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# **The Case of Sonae MC**

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## **An internal perspective of Crisis Management**

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## **Abstract**

This project, hereby presented in a case study format, aims to unveil some of the key internal management strategies adopted by Sonae MC to tackle the Covid-19 pandemic crisis, whilst functioning as pedagogical material for internal Crisis Management (CM).

First, this report introduces the topic of organizational Crisis Management and its prominent models, with the objective of demonstrating the importance of engaging in CM. In addition, it explores the pivotal factors for managing crisis internally such as leadership, internal communication, crisis management teams and human resources.

Sonae MC is the biggest private employer in Portugal and operates mainly in the food retailing market. The organization faced extreme challenges to protect its employees and sustain its operations during the pandemic. For this reason, Sonae MC represents a striking example of the effects of Covid-19 on the food retail market and, specifically, on a big company with complex operations. Thus, the case provides a description of Sonae's successful crisis response, illustrating a real crisis scenario that contributes to elaborate on key topics of internal CM, namely, leadership and internal communication which were crucial components of Sonae Mc's CM strategy.

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## **Sumário**

Este projeto, apresentado num formato de estudo de caso, pretende revelar algumas das principais estratégias de gestão interna adotadas pela Sonae MC para enfrentar a crise da pandemia Covid-19, funcionando simultaneamente como material pedagógico sobre gestão interna de crises.

Primeiro, este relatório introduz o tópico de Gestão de Crise organizacional e os seus principais modelos, com o objetivo de demonstrar a importância de incorrer em Gestão de Crise. Adicionalmente, o projeto explora os fatores mais influentes na gestão interna de crises, isto é, liderança, comunicação interna, equipas de gestão de crise e recursos humanos.

A Sonae MC é o maior empregador privado em Portugal e opera essencialmente no setor do retalho alimentar. A organização enfrentou enormes desafios para proteger os seus colaboradores e manter as suas operações, durante a pandemia. Por esta razão, a Sonae MC representa um ótimo exemplo dos efeitos da Covid-19 no setor do retalho alimentar e, especificamente, numa grande empresa com operações complexas. Assim, o caso fornece uma descrição da bem-sucedida resposta à crise levada a cabo pela Sonae MC, ilustrando um cenário de crise real que contribui para desenvolver os tópicos de gestão interna da crise, nomeadamente, liderança e comunicação interna que foram componentes cruciais da estratégia de gestão de crise da Sonae MC.

***Título:*** O caso da Sonae MC – Uma perspetiva interna da Gestão de Crise

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***Palavras-chave:*** Crise organizacional; Gestão de crise; Gestão interna de crise; Covid-19; Sonae MC; Comunicação interna; Liderança; Equipas de gestão de crise; GRH.

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**List of abbreviations**

- CM – Crisis Management
  
- CMT – Crisis Management Team
  
- CS – Central Services
  
- HRM – Human Resources Management
  
- IC – Internal Communication

# 1. Introduction

In a more global and connected world, crises are more frequent and differ in characteristics and its effects, which tend to be more severe to individuals, societies and firms. Being more linked with the external environment, companies are exposed to more and new risks threatening business survival. Additionally, competition tend to become more intensive, which makes the way firms deal with disruption more important. Logically, firms that engage in Crisis Management (CM) are better prepared to cope with future crisis, thus, one can argue that CM may be a source of competitive advantage. Therefore, managers acknowledge the growing importance of crisis management on business survival and competitiveness.

This dissertation introduces Crisis Management with special focus on the internal perspective of the concept and explains the main factors contributing to internal CM. Those factors are leadership, internal communication, crisis management teams and human resources management.

Considering that the Covid-19 pandemic is a worldwide crisis with individuals at the center, companies must focus on responding to internal issues first, specifically, managing human resources and adapting processes, to ensure business continuity. Hence, this project focus on the internal perspective of crisis management and main factors contributing to it, aiming to provide an overview of the challenges imposed to companies and point out best practices on internal adaptive strategies. To that end, the paper presents a real crisis scenario during the Covid-19 pandemic. The case study of Sonae MC, food retailer and amongst the biggest employers in Portugal, describes the firm's strategies to overcome the challenges imposed by Covid-19 in the management of its people and operations, while responding to increased demand for products.

## 2. Research Note

The world and its societies are changing. Globalization, increasing world population, technological innovation, competition in markets, and human behavior are some prominent factors of change. In recent decades human development has been rapid and energetic. Also, it has brought relevant improvements to our lives. However, among other negative outcomes, it has made us more vulnerable to the external environment. Hence, while old hazards continue to threaten individuals, societies and organizations (Quarantelli, 1988, p.373), new risks appear over time (Boin, 2009; Quarantelli et al., 2007). As a result, crises are changing their nature, happening more frequently and causing more damage (Boin, 2009; Organisation for Economic Cooperation and Development [OECD], 2003; Quarantelli et al., 2007).

The latest decades have displayed a reproduction of incidents such as natural disasters, corporate scandals, infectious diseases and industrial disasters (e.g. nuclear explosions, oil spills) (OECD, 2003; Wang, 2007; Williams et al., 2017). Due to such occurrences, the environment is more unpredictable and turbulent (Wang, 2007), thus increasing people and firms' susceptibility to adverse events and hampering short-term predictions.

The growing frequency and socioeconomic impact of crises have been calling the attention of scholars and managers to the importance of crises and the response to such issues (Bundy et al., 2017; Doern et al., 2019; Jaques, 2007; Williams et al., 2017).

### 2.1. Organizational crisis

Crises may derive from uncountable events, assume different forms and affect various organisms in distinct ways (Boin, 2009, p.367). The heterogeneity between crises causes ambiguity on the definition of the term, among scholars. Although there is no consensus, it is necessary to attribute meaning to the term in order to better understand and further respond to such incidents. Through a systematic review of the literature Williams and colleagues (2017) identified two dimensions within the conceptualization of the term 'organizational crisis', one defining *crisis as an event* and the other *crisis as a process*.

The first dimension focuses on crisis' triggering events. Rosenthal and colleagues (2001), cited by Boin (2009, p.368), consider that "threat, urgency and uncertainty" come alongside with every crisis. Gregory (2005, p.313) "characterizes crises as being high consequence, low probability, overlaid with risk and uncertainty, conducted under time-pressure, disruptive of normal business and potentially lethally damaging to organizational reputation.". The most

consensual definition explains organizational crisis as a “low probability, high impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effects and means of resolution, as well as by belief that decisions must be made swiftly” (Pearson & Clair, 1998, p.60).

The second dimension highlights that crises develop in different stages and evolve over time requiring periods of transition for organizations to interpret and respond to such occurrences (Williams et al., 2017). Crises are processes that extend over time (Shrivastava, 1995, as cited in Williams et al., 2017), hence, while dealing with an adverse event, an organization may suffer from several other stressors resulting from its response to crisis, interaction with environment or previous status. Within this approach, scholars have described different stages of crises (e.g. Milburn et al., 1983; Turner, 1976), highlighting the importance of corporations to focus on the pre-event, crisis’ triggering event and post-event.

Crisis is often compared to disaster. Therefore, it is also necessary to provide a notion of the concept of disaster. As cited by Perry (2007, p.7), Buckle (2005, p.179) and Smith (2005, p. 301) define disaster as an event that produces significant damage on social, economic and political dimensions, and from which a “long-term recovery” is implicit. In other words, disaster differs from crisis since it is larger, more severe and because it requires action of several entities (Zamoum & Gorpe, 2018).

## **2.2. Organizational Crisis Management**

Regardless of its nature, magnitude and severity, any crisis has the potential to intimidate the viability and survival of a business (Mitroff, 1988; Wang, 2007) and no organization is immune to this threat. Organizational crises can harm not only corporations, affecting firm’s essential goals, values, operations, reputation and stakeholders, but also individuals, undermining “emotional, physical, cognitive, and behavioral capacities” of company members (Hermann, 1963; Wang, 2007, p.3). Considering this premise and the recurrence of crises, corporations have shown greater interest in crisis management.

The purpose of CM consists of preventing and protecting an organization and its stakeholders (Coombs, 2014; Zamoum & Gorpe, 2018). The term relates to a process taking place before, during and after a crisis that may be split up into different steps (Simola, 2014).

Pearson and Clair (1998, p.61) define organizational crisis management as the “systematic attempt by organizational members with external stakeholders to avert crises”. The authors have

presented three-criteria to distinguish CM effectiveness. Crisis response is effective when the organization maintain core activities at satisfactory levels, stakeholder losses are minimized, and knowledge is extracted from the occurrence.

As a process (see Pearson & Clair, 1998, p.66), managing crises encompasses various stages. Indeed, scholars have introduced diverse models of crisis management with different phases. Littlejohn's (1983), as cited in Jaques (2007, p.5), has designed a primary model which is split up into six steps “*Structure design; Crisis team selection; Team training; Crisis situation audit; Contingency plan; Manage the crisis*”. Nevertheless, one can argue that such model lacks post-crisis steps.

Other frameworks have been developed, enabling to eradicate this gap. Indeed, Pearson & Mitroff (1993, p.53) have drawn a model with five phases, including *Signal detection; Preparation/Prevention; Damage Limitation; Recovery; and Learning* (see James & Wooten, 2005). As cited in Hutchins and Wang (2008, p.316), the model was later re-defined by Mitroff (2005) adding the step “*Redesign*” which consists of applying the lessons taken from the *Learning* phase.

Considering the heterogeneity and complexity of crises, Coombs (2014) developed a broader model with three phases to integrate all types of crisis. The model divides crisis management into *pre-crisis* (relates to prevention), *crisis response* (consists of managing the incident) and *post-crisis* (apply lessons learned and prepare for future crisis). This framework is less detailed, but simpler and applicable to any crisis event, thus used as reference in most literature.

Jaques (2007), aligned with recent literature, has presented the Relational Model of Crisis Management. The model is divided into four major elements: *Crisis Preparedness; Crisis Prevention; Crisis Incident Management; and Post-Crisis Management*. Each element is linked to three clusters of activities. This framework introduces a non-linear structure to emphasize the fact that activities may occur simultaneously, even if they are connected to different elements. Thus, this model suggests a new vision that illustrates crisis management as an integrated process rather than a group of steps carried out sequentially.

Regardless of the model, Bundy and colleagues (2017) suggest a different approach to crisis management. The authors have identified two perspectives of organizational crisis management (internal and external). The *internal perspective* of CM “involves the coordination of complex technical and relational systems and the design of organizational structures” and has its focal

point within the organization (Bundy et al., 2017, p.4). On the other hand, *external perspective* encompasses the interaction between organizations and stakeholders, focusing on the organizations' external environment.

### **2.3. Leadership in crisis**

Leaders are crucial resources for firms whether in prosperous or crisis situations (Shufutinsky et al., 2020; Zhang et al., 2012). A company's ability to respond effectively to any crisis depends largely on leaders (James et al., 2011). Indeed, leadership is claimed to be a critical component of crises' response in most CM literature (e.g. Bundy et al., 2017; James et al., 2011).

Leaders can influence people's perception of the organization (Fragouli, 2020), and shape followers' values in order to match organizational values. Leaders' inherent power and persuasive ability reinforces managers role as agents of crisis response. James & Wooten, (2005) have identified a set of skills for successful crisis leadership: *build trust, flexible corporate mindset, identify firm vulnerabilities, rapid and wise decision-making, courageous actions, learn from crisis.*

Crisis handlers are required to take responsibilities throughout the entire process of crisis management (Bundy et al., 2017; James et al., 2011). It may happen that leaders fail before a crisis begins by considering that a certain triggering event will not affect the company. For instance, they might ignore the problem and/or not assume firm's vulnerability, thereby denying the existence of an issue (Fred Garcia, 2006). Such behaviour only delays an inevitable problem, instead of protecting the organization from crises. By remaining ignorant, leaders will not be able to allocate the necessary resources to face adversity (Pearson & Clair, 1998). Thus, firms that recognize and prevent potential crisis will best cope with adversity (Zhang et al., 2012).

Even though crises assume a threat to organizations, they are potential opportunities for companies to evolve. The way crises are framed (threat or opportunity) "affect the cognitions and motivations" of a leader (James et al., 2011, p.476), shaping its decisions and actions, i.e., the organizational crisis response.

As key agent of crisis management, a crisis manager is expected to identify a triggering event, "assess the situation swiftly" and "make effective decisions quickly" before the crisis disturbs the firm (Zhang et al., 2012, p.4088). During crisis, the leader must reorganize the firm's resources, motivate members (Zhang et al., 2012) and promote intensive trust based

communication, providing clear and relevant information. The leader should also ensure the crisis management plan is correctly executed (Fragouli, 2020). Further, in a post-crisis phase, the firm must use crisis as an opportunity to learn and, consequently, engage in organizational change (James et al., 2011). The leader, as an agent of organizational change (Gilley et al., 2009), must guide subordinates towards transformation and progress.

#### **2.4. Internal Communication in crisis**

“The threat of crisis creates a need for information. Through communication, the information is collected, processed into knowledge, and shared with others.” (Coombs, 2010, p.25). Literature has highlighted the importance of communication in all phases of the crisis management process (e.g. Coombs, 2014; Gregory, 2005; Zamoum & Gorpe, 2018) however, the focus is mostly on external communication due to the reputational impact of crisis among firm’s stakeholders (Johansen et al., 2012).

Recent literature has pointed out the importance of internal communication (IC) in crisis management as it helps to prevent crises, manage reactions, detain damage and achieve positive outcomes (Mazzei et al., 2012). Indeed, successful crisis response depends on IC (Mazzei & Ravazzani, 2015).

Both external and internal communication are important. Organizations can reach out to the following theories to cope with communication in crisis: the *Attribution Theory* (see Coombs, 2010; Zamoum & Gorpe, 2018) and the *Situational Crisis Communication Theory* (Coombs & Holladay, 2002). The first theory refers to the way people frame crisis situations. Individuals need to attribute reasons (Why) and responsibilities (Who) for such events to happen. Therefore, stakeholders may attribute the responsibility of crises internally (organization) or externally (environmental factor). Logically, if the cause is internal, firm’s reputation is more threatened. The second theory argues that the organization’s crisis response must be coherent with its stakeholders’ responsibility attribution and perception of the situation. Under this rationale, whenever triggering events are internal responsibility, firm’s reputation loss is more severe and stakeholders demand more from organization’s response to crisis. On the other hand, when people perceive crises triggered by external factors, stakeholders have a more condescending and comprehensive attitude.

Internal communication is defined by formal and informal interactions between individuals or groups, regardless of hierarchical level or function, that are intended to design the organization and co-ordinate day-to-day activities (Frank & Brownell, 1989; Kalla, 2005, as cited in Welch

& Jackson, 2007, p.179-182). Like external stakeholders, it is possible to identify multiple groups of stakeholders within the organization, hence IC must be adapted to their different needs.

Companies often fail to recognize groups of employees with different characteristics, thereby treating employees as an homogeneous community (L'Etang, 2005). Indeed, inside the same organization, employees in different functions, projects, teams or hierarchical position, may have different characteristics, stakes and needs (Welch & Jackson, 2007), representing different internal stakeholders.

The various stakeholders demand specific communication. Especially during crises, once employees have their stakes at risks (job security, salary, working conditions, etc) (Frandsen & Johansen, 2011), they demand for a greater amount of information. Notwithstanding, the increase of information flows during this period may lead to communication channels inefficiency (Quarantelli, 1988). Under such circumstance, organizations should drive efforts towards the re-organization of the communicational structure and, if necessary, create dedicated channels to convey relevant information to workers. Moreover, as suggested by Welch & Jackson (2007), organizations must promote a two-way communication (management-employee and employee-management) based on transparency and honesty, thus providing clear and relevant information/feedback (Zamoum & Gorpe, 2018).

Correct internal crisis communication contributes to lessen the internal and external impact. If an organization is able to maintain a good relationship with its employees, involve and mobilize them through IC, they will behave as ambassadors and defend the firm within their own network (Coombs, 2014; Frandsen & Johansen, 2011; Mazzei et al., 2012), helping to restore company's reputation in the external environment.

## **2.5. Crisis management teams**

A crisis management team (CMT) may influence the success of organizational crisis management (Pearson & Clair, 1998). According to Hutchins and Wang (2008) a CMT consists of a multidisciplinary group of individuals representing core business areas (i.e., professionals from marketing, human resources, finance, operations, etc), particularly, those most affected by a crisis.

A CMT is expected to execute and coordinate the crisis response. Its responsibilities include ensuring organizational crisis preparedness, identify and manage crisis events, develop the

processes and structures necessary to respond to those events, and carry out recession recovery plans (Hutchins & Wang, 2008).

Multidisciplinarity is an important feature of CMTs. Gathering experts with different backgrounds may help understanding crises and their effects. Moreover, working in group accelerates information flows and decision-making process (Pearson & Clair, 1998). In fact, when such team works effectively, organizational crisis response is more pragmatic, as a result of easier and faster access to resources and information (Pearson & Clair, 1998), contributing to overcome adversity.

Occasionally, group work is inefficient and messy. A team dedicated to manage a crisis is exposed to a situation that is unique and uncertain. Additionally, in critical periods there is less room for mistakes and more pressure to act. Thus, a CMT must be provided with training that allows its members to develop skills and practice in crisis-like situations. As suggested in literature (e.g. Coombs, 2014; Pearson & Mitroff, 1993), training improves the effectiveness of crisis team performance.

## **2.6. Human Resources Management in crisis**

Human Resources Management (HRM) is a key internal area for organizations. HRM professionals are responsible not only for managing the relationship between the organization and its members, but also for improving organizational performance. This can be achieved through talent recruitment, training, staff motivation and improvement of working conditions (Jerome, 2013).

HRM may have an important role within the organizational ecosystem, especially in crisis. Therefore, it should be considered a strategic partner of the firm (Wang et al., 2009). HRM contributes to crisis management by improving the firm's capabilities and inducing organizational learning (Wang et al., 2009). In its relentless quest for improving workers' performance, HRM has a bigger picture of working systems. Under this rationale, HR professionals may help to redesign structures, processes and systems to better cope with crises' demands (Hutchins & Wang, 2008). On the other hand, HRM must seek to promote a culture of learning organization. To that end, giving training programs to raise leaders' awareness on the importance of learning from adverse events may encourage learning and create room for knowledge sharing (Wang, 2007).

Furthermore, providing training to organizational members is critical. It becomes even more important when a firm is facing crises. Training may reduce negative impacts of recession as it helps CMT members to acquire skills essential to coordinate crisis management, support leaders to adjust their mentality and improve their leadership and decision-making skills (Hutchins & Wang, 2008; Wang, 2007). Additionally, when crises force organizations to adjust/create structures, systems, workflows or practices, training is necessary for employees to get familiar with the new dynamics.

### **3. Case study**

#### **3.1. Sonae MC**

Sonae is a multinational holding company founded in Portugal, in 1959, currently present in 62 countries. It has a diversified business portfolio that includes ventures within various market areas such as retail, shopping centers, financial services, etc. Sonae MC is a Sonae's subsidiary company that owns enterprises in Portugal and Spain, operating in different markets, for instance, retail, health, and wellness. Its portfolio, centered in food retail, comprises hypermarkets (Continente), supermarkets (Continente Modelo), proximity stores (Continente Bom Dia) and franchise (Meu Super). Additionally, the affiliated company runs other complementary ventures, denominated as the new growth businesses, for example, Go Natural (organic products restaurant and supermarket), Bagga (coffeehouse), Note! (stationery), Maxmat (bricolage material retailing), Well's (pharmacy), Dr. Well's (medical clinic), etc., accounting for a total of 1.200 physical stores distributed across Iberian territory.<sup>1</sup>

Sonae MC is the main branch of the Group, playing an important role in Sonae's consolidated financial results. In 2019, Sonae MC contributed for 73% of the holding's total business volume<sup>2</sup>. Sonae MC has been consolidating its position in the food retail market, and simultaneously, investing in strategic opportunities through acquisitions and development of new businesses. Such investment is intended to create a more embracing and complete customer experience, whilst contributing for future growth.

The firm leads the food retail sector at national level.<sup>3</sup> Apart from being a key player in the market, Sonae MC plays a pivotal role in both the economy and society as it feeds millions of Portuguese households making it the biggest private employer nationally.

#### **3.2. Inside Sonae MC**

Organizational structure, culture and processes are embedded in every corporation and may prevent/promote or lessen/intensify the impacts of crises. The Covid-19 pandemic disaster affected companies on a global scale and Sonae MC was no exception. Nonetheless, some features of Sonae MC made this crisis more challenging whilst others have contributed to firm's crisis preparedness.

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<sup>1</sup> Retrieved from Sonae MC's Annual Report '19. "<https://sonaemc.com/>". Accessed in 07/11/2020

<sup>2</sup> Retrieved from Sonae's Financial Report '19. "<https://sonae.pt/pt/investidores/informacao-financeira/dados-financeiros/ano-2019/>". Accessed in 07/12/2020

<sup>3</sup> Retrieved from Sonae MC's website. "<https://sonaemc.com/sobre-nos/>". Accessed in 07/12/2020

### 3.2.1. Organizational structure

As aforementioned, Sonae MC is the biggest private employer in Portugal. The company employs about 34.000 people. The workforce is divided into three activity groups (see **Exhibit 1**). The first group contains central services' (CS) workers, i.e., business support functions such as marketing, accounting, strategy, and control, commercial, finance, HR, legal, among others. The central services employ about 3.000 professionals. The second activity segment comprises the other 31.000 employees working in operations. This group is divided into two subgroups: warehouse workers (logistics) and store workers. Due to the nature of their duties, operations' professionals are required to perform their job on-site. As a result, the challenge became even more complex.

Considering Sonae MC's wide portfolio, it is imperative that the activities are well coordinated amongst different brands. The subsidiary contemplates three main activity areas (see **Exhibit 2**): the food sector, the non-food area, and the central services. As it requires complex operations and a large storage volume, the Food area is divided into two subgroups: warehouses and stores. The first (warehouses) relates to all storage/distribution centres supporting the company's food retail businesses. The second subgroup comprises all the commercial surfaces dedicated to food retail. The Non-food area, as the name suggests, encompasses all activities specific to the subsidiary's non-food businesses. The CS mainly include marketing, legal and administrative tasks transversal to all Sonae MC's brands. Additionally, the CS provide assistance to other subsidiaries of Sonae group.

### 3.2.2. Organizational culture

A company's organizational culture is important to prevent and deal with adversity once it contributes to shape the employees' behavior and work. With thousands of employees, Sonae MC places people at the center of its business. The company aims to develop workers' skills, improve working conditions, and support workers well-being. Additionally, the firm seeks to promote a sense community and belonging.

A core value of the group and, consequently, an important feature of Sonae MC's culture is integrity & trust. To create a good reputation amongst its stakeholders, integrity and trust are crucial. Especially in times of crisis, when ambiguity and contestation are implicit, these values encourage employees and external entities to rely and support the firm. Hence, it facilitates cooperation with internal and external stakeholders whenever it is necessary.

Innovation is a strategic pillar of the group. The constant quest for process optimization, forces the subsidiaries to evolve and promote continuous learning. Organizational change and continuous learning are key factors for companies to remain competitive, especially post crisis when it is expected that companies adjust procedures to prevent future constraints.

Another component of Sonae MC's culture is risk management. The company considers that risk management is a transversal responsibility for all workers. The importance given to the area of risk management contributes to earlier identification of hazards and helps in crisis prevention.

### *3.2.3. Organizational Processes*

Outdated organizational processes may be at the origin of crises. During critical times, some processes may become inadequate or insufficient. Therefore, keeping organizational processes updated is relevant for firm's success. At Sonae MC there is a constant concern to improve internal processes so that risks are mitigated and workers' efficiency increases.

As a matter of fact, before the emergence of the covid-19 pandemic, Sonae MC identified that the company's internal communication had some gaps, namely the lack of channels to satisfy all communication needs within different groups of workers. A project has been developed aiming to solve those communication issues. When the pandemic appeared, the draft of that project facilitated the development of a crisis communication plan and contributed to create appropriate channels to make information flow efficiently.

The pandemic has accelerated the implementation of remote work. Most companies have had difficulty adapting their processes to telework. In 2019, Sonae MC created the "Flex It Up" program, an initiative that allows employees from central services to work remotely. Such initiative has simplified the transition to a full remote model.

### *3.2.4. Human Resources practices*

Sonae MC is a national reference when it comes to employer branding. Indeed, the company is focused on improving employees' well-being as well as contributing to their personal and professional development. Align to this, Sonae MC has corporate areas dedicated to improving employee's experience at work, thus, contributing for higher employee engagement and commitment.

The “*Flex It Up*” programme, developed by the Employer Brand area, aims to enhance employees’ work-life balance as it gives workers more flexibility (e.g. remote work, extra days off, flexible schedule). Such practice permits workers to have more autonomy and responsibility, increasing motivation and commitment levels, especially important in times of recession. Other initiatives such as “*Somos Sonae*” and “*Colega mudamos-te a casa*” aiming to support the welfare of employees with greater difficulties, contribute to higher appraisal and commitment. Most practices intended to improve employees’ life tend to strengthen their psychological contract with the organization, fostering the workers’ efforts towards organizational success, especially when the company is vulnerable.

At Sonae MC, human capital development is a strategic priority of people management. The company provides a training platform flexible to every employees’ interests, learning pace and availability. Furthermore, Sonae MC recognizes the importance of preparing and training leaders to manage teams in different situations. Under this rationale, the company developed programmes such as “First Time Leaders” and “Reverse Mentoring” that promote leaders’ open mindset and contribute to develop leaders’ skills.

### **3.3. The Covid-19 crisis – a Black Swan event?**

Taleb (2007), author of the Black Swan Theory, refers to extremely rare and unexpected events as Black Swans. Such events have severe consequences on a large scale, eventually deserving a place in history. Although experts could predict a pandemic outbreak, no one could imagine the effects of Covid-19 on societies and economies worldwide. Indeed, the crisis triggered by the Covid-19 pandemic can be considered a black swan event once it has imposed challenges to the world as never witnessed before. Also, the disease has definitely conquered a place in human history.

The Covid-19 pandemic has triggered a worldwide health crisis. One can classify this situation as a disaster considering that it requires coordination of several entities (government, national authorities, international organizations, firms, and societies) and produces high damage from which a long-term recovery is expected.

The high contagion rate and potential threat to public health have forced population to change behavior and governments to impose restrictions in order to control the spread of the virus. Consequently, these actions inevitably contributed to the worsening of the economic and social dimensions.

Crises of a similar nature to that caused by the Covid-19 pandemic have been observed previously, namely triggered by the diseases Sars-Cov and H1N1 in 2003 and 2009, respectively. However, none of these pandemics provoked as much damage as Covid-19. It is arguably a crisis with unprecedented characteristics and consequences, that reproduced devastating effects on individuals, societies, economies, and companies.

The crisis had a tremendous impact in global economy. Forecasts project EU economy to decline by 7.4%<sup>4</sup> in 2020. The pandemic resulted in high unemployment rates, leaving millions of households without income, hence exacerbating demand reduction. Nevertheless, different areas of activity have witnessed distinct impacts. This divergence is highly associated to the politics adopted by local and international authorities to control the pandemic. Some sectors were forced to “close doors” for a certain period or partially interrupt activities and others saw demand for their products or services simply dropped to very low levels. Indeed, despite the widespread damage of this disaster, some sectors have faced greater difficulties.

### **3.4. The Impact of Covid-19**

#### ***3.4.1. On the retail area***

The retail area comprehends the sale of goods and services of varied natures. Some retail segments were more affected by the Covid-19 pandemic. In fact, retailers providing non-essential goods or services suffered more from the effects of the crisis due to a decrease in demand and the application of more stringent restrictions on their activity (e.g. prohibition on the sale of certain products or temporary closure order). Logically, the limitations implemented by local authorities to mitigate the spread of the virus were more severe for businesses dealing with non-essential goods or services. Generally, these retailers saw their activity banned indefinitely.

In contrast, the food retail sector has witnessed considerably different effects. The Covid-19 pandemic crisis imposed great challenges to the big players of the sector. Food retailers have seen demand for food and household products increase significantly<sup>5</sup>. The risk associated to restaurants and the rumours of potential stock rupture in food products led to great affluence of customers to grocery stores. Consumers were buying impulsively and in large quantities making

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<sup>4</sup> Retrieved from European Commission – Autumn Forecast. “<https://ec.europa.eu/commission/presscorner>”. Accessed in 09/12/2020

<sup>5</sup> Retrieved from ILO Sectoral Brief (COVID-19 and food retail). “<https://www.ilo.org/covid-foodretail>”. Accessed in 16/12/2020

it difficult for retailers to predict consumers' behaviours. On the other hand, the closure of schools and the risk of contracting the virus contributed for greater levels of absenteeism. Therefore, the increased demand and simultaneous increased absenteeism represented a big challenge for retailers to manage workforce needs according to demand levels.

Furthermore, either in warehouses or in stores, operations of large retailers require many employees to work in the same place at the same time. The Covid-19 pandemic forced food providers to rethink their value chains and redesign operational processes in order to ensure that all occupational safety guidelines were met.

### ***3.4.2. On Sonae MC***

Sonae MC operates in diverse segments of the retail area. Hence, the subsidiary has experienced distinct impacts within its portfolio. Businesses like the restaurant chain Go Natural and most Dr. Wells clinics have closed temporarily due to decreased demand and other non-essential ventures such as Arenal and Bagga, were forced to interrupt their activities due to the restrictions implemented. On the other hand, the food retail sector witnessed an increase in business volume. Thereby, Sonae MC dealt with two distinct and challenging realities.

Being the biggest private employer in Portugal, Sonae MC was responsible for managing and protecting more than 30.000 people that were required to work on-site and another 3.000 employees in remote work. Managing about 34.000 workers under the circumstances imposed by the pandemic represents a big challenge and it becomes more difficult when the majority must work on-site.

### **3.5. Crisis Management at Sonae MC**

The virus has “raised the alarm” for a devastating global crisis. Corporations have started to design crisis management plans in order to combat this threat. Sonae MC promptly established a crisis management strategy with two main priorities:

*“our first priority was to safeguard the safety and health of our employees. The second was, obviously, to ensure business continuity. We operate in an area of activity that is important for the country, we are the main food retailer in Portugal, therefore, we had to ensure that we were going to keep our stores open so we could feed the population.”*

Paulo Vieira, Coordinator of Improving Our Work dept. and CMT member.

The safety and health of employees and the continuity of its operations were at the centre of Sonae MC's crisis management strategy. The restrictions promulgated by the government in

combating the disease increased the difficulty of setting up a crisis response. Sonae MC's strategy sought not only to comply with all safety guidelines but also go beyond that.

### *3.5.1. Pre-crisis*

The trigger event quickly evolved into a disaster leaving firms with a short time frame to prepare for such crisis and moderate the impact of the pandemic. Given this circumstance, firms that constantly seek to develop internal systems and processes were better prepared to mitigate the negative effects of the pandemic. As aforementioned, some Sonae MC's characteristics resulted in bigger challenges for the company to manage crisis. On the other hand, some other characteristics, and the continuous effort to improve firm's capabilities contributed to better crisis preparedness.

There were various factors promoting the success of Sonae MC in the pre-crisis phase:

#### ➤ *Risk Management*

Risk Management is deeply rooted in the company's culture and is a pillar of its corporate governance. Every employee has the duty to foresee and monitor potential risks that threaten the company's business.

*“Risk Management is one of the components of the Company's sustainable development, since it contributes to the continuous development of its businesses, through greater knowledge and more effective management of the risks that may affect them.”*

Sonae MC's Annual Report 2019.

The Risk Management process at Sonae MC is standardized and meticulous. It ranges from the definition of the risk management approach and the identification of potential risks, to the development of risk management action plans and respective monitoring.

The effort made by Sonae MC to identify and manage risks allowed the company to classify Covid-19 as a serious risk when it was still considered a situation of little concern. On this wise, the company began to closely monitor the evolution of the situation in China and to anticipate potential scenarios in case the disease reached Europe and, subsequently, Portugal.

At the time, there were massive speculation and information overload. Such attitude of driving efforts towards screening the veracity of the facts allowed Sonae MC to maintain the focus on potential threats. The awareness on the imminent dangers facilitated the elaboration a thorough contingency plan, which contributed to activate the mechanisms necessary for a more effective initial response.

➤ *Internal Communication development*

Before the emergence of the pandemic, some gaps in IC were identified. In fact, Sonae MC was developing a project aiming to restructure the internal communication area.

*“We were restructuring our internal communication area, so we had already defined what we wanted to do. We have been reviewing our value proposition, the objectives of our communication, the channels, etc. When this happened (Covid-19), we already had a path, so what we did was to adapt this project to respond to these needs while strengthening the values and objectives we delineated.”*

Mafalda Lobo Xavier, Employer Brand Area Manager and CMT member.

The initial project contributed to identify gaps such as the low capacity of communication channels in reaching different internal stakeholders. Additionally, IC could contribute more to enhance the spirit of community within the company. As a matter of fact, an objective of this project was to bring employees closer to the company and to its leaders. This intention became even more important when the pandemic forced social distancing. During the critical period, Sonae MC’s internal communication aimed to coordinate and inform employees whilst promoting proximity, union, transparency, and trust.

Besides social distancing, the pandemic brought high levels of speculation, fake news and information overload. The 34.000 Sonae MC’s workers expected accurate instructions and updates as quickly as possible which required high levels of information and intensive communication. Although the initial project was not meant to respond to the pandemic crisis, it became crucial for Sonae MC as it contributed to adapt the IC strategy and implement new channels. Therefore, the firm was in a better position to elaborate a structured plan to communicate clearly and effectively with its employees.

➤ *Flex-it Up programme*

The Flex-it Up programme was created in 2019 aiming to offer workers greater flexibility, therefore, promoting better work-life balance. Among other benefits, the initiative offered CS workers the opportunity to work remotely. Such possibility allowed employees to become familiar with telework. Furthermore, it provided precious feedback for the company to optimize the remote model.

In 2020, one year after the program’s inauguration, the pandemic led CS members to work remotely. The Flex-it Up programme was essential for Sonae MC because it prepared the company to effectively transform office functions into remote work. Also, the initiative was

important for employees to adapt quickly to a new reality, ensuring the fulfilment of their functions without compromising productivity rates.

Therefore, although the programme was not contemplated to respond to this situation, it supported a rapid and early response to the confinement imposed by the Government in March 18<sup>th</sup>. Indeed, CS employees were sent home in early March before lockdown started. Due to the nature of their jobs, CS members were able to work from home, thus, Sonae MC's decision to implement remote work was crucial to ensure the safety of CS professionals. This action also contributed to reduce contacts between them and the logistics personnel.

➤ *Early allocation of a CMT*

In late January, when the first cases appeared in Europe, Sonae MC has established a Crisis Management Team. Initially composed by risk management members, the team's duty was to monitor the evolution of the pandemic and assess its risks for the company. The taskforce quickly evolved into a multidisciplinary team, acquiring greater relevance due to the rapid evolution of the disease.

Sonae MC's CMT was strengthened with the allocation of board executives, HR members, occupational safety and health specialists, operations representatives, IC members, and the CEO who had an active role in this team. By gathering the expertise of specialists from different areas, the CMT gained the ability to conduct broader but detailed analyses of the organization in the context of the pandemic, i.e., understand the needs of the company's core areas and potential impacts of the crisis.

The timing of constitution of the CMT was important for Sonae MC as it allowed the team members to start the elaboration of contingency plans in an early stage. Consequently, the team had more time to identify obstacles and act in anticipation rather than adopting a reactive behaviour. In this manner, the CMT has contributed to prepare the company to face and mitigate some repercussions of the pandemic. The taskforce was also responsible for executing the Crisis Response phase.

### *3.5.2. Crisis Response phase*

Sonae MC has strengthened its capabilities throughout the pre-crisis period. The initial stage was the cornerstone for what the company developed in the following stage. During the crisis response phase, Sonae MC made a tremendous investment to execute countless actions within the scope of its crisis management plan.

In a nutshell, Sonae MC's crisis management strategy aimed to protect its professionals and to ensure the continuity of its operations. Even though there was an initial plan for crisis response, it required great flexibility and adaptability as the pandemic situation and governmental instructions wavered over time and across geographies. The impact of Covid-19 obliged Sonae MC to intervene in several dimensions of the company:

➤ *Internal Communication*

*“The importance (of IC) was great and became critical. There was no way to overcome this situation without communicating with our people. Internal communication was suddenly the primary channel to inform people, provide training, explain procedures, etc. Then we also had to adapt our communication to more than 2.5k remote workers with whom we had to create a close relationship at distance, and 28k or 30k people in operations to whom we had to transmit safety and comfort at work”*

Mafalda Lobo Xavier, Employer Brand Area Manager and CMT member.

It was imperative that employees understand that their behaviour inside and outside Sonae MC's facilities was essential not only to protect themselves, but also to ensure the safety of their own teams, therefore:

*“We designed a strong communication campaign with the slogan – “For the good of everyone, the best of each one” - in order to claim that individual behaviour not only protect the individual, but is also what contributes the most to the safety of their teams.”*

Vera Rodrigues, Head of HR and CMT member.

Internal Communication was amongst the most important areas since the pandemic outbreak. The virus imposed social distancing, interfering with the way people communicate. The mission of IC was to communicate clearly, promoting a relationship based on transparency, proximity, union, and trust with employees. The increase of information flows and growing need of corporate communication led Sonae MC to create new channels to share information with its employees.

The company created the “Newsletter Covid-19”, an instrument mainly dedicated to home office workers. The newsletter was published in a weekly basis, containing topics such as information about the disease, updates on company's businesses and corporate actions to cope with the pandemic. The purpose of this journal was to reinforce transparency and trust as it contributed to maintain home office workers informed and aware of the company's efforts. Another important channel was the “Helpline Sonae MC”. The line was available 24/7 to all Sonae MC members. It allowed employees to clarify any doubts about the virus, and to receive specialized support in case of possible contamination.

“Due to the nature of different functions, not all workers have the same communication channels at their disposal. This reality forced us to be more creative and to go beyond the conventional channels”, said the Employer Brand Area Manager. To illustrate, the sound systems installed on commercial surfaces and warehouses became important to inform employees during closing hours; the mobile phone’s benefit was extended to the entire workforce because not all workers used e-mail; visual communication (posters, wall/floor signs, space decoration) became crucial to remind workers about safety procedures.

Sonae MC sought to use its people to share information and testimonies. The company believes that the humanization of communication had a decisive impact on the effectiveness of IC during crisis.

*“We have to put our people at the centre. In everything we do. For instance, we have to talk about business transformation... so let's put our people talking about business transformation because everything that is humanized, everything that brings the employee to the centre is better received and people believe more easily”*

Mafalda Lobo Xavier, Employer Brand Area Manager and CMT member.

➤ *Safety initiatives for workers and operations*

Covid-19’s high contagion rate obliged Sonae MC to adapt workflows, procedures and behaviours in order to keep employees safe at work and, consequently, guarantee the continuity of its operations. Several initiatives were implemented internally since the disease outbreak, supported by a close relationship with the national health authorities (DGS). This proximity with DGS was a strategic position adopted by Sonae MC as it allowed the company to closely monitor the pandemic situation in Portugal and to compliance with constantly changing protocols.

As aforementioned, the elaboration of contingency plans was a primary action of the CMT. These plans were important in preparing warehouses and stores to cope with pandemic outbreaks. In order to reduce the likelihood of outbreaks inside Sonae MC’s infrastructures, the company has developed a set of initiatives that contributed to the safety of its people. It started with the application of remote work to CS employees before the Government made telework compulsory. The purpose of this measure was not only to protect CS workers, but to reduce contacts in warehouses and defend people in operations. Align to this, Sonae MC has created the “Quarantine Sonae MC”, i.e., any operations worker who might be at risk of contracting the disease, even if the possibility was minimal, would be sent to quarantine automatically without

compromising its salary. This practice was supported by the “Helpline Sonae MC” which allowed a case-by-case assessment.

The adjustment of processes and workflows was inevitable. Thus, Sonae MC transformed most activities in its operations to make them safer while maintaining efficiency. To that end, the company reorganized the shifts to control workspaces’ maximum capacity; introduced rigorous symptom screening routines; limited the contacts between agents from different areas of the value chain, etc. On top of this changes, the company provided and installed the necessary personal protective equipment (PPE), e.g., 4 masks per employee per day, disinfectant, acrylics, gloves, etc.

It was imperative that the firm provides training on these changes, to its employees. Training was crucial to explain new procedures and safety practices implemented to protect the workforce.

*“It was necessary to provide training to all agents that enter our facilities, that is, our employees, distributors, suppliers, security personnel, cleaning staff and maintenance teams. Thus, we created different levels of training for each of these groups according to their role in our operations.”*

Silvia Costa, HR Manager of Logistics Area

A reason augmenting the risk of pandemic outbreaks at Sonae MC was that a considerable part of the workforce uses public transports to commute to work. To resolve this issue, the company has conducted a census with the 31.000 professionals of Sonae MC’s operations. The survey provided the necessary information to map the employee journey of each worker and, consequently, identify to which risks employees were most exposed to.

The data extracted from the census allowed the company to adjust shifts attempting to organize groups of workers who live in the same area. This way they could share a vehicle to commute to work together, avoiding public transports. In warehouses, where the number of workers per shift is higher, the organization invested in private buses to transport employees. While these initiatives helped to protect employees, outbreaks were still a threat to the company. Thus, Sonae MC started to test its employees more frequently, especially in stores or warehouses located in areas with active outbreaks.

After 6 months in remote work, CS workers returned to the offices in September 2020. The “Better Return” was a project dedicated to carefully preparing this return. Sonae MC established a limit of 40% of the maximum capacity in each of its facilities. It was introduced a hybrid

telework scheme, i.e., two days at the office and the remaining weekdays in home office. The company provided online training on safety procedures to all CS employees and implemented visual communication to help workers to comply with the rules. In addition, some initiatives were conducted to make employees comfortable and integrated while working on-site.

➤ *Proximity, motivation, and well-being initiatives*

A Sonae MC's primary concern was to keep its workforce connected and motivated. Remote work could affect the motivation of CS employees and their psychological link with the firm. In addition, they were more exposed to mental illness. On the other hand, operations workers were more exposed to the virus and to greater volume of work (increase in demand). Taking this into account, Sonae MC sought to motivate its people to continue working on the front line.

The company organized several online events for all Sonae MC community, but especially dedicated to the people working from home. For instance, there was an online event to celebrate easter. It included a live show of a Portuguese musician and a message of hope from the CEO. The goal of such events was to reinforce the organizational culture and the connection with the company.

Various movements emerged with the purpose of helping, motivating, and recognizing the work of people on the front line. Sonae MC created several movements to show its gratitude to the professionals on the front line for the effort they were making and for their courage. CS workers demonstrated their willingness to help their colleagues on the front line when operations were struggling to respond to high levels of demand. It appeared the "movement of volunteers", designed to coordinate the activity of volunteers. This initiative emphasized the sense of mission inside the firm and increased the motivation of workers.

Another important concern for Sonae MC was its employees' well-being. The pandemic represented a severe and challenging period that triggered psychological illnesses such as depression and burnout. Aware of the issue, Sonae MC created a helpline dedicated to providing psychological support for its employees. In addition, the company created a space in the "Newsletter Covid-19" dedicated to suggesting free-time activities to help people deal with confinement. For operation workers, the company offered weekly bonus for attendance as an incentive for employees to continue working. On top of this, people in operations received 20% of their wage as a bonus due to their effort to work on the front line.

### *3.5.3. Post-crisis phase*

At the time of this case study, the pandemic persists. Therefore, it is important to understand that Sonae MC is still focused on the crisis response phase and not on preparing for the future after Covid-19. However, this does not mean that the actions and initiatives already implemented by Sonae MC are not useful for the post-crisis phase. In fact, a vast number of these measures will be preserved.

The first thing to do when normality is restored, and the pandemic is controlled, is to prepare a detailed crisis management report. All practices and initiatives taken by Sonae MC in the context of the pandemic, as well as their results, must be listed in a document. In future crisis, this description will guarantee that the company preserves the knowledge and experience acquired during the pandemic.

The evolution of technologies is transforming jobs to become more digital, enabling people to work remotely. Telework has its advantages when balanced with on-the-job work as it gives more flexibility, autonomy and saves resources. The hybrid telework model implemented by Sonae MC can be a permanent solution. However, it must be revised, the company should identify which functions and tasks are more efficient if performed at home and which are less. In line with remote work, communication channels need to evolve into something more digital, capable of reaching the recipients in real time. Simultaneously, the new channels should emerge along with new forms of communication to stimulate greater employee engagement.

The digitalization and, particularly, the pandemic are changing consumer behaviours. More people are purchasing products online, hence, Sonae must develop its e-commerce area. Online shopping tends to increase, therefore, being in the vanguard of e-commerce development will be a competitive advantage within the market.

## **3.6. Discussion**

Covid-19 represented an extreme challenge for Sonae MC. As aforementioned, several features of the organization have contributed to make the challenge bigger, for instance, the high number of employees, the differences between workers, the complex operations, the infrastructures' geographical dispersion, etc. On the other hand, some other features such as highly skilled human resources, funds available to invest, strong leadership, strong culture, and solid processes, have facilitated the company's crisis management.

Despite those characteristics, Sonae MC developed an exceptional crisis management strategy. Placing its people at the centre of every decision was a key success factor for Sonae MC. Under this rationale, leaders and decision makers understood that the company had to invest organizational resources to protect its members and to overcome this critical situation. Indeed, in the first 6 months of the pandemic, Sonae MC invested more than 20 million € and allocated a considerable number of professionals aiming to protect its employees and operations from the virus.

Protecting workers was not sufficient. The company sought to motivate and engage with its employee. A strong relationship based on trust, transparency and proximity reinforced the sense of mission and commitment necessary to deal with the situation. This was fundamental to mobilize members of the organization to accomplish company's mission. In fact, an internal survey conducted 4 months after the emergence of the pandemic, demonstrated that employees felt closer and more connected to the company.

A decisive organizational capability in this period was Sonae MC's flexibility. The constant changes of information, guidelines and laws related to Covid-19 raised many difficulties for Sonae MC to coordinate and inform its workers in short time frames. The capacity to anticipate scenarios and adapt quickly to adversity was crucial in the company's crisis response.

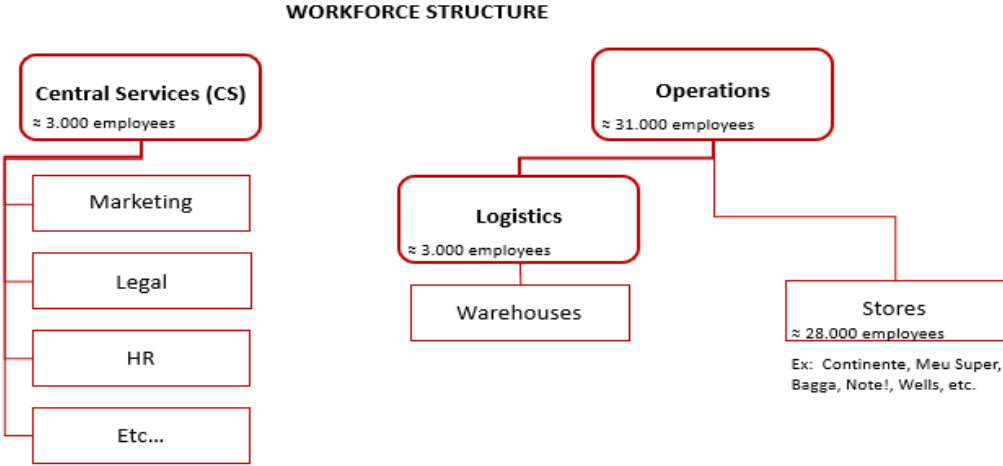
To sum up, there is no right or wrong formula to manage crises internally. It depends on the organization and the context. However, there are some determinant factors to manage crises. Sonae MC was able to prepare a good response to Covid-19 crisis because it had the capacity to anticipate the effects of the pandemic, before they damage the company. The adoption of a proactive attitude was essential to mitigate and eliminate threats. Leaders were also crucial as they understood the importance of investing on workforce protection and always put people at the centre of any decision, contributing to increase employees' trust and dedication. Furthermore, the organization had highly skilled human capital that transformed operations and procedures to become safer and more comfortable for all professionals.

Today, the organization has stronger community with individuals willing to put shared goals over their own interests. Employees are proud to work in a firm that promotes the safety of its people and seeks constant improvement of employee's experience. Internal management is always important for the success of a company, but when a critical period emerges, internal CM is critical to overcome adversity. Thus, Sonae MC could not maintain its operations without

first ensuring that professionals were safe and committed, and processes were adapted to the situation.

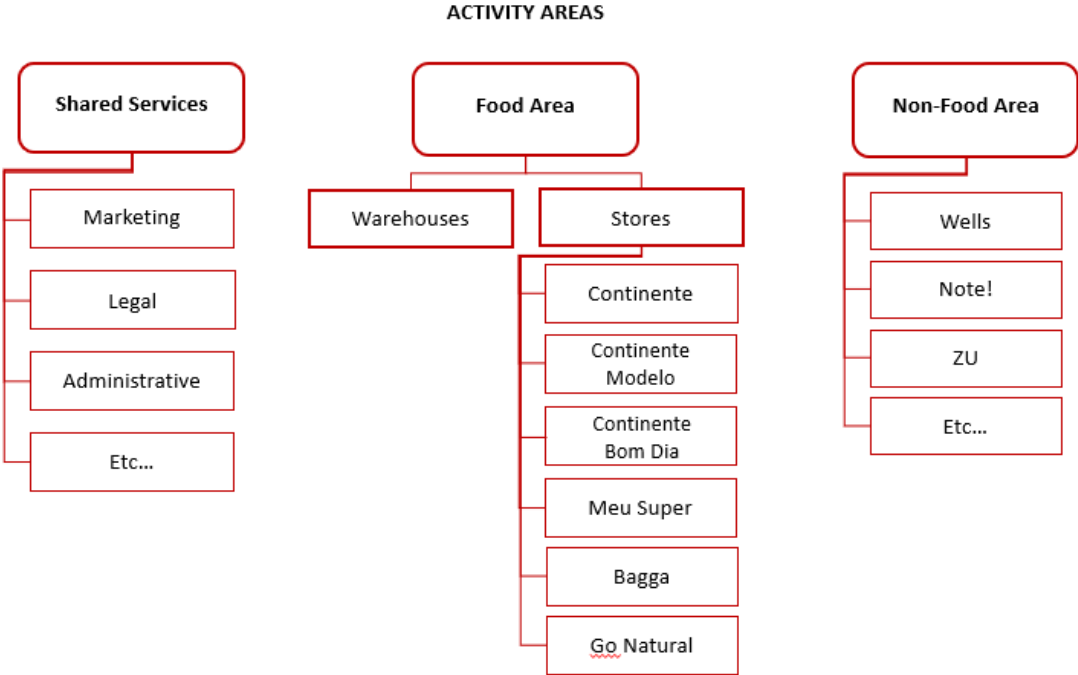
### 3.7. Exhibits

#### 3.7.1. Exhibit 1: Workforce structure



Source: interviews and analysis

#### 3.7.2. Exhibit 2: Activity Areas



Source: interviews and analysis

## **4. Teaching Note**

### **4.1. Introduction**

This case reflects a real organizational crisis scenario in the context of the Covid-19 pandemic. The content in this material is organized in a way that promotes classroom discussion on the importance of internal crisis management. At the time of this writing, the virus was still present, which means that concrete data on actions related to the post-crisis phase was not yet available. The content presented in the post-crisis phase illustrate the points highlighted by the professionals who were interviewed. Therefore, the post-crisis phase consists of a hypothetical scenario.

### **4.2. Synopsis**

2020 is marked by the Covid-19 outbreak that sparked an unprecedented global disaster. Individuals, societies, economies, and companies, from all over the world, have felt the effects of this crisis.

This case study addresses the enormous challenge face by Sonae MC to overcome the pandemic. The case offers a description of the company's crisis response, explaining how Sonae MC handled the situation internally. The document explores the central topics within organizational crisis management literature as the starting point to introduce the case study. After introducing the organization and its characteristics influencing the challenges imposed by the disease, the case presents an analysis of the Covid-19 crisis and, consequently, its impact on the retail sector and the company. Furthermore, it reveals the company's crisis response, explaining how Sonae MC handled the situation internally, using the crisis CM model developed by Coombs (2014).

The dissertation provides an insight into the internal challenges that a company may face during this crisis. Being amongst the largest employers nationwide and carrying out complex operations, Sonae MC faced diverse and complicated challenges. The situation herein described allows the reader to recognize the "why?" of multiple challenges and understand how the firm has solved them, contributing to a complete and enriching learning experience.

### **4.3. Teaching objectives**

Students are taught to create and manage businesses. They study several dimensions of an organization and are often presented with frameworks that contribute to organizational success. However, the future managers are not always comfortable whilst managing adverse and

challenging situations. Critical times may be opportunities for firms to gain competitive advantage. It depends on the company and its leaders' preparedness to manage crisis.

The purpose of the case study is to alert students for the importance of internal crisis management in corporations. Current managers often fail managing crises. Crises tend to emerge more frequently and hit companies harder, thus future managers must be prepared to handle adversity. Crisis management must be present even in prosperous periods because crises may be unexpected and emerge suddenly. CM should be considered an investment rather than a cost as it contributes to firms' survival and often become a source of competitive advantage. Students should be able to understand CM as a continuous process and to identify the main factors contributing to CM success.

This teaching material intends that students are able to:

1. Understand the notion of Crisis Management and its importance for organizations
2. Memorize the main organizational factors influencing internal Crisis Management and recognize their importance.
3. Identify potential challenges arising from the Covid-19 and potential solutions
4. Get familiar with a Crisis Management model (Pearson & Mitroff, 1993)

#### **4.4. Suggested assignment questions**

The suggested assignment questions intend to stimulate students to read and analyse the case study. The questions aim at guiding readers throughout the case and call their attention to the most relevant topics. The answers will promote class discussion on crisis management topics.

Each teaching objective corresponds to at least one assignment question:

1. What is organizational Crisis Management?
  - a) Distinguish internal and external CM.
  - b) Why should companies engage in CM?
2. List the main organizational factors influencing internal Crisis Management.
  - a) Explain the importance of each one.
3. The Covid-19 pandemic imposed many challenges to Sonae MC.
  - a) What were the main challenges faced by the company? Why did they arise?
  - b) What were the main solutions for those challenges?
  - c) What do you consider the main success factor of Sonae MC's crisis management strategy? Explain.

4. The following table presents questions in the perspective of the framework developed by Pearson & Mitroff (1993). Use the case study to answer the questions and justify.

Signal detection	<p><b>a)</b> Does the organization acknowledge things that may be uncomfortable to confront?</p> <p><b>b)</b> Did the organization recognize Covid-19 outbreak as a real threat to its business (before the virus reached Portugal)?</p>
Preparation/ Prevention	<p><b>c)</b> Has the organization allocated appropriate resources for crisis prevention?</p> <p><b>d)</b> What contributed to Sonae MC's crisis preparedness?</p>
Containment/ Damage limitation	<p><b>e)</b> Who were the stakeholders with whom the organization needs to be concerned, and what was necessary to satisfy them?</p> <p><b>f)</b> How did the company communicate and inform internal stakeholders?</p>
Recovery	<p><b>g)</b> What do you think the organization's short- and long-term recovery plans should be?</p>
Learning	<p><b>h)</b> What did the organization learn from the crisis?</p>

#### 4.5. Use of the case

The present case study is designed to teach students enrolled in Masters of Management or Business Administration. This teaching material may fit in courses such as Strategic Management, Managing Organizations, International Business Challenges, and Managing People. Additionally, due to its strong practical component, this paper can be covered in Executive Training lessons to simulate organizational crisis scenarios.

Regardless of the context, this case must be introduced within the scope of the following key topics:

- Business adaptive strategies in crisis
- Crisis management
- Internal Crisis Management
- Covid-19 crisis
- People management in crises

The case entails two distinct moments:

- Preparation (homework – 1.5 hours):

In the preparation phase the student is expected to read the case and answer the suggested assignment questions. To answer the assignment questions, students may consult relevant literature indicated in the following chapter.

- Discussion (in-class – 1 hour):

Students are expected to introduce the case, debate their answers to the assignment questions and bring valuable arguments to the discussion.

#### **4.6. Analysis and discussion**

The case is designed to fit in a 1-hour class. The purpose of the suggested assignment questions is not only to stimulate students to reflect on the case study, but also to guide discussion in-class.

For each question there are three types of information contributing to formulate a complete and correct answer:

- ✓ Answer is correct
- × Potential mistakes alert
- ❖ Relevant literature

##### ***1. What is organizational Crisis Management?***

- ✓ It is a continuous organizational process occurring before, during and after crises.
- ✓ Aims to prevent and protect the firm and its stakeholders from organizational crises.
- ✓ Contributes to mitigate negative effects of crises.
- ✓ Involves several activities within the company (multidimensional).
  
- × It is not an isolated activity.
- × It does not occur only when crisis hit the organization.
  
- ❖ (Pearson & Clair, 1998)
- ❖ (Bundy et al., 2017)

**a) Distinguish internal and external CM.**

- ✓ Internal CM involves organizational structure and systems and focus on internal aspects of the organization.
- ✓ External CM involves interaction with external issues such as reputation, stakeholders, environment.

❖ (Bundy et al., 2017)

**b) Why should companies engage in CM?**

- ✓ Crises tend to appear more frequently and cause more damage
- ✓ It is crucial for companies to overcome crises
- ✓ Reduces the likelihood of crises appearance
- ✓ Contributes to mitigate effects of crises and minimize loss
- ✓ Good crisis management might be a competitive advantage
- ✓ Contributes to organizational transformation

❖ (Williams et al., 2017)

**2. List the main organizational factors influencing internal Crisis Management.**

- ✓ Leadership; Internal Communication; Crisis Management Teams; Human Resources Management.
- ✓ Other factors such as Risk Management, I&D, organizational culture may be considered correct. Although the ones mentioned above are the most referred in literature.

× Factors related to the type of crisis or external aspects are not considered correct. The focus is internal.

❖ (Coombs, 2014)

❖ (Williams et al., 2017)

❖ (Pearson & Mitroff, 1993)

**a) Explain the importance of each one**

- ✓ Leadership: - Leaders' framing defines the importance given to a crisis triggering event (remain ignorant VS react); - Influence and mobilize subordinates; - Responsible for

allocating firm's resources; - Stimulate organizational transformation; - Helps coordinating crisis response.

- ✓ IC: - Provides relevant information to employees; - Coordinates and organizes employees; - Contributes to strengthen relationship with internal stakeholders; - Motivate and mobilize professionals.
- ✓ CMT: - Help framing crisis; - Contribute to a more complete crisis analysis; - Anticipate negative effects; - Contribute to more efficient CM plans; - Coordinate crisis responses; - Accelerates information flows and decision making.
- ✓ HRM: - Prepare professionals and members for crisis through training; - Strengthen relationship with employees; - Motivate workers; - Support professionals; - Helps to adjust organizational systems and processes.

❖ (Fragouli, 2020)

❖ (Gregory, 2005)

❖ (Wang et al., 2009)

### **3. *The Covid-19 pandemic imposed many challenges to Sonae MC.***

#### ***a) (1) What were the main challenges faced by the company? (2) Why did they arise?***

- ✓ (1) Communicate with different internal stakeholders → (2) Different jobs needed customized information; The existing communication channels were not effective nor sufficient during the pandemic; Individuals live different realities.
- ✓ (1) Motivate and engage with employees → (2) 3.000 employees in telework; 30.000 workers on-site more exposed to the virus; high levels of uncertainty and fear.
- ✓ (1) Prevent absenteeism → (2) Employees' children at home; Fear of contracting the virus; Demotivation; Pressure and stress.
- ✓ (1) Prevent Covid-19 outbreaks → (2) High contagion rates; Many professionals on-site at the same time; Usage of public transports; Individual behavior.
- ✓ (1) Adjust operations → (2) Complex value chain with many agents involved (producers, employees, suppliers, distributors, etc.); 30.000 workers on-site; Higher demand levels; geographical dispersion of infrastructures.
- ✓ (1) Flexible crisis response → (2) The pandemic situation was volatile; High level of uncertainty inherent to the virus; Governmental restrictions in permanent change.

***b) What were the main solutions for those challenges?***

- ✓ Communicate w/ different internal stakeholders → identify the different internal groups; Strengthen conventional communication channels (e.g. extend mobile phone benefit); Create new communication channels specific for Covid-19 (e.g. “Helpline Sonae MC”, “Newsletter Covid-19”).
- ✓ Motivate and engage with employees → Bonus for professionals on the frontline; Online events; Recognition and gratitude messages from leaders and peers; Solidarity movements; updates and tips for teleworkers.
- ✓ Prevent absenteeism → weekly bonus for attendance; warehouses workers could bring their children to work; Implement safety measures at work; Provide personal protective equipment.
- ✓ Prevent Covid-19 outbreaks → Implement symptoms monitoring procedures; “helpline Sonae MC”; Offer solutions for private transportation (private bus or create groups to share a vehicle).
- ✓ Adjust operations → Analyze employees experience; Implement on-site safety measures; Provide training to all agents involved in value chain.
- ✓ Flexible crisis response → Maintain employees informed; Close relationship with national authorities; Gather experts to anticipate new restrictions and problems.

***c) What do you consider the main success factor of Sonae MC’s crisis management strategy? Explain.***

- ✓ Place people at the centre of any decision
- ✓ Highly skilled professionals
- ✓ Internal communication
- ✓ Will to invest in safety
- ✓ Organizational culture
- ✓ HR initiatives
- ✓ There is no 100% correct answer. The objective is to debate on the positive aspects of the company that influenced crisis response.

***4. The following table presents questions in the perspective of the framework developed by Pearson & Mitroff (1993). Use the case study to answer the questions and justify.***

Signal detection	<p><b>a)</b> Yes. Risk Management is an important subject within Sonae MC. The Risk Management process adopted by Sonae MC allows to identify pain points that may threaten the company. The company engages in organizational transformation which contributes to maintain organizational systems and processes updated.</p> <p><b>b)</b> Yes. As soon as the virus entered in Europe, Sonae MC allocated a CMT responsible for monitoring the situation and manage the risk. When the situation became critical in Europe, more experts joined the CMT in order to anticipate crisis effects. Thus, the company recognized the disease as a real threat to the company and sought to prevent and mitigate damage.</p>
Preparation/ Prevention	<p><b>c)</b> Yes. As aforementioned, the company identified the threat and promptly created a CMT. The CEO and high-level executives invested time to understand how they could handle the situation. Thus, leaders recognized the importance of the issue.</p> <p>The organization have invested knowledge and expertise through allocating professionals to the CMT; invested time of leaders and CMT members; and invested money to carry out several actions.</p> <p><b>d)</b> Risk management, early allocation of CMT, transformational process of IC, flex-it up program, organizational culture.</p>
Containment/ Damage limitation	<p><b>e)</b> Considering the Attribution theory and the Situational Crisis Communication Theory, external stakeholders are more comprehensive regarding Sonae MC's pandemic crisis response. In fact, the most threatened stakeholders are employees. For them to be satisfied is crucial that they feel comfortable, and safe at work. Furthermore, they want to keep their job and, consequently, their income. To make this possible, Sonae MC must inform, motivate, protect, and support its employees. Additionally, it's important to ensure that all agents of Sonae MC's value chain are safe during their journey, i.e., producers, distributors, suppliers, etc. In stores, it is crucial that the environment transmits safety and comfort not only for workers but also for customers.</p> <p><b>f)</b> The company developed new crisis communication channels, namely "Newsletter Covid-19" and "Helpline Sonae MC". Furthermore, the organization transformed conventional channels to make them more efficient and inclusive. Sonae</p>

	MC's crisis communication plan is based on values such as transparency, proximity, and trust.
Recovery	<b>g)</b> <u>Short-term</u> : Standardize operational processes; hybrid return of CS workers to the office; develop e-Commerce. <u>Long-term</u> : Digital transformation of communication channels and organizational processes;
Learning	<b>h)</b> Put people at the centre; The company should engage in digital transformation internally; Hybrid telework might be a solution for the future; e-Commerce needs to be developed.

❖ (Pearson & Mitroff, 1993)

❖ (James & Wooten, 2005)

## 5. Conclusion

Today's students are the leaders of tomorrow. In general, schools provide students with key concepts, theories, frameworks and strategies for running a business successfully. However, managing a company during crisis can be a whole different story. Disruptive periods may become opportunities for companies to evolve and become more competitive. Crises tend to appear more frequently and be more severe, threatening organizations. Therefore, it is imperative to prepare students for Crisis Management. The present case is a useful practical example that illustrates potential challenges arising from a crisis and demonstrates how they can be managed. In this fashion, the paper highlights the importance of CM.

The topic of crisis management is gaining more interest among scholars and managers. Indeed, new crises are constantly emerging and continue to harm organizations and societies. There is still room to explore in this field and it seems that it will be a central subject in the future. In this paper, literature review was carried out in order to understand the relevance of Crisis Management for firms and identify the main factors influencing internal CM. In future projects on this topic would be interesting to use an Automatic Content Analysis (ACA) software to support literature review. Such tool will offer a more accurate image of the most consensual factors that contribute to external and internal CM. However, the fast-paced transformation and digitalization we have witnessed in the past decade can also be reflected in CM. For instance, firms that own the latest technologies may be better positioned to prevent and overcome crises or other factor, such as the level of AI and access to data, may be crucial in mitigating crises' effects. Thus, a relevant study for the future would be a research on new factors that influence organizational Crisis Management.

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