

## Resilience in SMEs

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**SMEs (firms with fewer than 250 employees) make an important contribution to employment and value creation across Europe, and so ensuring that they are able to withstand adversity is of interest to many varied stakeholders. However, most resilience research to date has focused upon large organisations, with the implicit assumption that findings also apply to small organisations. This ignores the unique contextual and structural characteristics that define many SMEs. Where SMEs have been considered, resilience research has focused on SME characteristics and capabilities and on the individual resilience of the leaders of SMEs. Little research has considered practical interventions which may improve resilience in SMEs. Exploring contextual aspects unique to SMEs that may work to their advantage in developing resilience, interrogating the link between leader resilience and organisation resilience, and exploring SME resilience in the context of the organisation's geographical location offer potentially fruitful avenues for future research.**

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### **Background**

Resilience refers to an organisation's ability to respond positively to adversity. A highly resilient organisation is more adaptive, competitive, agile and robust than less resilient organisations and may rebound from adversity strengthened and more resourceful (Denyer, 2017). Adversity comes in many forms, both external and internal to an organisation, and a substantial body of research examining business resilience has developed in recent years. The majority of this work has focused upon larger businesses and their environments (Sullivan-Taylor and Branicki, 2011) and several reviews of this body of work are available (e.g., Linnenluecke, 2017; Korber and McNaughton, 2017; Kossek and Perrigton, 2016). Although SMEs are often under-prepared for adversity, both empirical and theoretical research examining SME resilience is relatively scarce (Battisti and Deakins, 2015). Here, we consider what distinguishes SMEs' experience of adversity and the factors which shape their responses.

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## Evidence

Three main strands of SME resilience research can be identified which focus on: (i) the characteristics and capabilities of SMEs; (ii) the resilience of the leader of an SME and its connection to the resilience of the organisation; and (iii) interventions designed to increase the resilience of SMEs.

Resource and capability constraints linked to size are often characterised as an obstacle to resilience in SMEs. Perhaps unsurprisingly, accessing finance is a strong focus, and studies have identified that the absence of a secure funding sources can compromise an SME's ability to withstand shocks (e.g., Cowling et al, 2014; McGuinness and Hogan, 2014). The strategic priorities of an SME have also been examined, with the optimisation of strategic assets (Pal et al, 2014), an innovation focus (Demmer et al, 2012), and early internationalisation (Hilmersson, 2014) all suggested as potential routes to longer-term resilience and survival. Evidence also suggests that building strong networks (Battisti and Deakins, 2017) and involving employees in governance (Lampel et al, 2014) can be effective in shock-proofing SMEs.

An important debate emerging from this strand of research focuses on whether a short-term focus in SMEs reduces their ability to withstand shocks. If SMEs focus on immediate priorities, they may lack the ability to plan for adversity and therefore be less resilient. The counter argument suggests that SMEs' short-term focus makes them flexible and responsive in the face of adversity. The empirical evidence is limited and ambiguous. Key papers in this debate are summarized in Table 1.

**Table 1: SME ability to plan for crisis and the link to resilience**

Authors	Methodology	Key issues	Key finding
Sullivan-Taylor and Branicki (2011)	Qualitative data from UK-based SMEs, across a range of sectors	Assesses SME resourcefulness, technical, organisational and rapidity capabilities	SME managers lack capacity to plan, as evidenced by low scores for resourcefulness, technical and organisational capabilities, and tend to muddle through, but can think on their feet (rapidity)
Reymen et al (2015)	Multiple case study. High technology SMEs in Holland, Belgium & Germany	Considers entrepreneurial decision-making in uncertain conditions	Being flexible and rapidly responsive allows SMEs to deal with uncertainty in an effective manner
Herbane (2010)	Multiple case study. UK SMEs in IT, retail, consultancy & training sectors	Examines crisis management in SMEs	SME managers tend to firefight in the face of crises rather than to proactively plan for them.
Ates and Bitici (2011)	Multiple case study. European manufacturing SMEs	Assesses change management capabilities in SMEs	Short term focus impacts on (reduces) SME resilience

Resilient leaders have been strongly linked with businesses that grow (Ayala and Manzano, 2014) and with businesses that demonstrate the resourceful behaviours which underpin resilience (Powell and Baker, 2011). A range of competencies and traits present in SME leaders have been linked to the resilience of firms (see Table 2), including mind set, risk appetite and flexibility. However, the evidence base remains partial and further investigation could offer valuable insights into the dynamic between the entrepreneur and their organisation.

**Table 2: SME leader resilience and the link to SME resilience**

Authors	Methodology	Key issues	Key findings
Conz et al (2015)	Multiple case study. Italian wine producers	Consider ability of leader to implement a range of strategies	Strategic diversity is the key to SME resilience
Smallbone et al (2012)	Survey research. UK and New-Zealand SMEs, range of sectors	Consider SME leader performance in downturn	Strategic flexibility & adaptability central to SME resilience
Bamiatzi and Kirchmaier (2014)	Multiple case study. UK SMEs, range of sectors	Assess strategies for growth in declining markets	Leaders who embrace higher risk strategies drive resilience
Doern (2016)	Qualitative data from London-based SMEs across a range of sectors, following riots	Distinguishes between <i>containment</i> and <i>anticipation</i> mind-sets in leaders	Leaders who adopt an anticipation mind-set, have a positive influence on SME resilience

The strand of scholarship that investigates practical interventions to develop resilience in SMEs is in its infancy. Research has identified organisational development programmes focusing on collaboration and coaching (Gray and Jones, 2016), technology training (Gunasekaran et al, 2011) mentoring (Bullough and Renko, 2013) and team-building (Blatt, 2009) as interventions which may help to build resilience in SMEs. The choice of physical location and to the extent to which SMEs are embedded within local communities has also attracted some attention (e.g., Williams and Nadin, 2010; Williams and Huggins, 2013).

## Evidence gaps

Business resilience research to date has tended to focus on larger firms and has assumed that findings are likely to apply to the SME context (Ates and Bitici, 2011). Resilience research with an overtly SME focus is emergent, but there are several promising areas for future attention. Firstly, although research indicates that SMEs are less likely to plan for adversity due to size and resource constraints, this lack of planning has also been characterised as a source of resilience insofar as it allows SMEs to be flexible and responsive. This is at odds with broader resilience research and advice, which often advocates contingency planning for resilience, and it suggests that a more fine-grained analysis is needed to understand the link between firm size, planning activities and the ability to withstand shocks. Additionally, SME resilience research indicates a stronger link between the personal resilience of a firm's leader and the resilience of the firm itself than might be observed in larger organisations. However, the absence of any research that really interrogates this link, to elucidate the relationship between personal leader resilience and

organisational resilience, indicates a gap in our knowledge in this area which merits investigation. Understanding this link may well have practical as well as policy implications. Finally, interventions including coaching, training and team-building have been advanced as ways to foster resilience in SMEs. However, the literature focusing on such interventions is limited and further research is needed to develop a thorough understanding around the connections between the interventions and the resilience of the SMEs. The same applies to research which considers the role of place and community in building resilient SMEs, where continued focus would appear to be an obvious area for future research which could benefit SMEs and the communities they inhabit.

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