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Managing the COVID-19 Crisis. A Case Study of Entrepreneurship and Social Responsibility in Swedish SMEs

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6.1 Introduction

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus disease (COVID-19) a pandemic. The outbreak, which originated in China, has spread rapidly across the world with devastating effects on societies. Governments have adopted various measures, including social distancing to mitigate its effects. Social distancing includes a wide range of restrictions: for example, self-isolation, physical distance to others, closing of schools, universities, community centers, prohibition of mass gatherings, and travel restrictions. Lockdown measures have been imposed in many countries.

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The economic, social, and psychological impact of COVID-19 and the ensuing government response have had severe impact on global business but not equally distributed. Allowing for the spectrum of measures adopted by different governments, social distancing has a particularly shattering effect on small businesses (Fairlie 2020; Brown and Rocha 2020; Belghitar et al. 2020). Nonetheless, the effects of this unprecedented and unique global crisis on businesses vary widely across nations, regions, industries, and enterprises (Bapuji et al. 2020; Kraus et al. 2020). Some industries are thriving while others are waning. The understanding of and the responses to the COVID-19 crisis are also differential. Some businesses perceive the crisis as a threat to their survival. Others see opportunities for new solutions for their businesses and communities, for creativity and innovation. We daily witness how some enterprises are being pushed into liquidation and bankruptcy while others are struggling to maintain operational continuity. Yet others are repurposing their expertise and resources in order to meet a sudden upsurge in the demand for their products and services or adjust to the expectations of their stakeholders. In Sweden, for example, Absolut Vodka, Elite Hotels, and Essity are among the many companies that are repurposing their resources to deliver products and services to health care institutions such as hospitals and pharmacies or provide temporary homes for self-isolation (SvD, March 26, 2020). It is important to gain an understanding of the different ways in which the crisis affects specific industries and enterprises in order to make informed policy decisions.

In this context, more attention needs to be placed on entrepreneurship. Entrepreneurs can play a key role in generating new ideas and solutions to mitigate the impact of the pandemic and contribute to the efforts of communities to survive and recover from the crisis (Haeffele et al. 2020). In particular, more focus needs to be placed on small and medium-sized enterprises (SMEs), that is, businesses with less than 250 employees. SMEs are a source of innovation and entrepreneurship, new jobs, competitiveness, economic growth, and societal welfare in general (OECD 2019; EU Commission 2018; Gray 2004). Moreover, in sheer numbers, SMEs are the dominant form of enterprises and account for a higher proportion of employment and production of goods and services. According to the OECD (2019), SMEs constitute about 99 percent of all

enterprises in the member countries and account for 50–60 percent of the value added. More than 65 percent of the labor force are employed in the SME sector. Furthermore, SMEs constitute a vehicle of innovation and entrepreneurship and contribute to the identity and cohesion of the communities in which they are embedded (OECD 2019). They play a key role in community welfare by providing needed goods and services, sustaining social networks, and in generating ideas and solutions to communities (Haeffele et al. 2020). The role of SMEs as a source of entrepreneurship and economic growth, job generation, competitiveness, and societal welfare in general is well acknowledged (EU Commission 2018).

Nevertheless, it is important to note that SMEs are highly heterogeneous, for example, in terms of entrepreneurial orientation, technology, age, size, industry, economy, and location. Furthermore, the majority of SMEs is very small. In Sweden, which is a member of the OECD for example, 96 percent of all 1.2 million enterprises have less than 10 employees (Swedish Agency for Economic and Regional Growth, 2010). A global pandemic can place many SMEs in a highly vulnerable position. Consequently, there is a growing concern that SMEs may not be getting the attention and support they desperately need (Belghitar et al. 2020).

Preliminary reports indicate that the concern for the situation of SMEs during the pandemic is legitimate. In a study of the impact of COVID-19 on SMEs in the US reported in the middle of April 2020, about 40 percent of the approximately 5000 enterprises in the sample had temporarily closed due to the crisis. Active employment had been reduced by 39 percent (Bartik et al. 2020; Cowling et al. 2020; Belghitar et al. 2020). Although the study indicated that most business were highly financially fragile, it indicated that the impact of the crisis varied widely across states, regions, and industries. Likewise, in a survey of European SMEs, 40 percent of the enterprises reported liquidity problems. Among those in the most affected areas including hospitality, retail, and construction, the figure was 50 percent (SMEsUnited, 2020).

Business organizations may be exposed to various types of crisis caused by internal or external events, such as the loss of key employees, conflicts, neighborhood riots, and natural disasters, for example, earthquakes or tsunamis (Doern 2016). However, the ongoing COVID-19 crisis is unique in many respects (Bapuji et al. 2020; Kraus et al. 2020; Juergensen

et al. 2020; Kuckertz et al. 2020). The speed at which the pandemic is spreading globally, the many ambiguities surrounding the disease itself including its persistence, and its impact on the relationship between business and society pose unique challenges to businesses, particularly SMEs. The fact that the most natural practices of human interactions such as a handshake become a significant risk (Bapuji et al. 2020) underscores the unique challenges faced by SMEs, which are dependent on social interactions and personal networks. Against the background of the socio-economic importance, and the vulnerability of SMEs, it is important to understand how SMEs manage crises in the context of a unique COVID-19 pandemic.

How entrepreneurs perceive and respond to this crisis as it evolves is likely to be highly heterogeneous. From a study of the early months of onslaught of the COVID-19 pandemic, Wenzel et al. (2020) indicate that SMEs respond to the crisis in one of four strategic ways: retrenchment, perseverance, innovation, and exit. The study does not elaborate on the types of SMEs adopting the respective strategy or the output of the strategic choices of SME managers. There is little research to provide information about the perceptions, responses, outcomes, and expectations of SMEs during the crisis (Doern et al. 2019; Williams et al. 2017; Doern 2016; Herbane 2010). The existing research is based on experiences of crises that differ from the present crisis in almost all respects. In particular, the global character, scope, and duration of the crisis pose unique challenges to business and society: How smaller businesses are experiencing the COVID-19 crisis, how they are impacted by the pandemic, how they are responding to the crisis, how they are participating in the struggle to mitigate the impact of the crisis on society.

This study draws attention to this gap in research, for example: how do managers of SMEs perceive the crisis? What are the major economic, social, and psychological challenges faced by SMEs? How do the managers respond to these challenges? What practical measures (activities) do the managers undertake? Does the crisis influence their views and involvement in socially responsible activities? What are the short-term outcomes of their responses and measures taken? By putting the spotlight on the experiences, strategies, and managerial practices of Swedish SMEs' managers to mitigate the economic and social challenges posed by the

ongoing COVID-19 crisis, the study hopes to bring these burning issues to the forefront. The study presented in this chapter focuses on only three main issues: (i) How do entrepreneurs, that is, the owner-managers of different SMEs, perceive the threat from the crisis? (ii) How do they respond to these threats? (iii) What are the outcomes and implications of their responses? The target group in the study is entrepreneurial SMEs, which refers to businesses that are in the startup phase and those that are pursuing new business opportunities in the wake of the pandemic. The aim is to gain some insight into SME managers' experiences of the COVID-19 crisis and identify the strategies and practices they employ in response to the challenges faced by their businesses and communities.

The remaining parts of the chapter are organized as follows. In the next section, the theories and findings of prior research are summarized. Then, the research strategy and data collection techniques are described. This is followed by a case study presentation and analysis. The findings of the study are discussed and commented on in the concluding section.

6.2 Entrepreneurship and Social Responsibility in SMEs in the Context of Crisis

Entrepreneurship is conceptualized in various ways and approached from different perspectives, for example, as an economic function, as an occupation, and as a structural phenomenon. Entrepreneurship as an economic function has been characterized in a multiplicity of ways, for example, judgmental decision making under uncertainty (Knight 1921), the introduction of an innovation (Schumpeter 1934), and alertness and opportunity recognition (Kirzner 2009; Shane and Venkataraman 2000). Entrepreneurship as an occupation is defined in terms of self-employment. Thus, the focus is on the attributes of self-employed individuals, for example, those who own and operate their own businesses (Kihlstrom and Laffont 1979). The structural approach relates entrepreneurship to the entry of entrepreneurial firms defined as new and small firms. The focus in this strand of research is on firm growth and industrial dynamics

(Aldrich 1990; Acs and Audretsch 1990). Furthermore, entrepreneurship in terms of new business creation is considered temporal, often extending over a few years before and after startup (Lundström and Stevenson 2005; Reynolds et al. 2001). Established companies do engage in entrepreneurial activities, which in some cases result in new corporate ventures or in strategic changes such as organizational rejuvenation and business model renewal (Covin and Kuratko, 2010). Examples of entrepreneurship in established businesses in line with this definition are found among the cases presented.

In this study, entrepreneurship is perceived as the process of opportunity recognition and exploitation (Shane and Venkataraman 2000). An entrepreneur is defined as the owner/manager of a small business in a startup phase or in the process of strategic renewal such as the pursuit of new markets, the expansion or extension of existing business areas, or the readjustment of the business model (Covin and Miles 1999). Opportunities may be discovered, created, or imagined (Klein 2008). Alvarez and Barney (2007) suggest that the opportunity discovery mode is related to entrepreneurial responses to exogenous shocks (crises) which involve assessing risks, crafting strategies, and procuring resources.

The response of SMEs may be related to strategies and managerial practices concerned with challenges that are specific to the businesses they operate, and/or those that relate to the communities in which they are located. Small enterprises have a symbiotic relationship with the communities in which they operate and they engage in socially responsible activities (CSR). However, the practice of socially responsible activities tends to be invisible. Lee et al. (2015) suggest that SMEs do not communicate their involvement in CSR. Others argue that CSR in the context of SMEs differs from that of large firms whereas the theories are based on the experiences of large firms (Spence and Rutherford 2003).

Therefore, extant theories may not be adequate in explaining CSR in the context of SMEs (Perrini 2006; Jenkins 2006; Spence and Rutherford 2003). Jenkins (2006), for example, contends that SMEs tend to consider socially responsible activities as an integral part of the way they manage themselves rather than as external add-ons. Santos (2011) reported that CSR in SMEs is informal and unstructured. SMEs' practices were also found to differ in that they prioritize CSR activities that

are simple, cheap, visible, and commonly situated in the local communities in which they operate (Santos 2011). CSR activities may be aimed at an audience that is external to the organization such as sponsorship or target internal audiences, for example, the work environment (Hawn and Ioannou 2016). Some CSR activities may be targeting both external and internal audiences simultaneously. There is very little prior research on CSR in SMEs during crises but some promising work on the experiences of the COVID-19 crisis is emerging. Popovka et al. (2020) argue that the transition of entrepreneurship to remote forms of activities, which implies an online provision of goods and services, and the creation of remote employment of workers is a clear manifestation of social responsibility. This suggests that in the context of a crisis, boundaries dividing activities that relate to entrepreneurship and those concerned with the practice of social responsibility in SMEs are indistinct. The question is whether this situation is applicable to crisis management in the context of SMEs in general or specific to experiences from COVID-19.

6.3 Crisis Management and Entrepreneurship

The concept of crisis may refer to varying situations and phenomena such as disasters, emergencies, different types of contingencies, and catastrophes. However, the definitions share some specific aspects of the phenomena: crises are extreme, unexpected, unpredictable, challenging, and require an urgent response (Doern et al. 2019; Herbane 2010; Pearson and Clair 1998). Pearson and Clair (in Doern et al. 2019, p. 3), for example, define crisis in an organizational context as “a low-probability, high-impact situation that is perceived by critical stakeholders to threaten the viability of the organization”. Others argue that even mundane events can culminate into a crisis and propose a process-based definition that captures the dynamic which is lacking in Pearson and Clair (Williams et al. 2017). A crisis has been categorized from its magnitude as major or minor, its location as internal or external, and its nature as techno-economic or people centric, which can relate to individuals, organizations, or communities (Mitroff and Shrivastava 1988). An example of a techno-economic crisis can be an industrial accident while a

people-centric crisis may be caused by a disease such as the coronavirus. Research tends to be more focused on the impact of economically oriented major, external crises, and natural disasters (Williams and Vorley 2014; Smallbone et al. 2012; Monllor and Murphy 2017; Grube and Storr 2018). The effect of crises induced by people has received less attention (Doern et al. 2019; Doern 2016). Yet people-centric crises with a severe impact on social life and the economy are becoming more frequent and global. The AIDS pandemic from 1981 that has caused more than 250 million deaths, the AVIAN flu from 2009, and the most current COVID-19 are examples of ongoing people-centric crises (Baldwin and Weder di Mauro 2020).

Empirical research based on the experiences of people-centric crises is primarily focused on large organizations (Williams et al. 2017). There is a dearth of research on people-centric crises in the context of SMEs (Williams et al. 2017; Herbane 2010). Herbane, for example, observes that no articles on crisis management in SMEs have been published in the journals dedicated to entrepreneurship and smaller enterprises. However, there are a few exceptions in extant literature (Williams and Shepherd 2016; Williams and Vorley 2014; Smallbone et al. 2012; Runyan 2006). This stream of research is primarily concerned with the pre-crisis periods, resources possessed by the entrepreneurs, and the small enterprises' capability to withstand a crisis (Korber and McNaughton, 2017) in Doern et al. (2019). Less is known about the perceptions, strategies, and management practices of entrepreneurs in response to crises and their inter-relatedness. Moreover, experiences of a global crisis of the magnitude of the present pandemic are uncommon despite a rapidly growing literature on the subject (Kraus et al. 2020; Brown and Rocha 2020; Bartik et al. 2020; Fairlie 2020; Belghitar et al. 2020; Eggers, 2020; Haefele et al. 2020; Kuckertz et al. 2020; Juergensen et al. 2020; Thorgren and Williams 2020; Donthu and Gustafsson 2020).

A cursory review shows that many SMEs are severely affected and that government support may not be reaching those most in need (Fairlie 2020; Juergensen et al. 2020). Nevertheless, the impact of the crisis is not only negative; it may also create opportunities for innovation and growth (Kraus et al. 2020; Wenzel et al. 2020). A study by Faulkner (2001) supports this view. Kraus et al. (2020) studied the experiences of the

management of the corona crisis in the context of family businesses in five European countries and identified five overarching strategies: safeguarding liquidity, operations, communication, renewal of business models, and cultural changes. These findings imply that SMEs can experience both threats, for example, liquidity and disruption in communication, but also opportunities for cultural change. In terms of cultural change, they observed a stronger social cohesion and solidarity in spite of an increased digitalization of the businesses.

Thorgren and Williams (2020) illustrate how SMEs attempt to ward off the crisis by halting investments, by reducing costs and expenses, and by renegotiating contracts. From a review of literature on crisis management during COVID-19, Wenzel, et al. (2020, p. v9-v12) have identified four strategic choices that SME managers tend to employ in managing the crisis. The most common strategy is retrenchment. This strategic response implies that the company attempts to resist and survive a crisis by “shrinking” the scope of the business, for example, through cost reduction (Pearce II & Robbins, 1993, p. 614). Some SMEs adopt a persevering strategy, which implies that firms focus on measures that mitigate the effect of the crisis in order to maintain the firm’s pre-crisis status quo. An example of such measures can be to allow employees to work from home in order to minimize absenteeism and decreased productivity. Others choose innovation as a crisis management strategy. This strategy involves reallocating resources in order to exploit opportunities brought about by the crisis (Reymen et al. 2015). This strategic renewal may include the transformation of the business strategy, reorganization, adjustment of a business model, and/or adjustment of the target market (Covin and Kuratko, 2010). Through strategic renewal, a business can transform itself in relation to its existing resources or the industry (Covin and Miles 1999). An example of innovation as a strategic response can be repurposing resources in order to meet a growing demand for a product on the market or from society. Exit implies the discontinuation of a firm in response to a crisis but is not considered in this study. This framework is used in structuring the strategic responses of the cases in this study. In the following section, the research design and the data collection processes are briefly discussed.

6.4 Research Design

The research design is a multiple case study (Yin 2003). Departing from prior research and using its findings, we conducted interviews with owner-managers of small entrepreneurial businesses in different sectors in Stockholm. The interviews were conducted in the last weeks of July up to mid-August. The recommendations for social distancing were observed in conducting the interviews. The case study method is a well-established strategy that has been widely applied in crisis management as well as small business research (Kraus et al. 2020; Herbane 2010; Yin 2003; Eisenhardt 1989). By employing a qualitative approach, we were able to make in-depth interviews that enabled us to get an insight into the entrepreneurs' perceptions, experiences, and decisions during the crisis. This approach was particularly useful in understanding the shifts in their perceptions, experiences, and decisions as the crisis evolved. The impact of COVID-19 on SMEs as well as their responses tend to vary widely (Juergensen et al. 2020). Multiple cases can be used to illustrate these variations and compare possible patterns (Yin 2003). The multiple case design enabled us to compare individual cases as well as sub-groups, for example, along market orientation, industry, size, or age of their businesses for similarities and differences. In doing so, we can illustrate the nature of differential perceptions, impacts, and responses.

A purposive sampling technique was employed in selecting the cases. Seven small enterprises were identified through referral and Google search. Three of the cases are startup enterprises that are oriented toward international markets, while three of the remaining four enterprises serve the local/domestic market. The seventh case is established on the local/domestic as well as the international market. All cases are share companies but vary in resource endowments, size, age, product/service, market, and industry. The interviews were conducted with the entrepreneurs, that is, owner-managers or managers of SME using an unstructured interview guide. The themes of the interview included: (i) pre-COVID-19 status and strategies of their businesses, (ii) their perceptions of the COVID-19 onslaught, (iii) their initial reactions and measures undertaken, (iv) strategies and practices to mitigate the impact and/or exploit opportunities, (v) their views on government support, (vi) their involvement in socially

responsible causes, and (vii) their future outlook. A zoom video link was used and the conversations were recorded with the permission of the respondents. The interviews were conducted in Swedish and later translated into English by the authors. Quality aspects such as construct reliability and validity were considered in designing the case study (Yin 2003). Both within-case and cross-case comparisons have been conducted in analyzing the cases. Further, the indications from data from varying sources have been triangulated for convergence and divergence. The following section presents a brief case presentation followed by a detailed analysis of the data on the crisis management practices of the case companies.

6.5 The Case Study

The results of the case study are presented in two steps. First, the case companies are described in terms of age, size, and industry and main businesses. This is followed by a presentation and discussion of the experiences, views, and the future outlook of the respondents regarding various aspects of coping with the crisis (the main themes of the discussion are presented in the section on Research Design).

6.5.1 Demographic Description of the Case Companies

As stated in the preceding section, the cases are all different in almost all respects. Three of the cases share some common attributes in terms of their backgrounds in academic R&D, product innovation, orientation toward an international market, and stage of development. A common denominator for the remaining four businesses is perhaps the dominance of service in their offerings (Table 6.1). In two of the cases, staffing services are offered but to two different markets. Excluding the oldest case (registered 1994), the businesses are relatively young, one of which is still in its startup phase. In terms of size, five of the cases can be categorized as micro-firms (less than ten employees), while two of them are small

Table 6.1 Profile of the businesses of the cases

Case no.	Product/industry/ market	Year of registration	Size		Respondent
			Employees	Turnover	
C1	-product & R&D services -biotechnology -international market	2008	5	2.4 million	Co-owner CEO
C2	-product; R&D -medical technology -international market	2016	8	6.65 million	Co-owner CEO
C3	-product; R&D -diagnostic -international market	2017	10	5 million	Co-owner CEO
C4 ^a	-transport services; recruitment/ staffing services; consultancy -transport and freight traffic sector -domestic/ Local market	2012	25	25.6 million	CEO
C5	-lighting products and services -wholesale -domestic market	2010	4	1.9 million	Founder- owner, CEO
C6	-staffing services -health care sector -domestic market	2014	6	7 million	CEO
C7	-trade in metals -alloying services -metallurgy -domestic & international market	1994	19	408 million	Co-owner, CEO

^aThe company consists of a coalition of three independent enterprises offering complementary services. Source: Own work

enterprises, one of which has the turnover of a medium-size business (OECD 2019). The turnover per employee also varies from 0.5 million up to over 20 million in one extreme case.

6.5.2 The Respondents, their Perceptions, Responses, Strategies, and Expectations

The respondents were six men and one woman. Two of them occupied a managerial post only (but had a significant investment in the company), while the remaining five were in co-owner-manager or owner-manager positions. Six of the seven respondents hold at least a university degree and all have several years of previous experience as employees in the industry. Five of them had families. Three are aged above 50. In spite of the disparities of the cases, their stories with regard to COVID-19 share many similarities. We use excerpts and direct quotes from the interviews to illustrate their views and arguments. The individual cases are briefly described in the following section.

6.5.3 Case C1

C1 is a new technology-based startup company in the area of medical technology with roots in academic research. The company was founded in 2008 by a research team at a university but its operations are still dominated by R&D activities. However, there are mature plans and steps to bring the product to the international market. It is financed by R&D resources and equity capital through business angels as well as private and state-owned venture capital firms. The target market includes medical technology companies, hospitals, and private practitioners. The founding team is still involved in the company but has recruited an external manager with experiences of international markets for innovations in the industry. At the outbreak of the pandemic, final tests to validate the product were being conducted in a laboratory located in another country. Preparations for an international launch of the business were well underway.

The entrepreneur did not initially consider the outbreak as a threat. He believed it to be yet another virus disease, some type of influenza that would likely pass soon. Reports of the rapid spread and increasing death tolls continued and the situation became highly worrisome. Soon after the outbreak, the company was hit hard by the travel restrictions at home and the lockdown in partner countries. These measures implied that their

laboratory tests as well as their plans for marketing at international conferences and fairs were canceled. Social distancing and the fear and anxiety that accompanied it further aggravated the situation. “...*The COVID-19 pandemic has implied that the laboratories for tests are closed and potential customers are in crisis. We cannot market the product unless verified by those tests. Everything has slowed down to a standstill. We had no choice but to lay off staff. The rest work from home. The pandemic affects everything. It is a difficult situation for startup companies that need capital. It is difficult to attract financial capital. On the social side, digital meetings can work but we feel isolated. Something must happen soon!*” (CEO).

6.5.4 Case C2

The company was founded in 2015 by a team of researchers and professionals with a background in the industry. The product is based on an innovation developed by researchers in the area of 3D printing. This new technology has attracted external equity capital, but the majority of shares are still owned by the founders. The present manager was recruited to establish the company on international markets. The primary market for 3D printing technology is large industrial firms in various sectors such as producers of household appliances, energy, pulp and paper, and airplane manufacturing.

The COVID-19 outbreak was not initially felt as a serious threat. But it soon became clear that the situation may develop into a crisis. Government measures to mitigate the rapid spreading such as social distancing, travel restrictions, and lockdowns implied that the startup process was brought to a halt. “...*The immediate impact of the COVID-19 was on our marketing since all international platforms such as conferences and trade fairs were cancelled. All planned visits to customers were also cancelled. At present we work from home but we are a small team and the social isolation this implies is hard. I believe that our behaviors will change. Some of the changes are likely to have a positive impact in a longer perspective*” (CEO).

6.5.5 Case C3

The company has its roots in academic research at a university. It was founded in 2017 by a team of researchers in Life Sciences. It is owned by the founders and a number of equity capital investors. The company is run by a professional manager who was recruited externally. The target market of the company is public and private institutions such as hospitals and laboratories in life sciences. The company has not yet been seriously affected by the onslaught of the pandemic. “...None of our employees have become affected and we have all been able to work from home. We have not experienced any difficulties. We continue to conduct most of our business digitally and by regular mail. We send our products to our customers by regular mail and our customers send us orders or requests or questions” (CEO).

6.5.6 Case C4

The company has existed in the transport sector since 2012. It was started by a married couple who still own the company. Recently the company joined two other independent businesses to build a self-sufficient delivery service to meet a rapidly growing demand in the wake of the pandemic. Together the group provides services in the areas of road transport, freight traffic, transport consultancy, and staffing. The management did not have plans for any sudden change in the business environment. However, they perceived the rapid growth in demand for delivery and courier services, particularly in the private sector, and acted upon the opportunity to expand their business. They were able to collaborate with other small firms with complementary services and succeeded in building up a capacity that enabled them to benefit from the growing market. The manager believes that the market will continue to grow as online shopping by both businesses and private households is becoming a common practice.

“...We had not planned for a crisis. We should have had a cash buffer but we did not. This pandemic has taught us the importance of planning for a crisis, but perhaps more important it has taught us to be alert to changes in the business environment” (CEO).

The company emphasizes the importance of socially responsible business practices and makes concrete efforts.

6.5.7 Case C5

The company was founded in 2014 by two professionals in health care. It offers staffing services to the health care sector, primarily hospitals and elderly care centers. It is specialized in professionals such as doctors and nurses (consultants) that work on contractual assignments, or want temporary or part-time jobs. The company has been growing rapidly since 2017. In the wake of the COVID-19, the demand for its services increased very rapidly. At the same time, this opportunity exposed businesses in this sector to increased competition because the supply of qualified health care professionals has not increased in proportion to the demand. This was coupled with growing health concerns, fear, and anxiety among employees. However, the concerns of the office staff and the consultants (health care professionals such as nurses and doctors) are different. The consultants were more troubled by the lack of information from customers about their policies, directives, and routines regarding work during COVID-19 whereas office workers were more concerned about the risk of infection. The management decided to immediately reorganize so that office employees could work from home and improve the consultants' access to information online in real time. "...*We understood at an early stage that technical accessibility is not the only competitive edge for business in this sector during this crisis. It is important to understand the psychology of the crisis, everybody is affected. With office workers, we talk a lot about the situation and how each of us feels about it. We are a small team and can understand and support each other. We had a continued dialog with our consultants and also our customers. They also need our support. Health care workers come to us and tell us that they want to work with COVID-19 patients and we have to understand and help them get there. Others want to work but are afraid of the disease and worried about the situation and we need to understand and support them too*" (CEO).

6.5.8 Case C6

The company was founded by the present manager who is driven by a personal commitment to environmentally friendly recycling businesses. It is owned by the founder and external investors. The business idea is to recycle discarded flat-screen hardware into a cheap and easily maintained lighting system. The company offers a service consisting of hardware, technology, and maintenance of a lighting system for large properties such as offices, schools, and community centers. It is still in its startup phase but has just managed to win a large municipal procurement. The primary customers are real estate companies, public sector authorities such as municipalities, and businesses occupying large office spaces and/or other facilities with high lighting costs. The organization is decentralized by outsourcing parts of the activities such as manufacturing.

The founder/manager perceives a potential in the rapid digitalization and home-based work ensuing the outbreak of the COVID-19. He assumes that the amount of empty office space will increase and the costs of lighting will be an important issue for all stakeholders. *“... This situation is likely to put the spotlight on our technology and services. We do not worry about the business. We had no cash buffer for a crisis and to abandon a planned financing scheme. The first challenge we faced was that of supply. But we have managed to complete our projects despite the difficulties we faced in terms of the supply chain. In addition, we were able to secure a procurement during COVID-19. We are hoping that this contract will catch the attention of other customers. We are very flexible and can adapt to new conditions very quickly. We are used to digitalization and have easily been able to adapt to the new working conditions. We have not made many more changes”*(CEO).

6.5.9 Case C7

This is a family business that was founded in 1994. In recent years, the founder has retired and the leadership has been transferred to a new generation in the family. The company's business includes three areas: sales of metal bars to investors, the supply of precious metals and machinery to goldsmiths, other manufacturers such as the telecom, and recycling and sales of metal refuse.

The management did not perceive the situation as serious at the initial stages of the outbreak of the pandemic. However, they soon noticed that many customers were facing problems and the situation was becoming serious. “...*We called the Company Board to a meeting to discuss the situation. Normally in this industry, prices go up during an economic crisis. This time too, the industry was doing quite well, especially in the areas of investment bars and metal refuse. The scary part was how to deal with customers/ suppliers, and especially our employees*” (CEO). Another challenge was the increasing amount of metal refuse that was being offered for recycling. “...*Many manufacturers were looking into their business to locate resources that may generate value. Refuse is such a resource*” (CEO).

The company had to rapidly build up a capacity to meet the growing volume of metal refuse supplied by customers who needed their business to survive. Thus, the management decided to employ additional personnel and expand the recycling business. This was highly profitable because of the increase in the prices of metals: “...*investments in metals continue to escalate and the recycling business is the largest and most profitable at the moment. We have the good luck of an increasing supply of metal refuse combined with high prices of the processed products*” (CEO).

The findings of the case study on the perceptions, strategies, and managerial practices are summarized and discussed in the following. First, we focus on perceptions, strategies, and managerial practices specifically concerned with the challenges faced by the business. Second, we follow this with a corresponding analysis of the cases with regard to the companies’ management of social responsibility during this pandemic.

6.5.10 Summary

The brief description of the cases shows that the managers of SMEs perceive the COVID-19 crisis in different ways (Table 6.2). One group perceives the crisis as a threat (C1 and C2), another group perceives new opportunities for the business (C4–7), while a third group observes neither threats nor opportunities (C3).

The group that perceives the COVID-19 crisis as a threat has similar backgrounds and shares a number of attributes: (a) lacks plans for a crisis,

Table 6.2 Perceptions of and experienced impacts

Cases	Perception of the case Entrepreneurs		Impact of COVID-19 on the businesses
	Threat	Opportunity	
C1	✓		<ul style="list-style-type: none"> -disruption in operations -Canceled investment (capital acquisition) -disruption in networking -increased risk of loss of customers and markets -fall in productivity -social isolation— Dissatisfaction at work
C2	✓		<ul style="list-style-type: none"> -disruption in operation -disruption in international networking -fall in productivity -social isolation -uncertainty about the future
C3	Neutral		No impact reported
C4		✓	<ul style="list-style-type: none"> -increase in demand for transport services -opportunity for business expansion/growth -increased need for capital and human resources -increased risk to employee health and safety
C5		✓	<ul style="list-style-type: none"> -increased demand for the services of the company -increased competition in the sector -increased risk for employees' health -increased uncertainty about work environment conditions
C6		✓	<ul style="list-style-type: none"> -increased financial stress -opportunity/potential for increased demand and market expansion -increased risk of a supply chain breakdown
C7		✓	<ul style="list-style-type: none"> -rapid increase in the prices of products/ services -rapid increase in the demand for products/ services in some areas of the business -need for reallocation of resources -need for investments in capacity -risk for employees' health and safety

Source: Own work

(b) has neither a buffer nor cash flow, (c) heavy investments in product research and development (R&D), (d) depends on access to international markets, (e) in need of financial capital, and (f) in the process of launching a new product. As a result, these businesses are unable to adapt to the crisis situation. However, the impact of the crisis on the respective business and their future outlook differs. One of the cases considers the impact of the crisis as manageable, and another considers it as a threat to survival.

The cases that perceive opportunities rather than threats (C4, C5, C6, and C7) have different backgrounds and operate in varying sectors. However, they exhibit some common characteristics: for example, (a) operate on the domestic market, (b) are in industries that are already thriving during the crisis or have the potential for growth in the wake of the pandemic, (c) are alert to opportunities, and (d) have the capacity to rapidly adapt to changes. They managed to repurpose and relocate their resources, collaborate with others, and/or initiate new networks. Although these companies are located in industries that are favorably impacted by the pandemic, their entrepreneurial behavior makes them interesting. The discovery and exploitation of opportunities require an alertness and willingness to take risks as well as flexibility.

The company constituting the third “group” (C3) shares many attributes with C1 and C2 but perceives neither threats nor opportunities and anticipates no major changes in its business environment. The company’s operations are already digitalized and its business is not jeopardized by the travel restrictions imposed by governments.

The perceptions are not always objective. Therefore, it is important to relate these to actual conditions. Table 6.2 summarizes the perceptions of the entrepreneurs and the actual impact of the COVID-19 crisis that they have experienced during the first six months.

Entrepreneurs may perceive the crisis as a threat or an opportunity. However, the impact is not dichotomous. There can be opportunities in a situation that is perceived as a threat. C2, for example, perceives digitalization as a positive development that will benefit the businesses. On the other hand, in pursuing opportunities, companies face many challenges and risks. Moreover, entrepreneurial perceptions are not always “rational” but perceptions are important because these guide the strategic choices

Table 6.3 Strategic responses and managerial practices in the SME

Cases	Strategic response	Management practice
C1, C2	Retrenchment	-cost reduction -digital network capacity building
C3	Perseverance	-“business as usual” -digitalization
C4, C5, C6, C7	Innovation	-organizational renewal/change -business model adjustment -supply chain adjustment -new products/new offerings

Source: Own work

and practices in managing the crisis. Entrepreneurs who perceive the crisis as a threat are likely to engage in strategies that reduce the level of threat to their businesses. Those who perceive opportunities in a crisis and act upon them (C4–C7) do, at the same time, face new challenges such as competition, financial stress, and the risk of failure. Entrepreneurs who see neither threats nor opportunities are not exempted from the impacts of the crisis. In perspective these may need to find strategies to mitigate the impact of the crisis on their operations. The different strategies employed by the cases are discussed in the following section.

6.5.11 COVID-19 Responses and Management Practices of SMEs

The strategic responses of the cases to the pandemic are affected by several factors including the entrepreneur’s perceptions, the severity of the crisis, firm-specific aspects, changes in the industry and the business environment, as well as entrepreneurial capacity. The actual capacity of the business to resist an onslaught of a pandemic impacts on the strategic response. Factors such as the phase of development, products/markets, liquidity, and resource dependency may limit the room for maneuver. For example, companies at the startup phase which are illustrated by cases C1 and C2 are highly vulnerable and have limited strategic options. Moreover, strategies and practices may change over time and depending on the intensity and duration of the ongoing crisis. However, having said that, the strategic responses to the initial phases of the crisis (March–August, 2020) can

be related to three main strategies: retrenchment, perseverance, and innovation. A brief description and the arguments forwarded by the entrepreneurs follow.

Retrenchment: This strategic response is illustrated by cases C1 and C2. The two companies are in the startup phase, on the verge of a pending international launch. They have exhausted their financial resources and are in the process of raising fresh capital. Therefore, they were caught in a precarious situation and are highly vulnerable. In reality, they have no other strategic options: “...*the pandemic affects everything. We have to lay off staff, we cannot access the laboratories that we need, and we cannot attract funding and capita*” (C1). The situation is of less urgency in the case of C2. “...*We did not lose any orders and they have kept coming. But in view of the layoffs and the lockdown in many countries, the processes have slowed down and projects are not being finished nor are bills being paid on time. We had to lay off ourselves during the past 4 months at 60 percent of full time and plan to increase to 80 percent from the beginning of August. What we can see just now and in view of what we are doing and the projects that we are working on, the situation feels quite stable, but things can change very quickly*” (CEO/C2). This strategy maybe plausible in managing a crisis with a foreseeable end but may not be sustainable in a longer perspective.

Perseverance: C3 illustrates this strategy. In this case, the main business has been digitalized and the impact of social distancing and similar measures (lockdown) were thus mitigated and the impact of the crisis was perceived to be manageable. At this stage, it is “business as usual” but the company is as susceptible to the disease as the others and the staff are forced to work from home: “...*we have always conducted most of our business digitally and by regular mail but we work from home. Cancellations of conferences do have an impact but for us it is just a ripple on the surface. It is other factors that determine our development, for example, our growth ambitions and strategies. We are not planning any changes*” (CEO/C3).

Innovation: This strategic response requires combinations of different types of interrelated transformations of the businesses. For example, companies that reallocate their resources to benefit from COVID-19-driven demands need to renew their organization in order to effectively meet customer needs. Cases C4, C5, C6, and C7 illustrate the point.

Case C4, for example, created a new partnership, thus transforming the organization in order to create an effective supply chain that allows the company to compete on the rapidly growing market for its services. C5 found itself on a market with an accelerating demand but a limited supply of health care professionals. The company renewed the whole organization in order to accommodate a rapid digitalization that was needed in order to adjust to the new requirements and market conditions: “...we have a flexible organization and it was not difficult to reorganize for digitalized work. Thus, the office employees could work from home which helped because they felt safe and saved time, thus becoming much more productive. The consultants were able to access information online in real time. This gave us a competitive edge and we are benefiting from the increased demand in spite of the limitation in supply” (CEO). C7 repurposed its resources and made an organizational renewal to accommodate an expanding manufacturing operation in the area of refuse, an intensified online trade, and increased customer service. This strategy appears to appeal to entrepreneurially oriented firms on the domestic market located in industries that are benefiting from the pandemic. Moreover, these companies had internal resources that enabled them to adapt to the new conditions and take moderate risks. One case, C7, differs in many respects, for example, the company had plans for a crisis, a cash buffer, and an entrepreneurially oriented management approach. “...You always have to anticipate bad times. Initially, my parents did not have access to the welfare I have today. So, I am trained in being ready for different types of crisis. You have to plan. Since I became the CEO of the company, we have changed many things and re-defined our business. It has been very successful. This crisis has been very good for us and we were ready to make the best of it” (CEO). Case C6 has decentralized large parts of its business through outsourcing which enables the company to be flexible. However, the company faced serious supply chain challenges and was forced to find creative solutions. This required an organizational change and establishing new relations and networks: “we are very flexible and can adapt to new conditions very quickly. We are used to digitalization and have easily been able to adapt to the new working conditions. We have not made many more changes” (CEO).

In summary, the case companies which perceive that their survival is at stake respond with a retrenchment strategy. Their priorities are cost

reduction and digitalization in order to sustain international networking and enable work from home. In these cases, downsizing is not an option because their employees are specialists in technology and product development.

Cases that do not perceive any immediate threat to their survival choose perseverance as a strategic response. Their priority is to maintain a status quo and thus, employee health and a digital infrastructure to continue to serve customers. Cases that perceive opportunities in the crisis respond with innovation as a strategy. This strategy primarily involves innovative changes and adjustments geared toward the organization, for example, structure, business model, and customer services. In doing these, they repurpose and relocate existing resources.

6.5.12 Social Responsibility in SMEs during the Crisis

The pandemic has changed the norms of social responsibility, but the new normal has not yet emerged. At present, the expectation is for society to intervene and support businesses rather than expect these to engage in social responsibility. Nonetheless, SMEs engage in socially responsible activities during the crisis, but there are variations in their views, priorities, and focus areas. This can be illustrated in the responses of some of the cases:

“...first we have to survive and operate a profitable business. That is why we do this. Then if you are profitable, you can engage in social responsibility.” (C5)

“...during COVID-19 everybody has to help in every manner they can, it is not about profit.” (C6)

“...we consider our business to be a social mission. This product can change the lives of many patients. To bring this product to the market is a socially responsible act.” (C1)

“...my mission is to popularize environmentally friendly business. I need to make money to achieve my goal but that is not the reason for my involvement in entrepreneurship.” (C6)

“...we are committed to a socially responsible business. We have an inclusive staffing policy and we have invested in electricity driven cars. All our cars are electricity driven. The workplace environment has been more challenging because this involves customers. We have had discussions with clients about rules for contacts and so on. We try to make sure that everybody abides by the Public Health Agency. We have had no incidents of the Coronavirus so far. We try to help where we can, for example, with free transport of goods to hospitals.” (C4)

“...do the right thing! We employ people and pay taxes. In addition to that, we donate relatively large sums of money. We try to recycle and work in an environment friendly manner. During the COVID-19 we take care of our employees, we have employed additional personnel. We have a special post for philanthropy, for example, cancer research and continue to make the donations.” (C7)

Entrepreneurs have different views about the priorities of a business during a crisis. Some argue that businesses should prioritize the fight against the pandemic, others emphasize the survival and resilience of their businesses. The latter argue that retaining and/or creating job opportunities during a crisis is an important and socially responsible action (C4, C7). Perhaps more intriguing are those cases that perceive the mission of their businesses as an act of social responsibility. They consider that the act of bringing technology/products that can improve the quality of life for patients is a clear example of CSR (C1, C2, C3, and C6). This is not to say that they consider themselves as social enterprises.

Another observation is in the areas of focus of the CSR involvement of SMEs. There is a shift toward internal CSR activities, particularly employee health but also social and psychological support in view of social distancing and isolation. Employees are a key resource to SMEs because they are small and cannot afford sick leave and absenteeism. Perhaps as important is that these are small teams who develop close relations and normally take care of each other. Some refer to the team as the “family”. In practice, a socially responsible management primarily implies investment in digitalization to enable employees to work from home. It also implies offering employees support in following COVID-19 restrictions at work and at home. As employers, the companies need to support workers in their interaction with customers. Working from home can

also affect the well-being of employees and the entrepreneurs need to find creative means to socialize. Most external CSR actions are sporadic and limited. Some of the cases offer digital/distance socialization events, joint coffee breaks, and so on. Two of the case companies have continued with their pre-crisis CSR commitments but believe that the focus will shift toward internal CSR in a longer perspective.

In summary, as exhibited in Table 6.4, the primary focus of socially responsible activities in the case companies is geared toward internal issues, specifically employee health and welfare. In practice, socially responsible employee health and welfare implies digitalization which makes it possible to work from home. This further involves the new workplace environment to mitigate isolation and social support that a normal workplace offers. Investment in digitalization also enables new forms of customer relations and care. Some sporadic involvement in external CSR in terms of free services and donations can also be observed. Taken together the practice of social responsibility among these companies suggests close relations between their strategic responses to the crisis, the status of their companies (e.g., economic, entrepreneurial), and their involvement in social responsibility.

Table 6.4 Strategies and managerial practices in social responsibility in the SME

Strategic responses	CSR priorities	CSR practices
Retrenchment	<i>Internal CSR:</i> -employee health and safety -team cohesion and welfare	-digitalization -work from home -distance socialization
Perseverance	<i>Internal CSR:</i> -employee health and safety	-digitalization -work from home
Innovation	<i>Internal and external CSR:</i> -employee health and safety -community outreach in a crisis -planned CSR	-digitalization -work from home -work environment safety assurance activities -donations to COVID-19 alleviation -sporadic involvements, for example, free services to health care sector -donations to pre-crisis projects

Source: Own work

6.6 Conclusions and Discussion

Our study only captures the first six months of the COVID-19 crisis and it is therefore difficult to draw any conclusions. However, we have learned some important lessons that can create a fruitful ground for further studies. One important lesson is that small businesses resembling those in our study are unlikely to anticipate a crisis or have plans for such an event. Second, the perceptions and beliefs of the entrepreneurs about the crisis and its impact on their companies and their business environment play a key role in how the crisis is managed in smaller SMEs. In this study, for example, the type of crisis management strategies and practices differ between entrepreneurs who perceive the pandemic as a threat and those who see opportunities. These perceptions are likely to guide the strategic choices and managerial practices of the entrepreneurs. Those entrepreneurs who perceive a threat rather than an opportunity are likely to craft strategies for survival (short term), for example, retrenchment or perseverance rather than innovation. Third, the impact of the COVID-19 pandemic on a specific SME is related to the state of the industry in which it is located, and its pre-crisis status. However, the ability to manage the crisis and capitalize on the opportunities brought about by the crisis depends on its entrepreneurial capacity, that is, the ability to recognize and transform opportunities into marketable products and services. Fourth, digitalization is the common denominator with regard to social responsibility. It is employed as a tool for implementing the restrictions imposed by the government and creating new ways of mitigating the impact on customers and employees. However, much of the CSR effort is geared toward internal social issues, primarily employee health and welfare. Finally, entrepreneurship is a critical resource in managing a crisis with longer duration. Our study shows that businesses which adopt innovation as a crisis management strategy are thriving and making contributions to combating the crisis by offering new solutions that mitigate the impact of the pandemic. Home delivery service to self-isolated households is a useful example. On the other hand, businesses trying to manage the crisis through cost-reduction and downsizing strategies are facing serious challenges as the pandemic continues. These strategies may not be sustainable in the context of SMEs in a longer perspective.

As mentioned above, our study only captures the first few months of the COVID-19 crisis and our knowledge of crisis management in SMEs in a longer perspective is thus limited. Although our study represents a specific category of businesses, namely entrepreneurial firms, the cases illustrate experiences from several industries. Therefore, we have been able to compare these varying experiences for similarities and differences and identify patterns. The strategic patterns are in line with the indications from prior research (Kraus et al. 2020; Wenzel et al. 2020). We elaborate on previous findings by relating perceptions to strategies and managerial practices. Our study also makes a contribution by extending the strategic responses to social responsibility as an integral part of SMEs' response to crisis. It is important to study crisis management in SMEs in a longer perspective. We have not discussed exit in this study. However, exit may become a norm for SMEs in a longer perspective, including those adopting survival strategies. It is important to study the characteristics, strategies, and managerial resources of resilient SMEs during a longer crisis such as the present pandemic. We hope to do a follow-up study of the cases in order to document their development as the pandemic evolves.

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