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EFFECTS OF THE PANDEMIC CRISIS ON SOCIAL ENTERPRISE: A CASE STUDY FROM GEORGIA

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ABSTRACT. Social entrepreneurship is an important area of research when it comes to considering the role of business in society and how entrepreneurs solve social problems. The concept has spread not only in developing, but also in developed countries. The recent Covid-19 pandemic has demonstrated that crises can be addressed with entrepreneurial innovation and creativity. This paper attempts to outline a way for social enterprises to overcome the current pandemic crisis, as well as to emphasize the challenges and opportunities the crisis presents social entrepreneurs with. This paper discusses how social enterprises in Georgia have been affected and strategies that have been applied. In order to achieve the research goal, relevant literature has been analyzed and systematized. The qualitative research method has been applied to answer the study questions. The paper concludes with an interpretation of the results and highlights implications for theory and practice. This study finds that Georgian social enterprises are negatively affected by the pandemic crisis due to increased operational costs, interruption of business processes, sales decline, customer loss, and supply chain disruptions. Social enterprises responded to the challenges by changing strategies, re-allocating resources, diversifying funding sources, intensifying communication efforts, introducing new technologies, and moving online. However, government support is essential for Georgian social enterprises to survive and grow. Finally, directions for future research are also proposed.

JEL Classification: L31, L26

Keywords: social entrepreneurship, social enterprise, entrepreneur, nonprofit, pandemic, crisis

Introduction

Social entrepreneurship is an important area of research when it comes to considering the role of business in society and how entrepreneurs solve social problems. Emerging markets are seen as a source of future investment, growth, and entrepreneurial potential, but much of this potential is at the bottom of the economic pyramid. Social entrepreneurship addresses the needs of the poorest tier of the world's economic pyramid. However, the concept has been spreading not only in developing, but also in developed countries. Although social

entrepreneurship may occur in both for-profit and not-for-profit ventures, mostly nonprofit or nongovernmental organizations launch social businesses to generate income with which to finance their activities, as well as to become more independent of donors. Nonprofits seeking to address poverty mitigation, especially in developing economies, establish small social enterprises to fulfill their social mission.

Social entrepreneurship is an increasingly popular concept, but it is not fully researched. Although social enterprises are gradually gaining attention and visibility, there is low awareness, little knowledge and limited information about them (European Commission, 2020a), especially in the Georgian context. Additionally, the recent pandemic has demonstrated that crises can be addressed with entrepreneurial innovation and creativity. Studies regarding the pandemic crisis highlight the urgent need for further research to examine the effect of COVID-19 on entrepreneurship (e.g., Brown & Rocha, 2020; Kuckertz et al., 2020).

The SARS-CoV-2 or severe acute respiratory syndrome coronavirus 2, called COVID-19, has caused a global pandemic leading to lockdowns of economies and societies as well as overburdened health systems worldwide (Brodeur et al., 2020; Kuckertz et al., 2020; Qiu et al., 2020; Kuzmenko et al., 2020). The rapid spread of new coronavirus strains is metaphorically considered to be a “Black Swan” event by scholars because of its rare nature, unpredictability, the ineffectiveness of existing models, and its dramatic effects on people, society, and organizations of all types (Taleb, 2007; Winston, 2020). Furthermore, it is viewed as a “Grand Challenge” as there is no obvious solution to complex problems countries and people are faced with globally, which require joint, coordinated cooperation between governments, the commercial sector and non-profit organizations in order to tackle this complex crisis with new, as-yet untested approaches (Bacq et al., 2020; George et al., 2016; Eisenhardt et al., 2016; Ferraro et al., 2015). Thus, novel solutions need to be introduced – most often emerging from social entrepreneurs.

The impact of the pandemic on social enterprises is as yet unexplored, despite existing literature showing that social entrepreneurship addresses issues which stem from health, social, and economic crises (Weaver, 2020). Although social entrepreneurship is considered to be a means of combating urgent problems society is facing as a result of the Covid-19 pandemic (Bacq & Lumpkin, 2020), the effects of the pandemic have not yet been exhaustively investigated (Weaver, 2020). Moreover, Weaver (2020) argues that challenges and opportunities, as well as resilience strategies of social enterprises in various geographic locations, need to be studied. The author (Weaver, 2020) claims that social enterprises may face the following challenges as a result of the pandemic: financial, managing social and economic aims, and the need for institutional collaborations. The researcher also emphasized the opportunities for social enterprises such as identifying and solving social problems caused by the pandemic, bringing positive changes with their dual mission of achieving social and economic goals (Weaver, 2020). Since the current pandemic crisis differs from previous economic uncertainties, only financially stable social enterprises can take this opportunity to create solutions to new social problems (Weaver, 2020). For example, research of German social enterprises demonstrated that they have not been affected by the pandemic because their funding was secure and did not result in financial uncertainty (Mair et al., 2020). Yet, 60% of the German social enterprises reported revenue losses by reason of the pandemic in 2020 (Mair et al., 2020). Consequently, Bacq and Lumpkin (2020) suggest studying social entrepreneurship in terms of their needs for resources (e.g. human, financial) in order to cope with the pandemic crisis and create positive changes in society. The Covid-19 pandemic has not only caused new social problems, but also worsened existing ones, which requires knowledge to be expanded regarding social enterprises and how they survive (Weaver, 2020).

It should be noted that turbulent times frequently reveal opportunities, and while some industries suffer, performance for others can improve (Weaver, 2020; Gigauri, 2021). Crisis management tools in place before the pandemic as well as relevant value proposition helped businesses to remain relatively unaffected by the pandemic (Kuckertz et al. 2020). Giones et al. (2020) underlined that enterprises need to balance resilience, plan flexibly, and be open to upcoming opportunities. However, scholars (Chandra & Kerlin, 2020) emphasize the scarcity of studies which focus the temporal context of the crisis on social entrepreneurship and hence accentuate the importance of research into social enterprises during Covid-19 pandemic, as well as during conflicts or war crises in order to explore consequences on their operations.

This study aims to explore the effects of the pandemic crisis on social enterprises in Georgia. The paper outlines a way for social enterprises to overcome the current pandemic crisis, as well as emphasizes the challenges and opportunities the crisis presents social entrepreneurs with. The research illustrates the challenges entrepreneurs face as a consequence of the crisis in Georgia and explores their response strategies. This paper discusses how social enterprises in Georgia have been impacted and what strategies have been applied. In order to achieve the research goal, relevant literature has been analyzed and introduced. The qualitative research method has been applied to answer the study questions. The research is based on a multiple case study approach and semi-structured interviews are the main means to collect data. Limitations of this study stem from its exploratory, qualitative nature. The research was conducted within a single country context at one-point-in-time.

The presented paper intends to shed light on three research questions. First, the research aims to analyze the challenges social entrepreneurs have been facing since the start of the Covid-19 crisis (RQ1). Secondly, the research aims to determine the response social entrepreneurs employ in overcoming crises (RQ2). Thirdly, the study will identify particular policy measures which should be designed to assist social entrepreneurs during the pandemic crisis, as well as the post-pandemic period (RQ3). The findings will be of interest to social entrepreneurs who are developing strategies for adapting to the New Normal, as well as to researchers and academics who study social entrepreneurship, and to policymakers in tailoring regulations and providing a supportive environment for social enterprises in both start-ups and established companies.

This paper is divided into five sections. Subsequent to the Introduction, current knowledge in the field of social entrepreneurship, especially in terms of the pandemic crisis is presented, including a review of relevant theoretical concepts. The third section describes the research design and methodology. Discussion of the research findings with an interpretation of the results is contained in section four. Finally, we present the Conclusions that summarize the key insights, highlight implications of the research on theory and practice in order to then propose directions for future research.

1. Theoretical Background

The concept of social entrepreneurship stemmed from the need for innovative solutions to social problems in rapidly changing environments by utilizing business approaches (Sjögrén, Syrjä & Barraket, 2015; Bogacz-Wojtanowska, & Jałocha, 2016). There is no accepted definition of social enterprise; the definitions vary from country to country (Starnawska, 2016). According to scholars (Defourny et al., 2021), the sphere of social entrepreneurship is vast and diverse, which does not allow the notion to be contained in a single definition. On the contrary, Defourny and Nyssens (2021) argue that the field can gain more from that diversity. Most definitions explain that social enterprises combine commercial activities to sell goods and services with the social mission to serve a range of stakeholders (Nyssens, 2021).

In general, social entrepreneurship is developed in nonprofit organizations (Farinha et al., 2020; Ciepielewska-Kowalik et al., 2015) as social enterprises have social aims to serve a community or disadvantaged groups and have an "impact on income, employment, and welfare" (European Commission, 2020a). However, non-governmental organizations must draw attention to organizational management such as planning activities, attracting customers, forming organizational structures, developing human resources, and marketing processes while transforming into social economy entities (Bogacz-Wojtanowska, 2012). Business strategies concerning potential customers and their needs affect a hybrid organization's competition effort with business companies.

Social enterprises satisfy unmet needs which might change over time depending on countries and contexts (European Commission, 2020a). Entrepreneurs have new ideas and pursue their vision (Grilo & Moreira, 2022). They are agents of change supporting social values and serving their social missions (Morris, Santos, & Kuratko, 2021). Although economic value creation is considered a necessary condition to ensure financial viability, the creation of social value is essential for social entrepreneurship. The importance of social mission rather than the capital increase for stakeholders distinguishes social entrepreneurs from business entrepreneurs (Puumalainen, Sjögrén, Syrjä & Barraket, 2015). However, researchers emphasize that social orientation and financial orientation do not oppose each other, but both can enhance economic action (Halberstadt et al., 2020).

Social enterprises often employ people who are excluded from the labour market, provide social services, and contribute to local economic activities, but they also strive to reach business goals and compete like commercial companies (Batko & Bogacz-Wojtanowska, 2015). For this reason, they might give the impression that the mission is impossible or unaccomplished, and even risk losing their identity (Batko & Bogacz-Wojtanowska, 2015).

Since the phenomenon is complex, diverse and impacts society in various ways, it needs more academic research in specific country contexts (Starnawska, 2016). Consequently, scholars play a key role in researching and promoting entrepreneurial theory and practice (Pellegrini et al., 2020).

1.1. Social entrepreneurship connected to economic growth during the crisis

The recent pandemic crisis simultaneously triggered severe consequences for health, economic and social systems (Bacq et al., 2020) around the world, which needs to be addressed through innovative approaches. Social entrepreneurship is positively connected with sustainable development (Méndez-Picazo et al., 2020), as sustainable entrepreneurship pursues a triple bottom line consisting of social, environmental, and economic goals (Thelken & de Jong, 2020). Social entrepreneurship is seen as the main driver for developing and utilizing opportunities with the purpose of serving disadvantaged citizens and facilitating the inclusive growth of society (Samuel et al., 2018; Bruton et al., 2014). The concept is often associated with the crisis to place the responsibility for addressing societal problems on the nonprofit sector (Ferreira, & Almeida, 2021). Social companies promote sustainable growth and are effective in responding to the crisis (Palacios-Marqués et al., 2019). For this reason, the 2008 financial crisis has had less impact on social enterprises, as they are not dependent on financial markets (Birchall, 2013).

Essentially, social enterprises fill a gap in the market which is served neither by the public sector nor for-profit businesses. Entrepreneurial culture and national innovation ecosystem accelerate the social and economic wellbeing of any country (Pradhan et al., 2020). Existing research concludes that social entrepreneurship is directly linked to economic growth, which brings benefits to employment and the wellbeing of society in general, but especially in

times of crisis (Méndez-Picazo et al., 2020). For example, the Social Economy sector in Poland is comprised of 94,000 registered entities and employs 340,000 people (Statistics Poland, 2016). The European Commission estimated that 29,535 social enterprises existed in Poland in 2019, which employed 428,700 individuals (European Commission, 2020b). They sell goods and services to generate income (Ciepielewska-Kowalik et al., 2021). According to the Ministry of Family, Labour, and Social Policy, 950 social enterprises employed about 7,500 employees in 2019, of which 24% (1.800) were persons with disabilities (DES, 2021).

In addition, social enterprises like their commercial counterparts are pivotal in economic development as they play a crucial role in the macro environment, but at the same time they are very fragile in the face of external crises (Eggers, 2020). Newer companies are especially vulnerable (Çera et al., 2019). Crises negatively impact financing for newly established enterprises and small organizations (Brown & Rocha, 2020), and cause suffering for their employees as well (Eggers, 2020). Social enterprises encounter similar difficulties as small and medium-sized as well as new companies because of their characteristics. Research has shown that the hardest damaging effect of the pandemic impacted on early-stage companies (Brown & Rocha, 2020). Small companies have fewer resources to help them deal with crises, leading to liquidity problems when customers reduce spending and investors become more cautious about their finances (Eggers, 2020). The same applies to social enterprises and their dual mission causes even more challenges.

On the one hand, social entrepreneurs can be vulnerable to external shocks such as disasters or crises, but on the other hand crisis situations can be also advantageous to them. For example, decision-makers of social enterprises can be in close contact with their customers and other stakeholders, who helps them gain quick access to information when dealing with crises. They can be flexible and act in accordance with opportunities and threats found in the external environment (Eggers, 2020).

Social entrepreneurs face not only financial failure, but also social risks. They have to deal with difficult decisions influencing investing in employees, choosing strategic partners, finding the right approach to new products/services, and developing a marketing mix which in turn impacts both economic returns and social performance (Halberstadt et al., 2020).

Previous studies found differences between two types of social enterprises: start-ups and established enterprises (Halberstadt et al., 2020). Stimulating the launch of social enterprises can intensify competition for limited resources that can cause ineffectiveness in targeting social problems (Islam, 2020). The reason for this is that under competitive conditions, social entrepreneurs will focus on survival by securing those resources instead of serving beneficiaries (Islam, 2020). Existing longitudinal studies of Polish social enterprises demonstrated that some of them terminated operations or stopped functioning as social enterprises in a two-to-three-year period, while at the same time many new social enterprises or cooperatives were being established (Bogacz-Wojtanowska et al., 2014). Thus, the enterprises as traditional for-profit business entities might close, change their functions, types or aims, according to market conditions and external environmental drivers. In order to choose a suitable strategy to achieve competitiveness, social enterprises commonly select a product or service which differentiates them on the market, as well as choose a method of operation including processes, technologies and/or resources within the enterprise which better serves their mission and goals (Bogacz-Wojtanowska et al., 2014).

Although social entrepreneurs choose social goals as a priority over economic objectives when an enterprise is at risk (Giorbelidze, 2021), they must focus on activities that generate revenues and suspend or restrict other actions (Weaver, 2020). Financial challenges intensified during the recent pandemic crisis, as funding opportunities decreased, especially for social enterprises whose dual mission objectives tend to confuse investors (Eiselein &

Dentchev, 2020). Kuckertz et al. (2020) found that when startups utilized available resources to respond to the pandemic crisis, this impacted on their ability to operate in innovative ways. Innovation and creativity are vital for offering unique products and services to customers in order to survive, but investments are needed to fund such inventions. Innovations can be only enabled with available resources, but limited capital increases the perception of risk for investors. This dilemma is called the “strategy/funding chicken-and-egg-problem” (Eggers, 2020). Thus, on the one hand, entrepreneurial orientation and market orientation strategies can help them to survive in times of crisis, but on the other hand, the resources needed to implement these strategies are limited due to crises. Many social enterprises were already facing funding problems before the pandemic hit; yet, the current crisis has also the potential to create opportunities for them.

1.2. Influence of government policies on social entrepreneurship

The new coronavirus outbreak has forced many governments around the globe to take strict measures to limit its spread (Kuckertz et al., 2020). These actions stopped business activities resulting in an economic crisis. Recent research has shown that policy initiatives during the pandemic crisis mostly protect big companies, corporations, existing industry sectors (Kuckertz et al., 2020), and do not cater for social enterprises. For example, in Georgia nationwide aid packages targeted large companies and firms in the tourism industry. There is still a small grant program for entrepreneurs. However, there is no support package for social enterprises. In particular, the business support package in Georgia amounts to 515 million GEL and contains income tax concessions only for the commercial, for-profit sector; property tax concessions for the tourism sector, interest subsidies for bank loans provided to hotels and restaurants for six months, and a micro-grant program for entrepreneurship will fund new business projects with the budget of 100 million GEL in 2021 (StopCov.ge, 2021).

Since there is a relationship between entrepreneurship, innovation and economic growth, governments should implement a policy to promote innovation and entrepreneurship that stimulates economic development (Pradhan et al., 2020). Besides, governmental programs should encourage entrepreneurial intentions (Thelken & de Jong, 2020) as the state can directly empower the development of social entrepreneurship in a given country. Research in Eurozone countries revealed that governmental policies create incentives for growth in entrepreneurship (Pradhan et al., 2020). For instance, since 2017, the Department of Social and Solidarity Economy in Poland has been responsible for the development of social entrepreneurship, social and solidarity economy, and social cooperatives (DES, 2021).

Scholars argue that the lack of legal identity prevents social entrepreneurship in their activities, while the existence of proper regulations contributes to an understanding of social entrepreneurship (Lehtimäki et al., 2020). The recent study in Finland found a need for conceptual development and policy implementation concerning social entrepreneurship in a developed country context, and therefore confirmed the urgent need for policy development in this regard among emerging and least developed economies (Lehtimäki et al., 2020).

Entrepreneurship is considered to be an economic engine for growth and transformation (Kantis et al., 2020). Social Entrepreneurship is a critical driver for disturbing unjust equilibrium, which creates a new world for the targeted group with their inspiration, energy, motivation, innovation and creativity. Consequently, governments in emerging countries develop entrepreneurial ecosystems to promote the growth of start-ups (Kantis et al., 2020). Yet, to design appropriate policies, the decision-makers need evidence-based recommendations suggesting the strength and weaknesses of entrepreneurial ecosystems (Kantis et al., 2020). In

this respect, the presented research intends to provide a new platform to discuss the directions of policy programs which can encourage social entrepreneurial activities in Georgia.

1.3. A brief overview of social entrepreneurship in Georgia

Social enterprises in Georgia have been established by nonprofit organizations to address social or environmental issues (Gigauri, 2018; Giorbelidze, 2021). The main reason for nonprofits to choose an entrepreneurial path is to solve financial problems, deriving funds to finance their social missions and remaining independent of donor organizations. Government agencies and international organizations offer grants to help NGOs to launch business activities.

Georgian social entrepreneurs focus mainly on disadvantaged, vulnerable groups, and on eliminating poverty, as well as on solving ecological problems, for example through recycling (Gigauri, & Damenia, 2020). They actively use social networks to encourage support, create online communities and share information.

In Georgia, the first social enterprise was founded in 1990, but most of them have been established since 2010 (Gigauri, 2018). There is no special legislation that regulates social enterprises, and consequently any type of organization can form a social enterprise (Gigauri, 2018). Since the legislation on social entrepreneurship has yet to be introduced in Georgia, there is a lack of agreed definition of what social enterprise or social entrepreneurship is, something which is still being debated among experts in the country. In Georgia, the most popular type of social enterprise is entrepreneurial non-profit organizations. Since the law does not limit organizations with the definition or frames of social entrepreneurship, they can choose any form for operation based on their mission and goals. The terms “social enterprise” and “social entrepreneurship” are mainly used by social enterprises identifying themselves as such, as well as by non-profit/non-governmental organizations promoting the concept in the country.

The development of social entrepreneurship in Georgia will help the country in economic growth and reduce social problems (Gigauri, & Damenia, 2020), which have become pressing due to the pandemic. Besides, advances in social entrepreneurship are essential for the nonprofit sector to achieve financial independence, and hence to be able to scale problem solutions (Gigauri, & Damenia, 2020). In turn, they can contribute to improving people's lives, and with their innovations and cooperation with the government, they can achieve effective results under conditions of market decline (Gigauri, & Damenia, 2020).

2. Methodological approach

The research is based on a case study approach to gather empirical data. The research question is twofold: (1) How social enterprises in Georgia faced challenges caused by the new coronavirus pandemic, (2) and how, to what extent social entrepreneurs see opportunities in Georgia. The case study approach is focused on further exploring a given case or set (Halkias et al., 2022; Yin, 2018; Bartlett & Vavrus, 2017), and used in various complex situations to gain knowledge in organizational, group, social or related events (Yin, 2018). It is a common research method in many domains, including sociology, business, and economics (Yin, 2018; Durdella, 2019).

This research used multiple and collective case study methods to cover several cases in order to better understand the phenomenon of Georgian social enterprise. Additionally, a case study interview approach with a semi-structured interview questionnaire was also applied to answer research questions. Interviews are viewed as “the most important source of case study evidence” (Yin, 2018). In-depth interview methods provide knowledge about a topic or a field of interest, as well as conducting a valuable study, and collecting rich information (Brinkmann

& Kvale, 2018; Patton, 2014). Furthermore, qualitative research allows in-depth analysis of the entrepreneurship field, while the interview approach is broadly recognized in entrepreneurial research (Neergaard & Leitch, 2017).

There are 63 social enterprises in Georgia (SEA, 2021), 17 of which participated in our study. A total of seventeen individuals were interviewed, for forty to eighty minutes each. Interviews were held between May and July 2021, through online communication tools due to the pandemic restrictions, isolation, and quarantine measures. The transcripts of recorded interviews were prepared and analyzed. A semi-structured interview guide was prepared to obtain essential information, to respond to the interviewees' statements, and to compare the responses (Eisenhardt, 2021; Neergaard & Leitch, 2017; Bernard et al., 2016). It encompassed four open-ended research questions:

(1) What are the main challenges your social enterprise has been encountering due to the pandemic crisis, how do you respond to those challenges, and how are you coping with the situation?

(2) How do you see the future from the perspective of your enterprise?

(3) What supporting measures does your social enterprise need in order to make best use of opportunities and why?

(4) What possibilities, if any, do you see for the development of social entrepreneurship in Georgia?

Interviews were analyzed through a systematic method that enabled examining themes, sub-themes, concepts, and categories, which derived from the collected data, and permitted the making of connections with the research questions (Bernard et al., 2016; Flick, 2022; Silverman, 2021; Durdella, 2019). Content analysis allowed researchers to reveal themes, discover patterns (Brinkmann & Kvale, 2018), and compare phenomena in different interview texts (Krippendorff, 2018). For this reason, we used qualitative data analysis software NVivo for Mac. NVivo with its different features performs a qualitative analysis and is appropriate for content analysis of interviews as well as case studies. Its user-friendly interface supports coding, creating themes and analysis of various data in different formats. It is worth noting that the software does not analyze qualitative research completely but assists a researcher with the organization of data and in the analysis process, and hence, the researcher is accountable for the analysis. The software can be employed with different research designs and analysis approaches of qualitative characteristics.

Enterprises were selected from a list available at the Webpage of Social Enterprise Alliance Georgia (SEA, 2021). In the next stage, we contacted them through emails and social media and asked for their participation in the study. The surveyed social enterprises were established between 2011 and 2020. They are small in size, as all of them in Georgia are small enterprises, in particular, the number of their employees varies from 2 to 20 (Figure 1).

Cases were selected to cover a variety of entrepreneurial types. Social enterprises offer services or products. For example, they make wooden toys, souvenirs, accessories, handmade items, home textiles, audio books, and eco-friendly products. The surveyed social enterprises offer services such as training programs for local women and young people, cultural and educational activities, and inclusive education. They are located in different parts of Georgia (Figure 2). Particularly, six enterprises are located in the capital city Tbilisi, two in Zugdidi, the west part of Georgia, and the rest are situated in other cities, towns, and villages: Mtsketa, Telavi, Alaverdi, Tsnori, Mestia, Tserovani, Rustavi, Kutaisi, Oni. There are dissimilarities in opportunities and challenges according to the geographical locations of social enterprises.

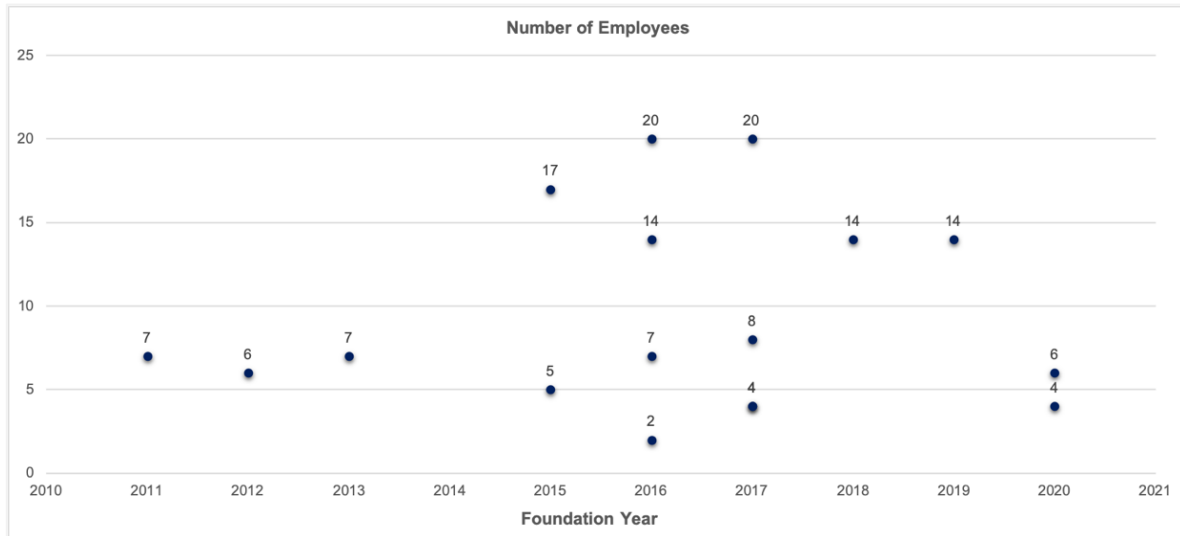


Figure 1. Characteristics of participating social enterprises

Source: *own data*

The location of social enterprises in the rural areas of the country creates diverse obstacles to their operation and development in terms of resources, especially, they face the lack of qualified human resources, difficulties in supply, distribution, and sales, as well as because of less-developed transportation and infrastructure, low population and isolated communities. By comparison, the Capital city offers all the necessary infrastructure to social enterprises with better access to customers. However, exactly rural, less developed regions are in need of social entrepreneurs who have the potential to turn the problems into opportunities. This explains the tendency for launching more and more social enterprises in the regions. Social enterprises bring about social changes in the rural areas helping them to develop.

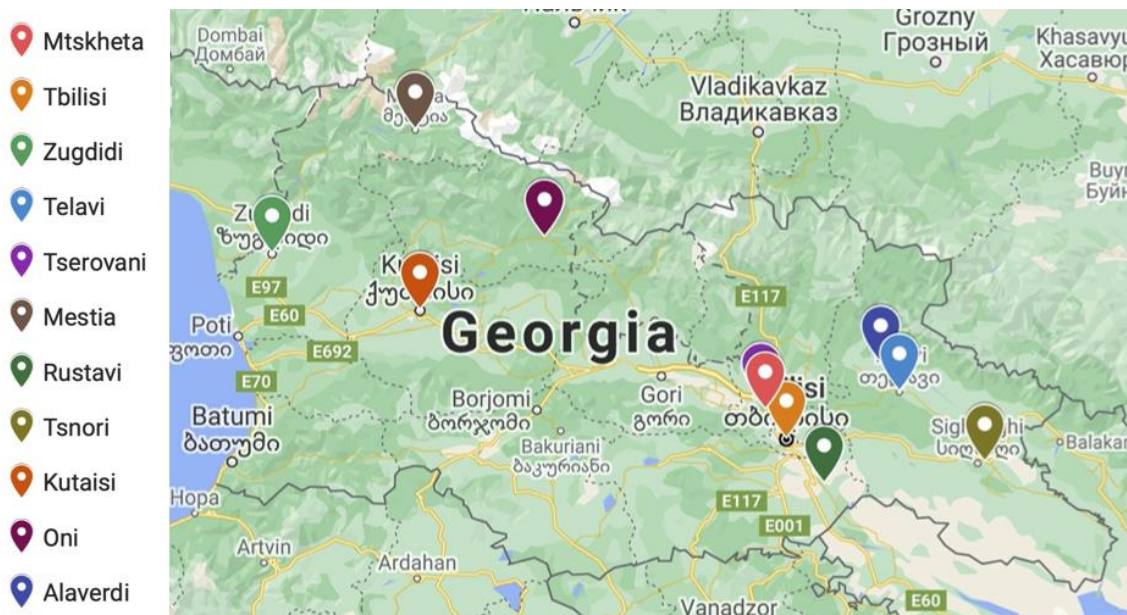


Figure 2. Map showing the location of Social Enterprises in Georgia

Source: *own elaboration*

In addition, the interview informants were recruited using the non-probability purposive sample technique (Patton, 2014) to attract participants who can describe and explain the challenges and opportunities of their social enterprises during the pandemic crisis. Therefore, the research objective was to collect the necessary information and gain knowledge rather than prove statistical validity (Chase & Murtha, 2019). Consequently, the interview participants are the founders or directors of social enterprises in Georgia. The vast majority of interviewees are men (n=10), and seven informants are women. Their age ranges between 25 and above 55 (Figure 3).

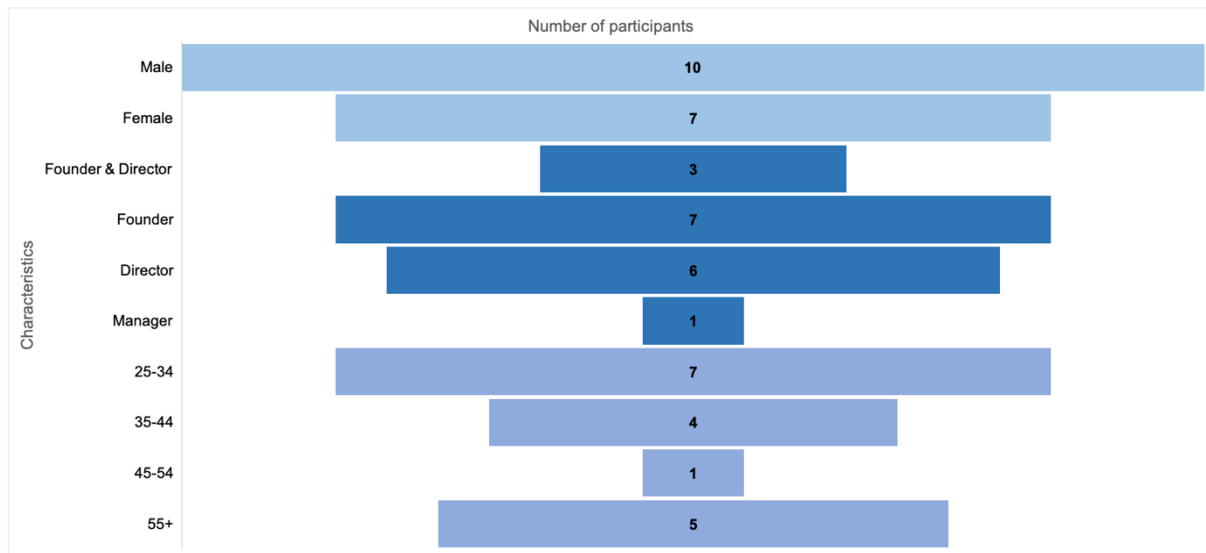


Figure 3. Characteristics of interview participants

Source: *own data*

3. Research results

We have divided the research results into sections to shed light on the challenges Georgian social enterprises have been facing and opportunities social entrepreneurs consider to be a result of the pandemic crisis.

(1) *The negative effect of the pandemic on social enterprises.* Interviewees described the negative effect the pandemic has had on their enterprises and evaluated the response of social enterprises. The interview participants confirmed that the pandemic caused by Covid-19 has had a particularly damaging impact on social enterprises in Georgia. Their sales have decreased and expenses have increased. In some cases, taxes have also risen. Accordingly, social enterprises have had to increase prices.

Only seven informants (41%) mentioned that they had to dismiss employees or give them unpaid leave due to the pandemic crisis. Yet, the majority (59%) of the interviewed persons expressed their satisfaction with the measures their enterprises adopted as a response to the pandemic situation.

(2) *Support received due to the pandemic.* Interviewed social entrepreneurs stated that they have not received the support they needed during the pandemic. However, the entrepreneurs noted that their enterprises received tax relief initiated by the government, support from state programs or their partners, donors, and funding organizations. The interview participants expressed their dissatisfaction with the government support during the pandemic crisis.

(3) *The main challenge social enterprises have been encountering due to the pandemic crisis.* The informants revealed the problems their social enterprises encountered due to the pandemic: The business process was interrupted, the supply chain disturbed, contacts were lost with distributors. For some entrepreneurs (35%), it presents a huge challenge to restore the supply chain as competitors took advantage and they lost market position. The target group of many social enterprises was foreign tourists and since international travel has been stopped during the lockdowns, they lost their customers. This was also the case for service enterprises, such as cafes and hotels, as they were not able to operate due to the small number of tourists, and the demand from local customers declined as well. One social entrepreneur reported: *“We want to increase the reduced sales, which we mainly managed through exhibitions, but the exhibitions are no more held. We cannot plan our activities, because we are not allowed to gather many people. Besides, the number of tourists has decreased”* (R8).

Furthermore, activities have not been held at a planned pace, and demand for space has dropped. Decreases in sales (n=4; 24%) and lack or loss of customers (n=3; 18%) were also reported by informants as the main challenges during the pandemic, since the purchasing power of society has been decreasing on a daily basis. Moreover, interviewees noted that costs and expenses increased leading to growth in the price of a product causing a drop in sales: *“The price of raw materials has increased; hence the price of our products has increased. This has had an impact on customer retention, as sales declined. We had to lay off staff and work with human resources without pay to save the enterprise”* (R13).

Entrepreneurs indicated that enterprise growth and development is also a challenge, and some participants view the debts incurred during the pandemic as the main problem affecting their social enterprises. Interview participants also named the following challenges they have been facing due to the pandemic: Increased costs, loss of customers; Mobility restriction; Nowhere to sell the products; a 7-month suspension of production activities; Operating activities becoming complicated.

(4) *Effect of State Regulations on Social Enterprise.* The regulations and new sanitary-hygienic requirements have also affected social enterprises in Georgia. Service enterprises, especially cafes, stopped operating. Enterprises needed to introduce additional technical equipment and modern technologies to comply with sanitary-hygienic and virus-related requirements. For example, some social enterprises had to refuse services to their beneficiaries due to lack of space as regulations implied. Under such conditions, they found a solution in-home visits, although this also involved risks. *“Some specialists had to be isolated due to contact; therefore, the service was no longer of a regular nature, which made it difficult to maintain the results previously achieved. The transition to remote services has also had some impact on the quality of service”* (R14).

Government regulations aimed at preventing the spread of the coronavirus unequivocally negatively influenced social enterprises. Some enterprises (12%) could not continue operating even if they received orders or customers returned. Regulations forced enterprises either to terminate their operations or to switch to a delivery service, which was detrimental to social enterprises. One entrepreneur said: *“The closure and ban on servicing facilities – restaurants, cafes, entertainment centers, festive events – had a negative 85% impact on revenues as the bulk of revenue came from their orders”* (R10). However, as soon as lockdown was lifted, the majority of social enterprises restored their activities. One social entrepreneur indicated that *“last year, we had a very big problem when we had to completely close for 3 months. However, once we opened and started working on deliveries, the turnover skyrocketed”* (R4).

On the other hand, the interview participants acknowledge that although state regulations have affected their business and social activities, they were necessary measures to

prevent the spread of the virus, and hence, the regulations were inevitable. The social entrepreneurs interviewed described that those regulations helped them in coping with the pandemic, as additional safety measures were created in the enterprises, which decreased the risk of infection and consequently the need to quarantine employees.

Nevertheless, interviewees argued that without those regulations, their enterprises would not face the challenges they are encountering now. They outlined that regulations have postponed their marketing promotion activities and hence, lost time to start the business. For instance, one social entrepreneur noted: *“Because of those regulations we had to stop our enterprise, as it is located out of the city, so we could not manage transportation for our employees and our product distributors”* (R1).

In addition, new requirements increased the operating costs of social enterprises as they needed to meet regulations by buying new equipment, hiring consultants, etc. If the pandemic had not occurred and social enterprises had not been forced to follow government regulations, they would maintain their pace to operate as usual, since services and production processes were well organized before the pandemic. Yet, they confirm the necessity of the regulations. For example, *“I think the regulations were needed to prevent the spread of the pandemic, and if we did not follow the regulations, we might face more difficult challenges and consequences.”* (R12).

The survey participants admitted that their enterprises had not been prepared to confront such a crisis, and stressed that they needed more time to recover from the negative effects of the pandemic.

(5) *Coping with the pandemic situation.* The majority of social entrepreneurs interviewed declared that, because of the pandemic, their enterprises might refrain from innovations and it will be challenging to maintain employees. However, they think they are able to develop and grow their enterprises. Although they have generated fewer sales during the pandemic, it is difficult to meet with potential customers and to attract investments, their attitude is still optimistic as they claim that there is no threat to the existence of the enterprise.

During the pandemic, Georgian social enterprises have been communicating with their customers and partners or donors. The informants asserted that social enterprises in Georgia have been actively collaborating, and they have had constant communication. On the other hand, they reported having had less communication with Georgian governmental institutions and with foreign colleagues.

(6) *Response to the new challenges caused by the pandemic crisis.* In regards to the response to the challenges, the interview participants underlined several measures their enterprises have adopted to deal with the crisis ranging from re-allocating resources to changing strategies to participating in grant competitions announced by various governmental and international organizations, where several projects were funded (Figure 4). They also changed approaches during the pandemic, reduced costs, and decided on remote or delivery services. The enterprises are adapting to the new reality by re-equipment, entering foreign markets, focusing on local customers, consulting with experts, and following the regulations while communicating their audience online.

It is worth noting that some social enterprises terminated operations during the lockdowns. Others moved online whenever possible or switched to delivery services. They allocated their scarce resources and participated in grant-funded project competitions to obtain additional financing which enabled the installation of better equipped facilities. The social enterprises that have their own space or shop are free from rent and hence have more chances to survive and tackle the crisis. One social entrepreneur illustrates how they responded to pandemic related difficulties: *“First of all, as soon as we were given the opportunity to purchase raw materials, we introduced raw materials with insufficient financial resources. We – the two*

founders – took on physical work to save us without pay and resume production, we enhanced online communication with customers and product offerings, which has gradually become successful” (R13).



Figure 4. Most common words regarding the response to the pandemic challenges by social enterprises

Source: *Authors' elaboration with NVivo*

Interviewees clarified how they dealt with the pandemic crisis. In some cases, they asked for help from a local municipality and appealed for technical support in order to switch to remote working. They also applied for various funding and received support. Additionally, they allocated existing resources and redistributed available resources, as well as revised strategies and activities. In certain cases, they took the benchmark for more in-demand products during the pandemic. In the early days, when face masks were in short supply, one social enterprise decided to sew them. Although they had to lay off several employees to survive, they still are trying to switch to serial production. To achieve this aim, they need new production equipment which they cannot afford at the moment.

(7) *Future opportunities from the perspective of social enterprises.* Interview participants confirmed that their enterprise strategies have changed due to the pandemic conditions and they see the future with high hopes. From the perspective of their enterprises, it will bring new opportunities. They managed to adapt their business models and implemented optimizations, but they do not have sufficient financial resources and reserves to cope with the pandemic crisis independently, by themselves. Nonetheless, entrepreneurs focus optimistically on the future of their enterprises and consider the potential of the enterprise with high hopes.

The surveyed social entrepreneurs affirmed that having funding alone is not enough in order to survive and grow, but rather enterprise management must focus on employee motivation and incentives. Therefore, the development depends on the ability of management and leadership to motivate people to work for social enterprises. They argue that this pandemic crisis strengthened their enterprises, as they have adapted to the environment and overcome the challenges, which gives them reasons to hope that they will be able to run the enterprise better in the future.

Interview participants regard opportunities in developing new sales strategies, using online platforms as well as attracting investments, exporting, obtaining new grants, and moving forward despite difficulties. It is vital to raise funds so that they can produce more products,

purchase equipment, raw materials, as well as increase awareness and most importantly, loosen regulations or restrictions.

Interviewees are planning to increase sales through product diversification, mass production, and effective communication with customers. Furthermore, they consider attracting more professional people in the enterprise and investing more resources to enter international markets.

Another strategy being considered is to adopt in order to overcome the current challenges by creating new products – mainly handmade items and by expanding. They have been planning to involve beneficiaries in the production process with the prospect of their further employment. Moreover, they reckon to increase cooperation with customers and donor organizations as a survival and growth strategy. Figure 5 portrays most common words in the interviewees' viewpoints.



Figure 5. Most common words regarding opportunities from the perspectives of social enterprises during the pandemic crisis

Source: *Authors' elaboration with NVivo*

(8) *Supporting measures needed to use emerging opportunities.* In order to use opportunities and overcome challenges, social entrepreneurs were asked about their needs (Table 1). They emphasized that, first of all, legislation reforms in support of social entrepreneurship are to be implemented. All interviewed social entrepreneurs said that legislation is of great significance. Besides, access to the technologies – apply new technologies in their business process, and access to the finances – access to loans, attracting investments or donors, all play an important role for social enterprises. Informants described education and training about social entrepreneurship topics as a necessity to make the best of future opportunities as well as partnerships with corporations and consulting support in issues such as management consulting, legal counseling, marketing, financial management, planning, and developing an enterprise. Entrepreneurs mentioned tax relief again while talking about future opportunities to be opened up.

Table 1. Supporting measures needed

Themes	Count	Percentage
Legislation reforms in support of the social entrepreneurship	n= 17	100%
Tax relief	n= 12	71%
Grants	n= 15	88%
Access to the finances	n= 12	71%
Access to the technologies	n= 11	65%
Education and training programs about social entrepreneurship	n= 11	65%
Partnership with corporations	n= 10	59%
Growth of capital	n= 9	53%
Consulting support	n= 7	41%
Wage subsidies	n= 6	35%
Amendments in regulations	n= 5	29%
Decrease or cut in interest rates of the loans	n= 4	24%
Support of experts	n= 3	18%
Extension of existing support programs	n= 2	12%
Reducing bureaucracy	n= 2	12%
Reducing operational costs	n= 2	12%

Source: *own data*

(9) *Developing Social Entrepreneurship in Georgia.* The interviewed social entrepreneurs pointed out that although there are opportunities for the development of social entrepreneurship in Georgia, incentives are needed, such as a supportive culture created by the government. They highlighted that social enterprises should become a real business focusing on profit generation alongside with their social missions. For example, companies must be motivated to hire persons with disabilities. Competition must intensify to secure government contracts through tenders with terms which insist that a company employs persons with disabilities. On the other hand, a company could not employ those persons without having proper infrastructure, adapted buildings, reasonable working hours, or flexible and remote working opportunities. Thus, companies striving to earn governmental contracts and doing business with the government, have to improve their working conditions. Such a strategy will improve both business and social environments in the country. This however takes planning and discussion to find a workable solution.

The interview participants accentuate that Social Entrepreneurship is an opportunity to transform non-profit organizations into business type operations, as existing for-profit companies are not meeting the needs of disadvantaged customers. They claim that it is possible to position a social enterprise in both local and international markets with the development of innovative social projects. But they rely on the tourism industry to sell their products and services. As a result, opening borders and ending travel restrictions is viewed as a development possibility for social enterprises, because many of them are focused on tourists – as a target group – with their services and products.

The social entrepreneurs interviewed state that social entrepreneurship in Georgia is still gaining ground, and hope that the involvement in this field will increase as it creates jobs and contributes to the development of the country's economy. They consider social entrepreneurship to be a promising and important field. They again mention the adoption of a law on entrepreneurship by the state as a development opportunity for the sector in their country. Additionally, they insist on political and public recognition through governmental support. More privileges and advantages are needed, as they are implementing interesting initiatives and are focused on real changes. Furthermore, social entrepreneurship has prospects because there are still many social problems and challenges in the community that require active work. One

social entrepreneur concluded: *“I see good perspectives for the development of social entrepreneurship in Georgia. The following factors allow me to say this: (1) a large number of vulnerable groups in the country, (2) high unemployment, (3) a shortage of qualified personnel. I consider the development of social entrepreneurship in such conditions to be one of the most realistic solutions. Also, in terms of social entrepreneurship development, there is high demand from the public and interest from international or local donors” (R16).*

3. Discussion

Research results clearly revealed that the current pandemic crisis has had a tangibly harmful effect on Georgian social enterprises. While costs increased and sales decreased, prices of their goods and services grew to cause a decline in sales, and hence revenue dropped noticeably. Besides, interruption of business processes, canceled contracts and supply chain disruptions lead to customer loss and suspension of operation of social enterprises.

The content analysis disclosed a *pattern* of interview participants mentioning challenges and difficulties they are confronting due to the pandemic. These *patterns* make *dealing with the crisis* a major theme of the strategic modification needed to prepare to enter the post-pandemic New Normal.

Almost all participants reported their dissatisfaction with government support as they expected help during the pandemic lockdown. Research demonstrated the following approaches implemented by social enterprises to respond to the pandemic crisis: (1) re-allocating resources, (2) changing strategies, (3) participating in grant competitions, (4) attracting investments, (5) moving online, (6) switching to delivery service, (7) obtaining new technologies and equipment, (8) communicating with customers, partners, funders.

The presented study also identified the following strategies for social enterprises to survive: (1) diversification, (2) serial production, (3) entering international markets, (4) using online platforms, (5) expanding and developing new products, (6) acquiring new technologies and equipment, (7) attracting investments or grants, (8) improving employee motivation, (9) increasing cooperation with the stakeholders.

Given that state imposed regulations were inevitable and necessary to avoid spreading the virus, they hindered social enterprises in implementing their mission as they were not prepared to handle the crisis. As a result, social enterprises postponed or canceled their promotion, marketing plans, and commercial activities as they were unprepared to manage the crisis. Therefore, they will need a proper strategy as well as financial support to recover and survive.

Social entrepreneurs believe that the future will bring new opportunities for their enterprises. However, access to technologies and finances, education and training programs, business management, and legal consulting services are required.

These study results are in line with the survey conducted by Borzaga and Tallarini (2021) that confirmed the ability of social enterprises to respond to the crisis with flexibility and see opportunities in emerging social needs. Social entrepreneurs learned from a negative event and started thinking of transformation (Borzaga, & Tallarini, 2021; Kishnani, 2022; Aisaiti et al., 2021; Bhardwaj & Srivastava, 2021). Furthermore, our study results conform with findings of Loukopoulos and Papadimitriou (2021) that the Greek social enterprises applied different approaches to respond to the challenges and enhance their social impact as an opportunity.

Recent studies show that social enterprises provided relief to minimize socioeconomic effect of the pandemic on excluded groups as a result of Result Based Financing by Global Partnership for Results-Based Approaches (GPRBA) and World Bank (Das et al, 2020).

Conversely, Georgian social enterprises have not been involved in crisis management as our research revealed. Moreover, they encountered difficulties with funding, while findings of Mirza et al. (2020) suggest that social entrepreneurship funds in Europe outperformed other European investment funds during the outbreak of Covid-19. Since social entrepreneurship funds invest in social enterprises, the research results imply the interest of investors in nonprofit and social missions during the uncertainties (Mirza et al., 2020) in Europe in comparison with Georgia.

Additionally, social entrepreneurs need to understand three economic transmission channels to mitigate the negative economic impact on their enterprises (Brodeur et al., 2020). Firstly, consumers reduce consumption as they avoid spending because of the pandemic, social distancing, and lockdown measures. Secondly, financial market shocks trigger more savings and a further decrease in consumption and spending. Thirdly, supply chain disruption, suspended production and reduced demand for labor will cause unemployment. Thus, the economic tendencies and prolonged negative impact of the pandemic crisis should be taken into consideration by social enterprises while (re)designing a strategy. Social entrepreneurs may imitate their commercial counterparts in adopting flexibility and resilience measures to better navigate the crisis. In this sense, lean start-up methodologies can be beneficial (Ries, 2011).

Basically, social enterprises should concentrate on achieving financial stability during the crisis rather than solely focus on solving social problems (Weaver, 2020). They must prioritize commercial activities to ensure revenue and survival.

Furthermore, employee motivation is important to efficiently provide goods and services. Accordingly, employee emotions should be taken into consideration (Weaver, 2020; Giones et al., 2020) by the management of social enterprises, and create favorable conditions for their engagement. Study results proved the significant contribution of young employees to quick adaption of social enterprises during the pandemic (Borzaga, & Tallarini, 2021).

This research found that legislative reform in favor of social entrepreneurship needs to be carried out. Appropriate policies for creating and encouraging social entrepreneurship in Georgia are significant. Social entrepreneurs require legislation be approved covering social entrepreneurship. Notwithstanding, it needs to be taken into consideration that the legal framework does not narrow the understanding of the concept and allow wide definition in order to further promote social entrepreneurial initiatives. Georgian social entrepreneurs have confronted financial challenges already before the pandemic. Therefore, government and policymakers may discuss the funding option to support social entrepreneurship in the country. Moreover, incentives should be created to encourage launching and developing social enterprises. Additionally, training programs in business skills and entrepreneurship can help social entrepreneurs to change or create business models to better tackle the crisis. Strengthening their ability to survive will lead to their engagement in innovative solutions to societal problems.

Finally, social enterprises need to determine coping strategies in the light of the current research on the pandemic crisis in order to protect their ventures and survive during uncertain, turbulent times.

Conclusion

This research intended to reveal challenges and opportunities of social entrepreneurship, and outlined the effect of the pandemic on the social enterprises in Georgia. This paper analyzed social entrepreneurship in Georgia and examined the impact of the pandemic on the social enterprise sector. It discussed how Georgian social entrepreneurs are dealing with the impacts of the pandemic crisis, and how they have protected their ventures.

The research findings will be beneficial to social entrepreneurs, while developing strategies for dealing with the pandemic crisis, and adapting to New Normal. The study results will also allow scholars, researchers, and academics to further explore social entrepreneurship. In addition, research evidence will be of interest to policymakers introducing laws and regulations with the purpose of providing a supportive environment for social enterprises which are both start-ups and established companies. First, the social enterprise legislation should be enacted, which broadly defines social entrepreneurship and determines the criteria for a social enterprise. On the one hand, this will regulate the activities of social enterprises, and on the other hand, the law will aid them in operations. Second, the government should allocate funding to support social enterprises, promote social entrepreneurship, and encourage social entrepreneurs. These measures can facilitate their survival and growth, and ultimately, implementation of their initiatives in favor of vulnerable people. Third, the government can support entrepreneurial education, training, and consulting services and provide appropriate infrastructure, especially, in the rural areas of Georgia, to incentivize social entrepreneurial activities.

The study adds knowledge in the literature of social entrepreneurship by studying social enterprises in Georgia during the pandemic crisis. Since pandemics have been rare and this study reveals an impact of global pandemic on social enterprises, the research will broadly contribute to the theoretical insight of social entrepreneurship. Moreover, it has practical implications for social entrepreneurs and managers who make decisions about the survival and growth strategies of an enterprise under crisis conditions. Furthermore, the research can help government members working on entrepreneurial policies. Society as a whole will also benefit from these research results, since social entrepreneurship enhances the wellbeing of people by solving social problems, and improves economic welfare. Additionally, the research will help young social entrepreneurs in launching new ventures.

This paper will play a key role in advocating for policies in support of social enterprises, by raising awareness among decision-makers, business circles, academics, researchers, and citizens. The research will contribute to the growth of social entrepreneurship in Georgia, which will facilitate economic progress and further development of the country.

The limitation of this study emerges from the data collection approach as it utilized a qualitative study method, one-point-in-time inquiry. The research is based on a small sample size because of the case study methodology and answers given by the informants may be subjective. Thus, the study results may lack generalizability due to the chosen research method. Despite these limitations, the study produces new insights and inspirations, and paves the way for further research, taking into account the significance of the subject. Therefore, future longitudinal studies with follow-up interviews can explore the lasting impact on overcoming challenges, and whether the enterprises used the opportunities.

Further research will investigate in detail various types of business models, implemented strategies, employment issues, and the role of social enterprises in tackling social problems stemming from the pandemic crisis. Eventually, quantitative research of all social enterprises in Georgia will investigate their financial and social performance thoroughly.

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