

# **The Cost of ‘Everything’: Minoritized Social Entrepreneurs’ Response and Adaptation During the Cost-of-Living Crisis**

## **Abstract**

### **Purpose**

The cost-of-living crisis negatively impacted many parts of the United Kingdom, exposing the heightened economic failures faced by impoverished people who social enterprises support. Yet, the resilience of social enterprises, especially those led by minoritized people hardest hit by the crisis, is underexplored. This paper explores Black and Asian-led social enterprise response and adaptation during the cost-of-living crisis. It draws from Duchek's (2020) organizational resilience conceptualization to offer valuable insights into crisis response strategies and their implications.

### **Design/methodology/approach**

A qualitative design is adopted for semi-structured interviews with social enterprise founders and directors. The interview data were analyzed using abductive analysis.

### **Findings**

Proactive, reactive, and defensive strategies are the primary response approaches. Most proactive organizations are Asian-led, while reactive organizations are predominantly Black-led. There is an equal organization for the defensive strategy; however, various capabilities were used for each response approach. The response approaches and capabilities are determined after introspection of the business models and performance. Thus, social enterprise resilience combines capabilities specific to each crisis response approach.

### **Practical implications**

Black- and Asian-led social enterprises showed no significant differences in their cost-of-living crisis responses. However, adopters of reactive and defensive strategies must establish a learning process, enhancing preparedness for future crises and fostering resilient systems.

### **Originality/value**

The research constructs a social enterprise response typology framework to expound on the behaviors of three organizational response categories: cost-driven innovators, market expansion defenders, and innovation pioneers.

**Keywords:** Organizational resilience, cost-of-living crisis, social enterprises, minoritized social entrepreneurs, United Kingdom

## **Introduction**

The main terminology used in this paper is minoritized ethnic social enterprises (MESEs); however, black and minority ethnic (BME) are also used in some sections to report existing studies. MESEs are organizations established by individuals from communities experiencing

racial inequity engaging in social entrepreneurship (Sepulveda and Rabbevåg, 2021; Prieto et al., 2012). Social entrepreneurship involves innovative business strategies and principles to address social, economic and environmental challenges while creating sustainable and positive societal impact (Santos, 2012), thus enacting hybrid entrepreneurial activities (Doherty et al., 2014; Miller et al., 2012). Social entrepreneurs are passionate about improving community wellbeing through project interventions with long-term goals (SastreCastillo et al., 2015). They are characterized by prosocial behavior (Saebi et al., 2018) to improve the conditions of excluded and marginalized groups. MESEs, therefore, are organizations that actively create social enterprises (SEs) that tackle community-related issues to promote social equity.

MESEs are catalysts for social change (Sepulveda and Rabbevåg, 2021; Barberá-Tomás et al., 2019), particularly in underrepresented groups, including racial or ethnic minorities (Razzak et al., 2023; van Merriënboer et al., 2023) and communities marginalized by systemic institutional failures. These communities often face the worst outcomes during economic crises, as noted in the 2007-2008 global financial crisis (GFC) (Cowling et al., 2012; Catney and Sabater, 2015), COVID-19 pandemic (Abuelgasim et al., 2020) and recent cost-of-living crisis (CoLC). Black and minority ethnicity (BME) people face a CoLC burden at least 50% higher than White (Tims and Caddick, 2022). Over 26% of UK citizens in deep poverty have a BME background (Edmiston et al., 2022; Institute of Race Relations, 2024). Consequently, BME people are 2.5 times more likely to be in relative poverty (Institute of Race Relations, 2024) and 2.2 more likely to be in deep poverty (Butler, 2022). While the CoLC affects BME more than White households, the effects are not distributed evenly amongst BME people. The top five highest relative poverty rates are Bangladeshi (51%), Pakistani (46%), Black (42%), Other (39%) and BME (37%) (Department for Work and Pensions, 2022).

The cascading crises have changed the needs of service users due to multiple implications arising from the crises. These needs impact the nature of SEs, particularly MESEs, which face resource limitations and heightened pressure to achieve social value due to the changing nature of state provisions to address the GFC (Asarkaya and Taysir, 2019). Some studies (i.e., Doherty et al., 2014; Lehner and Nicholls, 2014) found that SEs' primary challenge is beset with financial capital. Other tensions impacting SE operationalization are revealed in White et al. (2022), particularly in mobilizing different forms of capital – social, human, and financial – alongside challenges related to stakeholder management, governance, positioning and embeddedness. These findings align with broader debates on how ethnic minority microbusinesses navigate resource constraints by leveraging embedded social capital within co-ethnic networks to address structural constraints to mainstream financial capital (Haq et al., 2024). However, as Vershinina, Barrett and Meyer (2011) illustrate in their study of intraethnic variations of entrepreneurs, the effectiveness of capital mobilization varies within and across groups. This suggests that SEs do not experience capital-related tensions uniformly but based on their positioning and embeddedness. There are several studies on minoritized social entrepreneurs (i.e., Caldwell et al., 2019; Kalargyrou et al., 2018; Sepulveda et al., 2013) although not from an economic-crisis perspective. Thus, this study

explores two pivotal research questions: 1) how do MESEs respond to and adapt to the CoLC? 2) What are the organizational implications of their response strategy?

Firstly, the study addresses the calls by de Oliveira Teixeira and Werther (2013) and Duchek (2020), emphasizing the importance of exploring how organizations navigate changes and manage their positions during crises. The findings indicate that MESEs experienced internal shocks, leading to the business model and performance reassessment. Insights gleaned from this reassessment informed their crisis-response strategies. Among micro and small MESEs, proactive, reactive, or defensive strategies were employed to navigate the CoLC. Unlike prior research (Marcazzan et al., 2022), which focused on organizations capabilities as the primary response driver, a blend of factors including institutional funders' pressure, costs, capital assets, organizational review insights, and founders and directors' survival mode, are key motivators behind these indicative response strategies. The response strategy is a mindset and an approach solely based on the decisions of the founders and directors.

Secondly, previous studies examined the implications of each response (proactive, reactive, or defensive) strategy within a contemporary economic crisis. The MESEs analyzed in this study employ dynamic resources and capabilities, including market expertise, cultural and social knowledge of their communities, and capital assets. These dynamic response strategies informed the three organizational types categorized in the paper. However, the strategies significantly affect these organizations' financial, operational, and internal and external stakeholders.

The next section of the paper discusses the literature on economic crisis and SEs, followed by the organizational response and adaptation theory of resilience as the study's underpinning guide. Then, the research design, data collection, and analysis are conducted before the findings are presented, and a detailed discussion. Finally, the conclusion, limitations and future research avenues are provided.

## **Literature review**

### **Economic Crisis and SEs**

A crisis is often defined as a substantial organizational threat (Ury and Smoke, 1991) or high uncertainty (Rosenthal and Hart, 1989) and is characterized by limited threat-mitigation resources (Becker et al., 2016). Various crises exist; however, this study concentrates on the ongoing UK CoLC, and its implications on minoritized ethnic entrepreneurs, particularly those that are from the black and Asian communities.

Economic crises affect the broader economic system, people and organizations. Whilst the implications of the UK's CoLC are underexplored, the most significant financial crisis since the 1930s Great Depression had a far-reaching impact on institutions, societies and the broader financial market. Thakor (2015) revealed that the combination of misaligned incentives, fraud, securitization growth, fragmented regulatory framework, monetary policy, global economic developments, and system inference complacency, among others, caused the GFC. Interestingly, the CoLC is also caused by a combination of fiscal failures, including significant gas, petrol and diesel price increases (Partington and Kirk, 2022), while inflation,

previously at 10.5% (Bank of England, 2023), and tax rises lead to contracted household budgets.

These crises have wide-reaching consequences, such as reduced capital availability and overall demand reduction (Becker et al., 2016). Unlike the GFC, the CoLC occurred post-COVID restrictions, with businesses facing increased costs. Most studies on small and medium-sized enterprises (SMEs) focus on the GFC (Eggers, 2020), with little focus on economic crises, SEs, especially MESEs. Economic crisis studies often examine organizational capabilities (Nikiforou et al., 2023), SME resilience (Verreynne et al., 2023), budgeting issues (Becker et al., 2016), and firms' strategic response (Sands and Ferraro, 2010). A few studies examined COVID-19's impact on SEs' intentions, processes and social outcomes (Bacq and Lumpkin, 2020); digital social entrepreneurship during an exogenous event (Ibáñez et al., 2021; Ratten, 2023); and resilience strategies during a pandemic (Borzaga and Tallarini, 2021; Weaver, 2023).

Since the GFC, scholars have focused on organizations combining enterprise with social purpose (Doherty et al., 2014), which are SEs offering innovation and hope for individuals and communities (Weaver, 2017). These organizations combine profit-making with a profound commitment to addressing pressing societal issues (Martin and Osberg, 2007; Lumpkin and Bacq, 2019). By employing sustainable business models and focusing on social or environmental impact, SEs play a pivotal role in mitigating the adverse effects of economic downturns (Ratten, 2023). They often create employment opportunities for marginalized communities (Dees, 2012), foster local economic resilience, and deliver essential goods and services. Consequently, SEs contribute to economic recovery and inspire a renewed sense of community and compassion, showcasing the powerful business–social responsibility synergy during crises (Yitshaki, 2023).

In studying SE's economic sustainability, Alegre and Berbegal-Mirabent (2016) found that during economic crises, SEs reinvent themselves to survive through value proposition, relevant market research and stakeholders. Others use crowdfunding platforms (Farhoud et al., 2021). However, the environment is critical to the development of resilience strategies. Morrison et al. (2017) revealed peripheral Scottish communities provide an environment where SEs can emerge to increase socio-economic resilience through social capital. Kamaludin et al. (2021) argued that SEs prosper when they pivot toward social and technological innovations during economic crises.

In contrast, Bacq et al. (2020) revealed a comprehensive solution-building process during a crisis through a virtual idea-blitz lens, whereby social entrepreneurs and their stakeholders' collective actions led to collective action-led solutions. Despite the change created, Bacq et al. (2020) argued that better scenario planning, attention to processes, and rapid mitigation should be considered. Drawing on Weaver's (2023) suggestion, close attention must be paid to SE resilience strategies to address issues caused or exacerbated by exogenous shocks like the CoLC.

## **Organizational Response and Adaptation Theory of Resilience**

The organizational resilience concept (Burnard and Bhamra, 2019; Rudolph and Repenning, 2002) has gained currency in academic circles to measure an organization's ability to endure and rebound from crisis-instigated disruptions. The conceptualization traces back to ecological foundations, notably Hollings (1973, 2001) and Walker et al. (2002, 2004), casting organizational resilience as a critical attribute. However, a critical examination prompts scrutiny of the conceptualization's theoretical underpinnings. While the ecological origins provide a theoretical backdrop, applying resilience in organizational contexts, particularly in anticipating crises, is not without contention. The assertion that resilience involves the capacity to foresee crises (Somers, 2009; Boin and van Eeten, 2013) introduces ambiguity, as forecasting crises' intricacies remains complex and often elusive.

Furthermore, the tripartite characterization of resilience encompassing resistance, recovery, and adaptation (Cumming et al., 2005; Linnenluecke and Griffiths, 2012; Vogus and Sutcliffe, 2007) warrants further exploration. While these dimensions offer a comprehensive framework, their practical application and operationalization within organizational settings demand a more nuanced examination. The risk lies in oversimplifying the intricate interplay of factors contributing to organizational resilience, potentially overlooking contextual nuances and crisis dynamic nature (Williams et al., 2017). While the organizational resilience concept has become ingrained in scholarly discourse, a critical lens reveals the need for further refinement and careful consideration of its theoretical foundations and practical implications within the complex landscape of organizational crisis responses.

The contemporary discourse on resilience is generally normative and directive (Boin and van Eeten, 2013; Duchek, 2020), and it focuses on attributes, behaviors, and resources that lead to resilient organizations. However, these studies focus on conventional SMEs (Smallborne et al., 2012; Sabatino, 2016; Branicki et al., 2018). Thus, how other business models (e.g., SEs) design resilient systems during economic crises remains unclear. This contention underscores the necessity to meticulously examine how SEs, specifically MESEs, respond to and adapt their social interventions during a crisis, particularly elucidating distinct typologies of organizations predicated upon their responses (behavior) and actions. This critical exploration aims to contribute nuanced insights to the scholarly understanding of organizational resilience through SE's processual approaches and resilience capabilities.

Here, Duchek's (2020) capability-based conceptualization of resilience is adopted to address this study's intention. The author conceptualized resilience as a meta-capability consisting of a set of organizational capabilities and processes that allow the successful accomplishment of three stages: anticipation (proactive action), coping (concurrent action) and adaptation (reactive action). The first phase of the resilience process is anticipation, which involves foreseeing potential disruptions and proactively preparing rather than simply reacting postoccurrence. However, capabilities and resources are needed to detect potential crises internal or external to the business environment. Understanding resilience and the associated capabilities is essential in organizational development (Burnard and Bhamra, 2019). Duchek (2020) argued that three specific capabilities fall in the anticipation stage: observation, identification and preparation. This aligns with existing research (Ansoff, 1975; Hiltunen, 2008; Burnard and Bhamra, 2011) on observation and identification of weak signals required

for identifying potential crises. Other resilience capabilities relate to organizational features, including responsiveness, visibility, supply chain management (Christopher and Peck, 2004), redundancy and flexibility (Rice and Caniato, 2003) and collaboration (Chen et al., 2023).

The second phase is coping, which involves responding productively to unexpected crises (Horne and Orr, 1998). It concerns organizational flexibility to adjust and adapt their strategies, structures, and processes in response to disrupting circumstances. According to Duchek (2020), coping can be classified into two categories: accepting the crisis and developing and implementing solutions. This view implies organizations must react to cope with the crisis. Catalan and Robert (2011) suggested that the acceptance facet of organizational resilience involves three components: comprehending the system's operating environment, establishing a system reference state, and acknowledging and embracing system failures. However, what variations and abilities exist within coping mechanisms?

Immediate or short-term actions are adopted in response to unexpected events (Madni and Jackson, 2009). Others (Aharonson and Bort, 2015) discussed proactive, defensive (Purnomo et al., 2021), and conformity strategies as approaches to organizational responses to external pressures, including economic crises. Marcazzan et al.'s (2022) study on SMEs' organizational resilience found that their previous crisis experience increases the likelihood of adopting proactive but non-formalized anticipation actions while decreasing the likelihood of adopting a purely reactive strategy to adversities.

Reactive strategies involve responding to external crises post-occurrence (Alonso-Almeida et al., 2015; Ali et al., 2021). Organizations using reactive strategies typically wait for the crisis to unfold before acting. They may lack contingency plans and be unprepared to address the challenges (Marcazzan et al., 2022). Meanwhile, proactive strategies involve taking anticipatory measures to prepare for potential economic crises/disruptions (Ritchie et al., 2011). Organizations using proactive strategies are forward-thinking and plan to mitigate risks. These organizations are better equipped to handle economic crises because they have contingency plans, diversify their portfolios (Duchek, 2020), and invest in risk management (Jia et al., 2020).

Defensive strategies focus on protecting an organization from economic crises by minimizing risks and maintaining stability. Organizations often use defensive strategies to prioritize risk avoidance and reduction. Defensive strategies may include cost-cutting measures, reducing debt, and implementing conservative financial policies to ensure financial stability during economic downturns (Burger et al., 2023). Some organizations adopt conformity strategies, which involve imitating other organizations' actions. Those using conformity strategies may follow industry norms or mimic successful competitors' strategies. These organizations may lack originality in their crisis response and may not thoroughly evaluate their actions' suitability for the specific situation.

The third phase is adaptation, which involves adapting to critical situations. Adaptation learning is used to advance the organization's knowledge post-crisis (Limnios et al., 2014). Adaptation includes two types of capabilities: reflection and learning and organizational change capabilities. Reflection requires a review of the crisis and the organization's reaction.

Harnessing failure experience for personal objectives demands a fusion of cognition and behavior. Organizations need the capacity to introspect upon crisis scenarios, integrating newfound wisdom into their existing knowledge system (Edmondson, 2002; Duchek, 2020). Simultaneously, they must wield this knowledge effectively, instigating transformative action. Fundamental change can be attained through second-order learning (Sørensen, 2002) or deutero learning (Visser, 2007), culminating in new norms, values, and practices. Managerial practices emphasizing effective communication and fostering strong relationships appear crucial in bolstering an organization's resilience (Seville et al., 2008).

Considering the above response strategies, their effectiveness can vary depending on the specific circumstances, industry, and economic crisis. Duchek (2020) suggests that organizations should foster a culture of adaptability and resilience to better respond to economic challenges, regardless of their initial strategy. This view echoes Teece's (2007) dynamic capabilities, which include sensing (horizon scanning), seizing (actions postidentification), and transforming (organizational re-configuring). Whilst different capabilities are needed for the three phases of resilience, this study argues that they cannot be separated because they are interconnected.

[Add Figure 1 here]

## **Research Design**

An exploratory research design is used to explore the response strategies and implications of the CoLC on UK MESEs. Despite a growing interest in minority entrepreneurs in the UK (Jones et al., 2023; Razzak et al., 2023; Opute et al., 2021; Sithas and Surangi, 2021), the national focus has not shifted to MESEs. The exploratory design is particularly useful given the lack of empirical knowledge (Creswell and Poth, 2018) about UK MESEs, allowing for real-time exploration and new insights (Makri and Neely, 2021).

While focusing on MESEs, intra-group diversity must be recognized. The exploratory nature of the data enables insights into the varied experiences of racially diverse social entrepreneurs—black and Asian social entrepreneurs. Existing industry data from Social Enterprise UK highlights the representation of BME individuals in the workforce and leadership roles within SEs. However, critical evidence regarding their roles and actions during crises, which significantly impact BME communities, remains limited.

Initially, we searched for MESEs using the Social Enterprise UK directory (10 black and 5 Asian-led SEs), UnLtd directory (20 black SEs) and Google (14 black and 3 Asian-led SEs). We profiled a total of n=52 black and Asian-led SEs.

Next, the SE details were cross-examined using the Gov.UK (Companies House and Community Interest Company) and Mutuels Public Register (for Cooperatives) databases to verify legal registration and ensure consistency with the information on directories and the companies' websites. This process led to developing a comprehensive database comprising

SE profiles encompassing details including SE names, establishment year, founders or directors, contact information, employee count, legal structure, and operating sector.

Upon completing the SE profiles, an email call for participants was distributed, including a participant information sheet that specifically targeted MESEs' contributions, allowing the participants to self-identify as Black or belonging to other racialized minority groups. Additionally, the participants' racial identity was confirmed during the interview.

## **Data Collection**

To fulfil the study's objectives, participants had to meet two specific criteria: self-identifying as a MESE operating a UK-registered SE and holding a leadership or decision-making role. Thirteen SE founders and directors who self-identified as Black (n=7) or Asian (n=6) were included in the study, providing data through semi-structured interviews. The participants' identities and positions were pivotal to addressing the research questions, as founders and directors hold decision-making responsibilities, facilitating insights into 'how the organizations responded to the CoLC' and its implications. These individuals, recognized as experts with specialized knowledge (Merriam and Tisdell, 2015; Döringer, 2021) concerning the lived experiences of BME groups and leadership within organizations, provided in-depth perspectives. Table 1 presents the organizations' profiles.

Interviews were conducted using Microsoft Teams and lasted 40–80 minutes. They were video- and audio-recorded and transcribed at the data-collection point using the Microsoft Teams record and transcription tool. The semi-structured interview questions were categorized around several a priori themes (exploring the CoLC's perceived organizational impact, the crisis response strategies, and the response strategies' organizational implications). The respondents were also allowed to introduce additional novel themes (Ozuem et al., 2022). Since the study intends to understand the responsiveness to the CoLC, all transcripts were analyzed following abductive reasoning by Kovacs and Spens (2005): data immersion, deductive analysis, emerging themes, pattern recognition and abductive inferences.

[Add Table 1 here]

## **Data Analysis**

During the initial phase, the focus was on data cleaning (Chu and Ilyas, 2016), primarily addressing error detection and rectification. Each transcript underwent meticulous scrutiny to rectify duplicated words, spelling mistakes, and accent errors attributable to the automated transcription tool used during data collection. This process refined the data and provided a comprehensive understanding by revisiting audio recordings and cross-referencing them with transcripts to ensure accuracy in wording and contextual nuances.

Following the data-cleaning phase, the abductive analysis commenced. It involved revisiting the research questions to formulate corresponding categories. For instance, the inquiry into



responses to the CoLC led to the categorization of 'response strategies to the CoLC.' A sample of the initial level abductive analysis from one organization is depicted in Table 2.

[Add Table 2 here]

The data were inductively coded in the second stage as “data-driven coding” (Gibbs, 2007) using NVivo. From this analysis, a thematic analysis (Braun and Clarke, 2006) was conducted where “core themes” (response strategy types) emerged: market expansion, cost-driven and product and service innovation. During the third analysis stage, a deeper exploration was undertaken to identify convergent and divergent crisis-response strategies.

## **Findings**

The organizations in this study range from micro to small-sized businesses with social and economic missions in tourism, fashion, education, finance and health. Eleven of these organizations are registered in London, whilst two are based in Birmingham. The areas of operation in both cities differ (see Table 1 for the precise areas). The abductive analysis demonstrates participants' negative (n=11) and neutral (n=2) perceptions of the CoLC on their organizations and beneficiaries. The loss of grants and volunteers impacted most organizations that relied on support. Those with neutral perceptions, neither positively nor negatively affected, express limited overheads as the main reason for neutrality, coupled with the crisis uncertainty. Despite this, all participants view the crisis as harming their financial planning. The abductive analysis provides several themes and ideas that address the research goals. Below, the analysis-derived results will be outlined, focusing on the response strategies and their implications. Before delving into the response strategies and their implications, 'the cost of everything' will be introduced, highlighting the participants' perceptions of the CoLC within their organizations.

### **The Cost of ‘Everything’**

When asked how they are affected by the CoLC, all participants discussed the predominantly negative impact on various operational decisions. The authors found four organizational-level factors significantly affected: service users (n=13), employees (n=12), funding and revenue (n=8), and operations (n=7).

However, four companies within financial services, education, retail, and other services reported neither positive nor negative impacts on funding, revenue, or operations. Service users faced increased energy, fuel, and food prices, directly impacting their ability to fulfil basic needs and negatively affecting their mental health and wellbeing. SEs have provided food parcels, organized clothing drives, and offered fuel vouchers to support service-user survival. Figure 2 illustrates the perception of the crisis on the organization-level factors.

[Add Figure 2 here]

*"The business was affected quite badly. Nearly 60% of our revenue had gone last year because of the cost-of-living crisis"* (CO3\_Eq). In addition to the crisis's negative economic implications, all participants expressed the severity of the increased business costs, food and other necessities on the staff and service users' health and wellbeing: *"The cost of living is affecting everyone because the wages are not increasing in the sector, so it's like people are struggling, but their cost of living is increasing"* (CO6\_GJT). The term 'everything' was frequently used concerning the crisis's organizational effect. Most participants are situated in London, facing high costs in operations and service needs by various communities; for example, the following London-based founder and director, respectively:

*"The problem is that we had contracts before we had this crisis, and therefore there's no increase in the tender, but everything else has gone skyrocketed. Everything's doubled in price now".* (CO9\_PCM)

*"I am also thinking about everything increasing as a result of the cost-of-living crisis. You know the travel, the food and the team coming into the London office. So, we decided to give everyone the 6% increase in terms of our staff. But this is having an impact on parents, whether that's foster carers or guardians. These adults' mental health and wellbeing is affected and sometimes quite adversely actually."* (CO4\_EE)

The above quotes demonstrate the study participants' frustration. However, the nature of their organizations as educational institutions offers unique challenges regarding pre-existing contractual obligations, further limiting their financial planning. Both organizations struggle to maintain valuable programs that offer unique experiences to young people because their budgets cannot accommodate the increased crisis-induced costs. This situation highlights how inflexible contracts, and financial constraints hinder effective adaptation and response to unexpected challenges.

Despite the highlighted challenges, it is interesting that CO4\_EE gave employees a 6% pay rise to assist them in maintaining their financial health. The founder acknowledges the broader effects of the CoLC on parents and guardians, emphasizing its adverse impact on their mental health and wellbeing. This reflects awareness of the interconnectedness of economic challenges and their effects on individuals and families, both within and outside the organization.

Interestingly, two participants expressed the crisis's negative impact on service users but neutrality on their business performance because they have few business overheads, rely on volunteers and operate online: *"Sales were considerably slower at the beginning of 2022 versus 2021. I would say that is the cost of living crisis. People are not spending as much"* (CO2\_PP). And with a more complex effect: *"because we work with people who experience homelessness, the cost-of-living crisis is really impacting their lives and livelihood. From basic conversations we have with our tour guides, they are having to worry about buying a bar of chocolate because the cost of heating has increased so much"* (CO1\_UT).

When the findings are contextualized by area, those in East London (CO1\_UT and CO5\_BMW, CO6\_GJT) reported a negative impact of the CoLC on employees, funding and revenue and services-users except for CO1\_UT experiencing increased operation demand. The evidence is somewhat different in Greater London. CO3\_Eq is the only organization that has reported the negative impact of the CoLC on all organizational factors. There was a negative impact on employees at CO4\_EE and CO11\_ACU. Operations, funding and revenue, were neutral (CO2\_PP, CO4\_EE, CO9\_PCM and CO11\_ACU). Interestingly, organizations in North London (CO8\_KCL), Southwest London (CO12\_CCCHL) and Southeast London (CO13\_BH) all reported a negative impact of the crisis on all organizational level factors. Like those in the London area, organizations in the West Midlands reported different responses. CO7 reported a positive experience in funding, revenue, and operations, whilst CO10\_SW expressed a negative impact on employees, funding, and revenue, with a neutral position on operations. However, all organizations across the regions in England expressed that the crisis has hurt their service users.

### **Response Strategies: Behaviors and Actions**

In terms of how they respond to the crisis, nine organizations (CO1\_UT, CO3\_Eq, CO4\_EE, CO5\_BMW, CO6\_GJT, CO7\_RTFS, CO8\_KCL, CO9\_PCM, CO10\_SW) experienced phases of internal shock, followed by a period of deliberate pause before acting. The CoLC was an internal shock because of the perceived disruption to business performance, service commitment, financial planning, and the unknown phenomenon and its impact on the staff and service users' wellbeing, particularly after the pandemic's adverse effects.

The shock intentionally caused founders and directors to re-evaluate their intervention methods, income streams and expenditures. Once an adaptive strategy was planned, employees, artisans and suppliers were informed about the response strategy through formal communication channels to ensure job security. Then, the response strategies (behaviours) and actions were developed.

This study found response strategy as behavior focuses on the 'mindset' and 'approach'. The mindset of the decision-makers is to succeed: *"the motivation that we have to get us through things to help us pivot is that everyone is committed to seeing the social enterprise succeed, and that's part of really the big impact"* (CO1\_UT). From the participants' perspective, succeeding as an SE means creating a positive societal impact and maintaining collaborative partnerships with funders/other organizations like local authorities and higher education institutions. One organization's adaptive strategy is credited to goodwill, whereby despite having to release two staff at the end of their contracts last year, *"the landlord just left us to stay until the business picks up. With a lot of goodwill, we are thankfully for where we are positioned"* (CO10\_SW).

Interestingly, some organizations reconsider their approach to working with volunteers, such as economic incentives being rewarded to volunteers for their contributions. Still, due to the CoLC, *"I have to bear in mind that my volunteers are shelling out a bit more money to do things. So, I am having to pay my volunteers or reward them for something"* (CO5-BMW).

The inductive analysis for the response strategies is categorized into three organizational types: cost-driven innovator, market expansion defender, and innovation pioneer. Nonetheless, these organizations encounter various implications, as discussed below.

[Add Figure 3 here]

### **Cost-driven Innovator**

Response strategy as actions involves the practical crisis-response steps and measures taken. Organizations in tourism (CO1\_UT), financial services (CO5\_BMW, CO11\_ACU), education and business support (CO6\_GJT), hospitality (CO8\_KCL), education and health (CO9\_PCM) and educational support services (CO12\_CCCH) demonstrate a reactive crisis response and a cost-driven approach.

CO1\_UT tackles homelessness in London by recruiting people with homelessness experience to provide guided city tours. This organization developed new markets using an existing product—the Virtual Pub Quiz—created during the pandemic, which is now marketed to corporate London for Christmas parties. In addition, they raised capital through crowdfunding in Christmas 2022 to pay for their energy bill and reward their tour guides who have or are experiencing homelessness: *“Our business model is about people joining an experience to end homelessness. We are not a charity that relies on donations. We want to create a business that is sustainable through ticket sales and hopefully people are seeing that”* (CO1\_UT).

In contrast, CO8\_KCL trains and employs women from disadvantaged backgrounds to work in the hospitality business. Many are from ethnic minority backgrounds, migrant single mothers, or have refugee status. The SE faced increased business costs due to elevated food prices affecting operational costs, including staff wages: *I used to pay £10 an hour. But now I increase to £12 an hour because the Tube prices have increased and the London living wage* (CO8\_KCL). Consequently, the organization increased the minimum price for its catering services from £200 for brunch to £300.

CO5\_BMW is a SE that advocates financial literacy for young people. It has different methods for educating young people on finance and budgeting: board games, budgeting apps, and finance storybooks. However, they had to reconsider the accessibility of their products during the CoLC, and how they might generate income from new services: *“I have been partnering with We Make Change, and people worldwide are looking for volunteer opportunities. So, I’ve thought about three people from that. Now, one is going to translate some of our courses. One is helping me on social media, and the other one is also helping us to create some content like videos”* (CO5\_BMW). Additionally, the organization has established a Money Workshop and Wellness Hub specifically to discuss tools for managing budgets during the CoLC.

Similarly, CO6\_GJT specializes in financial services for SEs and charities. About 90% of their clients are African- and Caribbean-owned businesses based in Kent and Southeast

England. The organization seeks to diversify into wellbeing and happiness coaching because the founder is a passionate, trained coach. Whilst the CoLC is a driver for this new business idea, the founder claims that the accountancy world is changing because *organizations are now using software like QuickBooks to try and do their finances themselves. So, they need an accountant for the end-of-year assessment or many CICs with income below £250K* (CO6\_GJT).

Unlike other organizations, CO9\_PCM supports children, young people, and their families in facilitating positive decisions that lead to positive outcomes. However, their response strategy echoes CO8\_KCL. They have increased the consultancy service prices due to the high operational costs. *"I got an expenses bill from one of the mentors which was equal to a salary, and I had to say to her, we can't do that. We're going to have to reduce that beyond 50%"* (CO9\_PCM). Although some stakeholders rejected the price increase, CO9\_PCM argues that the service cut for young people will have a negative impact on their local communities and personal development. Nonetheless, CO9\_PCM is considering new service options to enhance its local authority funding applications, specifically, improving the local young people's social skills and career prospects.

Market Expansion Defender Two organizations responded to the CoLC through a defensive strategy mode. CO3\_Eq is a Fairtrade company that works predominantly with small-scale artisan producers in India, Rwanda, Egypt, and the UAE. They produce handmade fashion accessories, office decor, and gift items. The SE minimized its fashion accessories production because of the CoLC and introduced a new office collection. This response strategy action is a defensive market expansion because SE minimized overall output yet developed a new market through product development.

Meanwhile, CO10\_SW focuses on women's empowerment through business, personal and professional development in Birmingham. They minimized costs and introduced new services to survive the crisis: *"We've turned one of our training rooms into a women's workspace, so we are marketing that as a membership program. You can come in and use the space three days a week, free Wi-Fi breakfast is available for £50"* (CO10\_SW). Like CO3\_Eq, CO10\_SW is expanding its business offerings by using its current assets to generate income.

### **Innovation Pioneer**

Three SEs demonstrate a proactive response by innovating existing service offerings: CO2\_PP is an online fashion retailer specializing in upscaling saris; CO4\_EE is an education institution for secondary schools; and CO7\_RTFS provides financial management and health activities. The specific proactive action differs for each SE. For CO2\_PP, variations in experience are common business performance because saris are occasional garments worn to weddings/other special events: *"Therefore, I'm trying to use different avenues in particular and grow myself through wholesale. I'm trying to be in contact with those where there is an opportunity for me and my products. I'm not focusing on one avenue for all my revenue"*. CO2\_PP has exhibited its products at Faire, an online wholesale marketplace that helps retailers find wholesale buyers. Consequently, the remodelled saris were stocked at eco-

friendly stores in Europe and America. Furthermore, the products were exhibited at the Sustainable Fashion Week show in London in 2022 and other online platforms like Etsy.

CO4\_EE is part of the Fair Education Alliance, where they consult with CEOs of SEs and charities about the SE sector's trends and landscape. The continuous review with industry leaders has enabled the organization to budget for 2021-2022. Equally, the impact assessment funders require allows the organization to assess critical baselines when contract tendering. The organization could plan since the funding applications and operational planning for 2022 were completed in 2021. However, the 6% increase in staff wages means the SE will increase its service prices to meet the business costs: *"We are thinking about the annual price increase of our services because obviously, we increase what we pay our tutors for in-person tuition and online"*.

CO7\_RTFS is a SE that educates people on managing their money and mental health. Their services are situated in Walsall, Birmingham, one of England's 20% most deprived unitary authorities. Like CO4\_EE, CO7\_RTFS constantly assesses the external environment for new tools and methods to assist service users in financial management. Consequently, the organization had a dedicated team review the UK government CoLC information and tailor their website content to provide CoLC finance information to individuals and organizations in the Walsall area. In addition, they introduced new services, *"delivering food parcels for a short period and clothes drive for people. We got people some fresh food and fuel vouchers were huge. Because again, it was just hands-on. It was what people needed"* (CO7\_RTFS).

This study found both response strategies, behavior and action are important in managing the effect of the CoLC on employees, SEs and service-users. The response strategy mode of all organizations can be seen in Figure 3. No organization aligned precisely with industry/other organizational standards, as each entity is distinct in the social and economic challenges it tackles: *"we can't compete with Shelter or Crisis, for example, because they're huge organizations. They know what they do and have all this support around them. And I think we'll stay within our niche and try and grow that as much as possible because it's what we're good at doing"* (CO1\_UT).

### **Response Strategy Implications**

Participants expressed several implications of their strategy response in terms of organizational factors. Three specific themes emerged from the data on strategy implications: service-users' implications (n=8), financial implications (n=7) and operational implications (n=7). Participants acknowledge that the CoLC harms their clients' finances, health and wellbeing. Paradoxically, the cost-driven strategy will lead to reduced services offered to tackle homelessness (CO1\_UT), teach financial literacy and budgeting (CO6\_BMW, CO6\_GJT), empower migrants and refugees (CO8\_KCL) and prevent anti-social behavior (CO9\_PCM), leading to negative outcomes, specifically, the service-users' mental health.

There are positive and negative consequences of financial implications on revenue through access to new markets (CO2\_PP, CO3\_Eq), use of capital assets for income generation (CO10\_SW), and collaboration with leading organizations to access funding (CO9\_PCM)

abound. Access to new markets will require expertise in sales and marketing, wholesale production and investment, which could challenge their niche SE retail model (CO2\_PP, CO3\_Eq). However, it would increase sales and widen SE's target market. Similarly, increasing revenue by using capital assets would require more staff to manage bookings, although possible through flexible work arrangements. However, some legal considerations are necessary, especially for those with a community-interest legal structure, to ensure they align with the regulatory authority guidance on asset transfer/usage.

Equally, the collaboration presents several positive and challenging implications. It creates knowledge and resource-sharing (CO1\_UT, CO9\_PCM), encourages innovation through problem-solving (CO4\_EE) and enhances the organizational credibility (CO1\_UT, CO5\_BMW, CO9\_PCM, CO10\_SW). However, an organizational collaboration solely for profit would create a cultural and mission misfit.

## **Discussion**

The study explored how MESEs respond to the CoLC and the organizational implications of their response strategies. As with existing studies, organizations use reactive (AlonsoAlmeida et al., 2015), proactive (Aharonson and Bort, 2015) or defensive strategies (Purnomo et al., 2021) to navigate and survive the CoLC. The responses are categorized into three organizational types. Cost-driven innovators are SEs that adopt a reactive strategy for the primary purpose of reducing high business costs. Meanwhile, market expansion defenders use defensive strategies due to slow market demand and high business costs. The nature of the defensive response differed, unlike previous studies where the defensive strategy focused on reducing overall production output (Marcazzan et al., 2022). In this study, the two SEs operating in the retail and education sectors engaged in a market expansion strategy despite reducing overall production output.

In contrast, innovation pioneers are SEs with proactive strategies. They are proactive because re-evaluating their business offerings provides intelligence crucial to pre-crisis response. Although this finding aligns with existing studies (Aharonson and Bort, 2015; Duchek, 2020), previous crises, particularly COVID-19, played a role in their preparedness (Marcazzan et al., 2022). Further, expectations from funders emerged, mandating the three SEs operating in the education and finance sector to adopt a proactive response. Funders expect these organizations to provide yearly performance reports, including an impact report, a reflective assessment of their achievements and their next annual strategic plan. Given the 2020-2021 pandemic's uncertainty, these SEs were able to factor potential high business costs into their resource planning. Thus, learning from previous crises influenced the financial projections (Limnios et al., 2014; Duchek, 2020).

Therefore, whilst dynamic capabilities (Teece, 2007; Duchek, 2020) are critical to organizations' ability to sense and respond to crises, this study confirms that institutional expectations influence the decision to plan and prepare. Each response strategy is relative to the organization's financial, human and knowledge resources (Farhoud et al., 2021), not the regional division or ethnicity. All SEs in East London (two Black-led and one Asian-led), North London (Asian-led), Southwest London (Asian-led) and Southeast London (Black-led)

had a reactive response to the CoLC. In comparison, West Midlands had a proactive and defensive response despite being a Black-led organization. Reactive, proactive and defensive strategies are noted in Greater London (three Asian-led and two Black-led). Thus, most reactive organizations are Black-led (n=5), and a few are Asian-led (n=3), whilst most proactive organizations are Asian-led (n=2) and Black-led (n=1). There is an equal SE representation for the defensive strategy. However, SEs in the same sector (CO2\_PP and CO3\_Eq) responded differently despite having the same size and funding structure and operating in Teddington and Westminster (Greater London). The director's discretion is central to the strategy response.

[Add Figure 4 here]

Further, the interventions to the crisis were specific to the borough's social and economic inequities. Thus, needs-based solutions (Bacq et al., 2020) were developed rather than standardized solutions. To achieve this, they leverage several capabilities (Figure 3) to maintain equilibrium. Yet, the response strategies affect the organization's financial, operational, internal and external stakeholders. Positive and negative impacts stemming from the strategies were observed across the three SE response typologies. For instance, as innovation pioneers enter new markets, they conduct needs analysis for skilled staff to identify new areas of expertise to manage the current market. Similarly, market expansion defenders' use of capital assets requires a review of the legal requirements for asset usage. Despite implementing the needs-based solution to the crisis, the SEs contend with tensions, such as balancing their mission with collaborating with organizations with opposing values (White et al., 2018) and motivating staff who have new working model due to cost-saving measures (Doherty et al., 2014).

A common behavior among the MESEs is that they experience internal shock, influencing an 'intentional' act of how they respond. This was a form of introspection, which requires the capacity to achieve (Edmondson, 2002; Duchek, 2020). It also allowed the SEs to pause and reflect on how the CoLC will affect their operations, employees and service users. Through this reflective process, they began to review what they offer and how they might pivot to survive. This meant exploring ways to leverage resources and reduce costs. The survival mindset was critical for all organizations because seizing business operations means failing stakeholders. The survival mode or mindset is a form of psychological attitude focusing on overcoming adversity in spite of the implications of their strategies. Unlike previous studies on MESEs where structural, resources and infrastructural challenges are identified (i.e., Sepulveda and Rabbevåg, 2021; Razzak et al., 2023), this study has shown that whilst these challenges exist, the founder and director's survival mindset influences behavior and decision-making, enabling the MESEs to navigate crisis responsively.

## **Conclusion**

This paper sought novel perspectives into how MESEs respond to and adapt to the CoLC. A framework (Figure 3) has been developed to demonstrate the behavior and actions of MESEs



in response to the CoLC. The framework delineates that MESEs undertake introspective processes before formulating responses. This introspection comprises two key phases: an organizational review assessing business performance, service commitments, and financial planning, and a business evaluation scrutinizing the business model and income streams and involving stakeholders in the process. Central to this approach is an analysis of their dynamic resources, including community and SE-sector expertise, survival mode, capital assets, and partnerships and collaborations.

### *Theoretical contributions*

This study makes a theoretical contribution by significantly enhancing Duchek's (2020) conceptualization of organizational resilience, particularly regarding capabilities. Duchek (2020) contends that an organization's prior knowledge base shapes its actions during a crisis, highlighting learning from adaptation as the third phase in the resilience framework. However, the specific knowledge leveraged before making strategic pivots remained ambiguous. This research identifies insights from organizational review (business performance, service commitment, and financial planning) and business evaluation (examining the business model, income, and stakeholder engagement) that inform the response strategies. This introspection captures multifaceted knowledge involving directors, employees, and service users.

Duchek's (2020) three stages of resilience—anticipation (proactive action), coping (concurrent action), and adaptation (reactive action)—are evident in the study findings. However, these responses do not unfold simultaneously across all organizations. Instead, the response manifests in two phases: First, the behavioral response (the mindset), where the founders' and directors' primary mindset revolves around crisis survival, aiming to avoid closure and sustain critical social interventions, even if cost-centric strategies are required. Second, the response translates into action (the strategy), focusing on developing precise solutions to address the service users' needs. Previous studies on SEs during crises have shown their capacity to reinvent (Alegre and Berbegal-Mirabent, 2016), their utilization of innovative funding avenues like crowdfunding (Farhoud et al., 2021), and their emphasis on community engagement to determine survival strategies (Weaver, 2023). However, the rationale behind their choice of specific response remains unclear.

A significant contribution to addressing this theoretical gap lies in the framework developed for SE response typology (Figure 3), where three distinct categories are identified: costdriven innovators (focused on reactive responses), market expansion defenders (based on defensive strategy) and innovation pioneers (oriented towards proactive approaches). Costdriven innovators prioritize cost reduction and leverage several capabilities, including collaborations, crowdfunding, service expansion, cost management, and adaptive pricing strategies. Notably, the capability of collaboration, previously observed by Ali et al. (2021) in SME resilience during a global health crisis, contradicts notions suggesting insufficient environmental knowledge and dynamic capabilities in these SEs.

Meanwhile, institutional pressures motivate innovation pioneers to substantiate their operational and financial plans. This expands on existing studies highlighting organizations'

proactive nature driven by dynamic capabilities for recognizing and seizing opportunities (Teece, 2007; Ducheck, 2020). Key capabilities for innovation pioneers encompass community engagement, needs-based solutions, diversification through wholesale, strategic planning, and financial forecasting. The defenders (representing defensive-oriented organizations) focused on market expansion and minimized their overall production output while venturing into new market segments. This evidence differs from prior studies (Purnomo et al., 2021), where a defensive strategy typically involved reducing products or services. Thus, this study expands on existing research concerning the spectrum of defensive strategies SEs adopt.

### *Practical implications*

This study has practical implications for MESEs, particularly in periods of crisis. First, the study proposition is that MESE resilience is not solely dictated by the response strategy employed. Instead, it emerges from a combination of factors: the determination to survive, a deliberate positional reassessment, a deep understanding of service-users' needs, partnerships and collaborations with mission-driven organizations. Furthermore, these SEs, being micro to small-sized with less bureaucratic overhead and a clear social-change focus, align with Klewitz and Hansen (2014) and Bhamra et al. (2011) regarding the advantages of small organizational size in swiftly adapting to business environment change. Therefore, the nature and size of the organization contribute to shorter introspection periods for organizational review. However, the precision of the response strategy is determined by the financial position and projections from this review.

Secondly, the response strategies have tangible implications for financial, operational, internal, and external stakeholders. MESEs are tasked with optimizing their assets for capital, exploring new income-generating activities, maintaining minimal overheads, and expanding their human resource base. Surprisingly, the findings indicate that many MESEs, including cost-driven entities and market expansion defenders, failed to harness the lessons from past crisis experiences, notably the COVID-19 pandemic. This neglect in leveraging prior experiences to anticipate and cultivate capabilities that bolster resilience for future crises demands urgent attention from SEs, specifically MESEs. MESE founders and directors should be aware of the need to track key metrics during a crisis, as this can impact future response strategies in case of a crisis or market disruptions.

Thirdly, MESEs face tensions concerning balancing social missions and collaborating with organizations with opposing values. Financial capital constraints and cost-related decisions were notable challenges. However, decision-makers psychological resilience influences how organizations respond to the CoLC. In general, SEs and MESEs should develop tools such as problem-solving and supportive professional relationships that foster psychological resilience among employees, especially front-line employees who implement social interventions. In addition, structures and systems for mental health and resilience training should improve the employees' overall wellbeing. Similarly, community-centred interventions are the most effective approach to addressing the multifaceted implications of the CoLC, irrespective of the areas in which MESEs operate.

### *Limitations and avenues for future research*

This study's limitation lies in its focus on data collected solely from MESEs operating within England. Future research could explore how SEs and MESEs across the UK's four nations respond to impending crises. Another constraint stems from the exploratory methodology employed. While this approach enables a detailed investigation, the authors recommend utilizing larger sample sizes in diverse SE contexts. This would illuminate how various SEs anticipate, plan for, and navigate external influences. Furthermore, future studies could explore the influence of the social entrepreneur's mindset on organizational resilience, offering insights into how this contributes to the adaptive capacity of SEs and MESEs.

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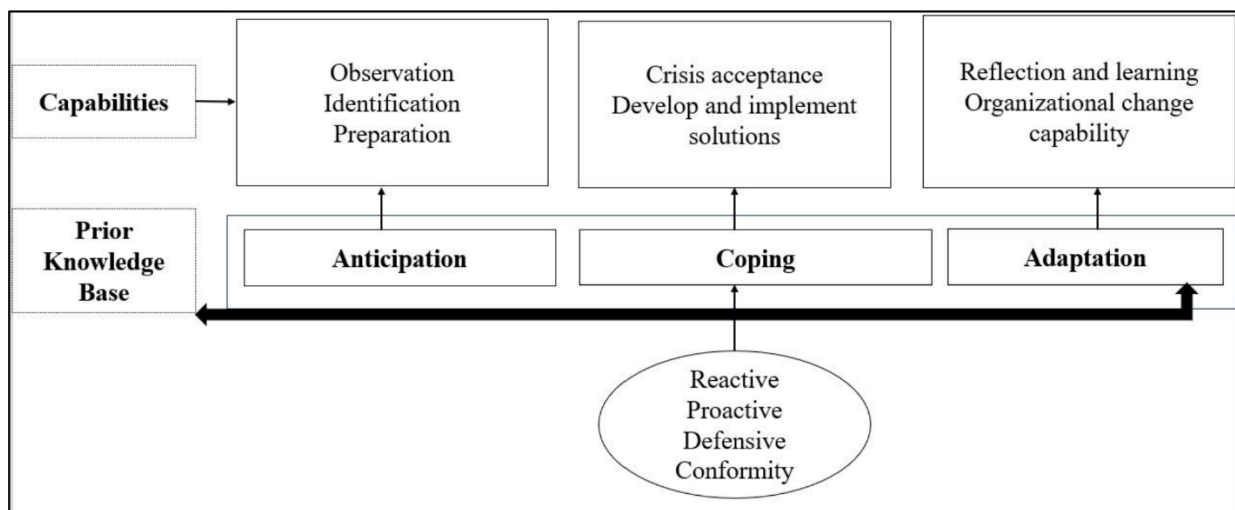


Figure 1. Conceptual framework of organisational resilience Source (Adapted from Duchek, 2020)

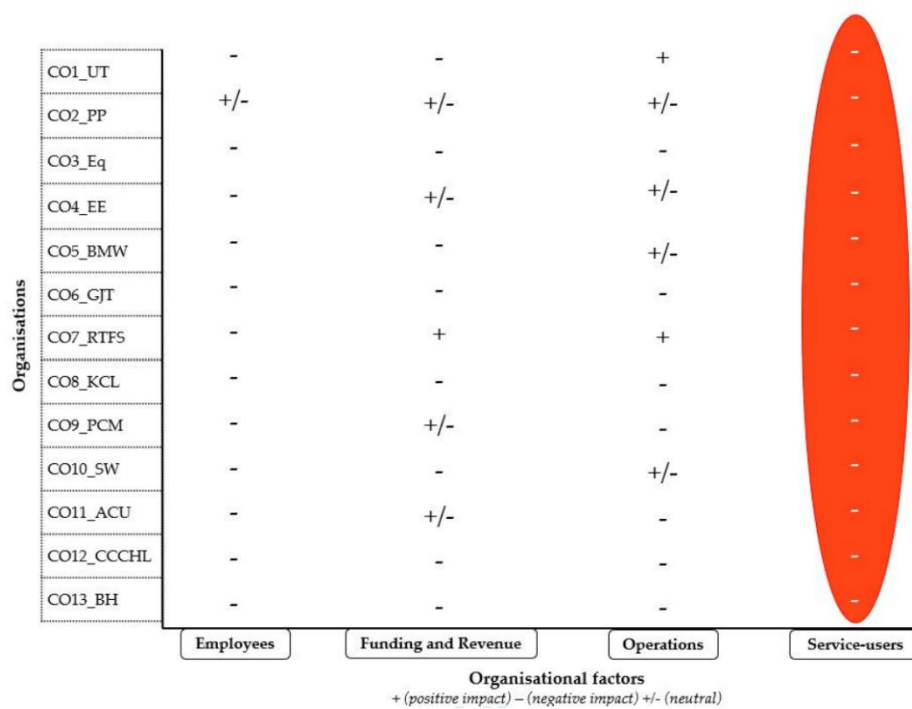


Figure 2. Perception of cost-of-living crisis on organisational level factors

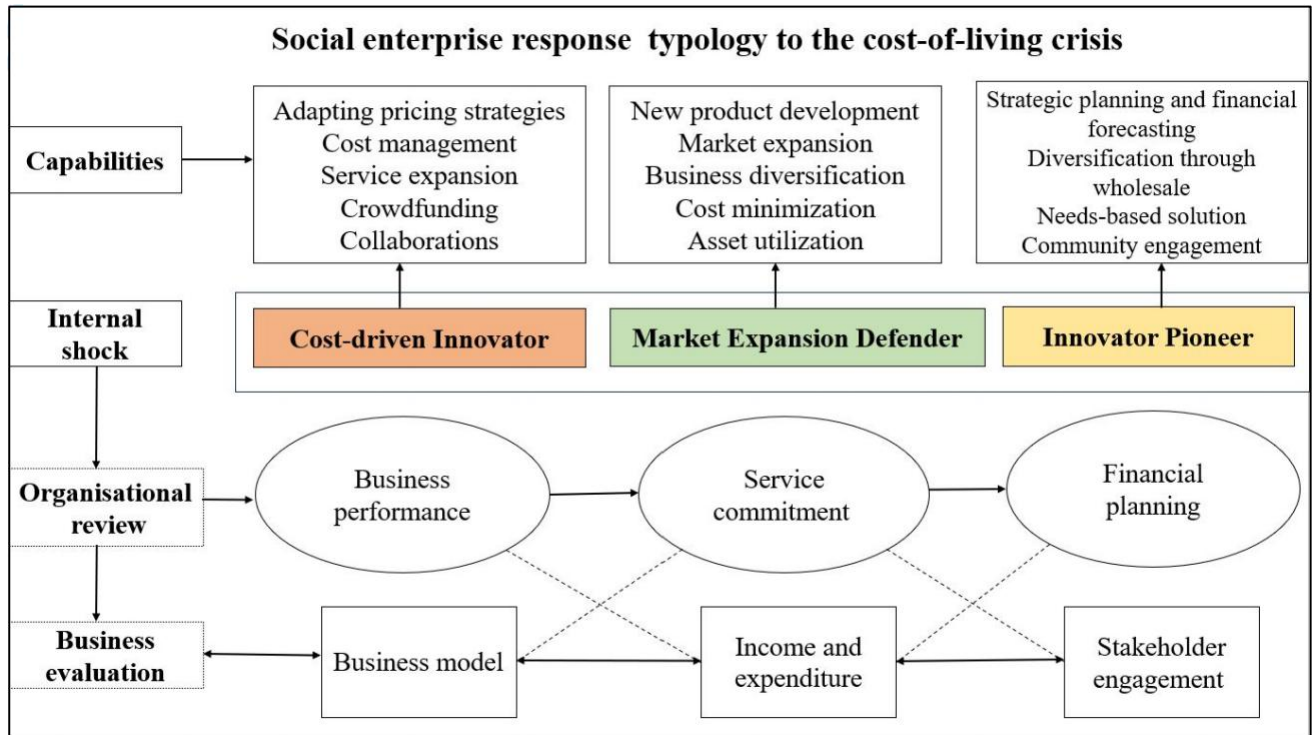


Figure 3. Social enterprise response typology to the cost-of-living crisis



Table 1. Profile of case organizations

Organization code and year of establishment	Mission	Interviewee	Nature of social enterprise	Organizational size	Region	Legal structure			Funding structure
						Community Interest Company	Private Limited Company (PLC)	PLC with Guarantee without share capital	
CO9_PCM	2018	Counselling, mentoring and advocacy	Founder & Director	Education and Health (and social work)	Micro	London			Grants Consultancy
CO10_SW	2007	Personal development for women	Founder, Secretary & Director	Other services	Micro	Birmingham			Grants Service fees Membership fees Room hires
CO11_CE	2020	Social hub Food services for communities	Director	Other food services Social work activities	Micro	London			
CO12_iWA	2016	Education for women	Director	Other education	Micro	Liverpool			Services Grants
CO13_BH	2018	Sustainable and recycle products	Founder	Retail sales (mail order or internet)	Micro	London			Sales
CO14_MS	2021	Other residential care services	Founder	Other residential care services	Micro	Morden			
CO15_GEUK	2003	Information technology service activities	Founder & Director	Educational support services Employment agencies	Small	London, Nottingham			

Organization code and year of establishment	Mission	Interviewee	Nature of social enterprise	Organizational size	Region	Legal structure			Funding structure
						Community Interest Company	Private Limited Company (PLC)	PLC with Guarantee without share capital	
CO1_UT	2010	Tackling homelessness	Director	Tourism	Small	London			Grants Crowdfunding Ticket sales
CO2_PP	2013	Sustainable modern sari	Founder & Director	Retail sales (mail order or internet)	Micro	Teddington			Sales Grants
CO3_FBI	2024	General secondary education	Founder	Barristers at law Other education not specified	Micro	Birmingham			Grants
CO4_EE	2012	Special education and learning	Founder & Director	Secondary Education	Small	London			Grants Education services
CO5_BMW	2010	Financial literacy for young adults	Founder & Director	Financial (and Education)	Micro	Essex			Product sales Grants
CO6_GJT	2017	Accounting for charities and social enterprises	Founder & Director	Education (and Business Support Services)	Micro	London			Grants Consultancy Sales
CO7_RTFS	2019	Financial literacy and wellbeing	Founder & Director	Financial management and Health activities	Micro	Walsall			Grants Consultancy fees
CO8_SLP	2014	Child education		Education support services	Micro	Nottingham			Grants