



A Micro-Business Turnaround Model for Surviving a Crisis through Enacted Sensemaking

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ABSTRACT

This study provides an insight into UK micro-businesses' strategic management during the Covid-19 pandemic. By drawing upon enacted sensemaking and turnaround theories it reveals the micro-business' survival strategies in a crisis context and proposes a model for a micro-business turnaround. The micro-businesses' turnaround strategies were captured from 17 semi-structured interviews. The findings show that micro-firms can survive a crisis if they turn the business around through either 'dangerous action' or 'safe inaction' using retrenchment and recovery strategies. The enacted turnaround through 'dangerous action' is more beneficial as it leads to a more intense learning, a better understanding of a crisis, reconfiguration of existing capabilities and business growth. This contextual research contributes to the entrepreneurship and strategic management literatures with a micro-business' turnaround model suitable for surviving a crisis. It extends the application of a turnaround strategy beyond organisational contexts and beyond gradually occurring decline scenarios. The turnaround model is suited for healthy firms that require prompt strategic decisions to avoid failure and exit in the exogenous shock scenarios and significantly shortens the timescale of turnaround implementation.

1. INTRODUCTION

The global pandemic caused by the coronavirus (Covid-19) in early 2020 created severe repercussions on both social and economic levels; it resulted in a significant slowdown of the global economy, job losses, supply chain disruptions and overall business uncertainty (ONS, 2020; Wenzel et al., 2021). Whilst empirical evidence on crisis management in the Covid-19 pandemic has already emerged, it is predominantly based on small and medium-sized (SMEs) business experiences (e.g. Bressan et al., 2021; Fasth et al., 2022; Sarkar and Clegg, 2021). A substantial knowledge gap remains around the measures micro-businesses put in place to survive a crisis. Reports suggests that micro-

enterprises were affected the most during the Covid-19 pandemic (Brown and Cowling, 2021; Local Government Association, 2021) however little is known about their strategic approach to dealing with and in crisis. This knowledge can shed light on the possible and most suitable survival strategies for micro-businesses facing crisis. In crisis, strategies can be identified through making sense of "what is going on" and what to do next (Weick et al., 2005). Such cognitive processing of the situation is called sensemaking (Weick, 1988). The literature on enacted sensemaking so far has focused on collective responses to crisis such as institutional and organisational (e.g. Weick, 1988; Maitlis and Sonenshein, 2010). As micro-

businesses do not have complex business and governance structures, their decision making tends to be more individualistic than in larger firms. This leaves us with the gap in knowledge over the more individualistic responses to crisis that micro-firms make. Thus, to meet the aim of the study, this paper draws upon Weick's (1988) theory of enacted sensemaking in crisis to explore and reveal *how micro-businesses coped during the first lockdown in 2020 in the UK and what strategic decisions they took for survival through enacted sensemaking.*

Prior research indicates several strategic responses a firm can utilize to overcome the challenges posed by a crisis. It can be done through either retrenchment, persevering, innovation (Klyver and Nielsen, 2021) and exit (Wenzel et al., 2021), whilst others refer to a turnaround strategy with its two components – retrenchment and recovery (e.g. Collett et al., 2014; Santana et al., 2019). A turnaround strategy is selected for the purpose of this research as it demonstrates CONTINUITY. In addition, as evident in the strategic management research, a turnaround strategy has been explored in the context of large organisations experiencing decline (see Bruton et al., 2003; Collett et al., 2014; Santana et al., 2019). It is unknown however whether a turnaround is a suitable strategy for micro-enterprises in times of crisis. Therefore, it is imperative to learn more about *if and how* micro-businesses implemented a turnaround strategy in the first lockdown to cope with uncertainty and what benefits if any they reaped from its implementation.

This paper makes both theoretical and practical contributions. Firstly, the literature on turnaround strategy to date has focused predominantly on large businesses' capabilities in using a turnaround strategy (e.g. Santana et al., 2019; Schmitt and Raisch, 2013). The term turnaround though appears to be novel in the enterprising field and especially in the micro-business context. Previous research that explored turnaround decisions within the entrepreneurial literature focused solely on medium size manufacturing family firms (e.g. Cater and Schwab, 2008) thus leaving a gap around turnaround decision making in the micro-enterprising field. This study thus contributes to the entrepreneurial and strategic management literatures with an insight into the strategic management of a micro-business in crisis. More specifically, it proposes a micro-business

turnaround in crisis model based on the conceptual review of the sensemaking and turnaround literatures and the analysis of the raw data with 17 micro-businesses.

Secondly, the proposed turnaround model is built on micro-businesses' strategic experiences in surviving the Covid-19 crisis, thus holds practical evidence and value. We argue the turnaround concept and strategies are suited in contexts that require prompt strategic decisions and beyond gradually occurring decline scenarios as stated previously in strategic management research (e.g. Bruton et al., 2003; Schweizer and Nienhaus, 2017) and limited entrepreneurial literature (Cater and Schwab 2008). Thirdly, our empirical findings show a turnaround can save micro-firms within a short span of time instead of a few years as argued previously (e.g. Bibeault, 1982; Bruton et al., 2003; O'Kane and Cunningham, 2014). Firms can complete a turnaround in the exogenous shock scenarios before even experiencing a decline to avoid failure and exit. Taking an immediate turnaround initiative whilst the business is in a healthy stage can save the business and significantly shorten the timescale of turnaround implementation. This provides significant implications for theory and practice.

The paper is structured as follows: first, a micro-business research context is discussed. Next, the theories of enacted sensemaking in crisis (Weick, 1988) and a turnaround strategy are introduced. The paper then provides suggestions for turnaround concept development and a micro-business' turnaround model and explains the methodological undertakings, data analysis and findings linked to the existing literature. This is followed by a discussion, conclusions, theoretical and practical implications for micro-businesses and policy makers.

2. LITERATURE REVIEW

2.1. Micro-businesses

Defined as businesses with fewer than ten employees, micro-enterprises make a significant contribution to the economy. In the UK, their presence accounts for 95% of all UK businesses and 19% of the UK's turnover (House of Commons Library, 2022). Micro-businesses differ from other SMEs by their petit size, ownership, informal management and leadership style, growth

challenges and a lack of capabilities (Gherhes et al., 2016; Greenbank, 2000; Lussier and Sonfield, 2015). Smallness can be both an advantage and a disadvantage to a firm especially in crisis. On one hand, petiteness gives more flexibility in decision making (Hutchinson, 2018). For instance, situated informal leadership allows to form closer connections with employees, customers, business partners and other stakeholders (Hutchinson, 2018; Petrylaite and Robson, 2022). It results in more entrepreneurial experimentation and actions (Balas Rant et al., 2021; Kuckertz et al., 2020) and more effective and innovative responses to technological and market changes (Roper and Hewitt-Dundas, 2017) and crisis (Eggers, 2020). On the other hand, smallness results in limited social, financial and operational capital, and this makes micro-enterprises more vulnerable (Balas Rant et al., 2021) and less prepared for unexpected exogenous shocks like the Covid-19 pandemic (Kuckertz et al., 2020). To understand what specific actions to take in crisis requires an enacted sensemaking (Weick, 1988) which appears to be under-researched beyond elite managerial contexts (Christianson and Barton, 2020).

2.2. Enacted sensemaking in crisis

The theory of enacted sensemaking by Karl Weick (1988) explains organizational responses to crisis situations. Defined as a “low probability/high consequence event” (Weick, 1988: 305), crisis creates uncertainty and thus a threat to a business. Responses to crisis can be determined through sensemaking (Weick et al., 2005). Raising questions and searching for answers creates meaning and lead to decision making and action (Weick et al., 2005). In the sensemaking process, one can respond with ‘dangerous action’ or ‘safe inaction’ with the former producing the understanding and the latter confusion (Weick, 1988). The purpose of taking a specific action is to get feedback, learn and make better sense of the unknown environment (Weick, 1988). However, in crisis one might respond with no action thus facing more unknowns and making more errors (Weick, 1988).

Weick (1988) argued, commitment, capacity and expectation are also part of sensemaking. When actions are public and irrevocable one makes a stronger commitment to solving the crisis and produces a tenacious justification for the actions

taken (Weick, 1988). Capacity contributes to crisis management through perception, competence, control and involvement of diverse actors (Weick, 1988). It determines whether those affected will take action (Maitlis and Sonenshein, 2010) and whether they have resources and expertise to act in crisis (Nowling and Seeger, 2020). When capacities change, the perceptions and actions change as well (Weick, 1988). This means that if people believe they have the capacity and if that capacity can make a difference, then they will be more inclined to take action in tackling a crisis (Weick, 1988). Similarly, expectations can either reduce or increase the crisis (Nowling and Seeger, 2020). Crisis management becomes effective when the perceptions of control increase (Weick, 1988) or when multiple perspectives inform sensemaking (Nowling and Seeger, 2020). This results in a better sense of the situation and actions needed to deal with crisis.

Weick argued that people enact the environment meaning that they form the reality in a given situation through their actions and making sense of these actions. The enactment as a result changes the environment (Weick, 1988). The enacted changes are interpreted to make sense of the old experiences and for constructing new ones. Here the aspect of temporality comes in, which, according to Introna (2019), unites the past, the present and the future. Temporality in the sensemaking process assists with preventing larger crisis through managing a smaller crisis (Weick, 1988) as the attention is directed to both present and the future using present-oriented practices (Gephart et al., 2010). In this way, the enacted sensemaking “blurs the line between crisis prevention and crisis management” (Weick, 1988: 308) creating safer means through future-oriented sensemaking (Gephart et al., 2010).

Most of the literature on enacted sensemaking discussed above focuses on organizational responses to crisis which are collective in nature thus leaving a dearth of knowledge on more individualistic responses to crisis which are more in line with micro-firms’ characteristics. The paper aims to fill this knowledge void and links sensemaking with a turnaround strategy to reveal if and how the micro-firms implemented a turnaround as a response to survive the crisis.

2.3. Turnaround in crisis

Turnaround strategy is “a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm’s survival” (Cater and Schwab, 2008: 32). It is one of the strategic solutions that businesses use to tackle decline or stagnation evoked by internal (e.g. poor management decisions) or external events (e.g. environmental shocks) (e.g. Bibeault, 1982; Santana et al., 2019; Schweizer and Nienhaus, 2017). Corporate turnaround is a two-stage process involving retrenchment and recovery. Retrenchment is associated with efficiency turnaround (e.g. reductions in operations, assets, costs and employees) whereas recovery is linked to the so-called strategic or entrepreneurial turnaround (Chathoth et al., 2006; O’Kane and Cunningham, 2014). Both components bring different benefits to a business experiencing a decline. For example, retrenchment processes improve business performance in the currently served markets through serving the needs of the core customers and prioritising the core business activities and competitive strengths (Schoenberg et al., 2013). Conversely, strategic turnaround or recovery shifts the attention towards increasing revenues through new product and market development (Chathoth et al., 2006; Collett et al., 2014) or new procedures, policies, organizational structures, operations, distribution channels and new resources (Bibeault, 1982). Through retrenchment businesses can solve their internal problems such as decline in operating revenues, low productivity, structural characteristics, governance and increased costs whilst through recovery and innovative solutions they can better respond to externally generated problems such as economic crises, increased competition and various other issues invoked by technological, legal, political and socio-cultural developments (Santana et al., 2019). Innovation allows the organization to alter their usual ways of serving customers and other stakeholders (Mone et al., 1998), and is perceived as the best approach to tackling urgent and adverse situations, and opening new streams of revenues (Repenning and Serman, 2002). To sum up, both components of a turnaround have different purposes and thus give different results: retrenchment ensures a short-term survival for the company whereas recovery positions it for long-term growth (Schoenberg et

al., 2013).

Strategic management literature acknowledges that retrenchment or recovery are contradictory strategies (Schmitt and Raisch, 2013) and either of them can be selected if preferred (Hofer, 1980). Reduction strategies improve efficiency in business operations, however they suppress innovation, creativity, commitment and cooperation for better future performance (Datta et al., 2010). It has been proven that betterment is often achieved through revenue gains rather than cost reductions (Ndofor et al., 2013). Despite their differences and unique characteristics both types of strategy are interrelated, complementary and mutually impacting the success of turnaround implementation (O’Kane and Cunningham, 2014; Schmitt and Raisch, 2013). If implemented together, they contribute to better turnaround performance (Schmitt and Raisch, 2013). The implementation process of a turnaround however is complex, capital intensive, lasts a few years and is shaped by the leader’s interpretations (Bibeault, 1982; Schmitt and Raisch, 2013).

The leaders’ assessment of crisis is part of sensemaking and plays an important role in how the firm responds to internal and external causes of decline (Bibeault, 1982; Mone et al., 1998). Drawing upon Weiner (1986) and Weiner et al.’s (1976) typology of causal attribution dimensions, Mone et al. (1998) argued that if leaders associate decline with temporary or uncontrollable causes, they will opt for no innovative action. Such a response is usually linked to the leader’s lack of cognitive capacity to understand and interpret the actual causes or a lack of organizational resources and capabilities to address the problem adequately (Mone et al., 1998). However, if leaders perceive the causes of decline as permanent or controllable, they are likely to respond with innovative solutions (Mone et al., 1998). “Perceptions of controllability give managers some degree of confidence in their organization’s or subunit’s ability to respond to decline successfully” (Mone et al., 1998: 125). For the turnaround to work, leaders thus need to be prepared and capable of taking often drastic, unpopular decisions like downsizing to reduce costs but also entrepreneurial actions through searching for and seizing opportunities during the turnaround (Bibeault, 1982).

The review of the turnaround concept and its development within organizational and strategic management research brings us to a few observations, conclusions and propositions. The first one is regarding the applicability and practicality of this concept. Recently, Schweizer, and Nienhaus (2017) expressed scepticism over the application of a two-dimensional turnaround as it comes with the risk of arriving at spurious conclusions, and therefore suggested including procedural and contextual influences in the decision-making process of a turnaround. Yet, the applicability of such a theoretical framework, derived from the review of the existing turnaround literature, is again narrowed down to corporate businesses and excludes ventures with smaller capacities and operational scales. This framework takes us back to corporate contexts and does not create room for inclusivity. Thus, for Schweizer and Nienhaus' (2017) model to be widely used it requires simplicity, diversity and rethinking. Small businesses and especially their micro-counterparts do not navigate with complex operational systems to allow for managerial replacements, decentralizations or cultural changes as advised in turnaround research (Schoenberg et al., 2013; Schweizer and Nienhaus, 2017). Organizations in a state of crisis and decline tend to change the leadership and culture of the firm "to challenge past beliefs and taken for granted assumptions" (Schoenberg et al., 2013: 249). Whilst this course of action is suitable and works for large organizations and SMEs, we argue that it is not achievable for micro-firms due to the earlier mentioned micro-business characteristics (e.g. petiteness, limited financial and human capital, and the owner being the leader and often the sole decision maker of the firm) (Gherhes et al., 2016; Lussier and Sonfield, 2015). Changing the micro-business leader becomes even more unrealistic when a firm faces a sudden crisis and requires full attention and sensemaking to turn it around both short and long-term.

Moreover, to date, a turnaround process has been applied in the declining business cases with its implementation taking a few years (Bibeault, 1982; Bruton et al., 2003; O'Kane and Cunningham, 2014), thus making it possible for both efficiency and entrepreneurial practices to be utilized

together. A knowledge gap remains around the turnaround's applicability to a wider range of businesses including micro-firms and, in those contexts, when a crisis is sudden rather than lasting a few years. Given these subtleties and limitations in the turnaround strategy theory, we propose a model of turnaround that is suitable for micro-businesses to implement during crisis situations especially when they are sudden, unexpected and externally generated, and requiring prompt strategic thinking and sensemaking to turn the business around for survival and growth short and long-term (see Figure 1).

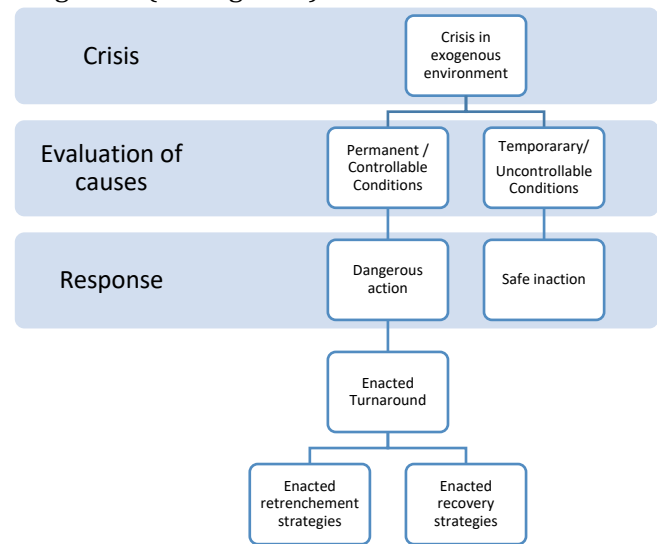


Figure 1. Micro-business enacted turnaround model

This turnaround model is based on Weick's (1988) theory of enacted sensemaking in crisis and Weiner (1986) and Weiner et al.'s (1976) typology of causal attribution dimensions discussed in Mone et al.'s (1998) study. In line with Weick's (1988) theory of enacted sensemaking, a micro-business can respond with action or no action. The leader's interpretation of a situation as temporary and uncontrollable or permanent and controllable (Mone et al., 1998) determines the choice. If a business chooses to take action, it has the opportunity to turn itself around with retrenchment and recovery strategies for survival and growth. The micro-firm can implement either retrenchment or recovery strategies, or both together. The model is not prescriptive and therefore does not contain specific retrenchment or recovery strategies. In this way, it gives flexibility for specific strategies to emerge in line

with the micro-business model in operation.

3. RESEARCH CONTEXT AND METHODOLOGY

Despite the growing research into the detrimental effect of COVID-19 on business, little is known about how businesses were impacted by crisis in different regions back in 2020 (Brown and Cowling, 2021) and what strategic responses were required in those areas to keep the business running. This can only be uncovered through more contextualized research (Welter *et al.*, 2019). This study thus focuses on micro-businesses based within the region of the north east of England in the UK. The North East was chosen for contextualization purposes and also due to the authors' location during the lockdown. Contextualization has important implications for entrepreneurship research – it provides a stronger base for theory building especially around the challenges the micro-businesses face in poorer geographical areas due to social and economic impoverishment (Welter *et al.*, 2019). Statistical data reveals the complexity and adversity of the crisis situation in the North East. It was intensified by a lower percentage of businesses had received support through the British Business Bank's Bounce Bank Loan Scheme (BBLs) and the Future Fund scheme available to all UK start-ups and SMEs during the Covid-19 pandemic (Brown and Cowling, 2021). Firms from the North East thus faced more adversity and risk than their counterparts in other regions and required more effort to survive the pandemic crisis independently. As disparity between the regional economies deepened further in the pandemic, more contextual research within the entrepreneurial and strategic management field is needed (Welter *et al.*, 2019).

To close this gap, this study used a qualitative research approach to examine the sensemaking and the implemented survival strategies of micro-businesses from the north east of England during the national lockdown in March–June 2020. Qualitative research assists with gathering detailed in-depth knowledge and developing further theories about the social world (Silverman, 2020). In this research, it assisted with deepening the understanding, the meaning and the critical interpretations of the issues the micro-firms faced during the Covid-19 pandemic. Qualitative

entrepreneurship research is suitable here due to its potential to create an insight of the outcomes of strategic decisions in critical times (Van Burg *et al.*, 2022).

To gather information on the micro-business' sensemaking and survival strategies, 17 semi-structured interviews were conducted with micro-businesses from the north east of England (see Table 1). The research sample included firms ranging from hairdressing to martial arts to marketing agency and riding school, etc. A wide range of micro-businesses were approached for diversity and heterogeneity (Welter *et al.*, 2019); to ensure a wider scope of the issues were discussed and a deeper knowledge and meaning were developed about the micro-firms' strategic decision making. Diverse data offered wider perspectives on micro businesses' strategic capabilities in managing a crisis. Interviews were arranged through a purposive sampling approach which led to businesses with relevant knowledge and experience in managing the Covid-19 crisis.

The semi-structured interview guide consisted of 23 questions. The business owners/managers were asked to reflect on their enacted experiences in managing business during the Covid-19 crisis and what specific difficulties they encountered during that time. The key focus was the micro-business approach to keeping the business open during the lockdown and the strategic changes made to the business models for survival. This included questions on the opportunities sought for new product development, existing product offerings, promotion and customer engagement. The most attention was given to the turnaround strategy and its implementation. The open-ended questions were based on the turnaround strategy theory and the business owners' sensemaking experiences in implementing survival strategies and their effectiveness that time. Due to COVID-19 safety measures, the interviews were conducted remotely via either a telephone or internet call. Due to the business owners' limited availability, on average the interviews lasted for half an hour with the shortest interviews being 19 minutes and the longest being 54 minutes. Data collection has ended once the saturation was reached and meaningful and rich responses were gathered.

The data was coded and synthesized into the themes and subthemes using a thematic analysis approach guided by the microbusiness turnaround model (see Figure 1) and enacted sensemaking and turnaround theories. The data coding and analysis was a three-stage process (see Table 2). First, the data was categorised into descriptive themes. To minimize reliability and validity issues, two researchers undertook thematic coding and compared the initial themes for consistency and accuracy. These themes were then discussed with a third researcher for refinement. The descriptive categories reflect the actions the micro-businesses took in order to survive the Covid-19 pandemic during the first lockdown in 2020. At the analytical stage of analysis, the themes were categorised under broader themes – the specific strategies. The third stage of analysis involved conceptualisation in line with the turnaround strategy and enacted sensemaking theory. The data was categorised into enacted retrenchment strategies and enacted

recovery strategies and then conceptualised as ‘safe inaction’ and ‘dangerous action’ based on Weick’s (1988) sensemaking theory. The specific micro-business actions and strategies will be discussed in the analysis section using the business owners’ verbatim reflections on their enacted sensemaking and turnaround in crisis.

4. FINDINGS

The micro-businesses that participated in this research made many strategic decisions during the first lockdown in 2020. Through enacted sensemaking they first assessed the unforeseen conditions and circumstances as uncontrollable or controllable (Mone et al., 1998) and responded to the external crisis in two ways: they chose either ‘safe inaction’ or ‘dangerous action’ (Weick, 1988) and different retrenchment and recovery strategies (see Table 2).

Table 1. Interviewed Business Profiles

Type of business	No of employees	Operated or shut during lockdown
Riding school	5	Shut
Removals	8	Shut
Marketing agency	4	Operated under new conditions
Restaurant/Takeaway	5	Operated under new conditions
Hairdressing	2	Shut
Hairdressing	5	Shut
B&B + swimming pool	3	Shut
B&B	2	Shut
Dog walking + dog cafe	1 + 4	Shut + opened a new service
Martial arts	1	Operated under new conditions
Estate agency	7	Operated under new conditions
Printing services	5	Shut
Publishing company	3	Operated under new conditions
Electrical services	3	Shut + Operated under new conditions
Building and construction	3	Operated under new conditions
Farming + shop	5	Operated under new conditions
Firewood business	3	Operated under new conditions

4.1. Safe inaction

Enacted retrenchment and recovery strategies

Nine micro-firms out of 17 ceased their operations as per national government guidelines. Services such as hairdressing, printing, removals, B&Bs and others were affected the most by the external

conditions – they could not operate due to a higher risk of virus transmission. Through enacted sensemaking they were led to a decision to temporarily close the business. The temporary business closure was undertaken as part of a retrenchment strategy to save the business from much more detrimental consequences like a

permanent exit. ‘Safe inaction’ (Weick, 1988) was predetermined by their internal circumstances (e.g. the nature of the business) and external conditions (e.g. the government’s imposed restrictions and guidelines):

Yeah, we had no choice but to close down. We rang all our decent removal rivals. We all were

of the same feeling that we should close down. We’ve never known anything like it in our lifetime. I did not want to close down. Part of me wanted to stay open but health and safety came into this really and we were left with no choice but to close down. (Removals)

Table 2. Analysis process from descriptive categories to analytical categories

Descriptive categories	Analytical categories		Conceptualisation
First order themes	Second order themes	Third order themes	
Actions taken	Strategies	Enacted turnaround strategies	Turnaround
Applied for financial support from government	Temporary business closure	Enacted retrenchment strategies	Safe inaction
Cancelled or delayed contracts with utility providers and suppliers	Reduced overheads		
Reduced salaries for business owners			
Completing admin work and issuing invoices	Effective use of time		
Repairing and maintaining business premises. Completing repairs themselves to reduce costs			
Upgrading business facilities	Upgrading business facilities	Enacted recovery strategies	
Closed office/working from home	Reduced overheads	Enacted retrenchment strategies	Dangerous action
Staff redeployment on part-time contracts			
Reduced supply chain costs			
Reduced work hours			
Cancelled/postponed contracts/projects			
Supply chain disruptions	Operating at reduced capacity		
Keeping the same prices	Reducing profits		
Adjusting to clients changed working patterns			
Amending or creating new product/service provision	Changing a business model	Enacted recovery strategies	
To meet increased demand delivery through local taxis	Collaboration with local/national businesses		
Online networking (with local and national businesses)			

The micro-businesses that ceased their operations applied for the government support in the form of grants and furlough schemes which provided financial stability during uncertainty:

We had to close down. We didn’t realise it would have a huge impact on our business. Our orders basically collapsed. If the government hadn’t provided the wages, it could have been the demise of our business. (Printing services)

Although the affected micro-businesses were

inactive publicly, they took extra measures to sustain the business during the lockdown. Reducing overheads and cancelling or delaying contracts with suppliers and utility providers was a retrenchment strategy to save the business amidst unprecedented economic uncertainty (Thorgren and Williams, 2020). For example, the owners of a removals company took salary cuts: *‘Me and [business partner] cut down our salaries by 50%. We couldn’t spend any money anyway. So, we took a 50% pay cut. That went for about four months.’*

Other retrenchment examples included effective use of time by repairing and maintaining business premises and completing administrative tasks. The lockdown gave time to complete the necessary maintenance work which otherwise could not be done if in full operation. Through this retrenchment approach micro-businesses solved their internal problems – inefficiency in operations and management (Santana et al., 2019). Despite being in a ‘safe inaction’ stage, the affected micro-businesses took action to improve and maintain management operations in a cost-effective way:

We re-decorated the garden. We would normally be busy for that and would have used a business to do it. But this time did it ourselves. We replaced the gutter, redecorated the garden door. It worked in our favour. (B&B)

‘Safe inaction’ turned into the opportunity to turnaround the business inside through retrenchment and recovery by focusing on improving and upgrading its facilities for short and long-term growth. This type of turnaround through the business owners’ sensemaking of the crisis situation was turned into an active exploration of how the business could be saved and upgraded for its future competitive advantage. Thus, even ‘safe inaction’ contributed to an enacted turnaround through enacted retrenchment (e.g. reducing overheads, using time effectively to complete the essential maintenance, repairing and administration work) and enacted recovery (e.g. by upgrading business facilities) (see Table 2).

4.2. Dangerous action

Enacted retrenchment strategies

The micro-businesses that continued their operations survived by taking a ‘dangerous action’ (Weick, 1988) and various retrenchment strategies at the time of the first lockdown. Reducing overheads by closing offices and working from home, redeploying staff and cutting supplier costs were the main ways of saving the business amidst economic uncertainty (Thorgren and Williams, 2020):

We had a shared office. Those doors had to be closed straight away. I used to work loads face-to-face with businesses for two hours in my

place of work or in their place of work [...]. It had to be done online. (Marketing agency)

Turning a business around through retrenchment was deemed to be successful. It led to a new way of working. The Covid-19 pandemic forced the micro-businesses to be more proactive (Eggers, 2020) in finding more efficient and effective ways of operating. The solutions that micro-businesses came up with through enacted sensemaking were unusual at that time. For example, the restaurant/takeaway owner found a way to reduce the supply chain costs:

I had to change the way of doing things in order to deal with the supply chain issues. For example, before COVID we used to buy all our meats from the local butcher. Now I drive to the nearest and cheapest slaughterhouse, and I buy whole animals. I have learnt how to cut the meat and use all the parts myself. That saves me lots of money.

‘Dangerous action’ enabled micro-businesses to save time and/or money while making them more productive. Retrenchment is argued to be effective in making businesses more efficient (Santana et al., 2019). This would not have happened without discarding old capabilities and acquiring and building new ones essential for business growth in normal circumstances and survival in the Covid-19 context. The micro-business owners managed to achieve this through key dynamic capabilities such as sensing, seizing and reconfiguring (Johnson et al., 2017).

Due to the imposed lockdown and increased health and safety requirements, the micro-businesses had to operate at a reduced capacity. They were willing to continue working despite significant undercuts in business hours, contracts and orders as confirmed in Thorgren and Williams’ (2020) research. As a result, micro-businesses experienced significant reduction in revenues during the first lockdown:

Initially, we had just kept opened in the afternoons for a few hours each day to keep it on a caring maintenance basis. (Publishing company)

This type of retrenchment showed business

stamina to survive despite the exogenous shocks and unfavourable regulations introduced by policy makers. To operate in such conditions in which the whole business system was disrupted was a challenge that required the micro-businesses to change, adapt and stretch their capabilities for surviving the Covid-19 pandemic (Eggers, 2020; Kuckertz et al., 2020).

The micro-service providers had to make other unpopular decisions while continuing running the business. They chose retrenchment by reducing or keeping the same prices to maintain their market share and accommodate the needs and working patterns of their key clients. Through this retrenchment strategy the turnaround firms prioritised the needs of the currently served markets (Schoenberg et al., 2013) and showed their ability to adapt for survival. Such retrenchment strategies nevertheless had a negative impact on business profitability:

Because their hours were restricted, my hours were restricted. You get less work done in a day. You have got a financial impact because you have less chargeable hours. (Electrical services)

The turnaround literature agrees that retrenchment comes with unpopular yet necessary decisions (Bibeault, 1982), and they were equally essential in the Covid-19 context as in any other crisis to keep the business open.

Enacted recovery strategies

During the pandemic micro-firms also looked for other ways to keep their business alive. Recovery strategies are associated with entrepreneurial qualities (O’Kane and Cunningham, 2014; Kuckertz et al., 2020). In this research, some of the interviewed firms applied innovative solutions to their business models by making changes to their existing products and services or creating new ones to continue the business survival:

[...] I heard a dog cafe possibly shutting down and I wanted to take over. They did not shut and I took an idea to run this business on my own. [...] I did a business plan. I have been in many dogs’ cafes – I knew we had to do things on our own in order to survive. (Dog walking + dog café)

In times of uncertainty, caused by the global pandemic, for a business to be open and generate income required entrepreneurial turnaround or, in the words of Weick (1988), ‘dangerous action’. The strategy literature agrees a turnaround is not possible without action arrived at through rigorously assessing the situation and searching and seizing available opportunities (Bibeault, 1982). The firms had to adapt and amend their products and services or substitute them with alternatives. Such actions changed their business models and required new skills and capabilities to operate in a new way. Most of the micro-businesses of this research moved to digital platforms to make their products and services available to customers. Entrepreneurial turnaround can be achieved not only through introducing new products and services but also changing business operations and finding new distribution channels (Bibeault, 1982). Running a service online was a new venture to most micro-firms (e.g. the martial arts school, the marketing agency and the estate agency) as none of them offered online provision before. The examples of innovation included new products and services (e.g. webinars: marketing and estate agency), market segments (shielding customers: the farm shop), order and distribution channels (e.g. Click and Collect: the farm shop; mobile canteen: restaurant/takeaway firm; recorded house viewings online: estate agency). These types of business model adaptation are known as either product development where modified or new products/services are provided to existing customers or market development intending to reach new markets with existing or amended products/services (Johnson et al., 2017).

The ability to make changes to the way businesses are run in extreme conditions can not only extend the life of the business but also lead to further development and growth. Innovative strategies arrived at through sensemaking and ‘dangerous action’ made the changed business models viable (Kuckertz et al., 2020). Alternative ways of working can be not only more productive and sustainable but also accepted and welcomed by the key stakeholders. The new approaches maintained or led to new sources of income (Kuckertz et al., 2020).

During the first lockdown, the interviewed micro-businesses had to look for support within and beyond local communities. It was essential to adapt and develop new capabilities also through identifying and harnessing the strengths of other businesses. This came through sensing and seizing opportunities that were available around them (Kuckertz et al., 2020). For example, to meet the increased demand, the farm shop used local suppliers to replenish their stocks and a local taxi service for home deliveries:

Increase in demand was overnight. [We] had to respond within hours. [We] used local suppliers to meet the growing demand. As a result of having links with local suppliers, [we] were able to respond to the demand quickly as opposed to having relied on the big supply chains. [...] We also arranged food to be delivered to their [shielding customers'] homes by taxis. (Farming + shop)

Collaborating with local suppliers made the micro-enterprise more distinctive and led to new prospects and revenues as well as improving their networking skills. It was a collective way to survive by helping each other in an extremely unsettling external environment. Roper and Hewitt-Dundas (2017) confirm that partnering and collaborating with other firms reduces risks, gives access to external resources and grants market leadership. The purpose of recovery strategy is to generate more revenues, and this was achieved through networking and developing social capital (Gherhes et al., 2016; Robson and Bennett, 2000).

The Covid-19 pandemic gave the opportunity to build one's contacts at local and national levels:

[...] I joined the Digital Leaders forum, and it allowed me to escape. Through these people I found businesses that specialize in something that I do not specialize in. [...] I can meet and work with people digitally. (Marketing agency)

Online platforms made it possible to reach existing clients, connect and reconnect with other businesses at much lower cost and also gain new clients. Networking is essential for micro-firms (Gherhes et al., 2016). Through new and existing

connections the business owners expanded their own capabilities and business longevity.

The analysis of the 17 micro-businesses' operations during the first lockdown in the UK revealed their survival strategies through enacted sensemaking of crisis. Micro-businesses based in the north east of England took a range of actions at a time of economic and social crisis. They saved their businesses through 'safe inaction' or 'dangerous action' in the form of various retrenchment and recovery strategies with some being enforced and others made voluntarily.

5. DISCUSSION

This research revealed how the micro-businesses from the north east of England responded to the exogenous shock and economic uncertainty caused by the Covid-19 pandemic in 2020. It filled the knowledge gap around micro-business' sensemaking and coping in an attempt to survive the Covid-19 pandemic and demonstrated the individualistic nature of sensemaking and coping of micro-firms. As previous studies focused on crisis management by SMEs (Bressan et al., 2021; Fasth et al., 2022; Kuckertz et al., 2020; Sarkar and Clegg, 2021; Thorgren and Williams, 2020) without differentiating the micro-business' responses from the rest of SMEs, or argued the collective nature of sensemaking in crisis (Weick, 1988), we shifted our attention specifically to micro-businesses and their strategies in managing a crisis through individualistic sensemaking. The sensemaking of 17 micro-businesses reveal the dilemmas the micro-businesses faced and the strategic actions they took to save the business during the first lockdown. We explained their strategic responses to crisis using a theory of enacted sensemaking (Weick, 1988) which argues that businesses can choose action or no action following a collective sensemaking in the time of crisis (Weick, 1988). Weick (1988) called them 'dangerous action' and 'safe inaction' respectively.

We also linked business' enacted sensemaking with the turnaround theory to reveal whether turnaround is a suitable strategy for micro-firms facing disruption in crisis settings. Prior research on turnaround explored its use and benefits to large organizations experiencing a decline over a long period of time (Santana et al., 2019; Schendel

et al., 1976). In such scenarios business turnaround lasts a number of years (Bibeault, 1982; Bruton et al., 2003; O’Kane and Cunningham, 2014) and often results in leadership and cultural changes within large firms (Bibeault, 1982; Schoenberg et al., 2013). Our research extends the application of a turnaround strategy beyond corporate and decline settings and proves its practicality for healthy micro-businesses experiencing a sudden crisis invoked by external conditions rather than internal problems. It contributes to both entrepreneurship and strategic management literature with the conceptual framework of a micro-business turnaround (Figure 1). Based on Weick’s (1988) theory of enacted sensemaking in crisis and Weiner (1986) and Weiner et al.’s (1976) typology of causal attribution dimensions, this turnaround model can be of assistance to micro-businesses requiring individualistic sensemaking and quick decision making to turnaround a business for survival and growth. Due to its flexibility, the micro-business turnaround model can be applied in other crisis scenarios or adapted by other firms irrespective of their size and business model. This turnaround model does not require change in micro-firm’s leadership. We argue that leadership change is not possible in micro-firm contexts given that sudden crisis requires the business owner’s full attention to save a business in the extreme circumstances as in the case of the Covid-19 pandemic, thus shortening the span of turnaround.

Our proposed micro-business turnaround (Figure 1) has been explored in this research using the data from semi-structured interviews with 17 micro-businesses located in the north east of England. Following the analysis, the conceptual micro-business turnaround model was amended to reflect the actual micro-businesses’ turnaround initiatives implemented in practice during the first lockdown in 2020 (see Figure 2). The amended micro-business model (Figure 2) demonstrates the micro-business owners’ ability to turnaround a business within a short span of time through individualistic sensemaking and ‘safe inaction’ or ‘dangerous action’ using retrenchment and recovery strategies. The findings confirm our argument that turnaround is a suitable strategy for healthy micro-firms requiring a quick turnaround due to exogenous shocks.

This research provides evidence of both types of

response taken by micro-entrepreneurs in the North East. Our findings contribute to the sensemaking in crisis, the turnaround and the strategic management literatures with the knowledge that business turnaround can be achieved even with ‘safe inaction’ but is stronger when it is closely linked to ‘dangerous action’ and the business owner’s capacity and capability to implement changes following a careful assessment of the situation as permanent and controllable instead of temporary and uncontrollable.

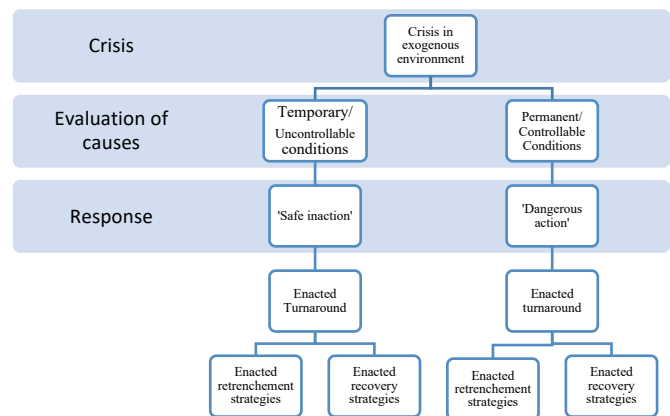


Figure 2. Micro-business enacted turnaround model through enacted sensemaking

Contrary to Weick’s (1988) argument, micro-businesses benefited even in a ‘safe inaction’ state if they applied retrenchment and/or recovery strategies which ensured business survival during and beyond the lockdown time. ‘Safe inaction’ worked in the Covid-19 context as most businesses received financial support through various government initiatives. We argue that in other crises scenarios ‘safe inaction’ is riskier than taking ‘dangerous action’ as unwillingness to adapt to change is costly for the organisation (Bibeault, 1982) and especially micro-firms due to their liability of smallness (Balas Rant et al., 2021; Lussier and Sondfield, 2015).

The micro-firms that aimed to survive the pandemic independently and chose ‘dangerous action’ saw bigger returns from applied

turnaround in line with sensemaking and turnaround theories. 'Dangerous action', although associated with more risks, led businesses to a more intense learning, a better understanding of the unprecedented events and of suitable ways of responding to them (Dushnitsky et al., 2020; Weick, 1988). In line with the strategic management literature (e.g. Dushnitsky et al., 2020; Eggers, 2020), we argue that uncertainty gives entrepreneurs the chance to apply their entrepreneurial skills and put new ideas into action to seize opportunities that otherwise would not have been available. These opportunities, albeit risky, represent the way forward for micro-businesses to sustain, grow, innovate and advance. For example, many micro-firms in this research changed their business models to survive. This resulted in opening a new business, delivering their services online and developing new capabilities through sensing, seizing and reconfiguring their existing capabilities (Bibeault, 1982; Johnson et al., 2017). A new way of working proved to be more efficient and effective not only to micro-businesses but also their key stakeholders – suppliers and clients – and led to more growth through new product and market development (Roper and Hewitt-Dundas, 2017). Growth is not possible without innovation and innovation is not possible without challenging the old equilibrium (Schumpeter, 1961), therefore taking the initiative to do things differently helped the businesses in this research not only survive but, in many cases, expand and grow both short and long term. This would not have been achieved without the entrepreneurial skills of the turnaround leader (Bibeault, 1982) and their willingness and effort to innovate, take bold actions and collaborate with other businesses (Thorgren and Williams, 2020).

The findings of this study nevertheless bring some contrasting insights on micro-entrepreneurs' networking and collaboration skills in seeking support for business. Entrepreneurial literature argues that micro-firms tend to rely on family and friends rather than more formal networks to progress the business (Doyle and Young, 2001; Lussier and Sonfield, 2015). In this research, we see evidence of some micro-firms applying for more formal support (e.g. government grants and furlough schemes) to save a business in crisis settings. However, this finding is subject to the

specific crisis conditions – such support was available during the Covid-19 pandemic. It also applies only to micro-firms that chose 'safe inaction' through sensemaking. The micro-firms that opted for 'dangerous action', however, behaved as entrepreneurial literature describes; they relied on their own skills, knowledge and capabilities when facing difficulties instead of seeking help from others (Greenbank, 2000). To turn their businesses around, micro-firms adapted and changed by sensing and seizing new opportunities and reconfiguring their own capabilities (Bibeault, 1982; Kuckertz et al., 2020). This resulted in a more competitive advantage compared to other businesses. Only two firms in this research utilized the strengths of other businesses with the farm shop using local suppliers and delivering orders through a local taxi firm whereas the marketing agency gained more knowledge and clients through local and national networks. These two micro-firms realized the potential of collaborative initiatives which led to increased demand, market expansion, profitability and further growth (Robson and Bennett, 2000; Thorgren and Williams, 2020).

6. CONCLUSIONS, THEORETICAL AND PRACTICAL IMPLICATIONS

The aim of this study was to explore *how micro-businesses coped during the first lockdown in 2020 in the UK and if and how they implemented a turnaround strategy for survival purposes through sensemaking*. It showed a strong connection between enacted sensemaking and turnaround strategy concepts in micro-business in crisis settings. Drawing upon Weick's (1988) theory of enacted sensemaking and Weiner (1986) and Weiner et al.'s (1976) typology of causal attribution dimensions, this study argues that business survival rates depend on the business owner/manager's ability to assess the crisis conditions as permanent and controllable or temporary and uncontrollable and choose the right course of action through sensemaking and turnaround strategies. In crisis, micro-firms can turn themselves around through 'safe inaction' or 'dangerous action' using retrenchment and recovery strategies. We argue that taking 'safe inaction' can help micro-firms. It can ensure the business survival but will not increase the micro-business' ability to develop new strategic

capabilities to manage uncertainty without external financial help. In line with Weick (1988), we believe that such knowledge and competence can only be developed if one accepts the challenges and implements changes in business practices through 'dangerous action'. It is an essential requirement for coping with changes occurring in the external business environment (Kuckertz et al., 2020). The skill can be developed if one accepts the potential failure and losses (Dushnitsky et al., 2020) and moves into the unknown through sensemaking and dangerous turnaround.

This study makes several theoretical contributions. It revisited the concept of corporate turnaround and proposed its discussion beyond the organizational literature. More specifically, it contributes to the entrepreneurship and strategic management literature with the model for a micro-business turnaround. The review of theoretical and empirical research on turnaround showed an extensive focus on applying and exploring the turnaround theory and practices in and by large organizations equipped with resources for strategic changes. The models proposed in the past are, however, ill-suited for small businesses and especially their micro-counterparts with minimal capacities and a range and scale of operations. Thus, drawing upon Weick's (1988) theory of sensemaking in crisis and Weiner (1986) and Weiner et al.'s (1976) typology of causal attribution dimensions, this study proposed a conceptual framework for micro-business turnaround for survival and growth when hit by unexpected exogenous crisis (see Figure 1). We amended this model following the analysis of 17 micro-businesses' sensemaking experiences (Figure 2) to reflect the practical evidence of turnaround implementation in the micro-business in crisis context. Through its application in the entrepreneurial contexts, the micro-business turnaround model that we propose contributes to the limited body of knowledge on micro-business' management strategies and extends the application of turnaround strategy to micro-businesses seeking survival in crisis. Furthermore, this micro-business turnaround model reflects the individualistic nature of microbusiness' sensemaking in crisis settings and shows the suitability and applicability of the enacted sensemaking concept beyond collective settings.

Our proposed micro-business turnaround model (Figure 2), due to its simplicity and flexibility, is especially suitable for healthy micro-firms that need to respond quickly in times of uncertainty. Most importantly, it is designed for firms that are not in decline but face closure due to an unexpected crisis. This turnaround model does not require change in leadership thus full attention can be given to building business resilience through sensemaking and turnaround. This shortens the time span of turnaround operations. The micro-business turnaround model is practical and inclusive and thus can also be applied by other SMEs for survival through enacted strategic sensemaking. From a theoretical perspective, this model can also be further developed for larger businesses if they require a more detailed turnaround plan due to their size, mission, structure, ownership and operational capacities. From a practical perspective, the proposed model can move the turnaround concept towards more inclusivity and encourages practitioners and management and organizational scholars to rethink how we use and adapt theoretical concepts in wider contexts, including those that require a prospective rather than retrospective sensemaking in managing the more-than-human crisis.

This study also reveals implications for policy makers. The findings demonstrate the need for a different approach in assisting businesses with coping with unprecedented crises like the Covid-19 pandemic. To help the economy function, the government can give more flexibility to businesses to reconfigure their operations when facing the unknown in similar external conditions. Assisting businesses with 'safe inaction' through grants and furlough schemes is a great support however it does not fully help with fostering creativity and reconfiguring business capabilities. Grants and furlough schemes do save businesses in times of distress but more could be done to foster their innovative capabilities in times of crisis, and for this to happen they need space for more flexibility. Crisis with its challenges can be the best time for businesses to reinvent themselves and create a new equilibrium in the economy.

- **Future research and limitations**

This study was contextual and aimed to show how micro-firms from the north east of England coped

and survived strategically during the first lockdown. It nevertheless cannot conclude whether most micro-firms in this region behaved as our interviewed micro-firms. For such conclusions a larger sample and generalizability is required. We also can only assume that businesses in other regions in the UK used similar strategies to prolong their operations, and thus comparative contextual studies are welcomed. In addition, more research could be done to investigate the stages of turnaround implementation in micro-firms to reveal how they undertake this process. Future research could also investigate how micro-businesses implement turnaround at the time of crisis and in quieter times when they face less pressure from the external environment. We believe that different results can be expected when exploring the turnaround process in different scenarios. Having a sample of businesses from more homogenous industries could give industry-specific findings for managerial implications.

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