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Benefits of regulation to small and micro businesses

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Benefits of regulation to small and micro businesses

Abstract

Purpose

To understand how small and micro businesses experience benefits from regulation, and to explain why benefits are experienced unevenly.

Design/methodology/approach

Adopting an inductive, interpretive methodology, a sample of 23 UK-based business owners were interviewed about their responses to regulation, data being analysed thematically.

Findings

Despite the challenges experienced responding to dynamic change represented by Covid-related regulations, businesses experienced three forms of benefits: operational, strategic and re-evaluative. These findings were analysed through the dynamic capabilities framework, specifically sensing (operational), seizing (strategic), reconfiguring (re-evaluative). Further, analysis identified that business attributes of spatial fixity and business model elasticity mediated the experience of benefits within a context of greater regulatory control.

Originality

The benefits of regulation experienced have not been theorised in detail previously, and the empirical evidence and analysis presented contributes to an ongoing conversation about the responses of smaller businesses. The paper shows that benefits emerged not despite the

1
2
3 regulation that often posed difficulties to businesses, but *through* it. This paper's theoretical
4
5 contribution connects the micro experience of business response to regulation with the macro
6
7 regulatory context and offers a mechanism for understanding the contexts and attributes of
8
9 why some businesses benefit and others do not, showing how regulatory *constraints* can
10
11 *enable* benefits. The analysis extends dynamic capability theory by identifying increased
12
13 regulatory control through a shift in governance paradigm as a mechanism for new sensing,
14
15 seizing, and reconfiguring responses, with businesses' capabilities being mediated and
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17 constrained by the two attributes.
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26 **Keywords**

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28 Regulatory benefits, regulatory shocks, dynamic capabilities, business attributes
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Introduction

Events such as the Covid pandemic have significant impacts on small and micro businesses (Betton *et al.*, 2023; Miklian and Hoelscher, 2022; Morgan *et al.*, 2020; Matikonis and Graham, 2024), defined as businesses with 10-49 and 0-9 employees respectively (<https://www.gov.uk/annual-accounts/microentities-small-and-dormant-companies>). One significant impact derives from the regulatory changes that governments introduce to control, guide, support, and protect individuals and institutions. The pandemic prompted governments to assert more regulatory control which had previously been subject to more self-regulation. As a result, many new and amended regulations – defined here as ‘a system of state-authorized and enforced rules, existing as texts in statutes or other legal instruments, possessing the power to shape social action and interaction’ (Kitching *et al.*, 2015a, p. 134-5) – were introduced, creating challenges and economic uncertainty (Ljungkvist *et al.*, 2024) for small and micro businesses. Indeed, based on data analysed in this paper, whilst some direct pandemic effects are noted (i.e. staff illness), these were limited in comparison to the effects of the regulation.

Not all the regulatory effects were negative. Amongst the difficulties, evidence presented here – from research based on interviews with UK small and micro business owner-managers conducted over winter 2021-22 – also shows benefits. These were not the public benefits, but temporary and longer-term benefits experienced directly and indirectly – defining benefits of regulation as an advantage conferred by regulation to the operation, strategic direction, or the perceived positive change in the purpose the business serves for the owner-manager. Whilst placing the benefits experienced in the broader context of Covid related difficulties, the empirical focus here is on the forms of, and reasons given for, the benefits.

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5 That regulations might provide benefits is not in itself surprising (Betton *et al.*, 2023).
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8 Despite the weight of political and media opinion and ‘burden-centric’ (Betton *et al.*, 2023, p.
9
10 294) research, other research shows that benefits can and do arise (Kitching *et al.*, 2015a).
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12 Yet research has not sufficiently theorised how and why: ‘that regulation might also create
13
14 some positive value/benefit’ is ‘often ignored’ (Betton *et al.*, 2021, p. 74), generally
15
16 ‘overlooked’ (Kitching *et al.*, 2015a, p. 139), and little investigated or understood (Mallett *et*
17
18 *al.*, 2019, p. 310). Hence, the rationale for this empirical focus is the lack of theoretical
19
20 understanding of the benefits of regulation.
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27 Consequently, the paper theorises how benefits occur as a result of regulatory shock, explains
28
29 why they are experienced unevenly, and identifies what different business attributes and
30
31 capabilities explain that unevenness. The analysis has implications for understanding the
32
33 general process of how benefits from regulation occur, namely how changes in macro context
34
35 frame how businesses respond to regulation. Attention is specifically drawn to trends in the
36
37 relationships between civil society, industry and government over responsibility for and
38
39 control and authority of regulatory governance. In an era of a general shift ‘from formally
40
41 authorized regulation towards a more socially embedded economy with extensive self-
42
43 regulation’ (Midttun, 2005, p. 168), the pandemic prompted governments to reassert control
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45 over regulation. For some businesses this shift meant that certain aspects of regulatory
46
47 decision-making were either removed or simplified, narrowing the scope of regulatory
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49 responsibility, reducing the degree of interpretative effort, freeing up space for re-evaluations
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51 of operational, strategic and, for some, the purpose of their business.
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3 To further explain these business attributes and capabilities data are analysed through two
4
5 further theoretical frameworks. Since the focus of the paper is on benefits of regulation,
6
7 Mallett *et al.*'s conceptual framework encompassing four interconnected aggregate
8
9 dimensions – *identification–interpretation; strategization; negotiation; and adaptation* –
10
11 provides 'a processual, embedded understanding of the effects of regulations on SMEs'
12
13 (2019, p. 294). The dynamic capabilities framework is also mobilised (Teece, 2007). In
14
15 addition to situating the empirical findings and contribution within a broader conversation
16
17 about strategy (Ljungkvist *et al.*, 2024; Martinelli *et al.*, 2018; Wang, 2016), the framework's
18
19 emphasis on 'higher-level competences that determine the firm's ability to integrate, build,
20
21 and reconfigure internal and external resources/competences to address, and possibly shape,
22
23 rapidly changing business environments' (Teece, 2012, p.1395), provides an anchoring
24
25 conceptualisation for the regulatory responses reported on. Specifically, for some businesses
26
27 regulatory shock prompts a shift away from ordinary to more dynamic capabilities such that
28
29 new opportunities were sought and realised ('sensing'), resources were mobilised in response
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31 to the opportunity, including developing new business models ('seizing'), and in so doing
32
33 businesses were able to renew themselves ('transforming' or 'reconfiguring') (Teece, 2012,
34
35 p. 1396; Ljungkvist *et al.*, 2024, p. 396), thus realising benefits for the business. Other
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37 businesses were unable to benefit or adapt their established routines in response to the shock
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39 such that routines became 'a source of inertia' (Teece, 2012, p. 1399).
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49 The analysis contributes to dynamic capabilities theorisation of smaller businesses by
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51 showing how abrupt shifts in regulatory governance can change businesses' interpretive
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53 effort, enabling some to reconfigure operations, strategy, and purpose. Moreover, the
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55 empirical analysis suggests that two attributes – the business's spatial fixity, meaning the
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57 degree to which a business is tied to a physical location, and the inherent elasticity of its
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3 business model, meaning the extent to which the model could be adapted, extended, or
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5 reconfigured – shape how businesses respond to such shocks and explain why benefits arise
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7 unevenly. In integrating change in regulatory governance with dynamic capabilities, the
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9 analysis offers a novel explanation for how constraints can become enablers. The paper also
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11 contributes to a better understanding of the effects of regulation because, simply, benefits are
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13 an ignored and overlooked part of business experience, but also because the two attributes
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15 build on how the four dimensions of Mallett *et al.*'s (2019) framework interrelate vis a vis
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17 business response. To make these contributions the following question is asked: How do
18
19 small and micro businesses derive operational, strategic, and re-evaluative benefits from
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21 dynamic regulatory change, and how do business attributes shape these outcomes?
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31 **Literature review**

32 *Theoretically framing benefit*

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35 Focusing on benefits is unusual since the dominant research discourse depicts regulation as a
36
37 “burden”, whereby compliance costs are seen as stifling business dynamism and diverting
38
39 resources from productive elements of the business (Kitching *et al.*, 2015a). With this
40
41 emphasis it follows that the volume, complexity, and rate of change of regulations add
42
43 significantly to that burden. Such burdens are considered to disproportionately affect smaller
44
45 businesses (Betton *et al.*, 2023) since compared with larger organisations, they use
46
47 proportionally more resources – but ordinarily possess less capacity and capability – to
48
49 understand and implement regulations (Atherton *et al.*, 2008; Deakins *et al.*, 2016). Yet
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51 research has also shown that regulatory reality is nuanced and variable and that all business
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53 activity is both constrained and enabled by regulation (Kitching *et al.*, 2015a).
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6 Research interest on the effects of regulation on smaller businesses has grown (Edwards *et*
7 *al.*, 2004; 2006; Ram *et al.*, 2001; Kitching and colleagues, 2015a; 2015b; 2016) and has
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9
10 shown that there are multiple factors and stakeholders that impact on business behaviour,
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12 with businesses internalising and responding to regulation in light of their embeddedness in
13
14 everyday contexts and practices. Factors including entrepreneurial skill in managing
15
16 regulation (Deakins *et al.*, 2016), location in labour and product markets (Edwards *et al.*,
17
18 2004; 2006), management style, internal structure and owner-manager levels of regulatory
19
20 awareness and political orientation (Mallett *et al.*, 2019) have all been shown to influence
21
22 business outcomes.
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29 Such empirical complexity has driven conceptual advances such as Mallett *et al.*'s synthesis
30
31 of qualitative research. They developed a 'conceptual framework providing a processual,
32
33 embedded understanding of the effects of regulations on SMEs' (2019, p. 294). However,
34
35 Mallett *et al.*'s (2019) framework highlights micro and meso level responses whereas this
36
37 paper emphasises a macro contextual framing, specifically political control of and authority
38
39 over regulation. Mallett *et al.*'s generalised framework does provide a good starting point to
40
41 understanding the role of the external environment in shaping responses to regulation (2019,
42
43 p. 304), but the shifting context of governance itself is not considered. Thus, their process
44
45 dimensions do not explain why some businesses derive benefits from regulation and others
46
47 do not. This paper, in addition to framing business responses through dynamic capabilities
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49 theorising, draws on conceptual research (Midttun, 2005) which emphasises how businesses
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51 are also embedded in and impacted by historico-political contexts.
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3 What, then, do we know about such contexts? Political institutions are recognised as
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5 important in that ‘context on a higher level of analysis (the political and economic system)
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7 interacts with the phenomenon on lower level (opportunities identified by the entrepreneur)
8
9 and results in a context-specific outcome’ (Welter, 2011, p. 168). But where research focuses
10
11 on regulation this has tended to analyse macro-level country-level effects, cross-country
12
13 comparison, or micro-level effects such as the general conditions for entrepreneurial
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15 opportunities (Welter, 2011, p. 172). Hence, political institutions are treated as relatively
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17 ‘distal contexts’ (Welter, 2011, p. 167). Here, the regulatory dynamism of political
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19 institutions as an important context for business response is foregrounded and Midttun’s
20
21 analysis of shifts in ‘governance paradigms’ is applied (2005, p. 161). The focus is ‘on the
22
23 interplay between actors that control complementary resources/goods or services and their
24
25 strategies to improve their welfare through exchange’ (p. 161). And, whilst smaller
26
27 businesses clearly have only limited ability to shape environments or control regulatory
28
29 exchange between government and industry, through their responses to regulation and by
30
31 experiencing benefits and sensing and seizing opportunities (Teece, 2012), they will seek to
32
33 improve their welfare. Midttun’s analysis of ‘societal governance’ trends, charts ‘a shift
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35 towards an emerging embedded-relational model’ which ‘strongly emphasizes a softer menu
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37 of regulatory exchange’ (2005, p. 161-162, p. 166). In the pandemic, however, government
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39 found a stronger ‘voice’ because they nevertheless still ‘control unique resources’, remaining
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41 the ‘caretaker of certain constitutional prerogatives and rules of the game’ (Midttun, 2005, p.
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43 169, p. 170).

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45 To explain why some businesses and not others are able to respond in a way that realises
46
47 benefits a further form of explanation is needed, one that recognises the role of ‘higher-level
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49 competences’ (Teece, 2012, p. 1395) as businesses are engaged in the four processes Mallett
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2
3 *et al.* (2019) outline. The dynamic capabilities framework is used extensively within the
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5 study of smaller businesses, detailing what higher-order entrepreneurial and dynamic
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7 capabilities are required to supply large organisations (Woldesenbet *et al.*, 2012), how small
8
9 retail family businesses strategize in uncertain economic contexts (Ljungkvist *et al.*, 2024),
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11 what forms of social capital combine with retail businesses' dynamic capabilities in facing
12
13 natural disasters and building resilience (Martinelli *et al.*, 2018), how dynamic capabilities
14
15 contribute to both independent and franchisee SME survival and growth during an economic
16
17 downturn (Weaven *et al.*, 2021), and the role trust plays in family businesses as they develop
18
19 capabilities in dynamic environments (Wang, 2016). Despite these nuanced applications, how
20
21 regulatory shocks intersect with higher-level competency development in operational,
22
23 strategic, and re-evaluative responses of smaller businesses has not been a focus. Some *have*
24
25 shown that such shocks can create new opportunities for businesses capable of sensing and
26
27 seizing them (Weaven *et al.*, 2021, p. 121): Matikonis and Graham (2024, p. 163), for
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29 instance point to the prominence of digitally-based business model innovation during the
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31 pandemic.
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40 However, whilst the dynamic capabilities framework has built understanding of these smaller
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42 businesses problematics its application has also surfaced some limitations. Though Teece
43
44 stressed that dynamic capabilities were necessary 'in both large and small enterprises' (2007,
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46 p. 1347), research has shown that smaller businesses face inherent limitations in developing
47
48 dynamic capabilities, tending 'to develop narrow core capabilities to aid their specialization',
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50 face uncertainty with regards investing in dynamic capabilities and difficulties in actually
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52 'effecting change' (Woldesenbet *et al.*, 2012, p. 498). This reflects a broader recognition of
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54 how 'dynamic capabilities among SMEs are context-specific and often follow flexible
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56 courses of action and behaviors' (Weaven *et al.*, 2021, p. 121).
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6 Other, exogenous shock-related, limitations have also been noted. Martinelli *et al.* (2018, p.
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8 1226) stress that the ability of businesses to respond to ‘shocking external events like crises
9
10 and natural disasters cannot be completely related to the functioning of a DC mechanism’ but
11
12 might be the ‘result of ad hoc decisions or even luck’. For Martinelli *et al.* there is a need to
13
14 consider the context of how crises impact businesses over time, and that the role of dynamic
15
16 capabilities ‘in a recovery strategy varies significantly according to *firm characteristics* and
17
18 existing base of resources, and the nature of the environmental change’ (2018, p. 1238,
19
20 emphasis added). The current research details further limitations: the attributes of business
21
22 spatial fixity and business model inelasticity. The argument here is that the limiting impact of
23
24 these attributes does not necessarily denote the lack of higher-level competencies, but rather
25
26 materially embedded facts about the business in relation to the context of dynamic
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28 environmental shocks. In the present case, the shock consisted of an increase in regulatory
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30 control which curtailed businesses’ interpretive discretion and the scope of self-regulation,
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32 simplifying decision-making and freeing resources. But before detailing how these attributes
33
34 function empirically, other research is evaluated that addresses understanding of how small
35
36 and micro businesses derive benefits, or ‘value’ (Betton *et al.*, 2021; 2023), from regulation.
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45 *Form of regulatory benefit*

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47 Until recently (Betton *et al.*, 2019; 2021; 2023) there has been ‘little or no attention to
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49 quantifying the benefits of regulation’ (Parker and Kirkpatrick, 2012, p. 8). Benefits have
50
51 been incidentally acknowledged in cost-benefit analysis research and policy practice in the
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53 form of UK governmental Impact Assessments. However, according to Broughel (2021) this
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55 research is beset with underlying political assumptions, lack of clarity about what is being
56
57 measured, and temporal myopia. It is also ‘much more difficult to quantify the benefits of
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3 regulation than its costs' (Freiberg *et al.*, 2021, p. 12), since costs occur up-front, whereas
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5 benefits accrue over a longer time period (Chittenden and Ambler, 2016, p. 16).
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10 Betton and colleagues (2019; 2023) have now begun to show that burdens *and* benefits are
11
12 key determinants of regulatory compliance. Benefits are however, framed narrowly, in that
13
14 they imply that indirect benefits are less impactful than costs which occur directly, and that
15
16 benefits from compliance are limited to business performance and the generation of profits.
17
18 In Betton *et al.* however, a wider frame for benefits is adopted which moves beyond
19
20 performance and stresses the 'more personal goal-oriented measures of success, like self-
21
22 sufficiency/autonomy/sociability' (2021, p. 74). It is this 'subjective' framing of benefits, and
23
24 the recognition that owner-managers can 'express opinions on both the negative and positive
25
26 aspects simultaneously' (p. 78) that is emphasised in the empirical analysis presented below.
27
28
29 These studies continue to under-emphasise context. Clearly 'how owner-managers
30
31 understand regulations and interpret their significance can influence business decisions'
32
33 (Mallett *et al.*, 2019, p. 296). However, since owner-managers have been shown to have a
34
35 range of perceptions, biases and gaps in knowledge that position regulation negatively
36
37 (Mallett *et al.*, 2019), there remains a need to further contextualise perceptions together with
38
39 knowledge on the kinds of contexts that produce benefits (or not), on how benefits are
40
41 experienced, and on how they change over time. Research by Kitching *et al.* (2015a, p. 143;
42
43 and 2015b) does note more general benefits from regulation, stressing how regulation can
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45 create new sales and market opportunities and encourage competitor exit by reducing
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47 competition and through enhancing reputation-based customer demand. However, these
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49 studies do not characterise benefits further. What, then, is already known about such contexts
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51 and experiences?
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3 A useful place to start is through Mallett *et al.*'s (2019) process framework. The
4
5 *identification–interpretation* dimension – sensing in dynamic capabilities terms – is relevant
6
7 to the benefits businesses might derive since those with greater capability (Deakins *et al.*,
8
9 2016) and capacity (Atherton *et al.*, 2008) should be better positioned to make choices that
10
11 lead to benefits. In terms of *negotiation*, benefits will likely occur through informal
12
13 interactions and experiences when internally focused, and when externally focused, place the
14
15 business in a weak power relation. This dynamic will shape the nature of benefits, which will
16
17 relate to capability and capacity and the nature of the businesses' relationships. In terms of
18
19 Covid regulation, its all-encompassing effect suggests reduced space for *negotiation*. The
20
21 *strategization* dimension – both negotiation and strategization are encompassed by 'seizing' –
22
23 refers to how 'owner-managers, evaluate and exercise whatever degrees of discretion they
24
25 might have in the face of regulatory requirements' (Mallett *et al.*, 2019, p. 305). This matters,
26
27 since the strategy a business adopts affects if and how benefits are experienced. Benefits can
28
29 be derived from evasion, avoidance or proactive engagement (Mallett *et al.*, 2019, p. 309),
30
31 but benefits are also likely to be as much a product of how the business is contextually
32
33 positioned as with the actions it might take (Greene and Rosiello, 2020; Welter, 2011, p.
34
35 168). The *adaptation* dimension – encompassing 'transforming' or 'reconfiguring' (Teece,
36
37 2012, p. 1396) – focuses on how a business is positioned to change what it does in response
38
39 to regulation. This is also clearly relevant, since the actions taken will either realise benefits,
40
41 or not, or increase or decrease any potential beneficial effect. Patterns evident in the current
42
43 study's data are explored on these dimensions in conjunction with the dynamic capabilities
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45 framework.

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48 Having analysed a range of relevant empirical research and positioned the paper theoretically
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50 the paper now turns to an account of the empirical study and the methods used.
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Methods

Research was conducted which sought to understand businesses' experience of regulation introduced or amended during the pandemic. To this end, semi-structured interviews following a common interview schedule for consistency, were conducted with 23 businesses (20 were micro businesses – see Table I) between December 2021 and January 2022, all of which were recorded and transcribed, with each participant being given an identifier for anonymity. The project design incorporated theoretical advances in understanding the relationship between regulation and small businesses, in particular the recognition that both enablements *and* constraints may have been experienced (Kitching, 2015a; Mallett *et al.*, 2019). Areas of interview questioning included: businesses' levels of understanding of, and response strategies to, specific regulations; approaches to maintaining awareness of a rapidly changing regulatory landscape; the nature of informational inputs to decision-making processes preceding regulatory action; and whether any regulatory changes were experienced as "beneficial" and what innovative actions were taken to exploit possible opportunities.

Interviewees (see Table I) were selected from a sampling frame of 447 businesses (representing the number of survey respondents who agreed to a follow-up interview from the 991 valid survey responses in the wider project – Author reference), the majority of which were Federation of Small Businesses members. Given that businesses' regulatory experience during the pandemic differed significantly, the interview sample was selected to reflect such variation. This variance informed the purposive sampling criteria (Alford and Jones, 2024) – arrived at through a series of discussions involving research team members coordinating the

1
2
3 interviewing – which included a business’s size, maturity, location (i.e. which UK nation),
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5 sector, and degree of regulatory engagement (for example, from childrens’ nurseries that
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7 reported navigating extensive regulatory change to IT consultancy businesses that were
8
9 subject to significantly less change). In addition, the research team ensured that the final
10
11 sample included businesses which reported having engaged in innovative activity during the
12
13 pandemic and those that had not. As such, while the spread of the businesses interviewed can,
14
15 of course, never fully represent the heterogeneity of small and micro businesses, the sample
16
17 represents appropriate diversity in relation to the experience of “beneficial” regulatory
18
19 changes, and allows for conceptual generalisation (Anderson and Ullah, 2014). Consent was
20
21 agreed prior to the interviews, which were conducted online due to ongoing constraints of the
22
23 pandemic by four project team researchers (of six). Interviews ranged from 30 to 86 minutes
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25 long, with an average of 61 minutes.
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33 **Table I about here**

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38 The interpretative perspective adopted in this study ‘...calls into play an ontology that
39
40 accepts that meanings, and consequent actions, are formed by the understanding that [owner-
41
42 managers] attribute to their experiences’ (Anderson and Ullah, 2014, p. 331); the owner-
43
44 managers are viewed as “knowledgeable agents” (Gioia *et al.*, 2013, p. 17). This approach
45
46 resonates with those seeking a processual, embedded understanding of the relationship
47
48 between small business and regulation (Mallett *et al.*, 2019). Interpretive research logics
49
50 specifically highlight as advantageous the temporally embedded and eclectic particularity of
51
52 empirical material from which to inductively build concepts and theory seeking to better
53
54 explain processes (Cloutier and Langley, 2020, p. 3). This is especially important when there
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56 is a need to explore richness and offer explanations of strategic behaviour in specific contexts
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3 and attempt to understand their relationship to contexts. Understanding what it was about the
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5 different capacities, capabilities, attributes, contexts and temporally and spatially embedded
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7 practices of businesses that faced the same regulations, but experienced the negative and
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9 positive impacts differentially, was a key broad motivation and guiding puzzle for gathering
10
11 and interrogating data.
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17 In total 445 pages of textual data were produced for analysis, which comprised of detailed,
18
19 systematic manual coding. Over a period of five weeks, two members of the research team
20
21 participated in two in-person and three online data analysis workshops (totalling
22
23 approximately thirty hours), steered by Gioia *et al.*'s (2013) approach to concept
24
25 development. First, each researcher repeatedly read and listened to the interviews
26
27 independently, open coding the transcripts line-by-line and producing agreed initial first-
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29 order concepts from the raw data following debate of discrepancies (Djebali *et al.*, 2025, p.
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31 2257). This was motivated to ensure reliability and content validity (Kubberød *et al.*, 2021, p.
32
33 1989) and to mitigate the de-contextualisation that can occur when coding qualitative data
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35 (Silverman, 2013, p. 54). Further discussion informed the aggregation of the output into a
36
37 single master document comprising a bank of verbatim quotes allied to initial first-order
38
39 concepts from each interview, facilitating a process of seeking out patterns across the dataset.
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41 It is at this stage that the enablements of regulation emerged as significant. This was a result
42
43 of the researchers discerning patterns concerned with different ways in which businesses,
44
45 simultaneous to experiencing severe difficulties arising from the altered regulatory landscape,
46
47 reported having implemented innovations of varying kinds, prompting the researchers to
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49 revisit the limited literature regarding the conceptualisation of the relationship between
50
51 regulation and benefits (in particular Betton *et al.*, 2021; Kitching *et al.*, 2015a; Mallett *et al.*,
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53 2019).
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5 From here, initial first-order concepts were refined and a series of consolidated first-order
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7 concepts were agreed before discussing and harmonising second-order themes, key steps in
8
9 building a data structure (Corley and Gioia, 2004) – see Figure 1, which illustrates how the
10
11 data analysis progressed from ‘raw data to emergent theory’ (Gioia *et al.*, 2013, p. 25). As the
12
13 analysis developed it became apparent that an analytical distinction existed between those
14
15 changes, arising from regulatory shock, that were beneficial and operational in nature, those
16
17 that were of a more strategic nature, and those that resulted from intense re-evaluation of both
18
19 business and the purpose it served for the owner-manager’s life. These three empirical
20
21 distinctions – *operational*, *strategic* and *re-evaluative* – comprise the unifying aggregate
22
23 dimensions that the researchers conceptualised from the second-order themes and which are
24
25 used to organise the findings. These distinctions (and their depiction in Figure 1) are
26
27 analytical since in respondents’ actual embedded practice there were significant overlaps. For
28
29 example, one of the businesses (P17, an academic and autism support business) derived
30
31 organisational and technological efficiencies from regulatory changes (categorised as an
32
33 operational benefit) but the research team decided that the owner-manager’s actions to
34
35 transform the business model (categorised as a strategic benefit) better represented the totality
36
37 of the benefits experienced.
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47 **Figure 1 about here**

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51 Further stages of data analysis began to explain the process of how and why these three forms
52
53 of benefits are derived. That is, what attributes of the business and/or the context produced
54
55 the specific benefits? Key attributes that seemed to offer an explanation are the spatial fixity
56
57 and elasticity of the business model. In responding to the shift in regulatory context, some
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3 businesses were significantly constrained by their physical and spatial situation over time,
4
5 and others were not. These insights, and the new puzzles they implied, led to a re-engagement
6
7 with theoretical literatures (specifically Midttun, 2005; Welter, 2011), which brought the
8
9 historico-political context of regulatory change into the analytical foreground. Data were
10
11 further interrogated and coded for how interviewees experienced change in the degree to
12
13 which they needed to interpret, decide and act in a self-regulatory manner. Differential
14
15 responses to these two theoretical attributes form the basis of the following findings.
16
17 Additionally, following the integration of dynamic capabilities theorising into the paper's
18
19 conceptual framework (recognising that there was significant conceptual overlap between
20
21 operational, strategic and re-evaluative and sensing, seizing and reconfiguring), data were
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23 again re-analysed, checking for new insights and stress-testing the extant theoretical
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25 robustness of the aggregate dimensions.
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35 Findings

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40 The analysis finds that some businesses derived a range of operational, strategic and re-
41
42 evaluative benefits during the shift in governance paradigms represented by Covid regulation.
43
44 These benefits were derived in relation to two business attributes – business model elasticity
45
46 and the degree of spatial fixity of the business's operations. Building on the earlier data
47
48 structure (Figure 1), the patterning of these two attributes across the sample are demonstrated
49
50 in the visual representation (Figure 2) of this theorisation (note that for visual and scale
51
52 simplicity the word flexibility is used as the opposite of fixity). This analysis develops
53
54 Mallett *et al.*'s (2019) processual conceptual framework by offering a temporally-dynamic,
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3 macro contextual framing and drawing on the dynamic capabilities framework, through
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5 which it is explained why some businesses derive benefits from regulation and others do not.
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10 **Figure 2 about here**

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15 Before turning to the three benefits, it is important to elaborate on how certain businesses had
16 limited capacity to adapt their established routines because of these attributes: that is, there
17 are outlier businesses in our sample that did not benefit. The sample included two children's
18 nurseries (P3/16), the smaller of which (P16) furloughed staff at the first lockdown and
19 closed until after the second lockdown, unable to adapt. The other (P3) remained open during
20 lockdown to serve key workers. Overnight, the business went from providing care for 180
21 children per day to 20. Following the announcement of the first lockdown the owner-manager
22 called a staff meeting: 'at that point all we knew was that [...] we were bankrupt.' While that
23 immediate feeling of powerlessness was shared by many businesses, unlike some, P3 could
24 not flex its business model or spatially adapt its service in response to new regulatory realities
25 (for example, by offering virtual childcare): its routines proved to be 'a source of inertia'
26 (Teece, 2012, p. 1399). Rather, its processes of regulatory *interpretation*, *strategization*,
27 *negotiation*, and *adaptation* (Mallett *et al.*, 2019) centred on modifying premises and
28 managing the regulatory response of staff and childrens' parents in relation to Covid
29 restrictions. The business's scope for deriving benefits was highly constrained regardless of
30 whether or not it could apply higher capabilities. A third business fitted construction site
31 safety nets (P18). It paused operations following the first lockdown but reopened soon
32 afterwards. While the business model did not allow P18 to benefit from the new regulatory
33 context, the business owner introduced (likely in breach of the official regulations) a
34 workaround to social distancing rules to maintain operations by allowing employees to
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3 occupy the same work vehicle. In the context of the study's theoretical framing, this
4
5 illustrates how those who could not benefit often favoured a self-regulatory approach to
6
7 support ongoing business operations. This also applies to the children's nursery (P3) which
8
9 was frustrated by rules about staff qualifications and staff/child ratios that were relaxed
10
11 during the lockdowns but then re-introduced, creating what the owner perceived as 'a bloody
12
13 nightmare', and asserting that 'we really do need flexibility that isn't there.' As evidenced
14
15 below, this preference for self-regulatory flexibility applied to other businesses with similar
16
17 adaptability attributes (i.e. relative spatial fixity and business model inelasticity): businesses
18
19 were limited to the pursuit of ordinary capabilities.
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26 *Operational benefits*

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28 Other businesses *did* derive operational benefits. Among these are businesses who engaged in
29
30 the 'entrepreneurial capability' of 'creative search' and identified opportunities to use new
31
32 communication technology resources (Woldesenbet *et al.*, 2012, p. 496) to improve both
33
34 customer and colleague interactions. For customers, a dentist (P15) began using video calls in
35
36 response to social distancing regulations which prevented any patient contact. The dentist
37
38 said the calls were 'really useful and I think patients get value from it. It's not necessarily
39
40 something which is going to earn us money, bizarrely, but it helps because our initial physical
41
42 consultation becomes much easier.' For colleagues, a Scottish-based ecologist (P2) said that
43
44 the requirement to work from home brought acceptance of video team meetings: 'now,
45
46 people can actually join in from the field, they can be up a hill somewhere and join this
47
48 meeting.' So, while such businesses have a reasonably high degree of spatial fixity – it is not
49
50 possible to conduct root canal treatment or a survey of protected mammals virtually – certain
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52 operations are sufficiently flexible that they can be reorganised via dynamic capabilities.
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3 In common with some of the businesses who did not benefit, P2 wanted more flexibility. The
4
5 business owner said ‘the regulations in Scotland were very prescriptive and didn’t allow the
6
7 flexibility necessary to take into account different kinds of businesses...I think my business
8
9 could have been undertaking work safely for most of the pandemic, and it didn’t have the
10
11 opportunity to do so.’ Like the owner of the construction business (P18) above, P2’s business
12
13 owner interpreted the Scottish government’s work from home regulations in a self-
14
15 determined manner: ‘they said that people could return to offices, but they were advising
16
17 people still to work from home if they could. So, I took a decision at that point that people
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19 can return to the office if it’s for a task that’s best done at the office, or if they want to come.’
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26 Other businesses reported that needing to comply with distancing and hygiene regulations led
27
28 to direct benefits arising from re-organising premises’ layout. For example, a board game
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30 shop and café owner (P20), took the opportunity during lockdowns to reorganise the layout,
31
32 which proved much more efficient. Prior to re-opening, while complying with lockdown
33
34 regulations, he said there had been a twelve-fold increase in online sales, to his regular
35
36 customers and to a wider geographical market. Here, the business model allowed for a certain
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38 level of elasticity but remained subject to a high degree of spatial fixity – its regular
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40 customers continued to value hanging out playing boardgames.
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47 The dramatic increase in P20’s sales as a consequence of the new regulations applied to other
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49 businesses. Such processes are categorised as businesses indirectly benefiting from new
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51 business opportunities because of the impact of Covid regulations on key stakeholders
52
53 (Kitching *et al.*, 2015a) such as, in this case, consumers. Other examples include a dentist
54
55 (P15) and an interior design consultant (P6), both of whom observed that travel and social
56
57 distancing rules left clients with more money to spend on cosmetic dentistry and property
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3 renovations. At the same time, restrictions on NHS provision in dentistry (P15) and
4
5 physiotherapy (P7) led to more private demand. Analysis also revealed examples of
6
7 businesses that benefited from the greater willingness of business customers to use remote
8
9 services. For example, a web development and design agency (P9) explained that as an
10
11 indirect result of Covid regulation, which effectively removed any local or face-to-face
12
13 advantage, they were
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17 ‘speaking to clients all across the country. Where we were based was no longer an
18
19 issue. [...] No one pre-pandemic, would have ever considered signing a contract for any
20
21 £20,000 project without having met the supplier face-to-face, shook them by the hand,
22
23 looked them in the eye. We were forced to do that and surprise, surprise, it turns out
24
25 well.’
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28 In these examples, while the benefit was derived indirectly as a consequence of stakeholders’
29
30 responses to regulations, the processes are contingent on greater regulatory control.
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33 34 35 *Strategic practice*

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37 Other data show examples of discretion being used in aligning current and future business
38
39 needs ‘in the face of regulatory requirements’ (Mallett *et al.*, 2019, p. 305). Two micro-
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41 businesses (P10 and P17, both education services) decided to deliver services entirely online,
42
43 even when social distancing regulations were relaxed. Whilst superficially this might seem an
44
45 operational shift, something more closely related to changes in the ‘underlying purpose and
46
47 drivers’ (Mallett *et al.*, 2019, p. 305) of the business happened here, and to other businesses.
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51 **Strategization is about the options owner-managers have in responding – whether proactively**
52
53 **or reactively – to regulations, but also in relation to ‘seizing’ other resources including**
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55 **finance, equipment, knowledge and management capability.**
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3 The experience of P10, a private maths tutor, was typical. Prior to the pandemic, her tutees
4 came to her home in the Northwest. Covid appeared initially to mean her world had
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The experience of P10, a private maths tutor, was typical. Prior to the pandemic, her tutees came to her home in the Northwest. Covid appeared initially to mean her world had ‘crashed.’ However, after the regulations started to relax, she ‘just basically changed my business plan altogether, and I now just do online.’ Because physical location became less important, she was also able to benefit from charging higher prices from fewer students but from an expanded customer base in the South of England: ‘as far as they're concerned, I'm cheap as chips.’ Similarly, for an academic and autism support business (P17) the shift to online meant ‘more time, more money,’ such that they would ‘never go back to face to face’. Particularly interesting is how both partners in the business felt energised to ‘seize’ new and exciting aspects of their passion for the services they deliver: ‘The thing with when you free up some time, you have more time to think about what your products are, what are you doing.’

Strategically oriented benefits were also reported by P22, a translation and market research agency with 15 employees pre-pandemic: responding to Covid regulation ‘just really accelerated change and growth for us.’ There were clearly challenges, since, in response to having to close her premises and have staff work from home the owner-manager exclaimed, ‘Oh my God, all our communications are gone, team intercommunications.’ In response, however, an intranet was built where they could run inductions and training. Now the business has ‘a brilliant recruitment process’ and has experienced ‘massive growth’ through growing and internationalising the staff base (now at 33) across Europe and Latin America, a process also observed by Weaven *et al.* (2021, p. 121) who noted that ‘exploring opportunities in an economic crisis requires investment in new technologies and human resources’. Covid-related regulations prompted a process of *strategization* that resulted in renewed ambition for what the business could achieve. The owner-manager explained that

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3 Covid regulations ‘forced us into that crisis management, back against the wall, how are we
4
5 going to get through this [approach].’
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10 These businesses share a high degree of adaptability in relation to the elasticity of the
11
12 business model and spatial fixity of operations. **Prior to the introduction of Covid regulation**
13
14 **they were stuck in the established routines of ordinary capabilities, thinking that they could**
15
16 **not function with an entirely virtual, or hybrid, business model.** However, the simplified
17
18 regulatory context lowered the scope of regulatory responsibility and reduced the degree of
19
20 interpretative effort, opening up the possibility to do so, bringing a range of benefits. Thus,
21
22 assertive governmental regulatory control played a key role in provoking these *strategization*
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24 processes, including, in Midttun’s sense, ‘their strategies to improve their welfare through
25
26 exchange’ (2005, p. 161).
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33 Indeed, some businesses expressed a desire for government to continue with its muscular
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35 approach, rather than returning to the self-regulatory norm. The owner of translation and
36
37 market research agency, P22 explained that her business’s new model relied on a continuing
38
39 clear expression of regulatory authority. Exasperated at the lack of clarity of guidance that
40
41 people should work at home ‘if they can’, she said,
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44 ‘“if you can” is meaningless. You read it as, “if you *want* to, work from home” [...] I
45
46 think the genuine, long term, underlying impact of this very wishy washy, non-
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48 regulatory, might be regulatory, might beat you and fine you, might not, can’t really
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50 decide, all of that on the fence stuff what’s the longer-term impact on a business?’
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56 This was not simply frustration; she attributed this lack of regulatory clarity to a time when
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58 the business experienced a downturn: ‘we didn’t have clarity from the government at the
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3 time. It's not just about putting their foot down when it gets difficult, it's also about being
4 really, really clear when the foot is off the pedal in terms of health and safety.' A similar
5 preference for continued muscular governance was expressed by P20 (board game shop and
6 café owner), representing something of an outlier when seen alongside other businesses
7 characterised by a relatively high degree of spatial fixity/inelasticity. The business owner said
8 this about social distancing rules: 'when they went from "this is the guidance" to "now you
9 have to do a risk assessment and it's all on you", that was the point where I really felt that
10 they could have done with keeping on a "here's some hard and fast rules that everyone can
11 follow" '.

26 *Re-evaluation*

28 For some businesses *strategization* tipped into a broader and deeper process of re-evaluation
29 and business model pivoting (Morgan *et al.*, 2020), which also brought benefits and
30 ultimately renewal, reconfiguration or transformation (Teece, 2012). P14, for instance, a
31 Scottish-based general marketing consultancy, had, before the pandemic, provided general
32 personal assistant services. Covid's impact on that market made her business uncompetitive,
33 and work from home and furlough rules were direct prompts to engage an external consultant
34 to re-evaluate the business's identity, as well as her motivations and objectives. Following the
35 furloughing of most of her staff, many of whom subsequently left, a simplified range of
36 services and a whole new remote-working staff complement resulted from this period of
37 reflection and adaptation. The business was transformed and P14 viewed the experience as 'a
38 bit of a blessing in disguise [...] we're signing bigger clients that never would have dreamed
39 of working with a wee Highland agency.'

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3 Benefits flowing from a profound re-evaluation provoked by regulatory change also emerged
4
5 for P23, an art gallery/shop. The business had been trading for eight years from a London-
6
7 based gallery space and the owner-manager was the only employee. Covid regulation was
8
9 significant for his business, such that he furloughed himself and closed his premises during
10
11 the first lockdown. He said, 'It allowed me to take time for myself, sit back and think what I
12
13 really want to do with the business and hence that complete change, you know, that's moved
14
15 it to a different market level and location.' The forced time to reflect was a benefit in that he
16
17 relocated to Northern England to smaller premises and moved upmarket, selling fewer,
18
19 higher-value pieces involving increased use of new technologies to support offline sales
20
21 channels. As a result, he had 'a lot more me time.' The process of adapting to Covid
22
23 regulations, helped him realise that fewer, more intimate, client interactions were more
24
25 beneficial: 'so ultimately, having the regulation there at the start has meant that I've learnt
26
27 something about my business that I was probably missing.' Unlike the marketing consultancy
28
29 (P14), it is interesting to note that this art gallery business does reflect a degree of spatial
30
31 fixity; however, the effect of this has been mitigated by elasticity in the business model to
32
33 bring benefits. In both cases, it seems that these individuals have exhibited what Woldesenbet
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35 *et al.* (2012, p. 496) have called entrepreneurial capability.
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47 **Concluding discussion**

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51 Demonstrating that even during a pandemic and a dynamic 'shift in governance paradigms'
52
53 (Midttun, 2005, p. 161) businesses derive benefits is no small finding and contribution. This
54
55 study has explained how benefits occur because of dynamic regulatory change, why they are
56
57 experienced unevenly, and what different business attributes explain that unevenness. While
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3 it is vital to stress that the benefits characterised *do not* outweigh the reported constraints
4
5 (Greene and Rosiello, 2020; Miklian and Hoelscher, 2022), findings suggest that processes
6
7 that generate benefits can be classified in three ways commensurate with the dynamic
8
9 capabilities framework (Teece, 2012) of sensing (operational), seizing (strategic) and
10
11 reconfiguring (re-evaluation). Benefits are derived in relation to two key business attributes –
12
13 the degree of spatial fixity and the elasticity of the business model – and against a shifting
14
15 context consisting of a hardening of the previously ‘softer menu of regulatory exchange’
16
17 (Midttun, 2005, p. 166). Such a framing facilitates this paper’s theoretical contribution by
18
19 connecting the micro experience of business response with the macro context: Benefits
20
21 emerged not despite the regulation that often posed difficulties to businesses, but *through* it.
22
23 The analysis therefore extends dynamic capability theory by identifying increased regulatory
24
25 control as a mechanism for new sensing, seizing, and reconfiguring responses, with
26
27 businesses’ capabilities being mediated and constrained by the two attributes. As shown in
28
29 Figure 2, businesses with elastic business models were better able to seize new opportunities
30
31 created by increased regulatory demands, while businesses that were not fixed spatially could
32
33 reconfigure operations more readily and were less constrained. Increased regulatory control
34
35 lowered the scope of what businesses needed to interpret and self-regulate, reducing
36
37 interpretative effort and enabling some to redirect attention and resources and realise
38
39 opportunities.

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42 Highlighting environmental context and business attributes as a contribution to dynamic
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44 capabilities research aligns with prior research (Woldesenbet *et al.*, 2012; Weaven *et al.*,
45
46 2021; Martinelli *et al.*, 2018, p. 1226) that emphasises how aspects of smallness limit the
47
48 applicability and usefulness of higher competencies in business strategy. In other words,
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50 smaller businesses are more buffeted by change regardless of their capabilities, since in
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3 comparison larger businesses have the resources to pivot and are more able to disregard or
4
5 overcome the material embeddedness of their location and business model through their
6
7 capabilities. The established routines of smaller businesses are certainly ‘a source of inertia’
8
9 (Teece, 2012, p. 1399), but it is the condition of smallness, and particularly limited resources
10
11 (Anderson and Ullah, 2014), that reinforces the importance of the businesses’ attributes.
12
13 Ultimately, the fortunes of the businesses in this analysis, at least with regards to their ability
14
15 to derive benefits from the regulatory changes, are down to luck (Martinelli *et al.*, 2018, p.
16
17 1226; Greene and Rosiello, 2020). If a particular business was lucky enough to have these
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19 rather than those attributes in the face of the same regulations, they would benefit.
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26 How does this contribution extend understanding of how businesses respond to regulation?

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28 Responding to Mallett *et al.*’s call for further research into ‘the circumstances in
29
30 which...strategic orientations might develop’ (2019, p. 307), findings suggest that certain
31
32 businesses experienced an expanded ‘degree of discretion’ (p. 305) in respect of the scope
33
34 and nature of the business’s regulatory response. Mallett *et al.* stress that *strategization*
35
36 ‘denotes the underlying purpose and drivers of a business which, in turn, carry implications
37
38 for the kinds of response that might appear open to it’ (2019, p. 305). Certain attributes of
39
40 businesses create, or alternatively close down, space for *strategization* (seizing) and
41
42 *adaptation* (reconfiguration), and therefore opportunities for deriving benefits. Previous
43
44 research emphasises that strategizing is constrained by financial and knowledge resources
45
46 and dynamic capabilities research stresses the lack of higher-level competences (Teece, 2012,
47
48 p.1395) or entrepreneurial capabilities (Woldesenbet *et al.*, 2012, p. 496). While these
49
50 features are undoubtedly relevant in many “normal” regulatory contexts, this study found
51
52 such features to be less significant in positioning the business to derive benefits. Rather, it is
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54 the business’s attributes of elasticity and spatial fixity that affect those strategic, seizing and
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3 reconfiguring options, especially within a governance paradigm where there is less scope for
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5 self-regulation.
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10 For Mallett *et al.* (2019, p. 307), *negotiation* entails ‘instances where decision-makers...have
11 to account for factors in the external and internal environments that have a bearing on the
12 business’s ability to pursue the intended strategy in response to regulation’. This study finds
13 that such factors are intimately connected to the business’s scope for *strategization* in relation
14 to its business model elasticity and spatial fixity. For example, maths tutor (P10) would not
15 have been able to operate virtually or expand its client base if the external market in tutees
16 were not amenable to online tutoring. And, rather than entrepreneurial capabilities
17 (Woldesenbet *et al.*, 2012, p. 496) or ‘disruptive creation capabilities’, it is the combination
18 of art gallery/shop (P23’s) ‘firm characteristics’ (Martinelli *et al.*, 2018, p. 1238), such as
19 staffing level, domestic circumstances, and geographically spread market that meant the
20 owner could relocate and implement strategic changes. In contrast, the owner of children’s
21 nursery (P3) had little room to negotiate an alternative regulatory response: Covid regulations
22 meant the business had to work with established routines. This builds on Mallett *et al.*’s
23 generalised findings that labour and product market factors exert influence over regulatory
24 responses – in other words, *negotiation* processes – by conceptualising the business attributes
25 and theoretical framing of the context that mediate the possibility and means of deriving
26 business benefits. Businesses’ capacity to strategize and negotiate in relation to regulatory
27 responses in turn influences the scope they have for *adaptation* or reconfiguration.
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54 *Future research*

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56 This paper has suggested a general mechanism for understanding the contexts and attributes
57 of why some businesses benefit from regulation and others do not. However, further research
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3 will need to evaluate these ideas in two ways. Firstly, research might further scrutinise
4
5 dynamic capabilities theory in understanding strategic action in smaller businesses. The
6
7 approach is explicitly focused on what decision-makers in a business can do with its
8
9 resources. Yet some research on smaller businesses seems to suggest that their application
10
11 comes with a range of limitations (Woldesenbet *et al.*, 2012, p. 498; Martinelli *et al.*, 2018, p.
12
13 1226). These can be in the nature of the resources themselves, the attitudes and purposes that
14
15 decision-makers set for their business activities, or even in ‘what it means to be a small firm
16
17 owner’ and the way these meanings ‘shape attitudes and actions’ (Anderson and Ullah, 2014,
18
19 p. 341). Or, as emphasised here, limitations due to business attributes and the dynamic
20
21 regulatory context. Does this mean, at least in the face of strong and impactful regulatory
22
23 shocks, the approach is not an appropriate theoretical vehicle for understanding strategic
24
25 action and responses in smaller businesses? Using it as a conceptual anchor for locating
26
27 benefit-seeking behaviours in the face of regulatory change has been useful for this paper.
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29 Nevertheless, future research might explore the extent and range of commensurability
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31 between dynamic capabilities and more relationally embedded approaches (e.g. Mallett *et al.*,
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33 2019).

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42 Secondly, the general mechanism advanced here should also be evaluated in relation to
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44 benefits derived during periods of “normal” regulatory governance, in other geographic
45
46 territories and in other crises where regulatory shock creates a major dynamic change to the
47
48 business environment. The abrupt change of governance paradigm analysed here represents a
49
50 kind of natural experiment (Martinelli *et al.*, 2018, p. 1223) to explore the effects of context:
51
52 businesses were observed to respond to very clear reduction of the scope of self-regulation as
53
54 an expected embedded practice. Governance paradigms do not often change tack so
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56 dramatically, and if the government had not taken a decisive shift in the face of the pandemic
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3 but had continued with the pre-existing self-regulating norm this paper's core argument
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5 suggests that the benefits some businesses experienced would not have materialised. Hence,
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7 the specific UK context of this research is a limitation which future research should address,
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9
10 using the insights generated in this paper.
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20
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Benefits Paper March 26 submission Table/Figures

Table I – Interviewee characteristics

| Code | Age | Gender | Description of business | Sector | Location | Year business founded | No. of staff employed |
|------|-----|--------|--|-----------------------------------|------------------|-----------------------|-----------------------|
| P1 | 53 | Male | Model train designer and supplier | Sports, Arts and Entertainment | Wales | 2008 | 0 |
| P2 | 39 | Male | Ecology consultancy business | Professional and Support Services | Scotland | 2010 | 7 |
| P3 | 60 | Male | Children's nursery | Health and Education | London | 2002 | 57 |
| P4 | 39 | Female | Wellbeing and inclusivity consultancy | Professional and Support Services | East Midlands | 2016 | 1 |
| P5 | 66 | Male | Event management and design firm | Sports, Arts and Entertainment | London | 2011 | 1 |
| P6 | 57 | Male | Interior design business | Other | East Anglia | 2012 | 0 |
| P7 | 66 | Male | Chiropractor | Health and Education | Wales | 1992 | 4 |
| P8 | 56 | Male | Petrol retailer and supermarket business | Wholesale and Retail | Northern Ireland | 2006 | 35 |
| P9 | 37 | Female | Web design agency | Professional and Support Services | Southeast | 2011 | 6 |
| P10 | 48 | Female | Maths tutor | Health and Education | Northwest | 2004 | 0 |
| P11 | 24 | Male | IT consultancy | Professional and Support Services | London | 2017 | 0 |
| P12 | 42 | Female | Commercial occupational health business | Health and Education | Southeast | 2015 | 5 |
| P13 | 33 | Female | Public House | Hospitality, Food and Beverage | Northeast | 2015 | 6 |

| | | | | | | | |
|-----|----|--------|--------------------------------------|-----------------------------------|-----------|------|----|
| P14 | 36 | Female | Marketing consultancy | Professional and Support Services | Scotland | 2014 | 6 |
| P15 | 54 | Male | Dentist | Health and Education | Southwest | 1968 | 7 |
| P16 | 69 | Male | Children's day nursery | Health and Education | Southeast | 1992 | 21 |
| P17 | 66 | Female | Academic and autism support company | Health and Education | Southeast | 2003 | 0 |
| P18 | 56 | Male | Company in the construction industry | Heavy Industry | Southwest | 2008 | 7 |
| P19 | 65 | Male | Manufacturing company | Manufacturing | Southwest | 1967 | 8 |
| P20 | 45 | Male | Board game shop and gaming café | Wholesale and Retail | Wales | 2012 | 4 |
| P21 | 60 | Female | Tax specialist | Professional and Support Services | London | 2004 | 2 |
| P22 | 57 | Female | Market research agency | Professional and Support Services | Wales | 1997 | 33 |
| P23 | 53 | Male | Art gallery | Sports, Arts and Entertainment | Yorkshire | 2013 | 0 |

Figure 1

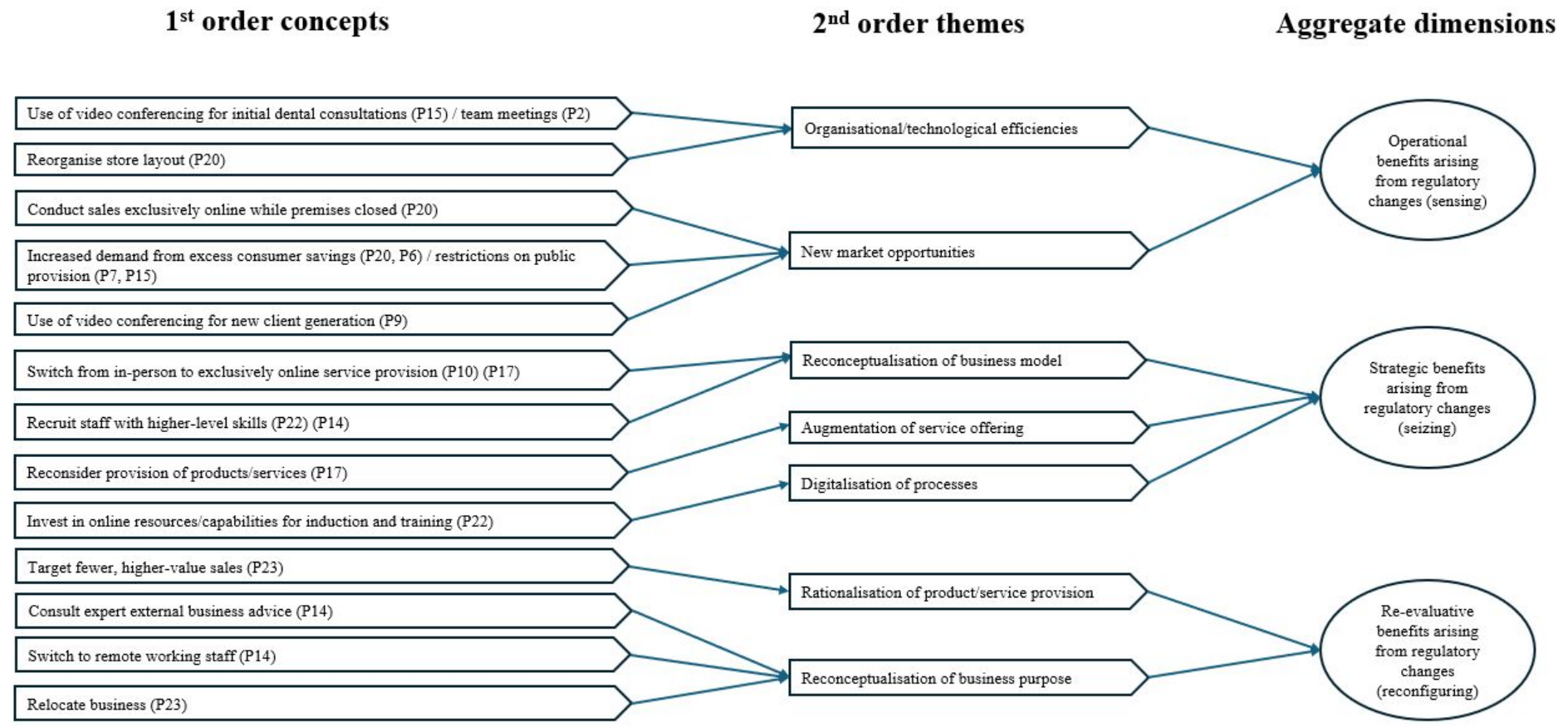
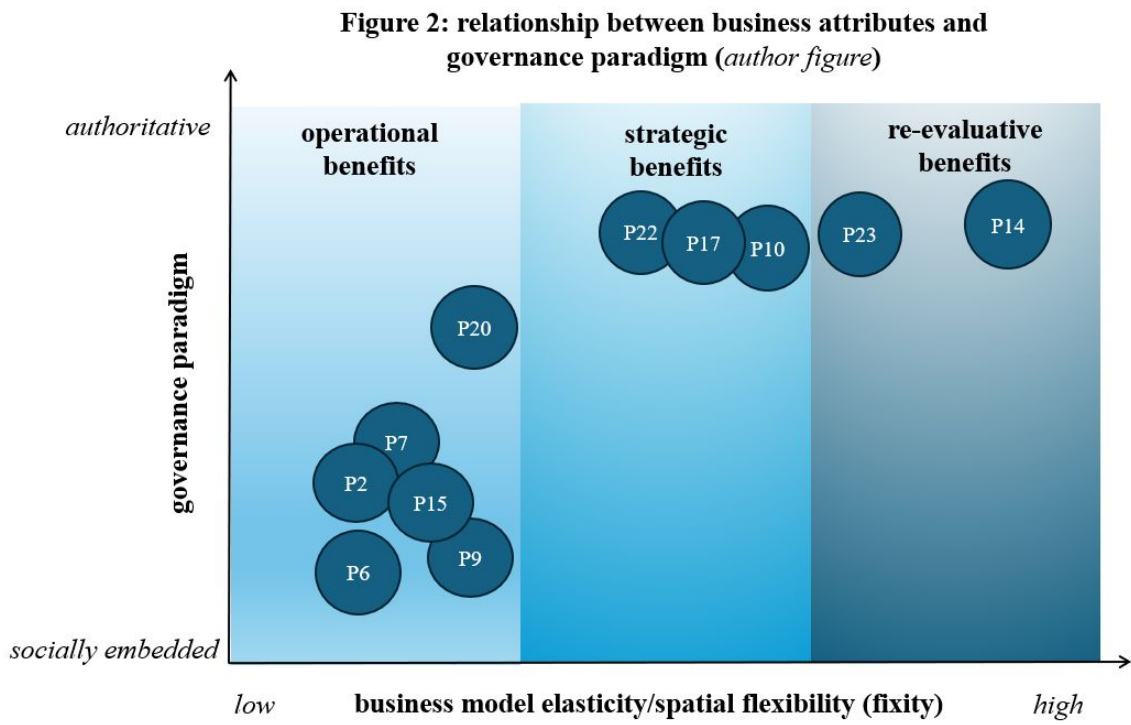


Figure 1. Data Structure (following Chorley and Gioia, 2004) (author figure)

Figure 2



(Note: 3 businesses (P3, P16, P18) do not appear in this diagram given they did not derive benefits)

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1st order concepts

2nd order themes

Aggregate dimensions

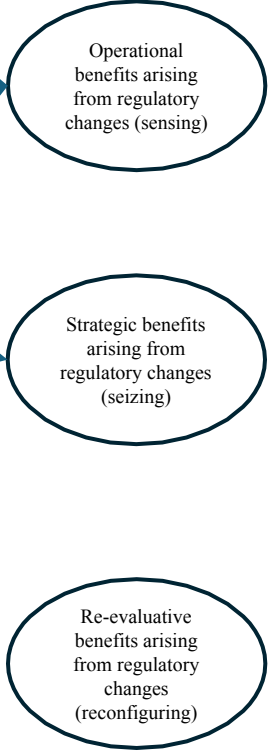
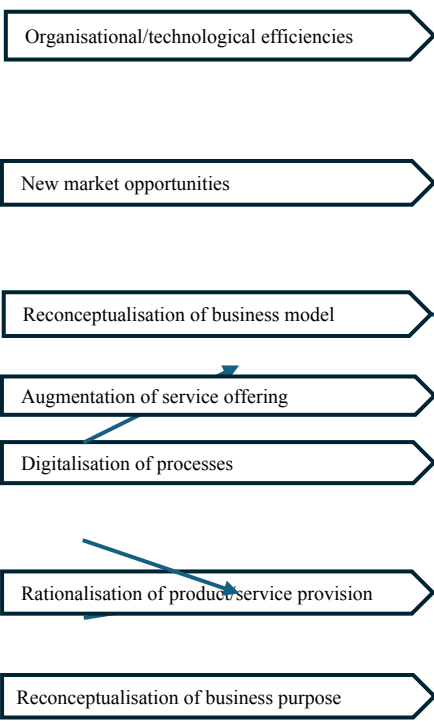
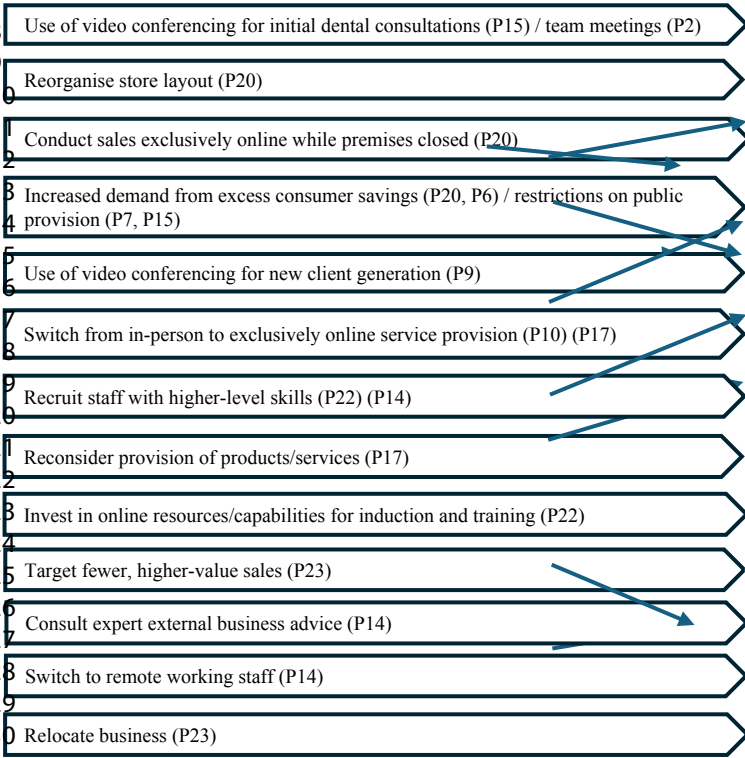
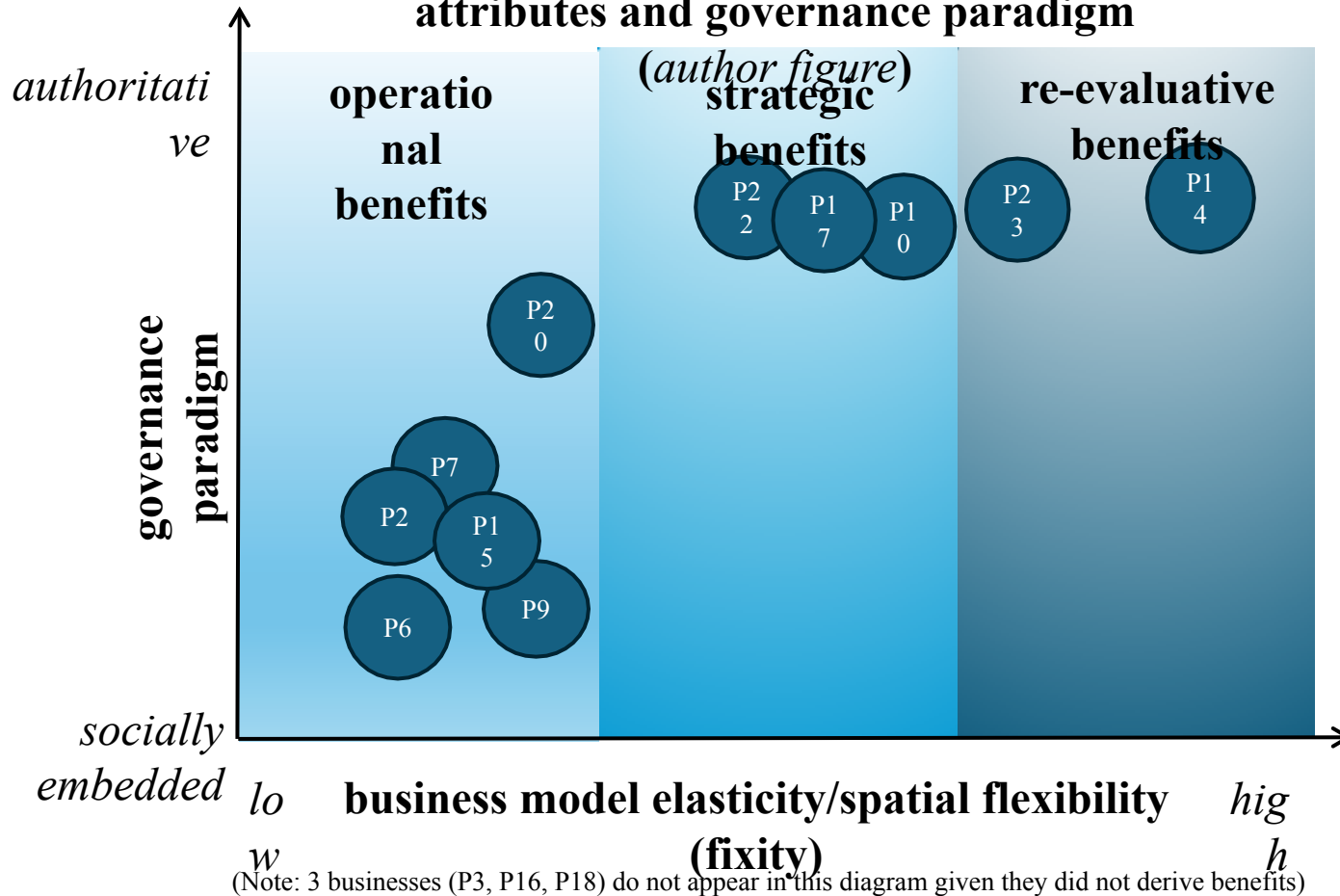


Figure 1. Data Structure (following Chorley and Gioia, 2004) (author figure)

Figure 2: relationship between business attributes and governance paradigm



Response to Reviewer table for Benefits paper, IJEER, March 2026

Dear Editor and Reviewer,

Please find below our responses to Reviewer 1's second round of comments.

We would like to take this opportunity to thank you for the extensive and constructive feedback on our first submission. Your comments have assisted us in almost completely rewriting the paper and pushed us to articulate, we hope, a more sophisticated and theoretically consequential argument.

| General notes for both Editor and Reviewer | Our response | Page |
|---|---|---|
| <p>Please highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text.</p> <p>Please also keep within the journal's wordcount of 8,000-10,000 words.</p> | <p>Since the changes we have made to the paper are so extensive we have only highlighted the text where there are significant and sustained amendments. However, even those passages not highlighted have been redrafted.</p> | |
| Reviewer comments | Our response | Page |
| <p>Thank you for your resubmission. You have obviously worked hard to address the concerns previously expressed and there is much improvement here. However I cannot recommend this paper be released for publication at this stage because of the continued lack of accuracy and focus in the theoretical frame and the continued fuzziness of the methodology. These two areas diminish the power of the paper such that the discussion and conclusions are unable to do what they need to - be convincing and persuasive to the reader. My two main tips here are to a) place this research clearly into the context of the wider academic theoretical corpus and b) rewrite the methods section such that a research coming behind you could repeat your study in another territory in order to provide a comparable result. Cascading these changes into the discussion and conclusions will then lead to a far more robust paper suitable</p> | <p>Thank you for your comments and observations and your continued engagement with our paper. We have worked even harder and more extensively in the two areas you suggest here and that you kindly give more detail about in the rest of your review. Specifically, you will see that dynamic capabilities theory has been integrated throughout the whole paper with the existing ideas underpinning our contribution (regulatory shock, and Mallet <i>et al.</i>'s process framework to understanding how businesses respond to regulation). The effect is we feel exactly as you predicted. We now have a clearer, more robust and impactful argument that can be appreciated by a much larger community of small business, entrepreneurship and management scholars. Thank you for these insights and the advice. It is all too easy to get overly focused on the regulation debate in small</p> | <p>Introduction pp.4-6</p> <p>Literature Review pp.8-10</p> |

| | | |
|--|--|---|
| <p>for IJEER.</p> | <p>business studies and miss the opportunity to speak to broader scholarship communities. We also agree that our account of our methods was incomplete and unsatisfactory. We have now addressed this too.</p> | |
| <p><i>1. Originality: Does the paper contain new and significant information adequate to justify publication?:</i></p> <p>Yes. The paper introduces three characterisations of the impact of regulations on smaller firms and is the result of a novel empirical qualitative study</p> | <p>These characteristics have now been profitably integrated with the sensing, seizing, reconfiguring terms at the core of the dynamic capabilities framework. The correspondence of these terms with the core concepts of operational, strategic and re-evaluative in our empirical account are clear and striking, and very helpful in clarifying the whole paper and especially the strategy aspects of our argumentation.</p> | |
| <p><i>2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?:</i></p> <p>The work done to improve the extent of the literature review has made a difference, as has using the Mallet paper as an intentional focus. The inclusion of the work of Broughel (2021) and Freiberg et al (2021) in particular has added a more critical approach to the literature. While the literature is now well established, the chapter still doesn't adequately place this concept of 'difficult and beneficial' into the wider theoretical corpus. Simply put, what area of theory does this contribute to? is it RBV? Bricolage? Dynamic capabilities? compliance? emergent strategy or</p> | <p>Thank you again for these insights. As you will see, following an extensive evaluation of the various areas of theory you suggested, the dynamic capabilities framework made most sense to us because of the excellent and very relevant prior research (e.g. Woldesenbet <i>et al.</i>, 2011; Weaven <i>et al.</i>, 2021; Martinelli <i>et al.</i>, 2018) that we have now situated our study within. This now represents a major component of our contribution on how businesses respond to regulation. Obviously, as you will see on reading the</p> | <p>Introduction pp.4-6</p> <p>Literature Review pp.8-10</p> |

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| <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50</p> <p>something else? Without this the comparisons to other papers and approaches appear too limited into the specific niche of benefits/challenges of regulation and do not allow the reader to consider which perspective on regulation to take.</p> | <p>paper, the additional discussion centring on prior dynamic capabilities research on smaller businesses has put pressure on other areas of discussion. However, the critique of Broughel (2021) and Freiberg <i>et al.</i> (2021) on extant quantitative research's relative omission of the benefits of regulation is an important detail and remains in our account. More broadly, the wholesale integration of the dynamic capabilities theory in our account now addresses the broader point here, but we do not focus specifically on 'difficult and beneficial' idea that you have highlighted which was originally found in the methodology. The idea underpinning this phrase – that regulation is an enablement and a constraint – does still, of course, run through the whole paper. The specific mention of that phrase related to the survey findings which are no longer reported on or mentioned in this paper (with one necessary exception – see below in the next point). Now that we combine Mallett <i>et al.</i>'s specific regulation-focused framework, Midttun's 'exchange theory'-based appreciation of the importance of change in governance paradigms/context together with the dynamic capabilities approach, our account now makes a powerful contribution to the understanding of smaller businesses responses to regulation.</p> | <p>p.10</p> |
| <p>51 52 53 54 55 56 57 58 59 60</p> <p>3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?:</p> | | |

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| <p>Thank you for taking on board comments from the previous round. This has improved the section but it is still not in a condition suitable for publication in IJEER. While the authors state that they have excluded the survey from the paper, it is still mentioned in the first paragraph of the methods section as if it was a key part of the research which is now confusing. While it is noted later on that it does not form part of the empirical analysis, it needs to be written much more coherently. A 3* journal requires a much more accurate methods section that clearly identifies why the approach taken is appropriate based on the academic precedent and the philosophical stance, a clear description of the sample (Table 1 is good, but lacks context, as it is not clear what the sample frame was) followed by a repeatable and robust method of data collection and analysis that reassures the reader. At present this is much improved but still not in a position for publication.</p> | <p>These changes have also meant we have taken the opportunity to engage in a methodological conversation with other entrepreneurship scholars publishing their work in IJEER. In particular we have based the new data structure figure (Figure 1) on our own reading of the Gioia-inspired methodological approach, and papers published in the journal.</p> <p>Together with significantly more detail about the sampling process, we have been clearer with regards to the relationship between the interview sample and the survey from which the interview respondents were derived. In order to be clear about how the interview sample was derived we have had to make reference to the survey instrument (specifically the numbers of those surveyed) and refer to an Author reference which relates to the wider project from which these interviews formed a part. The reference will, of course, be un-anonymised if the paper is accepted and published.</p> | <p>p.16</p> <p>pp.12-13</p> |
| <p><i>4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?:</i></p> <p>The findings are improved from the previous with the inclusion of further quotes. However, the lack of a coding tree or hierarchy as would be expected from a Gioia et al based analysis. As a result the findings still seem unfocussed and it is difficult for the reader to see how these conclusions were reached. The figures should be placed in this findings section, rather than in the conclusions.</p> | <p>Thank you for the encouragement regarding the improvement in the Findings. In addition to many small changes related to the integration of the dynamic capabilities framework we have also tightened the flow and clarity of the findings. And, as described in more detail in the previous point above in relation to the methodology, we have now included a data structure figure</p> | <p>p.16</p> |

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| | <p>(Figure 1 – located towards the end of the Methods section where we describe the evolution of the data analysis process) based on our data analysis, which shows clearly the steps from first order concepts to aggregate dimensions. We have also re-located the original Figure 1 (now Figure 2) towards the beginning of the Findings section, as you suggested. You were spot on with your comments and they have helped create greater clarity and provide structure for the reader.</p> | p.17 |
| <p><i>5. Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent with the findings and conclusions of the paper?:</i></p> <p>Agree with Reviewer 2's original comments here. The new implications for practice and the limitations are good, however the implications for theory are limited once again to Mallett's work. While this is a focus for the paper, because Mallett's work isn't placed into the perspective of any wider theoretical lens (RBV/Effectuation/Bricolage/emergent strategy etc) then the implications are exceptionally limited.</p> | <p>The Concluding discussion is now strongly focused on implications for theory, including our closing comments about Future research and limitations. The integration of, and contribution to, dynamic capabilities theory has brought focus to the mechanism we articulate, which was somewhat unfocussed and narrowly framed in our previous submission, as you insightfully note. In addition to the broad mechanism, we also join with other entrepreneurship scholars in drawing out tensions in the application of dynamic capabilities theory to smaller</p> | pp.25-29 |

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| | <p>businesses. The result is, we feel, a much more compelling and important contribution that projects the small business conversation about regulation into a bigger conversation about smaller business strategy. In effect we have extended the reach of Mallett et al.'s process framework into this broader conversation. Again, thank you for your insights and encouragement here.</p> | |
| <p><i>6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc. Does the title of the paper adequately reflect the key concepts/ideas/topics addressed?:</i></p> <p>I refer to my original review - the paper is easy to read and easy to follow however the lack of accuracy, clear theoretical focus makes it impossible for a comparative or even confirmatory study to be undertaken and so it creates something of a mental cul-de-sac for the reader.</p> | <p>Thank you for the comments here, it is always encouraging to receive positive comments regarding the quality of the writing. We believe that the comments noted here in our response and the extensive work you will see in the revised paper have brought a great deal of focus to our argument. The improved methodology section, where we are much clearer about the steps we have taken to produce, analyse and justify data collection and analysis, mean that other scholars will be able to conduct similar studies. The theoretical contribution is also much more tightly focused in a way that other scholars will be able to take the conceptual components of the paper – change in governance paradigms (Midttun, 205), processes of business response to regulation (Mallett et al., 2019), and how businesses</p> | |

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| | <p>respond to the opportunities created by changes in regulation through their dynamic capabilities – and apply them to other types of crisis, geographical contexts and perhaps different business attributes, as we have detailed in the concluding Future research section.</p> | |
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