

The role of public aid and restrictions' circumvention in SMEs' pandemic survival strategies

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ABSTRACT

Objective: The article aims to find out what proactive or reactive actions of small and medium-sized enterprises (SMEs) helped them survive during the Covid-19 pandemic. This study focuses specifically on how the use of public aid and the restrictions' circumvention impacted the outcomes of SMEs adjustment strategies.

Research Design & Methods: Adjustment strategies of small and medium enterprises representing restaurant, spa & beauty, fitness, and hotel industries were investigated. The interviews with business owners were analyzed using fuzzy set qualitative comparative analysis (fsQCA) to present non-linear interdependencies between the applied measures and their outcomes.

Findings: Successful adjustment strategies were contained in a spectrum of proactive actions combined with the circumvention of restrictions and the use of public aid. Strategies on the verge of survival were characterized by reactive measures accompanied by the use of public aid.

Implications & Recommendations: Proactivity significantly boosts the probability of successful survival, but it can take both legal forms and those that by design circumvent the law.

Contribution & Value Added: This paper contributes to understanding the impact of public aid on adjustment strategies of small and medium-sized enterprises in the B2C sector and deepening the knowledge on the grounds of SMEs (non)compliance with restrictions. Proactive strategies can include an element of law circumvention with the simultaneous use of public aid measures.

Article type: research article

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INTRODUCTION

In addition to tragic human consequences, the Covid-19 pandemic contributed to a drastic economic slowdown and subsequent significant changes in the functioning of many industries (Ding *et al.*, 2021; Song *et al.*, 2021; Mutinda Kitukutha *et al.*, 2021). Some industries, due to being in constant and close contact with consumers, experienced a prolonged blockade and significant reduction in their activities (Im *et al.*, 2021; Song *et al.*, 2021; Żak & Garncarz, 2021). Despite the state and supranational introduction of many forms of help a large number of enterprises – especially small and medium-sized ones – found themselves on the verge of bankruptcy. For many of these enterprises, external aid was either unavailable or insufficient to survive the lockdown period without undertaking additional actions to survive (Kryeziu *et al.*, 2022; Zadeh, 2022). In order to survive, some enterprises, in addition to legal adjustment measures of proactive (*e.g.* launching sales of products related to the business, online communication with consumers, etc.) or reactive nature (layoffs, sale of assets, etc.), also decided to circumvent the lockdown restrictions. The research

gap analyzed in this article was the response of small and medium-sized enterprises to the pandemic crisis and the mandate to reduce operations for biological reasons. The combinations of the adjustment actions used by SMEs remain unrecognized, both those permitted by law and those prohibited by it. We also focused on the role of public aid as an instrument that was intended to help enterprises survive the pandemic period and discourage the circumvention of restrictions

The aim of this article is to examine what types of adjustment activities in combination with the use of public aid helped small and medium-sized enterprises in the fitness, wellness & spa, hotel, and restaurant industries to adapt to the new rules of game enforced by the Covid-19 pandemic. The focus is on the role of two factors, namely public aid and restriction circumvention in the survival and adjustment strategies of SMEs in the B2C sector. The choice of these two elements was deliberate. Firstly, they are hardly analyzed in the entrepreneurship or SME literature through the prism of their impact on survival strategies. Secondly, public aid, although aimed at mitigating the effects of restrictions, has a number of serious side effects distorting the market (Friederiszick *et al.*, 2007; Garcia & Neven, 2005; Motta & Peitz, 2020). Taking it into consideration, it would be interesting to explore if there is any relation between circumventing restrictions and using aid instruments, and how these two types of actions contributed to the survival of firms during the Covid-19 pandemic.

The object of interest is small and medium-sized enterprises providing services to consumers in the fitness, beauty and spa, restaurant, and hotel industries. The selection of these enterprises for the study was also purposeful. Small and medium-sized enterprises are considered foundations of any economy in terms of their number but at the same time labelled with the liability of smallness (Eggers, 2020; Freeman *et al.*, 1983) with their crisis vulnerability stemming from their limited financial potential and access to external aid. Enterprises chosen for the study froze or significantly reduced their activities for the longest period compared to other market participants. The research was conducted in Poland: a country representing a group of catching-up economies, in which a socialist legacy distorted the way the law is perceived and obeyed.

The theoretical basis here was the institutional theory. In a situation of sudden change (such as the Covid-19 pandemic), new formal institutions are created to regulate the suddenly shaken social and economic order (Dragoi, 2020; Kinnunen *et al.*, 2021; Kopeć, 2021; Żochowski, 2021; Dementiev, 2021; Androniceanu, 2021; Streimikiene, 2022). However, both the content and consequences of these rules are difficult to predict.

The remainder of the article consists of the following sections. It will begin with presenting the nature of restrictions and public aid from the institutional perspective in order to show how these institutions impact enterprises and consumers' behaviour. We will also present empirical findings on the survival strategies of small and medium-sized firms during the crisis caused by the Covid-19 pandemic that show which actions (proactive/reactive) proved to be effective. The method section describes the surveyed enterprises and the way the data were gathered, coded, calibrated, and analyzed with fuzzy set Qualitative Comparative Analysis. The results and discussion sections will present and elaborate on a set of effective and failure adjustment strategies and analyze in detail the 'winning and losing' configurations. The double-edged effect of public aid on SME enterprises' survival success was also discussed. Conclusions will contain both theoretical and practical implications of demonstrated research and list the study limitations and further research directions.

LITERATURE REVIEW

The Covid-19 Pandemic and the SMEs Survival Strategies in a Catching-up Economy

The impact of the Covid-19 pandemic on business varied. While IT, pharmaceutical, or equipment/supplies-producing enterprises appear to have been the beneficiaries of the disaster, firms providing services in the B2C sector experienced severe lockdown-related constraints and were forced to operate in entirely new and much more difficult settings (*e.g.* Abay *et al.*, 2020; Baldwin & Mauro, 2020; Sokol & Pataccini, 2020; Žižek, 2020).

The most vulnerable to the crisis are small and medium-sized enterprises (Bartik *et al.*, 2020; Bresnan *et al.*, 2021; Gittins *et al.*, 2021; Herbane, 2010; Leiva-Leon *et al.*, 2020; Marjański & Sułkowski,

2021; Żak & Garncarz, 2020; Teja Kusuma, 2022). Due to their liability of smallness (Eggers, 2020; Freeman *et al.*, 1983) in terms of financial and human capital at their disposal, sudden and prolonged freezing of their activities puts them in danger of bankruptcy (Łasak, 2021). On the other hand, their small size and frequent retention of ownership and management in one hand allow for flexible and dynamic turns in operations, including those that may circumvent the law.

Literature focused on SMEs strategies during the crisis on the actions of small and medium-sized enterprises says little about the role the circumvention of state-imposed restrictions or public support measures played in survival (Zadeh, 2022). However, many studies show that during the crisis, these actors tend to employ mixed adaptation strategies involving a combination of i) activity/scope-reducing measures (retrenchment), ii) those sustaining status quo (persevering) and iii) proactive actions, including innovative ones that permanently change their business models and iv) exit strategies (see *e.g.* Gittins *et al.*, 2021; Kraus *et al.*, 2020; Wenzel *et al.*, 2020; Dankiewicz *et al.*, 2020). Analyzing 68 papers reporting SMEs behaviour during different types of crises, Eggers (2020) points out that successful survival strategies in the majority of cases are those of proactive nature, with a strong focus on the market and entrepreneurial orientation. This is aligned with the current strategies of competitiveness development using different forms of entrepreneurial capital and managerial systems (Lewandowska, 2021; Mishchuk *et al.*, 2022; Pizar & Mazo, 2020). Such conclusions were also drawn by researchers analyzing survival alignment strategies of enterprises during the Covid-19 pandemic (*e.g.* Dyduch *et al.*, 2021; Gittins *et al.*, 2021; Androniceanu & Marton, 2021; Kraus *et al.*, 2020; Marjański & Sułkowski, 2021; Wenzel *et al.*, 2020; Żak & Garncarz, 2020). With this in mind, we formulated the following propositions:

Proposition 1: Proactive actions prevail in the successful alignment of B2C SMEs' strategies during the Covid-19 pandemic.

The Impact of Restrictions and Public aid on SMEs Performance: The Institutional Theory Perspective

In a crisis, such as the Covid-19 pandemic, international groups, organizations, and states reveal their major role in fighting disaster proliferation. The main instruments of the fight against the pandemic involved restricting freedom and social contact. As a result, economies got frozen which activated all sorts of aid instruments to assist businesses affected by the restrictions and help them to survive the 'freeze' period. However, the pace, scope of restrictions, and launched aid instruments have been different depending on 1) ideologies and political doctrines allowing a different scope of state influence on the economy and regulation of civil rights; 2) wealth of states; 3) regulatory efficiency of states (Dragoi, 2020; Kinnunen *et al.*, 2021; Motta & Peitz, 2020).

The institutional theory treats restrictions (both social and economic) as formal, albeit often short-term, interventional rules of the game. The effectiveness of restrictions is influenced by: 1) the content of the regulation itself describing the scope and conditions under which it applies; 2) the efficiency of the law enforcement system in a given country; 3) the extent of public approval of the restriction (Louka, 2006; Weber & Stępień, 2020).

States imposing restrictions have legal but limited influence on the behaviour of citizens and enterprises. While restrictions prohibit certain behaviours and activities within a given area, they do not regulate every aspect of social and economic activities and these outside the scope of restrictions may deform their purpose. If the content of restrictions leaves room for interpretation, some enterprises may take advantage of these loopholes, especially when the benefits of avoiding regulations outweigh the costs of violating them. This cost and loss calculus in turn depends, *inter alia*, on the extent to which the survival of the company is threatened by compliance with restrictions (Weber & Stępień, 2020). In the case of a biological crisis, such as the Covid-19 pandemic, regulations (both restrictions and public aid instruments) were introduced in a hurry, which undermined their cohesiveness, leaving room for interpretation and circumvention.

Those covered by restrictions (enterprises, citizens) bear their costs, level of which can be estimated in two ways. The first one are present and future costs of the consequences regarding compliance. The

second is the severity of the costs incurred as a result of restrictions' avoidance (Bapat & Morgan, 2009). The propensity of economic actors to comply with restrictions is also socially determined and reflected in the quality of the system of informal and normative institutions in a given place. The greater the social disapproval of restrictions, the larger the tendency of enterprises to circumvent or violate restrictions, as their customers do not mind this practice. The greater the gap between the layer of formal regulations (here: restrictions) and their social acceptance, the lower their effectiveness due to the lack of societal conformance.

In Poland, a somewhat contesting approach to Covid-19 restrictions has also its socialist legacy. During a socialist period, the gap between what was publicly proclaimed and socially approved was enormous and circumventing the formal rules served as common survival strategy for both businesses and citizens (Gruszewska, 2012; Kolodko, 2001; Stępień, 2011; Tominc & Rebernik, 2007). Considering the vulnerability of SMEs against the crisis, prompt (and therefore prone to inconsistencies) imposition of restrictions combined with the informal institutional embeddedness of legal rules contestation in post-socialist economy such as Poland, the following is assumed:

Proposition 2: Circumventing restrictions is a common adjustment measure for small and medium-sized enterprises during the Covid-19 pandemic in a country with socialist cultural legacy such as Poland.

In addition to bankruptcy prevention, aid instruments aimed also to induce enterprises to comply with them. The condition for receiving some forms of aid in the case of Covid-19 was that enterprises refrain from reducing employment, maintain the scope of operations, etc. (Bolesta & Sobik, 2020; Svabova et al. 2021). The receipt of aid should have discouraged enterprises from doing so under the threat of reimbursement. In this article the following assumptions, being the logical consequence of the considerations presented above, will be analyzed:

Proposition 3: Using public support serves as a prerequisite and a necessary condition for a successful adaptation strategy.

Proposition 4: The greater the extent of public support, the lower the level of reactive measures in survival strategies of B2C SMEs during the Covid-19 pandemic.

Proposition 5: The greater the scope of public assistance, the lower the level of circumvention of restrictions in survival strategies of B2C SMEs during the Covid-19 pandemic.

RESEARCH METHODOLOGY

Sample and Collected Data Nature

Given the explorative nature of the research objective, qualitative research was conducted in the form of 20 in-depth interviews with owners of consumer service enterprises. The subjects were small and medium-sized enterprises from: 1) fitness (five enterprises: three small ones, two medium-sized ones); 2) beauty and spa (four small ones, one medium-sized one); 3) restaurant (three small ones, two medium-sized ones) and 4) hotel industry (three medium-sized ones, two small ones). All enterprises had a fairly strong competitive position before the pandemic outbreak.

The choice of industries surveyed was deliberate. For all of them, the pandemic proved particularly severe due to prolonged restrictions to operate. The worst situation was recorded by the fitness industry, which – with the arrival of successive waves of the pandemic – was closed first and opened last. The three other industries were those which operations were frozen literally days after the closure of the fitness clubs. The first table presents the characteristics of the sample.

The interviews were conducted in May–July, 2021 period, hence, the adjustment strategies of investigated enterprises were no longer some chaotic moves typical to the initial stages of a disaster. This time also allowed business owners to gain a fairly objective assessment of the actions they had taken to save their businesses and survive the crisis.

Table 2. Variables in the study

No.	Variables (Conditions/results)	Description
1.	Proactive actions	<ul style="list-style-type: none"> - launching new, mostly online forms of communication with customers about services (e.g. online fitness classes; beauty tips, renovation information, or cooking tips.), - opening online shops, - legally permitted start-up of hitherto offered off-premises services (e.g. catering with delivery, outdoor exercise), - launching a new activity (selling products, providing services not covered by the restrictions).
2.	Passive/reactive actions	<ul style="list-style-type: none"> - redundancies, - resignation/suspension of cooperation with natural persons employed in forms other than an employment contract, - the sale of certain assets, - taking out unfavourable loans due to the need to survive, - giving up part of the business to other parties, - leasebacks, etc.
3.	External aid	<ul style="list-style-type: none"> - the size and nature of the aid applied for, - the size and nature of the aid received by the undertakings surveyed, - the amount and nature of the aid which the firms under scrutiny are obliged to reimburse within the time limit set by the aid measure concerned.
4.	Avoidance of restrictions	the degree and scope of efforts to circumvent or violate state-imposed restrictions.
5.	Strategic alignment (outcome)	<ul style="list-style-type: none"> - the financial situation of enterprises before the pandemic – February 2020 compared to the financial situation at the time of the survey – May–July 2021, - changes in the company's competitive potential and position at the time of the survey as compared to its competitors, - assessing the impact of the measures applied, inter alia, on: <ul style="list-style-type: none"> ◦ the numerical and competence status of the current human potential compared to the pre-pandemic period, ◦ the degree to which changes in organizational structure, operations, human potential are maintained, ◦ strategic sustainability and effectiveness of newly launched activities, acquired competencies, etc.

Source: own study.

Additionally, to collecting the necessary metrics (age, company size, industry, location, legal form of business), the entities in the study were analyzed in terms of: the nature of the adjustment measures they had applied, the extent to which they had used industry, national, and EU support measures and the extent to which they had complied with the restrictions imposed on them. The effect of these measures was also diagnosed in terms of the current strategic position in terms of survival and further development. The collected data were the basis for the measurement of five variables, including four explanatory variables (the so-called conditions): proactive actions, passive/reactive actions, the use of public aid, circumvention of restrictions, and the response variable (so-called outcome), *i.e.* the strategic alignment of the company. The type of data collected in order to access each condition and outcome were selected on the basis of emergency measures used by SMEs during crisis (e.g. Alonso-Almeida *et al.*, 2015; Gittins *et al.*, 2021; Herbane, 2010; Kraus *et al.*, 2020; Marjański & Sułkowski, 2021; Wenzel *et al.*, 2020). A description of the variables is presented in Table 2.

The Method of Analyzing Qualitative Data

The data were analyzed using qualitative fuzzy set Qualitative Comparative Analysis (fsQCA). This method uses a configuration approach, fuzzy set theory, and Boolean minimization to determine what combinations of case characteristics may be necessary or sufficient to produce a result (Ragin, 2018) and is suitable for small research samples. Analyses using QCA have been successfully conducted in

many studies in the social sciences (Kwiatkowska, 2014; Mello, 2021), as they allow configurational analysis of the causal relationships between a group of antecedent conditions and the outcome. In this study, the fsQCA was used to test the formulated research propositions by assessing the extent to which four possible firm types of actions (causal conditions) affect the strategic alignment (outcome) of SMEs from most pandemic-affected industries.

Data Calibration

FsQCA allows the use of continuous or interval scale variables, which must first be calibrated to be transformed into fuzzy categories or variables. In the analysis presented here, the calibration procedure was performed using the direct method, in which the threshold values of 0.2; 0.4; 0.6, and 0.8 were adopted. All original data were calibrated using a five-point scale. Their operationalization is presented in Table 3.

Table 3. Operationalization of variables

Variables	Measuring scale after calibration	Operationalization
Conditions (proactive measures, passive measures, public aid, circumvention of restrictions)	0 – 0.19	ranging from non-existent to very slight, of very short duration
	0.2 – 0.39	existing but as minor, a form of side-effect, complementary, instrumental, impermanent, insignificant, etc.
	0.4 – 0.59	visible, relevant, important but not central/key, in some cases could be developed, expanded
	0.6 – 0.79	used very frequently, widely, very important
	0.8 – 1.0	applied in full, everything possible, crucial, important, has been done
Result (strategic alignment)	0 – 0.19	critical situation, total failure, on the verge of bankruptcy
	0.2 – 0.39	bad situation, clearly worse than before the pandemic, survival possible but recovery will require a long time and a combination of positive indicators, including rapid growth in demand
	0.4 – 0.59	situation slightly worse than before the pandemic but stable, no risk of bankruptcy, short-term (one year) recovery very likely
	0.6 – 0.79	stable situation, in some areas even better than before the pandemic, very likely rapid recovery and development
	0.8 – 1.0	situation better than before the pandemic, developments already evident and seem long-lasting

Source: own study.

RESULTS AND DISCUSSION

Table of Truth

The truth table contains all possible combinations of actions introduced by investigated enterprises in their alignment strategies during the Covid-19 pandemic. A value of 1 indicates a fuzzy set membership score of 0.5 or higher, and 0 a score below 0.5. In this study, due to the small sample size, the frequency threshold was set to 1. After removing combinations with zero frequency ('logical reminders'), the truth table was sorted according to raw consistency, where the minimum recommended threshold value is 0.75 (Ragin & Davey, 2016). The Proportional Reduction in Inconsistency (PRI; relevant only for fuzzy sets) scores below 0.5 indicate significant inconsistency. In this analysis, configurations with raw consistency values below 0.945 and PRI consistency below 0.5 were assigned a value of zero (Table 4).

Table 4. FsQCA results: truth table

ExterAid	AvoRestri	PassivAct	ProacAct	StratAdjust	Number	Case No.	Raw consistency	PRI coherence	SYM consistency
1	1	0	1	1	3	16,17,18	0.981	0.909	0.909
1	1	0	0	1	1	7	0.980	0.857	0.857
1	0	0	1	1	1	14	0.981	0.833	0.833
0	1	0	1	1	2	1,5	0.947	0.713	0.878
1	0	1	1	1	2	9,8	0.945	0.681	0.756
0	1	0	0	0	2	3,2	0.917	0.478	0.815
1	0	0	0	0	2	13,15	0.928	0.235	0.286
0	0	0	0	0	1	4	0.891	0.167	0.167
1	0	1	0	0	3	12,10,11	0.812	0.018	0.02
0	0	1	0	0	1	20	0.841	0	0

Source: own study.

Measures Leading to the Effective Adjustment

The results suggest three effective strategies to survive and grow for B2C SMEs in Covid-19 pandemic conditions (Table 5):

Strategy 1: *high level of public aid, low level of passive actions, and high level of restriction avoidance:* this strategy was applied by four enterprises (three medium-sized, one small), with three medium-sized enterprises additionally using proactive actions. Three of the four enterprises operated in the fitness industry.

Strategy 2: *high level of public aid, low level of restriction avoidance, and high level of proactive measures:* this was the strategy of three enterprises, with two of the three also using reactive measures; two of them were restaurants and two were medium-sized enterprises.

Strategy 3: *low level of passive actions, high level of restriction avoidance, and proactive actions:* this was the strategy of five enterprises: three medium-sized enterprises mentioned in option 1 and two medium-sized enterprises in the fitness and restaurant industries.

In the analysis presented here, both coherence and coverage were satisfactory, being 0.95 and 0.85 respectively. This means that the three configurations indicated above were sufficient to achieve strategic fit in 95% of cases and coverage in 85% of cases.

Table 5. FsQCA results: Intermediate solution leading to strategic alignment

Configurations	Raw coverage	Detailed coverage	Coherence
ExterAid*~PassivAct*AvoRestri	0.576	0.074	0.984
ExterAid*~AvoRestri*ProacAct	0.540	0.168	0.952
~PassivAct*AvoRestri*ProacAct	0.605	0.103	0.957
Coverage for the entire solution: 0.847			

Source: own study.

Actions Leading to Potential Failure

The fsQCA technique is not symmetric unlike other quantitative estimation techniques (Ragin, 2000). It is therefore worth investigating which combinations of factors led to a lack of strategic alignment. The configurations for the negative outcome are shown in Table 6.

With 73% coverage and 84% consistency, three alternative combinations resulted in the lack of strategic alignment. These were: 1) *high levels of public aid together with low levels of restriction bypass and low levels of proactive action;* 2) *low levels of restriction bypass together with high levels of passive action and low levels of proactive action;* 3) *high levels of public aid together with low levels of restriction bypass and passive action.* While public aid and either circumvention of restrictions or proactive actions were key to achieving high levels of strategic alignment, passive actions were a feature

of low levels of strategic alignment. Public aid without bypassing restrictions also led to a lack of strategic alignment in the study sample.

Table 6. FsQCA results: Intermediate solution leading to low strategic alignment

Configurations	Raw coverage	Unique coverage	Coherence
ExterAid*~AvoRestrri*~ProacAct	0.669	0.064	0.922
~AvoRestrri*PassivAct*~ProacAct	0.659	0.054	0.967
ExterAid*~AvoRestrri*PassivAct	0.615	0.010	0.860
Coverage for the entire solution: 0.733			
Consistency for the whole solution: 0.846			

Notes: *, logical AND; ~, logical negation.

Source: own study.

The concept of equifinality characterizing QCA (Kwiotkowska, 2014) directly relates to the above-described findings. They demonstrated several alternative and equally effective strategies for B2C SMEs during pandemic which lie in the spectrum of proactive actions mixed with absence of reactive measures or combination of proactive actions with bypassing restrictions or using public aid. These findings (apart from bypassing restrictions) were in line of other research examining crisis strategies of SMEs (Gittins *et al.*, 2021; Kraus *et al.*, 2020; Wenzel *et al.*, 2020).

This research revealed that proactivity during the crisis (enhancing the chance of survival) can take two forms: a legal and semi-legal one, such as restrictions' circumvention. Legal actions manifest themselves in the practical exploitation of potential and active sourcing and using available forms of public aid, while those lying on the borderline of the law allow enterprises to provide service for consumers under the umbrella of not restricted actions, such as *e.g.* providing training services on fresh air (fitness clubs), visiting consumers in their homes (spa and beauty firms), and organizing working areas in restaurants or short rehabilitation stays in hotels.

The findings demonstrated that bypassing restrictions did not necessarily exclude the use of public assistance. Moreover, the use of public funds appears here as a 'double-edged sword.' According to all the enterprises which benefited from the aid, it warded off the spectre of bankruptcy, but then it worked in two different directions. In the cases of enterprises that seem to be the winners of this crisis, external aid (or impossibility to obtain it) acted as a trigger for managerial inventiveness and thinking 'outside the box,' including bypassing restrictions. For the second group, the receipt of aid dulled their adaptation efforts or limited them mainly to reactive actions.

The presence of activities circumventing the law together with the use of public funds appears to have been one of the effective but most controversial strategies. It means that enterprises, on the one hand, benefited from compensation for complying with restrictions and violated them at the same time. Irrespective of the moral assessment, the combination of these two types of activities indicates the weakness of the enforcement apparatus (none of the enterprises analysed was sanctioned for circumventing restrictions) and the great trust in consumers, who appear as 'partners in crime' in this survival game. The research was conducted in Poland: a country where the perception and manner of obeying the law is tainted by the legacy of socialism. The latter was associated with widespread contempt for the system and its law and then social acceptance of civil disobedience. It can be assumed that the identified strategies (especially those related to the avoidance of restrictions) collected in Poland may have also occurred in post-socialist countries. However, it seems that in the so-called mature economies, solidified social systems with high levels of social capital and responsibility, corporate adjustment strategies may have been different from that observed in Poland.

The article formulated several research propositions. The obtained results of the fsQCA analysis allow referring to them and assessing their chances for empirical confirmation. Table 7 recalls the formulated propositions and indicates the status of their confirmation in the conducted research.

Table 7. Status of support for research propositions

Propositions	Results
Proposition 1. Proactive actions prevail in successful alignment B2C SMEs' strategies during the Covid-19 pandemic.	Proactive measures have been key in achieving strategic alignment for many enterprises, with public support or avoidance of restrictions playing a complementary (peripheral) role.
Proposition 2. Circumventing restrictions was an important behaviour of small and medium-sized enterprises in achieving strategic alignment during the pandemic.	The results obtained indicate the importance of this factor. The lack of circumvention of restrictions proved to be a causal condition in all combinations achieving low strategic alignment.
Proposition 3. Using public support serves as a prerequisite and a necessary condition for a successful adaptation strategy.	Public aid did not appear as a necessary condition to successfully adapt to Covid-19 pandemic reality. There are successful adaptation strategies of SMEs studied that did not use this tool.
Proposition 4. The greater the extent of public support, the lower the level of reactive measures in survival strategies of B2C SMEs during the Covid-19 pandemic.	The important role of public aid (along with circumvention of restrictions) occurred in the absence of passive actions, what implies that public aid discouraged reactive actions in the pursuit of strategic alignment under the new conditions.
Proposition 5. The greater the scope of public assistance, the lower the level of circumvention of restrictions in survival strategies of B2C SMEs during the Covid-19 pandemic.	Results show the opposite relationship. Public aid together with circumvention of restrictions has been an effective means of adjustment among some SMEs.

Source: own study.

CONCLUSIONS

Summarizing, SMEs' survival strategies in the face of demise took different combinations of proactive and reactive measures, some of them regarded semi-legal. The research revealed several paths leading to the strategic alignment of enterprises in pandemic reality but the probability to succeed was much lower when SMEs employed only reactive measures in order to survive. Results clearly demonstrate that proactivity significantly boosts the probability of successful survival and are in line of other empirical research in this area (Alonso-Almeida *et al.*, 2015; Gittins *et al.*, 2021; Herbane, 2010; Kraus *et al.*, 2020; Seeger *et al.*, 2005; Wenzel *et al.*, 2020; etc.). The added value of the presented research is the disentangling of proactivity strategies into a variety of measures, part of which may take the form of circumventing or exploiting the law. This gives proactivity a different overtone; albeit legal and effective yet, socially and morally questionable.

The research showed that the circumvention of restrictions, combined with the use of public aid, was an effective adjustment strategy for the SMEs studied. In this respect, results suggest a more nuanced approach to the discussion on the scope of legal regulations and their impact on business activity, both from a neo-liberal and policy perspective (Williams & Martinez, 2014). The combination of activities circumventing the law with the simultaneous use of public aid by the surveyed entities indicates that economic reality is a sphere where at the same time there can be too much restrictive and too little supporting law for enterprises during crisis.

The research examined small and medium-sized enterprises that bypassed restrictions to increase their likelihood of survival. In authors' view, this is a good addition to the research presented by Kubinec *et al.* (2021), in which large enterprises operating in the so-called catching-up economies (Ukraine, Egypt, Venezuela) bypassed pandemic restrictions because they were politically favoured. In this study, circumvention took place in SMEs and the rationale for this was not connections to the authorities but an inefficient enforcement apparatus combined with consumer consent to participate in this semi-legal game.

The article adopted an institutional perspective of viewing the behaviour of enterprises during the crisis, paying particular attention to the attitude of these entities to interventionist formal institutions (restrictions and instruments of public aid). The results confirmed that enterprises' behaviour towards institutions was tightly conditioned by their historical legacy and cultural heritage (see *e.g.* Jepperson

& Meyer, 2021). In countries that have undergone relatively recent major transformational changes and social values and norms do not yet fit a formal institutional framework, bypassing the law will be a phenomenon not only more common but not yet socially condemned.

Another contribution to the institutional theory is the insight into the complex face of public aid impact on enterprises' behaviour during crisis. In this research, it appears as a necessary but peripheral tool of survival for the surveyed enterprises. Moreover, the receipt of aid does not unequivocally eliminate the circumvention of restrictions but deters reactive actions. The results of the survey clearly indicated that public aid and assistance for small and medium-sized enterprises was inadequate; its' level did not guarantee survival while adjusting to restrictions and freezing operations. Faced with inadequate or unavailable public assistance, enterprises faced the choice of complying with restrictions and the real spectre of bankruptcy or seeking ways to circumvent the bans to survive.

Limitations, Future Research Areas, and Practical Implications

The study is not free from limitations. Firstly, results come from the small research sample and do not allow for generalizations, but rather call for future, quantitative study in the areas of i) the role of trust between the consumers and B2C SMEs in conducting semi-legal operations in catching up vs mature capitalist economies, ii) comparative studies of the scope and nature of restrictions circumvention in these two groups of countries, iii) the interplay between the ease, scope of public aid and the level of restrictions' circumvention. Despite the evident limitation regarding the nature of qualitative explorative studies, the used method of data analysis (fsQCA) made it possible to increase the quality of analysis and conclusions.

Based on the obtained results, several managerial and political conclusions can be drawn. The main managerial implication for SMEs is the focus on innovative proactive measures in their strategies, as they raised the probability of long-term survival and business model adjustment.

Research indicates that despite the limitations of the so-called liability of smallness, small and medium-sized enterprises have the ability to react quickly to sudden changes and proactively adapt. This agility is likely derived from simple and flexible organizational structures and the concentration of managerial and ownership power. This is a hint to larger enterprises that in some of their divisions directly cooperating with customers or other stakeholders, the management should resemble the structures and way small enterprises operate.

At the level of law-making and enforcement, there is an urgent need for an effective mechanism to design and implement economic and social constraints in crises at the level of states and international groupings, as restrictions prove effective only when they are unambiguous, impossible to circumvent and inevitable (*i.e.* the enforcement apparatus is functional). The restrictions enforcement should also go in hand with the introduction of public aid but such assistance should reach those most affected and allow these entities to survive without having to resort to actions that circumvent the law.

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Conflict of Interest

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