

BUSINESS RESILIENCE IN CHALLENGING TIMES

LESSONS FROM THE MORETON BAY REGION

UNIVERSITY OF THE SUNSHINE COAST IN COLLABORATION WITH INNOVATE MORETON BAY



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ABOUT INNOVATE MORETON BAY

Innovate Moreton Bay is an entity of Moreton Bay Region Industry and Tourism (MBRIT), the region's lead agency for destination management and industry development. Innovate Moreton Bay fosters collaboration and shares opportunities to stimulate local business innovation and business development. Innovate Moreton Bay's programs support the local economy to create jobs and aim to turn the region into a hub for innovation and enterprise. Innovate Moreton Bay is part of Advance Queensland's Advancing Regional Innovation Program (ARIP).



Thank you to our proud program partners



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The content and findings are that of the researchers and do not necessarily reflect or represent the official views of the University of the Sunshine Coast.

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FOREWORD

The COVID-19 pandemic has presented small businesses around the world with unprecedented challenges. Moreton Bay Region businesses have not been immune to the pandemic's effects, but they have shown that they are determined, resilient and adaptable during this time.

Since the World Health Organisation (WHO) declared the pandemic on March 11, 2020, the Moreton Bay community has united through a number of MBRIT led initiatives such as:

Moreton Bay Tough — A campaign that sought to showcase our regional resilience, perseverance, innovation and community spirit, inspire and encourage the region to 'Buy-Local' and celebrate the positive stories that emerged in this time of adversity.

Business Moreton Bay Region — A platform of business support initiatives specifically designed to assist, inform, connect, and provide resources to local small and medium sized enterprises in the region. During COVID-19 the platform was further leveraged to provide digital content including e-learning resources and webinars, allowing industry to continue to meaningfully engage and access much needed information.

Moreton Bay, Minutes Away — A multi-media destination marketing recovery campaign targeting visitor markets within a 100km radius to holiday in Moreton Bay. This initiative was critical in supporting our region's tourism operators through this difficult period.

We are proud to partner with USC on this important and fundamental research project that seeks to explore resilience and innovation of regional businesses within Moreton Bay, and examine the social and economic impacts of the pandemic. **Initiatives such as this are crucial in helping us understand responses and outcomes and be better positioned to respond to future landscape-changing events.**

I would also like to thank the 20 business owners and their representatives for giving their time to share their experiences to inform and enable this research project to become a reality.

Through greater understanding and sharing the knowledge of our region's experiences of resilient and innovative responses, we can be better prepared to plan and respond to future challenges. **Together, we can look forward to a bright and prosperous future. Go #TeamMoretonBay!**



Shane Newcombe

Founder and CEO
Moreton Bay Region Industry & Tourism

EXECUTIVE SUMMARY

Small regional businesses have been hardest hit by the economic impacts of the COVID-19 pandemic.

University of the Sunshine Coast in collaboration with Innovate Moreton Bay (MBRIT) conducted research to better understand small business resilience and assist the broader community.

In this project, we developed research-focused case studies to **explore the resilience and innovation of regional businesses through interviews with 20 representatives of firms affected by the crisis in the Moreton Bay region**. We examined and analysed how these firms responded to the impacts of the pandemic and how their responses may have set them up to survive or thrive post-pandemic. The individual case studies of businesses who participated are available on the Innovate Moreton Bay website www.innovatemoretonbay.com.au/building-business-resilience-in-moreton-bay.

In Queensland a COVID-19 lockdown was imposed in the last week of March 2020 for six weeks. As the spread of the COVID-19 virus decreased, restrictions were gradually lifted from May to December 2020. Due to the immense uncertainty firms faced during this time, small business owners experienced extreme stress, as many adapted multiple times in changing circumstances.

Our literature review of business resilience in times of crisis show four types of responses, three of which are relevant to our case study findings: termination, survival, adaptation and innovation.

Termination

involves the closure of a business. None of the business cases interviewed fell into this category.

Survive (20%)

reflects a wait-and-see posture, as firms in this category wait for things to return to normal. Most firms in this category received government support in the form of JobKeeper or JobSeeker or have managed to reduce their fixed costs significantly. The biggest challenge facing these firms are that their competitors may have improved their skills, developed their digital capabilities, or changed their business models, and that their customers have changed their behavioural patterns. By waiting for things to go back to 2019-normal, which is unlikely in 2021, they risk being outcompeted by rivals who have adapted and innovated during this time.

Adapt (60%)

Most firms adapted and displayed resilience by developing skills, capabilities and resources to perform business activities in a way that suited the changing environmental conditions. These firms are well poised to restore their firm's performance levels as the economy resets and environmental conditions become more predictable. The resilience capability these firms develop is likely to set them up to be flexible and agile and able to adapt to future challenges.

Innovate (20%)

Some firms have changed and improved their business activities in multiple ways, found a new market, developed a new model, or now work with new partners after the initial severe uncertainty of the pandemic. By reconfiguring business activities in novel ways, some of these firms lost staff over the short-term, but have employed more staff in the longer term as new business models enabled them to thrive. The resilience of these firms is demonstrated in the new value created for their customers, business model innovations, and improved performance after the most severe restrictions of the pandemic were lifted.

Business resilience implications

Leadership implications

- Small firm owners play a pivotal role in business resilience, and their mental well-being, resilience and adaptiveness directly influences the sustainability of their business, their employees' livelihoods and well-being, as well as supply chain partners. Highly stressful situations provide an opportunity to develop resilience, adaptiveness and new knowledge, depending on previous hardships experienced, previous entrepreneurial experience, resource commitments and industry factors.
- Leadership is needed to activate employee potential and involve staff in idea generation and decision making about business operations and adaptations that could be made.

Business model adaptation and innovation

- **Innovation and adaptation start with a focus on creating value for customers.**
- Adaptors and innovators used the COVID-19 'downtime' for innovation, and research and development (R&D) to rethink and develop innovative business ideas or find ways to reconfigure their firm's business model.

Increase business resilience

- Firms can **increase their resilience by adapting to changed circumstances and by diversifying business model** elements, such as the markets served, products/services provided, the way in which value is delivered and revenue is earned. This can improve a firm's ability to adapt to exogenous shocks and minimise adverse performance impacts during challenging times.
- The strong shift towards the **adoption of digital and online business practices** require small firms to learn new digital skills and seek cost-effective ways to provide value to customers using digital technologies where appropriate.
- The COVID-19 crisis demonstrated the importance of **community support**. Most business owners emphasised the importance of supporting local businesses, collaborating, and contributing to community. Being part of a supportive business community, or industry network can help owner/managers to devise solutions.

Small firm owners play a pivotal role in business resilience, and their mental well-being, resilience and adaptiveness directly influences the sustainability of their business, their employees' livelihoods and well-being, as well as supply chain partners.

Recommendations



Develop more resilient supply chains regionally and nationally.



Address labour force vulnerabilities through industry and employee consultations.



Improve digital business skills and cyber-safe practices for businesses in the region.



Increase the focus on peer support and professional support to ensure the mental wellbeing of small business owners.



Develop Moreton Bay's reputation as an attractive destination for business through developing and sharing researched case studies, which contributes to increasing the small business knowledge base.



Establish a business-led group that is commercially neutral to support the business recovery, facilitate knowledge exchange and can provide peer support to other business owners.

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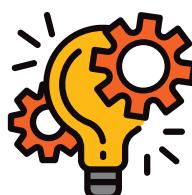
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OVERVIEW

Purpose of the project

This report describes and summarises the findings of the research project that focused on Moreton Bay region small business' responses to the COVID-19 crisis in 2020, through analysis of 20 case studies of local businesses.

Specifically, the study aimed to:



1

Explore how firms within the region responded to the COVID-19 pandemic restrictions.

2

Understand how firms adapt their business models in times of crisis.

3

Explore how some firms use the crisis as an opportunity for innovation.

Scope and research method

This project builds on previous research projects within the Moreton Bay region that seek to better understand how the entrepreneurial ecosystem evolves. The pandemic represents a global crisis that cultivated some resilient businesses.

Researchers in this project compiled 20 case studies of small firms in the Moreton Bay region, developed from 20 semi-structured interviews, and secondary published material available related to these firms. Case study data were collected from July to November 2020. As the region consists of many diverse communities, stratified judgement sampling was used to include small firms located in the urban suburbs of Moreton Bay, such as North Lakes, Mango Hill, Murrumba Downs,

Woody Point, Albany Creek and Brendale, as well as more outlying areas such as Wamuran, Bribie Island, Caboolture, Burpengary and Samford. In addition, businesses in the sample had been operating for at least 6 months and had experienced significant impacts from the pandemic, warranting a business response. Businesses were recruited by drawing on Innovate Moreton Bay's networks within the Moreton Bay entrepreneurial ecosystem.

The 25 hours of recorded audio, 200 pages of transcriptions, and secondary information available on the business cases interviewed were used to draw up case study descriptions of each business. These case studies were then analysed by searching for patterns through constant comparison¹. The research questions guided the iterative analysis to generate themes and patterns in relation to businesses' responses, business model changes and owner/manager reflections. To ensure the trustworthiness of findings in this study, the four criteria of rigour for qualitative research was adhered to in terms of credibility, transferability, dependability, and confirmability².

Diverse industries are represented in the case studies, with half of businesses serving business or government customers and the other half serving final consumers. Case study businesses come from the following industries: arts, sport and recreation services; food and agribusiness; professional services; information and media services; education and training; and technical services.

As USC adheres to strict ethical guidelines, the project has USC Human Research ethics approval (number A201424) and privacy is managed in compliance with the 2018 Australian Code for Responsible Research. All case studies have been checked for factual accuracy by the participants in the study and are available on the Innovate Moreton Bay website www.innovatemoretonbay.com.au.



BACKGROUND: THE COVID-19 PANDEMIC

The COVID-19 pandemic has had a severe health and socio-economic impact globally. Australia has fared better than most, and Queensland was able to contain the spread of the virus relatively well compared to other states, due to strict lockdown measures, quarantining, contact tracing and policing of the regulations.

Timeline of Qld government response to COVID-19

PRE-LOCK-DOWN	LOCK-DOWN	STAGE 1	STAGE 2
Awareness that Australia won't be unaffected by CV-19 virus	Severe restrictions for 6 weeks in Qld	Gradual easing of restrictions	
21/01: Flights from Wuhan to Sydney reduced (biosecurity measures) 23/01: Wuhan DFAT travel advice 25/01: 1st Aus confirmed case 31/01: WHO declares pandemic 13/03: 1st Qld virus death 19/03: Aus bans all arrivals by non-residents and non-citizens	23/03: Shutdown non-essential services 24/03: Qld gov \$4B package 26/03: State borders closed 29/03: Severe movement restrictions 3/03: Tightening of border restrictions 8/03: No cruise ships in Qld waters, Fines for breaking distancing rules Qld \$5.5m domestic violence support	2/05: Drive max 50km from home, family picnics and non-essential shopping allowed 11/05: Opening of schools. Pubs, clubs, restaurants & cafes: max 10 patrons	12/06: Gatherings max 20 people of family, friends & community Gyms, healthclubs, museums, galleries, weddings, retail – max 20 people, with COVID Safe Checklist Implications for accommodation, real estate, tourism, event venues, beauty services & spas Domestic recreation travel: 250kms OUTBACK: Dine in with COVID Safe Checklist, recreation travel only for outback residents

Phases of the pandemic in Australia and Queensland

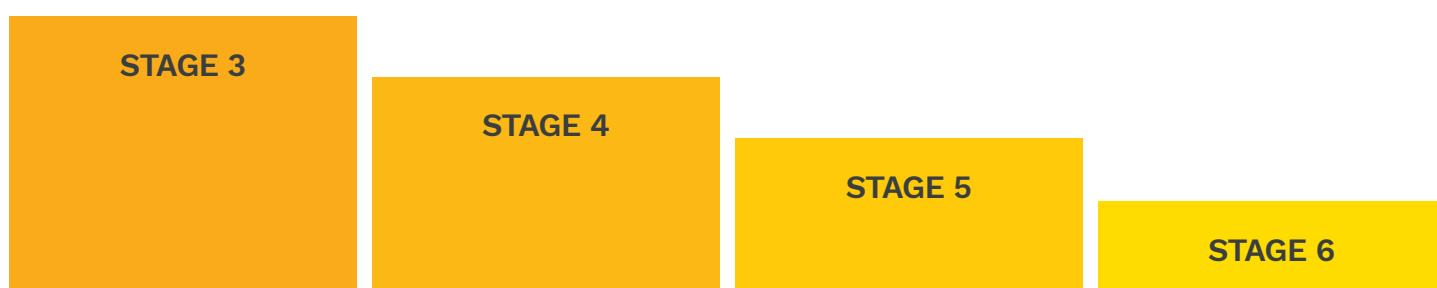
The context that businesses had to operate in is crucial to understanding business responses. The phases of the crisis can be characterised by pre-lockdown triggers during the first three months of the year that preceded national- and state-related public sector responses.

Pre-lockdown refers to the stage where businesses, residents and the government became aware of the novel coronavirus (COVID-19). Initially, it affected Australians travelling abroad and international tourists in December 2019 and January 2020, as travellers found they needed to change their plans, or could not enter certain countries or areas. Businesses who imported components, as well as those exporting goods were the first to be directly influenced by triggers such as supply chain disruption and stock shortages. The Australian Government implemented border controls to prevent the further spread of the virus in Australia as the World Health Organisation (WHO) declared a Public Health Emergency on 31 January 2020³.

In Queensland the first coronavirus death on 3 March raised alarm. Rapidly increasing cases of coronavirus infections escalated a national response from the Australian Federal Government. Lockdown measures, driven by public health concerns were imposed in the last week of March 2020, to limit the spread of the virus.

Towards the end of March 2020, Australia's coronavirus cases peaked at 467 cases per day. In Queensland, rates of infection decreased during April and May 2020. The Queensland government subsequently eased restrictions in stages, based on advice from health experts.

The lockdown and easing of restrictions had immediate implications for many businesses.



3/07: Qld residents returning from Vic – hotel quarantine
Inter & intrastate travel permitted

Max 100 people in venues

PUBLIC HEALTH RULES: physical distancing, 4m² p/person indoors, hand and respiratory hygiene, frequent cleaning and disinfection

Qld state border closures (Qld state border closed to NSW and Victoria)

1/10: Border Zone regulations are eased, except for hotspots

OUTDOOR DENSITY: 1 person 2m²

OUTDOOR EVENTS: Max 500-1000 people + COVID Safe Checklist

OPEN AIR STADIUMS: Increase seating cap from 50% to 75%

16/10: Max 40 people in homes & public spaces (incl weddings with CV safe plan), Year 12 formals: dancing permitted, Aged Care residents' excursions permitted

3/11: Borders open all states, except NSW hotspots (14 day quarantine) & Vic (28 days free of community transmission)

Open to NZ based on specific guidelines

Guidelines that can be enforced if there are community transmission outbreaks

1/12: Gatherings of 50 people max in homes and public spaces

OUTDOOR EVENTS: Max attendees 1000 to 1500 with COVID Safe events checklist

WEDDINGS: unlimited dancing with COVID Safe events checklist

Easing of border restrictions dependent on 28 days clear of no community transmission in areas

General guidelines

Socio-economic impacts from the COVID-19 pandemic

Australia's pandemic response policies were led by health experts and mitigated by economic stimulus measures. At the height of the lockdown, public gatherings were limited to two people. Australians were encouraged to stay and work from home and only leave for essential activities such as grocery shopping, medical care and exercise. The severity of Australia's policy response on 2 April is rated at 73.15 in comparison to China's peaking at 81.02⁴. State legislation was amended giving the Queensland government the ability to penalise non-adherence to health regulations.

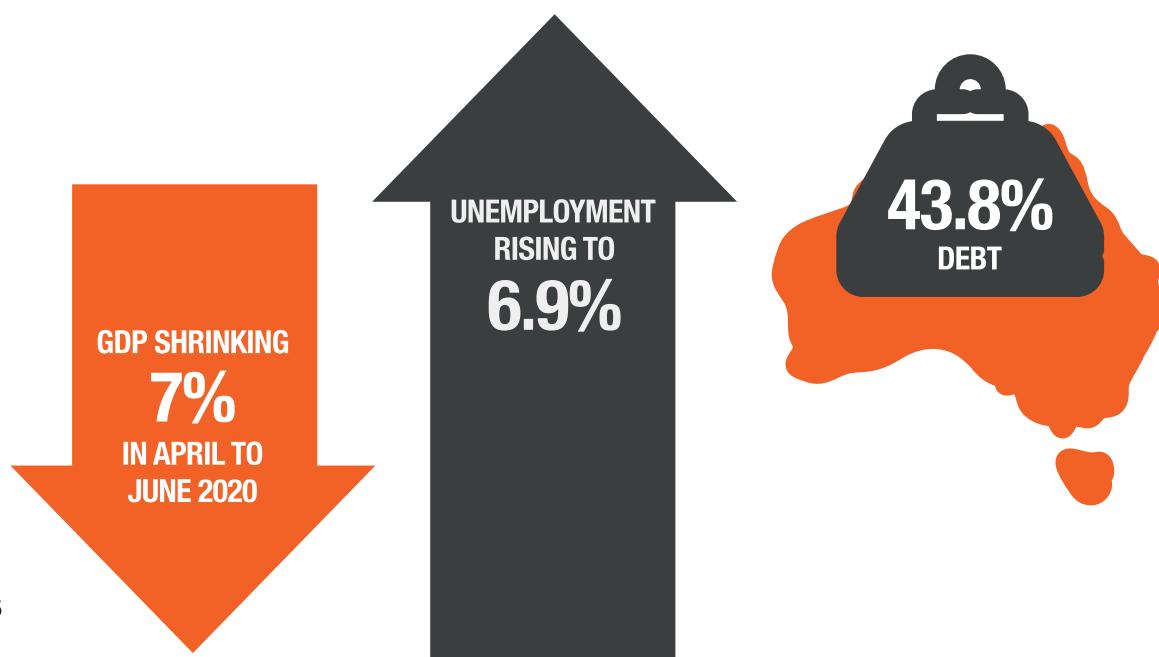
Economic policy responses

While the health of Australians was prioritised through stringent lockdown measures, the closure of the economy led to Australia's first recession in 30 years, with GDP shrinking 7% in April to June 2020, unemployment rising to 6.9%, up 1.7% compared to 2019⁵, and the country's net debt position at 36.1% in 2020-21, increasing to 43.8% in 2023-24⁶.

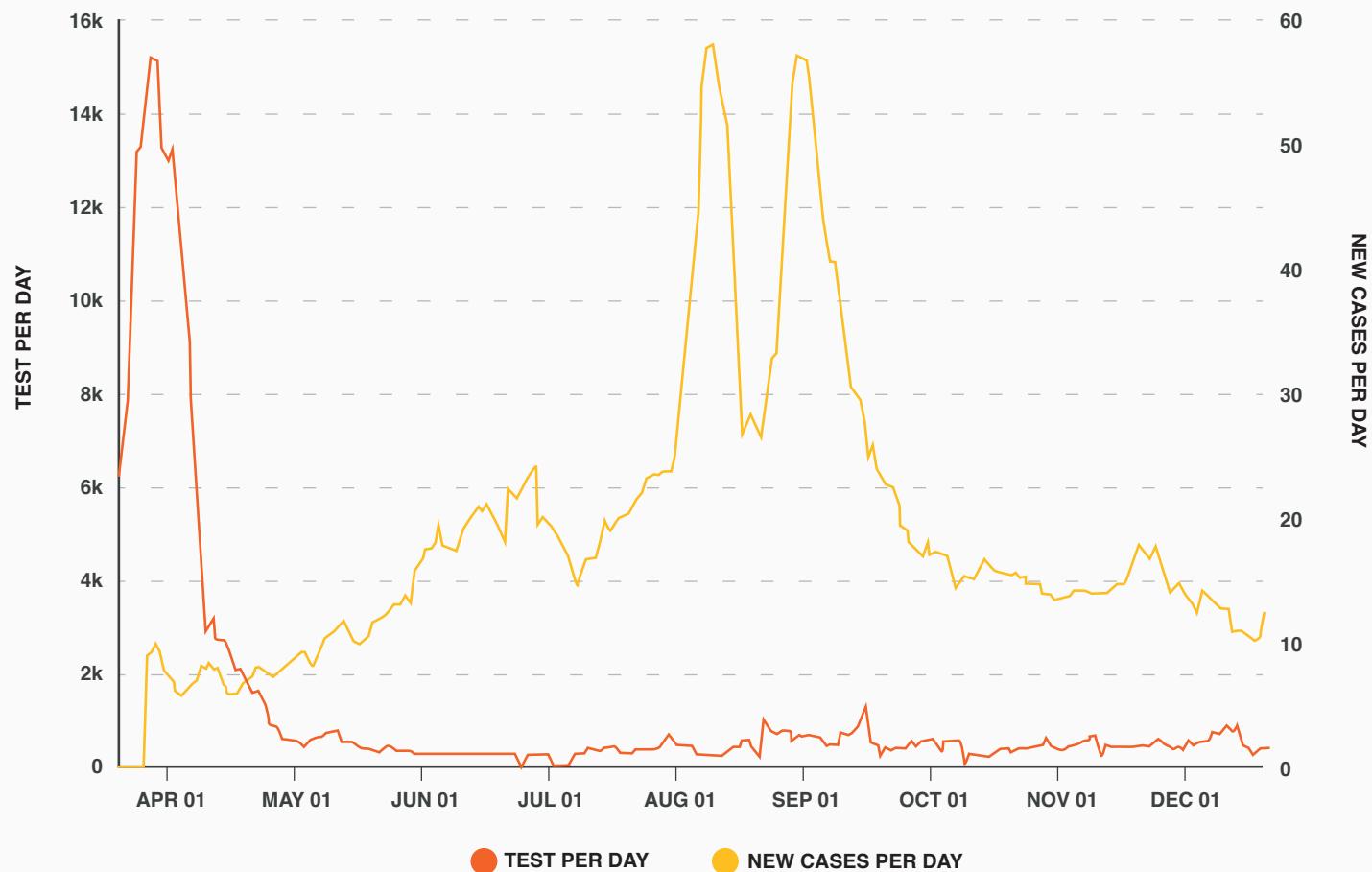
The Australian government attempted to **mitigate the economic shock** through a series of measures, which started prudently on 12 March with a stimulus package of \$17.6 billion to support business investments and employment. However, it became clear within 10 days that this would be inadequate, and the package was subsequently increased to \$66 billion, followed a week later by a wage subsidy scheme of \$130 billion with additional provisions totalling \$320 billion (adjusted) over three years⁷.

The two wage-subsidy schemes, now known as 'JobKeeper' and 'JobSeeker' were designed to help businesses retain employees and provide income support for the unemployed. Other support measures aimed to support households and businesses included tax relief measures, temporary early release of superannuation, and instant asset write-offs.

Cases in Queensland escalated during March, peaking at 78 cases on 24 March, and declined during the lockdown period till stage 1's easing of restrictions down to two cases on 2 May. After lockdown testing increased peaking in August and September.



Queensland's tests compared to new cases per day April to December 2020



Source: <https://www.abc.net.au/news/2020-03-17/coronavirus-cases-data-reveals-how-covid-19-spreads-in-australia/12060704?nw=0>

The Queensland government, like other state governments, provided a range of different support measures such as moratoriums on payroll taxes, small business COVID-19 adaptation grants, land tax rebates, and industry specific support measures⁸.

Concurrently, the Reserve Bank of Australia (RBA) implemented a range of monetary policies to shield the Australian economy from the lockdown strategy. These measures aim to facilitate the flow of credit within Australia by setting the target cash interest rate at 0.25%, purchasing Australian Government bonds, and other measures to boost credit market support.

Industry and business impacts

The COVID-19 pandemic has had a significant impact on the Australian economy with the Treasury estimating that the lockdown has cost Australia more than \$1.4 billion per week. The business and consumer confidence indices plummeted during lockdown, and recovered somewhat after restrictions were eased, but has remained volatile during 2020⁹.

Not all industries were affected in the same way by the restrictions and measures that were put in place. Consumer spending varied over the year, with consumption decreasing during the lockdown in March and April, despite retail stockpiling of certain fast-moving consumer goods increasing to 8.5% during this period. While retail spending recovered after restrictions eased, social distancing policies weakened demand for several consumer-related services.

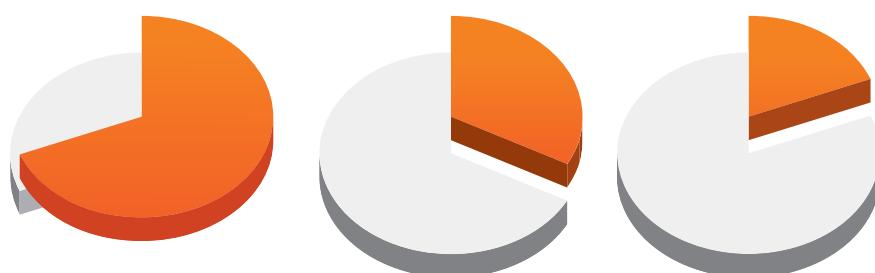
Travel restrictions and state border closures had a severe impact on tourism-related industries such as arts and recreation, accommodation, food services and consumer travel providers (ABS survey). These sectors shed jobs, with 69% reporting reduced staff hours, 33% encouraging staff to take leave, and 19% diversifying services, such as restaurants switching to takeaway food. More than two thirds of small and medium-sized businesses in these sectors reported that the JobKeeper scheme influenced their employment decisions¹⁰. In comparison, other sectors in the economy, such as building and construction (a large employing sector) and mining (largest export sector), experienced less severe impacts.

The Arts and Recreation industry was severely affected by COVID-19 restrictions.

Travel and state border closures



Arts and Recreation businesses were affected by the Covid-19 restrictions



69%

**REDUCED
STAFF HOURS**

33%

**MUST
TAKE LEAVE**

19%

**DIVERSIFY
SERVICES**

Anticipated adverse business impacts due to COVID-19 by industry

	Reduced demand for goods/services	Supply chain uncertainty	Reduced cash flow	Reduced access to credit	Reduced ability to pay operating expenses	Government restrictions	Staff shortages	Uncertain financial markets
All businesses	69	41	72	24	41	53	15	44
Mining	68	33	38	17	17	52	31	51
Manufacturing	82	59	75	33	57	53	9	65
Electricity, Gas, Water and Waste services	44	32	40	8	18	43	24	32
Construction	73	58	77	31	35	39	8	42
Wholesale	81	66	69	27	46	66	34	56
Retail	61	59	62	16	41	47	27	42
Accommodation & Food services	84	48	88	38	70	84	17	41
Transport, Postal and warehousing	69	37	69	27	46	42	10	20
Information Media and telecommunications	78	35	67	33	34	36	1	35
Financial and Insurance services	41	18	45	18	19	37	8	62
Rental, hiring and real estate services	66	25	63	25	37	46	32	47
Professional, scientific and technical services	62	23	65	16	31	40	2	47
Administrative and support services	80	34	81	12	61	74	20	46
Education and training	79	17	88	25	57	79	21	30
Healthcare and social assistance	57	33	68	16	23	73	32	27
Arts and recreation services	83	18	84	24	71	94	27	34
Other services	73	43	86	30	48	61	5	52

(ABS June survey data)

Reported numbers in percentages. Severe anticipated impacts highlighted. Source: Higginson et al, 2020, Covid-19 The need for an Australian economic pandemic response plan.

Crises and resilience

The COVID-19 pandemic represents a ‘collective stress situation’ and can be viewed as a crisis¹¹. Crises can be classified into different categories ranging from natural disasters, conflict situations, resource shocks, and economic crises. The COVID-19 pandemic represents a rapid onset crisis, requiring a national response, and as such it has had severe health impacts, economic impacts, as well as individual impacts due to the psychological and financial stress associated with the pandemic. In contrast to natural disasters, the scale, duration and impact of the pandemic have brought about changes in consumer and business customers’ behaviours, and business responses.

Resilience is a concept that relates to individual business owners and the firms they manage. For individuals, resilience is a process and the capacity to positively adapt to times of adversity¹².

Resilience is a combination of an inherent individual trait and a behavioural response to persevere through challenging circumstances.

Small business owner/managers’ responses to a crisis have a critical impact on their firms’ ability to adapt. Business resilience refers to a firm’s capacity to adapt when faced with external difficulties and to minimise performance losses, relative to industry pressures. As such, business resilience means that firms develop a repertoire of resources and capacities that enable them to mitigate damages during adverse times and restore performance to levels to at least those prior to the crisis.

There is a dearth of relevant literature relating to business resilience in the face of such a crisis as the COVID-19 pandemic. Given some studies have shown how fragile small businesses are following a disaster¹³, it is critical to document entrepreneurial responses to the crisis that may assist businesses in future to be better prepared for similar events¹⁴.

business resilience means that firms develop a repertoire of resources and capacities that enable them to mitigate damages during adverse times and restore performance to levels to at least those prior to the crisis.

*Resilience is a
combination of an
inherent individual
trait and a behavioural
response to persevere
through challenging
circumstances.*

FINDINGS

Overall, Moreton Bay businesses navigated well through the initial months of the coronavirus pandemic, with some benefitting from the fallout by providing services to meet the urgent needs of other businesses to combat the impacts of the pandemic, and a few being only mildly affected. The lessons learnt from their COVID-19 experience is likely to strengthen their business resilience in future.

Description of cases

The 20 business cases represent industries that were more severely affected by restrictions, such as arts and recreation services, and food services, as well as industries that were able to transition to digital service delivery such as professional services. Among the cases in the sample, half of the businesses serve business or government customers, while the other half serve final consumers. The reason for selecting businesses in diverse industries is to explore the way they demonstrated resilience in their responses and find commonalities that cut across all industries.

Differences in business responses are influenced by restrictions relevant to the industry in which the firm belongs. For example, while all businesses in the arts and recreation sector (including health and sport recreation) faced 6 week closures due to restrictions, some business owners made little changes to their businesses, while others reinvented their businesses and how they serve and engage with their customers. For food and agribusinesses, the impact of restaurants closing all seating areas meant that supply chain demand for their niche produce declined, and some of the case studies revealed how owners of these businesses rapidly changed their value-added produce, as well as how produce was distributed.

For example, Samford Valley Mushrooms changed from supplying fresh specialised mushroom varieties to restaurants to producing mushroom jerky and selling it online. This product proved to be very popular among customers and decreased the risks associated with selling fresh produce for the business.

There was a tendency among younger firms with less resources to adapt rapidly to the changing circumstances compared to established firms with larger resources, an aspect noted in previous research.

All the case studies in this project responded to the pandemic and associated restrictions by making changes to their practices and following the general health guidelines to operate safely as mandated, such as adhering to physical distancing, hygiene regulations, and implementing industry-related COVID-safe plans.



Samford Valley Mushroom's new product Mushroom Jerky

Moreton Bay businesses who participated in the study

BUSINESS	EST	SIZE*	INDUSTRY**	MORETON BAY SUBURB
Abbey Museum of Art and Archaeology (social enterprise)	1986	Small	Arts and recreation services	Caboolture
G'Day Adventure Tours	2016	Micro	Arts and recreation services	Bribie
Limitless Combat Sports	2018	Micro	Recreation services - sport	Caboolture
Raw Power Meals	2018	Small	Recreation services – sport, food services	Burpengary
LuvaBerry	2017	Micro	Food and agribusiness	Wamuran
Little White Goat Cheese	2016	Micro	Food and agribusiness	Wamuran
Samford Valley Mushrooms	2018	Micro	Food and agribusiness	Samford
Chilli Coffee	2019	Micro	Food services	Albany Creek
Murawin – Game Enough	2018	Micro	Professional services - food services	Mango Hill and Banyo
Belco Custom Trailers	2008	Small	Industrial – manufacturing, repair and maintenance services	Brendale
Metromatics Pty Ltd	1989	Medium	Manufacturing	North Lakes
Business Mentored	2010	Micro	Professional services	Redcliffe
Social Ocean	2017	Micro	Professional services – advertising (digital)	Redcliffe
SurePact	2018	Small	Professional services (digital)	Samford
Macro GIS - View Data	2010	Micro	Professional services (digital)	Woody Point
JESI	2014	Small	Professional services (digital)	Redcliffe
This Story (social enterprise)	2018	Micro	Information and media services – film production	Albany Creek
STEM Punks	2017	Small	Services – Education and Training	Samford
It's Rocket Science Adventures	2016	Micro	Services – Education and Training	Murrumba Downs
Springers Solar	2002	Medium	Services - Technical	Lawnton

1.

*Size of business is classified according to ABS definition related to number of employees

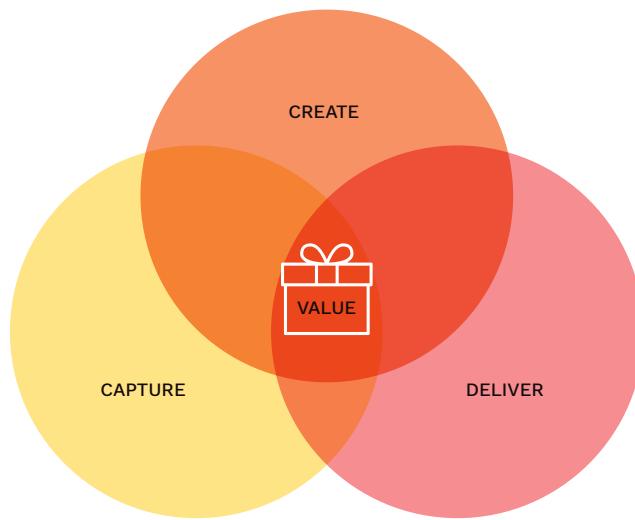
** Industry classification and subclassification aligns to ANZSIC (2006, Revision 2) classifications also used by ABS

Business models

Business models are ‘stories of how businesses work’, referring to a general description of the business and how it functions to achieve financial and social performance goals. In this project we use the term to describe a businesses’ value proposition to customers, the logic, data and related evidence that support how that value is created, delivered and captured in the form of viable revenue and cost structure.

Essentially a business model describes what value will be created for customers, how that value will be delivered, and then captured in monetary terms.

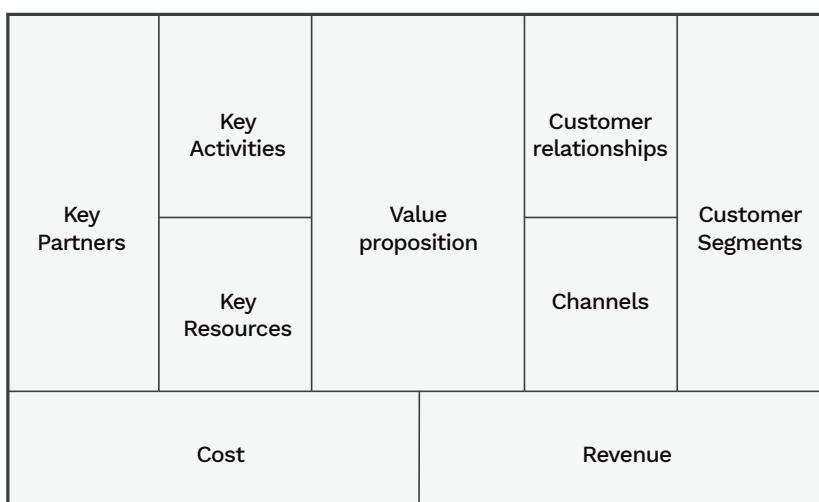
A business model can be represented as three interacting value streams



The term ‘business model’ originates from the internet boom of the mid-1990s where businesses experimented with new ways to deliver value and achieve their goals, challenging traditional brick-and-mortar models and blurring industry boundaries. Changes in the external environment, such as customer preferences and behaviour and technological breakthroughs, incentivised novel ways to create, deliver and capture value.

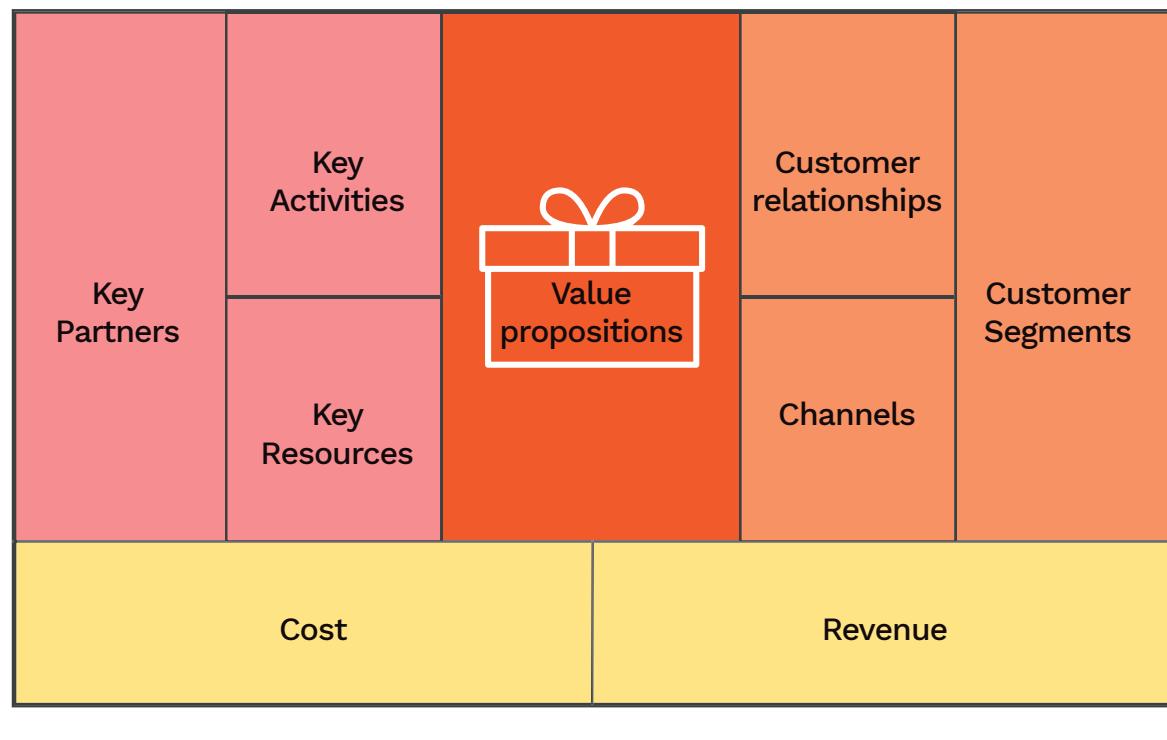
Alex Osterwalder's¹⁵ business model canvas uses nine blocks to break down the business model into more detailed components.

Osterwalder's business model canvas



These two representations of the business model can be integrated. Business owners who are able to think through how the value creation components of the business model can be reconfigured are able to adapt or innovate their firm's business model.

Integrated view of value in the business model



Business owners who are able to think in this integrative way about value in their business and are able to make novel changes that respond to changing customer behaviour can outcompete rivals, implement sought-after innovations in delivering and capturing value, take advantage of changing global trends and distribute socio-economic value in the communities in which they reside¹⁶.

Business model pivots, adaptation and innovation

Business models are dynamic and change in response to environmental changes.

For small business owners it is crucial to ensure strategic fit between the firm's business model and environmental changes, as it directly impacts its profitability. **Strategic fit refers to a firm's ability to match its resources and capabilities with opportunities (and threats) in the external environment.** COVID-19 as an exogenous shock and the associated restrictions necessitated many small business owners to reconsider the 'way their business works' given these environmental changes.

Some business owners were able to frame the changes as opportunities, and respond accordingly, but another group perceived the changes as threats and took some risky decisions to deal with these threats¹⁷. The degree and severity of change made to a firm's business model is influenced by a business owner/manager's previous experience, the firm's history and established problem-solving routines. These changes range from pivots, and adaptation to innovation of the business model.¹⁸

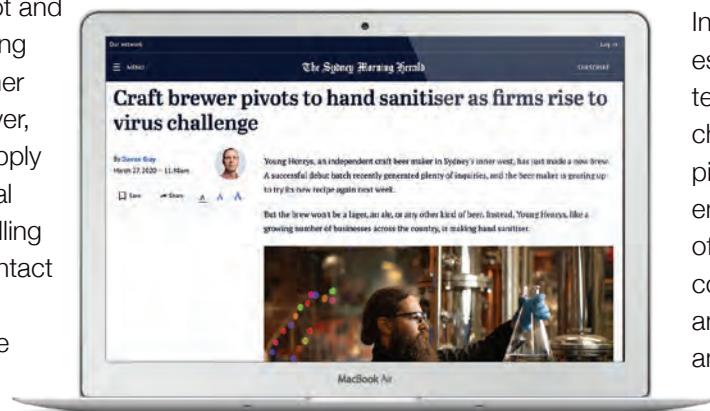
Pivots

A business model pivot involves a fundamental change to a component of the business model to ensure it better fits customers' preferences, or environmental conditions. For example, a firm might offer beverages in large quantities and discover through observation and interviews that customers prefer smaller volumes. This firm then has a choice to pivot and adjust their packaging sizes to suit customer preferences. However, pivoting does not apply to the case of a legal requirement compelling firms to assist in contact tracing by having customers complete check-ins using QR codes, as the change in practice is not based on an entrepreneurial opportunity. Meaningful pivots relate to entrepreneurial opportunities, which are guided and structured by evidence¹⁹.

New firms are more likely to be able to pivot quickly and make changes to their business model, as they are not yet locked into key activities, partners, customer relationships, channels or a revenue model. New firms are therefore more likely to capitalise on arbitrage opportunities related to short-term information asymmetries or to take advantage of pricing differences in different markets²⁰. For example, during COVID-19 firms who had stocks of

personal protective equipment (PPE) or hand sanitiser found they could charge higher prices during the first two months of restrictions.

Another example can be seen in the many breweries that pivoted to producing alcohol-based hand sanitiser as the hospitality demand for beer collapsed, which fetched higher prices due to a spike in demand²¹.



Brewery pivoting to produce hand sanitiser

In contrast, some established firms tend to find it more challenging to pivot, as they are embedded in terms of their resource commitments and serving an established customer base. These firms might take

considerably more time to bring about changes, which could result in inferior performance and weaken their existing capabilities.

Some firms chose during the pandemic to adopt a social value approach while they were pivoting to a business model and acquiring new skills. For example, STEM Punks, an education venture focused on making science, technology, engineering and math (STEM) education fun and accessible to school learners, offered free online education content for six weeks to parents who were home-schooling, the home-school market and teachers who were facilitating learning.



1 STEM Punks' Michael Holstrom

2 Filming of a STEM Punks LIVE segment featuring Jonathan Nalder

3 Mike Smith of Limitless Combat Sports adapted by building an outdoor training area

4 Jeff Hughes from This Story adapted their social enterprise to engage a larger audience online during Anzac Day 2020.

Adaptation

Business model adaptation is also described as business model evolution and learning. These changes are based on a process by which owner/managers actively align a firm's business model to changes in the business environment, such as restaurants adapting their service delivery to take-away meals due to COVID-19 restrictions.

Business model adaptation differs from business model innovation, which has a higher degree of novelty and for which customers might be willing to pay more, as they perceive the changed value proposition as more attractive. As such, innovation might be an outcome of business model adaptation, but it is not a requirement, as business model adaptation can also be non-novel. In addition, business model adaptation is driven in response to changes in the external environment, while innovation is driven by both internal competencies and external changes. When a firm adapts, it seeks to align itself to a changed external environment¹⁷.

changes are based on a process by which owner/managers actively align a firm's business model to changes in the business environment



Innovation

Business model innovation involves a high degree of novelty to create value for customers, and other stakeholders and involves a bundle of activities to enable value creation, delivery and capture.

To create value for customers a firm might reconfigure the activities it performs, work with other partners (e.g. suppliers) to perform the required activities or change its revenue model.

An innovative business model can create a new market or enable firms to exploit new opportunities in existing markets. For example, Creative Tours and Events offered bespoke tours featuring local growers and producers prior to the pandemic, but developed an online Meet the Makers at Home series, complete with a tour-in-the-box packaged and delivered to customers' doorsteps during lockdown. This

innovation effectively reconfigured business activities to create and deliver value and create a new market segment during the pandemic, in the severely affected tourism sector. Despite some arguing that business model innovators disrupt an industry, such as cyber currencies are likely to disrupt traditional payment systems, innovation can also be brought about through reconfiguring internal processes. Many small businesses developed logistic capabilities to deliver their products to customers' doorsteps or collaborated with competitors to promote 'buying local' using online marketing. While other businesses like Belco Trailers bought more from local businesses and suppliers, thereby developing local supply chains.



1



2



3

1 Joe, Michael and Eddie Springer from Springers Solar introduced DIY solar kits and experienced a substantial increase in their online sales

2 Neil and Sonya Newnham from Belco Trailers

3 Karen Lindsay from Little White Goat's Cheese introduced a new product: freeze-dried goat cheese feta

Prominent authors Amit and Zott²² argue that firms innovate their business models in order to increase the value for their customers, primarily in three ways. These are:

a) Adding novel activities to their business model, which changes the content of the business model, for example STEM Punks, a STEM education-focused venture, changed their activities after restrictions were implemented. They developed a suite of online offerings, akin to 'MythBusters on steroids' with live feeds and recorded sessions featuring international and local experts. Their activities and competencies developed as they 'learnt on-the-go' to improve production quality and engagement through practice. These changes resulted in them reaching a much larger and diverse market, not only serving Australian teachers, but home-based education and international market segments.

b) Linking activities in novel ways, which changes the structure of the business model. For example, SurePact, a software-as-a-service venture providing a single solution risk management platform for the delivery of project, contract and grant management information, changed the way activities were linked. They launched a new grant management module, adding activities linked to their current platform and partnered with Next World Enterprises to offer clients safety training using virtual reality. The virtual reality training enables individual workers to train for workplace health and safety in an authentic virtual setting. These changes provided significant cost savings for their remote public sector clients and increased efficiencies in their grant and training operations.

c) Changing one or more parties that perform business model activities, which changes governance by changing a distribution channel. For example, niche agribusinesses in the Moreton Bay region, led by Jacki Hinchey of Blue Dog Farm, established a Reko Ring. Inspired by Reko, a Swedish concept that underpins sustainable consumption, local producers, such as Samford Valley Mushrooms, Little White Goat Cheese and LuvaBerry collaborated to establish an online Facebook group. Producers advertise on the site and buyers post, order and pay and then pick up their produce during a one-hour window on Saturdays, making use of a drive through model to adhere to social distancing. As many local agribusinesses found their restaurant customer demand decline significantly when restrictions were imposed, the Reko Rings offered a new way for producers to distribute their fresh produce.



4 Megan Avard of SurePact

5 Jacki Hinchey of Blue Dog Farm led the introduction of a Reko Ring in Dayboro.



While some of these changes in firms' business models were necessitated by federally-mandated health restrictions, owner/managers need to consider if a new business model developed during 2020 would suit a post-2021 environment. The integration of activities and interdependent nature of value creation, delivery and capture should be considered. Additionally, four value drivers increase the odds that the changed business model is strategically aligned to the environment:

- Ensuring the novelty delivered creates increased value to customers.
- Providing value for customers in such a way so that it is hard to leave. For example, Limitless Combat Sports created an on- and offline community providing peer support and encouragement.
- Building in complementarities: Interdependencies between businesses which deliver more value to customers. For example, LuvaBerry, a strawberry farm in Wamuran, provide a variety of produce through their Farm Gate online store by collaborating with other local producers. By realising their customers make a day trip out to Wamuran to collect the produce, Mandy Schultz, one of the owners, refers customers to nearby agritourism experiences.

- Focusing on efficiencies by realising cost savings through the interconnections of the activity system. For example, Raw Power Meals started during the pandemic by World Gym Burpengary franchise gym owner, Justin Bellas, focused on delivering healthy lifestyles through nutrition. As Justin already had access to a local market who trained at his gym, he was able to provide more value by making nutritional meals available on delivery and leveraging the subscription revenue model used for training. In this way, efficiencies were realised through market access and knowledge to launch the new venture, which has grown since its inception in April 2020.

As demonstrated, novel changes in the content, structure and governance of the business model are related to the strategic stakeholders a firm works with, as well as the revenue models that can be adopted to complement business model changes, whether this is by shifting from a pay-for-service to a subscription model, or converting credit sales to cash sales. Innovations in the business model require taking a systemic view of the business and its related activities.



1 Justin Bellas from Raw Power Meals

2 Mandy and Adrian Schultz, owners of LuvaBerry



Types of responses to the crisis

From the 20 business cases, 12 were classified as adapting their business models and introducing at least one novel element to their business model; four were classified as business model innovators, as these firms had changed each component of their business model or created new business models; and four were classified as survivors, as they made only legislated changes and adopted a wait-and-see stance.

Based on the literature review and analysis, four types of responses are identified: termination, survival, adaptation and innovation.

- Termination refers to the closure of a firm.
- Survival refers to very little changes made and delaying decisions as the business anticipates an eventual return to normal.
- Adaptation indicates a change in business activities with the purpose of restoring, rebuilding and recovering.

- Innovation involves novel changes in products, services, methods of operations or networks to provide and capture commercial value.

These responses differ in the degree of change involved such as making small changes to survive a crisis or radical changes in offerings, partners or business activities.

Business model change and resilience typology

From the case studies of firms analysed in the Moreton Bay region, their responses were classified into three groups:

Survive (20%):

Firm responses in this profile reflect the wait-and-see response and these firms are waiting for things to return to normal. Most firms in this response category are receiving government support in the form of JobKeeper or JobSeeker or have managed to reduce their fixed costs significantly. The biggest challenge facing these firms is that their competitors may have improved their skills, developed the digital products or delivery mechanisms in their business, or changed their business models, and that their customers have changed their behavioural patterns. Therefore, a 'return to normal' may look very different than it did compared to 2019.

Adapt (60%):

Most firms adapted and displayed resilience by developing a repertoire of skills, capabilities and resources to perform their business activities in a way that suited the changing environmental conditions. It is likely that these firms are well poised to restore their firm's performance levels as the economy resets and environmental conditions become more predictable. The resilience capability these firms develop is likely to set them up to be flexible and agile and able to adapt to future challenges.

Innovate (20%):

Some firms have changed and improved their business activities in multiple ways, or found a new market, or developed a new model, or now work with new partners after the initial severe uncertainty of the pandemic. By reconfiguring business activities in novel ways, some of these firms lost staff over the short-term, but have employed more staff in the longer term as the new business model grew. The resilience of these firms reflects new business models and improved performance after most of the severe restrictions of the pandemic were lifted.

Business model change and resilience typology

	TERMINATE	SURVIVE	ADAPT	INNOVATE
Description	Close firm, wind up assets	Minor changes	Modify activities to fit with circumstances	Substantial, novel changes to several business activities
Resilience	Risk mitigation requires the hard decision to close a non-viable firm.	Minimal adaption, negative performance effects.	Develop resources and capacity to mitigate damage and restore performance to levels equivalent prior to the crisis.	Develop resources and capacity to mitigate damage and improve performance relative to prior to the crisis.
Degree of novelty	Mostly new experience for owner, no novelty for the business	Low	Medium	High
Business model change	BM ceases to exist.	No BM change	Some BM components and activities change.	Substantial BM components and activities change or are reconfigured in new ways.
Sustainability of business	Not sustainable	Low likelihood of being sustainable, if the crisis has a long duration.	Moderate to high chance of business sustainability over the long-term.	Moderate to high chance of business sustainability over the long-term
Mindset of owner/manager	Close and move on Grief and uncertainty Potential for personal recovery	Wait-and-see Risk avoidance	Flexibility and reset of activities Manage risks	Proactive Accept and manage risks through actions
Community impact	Loss of jobs and services	Little engagement, some income and job losses	Create value through employee, customer engagement and supplier support	Seek to 'give back' to community in business-related ways and/or create more value for stakeholders.

BM = Business Model

Business model changes

Business model changes in response to the pandemic can be analysed in relation to changes to business model activities and the value sub-systems of value creation, delivery and capture.



Value creation changes:

Most 'survivor' firms made no changes to the products and/or services to customers, providing no additional value to customers. In contrast, 50 per cent of the adaptors modified their products, while four adaptors and one innovator firm developed new products providing new value for customers. Most innovators introduced multiple value creation offerings for their customers through the new products and services they introduced. Most innovators were able to view the pandemic as an opportunity to adjust what they offered customers, while some developed a new set of offers, using the lockdown period as a rapid research and development cycle.



Value capture changes:

Changes to the financial sub-system of the business model was less common, as 40 per cent of case study firms made no changes. The other 40 per cent (7 adaptors and one innovator) reconfigured their financial model to fit with changes made to value creation and value delivery. Only one adaptor and one innovator made substantial changes to their financial model, which enabled these case study firms to emerge as more resilient and grow their firms despite the pandemic.



Value delivery pivots, adaptations and innovations:

Most firms needed to make changes to their value chain, especially related to internal operations and activities to adhere to the legislated COVID-safe working practice. As such, three quarters of the survivor firms indicated that they implemented compliance-related changes. One of the survivor firms and three of the adaptor firms reconfigured the way they worked to deliver products and services to customers, however the survivor firm did not align these value delivery changes to value creation changes made to the business model. More than 40 per cent of case study firms introduced several new ways of working to support product and service innovations, thereby novel activities which were implemented were also linked in novel ways (content and structure of business model activities). Many of the changes made to value delivery consisted of transitioning physical, brick-and-mortar types of business activities to learning and incorporating more digital activities. These changes reflect resilience, as firms not only responded to external changes, but also renewed their internal capabilities.

Business resilience implications from the COVID-19 crisis

The case studies in this research project describe each individual firm's response to the crisis, yet when viewed together through cross-case analysis and comparisons, three themes emerged that are relevant for owner/managers more broadly:

Leadership implications



Leadership

As most Moreton Bay firms, like the rest of Australia, consist of micro and small businesses, the owner/manager plays a critical role in business resilience. Strong leadership is required to steer a firm, its team and key partners through a crisis. Elements of strong leadership include:

- Personal strength: attending to physical health, mental wellness and connections to loved ones and friends. Most owner/managers who were able to adapt and innovate spoke about the importance of having 'trusted' advisors to mentors to talk through alternatives before making changes.
- Mental resilience: adopting a positive and optimistic outlook to persevere has a positive influence on staff, as it promotes staff confidence and motivation. However, owner/managers who feel overwhelmed should seek out support and be brave enough to speak out, given how stressful the pandemic has been.

- Setting a direction for an uncertain future: leading by deciding how plans and strategies need to be changed, adapted and innovated enables a firm to manage risks in a proactive manner. Psycho-socio-emotional awareness and empathy: Navigating a crisis requires that an owner/manager recognises the effects of high-stress on the psychological wellbeing and emotional needs of employees, suppliers, stakeholders and community (indirect) and then responds appropriately.
- Development of leadership capabilities: While the crisis represents a highly stressful situation, an owner/manager can use it as an opportunity to improve their own skills and knowledge, as well as provide staff development opportunities and mentor staff with leadership potential.



Employees play a key role in small businesses

- Key employees become part of the 'family' or the 'team' within small firms, as such both owner/managers and staff experienced high levels of stress with mandated closures. An owner/manager who is able to appreciate the contribution and role of staff can involve them

in brainstorming and decision making about business operations and the future direction. By being open and honest with staff, and demonstrating that they are highly valued, staff morale can improve, despite the crisis, and productivity can be improved.

Business model adaptation and innovation



Innovation and adaptation start with a focus on creating value for customers

Being customer-focused, engaging with customers, and customising services to support and accommodate customer needs engender customer loyalty and provide added value for customers.

- Engage with customers to explore what value they seek.
- Seek alternative ways to deliver value for customers. For example, most firms embraced digital innovation during the pandemic by using online channels to connect with customers, setting up online stores and developing the capacity to deliver products and services to customers' doorsteps. The findings of our study are confirmed by McKinsey's global research²³.
- Pursue value innovation. This refers to firms seeking to increase value for customers and the company by focusing or increasing the benefits customer value and reducing or eliminating features that customers don't care about, thereby decreasing costs. For example, JESI adapted their service offering from providing safe journey tracking to supporting and monitoring the safety of remote workforces, regardless of the distances they travelled. By focusing on customer needs and decreasing features customers do not value, they were able to grow their business.



Use of 'downtime' for innovation and research and development (R&D)

A crisis like COVID-19 has the potential to provide time and space to rethink, create, explore, test and develop innovative business ideas, or ways to reconfigure a firm's business model. Adaptor and innovator owner/managers recommend:

- Seeking out other forms of downtime to reflect and re-examine existing practices and to develop innovations;
- Understand that innovation is not about perfection, it's about learning, experimenting, being flexible and improving as a final product or service is being developed;
- Trial and test innovative products, services or value delivery activities. By responding to the feedback provided from these trials, rapid continuous improvements can be realised;
- Some of the case study firms that reflect this approach are JESI, Little White Goat Cheese, STEM Punks, Raw Power Meals and Samford Valley Mushrooms.

Increase business resilience



Diversifying a firm's business model increases its resilience

- Case study firms illustrate how diversifying products/services, markets served, the way in which value is delivered and revenue is earned, can improve a firm's ability to adapt to exogenous shocks and minimise adverse performance impacts during challenging times. In this way, it is still possible to expand a business and decrease risk. Firms who follow a diversification strategy should still however identify vulnerabilities of the different parts of their business and be aware of and control costs for viability.



Strong shift towards digital and online business

- Owner/managers and their staff should develop their digital capacity as very few businesses will not make use of digital tools, delivery mechanisms or platforms to do business. Shopping digitally is likely to be the 'standard' post-COVID, given the changes in consumer behaviour.
- Learn new digital skills and seek cost-effective ways to provide value to customers using digital technologies where appropriate.



Adapting to changing circumstances

- Extreme environmental changes require owner/managers and their firms to be agile and flexible in navigating barriers to business, modifying their business models where needed, and working out ways to innovate that increase the value they provide to their customers, or finding new customer segments. This may require learning new skills.



Importance of community

- The COVID crisis brought out the need for community support. Most business owners emphasised the importance of supporting local businesses, collaborating, and contributing to community.
- Make use of the multiple forms of support offered, support others, support local businesses, and find or strengthen personal and business support networks.
- Being part of a supportive business community, or industry network can help owner/managers to devise solutions, such as Reko Rings for agribusinesses and their communities, or for tourism and creative industry businesses in the arts and recreation industry.

CONCLUSION

This report provided an analysis of the responses of 20 Moreton Bay businesses to the COVID-19 crisis in 2020 to determine changes made to business models and how some firms use the crisis as an opportunity for innovation.

Crises and economic contractions are not unique to the COVID-19 pandemic. Crises can also arise from natural disasters, conflict situations, resource shocks, or economic downturns. The lessons from the current pandemic can help to strengthen small firm resilience to support business leaders and owner/ managers to minimise the impacts and help to overcome the psychological and financial stress associated with such events. More broadly, the lessons learnt from this research project support Moreton Bay's economic recovery for 2021 and beyond.

While all businesses who participated in this study made changes to their business in response to the pandemic, 80 per cent of businesses responded by adapting and innovating their business models. The renewal of business models occurred across all sectors included in the study, acknowledging the severe impacts suffered by businesses in the arts,

recreation and tourism sector. The renewal of these businesses' models generally involved learning new skills, and increased adoption of digital business practices and use of new technologies. As businesses have experienced similar hardships, regardless of industry, many of the case studies documented reflect the importance of local business networks, and businesses and public sector customers supporting local businesses. The crisis has also stimulated collaboration between businesses within the sector, such as LuvaBerry's Farm Gate online, which sells a diversity of local produce, and the Reko Rings, focused on local consumption and efficient distribution.

1 Brad Flynn,
Business Mentored

2 Jason Brown,
G'day Adventure
Tours

3 Greg McKenzie,
Game Enough

4 Edith Cuffe,
Abbey Museum
Director

5 Victor Nichols,
MacroGIS

6 Cran Middlecoat,
It's Rocket Science
Adventures

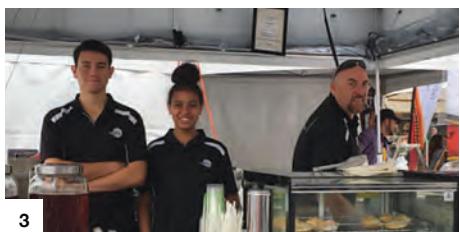
7 Kirsty Fields,
Social Ocean

8 Joe Hoolahan,
JESI

9 James Sullivan and
Douglas Bates,
Chilli Coffee

10 Madi Leicester
and Mitch Bignell,
Samford Valley
Mushrooms

11 Mitch Callon
Metromatics



RECOMMENDATIONS

In addition to the implications for business, the pandemic served to uncover regional and national implications requiring reform and proactive planning. As such it is therefore recommended that:



Resilient supply chains be developed:

Border closures and rising international trade tensions suggest that policies need to be implemented to incentivise and support local advanced manufacturing, especially for healthcare and industrial supplies.

Labour force vulnerabilities be addressed:

The pandemic exposed key vulnerabilities in the severe casualisation of labour across industries and how a lack of fringe benefits, such as sick leave, creates challenges concerning the spread of viruses, given the critical need to earn an income. The ‘over support’ of some Australian employees through JobKeeper and JobSeeker, lack of support for visa holders on temporary visas is slowing down economic recovery in some sectors. This shows a need to proactively consult with industry to address future labour force vulnerabilities.

Digital business skills improved and cybersecurity and data privacy risks identified and addressed:

As more micro and small businesses adopt digital business practices and collect customer data, the vulnerabilities and risks of digital compliance is becoming more widespread, therefore it is essential to launch digital business education programs, as well as training to promote cyber-safe practices.



Mental health and resilience of small business owners prioritised:

Small business owners experience significant stress during crises. In addition to their personal financial risks which escalate during a crisis, micro small business owners also employ 44 per cent of Australia's total workforce and have close relationships with employees. The added strain of being unable to provide employment when their personal and family's future may be at stake leaves them at risk of experiencing severe mental stress. An increased focus on recognising and seeking support for mental health and wellbeing is required, including seeking, and providing where possible, peer support from other small business owners.

Focus on success stories:

Future work should focus on featuring more success stories and cases in Moreton Bay across all regions and industries, as this will continue to develop the region's reputation as an attractive place to establish and grow a business, as well as find a supportive ecosystem.

Establish a business-led group:

Establish a business-led group that is commercially-neutral to support the business recovery, can facilitate knowledge exchange and provide peer support to other business owners. Once a successful model has been developed, such groups can be replicated across local Chambers of Commerce in the region.

Moreton Bay's economic recovery post-pandemic is likely to continue, if the collective wisdom of business owners' can be shared, and be supported through capacity-building. The case studies of business resilience support the COVID-19 Moreton Recovery Plan in that case study participants' experiences and lessons learnt are shared in an aggregated form in this report and as individual cases on the Innovate Moreton Bay website, supporting the development of business and community resilience.

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