

# CRISIS: AN EQUAL OPPORTUNITY RISK

**DR. TONY JACQUES**  
 Director, Issue Outcomes,  
 author of *Crisis Proofing:  
 How to Save Your Company  
 from Disaster* (Oxford)

For a small company, a business crisis can well turn out to become a battle for survival.

National headlines make it easy to think that business crises are most likely to hit the big brands and corporations (think Dreamworld, Samsung, Seven News, Thermomix, VW and any of the major banks). However, small businesses are just as vulnerable to risk of a crisis, and are often much less well prepared.

It is only too common to look at crises that hit other people and say, "We're too small to be affected" or even, "That would never happen to us". The reality is that small businesses may in fact be at even greater risk of adverse impact from a crisis. The reasons are not hard to find: typically there is less likely to be an in-house team of issue

and crisis managers and corporate lawyers; fewer resources available to identify and manage potential crisis risks; lack of fully media-trained spokespersons; less capability to resist hacking, fraud and dishonesty; and less financial backing to be able to ride out a crisis.

Moreover, the latest data from the Bureau of Statistics shows that 63 per cent of micro-businesses (four staff or fewer) and 42 per cent of small businesses (between five and 19 staff) have no web presence, which means they lack up-to-date capacity to communicate with important stakeholders in the event of a crisis.

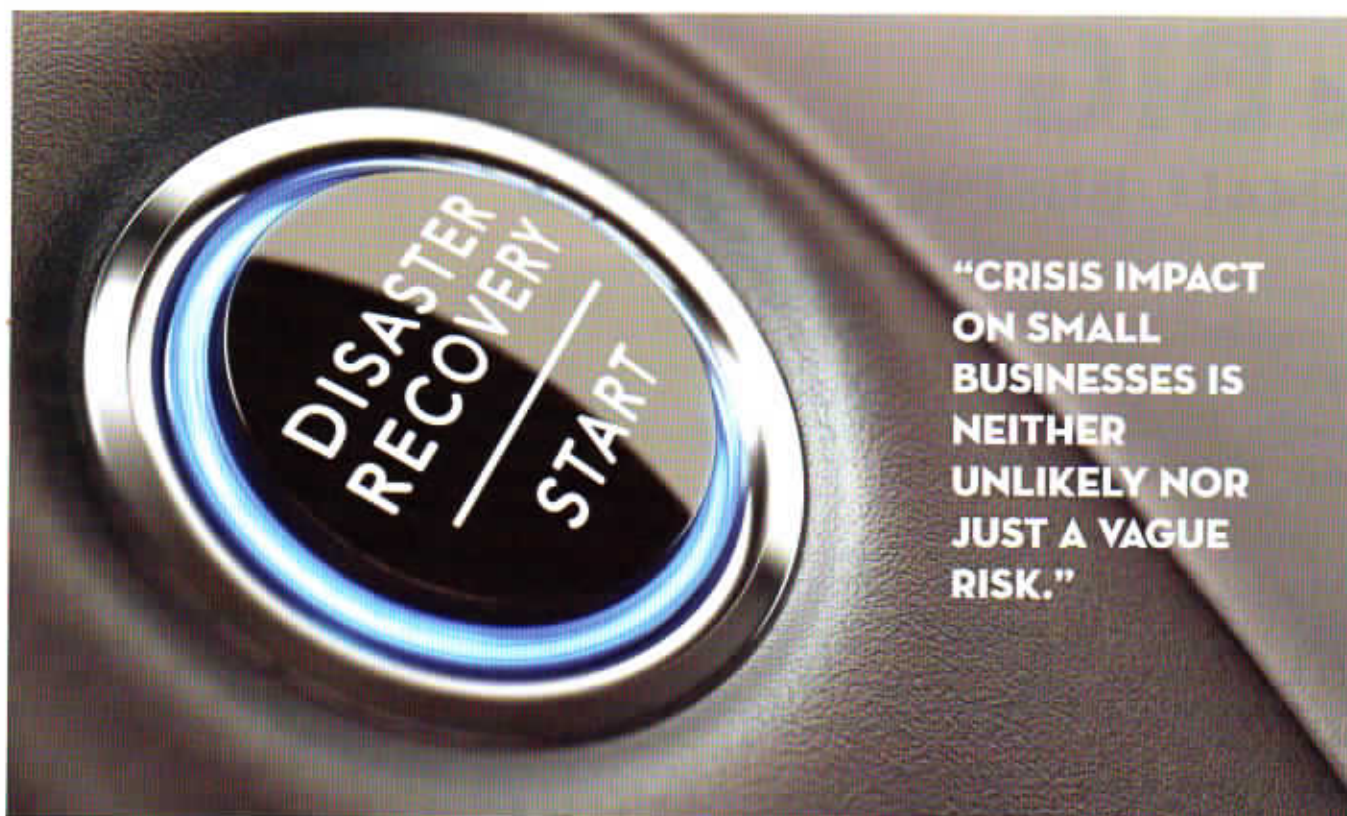
There is no doubt at all that size is a key factor in surviving a

crisis. Imagine a restaurant named and shamed in a food-poisoning allegation, or subject to a damaging online campaign claiming bad service or discrimination. The big fast-food brands can survive such allegations, which are seen as pretty much part of the price of being a high-profile brand leader, and they have teams of crisis managers and lawyers to call on. But for a small, owner-managed single restaurant, such a claim could spell the end of the enterprise.

## THE REAL ISSUE

Survival really is the issue. For example, an American study of natural disasters found that 40 per cent of small business affected





**“CRISIS IMPACT ON SMALL BUSINESSES IS NEITHER UNLIKELY NOR JUST A VAGUE RISK.”**

by a flooding event never reopen their doors. And a 10-year study of corporate crises in Australia found that one quarter of the companies affected went out of business. Importantly, those that disappeared were not just national brand names like Ansett and Pasmenco, but smaller concerns such as regional transport company Whyalla Airlines, which went out of business following a crash in which eight people died; family-owned smallgoods-maker Garibaldi Meats, which was liquidated and the directors charged after a young girl died and more than 150 people were poisoned by contaminated product; and the small contracting company that went into liquidation after a spectator died in the bungled demolition of the Royal Canberra Hospital.

Such events, and many more like them, highlight that crisis impact on small businesses is neither unlikely nor just a vague risk. Small businesses may not be able to establish the same formal management structures as big corporations, but there are realistic steps they can take to reduce both the likelihood of a crisis happening, and the impact if a crisis does occur.

*Look out for warning signs.*

Encourage every employee to be willing to identify and report anything that doesn't seem right. Two-thirds of all crises follow red flags and warning signs that could have and should have been seen and acted on.

*Identify and prepare for your “natural” crises.* You can't work on every crisis risk, so focus on the ones that are common to your type of business. Your trade association can help. The best crisis management is identifying risk issues and taking steps to try to prevent a crisis from happening at all.

*Be well prepared for emergencies.*

Not every emergency becomes a crisis, but many do. Be sure to have an effective emergency response process in place.

*Be ready to speak.* Poor communication makes any crisis worse. Know who your spokespeople are and make sure they are trained.

*Upgrade cyber-security to protect yourself and your clients.* Remember

that one of the biggest recent cyber attacks, which exposed details of more than 100 million customers of Target in the US, was made possible by online access through an unwitting small heating and ventilation contractor.

*Establish an appropriate online presence.* News reports constantly reveal the importance of social-media communication in a crisis, and it is useless trying to set up a website or Facebook page once the crisis has struck.

*Learn from other crises.* When a crisis or near-miss affects another company in the same industry, don't just say, “Thank goodness it wasn't us”. Instead say, “It could have been us. Would we have handled it any better? What can we learn?”

*Finally, have a realistic plan.* Remember, a crisis-management plan does not need to be a costly exercise with complex documents running to hundreds of pages. But every organisation, no matter what size, should have at least basic steps in place long before any crisis strikes. Survival may truly depend on it. ■