Business and Economic Resilience
What Virginia Businesses Can Teach Us

At the University of Virginia Darden School of Business Institute for Business in Society, we have researched business leaders in Virginia who are growing their companies, employing people and investing in their local communities, and doing so in places that others might overlook. Some might not see areas facing daunting economic challenges — high rates of poverty and unemployment and low entrepreneurial activity — as the right place to grow a business, yet resilient entrepreneurs in these communities show us otherwise.

In 2010, we created the Tayloe Murphy Resilience Awards to honor and recognize businesses that are doing extraordinary work in their communities, while also beating odds that would be hard for most to overcome. These awards occur every other year (to be held next in 2016), and highlight strong, resilient businesses from across the Commonwealth of Virginia.

As complements to these awards, the 2015 Business and Economic Resilience Conference and this report seek to further extend our research and the valuable lessons that these resilient businesses can offer.

While the Tayloe Murphy Resilience Awards celebrate the impactful and inspiring finalists and winners across the Commonwealth, they also provide a vehicle for sharing and advancing best practices about resilience in business demonstrated by the award applicants. How do businesses not just survive, but thrive, learn and grow in the face of extreme hardship — while simultaneously helping to build stronger local communities? In this special edition of Ideas to Action, we highlight a few of these outstanding businesses along with faculty insights that help to better understand and define resilience — the ability to bend but not break, to weather the storm and come out stronger for it, to thrive in the face of adversity.

The results from this research are promising. We hope that the lessons learned can help to strengthen other businesses and communities across the Commonwealth of Virginia and beyond. We are encouraged by the ongoing engagement of the businesses involved in this project, and look forward to continuing to work with each of them to advance the important work of building stronger businesses and thriving communities.

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TAYLOE MURPHY RESILIENCE AWARDS PROVIDE LENS FOR UNDERSTANDING ORGANIZATIONAL RESILIENCE

Resilience. Defined as “the act of springing back, or rebounding; the power or ability to recover quickly from a setback or other adversity; buoyancy; elasticity.”

In today’s global economy — in which policies and regulation, the financial landscape, the environment and so many other factors can drastically impact the operations and success of a business — organizations must be resilient in order to survive.

From employee accidents to water shortages, fluctuating currencies, data security breaches and beyond — no business is immune from external and internal dangers that can impact, and even halt, an organization’s growth. But, through our research, we have identified several companies throughout the Commonwealth of Virginia that are models of success not just in “weathering the storm,” but also in using adversity to bolster their businesses and strengthen their communities.

So what makes some businesses better able to thrive amidst adversity? And why do some organizations (and their stakeholders) emerge even better for it in the end?

A team of three professors, Jared Harris and Morela Hernandez from the University of Virginia Darden School of Business and Megan Hess of Washington & Lee University, sought to answer these very questions. In their search, they found a valuable resource from which to draw: past applicants of the Tayloe Murphy Resilience Awards. From 2010 to 2013, small and medium-sized Virginia firms throughout a range of industries and located in many of the most economically challenged regions across the Commonwealth applied for the Tayloe Murphy Resilience Award, a program of Darden’s Institute for Business in Society. The data from these applications provided a rich sample of representative resilient companies.

The faculty team sought to better understand business resilience across multiple factors and outcomes. They explored issues such as:

- What types of hardships were these companies facing, and did the type of hardship experienced affect the company’s ability to thrive?
- What processes did these companies rely upon to help them overcome hardships?
- How did beliefs, emotions and company cultures contribute to resilience?
- What role did company stakeholders (employees, investors, suppliers, communities) play in resilience?

Making observations and drawing conclusions from the data provided by the award applicants, Professors Hernandez, Hess and Harris authored a paper entitled Leaning Into the Wind: Hardship, Stakeholder Relationships and Organizational Resilience. In 2014, the faculty members conducted a follow-up survey to reconnect with the applicant companies and test how well their theories of business resilience matched the specific experiences of each company. Through careful analysis of data from the Tayloe Murphy Resilience Awards applications and the subsequent Business Resilience Survey, these three faculty members have been able to draw insights to advance our understanding of the phenomenon of organizational resilience.

Through the combined sources of the award applications data, faculty research, the Business Resilience Survey results and the 2015 Business and Economic Resilience Conference, the Darden School Institute for Business in Society is pleased to offer valuable insights, the latest research findings and best practices on how resiliency can be created and fostered.
From 2010 to 2013, the Tayloe Murphy Resilience Awards program has attracted an impressive group of applicants from localities and industries across Virginia. The University of Virginia Darden School of Business Institute for Business in Society is proud to highlight the great work of these resilient companies in the Commonwealth and to share learnings from their successes in providing employment, producing high-quality goods and services, and lending economic stability to their communities.

**TAYLOE MURPHY RESILIENCE AWARDS**
**Learn More About the Applicants**

**RESILIENCE AWARD QUALIFIED APPLICANTS**

<table>
<thead>
<tr>
<th>Applicants</th>
<th>Sectors</th>
<th>Locations</th>
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<tbody>
<tr>
<td>185</td>
<td>9%</td>
<td>78</td>
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<tr>
<td>18%</td>
<td>53%</td>
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Qualified applicants have applied in four years, 2010 to 2013.

of Virginia’s 138 **counties** and **independent cities** have businesses that have submitted qualified applications.
APPLICANTS FROM ACROSS THE COMMONWEALTH

**Business Age**
- 28 years
  - Average in business

**Employees**
- 14,345
  - Number of workers employed by applicants

**Five-year Growth**
- +141%
  - Employee headcount
- +247%
  - Revenue
- +214%
  - Profitability

- 9 firms
  - In business for 100+ years

- 238 years
  - Oldest business
Todos Supermarket, in many ways, is a steward of the community it serves. Not only is Todos attentive to the dietary preferences of its customer base and in so doing, connects them to their cultural roots, but it also stands as an advocate for the needs and rights of its community stakeholders. Paying particular attention to issues important to Latin Americans in the U.S., Todos is known for its commitment to development. Take, for example, its philosophy: “At Todos Supermarket, we believe that good people working toward a common goal may accomplish anything they set out to do”; this view represents their basic belief in people’s capacity to adapt, grow and flourish. Having experienced firsthand the challenges of being an immigrant, with little to no resources, the founder Carlos Castro personifies this philosophy. For Todos, being a steward to the needs and interests of the community in which it exists encompasses not only a goal to provide great quality and service to its customers, but also thoughtfulness and effort toward its stakeholders’ struggles and accomplishments.”

Morela Hernandez is an associate professor in the Leadership and Organizational Behavior area at the University of Virginia Darden School of Business. Her research is centered on ethical leadership and how cultural, racial and gender diversity impacts organizational decision-making.
Quail Cove Farms has worked hard to deal with a number of structural challenges posed by its isolated geographic location. A rural grower of organic sweet potatoes, Quail Cove's strategy illustrates how businesses can adjust their actual operations to help meet their challenges. Whereas the isolated location of the business makes it difficult to both connect with potential customers and find qualified workers, Quail Cove devised an innovative approach to distribution and developed a robust training program for potential employees. These operational initiatives have allowed them to better manage the distribution of their fresh products and access talent from workers who might have been bypassed without the workforce cross-training. These examples demonstrate one of the key qualities of a resilient organization — the willingness to make operational adjustments to the firm's business model, in order to better meet the specific challenges posed by the organization's business environment. Bill and Elaine Jardine's efforts to make their organization responsive to these challenges have helped Quail Cove Farms thrive in the face of challenge.

“People will always need food and are becoming more educated on the value of healthy eating habits. Our business was built on customer service and loyalty, and we strive to maintain contact with our customers. As a result, we have minimal bad debts.”

—Bill and Elaine Jardine
Owners, Quail Cove Farms
For 30 years, the Blue Crab Bay Co. has safely navigated the perils facing small businesses on the Eastern Shore. The internationally recognized specialty foods producer has come back from a fire, weathered a recession and successfully reached beyond what some might view as an isolated location to a larger market seeking their high-quality specialty foods and Blue Crab stoneware. Their location is the source and inspiration of many of their products, including clam-juice infused Bloody Mary mix or Bay-seasoned spicy snacks. In addition to the scores of jobs Blue Crab Bay has kept in the community over many years, it is a beacon for other businesses and a testament to resilience on the Eastern Shore.

CEO Pamela Barefoot started the business on her kitchen table shortly after moving to the Eastern Shore under what she described as dire straits. Hit by the recent economic recession just after expanding their facilities, Blue Crab Bay Co. is still working to rebound by implementing many of the resilience strategies developed over the past three decades. “We know full well what companies in economically challenged areas must go through to survive,” noted Barefoot, and, “I am determined to make it work.”

The Blue Crab Bay Co. story highlights one of the key qualities of a resilient organization — the ability to see opportunity even in adversity. Barefoot’s business is located in a remote, rural location where even basic shipping logistics are a challenge, but Barefoot and her employees know that the history and traditions of the Eastern Shore are the secret ingredients that set her products apart in a crowded marketplace. When her business struggled to find qualified workers, she attracted talent by highlighting the lifestyle benefits of working for her company. Barefoot also sees the success of her business and the success of the Eastern Shore as intimately connected. She proudly advertises her products with the Eastern Shore’s tagline “You’ll Love our Nature” and partners with other area businesses on joint marketing and development efforts. Blue Crab Bay’s strategies for coping with adversity not only helped the business survive, but they also made the company stronger, more distinctive and more competitive.”

Megan Hess is an assistant professor at Williams School of Commerce, Economics and Politics at Washington and Lee University. Her research focuses on corporate governance, ethical decision-making and leadership, social networks, financial statement fraud and professional skepticism.
In one sense, BandyWorks is a firm that epitomizes the trend toward globalization. Utilizing staff on two continents, Tom Bandy and his team of software developers create customized solutions for businesses. At the same time, the firm has its roots in the local environment.

Bandy, who has chosen to base his global firm in a transitioning area in the historic center of Petersburg, recognizes that connections with a broad base of institutions — local, regional, national and global — are critical. The firm builds support and engagement through a diverse set of networks. A second element is accountability. BandyWorks develops products to assist its clients in accurately capturing their progress on critical goals and milestones. BandyWorks cascades this accountability mindset into all that its employees do as a team — personally, professionally and institutionally. Broad networks provide the firm with diversification that can help smooth ups and downs of the market. Strong relations and accountability provide a ‘glue’ that holds things together.”

Greg Fairchild is the E. Thayer Bigelow Associate Professor of Business Administration at the University of Virginia Darden School of Business and an academic director of Darden’s Institute for Business in Society. His research focuses on studying business models and public policy issues in the field of community development finance.
Resilient Business Spotlight

Marstel-Day

acting on a deeply held commitment to creating sustainable solutions, Marstel-Day’s President Rebecca Rubin has made hard choices along the way that have built a strong company culture, deep ties to the local community, and solid growth and financial results.

Innovation has defined the business from the start, with the creation of the Conservation Conveyance authority, which allows the Department of Defense to transfer land to public and private conservation groups for permanent protection. Five years after Marstel-Day developed this system and saw it signed into law, nearly a quarter of all land shed by the DOD under Base Realignment and Closure was conveyed for conservation using this authority. Marstel-Day is also the only company that is certified to the Platinum level by the National Standards Foundation as a sustainable service provider.

Marstel-Day’s main office location is in a federally designated Historically Underutilized Business Zone or HUBZone, defined as an area of high unemployment and low income. “The program requires that we locate our principal office inside a HUBZone census tract, and that at least 35 percent of our employees must reside in qualifying HUBZone census tracts as well,” Rubin said. “We’ve gone beyond that — we have seven HUBZone office locations, including Fredericksburg and Richmond, Virginia, and 40 percent of our workforce resides inside qualifying HUBZone census areas — including the majority of the firm’s business partners.”

“It has not been easy,” Rubin said, “but it’s the right thing to do. It’s significant from a community resilience standpoint that when our people go out into the economy and spend their paychecks, that most of that money is going to be spent locally, in areas that need it.”

Facade Insight

“Marstel-Day illustrates that thriving businesses are ones that marry strong values with a powerful mission. Its people are helping their clients make progress on some of the most vexing sustainability challenges while simultaneously living the company’s mission and values in its internal operations. By locating and employing staff from underutilized communities, the organization builds deep connections that provide resilience in the face of ever-evolving business conditions. Marstel-Day is enriching its local community and the world.”

Mike Lenox is the Samuel L. Slover Professor of Business Administration and serves as associate dean and academic director of Darden’s Batten Institute for Entrepreneurship and Innovation. His research expertise is centered on technology, strategy, and policy.
INSIGHTS ON ORGANIZATIONAL RESILIENCE
What Can We Learn?

While the businesses highlighted in this report faced hardships specific to region and industry, each company profile clearly demonstrates resilience in the face of hardship.

Of the companies participating in the Darden School’s 2014 survey, 90 percent experienced at least one type of significant adversity in their businesses. Every business will encounter obstacles at some point. But in what ways are resilient businesses different from their counterparts? And where does this resilience come from?

The firms we studied experienced adversity from a variety of different origins. Some challenges were driven externally, such as losing an entire year’s worth of crops, increases in supply costs, loss of a key client, fires and accidents, or customers moving production offshore. Others experienced internal obstacles, including the departure of key leaders and employee embezzlement.

These resilient businesses also differed in the duration of the hardships they experienced. Some firms struggled with long-term challenges: steady declines in sales and demand, increasing restrictions imposed by oversight agencies, growing political unrest among a key client population and the economic downturn. Others were challenged by sudden or unexpected incidents, ranging from accidents to drastic revenue losses.

When asked which of their actions had the greatest protective effect against vulnerability, many respondents provided examples of operational strategy changes and process improvements. Advertising costs were cut, diversified revenue streams were explored and product lines were adapted, among other changes.

Since most would expect to see operations change and strategies adjust in response to a difficult business environment, this was not surprising. But what was?

Our results show one variable that remained constant across all resilient businesses: Organizational resilience resulted from effective engagement with stakeholders.

Businesses that fared best during tough times were those that had previously actively engaged and invested in their communities. In fact, engagement with the external community proved to be one of the most effective ways to weather a downturn.

The idea behind this is simple: If a company has built strong, supportive relationships and partnerships with external stakeholder groups prior to experiencing a hardship, then when adversity strikes, those engaged and invested groups are likely to continue to support the organization, work with them collaboratively and lend a hand during tough times. This concept is often overlooked by many businesses — and this is where resilient companies stand apart from the rest.

Thanks to the insights gained from these Virginia-based companies, this research can begin to provide an in-depth description of factors that enable firms to not only survive economic and environmental adversity, but to emerge strengthened. These firms illustrate that businesses do not operate in a vacuum: Active interaction with the broader environment and continuous commitment to stakeholders will make an organization more successful in building resilience.

It is our hope that other organizations which experience similar challenges can be informed by the findings gathered from these successful, resilient companies across the Commonwealth of Virginia. Business leaders everywhere can apply these valuable lessons and help build business and economic resilience more broadly across the globe. Our goal is to show that when other companies experience similar challenges, they too can emerge stronger, more supported and above all — resilient.
WINNERS AND FINALISTS

Award
- Winner
- Finalist

Sector
- Service
- Manufacturing
- Retail
- Agriculture

2010
- BandyWorks | Chester, Petersburg City
- Marstel-Day LLC | Fredericksburg City
- Morgan Lumber Company Inc. | Red Oak, Charlotte County
- ParknPool Corporation | Lexington, Rockbridge County
- Solid Stone Fabrics Inc. | Martinsville City
- Banker Steel Co. LLC | Lynchburg City
- Evergreen Enterprises Inc. | Richmond City
- Office Plus Business Centre | Danville City
- Joint Logistics Managers Inc. (JLM1) | Prince George County
- Quail Cove Farms | Machipongo, Northampton County
- Thomas A. Johnson Furniture Company | Lynchburg City
- Thompson & Litton Inc. | Wise, Tazewell County

2011
- Bay Beyond Inc. dba Blue Crab Bay Co. | Melfa, Accomack County
- Highground Services Inc. | Franklin City
- Lindstrand USA Inc. | South Boston, Halifax County
- MountainRose Vineyards Inc. | Wise, Wise County
- Todos Supermarket | Woodbridge, Prince William County
- Astyra Corporation | Richmond City
- Blue Talon Bistro | Williamsburg City
- Chateau Morrisette Inc. | Floyd, Floyd County
- GearClean Inc. | Winchester City
- L & R Precision Tooling Inc. | Lynchburg City
- Southwest Virginia Veterinary Services | Lebanon, Russell County
- A Bowl of Good Cafe Inc. | Harrisonburg City
- Ballard Fish & Oyster Co. Inc. | Cheriton, Northampton County
- Hubbard Peanut Co. Inc. | Sedley, Southampton County
- ODUrent.com | Norfolk City
- Service Center Metals | Prince George County
- EXCEL Management Services Inc. | Richmond City
- Griffith Lumber Company | Woolwine, Patrick County
- Silver Gallery | Waynesboro City
- Stuart Land & Cattle Co. of VA Inc. | Rosedale, Russell County
- Sunset Digital Communications Inc. | Duffield, Scott County

2012
- Blue Ridge Optics | Bedford City
- Container First Services | Petersburg City
- Culppeper Farmers’ Cooperative Inc. | Culppeper County
- Roberts Awning and Sign | Petersburg City
- SHINE Systems & Technologies | Albermarle County
- Blue Ridge Bank | Luray, Page County
- Care Advantage Inc. | Richmon, Chesterfield County
- Hungate Business Services Inc. | Marion, Smyth County
- Interactive Achievement | Roanoke City
- R. M. Felts Packing Co. | Ivor, Southampton County
- The Brambles | Mathews County
- Top Guard Security Inc. | Hampton City
- Vailles Brothers Inc. | Fishersville, Augusta County