Chapter 5
The Impact of Adaptation on Performance Through Business Resilience in Times of Crisis

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ABSTRACT

The COVID-19 pandemic has caused unprecedented global challenges, impacting economies and public health. While it continues to place pressure on businesses, it has also prompted opportunities for adaptation. The ability of businesses to adapt, a precursor to business resilience (BR), plays a key role in firms' recovery from adversity and enhances performance. This research addressed research gaps by investigating how a business's adaptability influences SMEs' resilience and performance. Using design science research (DSR) methodology to identify key factors that shape business resilience and measure the impact of processes and managerial practices, structural modelling was used to test hypotheses. Results show that a business responsiveness in terms of processes significantly improves its performance. Conversely, a business's capability to manage supply chain disruptions positively affects performance through its resilience. This study contributes by creating a theoretical framework, offering empirical evidence on the impact of processes and practices on resilience and performance.

INTRODUCTION

Crises, such as the COVID-19 pandemic, have unprecedentedly impacted both economies and public health. As a result, businesses worldwide have experienced adverse effects, which have demonstrated the incapability of existing business continuity management systems (BCM) to cope with the stress caused by the pandemic (Douglas, Katikireddi, Taulbut, McKee, & McCartney, 2020; Donthu & Gustafsson, 2020). It is considered a transboundary crisis transcending geographical, policy, cultural, public-private,

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and legal boundaries (Boin et al., 2020). To navigate the multifaceted challenges businesses and society face, countries have implemented diverse policies in response to imposed lockdowns (Cantillon, Seeleib-Kaiser & van der Veen, 2021). These interventions have yielded multiple intended and unintended outcomes (Pollock & Steen, 2022).

Despite the ongoing negative impact of the pandemic on businesses (Shepherd & Williams, 2020), the crisis has also created opportunities for policy reforms, institutional overhaul, and leadership revival (Donovan et al., 2018). This phenomenon, known as 'crisis-induced learning', presents a clear possibility for adaptation (Boin, 2017, p. 126) and can serve as leverage points for implementing critical changes (Mosier et al., 2018). Business opportunities may arise from crises pushed by technological innovation or enabling rapid adaptation (Vargo & Seville, 2011; Wan & Yiu, 2009; Zimmerling & Chen, 2021; Ebersberger & Kuckertz, 2021). Research has shown that sectors such as online food retail, online learning, and information technology, have benefited from the crisis (Dannenberg et al., 2020; Dhawan, 2020; He et al., 2020; Morley & Clarke, 2020), by effectively adapting their practices to new resource configurations, facilitating to access to competitive advantages. In business, such adaptations aim to effectively manage new threats in highly dynamic and unpredictable situations (Galbusera, 2021), such as changes in supply chain management due to shortages. Adaptive capacity is an early example of business resilience (BR), which improves the company's ability to recover from adversity and engage in normal operations (Alonso et al., 2020; A. Duarte Alonso & Kok, 2020; Karman, 2020; Scott & Laws, 2006), or even reach a higher level of performance than before (Asamoah, Agyei-Owusu, & Ashun, 2020; Fiksel, 2006; Knemeyer, Zinn & Eroglu, 2009; Marshall & Schrank, 2014; Tognazzo, Gubitta, & Favaron, 2016; Yao & Fabbe-Costes, 2018). Researchers also argue that BR positively impacts a firm's performance (Ortiz-de-Mandojana & Bansal, 2016).

Significant progress has been made by business and corporate finance researchers in understanding BR improvement during a crisis about the impact of organisational capital, business processes, and performance management mechanisms (Iborra et al., 2020; Netz et al., 2020). Operational effectiveness plays a key role in enabling firms to rebound from disruptive events and enhance their BR (Parast, 2020). This includes implementing business process improvements, such as lean practises (Bevilacqua et al., 2020; Ruiz-Bentez et al., 2018), effective operational policies (Cheng & Lu, 2017), developing flexibility and leadership (Childerhouse et al., 2020), and improving the firms' suppliers network (Ponomarov & Holcomb, 2009; Yang & Hsu, 2018; Zhao et al., 2019). Businesses enhance their resilience by improving existing practices or tools (Kogenhop, 2020), such as risk management techniques (Ambulkar et al., 2015; Bevilacqua et al., 2020; Chowdhury & Quaddus, 2016), business continuity planning (Coullahan & Shepherd, 2008), and further adopt technology and digitalisation (Lu et al., 2020). Groenendaal and Helsloot (2020) study further aspects of resilience such as cohesion (relevant to maintaining business continuity) (Jia et al., 2020; Polyviou et al., 2019; Torres et al., 2019) efficiency, and diversity (e.g. in talent acquisition facilitates innovation). Furthermore, several empirical studies confirm that social capital (such as network support, community organisations, and private entities), positively influences BR. Also, more innovative firms can survive better disruptive events (Brown et al., 2019; Chowdhury et al., 2019; Dahles & Susilowati, 2015; Duarte Alonso et al., 2020; Kwak et al., 2018; Orchiston et al., 2016) by utilizing non-traditional processes and/or market strategies (Alonso-Dos-Santos & Llanos-Contreras, 2019).

Organisational capital, processes, and practices interactions with resilience and their impact on BR during crisis research, particularly in the context of small and medium-sized enterprises (SMEs), is scarce (Brown et al., 2022; Saad et al., 2021). There is a dearth of research on how decision-makers and

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