

## 1. Entrepreneurship during the times of COVID-19 pandemic: challenges and consequences

### 1.1 Introduction

Every crisis brings challenges and threats to entrepreneurs and their organisations, no matter if initiated by human behaviour, natural disasters or economic mechanisms (Doern *et al.*, 2019). At the end of December 2019, the coronavirus (so-called COVID-19) started spreading globally, and by 11 March 2020, World Health Organization – WHO (2020) declared COVID-19 a pandemic. As a response to mitigate coronavirus spread and save lives, governments in affected countries imposed desperate measures of social distancing, widespread lockdown, restrictions on travelling, movement and people gatherings. Many private and public life aspects had to be moved online (Liguori and Winkler, 2020). Entrepreneurs were not an exception. They had to start moving their business activities online. However, not everything could be solved conveniently online. COVID-19 has significantly influenced the entrepreneurial engagement of self-employed persons. Some entrepreneurs had to close their businesses because of governmental restrictions temporarily; others had to impose precautions and run their activities to a reduced extent. They also needed to find innovative solutions in all aspects of their entrepreneurial endeavour as the consequences of the pandemic linger. It took time before the entrepreneurs got oriented in the new situation and before governments started helping them out with particular policy actions aiming to deliver information, advisory and financial support (Kuckertz *et al.*, 2020; Turner and Akinremi, 2020). It is expected that the current pandemic will very likely influence traditional entrepreneurial decision-making processes (Chell, 2013), communication and conflict management (Aldairany *et al.*, 2018), well-being (Stephan, 2018) and entrepreneurial outcomes (Wach *et al.*, 2016). This is especially the case in emerging economies, where institutional responses to COVID-19 have been varied and where the global pandemic has exploited existing institutional voids (Chan and Mustafa, 2020).

The scholarly community realised quickly that this is an important exogenous shock to entrepreneurial activities which require further investigation into. Thus started a collection of empirical insights throughout the special issues in the leading entrepreneurship journals, such as *Entrepreneurship Theory and Practice* (Shepherd *et al.*, 2020), *Small Business Economics* (Acs *et al.*, 2020) or *Journal of Business Research* (Donthu and Gustafsson, 2020). The *Journal of Entrepreneurship in Emerging Economies (JEEE)*, which continuously accumulates knowledge on how the emerging economy context influences entrepreneurial and innovative activities (Li, 2014; Chan and Mustafa, 2020), was not an exception. On 13 May 2020, the call for papers for the special issue titled: “Entrepreneurship during the times of COVID-19 Pandemic: Challenges and Consequences” was published on the journal’s website.

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Portuguez Castro and Gómez Zermeño (2020) systematically summarised the up-to-date findings on entrepreneurship during the crises and its resilience. Their study worked with a volume of English and Spanish language written publications indexed in Scopus and Web of Science published during the years 2010–2020. The authors were mainly interested in identifying the resilience factors to strengthen training programs to improve entrepreneurial skills. After a careful selection, the authors ended up with 30 studies that were coded and systematically studied. The selected codes included, for example, a category of the crisis, its type, potential risks, research methods, country and actions that entrepreneurs took to manage the crises. The researchers conclude by identifying the most critical resilience groups of factors (i.e. characteristics of the business and the entrepreneur, the relationships with institutions, human and social capital and strategic management), which should be considered for the preparation of training programmes (Portuguez Castro and Gómez Zermeño, 2020).

A narrative overview of the emerging literature on entrepreneurship during the pandemic was elaborated by Ratten (2020) in her conceptual article. Ratten (2020) asks how pandemic changes (or will change), specifically, cultural, lifestyle and social types of entrepreneurship. For every kind of discussed entrepreneurship, the author suggests a proper response of the business owners to the forthcoming crisis, including recommendations for future research.

Both Villaseca *et al.* (2020) and Croteau *et al.* (2021) focussed on the availability of financial capital. Villaseca *et al.* (2020) conducted a systematic literature review on financing female entrepreneurship to derive implications for the COVID-19 crisis. The search took place in the Web of Science database, was targeted at publications from 1990 to 2019 and resulted in 4,250 potentially relevant documents that were analysed. After discussing supply and demand-side factors shaping the availability of financial resources, the authors highlight lower proportions of female entrepreneurs in the economies and point out the differences in their financial resources' structure. They note that women often rely on their savings and capital rather than on external financing. Pandemic-related restrictions limit business operations and challenge business owners to secure even more cash to cover their short-term drop-outs in monetary inflows to avoid bankruptcy. Villaseca *et al.* (2020) suggest in their conclusions several policy implications. For example, they propose that governments develop instruments providing credit for favourable conditions during these turbulent times to mitigate business closures rates. Croteau *et al.* (2021) provide emerging insights into the Canadian risk capital market and an overview of the public programmes supporting entrepreneurs in times of pandemic. The research relied on the thematic analysis of the seven roundtable discussions hosted by the National Angel Capital Organization, where experts, investors and entrepreneurs participated and discussed COVID-19-related issues. A total of 50 experts participated in the roundtables; 23 experts represented entrepreneurs and their organisations, 12 were investors and 11 were policymakers. The methods included content and thematic analyses. As a result of their research, the authors provide several recommendations for policy adjustments. For instance, they propose to act quickly to keep the existing enterprises active, however, to also encourage new start-up teams to prevent the creation of the "lost generation" of start-ups (Croteau *et al.*, 2021).

Durst *et al.* (2021) and Purnomo *et al.* (2021) conducted qualitative research with small- and medium-sized (SME) business owners and managers to see how they cope with the pandemic. The study by Durst *et al.* (2021) was situated in Peru and interviewed 25 business owners and managers from different sectors of the economy, such as human resources, cleaning services, fishery production, wood toys production, catering services or psychological counselling. Their findings results illustrate how the different kinds of entrepreneurs and managers coped with the crisis. The research team finds that some SMEs

even benefited from the pandemic by exploiting new opportunities and describes how they worked with their business models. Furthermore, the study also provides a picture of the established practices of crisis management and the well-being of both management and employees, as documented by the transcribed interviews. Another crucial factor identified by the interviewees was the speed of adaption towards the new technology and digital solutions (Durst *et al.*, 2021). Purnomo *et al.* (2021) provided qualitative insights from Yogyakarta, Indonesia. Their particular focus was on the understanding of entrepreneurial resilience. The interviews with the five business owners doing business in food, fashion or craft revealed how sectoral specifics significantly influenced the development of the researched SMEs during the pandemic. The qualitative analysis further showed that the interviewed entrepreneurs found it essential to adopt a positive mindset, such as being optimistic, perseverant and open to new solutions to keep their businesses alive (Purnomo *et al.*, 2021).

The remaining studies included in the special issue have addressed issues of entrepreneurs and business affiliated with a particular sector or industry. Manyati and Mutsau (2021) conducted qualitative research among 27 Zimbabwean informal entrepreneurs operating in the agricultural manufacturing and home industry. The authors studied skills and abilities that helped informal entrepreneurs to sustain business activity despite the adverse times. The interviewed entrepreneurs pointed out the need to quickly adapt to virtual platforms to establish communication with farmers and other partners. The research results reflected that sustainable manufacturing and metal fabrication techniques aiming to deliver higher quality products might also improve competitiveness and adopt greener production processes, providing thus informal entrepreneurs with an opportunity to keep their businesses operational. Manyati and Mutsau (2021) conclude their article with a series of recommendations for entrepreneurial training, highlighting the importance of sustainable business-related skills, agility and digital networking. The need for sustainability orientation was also discussed in a study by MacGregor Pelikanova *et al.* (2021), who investigated the effects of the pandemic within the Czech hotel industry. Thirty representatives of eleven hotel businesses were surveyed by the Delphi method. The initial findings indicate that the hotel industry is expected to be heavily hurt by governmental restrictions. They may cause significant financial problems to most entities within the industry as the restrictions were oriented mainly on people gathering and travelling. The survey's conclusions seem to suggest that only very few respondents consider adapting to a more considerable extent sustainable business principles as a result of the pandemic. However, completely different observations were obtained regarding digitisation, which the respondents consider critical to maintaining day-to-day operations (MacGregor Pelikanova *et al.*, 2021).

Salam *et al.* (2021) documented the impact of COVID-19 on Pakistanian SME retailers by using a mixed research approach. The authors conducted ten qualitative interviews with different retail shop owners to get initial insights and then conducted a quantitative survey of 149 retailers from the city of Lahore. The quantitative data set was analysed with the help of structural equation modelling. Salam *et al.* (2021) wanted to explore to what extent SME owners work with online marketing techniques and social media. While, generally, pandemic increased usage of these instruments, the results indicated that they were still used more by the entrepreneurs with higher levels of education (Salam *et al.*, 2021). Research by Dvorak *et al.* (2021) also focussed on the retail market; however, it included besides retailers also the customers. One hundred Czech retailers and 100 customers expressed their opinions on the digitisation of the shopping process. Paired two-sample t-tests analysed the data. They showed the differences between the attitudes of retailers and customers towards

e-commerce and how the pandemic influenced these attitudes. The researchers found that still, more customers are willing to transfer shopping processes online than the retailers; however, there are still significant proportions of individuals who prefer traditional shopping. Furthermore, investing resources into online merchandising might be costly and risky during a pandemic (Dvorak *et al.*, 2021). The final contribution was written by Mishra (2021), who conducted a case study with an Indian social entrepreneur working to improve the menstrual health and hygiene of rural women. The research shows that pandemic may be an opportunity to adopt frugal innovation principles. The study provides an investigated social entrepreneur and her family's case. It reveals how the principles of frugal innovation (re-use, re-purpose, re-combine and rapidity) may be implemented despite the adverse times (Mishra, 2021).

### 1.3 Future research directions

The findings and contributions of the special issue articles illustrate that pandemic is undoubtedly a challenge for entrepreneurs and self-employed persons. Still, the introduced studies were capturing only the short-term effects of the pandemic. We will have to wait for its end to see the actual impact on entrepreneurship development across the globe. The longitudinal monitoring of entrepreneurship over time will help us provide answers to many relevant research questions. For example, we were asking how the policy responses to COVID-19 mitigated the adverse effects on entrepreneurship, particularly in the most endangered sectors, such as culture, hospitality or tourism (Betzler *et al.*, 2020) or how individuals perceived the crisis as an opportunity, recognised and exploited new business ideas (Giones *et al.*, 2020). Did countries with a more functional entrepreneurship ecosystem provide more efficient support for entrepreneurs (Mason and Hruskova, 2021)? The times of pandemic may alert researchers to establish new partnerships with policymakers, professional organisations and entrepreneurs to cooperate mutually on joint research activities and the formation of entrepreneurship supporting actions and policies. Consequently, we urge future research to explore further the relationship between entrepreneurs, organisations and institutional (especially in terms of economic, security and health policies) responses to COVID-19 and how such responses have influenced entrepreneurial activities in emerging economies (Chan and Mustafa, 2020; Dvouletý *et al.*, 2021).

At the same time, we feel the need to stress that using lenses of exploratory research is, however, not sufficient to produce academically rigorous outcomes. Globally, it is crucial to understand the COVID-19 pandemic as another episode, link it with past crises and shocks, revisit the established theories and use them to understand entrepreneurial behaviour in the post-pandemic period better. We need to know whether the new business registrations and entrepreneurial intentions grew over these times and exceeded the bankruptcies and individuals discouraged by the adverse times from starting a new venture. Finally, we still need to learn more about how different kinds of entrepreneurs and own-account workers coped with the crisis (Dvouletý, 2020; Ratten, 2020), how their well-being was changing (Stephan, 2018) and how the pandemic influenced their outcomes (Wach *et al.*, 2016). These all represent challenges for future research.

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