

Contingency Recovery Typology and Corporate Entrepreneurship: From “Jumbled” to “Routine” Organizational States

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Abstract

The purpose of the current research study is to construct a Contingency Recovery Typology incorporating contingent and interrelated phases of recovery, for use by organizational leaders and policy makers to further their understanding and analysis of recovery contexts and contingent recovery pathways, and aid their strategic planning for recovery activities given organizational decline. To this end, this study presents a three-fold analysis. First, it discusses two representative recovery and re-equilibration models whose convergence leads to the identification of the proposed four contingent and interrelated recovery phases. The two recovery and re-equilibration models are the Contingency Typology [1] and Crisis, Breakdown and Re-equilibrium Model [2]. Secondly, four emergent and corresponding recovery stages are evaluated in light of the convergence of the above mentioned two recovery and re-equilibration models. Finally, the conclusion provides a discussion of the implications and contributions of the proposed Contingency Recovery Typology for management theory and practice, and presents directions for future research on corporate entrepreneurial-leadership networking under recovery, and consequential organizational recovery pathways.

Keywords

Corporate Entrepreneurship, Organizational Development; Risk Management; Stages of Recovery, Contingency Theory

I. Introduction

Prominent achievements in science, medicine and technology have only been paralleled with horrifying acts of violence, threats and terror [3-4]. In the twentieth and early twenty first centuries, actions and reactions to acts of terror, of various types and forms, have steadfastly spread to various countries around the globe. It has come to the point where there is always an urgent need to efficaciously responds to threats, conflicts and crises of various natures and magnitude. This includes military attacks, terror attacks, man-made disasters and natural disasters [5], not to mention risks introduced to organizations through change including automation, process re-engineering, outsourcing and down-sizing [6]. Furthermore, a pertinent issue in this age is computer fraud. A company's reputation can be ruined in less than sixty seconds with the experience of a system failure, or even a hacker knocking out pertinent customer information [7], as such, the relevance of Duncan's et al. [8] description of an organizational disaster as a crisis in the extreme, for it influences the very survival of the organization, while impacting the lives of its internal and external stakeholders, including employees, suppliers and customers.

Ernest-Jones [9] argues that regardless of the high frequency, combined with the drastic impact of such risks on the organization and its stakeholders, business continuity only gets the consideration of senior management when commanded by customers and/or

regulatory compliance agencies. He further advises that in a global survey comprised of 240 corporate executives, more than a quarter indicated that their companies do not have business continuity plans, and that only about half of the surveyed participants feel confident of their ability to protect their employees in case of a disaster.

Anderson et al. [10] further explain that the need for emergency response is rather complex, and is becoming a commanding issue, as both individuals and organizations nowadays find themselves in positions requiring them to deal with situations that have not been previously experienced, or even forecasted. In addition, Herbane et al. [11] argue that in the face of increased threats, businesses are promptly responding in an attempt to counter the possible drastic effects of a crisis. Nevertheless, they question whether such responses are being considered at the strategic level, or merely at the operational and functional levels.

This research study consists of three key parts. The first section encompasses a discussion of two representative recovery and re-equilibration models, whose convergence leads to the development of the proposed four contingent and interrelated phases of recovery [3]. The two-representative recovery and re-equilibration models employed in the current study are the Contingency Typology [1, 12], and the Crisis, Breakdown and Re-equilibration Model [2]. This section further includes an evaluation of the contributions, limitations and convergence of these models. The second part provides an analytical discussion of the four inter-related stages of recovery, developed based on a convergence of the above-mentioned models. This section also features an analytical evaluation of the temporal properties and determinants of the developmental phases of recovery, and provides a discussion of the impact of the style of organizational leadership in practice on the texture of the recovery process. Recovery could fluctuate from being evolutionary to incremental depending on the rate of realization of the proposed recuperation requisites, as determined by the effectiveness of the organizational leadership in charge and their adopted style of management. It is also dependent on the effectiveness of the recovery strategies being implemented. Furthermore, the interplay between the two non-linear social structures, being the organization itself and its environment, contributes to the degree of attainment of pertinent recovery requisites and developmental milestones, thus, impacting the recovery route, and the speed of progression throughout the developmental recovery stages [13]. Finally, a discussion of the contributions of the application of the contingency approach, and the implications of the proposed Contingency Recovery Typology for management theory and practice are presented.

II. Representative Recovery and Re-equilibration Theoretical Frameworks

The current research study builds on the following two

representative recovery models: The Contingency Typology [1, 12]; and the Crisis, Breakdown and Re-equilibration Model [2]. This section provides a brief exploration of each of these models, followed by a discussion of their contributions, limitations and convergence.

A. The Contingency Typology

This model outlines various pathways to progress, from routine decision-making to crisis decision-making contexts. Kouzmin and Jarman [1] explain that creative action is needed to resolve emerging conflict before the situation develops into an overwhelming macro-crisis. They further argue that if the contingency theory schemas of Thompson and Tuden [14], and Emery and Trist [15], are juxtaposed, the four types of decision-making featured in the Thompson and Tuden's [14] schema will correspond to the environmental states presented in the Emery and Trist schema [15]. Kouzmin and Jarman [1] characterized the four types of decision-making contexts as Algorithm, Opportunity-Cost, Muddling Through and Crisis. As shown in Figure 1, the complexity of decision-making intensifies as the level of uncertainty, environmental risk and degree of turbulence heightens. The authors further discussed four crisis paths, each commencing at the first contingent class, namely, Algorithm, and ending with the fourth contingent class, namely crisis, with different paths that can be followed for events to end up in the crisis phase.

B. Crisis, Breakdown and Re-equilibration Model

This model is based on three main elements, namely, legitimacy, efficacy and effectiveness. Linz and Stephan [2] explain that the perceptions of legitimacy are rather dynamic, in that it can be granted and withdrawn continuously. Both efficacy and effectiveness can either strengthen or weaken the belief in legitimacy. Efficacy relates to the capacity to find solutions to basic problems, and is judged by the sum of its actions over a prolonged time period; while effectiveness relates to the capacity to implement policies and achieve the desired results. The Crisis, Breakdown and Re-equilibration model is based on the interrelationships among the above mentioned three dimensions of efficacy, effectiveness and legitimacy.

Table 1: Contingent Crisis Decision-Making

Decision- making Classes	Environment States	Decision-Making Contexts
Type 1: Calculation +	Placid/ Random	= Algorithm
Type 2: Judgement +	Placid/ Clustered	= Opportunity cost
Type 3: Compromise +	Disturbed/ Reactive	= Muddling through
Type 4: Inspiration +	Turbulent	= Crisis

Source: Jarman and Kouzmin [12]

C. Contributions, Limitations and Convergence of the Models

A main limitation of the Contingency Typology is that it does not provide for the dynamic nature of stage IV, the crisis phase. That is, it does not allow for the time-sensitivities inherent in the crisis phase. Beyond a certain degree of deterioration, the organization may find itself unable to progress from the fourth stage, and is rather fixated in crisis. At this stage, the embarkation

on a recovery pathway becomes either extremely difficult, or even impossible. Linz and Stephan's [2] Crisis, Breakdown and Re-equilibrium model has proved to be of immense value to the understanding for the need for corporate recovery requisites. When applied in conjunction with the Contingency Typology [1, 12], the Crisis, Breakdown and Re-equilibration Model has proved to be instrumental in the identification and development of the four interrelated and contingent stages of recovery and development.

III. Contingency Recovery Typology: Four Interrelated Recovery Phases

When juxtaposing the contingent decision-making contexts schema [1] to the elements of the Crisis, Breakdown and Re-equilibration Model [2], the four types of decision-making contexts (Algorithm, Opportunity-Cost, Muddling Through and Crisis) will correspond to the elements of the Crisis, Breakdown and Re-equilibration model (Stability, Efficacy; Effectiveness and Instability) (Table 2).

1 Algorithm	3 Muddling Through
2 Opportunity Cost	4 Crisis

Fig. 1: Contingency Typology

Source: Jarman and Kouzmin [12]

This provides a salient analytical tool to evaluate four corporate evolutionary stages of recovery and development (Stage I: Jumbled Phase, Stage II: Experimental Phase, Stage III: Transitional Phase, Stage IV: Routinization) (Fig. 2).

Table 2: Decision-Making Contexts, Crisis, Breakdown and Re-equilibration Elements

Decision-Making Contexts	Crisis, Breakdown and Re-equilibration Elements
1 Algorithm	- Stability
2 Opportunity-Cost	- Efficacy
3 Muddling Through	- Effectiveness
4 Crisis	- Instability

The four resultant developmental stages are featured in Table 3 below. In other words, this Contingency Recovery Typology outlines four different pathways to progress from a "Jumbled" recovery to a "Routine" recovery contexts. Creative and innovative recovery activities, and effective recovery strategies, need to be planned and implemented to move the organization out of the "Jumbled" phase and into the "Routine" Phase [1], otherwise the organization might find itself fixated in a "Jumbled" state. As the organization moves out of the jumbled state in the direction of the new algorithmic state, characterised by routine and stability, the complexity of decision making eventually decreases, and the level of risk and environmental uncertainty and turbulence gradually drops. Furthermore, four recovery paths emerge, each commencing with the first contingent class, namely, the "Jumbled" phase, and ending with the fourth contingent class, namely, "Routinization", with different paths in between that can be traced for events to end up in a new algorithm. Even though these recovery stages are interrelated, each of them holds different characteristics, as follows:

Stage I - Jumbled Phase

This represents the first recovery phase, which is characterised by a high level of risk and uncertainty, as the organization has recently emerged out of a crisis situation. During this stage, the organization is struggling with the implementation of recovery activities given a “crisis” decision making context, and an “unstable” environmental state (Table 3).

Stage II – Experimental Phase

Throughout this stage, the organization endeavours to implement recovery plans and activities given a “muddling through” decision making context, and an “effective” environmental state. Since the organization is still muddling through, senior management is in need of formulating and implementing recovery policies geared towards the identification and realization of the reform requisites and forces needed to achieve the desired recovery level (Table 3).

Stage III – Transitional Phase

This is the third recovery phase. In this phase, the organization attempts to implement recovery activities given an “opportunity cost” decision making context, and an “efficacious” environmental state (Table 3). It represents a new order characterized by short-term stability, where a main challenge for the organization is to generate appropriate solutions to pertinent developmental problems. As such, detailed feasibility studies and cost-benefit analyses of alternative recovery strategies are developed.

Stage IV – Routinization and Stability

This denotes the fourth and final developmental phase. In this phase, the organization continues to undertake recovery activities given an “algorithmic” decision making context, and a relatively “stable” environment (Table 3). It represents an excellent position for senior management to assess corporate recovery and developmental requisites, as well as determine an optimal cost-effective means of achieving them. In comparison to Stage I (“Jumbled” Phase), the level of uncertainty, urgency and threat experienced by the organizational leader has dropped [16]. The achievement of long-term stability is conditioned by corporate attainment of the much-needed reform requisites.

It is worthwhile to note that the nature of the above mentioned four recovery phases, being either evolutionary or incremental, is conditioned by the level of adaptability and effectiveness of the corporate entrepreneurial-leadership functions and style practised, and the recovery path adopted. Recovery and developmental strategies should aim at maximizing recovery efforts and activities, and minimizing recovery time [13]. The ability to incrementally accomplish this is conditioned by the seriousness and the pace for which recovery requisites are being attained by the organization, which, in turn, is once again dependent on the style and nature of the corporate entrepreneurial-leadership functions and style in practice.

As the organization sails on a recovery mode, it tends to move away from Phase I (Jumbled State) in the direction of Phase IV (Routinization and Stability). In the interim, there are other recovery pathways that the system may choose to follow. The current study argues for four different recovery pathways, all of which commence at Phase I and end in Phase IV, while possibly passing through Phase II, or Phase III, or both, as follows:

Path I: This represents the longest recovery path, whereby recovery activities are incrementally undertaken at each and every stage. It passes through all of the four recovery states, starting with a jumbled state, and ending in a routine and stable state, as follows: It commences at the “Jumbled” state, moves on to the “Experimental” state, followed by the “Transitional” state, and ends in the “Routinization and Stability” state (Path I: 1,2,3,4).

Path II: This also represents a long recovery path, yet shorter than Path I, whereby recovery activities are incrementally undertaken in three of the four recovery stages. It passes through three of the four recovery states, starting with the jumbled state, and ending in a routine and stable state, as follows: It commences at the “Jumbled” state, moves to the “Experimental” phase, and ends in the “Routinization and Stability” state (Path II: 1, 2, 4).

Path III: This too is a long recovery path. It is also shorter than Path I, whereby recovery activities are once again incrementally undertaken in three of the four states. It passes through three of the four recovery states, starting with the jumbled state, and ending in a routine and stable state, as follows: It commences at the “Jumbled” state, moves to the “Transitional” state, and ends in the “Routinization and Stability” state (Path III: 1, 3, 4).

Path IV: This is an evolutionary recovery pathway. It is the shortest and possibly the most cost effective recovery path. Recovery activities are undertaken in two of the four states, starting with the jumbled state, and ending in a routine and stable phase, as follows: It commences at the “Jumbled” phase, and ends in the “Routinization and Stability” state (Path IV: 1,4).

It is worthwhile noting that developmental challenges may emerge at each and every recovery phase. The ability to embark on a recovery mode, whilst attempting to incrementally overcome emerging recovery challenges, is conditioned by the flexibility and effectiveness of the corporate governance patterns practised. Accordingly, the corporate recovery route followed is dependent on the attainment of the following:

- Organizational capacity to identify and develop an innovative and optimal recovery strategy;
- The ability of the organization to successfully implement set strategies within the allocated time and resources; and
- The intensity and effectiveness of the corporate entrepreneurial-governance patterns practised and its ability to attain the recovery requisites needed.

Regardless of the level of organizational preparedness to the possibility of emerging risks, significant surprises may continue to surface [3]. This necessitates continuous review and evaluation of previous contingent strategies in light of possible new challenges [17].

When considering the above four contingent stages of corporate recovery and development, one can identify post-turbulence situational leadership patterns and styles which could be adopted whilst managing the progression of the organization’s recovery pathways, commencing at a “Jumbled” state (Phase I), and ending at the new “Algorithmic” state (Phase IV).

Table 3: Contingent Recovery and Development Stages

Decision-Making Contexts	Crisis, Break-down & Re-equilibration Elements	Recovery Contexts
Phase I: Crisis	+ Instability	= Jumbled Phase
Phase II: Muddling Through	+ Effectiveness	= Experimental Phase
Phase III: Opportunity Cost	+ Efficacy	= Transitional Phase
Phase IV: Algorithm	+ Stability	= Routinisation

The proposed Contingency Recovery Typology is dynamic in nature. It argues for a temporal, flexible and adaptive leadership paradigm which allows developmental leaders to shift among alternative leadership styles and strategies (authoritarian and centralized decision-making to participatory and decentralized decision-making, and vice versa), as needed throughout the recovery and post-crisis periods.

It is the view here that every crisis situation is exclusive and unique, as such the need for temporal governance emergency response strategies to be situation-specific. Nevertheless, developing an understanding of leadership and governance patterns practised during past recovery episodes, would assist in better shaping future corporate recovery response strategies. The problem though arises if the organizational leadership fails to deliver on the much-needed recovery strategies, thus, hindering the realization of crucial recovery requisites.

PHASE IV Routinization and Stability	PHASE II Experimental State
PHASE III Transitional State	PHASE I Jumbled State

Fig. 2: "Contingent Stages of Recovery and Development"

In such situations, the organization may find itself being fixated with a long-term crisis, thus, prolonging its duration at the "Jumbled" state (Phase I). With accelerated deterioration, recovery and development may become unfeasible, or even undesirable.

IV. Conclusion: Significance and Contributions of the Proposed Contingency Recovery Typology

This section presents the significance, contributions and implications of the Contingency Recovery Typology to management theory and practice. The proposed Contingency Recovery Typology incorporates four interrelated recovery states (Jumbled State, Experimental State, Transitional State, and Routinization and Stability), and four different recovery pathways (Path I, Path II, Path III, and Path IV). It represents a dynamic tool to be employed by academics, organizational leaders and policy decision-makers, for the analysis of the recovery process, and for the development of effective recovery plans and strategies at each and every recovery state throughout the process. It is situation specific, as such, relevant to various levels of analysis. That is, it is applicable to any public-sector or private commercial organization emerging from deterioration and decline. In other words, it is applicable to nations, states and organizations.

Many definitions have been proposed to explain the term crisis. For example, according to Rosenthal [16], there are three elements embedded in a crisis situation, namely threat, urgency and uncertainty; as such the need for a contingency approach in crisis and recovery management. He further explains that contingency planning necessitates the development and progress of alternative future courses of action. That is, it necessitates the development of "multiple futures" as opposed to a "single future" or merely worst scenarios. Even though contingencies usually surface in complex situations, at times senior staff fail to address them in their strategic plans [9, 1].

The attainment of the requirements for contingency-related analysis is highly dependent on the displayed corporate entrepreneurial-leadership skills, intensity and training acquired [18, 1], to be able to adapt to crucial changes in the decision-making contexts and environmental states. For example, even though cutting through organizational bureaucracy is discouraged, and may even be criticized, practising informal contingent strategies under situations characterised by extreme uncertainty, may, in certain situations, assist in limiting the time needed to develop and implement policy interventions [1]. The need for contingency planning escalates as the level of uncertainty and complexity of a non-routine crisis situation intensifies [16]. Under extreme levels of risk and uncertainty, an organization may find itself pressured for a timely response, thus, rely on contingent behaviour by possibly utilising decentralized decision making, a participatory leadership style, and informal communication channels; even though this may hinder the employment of previously set formal policies, procedures and processes.

Adopting a contingency approach to recovery under high levels of risk and uncertainty further assists in the development of plausible recovery pathways. This usually necessitates the practise of flexible and adaptable corporate entrepreneurial-leadership pathways. As Hirschman [19, 20] describes it, post-algorithmic states are determined by the recovery-governance critical paths. The Contingency Recovery Typology represents a holistic, contingent and "heuristic" approach to corporate recovery policy planning. The application of such an approach, as opposed to one dictated by purely short-term economic forces, explains the reason why some organizations are able to timely emerge from chaos, while others seem to submerge in on-going turbulence.

Future research will seek to validate the proposed recovery typology through applications to real case studies relating to both public and private-sector organizations. Furthermore, future research exploring the corporate entrepreneurial-leadership functions and styles needed for the realization of shorter, and possibly more cost-effective, evolutionary recovery pathways (from a "Jumbled" State to a "Routine and Stable" State), as opposed to the costly and time consuming incremental recovery pathways (from a "Jumbled" State to an "Experimental" State, to a "Transitional" State, and finally, to "Routinization and Stability"), is needed.

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