ESRC Social Science Festival
CRISIS MANAGEMENT IN BUSINESS: FINDING RESILIENCE?
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Coventry, Techno Centre
Dr Alessandro Merendino
On Tuesday 8th of November, Dr Alessandro Merendino, researcher at the Centre for Business in Society, hosted the event: ‘Crisis Management in Business: Finding Resilience?’ The event took place at Coventry’s Techno Centre and formed part of the Economic and Social Research Council’s Festival of Social Science week. Organised by a project team consisting of both CBiS staff and doctoral researchers, there were in total 24 delegates who attended the 2 hour evening seminar, ranging from representatives of SMEs, larger companies such as E:ON, Unipart and Fosse Motor Ltd and the Department for Working Pensions (DWP).

The objectives of the event were:

- Discuss and exchange knowledge on solutions, recommendations and guidelines for timely crisis management resolution.
- Joint platform between stakeholders’ organisations, businesses and universities.
- Raise the awareness about the importance of sharing tools and solutions to effectively tackle management crisis.

Professor Gerrit Sarens presented his findings on his project that looked at Boards of Directors (BoDs) during a ‘crisis period’. He effectively explained ways in which BoDs could add or destroy value within a firm during a crisis and the need for preventative measures, such as greater transparency between management, CEO and the BoDs. Gerrit also explained the apparent reasons for low reactivity from BoDs in the lead up to a crisis. The project went on to uncover triggers for BoDs that switched them to ‘action mode’ during a crisis period, such as severely poor figures threatening the imminent future of the firm, resignations and independent bodies within the workforce ‘standing up’, fuelling the possibility of bad press in the media and so on.

Comparatively, Leslie Spiers presented his research to date on Corporate Governance; its contribution to risk and crisis management planning in small companies. There is little research on how risk is managed in SMEs, and his experience as chairman of the board of 6 companies, travels around the world and managing his own business has provided him with applicable knowledge and expertise in the area, driving his mission to improve crisis planning in SMEs.

Following the key speeches, the event lead to roundtable discussions around crisis management planning, triggers, perceptions of crisis management and effective tools. Key points raised was the need for BoDs to improve the quality of their soft skills and to rely on the use of this approach more when identifying an impending crisis. Communication therefore was found to be key, not just in larger firms but also in SMEs, where sentimental value of the company is the same for shareholders and the board, as often they are the same individual(s). This results in changes in corporate governance processes a more difficult and emotionally profound decision to make, thus taking longer to implement and take effect.

The event highlighted how there is a need for research-led impact within firms to improve and continue the development of crisis management planning, to coincide with the advancements in technology and changing behaviours of business and society at large. Dr Alessandro Merendino will continue his research in this area of corporate governance and hopes to maintain links with key networks following this successful ESRC sponsored event.

Acknowledgements

We would like to thank in particular our key speakers, Professor Gerrit Sarens and Leslie Spiers for their invaluable insights and contribution throughout the roundtable discussions. Thanks are also due to the organising team, made up of an incredible group of CBiS doctoral researchers who gave up much of their time to organise, promote and facilitate the event on the day.
One of the key issues in crisis management is communication within the board and between directors and managers. This may arise especially during a crisis period, employee and directors may avoid confrontation and being upfront about the actual company situation. This may, in turn, rise the concern on to what extent a crisis is hidden, on what groups of people are aware of it and on their ability to cope with a crisis. The communication with stakeholders is another key component of crisis management; for instance, getting the same message to all employees about the line taken by the company; getting the right message to media at the right time. There are many cases of where companies who have not responded fast enough and the media have sought information from elsewhere that comes out negatively or inaccurately.

Data and technology are key aspects that a business cannot underestimate. Businesses, including directors and managers, download data every day. Data should always be available to the board of directors who should set responsibilities on managing, updating and spreading data.

Corporate governance processes certainly help the board of directors to detect early warnings of impending crisis, as long as these processes are correctly put in place. For instance, it would be useful to get monthly snapshots of processes, like progress reports, in order to constantly monitor and possibly improve these processes.

The competencies required to be a sound independent director to pro-actively detect the seeds of a crisis are utterly diverse. A director should ideally know about accounting (to understand financial statements), strategy (to understand what the best effective decisions are), finance (especially if the company is listed or some of the stakeholders are in the stock market), psychology (able to constructive critic colleagues' decisions), risk management (to understand how to deal with risks and threatens) and other business competencies (to effectively run a company) just to name a few.

Independent directors were defined, ironically, like the superheroes of a company, given their huge amount of skills and capabilities required.

The board of directors should improve their soft skills. It has emerged that a company could benefit from a shifting from a top down approach that enhances the distance between executives and the other levels of the company, to a situation that promotes employee engagement. This may lead to a better communication within a company and to share the responsibilities and the tasks amongst directors and employees.

The board could become a vital tool to detect a crisis on time by having an open approach with the employees, having regular meetings with them and regularly ‘walking’ in the company. This may be minimised the risk that issues disappeared or are ‘brushed under the carpet’ by the middle management. The board to be a fundamental actor in the crisis management should be fairly diverse in terms of gender, age, education and expertise. This will also lead to create a stable risk or crisis committee, i.e. a group of experts that continuous monitor and assess potential risks and threatens, and then eventually inform the board. This will help out the company to come up with plans to mitigate the risks and threatens and to improve processes to proactively detect them. On the other hand, top management may have to be more diplomatic, more tactful and more aware of the legal consequences their actions may lead to.

Family businesses cope with the sentimental attachment of shareholders and directors who usually are the same. This means that sometimes making substantial changes in corporate governance processes may be harder and take longer.

Businesses by seeking to cope with a crisis tend to focus on short-term decisions at the expenses of a long-term view. By focusing on long-term plans may not result in immediate positive outcomes (like resolving a crisis); however, it will be vital for the long-term health of the company.
Every SME should implement their own risk plan that needs to be periodically revised. This plan may be costly and therefore considered as an expenses rather than an investment.

Finally, it was emphasised that research can be a tool for businesses by providing guidance, advice and tools in how coping with risks and, internal and external crisis, implementing a fair due diligence checks system. Academia should be an essential partner of businesses to help them out to maximise their value.

Thank you to our attendees who contributed with their knowledge and experience as well as raising valuable questions moving forward, informing our research in this area.
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ABOUT US
The activities, behaviours and policies of organisations – whether commercial, governmental or third sector – impact on society… for better or for worse. At the Centre for Business in Society we aim to learn from these practices and experience, and to help support and steer organisations’ behaviours and policies in the future to seek a better outcome for all. Our research teams and projects reflect this over-arching aim, as we explore the nature of business in society.