

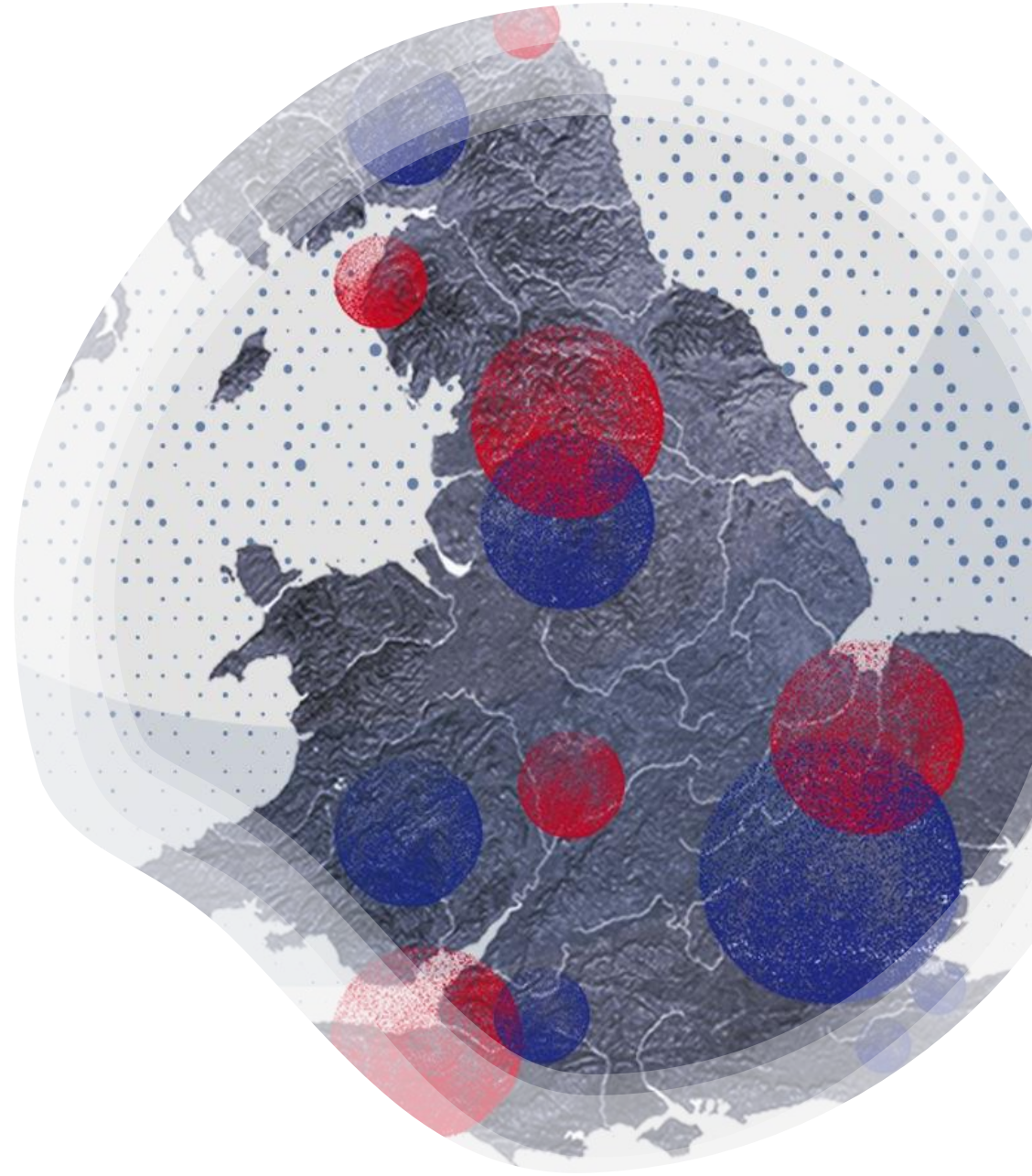
Business Continuity Strategies in the Post- Covid Era

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MODERN DEFINITION OF RESILIENCE:

Overview

- Why do we need Business Continuity Strategies?
- What is Business Resilience and why is it important now?
- What is the impact on small construction firms?

ADVANCING
DESPITE
ADVERSITY

BE PROACTIVE -
DON'T WAIT FOR
ADVERSITY

SO RE

ORIENTATION,
TOWARDS
VISION

E
S
C

Key focus of presentation

- **Business resilience** - how SMEs in the construction sector are surviving in the UK in the pandemic and support offered to the business leaders in these small firms in the construction sector.
- **Problem:** One in 10 firms say there is a risk they will go bust because of coronavirus crisis as 40 per cent warn they have less than six months worth of cash reserves left (Office for National Statistics)

Definitions

- The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. There were 5.9 million SMEs in the UK in 2019, which was over 99% of all businesses.
- Micro-businesses have 0-9 employees. There were 5.6 million microbusinesses in the UK in 2019, accounting for 96% of all businesses.

Business size	Number of employees
Micro business	Less than 10
Small business	Between 11 and 50
Medium business	Between 51 and 250
Large business	Between 251 and 1,000
Enterprise	More than 1,000

Business strategies for entrepreneurial small firms

Existing models of strategic planning and suggests that they cannot adequately cope with environmental uncertainty (Anderson and Atkins, 2001)

Definition of strategy:

- *A strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole (Quinn, 1980)*

However,

- Mintzberg (1987) argues that Strategy is broader than 'Planning'

Planning = actions level (easier to articulate)

Strategy = ideas level (transcends formal written planning documents)



Approaches to strategy formation in small firms

- Small firms go through stages – inception, survival, growth, expansion, and maturity
- Some reach maturity without ever going through growth or expansion
- Most small firms pursue survival strategies (Carland et al. 1984), and survival predominately depends upon a loyal customer base (Reider, 2008)
- Most small and micro construction firms operate under informal business strategies (Aboagye-Nimo and Raiden, 2019)

Crisis Management Strategies for SMEs

Crisis Planning, Diagnosis, and Response

- *Small firms with proper crisis planning survive and recover better from crises events (Munoz et al., 2019)*

Suggestions:

- SMEs need to adopt a comprehensive crisis warning system (Kurschus et al., 2015)
- Leadership and HR strategies (Tannenbaum & Schmidt, 1957; Dent et al., 2018; Cheng, 2018)

Business Continuity Strategies

- **Business continuity management** is a formal process through which organizations establish specific structures, roles, processes and resources in order to anticipate and respond to acute operational interruptions (Herbane, 2013).
- **Resilience** is an adaptive process and capacity of an organisation to address major acute and strategic challenges through responsiveness and reinvention to achieve organizational renewal.
- **Business survival and continuity** and the continued presence of crises are inseparable in a contemporary view of **resilience** in an entrepreneurial setting.

Business Continuity Strategy

- Many studies that have been conducted on business continuity strategy among large manufacturing-based companies (Keppenach, 2007) and developed regions (Herbane, 2013).
- Limited studies examining micro-enterprise in the less developed countries

Most studies on crisis management processes are focused on:

- managing the impact of epidemic disease outbreak (e.g. Ritchie, 2003),
- natural disaster (e.g. Flynn, 2007, Bresciani, et al, 2002; Fabeil, et al, 2019)
- economic and financial crisis (Devece, Ortiz & Armengot, 2016)
- inadvertent disaster and terrorisms (Cook, 2015)

Resilience, Dynamic Learning and Strategic Renewal for SMEs

Resilience strategies require:

- possessing a leadership mindset
- adopting multiple crisis management practices
- maintaining a good relationship and robust network
- identifying threats and opportunities
- taking actions promptly and flexibly

(Simón-Moya et al. 2016; Irvine & Anderson, 2006)

Resilience Strategies

Increase Demand

Network

Enhance Crisis
Management Strategies

Market Exploration

Leadership and HR

Dynamic Learning

Different facets
of resilience
development
(Madni and
Jackson 2009)



Policy changes in the UK during covid-19 pandemic

In the short-term - rapid responses to ensure SMEs can continue operating, to ease liquidity constraints and ensure continuity of employment (OECD, 2020).

Public policy attention in UK - centred on mitigating the immediate effects of the Covid-19 crisis on SMEs.

UK government policy measures enacted to date:

- Furlough sick pay scheme (Short-term)
- Covid-19 Business Interruption Loans scheme (short-term)
- Coronavirus Job Retention Scheme (short-term)
- UK's Future Fund with budget of £250m for start-ups (long-term)

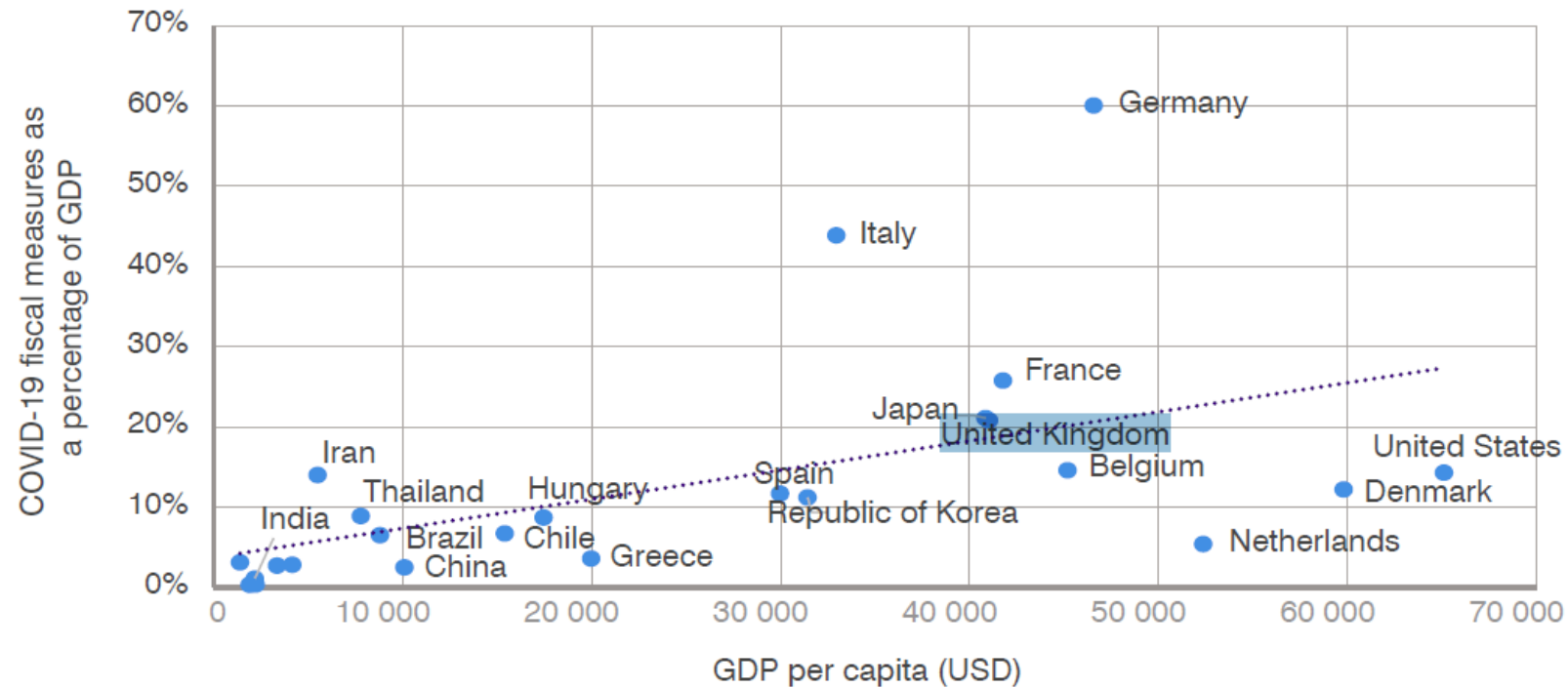
Most firms favour financial programmes and tax waivers

Micro	Small	Medium	Large
Financial programmes 59%	Tax waivers or temporary tax breaks 64%	Tax waivers or temporary tax breaks 70%	Tax waivers or temporary tax breaks 71%
Tax waivers or temporary tax breaks 54%	Financial programmes 61%	Financial programmes 63%	Financial programmes 64%
Support to self-employed people 36%	Rent subsidies 34%	Employment programmes 37%	Employment programmes 39%
Rent subsidies 31%	Cash transfers 33%	Rent subsidies 29%	Rent subsidies 28%
Employment programmes 27%	Support to self-employed people 29%	Support to self-employed people 22%	Reduction of tariffs on imported inputs 27%
Cash transfers 24%	Employment programmes 28%	Reduction of tariffs on imported inputs 21%	Cash transfers 17%
Reduction of tariffs on imported inputs 16%	Reduction of tariffs on imported inputs 15%	Cash transfers 19%	Support to self-employed people 15%
Other 6%	Other 4%	Other 4%	Other 4%

Note: Respondents were asked 'Please select the top three government measures that would be most helpful as you cope with the COVID crisis' and 'How many full-time employees does the business have?' Figure indicates the percentage of respondents who chose that option as one of the top three measures. Data on 2,458 businesses in 125 countries; response rates vary across countries and regions.

Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data collected from 21 April–2 June 2020.

Richer nations spend more on recovery



Note: Based on all 136 countries for which GDP per capita and fiscal measure estimates were available. Fiscal measures correspond to discretionary actions of governments in response to COVID-19 as of 16 April 2020. Figures are expressed as a percentage of 2019 GDP.

Source: ITC calculations based on International Monetary Fund World Economic Outlook database (October 2019), Bruegel (2020) 'The fiscal response to the economic fallout from the coronavirus' and International Monetary Fund (2020) 'Policy responses to COVID-19'.

Impact of Covid-19 on the construction sector

- In the UK it has been shown that SMEs located in rural and remote parts of the UK face greater challenges accessing bank finance (Lee and Brown, 2017).
- Delays
- Reduced productivity
- Budget overruns
- Health risks
- Low morale

Global impact of a pandemic

- Coronavirus 'a devastating blow for world economy' – BBC
- Covid-19 pandemic has cost the world's economy \$3.8TRILLION 'and made 147 million people unemployed', study claims – University of Sydney
- Coronavirus pandemic has delivered the fastest, deepest economic shock in history – The Guardian
- COVID-19 to Plunge Global Economy into Worst Recession since World War II – The World Bank

Existing research:

- suggests that formal strategic planning in SMEs results in improved performance
- associates formal resilience-enhancing activities such as Business Continuity Planning with an improved ability for SMEs to respond and recover from acute crises
- found that factors such as firm location, external crisis events, entrepreneurs' personal networks, and their attitudes towards the formal prevention of a crisis, impact upon the resilience of organizations and their potential to prosper following a crisis.

UK construction industry - Context

- The UK construction industry is constantly berated for its underperformance (Ferne, Leiringer, & Thorpe, 2006).
- Succession of government-backed reports have variously criticized the sector for its high costs, slow delivery, unsafe working practices and failure to innovate (e.g. Latham, 1994; Egan, 1998; Wolstenholme, 2009; Lord Young of Graffham, 2010).
- Construction industry is a litmus test for UK economy

Typology

Business size	Number of employees
Micro business	Less than 10
Small business	Between 11 and 50
Medium business	Between 51 and 250
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Enterprise	More than 1,000

Professional	Skilled trades
Architects, Quantity Surveyors, Project managers, Civil engineers etc	Bricklayers, masons, carpenters, general labourers, etc




Reputation of the
small builder




National Headlines

 Cambridgeshire Live



 Cheshire Live

...re two sourbags have been going ...
e's dogs. Let's get their faces spread ...

 The Construction Index

Morgan Sindall backs supply chain hook-up service

Morgan Sindall Construction is the first major contractor to sign up and wants ... Work Radar takes this forward, offering a platform for small businesses and ...

1 week ago



Conventional strategies in business



Ambitions of small construction businesses

- Expansion into new territory
- Global ambitions
- Joint ventures
- Organisational takeover
- etc

SURVIVAL



Business strategies for small construction firms

- Approaching potential workers or recruits directly
- Acting on recommendations
- Enquiries by existing employees
- Informal negotiations
- Word of mouth

Synergy in the supply chain

“ We have had to keep 38 sites open during covid”

“ We are only keeping the good ones”

“If you were not with us during the crisis, we can't let you back in”

“You have no idea how helpful they have been”

“The jobs can't stop... I'd rather work”

Solutions

- Reinventing organisations
- Reconnecting with previous supply chain
- Adapting their services
- Forming long term alliances
- Pragmatic overlapping of project dates
- Good customer service
- Direct delivery
- Adaptation
- Temporary closure is not an option



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