

Maintaining Wellbeing in a Pandemic

A Guide for Scale-up Entrepreneurs



UNIVERSITY OF EDINBURGH
Business School



Economic
and Social
Research Council

1.0 Executive Summary

Scale-up entrepreneurs are critical to the UK's economic recovery from the COVID-19 pandemic. While there has been a lot of attention paid to the economic health of entrepreneurs and workers at high-growth firms, less attention is being paid to their mental and physical wellbeing. But poor wellbeing can destroy the ambitions of entrepreneurs and make firms less productive and innovative.

Drawing on over 130 interviews with high-growth entrepreneurs since the start of the pandemic, we discuss how the pandemic has affected the wellbeing of the founders and employees of scale-up entrepreneurial firms across the UK and how this has changed over the course of the crisis. Based on their experiences we suggest actionable steps entrepreneurs, workers, and policymakers can take in order to preserve wellbeing in entrepreneurial organizations to mitigate the wellbeing impact of this crisis.

2.0 Background

2.1 Why Wellbeing Matters

The COVID-19 pandemic has challenged businesses in every way. But while there has been substantial attention and support from the Government to help support scale-up ventures economically, there has been less attention to the mental wellbeing of entrepreneurs and their employees. Wellbeing refers to a person's mental and physical wellness and their ability to be resilient to setbacks and challenges.¹ Poor wellbeing lowers these firms' growth prospects and potentially can lead to entrepreneurs losing their ambition to innovate and grow. This will have severe consequences for nation-wide economic recovery as well as risks destroying the fragile entrepreneurial ecosystems across the country.

The COVID-19 crisis has forced firms to rapidly change how they do business while at the same time requiring them to find new ways of working remotely. This stresses bottom lines, but just as importantly it stresses people. This is especially true for innovative scale-up firms who take ambitious risks to grow, even during the pandemic. These firms are critically important to the UK's economic recovery because they are one of the main sources of new jobs and products.² This report summarizes the impacts that the COVID-19

pandemic is having on the wellbeing of scale-up entrepreneurs and employees and the steps they can take to address these issues. More than anything else, addressing wellbeing issues requires being honest about the different ways that people have been affected by the isolation and uncertainty created by the pandemic. This requires more emotional work on the part of entrepreneurs and team leaders, which can lead to burnout if they aren't able to achieve a better work/life balance.

2.2 What Happens When Wellbeing Suffers

Poor wellbeing is associated with negative business and personal outcomes. Firms whose managers and workers have higher wellbeing do better than those with lower wellbeing levels.³ As wellbeing drops within an organization, so does productivity and creativity.⁴ Poor wellbeing makes it harder for firms to react to quick changes in the market and carry out important innovation and business development activities.

For entrepreneurs, poor wellbeing increases the chances of burnout, where sustained high levels of stress lead to a collapse of their ability to lead the organization.⁵ This increases the likelihood of firm failure and hurts their overall growth ambition.

Sources: ¹Johan Wiklund et al., "Entrepreneurship and Well-Being: Past, Present, and Future," *Journal of Business Venturing* 34, no. 4 (July 2019): 579–88; Huseyin Naci and John P. A. Ioannidis, "Evaluation of Wellness Determinants and Interventions by Citizen Scientists," *JAMA* 314, no. 2 (July 14, 2015): 121.

²Ross Brown, Colin Mason, and Suzanne Mawson, "Increasing 'The Vital 6 Percent': Designing Effective Public Policy to Support High Growth Firms," NESTA Report 2014.

³Christian Krekel, George Ward, and Jan-Emmanuel De Neve, "Employee Wellbeing, Productivity, and Firm Performance," *SSRN Electronic Journal*, 2019.

⁴Marco Hafner et al., *Health, Wellbeing and Productivity in the Workplace: A Britain's Healthiest Company Summary Report* (RAND Corporation, 2015).

⁵C. David Shepherd et al., "Entrepreneurial Burnout: Exploring Antecedents, Dimensions and Outcomes," *Journal of Research in Marketing and Entrepreneurship* 12, no. 1 (April 27, 2010): 71–79.

2.3 Our Research

The ERICC Project (Entrepreneurial Resilience and Innovation during the COVID-19 Crisis) is a UKRI-funded research project bringing together experts from 5 British universities to study how high-growth entrepreneurs in regions across the UK are impacted by and reacting to the COVID-19 pandemic. Our research is based on in-depth interviews with founders across the UK in sectors such as digital technology, advanced manufacturing, low-carbon, and business services. Because this crisis is not static, we conduct follow-up interviews with entrepreneurs every 2-3 months to better understand how the impact of the crisis is changing and how they are developing new ways of responding to the business and personal pressures brought on by all aspects of the COVID-19 crisis.

Since the project began in June 2020, we have conducted over 130 interviews with founders of more than 80 high-growth firms in places ranging from London to Belfast to the Scottish Borders. They span from venture-backed digital firms with hundreds of employees to smaller university spin-offs and social ventures. The key characteristic unifying these firms is the entrepreneurs' ambitions and desire to build a world-beating product or service.

For more information on the project, visit ericcproject.uk



3.0 How COVID-19 Affects Scale-up Entrepreneurs

3.1 Anxiety and Responsibility

Almost every entrepreneur we spoke with — regardless of age, background, or industry — reported feeling increased anxiety over the future of their company and their personal welfare. This anxiety was greatest at the early phases of the pandemic when the nature of the virus was less known and when fatality levels were much higher. As one digital entrepreneur from Edinburgh explained, during the first stages of the pandemic, she:

“Had sleepless nights and I have felt like my anxiety is up a little bit about what I’m going to do if it all falls through.”

But while the initial shock of the pandemic and lock-down has subsided, scale-up entrepreneurs still had high levels of anxiety. For many, this was because they felt a deep responsibility to protect their employees' health and livelihoods. Entrepreneurs found it difficult to balance between their responsibility to address issues among individual employees and to protect the firm during a period of unprecedented uncertainty.

Entrepreneurs we spoke with went to great lengths to avoid laying off workers, making creative use of the furlough scheme where possible or assigning workers to new

tasks if their original job functions were no longer needed. The founder of an advanced manufacturing firm in London told us what this felt like:

“We have a workforce of about 25 people. Just for me, it’s like knowing that 25 people depend on me to provide the money for their children. And it’s an amazing thing, but also a lot of responsibility.”

Several entrepreneurs reported that having to make an employee redundant during the pandemic was an emotionally traumatic experience for them. For firms with manufacturing and production facilities that stayed open during the lockdown, entrepreneurs felt responsible for ensuring their health and safety was prioritised and that employees working there did not feel overburdened compared to those able to work at home. This balance was difficult to achieve and several entrepreneurs said it was a source of stress for them and their employees.

Entrepreneurs also felt the need to provide emotional support for employees who were having a difficult time during the

lockdown. In addition to their managerial roles, interviewees found themselves taking on a comforting role, making sure that employees living by themselves or in precarious housing situations had someone to talk to. While most were willing to take on this role, it requires a level of emotional energy that is in short supply when dealing with their personal stresses and worries. This has become more important as lockdown restrictions have been reintroduced in the autumn and winter of 2020.

Overall, the COVID-19 pandemic has reduced scale-up entrepreneurs' wellbeing. The nature of this anxiety has changed over the course of the pandemic, with early anxiety over economic and health uncertainty being replaced by anxiety over their responsibility to their employees and the broader community. While there is obvious anxiety over the future of their companies, much of the more recent stress for entrepreneurs has come from a feeling of deep responsibility to their employees and the need for them to provide more emotional support to their workers than they have in the past. This is not limited to the firm workforce but also extended to the whole community they are in. For example, one entrepreneur told us that:

“

Having to step into a role of trying to decide what's best for my entire team's health and what the responsible thing today was for the team and our community; and how to do it whilst maintaining a healthy business ...it's just an awful lot to think about.”

3.2 Lockdown as Liberation

Despite the increased pressure entrepreneurs are being placed under by the pandemic, many expressed a sense of relief about some of the changes that occurred during the crisis. Foremost, lockdown has removed the need for strenuous business travel to meet customers and investors or attend trade shows. This has made it harder to identify new customers and to keep abreast of new developments. But it also meant entrepreneurs spend less time away from their homes and family and less time commuting.

This sense of liberation led several entrepreneurs to say that their wellbeing has improved since the start of the pandemic. The founder of a Belfast-based digital firm told us he had lost weight since he stopped business travel and set up a new office in a caravan in his driveway. Others talked about their ability to spend more time with their family. Many are planning on rethinking their return to the office to provide more opportunities to work from home and reducing how often they travel to meet with clients.

3.3 Strategies for Preserving Wellbeing

The most common technique entrepreneurs had to maintain their wellbeing was talking with other founders and managers. This helps to benchmark their own experience against others and more importantly, new perspectives on how to address common challenges such as the transition to homeworking or dealing with new sources of stress. A Leeds-based entrepreneur said that during crises, “the main thing that I've always done is to talk to people and to listen and to try and make up my mind about things and where stuff is going”. Lock-down has made it difficult for entrepreneurs to build new networks, so most

are relying on pre-existing contacts. WhatsApp groups or Slack channels are a popular way of keeping in contact, though more formal meetings such as weekly Zoom calls with other business owners quickly lost popularity as the crisis stretched beyond its first months.

Entrepreneurs also spoke of the importance of exercise and physical activity for maintaining personal wellbeing. While working from home has made this easier in some cases, the additional responsibilities of care made keeping fit more difficult for entrepreneurs and employees. A green entrepreneur in London told us that she had actively sought to support her wellbeing by:

“

[Doing] all the standard things like making sure to actually have some work-life balance. Actually taking up running because I have more time, because I do less social stuff, because of COVID.”



4.0 How COVID-19 is Affecting Scale-up Employees

4.1 Wellbeing Impacts of Home Working

As with founders, employees' wellbeing has been negatively affected by the pandemic. The impacts of increased caring responsibilities and isolation on workers' wellbeing are well known⁶ and entrepreneurs were well aware of the challenges their employees were facing. There was no clear consensus on how employees were reacting to working at home, with about two-thirds of our interviewees seeing drops in productivity and morale while about one-third felt that people preferred home working to an office.

The entrepreneurs we spoke with were most concerned about the wellbeing of their younger employees. One of the biggest issues they spoke about was isolation due to lockdown. For younger workers living by themselves, not working in an office meant they might go days without talking to another person, leading to isolation and depression. These workers are also at a disadvantage because their lower experience meant they needed more supervision, which is difficult in remote-working. This challenge is exacerbated by pre-existing housing issues, such as living in a small flat with roommates, which makes it difficult to have adequate working space. This was a larger concern when entrepreneurs had younger employees living in London and other high cost of living places.

But while younger employees might be the most impacted by the quick transition to homeworking, everyone has felt its effect on their wellbeing. Furloughed workers were very anxious about their precarious situations, but almost every employee is experiencing anxiety over the future of their jobs. Employees with children faced the biggest challenges at the beginning of the crisis when schools were closed, but the care responsibilities have continued to make it difficult to achieve a healthy work-life balance. For everyone, the combination of the uncertainty from the COVID-19 pandemic with the uncertainty over their working situation and the company future is creating new anxiety that impacts on work and wellbeing.

4.2 Worsening Wellbeing in the Winter

Entrepreneurs were universally concerned about the wellbeing of their employees (and themselves) over the course of the autumn and winter of 2020. While the challenges of the early phase of the pandemic were difficult, the move to homeworking and dealing with the emergent business issues during the crisis at least had a sense of novelty; with the good weather of the summer helped provide a way to deal with issues around isolation. But this is no longer the case.

Since then, the rise of cases in Autumn and the resulting lock-down hurt wellbeing even more. Nearly everyone we spoke with during this time has reverted to homeworking where possible, which increased employees' feelings of isolation and uncertainty. This issue is aggravated by the normal winter issues such as poor weather and darkness that makes it more difficult to get outside and to keep to the fitness routines that were built over the summer. Many entrepreneurs were concerned both for the emotional impact on their employees as well as how this was lowering productivity just as businesses had begun to rebound.



⁶ Sources: ⁶Barbra Larson, Susan Vroman, and Erin Makarius, "A Guide to Managing Your (Newly) Remote Workers," Harvard Business Review, March 18, 2020.

5.0 Strategies for Improving Wellbeing in a Crisis

5.1 How Entrepreneurs Maintain Their Wellbeing

► Optimism

The biggest factor associated with higher reported levels of wellbeing for entrepreneurs was optimism about business prospects and their impact on the world. To be sure, it is hard to be optimistic in the face of business problems such as lost sales or disrupted supply chains. Focusing on positive results from this year, celebrating successes when they happen, and emphasizing the social impact of the company were among the ways entrepreneurs maintained a sense of optimism in the crisis.

► Staying Connected

Entrepreneurs supported their wellbeing by leaning on their social support networks made up of family, friends, and other entrepreneurs. Having someone to talk to about their fears and frustrations provided a crucial space to vent and receive advice and guidance. Conversations with other members of their entrepreneurial ecosystem helped spread good ideas about how to solve common business problems.

► Taking Time-off

Few entrepreneurs reported taking time-off, but those who were able to told us that it was crucial to maintaining their wellbeing and equilibrium. Even when actual vacations are impossible, taking time-off from the business is crucial for preserving mental health and improving wellbeing. This is a key strategy for avoiding burnout when facing high levels of uncertainty and stress.

► Learning from Prior Crises

This is rarely the first crisis most entrepreneurs have been through. The financial crisis of 2008, Brexit, and other challenges have all created hardships for entrepreneurs. Those that have been through past crises were able to use them to contextualize the current one, particularly the importance of remembering that this crisis will eventually pass and they need to be prepared for new opportunities created by it.

5.2 How Entrepreneurs Support Their Employees' Wellbeing

► Ensuring Regular Contact

Ensuring that employees stay connected is not just a good management technique, but is essential for them to overcome feelings of isolation and maintain their wellbeing. This includes regular work conversations but also social time as well. While most entrepreneurs we spoke with had tried virtual evening drinks or pub quizzes towards the start of the lockdown, most did not find these effective. Rather, having regular one-on-one meetings with employees to discuss emergent issues and building a culture of openness and support were more effective along with opportunities for employees to chat with each other as they needed.

► Clear Communication

One of the most effective strategies we saw for maintaining employee wellbeing is ensuring clear and consistent communication to employees about what is happening to the company. Rumours travel quickly even in small companies. It is then important that the founders or top managers communicate clearly about the future prospects of the company and what the biggest risks are on the horizon. Even sharing potentially bad news is better than relying on rumours.

► Listening

Entrepreneurs need to work even harder at listening to employees to understand their concerns and needs than before the pandemic. The biggest area is around returning to the office: some employees might be racing to get back to the office because of the difficulties of working from home or the chance to be near other people. Others might want to not come back due to health concerns or because they enjoy working from home. Entrepreneurs need to understand the different needs their workers have and find ways to support these where possible.

► **Humanizing the Working Environment**

While there are no silver bullets that will solve every problem, many entrepreneurs saw building a humane work culture as crucial to ensuring happy and healthy workers. This meant recognizing that everyone was facing their own challenges. Employees might need more flexibility to manage their care responsibilities or their own health. Some might need more supervision now that they cannot depend on quick hallway chats to measure their progress, while others can be left alone to complete their tasks. Entrepreneurs need to understand their workers as individuals and come up with ways to support their different needs based on their own situations and context.

► **Modelling Good Behaviour**

A firm's top manager is a key role model for everyone else in the firm. They must do more than just speak about the importance of wellness and creating an effective work-life balance. They must also practice what they preach. If a founder or CEO is not taking time off work or is not giving themselves space to relax, neither will their employees.

6.0 Conclusions and Recommendations

The impact of the COVID-19 on entrepreneurs and their teams is a crucial factor in determining how firms will survive and even thrive through the crisis. Scale-up firms represent a critical engine in the UK's economic recovery program, but this requires that entrepreneurs retain the ambition and drive to innovate and grow. As their wellbeing suffers so will their ability to take risks for developing new products and entering new markets. Similarly, scale-up employees are crucial to the firm's ability to navigate this crisis, but their work is hampered by anxiety and depression brought on by uncertainty and precarious working conditions.

Our interviews show that wellbeing is a problem, but it is a problem that entrepreneurs are working to address. The first priority is for entrepreneurs to recognize that their own wellbeing matters and that they should take steps to address it if necessary. This might involve prioritizing self-care, allowing themselves to take a vacation, or keeping to a self-care routine. Just as important as reaching out to other entrepreneurs in their networks to discuss what is happening and creating a safe space to vent about the frustrations of trying to manage a growing business during an unprecedented crisis. If necessary, entrepreneurs, like anyone else, should investigate mental health support options. If their wellbeing suffers, eventually so will their business and their future plans.

Founders and top managers of scale-up firms also need to look for ways to support the wellbeing of their staff. Our interviews

showed that maintaining clear lines of communication was key to reducing uncertainty. Many had to develop new management techniques to ensure that workers had contact with each other every day in order to reduce isolation. Entrepreneurs will have to take special care for younger employees, employees with caring responsibilities, and those in substandard living situations. This is particularly true for firms with employees in high cost of living places like London or Manchester.

Finally, policymakers must see the mental health and wellbeing of entrepreneurs as being just as important an issue as their economic health. Poor wellbeing risks damaging the scale-up ambition the country has worked so hard over the past decade to build. However, policymakers simply have fewer tools to support entrepreneurial wellbeing than they do for providing economic and innovation support. One of the few options policymakers have is to focus on strengthening local ecosystems to provide founders with more opportunities to meet each other and build their support networks. This is far from easy, as many entrepreneurs reported seeing little value in online networking events. However, concentrated efforts from LEPs and local economic development agencies will quickly identify best practices for bringing entrepreneurs together so they can provide mutual support.

This research is funded by the Economic and Social Research Council (ESRC), as part of UK Research & Innovation's rapid response to COVID-19. Grant number ES/V004956/1. We are grateful for support of the ScaleUp Institute. The work was carried out by Dr. Ben Spigel and Dr. Kautsar Ramli at the University of Edinburgh Business School and the rest of the ERICC Project Team.

For more information contact ben.spigel@ed.ac.uk or visit ericcproject.uk



UNIVERSITY OF EDINBURGH
Business School



Economic
and Social
Research Council