

# **Strategic Management of Crises in Small and Medium Businesses**

**Allan Manning**

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# Abstract

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*“Strategy is when you run out of ammunition but keep firing anyway”*

Anonymous

The main purpose of this study was to analyse what strategies small and medium businesses actually adopt when confronted with a major crisis such as a fire, flood or similar catastrophe, and determine what factors proved vital to the survival of the business.

Up until this study, the research in the area has been focused on large public companies. This study extends the earlier research in a number of areas, including the Resource Based Perspective Model, Dynamic Capabilities Theory, Business Continuity Planning, Benchmarking, and Stakeholder Theory, as well as Risk Diversification and Insurance, but with a strong focus on small and medium enterprises.

The primary aim of the research was to develop a Crisis Management Model that can be utilised by small and medium enterprises to minimise the risk associated with losses caused by disasters such as fire.

Bearing in mind that it is estimated that over 93% of all businesses in Australia fall within the definition of a small or medium enterprise, the study is considered important, as it adds to the existing body of knowledge on this important sector of the national economy.

To develop such a model, many components of earlier models of strategic management were tested for relevance to the manager during a major crisis in the business. This extended to identifying the key stakeholders and the critical variables to business survival.

Data was gathered from twelve small or medium enterprises, which had experienced a major fire or similar crisis within five years prior to the company being studied. A qualitative approach was taken, which involved interviews and in-depth analysis of twelve case studies.

The study found that the owners and managers of small and medium businesses rated the development of a Crisis Management Model as a crucial management tool to assist them to fight for the survival of their business following a crisis. Even those owners that found that the business, for whatever reason, could not be saved, needed to develop a modified plan that strategically addressed the owners' withdrawal from the enterprise.

Based on the research, which included a comprehensive literature review, a new strategic benchmarking model - the *Crisis Management Model for Small and Medium Enterprises* - has been developed for the management of a significant business crisis, particularly one resulting from an insured peril. The model is also expected to be pertinent for an operational unit of a large corporation. Further, while the model was primarily developed to assist in business survival, it has equal application in the situation of business failure as a methodology of implementing an exit strategy, following a crisis.

The testing of the Crisis Management Model for Small and Medium Enterprises, developed in this study, is recommended as the subject of further research.