



Beyond Survival: How Black and Asian-Led Social Enterprises are Responding and Adapting to the UK Cost-of-Living Crisis

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shed light on the implications of the cost-of-living crisis on business and society.

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If you have any questions about the findings of this report, please get in touch with Dr Sally Kah at sally.kah@dmu.ac.uk or Dr William Murithi at wmurithi@strathmore.edu.

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Section 1: Executive Summary

This report provides comprehensive evidence of the impact of the cost-of-living crisis on businesses, individuals, and society, focusing on social enterprises led by Black and Minority Ethnic (BME) individuals in the United Kingdom. It focuses on the innovative strategies adopted for economic crisis whilst acknowledging the barriers facing BME social entrepreneurs, including increased business costs, difficulties with financial planning, and the potential threat of business death.

We use a qualitative research design and interviews as the data collection medium to provide evidence of BME-led social enterprises' response to the cost-of-living crisis and their adaptation strategies. Fourteen founders and directors were interviewed between March 2023 and January 2024. The social enterprises are predominantly micro and small operating in England, tackling a wide range of economic and social issues. The analysis of the interviews suggests five main categories of resilience strategies: strategic business planning, working from home,

asset optimisation, fuel voucher schemes, and grant diversification.

Our findings provide ten practical recommendations for social enterprise decision-makers, funding institutions, and government bodies, which are divided into two parts.

Recommendations for Social Enterprise Decision-Makers:

1. Financial planning
2. Operational efficiency
3. Diversification of income streams
4. Flexible work arrangements
5. Community engagement

Recommendations for Funding Institutions and Government Bodies:

6. Flexible funding models
7. Long-term support
8. Collaborative initiatives
9. Capacity-building programmes
10. Policy support and advocacy

Investing in flexible funding and sustainable collaboration between social enterprises and relevant stakeholders, such as social investors, can empower social enterprises to develop resources and capabilities fit for crisis response.

Section 2: Introduction

The cost-of-living is increasing rapidly with stagnant wages and higher prices of some human necessities such as food, energy, and transport. Various drivers of this crisis exist, which we discuss in the next section. Nevertheless, the global pandemic exacerbated the cost-of-living due to global supply chain disruptions. The UK produces most of its cereals, dairy, meat, and eggs, but roughly 40% of the food consumed in the UK is imported (GOV.UK, 2024).

Another area significantly impacted by price increase is energy (Peachey, 2022). The UK, a net importer of oil products with a net import of £30 billion (Donnarumma, 2022), sources over 90% of its energy from the United States and Norway (Department for Energy Security and Net Zero, 2023). The uncertainty in the energy industry, particularly as a result of Russia's invasion of Ukraine (see, Donnarumma, 2022; ONS, 2024; GOV.UK, 2024), has led to a noticeable increase in energy prices for consumers, particularly in the UK.

This price increase is affecting financial planning and savings. Corlett and Ty's (2022) report on the outlook of living

standards revealed that real income will drop by 2% in 2023-24. In July 2024, the UK inflation rate was 2% (Bank of England, 2024). Despite the current reduction in inflation rate, the average cost-of-living remains high. This increase affects the BME communities the most as they are historically disproportionate in highly skilled work, education levels, and income.

London, the largest city in the UK, also has the highest population of BME population at 46.2% (GOV.UK, 2022). Although the average monthly wage adjusted to inflation in London is £3,666 (as of January 2023) (Centre for Cities, n.d), the average private rental growth rate in London is 10.8% (£2,071 per month) as of May 2024 (Harari et al., 2024). This is higher than the national average of 8.9% (Harari et al., 2024).

Despite the negative economic outlook, BME-led social enterprises have increasingly become networks for solving social inequalities in their communities. These organisations focus on tackling poverty, homelessness, and unemployment, amongst others, using community-centred approach.

Section 3: Cost-of-Living Crisis: The Impact on Business, People, and Society

i. The Cost-of-Living Crisis

The cost-of-living crisis refers to the sustained increase in the prices of daily essentials such as food, housing, fuel, and energy. In this situation, the increase in prices of daily necessities rises much faster than the average income of households, resulting in a fall in real disposable income, which has significant implications not just for households but also for businesses and society at large (Hourston, 2022).

The cost-of-living crisis was officially declared in the UK in late 2021, and many global and local factors contribute to and are responsible for this (Hourston, 2022). Key drivers of the crisis include the global pandemic, which puts pressure on prices and geopolitical tensions, particularly Russia's invasion of Ukraine (Harari et al., 2024). More locally, labour shortages related to Brexit are also a contributory factor (Benton and Power, 2023) and three years of high inflation rates (Sheffield, 2024). The sustained price increase has huge implications for businesses, individuals, and society.

ii. The Impact of the Crisis on Business

The cost-of-living crisis has heightened business operating costs, leading to financial strains and reduced profit margins. The Office for National Statistics (ONS, 2022) report that between 2021 and 2022, the average gas bill of UK small businesses rose by 49%, and that it takes between £13,000 and £64,000 in electricity costs annually to run a small UK business; this represents a 35% increase in their electricity bill between 2021 and 2022, with the health industry witnessing the highest increase (Andrews, 2023).

Increasing business costs for social enterprises has several implications. The implications can be financial, with higher operating costs leading to increased prices and lower profit margins. High operating costs are affecting as many as 4,000 in the UK, at imminent risk of closure, representing 3% of the estimated 131,000 social enterprises in the UK (The Social Enterprise Barometer, 2022). Further, strategic implications exist for innovative interventions, measuring social impact, and exploring new partnerships. A continuous

operating cost would impact the implementation of social interventions and, subsequently, the quality of service to beneficiaries.

The sustained increase in the cost-of-living has altered the real disposable income of individuals, and hence the spending patterns of consumers and their demand for goods and services. 72% of business owners and over two-thirds of social enterprises were found to be worried about the negative impact of the cost-of-living crisis on their business. The ONS also revealed that 30% of UK businesses reported a reduction in their turnover between January 2022 and January 2023, and only 16% indicated an increase in profit (ONS, n.d.). This hinders planning and exposes the businesses to vulnerabilities.

In addition to a decline in turnover, social enterprises face the challenges of retaining grants or securing funding as these traditional funding sources have been re-directed to address immediate economic concerns (ONS, n.d.; Social Enterprise UK, 2021). Nevertheless, there are several cost-of-living funding support including the Cost-of-Living Fund (a combination of grant and recovery loan) for charities and social

enterprises delivering support for people impacted by the cost-of-living crisis (Social Investment Business, n.d.).

Yet, there was an increase in business deaths from 299,000 to 327,000 between 2020 and 2021 – 11.1% of businesses failed in the UK during the crisis (Shaw, 2022). This is unsurprising, considering the increased operating costs and the fact that about 30% of UK businesses also reported a reduction in their turnover (Shaw, 2022). Only 38.4% of business births in the UK in the last five years have survived. In the East Midlands, the business birth rate is 11.8% and the death rate is 10.9%, meaning that less than 1% of business births survive (Shaw, 2022).

iii. The Impact of the Crisis on People

The rising cost of energy has significantly impacted people. A report by Hannon (2022) on the trend in energy prices revealed that in the last ten years, the monthly bill for gas and electricity in a UK household varied between £70 and £100. However, since late 2021, when the cost-of-living crisis was officially declared in the UK, average yearly electricity bill was £769 from £450 in 2010, an increase of 36% (Bolton and Stewart,

2024). Furthermore, the ONS (2024) reported that 4 in 10 energy bill payers struggle to afford the payment of their energy bill. About 50% of adults have reduced their home energy usage because of increased energy costs (ONS, 2024). Without government interventions, research from the University of York estimate that the cost-of-living crisis will result in nearly three-quarters of households in the UK suffering from fuel poverty. Although about 32% of White people and 52% of BMEs are estimated to experience fuel poverty, some of the government interventions have been racialised with certain strategies (e.g., the 'Energy Price Guarantee' scheme) set to lift more households out of fuel poverty (Edmiston, Begum and Kataria, 2022).

In addition, the prices of consumer goods and services have risen by 9.6%, reaching the highest level in four decades in the UK (ONS, 2024). The ONS (2022) report showed that 46 million people have cut

back on non-essential items. Housing costs also increased, with 34% of renters and 19% of mortgagors reporting increased payments. Sadly, private renters are notably higher in absolute poverty by 1.4% according to Wernham, Ray-Chaudhuri and Waters (2024). Although absolute poverty declined slightly during the pandemic, this has now returned to the pre-pandemic levels from 8.9 million (13%) in 2021/22 to 18.0% same rate as 2019/20 (Francis-Devine, 2022).

The most impacted people are BMEs, considering that more than 26% of BMEs are in deep poverty and often face economic inequality; thus, the cost-of-living crisis exacerbates these disparities and further limits their access to essential goods and services. Other studies show that BME people face costs that are 50% higher than White people and are 2.5 times more likely to face the burden of the cost-of-living crisis (Edmiston, Begum and Kataria, 2022; Tims and Caddick, 2022).

Section 4: Black and Minority Ethnic Social Entrepreneurs in the UK

BME social entrepreneurs are growing in the UK. Research by UnLtd, an organisation supporting social entrepreneurs, revealed that people who identify as Black, Asian or Minority Ethnic are more than twice as likely to consider a social enterprise (UnLtd, n.d.). This section of the report will present some of the key data and statistics on BME social entrepreneurs in the UK.

i. The State of BME-Led Social Enterprises

The landscape of social entrepreneurship in the UK is notably diverse, with a significant representation from BME communities. There are 131,000 social enterprises in the UK with a turnover of roughly £78 billion (Social Enterprise UK, 2023).

Data from the annual survey of Small Businesses in the UK showed that approximately 14% of social enterprises are led by BME individuals (Social Enterprise UK [SEUK], 2021). This contrasts with the broader business sector, where BME leadership stands at around 5% (Hutton, 2022).

The State of Social Enterprise UK report 2023 revealed that 12% of social enterprises in the UK employ individuals who have faced discrimination due to their race (Black, Asian, Minority, Ethnic groups). 43% have at least one leader from a BME background (SEUK, 2023, p.5), and “40% of Black-led social enterprises that applied for external finance chose a loan, compared to 55% of organisations led by someone from a White British background” (SEUK, 2023, p.33).

The above evidence is a development from the State of Social Enterprise Survey (2021) report, where 31% of the organisations surveyed had at least one member from a racialised community, a slight decrease from 35% in 2019 and 34% in 2017. The latest findings indicate a progressive sector of diversity in leadership teams. Despite this, the UK’s precise operating sector of BME-led social enterprises is unclear. Also, their regional distributions are yet to be established to form a comprehensive view of where they operate and where they are situated.

ii. Characteristics and Contributions

There is few empirical evidence on the characteristics of BME social entrepreneurs in the UK. Studies that have examined the role and contributions of ethnic minority businesses focus on profit-minded entrepreneurs (i.e., Ekwulugo, 2006; Wang and Altinay, 2012; Collins and Fakoussa, 2015; Kašperová, Roberts and Ram, 2022). Little is known about the philosophical orientation and characteristics of BME-led social enterprises in the UK.

However, there has been a renaissance of the 'Black Social Entrepreneur' in the UK since the tragic death of George Floyd in May 2020. For instance, celebrating black social entrepreneurs during Black History Month UK, the Black Pound Day created by Swiss and a special focus on social enterprise at the Birmingham Black Business Show (BBBS). At the 2024 BBBS, Shaun Sookoo, Founder of VIOMAR and CEO of the Food Division, shared fundamental insights into the strategies for engaging with diverse communities to drive socio-economic change.

BME social entrepreneurs in the UK are characterised by their drive for social impact, resilience and adaptability, inclusive practice and community mentorship. State of Social Enterprise Survey (2021) found that Black-led social enterprises are more common in the most impoverished areas of the UK and Asian-heritage leaders are more likely to run start-ups than established ones.

Community development, education, and health are their main areas of focus, supporting underserved populations. Many of these social enterprises have launched programmes to provide affordable housing, financial literacy, and basic needs in response to the cost-of-living crisis (Department for Business and Trade, 2023). However, they face financial and operational and challenges, subsequently impacting their operational scale.

iii. Challenges Faced

Despite their contributions, BME social entrepreneurs face challenges similar to those of ethnic minority businesses, as outlined in the Time to Change report (Kašperová, Roberts and Ram, 2022) on advancing ethnic minority businesses. Access to

funding remains a primary obstacle, with many reporting difficulties in securing loans and grants. Previous research indicates that social enterprises face difficulty accessing finance (European Commission, 2015) because they are not perceived by mainstream financial intermediaries as viable clients (Doherty, Haugh and Lyon. 2014). This could be compounded by systemic issues such as racial bias in funding decisions and a lack of representation in social investment boards.

Linares Zegarra and Wilson (2022) argued that BME-led social enterprises face a higher risk of credit refusal which, in turn, may discourage them from applying for funding or grants. Figure 1 below highlights the disparity in funding success for BME-led social enterprises, which often receive comparably smaller amounts than non-BME-led organisations.

Doherty, Haugh and Lyon (2014) found other challenges concerning managing the hybrid identity of social enterprises, responding to market changes, and blending different types of employees—volunteers and contracted employees. Whilst these scholars did not focus on BME social entrepreneurs, we argue that research should examine the hybridity of organisations with diverse social dispositions and personal values.

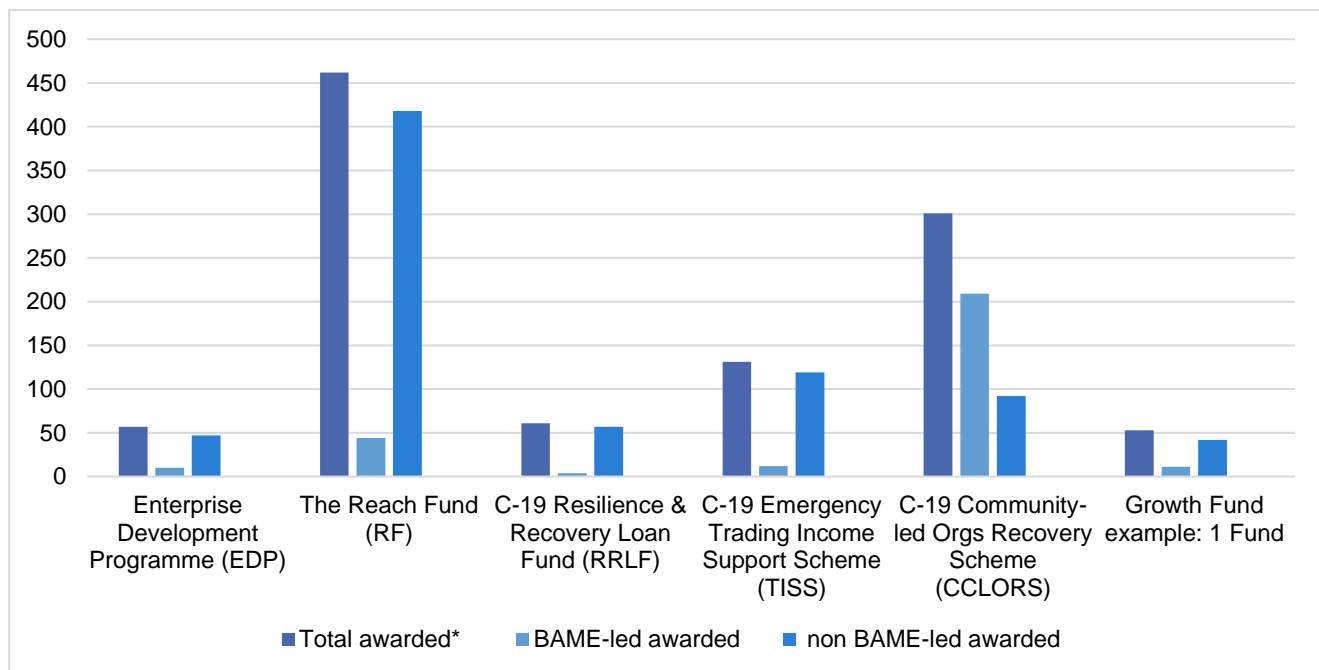


Figure 1. Flows of Grant and Investment to ‘BAME’-Led Organisations
(Source: Sepulveda and Rabbevåg, 2021)

iv. Support and Development

Social enterprises require mission-centred support to achieve their impact goals. The UK is one of the mature markets for social enterprises with a recognised legal structure for social enterprises, i.e., Community Interest Company and B Corp. Although social enterprises in the UK can adopt other legal forms. As such, there is a plethora of financial and business support to foster impactful interventions.

In 2020, UnLtd supported over 146 social entrepreneurs who identify as Black, Asian or from a minority background (Sheppard, 2021). Social Enterprise UK produces empirical evidence to influence policy and enhance the visibility and support for all social enterprises. Support can also be accessed at a global level. As of April 2023, the United Nations General Assembly adopted the first Resolution on the Social and Solidarity Economy (SSE) to recognise the contributions of social enterprises and other socially oriented organisations in achieving the UN Sustainable Development Goals (UN SDGs). The five dimensions of SSE are illustrated in Figure 2, which extends the triple bottom line of people, planet and profit. It includes socially responsible governance and edifying ethical values. Edifying value is a catalytic dimension that signals to empower people and enable individual agency.

The UK government has significantly emphasised ‘levelling up’ underperforming counties and cities through investment in infrastructure, education, and scientific and technological research and development to harness these areas’ potential (Centre for Cities, 2020).



Figure 2. Dimensions of SSE (Source: Chandra Firmontoko (2022) cited in Jayasooria and Yi (2023))

Section 5: Research Design and Method

i. The Research Design

We used a qualitative interview research design to explore how BME-led social enterprises respond and adapt to the cost-of-living crisis. Qualitative interview design is a method for conducting in-depth, open-ended interviews with participants to explore their perspectives, experiences, and understandings of a particular phenomenon (Creswell and Poth, 2018), in this case, the cost-of-living crisis. Qualitative interviews are often used when researchers seek to gain a rich and nuanced understanding of a subject, allowing the participants to share their thoughts and experiences in their own words (Makri and Neely, 2021). Thus, it provides valuable data for understanding complex phenomenon from the individuals' experiences and the meaning they ascribe to them. Qualitative interviews' iterative and flexible nature allowed us to adapt our approach based on emerging insights during the study. For instance, after the second interview, we noticed that some social entrepreneurs perceived the phrase 'impacted by the cost-of-living' negatively.

Instead, 'responding' and 'adapting' was deemed more appropriate, since the effect of the economic crisis has affected organisations differently.

ii. The Participants

We identified participants using screening criteria designed for BME social entrepreneurs.

The following sources were used to identify participants: the Social Enterprise UK directory, UnLtd directory, Community Interest Company directory, LinkedIn, and Google. The search specifically focused on the identity of the founder or director to align with the racially minoritised population, and the organisation had to be registered in the UK.

Next, a cross-examination of the social enterprise details was conducted using Gov.uk to verify legal registration and ensure consistency with the information on directories and the company's website. This process led to a comprehensive database comprising company profiles such as the company name, establishment year, founder(s) or director(s), contact

information, employee count, legal structure, and operating sector.

Upon completing the company profiles, a call for participants was distributed via email, including a participant information sheet. To fulfil the study's objectives, the participants had to meet two specific criteria: firstly, self-identifying as a BME social entrepreneur running a UK-

registered company; and secondly, holding a leadership or decision-making role within the social enterprise. The call to participants specifically targeted contributions from BME social entrepreneurs, allowing the participants to self-identify as Black or belonging to other racialised minority groups before and during the interview process.

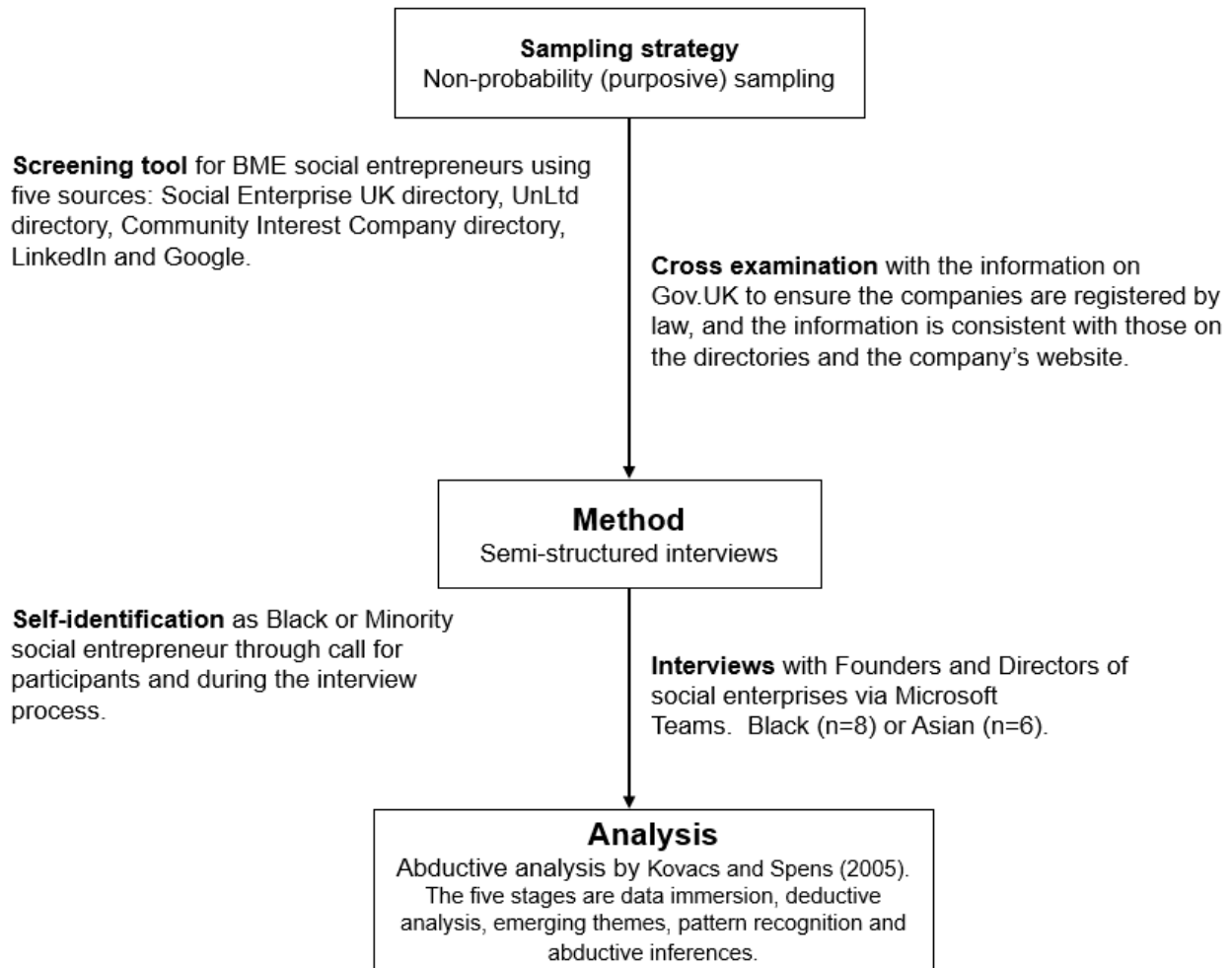


Figure 3. Process of Data Collection and Analysis
(Source: Authors' own)

iii. Data Collection and Analysis

We conducted virtual interviews with fourteen founders and directors of social enterprises who self-identified as Black (n=8) or Asian (n=6). The interviews commenced in March 2023, and the last was conducted in February 2024. For the convenience of the researchers and participants, the interviews were conducted using Microsoft Teams and lasted from 40 to 80 minutes. The interviews were all video and audio recorded, and transcribed at the point of data collection using the Microsoft Teams record and transcription tool.

The semi-structured interview questions were categorised into three sections. Each section contained five questions relating to the following themes: (1) the perceived impact of the cost-of-living crisis on the organisation and service users, (2) the response to the crisis and adaptation

strategies, and (3) the implications of the response strategies for the organisation.

In addition to the above themes, the participants were allowed to introduce novel but related themes not covered by the guide (Ozuem et al., 2022). Since the study intends to understand the responsiveness to the cost-of-living crisis, all transcripts were analysed by abductive reasoning (Kovacs and Spens, 2005): data immersion, deductive analysis, emerging themes, pattern recognition, and abductive inferences.

Section 6 presents the key findings from the analysis based on themes 1 and 2 outlined above. To preserve the identity of the founders and directors but maintain the human voices in the results, we have assigned them pseudo-names, as shown in Table 1.

Table 1. Interviewee and Organisational Profile

Interviewee pseudo-name and organisation code	Year of establishment	Mission	Region	Organisational size	Approx. number of beneficiaries	
Hana	CO1_UT	2010	Tackling homelessness	London	Small	200+
Acina	CO2_PP	2013	Sustainable modern saris	Teddington	Micro	40–60
Abu	CO3_Eq	2017	Artisan gifts and home decor	London	Micro	25–30
Naomi	CO4_EE	2012	Special education and learning	London/ Wales	Small	700+
Omotola	CO5_BMW	2010	Financial literacy for young adults	Essex	Micro	30–50
Mary	CO6_GJT	2017	Accounting for charities and social enterprises	London	Micro	50–70
Cecilia	CO7_RTFS	2019	Financial literacy and wellbeing	Walsall	Micro	200+
Jia Li	CO8_KCL	2019	Women’s economic empowerment	London	Micro	100+
Akira	CO9_PCM	2018	Counselling, mentoring, and advocacy	London	Micro	40–50
Caitlin	CO10_SW	2007	Personal development for women	Birmingham	Micro	1,000+
Chaka	CO11_ACU	2012	Financial freedom and generational wealth	London	Micro	Undisclosed
Ojore	CO12_CCCHL	2019	Networking hub for women	London	Micro	Undisclosed
Riya	CO13_BH	2018	Sustainable and recycled products	London	Micro	20–30
Anaca	CO14_iWA	2016	Women’s education and organisational training	Liverpool	Micro	5,000+

Note. The approximate number of beneficiaries is based on the number of service users and service generators (in the case of artisans as the beneficiaries).

Section 6: The Results

i. Impact of the Cost-of-Living Crisis on Social Enterprises

The findings in this section are based on virtual interactions with diverse social enterprises operating in England (except for CO4_EE also operating in Wales). Many of these organisations are based in London and address various social and economic challenges such as homelessness and women's education (refer to Table 1 for their stated mission). After obtaining further information on the organisation and the role of the founders in the enterprise, we commenced with a general question: In what ways is the cost-of-living crisis impacting your organisation? The responses to this question yielded valuable insights as the participants shared various factors affecting their organisations and their views regarding the crisis.

We found several operational challenges as a direct result of the cost-of-living crisis. They include high business costs (n=14), difficulties with financial planning (n=12), a competitive funding landscape (n=12), inadequate income (n=11), disruption in the

supply chain (n=9), and travel poverty (n=9). Figure 4 presents the findings, illustrating the number of organisations impacted by the operational challenges.

ii. High Business Costs

The crisis's adverse effects on organisations are clear, with the most significant impact observed in increased business expenditures. These heightened costs primarily stem from utilities, rent, and raw materials. Caitlin from CO10_SW said, *"In the last 12 months, I've had to release my two members of staff when their contracts came to an end. We just simply weren't making enough money to continue paying people"*.

Riya from CO13_BH referred to the rise in business overheads that cannot be compromised: *"our warehousing cost remains the same because products are not moving very quickly. The shipping costs remain quite high because those are the costs that can't be moved"*.

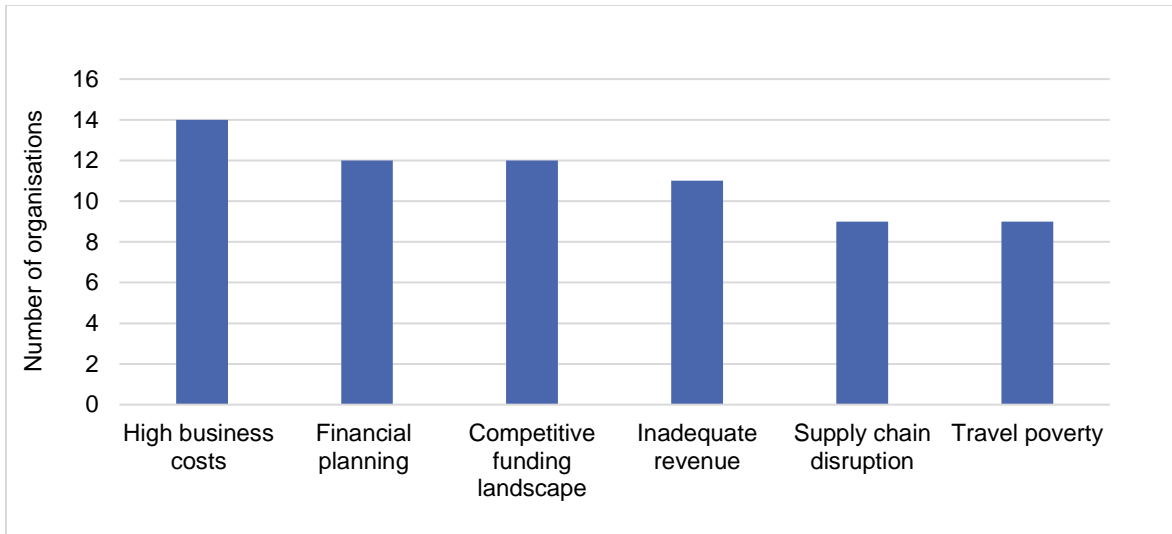
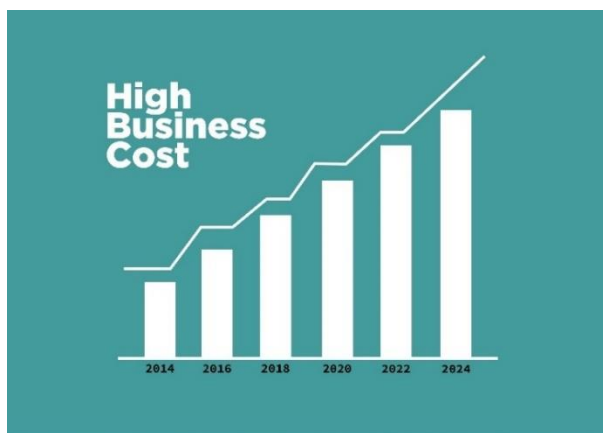


Figure 4. Operational Impact of the Crisis
(Source: Authors' own)

Yet, raising service prices is not an operational response for the directors, as it would disproportionately burden their already vulnerable service users who are enduring economic hardships.

I do a lot of work from home and the other bits I do is I go out into the community. So, the only way it affects me, I think, is more of my personal life. Like my phone, bills have gone up. Everything else. You know, the gas, electric, everything has gone up. Traveling has gone up. (Omotola, CO5_BMW)



The operating expenses is not exclusive to those with on-site operations. Those operating under a home-working structure face substantial operating expense:

iii. Financial Planning and Inadequate Revenue

The rise in business costs has negatively impacted their income and profit margins, and made it challenging to plan. Specific areas of impact with financial planning are budgeting and expense management, and cash flow management, thus requiring cost-reduction strategies. As the cost-of-

living crisis occurred, directors began to review their current product and service offerings to find alternative income generation. They prepared a detailed budget that accounts for all expenses, including fixed costs like rent and utilities, variable costs like materials and labour, and discretionary spending. They monitor expenses regularly and look for opportunities to reduce costs without sacrificing quality or service:

We want to get more paid stuff and might require some more grant in the shorter term, so that we can get more towards selling the tours so we can bring more revenue. Generating enough funds to pay for that work itself in the longest term, that's our goal.
(Hana, CO1_UT)

Further, the organisations maintain a close focus on cashflow to ensure there is enough liquidity to cover day-to-day operations, especially during periods of reduced revenue or increased expenses. Those in retail, in particular, experience variations in cashflow. As Abu, founder of CO3_Eq, said:

[As] one of the traders in the market, we could see our revenues going away completely, so May and June were completely blank almost in terms of revenue and similar story in the last year. Normally October, November, December are full-on months. We would make enough money to tie us over until

the earlier part of the year in the spring. But last year October, November was very, very slow, almost negligible, but December became slightly better.



As a result of the negative impact on income, the organisations identified cost-reduction strategies and revenue diversification. Cost-reduction strategies involved renegotiating contracts with suppliers for better pricing, and implementing energy-saving measures to reduce utility expenses by offering working-from-home options. Their highest business costs are labour and marketing: “*We stop spending on a lot of things, especially marketing, that's the first thing to go because it is an expensive activity with all the ads. So, our marketing budget went from a couple of thousand pounds to zero*” (Abu, founder of CO3_Eq). Revenue diversification involves exploring opportunities to diversify revenue streams to survive the crisis:

I've decided that I'm going to follow my passion by offering wellbeing and happiness coaching. So, I'm going to focus on that because I think that's really important. Wellbeing of people who work in the CIC [Community Interest Company] is one of the other things you find with this organisation, sometimes it's just three people and the stress of trying to run the accounts is a lot. (Mary, founder of CO6_GJT)

iv. Competitive Funding Landscape

As the participants discussed products and service diversification to generate further income, they mentioned grants as an option. However, the social investment landscape is competitive. Their view is that the cost-of-living crisis has exacerbated the demand for social interventions; therefore, more social enterprises are applying for funding, increasing the competitiveness of the funding landscape. This pressures social enterprises to develop robust social impact data for funding applications. Thus, the activities of the organisations are being strained as they require specific expertise to monitor and measure the social impact. Impact assessment is critical for social investment, as Naomi (CO4_EE) explained:

a way that we were commissioned was outcomes-based rather than just saying

can we just have twenty hours of tuition because we're not pens. You're not buying pens. You can understand twenty pens, but if you buy an outcome, you know, then the onus is back on us to make sure that young people achieve what they should.

v. Supply Chain Disruptions

Our analysis also revealed that organisations in retail (CO2_PP; CO3_Eq; CO13_BH) and catering (CO8_KCL) experienced supply chain disruptions. CO2_PP works with artisans in India, CO3_Eq works with artisans in Kenya and India and CO13_BH work with artisans in the India and the UK.



Although the cost of paying artisans in India and Kenya has not changed, the cost of inbound logistics has increased the overall business costs. They face the challenge of sourcing affordable raw materials in addition to transportation costs, especially with the rise in fuel prices

due to economic instability and geopolitical factors. To mitigate the supply chain disruptions caused by the cost-of-living crisis, these organisations have considered diversifying their supplier base and renegotiating contracts with smallholder artisans to secure more favourable terms:

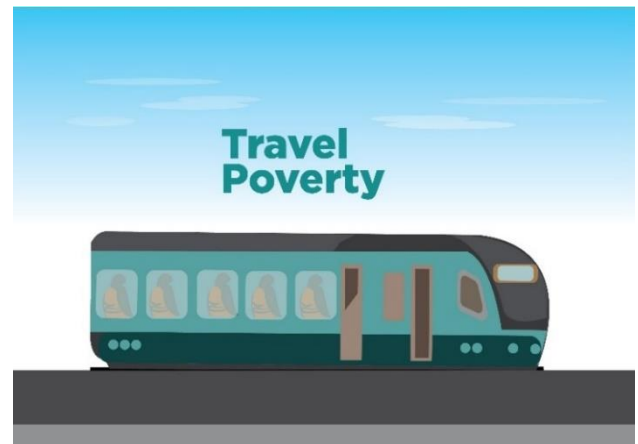
There's a platform called Faire UK, which brings together suppliers and buyers. Last year, they had a fantastic deal because they're trying to grow their presence in Europe. They were essentially giving buyers £100 or £200 to buy products from suppliers, so they were giving big incentives. That meant as a supplier, I was able to benefit, and I then got stocked in a number of eco-friendly stores like Fairtrade stores.
(Acina, CO2_PP)

vi. Travel Poverty

We found travel-related poverty in two stakeholder groups: service users and employees.

Travel poverty from our analysis refers to the inability of employees and service-users to afford the high cost of rail tickets, especially those operating in London.

Travel poverty was another critical determinant in the working-from-home strategy to support employees who face hardships due to the financial constraints imposed by the cost-of-living crisis: “*We decided to give everyone the 6% increase*” (Naomi, CO4_EE).



To address travel poverty, the organisations in this study explored alternative means of engaging with staff, such as conducting meetings using videoconferencing (i.e., Zoom). They facilitated some sessions online and organised virtual networking events. These organisations prioritised essential travel, budget optimisation, and leveraging technology to streamline travel expenses.

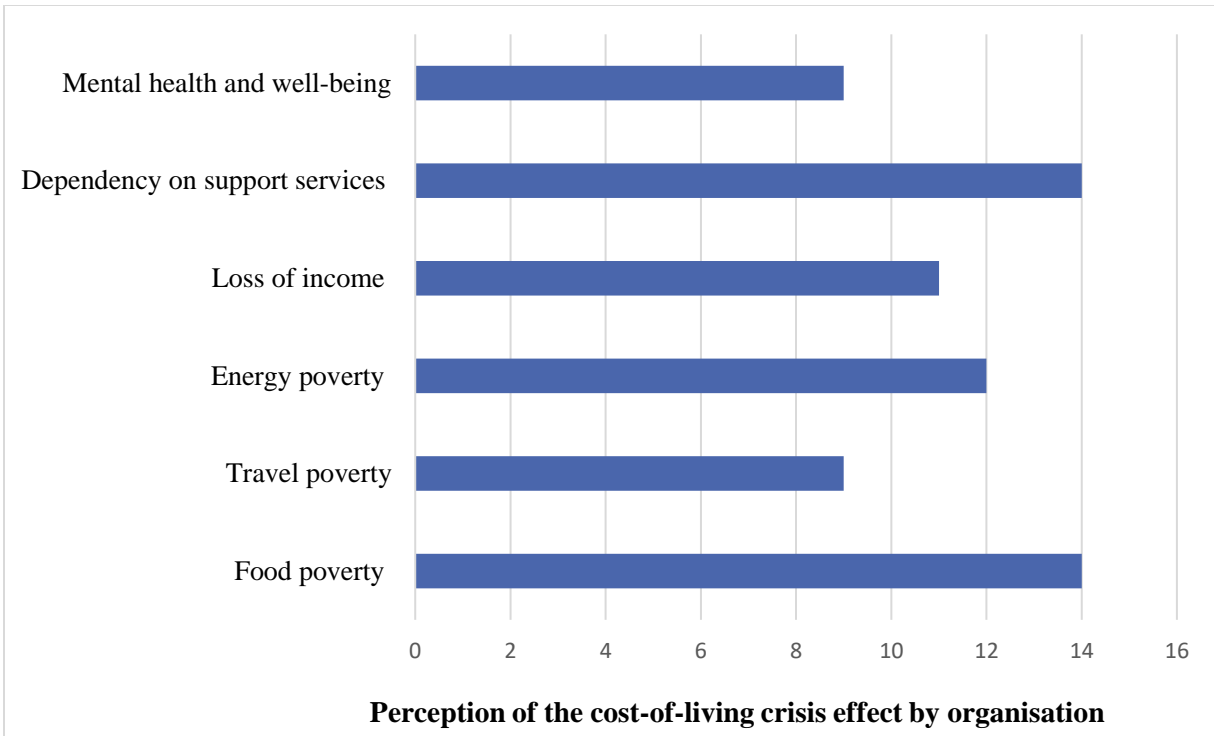


Figure 5. Cost-of-Living Crisis Stressors on Service Users
(Source: Authors' own)

vii. Response to the Crisis and Adaptation Strategies

Despite the challenges faced by the investigated organisations, they develop problem-centric solutions to address the complexities of the crisis. In this section, we discuss the common strategies adopted by these organisations. Reviewing their business offerings was critical in finding new methods to minimise business costs and increase revenue. The business review led to new business planning arrangements, such as working-from-home options, that laid out new approaches to working. They

also outlined ways to leverage their business assets to generate income and offer service users fuel vouchers. Sections viii to xi discuss the coping strategies in detail.

viii. Business Planning

Business planning was the first strategic response to the cost-of-living crisis. To navigate the challenges posed by rising costs, these organisations re-evaluate their operational models, financial projections, and market strategies. This involves thoroughly

examining existing revenue streams and cost structures to identify areas of improvement and innovation.

The social enterprises expend business planning to optimise their resources and streamline operations. They scrutinise their supply chains, negotiate better deals with suppliers, and explore alternative sourcing options to mitigate the impact of inflation. Additionally, they re-assess pricing strategies to ensure the affordability for their service users while maintaining sustainability. Moreover, we found evidence of the diversification of income streams. Social enterprises seek out new markets, expand product lines, and enhance their online presence to reach a broader customer base. This strategic approach helps them weather the economic challenges and foster long-term resilience and growth.

ix. Working from Home

One method for reducing business costs, particularly rising energy costs, was working-from-home options for employees. According to some organisations (CO1_UT; CO3_Eq; CO4_EE), this approach is about agility and flexibility, as employees can manage

their work and personal lives. Since most of our sample is based in London, it is reasonable to see this strategy implemented, given the high commuting costs in London. Employees can save on transportation costs and allocate more of their income towards essential needs, thereby mitigating the impact of the cost-of-living crisis on their households.

Social enterprises leverage technology to facilitate remote work, investing in virtual communication platforms such as Zoom and Microsoft Teams. These tools allow seamless coordination and flexibility in their activities. Thus, social enterprises are adapting to the challenges posed by the cost-of-living crisis and embracing innovative solutions for long-term sustainability and resilience.

Interestingly, a few organisations have tapped into a broader talent pool (virtual volunteers), allowing them to recruit skilled professionals from diverse locations. This enhances their workforce and fosters inclusivity and diversity within the organisation.

x. Leverage Assets for Revenue

Social enterprises responded to the crisis creatively. One way was by using their resources – physical assets and human capital – to generate income. Some organisations operate in spacious buildings with unoccupied spaces, which are assets for income generation. They offered space rental to other socially minded enterprises. Only a few organisations have been able to do this because most of the interviewees, particularly those in London, do not own the properties where they operate.

However, most participants leverage their knowledge and expertise by offering services required in mainstream businesses, such as cultural competence, diversity, and inclusion. Others have expanded their service portfolio to include mental health and wellbeing because they found that service users, whilst impacted by the cost-of-living crisis, are primarily concerned about their mental health and wellbeing.

The founders and directors also discussed the importance of investing in themselves to better understand how to deal with the crisis and support their team. This includes professional development to enhance crisis

management skills and the understanding of the sector through regional and national social enterprise events, particularly events that focus on getting funded (grants), social impact measurement and procurement.

xi. Fuel Vouchers

We found a few organisations (CO7_RTFS; CO8_PCM) providing service users with fuel vouchers whilst facilitating clothes drives. Others recommended food banks in their support package. This solution emerged organically for one organisation as they analysed the service-users' needs at the start of the cost-of-living crisis. One such 'need' was fuel, because fuel and energy prices were higher than the estimated living costs. The vouchers were distributed in community centres and after training sessions. This was implemented over a week for a small number of users. The recipients of these vouchers used them to purchase fuel, allowing them to commute to work and access the necessary services.

Section 7: Practical Recommendations

Throughout this investigation, we listened to and explored specifically how social enterprises have responded to the cost-of-living crisis. The fuel voucher is one of the many organic and creative solutions implemented to empower service users.

This study investigated how social enterprises led by BME individuals respond and adapt to the cost-of-living crisis. We were interested in these organisations because they are understudied in the UK social enterprise sector despite increasing contributions to the UK context. Also, we observe that people from BME communities are disproportionately affected by the crisis.

Micro and small social enterprises adopt several response strategies specific to the problem. In this section, we provide ten practical recommendations for social enterprise decision-makers, funding institutions, and policy-makers to ensure social enterprises are prepared for future economic crises.

i. Recommendations for Social Enterprise Decision-Makers

Social enterprises, like other SMEs, face high business costs. However, the investigated organisations adopted cost-minimisation and diversification strategies to survive. Below are five practical recommendations for social enterprise managers and directors:

- 1. Financial Planning:** This is a foundational step for the organisation to establish a robust financial planning strategy that includes building up reserves during times of stability. To achieve this, consistently review the business financial plans with a specific focus on the expenditure. Having a financial cushion can help buffer the impact of economic shocks in terms of operating costs or decreases in revenue.
- 2. Operational Efficiency:** Once a solid financial foundation is in place, benchmark with other industry counterparts to determine a

reasonable cost structure *vis a vis* expected revenues or funding. Maintaining direct and indirect costs between 40–60% of the total expected funding is prudent. This will ensure at least 40% of the generated income goes into the reserve or investments. Optimising operational efficiency can reduce costs and improve the bottom line.

3. Diversify Income Streams:

Diversify product and service offerings. Consider new service delivery processes, new business lines, and new programmes to attract additional income sources. With a strong financial base and efficient operations, exploring new income streams can further stabilise revenue and reduce the reliance on any single source.

4. Flexible Work Arrangements:

Offering flexible work arrangements can be implemented concurrently with other strategies. It improves employee satisfaction and can reduce the operational costs related to office space.

5. Community Engagement:

Strengthening working relationships with communities should be

continuous and align with other strategies. Engaging with the community can be a source of intelligence for social enterprises to understand the specific needs of their service users and how they might respond to them.

ii. Recommendations for Funding Institutions and Government Bodies

To support BME-led social enterprises, the UK government should increase funding support and capacity-building to mitigate the diverse effects of externalities caused by the economic crisis. As indicated earlier, ethnic minority businesses benefit from support and resources to grow their enterprises, although they are less likely to access credit or more likely to get reduced funding from both public and private sources. Therefore, given their instrumental roles in creating jobs, supporting marginalised communities, and increasing inclusivity in both government services and social and economic participation, the government should consider the following:

- 6. Flexible Funding Models:** Provide flexible funding for social

enterprises to adapt to changing circumstances. This could include offering grants that can be used for operational costs, capacity-building, or innovation rather than restrictive project-specific funding. Another model could be a special purpose vehicle, such as a savings and credit society, to generate funds that target BME-led social enterprises. This should encourage ownership from the BME community to promote inclusivity and diversity.

- 7. Long-Term Support:** Offer long-term support and stability through multi-year funding commitments. This enables social enterprises to plan and invest more confidently in their growth and sustainability.
- 8. Collaborative Initiatives:** Facilitate collaborative initiatives that bring together multiple stakeholders, including social enterprises, government agencies, private sector partners, and community organisations. This collaborative approach can leverage resources more effectively and create synergies for greater impact.

9. Capacity-Building Programmes:

Provide targeted capacity-building programmes and technical assistance to help social enterprises improve their financial management, operational efficiency, and impact measurement. This support can enhance the effectiveness and sustainability of social enterprises.

10. Policy Support and Advocacy:

Advocate for policies that create an enabling environment for social enterprises to thrive. This could include tax incentives, procurement policies that favour social enterprises, regulatory frameworks that support social impact measurement, and access to affordable resources such as buildings and facilities.

By implementing these recommendations, funding bodies and government bodies can play a crucial role in supporting the resilience and growth of social enterprises, especially during challenging economic times like the cost-of-living crisis.

Section 8: Next Steps for Cost-of-Living Research

We have completed the first phase of the social enterprise and cost-of-living crisis research. Through a dissemination event on the 18th of December 2023, we hosted social enterprise directors and founders at De Montfort University, where we shared the research findings and conducted focus group discussions about how they are responding to the cost-of-living crisis.

The research dissemination was divided into two phases:

- The first phase revealed findings from the initial research stage into social enterprises and their role in

addressing the cost-of-living crisis.

- In the second phase, founders and directors participated in a focus group discussion on dynamic capabilities for building resilient organisations.

Before revealing the phase one findings, Professor David Rae, Associate Dean of Research and Innovation at the Faculty of Business and Law, highlighted the faculty's impactful research initiatives. This was followed by Darsh, Knowledge Exchange Officer, who explored knowledge exchange approaches and partnerships with social enterprises and charities.



Figure 6. Professor David Rae, Associate Dean of Research and Innovation at the Faculty of Business and Law

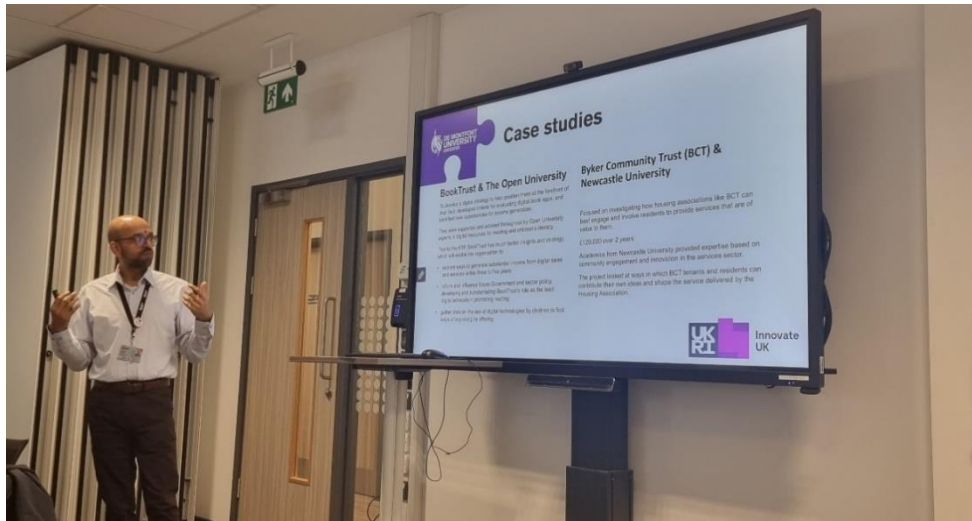


Figure 7. Darsh, Knowledge Exchange Officer, Enterprise and Business Services Directorate

The next phase of our research delves into dynamic capabilities that lead to resilient organisations. Dynamic capabilities refer to an organisation’s ability to adapt, innovate, and respond swiftly to market changes. As social enterprises navigate through disruptions such as the cost-of-living crisis, global pandemic, and technological advancements, understanding how dynamic capabilities contribute to organisational resilience is crucial. Our research will focus on two key areas.

First, we seek to understand the core elements of dynamic capabilities – sensing, seizing, and reconfiguring – specifically exploring strategies and practices that embody these capabilities across different organisational sizes. Second, we investigate the specific resilience strategies that social enterprises can implement based on their dynamic capabilities. This involves understanding how different combinations of sensing, seizing, and reconfiguring capabilities influence resilience outcomes.

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Section 10: Resources for Navigating the Cost-of-Living Crisis

The cost-of-living crisis is a significant challenge for many individuals and organisations, including social enterprises

in the UK. Table 2 presents a number of resources and organisations that can help navigate this crisis.

Table 2. Resources for Navigating the Cost-of-Living Crisis

Support structure	Organisations
Financial support and guidance	<ol style="list-style-type: none"> 1. Social Enterprise UK: The national body for social enterprises in the UK. It offers resources, support and networking opportunities for member organisations: Social Enterprise UK 2. The Social Investment Business: Offers financial advice and support for social enterprise size and needs: The Social Investment Business 3. UK Government Support: There are different initiatives by the government for social enterprises: Social Enterprise Boost Fund
Cost-reduction strategies	<ol style="list-style-type: none"> 1. Carbon Trust: Energy has been a big expense for households and businesses. The Carbon Trust offers guidance for businesses: Carbon Trust - Business Advice 2. ICAEW: Advice on negotiating with suppliers for better rates can be crucial, as a few participants mentioned that changes to costing were impossible. The Institute of Chartered Accountants in England and Wales (ICAEW) offers guidance: ICAEW - Business Advice 3. UK Government: Check for business rate relief and other government schemes to reduce overheads: UK Government Business Rates
Employee support	<ol style="list-style-type: none"> 1. Money Advice Service: The cost-of-living crisis impacts employees' mental health and wellbeing. Businesses can access the Money Advice Service for tools and guidance to support their employees: Money Advice Service - Employers 2. Mind: Employee-assistance programmes offer support for employees dealing with financial stress.

	Charities like Mind offer guidance on mental health and wellbeing: Mind - Workplace Wellbeing
Training and skills development	<ol style="list-style-type: none"> 1. Open Learn: Look for free online courses on financial management, negotiation skills, and cost optimisation. For example: OpenLearn - Free Business Courses 2. Social Enterprise UK (or your regional social enterprise network): SEUK host face-to-face events and webinars on a range of topics from social value to procurement. However, not all events are open to non-members. Alternatively, search for events by your local social enterprise network. For example: Voluntary Action LeicesterShire
Networking and peer support	<ol style="list-style-type: none"> 1. Local Enterprise Partnerships: They often have resources and networks for businesses, including social enterprises, at the local level: Local Enterprise Partnerships 2. Online Forums and Communities: Groups on platforms like LinkedIn or forums specific to social enterprises can provide a space for sharing advice and support. For example: Social Enterprise Alliance, Social Enterprise Mark CIC

Please be aware that these resources are suggested for your consideration only. As we do not have any affiliation with these organisations, we strongly advise conducting your due diligence before utilising any of the suggested resources.

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