

Title: How social and leadership resources and reconfiguration activities lead to relational, stakeholder, and operational outcomes post-disaster

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Introduction and background

Crisis can profoundly impact on the lives, economic livelihood, and wellbeing of individuals and organizations (Bundy & Pfarrer, 2015; Kahn, Barton, & Fellows, 2013). Organizational crisis has a long history in management and organizational research (James, Wooten, & Dushek, 2011; Pearson & Clair, 1998) and is defined as an event that managers and stakeholders perceive as highly salient, unexpected, and potentially disruptive (Bundy, Pfarrer, Short, & Coombs, 2017). Entrepreneurship research has only recently started to explore crisis in small medium enterprises (SMEs) and this focus has been mostly overlooked in favor of larger, more established firms (Herbane, 2010). Recent work has explored the impact of crisis on entrepreneurship behavior (Williams & Shepherd, 2014), including its role in overcoming personal adversity (Williams & Shepherd, 2016), and the role that past firm capabilities and business anticipation plays in managing crisis (Doern, 2016).

Despite the significant research on crisis management, scholars still lament the dearth of research examining how SMEs respond to crisis (Doern, 2016). They cite the lack of insight into the processes through which decisions and actions of SME owners and managers can lead to important outcomes following disruptive events (Bundy et al., 2017; Lin, Zhao, Ismail, & Carley, 2006). Two important lines of inquiry follow from this broad gap in the literature. First, Bundy et al. (2017), reviewing the general crisis management literature, suggest that there is lack of integration in understanding how managers respond to stakeholders (such as employees and customers) during a crisis. Such insight is important given the evidence that suggests relational disturbances often occurring after crisis, such as emotions and how one copes with crisis can have profound lingering effects on the organization and often remain

hidden beneath operational disruptions (Kahn et al., 2013). Second, significant theoretical and empirical research is missing regarding the ways in which dynamic managerial capabilities, that is managers' ability to create, extend, and modify resources under changing environments, result in strategic change (Adner & Helfat, 2003). Managerial impact on strategic change is particularly critical because understanding the capacity and characteristics of managers in engendering firm outcomes is central to how resilience and recovery is enacted in firms during crisis (James et al., 2011; Sayegh, Anthony, & Perrewé, 2004). To explore these gaps, we ask, (1) "how does dynamic managerial capabilities influence the way in which firms respond to crisis?"; and (2) "how does the managerial response to crisis facilitate strategic outcomes for firms?". Within this context, our qualitative study takes a dynamic managerial capabilities and crisis management perspective for understanding how managers in SMEs respond to crisis leading to strategic outcomes.

Theoretical background

Organizational crisis represents significant and disruptive change to firms such that the purposeful management and reconfiguration of its resource base including its technology, human resources, and supply chain becomes imperative. Additionally, the highly volatile and uncertain environment creates a backdrop for the importance of a firm's strategic change capabilities for navigating the changed landscape. All of this creates an emphasis on the dynamic capabilities of firms, that is the capacity of an organization to purposefully create, extend, or modify its resource base in dynamic environments (Helfat et al., 2007), which becomes an especially important framework for understanding crisis in SMEs. Recent empirical research reveal that SMEs respond to crisis through resource accretion, where firms seek out further resources to bolster existing capabilities for recovery (Macpherson, Herbane, & Jones, 2015) or through employing regenerative and renewing dynamic capabilities to offset the challenges associated with limited resources following crisis (Battisti & Deakins, 2015).

However, while the extant literature has demonstrated the importance of dynamic capabilities under conditions of dynamic change (Ambrosini, Bowman, & Collier, 2009; Barreto, 2010; Teece, 2007), there is less understanding for the conditions under which a manager's individual or collective capabilities lead to strategic outcomes for the firm (Helfat & Martin, 2015). Thus, scholars have suggested taking a dynamic managerial capabilities perspective which focuses attention on the capacity of managers, individually, or in teams to effect strategic change (Adner & Helfat, 2003; Felin, Foss, Heimeriks, & Madsen, 2012). The concepts underpinning dynamic managerial capabilities are managerial cognition, human capital, and social capital (Adner & Helfat, 2003) and these are deemed crucial in effecting strategic change and firm performance (Becker, 1962; Burt, 2000; Gavetti, 2005). Thus, utilizing this theoretical framework, our study explores dynamic managerial capabilities in crisis management.

Method

To address the research questions, a qualitative inductive research design was employed (Denzin & Lincoln, 1994; Strauss & Corbin, 1990). This approach followed the method described by Gioia, Corley, and Hamilton (2013) to collect and analyze our data. We utilized three event cases of our focal phenomena of interest (Galunic & Eisenhardt, 2001): managerial response to a major crisis. These focal events were “crisis management” episodes in Alpha, a fair-trade import/export SME following the 2011 devastating Christchurch earthquake. Data collection consisted primary data such as semi-structured interviews with the top management team (CEO, business development manager, and education and development manager), three employees, and two retail managers; and secondary data such as media articles, annual reports, emails, meeting minutes, and newsletters from study period. Data analysis was guided by our theoretical framework and data analysis was aided using NVivo 11.0 software. We analyzed each case by constructing process histories of each episode based on chronologies provided. Data from the interviews and archival data provided an insight into the processes of dynamic

managerial capabilities in response to crisis. Cross-case analysis involved matching patterns that fit across cases as well as iteratively moving between emerging findings and the existing literature to generate robust propositions (Glaser & Strauss, 1967).

Findings

Our study highlights three important findings for our first research questions, how dynamic managerial capabilities influences the way in which firms respond to crisis. Our data highlights three overarching dimensions that demonstrate managerial response to crisis. First, our data highlights managers' communication and social connections which provided information and resources to surmount crisis. We label these social resources, comprised of themes of communication and connectedness to internal and external networks. Second, informants demonstrated the importance of problem solving and anticipation which we label leadership resources. Leadership resources comprised anticipation (from prior experience and planning) and problem solving of the crisis management team involving not only their managerial cognition and human capital, but their integrated activities through planning and problem solving. Third, social and leadership resources lead to reconfiguration activities, defined as the integration and reconfiguration of work, organizational structure, and people for self-managed teams and capabilities in response to the crisis. Lastly, in response to our second research question, we found these managerial responses lead to three dominant dimensional outcomes labeled: relational cohesion, community/stakeholder integration, and operational recovery, differential outcomes developed from the changed relational, environmental, and operational functioning of the firm. Figure 1 summarizes our model and pathway.

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Discussion and implications

Our findings demonstrate three important implications for both theory and practice. First, our findings demonstrate the process that dynamic managerial capabilities within firms are combined with reconfiguration activities in response to crisis. This has important implications for crisis management research, indicating *how* key managers make a difference in crisis (Bundy & Pfarrer, 2015; Bundy et al., 2017). Second, the managerial response process extends theory on dynamic managerial capabilities by demonstrating how managerial cognition, human capital, and social capital are combined to create social and leadership resources. The importance of social and leadership resources explains the microprocess of leadership in crisis (Dowell, Shackell, & Stuart, 2011; Pillai & Meindl, 1998). Lastly, the three trajectories of strategic outcomes: relational cohesion, community integration and operational recovery provides insight into how relational and operational disturbances are balanced and managed during crisis management (Sayegh et al., 2004). This finding demonstrates how dynamic managerial capabilities influence attention to relational versus operational concerns and how the demands of internal and external stakeholders are balanced through these reconfiguration activities (Bundy et al., 2017). This study extends theory into the importance of leadership and managerial action in crisis (Brockner & James; James & Wooten, 2005). Practical implications from the study include directions for best practices in crisis planning (Herbane, 2013), leadership development (James et al., 2011), and in managing stress, wellbeing and resilience in organizations (King, 2016).

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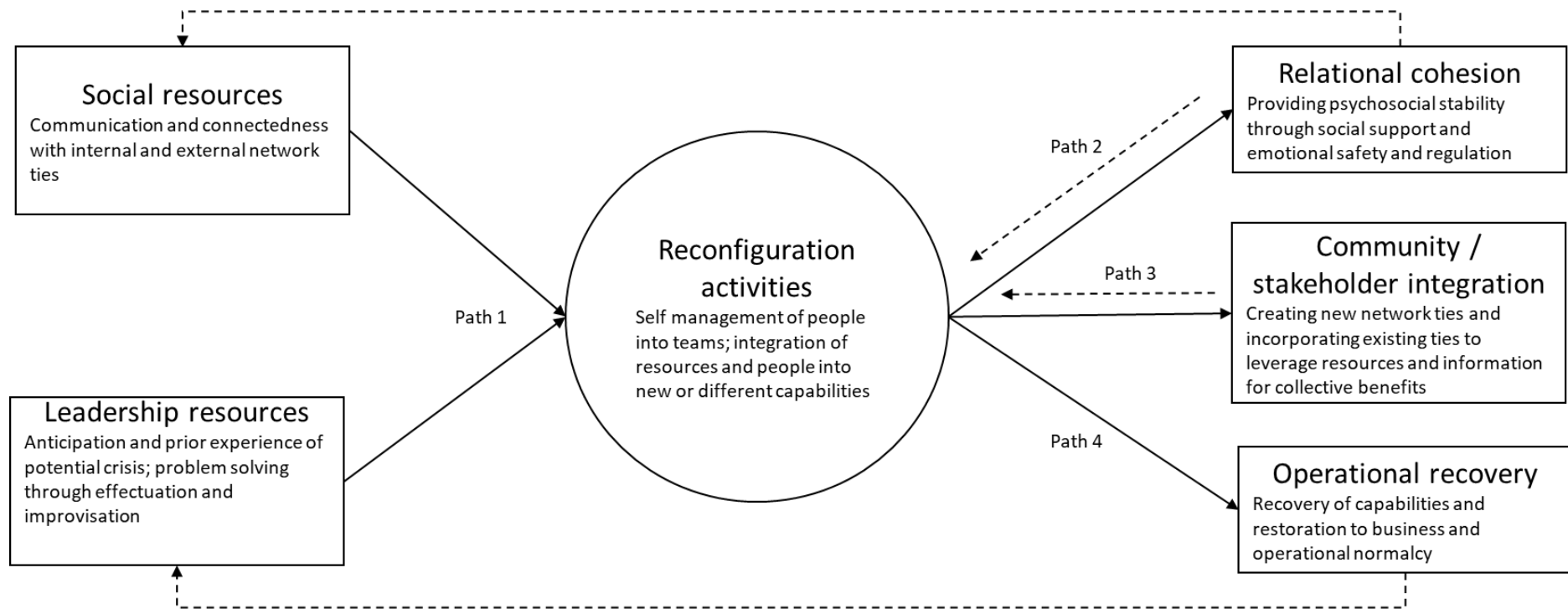


Figure 1. Model and pathway of dynamic managerial capabilities and strategic outcomes in crisis management