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SME'S INNOVATION STRATEGY FOR BUSINESS CONTINUITY AND CRISIS MANAGEMENT

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Abstract: *At company level it's easily driven if the management has the will and sees the benefits. Many continuous improvement management systems/techniques also involve getting the primary through to tertiary work groups to think of better and innovative methods of working or developing new techniques and technologies. SME's are commercial enterprises with ultimate objective of being profitable. A typical SME, especially nowadays, would suffer from lack of spare cash and wouldn't be willing to borrow, for any financial liabilities are detrimental. The guarantee on returns is perceived as a gamble, and thereby introduced uncertainty can be unacceptable for a small certainty and stability seeking company. In crisis conditions have resisted only SMS's that had a clear strategy of innovation, adapting to market demands, continuous reduction of production costs, following ensuring quality conditions.*

Keywords: *crisis, innovation, management, SME's, strategy*

1. Introduction

Effective continuity management needs to be focused upon business processes and assets as means to an end. The growing reliance of organisation upon one another and upon technology and infrastructure has also been cited as supporting the view that business continuity (BC) and business continuity management (BCM) matters more today at any other point in history.

The argument of this paper are founded upon what has been termed as a crisis and recession management approach; this assumes that soft and hard system elements must be considered together and that organisation themselves may incubate the potential for interruption. Managerial intervention plays a vital role in causing crisis or in mitigating their effects.

While no methodology can guarantee that interruption will be avoided, it is argued that adopting the brood methodology developed in this paper will assist organisation to be better prepared.

What are the advantages of applying a business community approach to strategic decision?

No organisation can have complete control over its business environment. It is therefore essential for companies to have a BCM and crisis management capability, in case of crisis or disaster.

Crisis management and business continuity are business concepts that revolve around the essential functionality of a company or corporation. Crisis

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management is a company strategy to deal with system ó wide crises that threaten the business. Business continuity is an ongoing process that ensures a business is functional and accessible, both for workers and for customers. When a problem rears its ugly head, good crisis management and business continuity plans can prepare a business to deal with the issue and ensure that customer service and company functionality are impeded as little as possible.

BCM has evolved a long way in the last ten years but that evolution has not yet stopped. Expectations of BCM capabilities from the owners of businesses, auditors, regulators and other stakeholders are rising year by year. The large global organisations are slowly developing into distributed structures that support the concept of the fault tolerant enterprise, where no single point of failure exists and fullback redundancy is built into everything.

Crisis Management has usually been defined as the role that senior management have during a Business Continuity Incident. It includes the high level command and control aspects of:
- Identifying a crisis situation;
- Deciding how and when to respond;
- Communicating both internally and externally;
- Leading and directing the recovery process.

You need to analyse the probability and consequences of crises that could affect your business. This involves:
- assessing the likelihood of a particular crisis occurring - and its possible frequency;
- determining its possible impact on your operations.

This kind of analysis should help to identify which business functions are essential to day-to-day business operations.

You're likely to conclude that certain roles within the business - while necessary in normal circumstances - aren't absolutely critical in a disaster scenario.

It can help to grade the probability of a particular crisis occurring, perhaps on a numerical scale or as high, medium or low. This will help to decide šbusiness attitudeö towards each risk. We may decide to do nothing about a low-probability crisis - although remember that it could still be highly damaging to business if it occurred.

As for worldwide business strategies, innovation remains a priority, though the accelerated development generates tension between business leaders.

The balance between the desire to globalize innovation and the fear of protecting very expensive discoveries is definitely a hot issue on the EU executiveøs agenda.

We have arrived to the conclusion that the global business environment is subjected to a real õvertigoö caused by economic decrease and fast technologic development, not to mention competition from inside and outside the marketplaces.

This been said, the rhythm of innovation has become a challenge for local economies, putting business leaders into a conflicting position: on one hand, they want access to global markets in order to promote specific innovation, while in the same time, they are pretty much aware of the challenges imposed by global competition, from which they would like to be protected.

The collaboration between countries could become and engine of business success, by accessing new technologies and gaining the possibility to penetrate new markets.

According to an elaborated study, 90% of the respondents regard collaboration as an essential part of innovation development. However, the greatest

challenges remain: the risk of intellectual theft, lack of trust and talent poaching.

One fact is for sure: the global trend of business models is undoubtedly, innovation. And a crucial role in its development is played by government and political support.

Politicians should seriously contribute to the education and accomplishment of experts. 76% of the executives would like politicians to encourage entrepreneurship, in order to create a stronger bond between companies and education, while fighting back bureaucracy and administrative routine, especially when it comes to accessing funds and incentives, as well as protecting the commercial secret and the intellectual property.

The companiesø success accomplished through innovation can be achieved only with the support of political authorities and civil societies. It can also have a positive impact on the economy and general welfare of mankind.

2 Innovation as manufacturing strategy for SME's

For many years, innovation was seen as the development of new products. However, creating new products is only one way to innovate. õInitially developed in 1998, the Ten Types of Innovation showed that companies that integrate multiple types of innovation will develop offerings that are more difficult to copy and that generate higher returns.ö

Most Innovation research is focused on Product Performance. We as consumers admire the latest gadget, and seek to attain the õnext big thingö. Innovation leaders and inventors often pursue innovations at the higher tiers of their markets because this is what has historically helped them succeed. However, there are more opportunities to create competitive advantage in the other types of innovation.

In many cases these innovations may be more cost effective, and can even generate a higher rate of return.

Clayton Christensen, Professor of Business Administration at the Harvard Business School suggests another type of innovation as well; disruptive Innovation. According to Christensen, successful companies can put too much emphasis on customersø current needs, and fail to adopt new technology or business models that will meet customersø unstated or future needs.

A disruptive innovation is one that creates a new market by applying a different set of values, which ultimately (and unexpectedly) overtake an existing market. Disruptive innovation allows access to a product that was historically unattainable to the majority of consumers (usually because it was overly complicated, too expensive, or inconvenient). With disruptive innovation, access is given to a new and potentially larger population at the bottom of the market.

According to Innosight, õdisruptive innovation isnøt about winning a technology race, but about delivering innovations aimed at a set of customers whose needs are being ignored by industry leaders. A disruptive innovation trades off performance along one dimension for performance along another, such as simplicity, convenience, ability to customize, or price.ö

This arguably creates the innovators dilemma. Create better products that can be selling for more money to current consumer, or create a disruptive innovation which targets those, who may not be your consumers yet, focusing on simpler products at lower price points?

3 Optimizing innovation

To optimize the **value creation** component of innovation, you must seek innovation veracity early on, identifying the fundamental truths upon which your potentially innovative solution will be built. During the value creation process you must prototype early and often to test and learn whether your insights are correct and resonating in their expression within the product or service as you expect. From the reactions to your prototypes you must evolve the solution to create more value. To optimize the **value access** piece of innovation, must seek to identify where friction is created in the delivery of solution and seek to remove it. Carefully observe both where things are awkward or difficult for you to produce and scale the solution, and for your customer to consider and consume it. These friction points represent an opportunity to remove barriers to adoption and to increase potential innovation resonance through better production, purchase and consumption experiences.

To optimize the **value translation** piece of innovation, must first identify the gaps in understanding and readiness among target customers, plan for working to close these gaps and prepare the market for launch, and then to find picture or image that communicates a thousand words. Most importantly, you must be aware that the more disruptive your potential innovation the more you may have to educate your potential customers before you even try to sell to them, and so you must build the appropriate amount of market preparation time into the launch plan for your potential innovation plan. Thought leadership marketing and innovation marketing strategies can be very powerful here to help customers understand how the new solution will fit into their lives and why they will want to abandon their existing solution ó even if it is the ÷do nothingø solution.

Everywhere you look, people are talking about innovation. There are conferences and gurus, workshops and webinars, apostles and practitioners.

Everyone wants to innovate more, and many people donøt know where to start. This is weird, since we actually know quite a bit about how innovation works.

But what is it, really? Itøs hard to go about the practice of innovation when there is so much confusion about what it actually is. Some have supposed frameworks (i.e. discovery / invention / innovation), but to be honest, I donøt find them particularly helpful.

It seems obvious to me that a common sense definition of innovation is that it is a process of finding novel solutions to important problems. Unfortunately, in order to make innovation palatable to business organizations, many have tried to narrow the definition to make it more purpose driven. Thatøs getting it backwards, after all its businesses that need to adapt.

Martin Heidegger was the first person to seriously tackle the issue in his classic 1949 essay, The Question Concerning Technology, where he argues that technology both involves uncovering (i.e. bringing forth) and enflaming (i.e. putting in context of a particular use).

The definition is extremely insightful and useful, not least because we tend to think of technology (including things like legal concepts and business processes) as something we create rather than uncover. As I pointed out in an earlier post about how technology evolves, we create technology by harnessing and then exploiting forces that were already there.

So, if we want to innovate by creating new technologies, we need to first discover things and then figure out how to put them to good use.

One popular way to frame the innovation process is to break it down into discovery

(new knowledge), Invention (new technologies) and innovation (useful things like products and services). However, it doesn't take much thinking to realize that this isn't very useful because it confuses work products with work processes.

4 Potential Impact Of A Crisis And Business Continuity

To determine the possible impact of a crisis on our business, it can be helpful to think of some of the worst possible scenarios and how they might prove debilitating for the business.

It's essential to look at risks from the perspective of our customers. Consider how they'd be affected by each potential crisis.

Business continuity management (BCM) is defined by the Business Continuity Institute (BCI) as õan holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activitiesö.

The BCI's use of the term õbusiness continuity managementö rather than õbusiness continuity planningö is deliberate because ÷planningø implies there is a start and end to the process and can lead to unwanted planning bureaucracy. BCM is, by necessity, a dynamic, proactive and ongoing process. It must bekept up-to-date and fit-for-purpose to be effective.

The key objectives of an effective BCM strategy should be to:
- ensure the safety of staff maximize the defense of the organization's reputation and brand image;
- limit/prevent impact beyond the organization; minimize the impact of

business continuity events (including crises) on customers/clients;
- demonstrate effective and efficient governance to the media, markets and stakeholders;
- protect the organisation's assets; and meet insurance, legal and regulatory requirements.

However, BCM is not only about disaster recovery. It should be a business-owned and driven process that unifies a broad spectrum of management disciplines. Changing the corporate culture. Ignoring business continuity issues can happen for a number of reasons, ranging from denial through disavowal to rationalisation. A process of ÷group thinkø can develop whereby an organisation genuinely starts to believe that their size, or some other feature, makes them immune to disaster. Or executives may firmly believe that insurance will cover them, without realising that insurance cannot indemnify against lost market share, loss of reputation or tarnished brands.

Table 1: Business Continuity Management in Historical Context. Old and New BCM approaches compared (adapted from Herbane et al.(1997)

„Standard apractice”	„Better practice”
Old	New
Dissaster recovery	**Business Continuity Management**
IT focus	Value chain focus
IT staff	Multi-disciplinary team
Existing structure	New structures
Protect core operation	Protect entire organisation
Sustain current position	Create sustenable advantage
Parochial view	Open system view
Recovery emphasis	Prevention emphasis

Table 2: Exploring Assumption about BCM Prevision (adapted from Elliot,D., Swartz,E., Herbane,B.(2010)-Business Continuity Management, second edition)

Emerged during this decade	Mindset	Scope	Triggers	Process
1970	Technology	Limited to technology;Focus upon on large corporate systems,e.g. main frames	External pysical triggers, flood, fire, boom	Contingency measures focused on hard systems
1980	Auditing	All facilities; All systems-both corporate and departamental office	As above and legal or regulatory pressuress	Contingenty measurements outsourced, compliance,driven
1990	Value-based	Mantain competitive advantage.Include costumers and supplaiers.Entier organisation including human, social issues.	Organisational stake-holders in value systems	BCM developed and business process focused on business managers
2000	Capability-based	Integrate CSR risk management and digital resiliance	The desire to further embed well developed BCM practices	BCM is an angoing and continnous organisation-wide responsbility
2010	Innovation-based	Competitiveness,new market, new products,a bether life, a cleaner environment. Include all human resources.	The desir to do things better, more useful, well-managed resources. Good BCM practice.	BCM is organisation responsability.

5 Case study

Case study was conducted on a sample of 20 SMEøs from various industries activity, analyzing if:

1. There a strategies for: a. market, b. production, c. innovation, d.BCM, e. risk and f. crisis;
2. BC is part of the principles governing the organization;
3. Company strategies are focused towards business (if the business strategy is a goal of the organization itself);
4. BCM must provide organizational resilience to optimize product and service availability; as a value based management process BCM optimize cost efficiencies;
5. All BCM strategies, plans and solutions a business owned and driven;
6. All BCM strategies, plans and solutions a based upon the business mission critical activities, their dependencies and single points of failure identified by a business impact analysis;
7. All business impact analysis a conducted in respect of business products and services in an end-to-end production context;
8. The organization and its component parts implement and maintain a robust exercising, rehearsal and testing programs to ensure that the business continuity capability is effective, up-to-date and fit-for-purpose;
9. The organization and its component parts recognize and acknowledge that reputation, brand image, market share and shareholder value risk cannot be transferred or removed by internal sourcing and/or outsourcing;

All third parties including joint venture

companies and service providers, upon whom an organization is critically dependent for the provision of products services, support or data, a required to demonstrate an effective, proven and fit-for-purpose BCM capability.

In the table below (Table 3) we present the results obtained after evaluating the responses obtained from qualified persons of the management.

Table 3: Results obtained after evaluation

Question		Answer		%	
		Yes	No	Yes	No
1	a	18	2	90	10
	b	15	5	75	25
	c	10	10	50	50
	d	5	15	25	75
	e	8	12	40	60
	f	5	15	25	75
2		5	15	25	75
3		15	5	75	25
4		5	15	25	75
5		5	15	25	75
6		4	16	20	80
7		5	15	25	75
8		10	10	50	50
9		11	9	55	45
10		5	15	25	75

During interviews were also obtained some information on how innovation has contributed to maintaining or increasing the company in times of crisis and recession.

Correlating the results obtained with the economic results achieved by the companies analyzed in the last three years (2010-2012) we have seen that:

- BCM companies that had maintained their economic performance and market position with small negative variations even in times of crisis and recession;

- companies that have innovation strategy correlated with a BCP (Business Continuity Plan), have increased turnover and market share in this period;

- although they had a business strategy and marketing strategy for the period indicated, firms which lacked innovation strategy have negligible losses or profits, losing significant percentage of the market share;

Also highlighted in the analysis of a case of innovative companies (companies that have had a plan for innovation) that:

1. Innovation itøs not just about ideas. Itøs the process of idea management.

2. Innovation is the best way to bridge a gap between where you are and where you want to be.

3. Getting the great idea to spread is just as important as having it and making it work.

4. If every idea you try works youøre not trying enough new ideas.

5. Make lots of little bets.

6. People are way more important than tools.

7. Innovations can be good or bad ó make sure youøre creating real value.

8. You need a deep understanding of the problem youøre trying to solve.

9. Ask new questions. Make new mistakes. Learn.

10. A problem in need of a solution is worth lots more than a solution looking for a problem.

11. Anyone can innovate.

12. Connecting ideas is the fundamental creative act in innovation.

13. You need top-down commitment to create a culture of innovation.

14. Efficiency is often the enemy of innovation ó you need slack!

15. Failing is good ó try to fail as small as possible, and make sure you learn from it.

16. Innovation needs to support strategy, but every once in a while it can create it

17. Innovation works best when you pursue a portfolio of innovative projects.

Innovation is not a black box. If you apply some of these ideas, you can make your organisation more effective at innovating.

Conclusions

- Companies that have innovation strategy correlated with a BCP (Business Continuity Plan), have increased turnover and market share.

- To determine the possible impact of a crisis on our business, it can be helpful to think of some of the worst possible scenarios and how they might prove debilitating for the business.

- It's essential to look at risks from the perspective of our **customers**. Consider how they'd be affected by each potential crisis.

- If we want to innovate by creating new technologies, we need to first discover things and then figure out how to put them to good use even in crisis time.

- Innovation is the only solution that SMEs, and not only they, can overcome moments of crisis and recession.

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