

How small firms adapt in resource-limited contexts: A mix of adaptive forms

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Abstract

Adaptation in small firms is commonly associated with overcoming resource constraints (Borocki et al., 2019). An ‘adaptive form’ is defined as the unique strategies and positions that a company takes in response to difficult external circumstances and resource limitations (Luokkanen and Rabetino, 2005; Vergne and Depeyre, 2016). In the strategic management and entrepreneurship literature, it is considered a reasonable approach for confronting dynamic environment challenges and has been loosely represented by concepts such as strategic posture (Hagen et al, 2017) strategy typology (Miles and Snow, 1986), entrepreneurial orientation (Lumpkin and Dess, 1996), Porter’s competitive strategies (Porter, 1996), resilience (Van Der Vegt et al., 2015), traditional risk management perspectives (Mithani, 2020), and hybrid strategy (Alnoor et al., 2022). However, there is a challenge with existing conceptualisations of organisational adaptation as they are diverse and do not focus on specific firm types. Most importantly, the concept fails to acknowledge how the firm adapts with limited resources. Firm adaptation should be contextually constructed to address all relevant resource challenges in a unique and interdisciplinary approach. The case study will examine adaptive forms in the context of small businesses with limited resources.

RYS is a small, family-run meat-processing business established 61 years ago in rural Shropshire. The business has evolved from being a sole trader into an established limited company; specialised in retail butchery, offering a diverse range of meat-processing products with an emphasis on (i) natural ingredients and locally sourced supplies and (ii) personalised service and attention to individual customer needs. However, like many small businesses, RYS has been experiencing key resource constraints: outdated machinery and equipment, gaps in the skilled workforce, and limited financial resources. The external challenges in the past five years adversely affected access to and availability of needed resources and directly influenced various aspects of the business operations, rendering it necessary for RYS to find ways to overcome the obstacles and adapt.

Our case analysis of RYS indicates that the rural small business has been a dynamic adaptor with a hybrid approach to adaptation strategies, i.e. product diversification, reactive form, resource optimisation, and strategic form, in coping with different resource challenges, that led to improved business performance. Despite the challenges with reactive adaptations, the evidence suggests that the hybrid form of adaptation is central to the survival of small firms (that continuously cope with limited resource challenges) in adverse times and to their growth prospects in the long run.

Keywords: Firm adaptation, strategy, limited resources, small businesses, meat-processing sector

1 Introduction

Adaptation in small firms is an important aspect of their survival and growth, particularly as these firms are inherently constrained with limited resources. Small businesses often operate under conditions of limited financial resources, outdated machinery and technology, and skill shortages, which require unique strategies to remain competitive. This study explores the concept of ‘adaptive form,’ which refers to the specific strategies and positions a company adopts in response to challenging external business environment and resource limitations (Borocki et al., 2019; Luokkanen and Rabetino, 2005; Vergne and Depeyre, 2016). In the strategic management and entrepreneurship literature, adaptation is seen as a viable approach to confronting challenges arising from the dynamic business environment and has been loosely represented by concepts such as strategic posture (Hagen et al, 2017) strategy typologies (Miles and Snow, 1986), entrepreneurial orientation (Lumpkin and Dess, 1996), Porter’s competitive strategies (Porter, 1996), resilience (Van Der Vegt et al., 2015), traditional risk management perspectives (Mithani, 2020), and hybrid strategy (Alnoor et al., 2022).

However, existing conceptualisations of organisational adaptation often lack specificity regarding different firm types, especially in small businesses. These conceptualisations do not adequately address how firms adapt when they have limited resources. Hence, there is a need for a contextual understanding of firm adaptation that incorporates all relevant resource challenges through a unique and interdisciplinary lens.

In this paper, we employ case study analysis to examine adaptive forms in the context of small businesses with limited resources. In particular, we examine how RYS has adapted to these challenges over the past five years. By investigating RYS’s adaptive strategies, we aim to explore specific forms of adaptation that small businesses employ to overcome resource limitations and the resultant impact on their business performance. This case study highlights the significance of a hybrid approach to adaptation, which includes product diversification, reactive adaptation, resource optimisation, and strategic planning, in ensuring the survival and growth of the firm in question under adverse conditions.

The central research questions guiding this research are:

- How does RYS adapt in response to resource constraints and external challenges?
- Which adaptive strategies does it adopt?
- What impact do these strategies have on its business performance and long-term growth?

The primary data was collected through face-to-face interviews with the owner-manager, site observation, and relevant company documents (Neuman, 2011; Kamal, 2019). The owner-manager was contacted via email and phone calls, who was the key informant for the study and was chosen based on his high-ranking position and substantial influence in decision-making. However, he relied on other members of staff for clarification of some issues. He is over 60 years old and took over the ownership of the firm about 35 years ago. He has a secondary school education and runs the business with his wife, who is the co-manager, together with his children and their wives. The owner-manager is of the view that the progress of their business over the years was satisfactory despite resource constraints and external environmental challenges.

Thematic analysis is employed to process and organise data with an abductive approach (Swain, 2018), focusing on content analysis of emerging themes to enhance research rigor (Raskind et al., 2019). The study followed a 3-step data analysis process: preparation, organisation, and data visualisation/reporting (Miles and Huberman, 1994; Assarroudi et al., 2018; Saldana, 2018; Lester, Cho, and Lockmiller, 2020). NVivo software was utilised in the first two stages for systematic coding and developing themes.

Understanding how small businesses like RYS adapt in response to resource constraints is crucial for several reasons. The study contributes to the knowledge by incorporating context-specific knowledge of small businesses. It demonstrates the importance of adaptive strategies in enhancing the resilience and growth prospects of small businesses. The study also provides practical insights into the strategies that small firms can adopt to manage limited resources effectively. The findings can inform policymakers and support organisations about the specific needs and adaptive strategies of small firms, potentially leading to more targeted support and resources.

2 Theoretical Foundation of Firm Adaptation

Small firms face significant challenges in achieving success and longevity, particularly in resource-limited environments. The ‘liability of smallness’ (Coleman, 2004) indicates that smaller firms are more vulnerable to both internal and external influences (Eggers, 2020). Firms that can adapt to dynamic business environments are more likely to sustain themselves and achieve superior performance (Helfat and Winter, 2011). Conversely, failure to adapt can lead to adverse outcomes, including negative social implications within communities (Reimann, Kosmol, and Kaufmann, 2017).

Adaptation is fundamental to the study of organisations (Chakravarthy, 1982; Greve, 2011), but there are various conceptualisations of what adaptation entails. Levinthal and Myatt, (1994) define adaptation as a firm’s capacity to develop resilience through significant modifications in organisational attributes, such as business strategy or structure, in response to the changes in the environment. Schindehutte and Morris (2001) similarly view adaptation as substantive changes across all business aspects. Luokkanen and Rabetino (2005) and Vergne and Depeyre (2016) on the other hand, describe adaptation as a firm’s ability to overcome external challenges. It involves processing environmental information and adjusting responses. This requires entrepreneurs to make critical decisions that position their firms favourably amid uncertainty (Walrave, van Oorschot, and Romme, 2011).

2.1 Adaptive Forms

In strategic management and entrepreneurship literature, various adaptive forms have been conceptualised, though no single model fully captures the complexity of firm adaptation. Adaptive forms are broadly described through several lenses: strategic posture, strategy typology, entrepreneurial orientation, competitive strategies, resilience, traditional risk management perspectives, and hybrid strategies (Hagen et al., 2017; Miles and Snow, 1978; Lumpkin and Dess, 1996; Porter, 1998; Van Der Vegt et al., 2015; Mithani, 2020; Alnoor et al., 2022).

Strategic posture, as defined by Hagen et al. (2017), refers to a firm's general positioning and response to its environment, embedded in its culture, structure, and routines. This perspective reflects how firms align their capabilities with environmental demands to achieve an optimal

fit. The strategic posture emphasises alignment with the environment but overlooks the specific resource constraints faced by small firms.

Miles and Snow (1978) prescribed a taxonomy of firm strategies in terms of prospectors, defenders, analysers, and reactors. They argued that prospectors exploit product and market opportunities in dynamic environments. Defenders focus on smaller, stable market segments, maintaining consistency in strategy and structure. Analysers combine the approaches of prospectors and defenders, balancing risk and opportunity. Reactors, however, adapt reactively and often inefficiently, leading to strategic failures (Saraç, 2019; Chakravarthy, 1982). This perspective has generated a framework for understanding strategic choices, yet the validity and the evidence of its proposition have yet to be tested on the flexibility and overlap of adaptive strategies in small firms.

Lumpkin and Dess (1996) introduced Entrepreneurial Orientation (EO), which involves processes and decision-making practices that foster new product or market development. EO includes five orientations: innovativeness, autonomy, risk-taking, proactiveness, and competitive aggressiveness. These orientations enable firms to respond effectively to market conditions (Teng, 2007). However, adaptive behaviours can be limited by resource scarcity, which restricts the ability of small firms to exhibit these orientations fully (Jiang et al., 2018).

Despite extensive research, no single theory or model systematically defines firm adaptation or adaptive forms. Adaptation is often loosely defined, resulting in varied interpretations. For example, strategic posture and strategy typology offer different perspectives on how firms respond to environmental changes, yet neither fully captures the complexity of adaptive behaviour.

The theory of adaptation also posits two contrasting perspectives: environmental determinism and strategic voluntarism. Environmental determinism suggests that adverse conditions constrain a firm's ability to adapt, rendering managerial roles passive (Hrebiniak and Joyce, 1985; Gopalakrishnan and Dugal, 1998). In contrast, strategic voluntarism emphasises managerial agency in crafting strategies to counter environmental challenges.

Small firms, however, often have limited strategic options compared to larger firms (Gopalakrishnan and Dugal, 1998). Nevertheless, owner-managers in resource-limited contexts can innovate with available resources to create new survival opportunities (Baker and Nelson, 2005). The current understanding of firm adaptation reveals a need for more nuanced research, especially concerning non-innovative firms like small meat processors. There is a significant knowledge gap regarding the precise role of adaptation and the mechanisms influencing firm performance in resource-limited contexts. Given the unique ways firms adapt, no single theory can prescribe the most suitable adaptive form (Ferreira, Serra, and Reis, 2011). A dynamic and stable process of adaptation can enhance the survival and growth of small firms, with heterogeneity and managerial competencies leading to diverse adaptation forms in challenging environments.

2.2 Resource-Limited Context, Dynamic Business Environment and Firm Adaptation

The environment in which the firm resides may influence its capacity to accumulate resources for strategy development and adaptation. Previous studies have argued that performance differences between firms may not only be the result of a selection of appropriate strategies in solving problems ((Schindehutte and Morris, 2001; Edelman, Brush,

and Manolova, 2002; Jones, 2004; Hagen et al., 2017; McKenny, 2018)). Instead, firms may differ regarding their ability to adapt strategies or positions because of the nature of resources or the external environment (Watson, 2007). Thus, the selection of adaptive forms should be of major consideration for firms in resolving challenges in the business environment. Theoretically, the environment in which the firm operates should provide the resources necessary for formulating growth strategies. Yet the dynamic nature of the environment can lead to resource availability and different ways in which the firm adapts.

The resource-limited context is conceptualised as a challenging environment characterised by constraints in accessing essential resources such as financial capital, skilled workforce, and technological infrastructure. According to the Strategic Contingency Theory (SCT) and Organizational Ecology, the strategic behaviour of firms is contingent upon both internal capabilities and external environmental factors (Hannan and Freeman, 1984; Kim and Pae, 2007). The RBV argues that all the resources necessary for adaptation can be found in the firm, as well as in the environment (Amit and Schoemaker, 1993). Therefore, the study asserts that understanding firm adaptation necessitates considering both internal analyses of resources and the contextual factors present in the external and industry environments.

The RBV argues that important resources contribute to effective adaptation strategies (Barney, 1991). The work of Gerjets, Scheiter, and Tack (2000) characterises two resource-adaptive behaviours: satisficing which is the selection strategy likely to exceed the optimal performance goal, and resource-adapting which is the adaptive strategy employed in response to resource constraints. In this study, we are concerned about an adaptation strategy that is based on the conception that limited resources and a dynamic external environment can be useful or necessary for developing adaptive strategies for firm growth and survival. The adaptive strategies of small firms are independent of the criticality of resources. The selection of a particular adaptive strategy for firms may differ with respect to the type of firm.

To contextualise the adaptive form of small firms, a contingency-based framework characterising resource-limited context should be described. First, the industry context significantly influences a firm's ability to acquire and leverage resources for strategic adaptation. Research indicates variations in adaptive strategies and performance outcomes across different sectors (Schindehutte and Morris, 2001; Edelman, Brush, and Manolova, 2002; Jones, 2004; Hagen et al., 2017; McKenny, 2018). Industries characterised by resource abundance, or “munificence,” offer greater opportunities for firms to develop diverse strategic orientations such as aggressive competition and resource exploitation (Lumpkin and Dess, 2001). For example, Ghadge et al. (2020) suggested that the food industry faces considerable fluctuations in both demand and supply, potentially resulting in limited access to critical resources for smaller firms within this sector. In addition, industries marked by tight regulations and bureaucratic controls, such as the food industry, pose challenges for small firms in accessing critical resources necessary for adaptation (Franco and Haase, 2010; Kolade, Obembe, and Salia, 2019; Ghadge et al., 2020).

Second, the nature of the external environment strongly influences adaptive strategies. The extent of dynamism in the environment concerns the lack of certainty that leads to insufficient information for firms regarding resource utilisation and the strategies necessary to sustain a competitive advantage (Sirmon, Hitt, and Ireland, 2007). Previous studies posit that the dynamism in the environment determines how the firm reacts and adapts (Neirotti, Raguseo, and Paolucci, 2018). Miller and Friesen (1984) found that stability in the external environment may mitigate the urgency for small firms to adapt, potentially leading to

complacency and reduced motivation for innovation. Stable environments allow firms to plan for resource acquisition and control and allow for flexibility in resource selection and strategies (Barney, 1991; Ramdani, Chevers, and Williams, 2013; Sarac, 2019). In contrast, dynamic environments characterised by rapid change and uncertainty may compel firms to be more agile and innovative in their adaptation efforts (Covin and Slevin, 1991; Sirmon, Hitt, and Ireland, 2007). The intensity of competition for critical resources in dynamic environments necessitates proactive adaptation strategies to sustain competitive advantage (Neirotti, Raguseo, and Paolucci, 2018). Thus, the threat of failure prompts firms to be more innovative and responsive, leading to a high degree of adaptation efforts compared to firms in stable environments (Covin and Slevin, 1991).

The adaptive strategies of firms are important for offsetting performance losses. The absence of certain types of resources or a combination of resources may prove difficult for firms to offset through adaptive form. Taken together, it can be postulated that the firms may generally choose reactive or no adaptive strategies even when no strong resource limitations are present. Additionally, firms can adapt to specific resource limitations by choosing strategies that are more economical with respect to the limited resources. Therefore, the case study aims to explore which adaptive forms are employed by small firms operating in resource-limited contexts and whether these adaptations are effective.

3. The meat-processing sector

In the UK, the British Meat Processors Association (BMPA) is the leading trade association for the British meat industry. This industry employs over 75,000 people and contributes £8.2 billion annually to the UK economy¹. A key responsibility of the industry is to ensure humane treatment, a high level of hygiene, and quality control during the transport and slaughter of animals².

The meat-processing industry is a vital component of the agricultural sector, playing a crucial role in food production and supply chains. It involves businesses throughout the 'food chain' from farms, abattoirs, and cutting/processing operations to food manufacturers, distributors, and supermarkets that sell these products. Hence, it is responsible for supplying safe, wholesome, and quality meat and meat products to people across the UK and further afield (BMPA, n.d). The process includes the slaughtering, cutting, processing of livestock, packaging, and distribution of meat products³. It also involves the production of products like pies, sausages, bacon, ham, and frozen meals by curing, mincing, adding flavourings, and various other techniques (BMPA, n.d). The processed meat segment covers all types of meats that have either been smoked, salted, cured, or added chemical preservatives. The segment is split into three subsegments: ham & bacon, sausages, and cold & roast meat products.

The processed meat industry in the UK is a significant sector within the food manufacturing industry, employing thousands and contributing substantially to the economy. The total number of meat processing firms is estimated at 1036, with 37% of the firms being small firms (Table 1).

¹ <https://britishmeatindustry.org/>

² <https://britishmeatindustry.org/industry/overview/>

³ <https://www.researchandmarkets.com/report/united-kingdom-meat-processing-market>

Table 1: Key Statistics and Characteristics of the UK Meat Processing Industry (2023)

Metric	Value	Description
Global Market Size (2024)	US\$336.40bn	Total revenue generated by the meat processing industry in the UK.
Average Annual Growth Rate (2024)	5.04% (CAGR)	Percentage change in market size from the previous year.
Volume of processed meat (by 2029)	41.08bn kg	Expected volume
Volume growth rate by 2025	1.7%	Volume growth
Number of Businesses	1036	Estimated number of meat processing businesses operating in the UK.
Number of SMEs	385	Estimated number of meat processing SMEs
Employment	90,000	Total number of employees working in the meat processing industry.
Export Value	£2.5 billion	Total value of meat products exported from the UK.
Import Value	£1.8 billion	Total value of meat products imported into the UK.
Characteristics	Description	
Primary Negative Factors	Changing consumer tastes; veganism.	
Changing trends in consumer preferences	Increasing demand for organic and ethically sourced products	
Key Market Drivers	GDP per capita and consumer spending per capita.	
Recent key factors impacting the meat processing industry	Labour supply shortage; Brexit	
Major Processing Methods	Smoking, salting, curing, or adding chemical preservatives	
Processed Products	Fresh, chilled or frozen meat, sausages, bacon.	
Major Competitors	Supermarkets	

A few key players dominate the market (see the substantial market share they hold collectively in the industry in Table 2). These leading companies shape production practices, pricing, and consumer trends. They set benchmarks for quality, sustainability, and innovation in the UK meat-processing industry. Their strategies and operations influence market dynamics, ensuring continuous improvement and adaptation to consumer preferences and regulatory requirements.

Table 2: The key players in the meat-processing market

Company name	Market share	Number of employees	Description
Cranswick Plc	15%	11,000	Known for its quality and innovation; Specializes in a variety of meat products, emphasizing sustainable sourcing and animal welfare
ABP Food Group	13%	10,000	Known for its focus on sustainability, traceability, and innovation; Produces a wide range of meat products

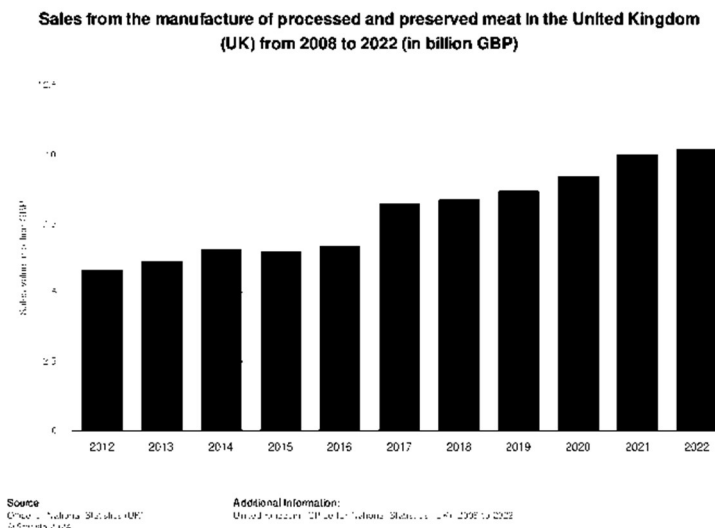
2 Sisters Food Group	12%	18,000	Known for its comprehensive supply chain and food safety measures; Offers a range of products including poultry, red meat, and ready meals.
Kepak Group	10%	5,000	Emphasizes quality, sustainability, and innovation; Focuses on beef, lamb, and convenience foods, with brands like Rustlers and Big Al's.
Dunbia (part of Dawn Meats)	8%	4,000	Known for sustainable farming practices and high-quality products; Specializing in beef, lamb, and pork products.

Source: Cranswick plc. (2023). Annual Report. Retrieved from Cranswick plc website, ABP Food Group. (2023). Annual Report. Retrieved from [ABP Food Group website](#), 2 Sisters Food Group. (2023). Annual Report. Retrieved from [2 Sisters Food Group website](#), Kepak Group. (2023). Annual Report. Retrieved from [Kepak Group website](#), Dawn Meats. (2023). Annual Report. Retrieved from [Dawn Meats website](#)

Small firms like RYS operate within a highly competitive environment dominated by larger players with more substantial resources and advanced technologies. Despite the high-level competition, small meat-processing businesses distinguish themselves by maintaining traditional processing methods and contributing significantly to local economies by promoting local produce. In 2023, the market size of the UK meat-processing sector was measured at £10.2 billion (IBISWorld, 2024).

Over the past five years, the industry has shown modest growth, averaging a 1.0% annual increase from 2018 to 2023 (IBISWorld, 2024), with demand expected to increase tangentially (Figure 1).

Figure 1: Sales from processed meat in the UK, 2012-2022, £bn.



Source: Statista (2024)

The future growth of the industry is influenced by various factors, including the number of livestock slaughtered and its domestic price. These primary factors negatively impact the industry, indicating the need for strategic adaptation and resource optimisation for sustained growth.

4. The case of a small meat-processing firm: RYS⁴

RYS is a small, family-run meat-processing business located in the rural countryside of Shropshire. Established 61 years ago by the father of the current owner, RYS has grown from a humble sole trader operation as a butchery into a small yet reputable limited company with a pie shop added to the butchery. The firm operates with a staff of 13 employees and engages in a variety of processing activities that blend traditional and modern methods. Known for its high-quality meat products, RYS specialises in retail butchery, offering a diverse range of meat-processing products with a focus on natural ingredients and locally sourced supplies. The small meat processing firm prides itself on providing personalised service and attention to individual customer needs, fostering a loyal customer base in its local community.

Over the decades, RYS has coped with numerous challenges, adapting and evolving in response to changing market conditions and resource constraints. Today, the firm is at a critical confluence, dealing with key resource constraints such as outdated machinery, a skilled workforce gap, and limited financial resources. These constraints are compounded by external challenges such as fluctuating market demands, economic instability, increasing competition from supermarkets, and decline of the animal farming. The case study of RYS illustrates the inherent resilience and adaptive capacity that characterise many small businesses striving to survive and even thrive in a highly competitive environment.

Table 3. Background of RYS (as of 2023)

Key Features	Description
Location	Rural Shropshire of West Midlands.
Ownership Structure	Limited Liability Company, transformed from a sole proprietor.
Processing Activities	Traditional cooking, minimal processing of sausage rolls, lamb, beef, pork, chicken, turkey, duck and geese, hand-made pies, pastries, and cured bacon.
Target Customer	Retail public – individual customers, B2C
Number of employees	13 (9 full time, 4 part-time)
Performance Objective	To generate sufficient profit; to pay all liabilities; and to generate sufficient income for the family.
Key Challenges	Rising costs, unpredictable and changing consumer trends, and government interference in the form of government regulations.
To 5 key resources	Skilled workforce, Quality of raw materials and changing nature of supplier network, Modern plant and machinery, Brand image, Financial Capital.

4.1 Leadership in RYS

The owner-manager of RYS, a male over the age of 60, plays a fundamental role in the firm's strategic direction. With decades of industry experience and no formal education, his leadership can be characterised by practical wisdom and a deep understanding of traditional meat processing methods. This experiential knowledge is vital in making informed decisions that guide the firm through the challenges of the business environment and resource constraints. The reliance on practical experience and traditional knowledge forms the backbone of RYS's operational decisions, influencing its adaptive strategies and decision-

⁴ RYS is a pseudonym for confidentiality purposes.

making processes. His role is crucial in maintaining the firm's adaptive strategies, ensuring that RYS remains agile and responsive to market changes.

4.2 RYS Offerings

The product range of RYS includes a diverse selection of meat-processing products, emphasising quality and sustainability. The firm's offerings are characterised by:

1. **Products:** The enterprise is skilled at tailoring processed meat to customer preferences, coupled with providing insightful guidance on storage, preparation, and cooking methods. Key products processed by RYS include sweetcure bacon, local beef, lamb, or pork, Lamb, frozen and processed poultry, and cured bacon (See Appendix).
2. **Natural Ingredients:** RYS is committed to using natural ingredients, ensuring that its products are free from artificial additives and preservatives. This commitment aligns with growing consumer demand for healthier and more transparent food options.
3. **Locally Sourced Supplies:** By sourcing meat from local farmers, RYS supports the regional agricultural economy and ensures the freshness and traceability of its products. This practice also reduces the environmental impact associated with long-distance transportation.
4. **Customised Service:** RYS distinguishes itself through its personalised service, catering to individual customer needs and preferences. This customer-centric approach fosters strong relationships and loyalty, setting RYS apart from larger competitors.

4.3 Processing Activities

The processing activities of RYS are diverse and involve fresh meat cutting and packaging, processing meat into sausages, curing, slicing, and traditional cooking methods. This product diversification from fresh cuts to ready-to-eat-meals allows the firm to cater to a wide range of consumer preferences. Its processing activities rely on basic technology, such as grinding, meat slicers, refrigerators, and so on. By combining traditional cooking methods alongside more contemporary processing techniques, RYS maintains its relevance in a competitive market. This combination of old and new practices not only supports the firm's heritage but also meets modern consumer demands, thereby maximising resource utilisation.

Despite its high-quality products, RYS faces significant challenges in maintaining and expanding its operations. Outdated machinery hampers production efficiency, while a skilled workforce gap limits the firm's ability to innovate and meet growing demand.

Additionally, limited financial resources constrain RYS's capacity to invest in new technologies and infrastructure improvements. So how does RYS adapt to the limited resources?

4.4 Workforce and Skills

RYS relies heavily on the skills and expertise of its small workforce. The firm's ability to maintain the quality of its processing activities is contingent upon the training and retention of skilled workers. In a resource-limited context, the emphasis on the development of a skilled workforce is a necessity. The firm's operations hinge on the collective expertise of its employees, highlighting the importance of human capital in sustaining business performance.

4.5 Local Business Environment

Operating in a rural area, RYS faces unique challenges, including limited access to larger markets and resources. Despite these constraints, the firm utilises its deep local knowledge and traditional practices to achieve performance. The rural setting, while presenting difficulties, also offers opportunities for RYS to capitalise on its distinctive products and methods. The firm’s ability to efficiently utilise its resources by diversifying its product offerings demonstrates a strong adaptive capability. This *resource management capability* helps the firm in coping with the difficulties of a resource-limited environment.

5. Findings and Discussion

RYS is an established firm in the meat processing industry. The firm faces a dynamic and challenging operational environment characterised by limited resources, rapid changes, and a challenging regulatory environment.

In line with the theories underpinning this case study research, the synthesised results from the narratives of the owner-manager are presented and discussed in accordance with the following overarching aggregate dimensions: Dynamic Environment, Limited Resources, and Adaptive Forms. The key dimensions are discussed separately and also show the linkages between them. The first-order codes (the first column) in Table 4 first show how resource-limited context and dynamic environmental challenges are characterised by the owner-manager of RYS, and then the description of the adaptive form(s) employed to cope with the challenges for firm success.

Table 4. Initial codes and aggregate dimensions of adaptive forms in RYS

1st Order Codes	2nd Order Codes	Aggregate Dimensions
Characteristics of challenges in the dynamic business environment and limited resources		
Rapid change in the business environment	Perception of negative change	Dynamic Environmental Challenges
Negative changes in livestock farming		
Rising costs	Economic condition	
Changes in government interference during regulation changes	Regulatory challenges	
Changes in political decisions for example BREXIT		
Changes in legislation and regulations		
Fluctuations in demand	Demand variability	
Changing consumer trends		
Processing equipment	Low technology but fit-for-purpose	Limited Resources
Computer system	Standard IT technology	
Limited production area	Production capacity constraints	
Unskilled staff	Skilled workforce challenges	
Management’s lack of experience during a crisis		
Low-quality farm inputs	Supplier availability issues	
Declining traditional suppliers		
Adaptive forms		
Kitchen table meeting	Informal problem-	Defender

	solving	
Used our own domestic vehicles	Resource optimisation	
Workaround tight standards and regulations	Adaptation of resource constraints with tight standards and regulations imposed by the government	
Develop from within	Internal development/organic growth	
Started home deliveries during Covid-19 pandemic	New service offer	Strategic Reactor
Diversify into new products	New product development and diversification	
Changed business style	Business model adaptation	
A new computer programme for receiving online orders allowed Click-and-Collect service	New service offerings	
Changed working hours	Operational adjustments	

5.1 Dynamic Environmental Challenges

The local environment was reported to be dynamic and a challenge for the small firm. Two distinct characteristics of the dynamic environment emerged from the study. First was that the condition of the local environment is rapid and remarkably challenging, and even compounded by the effects of COVID-19: *“It’s worse. The change, I would say, excluding COVID, excluding that because that is very rapid change, I would say it has been rapid.”* Second was that changes in economic conditions including high inflation, regulatory challenges, changes in consumer behaviour, declining access to animal farms, and technology gaps appeared to mostly emerge from negative environmental factors impacting adaptive strategies of firms.

The owner of RYS reported that they felt a strong inclination to respond through service diversification to changes in consumer behaviour and market conditions: *“We used agility for prompt actions. Incorporated delivery services to align with changing customer preferences and market conditions.”* This characterisation from RYS conforms to previous studies the hostility of the environment positively correlates with how the firm reacts and adapts (Neirotti, Raguseo, and Paolucci, 2018). The perspective of environmental hostility resulted from the impact that it has on access to critical resources, most notably the skilled workforce and their subsequent influence on adaptive strategies. The owner recounted how changes in demand affected the firm’s skills gaps in human resources. The persistent need for a skilled workforce highlights the importance of human capital to organisational success. Responses from RYS to this core organisational issue can be seen in strategies such as recruitment for part-time staff and increasing workforce hours. This finding tends to agree with previous studies on the relationship between hostile environment and access to critical resources necessary for adaptation (Franco and Haase, 2010; Kolade, Obembe, and Salia, 2019; Ghadge et al., 2020). The changes in the external environment call for adaptive strategies to maintain relevance and operational efficiency in the marketplace.

5.2 Resource Limitation

In most cases, resources were reported as lacking and inaccessible. In terms of resources, RYS faces significant challenges with inadequate equipment, substandard technology, capacity constraints, skilled workforce challenges, and supplier availability issues: *“Well, the equipment we use ... is at a much lower level. And our investment in computers and computer systems is probably at a normal level compared with what our competitors are probably having.”* This inadequacy is highlighted in the literature on the resource-based view (RBV), which emphasises the role of organisational resources and capabilities in achieving performance objectives (Barney, 1991). RYS recounted the struggle with unskilled management and the diminishing availability of traditional suppliers which further emphasises their resource challenges. The owner-manager of the small firm stated: *“Unskilled staff, I would say, management’s lack of experience during the last five years... lack of or low-quality farm inputs. We have lost lots of our more traditional suppliers in the last five years.”*

5.3 Adaptive Forms

Defender Form

RYS demonstrated its adaptive capacity with existing organisational capabilities, using its existing resources and drawing on its existing routines and practices to cope with resource challenges and hostile business environment. The owner of RYS emphasised their ability to cope with existing limited resources and standards, highlighting that

“We work around tight standards and regulations. I would say that we would use the develop from within, that is the organic structure because if there is a problem, we tend to talk about it and find a solution.”

This finding further supports the idea of dynamic capability which introduces decision-making capabilities, which involve realignment or integration of existing resources to mitigate challenges (Deakins and Bensemann, 2019).

For RYS, the appropriate adaptive strategy involved adapting through utilisation of critical resources. However, due to resource constraints, they were compelled to adopt a defensive approach, which entailed reconfiguring their limited resources to address existing challenges.

‘Strategic’ Reactive Form

When encountered with dynamic or hostile business environment, the firm resorted to reactive responses for acquiring or reconfiguring resource endowment with time. External environment factors inducing various responses are fully articulated by strategy scholars (Sarta, Durand, and Vergne, 2021). The literature review noted that in a hostile or highly dynamic environment, competition for resources increases, leading to a deprivation of resources for small firms (Ghadge et al., 2020; Ramdani, Chevers, and Williams, 2013). Limited access to materials, finance, skilled workforce, and market, for example, can make the firm respond to the challenges. Other studies argue in contrast that small firms opt not to adapt to changes in the environment (Vergne and Depeyre, 2016).

Most of the small meat processing firms rely heavily on finance, equipment, meat supply, and skilled workforce, but these resources are generally limited. As indicated above, these factors do not constrain the development of small firms, however, changes in the business environment might mitigate the pace of development.

The evidence from RYS in adapting to changes in a dynamic environment with limited resources corresponded with the conceptualisation implied in the small business research. RYS demonstrated a reactive response to changes in the business environment, including reacting promptly, being flexible with their decision-making, and acquiring new resources. This is consistent with SCT and previous literature regarding reactive processes in that firms react promptly to changes in the environment (Miles and Snow, 1978; Teece et al., 1997; Sarac, 2019). A narrative of the owner of RYS summarises a typical reactive response as,

“To actually address these sorts of things you don’t sit down and think about it, you just do it. Our business, particularly at this level, yeah you don’t have board, you do have board meetings in the kitchen there and a cup of coffee around the table, but no formal rules of actually having to explain why you do it... you just react to things.”

This perspective is not different from the views of Zahra and George (2002) that the smallness and agility of a firm enable quicker decision-making. The outcome of the flexible decision-making process by RYS seems to be a positive one in their adaptive behaviour. In contrast to previous studies that indicate reactive behaviour is associated with strategic failure, in the resource-limited contexts, it becomes an important part of the mix of adaptive forms. (Sarac, 2019).

Regarding the strategic behaviour of small firms, contrasting viewpoints exist in the literature. Gopalakrishnan and Dugal (1998) for example contend that smaller firms have less strategic options in comparison to their larger counterparts. Conversely, Baker and Nelson (2018) demonstrate how small firms can utilise limited resources to innovate and create opportunities for survival.

The findings provide behaviours and actions that suggest that the firm exhibited a strategic reactor approach. For example, RYS provided evidence of new business initiatives, product diversification, business model adaptation, and new service offerings. The risk-taker, analyser, innovative and decision-making activities leading to new product and market development align with the Entrepreneurial Strategic Posture espoused in previous literature (Covin and Slevin, 1991; Lumpkin and Dess, 1996; Borocki et al., 2019).

However, the adaptive behaviour employed by the firm was not intentional or proactive. Instead, RYS employed strategic reaction as they interacted with changes in the business environment rather than a resource constraint. For example, the trial-and-error approach expressed provides clarity to the perspectives in this research,

“We tried to diversify and try new products that customers might need. So, we do have new products and services. That is something we’ve done in the past. When some things become difficult, for example, because of regulation not acceptable and very tight for us, we increased the number of commercial patties we sell, so I would imagine that we work around tight standards and regulations.”

To sum up, the analysis of the forms of adaptation in the case study reveals diverse patterns in adaptive strategies. There is no predominant form of adaptation found in RYS. Yet we observed that the firm exhibited mostly strategic reaction or defender approach when they encountered different conditions of environment and resource constraints.

Figure 2. A Mix Form of Adaptation in RYS

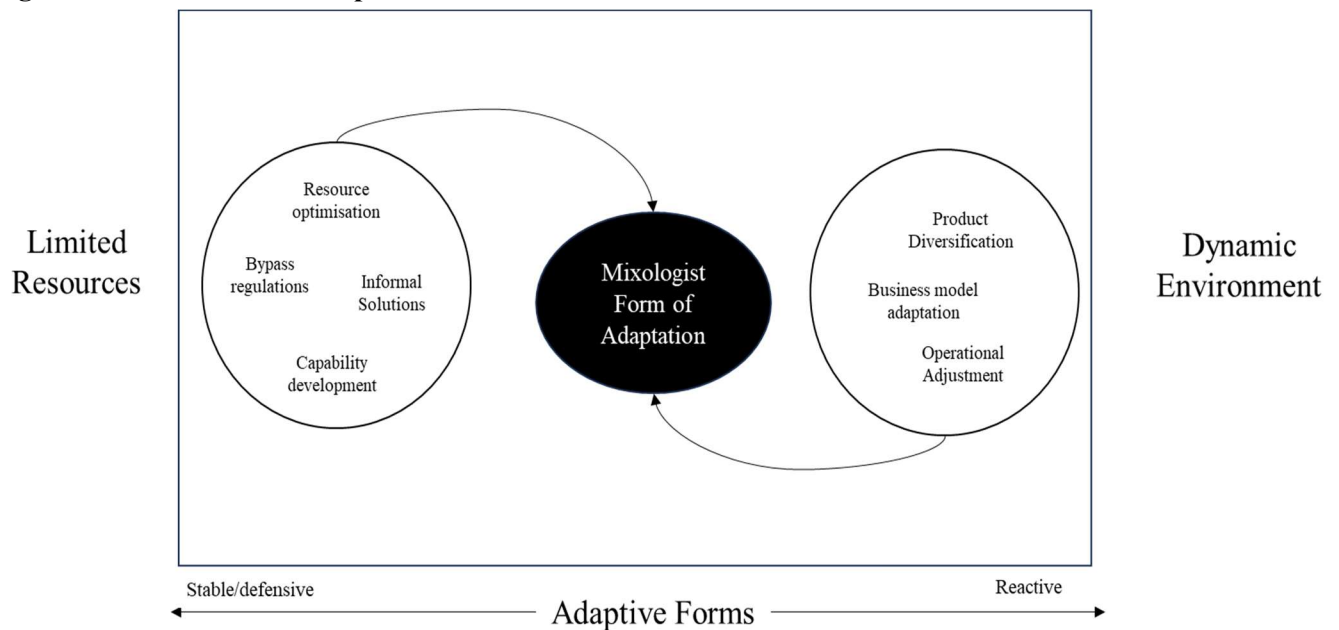


Figure 2 shows how RYS adapted differently to the nature of resource-limited context and the dynamic business environment. It adopted a more dynamic form of adaptation towards resource constraints, which presented a more stable condition in its business. It adapted by being defensive with its existing limited resources, employing resource optimisation, non-formal structure and informal solutions, and internal capability development. When it comes to challenging environments, RYS adopted a diverse and sophisticated approach to addressing challenges that involved product diversification, business model adaptation and operational adjustments.

The philosophical stance from the results of this study suggests that RYS might be adopting a *mixed approach* to adaptation; i.e. a mix of adaptive forms employed at different times to cope with different types of resources and environmental challenges. This idea aligns with the perspectives of the agile and flexible nature of small firms (Zahra and George, 2002), which can provide positive outcomes for small firms (Eisenhardt and Martin, 2000). RYS having survived in the industry for over 6 decades, the study may assert that the mixed adaptive form is positive for the small firm in coping with the challenge of resource-limited context.

6. Conclusion

The case study of RYS provided us with the grounds for investigating adaptive forms in small, rural-based firms in an environment characterised by limited resources and hostility. In particular, the adaptive experience of RYS typifies the intersection of environmental dynamics, resource constraints, and adaptive strategies in the low-technology meat-processing sector. Does the firm have the capacity to mix traditional methods with modern processing activities? How does it allow the company to stay relevant and competitive? To

what extent will the role of experienced leadership play in coping with resource limitations and market dynamics? The narrative of RYS underscores how a mix of adaptive forms can drive the success of small firms in challenging environments.

The meat processing industry is part of a global market and is under rising pressure due to the way animal farming and meat production affects the environment. However, the majority of businesses are small businesses that are operating in their local markets. As our case study shows, they continue to employ traditional processing methods that allow little use of technology and more ability to address growing sustainability concerns. Although these to some extent help respond to the evolving demands and preferences of consumers (e.g. in terms of protecting the environment through using local produce and serving the local market), their lack of efficiency and productivity due to limited resources (e.g. lack of technology use, skill gaps, etc.) undermines their competitiveness. The ways they adapt their business and strategies become crucial.

Our case analysis of RYS indicates that the rural small business has been a dynamic adaptor with a hybrid approach to adaptation strategies, i.e. product diversification, reactive form, resource optimisation, and strategic form, in coping with different resource challenges, that led to improved business performance. Despite the challenges with reactive adaptations, the evidence suggests that the hybrid form of adaptation is central to the survival of small firms (that continuously cope with limited resource challenges) in adverse times and to their growth prospects in the long run. By leveraging sector-specific strengths, investing in internal capabilities, and transforming in response to market demands, RYS copes with a complex resource-limited context with resilience and adaptive capability. This case study not only sheds light on RYS's drive but also contributes to a broader understanding of the organisational adaptation of small firms in dynamic environments with limited resources.

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