

Report by Yannick Dillen
May 2020



**BUSINESS
SCHOOL**

ENTREPRENEURS AND THE COVID-19 CRISIS

WHAT DID THEY DO AND WHAT DID THEY LEARN?

HOW LARGE IS THE IMPACT? FACTS & FIGURES

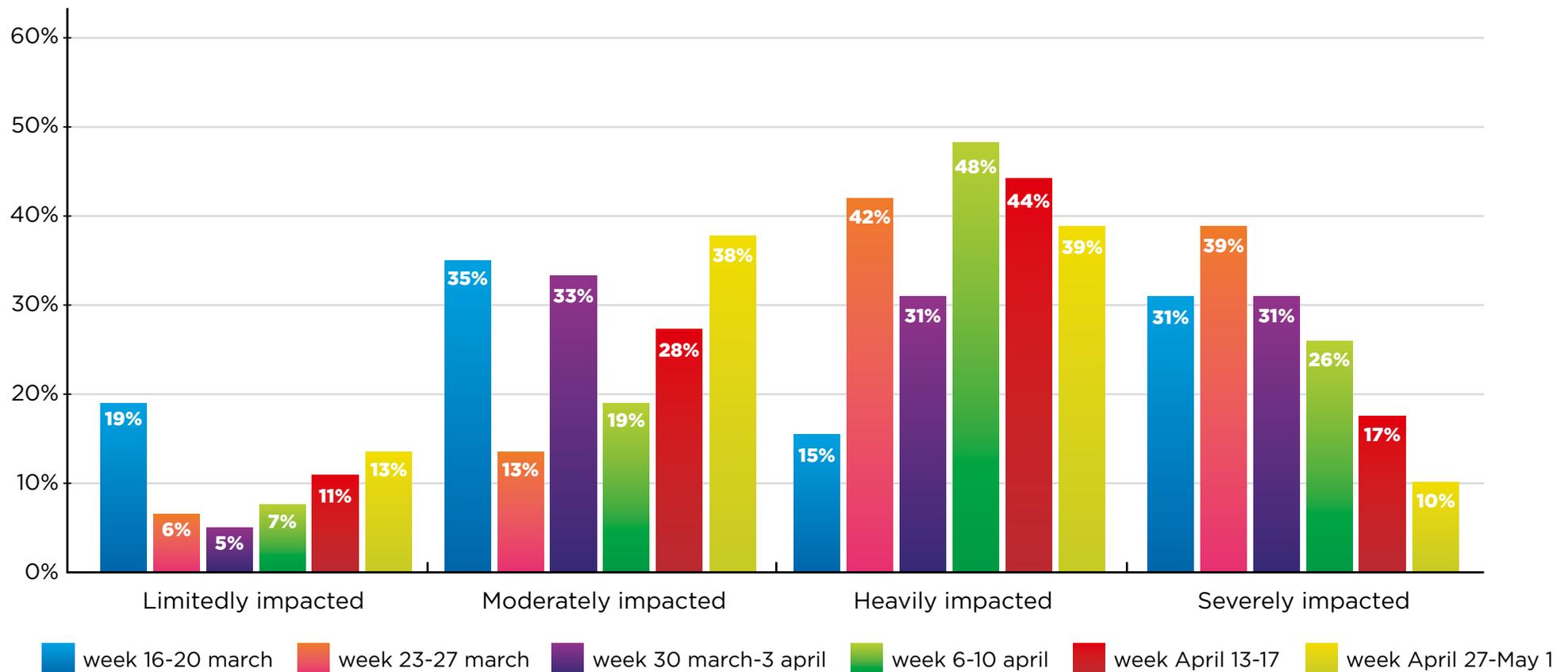


BACKGROUND

- Four surveys have been completed with the entrepreneurs of the **Impulse Centre for Growth Management** (iGMO) at Vlerick Business School. **259 responses** were gathered.
- The respondents are typically the **owner/manager of mature Flemish-based growing SMEs**
- The surveys were sent out on a weekly basis between March 18 and May 5.
- A **broad range of industries** were represented (IT, manufacturing, services, retail, construction, ...).
- Every week a **webinar** was organized with the iGMO members to discuss the current crisis situation, share best practices and ask questions.
- What we share as ‘do’s’ and ‘learnings’ are based on **best practices** that were often mentioned in the open survey questions and during the webinars.
- For privacy reasons, all the quotes from the entrepreneurs have been anonymized.

THE BUSINESS IMPACT OF THE CRISIS

To what extent is your firm impacted by the corona crisis

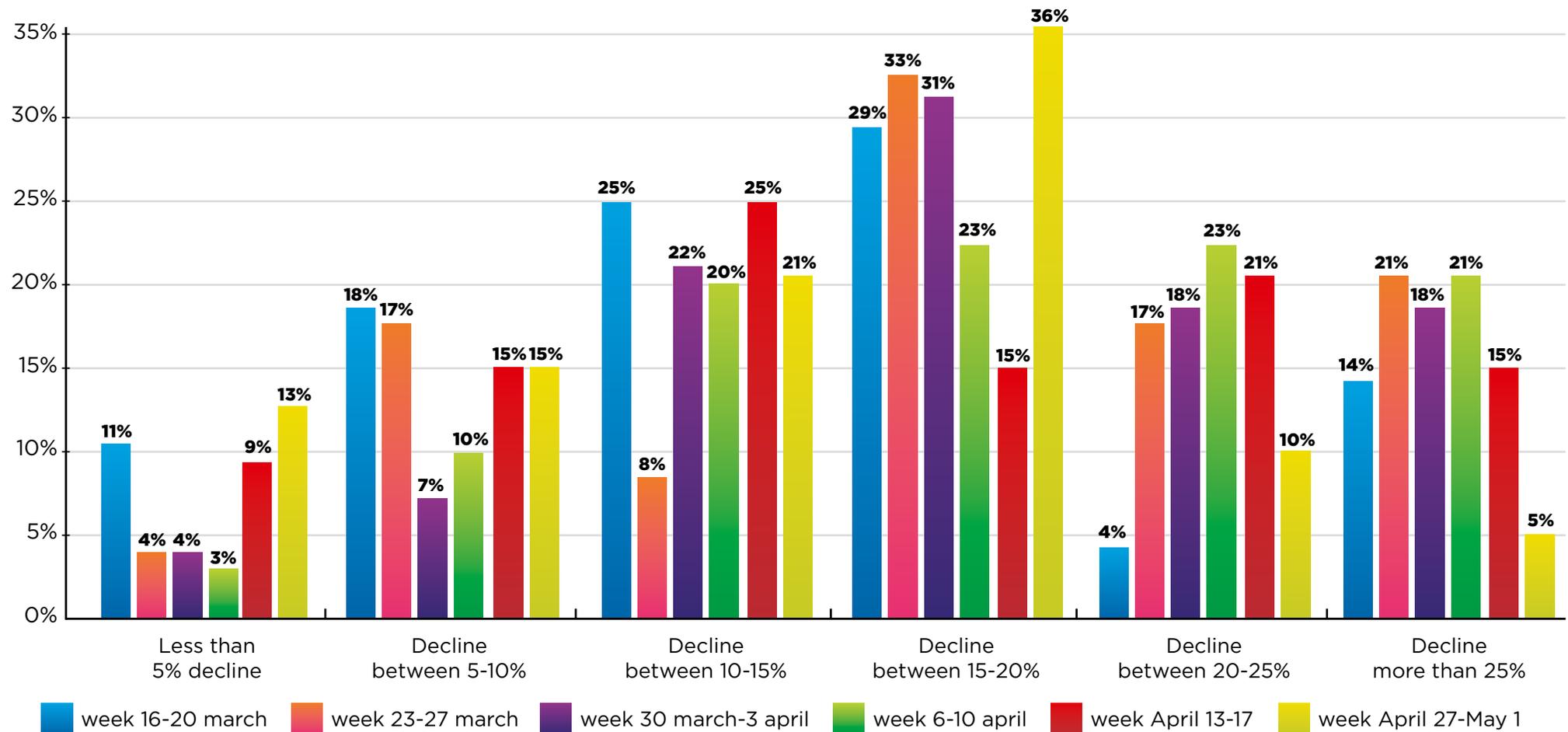


No survey has been sent out in the week of April 20-24

The impact reached its peak in the week of April 6, when 74% of the firms were heavily or severely impacted by the corona crisis. In the week of April 27, this percentage decreased to 49%.



EXPECTED IMPACT ON THE FORECASTED TURNOVER FOR 2020

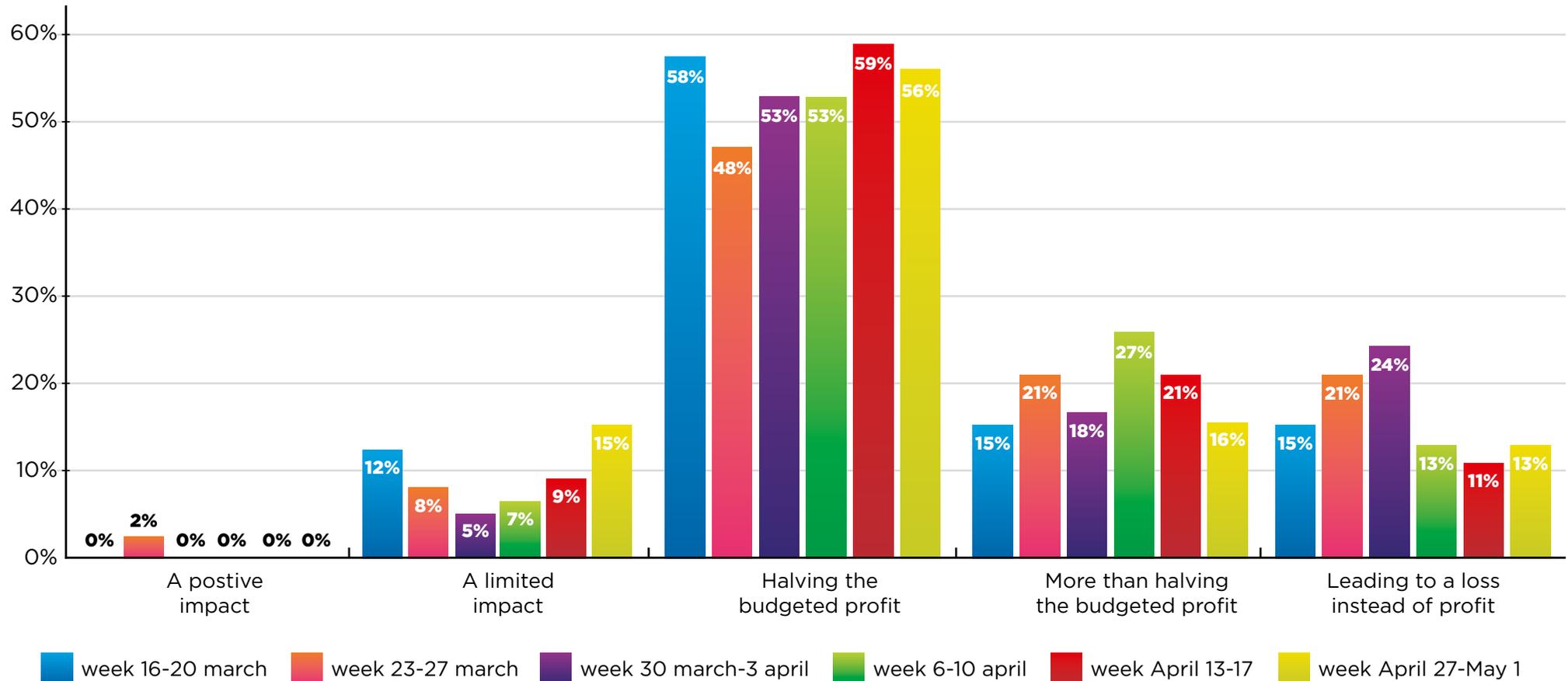


No survey has been sent out in the week of April 20-24

The majority of the entrepreneurs expect a decline in the budgeted turnover of more than 15% for 2020.



EXPECTED IMPACT ON THE FORECASTED PROFIT FOR 2020

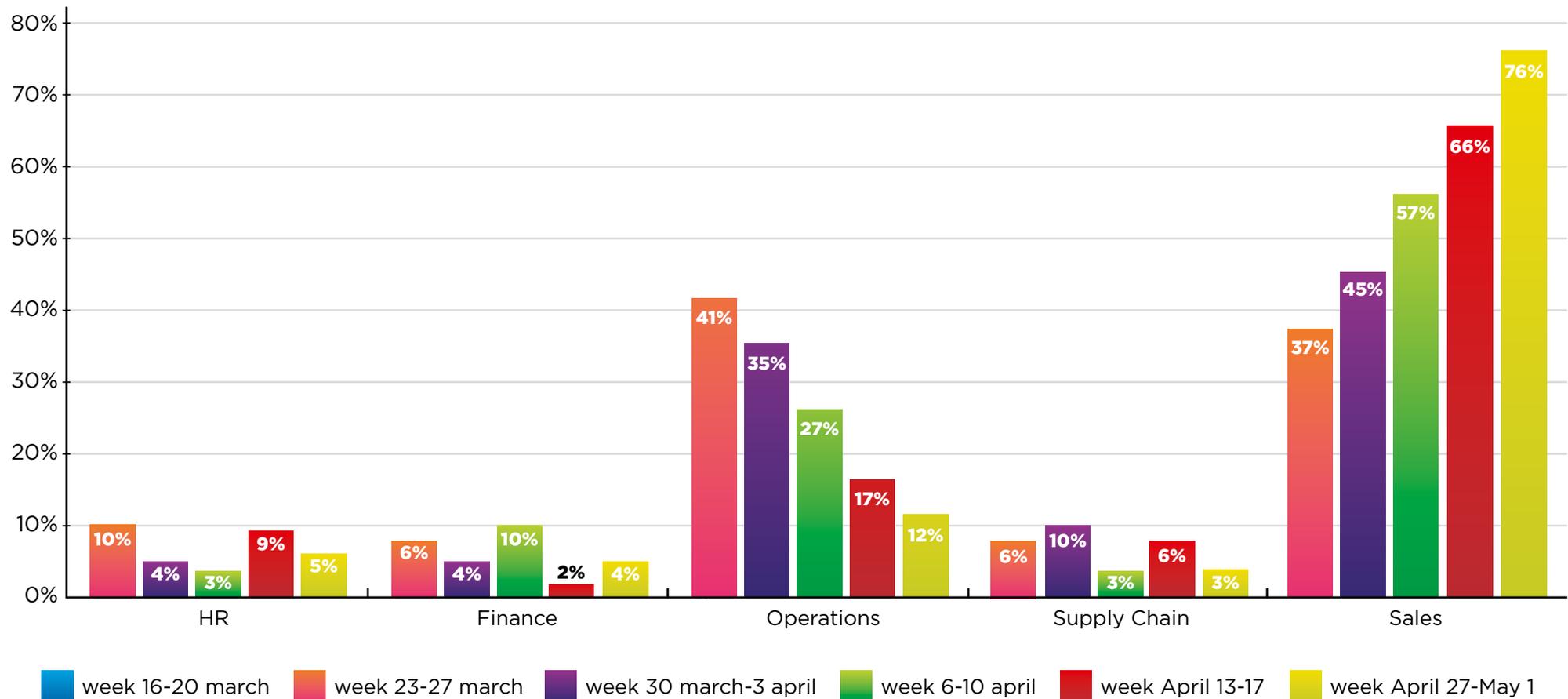


No survey has been sent out in the week of April 20-24

Most entrepreneurs expect to reach half of the budgeted profit at the end of 2020. Only a minority expects to realize a loss at the end of the year.



MOST HEAVILY IMPACTED BUSINESS FUNCTION



No survey has been sent out in the week of April 20-24

Most impacted functions are operations and sales, with a shift from operations to sales as the crisis continued. Firms tried to continue selling their inventory in the first weeks of the crisis, however, had to restrain their efforts as many clients stopped buying.



A wooden sign with a black background and white text is positioned on a sidewalk. The sign reads "SORRY WE'RE CLOSED DUE TO COVID-19". The background shows a city street with buildings, a traffic light, and a car. The sign is made of dark wood and has a black panel with white, distressed text. The text is arranged in five lines: "SORRY", "WE'RE", "CLOSED", "DUE TO", and "COVID-19". The sign is supported by two wooden posts. The sidewalk is made of light-colored bricks. In the background, there are yellow bollards, a traffic light showing red, and a white car. The scene is outdoors during the day.

**SORRY
WE'RE
CLOSED
DUE TO
COVID-19**

**WHAT DID ENTREPRENEURS
DO DURING THE CRISIS?**

CASH MANAGEMENT AS 'DAMAGE CONTROL' PRIORITY



Companies do not fail because there is a loss, they fail because there is no cash. When the crisis emerged, the first action performed by the CEOs was to **manage their cash positions**. This was done through the means of utilizing credit lines with the banks, by using the support measures provided by the government, using the temporary unemployment system and by ensuring unpaid invoices were settled as soon as possible.

For more background: <https://www.vlerick.com/en/about-vlerick/news/weathering-the-financial-challenges-of-your-business-in-times-of-crisis>

COMMUNICATION TO ALL EMPLOYEES



Frequent and transparent communication from the CEO (and top management) to **all employees** is a crucial action to keep the workforce informed, connected to the firm and most importantly motivated.

The communication is however **not ‘good news only’** but includes decisions on cost cutting initiatives such as temporary unemployment.

65% of the entrepreneurs indicated that they communicate to all their employees once a week, whereas 25% of them had several weekly updates-to-all.

COMMUNICATION TO ALL EMPLOYEES



“ The top management team communicated – both directly and indirectly – **on a daily basis** with everyone in the organization. This action was highly appreciated.

”

“ It is not a one-way communication. We **gained relevant insights through the communication with our staff.**

Is everyone still motivated? What do you hear from our clients? What is the general sentiment with the people that are on temporary unemployment?

”

BEING CREATIVE IN SALES

Cash management is not merely looking into cost cutting. It also includes **increasing the incoming cash**. In a difficult period for the core business and their main customers, entrepreneurs started looking for new customer segments, sales channels and innovative business models that leveraged from their traditional model.

“ We tried **new product-market combinations** such as launching our existing products in new market segments. By making small changes to our product portfolio, we quickly **attracted new types of customers**. The aim is to keep on doing this after the crisis period. ”

CARING ABOUT THEIR CLIENTS



In a time when all people and almost every industry is significantly impacted by a crisis, the clients for both B2C and B2B firms are no longer able to buy products or services nor is there is no need to buy them.

In a time when you tend to lose **connection with your clients, entrepreneurs proactively reached** out to them to ask if they could help them with a different offering (B2C), to give them advice on cash management (B2B) or just to give them information on their specific situation (B2B).

“ Every member of the top management is picking up the phone to **call between 15 and 20 clients on a daily basis.** We try to inform them about our operations and give them tips on how they can deal with the closing of their stores. ”

CARING ABOUT THEIR EMPLOYEES



When employees are working in difficult circumstances, when they are working from home or when they are on temporary unemployment, the relationship between employer and employee is likely to be strained. In order to **keep the connection and motivation**, entrepreneurs not only communicated frequently with their employees but they showed their appreciation through **(light) rewarding initiatives** or by taking **extra health measures**.

“ We gave our employees that were still working free sandwiches for lunch and ‘thank you’ cards, together with all the necessary protective equipment.

All co-workers that were working from home have received a ‘healthy’ present to cheer them up.

”

TAKING BACK OPERATIONAL CONTROL

When a firm grows, the entrepreneurs frequently take a step back from the day-to-day operational management tasks as he or she moves on to take on a more strategic role.

When the crisis emerged, the entrepreneurs took a step forward by **taking control of the operational management functions** in order **to be on top of things** within the firm.

This allowed for faster decision-making as they felt they had sufficient knowledge about all aspects of the business.

“ I handed over operational management tasks some years ago. Though, these days I came back to be the central point of contact and to make all day-to-day decisions. This created a **sense of urgency** in the entire organization, but at the same time, it felt comforting for the management that I made the difficult decisions. ”

USING THE POWER OF AN ENTREPRENEURIAL NETWORK



In times of crisis, entrepreneurs can face situations and problems that are unprecedented. If they can rely on **the proximity of a group of entrepreneurs** that are facing the same problems, a situation unfolds where entrepreneurs ask for advice and share best practices.

Moreover, hearing stories of other entrepreneurs make one realize that 'they are all in this together' and can give them the motivation to carry on.

These networks exist through employer's organizations or - in the case of iGMO - through business schools.



**LESSONS LEARNED
BY ENTREPRENEURS
DURING THE CRISIS**

SUSTAINABLE GROWTH MATTERS



In previous years, when the economy flourished, many firms realized high-growth rates. These high-growth rates resulted in the development of large firms as well as more complex firms which are harder to manage. The crisis highlighted the **need for sustainable and qualitative growth**. The crisis called for responsible leaders who act to generate long term welfare for both the firm and society. Taking a **long term perspective for the firm and welfare of society** into consideration may be more valuable than the realization of high-growth rates.

For more background: <https://www.vlerick.com/en/about-vlerick/news/entrepreneurs-between-damage-control-and-responsible-leadership>

“ We now only realize that all the actions we take should not only be taken with the aim to realize turnover growth. A balanced growth that takes into account growth in profit and general welfare can be more valuable in the long run. ”

THE FINAL BREAKTHROUGH OF 'DIGITAL'



“People do not change because they see the light, they change because they feel the heat.” In this logic, the corona crisis has **sped up the digitization process** in several ways.

Entrepreneurs now felt the urge to sell via online channels, as it was frequently one of the only channels left to sell to their clients (especially for B2C firms).

Additionally, the forced teleworking led to a surge in the use of video conferencing software. Entrepreneurs who were reluctant to allow their employees to telework – let alone to telework themselves – have clearly seen the added value as video-conferencing allowed to communicate in an efficient way. Not only with co-workers, but also with clients and suppliers. Which may result in less physical meetings in post-corona times.

BRINGING INNOVATIONS TO THE MARKET CAN BE DONE VERY QUICKLY



“Continuous improvement is better than delayed perfection,” Mark Twain said.

Entrepreneurs were forced to come up with **new creative sales approaches or adaptations to their business model.**

They reported that the urgency of making fast decisions led to surprisingly good results, whereas, in a non-crisis period the launch of new concepts was done in a more bureaucratic manner as they strived to reach perfection.

“ In the past, we brought a new product to the market only if it was 100% finished. In these crisis times, we felt the urge to enter the market with a **product or business concept that was not fully complete or approved.** We find out that this approach also works and has the benefit of gaining a lot of precious time. ”

CONTINGENCY PLANNING CAN PROVIDE A ROADMAP IN UNCERTAIN TIMES

A small minority of firms had a contingency plan before the corona crisis hit. These **plans help an organization to respond effectively to a future crisis situations**, as it can provide clear guidelines on how and when to take certain actions (e.g. what will be the first action to cut in the cost structure, what will we do to find additional revenue, ...).

Once the crisis emerged, firms created 'ad hoc' plans which may have resulted in suboptimal decisions. The absence of a clear 'crisis' plan that was made during normal times was clearly a disadvantage for many entrepreneurs which may lead to the creation of contingency plans for future negative events.

HAVING MORE SUPPLIERS FOR CRITICAL COMPONENTS CAN BE BENEFICIAL



Entrepreneurs faced difficult situations in which they could not produce goods or deliver services any longer as soon as one supplier of a key component was no longer able to deliver.

These severe supply chain hiccups made entrepreneurs realize that they were too dependent on one supplier.

Having a **parallel supply chain for critical components** may prevent firms from seizing their operation if one firm cannot deliver on time.

INTERNAL PROCESSES CAN BE LESS EFFICIENT THAN YOU THINK

In crisis times, a number of business processes have to withstand turbulent circumstances. This can highlight weaknesses. By taking on a more operational role during the crisis, entrepreneurs realized that **some existing processes were not as efficient as they initially thought**. At the same time, it became clear where the firm had slack resources and where the firm lacked certain skills.

INTERNAL PROCESSES CAN BE LESS EFFICIENT THAN YOU THINK

“ We realized that we need to accelerate the automization of our internal processes. Moreover, we will focus on **avoiding a ‘single point of failure’** what happened when one person was not able to perform a task. More people need to have the capacity to perform these tasks to decrease the risk. ”

“ Our general efficiency can be increased. We witnessed that the same amount of products could easily be produced with fewer people involved. This may be a good lesson for the future. ”

ENTREPRENEURS CAN BE GOOD CRISIS MANAGERS



There is an everlasting **tension between entrepreneurship and management**. Good entrepreneurs are often not good managers and vice versa. Entrepreneurs are creative and like exploring new things. Managers tend to plan, control and exploit the existing business.

Entrepreneurs who had taken a step back from their managerial tasks to focus on their strengths (such as business model innovation or strategic development), reported that they took on the **role of crisis manager** as they felt that they could add value in this role. The uncertainty that needs to be managed, the creative skills that are needed to come up with new processes and the quick decision-making that is inherent to a crisis situation. All of these tasks appeared to be **closely related to the entrepreneurial DNA**.

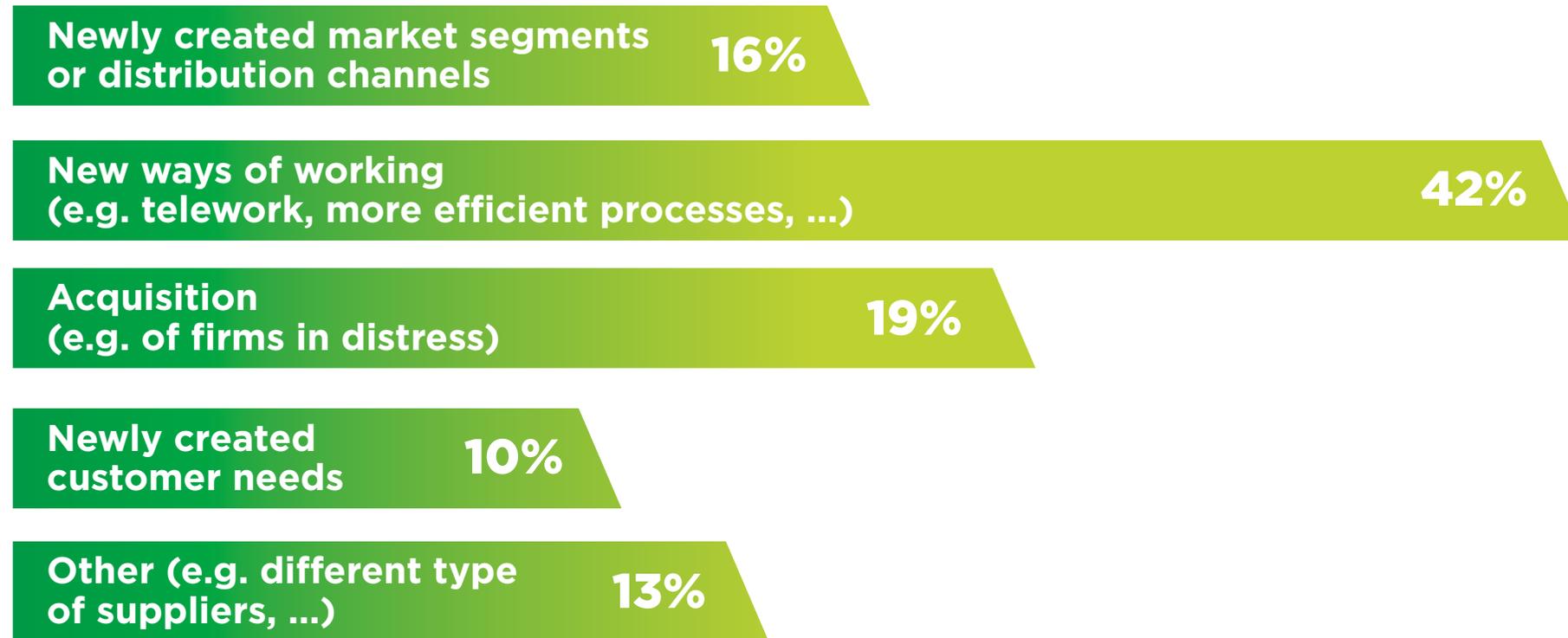
ENTREPRENEURS CAN BE GOOD CRISIS MANAGERS

“ A period of crisis is in a certain way an **exciting time for an entrepreneur**. It means the end of all certainties and the emergence of opportunities. Acting fast is the essence of entrepreneurship. ”

“ I feel that I can bring a lot of added value to my company in these times. The **adrenaline of the early days** is running through my veins. ”

WHAT THE FUTURE BRINGS?

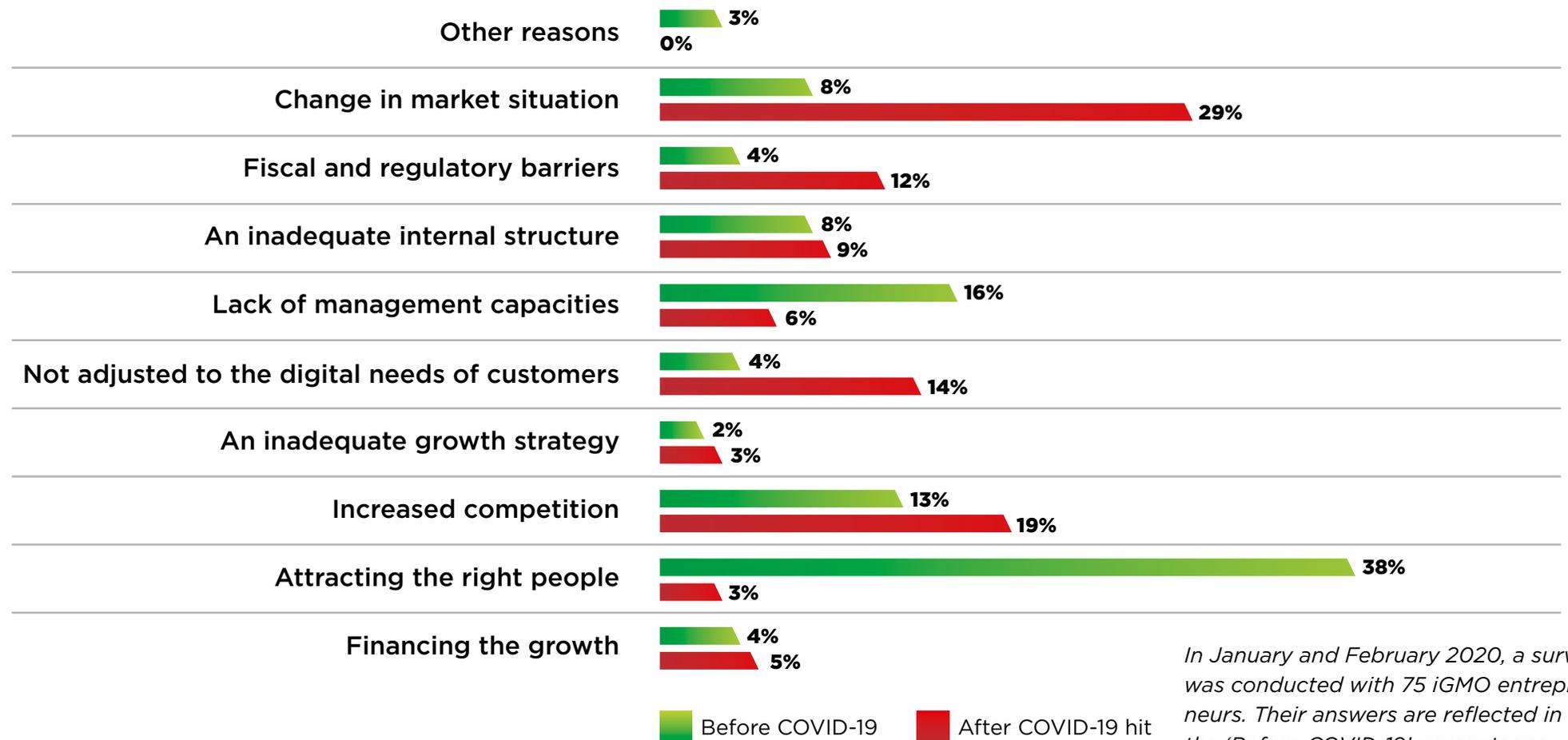
Potential opportunities after restart



Entrepreneurs expect that most opportunities after a restart are situated in applying new ways of working, which can comprise the installation of more efficient processes or also more telework.



MOST IMPORTANT BARRIER FOR FUTURE GROWTH

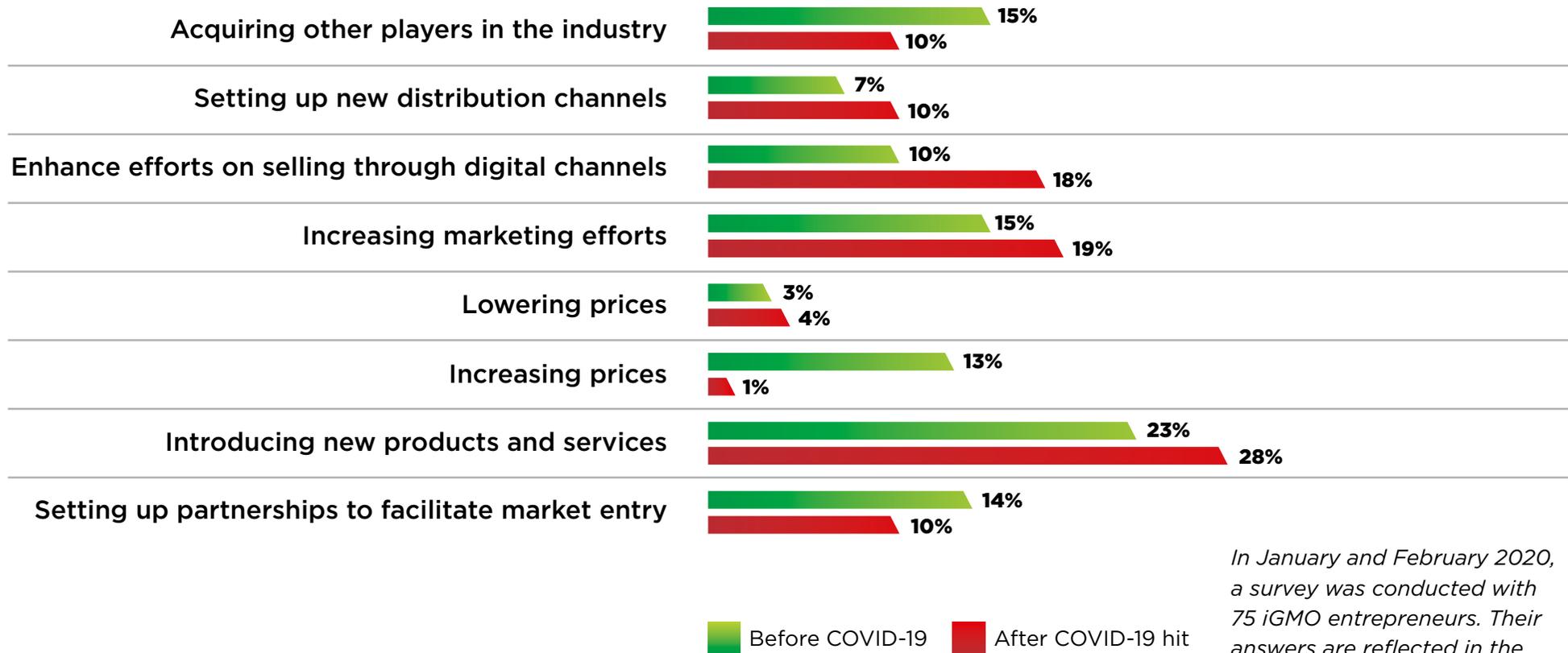


In January and February 2020, a survey was conducted with 75 iGMO entrepreneurs. Their answers are reflected in the 'Before COVID-19' percentages.

Attracting the right people was by far the most important barrier to future growth before COVID-19, whereas only 3% considers it as the main growth barrier after the crisis. Now, the new market situation is the biggest obstacle for future growth.



ACTIONS TO BE TAKEN TO INCREASE TURNOVER



In January and February 2020, a survey was conducted with 75 iGMO entrepreneurs. Their answers are reflected in the 'Before COVID-19' percentages.

Compared to the period before COVID-19, entrepreneurs will focus more on selling new products and services, whereas increasing their prices will no longer be an action that is high on the priority list.



THE ROAD AHEAD

The COVID-19 crisis has impacted firms severely. By taking quick action and by implementing lessons learned, entrepreneurs try to minimize the damage. SMEs are likely to remain vulnerable for a longer period. But crises also provide opportunities for new growth. This can be achieved by linking a long-term vision to decisive limitation of short-term damage. By doing that, SMEs will become virus-free and emerge healthier than before.



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ABOUT THE IMPULSE CENTRE FOR GROWTH MANAGEMENT (IGMO)

The Impulse Centre for Growth Management (iGMO) of Vlerick Business School is a platform for research, open dialogue and networking for **owner-managers of growth-oriented SMEs**.

The Centre fits within the strategic mission of Vlerick Business School, which aims to stimulate entrepreneurship. Founded in 1993, iGMO currently has over 180 active member-entrepreneurs who periodically gather in research seminars, workshops and learning visits, both nationally and internationally.

iGMO builds on the support of its prime foundation partners EY and KBC.

More information:

WWW.VLERICK.COM/IGMO