

The intersection between SMEs' business strategies and the phases of unexpected events: a systematic review of the literature

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Gianluca Pusceddu - Ludovica Moi - Francesca Cabiddu

Abstract

Framing of the research: *Despite the relevance of crisis management for SMEs, existing literature primarily targets large firms, therefore paying less attention to smaller businesses. As a result, the manner in which SMEs transform their business strategies during the specific phases of unexpected events remains an unexplored research topic.*

Purpose of the paper: *The present conceptual paper aims to develop a framework examining the kind of strategies that may be implemented by small and medium-sized enterprises (SMEs) throughout the different stages of unexpected events.*

Methodology: *The paper reports a systematic literature review (SLR) to summarize how SMEs react in times of crisis and illustrate core themes in previous research in relation to the phases of crisis prevention, response, and recovery.*

Findings: *The study develops a circular event framework and illustrates the leading business strategies implemented by SMEs in different moments of unpredicted circumstances: (1) flexible planning, financial resources equipment, proactiveness, and collaboration during the crisis prevention phase; (2) cost minimization and cash flow protection, revenue generation - operations and business model pivoting, stakeholder relationships, and dynamic approaches during the crisis response phase; (3) business model re-configuring, and stakeholder and employee relationships re-establishment, in the crisis recovery phase.*

Research limits: *The conceptual nature of this work stimulates further theoretical and empirical studies. Future research should empirically test and validate the proposed framework within specific research settings.*

Practical implications: *The present research represents a useful benchmark for managers and practitioners to better understand what strategies are suitable according to the specific moment of the crisis.*

Originality of the paper: *This study analyzes the evolution of SMEs' business strategies in times of crisis from a novel perspective by pointing out the prevention, response, and recovery phases' circularity.*

Key words: Crisis management; disaster; recovery; resilience; Covid-19; SMEs; business strategies

1. Introduction

Crisis management defines a systemic procedure, supported by internal and external stakeholders, aimed at identifying signs of crisis, avoiding

and planning for possible distress, and recovering and learning from the crisis (Mitroff, 1988; Pearson and Mitroff, 1993; Pearson and Clair, 1998).

Scholars have developed two main conceptualizations of crisis: crisis-as-an-event and crisis-as-process. The crisis-as-an-event perspective mainly focuses on investigating the aftermath of a crisis. Conversely, the crisis-as-process perspective focuses on the need to examine crisis-fostering conditions, along with the mechanisms of organizational weakening (Roux-Dufort, 2007). Such a perspective also analyzes the evolution of crises and how organizations react to crisis stages (Williams *et al.*, 2017).

Over the past decades, academic attention toward crisis management has gradually increased (Fallini, 2017; Pusceddu *et al.*, 2021a) due to the volume, nature, and impact of recent disasters (Doern *et al.*, 2019). Today, the unexpected outbreak of the Coronavirus pandemic (COVID-19) has considerably furthered the salience of this topic. The many lockdowns and their impact on economies worldwide have significantly contributed to unprecedented distress “with no documented equivalent in the entrepreneurship literature” (Kuckertz *et al.*, 2020: 2). Notably, the setbacks imposed by the lockdown of all non-essential businesses both limited and eliminated opportunities to generate revenue for many firms, thus fundamentally changing the way they do business (Moi and Cabiddu, 2020; Pusceddu *et al.*, 2021b). These problems are even more complicated for small and medium-sized enterprises (SMEs). Indeed, with their limited ability to overcome the involved risks and sustain costs due to the reduced business activities, SMEs, are facing complex problems related to the lack of funds and liquidity in their attempts to implement social-distancing measures and regulations in order to operate and reopen during this health emergency (Fairlie, 2020).

Despite the relevance of crisis management for SMEs, existing literature (e.g., Herbane, 2010; Kraus *et al.*, 2013) primarily targets large firms but pays less attention to smaller businesses. As a result, the manner in which SMEs transform their business strategies during unexpected events remains an exciting and unexplored research topic in business, economics, and management studies that needs a solid theoretical basis (Herbane, 2010; Kraus *et al.*, 2012; Naidoo, 2010).

The present paper attempts to fill this gap by answering the following research question: “What business strategies are adopted by SMEs during the different stages of unexpected events?” We performed a systematic review of the literature about crises in the context of SMEs (Denyer *et al.*, 2008; Tranfield *et al.*, 2003). Following the crisis-as-process perspective, we organized our findings in three main phases: crisis prevention, response, and recovery (Elliott *et al.*, 2005; Hills, 1998; Runyan, 2006; Smith, 1990).

The study contributes to extending prior literature on crisis management by investigating how SMEs may modify business strategies to address crises. It also proposes a framework that highlights the circularity of the crisis prevention, response, and recovery phases, as well as propositions that categorize the main strategies intersecting with the different phases of unpredicted circumstances. Notably, since all strategic responses are based on previous experience, the same experience can lead to several strategic responses during the crisis' various phases. Moreover, each strategic

response can affect the others. From a managerial perspective, this research supports managers and practitioners in implementing or redefining their business strategies by suggesting the most suitable strategy according to the sequences belonging to uncertainty.

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Ludovica Moi
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2. Methodology

To identify how small businesses react in times of crisis, we conducted a systematic literature review (SLR) (Denyer *et al.*, 2008; Tranfield *et al.*, 2003). This is a replicable, scientific and transparent process (Thorpe *et al.*, 2005) that follows specific procedures designed to reduce review biases and errors (Tranfield *et al.*, 2003), thereby improving the quality of the review process and its results (Mihalache and Mihalache, 2015). Moreover, it summarizes and organizes the literature that has accumulated in a specific field (Wang and Chugh, 2014), thus providing evidence of the study's validity by replicating exact steps during the review process (Wang and Chugh, 2014).

We performed the SLR by leveraging two databases, i.e., Web of Science (WoS) and Scopus. We searched for the keywords (Crises OR crisis OR disaster* OR recover* OR resilience OR COVID* OR Coronavirus) AND ("small business*" OR "small firm*" OR "small enterprise*" OR "small organization*" OR SME OR SMEs), thus restricting the research to the business, management, accounting and economics subject areas. We focused on papers that had been published in the January 2010 - July 2020 period to capture the latest developments and trends of the topic (Danese *et al.*, 2018).

The research yielded a total of 1657 articles. After eliminating duplicates, we reduced the list of articles to 1379 titles. We proceeded with the article selection by closely reading the abstracts. We excluded papers that did not investigate business strategy changes in SMEs due to unexpected challenges and those that did not have crisis management at their core. Furthermore, we considered non-relevant papers that primarily focused on crises or/and SMEs through an exclusively advanced financial and banking perspective. The "grey literature" (i.e., books, book chapters, conference proceedings, dissertation abstracts, and working papers) was excluded. As a result, a total of 89 articles was identified. A few papers were not available in full-text, thus reducing the sample to 75 articles. Thirty-nine articles were, hence, considered to be suitable for the analysis. Following hand searching and citation tracking, 14 additional articles were selected. A final sample of 53 papers was obtained (see Appendix 1, 2, 3, 4).

3. Intersecting SMEs' business strategies with crisis phases

To provide a clear picture of how crisis events affect SMEs, we organized the business strategies into intersecting categories. These categories allow a summary of the literature that addresses this research topic. Ten SME strategies were identified across three phases: crisis prevention, response,

and recovery (Elliott *et al.*, 2005; Hills, 1998; Smith, 1990) (see Table 1). Crisis prevention investigates the concepts of mitigation and planning (Fink, 1986). Crisis response focuses on how organizations shift their resources to minimize damages to the business (Hale *et al.*, 2005). Finally, crisis recovery is when organizations “learn” from the crisis (Elliott *et al.*, 2005; Hale *et al.*, 2005; Smith and Sipika, 1993).

Tab. 1: Crisis phases and SMEs’ strategies during unexpected events

Phases	SMEs’ strategies	Issues explored	Sources
Crisis prevention	Flexible planning to be resilient against potential destructive crisis effects	SMEs focus on building a robust business to deal with crises.	Ates and Bititci (2011); Demmer <i>et al.</i> (2011); Gunasekaran <i>et al.</i> (2011); Ha <i>et al.</i> (2020); Herbane (2019); Hong <i>et al.</i> (2012); Moneva-Abadia <i>et al.</i> (2019); Thun <i>et al.</i> (2011); Vargo and Seville (2011)
	Financial resources equipment to mitigate unexpected risks	SMEs ensure they have adequate resources in their business to safeguard business management and supply chain.	Kraus <i>et al.</i> (2012); Tognazzo <i>et al.</i> (2016)
	Proactiveness to promote and anticipate changes in demand	SMEs look for opportunities to gain competitiveness. They aim to become more customer-centered and forge a strong client base.	Cassia <i>et al.</i> (2012); Demmer <i>et al.</i> (2011); Gunasekaran <i>et al.</i> (2011); Herbane (2010); Hong <i>et al.</i> (2012); Ismail <i>et al.</i> (2011); Kraus <i>et al.</i> (2012); Le Nguyen and Kock (2011); Naidoo (2010)
	Collaboration to create a sharing and open environment	SMEs find outside help through the building of deep complementary alliances, thus creating an open business environment.	Ates and Bititci (2011); Branicki <i>et al.</i> (2018); Demmer <i>et al.</i> (2011); Doern (2016); Gunasekaran <i>et al.</i> (2011); Ha <i>et al.</i> (2020)
Crisis Response	Cost minimization strategies and cash flow protection	SMEs focus on their financial resources. They reflect on which unnecessary spending to pause or cut back to protect their cash flow, cover potential absences, and generate liquidity.	Battisti <i>et al.</i> (2013); Bourletidis and Triantafyllopoulos (2014); Doern (2016); Edvardsson and Teitsdóttir (2015); Eggers and Kraus (2011); Giannacourou <i>et al.</i> (2015); Hong <i>et al.</i> (2012); Kottika <i>et al.</i> (2020); Mayr and Lixl (2019); Mendoza <i>et al.</i> (2018); Morrish and Jones (2020); Pal <i>et al.</i> (2012); Parker and Ameen (2018); Shafi <i>et al.</i> (2020); Smallbone <i>et al.</i> (2012); Thorgren and Williams (2020)
	Revenue generation strategies: operations and business model pivoting	SMEs innovate to stay top-of-mind in their existing customers’ minds, thus stimulating demand and renewing supply.	Alberti <i>et al.</i> (2018); Antonoli and Montresor (2021); Bamiatzi and Kirchmaier (2014); Battisti <i>et al.</i> (2013); Bourletidis and Triantafyllopoulos (2014); Cioppi <i>et al.</i> (2014); Dias <i>et al.</i> (2020); Doern (2016); Edvardsson and Teitsdóttir (2015); Eggers and Kraus (2011); Giannacourou <i>et al.</i> (2015); Hong <i>et al.</i> (2012); Johansen (2020); Kottika <i>et al.</i> (2020); Lado <i>et al.</i> (2013); Le Nguyen and Kock (2011); Macpherson <i>et al.</i> (2015); Madrid-Guijarro <i>et al.</i> (2013); Mayr and Lixl (2019); Mayr, Mitter, and Aichmayr (2017); Morrish and Jones (2020); Pal <i>et al.</i> (2012); Pal <i>et al.</i> (2014); Pal <i>et al.</i> (2013); Shafi <i>et al.</i> (2020); Smallbone <i>et al.</i> (2012); Thorgren and Williams (2020); Tsilika <i>et al.</i> (2020)
	Stakeholder relationship: what SMEs need others for	SMEs mobilize practical resources, strengthen or build stakeholders’ relationship, and ask for support.	Adekola and Clelland (2020); Cioppi <i>et al.</i> (2014); Dias <i>et al.</i> (2020); Doern (2016); Eggers and Kraus (2011); Giannacourou <i>et al.</i> (2015); Ha <i>et al.</i> (2020); Macpherson <i>et al.</i> (2015); Mayr and Lixl (2019); Mayr <i>et al.</i> (2017); Mendoza <i>et al.</i> (2018); Morrish and Jones (2020); Ogawa and Tanaka (2013); Shafi <i>et al.</i> (2020); Thorgren and Williams (2020); Vargo and Seville (2011)
	Dynamic approaches in small business management	SMEs use learning orientation, ambidexterity, causal, and effectual decision-making logic to ensure overall minimal disruption.	Battisti, Beynon, Pickernell, and Deakins (2019); Dolz, Iborra, and Safón (2019); Iborra, Safón, and Dolz (2019); Laskovaia <i>et al.</i> (2019); Osiyevskyy <i>et al.</i> (2020)
	Crisis Recovery	Business model re-configuring: developing an innovation mindset within SMEs	SMEs accept risks and design new business models.
	Re-establishing stakeholder and employee relationships	SMEs re-establish stakeholder relationships, thus relying on their support.	Asgary <i>et al.</i> (2012); Doern (2016); Ha <i>et al.</i> (2020); Hong <i>et al.</i> (2012); Mendoza <i>et al.</i> (2018); Morrish and Jones (2020); Shafi <i>et al.</i> (2020); Thorgren and Williams (2020)

Source: our elaboration

3.1 The crisis prevention phase

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Ludovica Moi
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This first phase investigates the crisis prevention strategies that are adopted by SMEs to prevent unwanted crisis outcomes.

Crisis prevention is about mitigation and planning (Fink, 1986). During this phase, small business leaders - entrepreneurs/business owners, CEOs, and managers - and employees seek to understand how to best prepare, whether they have already experienced adversity from an unforeseen situation or not.

According to previous literature, SMEs should stay focused on: flexible planning to be resilient against potential destructive crisis effects (Herbane, 2019; Moneva-Abadía *et al.*, 2019); financial resources equipment to mitigate unexpected risks (Kraus *et al.*, 2012; Tognazzo *et al.*, 2016); proactiveness, to promote and anticipate changes in demand (Cassia *et al.*, 2012; Herbane, 2010); and collaboration, to create a sharing and open environment (Branicki *et al.*, 2018).

Flexible planning to be resilient against potential destructive crisis effects

Small businesses' preparation for the road ahead is as fundamental as their present performance when going through difficult times.

Researchers have shown that SMEs hyper-focus on contingency planning to build a robust business to deal with crises during the prevention phase (Hong *et al.*, 2012). In this regard, various studies show SMEs' need to be agile and have plans to promptly prevent unwanted crisis outcomes and immediately respond to changing landscapes (Ates and Bititci, 2011; Gunasekaran *et al.*, 2011; Herbane, 2019).

Creating a flexible organizational structure and developing a "crisis-ready" culture to facilitate resilience are essential in SMEs. By doing this, SMEs develop proactive, long-term strategic, and resilience-planning activities - such as long-track strategic record planning, crisis management plan setup, and investment in equipment infrastructures (Vargo and Seville, 2011). Scanning the external environment is necessary to detect warning signs that could prompt an impending crisis (Hong *et al.*, 2012). Furthermore, insurance purchasing becomes a foremost priority for small businesses to protect the company from financial losses, whereas an external event manifests as a crisis within the organization (Ha *et al.*, 2020; Hong *et al.*, 2012).

Fascinating insight into crisis prevention comes from solutions to strengthen the firm's capacity to focus directly on customer needs. Therefore, paying attention to socially responsible strategies (e.g., recycling and reducing emissions and waste, saving energy to achieve greater efficiency, introducing alternative energy sources, using, purchasing, or producing organic items) can restore the firm's reputation and maintain competitiveness (Moneva-Abadía *et al.*, 2019).

Financial resources equipment to mitigate the unexpected risks

One of the biggest concerns during crises is cash flow. When it comes to SMEs, in order to endure uncertain and unpredictable times (Fink, 1986; Hermann, 1963; Quarantelli, 1988), it is necessary to improve business

liquidity, thus ensuring that SMEs have adequate resources before and after unexpected situations. This action safeguards business management and the supply chain. Minimizing risky projects is necessary due to their negative interaction effect on SMEs' performance when combined with market turbulence (Kraus *et al.*, 2012). The accumulation of slack - that is, surplus resources - serves to buffer against adversity and favor the pursuit of a sustainable competitive advantage. Therefore, it is essential to accompany SMEs through unforeseen events (Tognazzo *et al.*, 2016).

Proactiveness to promote and anticipate changes the demand

Scholars argue that to contain "economic turmoil" times, SMEs look for incentives from which to gain competitiveness; they aim to become more customer-centered and forge a strong client base (Cassia *et al.*, 2012; Herbane, 2010; Kraus *et al.*, 2012; Naidoo, 2010).

Implementing an agile approach with operational - i.e., improving the current products for existing customers - and strategic capabilities - i.e., creating new markets and introducing a unique value proposition to reach new customers - significantly enhances the organization's resilience (Ismail *et al.*, 2011).

It is essential for SMEs to critically reflect on the changes in demand and trends they can anticipate. This behavior can subsequently highlight the need to find radical new pivots to reposition SMEs' product and service offering. Promoting innovative products or services to existing consumers by looking for new international markets for SMEs' trading activities makes it far easier to evolve positively and grow in the wake of a crisis (Herbane, 2010; Le Nguyen and Kock, 2011).

Collaboration to create a sharing and open environment

Research has established that finding outside help by building meaningful complementary alliances - with loyal customers, suppliers, employees, and competitors - helps create an open business environment (Ates and Bititci, 2011; Branicki *et al.*, 2018; Ha *et al.*, 2020).

Collaboration is an excellent practice for the following unexpected challenges, a resource of resilience, and a critical small business value to limit the adverse consequences of unforeseen situations. Asking for support from SMEs networks and creating connections among teams is crucial. This approach involving everyone around the organization sustains mutual side knowledge sharing and provides immediate effect expertise in the areas where SMEs lack the required coping skills to solve the crisis. Creative partnership implementation increases innovation, efficiency, and flexibility in SMEs. Creating an open and transparent culture within the small business by encouraging organizational members to report potential problems and challenges could help develop an organization's anticipation mindset.

Therefore, we propose that:

Proposition 1a (P1a): The adoption of strategies such as flexible planning during the crisis prevention stage increases SMEs' ability to mitigate unwanted crisis outcomes.

Proposition 1b (P1b): The adoption of strategies such as financial resources equipment during the crisis prevention stage increases SMEs' ability to mitigate unwanted crisis outcomes.

Proposition 1c (P1c): The adoption of strategies such as proactiveness during the crisis prevention stage increases SMEs' ability to mitigate unwanted crisis outcomes.

Proposition 1d (P1d): The adoption of strategies such as collaboration during the crisis prevention stage increases SMEs' ability to mitigate unwanted crisis outcomes.

3.2 *The response phase*

Researchers have considered the response phase significant, as the decisions that are made in this timeframe can mitigate the crisis' destructive effects (Elliott *et al.*, 2005).

To navigate challenges and fight adversity, SMEs try to be open to change - to upskill and re-invent their business approach. Although it is not always easy for SMEs to go through a crisis, they can rapidly convert it to a massive opportunity if they are able to handle these events in stride by "embracing change" in their ways of performing.

In this phase, significant focus is directed towards cost minimization strategies and cash flow protection (Eggers and Kraus, 2011; Smallbone *et al.*, 2012), revenue generation strategies - operations and business model pivoting (Macpherson *et al.*, 2015; Morrish and Jones, 2020), stakeholder relationships (Doern, 2016; Mayr *et al.*, 2017), and dynamic small business management (Battisti *et al.*, 2019; Osiyevskyy *et al.*, 2020).

Cost minimization strategies and cash flow protection

In the crisis response stage, earnings are considerably put at risk (Runyan, 2006), and SMEs are required to have a deep understanding of their financial resources.

On the one hand, during unpredicted events, financial risks (i.e., risk of default, business failure, bankruptcy) increase and, on the other hand, profit margins tend to decrease. Therefore, having adequate resources to navigate small businesses through a crisis, thus minimizing costs and generating revenues, is indispensable. Numerous studies highlight the importance of clarifying business priorities to identify which types of spending to pause or cut back to protect cash flow, cover potential absences, and generate liquidity (Battisti *et al.*, 2013; Eggers and Kraus, 2011; Smallbone *et al.*, 2012). A great place to start from is related to human resources - employees' wages and emoluments. These expenses significantly weigh on SMEs' balance sheets. Therefore, in times of uncertainty, they are often reduced or cut (Battisti *et al.*, 2013; Mayr and Lixl, 2019; Smallbone *et al.*, 2012).

To ensure that they can weather the tough times ahead, small business leaders share tough instant decisions that impact people's lives. In doing so, they contribute to keeping cash in the company while providing a timely defense against challenging events and limiting the crisis' adverse consequences. When revenues decrease, SMEs optimize their workforce

by maintaining the most operationally talented employees and laying off its non-productive workforce to ensure business operation efficiency (Hong *et al.*, 2012; Thorgren and Williams, 2020). SMEs transparently communicate with organizational members to make them understand the rationale of the business decision. They update employees on what is happening inside the organization even though it can be challenging for small business leaders to guarantee secure future scenarios.

When SMEs expect revenue to rebound soon, flexible furlough schemes (i.e., temporary leave without pay and reduction of working hours in accordance with the established law) might be the best option to enable SMEs to control cost reduction (Battisti *et al.*, 2013; Smallbone *et al.*, 2012). Interrupting personnel recruitment in the company and gradually reducing salary are other approaches to better managing small business revenues (Kottika *et al.*, 2020; Thorgren and Williams, 2020).

Small business leaders focus on their core values under unexpected circumstances, allocating financial resources to their most profitable assets. From this perspective, seeking to reduce loss-making and risky investments in order to focus on more profitable ones constitutes a wise attitude (Mayr and Lixl, 2019; Parker and Ameen, 2018).

Reasonable cash reserves in the company and available government grants are the best funding for SMEs to take advantage of and inject internally financial resources in the attempt to buffer against adversity and mitigate some of the involved risks (Doern, 2016; Morrish and Jones, 2020). Indeed, due to current economic volatility and business financial constraints, external debt (i.e., bank loans) is highly discouraged since SMEs encounter difficulties in paying it back (Smallbone *et al.*, 2012).

Revenue generation strategies: operations and business model pivoting

Revenue generation strategies concern the multiple efforts implemented by SMEs to be at the forefront of responding to a crisis, thereby seeking new opportunities in the marketplace.

When SMEs' leaders make mistakes in managing financial resources wisely, re-evaluating, or shifting the current business model and the value proposition, thinking outside the box and adapting while remaining anchored to the business' core values are meaningful methods to achieve business success.

Scholars strongly emphasize repositioning and value proposition flexibility to decrease costs and boost sales (Lado *et al.*, 2013; Macpherson *et al.*, 2015; Mayr and Lixl, 2019; Tsilika *et al.*, 2020).

Flexibility is the hallmark of successful small businesses, leading to a new focus in SME's corrective actions and pivoting (Hampel *et al.*, 2019) and therefore moving away from the organization's current strategy in order to pursue a new direction. This approach aims to create a unique offer for SMEs to proactively drive change - i.e. shifting business thinking from surviving to a crisis to thriving. It is, therefore, necessary to generate an offer that stands out from others on the market, thus implying an absolute added value and revenue generation. The market is moving towards SMEs' operations so staying aligned with and exploring new revenue streams is critical.

Investing in customers facilitates the building of long-life loyalty and trust. Knowing the clients enhances revenue generation. This entails being passionate about listening to them to understand their specific troubles, empathize, and feel the urgency to accommodate their in-depth needs. Being fast and centered around meeting customers' (physiological, safety, love/belonging) needs is a key ingredient. Quickly pivoting SMEs' offering, repositioning, and providing a greater range of products or services that are likely to break into the market and remain relevant in the "new normal" is an excellent method to fill the needs gap (Macpherson *et al.*, 2015; Madrid-Guijarro *et al.*, 2013).

Appropriately strategizing and analyzing what markets SMEs will enter is part of an innovation mindset. New perspectives, habits, and priorities change consumers' buying behavior. When SMEs know their market's nuances, they can easily navigate throughout changing periods and attract different customer segments. Blue-sky thinking (Wrigley *et al.*, 2016) enables SMEs to design new effective solutions for the market they believe are approaching. Consumers do not need perfect products, especially when crises unfold, so sometimes the right solution is to provide them with small adjustments to the products they are familiar with (Bamiatzi and Kirchmaier, 2014). SMEs need to be passionate. Introducing customized products or services is a way to face the rapid evolution of consumers' behavior (Bamiatzi and Kirchmaier, 2014). In order to be persuaded to buy, customers need disposable income. Cheaper and inferior products and services can suit cash-strapped audiences' requirements (Bamiatzi and Kirchmaier, 2014).

The present literature analysis shows how investments in innovation related to value proposition and the production process are closely linked and often complementary (Bamiatzi and Kirchmaier, 2014). Process innovation is one of SMEs' most defining characteristics and improves the production chain's operational efficiency and quality (Antonioli and Montresor, 2021; Macpherson *et al.*, 2015; Madrid-Guijarro *et al.*, 2013; Morrish and Jones, 2020; Plechero, 2018; Tsilika *et al.*, 2020). It helps SMEs bring money into the business, remain competitive, and meet customer demands.

For some SMEs' operations, outsourcing is an alternative to manage adversity and sustain growth (Edvardsson and Teitsdóttir, 2015; Pal *et al.*, 2012). SMEs hyper-focus on the business activities they are good at, to which they delegate the most time and high resource allocation tasks. Outsourcing helps to keep costs under control and increase efficiency.

Once the newly adapted products and services are created, internationalization strategies facilitated by globalization's powerful impact make the brand known outside national borders, thus reducing risks when the domestic and international economy change (Bamiatzi and Kirchmaier, 2014; Battisti *et al.*, 2013; Eggers and Kraus, 2011; Mullaumeri *et al.*, 2015).

Finally, researchers stress how budgeting funds for external marketing communication channels - such as social media, websites, catalogs, and public relations - should be at the forefront when reaching out to SMEs' target audience to ensure on-brand messaging and brand identity (Bamiatzi and Kirchmaier, 2014; Eggers and Kraus, 2011; Lado *et al.*,

2013). In light of the crisis, communicating means informing consumers about organizational values - what the business stands for and what the SMEs' employees take pride in, gauging how the business is performing, presenting changed products and services, and provoking customers' response to purchase.

Stakeholder relationships: what SMEs need others for

During the heightened state of a crisis, SMEs need to mobilize practical resources. Regardless of cuts in the payment chain, when critical situations wreak havoc on small businesses, it is strictly necessary to strengthen or build their relationship with stakeholders - for example, suppliers, clients, the surrounding community, organizational members, other businesses - and ask for support (Doern, 2016; Eggers and Kraus, 2011; Macpherson *et al.*, 2015; Mayr *et al.*, 2017; Morrish and Jones, 2020; Ogawa and Tanaka, 2013). Communication during crises covers a central role: when difficult news need to be shared, leadership is necessary in ensuring honesty and clarity towards employees and general stakeholders. Thus, extra support, reassuring, and encouraging SMEs' staff (Ha *et al.*, 2020) is essential.

SMEs genuinely consult with everyone they think can help and engage in team building. Bilateral expertise, skills, and resource sharing are great methods to devise new strategies and seize business opportunities. SMEs need to be unashamed in seeking help and accepting their need for collaboration. Maintaining stakeholder relations is part of the roadmap that favors establishing an innovative business culture that is amenable to communicating and listening to others, being knowledgeable about what other people know, and implementing what they have learned. Furthermore, by facing mutual difficulties, cooperation can provide more favorable terms for vendors' and suppliers' agreement renegotiations, thus ensuring loss minimization (Mayr and Lixl, 2019; Thorgren and Williams, 2020).

Dynamic approaches in small business management

During periods of uncertainty and turbulence in the small business context, another aspect concerns the development of dynamic and reactive behavior.

Learning orientation (Battisti *et al.*, 2019), defined as "the ability of an organization to create, transfer, and integrate knowledge and modify its behavior to improve performance" (Altinay *et al.*, 2016: 872), helps SMEs sustain their performance. In particular, it encourages businesses to constantly challenge the status quo and strive for constant enhancement, leading to a more versatile and adaptable way of doing things (Altinay *et al.*, 2016).

In improving SME behaviors, scholars have also identified ambidextrous strategies - leveraging existing assets, knowledge, and competencies (exploitation) or trying to develop new ones (exploration) (Osiyevskyy *et al.*, 2020) - as successful elements to best react to tough times and ensure minimal overall disruption.

From a strategic management perspective, to support the competition, scholars highlight the importance of continually focusing on causal and

effectual decision-making logic approaches (Laskovaia *et al.*, 2019). In particular, while the emergent nature of effectual logic allows businesses to make incremental investments that help them step forward and adapt to changing circumstances, causal decision-making is considered a collection of highly reflective and rational practices that reinforce prediction and strategic planning (Laskovaia *et al.*, 2019).

Accordingly, we propose that:

Proposition 2a (P2a): The adoption of strategies such as cost minimization and cash flow protection during the crisis response stage increases SMEs' ability to navigate unforeseen challenges and fight adversity.

Proposition 2b (P2b): The adoption of strategies such as revenue generation - operations and business model pivoting - during the crisis response stage increases SMEs' ability to navigate unforeseen challenges and fight adversity.

Proposition 2c (P2c): The adoption of strategies such as stakeholder relationships in small business management during the crisis response stage increases SMEs' ability to navigate unforeseen challenges and fight adversity.

Proposition 2d (P2d): The adoption of strategies such as dynamic approaches in small business management during the crisis response stage increases SMEs' ability to navigate unforeseen challenges and fight adversity.

3.3 *The recovery phase*

The third phase focuses on understanding the recovery strategies adopted by SMEs in the aftermath of unexpected challenges.

During the post-crisis stage (Smith, 1990), SMEs review/reconsider all the measures they wish they had taken before the unpredicted event and therefore modify the organization structure and implement preventive action items for the future (Doern, 2016; Le Nguyen and Kock, 2011).

Turning "learning" (Elliott *et al.*, 2005; Hale *et al.*, 2005; Smith and Sipika, 1993), in the sense of transforming business behaviors (Pauchant and Mitroff, 1992) into innovative actions, is essential in going back to the basics. Nevertheless, the learning approach within SMEs is often limited in a more practical sense (Doern, 2016). One reason consists in the perceived lack of control and limited ability to change within small businesses (Herbane, 2010).

Elaborating upon previous studies, the areas on which SMEs should stay focused during this crisis containment process can be broken down into business model re-configuring (Morrish and Jones, 2020) and the re-establishment of stakeholder and employee relationships (Doern, 2016; Hong *et al.*, 2012).

Business model re-configuring: developing an innovation mindset within SMEs

In this stage, the literature highlights a common trend adopted by SMEs in spotting opportunities to do things differently and being more open about encouraging a risk-taking culture (Morrish and Jones, 2020).

The most prominent feature of a crisis consists in sparking uncertainty and triggering volatility in the marketplace (Fink, 1986; Hermann, 1963; Quarantelli, 1988). Investing in resources takes time and energy. Not all SMEs' recovery investments will necessarily be compensated. Sitting back and doing nothing while being constrained does not lead to game-changing solutions. Positive adaptation is more likely to carry small businesses through difficult times and drive the business into the future.

Scholars have shown how SMEs revisit their insurance policies (Doern, 2016; Ha *et al.*, 2020), diversify their product-service offer, develop new business models, and guide the organization to the other side of their current trouble (Morrish and Jones, 2020).

SMEs' primary objective is to achieve organizational goals - i.e., delivering, creating, and capturing value. Nevertheless, it may seem like massive undertaking, innovating and experimenting are essential in adapting to new situations and potentially develop unexpected and more effective ways of doing business. In this regard, some SMEs have made fast, agile moves from repurposing their target market to a complete shift in production lines (Shafi *et al.*, 2020). Moreover, they have tried to invest in side businesses (Morrish and Jones, 2020), despite the possibility that the new business will not be successful. SMEs' behavior is beyond a classic situation where they would have acted more deliberately. SMEs act in this bold way with the only attempt to recover and get out of the crisis. Thus, to stay in balance: having a payoff that exceeds the expenses.

Several scholars have demonstrated how SMEs review their business model distribution channels to reach out to their target customer segments and deliver their value proposition (Morrish and Jones, 2020). Being strategically agile (Doz and Kosonen, 2008; Weber and Tarba, 2014) is considered one of the primary features to develop innovative ideas (Weber and Tarba, 2014) in changing scenarios. When the COVID-19 pandemic unfolded globally, SMEs were forced to adapt, thus changing the ways they perform. SMEs cannot afford to wait to innovate. In the "new normal", it is vital to continue learning methods that are better suited to changing environments and continuously adaptations. When an unexpected event makes the physical location shut down, striving for positive adaptation, implementing an active response, and accelerating problem-solving is fundamental for SMEs to ensure business continuity. By enhancing their decision-making boundaries, opportunity seeking SMEs shift relatively quickly away from a distribution channel that is no longer direct and physical, but rather virtual and online (Shafi *et al.*, 2020; Thorgren and Williams, 2020). Leveraging technology in the best way possible enables SMEs to rethink how they deliver services. More specifically, this behavior responds to a particular need of the moment - a temporary practice born out of necessity - in the course of a recovery phase that SMEs could maintain in the long term period. This action requires adopting a new

and robust vision for small businesses. One example is delivery service to customers' homes to rebuild business operations and reopen while considering a new normal ongoing situation (Shafi *et al.*, 2020; Thorgren and Williams, 2020) where conditions are not yet those of the past. A crisis can therefore become a catalyst to bolster creativity and resilience, thus pursuing new business growth successfully.

Difficult situations require new ways of doing things. Nevertheless, there is no need to wait to start innovating. Companies understand how essential it is to humanely and empathically approach customers following unplanned and unexpected events. SMEs' aim is to enhance the product's visibility and communicate closeness to the consumer throughout the situation that is being experienced. Pushing critical messaging therefore takes on an important role.

Re-establishing stakeholder and employee relationships

Designing new business models and adapting them to changing situations involves re-establishing stakeholder (i.e., community, suppliers, customers, and employees) relationships and relying on their support (Doern, 2016; Hong *et al.*, 2012; Morrish and Jones, 2020).

Collaboration is considered an inner strength to supplement deficiencies (i.e., lack of funding) and provides SMEs with the extra energy they need to navigate critical occurrences. Drawing upon leadership teams ensures a sense of community where everyone can benefit from the new knowledge. All small businesses' tools and expertise, combined with those of the people they have access to, enable the fostering of new ideas and the implementation of creative solutions.

After difficult times, the perceived loss of control over future scenarios may lead employees to explore other work opportunities, or business leaders may initially consider downsizing to wrest control from the current ambiguous situation. Hiring capable staff and retaining old employees becomes extremely hard. Nevertheless, SMEs cannot stop investing in human resources. In this regard, smart and exciting insights come from recovery plans for rehiring, establishing personnel funds (Ha *et al.*, 2020; Hong *et al.*, 2012), and training personnel in disaster response (Ha *et al.*, 2020).

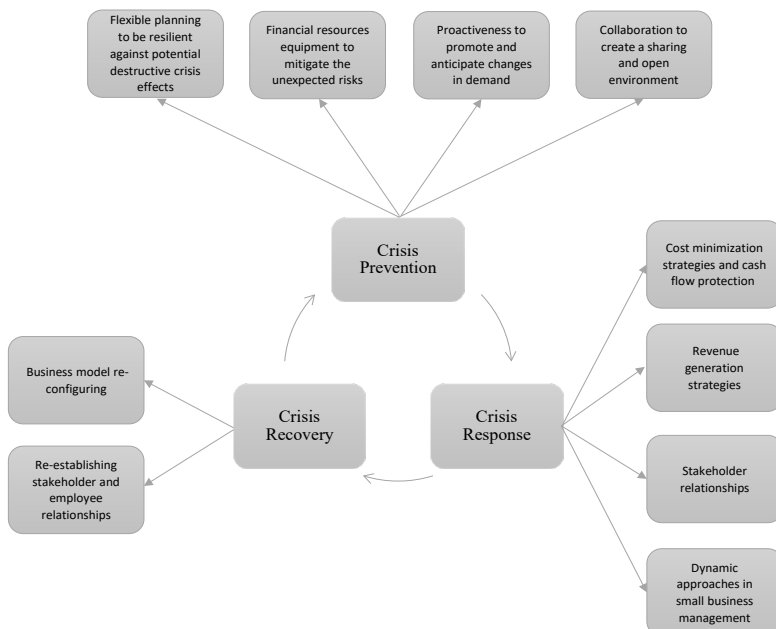
Figure 1 provides a visual summary of our framework, which highlights the circularity and the intersection of the prevention, response, and recovery crisis phases with small business strategies.

Hence, we state that:

Proposition 3a (P3a): The adoption of strategies such as business model re-configuring during the crisis recovery phase deepens learning relevance when bouncing back from unexpected challenges and increases the likelihood of breakthrough results.

Proposition 3b (P3b): The adoption of strategies such as the re-establishment of stakeholder and employee relationships during the crisis recovery phase deepens learning relevance when bouncing back from unexpected challenges and increases the likelihood of breakthrough results.

Fig. 1: The circular event framework of SMEs' business strategies in a time of crisis



Source: our elaboration

4. Discussion and theoretical contribution

Despite the vast body of available knowledge on crisis management, research on this topic regarding the context of SMEs is still in its infancy. By elaborating prior crisis management literature, this study contributes to extend current research in meaningful ways. First of all, research on small business strategies aiming at facing unexpected situations was fragmented across different fields. Previous studies have mainly analyzed specific aspects or outcomes related to facing such conditions of uncertainty (Doern, 2016; Morrish and Jones, 2020). This work contributes to providing a more solid theoretical basis, thus identifying the features that, collectively and in an integrative manner, define SMEs' strategies across the different stages of a crisis event. Furthermore, we have defined a framework of strategic responses to a crisis in the context of SMEs that better aligns with the proper definition of crisis as an unexpected, ever-changing event (Bazerman and Watkins, 2004; Fink, 1986; Hermann, 1963; Quarantelli, 1988; Weick *et al.*, 1999).

Secondly, we contributed to extending prior literature by developing a three-stage circular event theoretical framework on SMEs' strategies when coping with crises, thus differentiating such strategies across the phases of crisis prevention, response, and recovery.

Crisis prevention. Previous research on the crisis prevention process has shown that preparing for unforeseen situations is a key to positive results

(Elliott *et al.*, 2005; Fink, 1986; Hale *et al.*, 2005; Quarantelli, 1988; Smith, 1990). In particular, the effectiveness of an organization's crisis response depends, to a certain degree, on the amount of preparation it conducted before the crisis (Pearson and Clair, 1998). By extending prior literature, we have generated new insights on the link between the prevention phase and strategic behaviors. We specify that, in the crisis prevention phase, the four main strategies that could increase SMEs' capacity to mitigate and prevent unwanted crisis outcomes include: fostering ongoing and intensive planning activities to enhance SMEs' flexibility and adaptability to shape destructive crisis effects (Herbane, 2019; Moneva-Abadia *et al.*, 2019), the equipment of financial resources to mitigate risks involved in a crisis (Kraus *et al.*, 2012; Tognazzo *et al.*, 2016), proactive actions to promote and anticipate changes in demand (Cassia *et al.*, 2012; Herbane, 2010), and collaboration (Branicki *et al.*, 2018).

Crisis response. Earlier studies defined the crisis response phase as significant since the choices that are made in this timeframe can minimize the crisis's disruptive effects (Elliott *et al.*, 2005). By improving prior literature, we suggest that four other strategies increase SMEs' ability to navigate unpredicted challenges and fight adversity during the crisis response phase: cost minimization and cash flow protection (Eggers and Kraus, 2011; Smallbone *et al.*, 2012), revenue generation - operations and business model pivoting (Macpherson *et al.*, 2015; Morrish and Jones, 2020), stakeholder relationships (Doern, 2016; Mayr *et al.*, 2017), and dynamic approaches in small business management (Battisti *et al.*, 2019; Osiyevskyy *et al.*, 2020).

Crisis recovery. When analyzing the post-crisis stage (Smith, 1990), prior scholars argue about "learning" (Elliott *et al.*, 2005; Hale *et al.*, 2005; Smith and Sipika, 1993) in terms of transforming business behaviors (Pauchant and Mitroff, 1992) into innovative actions in order to go back to business as usual. Nevertheless, the learning approach is often limited within SMEs (Doern, 2016) due to their perceived lack of control and limited capacity to change in small businesses (Herbane, 2010). By extending previous studies, we have sustained that during the recovery phase SMEs that concentrate on business model re-configuring - i.e. developing an innovation mindset within SMEs - (Morrish and Jones, 2020) and the re-establishment of stakeholder and employee relationships (Doern, 2016; Hong *et al.*, 2012) foster their recovery from unexpected challenges and the likelihood of breakthrough results.

Our final contribution is related to the circularity of our framework. While previous literature has considered crisis management strategies more sequential than circular (i.e. focusing on the event's occurrence rather than the intersection and effect that each phase has on subsequent ones), this paper contributes to existing literature highlighting the circularity of the crisis prevention, response, and recovery phases. As illustrated in figure 1, the strategic responses that are implemented during the phases of the crisis - prevention, response, and recovery - have separable effects and interact with one another. All the strategic responses develop through prior

experience; therefore, the same experience may contribute simultaneously to different strategic responses in the course of the crisis's different phases. Moreover, each strategic response may affect one another. During the prevention phase, the strategic responses affect the development of management responses by influencing the recovery phase and how managers interpret and exploit it when a new crisis occurs.

5. Managerial implications

The present study provides significant managerial insights on SMEs' efficient crisis management strategies. This is a salient topic because of the current challenging times due to the COVID-19 pandemic.

More specifically, this research increases SMEs managers' and practitioners' awareness of efficient business strategies to cope in fast-changing business scenarios where unexpected and adverse events can threaten organizational goals. Practitioners should recognize the benefits of correctly implementing a crisis-ready culture when crises strike.

Notably, a crisis is an evolving circumstance, that is, an event that continuously evolves. Crisis management is an ongoing process that must be carried out throughout the company's life. As a result, it is fundamental to understand the importance of continuously implementing up-to-date strategies to improve SMEs' performance effectiveness and ensure business continuity. More importantly, these strategies will be cyclically repeated within the company through a system that operates continuously in which the company cannot afford to underestimate any step.

Moreover, our framework could help managers develop a "crisis ready" mindset within SMEs to emerge in turbulent, unpredictable, and competitive business landscapes. For instance, during the crisis prevention phase, the former will have to implement actions to prevent a possible crisis from jeopardizing the business system (e.g., make sure they have enough financial resources to prevent changes in consumer demands). Then during the crisis response phase, managers will have to avoid crystallizing their business model. It does not matter if the latter has always worked flawlessly. Crisis changes circumstances and people, and it is essential to adapt business management to new consumers' needs. Finally, in the crisis recovery phase, managers will have to take advantage of what they have learned during the crisis prevention and response phases to restore the company to its original functioning.

Thanks to the proposed framework, we tried to understand not only how SMEs may adjust their strategies in the different moments of a crisis (pre, during, and post-crisis), but, more importantly, to what strategies could be most suitable according to the cyclic, different, specific moments related to emergency situations. The findings of this study may provide remarkable and useful insights for managers and practitioners to foster resilience in competitive and turbulent marketplaces, by understanding which strategies could be more suitable according to the specific phases of distress (i.e., crisis prevention, response, and recovery) (Elliott *et al.*, 2005; Hills, 1998; Smith, 1990). Another critical lesson that managers could learn

from this study is that implementing an integrated, strategic crisis-action plan with speed and resourcefulness is fundamental in reducing chaos and accelerating decisions. They will have to plan for the days preceding an unexpected event and an extended period of uncertainty.

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6. Limitations and future research

Given the growing necessity to understand SMEs' business strategies during the phases of unexpected events, this study adopted a clear and rigorous literature review approach based on a careful selection of journals to advance current knowledge of this topic. While these findings rely on a rigorous and reliable systematic literature review to extend knowledge in an up-and-coming research area, we acknowledge that this research has some limitations that may be addressed by future research.

Notably, we only focused on articles that satisfied stringent quality and content criteria (e.g., the use of keyword "SMEs"). As a result, we excluded some SMEs-related studies and books (Danese *et al.*, 2018) and considered non-relevant papers that primarily focused on crises or/and SMEs through an exclusively advanced financial and banking perspective. We concentrated on peer-reviewed publications and excluded unpublished research, results presented in book chapters, and conference findings (Nolan and Garavan, 2016). Our analysis also suffers from certain common SLR flaws, such as the omission of relevant studies that could have impacted the study's creativity and innovation (Easterby-Smith *et al.*, 2010; Wang and Chugh, 2013).

By extending knowledge on this nascent line of inquiry, future studies could further deepen and explore additional strategies that could be employed to conceptualize crisis response strategies across different stages.

Furthermore, future studies could extend this field through empirical research by examining what happens in a specific sector when companies need to change their business strategies at a given time during a crisis and testing the proposed framework to validate it effectively. With reference to a financial-level research perspective, future research avenues could investigate specific aspects related to the turnaround and impact of financial resources on unexpected risk.

Finally, starting from the paper's theoretical propositions, future studies could also deepen the impact of identified strategies on SMEs' competitive performance during the different phases of a crisis.

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Gianluca Pusccheddu
 Ludovica Moi
 Francesca Cabiddu
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 SMEs' business strategies
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Academic or professional position and contacts

Gianluca Pusceddu

Ph.D. student in Business and Economics
University of Cagliari - Italy
e-mail: gianluca.pusceddu93@unica.it

Ludovica Moi

Postdoctoral Research Fellow in Management
University of Cagliari - Italy
e-mail: ludovica.moi@unica.it

Francesca Cabiddu

Full professor in Management
University of Cagliari - Italy
e-mail fcabiddu@unica.it