

The Impact of Founders' Entrepreneurial Resilience on New Enterprises during Crisis

Huihui Li¹, Xiaolong Zhong^{2,3}

¹Business School, Nankai University, Tianjin, China;

²Post-Doctoral Research Station, China Everbright Group, Beijing, China;

³Post-Doctoral Research Station, School of Finance, Renmin University of China, Beijing, China

***Corresponding Author:** Xiaolong Zhong, Post-Doctoral Research Station, China Everbright Group, Beijing, China; Post-Doctoral Research Station, School of Finance, Renmin University of China, Beijing, China

ABSTRACT

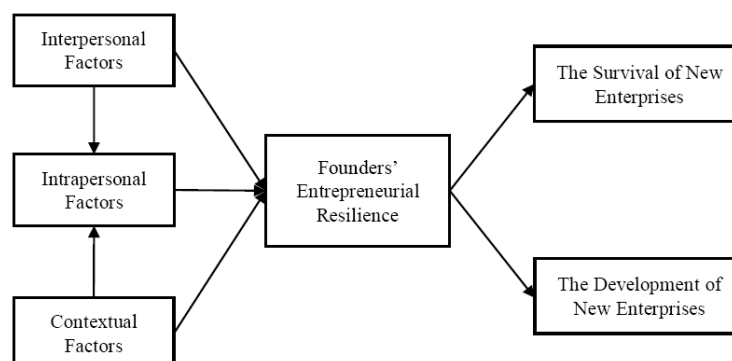
Some crises, such as the COVID-19 pandemic, put new enterprises at risk for survival and growth. Entrepreneurial resilience refers to the ability of entrepreneurs to actively regulate, effectively operate and successfully cope with adverse situations such as crisis, pressure, and interference. This paper mainly discusses the role of founders' entrepreneurial resilience in the survival and development of new enterprises in the context of the COVID-19 outbreak, as well as the cultivation of entrepreneurial resilience. The results show that many new enterprises faced financial pressure and operating difficulties during this crisis. Resilient founders of new enterprises can maintain the survival of enterprises by actively coping with the financial pressure and seek for the development of enterprises by changing their business thinking. In order to enhance entrepreneurial resilience, founders of new enterprises need to improve their own qualities and interpersonal relationships. The inclusive atmosphere created by society and the entrepreneurial support provided by governments can also help foster entrepreneurial resilience.

Keywords: Crisis; New Enterprises; Founders; Entrepreneurial Resilience

INTRODUCTION

Almost no business is immune to a global crisis. Since the outbreak of COVID-19, many industries and enterprises have been greatly impacted, among which the survival conditions of small, medium, and micro businesses have received wide attention. The newly established enterprises (within 24 months of their establishment) are mostly small and micro enterprises, and their ability to deal with emergencies is relatively weak compared with large enterprises. In such a "Black Swan Event", many new enterprises have been struggling for survival.

In addition, since the new enterprise has just been established, the relevant system may not be formally formulated, and the management may not be fully on the right track. At this time, the founder has a decisive influence on the new enterprise. Entrepreneurial resilience is the critical ability of an entrepreneur to operate effectively in the face of adversities and challenges and to adapt to uncertainty (Lee & Wang, 2017). Therefore, this paper mainly considers the role of founders' entrepreneurial resilience in the survival and development of new enterprises in the context of the COVID-19 outbreak, as well as the cultivation of entrepreneurial resilience. The specific theoretical model is shown in the figure below:



THE IMPACT OF THE COVID-19 EPIDEMIC ON NEW ENTERPRISES

In response to the sudden outbreak of COVID-19, many countries adopted very strict quarantine measures, such as limiting logistics and the flow of people. This led to a slowdown or even stagnation in the global economy and many businesses were forced to suspend operations and fell into crisis. Compared with other enterprises, the system of new enterprises is more fragile so they were under greater pressure.

On the one hand, new enterprises face greater financial pressure. In the initial stage of entrepreneurship, enterprises need to spend a lot of money to purchase fixed assets, which leads to a high investment cost. When the epidemic came, enterprises could not operate normally, resulting in a decrease in operating income, which was undoubtedly worse for new enterprises with weak cash flow. In addition, the degree of information asymmetry in new enterprises is relatively high (Berlin & Mester, 1998), which makes it difficult for founders of new enterprises to raise funds. The huge impact of the epidemic and its long duration have amplified the problem of financing difficulties for new businesses.

On the other hand, customers' purchasing power declined and their consumption was reduced, resulting in difficulties for new businesses. This is especially true for offline businesses. First, the epidemic caused many people to lose their jobs, resulting in lower incomes and thus less consumption. Second, the epidemic has also led to a change in people's consumption concept. In order to have enough funds to cope with risks when crises come, more people tend to choose saving or investment and avoid unnecessary consumption. Finally, the concepts of "Reducing Contact" and "Social Distance" that people have formed in the epidemic prevention and control will not disappear immediately. Even after the epidemic has ended, this practice will be maintained, which leads to the reduction of customers of offline companies. Especially, for new companies that are still in their infancy,

these changes have not only led to a decrease in operating revenue but the test of whether they can continue to survive.

THE IMPORTANT ROLE PLAYED BY ENTREPRENEURIAL RESILIENCE

Klundert (1986) was the first to study entrepreneurial resilience, exploring the relationship between entrepreneurial resilience and regional economic growth. Later, Chen (2005) clearly put forward the concept of entrepreneurial resilience when studying entrepreneurial failure. Based on previous research, this article defines entrepreneurial resilience as the ability of entrepreneurs to actively regulate, effectively operate and successfully cope with adverse situations such as crisis, pressure, and interference. Previous studies have shown that entrepreneurial resilience is a key factor for entrepreneurial success (Markman & Baron, 2003; Ayala & Manzano, 2010; Ayala & Manzano, 2014). So in a sudden crisis with a huge impact, such as COVID-19 Epidemic, can resilient founders of new enterprises cope with the adverse impact of the outbreak?

First, the founder of a new enterprise with entrepreneurial resilience can conduct positive self-regulation, actively respond to the financial pressure of the enterprise, and maintain the survival of the enterprise. Many new enterprises have not yet formed a complete management system and crisis response measures because they are in the initial stage of entrepreneurship. Generally, in the face of an emergency crisis, the founder makes decisions. Therefore, if the founders can actively regulate themselves during the crisis of the epidemic, the new enterprises will have a backbone. In this epidemic, the founders with entrepreneurial resilience actively raised funds to tide over the difficulties and actively responded to national policies related to epidemic prevention and control, financial support, and resumption of work and production. When the tide of corporate failure came, they kept the business alive as they firmly believed that "Survival is the king".

Second, entrepreneurs with entrepreneurial resilience are more able to discover new

entrepreneurial opportunities, change their business thinking and seek development when facing crises. On the one hand, despite the strong impact of the global epidemic, these entrepreneurs can still overcome the present troubles and find entrepreneurial opportunities during the crisis. According to the statistics of Zhejiang Youshu Digital Technology Co., Ltd., there were about 1.26 million newly registered enterprises in the first quarter of 2020 in China. On the other hand, resilient founders are more able to integrate existing resources and change the business operations of new enterprises in time.

For example, Hangzhou Core Control Intelligent Technology Co., Ltd., established in 2019, successfully transformed its business during the epidemic. Its founder, Chen Li, immediately targeted the gap between the supply and demand of masks after the outbreak and organized the manufacture of mask machines and peripheral matching equipment. In the end, his enterprise not only survived smoothly but also gained considerable operating income due to timely transformation. Intelligent manufacturing, the main business of this enterprise, is also recovering gradually. In addition, technologies or fields such as online education, online office, and collaboration, telemedicine, artificial intelligence, 5G, and biomedicine have become the directions that many founders of new enterprises consider transforming after the outbreak.

HOW TO FOSTER ENTREPRENEURIAL RESILIENCE BETTER ?

From the above analysis, it can be seen that when a crisis occurs, the founder of a new enterprise with entrepreneurial resilience will be able to lead the new enterprise to go out of the predicament, survive, and develop successfully. So how do founders form entrepreneurial resilience to adapt to adversity and recover from crises?

According to the research of Lee & Wang (2017), factors influencing entrepreneurial resilience include intrapersonal factors, interpersonal factors, and contextual factors.

Among them, intrapersonal factors include personal traits, motivation, human capital, values, and beliefs; interpersonal factors include informal relationships with family and acquaintances, formal relationships with professional groups and teamwork; contextual factors include resource availability, culture, rules and regulations, and industry characteristics. Entrepreneurial resilience is an internal psychological trait of individuals. We believe that external interpersonal factors and contextual factors influence entrepreneurial resilience through intrapersonal factors. To be specific, founders' entrepreneurial resilience can be improved from the following points:

First of all, founders of new enterprises can strive to improve their own qualities. For instance, they could pay attention to the improvement of entrepreneurial self-efficacy because entrepreneurs who believe in their abilities are more able to recover from adversity. They could also focus on the improvement of personal perseverance, so as to continue to move forward in setbacks (Markman, Baron & Balkin, 2005). It is important for them to improve their ability to start their own businesses and develop a positive attitude towards life. Investing in themselves, improving their level of education, and learning more knowledge and skills are significant as well.

Second, the founders of new companies can focus on improving interpersonal relationships. When a new business is in crisis, family support can provide financial support for the business, as well as psychological support for the founder. The alumni network is a social capital worthy of entrepreneurs' attention, which can provide psychological and material support, and connect more and wider network resources for individuals. Teamwork can improve the ability and confidence of entrepreneurs. Cope, Cave & Eccles (2004) also pointed out that the quality of the entrepreneurial team is the main criterion for venture investors to decide whether to invest.

Finally, our society and governments should create an inclusive atmosphere and provide support for entrepreneurs in different aspects. Tolerance of failure and reduction

of prejudice can help entrepreneurs bounce back from failures and setbacks. The administrative and political support of the government also helps to reduce the barriers to the establishment and operation of enterprises and improve the entrepreneurial confidence.

FUNDING

This study was supported by Tianjin Research Innovation Project for Postgraduate Students (Grant No. 2020YJSB015).

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Citation: Huihui Li, Xiaolong Zhong. "The Impact of Founders' Entrepreneurial Resilience on New Enterprises during Crisis", *International Journal of Research in Business Studies and Management*. 2023; 10(1): 17-20. DOI: <https://doi.org/10.22259/2394-5931.1001003>

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