

Crisis Strategic Planning for SMEs: Finding the Silver Lining

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ABSTRACT

The ability of business owners/managers to think strategically during the midst of a crisis is a key factor in an organisation's long term survival, but at present there is very little advice available on how to do this most effectively. To be resilient in times of crises, organisations need to navigate a set of apparent contradictions that juxtapose effective planning with adaptability to changing circumstances including: (1) have leaders able to inspire people with a sense of hope and direction whilst being grounded about the situation they are in, (2) have an organisational culture that values disciplined planning whilst fostering innovation, (3) plan and make decisions carefully and structured effectively yet be responsive and bold, and (4) have teams able to recognise patterns and integrate information to make sense of a chaotic situation, yet be alert to subtle changes as the situation evolves.

In this paper we propose a model for crisis strategic planning to help organisations understand their natural tendencies and how these affect the type of resilience the organisation is able to achieve. The paper also presents three case studies of small New Zealand organisations coping with the aftermath of crisis to demonstrate how the model can be applied.

Subject Headings: Resilience, Organisations, Strategic Planning, Opportunities, Crisis Management, SMEs

1.0 INTRODUCTION

The world is a risky place. The anecdotal evidence of daily newspapers makes worrying reading for most business owners with headline grabbing stories involving: SARS, earthquakes, mad cow disease, BP Gulf Oil spill, 9/11, Enron scandal, Hurricane Katrina, Ford/Firestone recall, and the Auckland Power crisis to mention a few. Unfortunately the perception of crises occurring more frequently is not simply anecdotal; Mitroff (2004) asserts that the occurrence of crises, both natural and man-made, is on the rise. Swine Flu and the World Financial Crisis are simply the latest in a growing wave of crises impacting the ability of organisations to survive. The failure of one organisation may in turn lead to the failure of other organisations due to the close coupling of organisations and technologies, in a way referred to as a cascade failure (Watts 2003; Smith 1990). Small and medium sized enterprises (SMEs) tend to suffer the

'ripple effect' of many of these crises, being at the whim of changing market behaviours and client expectations.

While some SMEs consider the above as a call for action, others remain unprepared to deal with potential crises. Spillan and Hough (2003) found that SMEs focus predominantly on those types of crises they have experienced before, underestimating the risk of events they have no prior experience of. One of the greatest deterrents to more effective crisis management is denial (Pollard et al, 2006). Many SMEs look at the above list of major crisis and say either "this is too unlikely", or "I am too small and don't have the resources to influence the outcome"; otherwise well managed SMEs are put in harm's way as a result.

SMEs are highly vulnerable to times of crisis, with limited financial and human resources to respond. Many SMEs however have a strategic advantage over larger organisations in their ability to respond quickly to changing environments; too few though fully develop this capability to improve their resilience to major crises. Alesch et al, (2001) found that small businesses and not-for-profits that survive are those who take positive action to improve their business potential.

The world is full of opportunities. The range of improvements boggles the mind: cheaper more reliable power; technology for cleaning up the environment; improved health care; safer automobiles; effective organisational governance; stronger dams, bridges and other civil engineering projects. The interesting thing about this list is all of these opportunities arise as a result of the crises noted in the first paragraph of this introduction.

The riskiness of life is accompanied by many new opportunities and these often present themselves together in a crisis. Crisis management tends to focus on threats inherent in rapidly changing environments; the negative aspects needing a response when the 'event' occurs. The opportunities inherent in change, especially dramatic change, are often left to such management concepts as strategic planning.

This paper is about the marriage of these two disciplines: crisis management and strategic planning; to explore approaches business owners and managers can take in forging more resilient organisations.

The authors believe in the midst of crisis it is possible to 'find the silver lining' and chart a better future; not just simply 'survive' disaster. This paper reviews the literature at the juncture of crisis management and strategic planning to develop two models that help organisations to improve their ability to survive and thrive in a crisis. This paper uses three case studies to show the applicability of the models to smaller organisations in particular.

2.0 CRISIS STRATEGIC PLANNING

Crisis management is the process by which an organisation deals with any major unpredictable event threatening to harm the organisation, its stakeholders, or the general public. Three elements are common to most definitions of crisis: (a) a threat to the organisation, (b) the element of surprise, and (c) a short decision time (Seeger et al, 1998). Crisis management is the discipline of preparing the resources and organisational structures necessary to respond effectively in the face of a crisis and recover effectively in the aftermath. It is about building to capability to identify imminent threats to the organisation and designing a plan for addressing those threats.

Strategic planning is concerned with the mid-term future of the organisation, enhancing its success by dealing with weaknesses and threats as well as the strengths and opportunities that present themselves to the organisation. It involves selecting from a range of strategies and building a plan to carry out those strategies, including marshalling the resources and organisational elements necessary to carry out the plan and evaluate its performance (Preble, 1997).

It is clear from these two definitions that they overlap considerably:

- they both deal with the future;
- they both deal with the weaknesses (vulnerabilities) and threats (risks)
- they both involve creating a plan
- they both involve organisational structures and resources to carry out the plan

However these two planning processes are typically carried out in isolation from one another, if they are carried out at all. This is both a waste of limited resources and a danger to the organisation. Crisis strategic planning is a way of integrating the two into one resilience planning process. Crisis strategic planning also provides a way of thinking about a rapidly changing world, seeking out the positive opportunities that risk and crises always presents to those who are looking for them.

In the following five sections we review the international literature regarding this nexus between crisis management and strategic planning. The review is structured into key themes that emerged from the literature: 1) proactively seeking the 'silver lining', 2) leadership, 3) culture, 4) decision making, and 5) situation awareness.

3.0 PROACTIVELY SEEKING THE 'SILVER LINING'

"Preparedness is a state of corporate readiness to foresee and effectively address ... adverse circumstances that have the potential to inflict a multi-dimensional crisis, by consciously recognising and proactively preparing for its inevitable occurrence" (Sheaffer and Mano-Negrin, 2003). Kennedy et al (2003) use the metaphor of a camera lens to compare crisis management and strategic planning. The situation appearing in the lens may be exactly the same, but a close-up shot provides a very narrow focus on the crisis environment, while the wide-angle shot provides a strategic perspective.

Strategic planning has developed as a discipline quite separate from crisis management, and yet the two have much in common (Preble, 1997). They both involve assessment of signals about environmental conditions analysis of stakeholders, the importance of effective engagement of top management, and consideration of key risks to effective implementation of the plan (Mitroff, 1988),. They both involve processes to formulate a plan, to implement this plan and evaluate its effectiveness. The differences between strategic planning and crisis management are that one focuses on opportunities, while the other focuses on threats. Yet both opportunities and threats are inherent in the uncertain future with which we have to deal (Burnett, 1998). Preble (1997) states that "*...adding crisis management's defensive preventative capability to strategic management's offensive market positioning orientation can yield a more comprehensive approach to strategic management of organisations.*" Another way of thinking about this is in the context of resilience. Resilience is the ability of an organisation to not only survive but to thrive, both in good times and in the face of adversity (Seville, 2009). Survive is the crisis management aspect, while thrive is the strategic planning aspect, finding the silver lining.

Unfortunately SMEs are much less likely to carry out such planning processes than larger organisations, and when they do, the planning is likely to be less disciplined (Berman et al, 1997). However the good news is that when they do carry out structured planning processes, it is good for business (Cragg and King, 1988), with significant increases in sales volume being a key indicator (Berman et al 1997).

The integration of crisis management and strategic planning offer some considerable challenges as noted by Burnett (1998). Burnett identifies four specific ways that crises inhibit the strategic management process:

- Time pressure: crises may have to be dealt with immediately, while strategic planning normally would occur in time frames of months or even years.
- Control: strategic planning normally assumes a reasonable level of control over organisational processes and relationships while a crisis may significantly inhibit such control.
- Threat magnitude and severity: in a crisis, the magnitude and severity of the threats can overwhelm management to such an extent that it prevents the formulation and implementation of strategy.
- Response-options: strategic planning tends to maintain a range of options, the reality in a crisis may be that only one or a few options may be left to the organisation to choose from.

These four inhibitors need to be factored in during the response and recovery phases of a crisis and in the prior reduction and readiness phases.

Burnett (1998) suggests seven types of opportunities that may arise in a crisis: (1) heroes are born; (2) changes are accelerated; (3) latent problems are faced; (4) people can be changed; (5) new strategies evolve; (6) early warning systems are developed; and (7) new competitive edges may appear. Through incorporating crisis management into an organisation's strategic planning processes and vice versa, strategies can be developed to take advantage of these 'silver lining' opportunities in the midst of crises.

Where the literature brings these two disciplines together, the emphasis is typically on incorporating crisis management processes into strategic management to create more robust planning. This paper brings an alternative focus: capturing the positive 'silver lining' opportunities (the typical purview of strategic planning) while surviving the crisis (a requisite for effective crisis management!).

4.0 LEADERSHIP

A crucial characteristic of resilient organisations is the nature of their leadership (McManus et al, 2008). An organisation with a great crisis response plan but poor leadership can be far more vulnerable to a crisis than an organisation that has great leadership, making up for their limited crisis response planning (Penrose, 2000).

There are many case examples where the role of an inspiring leader has proven to be crucial for an organisation's recovery from a major crisis (Ballantyne, 2009; Slav, 2004; Wilson, 1996). Leadership during crisis is more than making decisions; the leader must convey a sense of hope, optimism, establish an inspiring vision, and assume the role of chief public relations officer (SCUP, 2007). Leadership also plays a key role through the processes of sensemaking (by ascribing meaning to strategy-relevant events, threats and opportunities) and sensegiving (disseminating a vision that stakeholders and constituents can comprehend, accept and act upon) (Gioia and Chittipeddi, 1991).

Issues surrounding leadership of an organisation are central to Smith's (1990) model of crisis management in which *"the actions (or inactions) of management can promulgate the development of an organisation climate and culture within which a relatively minor triggering event can rapidly escalate up through the systems and result in a catastrophic failure."* As Smith demonstrates in his model, the traditional picture of a 'crisis' as an event that occurs, must be considered in the context of two other crises to be understood correctly: a crisis of management and a crisis of legitimisation. In many cases the crisis might never occur or the consequences be significantly limited if the organisation had more resilient leadership that is both inspiring and grounded in reality (Penrose, 2000; Mitroff et al, 1992) Cammock (2001) identifies crises as one of the key characteristics demanding leadership in our current day. He describes the three tasks of leadership as envisioning, engaging and enacting.

5.0 CULTURE

Organisational culture is a key factor in effective corporate strategic decision making; it is also crucial to effective crisis management (Smith,1990; Mitroff, 1988). As Smith puts it *"Culture presents both an opportunity and a threat for crisis management."* Mitroff et al (1989) suggest that rule bound hierarchical organisations with poor flows of communication are crisis-prone organisations. A significant characteristic of crisis-prone organisations is the tendency toward denial. This head-in-the-sand culture is, according to Mitroff (2004) *"one of the most significant barriers to effective crisis management"*. In order to overcome the inertia of denial, leaders must recognise not only that crises can happen to them, but are likely to happen to them. Smith and Sipika (1993) suggest that crises are inevitable for large growing organisations. This is in large part due to the tightly coupled nature of our modern operational systems (Smith, 1990) as well as the highly interdependent nature of the modern globalised value-chain and lean just-in-time delivery systems (Mitroff, 2004; Sheffi,2005).

The degree of planning for disasters has been shown to have influence on business survival following a disaster for small businesses and not-for-profits (Alesch et al, 2001). In addition, Berman et al (1997) found a positive correlation between structured planning processes and growth in SME income. Disciplined application of planning processes for both crisis and for strategy are important factors in organisations' ability to thrive in times of uncertainty. Sheaffer and Mano-Negrin's (2003) definition of preparedness (given earlier) underlines the need for proactive preparation. A certain level of discipline in the planning process is important in order to safeguard the organisation. As Penrose (2000) put it *"...smaller, lesser-known companies must heed the fact that 80% of companies without a comprehensive crisis plan vanish within 2 years of suffering a major disaster."*

Heifetz (1994) identifies a key factor in our crisis ridden world today: that there are no simple, painless solutions to intractable problems. What is required is a change to our attitudes, values and behaviours, all characteristics of an organisation's culture. The key change that Heifetz identifies is a willingness for all to own our problems and develop approaches that *"promote our adaptive capacities"*.

6.0 DECISION MAKING

Crises are often characterised by the need to make decisions in rapidly evolving situations, where the information on which to base those decisions is incomplete or subject to significant uncertainty. Pressures on decision-maker can be immense, with the need to make 'bet the company' decisions under

less than ideal circumstances. Pathologies emerge when making decisions under great stress, with decision makers shifting their focus to short-range issues at the expense of long-range outcomes.

To make successful strategic decisions in high velocity environments, organisations need to resolve a series of paradoxes (Bourgeois and Eisenhardt, 1988):

- 1) to make strategic decisions carefully, but quickly;
- 2) have a powerful, decisive CEO and a simultaneously powerful top management team;
- 3) to seek risk while executing a safe, incremental implementation.

Smith and Sipika (1993) suggest that one solution to dealing with these paradoxes may be the formation of a crisis decision unit to deal with the high intensity demands of the crisis in the initial phases, while conventional managerial structures get on with the routine tasks of organisational life.

Successful organisations operating in high velocity environments find ways to put structure into a stream of unstructured decisions. Decisive early choices are coupled with rapid decision-implementation cycles, deferring subsequent decisions until pre-defined triggers are reached (Bourgeois and Eisenhardt, 1988), allowing the organisation to keep options open for as long as possible. Successful firms are also characterised by an empowered senior management team, with delegated authority to implement strategy and where execution triggers are identified and planned for alongside functional responsibilities. Less successful and less resilient firms are more characterised by autocratic and centralised decision hierarchies (Bourgeois and Eisenhardt, 1988).

Teams more successful at fast decision making often attempt to integrate strategic decisions with tactical plans, suggesting that the development of specific plans for implementation helps to alleviate anxiety that can plague executives making high-stakes decisions at an abstract level (Eisenhardt, 1989). As the speed of environmental change accelerates, effective managers deal with their extremely uncertain world by structuring it; using rational techniques for searching and evaluating alternative actions (Bourgeois and Eisenhardt, 1988). Eisenhardt (1989) characterises fast decision makers as using more information and developing more alternatives than slower decision makers. The rationale proposed for generating multiple alternative options simultaneously is:

- 1) that it is difficult to assess the strengths and weaknesses of options in isolation,
- 2) it reduces escalation of commitment to any one option, and
- 3) it provides a fall-back option if the preferred alternative proves non-viable for any reason.

In analysing multiple options, decision makers focus on breadth-not-depth decision making strategies, which laboratory studies have shown to be highly efficient when time pressure is high (Payne et al, 1988). It appears therefore that organisations must foster both structured and responsive decision making approaches.

7.0 SITUATION AWARENESS

While there are many definitions of situation awareness, the one best suited to the context of this paper is *“a continuous extraction of environmental information, integration of this information with previous knowledge to form a coherent mental picture, and the use of that picture in directing further perception and anticipating future events”* (Dominguez, 1994 as cited in Salas et al, 1995, pg 3).

Any effective planning process requires an organisation to be alert to and monitoring the organisational environment so that it can more effectively align its capabilities and resources with threats and opportunities. A major shortcoming of conventional strategic planning is the lack of sensitivity and inability to deal with the discontinuities and crises that arise in a dynamic and turbulent environment (Camillus and Datta, 1991). To cope with this lack of sensitivity, a parallel discipline of strategic issues management has evolved, but there are concerns that this lacks some of the visioning, enduring and motivational qualities of traditional strategic planning.

As highlighted by Bartlett and Ghoshal (1993) *“managers worldwide have begun to focus less on the task of forecasting and planning for the future and more on the challenge of being highly sensitive to emerging changes”*. This requires organisations to develop strategies for actively improving their level of situation awareness. In dynamic situations, the things that are important and the things that are irrelevant can change with little warning (Smith and Hancock, 1995). In these situations, recognising patterns emerging from the ‘un-order’ can be more productive than collecting and analysing data in order to make rational decisions (Kurtz and Snowden, 2003).

Mitroff (1988) emphasises the importance of being alert to the early warning signals that occur long before a crisis occurs. Proactive organisations are more resilient organisations and are on the lookout for early warning signals and are more likely to have tested response and recovery plans in place. Reactive organisations tend to ignore these signals and even block them intentionally.

While there are challenges for organisations to effectively build situation awareness to inform their medium and longer term strategic planning, these challenges are amplified in rapidly evolving crisis environments. Not only do individuals responding to crises need to build their situation awareness, the crisis management team need to build a shared awareness of the situation they are facing. Team situation awareness requires the additional elements of coordination and information sharing (Salas et al, 1995). Ways to prepare decision makers for this task include: 1) building a clear sense within the team of the overall mission of the group and how the different team members contribute to this mission, 2) defining clear roles so that team members are monitoring different segments of the environment, with sufficient overlap to promote collaboration (Wellens, 1993), and 3) developing processes for exchanging and confirming information between individual team members so there are sufficient opportunities to compare and update individual mental models of the situation.

8.0 DEVELOPING A MODEL FOR CRISIS STRATEGIC PLANNING

Many of the propositions discussed throughout the literature review are contradictory at first glance. From the literature it is clear that organisations wanting to perform well at Crisis Strategic Planning must:

- Be pre-planned and yet fluid enough to adapt to changing circumstances.
- Have leaders able to inspire their people with a sense of hope and direction, whilst also being grounded with realism about the situation they are faced with.
- Have an organisational culture that values disciplined planning whilst fostering an ability to be creative and innovate.
- Plan and make decisions carefully and in a structured way, yet be responsive and able to move quickly and boldly.

- Have teams able to recognise patterns and integrate disparate information in order to make sense of a chaotic situation, while being sensitive and alert to subtle changes to the environment as the situation evolves.

Given these contradictions, organisations would benefit from a model to help them think about and evaluate their capabilities to plan strategically during the midst of crisis. For this model to be useful it needs to meet the following criteria: it should be simple and easily understood; it should be diagnostic (the user should be able to locate their organisation on the model); it should support action (the user should be able to see they are at location A on the model, would like to be at location B on the model, and intuitively see how to get from A to B, at least in general terms). In addition, the model should be applicable: as a tool during the annual strategic planning cycle; emergency management and crisis planning; to embed resilience into the culture and daily processes of the organisation; and as a touchstone for decision makers in the midst of a crisis.

Although this paper does not set out to ‘solve’ all of the above requirements, the basic model proposed for Crisis Strategic Planning is designed to provide an overarching framework that will provide the basis for further discussion about this important topic, both within organisations and the research community alike.

To find the silver lining in a crisis, organisations must find ways of negotiating the paradoxes identified in the bullet points above. Effective crisis strategic planning requires both planning and adaptiveness along four enabling dimensions: leadership, culture, decision making and situation awareness. The model shown in Figure 1 aims to help organisations understand what their natural tendencies are; Figure 2 (shown later in this paper) then highlights how these tendencies affect their ability to plan strategically during crisis and ultimately affect their resilience.

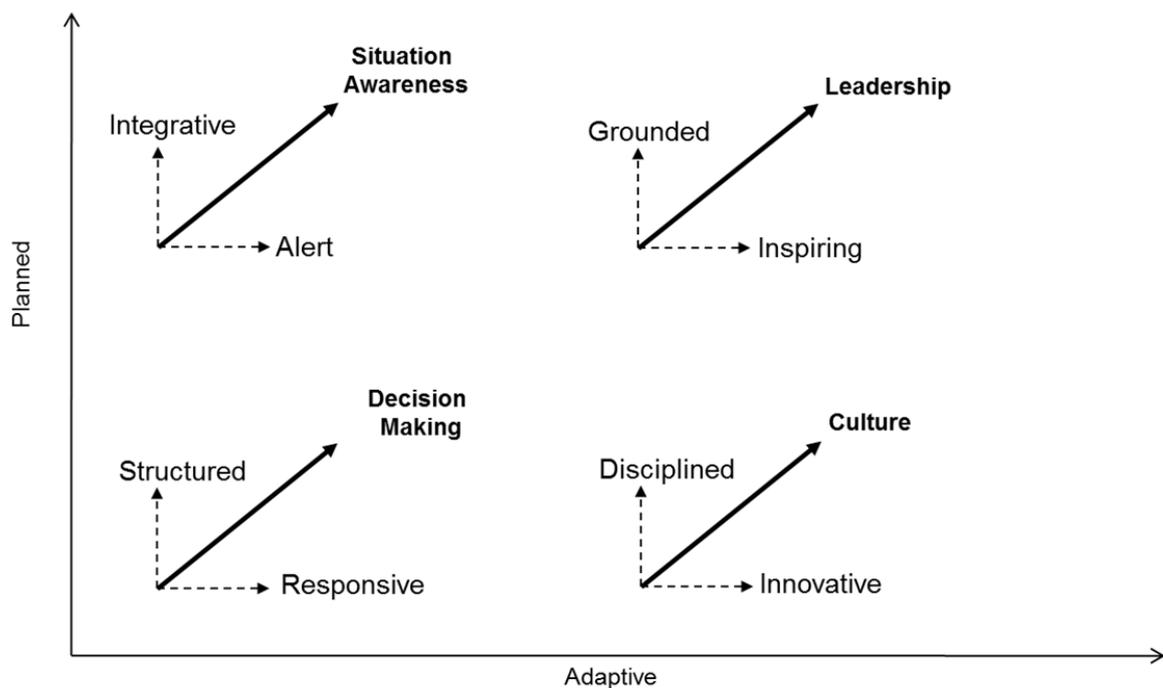


Figure 1: Adaptive and planned tendencies for the four enablers of effective Crisis Strategic Planning

9.0 CASE STUDIES OF SMEs IN CRISIS

In the following section we apply the proposed model of Crisis Strategic Planning to three SMEs to explore the factors that enhanced or reduced their resilience.

Case Study 1:

This case study explores the response and recovery of a small engineering manufacturer in New Zealand struck by a severe but highly localised natural hazard event. At the time of the crisis the organisation employed approximately 50 staff. All operations were run from a single building which suffered significant roof damage in the event. Luckily no members of staff were hurt.

Just before the crisis the business had been busy filling a large export order for an important international client. The owner of the business was in another part of New Zealand attending a family funeral. The business was well insured but, typical of many small businesses, the organisation had no formal risk management, business continuity or crisis management plans in place, nor had it undertaken any formal strategic planning. Despite this lack of formal planning the organisation proved to be resilient to this crisis, though it did miss strategic opportunities while it was responding to the crisis.

The response of the organisation is mapped against the four dimensions of crisis strategic planning to explore the type of resilience exhibited:

- **Leadership:** The owner/manager of this business was three hours drive away at the time of the incident but returned immediately upon hearing of the event. Impressions that the research team gained of his leadership through the event is one of 'we can and will get through this', with a very practical focus on what needed to be done to achieve core objectives. The owner/manager had confidence in his management team and it appears likely that at least one of his management team would have 'stepped up' into the leadership role had the owner/manager not been available. Overall the organisation scored both High on being grounded in the reality and providing operational direction and High on inspiring leadership.
- **Culture:** the staff and local community demonstrated a strong degree of self reliance and ability to cope. There was a high level of support from the local community and staff leveraged their own practical skills to speed the recovery. Local networks and contacts were used, with staff able to secure many tarpaulins to protect equipment from rain that evening. Some upcoming jobs were given to competitors, but the company was able to get back to work on critical orders from the next day. Although the organisation demonstrated an inherent ability to cope with crises, the lack of formal management processes such as risk management indicate this was not a particularly 'planned' capability. Overall this organisation scores a Low on disciplined planning for crises and High on innovation in response to a crisis.
- **Decision Making:** Decision making was rapid in the aftermath of the event, with the owner/manager making major decisions quickly. Although he wasn't present at the time of the event, through discussions with his team he was quickly able to identify issues and options for recovery. Without any structured planning for such a crisis however, this decision making capability was also quite tenuous. If the owner/manager had not been available it is less clear if such decisions would have been made so quickly. The owner/manager clearly had confidence in his team 'to do what needed to be done'. It is unclear however, without delegated authorities,

if staff would have felt able to make key decisions given the significant financial implications. Overall this organisation scored Low on structured decision process and Medium on decision responsiveness.

- **Situation Awareness:** Interviews with staff after the event indicate a very clear and commonly held set of priorities for the organisation during the response and recovery effort. At the time of the event the organisation was filling a large export order for an important customer. Immediate priority was placed on being able to complete this time-critical order; with the focus on effecting temporary repairs to the building to make it functional, rather than spending time relocating equipment to another location. These priorities emerged from a clear understanding of business drivers and those aspects critical to the organisation's survival; though it would be fair to say that this sense-making was more intuitively based than a more structured scan of the situation. While the organisation focused on 'business survival' it potentially missed opportunities to 'find the silver lining'. Strategic opportunities to build relationships with new clients that arose during the recovery period were passed over in the effort to deliver existing client orders. In hindsight this has led to lost potential growth. Overall this organisation scores Medium on integrative analysis of the situation and High on being alert and sensitive to how the situation evolved.

Case Study 2:

The second case study explores the response and recovery of an SME that offers services to the manufacturing sector. The organisation suffered reputation damage following a significant health and safety incident, leading to the loss of a major customer. The crisis required the organisation to significantly restructure its operations, with the redundancy of some staff and a significant impact on short-term profitability. As a result of this crisis the organisation put all of its efforts into transforming the business to take advantage of a new market opportunity, rather than attempting to recover the business in the same 'form' as before.

The response of the organisation to the crisis is mapped against the four dimensions of crisis strategic planning to explore the type of resilience exhibited:

- **Leadership:** While the organisation at first glance appears to exhibit strong leadership, significant differences between survey responses of senior managers and staff to questions indicate a potential disconnect between the leaders and those being led. It is not immediately apparent to the researchers the cause of this disconnect, as the core messages presented by senior managers relating to the need to 'paint the vision' and strategies used to keep 'in-touch' with staff concerns appear genuine. This disconnect requires further investigation, but based on the significant differences in perception between staff and management, the organisation was scored Low for grounded leadership and Medium for inspiring leadership.
- **Culture:** This organisation prides itself on fostering and maintaining a highly evolved safety culture; the incident leading to the crisis of reputation followed an extended period with an exemplary track record. The nature of the work that the organisation undertakes requires a high degree of innovation as many tasks require novel approaches. The reaction to the crisis reflect core components of a well planned response – though this is a function of an intuitive rather than planned approach by those on the ground. Staff surveys indicate that the organisation's attitude to planning is its weakest resilience feature. Overall this organisation scores Low on disciplined planning for crises and High on innovation in response to a crisis.

- **Decision Making:** Within a short period of time the organisation made a major strategic decision to restructure the organisation and pursue a different market opportunity. The organisation approached this decision over the course of a week. During the first part of the week alternative strategic options were generated, analysed and debated. By the end of the week these options were rigorously reviewed and shortlist of preferred options identified. Over the weekend the Managing Director selected his preferred option; this option was implemented the following week. Given the radical nature of the restructure this decision timeframe is considered to be very fast. Overall this organisation scored High on structured decision process and High on decision responsiveness.
- **Situation Awareness:** The situation awareness of this organisation was significantly enhanced by a long track record of strategic planning, through which the potential for this type of crisis had been previously identified and discussed at length. The market opportunity pursued by the restructure had previously been identified during strategic planning sessions; although this opportunity was targeted for much slower implementation. The prior awareness of the potential for and implications of such a crisis enabled the organisation to respond quickly when the incident occurred. The safety focus of the organisation places an emphasis on a free and open flow of communication, but differences in perceptions between staff and management of the way the organisation operates may inhibit this communication. Overall this organisation scores High on integrative analysis of the situation and Medium on being alert and sensitive to how the situation evolved.

Case Study 3:

The third case study explores the response and recovery of a small software engineering company with seven employees, including the owner manager (CEO). The crisis involved a fire which broke out in an adjoining office suite resulting in significant smoke damage to the case study organisation's offices requiring them to vacate the space. Following a brief discussion with the team, the CEO decided that they would temporarily relocate to his three car garage, adjacent to his home a few kilometres away. At the time of this incident the organisation was working on a number of time critical client projects in a highly competitive market. The space they moved into had insufficient broadband and phone service but the team made do with the ad-hoc arrangements while they focused on project delivery to clients. Although none of their computer equipment was destroyed the primary server needed to be recovered using the most recent backup, which was kept offsite.

The response of the organisation to the crisis is mapped against the four dimensions of crisis strategic planning to explore the type of resilience exhibited:

- **Leadership:** The nature of this crisis required a rapid response from the leader. The CEO provided this leadership, ordering evacuation and a decisive choice to relocate immediately once the danger was past. It was however unclear if such a strong response would have been forthcoming if the CEO had been absent at the time of the event. The CEO was obsessive about practical aspects of the company's software development. However the lack of a fire extinguisher or any fire drill exercises was indicative of the lack of crisis planning. Although the organisation undertakes regular strategic market and technology planning, the CEO is more indicative of a pragmatic rather than inspiring leader. Overall on leadership this organisation is scored High on grounded leadership but Low on inspired leadership.

- **Culture:** All the staff of this software engineering company are tertiary qualified and very bright. The resulting informal culture has a high emphasis on quality software achieved through a collegial/cooperative work style. Innovation is an important characteristic of the organisation culture given the fast moving IT industry in which they compete. Although the company does regular strategic planning around markets and technology, the informal work environment results in a lack of operational planning. This innovative, but unplanned nature was evident in their response to the fire and results in a Low score for disciplined planning for a crisis but a High score for innovation in a crisis.
- **Decision Making:** The decision to relocate to the CEO’s three-car garage was highly responsive and produced an immediate solution to the problem of continuity of service to clients. Staff were quick to follow his decision and direction, pitching in to regain a functioning work environment. There seemed to be limited consideration of other alternatives however which might have structured the aftermath of the temporary relocation to take advantage of potential opportunities. Some deadlines were missed as a result of this crisis, but clients accepted the situation and were grateful for the rapid relocation and continuity of service. Overall this organisation is rated Low on structured decision processes but High on responsive decision making.
- **Situation Awareness:** The sensitivity to client concerns and the highly competitive nature of the IT industry is highlighted by their regularly updated five year strategic market and technology plan. This brings a strong awareness to the organisation of competitive pressures and client demand to deliver on-time, within budget, bug-free software. This background provides a strong foundation for situation awareness. However the recovery priorities are almost entirely directed by this prior strategic planning and may result in less than optimal integration of new information as the situation matures. Overall this organisation scores Medium on integrative analysis and High on being alert to signals in the unfolding environment.

Table 1 summarises observations for these three cases studies and provides the basis for placing them in a four quadrant matrix in the next section.

		Case Study #1	Case Study #2	Case Study #3
Leadership:	Grounded Inspiring	High High	Low Medium	High Low
Culture:	Disciplined Innovative	Low High	Low High	Low High
Decision making:	Structured Responsive	Low Medium	High High	Low High
Situation awareness:	Integrative Alert	Medium High	High Medium	Medium High

Table 1: Summary of case study observations

10.0 TYPES OF RESILIENCE

The Crisis Strategic Planning model suggested above is built around two axes: planned and adaptive. These two generic labels incorporate a deep set of characteristics that the literature suggest support an organisation's ability to effectively manage a crisis while "finding the silver lining" of strategic opportunity. The approach an organisation takes (being predominately planned, predominantly adaptive or a combination of the two) has an impact on the type of resilience that may result for the organisation:

- **Latent resilience:** An organisation with low levels of planning and low adaptability where their resilience is undeveloped and thus substantial opportunities for improvement.
- **Planned resilience:** An organisation with high levels of planning but low levels of adaptability and thus well structured but somewhat inflexible; often characteristic of highly structured, large or risk prone organisations and industries.
- **Ad hoc resilience:** An organisation with high levels of adaptability but low levels of planning, and thus highly agile but unsystematic in its approach; often characteristic of small, dynamic, entrepreneurial or emerging organisations and industries.
- **Dynamic resilience:** An organisation with high levels of planning and high levels of adaptability, thus highly resilient.

By diagnosing an organisation's tendencies (towards a more planned or adaptive approach) to the four key enablers of crisis strategic planning (using the model shown in Figure 1), an organisation can see how this impacts on the type of resilience it is able to achieve by using the model shown in Figure 2. We suggest that organisations falling into the latent resilience quadrant are likely to be severely tested during times of crisis and sometimes may not survive. Organisations in the planned and ad hoc resilience quadrants may perform well and survive many crises, but only those organisations falling into the dynamic resilience quadrant are likely to consistently 'find the silver lining' from a crisis.

The following diagram shows how our three SME case studies plot onto this scale. The mechanism used for computing placement of the case study in the four quadrant matrix was to assign values to the observations in Table 1 as follows: low=0, medium=1 and high=2. Scores along each axis were then summed and divided by 8 (maximum score on each axis) yielding a percentage score for placing the case study along each axis.

Although Case Study #1 proved to be highly adaptive in the face of crisis and able to 'survive', the organisation could significantly improve its resilience and the ability to 'find the silver lining' with an increased focus on planning. This seems to be a relatively typical pattern for many SMEs, with Case Study #3 also showing a similar tendency to lean towards adaptive rather than planned approaches. Case Study #2 however does show a more planned approach allowing them to tap into the silver lining somewhat more effectively (although with somewhat less adaptive capacity).

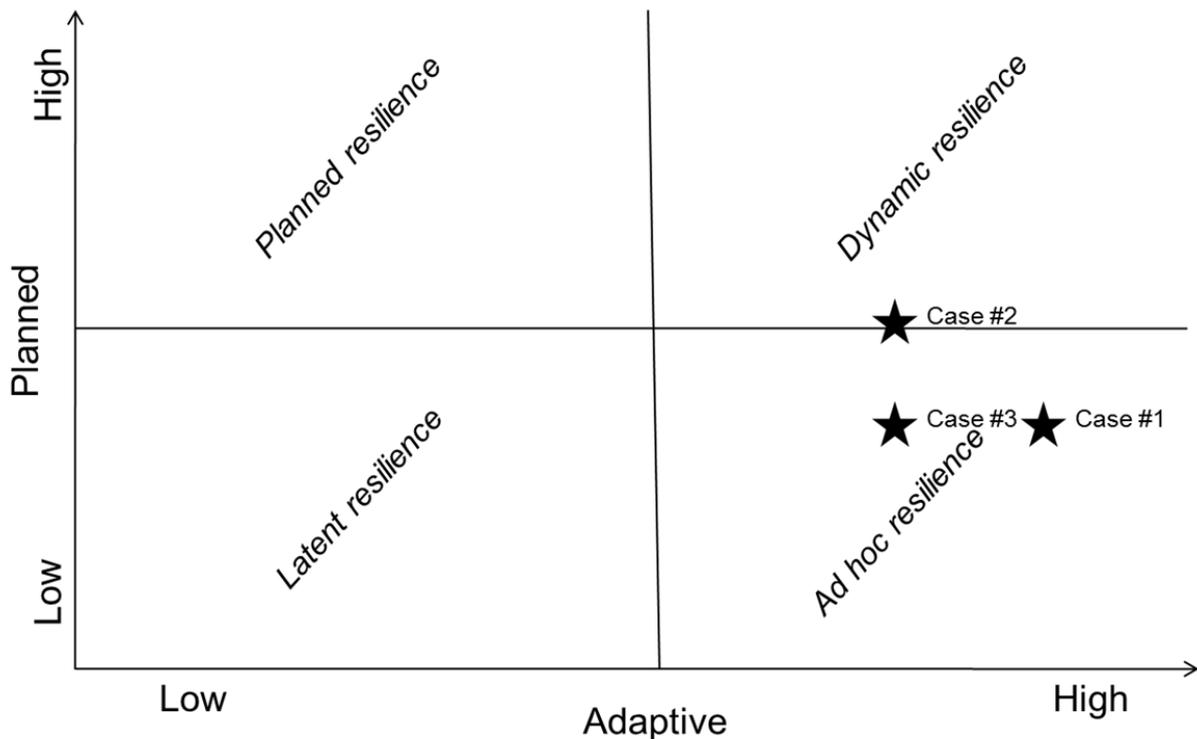


Figure 2: Type of resilience achieved depending on approach to Crisis Strategic Planning

11.0 FUTURE RESEARCH

The model of Crisis Strategic Planning presented in this paper is a synthesis of concepts related to crisis management and strategic planning. The authors believe more resilient organisations can effectively combine these related disciplines. This paper: proposes a model for helping organisations to combine these disciplines; demonstrates its applicability through three case studies; and considers the value that it may add to SMEs and organisations of all sizes and the communities they serve. A programme of future work to advance these concepts related to organisation resilience is necessary to provide well supported advice for organisations wishing to both survive and thrive in a world of increasing uncertainty. We believe the following elements are important aspects of this necessary programme of future research:

- To develop a reliable benchmarking tool to permit organisations to measure their resilience, providing a base line from which to grow their resilience and to provide an evidence base to support the business case for resilience building activities and projects within the organisation. This tool would be used as a more refined mechanism for determining organisational scores on the four dimensions of the proposed model and resulting placement on the four quadrant chart (Figure 2).
- To develop related diagnostic tools to assist organisations in applying resilience concepts to the continuous improvement of their organisation.
- To use the above noted benchmarking tool to support collaboration within sectors of the economy to increase sectoral resilience and thus reduce the impact of crisis on communities.

- To demonstrate a causal effect between greater resilience and: (1) day-to-day business effectiveness, (2) greater survivability in crisis and (3) higher returns from ‘finding the silver lining’.
- To develop interventions capable of improving an organisation’s resilience and measure the effectiveness and efficiency of such interventions.

Work in progress by the authors and their research group is addressing some of the above research agenda and we encourage others to join in this process of development for more resilient communities and more vibrant organisations.

12.0 SUMMARY AND CONCLUSIONS

Crises often present a nexus of significant risks together with substantial opportunities. However these two factors are typically not ‘managed’ by a single coherent set of processes but rather two separate disciplines: crisis management and strategic planning. This paper has presented a concept the authors refer to as ‘crisis strategic planning’ in order to explore approaches that business owners and managers can take to forge more resilient organisations and more resilient communities. SMEs are an important source of community job creation in modern economies, and as such we have much to gain from their increased resilience.

Effective crisis strategic planning, the process of surviving the crisis while finding the silver lining, involves four key enablers: leadership, culture, decision making, and situation awareness. This paper presents a model for these four enablers as viewed from the dual perspectives of planning and adaptiveness.

Planned and adaptive: these two generic labels incorporate a deep set of characteristics that strengthen or obstruct an organisation’s ability to effectively manage a crisis while “finding the silver lining” of strategic opportunity. The inherent agility of many SMEs contributes to their resilience but their lack of focus on planning can undermine their ability to find the silver lining. The style an organisation displays determines the type of resilience experienced on a four quadrant resilience model incorporating: latent resilience, planned resilience, ad hoc resilience or dynamic resilience. By diagnosing an organisation’s tendencies towards a more planned or adaptive style to the four key enablers, an organisation can see how this impacts the type of resilience it is able to achieve.

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