

# Explain Organizational Resilience on the Firms

Subjects: **Management**

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Resilience is a concept used in psychology, ecology, and engineering. Later, it got greater attention in business and management research, but in the context of crisis management or volatile changes. Thus, organizational resilience enables an adequate adaptation in crisis environments to survive, recover, grow, and achieve competitive advantage. In this sense, Duchek argues that organizations need to develop resilience to adapt to uncertain events through anticipation, coping, and adaptation.

organizational resilience

COVID-19

China

Central America

strategy tripod

fsQCA

resilience theory

## 1. Introduction

Due to the pandemic outbreak, affected companies experienced drops in production <sup>[1]</sup>. Thus, companies adapted to strategic processes to find alternative solutions in this “new normal.” Organizational resilience has been considered a key element in adapting and coping with an uncertain and challenging crisis such as a pandemic <sup>[2]</sup>. Consequently, in their desire to adapt and survive the pandemic, many companies make strategies to achieve adequate organizational resilience due to their resources and capabilities. Indeed, the definition of resilience is controversial <sup>[3]</sup> due to its multidimensional and multilevel nature <sup>[4][5]</sup>. However, an essential aspect of resilience is that organizations adapt to strategic processes to find alternative solutions in this “new normal” <sup>[1]</sup>.

Regarding the factors that influence organizational resilience, studies show that the impact of the pandemic crisis generated in companies' reductions in sales, supply chains, cash flow <sup>[6]</sup>. Thus, Ambulkar et al. <sup>[7]</sup> state that companies need to have capabilities to reconfigure to manage supply chains to minimize risk. Lengnick-Hall et al. <sup>[8]</sup> argue that proper human resource management and employee creativity promote organizational resilience. Moreover, organizational culture, <sup>[9]</sup>, and flexibility <sup>[4]</sup> are critical elements for organizational resilience. Also, some strategies used the business model innovation <sup>[10]</sup>, human resources flexibility <sup>[11]</sup>, resource-based vision through dynamic capabilities <sup>[12]</sup>, and technological capabilities <sup>[13]</sup>. Therefore, It's found that internal and external factors can explain organizational resilience.

So far, few empirical studies explain the factors that explain organizational resilience <sup>[14]</sup>. Moreover, the studies focus on developed economies <sup>[15][16]</sup>. This study attempts to fill this gap by comparing two emerging economies- China and Central America countries, because they have different economic, political, and cultural systems,

making their comparison attractive. Also, this research offers countries two typologies of classification for emerging economies (traditional and mid-range). Likewise, through a comparative analysis, we seek to know the similarities and differences of emerging economies by providing policymakers and managers knowledge about resilience strategies in companies. This research employs an integrative “strategy tripod” approach to operationalize resilience theory [17] through three theoretical perspectives: the firm, the industry, and the institution [18][19], allowing for a more integrated analysis of influential variables to understand the determinants of high organizational resilience in an emerging economy context.

In the case of China, the results show that: (i) use organization innovation to mitigate the infected numbers of the pandemic; (ii) labor flexibility or elasticity in its adaptation process to the new environment; and (iii) a high emotional intelligence (non-artificial intelligence) achieving a higher commitment and productivity of workers are necessary conditions for Chinese companies to achieve high organizational resilience in this “new normal.” However, in the case of Central America, the results show that: (i) use organization innovation to mitigate the pandemic infected numbers; and (ii) a favorable control of the turbulent environment. These are necessary conditions for Central American companies to achieve high resilience in this “new normal.” Both contexts require rapid internal organization (organizational innovation) and a controlled external environment. China reinforces its strategies in an intensification of flexibility in human resources. In addition, Chinese companies have more capabilities to overcome the “black swan” crisis, which allows them to adapt quickly and generate business model innovation to mitigate the effects of the pandemic in this “new normality.” On the other hand, Central America needs a quick organization and is not as prepared as China.

## 2. Current Insights

The main results of this comparative study, the model’s coverage (China equal 0.24 and Central America to 0.21) and consistency (China equal 0.81 and Central America to 0.95) are acceptable, respectively.

### 2.1. China

In the case of China, as shown in **Table 1** (see **Table 1**), the results show that: (i) use organization innovation to mitigate the infected numbers of the pandemic; (ii) labor flexibility or elasticity in its adaptation process to the new environment; and (iii) a high emotional intelligence (non-artificial intelligence) achieving a higher commitment and productivity of workers are necessary conditions for Chinese companies to achieve high organizational resilience in this “new normal.” Based on the results of the worker protection, care and stress management, and worker flexibility play an essential role in business adaptation in China. Moreover, these results provide more insights concerning the interactions of variables and propose three configurations that lead to the same result (high organizational resilience).

**Table 1.** Configurations leading to more firm resilience in China.

Configurations	Solution		
	First	Second	Third
Firm-Specific Resources and Capabilities			
Use of Digitalization	●	○	○
Use Organization Innovation	●	●	●
Use Model Business Innovation (MBI): New product to market		○	●
Artificial Non-Intelligence: Emotional Intelligence	●	●	●
Use of Human Resources Flexibility (HRF)	●	●	●
Industry-Based Competition			
Belongs to service industry	●	○	●
Market turbulence: impeding operations	○	○	○
Market turbulence: stressing supply chains	○	○	○
Institutional Conditions and Transitions			
Government support	●	●	○
Raw Coverage	0.05	0.08	0.09
Unique Coverage	0.05	0.08	0.09
Consistency	1	0.99	0.99
Overall solution coverage		0.24	
Overall solution consistency		0.81	

Conditions in the solution terms are represented by “●” (presence) and “○” (absence); a blank space indicates a “a do not care” condition.

The first configuration states that service companies located in China, to adapt and achieve higher resilience in this “new normal,” need to employ the necessary conditions mentioned in the previous paragraph (ability to risk mitigation during the pandemic, labor flexibility, and emotional intelligence). In addition, this group of resilient companies from the service sector also adopted digitalization as an essential factor to achieve organizational resilience. Digitization allows accelerating decision-making processes, information processes, coordination, improving the capacity of companies, and achieving agility in organizations. Previous studies by Zhang et al. [20] argue that digital transformation improves organizational resilience. The authors' findings support these claims. However, we also found that the adoption of digitalization is not sufficient by itself. When companies receive

government support, digitalization enables companies' resilience. Therefore, we highlight the role of external support in tandem with digitalization adoption for achieving high organizational resilience.

**Proposition 1.**

*"If a service company in China employs the necessary conditions as a strategy, and allocates resources for digitalization and receives government support, it can be highly resilient in this new normal."*

The second configuration states that manufacturing companies located in China, to adapt and achieve higher resilience in this "new normal," need to employ the necessary conditions mentioned in the previous paragraph (ability to risk mitigation during the pandemic, labor flexibility, and emotional intelligence). However, unlike the first configuration. This group of manufacturing companies only need, in addition to the necessary conditions as strategy, to receive government support. We believe that the difference between the first and this configuration lies in the fact that the impact of the pandemic on the service sector and manufacturing companies was different, the former being the most impacted.

**Proposition 2.**

*"If a manufacturing company in China employs the necessary condition as a strategy, it can be highly resilient only by receiving governmental support in this new normal."*

The third configuration states that service companies in China, to adapt and achieve high resilience in this "new normal," need to employ the necessary conditions mentioned in the previous paragraph (ability to risk mitigation during the pandemic, labor flexibility, and emotional intelligence). However, unlike proposition 1 and proposition 2, this group of service companies did not adopt digitalization and did not receive support from the government. As suggested by Apedo-Amah et al. [\[21\]](#), government support is essential in emerging economies such as China, but it is limited because it is difficult to identify which companies require support.

In that sense, to achieve high organizational resilience, firms in this configuration employ innovation in their business model to adapt to this "new normality." Therefore, this finding contributes to the literature on organizational resilience by identifying that, while digitization and government support are vital strategies for achieving resilience in organizations during the pandemic, companies that are not able to implement or benefit from them can still achieve resilience by changing traditional business models, and regrouping resources (adopting a business model innovation).

**Proposition 3.**

*"If a service company in China employs the necessary conditions as a strategy, do not implement digitalization, neither receives governmental support, but adopts a business model innovation, it can be highly resilient in this new normal."*

## 2.2. Central America

In the case of Central America, as shown in **Table 2** (see **Table 2**), the results show that: (i) use organization innovation to mitigate the pandemic infected numbers; and (ii) a favorable control of the turbulent environment. These are necessary conditions for Central American companies to achieve high resilience in this “new normal”. Based on the Central America model results, the authors propose that firms act quickly, based on the firm’s resources. The applied fsQCA model provides more insights about the interactions of variables and their impact on the companies’ resilience and proposes three configurations that lead to the same result (high organizational resilience).

**Table 2.** Configurations leading to more firm resilience in Central America.

Configurations	Solution		
	First	Second	Third
Firm-Specific Resources and Capabilities			
Use of Digitalization	●	●	○
Use Organization Innovation	●	●	●
Use of Human Resources Flexibility (HRF)	○	○	●
Industry-Based Competition			
It belongs to the manufacturing industry	○	○	●
Market turbulence: high demand control	●	●	●
Market turbulence: high supply chains control	●	●	●
Business Expectations: positive perceptions	●		○
Institutional Conditions and Transitions			
Government support	●	●	○
Raw Coverage	0.05	0.08	0.09
Unique Coverage	0.05	0.08	0.09
Consistency	1	0.99	0.99
Overall solution coverage		0.21	
Overall solution consistency		0.95	

Conditions in the solution terms are represented by “●” (presence) and “○” (absence); a blank space indicates a “a do not care” condition.

The first and second configurations establish that service companies in Central America, to adapt and achieve high resilience in this “new normality,” need to employ the necessary conditions mentioned in the previous paragraph (internal organization, control of market turbulences). However, this group of companies employs digitalization as a new strategy to adapt. The results show that government support and positive business expectations enable the successful implementation of digitization. The second configuration does not have a favorable perception of the future, does not carry out labor flexibility activities, and needs digitalization and government support to achieve high organizational resilience.

#### Proposition 4.

*“If a service company in Central America employs the necessary conditions as a strategy in this new normal, also resorts to digitization, presents positive business expectations and receives government support, it can be highly resilient in this new normal.”*

The third configuration states that manufacturing companies in Central America, to adapt and achieve high resilience in this “new normality,” need to employ the necessary conditions mentioned in the previous paragraph (internal organization, control of market turbulences). However, this group of companies is not intensive in digitization because of their main face-to-face activity; in addition, the implementation of labor flexibility, e.g., rotating schedules, allows substituting the absence of digitalization due to the lack of access to governmental support.

#### Proposition 5.

*“If a manufacturing company in Central America employ the necessary conditions as a strategy in this new normal, although it does not resort to digitalization, nor receives government support, and, present negative business expectations, it can be highly resilient in this new normal when presenting labor flexibility.”*

### 2.3. Similarity and Difference

To analyze a comparative study between China and Central American countries (El Salvador, Nicaragua, Honduras, and Guatemala), the authors seek to find similarities and differences between two different contexts. To do so, we employed standard variables to not bias the results. First, both models (**Table 3**-China and **Table 4**-Central America) present similar results. The authors argue that the implementation of digitalization is more intensified in service companies. In addition, the authors propose the role of government support to carry out digitization successfully. Second, in both models (China and Central America), organizational innovation is understood as the ability to organize internally and allows companies to sustain themselves in times of crisis.

**Table 3.** Configurations leading to more firm resilience in China.

Configurations	Solution		
	First	Second	Third
	Firm-Specific Resources and Capabilities		

Configurations	Solution		
	First	Second	Third
Use of Digitalization	●	○	○
Use Organization Innovation	●	●	●
Use Model Business Innovation (MBI): New product to market		○	●
Artificial Non-Intelligence: Emotional Intelligence	●	●	●
Use of Human Resources Flexibility (HRF)	●	●	●
Industry-Based Competition			
Belongs to service industry	●	○	●
Market turbulence: impeding operations	○	○	○
Market turbulence: stressing supply chains	○	○	○
Institutional Conditions and Transitions			
Government support	●	●	○
Raw Coverage	0.05	0.08	0.09
Unique Coverage	0.05	0.08	0.09
Consistency	1	0.99	0.99
Overall solution coverage		0.24	
Overall solution consistency		0.81	

Conditions in the solution terms are represented by “●” (presence) and “○” (absence); a blank space indicates a “a do not care” condition.

**Table 4.** Configurations leading to more firm resilience in Central America.

Configurations	Solution		
	First	Second	Third
Firm-Specific Resources and Capabilities			
Use of Digitalization	●	●	○
Use Organization Innovation	●	●	●
Use of Human Resources Flexibility (HRF)	○	○	●

Configurations	Solution		
	First	Second	Third
Industry-Based Competition			
It belongs to the manufacturing industry	○	○	●
Market turbulence: high demand control	●	●	●
Market turbulence: high supply chains control	●	●	●
Business Expectations: positive perceptions	●		○
Institutional Conditions and Transitions			
Government support	●	●	○
Raw Coverage	0.05	0.08	0.09
Unique Coverage	0.05	0.08	0.09
Consistency	1	0.99	0.99
Overall solution coverage		0.21	
Overall solution consistency		0.95	

Conditions in the solution terms are represented by “●” (presence) and “○” (absence); a blank space indicates a “a do not care” condition.

However, despite the similarities mentioned in the previous paragraph, some differences were found. First, firms in China have greater labor flexibility than firms in Central America. Second, firms in China are more skilled than firms in Central America. Companies in China can innovate in the business model innovation. In addition, previous crises (swine flu) make them more responsive and cautious. On the other hand, Central American companies have a lower reaction capacity.

Based on the resilience modes proposed by Mithani [\[22\]](#). We propose that Chinese companies employ the resilience learning mode for adaptation and recovery strategies during a life-threatening event such as a pandemic (COVID-19). This mode of organizational resilience is based on the autonomous response, seeking solutions, and modifying organizations to respond to the threat. The authors propose that companies in China seek to return to a previous equilibrium or pre-pandemic status quo. On the other hand, Central American countries during the pandemic employ the rejuvenation mode of resilience in this “new normal.” Thus, this mode has a slow recovery because businesses suffered desolation generating unimaginable losses. However, organizational resilience emerges through reconstruction and reorganization; such companies seek a new equilibrium generating efficiency.



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