

TRENDS in ENTREPRENEURSHIP SERIES

Reporting on data from a wide range of sources to measure, track, and compare trends related to entrepreneurship | 2020, No. 10

BUSINESS OWNER PERCEPTIONS OF COVID-19 EFFECTS ON THE BUSINESS: PRELIMINARY FINDINGS

The rapid changes brought about by COVID-19 have also induced fast, and sometimes large shifts in the business environment.

A nationally representative survey of 850 business owners conducted between April 7 and June 2, 2020, reveals changes in the perception of the business environment under COVID-19 conditions. Business owners included in the survey held current or recently closed businesses, and were included regardless of registration, employer status, business size, and revenues.



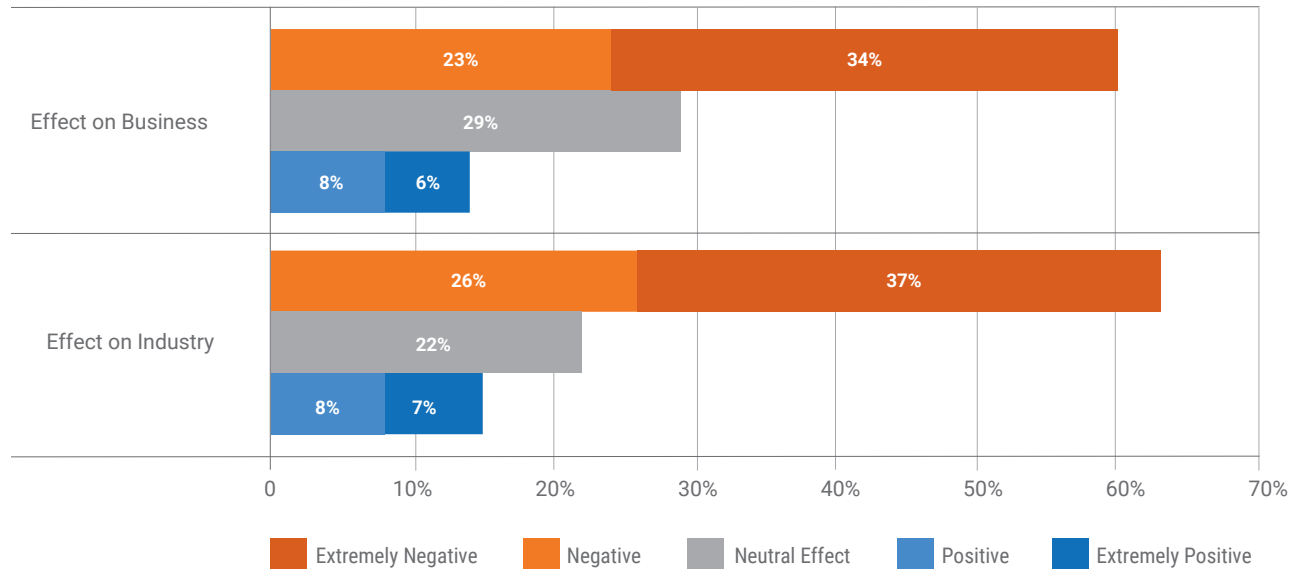
Highlights:

- Business owners generally perceived the effects of COVID-19 on their businesses to be negative, with a small share reporting positive effects.
- Bi-weekly examinations of business owner perceptions show that they can change rapidly.
- Negative demand and supply effects of COVID-19 are substantial. Demand effects are more often reported than supply effects.
- Perceptions of challenges under COVID-19 have shifted in different directions. One key challenge – finding customers – is more likely to be a problem because of COVID-19, whereas another key challenge – skilled employees – is less likely to be problematic.

Effect of COVID-19 on Business and Industry

A majority of business owners (57%) indicated that COVID-19 had a negative effect on their business. Similarly, more than 6 out of 10 business owners perceived a negative effect on their industry (63%). A substantial share of business owners indicated a neutral effect on their business and industry: 29% and 22% respectively. A relatively small but not unremarkable share of business owners indicated a positive effect on the business (14%) and on their industry (15%).

FIGURE 1: Effect of COVID-19 on Business and Industry

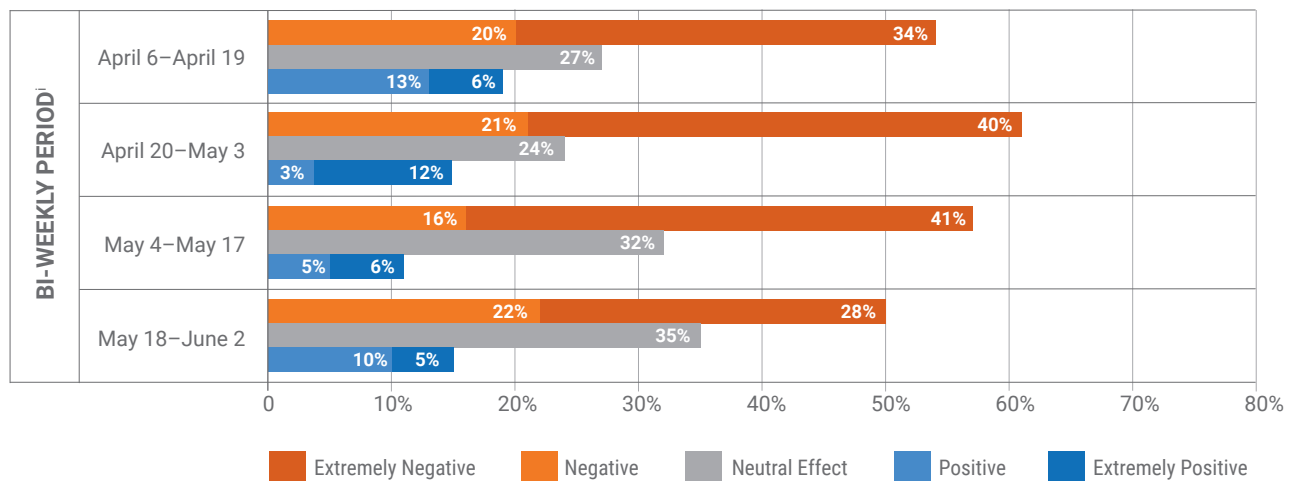


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A bi-weekly examination of the perception of COVID-19 effects reveals some variation. No less than half of the business owners reported negative effects overall in each bi-weekly period, including about 6 in 10 between April 20 and May 3 (61%) and May 4 to May 17 (57%). Reporting of *extremely* negative effects was 40%–41% between April 20 and May 17, and lower in the period May 18 to June 2 (28%).

Reporting of *extremely* positive effects was relatively low throughout, with an uptick in the period of April 20 to May 3 (12%).

FIGURE 2: Effect of COVID-19 on Business, Bi-Weekly



Effects of COVID-19 on Demand and Supply Perceptions

A closer look at some of the effects of COVID-19 reported by business owners reveals important dynamics related to demand and supply. Overall during the eight-week study period, almost 6 in 10 business owners reported decreased sales or revenues (58%) and nearly half reported decreased overall demand (49%). This compares to almost 1 in 10 that reported increased demand (9%) and increased sales or revenues (9%).

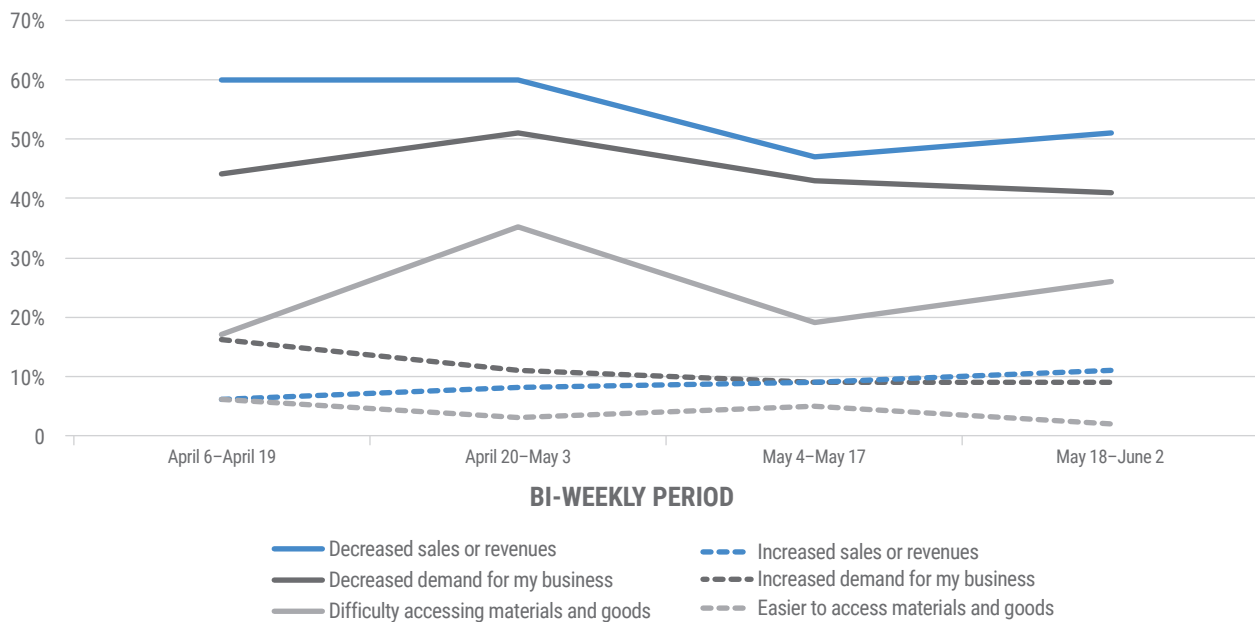
With respect to supply perceptions, almost 3 in 10 business owners reported more difficulty accessing materials and goods (28%), while a small share reported easier access to materials and goods (3%).

Bi-weekly trends reveal quick responsiveness of business owner perceptions to the external environment. The time between April 6 to April 19 and April 20 to May 3 appear to have been particularly difficult for sales and revenues. Difficulty accessing materials and goods for the business was highest during April 20 and May 3.

- **April 6–April 19:** 60% of business owners reported decreased sales or revenues, 44% reported decreased demand, 17% reported difficulty accessing materials and goods for the business, and 16% reported increased demand for the business.
- **April 20–May 3:** 60% of business owners reported decreased sales or revenues, 51% reported decreased demand, and 35% reported difficulty accessing materials and goods for the business, and 11% reported increased demand.
- **May 4–May 17:** 47% of business owners reported decreased sales or revenues, 43% reported decreased demand, and 19% reported difficulty accessing materials and goods for the business, and 9% reported increased demand.
- **May 18–June 2:** 51% of business owners reported decreased sales or revenues, 41% reported decreased demand, and 26% reported difficulty accessing materials and goods for the business, and 9% reported increased demand.

TABLE 1 Bi-Weekly Demand and Supply Chain Perceptions of COVID-19 on Businesses ¹					
	April 6–April 19	April 20–May 3	May 4–May 17	May 18–June 2	Full period
Decreased sales or revenues	60%	60%	47%	51%	58%
Decreased demand for my business	44%	51%	43%	41%	49%
Difficulty accessing materials and goods	17%	35%	19%	26%	28%
Increased demand for my business	16%	11%	9%	9%	9%
Increased sales or revenues	6%	8%	9%	11%	9%
Easier to access materials and goods	6%	3%	4%	2%	3%

FIGURE 3: Bi-Weekly Demand and Supply Perceptions of COVID-19 on Businesses

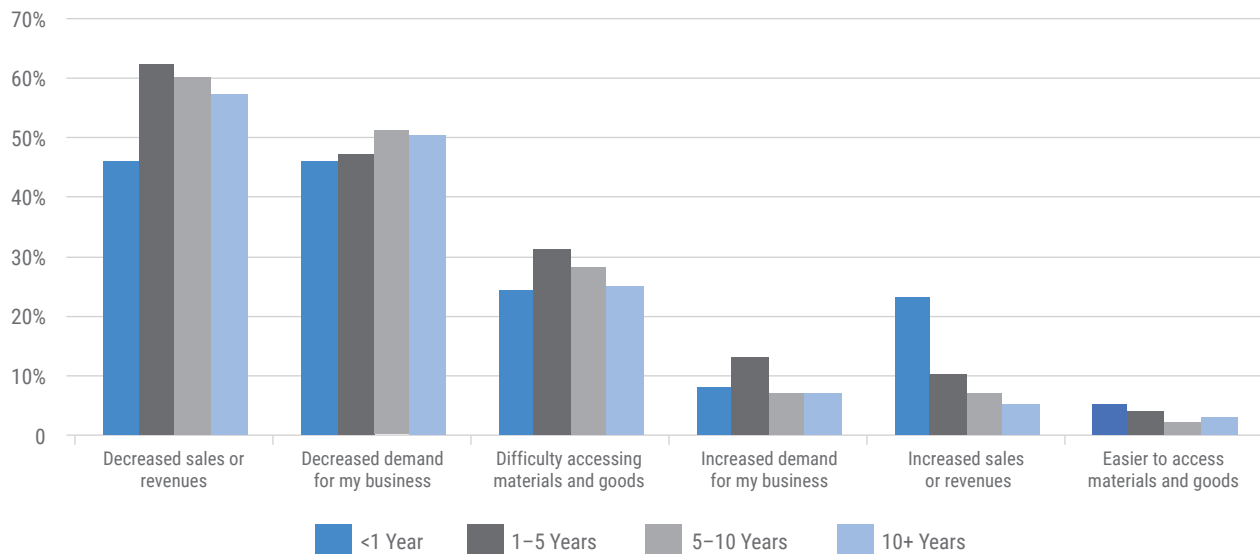


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There are also important differences in business owner perceptions based on business age. Owners of businesses less than one year old tended to be less likely to report decreased sales or revenues than in older businesses, and somewhat more difficulty accessing materials and goods. Interestingly, owners of these newest businesses were most likely to report increased sales or revenues (23%), which is more than twice what was reported by owners of businesses 1–5 years (10%), more than three times what is reported by owners of businesses 5–10 years (7%), and more than four times what was reported by businesses older than 10 years (5%). Owners of businesses aged 1–5 years tended to report being impacted more on some of the demand and supply dimensions than in other businesses.

TABLE 2 Demand and Supply Perceptions of COVID-19 on Businesses, Business Age				
	<1 yr	1–5 yrs	5–10 yrs	10+ yrs
Decreased sales or revenues	46%	62%	60%	57%
Decreased demand for my business	46%	47%	51%	50%
Difficulty accessing materials and goods	24%	31%	28%	25%
Increased demand for my business	8%	13%	7%	7%
Increased sales or revenues	23%	10%	7%	5%
Easier to access materials and goods	5%	4%	2%	3%

FIGURE 4: Demand and Supply Perceptions of COVID-19 on Businesses, Business Age



Effects of COVID-19 on Perceptions of Challenges Faced by Business Owners

Challenges facing business owners are shaped to a large extent by the external environment. A comparison of the challenges facing business owners prior to COVID-19 and during COVID-19 reveals a shift in the perception of several key challenges, as shown in Table 3 below and Figure 5 on the next page.

Prior to COVID-19, business owners faced substantial challenges related to finding customers (62%) and skilled employees (53%). Under COVID-19 conditions, finding customers was reported by 72% of business owners. Skilled employees was reported by 36% of business owners as a challenge – a substantial change from pre-COVID-19 conditions, and not especially surprising given the rise in unemployment brought about the pandemic. This also represents the largest shift in perceptions of challenges among business owners.

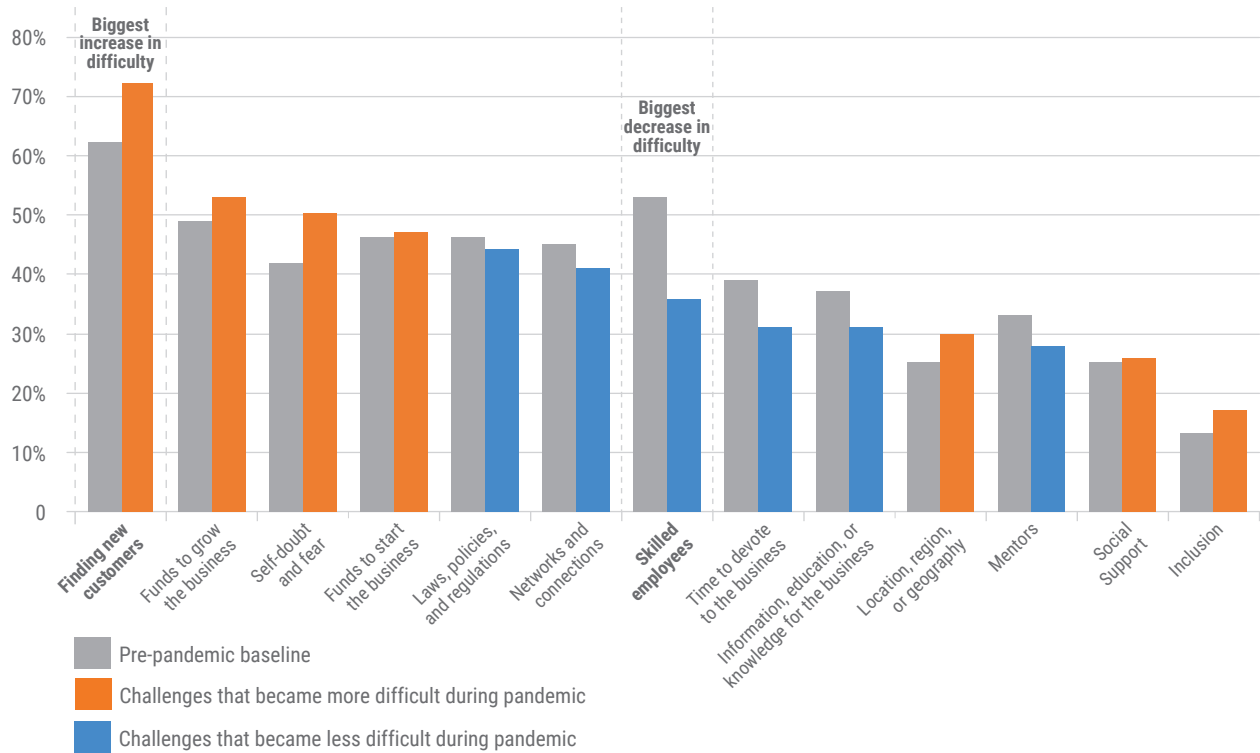
Self-doubt and fear seemed to be more present among business owners, with half of business owners reporting this as a challenge under COVID-19 conditions (50%). This reflects an increase of 8 percentage points before the pandemic (42%). In addition, business owners reported that finding time to devote to the business has become less problematic: 31% compared to 39% before the pandemic.

Some of the challenges that have become somewhat more difficult include funds to grow the business, location, region or geography, and inclusion. Some challenges that have become somewhat less problematic for business owners are networks and connections and mentors.

TABLE 3 | Challenges Facing Businesses: Pre-Pandemic and Pandemic

	BASELINE		PANDEMIC		CHANGE DUE TO PANDEMIC (PERCENTAGE POINTS)	
	CHALLENGING	NOT CHALLENGING	CHALLENGING	NOT CHALLENGING	CHALLENGING	NOT CHALLENGING
Finding new customers	62%	34%	72%	22%	+ 10	(-12)
Funds to grow the business	49%	36%	53%	30%	+4	(-6)
Self-doubt and fear	42%	48%	50%	41%	+8	(-7)
Funds to start the business	46%	33%	47%	29%	+1	(-4)
Laws, policies, and regulations	46%	46%	44%	46%	(-2)	0
Networks and connections	45%	41%	41%	48%	(-4)	+7
Skilled employees	53%	20%	36%	34%	(-17)	+14
Time to devote to the business	39%	57%	31%	65%	(-8)	+8
Information, education, or knowledge for the business	37%	52%	31%	51%	(-6)	(-1)
Location, region, or geography	25%	58%	30%	53%	+5	(-5)
Mentors	33%	42%	28%	45%	(-5)	+3
Social support	25%	63%	26%	63%	+1	0
Inclusion	13%	51%	17%	51%	+4	0

FIGURE 5: Challenges Facing Businesses: Pre-Pandemic and Pandemic



About the Data

The data come from nationally representative surveys conducted by Global Strategy Group with 850 business owners during the eight-week period between April 7 and June 2, 2020. Adjusting for demographics and sampling strategy results in a weighted sample size of 800 entrepreneurs. Descriptive statistics reported here use population weights. The data in surveys is self-reported by the business owners and provides insight into their perceptions; it does not condition on whether a business is registered or unregistered, or if it is an employer or not. Therefore, the figures reported here include self-employed sole proprietors as well as owners of businesses with employees. Note that this reflects business owners, and is not a representative sample of businesses by industry, size, or other business-specific characteristics. Pre-pandemic data come from a similar nationally representative survey with 405 business owners in late 2019, reported in Looze and Desai (2020).

Notes: (i) The period May 18 – June 2 is longer than other periods to meet response targets.

Sources: (1) Looze and Desai. 2020. Challenges along the entrepreneurial journey: considerations for entrepreneurship supporters, Ewing Marion Kauffman Foundation.

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