

# Pivoting as a strategy for SMMEs in resource-constrained environments

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## Keywords

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Entrepreneurship;  
Resources;  
External shocks;  
Resilience;  
Change.

## Abstract

Small businesses operating in areas with limited resources, such as townships in and around Johannesburg, South Africa, face many complex and sometimes muddled business and social challenges. These may include high unemployment rates, low-income households, inadequate infrastructure, and civil unrest leading to riots. Most of the population employed in these areas are from low-income households, limiting their expenditure to necessities. Furthermore, small businesses in such areas are often constrained by external factors such as poorly developed infrastructure, including a lack of roads, water, and electricity. These challenges can be detrimental to businesses without support from the local government. As a result, entrepreneurs operating small businesses in these challenging conditions need to adopt agile business models to survive. Therefore, they must think and act differently than their counterparts in developed markets. This research used a qualitative research approach, utilising semi-structured face-to-face and online interviews. Thematic data analysis was conducted. The study has identified several critical factors influencing the decision to pivot. These factors include customer feedback, passion for the industry, financial stability, and careful resource allocation. Additionally, the study emphasises the significance of having strong business networks, entrepreneurial education, industry-specific experience, adaptability, innovation, and risk management when implementing pivoting strategies to achieve success. Small businesses must conduct continuous market research to identify early pivoting indicators, allowing them to detect shifting market dynamics, emerging opportunities, and potential threats. This enables them to

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proactively mitigate risks and seize new opportunities, reducing the chances of falling behind or facing sudden disruptions. Small businesses must exhibit agility and readiness to pivot toward new ownership structures or alternative strategies to navigate changing circumstances with resilience, fostering a culture of adaptability. Lastly, businesses should evolve their internal processes to match the business's adjustments during a pivot, ensuring a smoother and more successful transition while maintaining operational efficiency and effectiveness.

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## 1. Introduction

In resource-constrained environments, exemplified by South African townships, small businesses face intricate challenges stemming from high unemployment, low-income households, underdeveloped infrastructure, and civil unrest. Statistics reveal the gravity of the situation, with South Africa experiencing an overall unemployment rate of 32.9% in the first quarter of 2023, rising to 40.7% for individuals aged 25 to 34. The unemployment rate among the youth (ages 15 to 24) is 62.1%, causing most unemployed youth to rely on government grants for survival. The population amongst the employed living in resource-constrained environments like townships in and around Johannesburg mainly comprises low-income households. Therefore, their spending habits are limited to necessities (Economics, 2015).

External factors such as underdeveloped infrastructure, like the lack of roads, water and electricity and regular civil unrest, resulting in local riots and looting (Hillesund, 2022), compounding businesses' difficulties operating in these conditions. An example of such unrest is the national riot which took place in South Africa in July 2021; this riot is estimated to have had a financial loss impact of R50 billion across all businesses, of which most of those businesses are made up of small businesses (Vhumbunu, 2021). This article delves into the dynamic landscape of small businesses in resource-constrained environments, emphasising the need for agile business models for survival. Small business entrepreneurs must think and act differently than their counterparts in developed markets. Focusing on "pivoting," the study explores strategies businesses employ, particularly in the context of arbitrage and innovation opportunities. During arbitrage, as a pivoting strategy, a business reallocates its resources to create a new business model that exploits arbitrage opportunities arising from information asymmetries and price disequilibrium, particularly advantageous for small businesses with agile models; however, such opportunities are inherently unsustainable and dissipate as the market reaches equilibrium through information transfer (Anokhin et al., 2017). During innovation as a pivoting strategy, a business reevaluates its fundamental purpose, creating sustainable opportunities to perform tasks differently and

more effectively by leveraging its core competency, making it particularly suitable for well-established businesses aiming to pivot towards innovative opportunities aligned with their primary purpose.

Amidst the ongoing Russia-Ukraine War and the aftermath of the pandemic, many small township businesses are struggling to survive. To help small businesses navigate these disruptions and thrive, this research aims to investigate the effectiveness of pivoting initiatives and understand the decision-making processes involved. The ultimate goal is to provide practical insights that can be applied to real-world situations. The significance of this research lies in offering tangible support to businesses grappling with resource constraints and contributing contextually to the entrepreneurship body of knowledge.

## **2. Literature review**

### **2.1 Mainstream Pivot Strategy Frameworks**

The mainstream pivot strategy frameworks overlook informal settings due to their foundation in more formal contexts with fewer resource constraints (Pathak & Kandathil, 2019). Small businesses in resource-constrained environments face limited funding, inadequate infrastructure, market demand fluctuations, and intense competition (Hudecheck et al., 2020). They are also not always ready to adopt or afford the latest technology to grow their business or to implement smart manufacturing techniques (Gumbi & Twinomurinzi, 2020). These complexities make decisions to pivot or preserve daunting, particularly in uncertain market conditions (Hudecheck et al., 2020). Bhorat et al. (2018) highlighted the need for more detailed studies that explore the specific constraints on the growth and performance of SMMEs in resource-constrained environments. Such a study will inform and create a framework informed for pivoting options.

Entrepreneurs encounter situations and issues that require more information and prompt new strategic questions, which are early indicators signalling the need for a business pivot (Kirtley & O'Mahony, 2019). The readiness to pivot varies across business models, with systematic and disruptive approaches advocated by different scholars (Kirtley & O'Mahony, 2019). External shocks, influencing entrepreneurs and activating the need to pivot, ranging from historical events to technological advancements, significantly impact small businesses in resource-constrained environments (Soluk, 2022). Businesses must adapt and innovate to thrive in transformed markets resulting from these shocks (Gittell et al., 2006; Brito et al., 2022; Soluk, 2022). Adapting to external shocks is crucial for small businesses' survival and resilience (Soluk, 2022). Various pivot strategies, such as Lean Startup, entrepreneur bricolage, resource-based views, and customer development, enable businesses to weather shocks and seize opportunities (Eisenmann et al., 2012; Blank, 2013; Pathak & Kandathil, 2019). Success in adapting to external shocks depends on factors like business competencies, organisational proficiency, and the entrepreneur's pivotal role.

Institutions and market dynamics, including competition, impact pivoting decisions (Kenosi, 2020). Cultural and social barriers emphasising transparency and sustainability affect societal acceptance and trust (Laukkanen & Patala, 2014). Barriers to pivoting include limited entrepreneurial capabilities, information and knowledge gaps, and cultural and social barriers (Kim, 2017; Geissdoerfe et al., 2022).

## **2.2 Early Indicators for Pivoting**

Upon encountering new information, entrepreneurs discern early indicators that raise strategic questions (Kirtley & O'Mahony, 2019). The preparedness to pivot exhibits variation, with scholars advocating for systematic or disruptive approaches (Kirtley & O'Mahony, 2019). In the context of systematic approaches, the Lean Startup model underscores the importance of systematically testing hypotheses using the minimum viable product (Eisenmann et al., 2012). Conversely, disruptive models like Peter Thiel's "Zero to One" may carry higher risks due to potential deficiencies in early indicators (Thiel & Masters, 2014). The ability to pinpoint early indicators differs among business models, necessitating a thorough exploration of their significance in entrepreneurial endeavours.

### **External Shocks**

External shocks relate to pressures beyond a business's control, impacting the industry and necessitating strategy reassessment (Soluk, 2022). Examples include historical events, technological advancements, natural disasters, financial crises, terrorist attacks, pandemics, and disruptive incidents (Soluk, 2022). Small businesses in resource-constrained environments bear the brunt of external shocks due to inherent characteristics like self-financing and internal focus, leading to resource constraints (Soluk, 2022). Small businesses face additional external shocks related to new technologies, target market changes, financial needs, and supply chain disruptions (Kirtley & O'Mahony, 2019). The emotional connection between the entrepreneur and the business creates vulnerability, but resilience emerges from adaptability, relational reserves, and a suitable business model (Gittell et al., 2006; Soluk, 2022; Brito et al., 2022). Small businesses must leverage innovation and resilience to thrive during and after external shocks. While innovation is recognised as a crucial determinant of growth, more research, according to Botha et al. (2018), is needed to understand how SMMEs can effectively innovate within their limited resources.

## **2.3 Adaptation to External Shocks**

Adapting to external shocks is crucial for small businesses' survival and resilience (Soluk, 2022). Pivot strategies like Lean Startup, entrepreneur bricolage, resource-based views, and customer development enable businesses to weather shocks (Eisenmann et al., 2012; Pathak & Kandathil, 2019; Blank, 2013). Success in adapting depends on business competencies, organisational proficiency, and the

entrepreneur's role. The ability to adapt swiftly becomes a strategic imperative for small businesses in resource-constrained environments.

Governments play a crucial role in stakeholder theory during external shocks, necessitating entrepreneurs to stay informed about policy changes. Botha et al. (2020) state that a research gap exists in understanding how government policies can be tailored to assist SMMEs of different sizes and how these policies impact the challenges and barriers faced by SMMEs. Small businesses in resource-constrained environments face intense competition and must leverage technology for value creation (Kenosi, 2020). Entrepreneurs must navigate institutional changes and market dynamics for successful pivoting and adaptation.

## **2.4 Barriers to Pivoting**

Barriers to pivoting include limitations in education, industry-specific experience, resources, and entrepreneurial skills (Kim, 2017). Internal and external knowledge management deficiencies hinder the pivot process, requiring attention for successful transitions (Geissdoerfe et al., 2022). Cultural and social factors impact pivot execution, including societal awareness, norms, preferences, psychological resilience, and transparency (Laukkanen & Patala, 2014). Entrepreneurs must address barriers like limited capabilities, information gaps, and cultural factors to facilitate successful pivoting.

## **2.5 Gaps to address**

The current literature on pivoting as a strategy for Small, Medium, and Micro Enterprises (SMMEs) in resource-constrained environments reveals a notable gap. Existing studies highlight the necessity for more in-depth investigations into the specific challenges impeding the growth and performance of SMMEs in such environments. While the significance of innovation in driving growth is acknowledged, there is a dearth of research delving into how SMMEs can effectively innovate within the confines of their limited resources. Moreover, the readiness and affordability of SMMEs to adopt the latest technology or implement smart manufacturing techniques have also not been extensively explored.

# **3. Methodology**

This paragraph explores the research design and methodology for investigating small businesses operating in resource-constrained environments and their adaptive strategies.

## **3.1 Research Design**

The research philosophy chosen for this study is interpretivist and qualitative. This was based on the desire to understand the context and factors that affect small businesses in resource-limited environments. An inductive approach is followed to develop theories that align with the qualitative

nature of the research. This approach aims to generate new insights relevant to resource-constrained environments. Semi-structured interviews are conducted online and face-to-face to gather rich and flexible information. This choice is explained by considering the potential insights that can be gained from a narrative strategy during the unfolding of the interview. An exploratory research design is adopted to better understand pivoting strategies and the business environment. This ensures a broad focus on capturing relevant information. A narrative strategy is employed for semi-structured interviews to explore social phenomena by examining experiences sequentially. This contributes to a contextual understanding of decision-making.

### **3.2 Population**

Entrepreneurs are chosen as the unit of analysis due to their intimate understanding of business operations and pivotal decision-making in resource-constrained environments. Purposive sampling, specifically a critical case technique, engages diverse small businesses facing external shocks. A minimum of 12 interviews, determined by data saturation, ensures comprehensive exploration.

### **3.3 Data collection and analysis**

Interviews are the primary data collection method, with measures in place to enhance reliability and validity, addressing potential researcher influence. The process involves obtaining clearance, establishing communication, explaining the research purpose, obtaining informed consent, conducting semi-structured interviews, and transcribing collected data. Thematic analysis is adopted, involving familiarity with raw data, code formulation, emerging themes, theme evaluation, theme naming, and scholarly reporting. A checklist and Atlas TI are used to adhere to proper TA methodology. Theoretical triangulation is applied, aligning existing theories with data to enhance understanding: semi-structured interviews and real-time question generation aid in-depth exploration.

### **3.4 Limitations**

Anticipated limitations include potential researcher bias, language barriers, reluctance to share failure-related data, and concerns about competitors' data misuse. Mitigation strategies are implemented.

## **4. Findings**

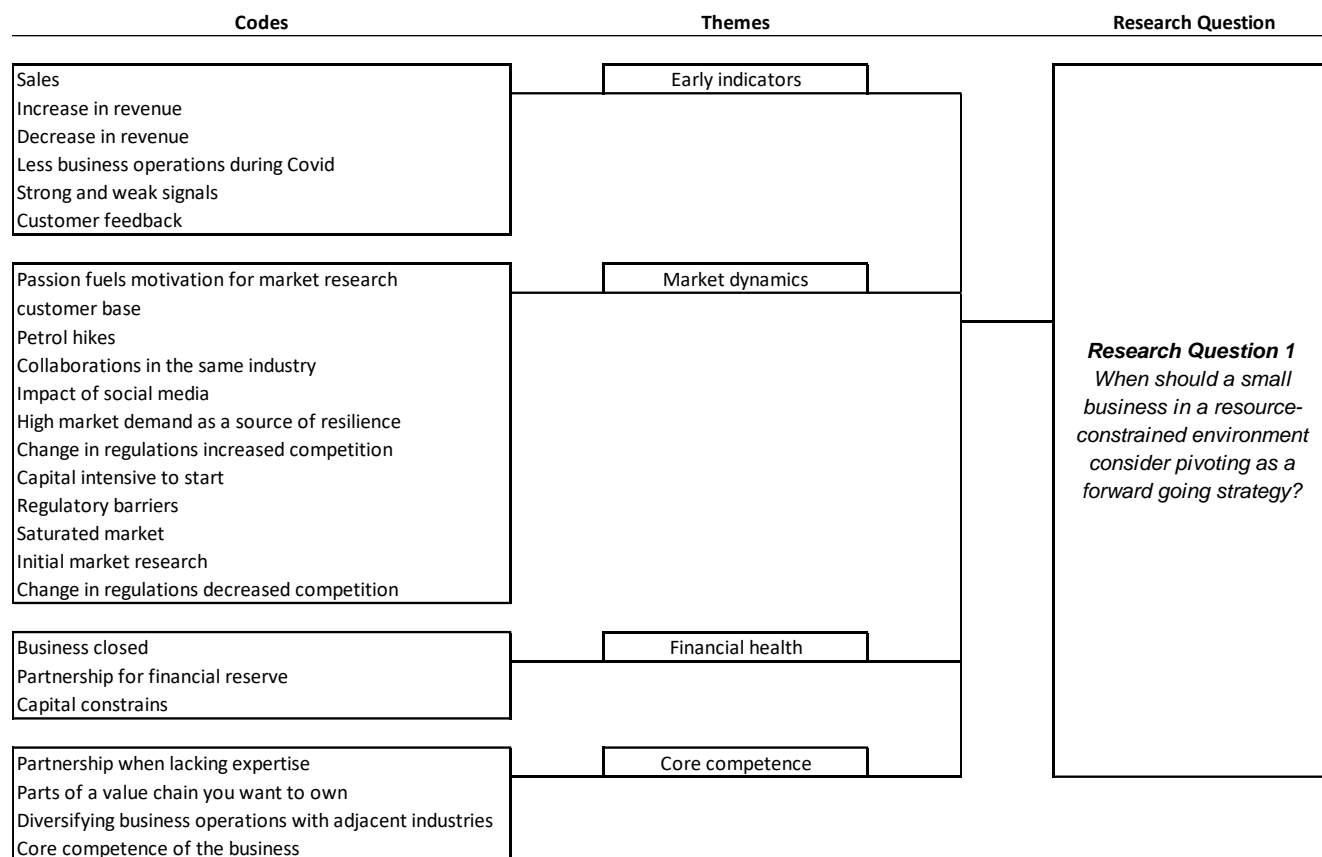
Fourteen entrepreneurs were interviewed to gain insights into the challenges of running small businesses in resource-constrained environments. They come from diverse backgrounds, operate in various industries, and have different experience levels and ownership. Although only six of the 14 entrepreneurs significantly changed their business strategies recently, all participants had to adapt to external factors like changing market conditions and a tough economy. The sample comprises 14 businesses in different industries: healthcare, hospitality, transport, legal, textile and appliances, water

purification, consulting, and fast-moving consumer goods (FMCG). Entrepreneurs lead these businesses with backgrounds in property development, actuarial, hospitality management, banking, legal professions, healthcare practitioners, engineering, project management, and consulting. This diverse range of entrepreneurs confirms the validity of the sampling technique. The study provides information on strategies for pivoting and adapting in resource-constrained environments. Interestingly, 29% of the businesses in the sample have multiple owners, with the highest number being three in the hospitality industry. After data saturation was observed between participants nine and ten, four more participants were interviewed to improve the chances of finding businesses that successfully implemented pivot strategies in resource-limited settings and to enhance the diversity within the sample. Four primary research questions guided the exploration. First, we sought to determine when a small business in a resource-constrained environment should consider pivoting as a forward-thinking strategy. Second, we aimed to identify the factors that a business should consider when pursuing pivoting as a forward-thinking strategy. Third, we sought to determine the best way to evaluate a pivoting strategy proposed for a small business in a resource-constrained environment. Finally, we aimed to identify the most effective way to implement a pivot strategy for a small business in a resource-constrained environment.

### **When a small business in a resource-constrained environment should consider pivoting as a forward-thinking strategy**

Small businesses operating in resource-limited environments are vulnerable to external disruptions. To thrive in constantly changing markets, they must consistently analyse the market situation and develop innovative solutions (Soluk, 2022). For this reason, the first research question aims to identify the appropriate time for entrepreneurs to begin exploring new strategies that can help them achieve their business objectives.

### **Figure 1: Codes and themes result for the “when” question**



*Early indicators:* According to the data, only 43% of the participants reported regularly monitoring their business's performance. There is no specific time; analysing the business and keeping your finger on the pulse is a continuous action. This includes tracking sales, revenue, operations, and customer feedback metrics. By conducting root cause analysis, they try to identify why these metrics change. This enables them to determine quickly whether the changes are temporary or permanent. For instance, Participant 1 has a method for distinguishing between subtle and strong signals. They use this to decide whether to allocate more resources towards exploring a change in business strategy.

*Market dynamics:* Out of the 14 participants, 11 shared valuable insights about how their industries underwent significant transformations due to the national lockdown regulations during the pandemic and the Russia-Ukraine war. The 11 also confirmed that these changes impacted the competition and influenced fluctuating fuel prices, deeply affecting their businesses. Whenever things like these happen, you must take immediate strategic action over which you have no control. Participants 1, 6, and 7 admit that their passion for their business drove them to extensively research their markets, explore the ever-evolving dynamics of their sectors, and identify entrepreneurial opportunities for their businesses. They went the extra mile to examine their industries' dynamic shifts, demonstrating a deep commitment to their chosen fields.



*Financial Health:* Small businesses operating in resource-constrained environments often need to reevaluate their strategy when they face financial difficulties. Persistent cash flow problems can raise concerns about the need to take on venture debt (Kirtley & O'Mahony, 2019). Half of the participants in the sample identified financial constraints as a significant challenge for their businesses. They confirmed that when you identify it, you must act immediately. According to Participant 9, procrastination and a “wait-and-see”-attitude can only harm your business. In one instance, a participant shut down their business due to financial difficulties during the Covid-19 pandemic. Furthermore, five participants explored the possibility of forming partnerships to enhance their financial stability. All confirmed that analysing and adjusting strategy is a continuous process, and you must act on the spot when you pick up a concern. There is no time to waste.

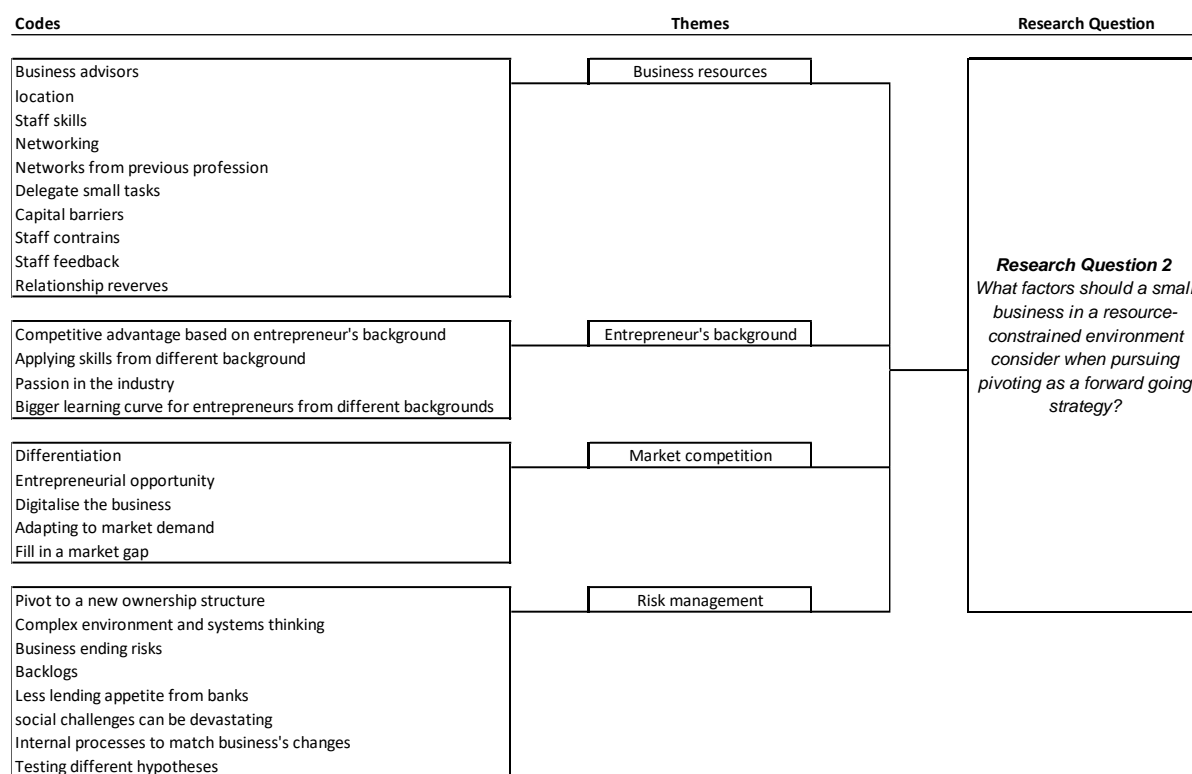
*Core competence:* The study involved 14 participants, of which 29% successfully expanded their product or service offerings into related industries by leveraging their core competencies. On the other hand, 21% of participants opted to collaborate with experts in areas where they lacked proficiency. Additionally, some participants were willing to relinquish ownership of certain segments within their business's value chain.

According to the results of research question 1, timing is a crucial factor for small businesses operating in resource-constrained environments when it comes to pivoting strategies. The responses gathered during this research stressed the importance of continuous market research and creative problem-solving for businesses that are facing external shocks. To navigate these challenges, businesses should monitor early indicators such as sales, revenue, operations, and customer feedback. It is crucial to thoughtfully analyse these indicators to differentiate between temporary and lasting changes, enabling businesses to make resource-intensive decisions based on strong signals rather than weak ones. Respondents with passion and dedication to their industries engaged in extensive market research to navigate these shifts, demonstrating their commitment to understanding dynamic market conditions.

### **Factors a small business in a resource-constrained environment should consider when pursuing pivoting as a forward-thinking strategy**

This question guides entrepreneurs on what to consider when pivoting their business strategy in a resource-constrained environment. The mainstream pivot strategy frameworks do not properly account for dynamics related to informal settings, as they are based on more formal settings where resources are not a significant constraint (Pathak & Kandathil, 2019). Therefore, understanding the dynamics of resource-constrained environments is crucial to understanding the influential factors that affect small businesses looking to pivot in those environments.

**Figure 3: Codes and themes result for factors to be considered**



**Business resources:** According to all participants, making the most available business resources is crucial for survival in a resource-constrained environment. Therefore, understanding the factors that affect business resources is vital when pivoting in this environment. Out of the 14 participants interviewed, six mentioned that their relationships were one of the key resources they relied on heavily, and it proved to be critical in times of low or no business operations. Additionally, participants 1, 10, 11, and 13 said that having business advisors helped them during times of uncertainty.

**Entrepreneur's background:** Out of the participants interviewed, five highlighted how their professional backgrounds helped them gain a competitive advantage to run their businesses successfully. On the other hand, three participants mentioned that starting a business in a different industry from their professional background was an exciting learning experience.

**Market competition:** More than 70% of the participants in the study began their businesses to cater to an existing gap in the market. All the participants have adjusted their business models to increase their market share. Additionally, half of the participants have adapted to the market's changing demands and positioned themselves to take advantage of entrepreneurial opportunities.

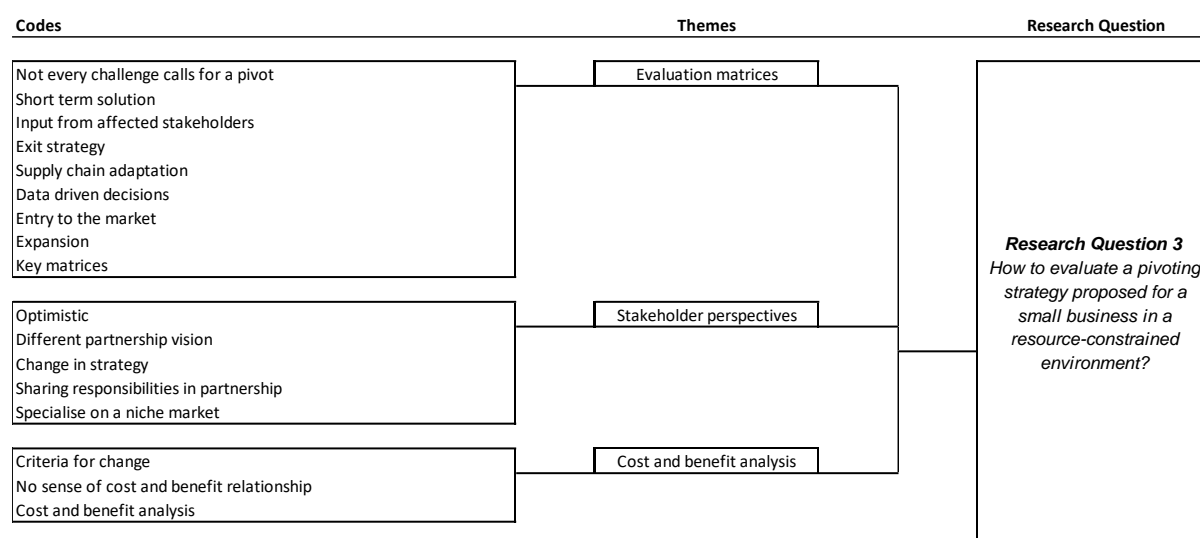
**Risk management:** Small businesses operating in environments with limited resources face challenges that underscore the importance of managing risks effectively. While only 14% of the respondents

identified the impact of social challenges on their businesses, 50% mentioned that they had to test different hypotheses to mitigate complex environmental risks. Ultimately, 64% of the participants reported using various tactics to manage complex environmental risks.

To conclude, the results of research question 2 have provided an understanding of the factors that small businesses in resource-constrained settings should consider when adopting a pivot strategy. The findings offer a valuable toolkit for entrepreneurs navigating the challenging process of pivoting in such environments. The research highlighted that business resources play a critical role in the success of such businesses. Participants stressed the importance of relationships and business advisors. Having advisors who have experienced various business scenarios can provide invaluable guidance. The significance of relationships and advice became evident as participants mentioned leveraging these resources during periods of uncertainty. Furthermore, the entrepreneur's background also played a vital role in the sustainability of the businesses. Professional backgrounds were identified as a source of competitive advantage, enabling businesses to thrive. However, it was observed that those venturing into different industries often faced a steep learning curve, emphasising the importance of immersion and understanding. In addition, market competition remained a repeated theme among the participants, with businesses seeking to fill market gaps, adapt to demand, and gain a competitive edge. This factor was central to many participants' strategies, such as Participant 2, who targeted an underserved school market. Lastly, risk management was another relevant theme, with businesses navigating environmental risks and social challenges. While only a minority of participants explicitly discussed social challenges, a significant majority tested hypotheses to mitigate complex environmental risks. This trial-and-error approach, as mentioned by Participant 6, highlights the adaptability of these businesses.

### **Evaluating a pivoting strategy proposed for a small business in a resource-constrained environment**

This research question seeks to understand how well-pivoting strategies work in resource-constrained environments. It does this by evaluating performance using matrices, gauging stakeholder opinions on the strategy, and conducting a cost-benefit analysis to assess its overall feasibility and sustainability in such settings.

**Figure 4: Codes and themes result for research question 3**

*Evaluation matrices:* While only two participants explicitly mentioned the key matrices they use to evaluate their business performance, 57% of the participants highlighted that they have ways to evaluate their businesses' strategies and performance.

*Stakeholder perspectives:* According to the data, 43% of the participants are proactively working to ensure their stakeholders align with their strategic plans. Moreover, Participant 1 took the bold step of ending their partnership with one of their partners due to a mismatch in strategy and vision. Similarly, Participant 5 has a policy of only collaborating with suppliers with the same vision and goals.

*Cost and benefit analysis:* The interviewed sample gave poor feedback on the cost and benefit analysis theme, with only 21% of respondents noting its application or lack thereof.

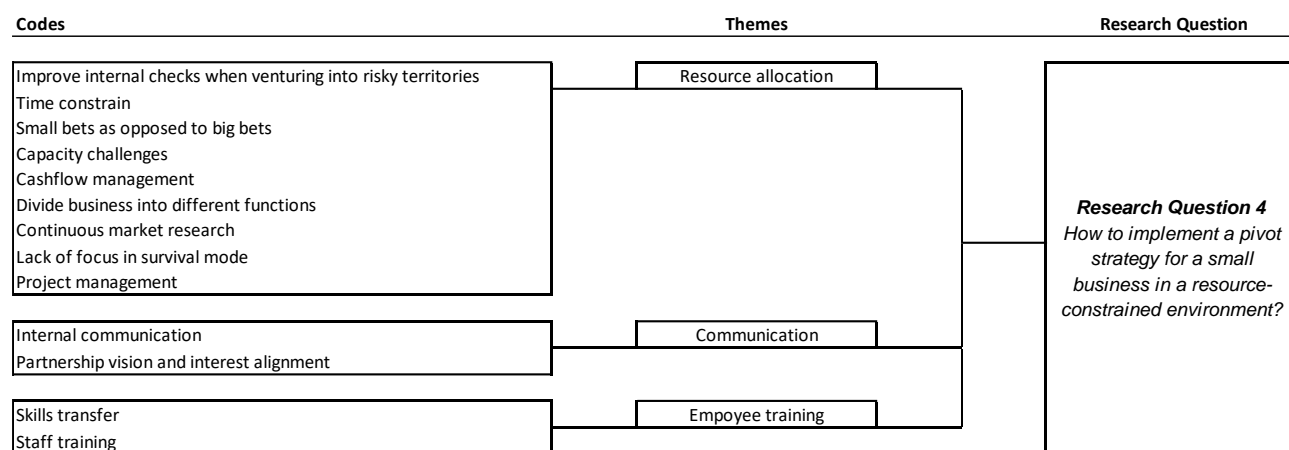
In conclusion, the results of research question 3 have shed light on the effectiveness of the pivoting strategy proposed for small businesses operating in a resource-constrained environment by considering various evaluation methods. A few participants discussed using evaluation matrices, but the majority (57%) revealed that they use specific matrices or frameworks to assess their business strategies and performance. These tools help businesses navigate unforeseen challenges and offer a structured approach to evaluating strategy success and performance. For example, Participant 4 emphasised the importance of including risk factors in their matrix. Stakeholder perspectives emerged as an influential evaluation theme, with 43% of the participants actively managing the alignment of their strategies with stakeholders' perspectives. Participant 1 even parted ways with a partner due to a misalignment of strategy and vision. Participant 5 highlighted the importance of partnership and supplier selection based on a shared vision. This indicates that clear communication and alignment of expectations among stakeholders are vital for strategy evaluation. Although only 21% of respondents discussed it, cost and

benefit analysis remains an important aspect of strategy evaluation. It involves assessing the investment in marketing, revenue guarantee, and other critical factors, as highlighted by Participant 4.

### Implementing a pivot strategy for a small business in a resource-constrained environment

The research study investigated practical ways of implementing pivot strategies in resource-limited environments. It also aimed to identify critical factors, such as operational and communication elements, that businesses should consider before adopting a pivot strategy. This investigation provides useful insights into how businesses can adapt to changing circumstances effectively. Furthermore, it creates a foundation for understanding how these strategies can be replicated by other small businesses that face similar challenges.

**Figure 5: Codes and themes result for implementing the strategy**



**Resource allocation:** 93% of the participants knew where their business resources were allocated, with 57% spending significant time on continuous marketing research.

**Communication:** Six of the 14 participants emphasised that partnerships should be pursued only when the involved stakeholders share the same vision and interest. It is essential to communicate these visions and interests as early as possible to ensure that everyone is focused on achieving the same business goals. Furthermore, internal communication is critical when implementing a pivot strategy in a resource-constrained environment.

**Employee training:** Five participants mentioned that skills transfer and staff training were important factors in implementing their strategies with business partners or associates.

The findings of research question 4 provide valuable insights into the essential elements required for the successful implementation of pivot strategies in resource-constrained environments. Resource

allocation emerged as a fundamental theme, with 93% of participants stating that they clearly understood how their business resources were allocated. Continuous marketing research was identified as a significant allocation of time and effort, enabling businesses to stay informed. Cash flow management, division of business functions among partners with specific expertise, and pursuing strategic partnerships were recognised as essential resource allocation strategies. These practices support small businesses in sustaining and evolving their operations within resource-constrained environments. Effective communication emerged as a crucial factor, with six participants highlighting the importance of shared vision and interests when pursuing partnerships. It was noted that effective communication of vision and interests was key to aligning stakeholders. Furthermore, internal communication was also identified as a vital component of implementing pivot strategies, ensuring that all stakeholders are aligned. Lastly, five participants with business partners or associates identified employee training and skills transfer as integral to strategy implementation. This emphasises the importance of skills transfer in enhancing staff capabilities and fostering collaboration and knowledge sharing, leading to a more agile and adaptable workforce.

## 5. Discussion

In resource-constrained environments, small businesses face heightened sensitivity to external shocks, exemplified by the impact of events like the pandemic and the Russian-Ukraine war on the economy (Soluk, 2022). These circumstances demand continuous market study and innovative solutions for survival, emphasising the necessity for entrepreneurs to experiment with new strategies (Eisenmann et al., 2012; Thiel & Masters, 2014). In this uncertain and demanding environment, decisions need to be made quickly and implemented immediately, with financial stability and leveraging core competencies playing a crucial role in decision-making (Morgan et al., 2020).

Eisenmann et al. (2012) advocate for continuous customer feedback, although entrepreneurs often prioritise industry trends over customer input. In resource-constrained settings, agility becomes vital to align with market dynamics (Yang et al., 2019). Entrepreneurs must differentiate enduring impacts from transient influences, considering financial implications when contemplating pivoting strategies (Dahan et al., 2015; Kenosi, 2020).

Pathak and Kandathil (2019) argue that conventional pivoting strategies may overlook nuances in resource-constrained settings, and businesses of all sizes in such environments face internal and external challenges, complicating decisions to pivot or persevere (Hudecheck et al., 2020). Influential entrepreneurs demonstrate creative problem-solving, conducting extensive market research to identify opportunities and mitigate risks (Sarasvathy, 2001). The study confirms that small businesses in

resource-constrained environments must display adaptability and proactive innovation to withstand external shocks (Soluk, 2022), emphasising risk management, adaptability, and ongoing exploration of hypotheses for sustainability.

Small businesses should optimise resources, foster adaptability, promote innovation, and implement robust risk management practices to enhance pivoting success. Evaluating strategies is crucial, considering diverse factors such as business competencies, organisational capability, and the entrepreneur's role, with matrices, stakeholders' perspectives, and cost-benefit analysis playing vital roles (Pathak & Kandathil, 2019). Robust financial reserves and alignment with market demands contribute to better adaptation (Gittell et al., 2006). While evaluation matrices vary among business models, entrepreneurs often use custom methods (Kirtley & O'Mahony, 2019). Financial needs trigger strategy evaluations, but less than half of the sample monitors traditional matrices, often opting for unique measures (Kirtley & O'Mahony, 2019). Pivot strategies require agility and distinct matrices for assessment. Limited insights into partnerships in resource-constrained environments underscore the importance of managing stakeholders' perspectives and clearly defining partner responsibilities (Geissdoerfe et al., 2022). Short-term profit focus may hinder commitment to longer-term pivot strategies, reflected in limited cost-benefit analyses (Laukkanen & Patala, 2014).

Hudecheck et al. (2020) confirm that pivoting initiatives in resource-constrained small businesses enhance sustainability amid economic disruptions. The study supports entrepreneurs' awareness of resource allocations, emphasising continuous marketing research for effective adaptation. Cashflow management is crucial for sustainability, and dividing the business into distinct functions enhances resource allocation and sustainability (Latham, 2009). Effective communication and knowledge management reduce uncertainty in resource-constrained environments (Geissdoerfe et al., 2022).

Partnerships thrive when stakeholders share visions, emphasising the need for clear communication. Responding to external shocks requires strategic competencies, and employee training ensures skill retention during a pivot. The study advocates ongoing knowledge-sharing sessions, skill transfer, and strategic partnerships for small businesses. Retaining skilled staff remains a challenge, creating a dilemma in resource-constrained environments.

In conclusion, the study highlights the vulnerability of resource-constrained small businesses to external shocks and the importance of agile resource allocation strategies. Further research into resource allocation strategies is crucial for sustaining small businesses in such environments.

## 6. Conclusion

In conclusion, this research delved into the strategic application of pivoting for small businesses in resource-constrained environments, specifically in Johannesburg. It emphasised the contextual significance of determining whether small businesses should pivot in challenging settings. The findings highlighted key decision-making factors, including customer feedback, industry passion, and financial stability. Moreover, the study underscored the considerations of resource allocation costs in resource-constrained settings, providing insights into factors influencing the success of pivoting strategies.

The research contributed to developing new perspectives and insights specific to resource-constrained environments, often overlooked in existing literature on pivoting. Despite the context-specific nature of the findings, primarily applicable to small businesses in Johannesburg, the study's contribution lies in its practical guidance for evaluating pivot strategies, incorporating tailored evaluation matrices, stakeholder alignment, and considerations of short-term versus long-term profit maximisation. The study also highlighted the importance of resource allocation, effective communication, and employee training for successful pivot strategy implementation.

While acknowledging potential bias associated with the qualitative research approach, the study remains valuable in offering practical guidance for small businesses contemplating pivoting. Future research should explore the relationship between resource allocation and entrepreneurial responses to external shocks in resource-constrained environments. Additionally, investigations into the impacts of external shocks and heightened competition on small businesses, especially concerning innovation and arbitrage as pivot strategies, are recommended for further exploration in future research endeavours.

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