

Startups and COVID-19:

Big Challenges And How To Overcome Them

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- *What are the impacts of COVID-19 on startups?*
- *How Did COVID-19 Change the Startup Culture?*
 - *What do startups need to come out of this current crisis strong?*
- *Managing the Change*
- *Understand your business, and the world will never be the same again*
- *As coronavirus spreads throughout the world, businesses worldwide see significant challenges because of the virus.*
- *Here are big challenges faced by most startups and how to overcome them*



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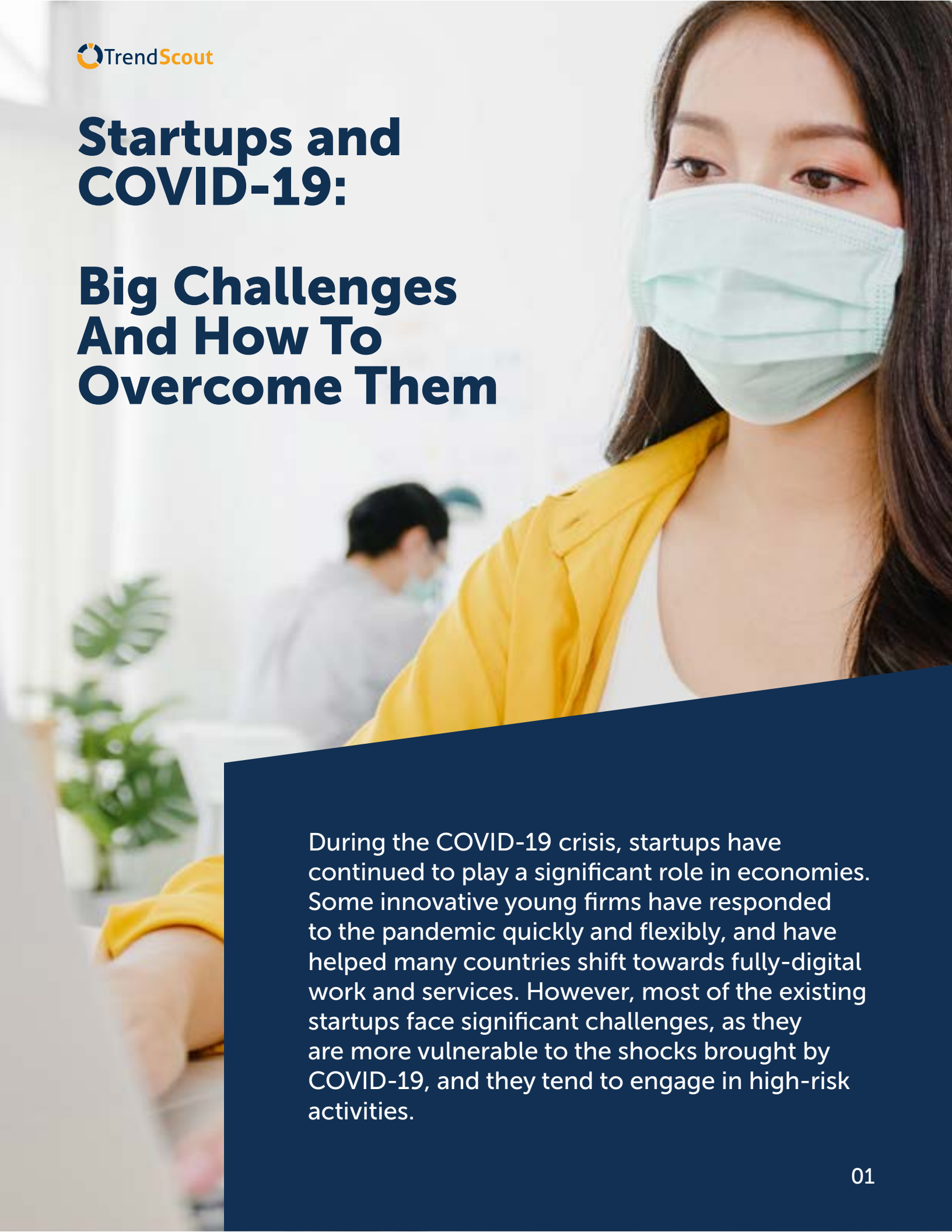
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Startups and COVID-19:

Big Challenges And How To Overcome Them



During the COVID-19 crisis, startups have continued to play a significant role in economies. Some innovative young firms have responded to the pandemic quickly and flexibly, and have helped many countries shift towards fully-digital work and services. However, most of the existing startups face significant challenges, as they are more vulnerable to the shocks brought by COVID-19, and they tend to engage in high-risk activities.

What are the impacts of COVID-19 on startups?

Startups are challenging at all times. Now, it is more challenging than ever. Because of the COVID-19 pandemic, the survival of thousands of startups both in the UK and worldwide is at stake. Some have not survived the pandemic, and over the coming months, more will fail. It is uncertain how long some businesses will last and how some businesses will recover. Also, the possibility of a second wave of the virus is present, which would be a further economic setback.

Here are some impacts of COVID-19 on startups.

Capital

Market

Talent and Jobs

Operations and Management

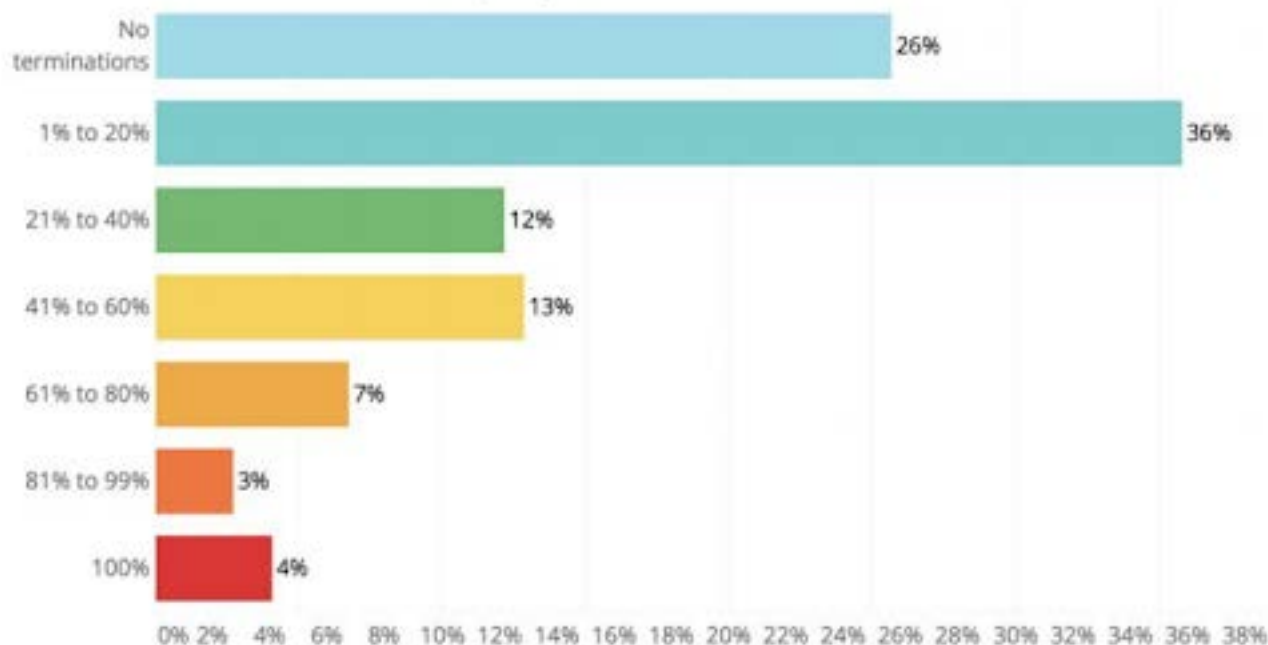




Capital

According to **Startup Genome**, because of COVID-19, startups that had a term sheet before the onset of the crisis, nearly 20% have had the term sheet pulled by the investor, and 53% have seen the process slow down significantly or have faced an unresponsive lead investor. Only 28% have either had the process continue normally or secured the funds.

Termination of Full-Time Employees

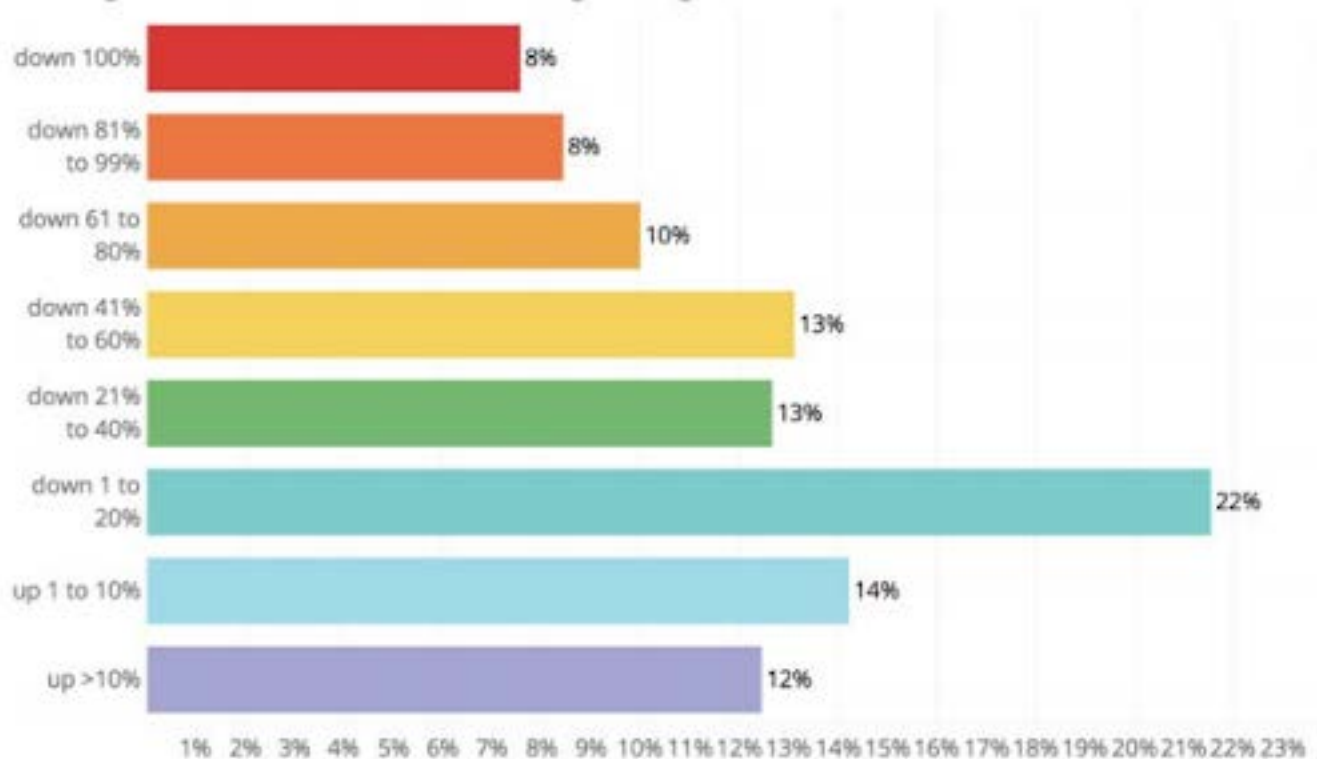


Source: Startup Genome

Talent and Jobs

Since the beginning of the pandemic, 74% of startups had to fire full-time workers. 39% of all startups had to lay off 20% or more of their workers, and 26% had to let 60% or more employees go. The top three continents that had to terminate full-time employees are North America with the highest proportion of businesses decreasing headcount (84%), followed by Europe (67%) and Asia (59%).

Change in Revenue Since the Beginning of the Crisis

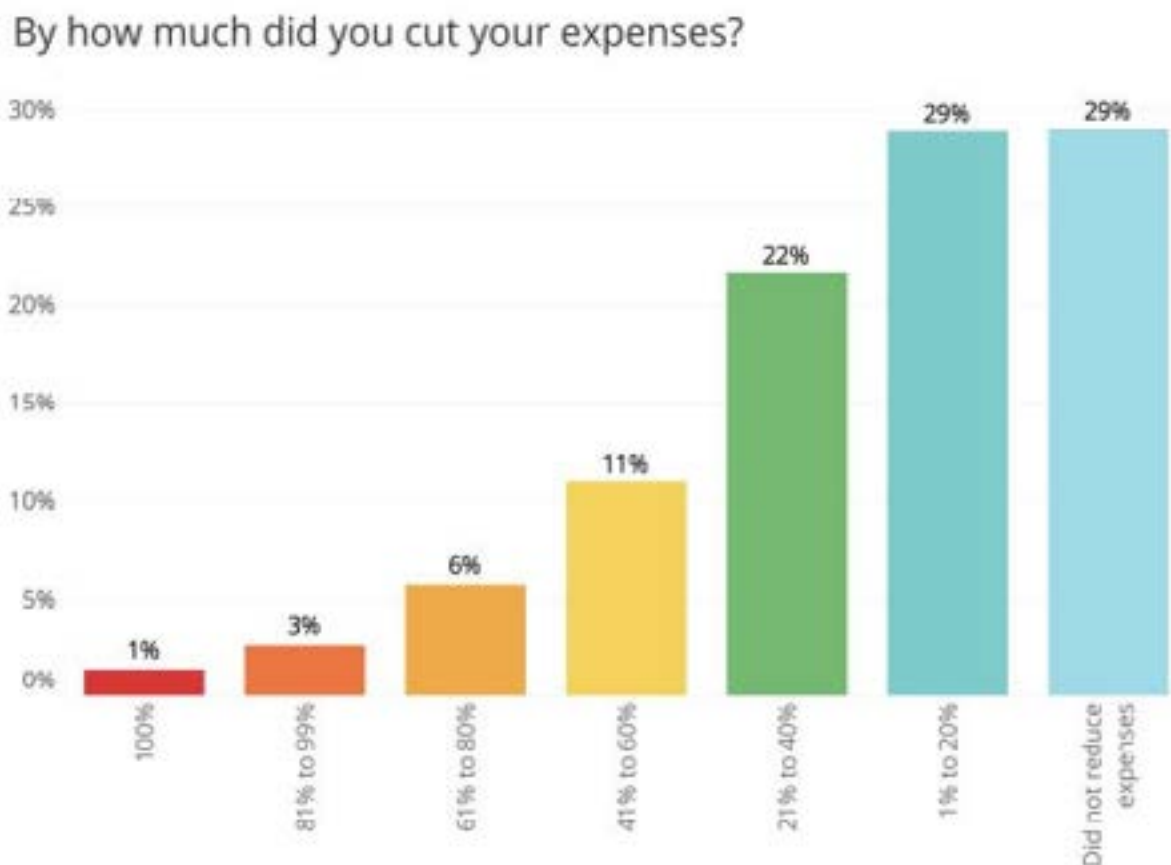


Source: Startup Genome

Market

Since the beginning of the pandemic, 74% of startups have seen their revenues decline. A relatively minor decrease is the most common kind of shift in sales. However, companies' sizeable share was very heavily hit: 16% of startups saw their sales drop by more than 80%. The effect of the COVID-19 pandemic on sectors served by these startups is a significant explanation for the declines in sales.

At the same time, growth is also experienced by a small minority of businesses. Since the beginning of the pandemic, 12% of startups have seen their profits rise by 10% or more, and one out of every 10 startups is currently experiencing growth in industries. Any crisis generates possibilities.



Source: Startup Genome

Operations and Management

Since December 2019, over two-thirds of startups have reduced their expenditures, with most making relatively minor cuts. However, some businesses cut costs very aggressively, with more than one out of every 10 enterprises reducing costs by over 60%. And 76% of these startups have started cutting costs since the beginning of March, suggesting that most cost-cutting is directly linked to the COVID-19 pandemic. Nevertheless, even in lockdown scenarios, tech startups are uniquely situated to continue operating. In contrast to many traditional companies, 96% of startups reported that they continued to work during the crisis, even if there were significant disruptions.

How Did COVID-19 Change the Startup Culture?

Before COVID-19, the startup culture used to be heavily reliant on person-to-person interaction. Creativity was dependent on informal conversations and lunchtime discussions. However, the moment that COVID-19 became a global pandemic, there was a change in culture.

Some of these changes are:

Team Creativity and Collaborative Thinking

Not Sharing a Workspace

Team Spirit



Team Creativity and Collaborative Thinking

Working in one space naturally promotes collaboration and brainstorming around complex ideas, such as whiteboard discussions when a mix of disciplines is involved, or ideas come up spontaneously.

When working remotely, these types of ongoing conversations that are key to great team efforts can be missed, and connections are restricted to more formal, limited and pre-scheduled meetings.

Not Sharing a Workspace

Collaborative thinking and communication become a challenge. Brainstorming and whiteboard sessions are no longer spontaneous if people don't share a workspace. Communication has now become a concern, and communication teams must now be more careful. Knowledge can't be shared as quickly as it did when everybody was in the office.

Team Spirit

When there are personal experiences and time spent together, it is generally easier to build an inspired, committed and energised team that is focused and enthusiastic about one common goal. Furthermore, the lack of social interaction, the ability to nurture real friendships and personal relationships would affect employee engagement levels and decrease their overall commitment to the organisation.

What do startups need to come out of this current crisis strong?

Startups need to plan ahead to have adequate cash reserves. Many startups fail to implement a plan to maintain and secure the cash reserves required to run their business smoothly in times of unexpected crises.

However, the good thing is that we learned the lesson.

The most common question for those now working on such a plan is how much cash reserves should be set aside. Some suggest that it is enough to have cash reserves of three to five months to cover expenses, while others recommend longer periods.



However, it would help if you also kept in mind that building up large reserves may affect your business's growth and expansion. Your ability to make short-term investments in the event of an emergency also plays an important role.

Founders should also understand alternatives to traditional banking options, such as crowdfunding and crowdlending, and ultimately opt for the best interest solution to the current situation.


Managing the Change

With so many employees working from home, the development of team culture has become crucial. There are ways of enhancing teamwork and making the team know like they are part of the team. Building a team culture is to ask the employees for feedback on a mission statement and work processes. You can create virtual team-building activities or even virtual getaways. It can help build a sense of belonging and raise the morale of the team.

Taking good care of your team is more important than ever. Be open and honest with communication. Be versatile and patient. Also, to adapt to all the changes that are taking place, your team will need time. Some may also struggle to get to know the latest technology that is being introduced. Lay the groundwork and be receptive to your employees' needs.



Understand your business, and the world will never be the same again.



In the post-pandemic world, the pandemic has created new opportunities for entrepreneurs to build goods and services needed to survive. The startup culture may have changed, but many companies have also been forced to become much more innovative to survive the volatile business world.

Companies can combine the benefits of remote work and office work to create an entirely new creative way. It can be more cost-effective and boost the morale of employees. Project management tools help to manage the teams and to assign tasks effortlessly. People have discovered new ways of communicating with their teams, and productivity has increased immensely. Understand your business and try to adapt. Those companies that adapt are the ones that will survive.

As coronavirus spreads throughout the world, businesses worldwide see significant challenges because of the virus.



While several startups face uncertainty, a new world of work was created by the COVID-19 pandemic. Many startups are seeing new opportunities arise in this crisis. Those who don't are innovating to reengineer their business models or collaborate with other businesses to help meet the current demand.



Here are big challenges faced by most startups and how to overcome them.

Challenge 1:



Money Management

One of the greatest obstacles remains by accessing additional funds. Although some angel investors are still making investments, fewer transactions are being done and for less capital than before the outbreak. The COVID-19 crisis has also made it more difficult for early-stage projects to rise above the noise and gain capital, product knowledge or mindshare.



How to overcome this

According to ***Taragin***, “Startups will need to consider reallocating resources to priority projects and determining the lender’s credit condition and accessing available credit before it is required, he adds. These may be difficult adjustments, but proactive and strategic measures must be taken to maintain the company’s health when resources are limited.”

Startups with venture funds or grant money should focus on conserving cash and applying those funds most productively to support the company for the longest possible period.

Challenge 2:



Finding funding

Raising funds can be a major challenge for startups, especially those who do not currently generate revenue. Initially, many startups rely on financing from friends and family. They usually apply for funding from other sources as they expand, which requires them to create a business case and meet defined requirements regarding their financial results and how they are likely to utilize any additional funding.

The ability of startups to raise funds will rely on the sector they work in. Government funding is currently available in the UK healthcare sector for startups that are developing COVID-19 solutions. Government support for startups is also available in other industries, but specific and various application rules exist. Also, startups that produce sales could have suffered a decrease in revenue due to consumer spending.

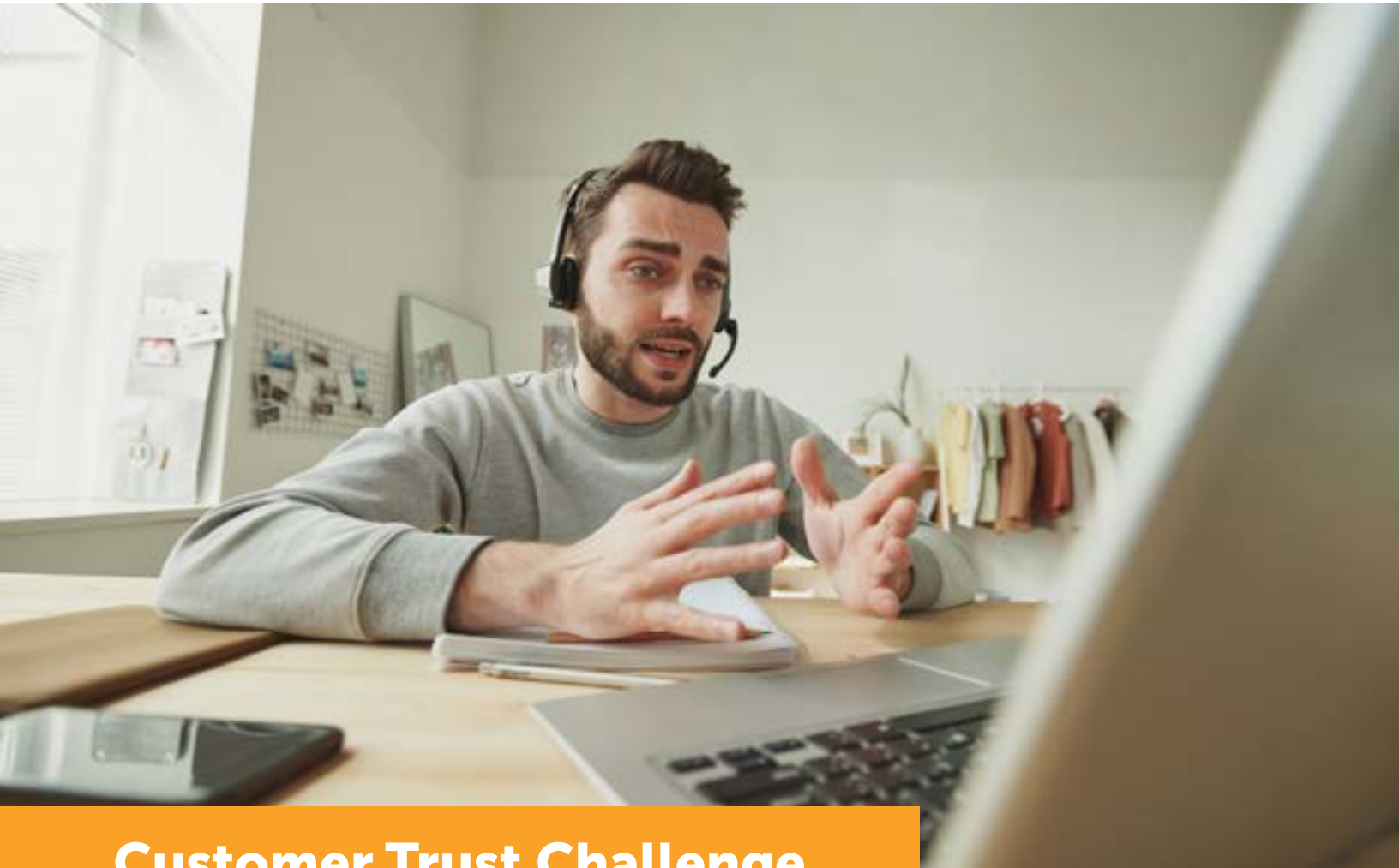
How to overcome this

Financial literacy is essential for startups in this challenging time, helping them to monitor their spending and efficiently manage their capital. They can be supported in this regard by the expertise of professional management accountants.

To improve their visibility by using government grants and loan schemes to obtain financial breathing space, entrepreneurs can also take advantage of their networks and social media platforms such as **Facebook**, **Twitter** or **LinkedIn**.



Challenge 3:



Customer Trust Challenge

Customers or clients want to hear from you and your businesses. However, that is when the message is comforting and reassuring to them and provides specific information about what your business or organisation is doing to respond to the pandemic. Customers consider the businesses they commit to being trustworthy partners and look to them for information about the crisis and how it affects their companies, employees, and the goods and services they provide.

How to overcome this

Businesses should avoid messages that cause anxiety about the crisis without offering their consumers solutions and hope. Businesses should also keep their customers wholly informed about continuing to gain access to their goods and services during the pandemic.

During a crisis, consumers expect quite a bit from their business partners, seeing them as vital partners to governments, non-profit aid organizations, and NGOs because of the powerful forum a powerful business offers for knowledge sharing and the deep relationships that leading businesses have with their customers that can be leveraged to mobilize action.

In any case, but particularly in a crisis, consumers' core expectation is that businesses will do what is right for their staff, suppliers, customers, and society as a whole, regardless

of how much it costs. **90% of customers** report that businesses should be willing to suffer major financial losses to ensure others' well-being and financial stability.

Those companies that do not run the risk of alienating a large range of consumers; **71% of those surveyed** promised that brands and businesses that put their profits before customers would forever lose their trust.



Challenge 4:



Going Digital

The COVID-19 crisis accelerates the shift to digital and fundamentally shakes up the business landscape. Despite notable achievements in adapting to COVID-19, many leaders have been disappointed by how slowly required improvements have moved, from serving an influx of consumers switching to digital platforms to scaling back-end operations.

One of the main reasons for these challenges is that, while companies had many digital pilots and initiatives in place, they didn't add a coherent and integrated digital engine to drive the business forward.

How to overcome this

CEOs need to take a step back and reassess their road maps (the coordinated and comprehensive plans for what needs to be done, by whom and when from the leadership level down to the front line) to accelerate their digital transformation, as well as the assumptions about value and feasibility underlying them.



Challenge 5:



Managing the work environment

The COVID-19 pandemic has brought a significant change in how work occurs. In April of this year, the **Office for National Statistics of the United Kingdom** found that 49.2% of adults in jobs worked from home, almost half of the UK's working population, owing to government guidelines.

Trading corridor catch-ups and face-to-face meetings for Zoom calls and Slack messages, management teams had to change their business culture, concentrating on keeping a connected, content and empowered workforce at a distance.

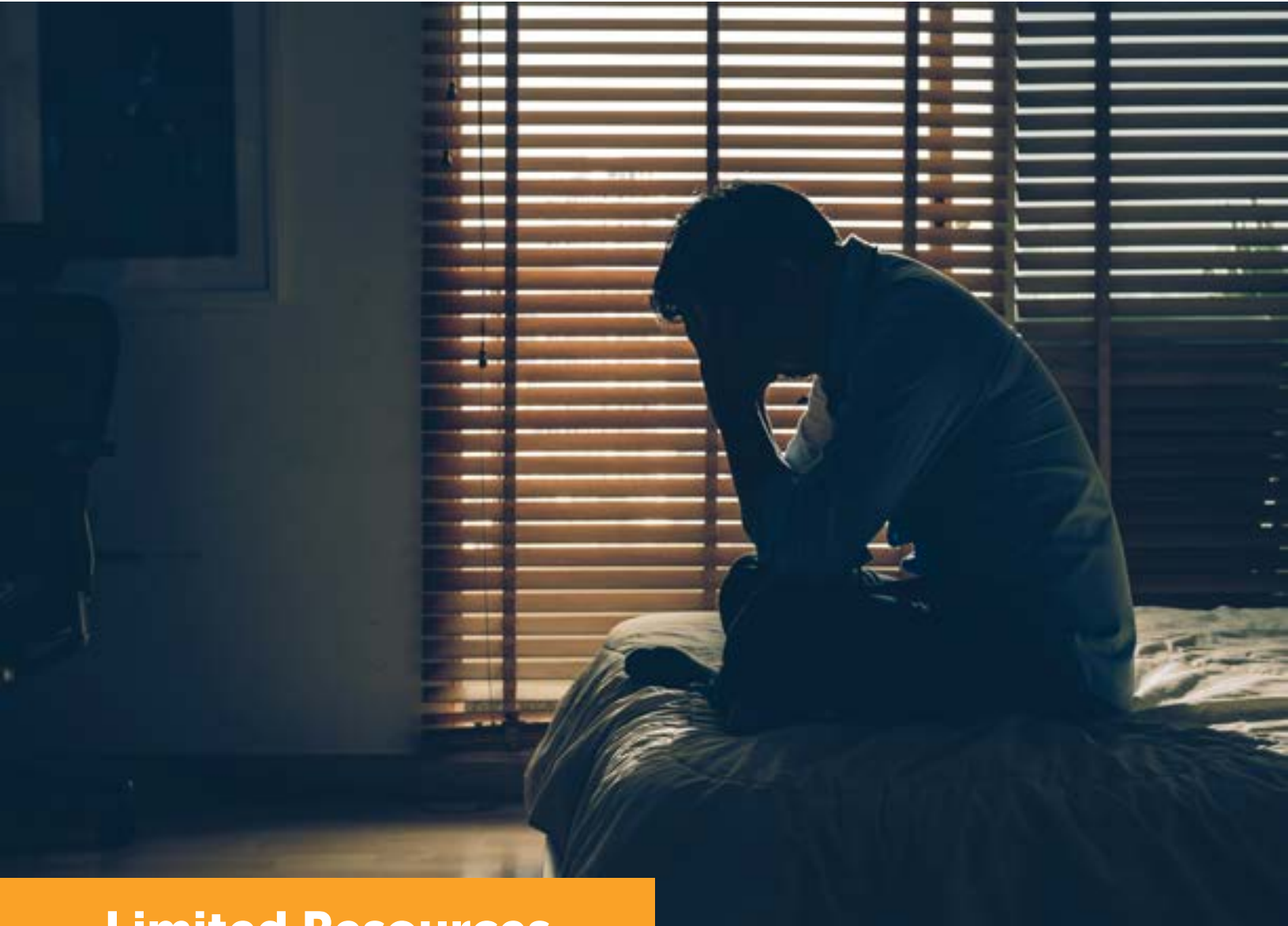


How to overcome this

Teams have been encouraged to embrace collaboration and workflow management technologies that enable people to work from anywhere, such as Slack, Zoom, and Google Hangouts. Incorporating these tools into long-term business would foster a more flexible working dynamic.

The necessity of the eight-hour workday is beginning to be challenged by many businesses and we are likely to see a move away from the toxic 24/7 work culture. There would be more emphasis on efficient workdays instead of long workdays, where the quality of work is more valued than quantity. This will allow people the opportunity to work and relax at the times that suit them best.

Challenge 6:



Limited Resources

The COVID-19 pandemic has captured worldwide headlines, and corporations are struggling to protect their workers and the public alike as best they can. With this burden and challenge and worrying about the future of their company and the livelihood of their workers, business owners may feel overwhelmed. Also, resources are now limited, which is an additional problem.

How to overcome this

These resources provide information about how small businesses are directly impacted by the coronavirus and provide guidance on preparing and minimizing these impacts.



- **Coronavirus advice for small businesses and the self-employed** (National Federation of Self Employed & Small Businesses or fsb): This organisation has compiled incredibly helpful FAQs, posts, and free webinars discussing the most pressing problems facing small companies and sole traders, covering everything from taxation and cashflow to mental health.
- **COVID-19 support for businesses** (British Government): This page compiles several tailored, short-term interventions to assist companies and individuals during the pandemic, including specific business information in Scotland, Wales and Northern Ireland.
- **COVID-19 Employer and Employee Support** (British Chamber of Commerce): An extensive listing of third-party resources to assist employers and employees in evolving situations on policy reform issues to employee well-being and fraud.

Challenge 7:



Hiring And Managing Team

There are advantages and disadvantages of operating remotely. A distributed workforce allows for more excellent work-life balance, but it also imposes new challenges to hiring remotely.



How to overcome this

It is important to imitate the aspects of traditional interviews to resolve the challenges of remote hiring. Try to engage with your prospective applicant in a way that helps you to read their body language and for them to read yours. Reflect your brand too, even though you don't bring them to your office. Lastly, be versatile. Recognition that not all elements of conventional hiring can be done seamlessly to virtual hiring (e.g. panel-style interviews).

Challenge 8:



Attracting Buyers

The COVID-19 pandemic has changed the lives of consumers and businesses alike. With this change and a “new normal” comes a new way to market to customers. This is not the time for old marketing strategies. It’s time to take risks and be creative with your marketing tactics.

How to overcome this

When it comes to marketing your business during COVID-19, the more innovative you are, the better. It helps to stand out from your competitors to have a unique way to sell your goods or services. Not to mention, spicing up your ads will help attract new clients during the coronavirus and keep the business booming.



Challenge 9:



Maintaining work-life balance

The Mental Health Foundation's 2018 ***Stress: Are we coping?*** states that 74% individuals in the UK have felt overwhelmed and unable to cope with stress at some point. How individuals react to stress is unpredictable and unique. It can adversely affect the physical and psychological health of a person and their effectiveness and performance. Stress can lead to poor health, burnout, and, in some cases, psychological and physiological problems.

Change in itself may cause stress. The level of confusion that people face due to COVID-19 has significantly increased. This is confirmed by the ***Good Job Index snapshot survey by the CIPD***, conducted following the COVID-19 outbreak. 43% of employees have mental health conditions and 29% of those with anxiety said that the pandemic has contributed or worsened their condition.

How to overcome this

1. Recognise your priorities

To avoid stress, you need to recognise your reaction to stressors, such as noise at home, internet connectivity problems, and lack of exercise. Then, during these extraordinary times, define what is important to you and give priority to that. This may vary according to your circumstances and approach to life. Gain control by being clear with yourself and your top priorities.

2. Figure out how to work around others

Working from home is tricky as you have to juggle other responsibilities that shouldn't interfere with your ability to work.

If you have kids, they have their needs, and the understanding will have to come from you. If you need to write a paper, pick a time that fits and works with them. Also, try to give your children a job to work on in a separate room or space in the house if you have to attend meetings.

3. Streamline your work responsibilities

Many have expressed their dissatisfaction that as a result of COVID-19, their workloads have risen dramatically. Suddenly, meetings are set up with individuals you have never met before and are bombarded with modifications associated with COVID-19. It would help if you prioritise which meetings are necessary to attend and which are duplicates.

4. Build workouts into your routine

Exercise improves our immune systems, which can alleviate stress and our mental health. Also, exercise can be a great opportunity to get a break from the home environment. If you cannot easily access outdoor space to enjoy exercise, there are several TV programmes or games that allow exercise in a fun way.

5. Make time for relaxation

It is important to have time for self-care during this period. You may combine relaxing with exercise at the end of the workday, such as going for a bike ride or a stroll. You can also read books, listen to music or watch a movie. A change of scenery is also good for a better night's sleep.

6. Let go of the guilt

Guilt is one of the worst feelings and harms our well-being and mental health. Be realistic about what you want to accomplish. We don't know what tomorrow holds, so don't waste your energy thinking about what is beyond your control.



Summary

Because of COVID-19, the survival of thousands of startups both in the UK and worldwide is at stake. The pandemic is not only a challenge for existing startups but also the creation of new ones. The scale of this crisis is unprecedented, but there is always a silver lining.

Eventually, with a stronger sense of personal empowerment and enhanced relation to our society, we will emerge on the other side of this pandemic, both of which will be benefits for our companies in the future.



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