

# FUNCTIONAL STRATEGIES FOR SMALL BUSINESSES DURING CRISIS SITUATIONS

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## ABSTRACT

*Crisis situations are often unforeseeable and they have the capacity to cause the collapse of small businesses or disrupt their general operations. As a result it is essential to consider the functional strategies that can be pursued by small business to ensure their viability and continuity. This study employed the case study approach to explore the functional strategies that can be available to ensure the survival, sustainability and continuity of small businesses. The study considered the crisis situation created by the Covid-19 pandemic and relied on it to select a case study of a small business that endured the pandemic and continued in operation despite many other small businesses having closed. A telephone interview conducted with the small business entrepreneur as well as observations of the nature of operations conducted by the small business entrepreneur to remain operational were the main data collection methods adopted. The results of the study indicated that crisis-fit functional strategies that could be adopted by small business entrepreneurs include repurposing operations, collaborating with relevant stakeholders, remodeling traditional operations as well as adopting customer centric approaches. The study recommended that small business entrepreneurs should always have a generalized crisis response plan to enhance their capacity to handle disruptive situations*

**Keywords:** Crisis, Functional Strategies, Small Businesses, Entrepreneur, Change Management.

## INTRODUCTION

Opportunities for business may come enshrined within a crisis. This is evident if one considers the Fourth Industrial Revolution (4IR) and the Covid-19 pandemic. While the unprecedented phenomena can be regarded as a crisis, they can also be seen as opportunities for business, both small and large (Matt & Rauch, 2020). Small businesses have always been known for their entrepreneurial spirit, innovativeness, responsiveness and nearness to the market (Stimpson & Farguharson, 2011; Matt & Rauch, 2020). The 4IR brought technological dimensions for strengthening these characteristics. It also appears that the COvid-19 has been a work up call on the operations of SMMEs. Despite the blow that Covid-19 presented as well as the collapse of several SMMEs, after the pandemic small businesses are likely to emerge stronger and resilient (Lose et al., 2020). New functional strategies for the operations of small businesses are likely to emerge following the lessons that were learnt from the Covid-19 pandemic. Functional strategies are 'within business strategies that provide a game plan for managing a particular activity in ways that support the overall business strategy (Thompson, Strickland & Gamble, 2008). Functional strategy is normally implemented under the responsibility of heads of functions.

## **CRISIS SITUATIONS AND FUNCTIONAL STRATEGIES**

A crisis is an unpredictable event that often have negative consequences for enterprises and organizations (Taneja et al., 2014; Du Plessis & Keyter (2020). It is a point of inflexion that can lead to remarkable disagreement, threat, confusion, disruption, interruption or emergency (Du Plessis & Keyter, 2020). During emergencies and crisis situations small businesses and entrepreneurs have to adopt defence mechanisms (Paraskevas & Altinay, 2013; Deloitte & Touche, 2016). Following the same argument, Du Plessis and Keyter (2020) argued that crises often hit small businesses and entrepreneurs significantly and without new functional strategy shifts they cannot survive. Henry et al. (2020) acknowledge the significance of functional strategies to survive the complications arising from the crisis. In the case of the Covid-19 pandemic, restriction policies which were introduced to curb its spread caused significant business failure (Mhlaba, 2020). While there are many functional strategies for small businesses which are relevant in crisis situations, Varma (2018) argues that crisis situations require responsible, servant and ethical functional strategies. To Fernandez and Shaw (2020) small businesses in crisis situations benefit from functional strategies that are agile and innovative. In contrast, Pillay and Barnes (2020) take the view that that there is no one best functional strategy for a crisis and entrepreneurs are expected to manoeuvre their organisations through and out of the crisis in the best possible way. Crisis management literature recognises that when faced with a crisis, leaders essentially need to develop a crisis plan, implement the crisis plan, evaluate the success of the plan and prepare for the next crisis in circular fashion (Du Plessis & Keyter, 2020).

The Covid-19 pandemic has significantly resuscitated interest in the study of crisis and disaster management. Jha (2021) referred to Henri Mitzberg's four Ps of strategy as essentials to crisis situations. In the study, it is suggested that crisis situations require planning, setting up ploys, creating a pattern for crisis management, positioning during crisis situations as well as creating a crisis handling perspective. On the other hand, studies such as those of Gigauri (2020) and Pourron (2020) took a human resource based approach to the handling of crisis situations as they stress that people remains the basis of organizational resuscitation. As such they suggest the essence of strategies that are based on strong leadership and effective communication during crisis situations. On the other hand, Seetharama (2020) and Lose et al. (2020) advocated for the re-hauling the value proposition models of an organization and create an operation strategy based on fitting within the crisis. As such re-modelling, re-purposing and re-strategising have been identified in the literature as essentials for the handling of crisis situations. These studies on strategies for business continuity during crisis situations suggest that there are micro, meso and macro strategies for business continuity and survival in crisis situations. Studies such as those of Gerdeman (2021) observed that the crisis can change the operational environment and demand for new styles of doing business. In the case of the Covid-19 pandemic, Gerdeman (2021) observed that the traditional workplace was destroyed and there was need to adopt new ways. The concluding remark that is indicated by these assertions is that crisis situations and management involve the adoption of new ways which organizations should be ready to adopt.

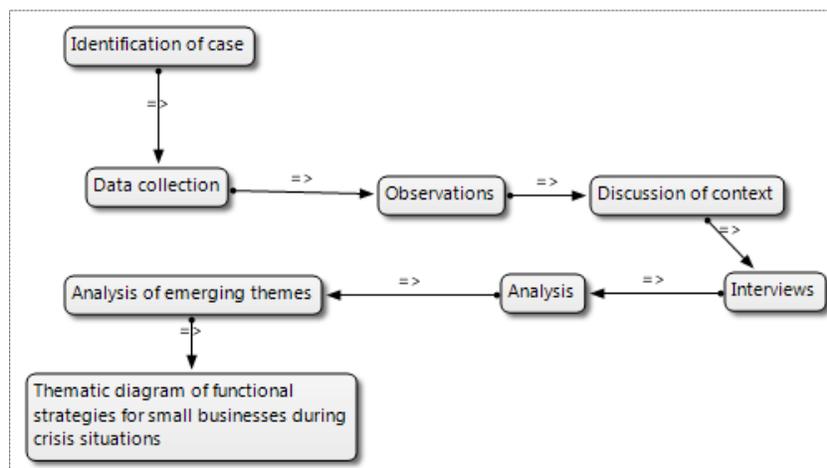
## **STUDY PROBLEM AND OBJECTIVES**

Crisis situations affect the survival and continuity of business operations. Small business can collapse and fail to resuscitate themselves after the crisis situation. As a result, there is need to assess the functional strategies for the survival and continuity of small business operations.

Given this problem, the objective of this study was to: explore the functional strategies available for small business in crisis situations. It sought to assess the question: What are the functional strategies for business continuity in crisis situations?

## METHODOLOGY

The study was based on the interpretivist research paradigm. As provided in Scotland (2012:9), all researches emanate from certain axiological, epistemological and ontological assumptions which constitutes the research paradigm. The interpretivist paradigm tend to be associated with subjectivism and relativism in the analysis of phenomena (Krauss, 2005). The interpretivist paradigm is characterized by many research designs which include phenomenological, ethnographical and case studies. The case study research methodology tend to be useful and appropriate where in-depth collection of data is required and there is need for particular consideration of contextual factors (Creswell et al., 2007). The selection of case studies for analysis often depend on certain unique characteristics which makes its consideration worthwhile. In this study the case study was selected in consideration of the fact that it managed to endure and remain operational throughout the disturbances and lockdowns that arose from the Covid-19 pandemic. As such its functional strategies to remain operational and comepetitive during the crisis were worth considering. Case studies are also based on a broad spectrum of data collection methods to ensure the adequate coverage of both the phenomenon of interest and the contextual factors associated (Creswel, et al., 2007). Data collection followed the suggestions provided by Yin (2003) that case studies involve the collection of data from documents, archival records, interviews, observations and any other physical artifacts. Figure 1 provide below provides the data collection strategy that was employed in the study. The strategy followed the ideas for the case study methodology which are provided in Creswell, et al. (2007).



**FIGURE 1**  
**DATA COLLECTION PROCEDURE**

The Identification of a case study for analysis was based on the uniqueness of the small business entrepreneur involved. While many small business entrepreneurs closed and even collapsed, the entrepreneur endured and managed to remain operational throughout the disruptions incurred by many other small businesses throughout the Covid-19 period. Therefore the selected case was considered unique and suitable to analyse the functional strategies for small

businesses during crisis situations. This shows that the case was purposively selected. The selected case was also conveniently selected given that there was need to have a case that was near and easily accessible to the research. The need to collect contextual factors associated with the case meant that there was need for a case that can be easily observed and studied. As provided in Ritchie, Spencer and O'Connor (2003), data collection and analysis is a continuous and iterative process that has to be rigorously followed. After the case was identified a telephone interview was held with the small business entrepreneur, the key question during the interview was: What functional strategies are you implementing or have you implemented to remain operational throughout the Covid-19 crisis. Other questions asked were open ended and wide and broad issues were asked during the interviews so as to get as much information as possible. The interview was one hour long. The interviews were transcribed and initial themes were identified before an observation session was conducted to identify possible artifacts and other other observable behaviours that were important in ensuring sustainable practices during the crises. The results of the interviews were coded and recurring themes were identified then used to create a thematic chart to depict the functional strategies that are necessary for small business management during crisis situations.

## FINDINGS AND DISCUSSION

The interview yielded a broad range of data that was used to interpret the functional strategies used by the small business entrepreneur to remain operational during the Covid-19 crisis. Table 1 shows the four main conceptual categories that arose from the telephone interviews that formed the basis for the data transcription process and subjected to further analysis through observations and thematic analysis

1. Entrepreneur's profile	2. History of business	3. Pre-crisis functional strategy	4. Crisis situation functional strategies
1.1 Gender	2.1 Major periods of business success and failure	3.1 Vision	4.1 Adaptive strategies
1.2 Age	2.3 Shifts in customer value proposition	3.2 Mission	4.2 Repurposing strategies
1.3 Years of running small business	2.5 Source of finance for starting business	3.3 Customer relationship	4.3 Remodelling strategies
1.4 Product/ service offered	2.6 Business cycles	3.4 Business process	
1.5 Health		3.5 Product offering	
1.6 Education		3.6 leadership strategy	
		3.7 Marketing strategy	
		3.8 Production strategy	
		3.9 Other strategies for the crisis	

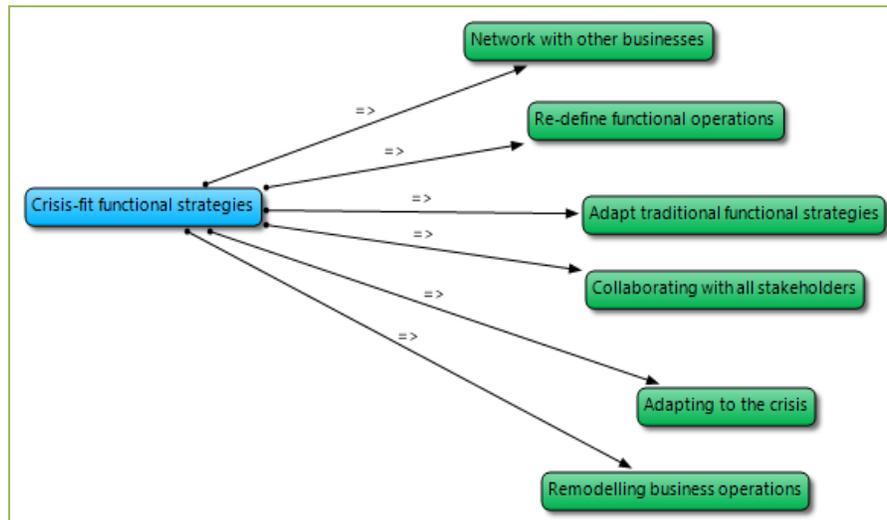
During the interview, the small business entrepreneur revealed some biographical or personal profile concepts that seemed to influence the functional strategy that was followed during the transcription processes. In addition, the history of the organization seemed to be a key contextual attribute in the crisis situation functional strategies that were critical for continued business during the crisis. The crisis functional strategies that were mentioned also related to the

pre-crisis functional strategy. Table 2 provided has been expanded to reveal the sub themes and concepts related to those shown in Table 1.

1. Entrepreneur's profile	2. History of business	3. Pre-crisis functional strategy	4. Crisis situation functional strategies
1.1 Gender Male	2.1 Major periods of business success and failure	3.1 Vision Short term Lack of drive	4.1 Adaptive strategies Vision for safety See the post-covid era See past the crisis
1.2 Age 36 year old	2.3 Shifts in customer value proposition	3.2 Mission Just provide a service	4.2 Repurposing strategies Modifying product offering New purpose
1.3 Years of running small business 22 years in business	2.5 Source of finance for starting business	3.3 Customer relationship Simply relate to those	4.3 Remodelling strategies
1.4 Product/ service offered Offer transport services	2.6 Business cycles Four years in business 22 years in business Faced the 2009/2010 financial depression Learn a lot from the disturbances Nearly collapsed in 2011 Had a business boom in 2018	3.4 Business process	Re-purposing the business Started sanitiser re-selling using movable vehicles Adaptation to crisis, sought essential service certificate, Transport essential workers to and work Adopted recent technologies Used digital customer link platforms Providing free covid-awareness community campaign increased
1.5 Health Energetic Trust my health I am not easily sick		3.5 Product offering One line product offering	9 Other strategies for the crisis Flexible business patterns
1.6 Education Holds a degree in business amangement		3.6 leadership strategy transformational	Production strategy Customer centric methods
		3.7 Marketing strategy Traditional methods	

As shown in Table 2, there were several functional strategies which were revealed as important in combating the crisis situation. The coding and thematic analysis process showed that crisis situations demand a dynamic small business entrepreneur who is able to borrow from past experience, to interpret the future and stir the business with a vision that after the crisis, there will be a new business order. In addition, it is also shown that the small business functional strategy was mainly based on fitting in the crisis. A crisis fit functional strategies characterized by the creation of mechanisms and processes that are centred on fitting in the situation as opposed to opposing it seemed essential. The themes in Table 2 were followed by observation sessions conducted at the business premises of the small business entrepreneur. It was found that the small business entrepreneur had created a website on which clients were referred to assistance. The premises were loaded with Covid-19 posters and other information artefacts, in

particular a giant stone crafted to depict washing of hands was place there. Masks were being given for free at the premises. It was also observed that that despite the small business entrepreneur having traditionally focused on transport services, they were now selling sanitisers from an outlet door of the main offices. There was clear evidence of adaptability and repurposing the business model of the entrepreneur. Following these findings, Figure 2 shows the main findings of this study.



**FIGURE 2**  
**SSUMMARY OF STUDY FINDINGS**

The results of the study as depicted in Figure 2 demonstrate that small businesses have to follow crisis-fit strategies to foster survival and business continued. These results seem to be consistent with those of Lose et al. (2020) who found similar small business needs in crisis situations. The results also echo those of Farguharson (2011) and Matt and Rauch (2020) who found that small business adaptability, repurposing and agility were critical to foster continuity and sustainability during crisis situations. In addition, the work of Du Plessis & Keyter (2020) also demonstrated the essential role of implanting necessary re-modelling collaborative strategies to ensure survival during crisis situations.

## CONCLUSION

This study has demonstrated that crisis situations require crisis-fit strategies that can enhance the survival and continuity of business operations. The crisis fit strategies include the adaptation of traditional business models, the remodeling of operations, re-defining functional operations as well as collaborating with relevant stakeholders to ensure appropriate responses. Data collected from the case study conducted showed that some functional strategies that are relevant for enhancing the survival of small businesses include re-puposing, adoption of new lines of business and the emphasis on the safe guarding the welfare and life of people during the crisis. Such as focus is likely to result in a customer centric approach to business operations during crisis situations. The results of this study seemed to support the literature on crisis management and also on strategic management with specific reference to crisis situations.

## RECOMMENDATIONS

Taking regard for the findings of this study, small businesses are recommended to draft generalized crisis response plans that are meant to serve as a framework to ensure fitting into the crisis. The crisis response plan should provide generalized guidelines for ensuring that small business handle crisis for continued viability. Government departments that support small business viability should also consider educating and creating awareness on the crisis-fit strategies that can be adopted in the event that major crises such as the Covid-19 pandemic affect their operations.

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