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Adopting Transitional Business Models in Small Fitness Businesses in Response to Business Disruptions

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The COVID-19 pandemic disrupted economies and societies around the world and forced many industries to rethink their operations. While the ambiguity in global economies and adapted modes of operation have considerably affected small businesses in the fitness industry, few insights have been provided into the adjustments that enabled these businesses to remain operational. This study hence adopts a qualitative approach to explore the adjustments made by small fitness businesses based on transitional business models during the COVID-19 pandemic. We conducted semi-structured interviews with key informants from small fitness businesses that had encountered restrictions and limitations due to the pandemic. The findings indicate that small fitness businesses chose a trial-and-error approach while developing their business model that allowed transitional adjustments in their value propositions as they developed resilience during the disruptions. Nevertheless, existing customers' perceptions of service quality and loyalty served as an important buffer for ensuring customer retention.

INTRODUCTION

The COVID-19 pandemic led to severe disruptions and altered economic and environmental conditions around the world (Finsterwalder & Kuppelwieser, 2020). Many countries imposed total or partial lockdowns with stay-at-home regulations and business closures, entailing changes in traditional service delivery. The health-and-fitness industry was one of the most heavily affected service industries since fitness facilities were forced to close along with workforce and revenue losses and the consequent shift in their modes of operation (M. Kim, 2022; Piotrowski & Piotrowska, 2021). Concerns for these businesses during the COVID-19 pandemic arose with mandates such as social distancing and enhanced hygiene practices accompanied by hesitant customers, with serious impacts including long-term revenue losses and threats to customer loyalty (M. Kim, 2022). The short-term impact of the pandemic in 2020 called for a managerial rethinking and adjustment of business models (BM) (Kabadayi et al., 2020; Leipziger et al., 2024). Although fiscal and monetary support were important measures for the fitness industry's survival during the pandemic, the successful recovery of small fitness businesses relied on particular adjustments to their established BMs (Bivona & Cruz, 2021).

The COVID-19 pandemic has caused small fitness businesses to respond to previously unforeseen disruptions in the modern fitness industry by re-thinking the ways they operate. A lack of readiness and limited resources have made it especially difficult for small businesses to make the adjustments needed to address the disruptions brought by

the pandemic (e.g., Akpan et al., 2021). In addition, small businesses usually rely on specific BMs, limiting their capacity for diversification when business is disrupted (Clauss et al., 2022). At the same time, small businesses can counterbalance these limitations by being flexible and more receptive to change while streamlining their bookkeeping and customer service practices (Snihur & Wiklund, 2019; Sullivan-Taylor & Branicki, 2011). Notwithstanding receptiveness to change, adjusting a BM has been traditionally deemed in the existing body-of-literature as a process that "alters the intra-organizational and/or extra-organizational systems of activities and relations of the business model in response to changing environmental conditions" (adapted from Foss & Saebi, 2018).

In line with Foss and Saebi (2018) we assert that the unparalleled changes in business environments occur more often during disruptions, preventing businesses from responding comprehensively by engaging in a conventional BM re-design process. In fact, some authors suggest "temporary adaptations" rather than the conventional approach of engaging in a full BM re-design (Clauss et al., 2022; Foss & Saebi, 2018; Witschel et al., 2019). Noting the need to adopt an innovative and responsive approach during the COVID-19 pandemic, the aim of the current study is three-fold. First, we investigate coping strategies that involve 'BM adjustments' deployed by small businesses dealing in the health-and-fitness industry. Based on semi-structured interviews with key informants from small fitness businesses, we aim to answer our first research question:

RQ1: Which adjustments have small businesses in the fitness industry made to their business models to overcome the disruptions caused by the COVID-19 pandemic?

Second, by clarifying such adjustments we assist small businesses that are required to refine their value propositions and make their BM more resilient. Further, addressing RQ1 responds to recent calls to pay attention to BM re-design in certain industries in response to the COVID-19 pandemic (Escamilla-Fajardo et al., 2020; Li et al., 2022). The current study also specifically investigates the ‘how’ of BM re-design through adjustments in the fitness industry. This leads to the second research question:

RQ2: Which capabilities must be in place to make the adjustments needed to devise a transitional BM?

Third, to demonstrate the roles inevitably played by specific capabilities, an implemented BM adjustment, and customers we conceptualize a managerial framework that facilitates a viable approach based on BM adjustments in anticipation of future disruptions.

The remainder of the article is organized as follows. After an initial overview of the study’s theoretical foundations, the methodology is explained before the findings of the semi-structured interviews with key informants are presented. Finally, the discussion section looks at the findings, related theoretical contributions, and managerial implications. We conclude by identifying avenues for future research based on identified core themes.

THEORETICAL FOUNDATION

Business model as a unit of analysis in the small fitness businesses

The BM is a well-established concept increasingly used as a unit of analysis in strategic management, entrepreneurship, marketing, and tourism economics (Budler et al., 2021; Zott et al., 2011). Chesbrough and Rosenbloom (2002) posited that a BM articulates a company’s value proposition, delineates its market segments, and sketches its revenue-generation logic. The existing body of literature considers the BM on multiple levels of observation, including departmental, organizational, and inter-organizational (Storbacka & Nenonen, 2011; Trkman et al., 2015). With respect to the latter, the BM can define the structure of a company’s value chain, assess its resource needs and competencies, estimate its cost structure and profit potential, describe the firm’s position within a network, and assist in formulating a competitive strategy (see e.g., Klimanov & Tretyak, 2019). This comprehensive view is echoed by Teece (2010) who observes that a BM “articulates the logic, the data, and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value”.

Despite the absence of consensus on the primary dimensions of the BM, the literature commonly identifies dimensions like value proposition, value creation, value capture and delivery, and value co-creation and appropriation (Al-Debei & Avison, 2010; Yang et al., 2017). Among these, the value proposition, as a promise of the value to be created,

communicated, and delivered to customers, often lies at the core of a BM (Payne et al., 2017). This perspective is further supported by recent studies which posit that BM innovation does not invariably require concurrent innovation across all BM dimensions (Clauss et al., 2020; Foss & Saebi, 2018; Massa & Tucci, 2014). As Snihur et al. (2021) suggest, the dynamism of a BM is also influenced by the evolving digital landscape, which forces businesses to be agile and adaptive in their approach to BM adjustments. Digital transformation, coupled with the rising importance of sustainability and resilience (Geissdoerfer et al., 2020; Gupta & Kumar Singh, 2023; S. K. Singh et al., 2022) further underscores the multifaceted nature of BM in modern business ecosystems. To depict a firm’s BM, various BM design tools (also known as ontologies, frameworks, and archetypes) have been developed. One that has attracted the most attention from management is the Business Model Canvas – BMC (Osterwalder, 2004), which acts as an ontology for depicting the architecture of a business through the lens of BM elements (e.g., customers) and value-related dimensions (e.g., value propositions).

As such, BMs in the fitness industry (occasionally referred to as the *gym* or *health-and-fitness* industry) depicts an architecture made up of an individual, a business, or a group of businesses that, at their core, provide health services and products to customers. This sphere of business includes gyms, health centers, sports centers, weight-loss (nutrition) centers, personal trainers, medical doctors, physical therapists, and online consultants in the health domain (Chekhovska, 2017; Hammerschmidt et al., 2022). The fitness industry has recently become more lucrative by offering a range of business opportunities that revolve around achieving and maintaining health (Global Wellness Institute, 2021). For instance, fitness centers have experienced immense global expansion, with over 50% in sales growth between 2007 and 2020 (Global Wellness Institute, 2021).

To enhance our understanding of such sales growth, we further depict the ‘architecture’ of small fitness businesses. Due to its ability to provide a lens for the relevant BM elements, we have selected the established managerial framework, namely the Business Model Canvas. Furthermore, the Business Model Canvas is applicable to industry-specific businesses notwithstanding their size, and serves as a useful tool when a BM redesign is needed (see e.g., Jin et al., 2022). We hence illustrate the architecture of a generic business in the fitness industry by using the Business Model Canvas and provide illustrative examples with descriptions in [Table 1](#). The illustrative examples related to each of the BM elements demonstrate its items and business activities for the fitness industry. When a business redesigns its BM, those items and activities are, to a varying extent, subject to the BM adjustments.

Small fitness businesses during the COVID-19 pandemic: the need to make adjustments

Businesses today often find it difficult to forecast demand for their products and services, reflect the increased market competitiveness, change customer expectations,

Table 1. A generic business model in the fitness industry

Business model element	Illustrative examples
<i>Customer segments</i>	<ul style="list-style-type: none"> In a broader sense, adults who want to establish or maintain their preferred physical condition. In a narrow sense, individuals who engage in physical fitness and adjunct activities. Large organizations focus mainly on diverse end-users without particular preferences, whereas smaller businesses tend to be niche-oriented and concentrate on particular needs (e.g., semi-group personal training).
<i>Channels</i>	<ul style="list-style-type: none"> The conventional mode of operation is based on indoor and outdoor physical events (e.g., group workouts with a personal trainer). With the emergence of Web 2.0 technologies (around the 2000s), some businesses, such as online personal trainers, adopted multi-channel fulfillment to grow businesses internationally or fulfil clients' requests.
<i>Revenue streams</i>	<ul style="list-style-type: none"> A range of revenue streams and corresponding pricing structures. Fixed pricing with prices listed is most commonly used. The businesses charge usage or subscription fees.
<i>Cost structure</i>	<ul style="list-style-type: none"> While large-scale fitness businesses are cost-driven (leanest cost structure), smaller (e.g., niche-oriented) fitness businesses are value-driven and increasingly focus on the competitive advantage that stems from an attractive value proposition.
<i>Key partners</i>	<ul style="list-style-type: none"> In light of the ambiguity that arose during the COVID-19 pandemic, small fitness businesses acquired necessary resources and capabilities from various suppliers. Forming partnerships based on complementary resources (e.g., between gyms and personal trainers) reduced the risk of financial instability.
<i>Key activities</i>	<ul style="list-style-type: none"> Joint service development by a network of members (e.g., gym owners, personal trainers, health professionals). Small fitness businesses eventually aimed at developing a mode of operation that would enable them to resolve end-users' (health) issues (e.g., with tailored workout interventions).
<i>Customer relationships</i>	<ul style="list-style-type: none"> Large-scale fitness businesses that focus on cost reduction also aim at establishing an automated service or self-service. Small fitness businesses often create small communities and tend to be niche-oriented by offering services based on a personalized approach.
<i>Value proposition</i>	<ul style="list-style-type: none"> Removing barriers and enabling a path to a desired physical condition. Niche-oriented fitness businesses are moving beyond satisfying customer needs related solely to their physical condition.

(adapted from Osterwalder & Pigneur, 2004)

expand the variety of their services, accomplish their digital transformation, and shorten their product life cycles (McMaster et al., 2020; Tabrizi et al., 2019). Although these changes typically unfold gradually, the COVID-19 pandemic spread rapidly on a global scale and significantly affected many industries (Shen et al., 2020). However, BM re-design is a complex and uncertain process that may require the changing of operational activities, linkages between activities, or the firm's boundaries or location (Santos et al., 2015). More importantly, small fitness businesses have rarely viewed re-design as a part of 'disruption management'. In fact, Diaconu and Dutu (2014) revealed that two particular business responses to disruptions could inhibit BM re-design; namely, drastic cost reductions (e.g., reducing the workforce and R&D expenses) and inertia (e.g., maintaining the *status quo*). On the other hand, greater flexibility and responsiveness were found to be critical determinants of successful BM re-design when "outside-in-side" adjustments to a BM are called for (Diaconu & Dutu, 2014). To cope with the business disruptions caused by the COVID-19 pandemic, small fitness businesses needed to avoid inertia and capitalize on their flexibility or other capabilities.

The fitness industry was thus forced to approach BM re-design in a unique way by virtue of the magnitude and scope of the pandemic-related business disruptions (Rat-

ten, 2020). Immediate adjustments to BMs were needed to account for safety measures like the social distancing and enforced hygiene practices designed to reduce the risk of infection. It is also believed that almost two-thirds of small fitness business customers presented these companies with additional challenges, e.g., by preferring to switch to an online environment or on-demand training, albeit most customers preferred the traditional in-person mode (McAlister, 2020). Businesses in the fitness industry were encouraged to adapt not simply by shifting instantly to an online environment (e.g., by streaming and/or uploading workout regimens) but also by considering the elements and value-related dimensions of their BMs. Business models should be adjusted in a way that increases the resilience of the BM and builds and sustains customer loyalty. Increasing loyalty requires small fitness businesses to account for altered customer preferences, forcing them to re-think value delivery by including a range of distribution channels and digital technologies. Finally, acknowledging the need for BM resilience enables small fitness businesses to either *return* to the existing mode of operation in the post-pandemic era or to continue implementing adjustments in a flexible manner.

The role of dynamic capabilities when business is disrupted

Teece et al. (1997) defined dynamic capabilities as a “firm’s ability to integrate, build, and reconfigure internal and external competencies to address [a] rapidly changing environment”. When considering additional refinements of the dynamic capabilities concept, they are seen as allowing firms to “(1) sense and shape opportunities and threats, (2) seize opportunities, and (3) maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the firm’s intangible and tangible assets” (Pavlou & Sawy, 2006; Teece, 2007). In this sense, dynamic capabilities are ‘sensing, seizing, and reconfiguring capabilities’. Sensing capabilities are chiefly related to learning and generating market intelligence (Teece, 2009; Zahra et al., 2006), while seizing and reconfiguring are related primarily to strategic planning, BM re-design, technology acquisition, and innovation (Khan et al., 2021; Teece, 2009). Dynamic capabilities are crucial for BM craft, refinement, and transformation (Teece, 2018).

The COVID-19 pandemic called on responsiveness to enable companies to reconfigure their capabilities and resources. Heinonen and Strandvik (2021) called this *imposed service innovation* because firms were forced to respond through BM re-design to such sudden and unforeseen business disruptions with limited resources. Moreover, in line with Kurtz and Varvakis (2016) we argue that businesses which make gradual improvements and respond proactively, driven by differentiation and growth incentives while facing less serious time and resource pressure, are better prepared to adapt in the presence of disruptions, largely because they have developed the dynamic capability needed to strengthen their resilience, flexibility, and absorptive capacity.

The COVID-19 pandemic demonstrated the paramount instrumental role of dynamic capabilities within small businesses in, for instance, bolstering resilience, fostering flexibility, and enhancing absorptive capacity to effectively adapt to radical changes (see e.g., Dejardin et al., 2023). Small firms are frequently besieged by the constraint of limited resources, which create considerable hurdles when market disturbances are abrupt (Arend, 2014). These capabilities empower small enterprises to make agile alterations to their BMs and value propositions, thereby fortifying their resilience in periods of crisis. Concurrently, the intrinsic flexibility exhibited by smaller firms is augmented by dynamic capabilities, permitting them to maneuver rapidly and make expedient strategic adjustments (Foss & Saebi, 2018). Resilience is traditionally defined as the ability of individuals or firms to cope with, adapt to, and recover from a severe and sudden disturbance (Buckle et al., 2000). Existing literature is, however, inconsistent in defining resilience. A recent systematic review by Conz and Magnani (2020) comprehensively categorizes resilience into four temporal aspects: (i) proactive behavior before a disruptive event; (ii) adaptive ability during the disruption; (iii) reactive behavior after the disruption; and crucially, (iv) as a dynamic attribute encompassing all three tempo-

ral phases. While the first three research streams focus respectively on preparation for future disruptions (Brewton et al., 2010; Pal et al., 2014), adaptation during turbulent change (Amann & Jaussaud, 2012; Bogodistov & Wohlge-muth, 2017; Dahles & Susilowati, 2015; Lengnick-Hall & Beck, 2005), and recovery to a previous equilibrium post-disruption (Linnenluecke & Griffiths, 2012; Smallbone et al., 2012; Watanabe et al., 2004), it is the fourth stream – resilience as a dynamic process capability – that is most relevant to our study. This stream, highlighted by few researchers (Gunasekaran et al., 2011; Hamel & Välikangas, 2003; Lengnick-Hall et al., 2011; Vogus & Sutcliffe, 2007), defines resilience as the continuous capability of firms to recombine resources in response to and in anticipation of disruptive events. This dynamic view of resilience aligns closely with the challenges faced by small businesses in BM redesign, emphasizing the need for ongoing adaptability and resourcefulness in an ever-changing business environment. Apart from including such nuances in the conceptualization of resilience, most descriptions of resilience in firms mention features like resourcefulness, awareness, redundancy, adaptability, agility, and flexibility (Kendra & Wachtendorf, 2003).

Some businesses, however, find that risk mitigation and resilience-building come at a ‘cost with limited benefits’, which may prove problematic amid disruptions. Müller et al. (2013) relate resilience to flexibility and redundancy as essential features that help organizations thrive and survive in the face of great turbulence and complex external environments. Flexibility provides a firm with a reactive or proactive ability to anticipate change in the environment and respond by modifying its current direction in an intensely competitive environment (Fernández-Pérez et al., 2012). As Volberda (1998) and Menoni and Schwarze (2020) observe, flexibility requires managerial capabilities and an altered organizational design to simultaneously accommodate change and achieve stability in small businesses, thus avoiding rigidity and chaos. Small businesses must therefore maintain their internal flexibility and efficient operational processes to capitalize on their high level of specialization, their streamlined business processes and non-hierarchical decision-making, as well as their high communicational efficiency during periods of disruption that bring considerable economic uncertainty (Liu & Cui, 2012). Hence, Asbjørnslett (2009) labelled flexibility and resilience two sides of the same coin. Flexibility and resilience together enhance learning and quick adaptation (Karman, 2020).

Theoretical findings in the strategic management literature have identified absorptive capacity as an important dynamic capability in turbulent environments that call for rapid adaptation to new, changed market conditions (Eisenhardt & Martin, 2000; B. Guo & Wang, 2014; Helfat & Peteraf, 2009; Teece, 2007). Absorptive capacity appears to facilitate the acquisition of new external knowledge, identification and interpretation of changed behavior by customers and competitors that emerges during turbulence, identification and assessment of the value of opportunities,

and rapid commercialization of promising opportunities (Tsai & Yang, 2017; Zahra et al., 2006).

Organizations facing crisis and uncertainty need to invest robustly in learning and innovation, which requires a strong knowledge base (García-Morales et al., 2007) and searching for new external knowledge (Engelen et al., 2014; Katila & Ahuja, 2002). Absorptive capacity is the “ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990). Zahra and George (2002) conceptualized absorptive capacity (ACAP) as a “dynamic capability pertaining to knowledge creation and utilization that enhances a firm’s ability to gain and sustain a competitive advantage”. Small businesses often underinvest in internal learning resources and their knowledge bases, ultimately limiting their absorptive capacity (Ferreras-Méndez et al., 2015). Yet, their trust-based relationships with stakeholders enables them to sense ongoing developments in their markets and serve as a channel for acquiring external knowledge (Freel & Robson, 2016; Heider et al., 2021). Moreover, the fluid, informal structure and niche focus of small businesses allow these firms to easily adapt their value propositions (Laforet, 2013). Difficulty in identifying and commercializing opportunities resulting from weak absorptive capacity can prove fatal for firms in turbulent environments characterized by challenging and complex market conditions (Jaworski et al., 2000; Lane et al., 2006; Tsai & Yang, 2017). When absorptive capacity is complemented with flexibility, firms are able to realize first-mover advantages (Engelen et al., 2014), which further strengthens their resilience (Karman, 2020).

Absorptive capacity (ACAP) and organizational resilience are intricately connected concepts within the realm of dynamic capabilities, pivotal for firms navigating turbulent markets. ACAP, as conceptualized by Zahra and George (2000), equips firms with the ability to effectively identify, assimilate, and exploit external knowledge, a process that is fundamental to swiftly adapting to environmental changes. This capability is instrumental in enhancing resilience, which Lengnick-Hall et al. (2011) define as a firm’s proficiency in absorbing shocks, developing adaptive responses, and transforming operations to capitalize on disruptive events. The synergy between ACAP and resilience is further illuminated in studies by Eisenhardt & Martin (2000) and Teece (2007), which highlight how ACAP serves as a critical underpinning for resilience by fostering a firm’s ability to anticipate and adapt to changes, thereby ensuring sustainability and competitive advantage in dynamic settings. Additionally, Finkelstein et al. (2009) and Tsai & Yang (2017) emphasize that the integration of ACAP into resilience strategies enables organizations not just to withstand market volatilities but to emerge stronger, leveraging learned knowledge for strategic renewal and growth.

Within the specific milieu of small fitness firms, our research highlights the intricate symbiosis of flexibility, resilience, and absorptive capacity, elements that collectively construct the edifice of dynamic capabilities instrumental for Business Model (BM) adaptation (Teece, 2018). The flexibility inherent to smaller firms’ operations provides them with an agile strategic position, enabling swift alter-

tations to their BMs in response to environmental perturbations (Armstrong, 2013). Simultaneously, resilience underpins a firm’s ability to withstand disruptive episodes and regain its operational foothold, thereby maintaining the core integrity of its BM in crisis periods (Jiang et al., 2019), while absorptive capacity is instrumental in facilitating rapid learning, expediting strategic reorientation, and implementing necessary BM alterations (Miroshnychenko et al., 2021). The orchestrated interaction of these attributes creates a robust dynamic capability framework for small fitness firms, equipping them to navigate unpredictable disruptions, and is thus emerging as a key strategic tool (Teece et al., 2016). The underpinning capability facilitates not just survival, but also the ability to convert adversities into opportunities for innovation and growth, thereby centralizing dynamic capabilities in the context of small fitness firms’ BM innovation amidst high environmental volatility and uncertainty.

RESEARCH CONTEXT AND METHODOLOGY

Research design

We employed a qualitative research design to examine small fitness businesses in Slovenia during the COVID-19 pandemic. An exploratory research methodology is suitable for exploring new and complex phenomena that involve complicated causal relationships (Corbin & Strauss, 1990; Eisenhardt & Graebner, 2007). Our approach is based on abductive scientific reasoning (Creswell, 2013; Mantere & Ketokivi, 2013) where, through an iterative process, initial inductive insights from collected data are further considered existing theories to explain findings. To deploy this research design, we relied on semi-structured interviews as a flexible and accessible method for collecting data (Alvesson, 2003; Holstein & Gubrium, 1995). The semi-structured guide we followed included open-ended questions that asked respondents about: (i) their current BM and BM re-design experience; (ii) imposed BM re-design in response to COVID-19; (iii) reasons for making a commitment to customers; and (iv) if applicable, proactive coping strategies for making BM adjustments (please see the interview guide in the appendix).

Sample and data collection

The current study aims to understand certain BM adjustments made when business is disrupted and thus we relied on purposeful and theoretical sampling to glean the most informative insights from the businesses in our sample (Coyne, 1997; Suri, 2011). Following this approach in selecting informants (Denzin & Lincoln, 2005), we conducted 12 semi-structured interviews involving small fitness businesses identified by the authors as successful, well recognized, and both financially stable before the COVID-19 pandemic and severely affected by the disruption it caused (see [Table 2](#) for sample demographics), over the course of 2 months (September 2021 and November 2021) in Slovenia. Hence, four key informants were selected through snowballing as we were referred to informants who could supplement the existing findings and best help in

Table 2. Sample demographics

Key informant code	Key informant experience	Key informant position	Type of small-fitness business	Small-fitness business orientation
P1	Seven years of international operations	Business developer (Group leader)	Wellness and nutritional supplements	Niche-oriented
P2	10+ years of international operations	Personal trainer	Fitness training	Niche-oriented
P3	10+ years of operations in the home country	Graduate of physical education	Sports and fitness training	General
P4	10+ years of operations in the home country	Personal trainer	Lifestyle and rehabilitation medicine	Niche-oriented
P5	20+ years of operations in the home country	Personal trainer and member of a board committee	Fitness training, mentoring, and event organizing	General
P6	7+ years of operations in the home country	Personal trainer and coach	Fitness training, mentoring, rehabilitation medicine	General
P7	15+ years of international operations	Personal trainer	Lifestyle and rehabilitation medicine	Niche-oriented
P8	10+ years of operations in the home country	CEO and Personal trainer	Fitness training	Niche-oriented
P9	30+ years of operations in the home country	CEO and Personal trainer	Sports Centre (gym)	General
P10	5+ years of operations in the home country	COO of a Fitness Centre and Personal trainer	Sports Centre (gym)	General
P11	15+ years of operations in the home country	CEO of a Fitness Centre and Personal trainer	Physical education, mentoring, and sports	Niche-oriented
P12	10+ years of operations in the home country	The president of a national fitness association	Intermediary	N/A

our development of theory (Trochim et al., 2008). The interviews were conducted in face-to-face fashion online (to comply with the social distancing measures in Slovenia), with an average interview duration of 50 minutes. We stopped collecting data at that point where no additional theoretical insights or themes were appearing from the data, signaling data saturation (Boyce & Neale, 2006; Charmaz, 2006). All interviews were audio-recorded and transcribed verbatim to explore the informants' viewpoints and ensure anonymity.

The key informants we interviewed (Table 2) had accumulated multiple years of experience and held various positions in small fitness businesses. To enrich our findings, we deliberately selected informants to represent a diversity of business types and a variety of positions. Some informants from the small fitness businesses interviewed play multiple or overlapping roles (e.g., COO and Personal trainer) in their operations, and some businesses offer a range of services and products (e.g., physical education, nutritional programming, mentoring). The informants from our study were either employed in a micro-sized business (7 out of 12 informants) or established and run a sole proprietorship (5 out of 12 informants). The difference between the small fitness businesses observed are, however, negligible. The primary reason for that lies in the fact that several SMEs in the observed countries were established as sole propri-

etorship and kept such governance in spite of the growing size and the number of employees. The average number of employees (part- and full-time) in the observed small fitness business was 7. Based on the responses from the informants, all informants had been included in decision-making. However, the relevance of particular questions in our discussions varied with respect to a particular small fitness business. For instance, P7, P8, and P12 are fully service-oriented and had not experienced any disruptions in supply of any products.

After hearing respondents elaborate on the types of small fitness businesses in which they work during the introductory parts of the interviews, we decided to orient the study to differentiate particular types of business. A "general" small fitness business tends to offer a variety of services and products to a wide range of customers. Such businesses welcome customers of all ages with little or no evidence of personalizing their customer offerings. A "niche-oriented" small fitness business offers specific products and services that tend to attract certain groups of customers. These products and services are often tailored to varying degrees to those customers. In addition, niche-oriented businesses aim to develop 'desirable' products and services to distinguish themselves from other businesses (MacMillan & McGrath, 1997).

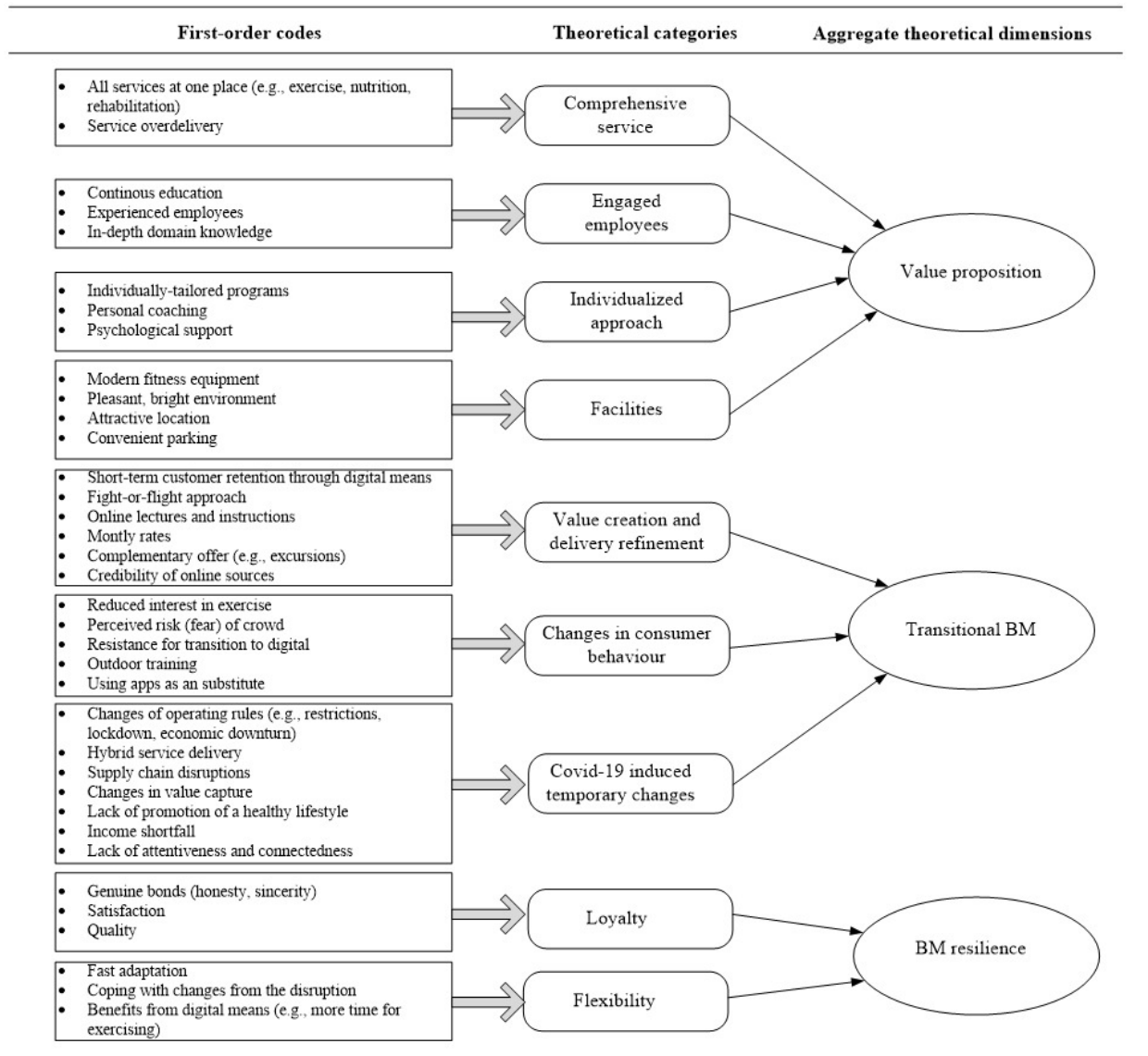


Figure 1. Data structure

Data coding and analysis

QDA Miner Lite software was used to analyze and code the transcriptions. Aligned with the grounded theory approach, we collected and analyzed the data simultaneously and discussed the emerging patterns and commonalities (Bryant & Charmaz, 2007; Corbin & Strauss, 1990). We began with open coding to consider a range of meanings we could attach to the data (Corbin & Strauss, 2014; Gioia et al., 2012). Some open, first-order codes that emerged during the analysis included individually tailored programs, short-term customer retention through digital means, changes in operating rules, income shortfalls, and satisfaction. Further, we continued axial coding by merging first-order categories into second-order theoretical themes. Finally, we categorized the identified second-order themes into major aggregate theoretical dimensions, relying on constant reflexivity and peer debriefing until a high level of agreement was reached (Creswell, 2013). Figure 1 shows the data structure that arose from our analysis.

FINDINGS

Value proposition

Comprehensive services

To remain viable in the very competitive fitness industry, small fitness businesses have needed to expand the array of services and solutions they offer to meet the changing and increasingly specific customer needs. As part of their coping strategy during business disruptions, businesses must provide and communicate value propositions clearly. In addition, small fitness businesses need to offer comprehensive service offerings based on complementary solutions such as fitness, nutrition, and mental and lifestyle coaching to help their customers achieve healthy lifestyles. For instance, P1 commented, "We later upgraded our work by opening a center with combined functional exercise and nutrition counseling and a bar with a nutrition offer in one place. Our goal was to start the concept of the Nutrition Club all-in-one location". P2 noted similarly, "We are of-

fering an integrated approach... have a group of experts: a physiotherapist, a personal trainer, guided exercises, nutrition counseling, offering a holistic approach to the client”.

Accordingly, employees in small fitness businesses play a vital role in delivering an excellent customer service to ensure that they retain customers (see e.g., Voorhees et al., 2020). To achieve excellence in service delivery, employees have to build a solid knowledge base and continuously educate themselves to improve, update, and develop professionally. A lack of specific knowledge and skills could influence the quality and appropriateness of their advice and, in turn, impact the outcomes of their interventions (Cade & O’Connell, 1991). To remain competitive during the pandemic, the interviewed employees are continuously investigating new training regimens, evidence-based approaches, and trends in nutrition and physical activity, and have been acquiring high-tier personal training certifications in courses or seminars. For instance, P7 stated, “I want to try to find something new all the time, to improve myself constantly. Novelties are being introduced continuously. It is necessary to go in step with the technology, science, and customer needs”. P2 declared, “There is no monotony. They do not know what awaits them, and therefore every training session is a challenge and a surprise. Especially training I can design on my own with all the knowledge and professionalism I have”.

Evidently, a comprehensive service offers a broad spectrum of valuable benefits offered to the customer, making a particular small fitness business a preferred service provider. As one interviewee, P4, described, “It’s a mixture of several things. It’s one thing to give them advice or take time for them, and your time spent with them changes something for them. The professionalism of the advice and dedication are also important, as well as the content of the advice. At the same time, they feel—which is quite fast in our business—authenticity, energy, experience, and knowledge.... In such a way, the customer feels that [they] are receiving 110%”. This approach creates trust in fitness providers, as further reflected in word-of-mouth marketing. For instance, P5 commented, “I can say that we mostly rely on word-of-mouth marketing. Your good work builds trust and encourages new people to engage with us”. It seems that satisfied customers are especially valuable to a small fitness customer service as the latter is often limited in its capacity to allocate financial resources to pursue demanding marketing strategies to attract new clients (Syed, 2009).

Engaged employees

Small fitness businesses build strongly on their staff, who can impact the overall customer experience significantly (Matić et al., 2017). Our interviewees emphasized in-depth knowledge, experience, and continuous education as crucial factors in remaining competitive. For instance, P7 noted: “In principle, constant training, self-education, following trends in all areas, e.g., the most recognized institutions and individuals in these fields, gives a person the confidence to work with quality and justification. In Slovenia, at least as far as I know the market, very few such coaches have worked like me for 20 years.” To ensure

employee engagement, the interviewed small fitness businesses carefully recruit staff to represent their businesses well. In fact, much attention is paid to soft skills like empathy, patience, the ability to listen and communicate clearly, and courteousness. Motivated and enthusiastic employees are more willing to provide individualized attention, inspire trust and confidence in their business’ programs, and anticipate and respond to customer complaints (Peitzika et al., 2020).

Individualized approach

Customers increasingly seek a sense of belonging and community in choosing a fitness community. Such a sense of belonging has been proven to improve customer loyalty, word-of-mouth advocacy, and lifetime value (Becker et al., 2021). Since individual customers perform fitness activities for a variety of reasons, considering psychographic and lifestyle characteristics allows fitness businesses to apply an individualized approach to enable them to work with customers more effectively and efficiently, generating greater satisfaction with their fitness offerings (Woolf, 2008). A population that prefers an individualized approach might define a niche market, yet it might also be highly beneficial for small fitness businesses that target it. Several of our interviewees mentioned individualization in their service offerings. For example, P5 stated, “I think that one-on-one training will continue to work, as more and more people need to talk, especially during these times. Even a coach is usually a psychotherapist. We know that during individual training, one does not just train one-on-one, but mostly talks. They [the individual customers] are those who are the most loyal, trustful, and showing the sense of belonging”. Similarly, P6 commented, “The next thing, once it comes to business, is the attitude I have towards my trainees.... I am available to anyone who needs help outside of time, for which they pay me”. Moreover, tailored services meet the needs of particular consumer groups, making a business more attractive. For instance, P2 mentioned, “I have a group of younger post-partum women with an individual approach. I combine group training, which is to some extent personalized to individual customers, so they can all actively participate”. The individualized approach adds to the service’s attractiveness and allows customers to make better use of the service. However, highly trained staff members often still perform individual consultations, offering additional points of differentiation.

Facilities

Customers appreciate fitness facilities that are easy to access, neat, comfortable and modern while being physically active (Doherty, 2013; Macintosh & Doherty, 2007). The physical attractiveness of fitness facilities has been referred to as an extra benefit from the customer viewpoint; for instance, P9 stated, “We have it arranged to look like a living room. Stairs, chandeliers, our lockers are large and wooden, the changing rooms airy and bright. To make people feel at home. I don’t like sports facilities because they are usually cold and stink”. Similarly, P10 observed, “It’s

not crowded. It is also advantageous that the fitness center is on the first floor with more light, [a] pleasant environment, private parking". Ample parking opportunities, a convenient location, hygienic practices, the layout of the workout area, and a range of modern equipment were mentioned as pivotal for differentiating fitness facilities.

Transitional BM

Value creation and delivery refinement

Small fitness businesses have been forced to approach value creation and delivery refinement to adapt to the 'reality' of the COVID-19 pandemic and the ensuing time period. All of the facilities investigated in the presented study had to change their modes of operation to limit in-person operations. Upon reopening, most of the small fitness businesses had (or preferred) to allow only fully vaccinated customers to return to their facilities. This then placed several small fitness businesses in a fight-or-flight situation and some shifted to live-streaming lectures and instructions to overcome the pandemic-induced limitations. As one interviewee (P6) declared, "It was simply not possible to work live; it was necessary to work online. Accept, eat the meat on the bone, and try to do what you can". Still, not every business we interviewed found digital interaction to be a satisfactory replacement for the in-person operations, but instead used it to maintain contact and communication with their clients. For instance, P11 commented, "We all know what these Zoom exercises are like. Three were watching you, two were doing something else, and three were cooperating. If the contact is not physical, it is half an exercise. There was something online at the time of the coronavirus, but only for establishing and maintaining contact with the clients I had, and not for teaching them in this way".

Although the use of modern digital infrastructure enables small fitness businesses to sustain their operations, a virtual environment offers limited opportunities to shift operations given the nature of fitness, health and sports activities that involve collective effort, personal support, and the use of a professional physical infrastructure (Piotrowski & Piotrowska, 2021). Further, most of the small fitness businesses we interviewed were neither technologically savvy nor financially strong enough to afford to develop high-quality digital offerings able to compete with the leading industry operators' premium offers (e.g., Peloton) (see, e.g., G. D. Sharma et al., 2022). Nevertheless, these small fitness businesses turned to existing social and video platforms for live exercising streaming, instructor-driven exercising, and on-demand workouts. Some interviewees shared their skepticism regarding the credibility of using online distribution channels, such as P9: "We didn't go to any social media or YouTube channels because we didn't have apps and experience. If the matter is not of good quality, there is no point in doing it. Ultimately, I'm aware that people don't want to pay for it, nor is it added value for them".

Interestingly, some businesses considered complementary solutions and, for instance, decided to substitute out-

door leisure activities for indoor activities (e.g., excursions and sports weekends) to meet consumers' preferences for socially desirable fitness activities away from crowded fitness facilities. For instance, P2 described, "In the first wave of the pandemic, when my first fitness center was struggling to keep customers, we connected with the manager, and as soon as the weather improved, we offered short and active trips in addition to workouts, from various hiking trips to a visit to the adrenaline park". Still, many providers re-designed their membership and pricing schemes to offer additional flexibility and retain clients.

Changes in consumer behavior

The disruptions created by the COVID-19 pandemic meant small fitness businesses lost a significant proportion of their customers. Facility closures disturbed customers' daily fitness routines and hampered their physical activity, as evidenced by past research (Puccinelli et al., 2021). In addition, the sanitation regimes imposed during the pandemic introduced anxiety and perceptions with negative connotations among customers, especially seniors. The latter are categorized as more susceptible to severe coronavirus disease (Y.-J. Kim et al., 2020). Hence, P7 noted, "I see these senior adults, say over 50 years old, being very careful to have as few people as possible on the premises. I think this is also a bit due to the current situation and the fact that the media has a lot of influence. It seems to me that people are a little too scared, that there is too much fearmongering. As a consequence, people are avoiding indoor and demanding outdoor exercise".

Although physical activity was promoted as one of the key strategies for battling the unfavorable health outcomes of COVID-19 (Chen et al., 2020), numerous customers reduced their level of physical activity and increased their sedentary time (Ammar et al., 2020; de Oliveira Neto et al., 2020). It seems that COVID-19 increased awareness of the health benefits of physical activity while at the same time bringing about the negative social and psychological consequences of the lockdowns and social distancing (Hammami et al., 2022). For example, P12 stated, "I think customers are increasingly aware of the importance of movement and regular exercise for strengthening the immune system and avoiding major health issues. The epidemic has taken this even further." On the other hand, the health concerns, safety issues, and anxiety diminished interest in indoor group exercising, as stressed by P7: "I know people I worked with before the COVID-19 pandemic who haven't been at fitness for a whole year. The situation is improving, but the vast majority have become lazy and face inertia to reactivate again. Few have remained with the same level of interest in movement and sport".

The customer preference for socially distanced activities away from crowded indoor fitness facilities is reflected in the greater use of virtual exercise in home settings. Home-based fitness activities, such as body weight training and dance-based aerobic exercises (Zumba, audio-visual gymnastics), thus became more attractive to customers. Many interactive fitness apps require home fitness equipment (e.g., Peloton, NordicTrack, iFit), driving purchases of at-

home fitness equipment (e.g., treadmills and stationary bikes) to maintain fitness and active lifestyles (Nyenhuis et al., 2020). Some small fitness businesses offer virtual communities and health-metric tracking that might be enticing for individuals who need social support, a sense of community, and accountability. Nevertheless, home exercising might also involve negative externalities, such as a bigger chance of being injured, excessive exercising, unsuitable workout programs, or incorrect performance of exercises (J. Guo & Fussell, 2022). As P12 commented, “There was a lot of demand for fitness products for home use. This is great for us because it means our segment is evolving even more. Yet it is a double-edged sword. The problem will be the control, professionalism, and execution of individual movement patterns”. However, a virtual workout requires motivation and self-discipline and exercising using digital means thus might not be suitable for everyone. This was shown in P2’s comment: “At least as far as the fitness industry is concerned, we have proven that it is not the same as it was, but digitalization and online training are the best approximation. There used to be less of this, but now there are more and more apps that serve and guide you. If you have self-discipline and if you are not the social type of person who needs a push and company, this serves as a very good substitute for you”. In contrast, customers who prefer individualized training, in-person feedback, and professional equipment resisted moving to digital environments.

COVID-19-induced adjustments

The aforementioned restrictions caused the fitness industry to experience a significant drop in income (estimated at 75%) (The Slovenia Times, 2021). Brick-and-mortar fitness businesses were forced to develop or adapt alternative ‘digital offerings’ for remote workouts. Second, the sanitation regimes introduced by the health authorities required regular disinfection of equipment and common areas, hand-sanitizing and spare masks, limiting the number of clients who could use the facilities (where the number of clients depended on a facility’s floor space in square meters), and social distancing, among other measures. An additional layer of complexity for their coping strategies was introduced by the continuously shifting COVID-19 restrictions, as shown in P10’s comment: “At the first opening, there was a lot of confusion and a lot of measures that were constantly changing. We tried to be as up to date as possible, to adhere to the principles of cleaning and disinfection, masks, and warnings. It was extremely difficult. It was difficult for a customer to understand that every day brings different rules”. The authorities’ lack of attention paid to the promotion of a healthy lifestyle was also criticized: “I miss a holistic presentation of the problem. There is too little emphasis on the importance of a healthy lifestyle for our health, immune system, individual resilience” (P7).

Following the shift to an online environment and digital offerings in response to the COVID-19 restrictions, the small fitness businesses we interviewed grew skeptical about the long-term sustainability of this approach. This skepticism evidently lies in discovering several advantages

of streaming synchronous online trainings, reflected, for instance, in the statements below:

P6: “In [the] COVID-19 period, I ran workouts via Zoom due to the 70%–80% decline in physical exercising. In the first month of the pandemic, the interest in it was highest but then declined. Maybe because customers prefer to work live or work out online, it’s just not for them. For me, working online was an experiment during COVID-19, mostly intended to maintain physiological health and contacts and not to foster my business”; P12: “To adapt to the new COVID-19 realities, we decided to carry out the exercises online, although everyone preferred to attend live exercises as soon as possible. It can be a short-term solution, but it is not for changing the business model”; P1: “I think that the quality of the service in online environments is lower because it is less attentive, less connecting. The energy transfer is not the same as it is in live settings. This is much more than doing 45 minutes of exercise and taking a recovery drink. The community has a much higher value, so I don’t see myself completely online”.

The disruptions during the COVID-19 pandemic also impacted the fitness industry by creating delays in deliveries, shortages of essential products, and longer shipping times. The initial uncertainty regarding the length of the COVID-19 pandemic prompted some customers to acquire at-home gym equipment, causing additional demand fluctuations. One interviewee commented, “There were a lot of issues with the delivery times that used to be 2 or 3 weeks, but now it’s shifted to 3 to 6 months. According to our information, one of the main and fundamental arguments is that there was a lot of demand for fitness products for home use” (P12). P4 commented similarly, “The COVID-19 definitely extended the opening of my jungle gym by about 3 months and gave me a few headaches. Prices went sky high for fitness equipment, and shipping fees went up tenfold. So, if you invest in a new gym, it is definitely more expensive today, and the delivery takes longer”.

BM resilience

Loyalty

Customer satisfaction and service quality fostered loyalty to small fitness businesses during the COVID-19 pandemic. Inasmuch as customer satisfaction is closely related to the services provided (Zeithaml et al., 2002), customers feel satisfied when they receive value that is greater than expected. In comparison, customers experience disappointment when they receive value that is lower than expected. Both customer satisfaction and service quality serve as predictors of loyalty, which is related to the extent to which customers wish to repurchase or reuse a service despite a variety of factors that hold the potential to cause “switching behavior” (H. Singh, 2006). Dyadic interaction between the services provided and the customers introduced a unique service component that affected the customers’ quality judgments during the pandemic.

One interviewee, P1, commented: “I would put the relationship in the first place. It is much easier for a person to return to someone with whom he has a positive relation-

ship, knows him, and is at home than to go to a new environment. If you have worked with a client for months or years and the client is happy with you, you remain competitive and progress. In this case, there are very few reasons why a customer would replace you. You can keep such a customer if you have a good enough relationship. So, one is the attitude; the other is the result of the quality of service. I think these are the two main things. The other thing is the results they have with us. ‘You don’t change the winning five’, they would say in basketball. If you have a result with a concept, you will not change the concept as it works”. Similarly, P11 commented, “You return to where you were not disappointed. It’s the satisfaction of doing well. People go back to where they can trust; they go to a safe environment”.

Our interviewees emphasized the importance of a service provider’s willingness to assist customers, enthusiasm invested in the service delivery, courteous behavior, and flexibility in terms of matching customers’ desires. Customers expected the small fitness businesses to create genuine bonds with them during the COVID-19 pandemic. Hence, as P6 noted, “Most of the people who come to me stay with me. One thing is that I try to supplement and improve the matter we are working on, to offer the highest quality. Training is not just about someone coming to you and doing something for an hour, but every coach creates a physical place where people come to feel better. In other words, they come in [with] a certain feeling, and from there, they become better”. Service superiority creates a long-term relationship that serves as a buffer at times of disruption and influences the intention to maintain membership. For instance, P4 stated, “Our activity is a very special activity, as we know people well on a personal level, so they trust and want to keep paying even during a pandemic. So, one was a solidarity effect, and the other was the need for people to break through their daily routine and therefore be happy to pay for online workouts”. Still, the interviewees stressed that a committed customer often attracts new clients through word of mouth.

Flexibility

The small fitness businesses’ ability to understand the current and developing needs of their customers was critical for their coping strategies. What is more, successful small fitness businesses demonstrate adaptability by reshaping their operations and are deemed responsive from the customer standpoint. Those characteristics tend to be crucial for ensuring the resilience of a BM during the COVID-19 pandemic. Small fitness businesses have recently begun shifting from merely surviving the pandemic to thriving in the post-pandemic future by developing long-term customer relationships. As two-thirds of customers intended to return to onsite training after the restrictions were relaxed, small fitness businesses are well equipped to deliver their services in a hybrid form.

Interestingly, the small fitness businesses we interviewed were able to adapt rapidly also in terms of their downsized operating costs, as highlighted by P4: “We have been hit hard by this crisis, but not so much as classic gyms

with large spaces, large rents, large, fixed costs, large investments from before. Many of them are probably on the brink or failed”. The ability to adapt an organizational design to accommodate change, adhere to the new measures, and provide individualized coaching through a variety of means to serve their niche customers were crucial factors in operating amid the disruptions caused by the pandemic. In addition, following their successful navigation through the pandemic, small fitness businesses managed to alleviate concerns and ambiguity among their consumers, especially in relation to the possibility of contagion and proper hygiene: “The positive thing was also cleanliness when it comes to disinfection, ventilation, care about towels. We are a smaller fitness center, so it is easier to stick to measures and maintain a social distance” (P10). Small fitness businesses emphasized the flexibility of their staff in performing a wide range of tasks and adapting to innovative short-term strategies. Further, having more straightforward organizational structures and more fluid communication facilitated the development of a culture of swift adjustments as essential factors assuring flexibility.

Some interviewees pointed out the benefits of delivering services through digital means. For instance, P1 noted, “In fact, the online environment is a great advantage for the internationalization of SMEs. We didn’t pay much attention to it previously due to being unaware of the power of digitalization. It allows more flexibility, great digital marketing, the organization of events and conferences, more time for exercising, and distance work with customers. So, I think that the hybrid work is the best option for us”.

DISCUSSION

The exigencies prompted by the COVID-19 pandemic imposed a considerable burden on small fitness businesses, necessitating adaptations of their existing business models (BMs). Aligning our insights with the dynamic capabilities view (Teece, 2018), we delineate how these firms exploited their dynamic capabilities, conceptualized as the capacity to reorient, amalgamate, and recalibrate their internal and external proficiencies to adapt to volatile environments, for survival and future growth. At the same time, our study corroborates, contradicts, and extends pre-existing scholarship on dynamic capabilities and BMs by revealing how small fitness businesses sensed the environmental perturbations engendered by the pandemic, seized the potential of digital technology, and undertook transformative measures in their BMs.

The pandemic-induced restrictions and consequential shift in consumer preferences have substantially impacted the fitness industry, compelling small fitness enterprises to recalibrate their business strategies and BM in response (Rada & Szabó, 2022). The prevalent strategy observed in our study was the swift digitalization of fitness services – a reactive innovation borne out of need rather than strategic foresight.

Yet, whilst doing so, the businesses needed to implement adjustments to their existing BMs and consider their resilience to ensure a seamless return to the conventional mode of operation from the ‘new normal’ post pandemic.

Notably, we discerned a two-tiered approach to coping mechanisms within the studied enterprises. First, they adopted a trial-and-error framework, reflecting the inherent uncertainty and the difficulty of predicting post-pandemic business landscapes. Second, businesses focused on adjusting their value propositions within their BMs to foster resilience through customer loyalty and enhancing the determinants of their survival and future growth (e.g., responsiveness, adaptability, learning, flexibility), aligning with the literature (Andreassen et al., 2018; Keiningham et al., 2020). Our findings suggest that the need for these short-term adjustments established a trial-and-error BM architecture in the form of a transitional BM.

Relationships built on customer loyalty allowed small businesses to lower their costs and identify and acquire important tacit knowledge from the external environment, which is potentially beneficial for adaptation to the disruption, driving flexibility and BM adaptation (see, e.g., Volberda et al., 2010; Wang et al., 2020). Only businesses with proper capabilities to acquire and assimilate external knowledge are able to reconfigure, extend, and leverage their resource bases and competencies in dynamic and flexible ways (Zahra & George, 2002), allowing them to implement BM adjustments rapidly.

During the COVID-19 pandemic, small fitness businesses were encouraged to utilize resources and capabilities to design digitally savvy service delivery (see, e.g., Akpan et al., 2021), focusing on the comprehensiveness of services, customer relationships, and adjusted value propositions. A value proposition should build continuously on intangible (e.g., social networks and knowledge) and tangible (e.g., facilities and digital solutions) resources to offer comprehensive services through various modes of operation. Post pandemic, the businesses seem to be shifting to offering comprehensive services. The services such businesses offer tend to be customer-centered in light of the demand from end-users in the fitness industry for tailored services. Among the more compelling digital solutions they considered, the small fitness businesses under study chose between live-streaming workouts and uploading on-demand workouts, online coaching, and supplying licensed content for home workouts to their members. Elaborating on our identification of “general” and “niche-oriented” BMs and the need for tailored services, we thus assert that the fitness industry is no exception in failing to find a “one-size-fits-all” mode of operation. Rather than struggling to develop a universally applicable BM, small fitness businesses should deploy a transitional BM to ‘test’ adjustments to their existing BMs.

As the small fitness businesses increasingly work to develop comprehensive services, the fitness industry faces blurred boundaries between offerings. Our research could not however identify the inter-organizational arrangements that may have added to the coping strategies of small fitness businesses during the COVID-19 pandemic. We suggest that, to enhance BM resilience, small fitness businesses should facilitate joint-value-related activities and “match external environments with internal advantages”. Adopting procompetitive behavior as part of BM resilience

could enable small businesses to overcome business disruptions and return to business as usual (Hadjielias et al., 2022). Further, small businesses could view the internal advantages revealed in our study (e.g., know-how and experience) as complementary to value co-creation with other small fitness businesses. The seizing of such opportunities could also be further supported by intermediaries such as national fitness associations.

Finally, our findings corroborate past research (e.g., Breier et al., 2021) that pinpointed the impact of financial incentives and restrictions on small fitness businesses due to their heightened sensitivity. Small businesses, regardless of their industry, are known to be particularly sensitive to rapidly changing environments, especially in the aftermath of unprecedented events like the COVID-19 pandemic (G. D. Sharma et al., 2023). In fact, such heightened sensitivity may be seen across various sectors, including manufacturing, retail, entertainment services, and hospitality. Since small businesses are largely present in sectors with low entry barriers, they have faced disproportionate challenges (Albaz et al., 2020). The confluence of common factors for those small businesses (e.g., substantial lost income attributed to dwindling demand, challenges in meeting short-term obligations, and a decline in service deliveries) increases the risk of permanent closures.

In addition, the challenges of continuous supply and production activities among some businesses have been exacerbated, with small businesses struggling to operationalize production activities due to the mentioned COVID-19 mandates. Operational challenges during the COVID-19 pandemic further underscore the vulnerabilities of different small businesses. Factors like labor shortages, exacerbated by travel bans and quarantine protocols, have resulted in a dearth of specialized labor, impeding SMEs’ capacity to meet consumer demands (Sahoo & Ashwani, 2020; G. D. Sharma et al., 2023). Notably, many small businesses source their supplies from regions strongly disrupted by the COVID-19 outbreaks, adding an extra layer of complexity to their modes of operation (Takeda et al., 2022; Thukral, 2021).

In spite of some common characteristics that make small businesses especially sensitive to risks, small businesses can differ in the organizational characteristics that underpin their adaptability. Small businesses that have gained prominence devoted attention to attributes like value-based management, a proactive approach, a streamlined BM, and bold relationships with stakeholders within the business ecosystem (Ates & Acur, 2022), including national associations (e.g., the Fitness Association of Slovenia in the role of an intermediary) and customers. In line with past research (see, e.g., Kurtz & Varvakis, 2016), we believe that small businesses would have been better prepared had a ‘proactive approach’ been incorporated into their pre-pandemic risk-management strategies. In a similar vein to findings from Franczak and Weinzimmer (2022), the lack of proper, well-funded risk management made it difficult for small fitness businesses to develop dynamic capabilities as a ‘cost with limited benefits’.

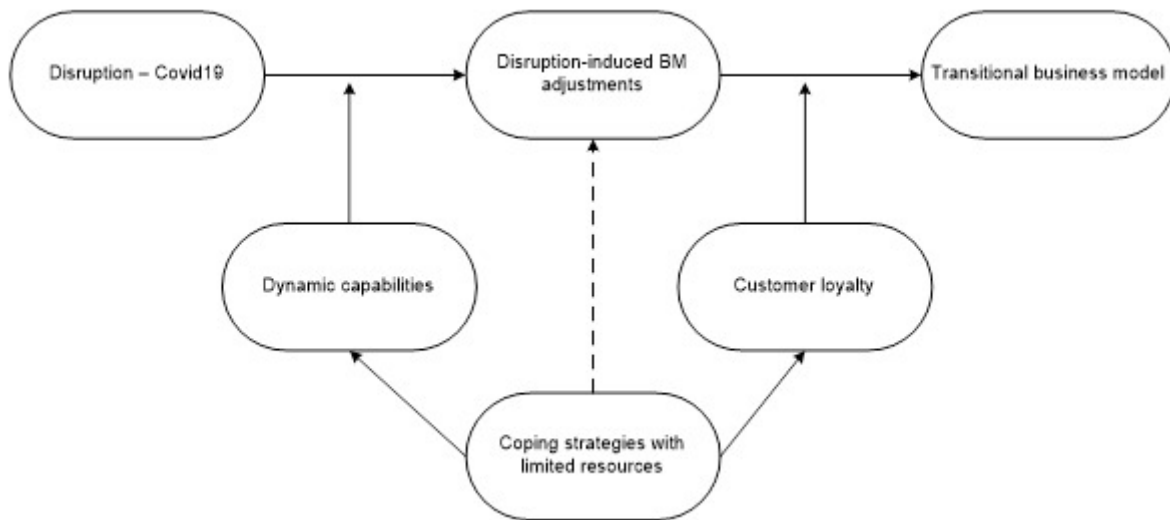


Figure 2. A grounded theoretical model of a transitional business model for small fitness businesses

The literature also demonstrates that the essence of resilience is not merely about responding reactively to individual shocks (see, e.g., Menter et al., 2023; G. D. Sharma et al., 2023; Vakilzadeh & Haase, 2021). Instead, it is about fostering a culture of continuous adaptation to evolving businesses ecosystems. While this perspective emphasizes the important role of resilience as an indispensable tool for small businesses to navigate through similar crises (G. D. Sharma et al., 2023), the transitional BM offers a platform for small businesses in a range of industries while applying adjustments continuously.

Given these shared opportunities and challenges, the findings arising from the study of small fitness businesses can offer valuable insights for a broader array of sectors both within the country and globally. Our findings also show that using a BM as a unit of analysis allows for value propositions to be adjusted and helps build customer loyalty (see Figure 2). Indeed, we found that customer loyalty acted as a facilitator for small fitness businesses seeking to implement adjustments to their transitional BMs, offer comprehensive and personalized services, and account for the limitations stemming from the disruption itself and the restrictions imposed.

In our exploratory framework, we emphasize the pivotal role of customer loyalty within the context of business model resilience. This concept posits that enduring customer relationships are integral to a firm's capacity to rebound from disruptive events. This perspective aligns with the broader understanding that the resilience of business models is, in part, defined by their ability to sustain and intensify customer engagement, especially during challenging periods. In the grounded theoretical model, dynamic capabilities are not interpreted merely as a comprehensive theoretical construct but as tangible, actionable competencies that small businesses employ to achieve strategic agility, which is crucial for the resilience of their business models. Our grounded theoretical model, therefore, posits an interplay between dynamic capabilities and customer loyalty, synergizing to facilitate the formulation and imple-

mentation of coping strategies with constrained resources. In such models, the duality of adaptability (enabled by dynamic capabilities) and stability (provided by a loyal customer base) coalesces, engendering a form of resilience that is vital for small and medium-sized enterprises operating in turbulent environments.

Theoretical contributions

The small fitness businesses we studied experienced *imposed service innovation* as they were forced to adjust to sudden and unforeseen disruptions in their limited-resources environment (Heinonen & Strandvik, 2021). Given that small businesses usually possess limited resources, their transitional BMs must in many respects remain similar to the existing BM in the fitness industry and, evidently, allow for adjustments in value-related dimensions (e.g., value propositions) and BM elements such as distribution channels with a stress on increasing customer loyalty. On top of their disruption-induced BM adjustments, the coping strategies of these small fitness businesses had to account for the restrictions imposed. Here the difficulties reflected considerable ambiguity regarding the timing, scope, and duration of any particular restriction or safety measure. Our findings importantly underscore the pivotal role played by dynamic capabilities in orchestrating modifications in BMs, a finding consistent with the propositions of (Teece, 2018; Teece et al., 2016). The findings also emphasize the instrumental role of customer loyalty in driving BM adaptation. When combined with the latent potential of value co-creation and strategic alliances, this highlights the indispensable role of relational embeddedness in crisis management, resonating with the perspective proposed by Appiah et al. (2019) and Wang et al. (2020).

Prior scholarship tends to depict proactive risk management and dynamic capability development as costly and of limited return for small businesses (Franczak & Weinzimmer, 2022), yet our findings present a counternarrative that points to their essentiality. Small fitness businesses exhib-

ited strategic nimbleness and made significant adjustments to their BMs and service delivery, despite limited resources, adding a new layer of complexity to the dialogue concerning firm size and dynamic capabilities. Such a reorientation to understanding serves to amplify the contention of Eggers (2020), Thomas and Douglas (2021) and Khurana et al. (2022) concerning the indispensable need to incorporate disruption readiness into the strategic planning tapestry of small businesses.

In the realm of BM scholarship, our findings accord with the paradigm that emphasizes the centrality of value proposition adjustments during times of crisis (Osterwalder & Pigneur, 2010). This is observable in the studied businesses' strategic shift to customer loyalty and bespoke services. Yet, our study transcends the current understanding by introducing the concept of a 'transitional BM' in small businesses' operations, a malleable structure facilitating iterative adjustments in response to fluid environments. This concept injects a temporal perspective into the BM discourse and elucidates the evolution of BMs during crises. Drawing theoretical implications from our investigation, we posit that transitional BMs should be perceived by small fitness businesses not as mere temporary solutions, but as pragmatic and flexible mechanisms to navigate disruptions effectively (see e.g., Morris et al., 2006).

To summarize, the current study makes three key contributions to the BM literature. First, we extend the dynamic-capabilities perspective on BM adjustments by examining the impact of rapid changes in value proposition during the COVID-19 crisis. This enriches existing discourse on the challenges small businesses face during disruptions, building on seminal works like Tripsas and Gavetti (2000). Second, we propose a "transitional BM," a trial-and-error platform for quick BM adjustments, aligning with Allas et al. (2021). Our work emphasizes the importance of BM resilience and customer loyalty, particularly during business disruptions. Third, our focus on the health-and-fitness industry confirms the shift towards online operations, as noted by Gupta & Singh (2021).

We highlight the challenges small businesses face in digital transition, consistent with Sharma et al. (2021), and stress the increasing necessity of digital capabilities (Mossberger et al., 2022). Our study advocates for a more temporal approach and deeper exploration of customer loyalty. Future research should offer a comprehensive view of transitional BM, considering all its value-related dimensions.

These contributions collectively enrich the existing literature and open new avenues for research into the intersection of dynamic capabilities, BM innovation, and crisis management, especially in the unique context of resource-constrained small businesses (Weaven et al., 2021). Furthermore, the presented research constitutes a promising foundation for subsequent inquiries into the confluence of dynamic capabilities, BM innovation, and crisis management for small-scale businesses. It is strongly hoped that our findings will act as a catalyst for further nuanced explorations of how businesses, especially those with resource constraints, can adapt and thrive amidst environmental uncertainties and disruptions.

The businesses we studied proved sufficiently flexible as they relied on their dynamic capabilities to make deploying their coping strategies possible (e.g., G. D. Sharma et al., 2022). However, a certain degree of ambiguity regarding further development remains in the fitness industry in the aftermath of the COVID-19 pandemic, complicating business planning. Although operations in small fitness businesses are gradually shifting from being devoted solely to adapting to the disruptions, the situation today remains unparalleled and still far from the pre-pandemic mode of operation (e.g., with physical activities emphasized and without any health-and-safety measures designed to prevent the spread of COVID-19), as long-term service innovation (e.g., personal training) will have to account for changing consumer preferences.

Drawing from the recent findings of Juergensen et al. (2020), we believe it is important to distinguish the short- and long-term challenges faced by small businesses. The immediate challenges principally revolved around disruptions during the COVID-19 pandemic, whereas the long-term challenges are more nebulous, varying by business type and industry. Mandates have further eroded consumer trust and disrupted global supply chains, leading to a marked decline in demand for services provided by small businesses generally (Lastauskas, 2022; Piva & Guerini, 2023). A nuanced understanding of the business disruptions proved to be essential for grasping the broader implications and for devising effective strategies, e.g., by adopting a trial-and-error platform for BM adjustments.

Finally, the presented study also advances our understanding of dynamic capabilities by showing that, when faced with unprecedented challenges, small businesses can deploy dynamic capabilities creatively and flexibly. The studied businesses do not only capitalize on their capabilities for firm survival but are also preparing for post-pandemic recovery and growth, as seen in their efforts to build customer loyalty and enhance future growth.

Managerial implications

This study holds several managerial implications. First, it was shown that considering the development of comprehensive services for customers can help a small fitness business become a preferred service provider. Such reasoning entails the need for adjustments not just to a BM but also to the business strategy and future employment. Managers in fitness businesses will need to consider hiring employees with a broad range of skills, knowledge, and areas of interest. Second, by exploring small fitness businesses in particular, we were able to see their advantages (e.g., flexibility) and limitations (e.g., limited resources), as they are holding a double-edged sword. On one hand, small fitness businesses' readiness to adjust their BMs prepares them well for business disruptions. On the other hand, when faced with a fight-or-flight choice, these businesses can end up worse off as a result of resource limitations. This means that managers must carefully navigate between flexibility and the 'costs' of such flexibility in terms of the available resources.

Third, by examining the interaction between the ability of small fitness businesses to accommodate their customers

and the adaptability they require to reshape their operations, small fitness businesses must remain responsive to customers during disruptions. As the disruptions associated with the COVID-19 pandemic inevitably impacted the fitness industry, causing delays in deliveries, shortages of essential products, and longer shipping times, we suggest that managers devote more attention to risk management in the future, e.g., by examining uncertainties in demand fluctuation, evolving disruption, and changing consumer preferences. Ultimately, the current study reveals a misalignment between the internal advantages of small fitness businesses and the external environment. We call for these advantages (e.g., specific know-how) to be transformed into complementary services able to be leveraged with other small fitness businesses in the wider business environment. Still, managers should focus on shifting from seeing other small fitness businesses as fierce competitors to viewing them as prospective partners in strategic alliances, facilitated by intermediaries such as national fitness associations.

We have provided the managerial implications for small businesses to assist in responding to the new challenges and surviving in the circumstances of the unfolding business disruptions. In fact, the transitional BM logic provides a useful perspective on responses to exogenous non-trivial disruptions that can enable a business to improve its competitive position. Second, the derived managerial implications from our observation of a transitional BM in the fitness industry demonstrate key success factors (e.g., loyalty) detected by practitioners and researchers, and identify domains such as risk management that should be addressed before future business disruptions.

Limitations

Although we aimed to deliver insights into a variety of small businesses in the health and sports industry, we must emphasize several limitations of our study that could be addressed in future research. First, the findings are based on a sample of Slovenian small fitness businesses, which might limit the generalizability of the findings across other types of organizations and cultural environments. Second, we also acknowledge a selection bias inherent in our sample. The businesses we engaged with for interviews were all operational at the time of the interviews and have adjusted their BMs to varying extents in response to the pandemic. Consequently, our findings may not encapsulate the full spectrum of responses to the COVID-19 crisis, particularly from businesses that were unable to redesign their BM and subsequently ceased operations – or might need to in the near future. However, it is important to note that the interviews conducted were during the ongoing pandemic and its aftermath, a period marked by the uncertainty on the long-term sustainability of the small fitness businesses. The dynamic and evolving context of the COVID-19 aftermath can affect the continuity of small fitness businesses.

Third, the present study did not investigate more proactive approaches to implementing BM adjustments, such as risk management and agility, which might significantly impact the implementation of such adjustments. The corol-

laries of a transitional BM with the necessary adjustments of operating performance deserves further attention and could be addressed by applying quantitative research to refine the underlying mechanisms identified in our grounded theoretical model.

Given that adjustments to a BM can be costly in terms of time and resources, the benefits of such adjustments might not always outweigh the costs, especially for small businesses. We thus encourage future research to investigate the negative effects of transitional BMs, such as the loss of customer loyalty and decreased service delivery value, to provide a more comprehensive portrait of a transitional BM offering. While we believe that our key findings help theoretically advance research streams studying the BM concept, promising fruitful research avenues remain open (see, e.g., Bond et al., 2020). Namely, future research could explore the dynamics of organizational change and the learning process during business disruptions for digitally savvy small businesses because better understanding of that context would shed more light on the plausibility and applicability of transitional BMs.

CONCLUSION

The COVID-19 pandemic led to business disruptions that severely impacted small fitness businesses. These businesses were forced to rapidly introduce adjustments by establishing transitional BMs in response to the pandemic. The adjustments implemented on the basis of a transitional BM seem to have had a lasting impact on the fitness industry. However, the findings of our study provide insights into the relevant dynamic capabilities needed to respond rapidly and effectively amid business disruptions with BM adjustments. As we traverse the post-pandemic landscape, it is becoming imperative to delve deeper into these domains that affect the BM adjustments, offering a roadmap for future research (Table 3).

The future research avenues for small businesses underscore the need to ‘adjust’ swiftly – when the business is disrupted. The Table 3 delineates the future-research contemplations according to our key themes, from the evolution of value propositions to the adjustments of BMs in the face of disruptions. A recurring motif is the need for small businesses to harness digital technologies, not as mere tools but as integral components of their BMs, to assure their resilience. Further, the emphasis on trust dynamics highlights the symbiotic relationship between businesses and their customers where consistent communication and delivering on promises are becoming the cornerstones of enduring loyalty. As businesses navigate the post-pandemic landscape, these contemplations and unsettled questions serve as a compass, guiding them towards long-term success. A transitional BM might also serve as a trial-and-error structure in crafting the success of businesses, indicating another opportunity for future research to investigate this link.

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Table 3. Future research

Future research avenue (theme)	Contemplations	Open questions
Value proposition	Exploring the potential for small businesses to diversify their offerings can provide a buffer against sector-specific business disruptions.	How can small businesses identify and tap into alternative revenue streams (e.g., by offering comprehensive services) without diluting their core value proposition?
Value proposition	Relevance during business disruptions.	The COVID-19 pandemic has altered consumer needs and preferences. How can small businesses recalibrate their value propositions to remain relevant during the crisis and after it?
Transitional BM	The pandemic has accelerated the digital shift. Investigating the integration of advanced technologies, such as cloud computing and predictive analytics, into such firms' BMs can offer insights into swift BM adjustments.	How to utilize digital technologies despite limited resources to enhance operational efficiency and strategic decision-making?
Transitional BM	Future research should explore the malleability of BMs in rapidly changing environments for better-equipped small businesses coping with the business disruptions.	How can small businesses pivot their operations rapidly in response to business disruptions?
BM resilience	Future studies should dissect the components of this resilience, offering small businesses a blueprint for fostering such tenacity.	Which specific components and interrelationships constitute BM resilience in small businesses, and how do these components vary across different industries and other contexts?
BM resilience	The pandemic has added to the importance of trust. Future research should delve into how small businesses can foster trust »dynamics« through transparency, consistent communication, and delivering on promises, thereby bolstering customer loyalty.	What are the long-term implications of these trust dynamics for customer retention and loyalty?



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APPENDIX: INTERVIEW PROTOCOL

General information

1. Background information
 - Information about the firm
 - Information about the interviewee's position, experience in the industry and the firm, and major responsibilities
2. Brief introduction to the research project: We are trying to get a sense of how business in the fitness industry thrived during the COVID-19 disruptions.

Questions:

• **Current BM and BMI experience**

1. Please describe how your firm operates – the current business model of your firm (model, description of how the company generates value for its customers and itself – value proposition, revenue model, market opportunity, competitive environment, market strategy, organizational development).
2. How frequently are you (fundamentally) changing the value proposition to customers and the underlying operating model (innovating your business model)? What are the reasons for BMI? (proactiveness, resourcefulness). How do you approach the redesign/innovation?

• **Imposed BMI due to COVID-19**

3. How have you adapted your business operations to the COVID-19 disruptions (unpredictable

competitive environment, unstable economic environment)? (adaptability, flexibility)

4. What alternative value proposition (BM) have you developed to benefit from the new circumstances? (flexibility, adaptability, BMI, specifics of the fitness industry)
 5. How have supply chain disruptions impacted your business? (resilience, resourcefulness)
 6. Which business partners/stakeholders have you engaged to better thrive during the crisis? In which ways (e.g., knowledge sharing, short-term collaboration, joint projects)?
 7. Which changes have been observed in customers' behavior during and after the crisis?
- #### • **Role of the loyalty and commitment of customers and employees**
8. What is the 'starting point', the focus of your BM, customer/firm/revenues...?
 9. What were the most important reasons for customers staying with you during and after the crisis? (trust, loyalty)
 10. What was the role of your employees in answering to the changes? (trust, commitment, engagement)
- #### • **Proactive BMI and risk assessment strategies**
11. Which risk assessment strategies were already in place before the crisis? (resilience strategy, awareness)
 12. Which strategies do you NOW have to anticipate and recognize future trends and threats?