

## Research Note

# Communicating Crisis Management Value: Understanding the Value of Preparing for Unexpected Events for Small-to-Medium Size Businesses

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**Abstract:** This paper is an extraction of a larger piece of research done as part of the graduate course at UW's Information School, "Information and the Management of Change".

Small to medium enterprises (SMEs) face a large number of organizational, operational, economic, and environmental risks on a daily basis. Yet there are disproportionately few SMEs who prepare and plan for risks, and incorporate this planning into their daily practices. This paper examines the context of communicating the value of preparing for unexpected events. In the face of lacking standards and consensus, there are numerous difficulties in communicating the value of this planning to SMEs, including lack of vocabulary and relevance towards business needs and resources. The findings were that contextualizing and affixing communication for a particular SMEs needs is perhaps the most valuable aspect of this communication process.

## Risk & Crisis

Dealing with risk and crisis is never an easy process for individuals or organizations. Sometimes it is possible to identify possible events that will potentially cause a crisis, emergency, or disaster to emerge. But the very nature and definition of risk encompasses varying degrees of uncertainty and unpredictability.

For organizations of all shapes and sizes, in all the varied sectors and industries, risk is a real challenge that must be dealt with on a day-to-day basis in perhaps almost uncountable different forms. As seen in the recent financial crisis, the rippling effects of one sector's crisis can even have serious repercussions within other areas of the economy that had been perceived as completely unrelated.

But in particular, Small and Medium Enterprises (SMEs) can find themselves particularly vulnerable to the disasters and crises. Yet there appears to be a gap in the number of SMEs that invest in planning for the unexpected events that can cause serious damage or even result in going out of business. A survey conducted in the US by TNS NFO concluded "71% of small business employees work at a company that does not have a disaster preparedness plan."

There is a need for better clarity for understanding how communicating the value of risk planning can positively influence perspectives, decisions and actions towards SMEs incorporating planning for unexpected events into their business practices.

## SMEs & Risk

The US Small Business Administration sums disaster preparedness, acknowledging that "getting back to business after a disaster depends on preparedness planning done today." According to the US Bureau of Labor & Statistics, some 43% of businesses that experience some sort of major disruption never resume operations. Any business, regardless of size, is not successful without investments of time, money and resources. Small businesses in particular require a heavy investment from owners, and therefore the investment is even higher.

Despite the high commitment levels, there is often a lack of investment in planning for unexpected events, such as crises and disasters. Planning and investing in something like crisis management might be acknowledged as a good idea, but it falls behind in business priorities because of other organizational concerns. This is particularly true in the current economic

environment, where many organizations, large and small, are struggling to make tough calls on where to spend their resources.

But for small business owners, even doing some planning and preparation can make a big difference. While an estimated 25 percent of businesses do not reopen following a major disaster, there are things that can be done in order to mitigate other crises and disasters that arise over the course of a business' lifecycle.

## Recommendations: Improving Communication

While there are a number of information gaps, there are a few approaches that can be done to strengthen communication about the value of risk planning for SMEs.

### Calculating Value for SMEs

Ultimately, the value of planning has to be understood by the decision makers within SMEs. While there does seem to be a lack of data for calculating the value of planning, SMEs might often find that the break-even point is where the cost of risk planning implementation is equal to the impact on their organization of some sort of crisis or disruption multiplied by the likelihood of that event. There is a definition of risk that holds risk is the "probability of an event times consequences." But risk is generally much more complex than the formula allows for. There are also the fear factors and perceptions of risk. So any calculation of risk should be expanded to allow for "a threat, real or perceived, to something we value."<sup>1</sup>

### Customizing Planning Solutions

Any steps towards planning for risk, larger or small, are better than no steps at all. The matter for SMEs is that they must scale planning appropriately for their business. Communicating that planning can be done to fit a company's needs and resources is critical to starting the planning process. No business leader will get on board a project that they perceive is beyond their needs or abilities.

Planning should be generated with the idea in mind that this plan will not stay static. Semi-regular maintenance and updating should happen to ensure that planning is up-to-date.

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<sup>1</sup> Tinker, Tim L., and Gerald E. Galloway, Jr. "How to communicate flood risks effectively." *Journal of Business Continuity & Emergency Planning* 3, no. 3 (2009): 197.

Communicating this is important, because an organization is going to have to have the will and resources to do this upkeep.

Simply put, risk management is tightly connected with any sort of strategic management of an organization. A long-term goal of any business is to remain open and profitable, and this kind of planning can help organizations have stronger future-thinking and better channeling of resources to meet that objective.

## Strengthen Perception of Relevance

Customization is not necessarily enough, though. In an interview, Shelby Edwards stresses that in her work, she tries to frame everything in terms of the strategic goals of the organization. She knows what the five goals of PEMCO are, and every aspect of the business continuity and risk managing she does can be related back to those goals.<sup>2</sup> Over the past few years at PEMCO, there has been an effort to connect the planning and exercises that are done to the functional roles and leadership. Now the threads of business resilience and risk planning are more visible for employees across the organization – there are elements built into job descriptions, and by default this makes risk management part of employee performance reviews. This is one way that Edwards has worked to give people a feeling of investment in the planning that is happening.

As much as possible, it is critical to also involve leadership and decision makers in the process, continually providing reminders about how risk planning continues to be a valuable and worthwhile of company resources and time. Edwards has made herself very visible to the leadership, being physically located in the same area as the higher-level executives. This means she is never “out of sight, out of mind”, and lets her respond quickly and accurately to any emerging concerns or ideas.

Regardless of why kind of plan or organization is being created, a key factor is that a strong connection needs to be made between every aspect of a plan and the goals of the organization. As Beer and Nohria state very clearly, “changes in organizational capability and culture are all too often disconnected from the economic and strategic purpose of the firm” and this is something that is critical to keep in mind when communicating the value of planning.

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<sup>2</sup> Edwards, Shelby, interview by Emily Oxenford. Seattle, (November 10, 2010).

There is some connection that is made between the action and the goal, one way to better communicate why the plan is relevant. In the "Countywide Post Disaster Redevelopment Plan" for Palm Beach County, Florida, the Emergency Management opened each section with a clear purpose for the actions laid out in that section. So under "Economic and Private Sector Issues", the goal is defined as "Economic Vitality. Through policy and support of local business community, Palm Beach County shall work to preserve and restore the industry, agriculture, and tourism that support a high quality of life for its residents."

## Build Business Vocabulary

It might be key to keep in mind that the ultimate purpose of talking about risk in this context is the importance of finding methods for risk to be communicated "in a way that informs without frightening, educates without provoking alarm, and moves people to act."<sup>3</sup>

As Edwards noted, most people who are in charge of crisis and risk management in an organization, if they exist at all, do not come from a business background. For the most part, the backgrounds of planners are in emergency management and law enforcement. Edwards has an economics, urban planning, and MBA background.

It is not necessarily a valuable thing to fill SMEs with fear about potential disasters and crisis. Instead, Edwards serves as a filter for the company, and frames difficult moments in more constructive ways.

For constructive communication it is important to find the balance between necessary information and overwhelming information. "People will stop listening", says Edwards, if the warnings are too dire. People do not want to think that negative events will take place, and almost always go into denial if overburdened with disastrous news.

## Conclusion

Altogether, the issue of communicating the value of risk planning is a topic that deserves ongoing exploration by academics, practitioners, and SMEs themselves. There is a significant interest in the topic of risk management, business continuity, and business resilience for SMEs

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<sup>3</sup> Tinker, Tim L., and Gerald E. Galloway, Jr. "How to communicate flood risks effectively." *Journal of Business Continuity & Emergency Planning* 3, no. 3 (2009): 193

in general, but gaps exist on the topic of relating the value to changing the low rates of SME planning.

Ultimately, whether communicating internally or externally, it is critical that the value of planning for the various unexpected is shared with SMEs, who often have the most to lose from a disruption in business. Effective communication can increase value, create a more resilient company, and hopefully create a culture of planning and preparedness for facing whatever challenges may arise. Handling the complexities of change can be difficult, but planning can help make the unexpected a manageable period in a company's history, rather than the end of the story. The goal is to communicate the value of planning "in a way that informs without frightening, educates without provoking alarm, and moves people to act."<sup>4</sup>

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<sup>4</sup> Tinker and Galloway, 193.