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Navigating Uncertainty: The Resilience of Third Sector Organizations and Socially-oriented SMEs during the COVID-19 Pandemic

By *José M. Liñares-Zegarra* and *John O.S. Wilson*

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Abstract

This paper investigates the impact of the COVID-19 pandemic on UK third sector (non-profit organizations and social enterprises) and socially-oriented small and medium-sized enterprises (SMEs), and provides insights regarding their organizational resilience. Using data from the Longitudinal Small Business Survey, the results of an extensive empirical analysis suggest that relative to commercial (for-profit) SMEs, social enterprises were less likely, and socially-oriented SMEs more likely to perceive the pandemic as an obstacle to business success. Third sector and socially-oriented SMEs were more likely to increase their activities compared to commercial SMEs. Moreover, the COVID-19 pandemic appears to have had a differential impact on the future plans of third sector and socially-oriented SMEs relative to commercial SMEs. Third sector organizations were less likely to use government-backed loans, suggesting a need for alternative forms of support or financing to weather economic disruptions. Overall, our analysis suggests a resiliency and versatility among third sector and socially-oriented SMEs in dealing with unexpected and significant external shocks.

Key words: COVID-19 pandemic; organizational resilience; small and medium-sized enterprises; social enterprises; third sector.

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1. Introduction

Third sector organizations (TSOs, such as non-profit organizations, social enterprises) and socially-oriented small and medium enterprises (SMEs) are crucial components of the UK business ecosystem. They play a vital role in promoting sustainable and responsible business practices, and addressing ongoing societal challenges. In contrast to mainstream commercial SMEs which focus solely on financial goals, TSOs and socially-oriented SMEs pursue dual social and financial goals.[1] This study provides new evidence regarding the impact of the COVID-19 pandemic on the behaviour, resilience and future plans of TSOs and socially-oriented SMEs.

As a unique form of business, TSOs and socially-orientated SMEs have attracted the attention of academics, practitioners, and policymakers in recent years. These organizations operate across a wide range of industries, and are characterized by a focus on addressing social and environmental challenges through innovative business models, which strike a balance between making a profit and creating a positive social impact. Traditional non-profit enterprises, also known as charitable organizations, are one of the most well-known types of organizations that operate for the benefit of society, rather than simply for profit. These organizations typically rely on grants, donations, and government funding to support their activities, which include providing essential services in areas such as healthcare, education, and the arts. Social enterprises have also attracted special attention, given their dual mission of financial sustainability and social purpose. Doherty *et al.* (2014) identify hybridity as the defining characteristic of social enterprises. These organizations are driven by a social purpose and reinvest any profits back into local communities. Given their ability to integrate features of private, public, and non-profit organizations, these hybrid organizations play a critical role in: addressing societal issues; the

[1] TSOs encompass a diverse range of organizations such as registered charities, cooperatives, social enterprises, or companies limited by guarantee. They share the goal of pursuing social, environmental, or cultural objectives, are independent from government, and reinvest surpluses to achieve these objectives (Bourne, 2005). A detailed discussion of the different organizational forms used in the present study are included in Section 2 and Figure 1A of the Appendix.

provision of valuable services; and enhancing the resilience of the economy (Murphy & Coombes, 2009; Liu & Ko, 2012). Socially-oriented SMEs are for-profit businesses that prioritize social and environmental responsibility in their operations. These businesses aim to balance financial goals with a commitment to creating positive social and environmental impacts. Together, these three types of organizations play a significant role in promoting sustainable business practices, addressing social and environmental challenges, and creating positive outcomes for the economy and society.

While TSOs and socially-oriented SMEs have demonstrated an ability to create positive social impact, they remain vulnerable to sudden external shocks and crises that can threaten their very survival. For instance, the COVID-19 pandemic exposed the vulnerabilities of many social enterprises (hospitality and tourism industries) that rely on face-to-face customer interactions. Given the significant disruptions brought about by COVID-19 (and the implementation of various public policy interventions to slow the spread of the virus), it is important to understand the impacts on the behaviour and resilience of TSOs and socially-oriented SMEs. Studying their organizational resilience not only fills an important evidence gap, but also informs policy and practice toward effective responses to external shocks and crisis events.

In order to investigate regarding the impact of the COVID-19 pandemic on the behaviour, resilience and future plans of TSOs and socially-oriented SMEs, we rely on data compiled by the 2019-2020 Longitudinal Small Business Survey (LSBS) commissioned and published by the UK Department of Business, Energy and Industrial Strategy[2] (Department for Business Energy and Industrial Strategy, 2022). The main advantage of using the LSBS as an information source is that the sample of SMEs is representative of the population of 5.5 million UK SMEs and follows a consistent classification methodology of firms based on their social and environmental goals.

[2] In February 2023, the Department of Business, Energy and Industrial Strategy was divided into three constituent departments, comprising: the Department for Business and Trade; the Department for Energy Security and Net Zero; and the Department for Science, Innovation and Technology.

In order to provide a comprehensive understanding of the challenges and responses of TSOs and socially-orientated SMEs during the COVID-19 pandemic, our empirical research design utilises probit and multinomial probit models across four areas. Specifically, we investigate: (1) the extent to which TSOs and socially-oriented SMEs view COVID-19 as a major obstacle to business success; (2) the impact of lockdown restrictions on their business operations; (3) the impact of the pandemic on their future business plans; and (4) their use and access to UK Government COVID-19 funding.

By way of preview, the results of our empirical analysis provide a number of important insights. First, social enterprises (socially focused SMEs) were less (more) likely to view the pandemic as a major obstacle to business success compared to commercial SMEs. Second, TSOs and socially-oriented SMEs were more likely to increase their activities during the period where government-imposed lockdown restrictions were in force. Third, the pandemic had a differential impact on the future plans of TSOs and socially-oriented SMEs compared to commercial SMEs. While traditional non-profits and socially-oriented SMEs were less likely to adjust workforce development and leadership plans, they were more likely to face significant challenges in continuing with plans for capital investment and recruitment of new staff in overseas markets. Social enterprises, on the other hand, were less likely to have plans for introducing new working practices and developing and launching new products or services impacted by the pandemic, but more likely to face challenges in executing plans for R&D investment, and selling to new overseas markets. Fourth, traditional non-profit and social enterprises were less likely to use COVID-19 Government-backed accredited loans or finance agreements compared to commercial SMEs. This suggests that traditional non-profit and social enterprises require alternative forms of finance to weather the economic disruptions caused by the COVID-19 pandemic. Socially-oriented SMEs were more likely to use COVID-19 business grants funded by government or local authority compared to commercial SME counterparts.

This paper makes several contributions to salient literature. First, our findings regarding the differential impact of the COVID-19 pandemic on TSOs and socially-oriented SMEs provide valuable insights to the role of organizational structure in driving resilience, flexibility and adaptability in business models in the face of unexpected challenges like the pandemic (Hyndman, 2020; Weaver, 2020; Bacq & Lumpkin, 2021; Belitski *et al.*, 2021; Kober & Thambar, 2021; Magrizos *et al.*, 2021; Plaisance, 2022; Weaver & Blakey, 2022). To the best of our knowledge this is the first attempt to explore this area from a multiorganizational perspective using a nationally representative sample of organizations and businesses operating in the UK. Second, we contribute to the literature exploring the adaptability and flexibility of TSOs and socially-oriented businesses in the context of future strategic planning (Dickerson & Hassanien, 2018; Weaver & Blakey, 2022; Mathibe *et al.*, 2023). The results on the impact of the pandemic on future business plans highlight the need for TSOs and socially-oriented SMEs to adapt their plans to ensure long-term viability in a context of crisis management. Third, we contribute to the literature on the financing of organizations and businesses with a social aim along with the need for targeted support during periods of economic uncertainty (Lee & Cowling, 2013; Doherty *et al.*, 2014; Davies *et al.*, 2019; Lyon & Owen, 2019; Pape *et al.*, 2020; Green *et al.*, 2021). More precisely, the empirical findings regarding the impact of the pandemic on future business plans suggest the need for specific targeted support and interventions to help TSOs and socially-oriented SMEs overcome the challenges posed by the pandemic. Moreover, the results on the use of Coronavirus COVID-19 Government-backed accredited loans or finance agreements suggest that TSOs and social enterprises may require alternative forms of support or financing to weather economic disruptions arising from the pandemic. For example, targeted grants or subsidies, streamlined administrative processes for accessing specific types of funding, or other forms of financial assistance could be more suitable for these organizations.

Overall, the findings of this paper suggest that third-sector and socially-oriented organizations have shown remarkable resilience despite the challenges faced during the COVID-19 pandemic. Some TSOs and socially-oriented SMEs have successfully responded to changing

needs and demands, while others have leveraged their own resources to address challenges. The ability of social enterprises to adapt in response to crisis is important not only for survival, but also for their potential to contribute to broader social and environmental goals. These results have important implications for current and future policy toward organizations and businesses with a social mandate in the context of the COVID-19 pandemic (Bacq & Lumpkin, 2021). The findings also inform and guide stakeholders, including social enterprises, investors, policymakers, and the public, in making informed decisions and supporting the growth and impact of this important part of the UK SME ecosystem.

The rest of this paper is structured as follows. Section 2 examines relevant literature on the challenges for TSOs and socially-oriented SMEs during uncertainty periods, including COVID-19. Section 3 describes the data set used and the research methodology. In section 4, we present the results of our empirical analysis and discussion. Section 5 presents the main conclusions of the paper.

2. Literature

This section reviews literature exploring the challenges faced by the TSOs and socially-oriented SMEs during the COVID-19 pandemic. The social enterprise sector in the UK contributes roughly 3% to the country's GDP, making it one of the fastest-growing forms of businesses. With over 100,000 organizations, the sector generates £60 billion for the economy and provides employment to over two million individuals (Social Enterprise UK, 2018). Social enterprises conduct a variety of commercial activities across economic sectors and contribute to job creation (Haugh *et al.*, 2022). The UK charity sector is crucial for the country's well-being, there are over 200,000 registered charities with a combined estimated annual income of almost £80 billion, employs 800,000 people and rely heavily on volunteers (Hyndman, 2018, 2020). The sector provides a wide range of public services which in turns are a reflection of the UK's overall wellbeing (Hyndman, 2018). Considering the significant role these organizations play in supporting communities, reducing poverty, and serving vulnerable groups, there are strong

economic and social development reasons to conduct research on this important cohort of organizations. TSOs and socially-oriented SMEs are an important part of the UK ecosystem, but they are particularly vulnerable to volatile demand patterns, funding pressures, and a lack of volunteer support during times of crisis. As a result, this has implications for their organizational viability and sustainability.[3]

The COVID-19 pandemic has placed the SME sector under immense pressure, which is arguably much more acute than that experienced by larger businesses (Hurley *et al.*, 2021). Given widespread economic uncertainty, job losses, decreased demand for goods and services, and financial losses, many businesses have been forced to close temporarily or significantly scale back activities, leading to significant financial losses. Kalemli-Ozcan *et al.* (2020) estimate the impact of the pandemic on SME failures across 17 countries. The authors find an increase in failure of approximately 9 percentage points in the absence of government support. Accommodation & Food Services, Arts, Entertainment & Recreation, Education, and Other Services are among the most affected. Based on survey data from 2,500 US SMEs, Bloom *et al.* (2021) find a substantial negative impact of the COVID-19 pandemic on sales. This peaks in the second quarter of 2020, with an average loss of 29%. Other evidence suggests that the COVID-19 has a significant detrimental impact on commercial SMEs and entrepreneurial activities (Belitski *et al.*, 2021; Hurley *et al.*, 2021). However, to date there remains a paucity of evidence regarding the impacts of the COVID-19 pandemic on TSOs and socially-oriented SMEs, Consequently, there is an urgent need to fill this evidence gap in order to understand the ability of these organizations to respond quickly and effectively to emerging challenges, and thus fulfil their mission of creating positive change in society.

Despite a paucity of evidence, several recent studies are of note in this regard. Plaisance (2022) investigates the resilience of French arts and cultural non-profit organizations during the

[3] Resilience (as described in recent studies such as Barbera *et al.* (2020); Kober and Thambar (2021); Plaisance (2022)) is defined as the ability of organizations to bounce back from crises.

COVID-19 crisis. The authors finds that the primary financial challenge faced by non-profit organizations is a decline in income derived from membership fees. Moreover, 31% of non-profit organizations lost touch with volunteers, while 24% altered their overarching mission. Despite significant disruptions in activities (compared to other sectors), non-profit organizations show high resilience via an ability to respond quickly to customer needs and other changing circumstances. Kober and Thambar (2021) apply the Barbera *et al.* (2020) financial resilience framework to investigate the importance of accounting in shaping the financial resilience of charities during the COVID-19 pandemic. The authors highlight the importance of having slack resources in organizational adaptation, and how accounting practices (such as budgeting, forecasting, and financial and non-financial performance reporting) are crucial for a charity's ability to adapt and cope with the financial challenges posed by the COVID-19 pandemic. The COVID-19 pandemic has had a significant impact on the charity sector, leading to a crisis brought about by decreased income and increased demand for services. A study by Pro Bono Economics (2020) reveals the presence of a £10.1bn funding gap for UK charities as a result of COVID-19, with projections indicating a decrease in income by £6.7bn and an increase in demand for their services of £3.4bn. Hyndman (2020) characterizes the impact of COVID-19 on the UK charity sector as a "*perfect storm*" with substantial loss of income and increased demand for services.

In the context of social enterprises, limited research has been conducted on the role of these organizations during times of pandemics and crises. Bacq and Lumpkin (2021) emphasize the importance of reassessing the role of social entrepreneurs in light of major societal issues such as the COVID-19 pandemic, and propose that their function be expanded from being sole agents of change to orchestrators of collective resources. Another challenge that social enterprises may encounter during the COVID-19 pandemic is to balance their social and economic goals (Weaver, 2020). This could result in "*mission drift*" whereby social enterprises prioritize economic over social goals (Cornforth, 2014) or the need for mission agility (Bacq & Lumpkin, 2021) where the organization is able to adapt its mission in response to changes in societal needs.

Recent research explores the impact of the COVID-19 pandemic on the survival of (CSR-oriented) socially-oriented SMEs. Magrizos *et al.* (2021) suggest that SMEs who are skilled in stakeholder management benefit from implementing CSR strategies, improving their financial performance during a crisis (such as the COVID-19 pandemic). This study is of particular significance given that it highlights the potential positive effects of CSR during crisis periods, and thus contributes to the limited research in the area of CSR in countries undergoing economic crisis. Wellalage *et al.* (2022) use data from 6,597 firms in 13 developing countries to investigate the relationship between environmental efficiency and financing for SMEs during the pandemic. The results suggest that being environmentally conscious can enhance trust and financial stability during times of crisis. Environmentally responsible firms enjoyed better access to external (bank, non-bank, and trade credit) finance during the COVID-19 pandemic.

The impact of COVID-19 on TSOs and socially-oriented SMEs is a complex topic that requires further research, taking account of the varied contexts and business models of these organizations. Our research aims to contribute to the literature in this area and provide valuable insights into the resilience of these organizations during the pandemic, informing future policy decisions on supporting them during crises. Despite the challenges brought about by the pandemic, these organizations have demonstrated adaptability and a continued positive contribution to society. However, to date empirical research on the resilience of these organizations during the COVID-19 pandemic (or other stressed periods) is somewhat limited.

3. Data and Methodology

3.1 Mapping the socially responsible SME ecosystem

The LSBS is a large-scale telephone survey of owners, proprietors, managing directors, and senior directors of small and medium-sized enterprises (SMEs) based in the United Kingdom. The survey combines cross-sectional and longitudinal data and categorizes SMEs into four types: traditional non-profit, social enterprises, socially-oriented, and commercial SMEs. For the

purposes of this study, we often refer to social enterprises and traditional non-profits collectively as Third Sector Organizations (TSOs). However, in our empirical analysis, we will analyse social enterprises and traditional non-profits separately. In doing so, we gain a deeper understanding of the unique characteristics and challenges of each organizational type and thus provide tailored insights and recommendations pertaining to social enterprises and traditional non-profits. Moreover, this approach allows us to draw systematic comparisons across different types of organisations with varied levels of social objectives, and differential resilience to unexpected external shocks.

Social enterprises include organizations that have: identifiable social/environmental goals; generate income chiefly from trading activities (i.e., engage in entrepreneurial activity); and use surplus/profit to further social/environmental goals. Social enterprises also include organizations that pursue social goals and generate more than 50% of income from trading activities. *Traditional non-profits* are organizations that pursue social goals but generate less than 50% of income from trading activities.[4] *Socially-oriented SMEs* are enterprises that have social/environmental goals and generate income chiefly from trading activities, but do not use their surplus/profit to further those social/environmental goals. Finally, *Commercial SMEs* have clear commercial and financial goals, and this is the key characteristic which make them different from socially-oriented SMEs. Figure 1A in the appendix provides a more detailed overview of the classification.

[4] Some (but not all) social enterprises have charitable status. The distinguishing feature of a social enterprise is the proportion of turnover derived from trading being above 50%. Therefore, for this study, the term 'traditional non-profit' is used to indicate a charity that earns under 50% of its revenue from commercial activity. The definition used in this paper is close to the OECD (1999)'s definition, where social enterprises are characterised by a special organizational form and serve a distinct function as follows: '*…any private activity conducted in the public interest, organised with an entrepreneurial strategy, whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment*.'

3.2 Longitudinal Small Business Survey

The LSBS contains detailed information regarding the characteristics of our sample, ranging from basic demographic data to various economic variables, including business social/environmental orientation. Table 1 provides a detailed definition of all variables used in the empirical analysis.

[Insert Table 1 around here]

Table 2 presents descriptive statistics of our overall sample. 70% of our sample considered COVID-19 as a major obstacle for their business. Regarding the impact of lockdowns on businesses, figures suggest that 78% of our sample had to either close or reduce their operations. Only 15% of our sample were not affected, and a mere 6% experienced an increase in their operations. As for the effect of COVID-19 on future plans, 42% of our sample had their plans to increase the skills of their workforce affected, while 38.9% saw plans to enhance their leadership capabilities impacted. Half of the sample reported that their capital investments in the UK were affected, while 61% said that their investments in overseas markets were impacted. In addition, more than half of sample experienced challenges in their plans to develop and launch new products or services, while nearly half saw plans affected to introduce new working practices and recruiting UK or international staff. Plans to invest in research and development and to increase export sales or begin selling abroad were also affected for 42% and 54% of the sample, respectively. 27% of the sample had access to COVID-19 government-backed accredited loans or finance agreements, such as the Coronavirus Business Interruption Loan and Bounce Back Loan, for funding related to the pandemic. Additionally, 31% of the sample were able to access COVID-19 business grants funded by the government or local authorities.

Commercial SMEs represent 67% of our sample, followed by socially-oriented SMEs (19.6%), and TSOs (which comprise social enterprises (8.1%) and traditional non-profits (4.2%)). 58% of the organizations and businesses in our sample are growth-oriented, and therefore aim to grow sales over the next three years. Firm size is measured by the number of

employees reported by the company to be currently on the payroll, excluding owners and partners, across all sites of the firm. The majority of our sample belong to the category of zero employees (75.9%) followed by micro (19.8%), small (3.6%) and medium (0.6%) sized business. To control for the age a set of binary variables covering from start-ups (0-5 years) to mature business (20+ years) are included. The distribution across age categories is relatively homogenous, although the majority of our sample are classified in the 20+ years category (37.7%).

The base category of "Decreased" in turnover change indicates that 38.27% of our sample experienced a decrease in turnover, while 39.17% maintained the same level, and 22.56% observed an increase. The majority of our sample, 76.37%, were profitable, while 68.60% were located in urban areas and 85.82% were family-owned. A minority of our our sample, 18.55% and 4.52%, were female-led and minority ethnic-led, respectively. The majority of our sample, 88.38%, were based in England, while 5.91%, 3.47%, and 2.24% were located in Scotland, Wales, and Northern Ireland, respectively. In terms of broad sector, the largest proportion of observations in our sample, 33.68%, belonged to business services, followed by other services (22.68%), transportation and retail services (18.81%), and the manufacturing sector at (24.84%).

[Insert Table 2 around here]

Table 3 shows the correlations between the explanatory variables to assess multicollinearity. The highest correlation is 0.33 (between size and business plan dummy). Hence, multicollinearity does not appear to present a critical concern for our analysis.

[Insert Table 3 around here]

3.3 Methodology

The present study utilises the two most recent waves (2019-2020) of the LSBS. The LSBS survey allows us to exploit the longitudinal nature of the data collected, and thus deal with endogeneity

concerns by using lagged variables. We rely on two empirical approaches (comprising multinomial probit and probit models) in order to investigate how the pandemic has affected TSOs and socially-oriented SMEs in terms of operations and business plans.

3.3.1 Multinomial Probit Model (MNP)

We use a multinomial probit (MNP) regression to investigate to estimate how SMEs adopt different organizational forms (TSOs, socially-oriented SMEs and commercial SMEs) have adapted their business during the lockdown restrictions imposed by the UK government following the onset and spread of the COVID 19 pandemic. The MNP model is used with discrete dependent variables that take on more than two outcomes that do not have a natural ordering (Cameron & Trivedi, 2005).

We can assume SME *i*'s utility for choosing organizational form *j,* U_{ij} $(i = 1, \dots, n;\ j = 1, \dots, n)$ is a function of firm-level characteristics and a stochastic error. The utility of choosing alternative *j* is therefore modelled as:

$$U_{ij} = x'_{ij}\beta + \varepsilon_{ij} \tag{1}$$

where x_{ij} is a vector of covariates and the errors are assumed to be normally distributed, with $\varepsilon \sim N(0, \Sigma)$ where $\varepsilon = (\varepsilon_{i1}, \varepsilon_{i2}, \varepsilon_{i3})$. The probability that organizational form *j* is chosen is

$$p_{ij} = \Pr(y_i = j) = \Pr\left\{\varepsilon_{ik} - \varepsilon_{ij} \leq \left(x_{ij} - x_{ik}\right)'\beta\right\}, for\ all\ k \tag{2}$$

where y_i is a random variable that indicates the choice made by SME *i.* The MNP model is an extension of the binary probit model that allows the coefficients of the explanatory variables to vary across the choices and allow us to assess whether specific characteristics are associated with higher probabilities of an organization being classified within alternative *j*.

All results associated with these models are presented in terms of average marginal effects (AMEs), given that we are interested in the change in the probability associated to changes

in business characteristics and/or specific organizational forms. Standard errors are clustered at regional level to allow for individual correlations within the same geographic area.

3.3.2 Probit Model

Probit models are used to investigate the impact of COVID-19 on business operations (e.g., major obstacle to business success) and future plans. In this case, the dependent variable is equal to one if the SME i exhibit a specific consequence derived from the COVID-19 pandemic, and zero otherwise.

$$\Pr(Obstacles\ /\ Future\ Plans_i = 1) = \Phi(X_i\beta + v_i) \quad (3)$$

v_i are i.i.d., $N(0, \sigma_v^2)$, and Φ is the standard normal cumulative distribution function. We include a wide range of independent variables, which are expected to affect their perceptions about COVID-19 and future business plans. These include organizational form, size, age, various firm-level characteristics, industry and regional fixed effects. In addition, our empirical approach (where appropriate) uses lagged independent variables for growth ambition, changes in turnover, profitability to mitigate endogeneity concerns arising from reverse causality. All results associated with these models are presented in terms of average marginal effects (AME) and errors are clustered at regional level to allow for individual correlations within the same geographical area.

4. Results and discussion

In this section, we present the main results. Specifically, our results cover four key areas with a special focus on TSOs (non-profit organizations and social enterprises) and socially-oriented SMEs: (1) the extent to which these organizations and businesses view COVID-19 as a major obstacle to their success; (2) the impact of lockdown restrictions on business operations between March and June 2020; (3) the effect of the pandemic on future business plans across ten key categories; and (4) the use and access of COVID-19 funding from the UK government, including

grants and loans. By examining these areas, we aim to provide a comprehensive understanding of the challenges faced by TSOs and socially-oriented SMEs during the COVID-19 pandemic and their responses therein.

COVID-19 as a major obstacle to business success

Table 4 present results on whether TSOs and socially-oriented SMEs perceived the COVID-19 pandemic as a major obstacle to their business success. Model 1 includes a comprehensive range of business characteristics as control variables, while Model 2 incorporates two more variables that relate to the firm's management: whether the business is led by women and/or whether it is MEG-led. Results suggest that social enterprises are less likely to consider the pandemic as a major obstacle for their business compared to commercial SMES. This is in contrast to socially-focused SMEs, which were approximately 3.8% more likely than commercial SMEs to view the COVID-19 pandemic as a significant obstacle to their business. Overall, this result suggests that social enterprises may be more resilient in the face of unexpected challenges like the COVID-19 pandemic as they can be more flexible and adaptive in their business models; while socially-focused SMEs may face greater challenges in maintaining their social and environmental objectives in times of crisis as they have specific commercial targets to achieve.

[Insert Table 4 around here]

Impact of government-imposed lockdown restrictions on business operations

Table 5 provides additional information regarding how TSOs and socially-oriented SMEs adapted their operations during the lockdown restrictions compared to commercial SMEs. The results suggest that traditional non-profit, social enterprises and socially-oriented SMEs were more likely to see their operations increased as a results of lockdown restrictions from the end of March to the middle of June 2020 compared to commercial SMEs. This suggests that these organizations has shown some level of resilience during the economic downturn and has been

able to adapt to the changing market conditions caused by the pandemic by pivoting their operations to meet the evolving needs of their local communities.

[Insert Table 5 around here]

Impact of the COVID-19 pandemic on future business plans

The LSBS allows us to analyse how plans to pursue specific activities over the next three years have been affected by the COVID-19 pandemic (See Tables 6A and 6B). Table 6A presents results on the impact of the COVID-19 pandemic on future plans for TSOs and socially-oriented SMEs compared to commercial SMEs. Results suggest that traditional non-profit organizations and socially-oriented SMEs were 23% and 3% less likely, respectively, to have their workforce development plans impacted by the pandemic compared to commercial SMEs. Social enterprises and socially-oriented SMEs were 14.3% and 10.7% less likely, respectively, to have their plans to increase the leadership capability of managers impacted by the pandemic compared to commercial SMEs. Social enterprises and socially-oriented SMEs were 31.4% and 7% less likely, respectively, to have their plans for capital investment (in premises, machinery etc.) in the UK impacted by the pandemic compared to commercial SMEs. However, social enterprises and socially-oriented SMEs were 58.6% and 54.7% more likely, respectively, to have their plans for capital investment (in premises, machinery etc.) in overseas markets impacted by the pandemic compared to commercial SMEs. Compared to commercial SMEs, traditional non-profits were 9.6% more likely to have their plans to develop and launch new products or services impacted by the pandemic. On the other hand, social enterprises were 3.3% less likely than commercial SMEs to have their plans affected by the pandemic in terms of developing and launching new products or services.

[Insert Table 6A around here]

Results in Table 6B suggest that, compared to commercial SMEs, social enterprises were 18.6% less likely to have their plans to introduce new working practices impacted by the

pandemic. Compared to commercial SMEs, traditional non-profits were 6.8% less likely to have their plans to invest in R&D impacted by the pandemic. On the other hand, social enterprises and socially-oriented SMEs were 18.6% and 17.4%, respectively, more likely than commercial SMEs to have their plans affected by the pandemic in terms of plans to invest in R&D. Social enterprises and socially-oriented SMEs were 53.5% and 4.7% more likely, respectively, to have their plans to increase export sales or begin selling to new overseas markets impacted by the pandemic compared to commercial SMEs. Social enterprises and socially-oriented SMEs were 4.2% and 10.6% more likely, respectively, to have their plans to Recruitment of new staff in the UK impacted by the pandemic compared to commercial SMEs. Compared to commercial SMEs, social enterprises were 12.1% less likely to have their plans of recruitment of new staff in overseas offices impacted by the pandemic. On the other hand, socially-oriented SMEs were 24.2% more likely than commercial SMEs to have their plans affected by the pandemic in terms of recruitment of new staff in overseas offices.

[Insert Table 6B around here]

Results in Tables 6A and 6B show that the COVID-19 pandemic has had a differential impact on the future plans of TSOs and socially-oriented SMEs compared to commercial SMEs. While traditional non-profits and socially-oriented SMEs were less likely to have their workforce development and leadership plans impacted by the pandemic, they were more likely to face challenges in capital investment and recruitment of new staff in overseas markets. Social enterprises, on the other hand, were less likely to have their plans for introducing new working practices and developing and launching new products or services impacted by the pandemic, but more likely to face challenges in R&D investment and increasing export sales or selling to new overseas markets. These findings highlight the need for targeted support and interventions to ensure that TSOs and socially-oriented SMEs can overcome the challenges posed by the pandemic and continue to contribute to social and economic development.

Access and use of COVID-19 funding

Finally, Table 7 present results on the use of COVID-19 Government-backed accredited loans or grants funded by government or local authority by third-sector organizations and socially-oriented SMEs. Models 1 and 3 include a comprehensive range of business characteristics as control variables, while Models 2 and 4 incorporate two more variables that relate to the firm's management: whether the business is led by women and/or whether it is MEG-led. Results suggest that, compared to commercial SMEs, both traditional non-profit and social enterprises were 18.8% and 4.4% less likely to use COVID-19 Government-backed accredited loans or finance agreements such as Business Interruption and Bounce Back Loans. This in turn suggests that these organizations may need alternative forms of support or financing to weather economic disruptions such as the COVID-19 pandemic. This could include targeted grants or subsidies, streamlined administrative processes for accessing specific type of funding, or other forms of financial assistance. Results for COVID-19 business grants funded by government or local authority indicate that socially-oriented SMEs were more likely to use the grants, with a range of 0.6% to 1.9%., compared to commercial SMEs. The findings for traditional non-profit organizations and social enterprises were less clear. The significance of the coefficients varies across different models, but the results suggest that social enterprises were 2.1% more likely to use the grants in Model 3, while traditional non-profits were 5.3% less likely to use the grants in Model 4, compared to SMEs.

5. Conclusions

The COVID-19 pandemic has led to unprecedented challenges for TSOs (non-profit organizations and social enterprises) and socially-oriented SMEs, impacting their operations and finances, and posing a threat to their very survival. Despite limited research on the resilience and adaptability of these type of organizations during the pandemic, it is crucial to understand their capacity to respond to emerging challenges, maintain their mission, and bounce back from a crisis quickly and effectively. By being agile and adaptive, these SMEs can take advantage of new opportunities, secure support, and ensure their long-term sustainability.

This paper seeks to shed light on the challenges faced by TSOs and socially-oriented SMEs as a result of the pandemic, with the goal of identifying key factors and business characteristics that have enabled these organizations and businesses to adapt and maintain their operations. Using the most recent waves (2019-2020) of the LSBS survey, we first assess whether the pandemic has been seen as a major obstacle for these organizations and businesses. Second, we evaluate the impact of lockdown measures implemented in the UK, exploring whether they have negatively affected the ability of SMEs to conduct business, and potentially hindering their operations. We also examine whether the COVID-19 pandemic affected a number of future plans in place for these organizations, and forced them to adjust their strategies and priorities. Finally, we examined the ability of these organizations to obtain COVID-19-related funding through government-backed loans and grants. Such financial support has been crucial for many organizations and businesses during the pandemic, and this study assessed the extent to which SMEs have been able to access these resources.

By employing probit and multinomial probit models to investigate the impact of COVID-19 on businesses across four key areas we offer a comprehensive understanding of the challenges faced by businesses during the pandemic and their responses. Our results suggest that social enterprises were less likely to view the pandemic as a significant obstacle compared to commercial small and medium-sized enterprises (SMEs), while socially-focused SMEs were more likely to perceive it as a major obstacle. Additionally, TSOs and socially-oriented businesses were more likely to increase their operations during the lockdown restrictions compared to commercial SMEs. The pandemic had varying impacts on the future plans of TSOs and socially-oriented SMEs compared to commercial SMEs. Traditional non-profits and socially-oriented SMEs were less likely to have their workforce development and leadership plans affected by the pandemic, but they faced more significant challenges in their plans for capital investment and recruitment of new staff in overseas markets. Social enterprises, on the other hand, experienced fewer impediments to their plans for introducing new working practices and developing and launching new products or services, but they faced more significant obstacles in their plans for

research and development investment and increasing export sales or selling to new overseas markets. Finally, the study revealed that traditional non-profit and social enterprises were less likely to use Coronavirus COVID-19 Government-backed accredited loans or finance agreements compared to commercial SMEs, indicating the need for alternative forms of support or financing to address the economic disruptions caused by the pandemic. Socially-oriented SMEs were more likely to use Coronavirus COVID-19 business grants funded by the government or local authorities compared to commercial SMEs.

By examining how these organizations and businesses have adapted to changing circumstances and implemented measures to mitigate the impact of the pandemic on their operations, we have provided insights into the factors that have enabled third-sector organizations and socially-oriented SMEs to successfully navigate the COVID-19 crisis. Overall, the results presented in this study have important implications for public policy by providing valuable information for organizations and other key stakeholders wishing to execute appropriately designed interventions or offer financial support to strengthen organizations with a social mission.

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Table 1: Variable definition

Variable	Definition	LSBS code
Major Obstacle	Which of the following would you say are major obstacles to the success of your business in general?	G2K
COVID-19	COVID-19 as a major obstacle for the business	
Business Impact during lockdown	Which of the following statements best describes how your [ANSWER AT A-2] adapted during the lockdown restrictions from the end of March to the middle of June 2020?	GC1
Closed down or Reduced Operations	Closed down completely (temporarily) or Operations were reduced	
Unaffected	Unaffected by Covid-19 restrictions	
Increased Operations	Operations were increased	
Future Plans affected by COVID-19	Have plans [over the next three years] been affected by the coronavirus COVID-19 pandemic? IF YES: Which plans? Increase the skills of the workforce (*), Increase the leadership capability of managers (*), Capital investment (in premises, machinery etc.) in the UK, Capital investment (in premises, machinery etc.) in overseas markets, Develop and launch new products/services, Introduce new working practices, Invest in R&D, Increase export sales or begin selling to new overseas markets, Recruitment of new staff in the UK (*), Recruitment of new staff in overseas offices (*). Note: (*) Only asked to business with employees.	R4A(A-J)
Use of COVID funding	Has your company used any …?	H100A_1 and H100A_2
COVID-Funding (loans)	Coronavirus COVID-19 Government-backed accredited loans or finance agreements such as Coronavirus Business Interruption Loan and Bounce Back Loan	
COVID-Funding (grants)	Coronavirus COVID-19 business grants funded by government or local authority	
SME classification		SOCENT
Commercial SMEs (base category) Traditional non-profit Social Enterprise Socially-orientated SME	See Figure A1. For the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, we will analyse them separately. By analysing each type separately, we can gain a deeper understanding of the unique characteristics and challenges of each organization and provide tailored insights and recommendations for each group.	
Aims to grow	Aim to grow sales over the next 3 years.	R1
Size		A2SPSS1
Zero employees (base category)	Zero employee business had no employees on their payroll (excluding owners and partners) at the time of the interview.	
Micro	1-9 employees.	
Small	10-49 employees.	
Medium	50-249 employees.	
Business age	Age of the firm.	A6SUM and A6, missing values for 2016 are completed with values from 2015
0 – 5 years (base category)		

6 – 10 years		
11 – 20 years		
20+ years		
Turnover change	Turnover in the past 12 months, compared with the previous 12 months.	P2
Decreased (base category)		
Stayed roughly the same		
Increased		
Profit	Firm generates a profit or surplus after considering all sources of income in the last financial year.	P12
Urban area	Broad urban/rural categorisation from postcode.	URBRUR2
Female-led	Business is women-led.	WLED
Minority ethnic-led	Business is MEG-led.	MLED
Family-owned	Business is a family-owned business (i.e., one which is majority-owned by members of the same family).	A12
Business plan	The business has a formal written business plan.	F5
Region	Region where the firm has its headquarters.	NATION
England (base category)		
Scotland		
Wales		
Northern Ireland		
Broad Sector	Industry Sector	SECTOR
Manufacturing sector (base category)	Production and construction (SIC 2007: ABCDEF).	
Transportation and retail services	Transport, retail, and food service / accommodation (SIC 2007: GHI).	
Business services	Business services (SIC 2007: JKLMN).	
Other services	Other services (SIC 2007: PQRS).	

Notes: This Table shows variable names and definitions of our dependent and explanatory variables. All variables were gathered from the Longitudinal Small Business Survey, 2019-2020.

Table 2: Summary Statistics

This table reports the summary statistics using data from the Longitudinal Small Business Survey, 2019-2020. Cross sectional survey weights applied to represent the population of SMEs in the UK. Respondents who answer ''I do not know'' or refused to answer are not included in the analyses. Variable definitions are reported in Table 1.

	Mean	Std. Dev.	N
MAJOR OBSTACLE			
COVID-19	0.703636	0.456744	2516
BUSINESS IMPACT DURING LOCKDOWN			
Closed down / Reduced Operations	0.784614	0.411117	7596
Unaffected	0.155536	0.362439	7596
Increased Operations	0.05985	0.237224	7596
SMEs WITH PLANS AFFECTED BY COVID-19			
A: Increase the skills of the workforce	0.423698	0.904728	1270
B: Increase the leadership capability of managers	0.389263	0.966437	874
C: Capital investment (in premises, machinery etc.) in the UK	0.506985	0.613993	764
D: Capital investment (in premises, machinery etc.) in overseas markets	0.613398	0.589476	125
E: Develop and launch new products/services	0.551517	0.520684	892
F: Introduce new working practices	0.477216	0.579253	1024
G: Invest in R&D	0.427538	0.639211	629
H: Increase export sales or begin selling to new overseas markets	0.540270	0.565090	388
I: Recruitment of new staff in the UK	0.497758	0.688066	1279
J: Recruitment of new staff in overseas offices	0.497703	0.660359	116
USE OF COVID FUNDING			
COVID-Funding (loans)	0.276019	0.614681	7462
COVID-Funding (grants)	0.311517	0.629074	7445
TYPES OF ORGANIZATIONS AND BUSINESSES			
Commercial SME (base category)	0.679593	0.466655	10883
Traditional non-profit	0.042272	0.201219	10883
Social Enterprise	0.081751	0.273997	10883
Socially-orientated SME	0.196384	0.39728	10883
CONTROL VARIABLES			
Entrepreneur orientation			
Aims to grow	0.58514	0.492711	18621
Size			
Zero employees (base category)	0.759492	0.427403	18621
Micro (1-9)	0.198155	0.39862	18621
Small (10-49)	0.036321	0.187092	18621
Medium (50-249)	0.006032	0.077436	18621
Business age			
0 – 5 years (base category)	0.136235	0.343047	18559
6 – 10 years	0.183543	0.387122	18559
11 – 20 years	0.298427	0.45758	18559
20+ years	0.381795	0.48584	18559
Turnover change			

Decreased (base category)	0.3827	0.48606	17897
Stayed the same	0.391725	0.488149	17897
Increased	0.225575	0.417972	17897
Profitability			
Profit	0.763721	0.424808	17648
Business characteristics			
Urban area	0.685989	0.464134	18100
Family owned	0.85823	0.348824	18573
Business plan	0.28319	0.45056	17966
Female led	0.185548	0.388752	17757
Minority ethnic-led	0.045184	0.207714	17258
Region			
England (base category)	0.883837	0.320428	18621
Scotland	0.059073	0.235767	18621
Wales	0.034737	0.183119	18621
Northern Ireland	0.022353	0.147831	18621
Broad Sector			
Manufacturing sector (base category)	0.248445	0.432123	18621
Transportation and retail services	0.188048	0.390761	18621
Business services	0.336756	0.472613	18621
Other services	0.226752	0.418742	18621

Table 3: Correlation matrix

This table report the correlation matrix between all variables used in this study. Statistical significance at the 1% level is showed by *.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) Social Enterprise	1.000												
(2) Aim to grow	0.027*	1.000											
(3) Firm size	0.051*	0.246*	1.000										
(4) Firm Age	-0.020	-0.091*	0.179*	1.000									
(5) Turnover change	0.017	0.075*	0.131*	-0.055*	1.000								
(6) Profit	-0.067*	-0.002	0.056*	0.020*	0.250*	1.000							
(7) Urban	-0.016	0.058*	0.079*	-0.027*	-0.014	-0.026*	1.000						
(8) Family business	-0.067*	-0.060*	-0.256*	-0.078*	-0.073*	0.055*	-0.130*	1.000					
(9) Business plan	0.112*	0.177*	0.328*	-0.013	0.070*	-0.034*	0.053*	-0.206*	1.000				
(10) Women-led	0.035*	-0.019	-0.028*	-0.046*	-0.040*	-0.051*	-0.002	0.059*	0.004	1.000			
(11) MEG-led	0.041*	0.032*	0.013	-0.078*	-0.007	-0.032*	0.096*	0.002	0.030*	-0.002	1.000		
(12) Region	0.027*	0.003	0.016	-0.027*	0.011	0.022*	-0.099*	0.020*	0.003	-0.004	-0.055*	1.000	
(13) Broad Sector	0.092*	-0.060*	-0.063*	-0.040*	-0.019	-0.079*	0.133*	-0.185*	0.084*	0.172*	0.043*	-0.067*	1.000

Table 4: COVID-19 pandemic as major obstacles to the success of your business in general

This table shows average marginal effects (AMEs) from a probit model of SMEs' characteristics on the probability of considering covid as a major obstacle for their businesses. All regressions include a constant term. The base categories for categorical variables are: zero employees (size), 0-5 years (business age), 18–30 years old (owner's age), decreased (turnover change). Commercial SME is the base category for comparing organizational forms. or the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, for the purposes of our empirical analysis, we will analyse them separately. All models include industry and regional fixed effects. Survey weights applied to represent the population of SMEs in the UK. Z-statistics adjusted for clustering at regional level are reported in parentheses. Statistical significance at the 10%, 5%, and 1% levels are showed by *, ** and ***.

	Model 1	**Model 2**
Traditional non-profit $_{t-1}$	0.035	0.063
	(0.75)	(1.33)
Social enterprise $_{t-1}$	-0.025***	-0.033***
	(-11.41)	(-10.39)
Socially-oriented SME $_{t-1}$	0.042***	0.038***
	(3.17)	(4.34)
Aims to grow $_{t-1}$	-0.044*	-0.049**
	(-1.80)	(-2.28)
Size: Micro	0.026***	0.021***
	(3.65)	(3.03)
Size: Small	0.010	0.022
	(0.48)	(1.36)
Size: Medium	-0.013	-0.007
	(-0.33)	(-0.13)
Business age: 6 – 10 years	-0.179***	-0.185***
	(-3.09)	(-3.71)
Business age: 11 – 20 years	0.013	0.016***
	(1.18)	(5.18)
Business age: 20+ years	-0.129**	-0.117**
	(-2.34)	(-2.52)
Turnover change (stayed the same) $_{t-1}$	-0.008	-0.031***
	(-0.68)	(-4.47)
Turnover change (increased) $_{t-1}$	-0.048***	-0.071***
	(-3.23)	(-4.44)
Profit $_{t-1}$	0.000	0.016
	(0.02)	(0.97)
Location $_{t}$: Urban area	0.067***	0.075***
	(3.29)	(3.66)
Family owned	0.018	0.032
	(0.45)	(0.70)
Business plan	0.051	0.052
	(1.63)	(1.61)
Female led $_{t-1}$		0.066
		(1.19)
Minority ethnic-led $_{t-1}$		0.007
		(0.33)
Fixed effects		
Regional FEs	YES	YES
Industry FEs	YES	YES
Observations	1424	1317
Log pseudo-likelihood	-836.401	-798.935
R2	0.067	0.067
AIC	1676.801	1601.869
BIC	1687.324	1612.236

Table 5: Which of the following statements best describes how your business adapted during the lockdown restrictions from the end of March to the middle of June 2020?

This table shows average marginal effects from multinomial probit regressions predicting business adaptations during lockdown. All regressions include a constant term. The base categories for categorical variables are: zero employees (size), 0-5 years (business age), 18–30 years old (owner's age), decreased (turnover change). Commercial SME is the base category for comparing organizational forms. or the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, for the purposes of our empirical analysis, we will analyse them separately. All models include industry and regional fixed effects. Survey weights applied to represent the population of SMEs in the UK. Z-statistics adjusted for clustering at regional level are reported in parentheses. Statistical significance at the 10%, 5%, and 1% levels are showed by *, ** and ***.

	Your business closed down completely (temporarily) or Operations were reduced	**Unaffected by Covid-19 restrictions**	**Operations were increased**
Traditional non-profit $_{t-1}$	0.029	-0.099***	0.070***
	(0.71)	(-3.89)	(4.52)
Social enterprise $_{t-1}$	-0.021	-0.016	0.037***
	(-1.15)	(-0.69)	(5.60)
Socially-oriented SME $_{t-1}$	-0.016	-0.004	0.020***
	(-0.96)	(-0.25)	(18.50)
Aims to grow $_{t-1}$	0.044***	-0.057***	0.013**
	(2.84)	(-5.22)	(2.48)
Size: Micro	-0.006	-0.009	0.015***
	(-0.58)	(-0.73)	(2.66)
Size: Small	-0.008	-0.021	0.030***
	(-0.51)	(-1.31)	(7.99)
Size: Medium	-0.040*	-0.007	0.047***
	(-1.92)	(-0.42)	(12.90)
Business age: 6 – 10 years	-0.012	0.026**	-0.014***
	(-0.86)	(2.34)	(-4.29)
Business age: 11 – 20 years	0.007	0.014	-0.021***
	(0.40)	(1.05)	(-4.79)
Business age: 20+ years	-0.037*	0.065***	-0.028***
	(-1.94)	(4.32)	(-6.83)
Turnover change (stayed the same) $_{t-1}$	-0.086***	0.088***	-0.002
	(-3.55)	(4.18)	(-0.39)
Turnover change (increased) $_{t-1}$	-0.107***	0.096***	0.011*
	(-83.31)	(19.69)	(1.90)
Profit $_{t-1}$	0.044***	-0.044***	0.001
	(5.92)	(-6.89)	(0.51)
Location $_{t}$: Urban area	0.031***	-0.040***	0.009**
	(4.50)	(-9.69)	(2.02)
Family owned	0.014	-0.055***	0.041***
	(1.22)	(-3.60)	(8.12)
Business plan	0.007	-0.024***	0.018***
	(1.25)	(-2.92)	(3.84)
Female led $_{t-1}$	0.101***	-0.096***	-0.005
	(64.77)	(-14.33)	(-0.98)
Minority ethnic-led $_{t-1}$	-0.088***	0.041**	0.047***
	(-3.39)	(1.96)	(9.36)
Fixed effects			
Regional FEs		YES	
Industry FEs		YES	
Observations		3892	
Log likelihood		-2443.91	
AIC		4891.835	
BIC		4904.368	

Table 6A: SMEs with future plans over the next 3 years affected by COVID-19 pandemic

This table shows average marginal effects from probit regressions. All regressions include a constant term. The base categories for categorical variables are: zero employees (size), 0-5 years (business age), 18–30 years old (owner's age), decreased (turnover change). Commercial SME is the base category for comparing organizational forms. or the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, for the purposes of our empirical analysis, we will analyse them separately. All models include industry and regional fixed effects. Survey weights applied to represent the population of SMEs in the UK. Sample is restricted to SMEs with future plans (stated in columns in the Table below) over the next 3 years. Z-statistics adjusted for clustering at regional level are reported in parentheses. Statistical significance at the 10%, 5%, and 1% levels are showed by *, ** and ***.

	Increase the skills of the workforce	**Increase the leadership capability of managers**	**Capital investment in UK**	**Capital investment in overseas market**	**Develop and launch new products/services**
Traditional non-profit $_{t-1}$	-0.237***	-0.122	0.043	0.000	0.096**
	(-7.90)	(-1.43)	(0.68)	(.)	(2.30)
Social enterprise $_{t-1}$	0.020	-0.143***	-0.314***	0.586***	-0.033*
	(0.87)	(-4.95)	(-30.00)	(907.06)	(-1.80)
Socially-oriented SME $_{t-1}$	-0.030*	-0.107**	-0.070*	0.547***	0.051
	(-1.92)	(-1.99)	(-1.70)	(21.76)	(0.99)
Aims to grow $_{t-1}$	-0.064***	0.042**	0.140***	-0.147***	0.106**
	(-4.84)	(1.97)	(31.50)	(-16.21)	(2.19)
Size: Micro	0.000	0.000	0.081***	0.017	-0.112***
	(.)	(.)	(2.59)	(0.90)	(-5.48)
Size: Small	0.014	0.002	0.151***	-0.097***	-0.058*
	(0.62)	(0.06)	(2.66)	(-30.95)	(-1.69)
Size: Medium	0.106***	0.127***	0.143***	0.064**	-0.101
	(4.09)	(3.99)	(3.58)	(2.22)	(-1.30)
Business age: 6 – 10 years	-0.128***	0.100***	-0.114**	0.531***	-0.267
	(-27.26)	(4.54)	(-2.51)	(49.75)	(-1.45)
Business age: 11 – 20 years	-0.108***	-0.089	-0.102***	0.575***	-0.082
	(-3.43)	(-1.15)	(-10.74)	(14.44)	(-0.62)
Business age: 20+ years	-0.068***	0.066	-0.269***	-0.124***	-0.220**
	(-7.46)	(1.58)	(-5.61)	(-6.81)	(-2.48)
Turnover change (stayed the same) $_{t-1}$	-0.076*	-0.090***	-0.031***	-0.387***	-0.042
	(-1.66)	(-2.95)	(-3.90)	(-19.01)	(-1.26)
Turnover change (increased) $_{t-1}$	-0.085***	-0.098***	0.033	-0.278***	-0.033***
	(-3.92)	(-6.48)	(1.15)	(-68.73)	(-4.06)
Profit $_{t-1}$	-0.147***	-0.103**	-0.060	-0.060***	0.205***
	(-18.86)	(-2.14)	(-0.79)	(-3.64)	(6.02)
Location $_{t}$: Urban area	0.002	-0.015	0.012	-0.230***	0.006
	(0.07)	(-0.55)	(0.18)	(-3.11)	(0.24)
Family owned	0.090***	-0.028	0.077***	-0.431***	0.017
	(8.51)	(-1.17)	(4.24)	(-20.06)	(0.72)
Business plan	0.052***	-0.074***	-0.002	-0.090***	0.137***
	(141.83)	(-4.94)	(-0.21)	(-5.36)	(41.32)
Female led $_{t-1}$	0.037*	0.047	0.121	0.282***	0.115***
	(1.92)	(0.53)	(0.95)	(3.54)	(5.78)
Minority ethnic-led $_{t-1}$	0.141***	0.151***	0.005	-0.863***	-0.050**
	(15.26)	(22.90)	(0.28)	(-32.28)	(-2.36)
Fixed effects					
Regional Fes	YES	YES	YES	YES	YES
Industry Fes	YES	YES	YES	YES	YES
N	672	451	399	58	456
Log pseudo-likelihood	-142.109	-77.933	-148.533	-8.296	-283.218
R2	0.043	0.065	0.166	0.666	0.072
AIC	288.219	159.866	301.067	18.591	570.435
BIC	297.239	168.089	309.045	20.652	578.680

Table 6B: SMEs with future plans over the next 3 years affected by COVID-19 pandemic

This table shows average marginal effects from probit regressions. All regressions include a constant term. The base categories for categorical variables are: zero employees (size), 0-5 years (business age), 18–30 years old (owner's age), decreased (turnover change). Commercial SME is the base category for comparing organizational forms. or the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, for the purposes of our empirical analysis, we will analyse them separately. All models include industry and regional fixed effects. Survey weights applied to represent the population of SMEs in the UK. Sample is restricted to SMEs with future plans (stated in columns in the Table below) over the next 3 years. Z-statistics adjusted for clustering at regional level are reported in parentheses. Statistical significance at the 10%, 5%, and 1% levels are showed by *, ** and ***.

	Introduce new working practices	**Invest in R&D**	**Increase export sales or begin selling to new overseas markets**	**Recruitment of new staff in the UK**	**Recruitment of new staff in overseas offices**
Traditional non-profit $_{t-1}$	-0.135	0.068***	0.000	0.038	-0.013
	(-0.87)	(-4.12)	(.)	(0.81)	(-0.18)
Social enterprise $_{t-1}$	-0.186***	0.186***	0.535***	0.042***	-0.121**
	(-6.28)	(6.60)	(12.95)	(4.09)	(-2.46)
Socially-oriented SME $_{t-1}$	0.089	0.174***	0.047*	0.106***	0.242**
	(1.48)	(5.78)	(1.70)	(9.26)	(2.43)
Aims to grow $_{t-1}$	0.102**	0.032	0.003	0.066***	-0.060
	(2.55)	(0.92)	(0.04)	(5.36)	(-0.56)
Size: Micro	-0.035	-0.040	0.070*	-0.109***	0.467***
	(-1.03)	(-0.88)	(1.87)	(-6.86)	(5.82)
Size: Small	-0.058	-0.032	0.078	-0.148***	0.236***
	(-0.51)	(-0.85)	(0.99)	(-7.38)	(2.99)
Size: Medium	0.074	-0.006	-0.018	-0.077***	0.336
	(0.64)	(-0.09)	(-0.26)	(-2.89)	(1.62)
Business age: 6 – 10 years	0.110	-	-0.239***	-0.147***	0.012
	(0.97)	(-12.41)	(-25.06)	(-9.22)	(0.20)
Business age: 11 – 20 years	0.092**	-	0.026	-0.091***	0.143***
	(2.46)	(-35.09)	(1.56)	(-14.94)	(3.22)
Business age: 20+ years	0.048***	-	-0.170***	-0.138***	-0.010
	(3.07)	(-5.96)	(-3.23)	(-28.14)	(-0.08)
Turnover change (stayed the same) $_{t-1}$	0.003	-	-0.217***	-0.110***	-0.293***
	(0.06)	(-36.09)	(-145.77)	(-9.91)	(-39.07)
Turnover change (increased) $_{t-1}$	-0.078*	-	-0.232***	-0.167***	-0.206***
	(-1.80)	(-10.50)	(-7.62)	(-33.18)	(-27.35)
Profit $_{t-1}$	-0.090**	0.085***	-0.005	-0.039***	0.190***
	(-1.98)	(2.59)	(-0.20)	(-4.73)	(7.88)
Location $_{t}$: Urban area	0.137***	0.045	0.052***	-0.052***	0.139*
	(3.10)	(1.21)	(49.96)	(-8.16)	(1.85)
Family owned	0.030***	0.085***	-0.028**	0.072***	-0.062**
	(3.39)	(5.16)	(-1.98)	(8.33)	(-2.22)
Business plan	0.020	0.129***	-0.090***	0.138***	-0.016***
	(0.70)	(12.28)	(-6.19)	(17.39)	(-2.84)
Female led $_{t-1}$	0.034	-	-0.053***	-0.066***	0.131***
	(0.23)	(-15.32)	(-8.56)	(-3.94)	(2.70)
Minority ethnic-led $_{t-1}$	-0.130**	0.043***	-0.182***	-0.155***	0.014**
	(-2.51)	(3.22)	(-15.97)	(-23.41)	(2.30)
Fixed effects					
Regional Fes	YES	YES	YES	YES	YES
Industry Fes	YES	YES	YES	YES	YES
N	511	333	207	658	66
Log pseudo-likelihood	-243.464	-	-91.832	-220.690	-7.739
R2	0.153	0.228	0.205	0.072	0.649
AIC	490.928	220.228	187.665	445.381	17.479
BIC	499.401	227.844	194.330	454.359	19.668

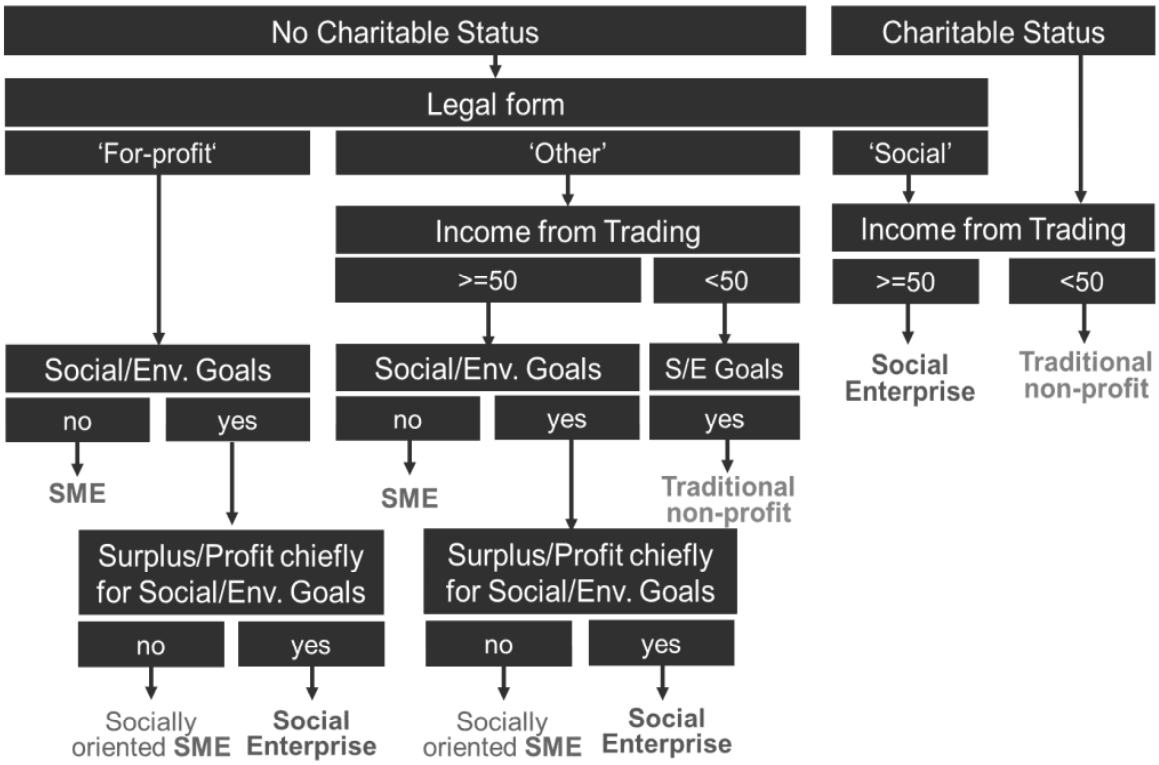
Table 7: Use of Coronavirus COVID-19 Government-backed accredited loans, finance agreements or grants funded by government or local authority

This table shows average marginal effects (AMEs) from a probit model of SMEs' characteristics on the probability of using COVID-19-related funding. All regressions include a constant term. The base categories for categorical variables are: zero employees (size), 0-5 years (business age), 18–30 years old (owner's age), decreased (turnover change). Commercial SME is the base category for comparing organizational forms. or the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, for the purposes of our empirical analysis, we will analyse them separately. All models include industry and regional fixed effects. Survey weights applied to represent the population of SMEs in the UK. Z-statistics adjusted for clustering at regional level are reported in parentheses. Statistical significance at the 10%, 5%, and 1% levels are showed by *, ** and ***.

	Coronavirus COVID-19 Government-backed accredited loans or finance agreements such as Coronavirus Business Interruption Loan and Bounce Back Loan		**Coronavirus COVID-19 business grants funded by government or local authority**	
	Model 1	**Model 2**	**Model 3**	**Model 4**
Traditional non-profit $_{t-1}$	-0.188***	-0.204***	-0.079	-0.053***
	(-37.56)	(-26.04)	(-1.23)	(-5.97)
Social enterprise $_{t-1}$	-0.044**	-0.041**	0.021**	0.026
	(-2.51)	(-2.19)	(2.25)	(1.59)
Socially-oriented SME $_{t-1}$	-0.007	-0.006	0.019**	0.006***
	(-0.77)	(-0.68)	(2.46)	(4.56)
Aims to grow $_{t-1}$	0.124***	0.126***	0.093***	0.055***
	(26.63)	(34.62)	(6.09)	(3.26)
Size: Micro	0.153***	0.151***	0.174***	0.209***
	(4.97)	(4.65)	(293.09)	(23.54)
Size: Small	0.181***	0.169***	0.117***	0.142***
	(5.20)	(4.82)	(7.94)	(10.66)
Size: Medium	0.131***	0.120***	-0.039***	-0.003
	(5.80)	(5.60)	(-2.99)	(-0.59)
Business age: 6 – 10 years	0.010	0.026	-0.060	0.003
	(0.65)	(1.44)	(-1.61)	(0.35)
Business age: 11 – 20 years	-0.011	0.003	-0.032	-0.012
	(-1.21)	(0.35)	(-0.78)	(-0.97)
Business age: 20+ years	-0.075***	-0.057**	-0.022	-0.027***
	(-4.00)	(-2.51)	(-0.43)	(-6.56)
Turnover change (stayed the same) $_{t-1}$	0.004	0.008	-0.053***	0.015
	(0.30)	(0.54)	(-2.88)	(0.54)
Turnover change (increased) $_{t-1}$	-0.012	-0.006	-0.049	-0.006
	(-0.86)	(-0.41)	(-1.58)	(-0.37)
Profit $_{t-1}$	-0.001	-0.010**	0.019	-0.044***
	(-0.14)	(-1.99)	(0.61)	(-8.61)
Location $_{t}$: Urban area	-0.003	-0.008	-0.021	0.010
	(-0.20)	(-0.48)	(-1.40)	(0.62)
Family owned	0.038	0.021	-0.049***	0.052***
	(1.58)	(0.69)	(-4.17)	(12.58)
Business plan	0.026***	0.031***	-0.005	0.014*
	(4.45)	(4.49)	(-0.76)	(1.70)
Female led $_{t-1}$		-0.054***		0.025***
		(-4.67)		(2.74)
Minority ethnic-led $_{t-1}$		0.058***		0.034***
		(2.79)		(7.17)
Fixed effects				
Regional FEs	YES	YES	YES	YES
Industry FEs	YES	YES	YES	YES
Observations	4229	3870	4227	3868
Log pseudo-likelihood	-2134.441	-2018.242	-2405.890	-2332.768
R2	0.081	0.082	0.078	0.089
AIC	4272.882	4040.485	4815.780	4669.536
BIC	4285.581	4053.007	4828.479	4682.057

Online Appendix for "Navigating Uncertainty: The Resilience of Third Sector Organizations and Socially-oriented SMEs during the COVID-19 Pandemic"

Figure A1: Decision tree to identify socially responsible SMEs



Source: Longitudinal Small Business Survey Year 3 (2017): Technical Report. Note: 'For-profit' legal forms include sole proprietorship/trader, private limited company (by shares), public limited company, private unlimited company, foreign company. 'Other' legal forms include partnerships, limited liability partnerships, private company (limited by guarantee), co-operative, 'other', do not know and refused answers. 'Social' legal forms include community interest company (limited by guarantee or shares), friendly society, industrial and provident society, trust, unincorporated association, community benefit society, charitable un/incorporated organization. 'Env.' - Environmental. S/E – social or environmental. For the purposes of this study, we will refer to social enterprises and traditional non-profits as Third Sector Organizations (TSOs). However, we will analyze them separately. By analysing each type separately, we can gain a deeper understanding of the unique characteristics and challenges of each organization and provide tailored insights and recommendations for each group.

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