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The Impact of Risk Taking on Organizational Learning and Resilience as Antecedents to Firm's Sustainability

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Abstract: **This study investigates the relationship between risk taking and organizational learning and resilience. 152 copies of questionnaire were distributed to various small and medium enterprises located in Nnewi, Anambra state, Nigeria. After data cleaning, only 143 copies were found suitable for this study. Our result shows a significant relationship existing between risk taking and organizational learning as well as between risk taking and organizational resilience. It was therefore, recommended that manufacturing organizations should often emphasize on risk measures as they pursue and exploit market opportunities in a dynamic business environment as well as imbibe the culture of continuous learning for improved organizational functioning. They should also extend the development of adaptive capacities in form of resilience not just at the organizational level alone but also at the individual level of analysis since without the individuals, the organization and other resources cannot perform efficiently and effectively.**

Keywords: **risk taking, organizational learning, resilience, sustainability.**

1. INTRODUCTION

Often times, entrepreneurial organizations commit huge financial resources to investments to which returns on such investments cannot be ascertained. All these are seen as risk propensities surrounding business organizations.

Risk is a term characterized by two possible outcomes; "success" or "failure". This implies that entrepreneurial firms or individual entrepreneurs develop products, enter new markets and exploit varied opportunities in an uncertain environment with two possibilities which include; the possibility of achieving maximum or moderate success in the undertaken as well as possibility of failure, i.e. not achieving maximum or moderate success at all.

An organization is not qualified to be described as entrepreneurial if the organization is afraid of taking risk. Risk is an integral part of any business venture if the business owner or managers really want to succeed and as such, undertaking risky ventures or exploiting opportunities that abound in an environment whose outcome cannot be ascertained is an essential feature that characterizes entrepreneurial firms. In line with this, Lumpkin and Dess (1996) have explained that firms that are entrepreneurially oriented are often characterized by risk taking attitudes by way of committing organizational resources to identified market opportunities and incurring significant debt aimed at taking advantage of varied opportunities that abounds in the market with the view of achieving significant returns from such investments. It can reasonably be argued thus that every business no matter the size, has some element of risk inherent in it and thinking of a business with no risk factor at all becomes unreasonable (Lumpkin and Dess, 1996). Again, Lumpkin and Dess (1996) in Callaghan (2009, p.63) have stated that "risk taking propensity is a behavioral attribute of an entrepreneurial orientation along which opportunity is pursued". Considering varied literatures and opinions on the concept of risk taking as an essential entrepreneurial construct, which several scholars have examined independently and in relation to other variables, this study sought to fill an identified lacuna by investigating the impact of risk taking on the antecedents of firm's sustainability consisting of organizational learning and resilience within the domains of manufacturing firms in Nnewi urban of Anambra state.

The Concept of Risk Taking:

Risk taking according to Wiklund et al., (2003) in Acikdilli and Ayhan (2013) involves having great enthusiasm to commit significant organizational/personal resources to investments with high risk of failure. While Coulthard, (2007) cited in Li, (2012), refers to it as firms ability in making significant and unsafe investments as well as having the capacity to absorb potential failures emanating from such investments. These risks often times occurs in varied degrees ranging from relatively easy to calculate to very difficult (Li, 2012). Risk taking according to Aloulou and Fayolle, (2005) cited in urban (2010) implies having the zeal to commit large organizational or individual resources to market opportunities while taking calculated business risk as well.

Lumpkin and Dess (1996) have noted that past research suggests that entrepreneurs see opportunities where non entrepreneurs see as a potential threat. This implies that risk can be viewed differently by different people and in different degrees. Entrepreneurial organizations probably have a different perception to risk in contrast to non-entrepreneurial organizations. This perception to risk can be seen in an organizations attitude, beliefs, and behavioral patterns reflected in their entrepreneurial culture, which are embodied in its corporate culture. According to Dess and Lumpkin (2005), business firms and their managers are exposed to variety of hazards which fall into any of these risk categories; Business/firm's risk, financial risk and Personal risk, which they explained as follows:

Business risk involves venturing or going into any form of business activity without knowing the probability of attaining success.

Financial risk entails borrow heavily or committing significant financial resources to uncertain ventures for growth or expansion of the firm without having actual knowledge as regards the returns on such investments.

Personal risk refers to the risk that affects individuals/managers directly based on the decisions they take or the kind of investment they undertake. It can also result from unforeseen natural occurrence.

Dess and Lumpkin (2005) have proposed two approaches through which an organization can boost its competitive advantage via risk taking. They include:

- Adequate and effective research as well as the assessment of risk factors geared towards minimizing uncertainties that surrounds the business environment.
- The use of tested practices and techniques that worked well in other environments.

This suggests that the competitive advantage of these companies will be enhanced if risk is managed strategically. However, that risk is always associated with returns but in varied degrees is a known fact. This implies that the higher the risk propensities, the higher the possible returns on such investment while low risk attracts low returns (risk-return trade off) hence, risk-taking propensities varies from organization to organization and from individual to individual. We can argue thus, that risk-taking is an essential attribute that characterizes an entrepreneur as well as an entrepreneurial firm such that one cannot conclusively talk about an entrepreneurial culture without placing much emphasis on this particular dimension (risk-taking propensity). Therefore, risk taking distinguishes an entrepreneur from managers and other businessmen; entrepreneurial firm, from non-entrepreneurial firm etc. Cantillon, (1734) have rightly argued that risk and uncertainty borne by the entrepreneur as a result of self-employment is the fundamental factor that differentiates them from others. Hence, risk taking is one of the fundamental constructs that is commonly used to describe entrepreneurship. However, setting up a business venture ordinarily does not ultimately depict the real meaning or essence of being entrepreneurial rather the concept must take cognizance of the risk elements inherent in such venture as well as how the identified risk can be calculated and managed strategically.

Organizational learning: Environmental dynamism has necessitated the idea of organizational learning as a fundamental construct in explaining the long time survival/sustainability of a firm in today's world were customers' taste and preferences are increasingly changing. Organizational learning is therefore, of superlative importance for firm's to be able to meet the increasing customer taste and preferences. According to Senge and Sterman (1990); Sun (2003); Huysman (2000); Chiva and Alegre, (2008) cited in Mete, et al., (2013) organizational learning entails a process. The process however involves the structuring of new knowledge as well as reconstituting existing knowledge (Huysman, 2000 in Mete, et al., 2013). Scholars oftentimes have viewed organizational learning from a long term process perspective, associating the concept to knowledge acquisition and performance improvement (Garvin, 1993; Probst and Buchel, 1997; cited in Lopez et al., 2003). Considering different views on organizational learning, Dodgson (1993) however, have explained that through organizational learning, an organizations' overall operating efficiency can be boosted by a way of acquiring and organizing relevant knowledge aimed at improving employees' technical skill and expertise. This however, is an indication that learning at the organizational level is paramount to the long term survival of an enterprise as it enhances the overall performance of the firm and leads to expected improvements in employees competence which ultimately will foster the organizations' competitive advantage. In every organizational learning, however, there is always a change or a modification of traditional ways of doing things resulting from new knowledge or experiences that have been acquired. It involves the alteration of existing processes, procedures and patterns of behavior to embrace new skills, knowledge and change in the overall way of doing things to improve organization's performance.

Business organizations operate in an environment characterized by eminent degrees of uncertainty plus complexities, thus, many manufacturing firms in Nigeria today are increasingly striving for survival and to remain economically viable, perennially productive and competitive, business organizations require continuous learning and adaptation. In line with this, Lopez et al., (2003), stated that since numerous benefits abound in the dynamic business world, to take advantage of such benefits and to remain perennially productive, it is fundamental that firms develop innovative attitude as well as acquire new knowledge that will enable them carry out their productive activities in a unique way. It is noteworthy to state that the aim of organizational learning is to provide proper adjustment and enhance the strength of an organization (Dodgson, 1993, cited in Mete et al., 2013). Burke, et al., (2006) in Oyeniyi (2011, p.106) have argued that "for an organization to survive and also contend in a dynamic environment, persistent learning is essential as it provides organizations with adaptive capacities to cope with environmental challenges.

In the views of Yaslioglu, Sap and Toplu (2014, p.729), for proper and adequate realization of organizational learning, managers of various organizations are expected to champion and devote themselves to learning first in order to skillfully equip themselves and provide the necessary social platform needed for overall organizational learning to take place. If the managers of organizations didn't pioneer and provide the best platform for learning to take place in the organization, the implication may be catastrophic as the organization will lose focus of its learning agenda and undoubtedly be vulnerable to unseasonal risk of losing its esteemed customer and also witness a decline in its workforce as they will definitely resort to other organizations were their competence can easily be enhanced through proper organizational learning. This suggests according to Naude (2012, p.533), that "leaders and managers need to create, develop and maintain a context and a culture within which organizational learning is encouraged and promoted". The scholar however further stated that, for proper organizational learning to occur employees of every organization always seek such an environment where they can always feel psychologically secured to acquire new knowledge and make use of their personal initiatives without fear of being victimized. This implies that organizational learning requires a certain kind of environment that promotes cultural values that allows groups as well as individuals the opportunity to seek and recognize vital information, share knowledge and personal skills effectively.

It has been noted however that achieving proper organizational learning requires the integration of three major activities, namely; creating, retaining and transfer of knowledge and this transfer of knowledge takes place through the interaction of organizational members as well as different units within the organization (Naude, 2012, p.527). This could be referred to as intra-transfer of knowledge. Oyeniyi (2011) have argued that organizational learning serves as a major source of competitive advantage utilized by various organizations and it's geared towards enhancing corporate performance. However, Opoku and Fortune (2011) opined that the implication of organizational learning is that it has the capacity to enhance the performance of an organization. It is therefore acknowledged in literature according to the scholars that organizational learning is fundamental to firms' sustainability. Again, competitive advantage which is regarded as a strength to an organization relative to its competitors can be achieved through organizational learning. As Permberton et al., (2001), cited in Opoku and Fortune (2011) pointed out, that firms often create, nurture and develop new knowledge and core competencies with the sole aim of gaining competitive advantage via organizational learning. Opoku and

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Fortune (2011), however, supported the above view by arguing that organizational learning is a key factor in creating and nurturing an organizations' competitive advantage. Organizations can learn in many ways depending on contingency factors necessitating the learning. However, Garvin (1995) cited in Jaja (2003) identified certain ways in which organizations learn;

- By adopting an organized system in solving organizational problems.
- Trying out novel and more improved patterns.
- By acquiring knowledge from their personal/past experiences as well as the experiences of other organizations.
- Through fast and efficient transfer of relevant knowledge within the firm.

It is however, believed that organizational learning is crucial in achieving sustainable development in organizations. Since organizations operate in an ever changing environment continuous learning is key to firms' survival. It therefore becomes imperative for organizations to improve their overall operational efficiency by adopting the culture of continuous leaning and innovation in order to remain viable and sustainable at the long-run amidst environmental turbulences.

Resilience: It is an act of awakening an organization's consciousness to prepare itself by a way of developing adaptive capacities and putting relevant structures and measures to curtail or cushion the effect of unforeseen eventualities on the business which are emanating from its environment. The ability of an organization to recover, or bounce back easily, as soon as possible after unforeseen eventuality must have occurred, however, describes the organization as being resilient. In the views of Luthans (2002a) cited in De Hoe and Janssen (2014), resilience implies having the power to recover quickly when faced with difficulties, crisis, and unfavorable business experiences. However, Lengnick-Hall and Beck (2003) cited in Umoh and Amah, (2013), noted that the idea of conceptualizing resilience as a process of bouncing back goes beyond that. They suggested that it is an organizations' ability to develop certain capabilities consisting a blend of perspectives, behaviors, processes and contexts.

Similarly, resilience is not solely about returning to a previous position by an organization after an unfortunate incident has occurred or reacting to former situations alone Kanter (2011); Hamel and Valikangas (2003) cited in Buys, (2012). Buys (2012) have argued that the concept extends to ceaseless anticipation and modification to intense improvements taking place within the firm's environment that has the potential to permanently mar the organization's effort towards achieving sustainability. Resilience, however, immunes the organization against environmental hazards. Berardi, Green and Hammond (2011, p.115), have also argued that "resilience is necessary and desirable precisely because most environments even those that humans attempt to stabilize and manipulate on gross scales are dynamic, uncertain and prone to disturbance or change". E.g. in 19^{th} century New Orleans witnessed massive flooding and hurricanes, meanwhile it did not lead to significant loss of life and property because they were resilient which helped them to continue functioning without being solely dependent on external support (Berardi et al., 2011, p.119).

While resilience is a good attribute that characterizes an entrepreneurial firm that seeks long-term survival, Hayek (2012) argued that resilience is an essential feature of an entrepreneur because of the doggedness they exhibit when faced with difficulties in the business environment. Again, since risk taking is an integral feature that describes an entrepreneurial firm, resilience is vital both at organizational and personal levels. This is because with resilience organizations and individuals are capable of absorbing, recovering and adapting to unfavorable risk ventures. As Klein and Kunda (1994) in Nicholson, Soane, Fenton-O' Creevy, and Willman (2005, p.161) puts it, "consistent risk takers require resilience". We conceptualize resilience in this study therefore as an essential quality that provides an organization with the adaptive capacity to withstand and survive adversities, turbulences etc. capable of jeopardizing an organizations' effort towards sustainability.

Thus, achieving sustainability based on the three key factors (people, profit and planet) that constitute organizational sustainability alone, is not all embracing to grant organizations' long-term survival amidst the aforementioned disruptions and uncertainties that characterizes the business environment. However, since the achievement of organizational sustainability goes beyond the triple bottom line, it becomes imperative therefore to nurture and develop resilience both at individual and organizational level since the concept involves the development of adaptive capacity needed to put organizations back on track amidst unforeseen exigencies. Again, lack of resilience can lead an entrepreneurial organization towards becoming vulnerable to certain environmental threats and again, non-resilient organizations may not easily bounce back or recover from crisis easily and this can pose a serious challenge to their sustainability.

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2. MATERIAL AND METHODS

The study utilized the survey design. While the population consists of the eleven automotive manufacturing firms that are currently operating and are duly registered with the manufacturers association of Nigeria.in Nnewi urban of Anambra state. They include; Innoson Vehicle Manufacturing Co. Ltd, Omatha Holdings Ltd, Ngobros & Company Nig. Ltd, Louis Carter Ind. Ltd, John Ray Ind. Ltd, Uru Ind. Ltd, Ibeto Group Ind. Ltd, A-Z Petroleum Products Ltd, Union Auto Parts, Afro- Asia Ind. Nig. Ltd, and G.O.D Brothers Co. Ltd

Sampling technique and sample size determination

The study utilized the purposive non- probability sampling technique, while the Taro Yamen's (1967) formula for sample size determination was used in determining the sample size for this study. The formula is as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where; n = Sample size sought

e = level of significant (0.05)

N = population size

Applying the above formula

$$n = \frac{245}{1+245(0.05)^2} \qquad n = \frac{245}{1.6125} = 152$$

The sample size for this study therefore consists of 152 top management team including supervisors and unit heads in the eleven automotive manufacturing firms in Nnewi urban that were issued copies of the questionnaire. From the total sample size above, the individual firm's sample size was calculated using the Bowley's (1964) formula given as:

$$nh = \frac{nNh}{N}$$

3. DATA COLLECTION METHODS

Data was collected with the aid of a structured questionnaire while the reliability of the survey instruments where duly ascertained using Cronbach alpha coefficients using SPSS version 21 and only items that returned alpha values of 0.7 and above were utilized in this study.

Table.1: Test of hypothesis showing the relationship between the study variables.

			Risk	Learning	Resilience
Spearman's rho	Risk	Correlation Coefficient	1.000	.423**	.292**
		Sig. (2-tailed)	.	.000	.000
		N	143	143	143
	Learning	Correlation Coefficient	.423**	1.000	.629**
		Sig. (2-tailed)	.000	.	.000
		N	143	143	143
	Resilience	Correlation Coefficient	.292**	.629**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	143	143	143

Source: Research data, 2016

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Hypothesis one (Ho_1): There is no relationship between risk-taking propensity and organizational learning: the result of the analysis reveals a substantial relationship between risk-taking propensity and organizational learning where rho = .423 and $P < 0.05$; therefore the null hypothesis is rejected. The outcome of the analysis reveal a highly significant and strong relationship between both variables where rho coefficient (**) indicating that a great extent of changes in organizational learning can be accounted for as a result of changes in risk-taking propensity. In line with this, Alegre & Chiva (2009) have noted that organizations with a strong entrepreneurial orientation, will enter new-product markets aggressively and incur substantial risks, which will require them to cope with more complex and dynamic environments and will invariably call for learning.

Hypothesis two (Ho_2): There is no relationship between risk-taking propensity and resilience: the result of the analysis reveals a significant relationship between risk-taking propensity and resilience where rho = .292 and $P < 0.05$; therefore the null hypothesis is rejected. The results of the analysis reveal a highly significant and strong relationship between both variables where rho coefficient (**) indicating that a great extent of changes in resilience can be accounted for as a result of changes in risk-taking propensity. Mitchell & Harris (2012) have rightly observed that a system that is effective in managing risk is likely to become more resilient to shocks and stress. The result of this finding is also in line with the observations of Klein and Kunda (1994) in Nicholson et al., (2005, p.161) that "consistent risk takers require resilience".

4. CONCLUSION

The results of this study revealed significant associations between the predictor variable (Risk taking) and the criterion variables (learning and resilience). Thus, based on these results, this study asserts as follows that risk-taking propensity as a dimension of entrepreneurial dimension significantly affects outcomes of organizational learning and resilience as evidenced from the result of the findings. This implies that risk-taking is imperative as well as a major requirement for organizations that intend to achieve sustainability amidst environmental turbulences. It is therefore, recommended that manufacturing organizations should often emphasize on risk measures as they pursue and exploit market opportunities in a dynamic business environment as well as imbibe the culture of continuous learning for improved organizational functioning. They should also extend the development of adaptive capacities in form of resilience not just at the organizational level alone but also at the individual level of analysis since without the individuals, the organization and other resources cannot perform efficiently and effectively.

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