

# Project Report On An invisible War of Covid-19: Testimony of Startups for Pandemic & Post Pandemic Preparation



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## Letter of Submission

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To

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Subject: Submission of Project Report 03 on an invisible war of Covid-19: the testimony of startups for pandemic & post-pandemic preparation.

Dear Sir,

With due respect, we would submit my project report 03 on an invisible war of Covid-19: the testimony of startups for pandemic & post-pandemic preparation. I have collected as much information as possible from the internet, searching and interviewing with few startups. I believe that this research report will enrich both my knowledge and experience and grab future opportunities. If you have further queries regarding this report, please let us know. Thank you.

Regards



Naima Jahan

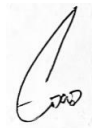
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## Declaration of Student

We are Farhan Ezaz and Naima Jahan ID: 172-45-159, 172-45-155, 8th batch, Department of Innovation & Entrepreneurship, hereby declare that the presented project report 03 on an invisible war of Covid-19: I prepare the testimony of startups for pandemic & post-pandemic preparation after completing my one month research regarding this field.

Our original work is submitted to Daffodil International University, and no part of this report has been submitted for any other courses, degrees, or fellowships. The result has not been published in any journal or magazine.

Regards



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## Letter of Acceptance

This is to clarify Farhan Ezaz and Naima Jahan ID: 172-45-159, 172-45-155; program: BED, 8th batch, is the regular student of the Department of Innovation & Entrepreneurship, Faculty of Business & Entrepreneurship, Daffodil International University. She has completed her on an invisible war of Covid-19: the testimony of startups for pandemic & post-pandemic preparation and she has prepared her project report three under my supervision. The data and findings presented in this report seem to be authentic. Thus, the report has been accepted for her project 03 course.

I wish both of all success in life.



Mrityika Shil

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## **Acknowledgment**

First, all praise to go to the Almighty Allah, the most gracious, the most merciful, the most kind & generous to humanity and His action. This project report is on an invisible war of Covid-19: the testimony of startups for pandemic & post-pandemic preparation.

I would like to convey my sincere gratitude to my University supervisor, lecturer Mrityika Shil, Department of Innovation & Entrepreneurship, Faculty of Business & Entrepreneurship, Daffodil International University. Without her guidance & assistance, the report would not have been seen as the light of the day.

Finally, our deep gratitude goes in favor of my university for getting a library, lab facilities & my teachers to enrich my knowledge, which helps me in different stages to complete this report.

## **Executive Summary**

The covid-19 virus has changed the whole world. The personal life of people, as well as the world economy, changed dramatically because of covid-19. Businesses, no matter small or big, are adjusting with new regular techniques which covid-19 brought. According to, World business forum, at least 45% of small businesses will shut down due to coronavirus impact. Bangladesh's startup community faces the worst because of the nature of our business and the business environment. In this project, we interviewed many startups, especially tech businesses. We focused on the impact they are facing due to covid-19 and the strategies they are using for surviving this invisible war.

After carefully analyzing the situation, we recommended policies/strategies needed for the startup, which will help the entrepreneurs who are fighting hard. It's not like that every business is having a hard time; many innovative companies are flourishing during this time also.

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# **Chapter One**

## **Introduction**

# **Introduction**

## **1.1 Overview**

Covid-19 has become a global crisis that affected business badly, as well as the global economy. Small startups with limited capital are suffering the most from this pandemic situation. Startups have a high chance of failure, and the covid-19 case increases the opportunity for startups. This global pandemic is ultimately a new situation for the business community. Operating a startup is always a challenge; an entrepreneur still fights hard to overcome those challenges. The most fearful challenge of this situation is that it's a problem that needs a new strategy and many resources to overcome, which a startup doesn't have much of. Every person in this world is suffering Covid-19 impact directly or indirectly. Govt. of every country, private and public organizations, and the entrepreneurs themselves are trying hard to survive this situation until this war ends.

## **1.2 Background**

In this primary research-based project paper, we Interviewed 12 tech-based startups to understand the impact covid-19 has on the startups and the surviving strategies of founders. We refer to covid-19 as an invisible war in this paper, as every business is fighting with an unknown enemy. According to the founders, the main challenges they are facing financial, operating, and customer accumulation. Therefore, this project is aimed to find the challenges and strategies of startups in this new familiar world.

### **1.3 Objective of the Study**

- Startups could learn from each other's challenges and mistakes more than how they survive, as their survival depends on quite a lot of different elements.
- Find similarities and differences of the strategies implemented by the startups, and analyze which are effective strategies.
- Help entrepreneurs to survive this pandemic situation by providing appropriate policies and techniques.
- Analyze the real impact of covid-19 on startups and help policymakers take measurable steps according to the situation.

### **1.4 Methodology**

In this project paper, we used primary and secondary methods for data collection.

#### **Primary Data**

- I. Qualitative phone interview
- II. Quantitative phone interview

#### **Secondary data**

- I. Internet
- II. Research Journal
- III. Newspaper

### **1.5 limitation of the Study**

- Limited access to data
- Insufficient sample size due to covid-19 lockdown
- Limited opportunity to phone interview
- Insufficient time

# **Chapter Two**

## **Covid-19 Impact in Bangladesh**

# Covid-19 Impact in Bangladesh

## 2.1 Brief Overview

As of 2020 data, the total GDP of Bangladesh is \$275 billion, and SMEs contribute 31% of our entire GDP. Directly and indirectly, this sector creates almost 15+million jobs. The economy of Bangladesh almost depends on Macro and micro-enterprises; not only that, this enterprise creates jobs and the backbone of the economy. Bangladesh is walking towards a Developed economy, and SMEs are helping by creating employment opportunities, optimizing scarce resources of the economy, building an entrepreneurial economy. According to the Bangladesh Bureau of Statistics (2017), This particular sector holds 90% of total business, 65% of the export-oriented product comes from the SME sector of Bangladesh, and 75% employment. Startups are the driving force of a developing country, better performances of the startup economy boost foreign investments, country reputation, and it's stable, sustainable economic growth. The emergence of SMEs acts as a catalyst for economic development through job creation in society as a solution to the unemployment problem, the startup of new enterprises by encouraging new entrepreneurs, optimizing available financial resources through higher productivity, and promoting marketing technology with technological advancement. SMEs are the engine for economic progress with limited resources by ensuring the maximization of productivity. Over the past decades, SMEs are driving by the force of economic growth, but this Invisible war is holding back this driving force.

### Bangladesh Startups Ecosystem at a glance

- ❖ 80 Million+ of SMEs currently operating in Bangladesh
- ❖ As of today, Bangladeshi Startups have attracted over US\$ 200 million in international venture capital
- ❖ The most popular startups sectors are Logistic, E-commerce, Fintech, Ridesharing

- ❖ 56% reported a decline in business activities by more than half, while another 24% reported a complete business closure.
- ❖ 52% of the seed-stage startups saw a decrease in business.

## **2.2 Covid-19 Impact on Startups in Bangladesh**

Since March 2020, Bangladesh is facing the devastating effects of covid-19. Due to the government's lockdown and physical distance policy, people are hardly coming out due to safety issues. This resulting lack of customers for the businesses leads to a shortfall of revenue for the company. Due to lower payment, many startups are fighting for their survival. As businesses shut down due to the lockdown, the entire startup ecosystem has been shaken to its core, threatening thousands of startups that create over a million jobs. Startups are facing a challenging time with their limited resources. Bangladeshi entrepreneurs are new to the startup world; many don't have the experience and technology to support their startup and find a way to cope-up with this situation. Social distancing made it hard for startups to manage its human resources as well as its customers.

## **2.3 Current Impact Status**

According to LightCastle partners;

- ❖ 4% of businesses have stopped complete operation, with 56% of startups saw at least a 50% drop in revenue generation
- ❖ 60% of Startups have a runway of fewer than three months, threatening 1.5 million employment
- ❖ A total of 300 startups now fears U\$56 million annual loss in 2020
- ❖ 80% Drop In traditional e-commerce business revenue
- ❖ Grocery Logistics and Fintech are important sectors that have seen a positive impact on business.

# **Chapter Three**

## **Covid-19 Challenges & Overcome**

# Covid-19 Challenges & Overcome

## 3.1 Challenges

### Financial challenges

Financial matters are a critical part of every startup in the world. Starting From an idea, all stages of a startup need in-depth financial help and control. For a startup handling financial stress is strategically essential because most of the startups are financially fragile. This covid-19 situation has made this financial struggle more hard than ever for startups.

As one of the interviewees argued:

*“We were just concentrating on meeting our KPIs, while this happened, and instead of being more focused on our plans, we had to hold different meeting sessions with our partner venture capital fund. We were witnessing a dramatic decrease in sales, and simultaneously, we had to negotiate, negotiate, and negotiate...”*

The decrease in daily orders, short revenue, cash flow management, and the increasing battle to cope with this situation have made this so hard for the startups. On the other hand, there is an interest rate off the bank that needs to be fulfilled.

### The human resources management challenge

Human resource management is always a tricky part for startups, with their limited resources and management skills. Human resource management is quite expensive for startups, and in everyday situations, it requires special attention from the entrepreneurs to manage this department. The corona situation made this worst for the founders as they have to think about alternatives because of the physical distance rule. Most startups shifted their office online, and managing an online office is a new option for startups. However, they are trying to find a better strategy for both the employees and the company to deal with this situation. Due to the decrease in revenue generation and decrease in sales, many startups forced their employees to sit idle for a large portion of the day



and cut their salary in half, which created a conflict situation between the company and its employees.

### **Market and marketing challenges**

Startups always find it hard to grab the attention of existing customers. Either its products or services, it's hard to capture the target market for the startups. Sometimes, it's become a war between the established company and the startups to grab the market. The covid-19 situation shrunk the demand for products and services; this decreased the existing customer base's total market share for the startups. Previously, the reliable market they have studied has changed because of the country's lockdown and physical distance rules. Sometimes, Bangladeshi startups are hard to predict, making it impossible to predict the market and demand. The previous market research may work in this new everyday world. An interviewee told us that “ Maybe it's time to change their marketing strategy and previous targeted customers due to this situation.”

Thus they have to re-study the total market, new segmentation, and position their service in a new market. Pivoting the marketing strategy has stopped them from further expansion and forced them to focus on survival, neglecting the growth plan.

### **Crisis management challenges**

We refer to this covid-19 situation as an invisible war for the business. The case created a crisis environment for startups. Most startups fail due to the lack of management skills, yet they are forced to survive in this new situation, leading them to handle this crisis. Startups are typically founded by young entrepreneurs who have everything they need except the experiences, which can be fatal in this situation. This made this crisis management riskier for startups. One of the startup's co-founders working in the tourism sector told us,

*“We did not and still do not have sufficient skills to manage such a crisis... it seems that we are not alone... we keep tracking the news about the similar startups around the globe, and think about how we could manage it... we need to know more about such issues...”*

It's not like they have to manage only one or two departments; it's the whole organization that needs to be redesigned.

### **Customer relationship**

Customer relationships need direct human interaction, but the current pandemic situation made it nearly impossible to connect with the clients or customer acquisition. From the beginning of the pandemic, founders adopt strategies that require an online presence. Most of the startups quickly adapted that strategy, while others needed some time for adaptation. It's quite challenging for startups to change their design faster with limited resources. But no matter what, the customers should not have been missed.

### **New Business Model**

This invisible war forced many businesses to pivot their business model, which is very challenging for startups. Startups with a new business model face many challenges to adapt to the new strategy. Not only that, startups that changed their model even a little bit found this to be battling with all the systems they forcefully had to adapt. Founders told us that many of their current business model strategies are not working, and they need significant revision to continue the business activity. As mentioned by one of the co-founders, *"we need to revise all the building blocks of our business model to cope with the conditions imposed by the pandemic."*

### **Further challenges**

Among the other challenges, startups are facing difficulties in supply chain management, finding investors, Bank loan interest.

## 3.2 Innovations

**Digital presence:** Digital transformation is one of the best innovations during this crisis moment. 90% of startups transferred them into a digital startup. Home office, online project management are some of those.

**More technological use:** Due to limited human interaction, startups took timely initiatives like digital payment systems, time-saving office software, which made them more efficient.

**Digital marketing:** Unlike traditional marketing, digital marketing needs little budget and delivers more ROI. This pandemic forced people to stay at home, so people are spending more time online. This makes digital marketing more useful for startups.

**Online project management:** Before the covid-19 situation, founders spend their time with unnecessary meetings and project handling. But this pandemic situation positively forced them to do this kind of stuff online, which undoubtedly was time-saving

# **Chapter Four**

## **Interviews**

# Interviews

## 4.1 Interviews

**Q1.** Did you change the existing business model?

Covid-19 forced startups to change their current business model or pivot the model. It is hard for entrepreneurs to make the new business model work and generate revenue like before. Our research shows that at least 75% of startups change their business model slightly according to the situation. Interviewee expresses their fear that it is quite battling to vary the business model even slightly.

**Q2.** What initiatives have you taken for sustaining your business due to covid-19?

Almost all the startups brought some new strategies to their organization. It's the small changes that are helping the startups to fight this war with their limited resources. Whether it's an early or experienced startup, every company adopted some new practice by analyzing their current resources. According to the entrepreneurs, The central fact is how they can accumulate their resources with their strategies. Some innovations are,

- Digital presence
- Online order collection
- Online Office
- New services related to the pandemic

**Q3.** During this time, how do you manage business operations? Physical/online? How is the business going on?

Around 85% of Startups are doing their office online. Due to the physical distance rule, it was forbidden for the company to run their offices physically; they shifted the whole office online. Human resource management, project management, and client management are the main job that requires a physical connection, but startups are successfully doing that online.

**Q4.** How do you managing the supply chain during covid-19

The supply chain is crucial for businesses. According to the startup founders, tech-based startups are not having severe problems due to the services' at their, but startups with human connection face serious issues.

Many startups are trying to connect with the customers and suppliers with proper precaution and, if possible online.

**Q5.** What strategies have you taken for managing the workforce of your organization? Was there any reduction in employee size? Was there any policy to cutoff remuneration packages for sustaining forces?

Strategies like introducing new project software for managing human resources.

45% of startups responded that they had reduced their employee pool.

55% of startups cut their employee's remuneration maximum half percentage.

**Q6.** Is there any specific strategies to sustain the workforce and maintain balance in your company

All the startups we interviewed took some strategies to sustain in this pandemic. Some introduced online office, customer management via various technologies. The most effective approach all the startup took is transforming them from a traditional business to a digital entity.

**Q7.** Is there any financial stress due to covid-19? How are you managing financial stress? Is there any change in financing issues?

Covid-19 situation decreases the revenue drastically for most of the business. Our responder said that in the first few months of the pandemic, their income dropped by almost 90%, but they saw a slow growth after that. But the sad part is that startups with services that require human interaction are still facing revenue shortages.

70% of startups that offers digital services saw positive growth in their revenue

80% of startups that provide services that require human interaction facing a hurdle.

**Q8.** How are you ensuring value addition and innovation to your business?

Most businesses are introducing their online presence, making it easy for customers to get their services quickly before ever. According to the founders, they are thinking of shifting some of their activity online after the pandemic because it saves time and money. Also, client management online made it possible to close the deal within a short period.

**Q9.** Are there any collaborative activities that you have done due to covid-19? Or any partnership with other companies for sustainability?

This is a critical situation for startups with limited experiences. Many startups joined different GOV. And other entrepreneurial support organizations for mentoring.

**Q10.** Which platform are you using for managing your company?

Popular platforms are;

- Zoom
- Google meet
- Google services
- Whatsapp
- Trello

**Q11.** Is there any plan to create diverse businesses due to covid-19? Or anything to develop new because to leave the existing one?

No one wants to change their business model, but nearly 60% of startups pivoted its business model.

**Q12.** How do you use your resources? Is there any leveraging policy to minimize the cost?

Minimizing cost is crucial for startups in this situation. According to our survey, most startups control their cost by cutting the employee's salary, shifting to the home office, controlling other expenses.

**Q13.** What types of work culture are you practicing right now?

Most of the offices are home offices.

**Q14.** How are you handling customers right now? And how are you developing a new customer base during this pandemic time?

Entrepreneurs are using the power of digital marketing to acquire a new customer base, and technology made it easy to stay connected with the customers.

**Q15.** Are you approaching a new business model if the covid-19 situation goes on?

Founders don't want to change their existing business model.

**Q16.** What is your long term measurement?

Most startup owners think that after the pandemic is over, it will be a new situation for them to handle. The old strategies of running a business will need to be changed. More people will use technology, so companies need to adapt like that. Entrepreneurs are likely to think of new strategies to fulfill company goals.

**Q17.** What do you think about the rapid recovery of your business?

A startup needs more customers to bring more revenue. Most startups will try to focus on marketing and developing a new customer base; others will adjust their business model according to the circumstance.

**Q18.** How would you manage your growth?

For managing growth, founders will adapt rapid expansion policy and expand the customer base.



# **Chapter Five**

## **Findings**

# Findings

## 5.1 Findings

1. At a time marked by large financial vulnerability associated with their incomes influenced by regulation measures and an eminent drop well-liked, new businesses become significantly additional monetarily delicate and wish to uphold for his or her momentaneous liquidity desires, basic for his or her endurance.
2. These square measure opportunities for start-ups that introduce radical innovations that may be helpful within the short run. these days that might mean innovations in telemedicine, remote aid, medical instrumentation, home delivery, food process, employment, on-line education, contact tracing. Support for start-ups to retort to such short desires
3. The COVID-19 irruption might induce determined changes in societies, client habits, or desires that might uncover valuable business opportunities for start-ups that may anticipate these changes. For example, demand for remote operating, e-commerce, education, and health services may additionally be amended within the medium run, world worth chains and cities are also changed.
4. E-commerce businesses with essential things do nice in terms of different firms. technical school businesses that provide digital services square measure during a favourable position, however it needs personal cooperation to face the worst.
5. In the midst of the multitude of negative effects on the economy, certain positive viewpoints are waking up – buyers are progressively embracing advanced administrations like online instruction, virtual medical care, credit only installments, e-staple goods. Telecommuting is turning into the new standard, and consequently, people are turning out to be educated through the use of different collaborating instruments.

# **Chapter Six**

## **Recommendations & Conclusion**

# Recommendations & Conclusion

## 6.1 Recommendations

- Legislative authorities and policymakers must consider significant arrangements to help the startup biological system individuals face perceived difficulties and continue them.
- Support short-term financial needs of existing start-ups (e.g., with loan guarantees, direct lending, grants, or subsidies, keeping in mind start-ups' specificities in designing these policies) with minimal administration and help secure jobs and incomes of their workers.
- Promote investments in skills and online training, especially during the crisis, to prevent skills waste and encourage upskilling of start-up workers.
- Promote entrepreneurship training, also in combination with benefits for displaced workers and lifelong learning, to facilitate (un)employment-to-entrepreneurship transitions, with particular attention to disadvantaged groups.
- Research, product development, cutting costs, and long term plans are critical actions to focus on startups, enabling entrepreneurs to secure the capital once things get stable.
- In terms of innovation, rather than thinking something from scratch, startups should formulate ideas that can enable existing businesses with tech solutions.
- Startups should look to have strategic partnerships with each other to tackle the ongoing crisis.

- Now is the time for startups to do the research, utilize the time pivot to business models, which will be valuable for humanity, and come out of the pandemic as winners.
- Startups should use resources in hand to create new products or services for present demand.
- Minimize other costs and focus on expanding revenue.
- Make a flexible payment system for their goods or service to attract more customers.
- Seek mentorship from an experienced industry-related person.

## 6.2 Conclusion

It debates less that covid-19 has a devastating effect on startups and all the businesses. As we know, challenges are one of the driving forces for startups. This covid-19 situation is another challenge for the startup founder but a new complicated one. Indeed, startups will overcome this situation with new and effective strategies and make them more robust against uncertain conditions. The coronavirus pandemic has affected almost every single building block of their evolving business models. Then, startups should be more focused on different aspects of their business and their connection to the business environment. According to our research findings, Bangladeshi startups are battling six types of challenges: human resource management, Financial management, Marketing challenge, Revising business model, customer management, and other challenges.

The startup ecosystem is critical in this situation, and they must act as a whole. Government and other organizations have to support them financially, bundle them, and train them about crisis management.

The three main aim of the government should be;

- i) keeping start-ups alive in the short-run;
- ii) limiting the detrimental effects of a missing generation of new firms;
- iii) boosting the growth potential of young firms.

On the other hand, startups who face difficulties should keep in mind that they need to minimize the cost and survive this situation no matter what.

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