



*September 2020*

# Business Resilience and Recovery during COVID-19

A study by



In partnership with



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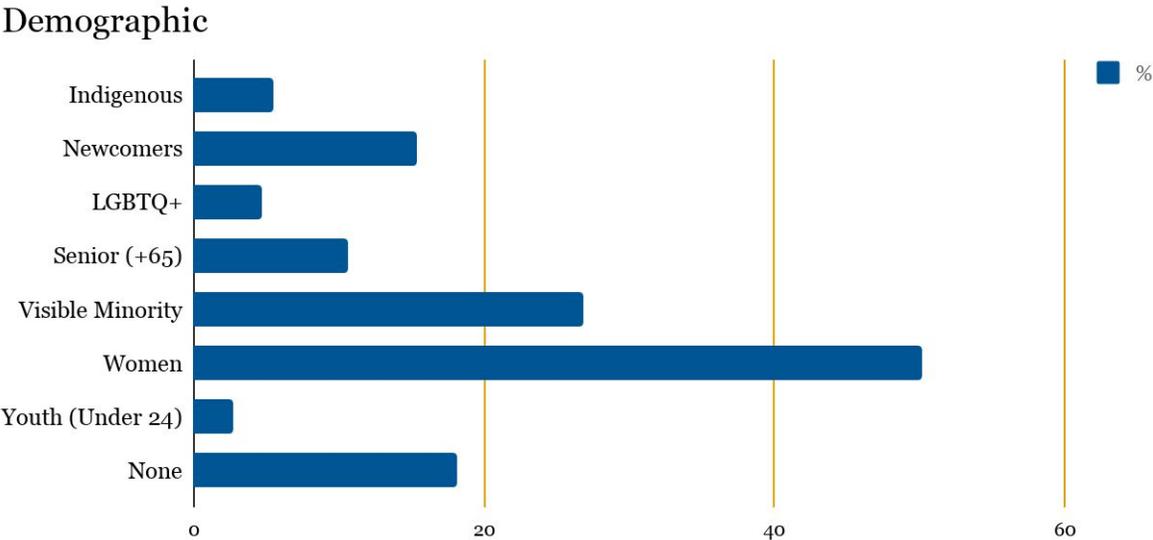
# INTRODUCTION

To capture relevant insights into entrepreneurial innovation, resilience, and risk mitigation in light of COVID-19, **Startup Canada** and **Sovereign Insurance** have partnered on the **Business Resilience and Recovery during COVID-19** study.

The results captured in this report reveal the risk mitigation strategies adopted by entrepreneurs to tackle the adversities caused by the pandemic, their innovative approaches taken to overcome the crisis and the lessons learned to not only survive but scale up during, and post COVID-19.

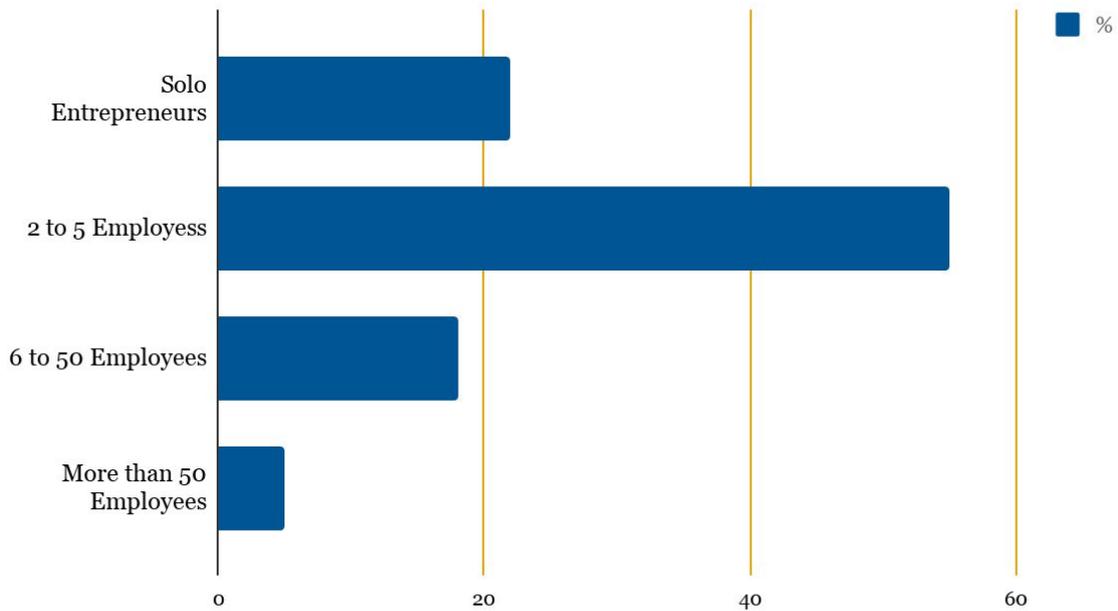
# METHODOLOGY

Through an online national survey held from July 15th, 2020 to August 15th, 2020, **270 Canadian entrepreneurs** from a wide range of industries and demographics were consulted. In addition, 65 individuals provided their insights through polls and interactive conversations hosted on Startup Canada’s social media channels.



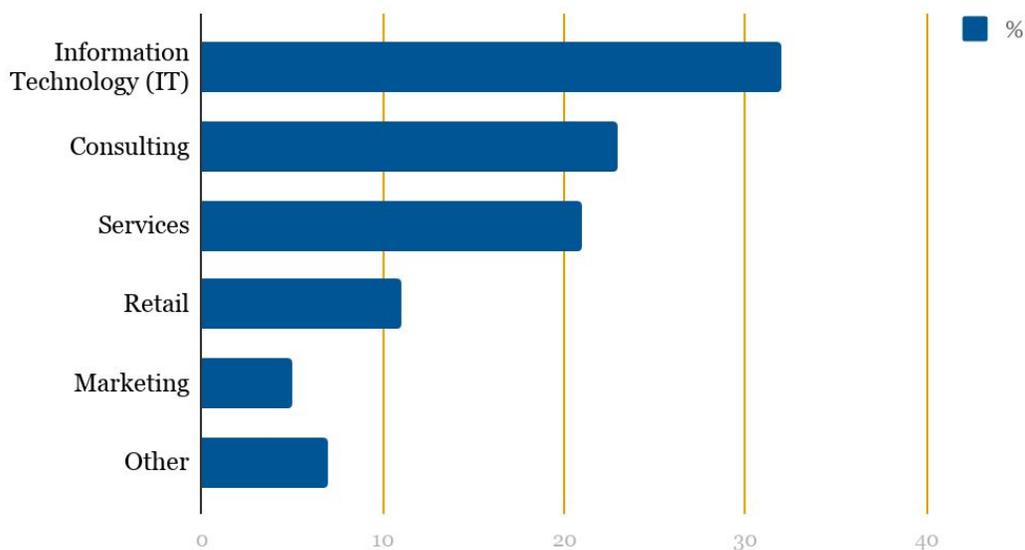
Of the surveyed audience, **22 percent are solo entrepreneurs**, and more than half of the participants’ small businesses have a staff of **1-5 employees**. Less than 5 percent of the interviewees’ enterprises have more than 50 employees.

### Size of surveyed organizations



**Information Technology (IT)** was the dominant industry among the surveilled entrepreneurs. Almost **one-third** of the respondents affirmed that their business is dedicated to the technology industry. However, the survey reflects risk planning and management from a variety of industries that had additional challenges in light of the pandemic, such as retail and services.

### Primary Industries of the participants



# RISK PLANNING BEFORE COVID-19

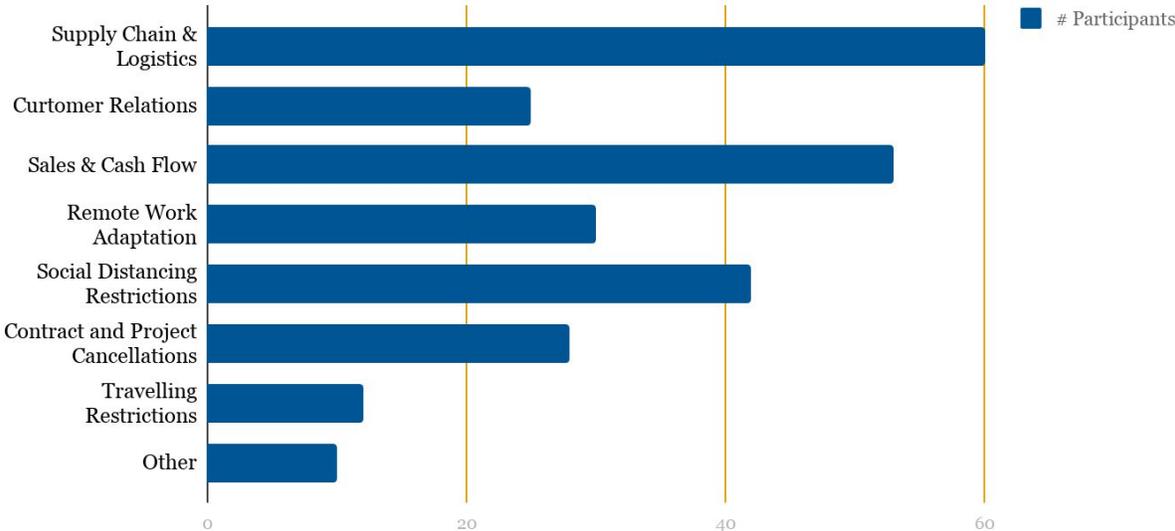
This study asked entrepreneurs if the risk management strategies taken before the pandemic contributed to mitigating its unprecedented social and financial effects. While only **12%** of the respondents affirmed that they were extremely prepared, **57%** manifested that they were slightly or not prepared at all to tackle the COVID-19 challenges.

These numbers reflect the importance of an adequate development and enactment of a Risk Management strategy for SMEs. Even though the COVID-19 pandemic has been an unprecedented scenario virtually impossible to predict, a proactive approach can ensure a healthy cash flow management, supply chain diversification, and a nimble adaptation to a remote work format, all of them essential to survive and thrive during this crisis.

# 2020 MAJOR CHALLENGES AND RISK MITIGATION STRATEGIES

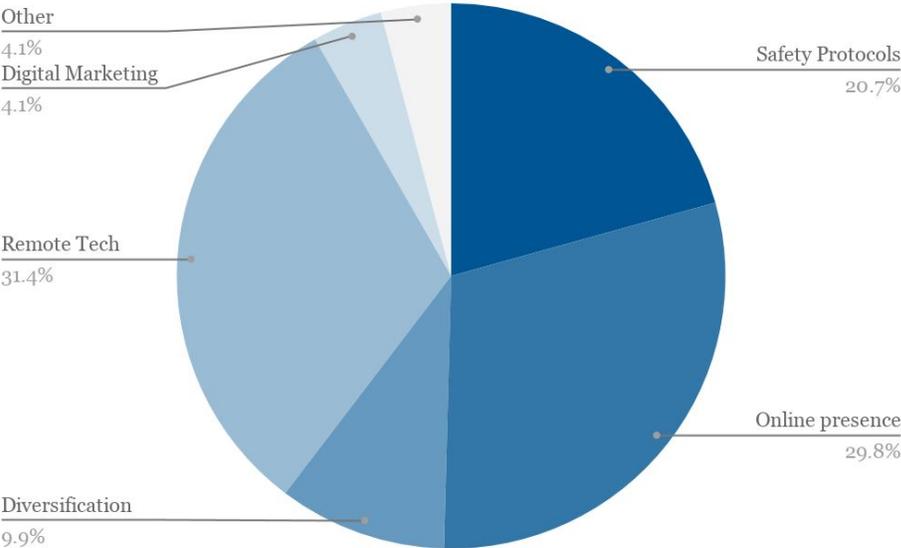
When asked what the most challenging aspects were in remaining competitive during the crisis, participants most commonly indicated: **supply chain/logistics, customer relations, sales/cash flow, and social distancing restrictions.** This coincides with the insights captured during numerous online activities hosted by Startup Canada intended to evaluate the obstacles faced by entrepreneurs in 2020 and their strategies for staying afloat.

Challenges faced by entrepreneurs in light of COVID-19



Despite these challenges, Canadian entrepreneurs have managed to implement a comprehensive set of risk mitigation strategies in order to thrive despite mobility restrictions and global economic volatility. By adapting their offerings to the current needs of their clients, shifting to an online format, and putting safety and hygiene protocols in place, small and medium sized enterprises (SMEs) have demonstrated their resilience.

### Risk Mitigation Strategies



The study shows that **business owners have put special attention into safeguarding the wellbeing of their staff, clients and other stakeholders.** Entrepreneurs have prioritized **remote work technology** as a part of their ongoing operations. Constant planning, monitoring and evaluating of the external environment in light of the pandemic, has resulted in the implementation of adequate measures for remote work and optimal safety protocols.

### 2020 BEST PRACTICES AND REMOTE WORK TOOLS

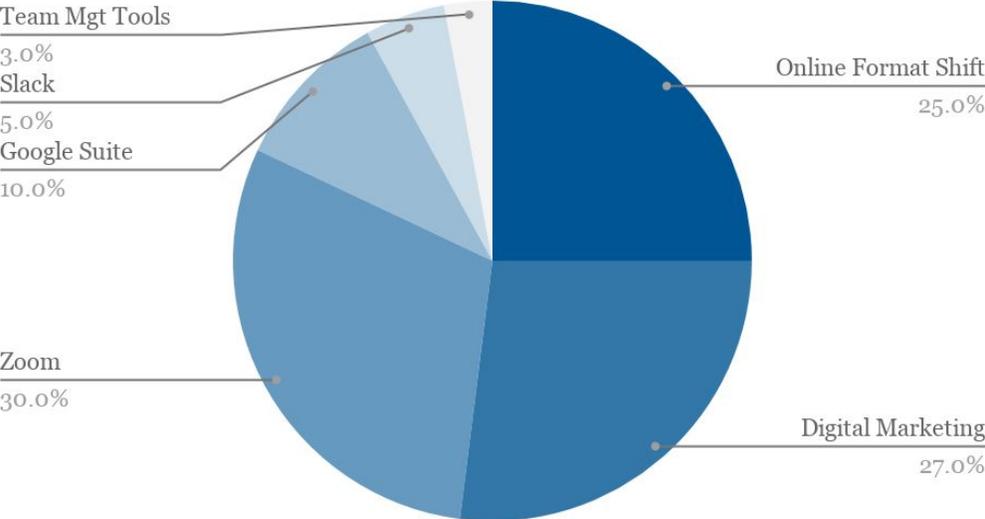
In alignment with the risk mitigation strategies listed above, **25 percent** of the surveyed entrepreneurs mentioned that their top best practice has been to **shift their external (customer relations and logistics) and internal (workforce) operations to an online format.** According to the study, video conferencing tools have been crucial to monitor the emotions experienced by employees and preserve dynamism and high spirits within teams.

In addition, **27 percent** emphasized their efforts to enhance their digital presence by investing in their corporate digital marketing channels and revamping their website. This risk mitigation strategy was followed closely by increasing safety protocols at the workplace and supporting the mental health of employees.

When consulted about the digital tools that have facilitated their customer relations, sales funnel, and internal communications, **30 percent** stated that **Zoom** was their most used tool in maintaining face-to-face interactions. Other popular technologies adopted by participants were **Google Suite, Slack,** and team management tools such as **Trello.**

In regards to the e-commerce platforms utilized by SMEs to sell and distribute their products, **Shopify** stands out as the most used service - external online format -.

### 2020 Best Practices and Remote Work Tools



## RESILIENCE POST-COVID 19

The study asked participants to name their **top strategies to maintain resilience and thrive in the post-pandemic era.** The majority of participants outlined the importance of designing their operations and business model to be nimble and adaptable to the changing business landscape.

Entrepreneurs also emphasized the relevance of continuous communication with key stakeholders. Among the best practices, business owners expressed that clear and concise communication has been key to preserve responsive and collaborative relations. Furthermore, entrepreneurs in the retail industry, reflected on their transparency policy with their suppliers, as the main practice to keep optimal operations. More context to introduce the quotes.

A significant number of entrepreneurs such as the business owners quoted below also expressed the value of implementing a solid customer strategy to retain and expand their client base to secure the organization’s operations, preserve brand recall, and to ensure healthy cash flow.

**“New revenue streams, adaptation of services to clients according to Covid needs; cash flow planning; digital marketing and customer acquisition.”** Finance sector entrepreneur. Toronto, Ontario.

**“Establish stronger and more reliable links with customers; diversify customer base; increase pipeline of prospective clients”** Engineer, Consulting Services. East York, Ontario.

Surveyed entrepreneurs highlighted the importance of the customer-centric approach. By designing positive experiences and maximizing their product offerings in alignment with their customers' needs to increase customer loyalty, this practice has become part of the DNA of numerous businesses during the pandemic.

It's reassuring to observe that half of the surveyed entrepreneurs are extremely confident of their capacity to thrive post-COVID, with more than **one-third** being at least “moderately confident”. Only 1% completely lack confidence in their ability to survive amidst the new realities brought on by the pandemic.

## LESSONS LEARNED

Even though the evolution of the current crisis cannot be fully predicted, risk management strategies can help entrepreneurs to shape their environment and overcome obstacles and challenges. Entrepreneurs have learned that the way to mitigate uncertainty is through **conscious planning and action**, and by being adaptable, responsive, resilient, innovative, and nimble.

A sample of these takeaways is the opinion of an entrepreneur located in Atlantic Canada, that highlights the relevance of a solid supply chain and inventory management, in addition to a healthy flow management to surpass crisis.

**“Strengthen your supply chain, and cash flow management is crucial. Also sell what you have in stock, and create a solid CRM.”** Cosmetic Industry entrepreneur, Conception Bay South, Newfoundland and Labrador.

When asked about their takeaways, participants emphasized the importance of diversifying their customer base, their products and their suppliers. It should also be noted that many entrepreneurs such as the consulting entrepreneur quoted below, outlined the importance of rigorous planning, scenario analysis, and having a healthy cash flow in place.

**“Have cash on hand to provide a cushion that can support you, and drive rapid change when the business adopts new technologies in future.”** Consulting services, Vancouver, British Columbia

In regards to this last point, it's interesting to note how this consultation shows that cash flow management is the top area that entrepreneurs consider *could* have been better managed before the pandemic to mitigate its consequences. In the Startup Canada annual census, the challenges around cash flow are identified year over year as one of the leading barriers to success. Entrepreneurs are now actively adopting best business practices that not only *prevent* cash flow loss, but also provide funds for pivoting and diversifying if necessary.

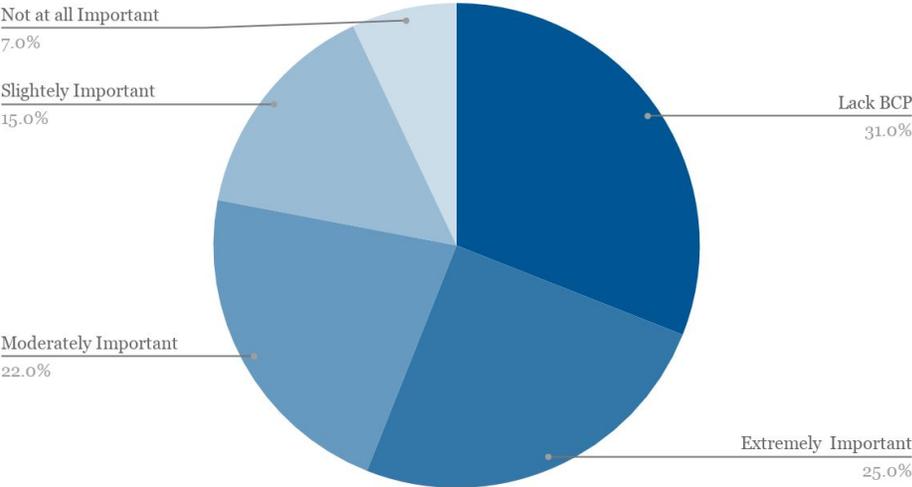
This study also reveals how SMEs are shifting their strategies to remain relevant in the marketplace, to support their clients and suppliers, and provide a safe and secure environment for their personnel.

**BUSINESS CONTINUITY PLAN**

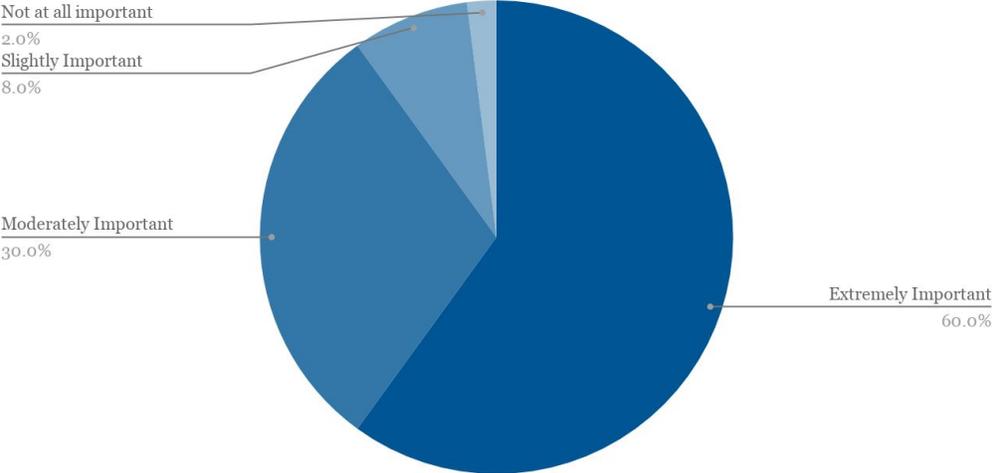
This study asked entrepreneurs if the risk management strategies taken before the pandemic contributed to mitigating its unprecedented social and financial effects. Unexpectedly, **31 percent** of the total participants did not have a Corporate BCP. Among the entrepreneurs that had one, only 40 percent consider that its enactment has been successful in tackling the current situation.

In contrast, when asked about the current opinion on the importance of enacting a **BCP** for the future, it is evident that entrepreneurs have largely changed their perception in regards to their relevance. While only **2 percent** of the interviewed respondents expressed that it is *not* important to have one, **60 percent** of respondents affirmed that it is essential for their business operation, and 30 percent said that it is an important part of their overall strategy.

Importance of developing a Business Continuity Plan (Pre COVID-19)



Importance of developing a Business Continuity Plan (During COVID 19)



## OPPORTUNITIES TO IMPROVE

The survey revealed that there's a major opportunity to support entrepreneurs in their risk management assessment and to raise awareness on the importance of having in place a proactive risk management posture. Only **20 percent** of respondents expressed that their risk mitigation strategies were extremely effective, while about **35 percent** of respondents either didn't put any risk mitigation strategies in place or claimed that they were not at all effective.

Particularly, in regards to the **Business Continuity Plan (BCP)**, there is an important opportunity to properly research how entrepreneurs assess this aspect of their risk management strategy. Even though the proportion and side effects of this pandemic exceeded any planned scenario, the survey reflected lack of literacy in this regard. A broader scope about the depth of risk analysis, scenario planning and execution of their BCPs, will be crucial to serve better entrepreneurs in having a robust plan that meets their business particular needs.

By giving business owners the education, resources and tools they need to build solid risk management strategies, **Startup Canada** in partnership with **Sovereign Insurance**, can contribute to the success of Canadian businesses in times of crisis and make a positive impact on the national economy.

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