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Rural Entrepreneurs Under Fire: Pandemic Reveals Need for Collaboration and Support

Introduction

In late December of 2019, a novel coronavirus (COVID-19) was identified in Wuhan, China. After a short time, it had spread globally and was declared an international pandemic. COVID-19 has impacted life globally and in the United States in all spheres of life. From the public health implications with over half a million deaths in the US to hospitals that became overwhelmed, to the effects it has had on our everyday lives and routines. Entrepreneurs have been hit especially hard, many located in rural areas. In 2020, more businesses shut down than historic averages. Regularly about 8.5% businesses, or roughly 600,000 establishments shut down each year. In 2020, this has increased by an additional 200,000. This disruption was not only in the form of those who had to shut down permanently; many shut down for shorter durations, or open and closed sporadically throughout.

Many rural entrepreneurs were not ready or prepared for the complexity of the situations they had to endure. The rapid changing of state and federal policies left many entrepreneurs confused and angry (Kerr, Panagopoulos, and van der Linden, 2021). Consumer confidence also changed drastically during the last year (Arora et al., 2020). Depending on local regulations, vaccine availability, local politics, and government aid packages, it was nothing short of a roller coaster ride for small business owners.

These changes perhaps had an even greater effect on rural areas (Love and Powe, 2020). This study looks to answer a few questions central to the complexity of the expected, emergent, and unexpected ways the COVID-19 pandemic affected entrepreneurs in rural central Virginia. It also looks at the tactics business owners used at the beginning of the study period during the first shutdowns, late March 2020 through May 2021.

The primary research questions are as follows:

1. What were the effects of the COVID-19 pandemic on small locally-owned entrepreneurs in rural central Virginia (defined geographically as GoVirginia Region 3)?
2. What were the strategic responses and tactics of entrepreneurs in Region 3?

Research Methodology

The study was designed in March 2020. This time in the world demanded a research methodology that was flexible enough for entrepreneurs who were going through great uncertainty. The largely rural region of southern Virginia was chosen as the geographic area, since it is where the researchers work and reside. This region provided unique opportunities to study mostly rural and disconnected communities. The resources this region provides are fewer and harder to find than that of the urban areas of Virginia. After defining the research questions based on a preliminary literature review and hypothesis surrounding what factors may be affecting entrepreneurs, a snowball sampling method was deployed.

Institutional Review Board (IRB) approval was obtained through Longwood University, and all participants were informed of the risks, rewards, and benefits of the research. The data was collected primarily through a digital survey on Qualtrics. The questions¹ were both quantitative and qualitative. The researchers wanted to identify both measurable categories of impact such as jobs lost, revenue loss, as well as allow for emergent themes to appear. Many entrepreneurs also asked for follow up, and short listening sessions were conducted over the telephone and online. All participants were asked the same set of questions

The first ten participants were identified through the local Small Business Development Center (SBDC) and then asked to refer the survey to others. The survey link and study description were also sent out to six local Chambers of Commerce for distribution. The survey was completed within two months. Responses from a total of N = 57 participants were recorded and analyzed using Qualtrics.

Literature Review

Entrepreneurs that close down operations during the COVID-19 pandemic may later emerge through a revolving door, rather than as a permanent event. Besides the presumption of failure due to a government-mandated shut-down, entrepreneurs may decide it is time to retire, resume becoming employed, or shift to a different business sector that would be considered essential. A study of 388 firms exiting from their enterprise in the UK found that the owners are strong

candidates to become “involved in a new venture...more confident in their abilities as a result of their previous experience” (Stokes and Blackburn, 2001). This can result in entrepreneurs helping to cultivate high-growth businesses, especially in rural economies, and to create “new jobs, increase local incomes and wealth, and connect the community to the larger, global economy (Henderson, 2002). These activities tend to be largely in service-based areas, often attracting vacationers and retirees, and largely operate with less than ten employees.

Reflecting on the last century, the “great depression” which started in 1929 was rooted primarily in bank failures and a dramatic disruptive downturn in the stock market. The recession that began in 2007 was rooted in financial malpractice and unethical activity and resulted in a massive “bailout” by the federal government, high levels of unemployment, a string of bankruptcies, and increased government oversight to help enhance transparency and reduce financial manipulation (Chossudovsky, 2008). These lessons learned also impacted entrepreneurship education, with universities changing in response to a new social and cultural movement that embraced ethical and environmental concerns. Conventional forms of assessment, such as essays and business plan submissions, were augmented with creative, experiential, and work-based learning that also reflected a renewed interest in social responsibility (Rae, 2010).

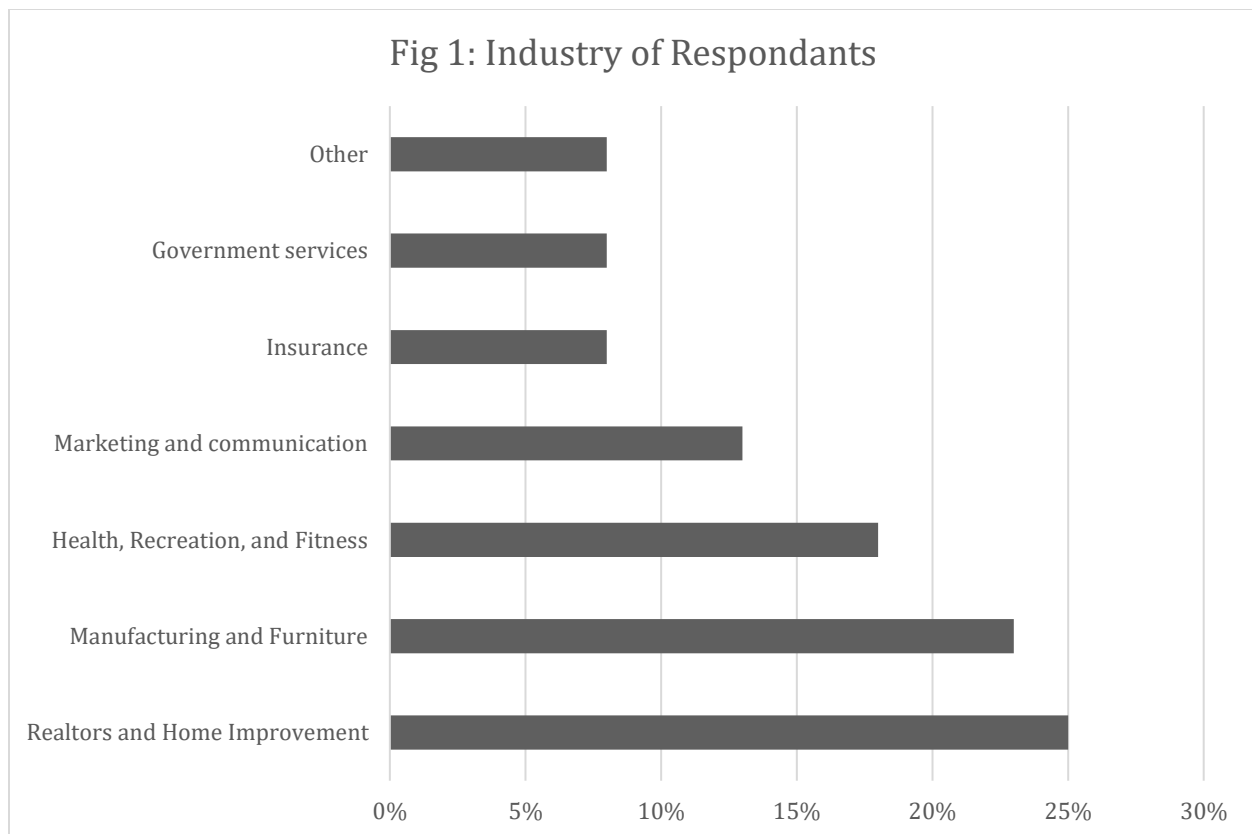
Recessions often result in a considerable decline in entrepreneurial activity. This comes from the increased closure of existing businesses, coupled with a decline in business formation (Shane, 2011). This is especially impactful for rural entrepreneurs, where a recession triggers a shift in the motivation of individuals away from self-employment. Rather than engaging in opportunity-driven entrepreneurial activities, owners often shift to need-based services that are considered essential and are reluctant to leave paid jobs to take on the risk when the economy is weak and provides an uncertain future (Figuroa-Armijos, Dabson, and Johnson, 2012). A recession triggered by a pandemic (COVID-19) can also pose challenges to psychological resilience. A recent study conducted in China in the initial stages of the pandemic revealed increased worry about family members that might contract the virus, with moderate-to-severe increased levels of anxiety and a negative impact on mental health (Wang, et al., 2020).

The lessons learned from the recent impact on entrepreneurs and the global supply chain include an enhanced need for advanced continuity planning to protect employees, customers, and the community. This includes the appointment of an executive-level champion that takes on the role of a pandemic coordinator to deal with absenteeism and cross-training, while also dealing with employee illness and quarantine episodes, family care issues, travel restrictions, and school closure (Koonin, 2020). Innovative best practices have emerged from this experience, including telehealth conferencing, increased home delivery, video conferencing with both co-workers and family, and the creation of alliances and networks with local government officials and other entrepreneurs. A cultural change is needed to embrace higher levels of employee engagement incident to attracting and retaining younger workers. This new paradigm is best achieved through

top level support by leaders in both the budgeting process and in adopting best practices. (Bressler, 2022).

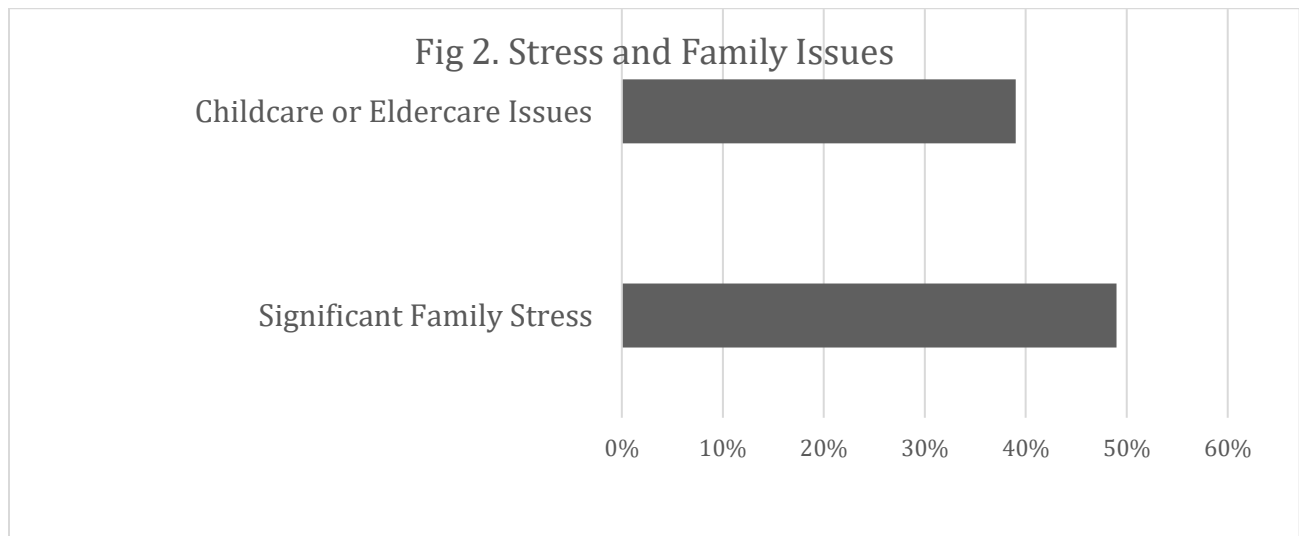
Demographics and Characteristics of Participants

Participants came from a wide variety of industry sectors, as shown in Figure 1, with the leading segment from realtors and home improvement specialists. Males represented 57% of the participants, with 43% female. Also noted was that 24% of the participants identified as a minority, and 19% identified as veteran-owned. Most of the participants came from the private sector, with a few in government services. There was a diverse range of ages of participants, with the greatest number identifying as between 36 to 45. The second greatest age segment was reported as between 19-35, so the participants were predominately younger than what is considered middle age. All of the participants had fewer than 100 employees, with most reporting between six to 20 employees. The length of time closed down due to COVID-19 ranged from one month to a year, with most closed down between two to five months. Modified methods of operation due to COVID-19 varied with regard to the anticipated length of time, with three to four months being the most frequently selected time frame.

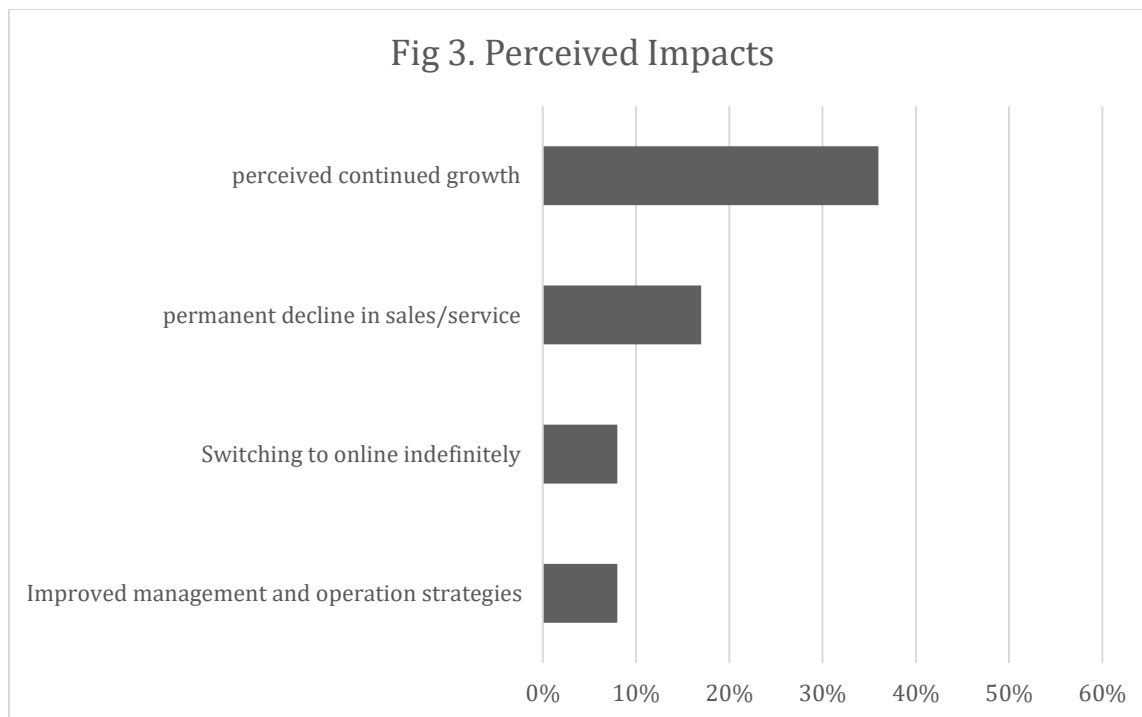


Findings

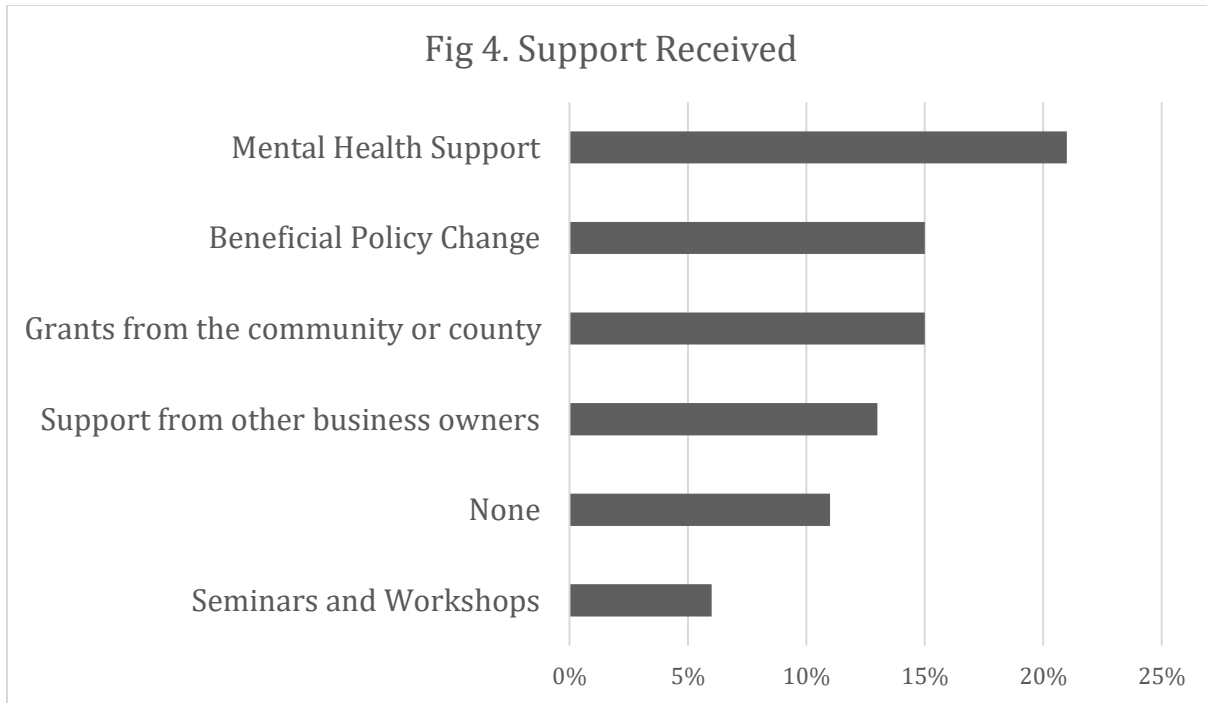
The findings supported the research hypothesis in many ways. This section will highlight some of those findings.



As shown in Figure 2, one of the most significant themes in the responses was stress, childcare, and eldercare issues. Many respondents talked about how this was the hardest part of operation during the pandemic. For example, one entrepreneur said that quarrels amongst family increased, and another mentioned the stress of separation, while another event talked about an increase in sleepless nights. Childcare issues were also prevalent as expected with children doing remote learning while entrepreneurs tried to balance the uncertainty of unfolding events.

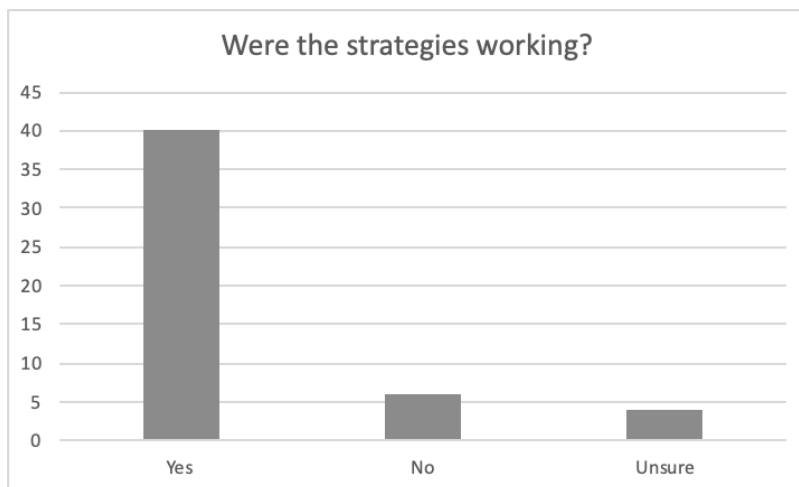


As shown in Figure 3, about a third of the participants had a positive outlook of perceived continued growth despite the challenges of the pandemic, while about a fifth expected a permanent decline in sales or service as an outcome. Some decided to switch from in-person transactions to online indefinitely, while others found that management and operation strategies have improved due to the rigors and streamlining required to cope with emergent circumstances.



As shown in Figure 4 entrepreneurs were also asked about support they had received. Perhaps the most surprising finding was that the largest category of support was mental health resources. Fifteen percent of respondents also talked about benefitting greatly from policy changes at the local, state, and national levels. Other positive support included grants from various levels of local government and support from other nearby entrepreneurs that were impacted by events and added constraints. Seminars and workshops had a relatively minor impact as a valued resource.

Fig 5. How long do you anticipate being able to continue operating this way?



As shown in Figure 5, an overwhelming majority of the participants felt that the strategies they had adopted throughout dealing with the pandemic were working on their behalf, as well as their

customers and clients. This feeling of empowerment is an important aspect of building resilience and self-confidence, and that making changes and adapting to the realities of conditions can be powerful tools in “lessons learned” and the ability to move forward in daily operations.

Conclusions and Recommendations

A simple conclusion would be to say it has been a rough year for entrepreneurs. Surprisingly, it was not going out of business that effected our respondents the most. Based on the data collected, some clear themes have emerged. This conclusion will be divided into a few parts to address mental health impacts on entrepreneurs, perceptions of preparation for the future, and the intertwinement of public policy and profitability for small rural entrepreneurs.

It should be noted there were no questions in the survey asking participants about the effects on their mental health. However, there were open-ended questions in which they chose to talk about their mental health as a major hurdle. Over 49% of respondents said they encountered significant family and personal stress; 24% claimed to have reached out for mental health support resources. This could be due to many factors. A staggering 66% of our respondents reported having to go without pay for multiple months, while only 46% received unemployment payments. Also, only 75% of respondents received Coronavirus Aid, Relief, and Economic Security (CARES) act funding. These figures are interesting as it leaves 20% without any sort of pay, and 25% who didn't take advantage of federal relief programs.

An interesting strategy for future disruptions to business could be a combined approach focusing on owner/employee mental health, increased resources around unemployment, and federal funding. This strategy might be especially effective in rural localities. Entrepreneurs in larger metropolitan areas have more resources right at their finger tips. In the region surveyed, some would have to drive over an hour to get small business help. It should be noted, however, that the SBDC for the region did pivot quickly to online and phone-based resources.

Another factor that influenced mental health was reduced social interactions and limited connections with other entrepreneurs. This recurring theme is an important finding. A recommendation for future disruptive events would be to quickly create small networks of like-minded entrepreneurs and connect those pods directly into SBDC and governmental help networks. This way the few become the many and can respond and share resources more quickly. It also helps with social isolation, and perhaps with mental health.

Finally, the third theme in mental health was general overall anxiety about the future. Over 67% of the respondents believed that this disruption would lead to a permeant decline in their sales and revenue. Money stress is one of the biggest detriments to mental health and the uncertainty of an end to the pandemic amplified the stress. Many business owners did however realize the need for shifting to online business models or reorganizing management strategies. This could be a helpful learning experience for future disruptions whether pandemic, natural disaster, or economic.

One of the other major themes to emerge was how to prepare for the future. It is evident that many entrepreneurs have become more nimble and are better at oscillating business models depending on local conditions and government regulations. For those that survive, this may ultimately be a positive outcome. One example from the research was a furniture store switching to a web-based model and seeing their biggest quarter of revenue ever.

A recommendation to entrepreneurs would be to take the time to reflect on what worked and what didn't. With a rapidly changing world, this pandemic will not likely be the only major disruption in the business life cycle. Since each business, town, and situation is unique, it is recommended that each owner come up with a set of principles they can rapidly deploy in future situations.

A proposed model for that could include:

| Disruption Stage | Entrepreneur Response |
|-------------------------|---|
| Event happens | A rapid review of a business model (lean canvas can be helpful) to make sure it still aligns with customer needs. Create a quick and testable hypothesis. Deploy rapidly. |
| Event becomes ongoing | Interviewing customers to discover if/how their needs have shifted |
| | Creation of local groups of similar small businesses |
| | Collaborative strategizing and sharing of resources around challenges, government resources, and regulations |
| | Working together to shift business models for survival, durability, and event growth during crises |
| Event ends | Reflection of best practices and long-term integration into a business model |

In disaster response, it is vital to have a strategy and framework in place for proactive actions. These findings furthermore support the need for continued entrepreneurial ecosystem building to create stronger and more flexible support networks. The need for being able to oscillate between competition and collaboration becomes increasingly important in disruption events. This not only allows entrepreneurs to share strategies and resources to get through a hard time, but it also addresses the feelings of loneliness that many of the respondents shared. There will be the need for a post mortem study once the pandemic is declared over. This future reflection, paired with the current research, will provide an even better framework for dealing with future crises level events in rural areas.

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Appendix

Full Interview for Participants of Study

Name

Age

Gender and/or pronouns

Business and/or businesses owned

Small, Minority, Woman, Veteran, or Disabled Veteran Owned?

Open-ended

1. How has this pandemic affected your business?
2. Are you still open?
 - a. If yes then:
 - i. What strategies have you employed to continue operation
 - ii. Are the strategies working so far?
 - iii. Do you anticipate being able to continue operating in this way?
 - b. If no, then:
 - i. What factors contributed to your closure?
 - ii. How long do you anticipate being closed for?
 - iii. Do you think that this pandemic may put you out of business?
3. Have you had to lay off or furlough any employees during this time?
 - a. If so, how many and fte/pte hours.

4. Have you had to go without pay as the business owner?
5. How has this affected your family?
6. What help support or resources have you received from your community in this time?
7. What resources have you not received that would have been or would be helpful?
8. What do you anticipate your business will look like when the pandemic has passed?
9. Have you filed or been granted unemployment insurance payments?
10. Have you applied for or had approved loans under the CARES Act?
11. Has there been child or elder care issues in your household?