often raised concerns about the survival of their businesses: 'especially if we have a second wave we might not be able to survive', 'I've not made income for the first three months and using my savings to live'.

4.2. How women and men entrepreneurs reacted

As in Section 2, we discuss first the impact on the business, use of government support, impact on the entrepreneurs and their contribution to society during the pandemic.

As discussed in Section 2, 73 per cent of entrepreneurs changed their plans due to the pandemic. This was similar for women and men entrepreneurs. However, men seemed to react earlier and changed their plans sooner than women entrepreneurs – 85 per cent of men who changed their plans did so by the end of March compared to 70 per cent of women entrepreneurs (Figure 21).

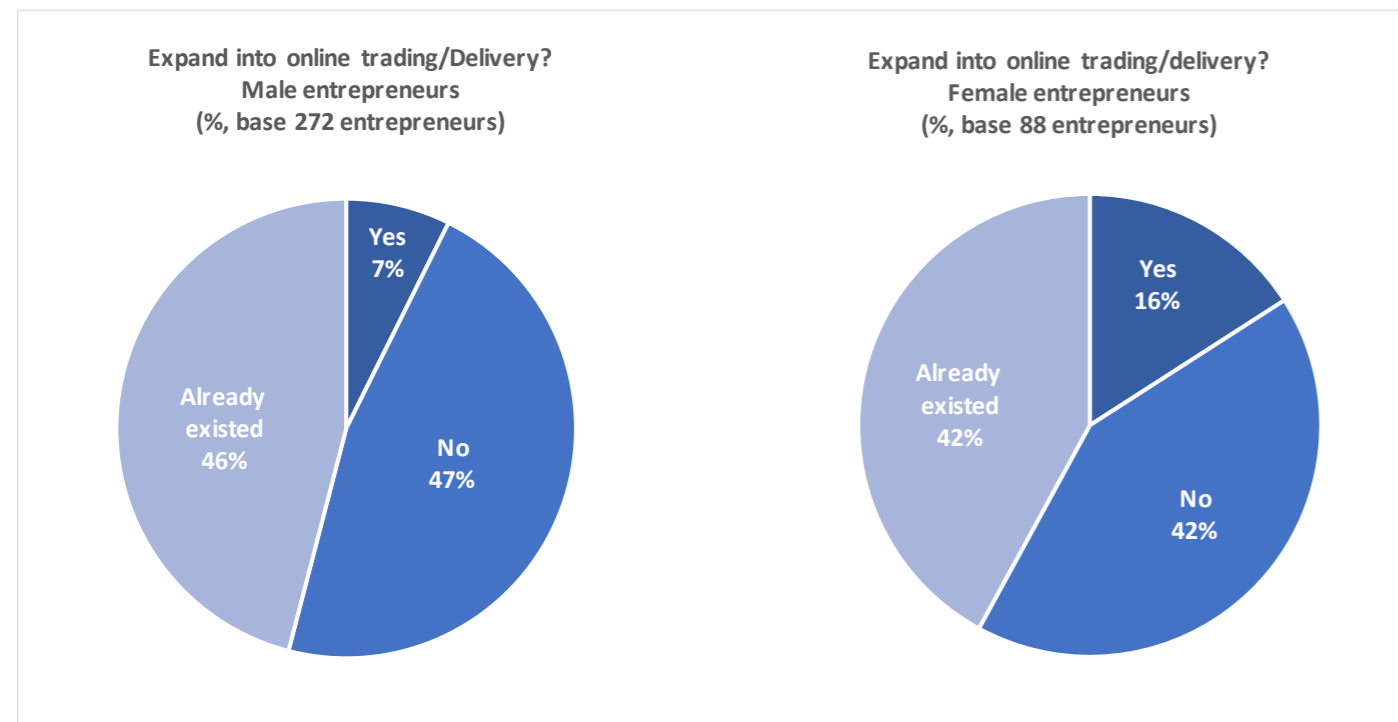
Figure 21



There was no significant difference between perception of short-term opportunities by women and men entrepreneurs (similar shares saw opportunities, 43 per cent vs 48 per cent respectively). Asked to elaborate on the specific short-term opportunities that the pandemic created for them, they provided examples relating to expanding their customer based, products/services, business delivery and repositioning with similar frequencies as described in Section 2 (Figure 7). For instance, one female entrepreneur 'saw 300 per cent growth over lockdown', another mentioned how she had 'more time to grow the business'.

Ask explicitly about engagement in online trading and delivery, women entrepreneurs more often used the lockdown as an opportunity to expand to online trading and delivery services (16 per cent of women vs. 7 per cent of men, see Figure 22). At the same time, men entrepreneurs were already somewhat more involved in online trading or delivery services before the pandemic (46 per cent vs. 42 per cent). Thus, the pandemic equalized engagement in online trading and delivery between women and men entrepreneurs.

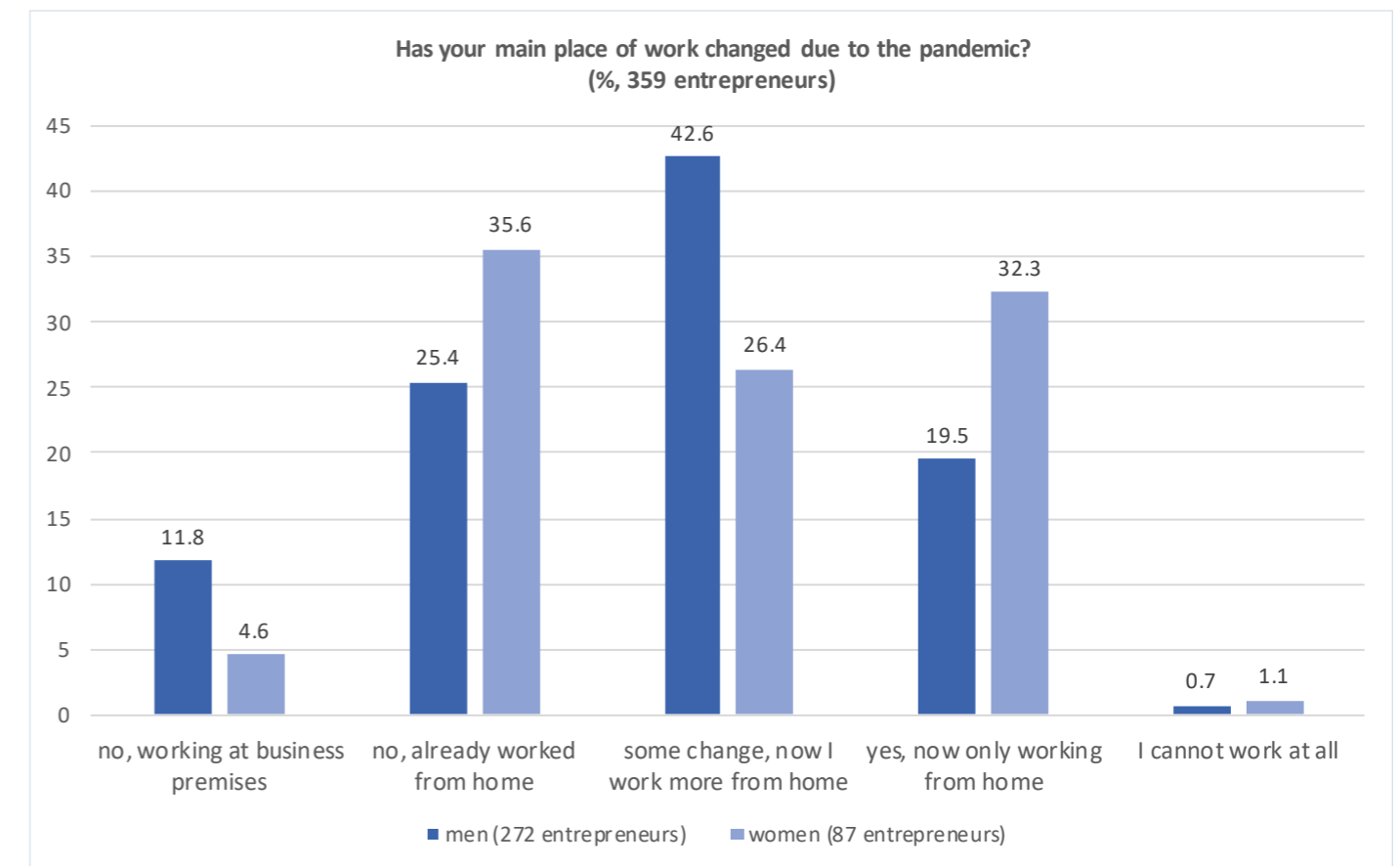
Figure 22



Men and women entrepreneurs used government support equally. Of the different support schemes (see Figure 9), we found significant gender differences only in two. Men applied more often than women to defer tax payments ('Time to Pay' arrangements with HMRC, 24 per cent vs. 13 per cent); whereas women applied more often to the Self-Employed Income Support Scheme (33 per cent of women vs. 22 per cent of men).

In terms of its impact on the entrepreneurs themselves, women and men entrepreneurs did not differ in child caring responsibilities. Roughly 20 per cent of both women and men entrepreneurs had additional childcare responsibilities due to the pandemic. The lockdown revealed gendered patterns in working from home. Before the crisis more women than men (36 per cent vs. 25 per cent) used to work from home (Figure 23). During the pandemic the share of women entrepreneurs working only from home rose to 68 per cent in comparison to 45 per cent of men (combined share of second and fourth category in Figure 23). Male entrepreneurs seem to work either partly or solely at business premises more often than women.

Figure 23

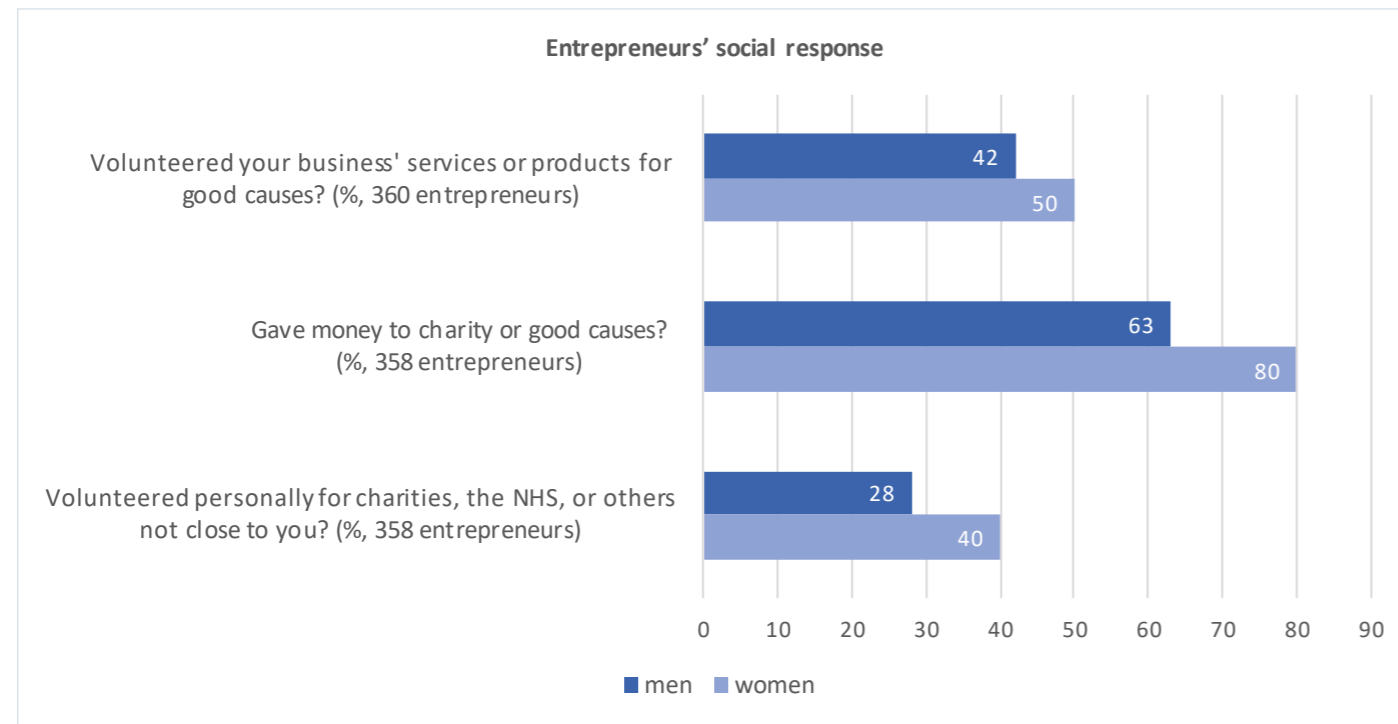


In terms of mental wellbeing, we already noted gender difference in experienced stress (Section 2, Figure 11). At the same time, although women were more stressed, we found no significant differences in life satisfaction between women and men.

Part of the explanation of the equal life satisfaction coinciding with higher levels of stress could lie in stronger social response to the crisis by women entrepreneurs. Volunteering is known to support mental wellbeing and can help to establish a sense of purpose especially during times of crisis.

Women more so than men entrepreneurs volunteered their business' services, provided financial support for charities or other good causes, or volunteered their time by working for charities, the NHS or others (Figure 24). Specifically, half of women entrepreneurs volunteered their business' services or products for good causes, to help other businesses, charities or public workers compared to 42 per cent of men business owners. Four out of five women entrepreneurs supported financially charities or other good causes, compared to 62.5 per cent of men entrepreneurs. The difference was even bigger when it comes to volunteering their own time and work for charities, the NHS, or otherwise supporting others who were not family and friends (40 per cent of women vs. 28 per cent of men, Figure 24).

Figure 24



4.3. Long-term impact on women and men entrepreneurs and their businesses

Women and men entrepreneurs share similar expectations for the future of their businesses after the pandemic. Equal shares foresee that their business will not survive, will recover shortly after the pandemic, or will grow even bigger. Most expect their business to suffer but to survey (see Section 3).

Both over half of men and women (53.5 per cent vs. 54.5 per cent) see positive impacts of the Covid-19 pandemic on their business in the long-term. Women and men also report overall similar types of long-term positive impacts (equivalent to those reported in Figure 16). Yet there are some qualitative differences in the nature of the impact. When asked to give examples of the long-term positive effect of the pandemic women more often than men point to the opportunity to slow down, recover and reflect about life and business. For instance, women entrepreneurs observed:

‘The focus of attention of where the need is most required will be clearer to those of us pitching our business (and where our businesses can be tailored to respond to changes in the social, economic and health and wellbeing factors of people in our society)’

‘Creating a new online version of my business and also the mental health kickback’

‘Moving away from overseas travel (positive climate impact), not going back to pre-Covid levels of crazy busy, had to be innovative in research approaches...’

‘Resilience to future issues’

‘I have a closer and more personal relationship with the business owners I have supported through this crisis’

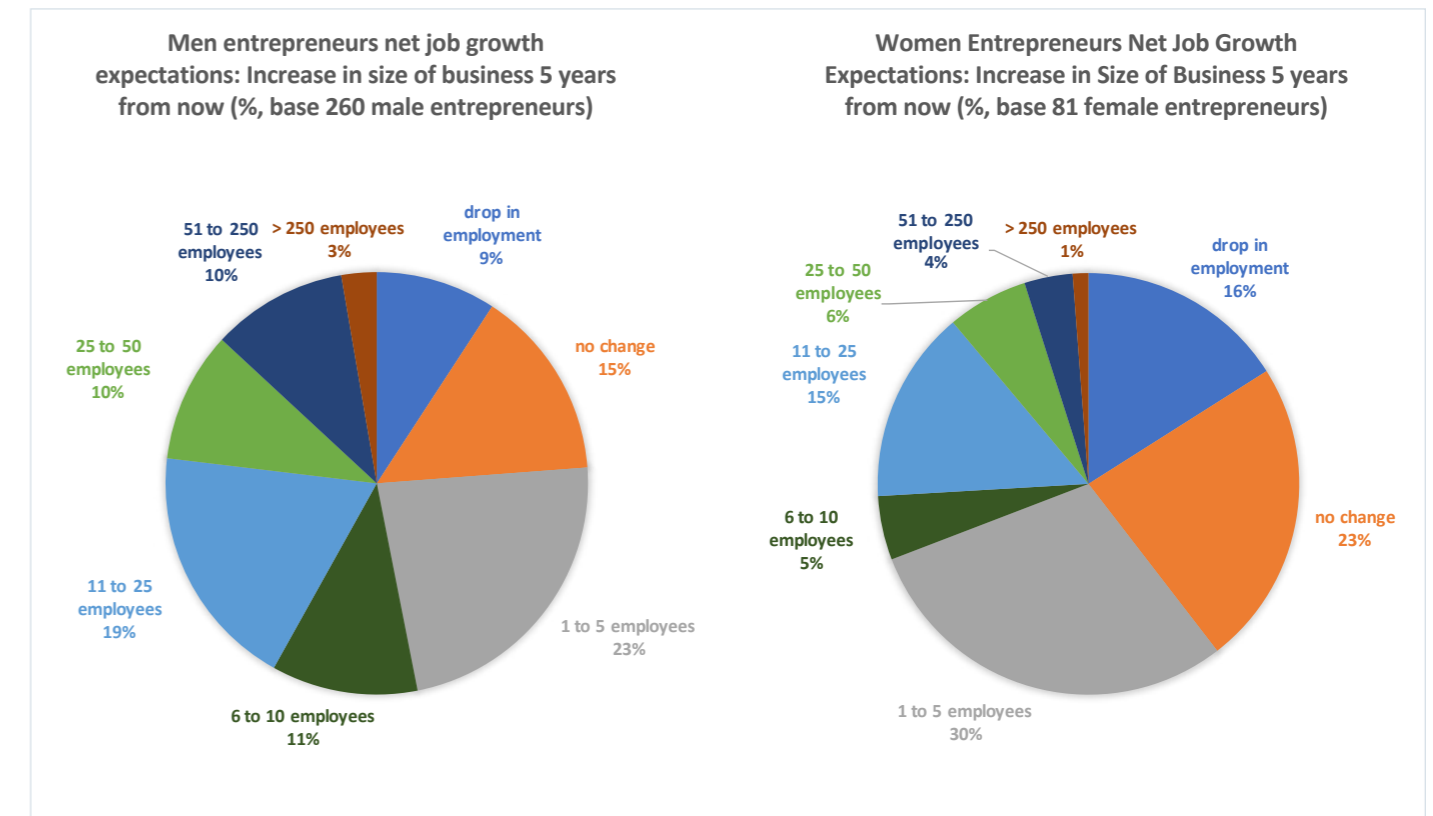
Male entrepreneurs focus more on opportunities related to technology:

‘Our technology saves money to manufacturers and OEMs. As such, we expect it to be picked up a bit more quickly, provided capital projects are not axed altogether’

‘The clear understanding that change happens and technology is a big enabler – investing in it provides growth’

In terms of job creation, men entrepreneurs are more optimistic about the growth of their business in the future (Figure 25). While 42 per cent of men expect their business to grow by more than 10 employees, only 26 per cent of women business do. Similar shares (34 per cent) of women and men expect medium growth of 1–10 employees. Almost 40 per cent of women entrepreneurs expect a drop or stagnation in employment, compared to 24 per cent of men (Figure 25).

Figure 25



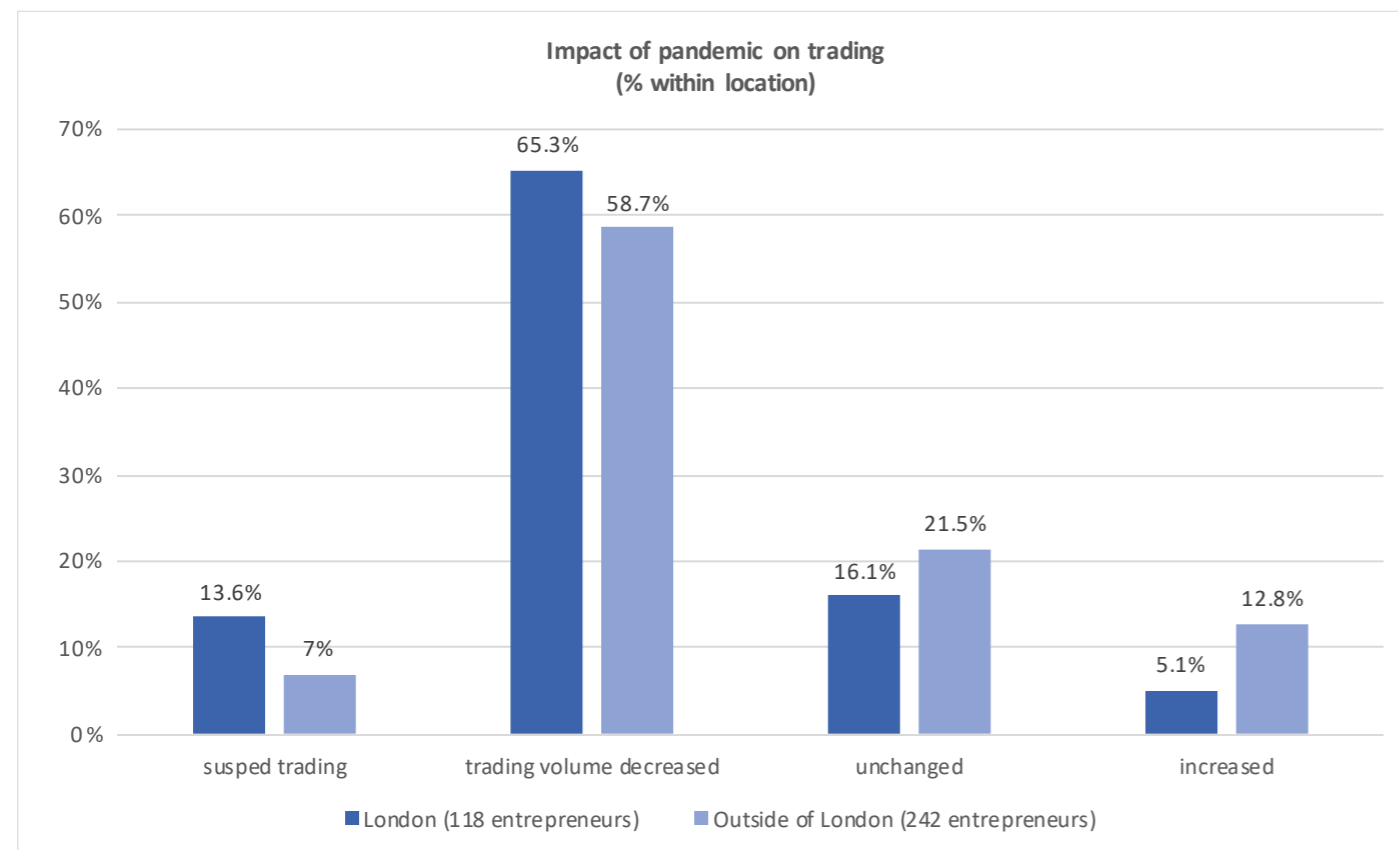
Finally, women and men entrepreneur appear similarly prepared to act on long-term opportunities, in terms of planning and financial resources. Women and men entrepreneurs are similar in their approach to planning. There was slightly larger share of women than men who plan for a 5years+ horizon, but the difference was not significant. Similarly, their financial situation is similar. A slightly bigger share of men had a solid financial base (they can sustain their business and won't run out of money) than women but again, the differences were not statistically significant.

5. Entrepreneurs in and outside of London

Regional differences in the UK are well-established as is the fact that much of the UK economy is centred on London. Our data only allows to compare entrepreneurs in London to entrepreneurs in the rest of UK due to the size of the sample (118 entrepreneurs in London and 242 entrepreneurs outside London). There are likely substantive differences between other regions in the UK, and also between more rural and city areas. Unfortunately, our sample is too small to provide robust insights on those important differences.

Before we compare entrepreneurs based in and outside of London, we note that they differ in their performance¹². London-based entrepreneurs were less likely to generate a profit or surplus before the pandemic compared to businesses outside of London (64.3 per cent compared to 76.9 per cent) and they were younger (9.2 compared to 12.3 years outside of London). They were similar in size, both turnover and number of employees before the pandemic and operated in similar industry sectors. This suggests that London-based entrepreneurs potentially operate in more competitive environment.

Figure 26



Our study reveals differences between how the pandemic impacted businesses based in and outside of London. The impact on London-based entrepreneurs was more severe in terms of reduction in trading, expecting problems to pay their employees, and the running costs of the business. Entrepreneurs in London experienced significantly lower life satisfaction than entrepreneurs outside of London. Entrepreneurs perception of short- and long-term opportunities in/outside of London was similar, with the exception that London-based entrepreneurs expect higher net job growth over the next five years.

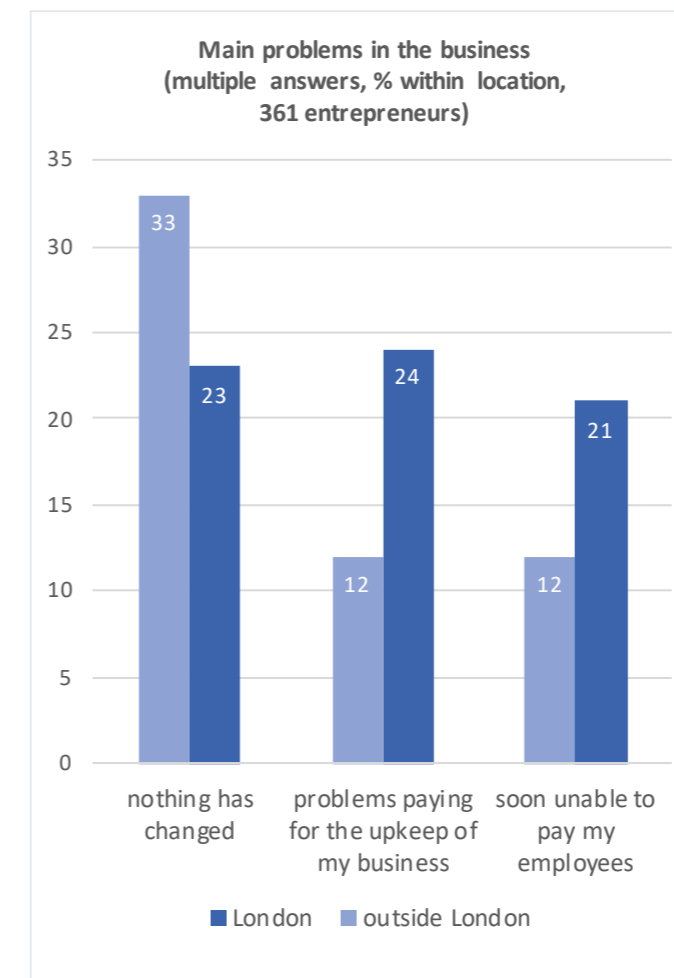
5.1. Were entrepreneurs in and outside of London affected differently?

The entrepreneurs in and outside London report a similar level of threat to existence of their businesses caused by the pandemic. Also, the share of entrepreneurs who report laying off staff or furloughing employees is similar in and outside London.

For almost 80 per cent of entrepreneurs based in London the pandemic has caused either the suspension of trading or decreased trading volume (Figure 26). In comparison, this kind of impact was reported by fewer businesses outside London (65 per cent). Also, while only 5 per cent of London-based businesses reported an increase in trading, the same outcome is reported by over twice as many entrepreneurs (13 per cent) outside of London.

When asked about their main problems in the business a larger share of entrepreneurs in London reported that they will soon be unable to pay their employees (21 per cent compared to 12 per cent of entrepreneurs outside of London, Figure 27). Moreover, the share of entrepreneurs who had problems with paying for the upkeep of their business is larger in London than outside of London (24 per cent vs. 12 per cent). Only 23 per cent of entrepreneurs in London indicated that they do not to have problems caused by the pandemic compared to 33 per cent outside London.

Figure 27



The challenges of working from home that we discussed in Section 4.2 as characteristic for men are also more common among entrepreneurs based in London. Other challenges noted by London-based entrepreneurs refer to sector-specific impacts. For instance in real estate: '... the pandemic has made viewing buildings with clients more problematical' and for the event industry: 'I have lost all of my income from live events (100 per cent of business income last year)'.

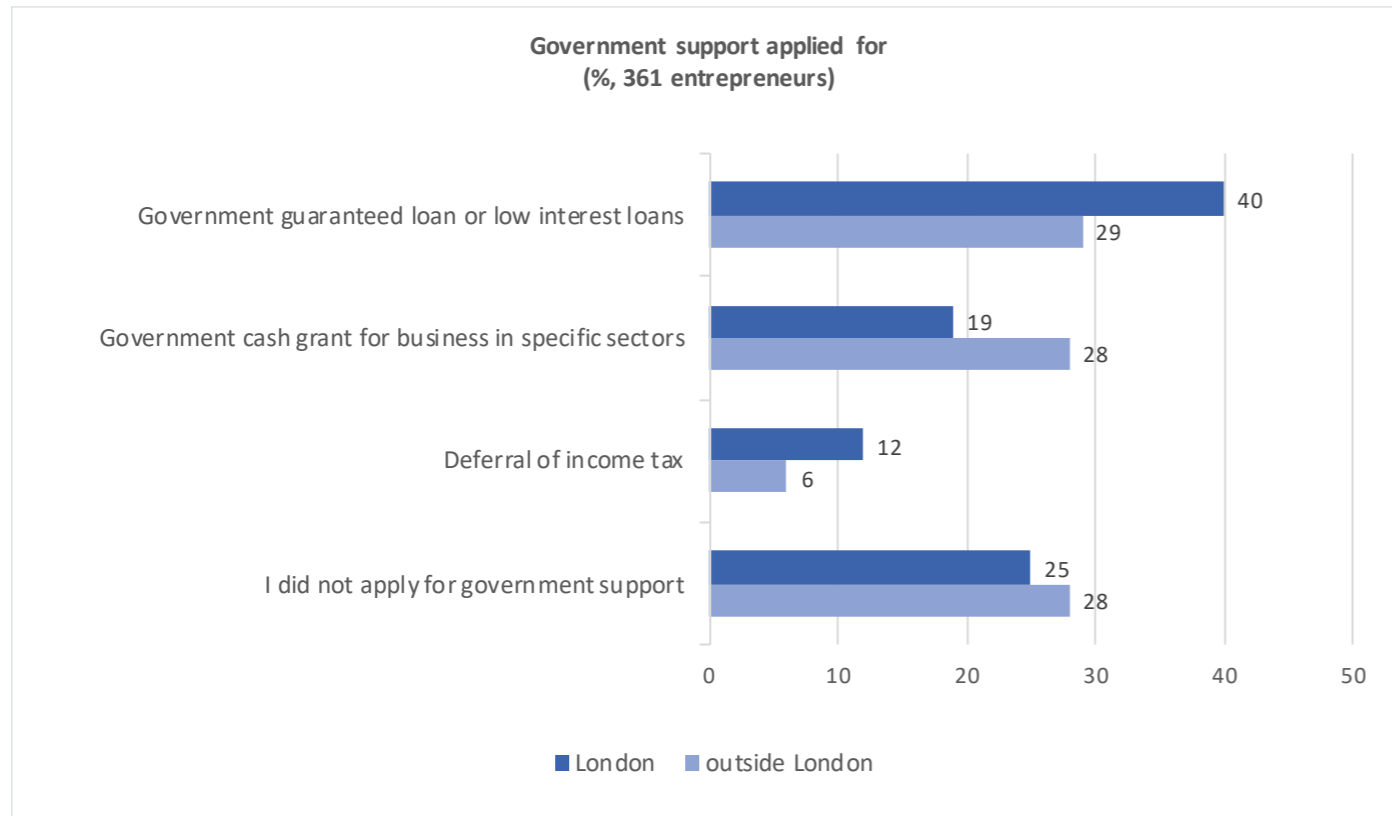
5.2. How entrepreneurs in and outside of London reacted

As in Section 2, we discuss first the impact on the business, use of government support, impact on the entrepreneurs and their contribution to society during the pandemic.

The impact of the pandemic and lockdown of the economy on entrepreneurs' businesses is rather similar in and outside of London. Similar shares of entrepreneurs in London and outside of London changed plans for their business and did so at similar points in time. Also in terms of short-term opportunities created by the pandemic there are no significant differences between businesses in/outside of London. The share of entrepreneurs who expanded their business into online trading or delivery services did also not differ significantly. In terms of the qualitative characterisation of the short-term opportunities for their business, there were again very few differences. It seemed that London-based entrepreneurs slightly more often saw opportunities associated with healthcare and pharmaceutical business: 'NHS work', 'pharmaceutical trading', 'new medical services'.

Regarding the use of government support, similar shares of businesses applied for government support in (74.6 per cent) and outside of London (71.6 per cent) (Figure 28). However, they applied for different kinds of support. Entrepreneurs in London more often applied for government guaranteed loans or low interest loans (40 per cent vs. 29 per cent) and deferral of income tax (12 per cent vs. 6 per cent), while those outside of London applied more often for government cash grants for business in specific sectors (28 per cent vs. 19 per cent).

Figure 28



In terms of the impact of the pandemic on entrepreneurs themselves and their mental wellbeing we see that entrepreneurs in and outside London experienced comparable level of stress. However, those based outside of the capital reported significantly higher life satisfaction than London-based entrepreneurs (66.3 per cent vs. 61.4 per cent. Figure 29). Still both groups have life satisfaction levels that are much lower compared to values reported pre-crisis (see Figure 10).

Figure 29

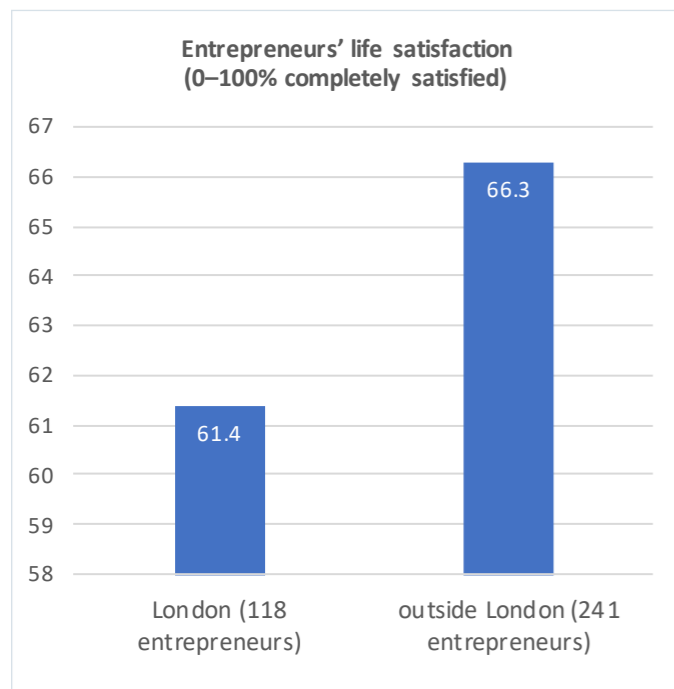
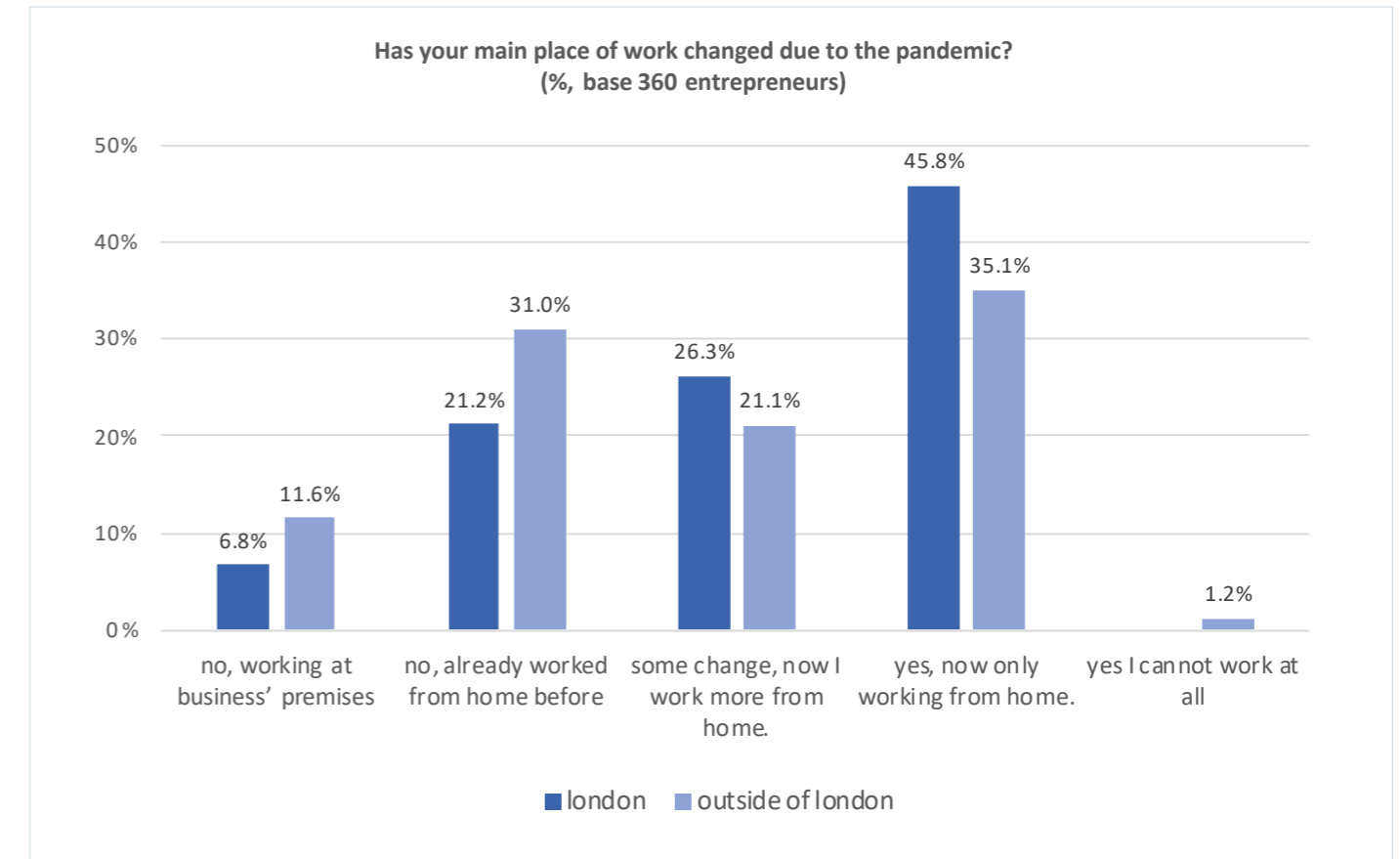


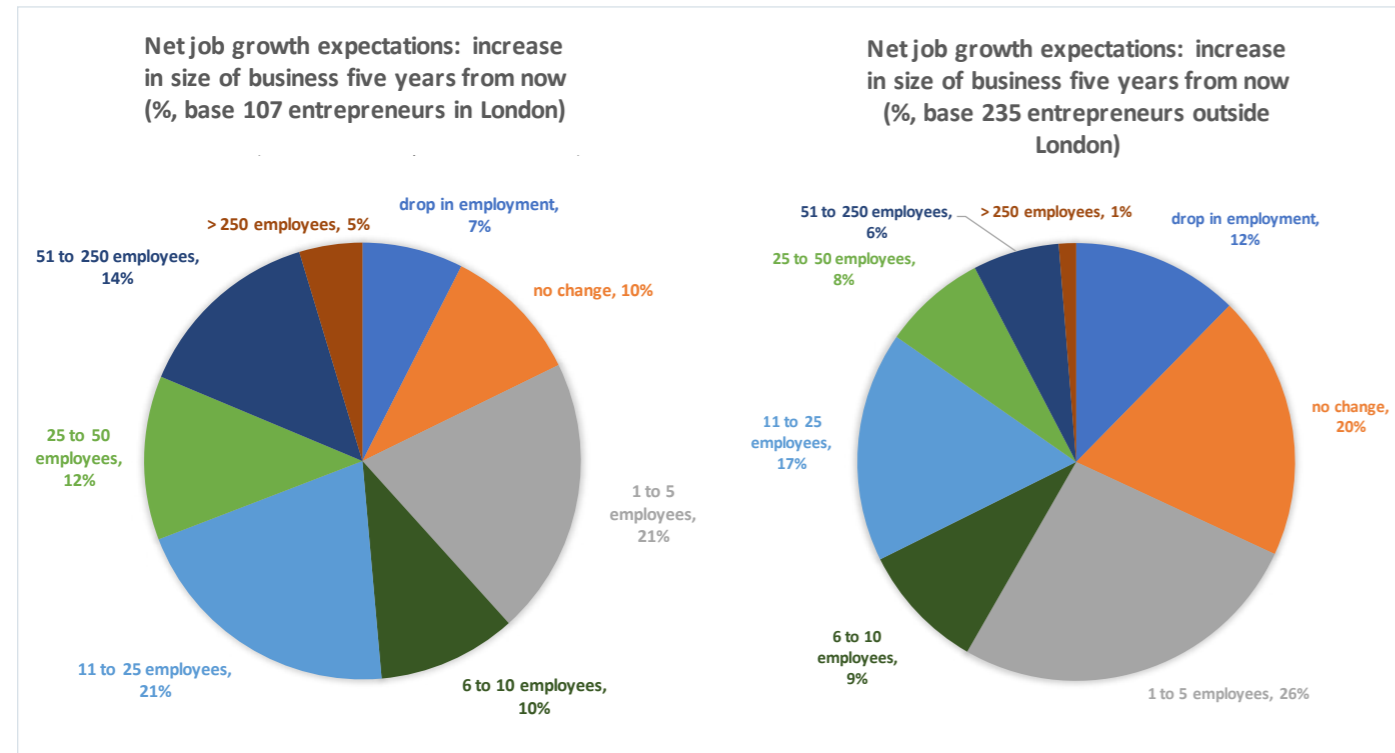
Figure 30



In terms of their personal situation, there were no differences in increased childcare responsibilities for entrepreneurs based in and outside of London. There were differences in working from home. More entrepreneurs managed their businesses from home already before the pandemic outside of London (31 per cent) than in London (21 per cent) (Figure 30). Entrepreneurs based in London also reported more working from home triggered by the pandemic (see 'some change' and 'only work from home' in Figure 30). Outside of London slightly more entrepreneurs still worked at their business' premises during lockdown that in London (12 per cent compared to 7 per cent).

Finally, there were no differences in entrepreneurs social response through volunteering (both business and personal) and financial support for charities between London-based entrepreneurs and those outside of London.

Figure 31



5.3. Long-term impact on entrepreneurs in and outside of London

Entrepreneurs in London and elsewhere did not differ in the way they expect their businesses to develop in the future. Equal shares foresee that their business will not survive, will recover shortly after the pandemic, or will grow even bigger. Entrepreneurship in/outside of London also assess in similar ways the long-run positive opportunities for their businesses, have similar planning horizons, and their businesses are similarly financially secure.

One exception to this pattern are the higher job growth expectations of entrepreneurs in London than those of entrepreneurs outside of London (Figure 31). Over half (51.4 per cent) of London-based entrepreneurs expects to have hired more than 10 employees (net, in five years). This compares to one in three (32.3 per cent) entrepreneurs based outside of London. Over 30 per cent of the latter entrepreneurs expect either a drop in employment or no change in the number of employees in the next five years (compared to 18 per cent in London).

Asked about the specific positive impact of the pandemic in the long-run, both groups of entrepreneurs report similar types of positive impact (see Figure 16) with similar frequency. In their qualitative answers, entrepreneurs in London more often than others point to use of internet and online technologies and the benefits of working from home: 'move to greater use of internet services', 'businesses realising that they need to be online as this is where customers are', 'more remote working', 'digital transformation', 'we've learned that we can do much more of our work remotely, which will allow a more flexible style of working in the future'.

6. Conclusions: five trends for the post-covid economy and entrepreneurship

Given the size of the UK small business population, there are potentially 16.6 million UK jobs at risk if entrepreneurs cannot sustain their businesses. The findings of our survey paint a picture of opportunities but also vulnerabilities of SMEs and entrepreneurs in the Covid-19 pandemic. While entrepreneurs were in general optimistic and could see an upside to the pandemic including long-term positive impacts on their businesses, it was also clear that many face real challenges to sustain their businesses going forward.

Building on the insights from our survey, we reflect on five trends for the post-Covid economy that are relevant to UK SMEs and entrepreneurs, highlighting courses of action to support them and help them thrive and ultimately, 'build back better'. These five trends suggest the potential for a more inclusive and greener post-Covid economy that offers greater wellbeing to both entrepreneurs and their employees.

The first two trends are cross-cutting issues related to personal and business resilience. These are important to weather any crises but are particularly salient for the post-Covid recovery. Indeed, unlike prior crisis such as the 2008 financial crisis, the Covid-19 pandemic not only has a more profound economic impact but also has unprecedented social impacts. We then discuss three specific trends related to Digitalization, Supply Chains and Social Business.

Cross-cutting trends

1. Work life balance and mental health: Help entrepreneurs to look after themselves and their staff

The pandemic led many entrepreneurs to work remotely, a trend that will increase. By the time a vaccine is found, the need for social distancing will have profoundly affected our day-to-day living. The pandemic has already made remote working more socially acceptable. Moreover, remote working is convenient, economic (saving time commuting and money for estate and running costs), helps to reduce the carbon footprint, and, last but not least, entrepreneurs and their employees seem to enjoy it. As one entrepreneur put it 'remote working is now more socially acceptable, and so we may ditch our office altogether'.

Yet entrepreneurs in our survey also recognized the challenges of home working for both themselves and their staff. While some challenges are already noticeable (eg reduced efficiency working from home), the long-term ones are likely still under-appreciated. Home working leads to a loss of social contact – which is an essential benefit of work. Video meetings are useful tools for business activities and to accomplish tasks but are less suited to support social interactions. Thus, social isolation, something that entrepreneurs often struggle with in normal times, is magnified by remote working for both the entrepreneurs and their staff in the long term. These challenges are often compounded by difficulties to segment work and life when working from home, with the blurring of work-life boundaries leading, over time, to an expansion of working hours as well as lower productivity.

In sum, on the one hand, the challenges of working from home suggest a need for trainings and solutions for productive home working that leverages its benefits (such as greater autonomy over how work is organized and more time for exercise instead of commuting). On the other hand, there is also a need to build awareness of the mental health implications of home working. Few entrepreneurs in our study already noted the challenges of home working but finding solutions to those is an ongoing struggle and entrepreneurs would greatly benefit from support. Nevertheless, many of them appear to have not yet recognized these risks and building awareness could thus help prevent the most negative effects of working from home.

Interestingly, SMEs and start-ups often lead the way in innovating work practices. Thus, there is also a space to document and tap into their knowledge to possibly scale up new solutions to manage human resources in the post-Covid economy. Innovation prizes for innovate Human Resource Management (HRM) practices that safeguard staff wellbeing and productivity during remote working would draw attention to such practices and help to disseminate them.

To make home-working more productive and less stressful for both men and women entrepreneurs, the availability of affordable childcare is critical. Childcare costs in the UK are among the highest in developed economies¹³. Expanding and lowering the cost of childcare including offering all day early years and after-school care that supports kids' schoolwork and homework will not only make home working more

productive, but also it would help reduce inequalities. It would make sure the UK is using the full range of its entrepreneurial talent by enabling those who cannot normally afford childcare to focus productive time on their business.

Finally, beyond home-working, the pandemic seems to have triggered for some a re-evaluation of their entrepreneurial lifestyle ('not going back to being busy'; 'not going back to pre-Covid levels of crazy-busy'). As a consequence, many entrepreneurs suggested they would do business differently going forward: more mindful of their wellbeing and more focused on value-adding activities that make a difference (including activities that generate value for others and society). This may ultimately mean fewer hours and income but a more meaningful and 'happier' work experience for entrepreneurs and their staff. Notably such changes in mindset fit with broader discussions to assess the performance of our economies not just in terms of economic output but simultaneously in terms of personal and social wellbeing¹⁴.

2. Business agility and resilience: Help SMEs to help themselves to thrive

The Covid-19 pandemic has increased business uncertainty much more than previous crises, and it remains unclear when and how the economy might be back to 'normal'. In fact, it seems going back to 'normal' is unlikely. Notwithstanding the economic outlook and potential further national or local lockdowns due to new waves of infection, this crisis highlights that the UK economy, despite its pool of talent, is not immune to systemic shocks. With uncertain trading relations with the European Union looming on the horizon, it is therefore critical to build UK entrepreneurs' resilience, their ability to deal positively with adversity such that they can notice and capture new opportunities and thrive in uncertain times.

Entrepreneurs and SMEs typically have an advantage when it comes to noticing emerging trends and rapidly reacting to them. However, entrepreneurs can find it difficult to do so when they are immersed in the day-to-day running of the businesses, working long hours, and trying to cope with reduced cash flow due to reduced demand or needing to chase customers for outstanding payments, as many entrepreneurs in our study did. SMEs and entrepreneurs may thus greatly benefit from tools and support allowing them to assess the fitness of their business for the post-Covid economy. Such tools and support could, for instance, help them systematically map new opportunities (eg emerging customer demand) in relation to their existing competencies. Past crises have opened-up new markets and demand for new products and services and this crisis is no different. Some entrepreneurs in our sample quickly noticed and captured opportunities in the way we now work and interact (more remotely and mediated by technology, and greater awareness for mental health, see other trends). However, these entrepreneurs were in a minority and entrepreneurs, in general, would greatly benefit from forecasting tools and workshops to help them spot and capture opportunities for their business.

Often businesses react to crises by looking inward, trying to 'do more of the same'. However, agile and resilient businesses adapt and change by looking outward and experimenting with

new products/services or new processes. This must not be a resource-intensive process. Ideas for new products or services can come from customers, employees, or from collaborations with other businesses. However, small cash grants might help to incentivize entrepreneurs and draw entrepreneurs' attention to the need to engage in such 'experiments'. They could take the form of 'Covid-Opportunity Vouchers', similar to Innovation and Growth vouchers schemes available in the past¹⁵, although the co-funding requirements for such voucher schemes might need to be waived for the businesses that have seen substantial cash flow issues. Moreover, as is the nature of innovation, many such experiments may fail. It is therefore critical that these entrepreneurs are equipped to design smart experiments and learn from their failure for the design of future services/products or launch in new customer segments or markets.

Finally, more immediate issues might relate to cash flow and lack of financial resources. Those entrepreneurs who took out loans (government guaranteed or not) to sustain their business during lockdown may need further support going forward. Alongside further pay holidays and means-tested pay thresholds (similar to student loans who are only paid back once a certain income threshold is achieved), tailored and potentially subsidized financial advice and planning support could be critical in building business' resilience.

Specific trends

3. Digitalisation

Business premises closure, remote working and the need for social distancing led to an acceleration of digitalization. This ranged from the upswing in online sales and e-commerce for half of the entrepreneurs in our study, to a greater use of technology to increase their business productivity, deliver their products/services, or to create new technology-based products and services. They also noticed the increased readiness in society to accept technology. This suggests that measures to support digitization are timely to leverage this trend. However, many businesses have yet to exploit technology and offers connecting businesses to relevant digital capabilities (from e-commerce to setting up effective remote working) would be particularly beneficial.

Accelerated digitalization has important benefits but also downsides. In terms of benefits, digitalization can reduce cost, increase efficiency and has the potential to make businesses and the UK economy as a whole more inclusive. For instance, remote working can help to address the regional imbalance by enabling more people to work and live in less expensive areas, which may help bolster their wellbeing. Indeed, entrepreneurs in London had significantly lower life satisfaction than those living outside of London in our study. Moreover, accelerated digitalization can also support the development toward a greener economy by, for instance, reducing transport and pollution.

One downside of an accelerated digitalization is the additional layers of complexity necessary to conduct business, for instance, concerns about digital security and the legal requirements about safeguarding people's data are stored. Many small businesses and the self-employed would thus particularly benefit from robust 'good enough' technological solutions that are focused on core functions and reliability. Moreover, digitalization can also negatively impact wellbeing, when it enables being available 24/7 and diminishes the setting of work-life boundaries and thus intensifies and expands work. This is likely particularly challenging for women entrepreneurs, a higher share of whom work from home. As explained in Trend 1, a greater awareness and safeguarding of personal wellbeing can help manage this downside while supporting entrepreneurs benefiting from this accelerated digitalization.

4. Global vs. local supply chains

The pandemic has led to the disruption of global supply chains, raising awareness about the precariousness of global trade. As some of the entrepreneurs in our study noted this has led to increased support of local manufacturing and local procurement ('Made in UK'). This trend would help create more local and thus more reliable supply chains, create local employment, reduce the carbon footprint related to transporting goods, and it would offer greater control over labour conditions in supply chains. During the pandemic, some UK entrepreneurs shifted production back to the UK; others who already produced in the UK changed their manufacturing towards medical and healthcare supplies.

This suggests a great potential to further develop production capabilities of UK SMEs domestically.

While foreign supply reliability concerns drove some of the decisions to bring manufacturing back to the UK, this trend holds opportunities to develop integrated circular economy models whereby the use of resource is maximized, and waste minimized and recycled. Thus, encouraging adoption of new circular economy models is aligned with policies aiming at reducing carbon emissions and at transforming the UK economy into to a greener and more inclusive one. This trend could be supported and encouraged through ad-hoc training and educational schemes as well as by providing financial incentives to firms for partnering with UK suppliers and strengthening their networks among businesses within the same supply chain. There might also be a place for awareness campaigns to sensitize consumers such as promoting 'Made in UK' or 'Buy local' as aspirational and quality labels.

5. Inclusive and social business models

Entrepreneurs in our sample increase their volunteering and giving activities during the pandemic, which shows that they care about contributing to society. Although this may not fit with the popular stereotype of the economically minded entrepreneur, research shows that giving is common among small businesses¹⁶. Moreover, it can create positive synergies for the business and its bottom line. Businesses with a social purpose not only innovate more often and more successfully, but they also tend to be more resilient¹⁷.

There is an opportunity for the post-Covid economy to leverage this already high engagement in giving back to society by entrepreneurs through integrating this practice directly into their businesses using inclusive business models. When giving is separate from the business, it is easy to discontinue. When giving and social impact are part of the business and aligned with revenue generation, they are more easily sustained over the long-term. Moreover, research indicates that entrepreneurs find their work more meaningful and satisfying if their business also makes a social impact¹⁸. Thus, inclusive business models align with the trends toward greater attention to mental wellbeing discussed above and toward a greater use of circular economy models.

Inclusive business models have been refined by social enterprises, but they are not yet widely understood by other businesses. Information and training for entrepreneurs about how to implement aspects of inclusive business models would help to overcome this deficit. Many inclusive business models leverage technology, build on local supply chains, or focus on wellbeing. Hence, they are aligned with the other trends described in this section. Finally, our findings of a stronger social response among women entrepreneurs in terms of charitable giving and volunteering suggest that they might be particularly open to try out inclusive business models.

Endnotes

- 1 We acknowledge that our analyses do not do justice to regional differences in the UK. Our sample did not permit a more fine-grained analyses and we hope future work can account for the regional heterogeneity of the UK in more nuanced ways.
- 2 <https://www.gov.uk/government/statistics/business-population-estimates-2019>
- 3 We acknowledge that our analyses do not do justice to regional differences in the UK. Our sample did not permit a more fine-grained analyses and we hope future work can account for the regional heterogeneity of the UK in more nuanced ways.
- 4 Reymen, I. M. M. J., Andries, P., Berends, H., Mauer, R., Stephan, U., & van Burg, E. (2015). Understanding dynamics of strategic decision making in venture creation: A process study of effectuation and causation. *Strategic Entrepreneurship Journal*, 9(4), 351–379.
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- 6 From the ONS Well-being database. <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/measuringnationalwellbeing/april2018tomarch2019>
- 7 Yamada, Y., Cepulic, D.-D., Coll-Martin, T., Debove, S., Gautreau, G., Han H., Rasmussen, J., Tran, T.P., Travaglino, G.A. and Lieberoth, A.,(2020). COVIDiSTRESS Global Survey dataset on psychological andbehavioural consequences of the COVID-19 outbreak. Data description. <https://osf.io/z39us/> accessed July 22, 2020.
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- 10 Elam, A., Brush, C., Greene, P., Baumer, B., Dean, M., & Heavlow, R. (2019). *Global Entrepreneurship Monitor 2018/2019 Women's Entrepreneurship Report*. London: GERA. www.gemconsortium.org/report/gem-20182019-womens-entrepreneurship-report In the UK about one in every three entrepreneurs is a women, in our sample one in every four entrepreneurs in a women.
- 11 All similarities and difference presented in this section and Section 5 are based on statistical significance tests such as t-test and Chi-square tests. Detailed results are available on request.
- 12 Detailed statistical comparisons are available from the authors upon request.
- 13 See OECD statistics of net childcare costs, net childcare cost in the UK in 2019 were at 28 per cent of household income after accounting for different childcare benefits, for a couple with two children and at least one of the parents earning 67 per cent of the average wage. This meant net childcare costs were the highest in the UK among all OECD countries. OECD Stat (2020). Net childcare cost for parents using childcare. <https://stats.oecd.org/Index.aspx?DataSetCode=NCC>, accessed July 19, 2020.
- 14 Office for National Statistics www.ons.gov.uk/peoplepopulationandcommunity/wellbeing, for an international discussion see Stiglitz, J., Sen, A., & Fitoussi, J. (2009). *Beyond GDP*. Report by the commission on the measurement of economic performance and social progress, OECD & European Commission. https://www.oecd-ilibrary.org/economics/beyond-gdp_9789264307292-en
- 15 For an overview of the effectiveness of past voucher schemes, eg Roper, S. (2018). *Using RCTs as a research method for SME policy research: The UK experience*. Enterprise Research Centre Research Paper 66. <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2018/04/ERC-ResPap66-Roper.pdf>
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