

Small and medium sized enterprises: the role of social capital in organisational resilience

Researchers

Dr Martina McGuinness and Dr Noel Johnson, Management School, University of Sheffield.

Aim

Working as part of the EPSRC-funded SESAME project, our focus is to achieve a better understanding of business continuity processes in the context of small and medium sized enterprises' (SMEs) experience of flooding in the urban environment. In doing this, we aim to identify and promote best practice for SME business continuity management. In a previous factsheet, we outlined some of the findings which emerged from one part of this research project. Here, we set out how we translated one of these, social capital, into the practical business continuity tool we developed for SMEs.

Approach

Underpinning our approach is the assumption that flooding is a socially constructed process which extends beyond the geographical and temporal boundaries of the flood event itself. A flood event is only one part of a broader flood risk cycle. This has important implication for businesses when making management decisions about how they might become more resilient to the risk of flooding. Our research was based upon both primary and secondary data. For the former, we adopted a case study approach and gathered interview data from more than 80 SMEs and related stakeholders across the UK related to six different flood events, spanning 2007 to 2014. In addition to a review of relevant academic literature, we also reviewed a wide range of grey literature, that is knowledge artefacts which are not the product of peer-review processes characterising publication in scientific journals (Lawrence et al., 2014). This included policy and practice documents such as continuity standards and guidance produced by public and private sector organisations.



Figure 1: Flood risk cycle

The challenge

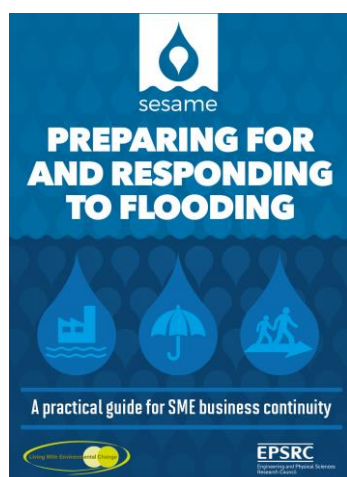
Our research identified a number of issues which could impact positively, or negatively, upon SMEs' ability to effectively respond and recover from flooding. Social capital, a resource unique to every business (Barney, 1995), is one significant factor. By social capital we mean the actual and potential resources available, and/or accessible to the SME, through the network of relationships every business possesses (Nahapiet and Ghoshal, 1998). Our research showed that the ability to leverage this resource can play a vital role in helping SMEs to respond and recover from flooding. Examples of this can range from mobilising employees in clean-up activities through to the use of contacts to get hold of critical resources such as key equipment or alternative premises.



Figure 2: Workforce cleaning-up post flood

We found that SMEs tend to exploit this network on an ad-hoc basis when flooding hits rather than incorporating it as a part of a more formal business continuity process for flood resilience. The challenge we faced was how we might best develop an intervention or tool which might help business to better utilise this critical resource so as to enhance resilience to future flood events.

Translating our research findings into a practical tool for SMEs



Three principles underpinned the development of the guidance we developed for SMEs. Firstly, it was to be a risk instrument (Demerit & Norbert, 2014; Wardman, 2008) based upon a synthesis of our findings and analysis. The risk instrument would focus upon potential flood impacts (Siegrist & Gutscher, 2008) as a gateway for guiding businesses to consider what might be the most appropriate actions and behaviours (de Boer et al, 2014) they should take for ensuring their continuity of operations. Secondly, we would explicitly incorporate the experiences of the businesses we had interviewed in the risk instrument, through examples and quotations. In doing this, we sought to draw upon notions of social trust and embed values such as salience and similarity (Cvetkovich & Löfstedt, 1999; Siegrist et al, 2000) by referencing other business owner and managers' experiences in a way that a business person reading the guidance could relate to. Finally, it was not our intention to tell SMEs what they must do. Rather, we wanted to facilitate an evidence-based management approach. We aimed to help businesses translate continuity principles based upon best evidence into their own organisational practices (Rousseau, 2006).

Our guidance presented SMEs with eight inter-related themes and areas of activity which our findings indicated are particularly important for effective preparedness, response and recovery from flooding. Within these themes, key issues are highlighted through a series of questions for the business to consider. Our approach was to provide SMEs with an evidence-based tool to help them to make management decisions regarding the optimal actions and behaviours they could and/or should take to make their business more flood resilient. This informed decision making process involves considering potential flood impacts on their business, as well as simple evaluations, such as cost-benefit analysis, with respect to steps they might take. One of the themes we explored was the way in which social capital can be utilised in a practical way to help SMEs to become more resilient to flooding: the Business Continuity Buddy.

Business Continuity Buddy (BCB): from social capital theory to business practice

BCBs are people that SMEs can call on to help them maintain continuity of operations in the event of flooding. They are drawn from the SME's business and personal networks. Suppliers, customers, competitors, trade associations, employees, neighbouring businesses, friends and family are examples of potential BCBs. They can provide different sorts of help, depending upon the relationship and any formal/informal arrangements made as part of a business's continuity planning. SMEs can explicitly consider their networks and contacts as sources of potential BCBs. They can identify which ones they might wish to incorporate into their business continuity planning and consider whether: they might want to make mutual assistance arrangements with any of them; pool resources with BCBs e.g. neighbouring business, to manage resources better; find additional BCBs to help protect critical business activities. A list of BCB names and numbers, prepared as part of a business continuity plan, could be an invaluable practical resource in the event of flooding.



More information

Please visit our website at <http://sesame.uk.com> (project) or <http://floodresilientbusiness.co.uk> (business continuity guidance) for further information. You can also contact Dr Martina McGuinness (m.mcguinness@sheffield.ac.uk) for copies of the guidance or to discuss using it to help your business become more resilient to flooding.

Funding source

The authors gratefully acknowledge the funding provided by the UK's Engineering and Physical Science Research Council under grant EP/K012770/1.