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Email: [transylvanianreview@gmail.com](mailto:transylvanianreview@gmail.com)

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# The Influence of Culture on SMEs Risk Management Practices in Zimbabwe

Fungai Ngoma Mauchi\*, Veena Rawjee and Nisha Ramlutchman

Department of Public Management & Economics, Durban University of Technology

## ABSTRACT

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In view of the significance of risk management in all businesses, this study was conducted to establish the influence of culture on the risk management practices of Small and Medium Enterprises (SMEs) in Zimbabwe. The study was motivated by the need to ensure small and medium businesses survive under certain risks. The purpose of this study was to examine the influence of culture on the SMEs risk management practices. The study was conducted among SMEs who reside in two provinces of Zimbabwe namely Harare Province and Mashonaland Central province. In order to achieve the main purpose of the study, a mixed method research design was used. The target population of the study include Small to Medium Enterprises from all sectors in Zimbabwe's ten provinces. The study's target population was around 780 684 and the sample was 278 respondents. The study used a combination of cluster sampling and simple random sampling methods to select the sample. Data was collected using structured-questionnaire and semi-structured interviews to SMEs in Harare and Mashonaland Central provinces. The findings of the study show that culture influences SMEs risk management practices. Cultural factors such as social complexity, fate control and religiosity were found to influence SMEs risk management practices in Zimbabwe whilst social cynicism and reward for application were found not to influence SMEs risk management practices in Zimbabwe. The study concludes the introduction of risk management education for SMEs, increase awareness campaigns, and also increase access to information on risk management by the SMEs.

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**Keywords:** Small and Medium Enterprises, Culture, Mashonaland Central Province, Harare Metropolitan province

## Introduction

The 21st century world has witnessed an increased interest in small enterprises as a means of promoting employment in both developed and developing countries (Bouazza 2015; Hobohm 2001; Senturk, Keskin, Kiris and Turkoz 2013). This interest manifested as a result of the establishment of Small and Medium Enterprises (SMEs) institutions in a bid to accelerate economic growth and reduce poverty. SMEs are very important to the growth of any nation. Both developed and developing countries are realizing SMEs as the instrument for fostering economic expansion (Abeyrathna and Kalainathan 2016). Therefore, because of their significance to economic development, many countries have established SMEs Development Agency to harmonize Government initiatives in respect of the development of this sector (Abe and Kumar Dutta 2014).

Generally, there is a strong relationship between SMEs and economic growth (Mugozhi and Hlabiso 2017). According to Peprah et al. (2016), SMEs form the backbone of the private sector and constitute over 90

percent of the enterprise in the world. Similarly, advocates of SMEs suggest that these enterprises play a very important role in the economy of developing countries by enhancing competition and entrepreneurship (Goriwondo 2012; Mamman et al. 2015 and OECD 2004). As a consequence, SMEs have been recognized as the engine of growth all over the world as they contribute to employment creation, Gross Domestic Product (GDP), poverty reduction and improved standards of living (Cudjoe et al. 2017). Furthermore, prospective of SMEs to advance industrial growth and fortify economic standings is inarguable (Goriwondo 2012; Mamman et al. 2015 and Nyamwanza et al. 2014). The activities of SMEs have significantly generated the economic growth of developed countries. These include Korea, Japan, Taiwan and many others (Abeyrathna and Kalainathan 2016). Similarly, the World Bank (2017) have shown that SMEs in developing economies contribute to more than 60 percent of gross domestic product (GDP) and more than 70 percent of total

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\* Corresponding: ffmauchi@gmail.com

employment. In Africa, economic powerhouses such as South Africa, Ghana and Nigeria, the SMEs are estimated to contribute over 70 percent in employment and 50-70 percent in GDP (Mamman *et al.* 2015). For example, it is estimated that SMEs account for 70 percent of Ghana's gross domestic product (GDP) and 92 percent of its businesses. They also make up 57 percent of South Africa's GDP and 70 percent of the manufacturing sector in Nigeria (Sunjka and Emwanu 2015). Also, the importance of SMEs is recognized in numerous African countries such as Togo, Uganda, Cote d'Ivoire, Kenya, Malawi, Burkina, Faso, as well as others (Adu *et al.* 2016).

Likewise, in Zimbabwe SMEs have created 5, 7 million jobs and contribute US\$7, 4 billion to the economy (FinMark Trust 2013). In fact, it has been observed that SMEs employ about 60 percent of the country's workforce and contribute about 50 percent towards GDP (Chiwara 2016). The sector is not only seen as an employment creator, but it also acts as a safety net for retrenched people coming from the private sector (Gwangwava *et al.* 2014)

Regardless of their significant benefits to economic development in many countries, several studies (Henschel 2008; Islam and Tedford 2012; Smit and Watkins 2012 and Verbano and Venturini 2013) have confirmed that SMEs in developing countries have difficulties in graduating from conception and development to stability. According to Gorzeń-Mitka (2015), the rate of failure for SMEs stands at 80 percent due to the high-risk business environment. SMEs are operating in a dynamic and complex environment and they face risks on a daily basis and this affects their performance. Studies have shown that SMEs are more vulnerable than large enterprise organisations (Jadi *et al.* 2014; Yusuf and Dansu 2013; Pashkova 2016 and Sunjka and Emwanu 2015) because they have limited management and business expertise, lack adequate financing and are subject to cumbersome regulatory and bureaucratic requirements (Sunjka and Emwanu, 2015 and Fjose 2010). Thus, most of the SMEs are exposed to the harmful effects of the risks, due to inadequate resources and structural characteristics.

SMEs are facing different types of risks while they are running their businesses and risk management could play a vital role (Abeyrathna and Kalainathan 2016). Over the years, risk management has been acknowledged as a fundamental practice in SMEs (Duong 2013; Falkner and Heibl 2015 and Panigrahi, 2012). It is a practice which can be adopted in business to improve chances of continued and thriving longevity. In order to deal with uncertainties and survive in a fraudulent environment, SMEs need to be conversant with the practice of risk management. Otherwise, they may suffer catastrophic consequences if they are not ready to overcome possible risk (Verbano and

Venturini 2013). Thus, managing risks to reduce and minimize the loss exposure is essential for SMEs.

By incorporating risk management into their operations, SME owner-managers are well equipped to exploit their environment and yield a positive return. Nevertheless, the literature reveals that risk management is still in an early phase of development (Gwangwava *et al.* 2014) and that no standard for SMEs has yet become established which would describe how a comprehensive risk management practice should be performed (Gorzeń-Mitka 2015 and Mir 2014). It can be argued that SMEs are far from adopting a positive approach toward risk management. According to Smit and Watkins (2012), SME owner-managers are ignorant pertaining to the risks their enterprise face, despite having the evidence that businesses that adopt risk management strategies are more likely to survive and grow. Furthermore, studies of risk management have been focused on larger firms (Aon Risk Solutions 2017; Otieno 2016 and Wijekoon *et al.* 2016) thereby giving low priority to SMEs. Hence, it is questionable whether risk management for larger organizations can be practiced in SMEs because the two sectors have different characteristics.

Moreover, SMEs do not have a clear strategy or guidelines for dealing with risk (Pashkova 2016). This is because previous studies have focused their attention on assessing risks associated with SMEs. For example, Gwangwava *et al.* (2014) performed an Assessment of Risk Management Practices in SMEs in Zimbabwe. While assessment of risk management practice is of importance to determine how SMEs deal with adverse situations in their operations, this does not guarantee SMEs that they will fully utilise risk management practice. Therefore, it is crucial to go beyond the assessment by examining the factors that might influence the SMEs owner-manager to adopt or ignore risk management practice.

There is little-written work about risk management practices in relation to demographic and cultural factors in SMEs (Chakreeyarat 2015; Dorresteijn 2017; Loke 2017 and Wijekoon *et al.* 2016). Previous studies have focused their attention on economic factors, political factors, government policies and tax and business characteristics (Gorzeń-Mitka 2015; Yusuf and Dansu 2013 and Pashkova 2016). While these factors shape the environment in which SMEs operate, they do not give assurance on operational excellence on SMEs. Therefore, it is a necessity to consider the demographics of SMEs owner-manager towards the utilization of risk management in their businesses and additionally, considering factors like age, gender, education, and culture. This is because there is little separation between SMEs and the owner/manager in strategic thinking and decision making.

Risk management is less developed within SMEs where strong individual factors and culture militates against managing risk in a professional structured way. No comprehensive investigation has yet been focused on examining the impact of culture on risk management of SMEs in Zimbabwe. Therefore, it is imperative to understand how the individual's culture affect risk management practice in their businesses. The aim of this study was to examine the influence of culture on the SMEs risk management practices. Specifically this research seeks to answer the following question and hypothesis:

#### ***Research question***

What is the influence of culture on SMEs risk management practice in Zimbabwe?

#### ***Hypothesis***

There is a relationship between SMEs owners' culture and their risk management practices.

### **Literature Review**

Culture is an elusive and difficult concept to define (Hofstede 2011). People observe culture differently and some argue its complexity adds to the difficulty in establishing its definition. Numerous people view culture as simply the way of life that conveys certain values and meanings of people (Ashby, Palermo and Power 2013). Furthermore, Wong (2012) views culture as a means of finding different approaches to doing things or the ultimate way of doing things. Mir (2014) claimed that culture includes art, knowledge, law, and belief, as well as customs, morals and any other habits and capabilities obtained by man as a part of society. Sarkodie-Poku (2019) found RM in SMEs in Ghana primarily focused on the cultural beliefs of owners/managers and stated that these seriously hamper sustainable business development.

It is further believed that RM is less developed within the small business sector, where a strong individual and enterprise culture mitigates against managing risk in a professionally structured way (Keith 2014). When focusing on culture, the most noticeable is the consensus among scholars investigating the effect. Common opinion among these authors is that culture matters when exploring the risk-taking of investors (Barnabei 2008; Dorresteyn 2017; Wong 2012).

Several authors used China and America as case-studies when comparing different cultures, with the main reason the big difference in the cultures of both countries. Where China is a hierarchical and collectivist country, America is characterised by a market environment and individualism. On the one hand, in hierarchical societies, decision-making is

based on standard procedures and individuals are, therefore, assumed to be risk averse (Fan and Xiao 2006). The individualistic market structure, on the other hand, has a greater focus on exploring opportunities, which causes uncertainties and encourages risk-taking (Fan and Xiao 2006). When investigating the case of China and America, this would imply Chinese investors are more risk averse than American investors.

However, when examining research where the actual influence of culture on risk-taking in the investment domain is measured, Chinese respondents are less risk averse than American respondents (Nyakang'o and Kalio 2013). Nyakang'o and Kalio (2013) explained their argument with the cushion hypothesis. This hypothesis predicts that in social-collectivist countries, such as China, family or other group members will assist each other when a catastrophic event takes place. In individualist countries, such as America, this social safety net is absent and individuals are expected to personally bear all the consequences of a risky decision (AIRMIC, Alarm and IRM 2010). This safety net makes Chinese respondents perceive risks as less severe, which makes them more risk tolerant (Nyakang'o and Kalio 2013).

Nyakang'o and Kalio (2013) also investigated risk-taking attitudes in Poland and Germany. They expected both countries to score between China and America, because the countries are characterised by less individualism than the US, but more individualism than China. The results confirmed their hypothesis, as Poland and Germany scored somewhere between China and America when investment risk-taking was studied. This research was, however, limited to students. As a consequence, the generalisability was affected and the question posed whether this effect applies with different respondents.

To solve this, Fan and Xiao (2006) used a non-student sample. With this non-student sample, Fan and Xiao (2006) arrived at the same conclusion as (Nyakang'o and Kalio 2013), finding Chinese to be more willing to take substantial risks in the investment domain. However, it is difficult to measure the impact of culture on risk tolerance, because the authors investigating culture do not include other demographic variables, which makes a comparison between different variables impossible. This has been acknowledged by Wong (2012) and Ashby et al. (2013), who argued that differences in risk tolerance between different cultures could also be as a result of other factors. Both authors argued that the cushion hypothesis does exist and that culture influences risk tolerance, however, they also acknowledged that the actual influence is probably small. Research concerning culture, as well as other variables in a

multiple regression, is suggested to estimate the actual effect of culture.

While a significant part of the examination on risk discernment has focused on the individual (Böblingen 2008; Napp 2011), an extensive volume of work has been done around the significance of cultural influence in the improvement of attitude to risk. That cultural values influence risk observation is, maybe, quite clear as people are all subject to a scope of connections that imprint and shape state of mind. Convictions and values that identify with risks are similar to more comprehensive convictions and values (Nyakang'o and Kalio 2013). Subsequently, it follows that values and convictions identifying with risks are identified with more extensive cultural variables and procedures.

Henceforth, risk observation and conduct must be liable to these influences; this supposition is bolstered by individual risk discernment research (Jayathilake 2012). Investigations of individual and national culture demonstrate that people in Eastern social orders have lower risk and vulnerability resilience, when contrasted with Western people (Ferkolj 2010). Along these lines, the extreme need for risk appears to differ with individual cultures (Acar and Goc 2011). Thus, risk-taking in various areas may change with the cultural orientation of people.

The differences in culture influence personal decisions and affect societal decisions, due to culture shaping and strengthening social institutions and these institutions, consequently, reinforce cultural values over time (George and Zahra 2002). Cultural values are also likely to determine the extent to which society takes entrepreneurial behaviours into consideration, such as independent thinking and risk-taking being desirable (Hayton *et al.* 2002). The evaluation of uncertainty and thus, risk-taking, is also affected by cultural background and social effects. In a study by Brandt *et al.* (2021) family influence was captured by power, experience, and culture. The results showed that among the three family dimensions investigated, culture is the one that better explains risk management practices. They concluded that the higher the level of family culture, the higher the level of attention to enterprise risk management.

Furthermore, SMEs show little separation between the entrepreneur's strategic thinking and decision-making and the firm's formal planning system (Brustbauer 2016). Indeed, it has been noted that SMEs are characterised with the central role of the owners and multiplicity of duties and close identity with employees. Jayathilake (2012) stated that RM practices in SMEs relate to the beliefs and attitudes of founding entrepreneurs, with their influence on RM practices in SMEs corroborated by Verbano and Venturini (2013). As a result, decisions are made in terms of the business as an entity, rather than in terms

of manager specific risks. Hence, SMEs do not tend to use special techniques to optimise significant risks.

Researchers have studied the concept of culture extensively through values (Singelis, Hubbard, Her and An 2003) and culture has traditionally been defined in terms of values (Bond *et al.* 2004). Attempts by social scientists to integrate culturally distinct values into measurements have resulted in the mapping of the value universe (Leung and Bond 2004; Bond *et al.* 2004). This has allowed comparisons to be made of the value profile of persons who are socialised in different cultures (Leung and Bond 2004).

Human values are goals people attach importance to and values have frequently been utilised to interpret and describe cultures, for example Hofstede (1980) and Schwartz (1994). However, Leung and Bond (2004) argued that values do little to answer the "how" question and proposed the concept of social axioms to provide answers to the "how" question.

According to Leung and Bond (2008), social axioms represent people's cognitive map of their social world. Social axioms are generalised beliefs about people, social institutions, social groups, and the spiritual world, as well as the physical environment, classes of events and occurrences in the social world. These generalised beliefs are encoded as an assertion of the relationship between two concepts, for example "fate determines one's successes and failures" (Leung and Bond 2008). Assumed to play a significant role in people's belief systems, social axioms are also thought to enhance the functioning and survival of people in their physical and social environments.

In order to identify a broad set of social axioms, Leung *et al.* (2002) drew from Western psychological literature on beliefs, as well as from two cultures, namely Venezuela and Hong Kong. A Social Axioms Survey (SAS) scale comprising 182 items was constructed initially and administered to adults and college students in Venezuela and Hong Kong. An exploratory factor analysis proposed a five-factor structure for both cultures. Leung *et al.* (2002) also collected data from the USA, Japan, and Germany, utilising confirmatory factor analysis and factor analysis to test the universality of the five-factor structure. Their analyses reinforced the same five-factor model. Subsequent to this, Leung and Bond (2004) conducted a comprehensive cross-cultural study to examine whether the five-factor structure would be generalisable to other cultures. Data from 41 national or cultural groups were incorporated and findings confirmed the five-factor structure of the social axioms. These five dimensions were labelled social complexity, social cynicism, reward for application, and fate control, as well as religiosity.

Social cynicism represents a negative assessment of human nature, a mistrust of social institutions, a

bias against some social groups, and a belief that people have a tendency to ignore ethical means in pursuit of their goals (Leung and Bond 2009). An example of a social cynicism statement is “kind-hearted people usually suffer losses” (Bond et al. 2004). Social cynics tend to hate themselves and other individuals, they lack enough motivation to obtain outside professional help regarding everyday challenges, use maladaptive coping strategies and feel helpless against a corrupt world.

Reward for application signifies a belief asserting that the investment of knowledge, effort, planning and other resources will result in positive outcomes (Leung and Bond 2009). An example of a reward for application statement is that “hard working people will achieve more in the end” (Bond et al. 2004).

Social complexity is embodied by a certitude that numerous solutions to social problems exist, the outcome of events is uncertain and that people’s behavior may vary across situations (Leung and Bond 2009). Social complexity refers to the belief in several ways of attaining a given outcome and agreement that human behaviour is different across situations. This means that social complexity is a belief that there is no distinct rule governing social occasions and individuals must adjust their behaviours to changing circumstances. Social complexity holds the notion that the world is complex, with no single general rule that always works in all circumstances because social behaviour is different in different circumstances.

The social complexity dimension is concerned with whether people will always depend on methods that worked before or whether individual behaviour is compelled by situational changes (Leung et al. 2002). An example of a social complexity statement is that “one has to deal with matters according to the particular circumstances” (Bond et al. 2004). Generally, social complexity serves as an active enabler of problem solving (Bond et al. 2004).

Fate control corresponds to an opinion claiming that life events are predetermined by numerous external forces, but there are ways in which people can influence the negative impact of these forces (Leung and Bond 2009). Fate control is the conviction that there are impersonal, external forces that determine life events, (for example destiny, fate and luck, and so on) and the possibility for individuals to influence or shape their outcomes by engaging in several culture specific practices (Leung and Bond 2004). In other words, people who approve fate control adapt to their supposed fate, at the same time, they actively find ways to improve their fate. An example of a fate control statement is that “fate determines one’s success and failures” (Bond et al. 2004).

Religiosity affords credence to the existence of a supernatural being and also beliefs regarding the

beneficial social functions of religious practices and institutions (Leung and Bond 2009). Religiosity denotes the view that spiritual forces influence the human world and that religious institutions exert a positive influence on social outcomes. An example of a religiosity statement is that “religious people are more likely to maintain moral standards” (Bond et al. 2004).

The researcher, therefore, examined the influence of culture on RM practices of SMEs. The current study investigated a limited number of cultural groups, hence the focus is on the five-dimensional individual-level structure. As a result, the constructs of interest are the five domains of social beliefs namely social cynicism, social complexity, reward for application, and fate control, as well as religiosity. Much is known about the social axioms, but a systematic investigation of the relationship between social axioms and RM practices has not yet been conducted. No empirical findings concerning the relationship between the social axioms under study and SMEs’ RM practices were identified in the reviewed papers, which may therefore be regarded as a fruitful field for further research. This study was conducted with the aim of filling this gap.

## Materials and Methods

The study utilized the mixed methods research design. Creswell (2014) characterises mixed methods research as an approach to inquiry that mixes quantitative and qualitative forms of research. The study sought to determine whether Risk Management (RM) differs according to culture using social axioms as a cultural measure (Burgess, 2011). The study focused on 278 SMEs in Harare Metropolitan and Mashonaland Central Provinces who were selected using cluster and random sampling.

The researcher utilised cluster sampling as it allowed making use of a bigger sample for similar fixed expenditure. Cluster sampling is helpful when the sample is big (Kumah 2011). It involves sequential sampling of units by progressing from larger population sizes to smaller ones (Gray 2014). Respondents were then randomly selected from each of the two clusters to realise a sample size of 278 respondents. Random sampling ensured everyone in the SME sub-sectors had an equal opportunity to be incorporated within the sample, which would accommodate the statement by Anchor and Benesova (2012) that some sectors are more prone to risk than others. The technique of simple random sampling is a method of choosing a sample size from a population randomly and providing every component with an equal and independent chance of being selected (Kumah 2011). Choosing SMEs from the two provinces enables the incorporation of cultural variations and its impact on RM practices of SMEs.

The questionnaire was employed to collect data. And interviews were also conducted in situations where respondents did not have time to complete the questionnaire. According to Robinson (2014), interviews offer the researcher the opportunity for a more in-depth examination when clarification is necessary to given responses. The Social Axioms Scale (SAS) developed by Leung *et al.* (2002) was used in this study to measure SME owners' cultural beliefs. The researcher used the 25 item brief version of the SAS (Burgess 2011). According to Leung *et al.* (2002) the Social Beliefs Questionnaire comprises of twenty five social axiom statements. The scale requires respondents to rate the degree to which they agree each of the 25 items to be true, on a 7-point Likert scale. The scale ranges from 1 (*strongly Disagree*) to 7 (*strongly agree*).

The five social axiom factors included are social cynicism (five items), social complexity (five items), reward for application (five items), religiosity (five items), and fate control (five items). The following Cronbach coefficient alphas were reported by Bond *et al.* (2004) for this scale. For social complexity, alphas were below 0,65 (mean= 0,68), social cynicism had a reliability coefficient higher than 0,70 (mean= 0,79), religiosity alphas all exceeded 0,70 (mean = 0, 85) and reward for application alphas were higher than or close to 0,70 (mean= 0,77). For fate control four alphas were below 0,65 (mean= 0,68). The inclusion of culture followed findings by previous research studies (Kim and Vonortas 2014; Acar and Goc 2011; Tamizharasi and Panchanatham 2010), where culture was used to explain the level of SME RM practices.

In order to endorse the reliability and validity of the data received and the measurement instrument internal consistency rests were conducted (Tavakol and Dennick 2011). Cronbach's Coefficient Alpha was utilised in this study to test for internal consistency of the questionnaire. It is a measure of its ability to measure the variables of interest consistently. A score above 0.70 was obtained for the questionnaire.

Of the 278 questionnaires distributed, 256 were returned giving a response rate of 92.4% and all the targeted interviews were conducted. Pearson correlation was used in this study to analyse cultural factors influencing RM practices of SMEs, with specific reference to Harare and Mashonaland Central provinces. According to Saunders, Lewis and Thornhill (2003, 2012) correlations are a statistical technique that shows whether pairs of variables are related and how strongly they are related. The strength of the relationship between two ranked or quantifiable variables is represented by -1 and +1. Regression analysis was used for measurement of influence of culture on RM practices of SMEs. According to McShane *et al.* (2011), a multivariate regression is

employed to establish causality. A regression describes the dependency of the dependent variable, in this case RM practices, to the independent variable, culture (Moore and McCabe 2006). In this study the researcher used more variables to clarify RM practices, thus, a multivariate regression is required. This multivariate regression was conducted using SPSS version 26. Spearman rho tests was utilised to establish the relationship between the study variables. Sekaran and Bougie (2011) defined the Spearman rho test as a non-parametric test, suitable for determining correlations between any two variables on an ordinal or a nominal scale. In this study, the cultural variables are correlated with SMEs risk management practices using Spearman's rho test. Spearman's rho is also utilised in this study to understand whether there is an association between the variables being tested. It measures the strength of the association between two ranked variables.

Qualitative data was analysed using thematic analysis. Thematic analysis is a systematic approach of analysing qualitative data involving identification of themes; coding and classification of data according to themes; interpreting the subsequent thematic structures by looking for relationships, commonalities, patterns, explanatory principles or theoretical constructs (Butler-Kisber 2010). The questionnaire was pre-tested prior to the actual survey was conducted, by means of a pilot study and corrections or additions were made accordingly.

## Results

In order to determine the influence of culture on the risk management practices of SMEs, the respondents that participated in the study were asked to indicate their cultural beliefs and risk management practices based on the cultural beliefs and risk management practices scales. The relationship between SMEs risk management practices and five cultural factors i.e. social cynicism, reward for application, social complexity, fate control and religiosity were tested. This was done by testing the hypothesis using Regression analysis.

From the results it was found that 98,7% of the variation in SMEs risk management practices is as a result of cultural factors such as Social complexity, Fate Control and Religiosity. The model is very strong as only 1% variation in risk management practices is due to other factors. It was found that cultural factors that had a significant effect on risk management practices were social complexity ( $t = 8.233, p = .000$ ), fate control ( $t = -12.772, p = .000$ ) and religiosity ( $t = -4.640, p = .000$ ). However it was found that cultural factors such as social cynicism ( $t = -1.661, p = .098$ ) and reward for application ( $t = 1.008, p = .314$ ) had no

significant effect on SMEs risk management practices. This is illustrated in Table 1, 2 and 3 below.

**Table 1:** Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994 a	.987	.987	.22663

a. Predictors: (Constant), Religiosity, Social\_Cynicism, Reward\_For\_Application, Social\_Complexity, Fate\_Control

**Table 2:** ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	977.769	5	195.554	3807.367	.000 <sup>b</sup>
	Residual	12.789	24	.533		
	Total	990.558	29			

a. Dependent Variable: Risk\_Management\_Practices

b. Predictors: (Constant), Religiosity, Social\_Cynicism, Reward\_For\_Application, Social\_Complexity, Fate\_Control

**Table 3:** Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.402	.301		17.954	.000
	Social_Cynicism	-.031	.019	-.033	-1.661	.098
	Reward_For_Application	.027	.027	.027	1.008	.314
	Social_Complexity	.314	.038	.308	8.233	.000
	Fate_Control	-.501	.039	-.497	-12.772	.000
	Religiosity	-.142	.031	-.141	-4.640	.000

The Pearson correlation analysis results indicate that ( $X^2 = -.857^{**}$ ;  $P = .000$ ) for this variable. These results mean that culture has a significant impact on the risk management practices of SMEs in Zimbabwe. Therefore, the hypothesis on this variable is accepted. The observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance. The questionnaire survey revealed that culture influences RM practices of SMEs.

A Spearman’s Rho test showed that there is a relationship between SME owners’ culture and their risk management practices. As illustrated in Table 4 below, a significantly negative and very strong relationship exists between the variables at the 95 percent level of significance ( $p < 0.05$ ). The hypothesis is

accepted and the conclusion made that culture and RM practices of SMEs are related.

Furthermore, during the interviews, follow-up questions showed agreement by respondents on the issue and they had this to say:

***Culture influences risk management***

Risk management is not important in my culture and that affects the way I view and manage risk management.

Culture affects behavior because it determines norms, values, ideals. Risk management is not part of my culture and because I was not nurtured to value it then I am not likely to apply it in my business.

Culture significantly affects the management of risk. Culture is societal norms and values and these are translated into business norms and values.

**Table 4:** Spearman’s Rho Test.

			<b>Risk_Management_Practices</b>	<b>Culture</b>
Spearman's rho	Risk_Management_Practices	Correlation Coefficient	1.000	-.636**
		Sig. (2-tailed)	.	.000
		N	256	255
	Culture	Correlation Coefficient	-.636**	1.000
		Sig. (2-tailed)	.000	.
		N	255	255

\*\* . Correlation is significant at the 0.01 level (2-tailed).

***Belief in fate influences risk management***

I believe that our lives are predestined by fate. So even if you make plans to safeguard your business what was meant to happen will always happen.

In my culture I don’t plan for future eventualities as I believe that fate will take care of what happens in the future.

***Religious beliefs influence risk management practice***

In my culture I believe that God has the final say in everything. No matter what I do to protect my business it is God’s will that prevails.

You cannot go against God’s plan. His plans for our lives and our businesses is what will take place and not through our efforts like doing risk management.

There are numerous solutions to problems facing the business. I have used other means to keep my business afloat and it worked and it did not involve risk management.

There are several ways of attaining a given outcome. So everyone should do what works for him in his business.

The world is complex and uncertain and human behaviour may vary across different situations. Individuals must therefore adjust their behaviours to changing circumstances.

People will always depend on methods which worked for them before. So if things worked out without using risk management then I will stick to what worked for me and not to test new things.

From the above statements it was concluded that culture was viewed as influencing RM. The owners of these enterprises believe that culture influences behaviour such as RM. Cultural beliefs translate to business norms and values. Those who are nurtured in a culture that believe in fate are more likely not to

implement RM in their businesses, as they believe fate is the great determinant of future eventualities.

Additionally, people raised in a religious setting who believe in the existence of a supreme being controlling the universe, are more likely not to implement RM in their businesses. This is because they believe it is only God who determines what happens and efforts to manage risk faced by the business might be a waste of time. It can be noted from the interview results that culture influences RM practices. These findings therefore reinforced the survey results and previous literature that culture influences RM practices.

**Discussion**

The questionnaire survey revealed that culture influences RM practices of SMEs. Furthermore, during the interviews, follow-up questions showed agreement by respondents on the issue. These findings are in line with previous literature. Angeline and Teng (2016) and Viridi (2005) found out that risk management is less developed in SMEs where the culture mitigates against managing risks in a professional structured way. Previous research has found out that a strong culture is significant to the accomplishment of ERM endeavours (Brooks 2010). Such a culture is known as a risk mindful culture (Brooks 2010), risk management culture (Santori *et al.* 2007), or risk culture (Zou *et al.* 2010). Risk taking in various areas may change with the cultural orientation of people. Contrasted with directors from developing nations, Western administrators take risks. Along these lines, risk voracity appears to differ with individual culture (Acar and Goc 2011).

Cultural values are also likely to determine the extent to which society take into consideration entrepreneurial behaviours, such as independent thinking and risk taking to be desirable (Hayton *et al.*

2002). The evaluation of uncertainty and thus risk-taking is also affected by cultural backgrounds and social effects. This is because culture forms the attitudes and belief system of individuals. The attitudes of the owner managers and their knowledge towards risks play an essential role in how systematically risks are handled (Bayaga and Flowerday 2010). Jayathilake (2012) also state that risk management practices in SMEs relate to the beliefs and attitudes of founding entrepreneurs. The belief and attitudes of founding entrepreneurs influence risk management practices in SMEs (Verbano and Venturini 2013). Sarkodie-Poku (2019) Risk management in small and medium-sized enterprises is primarily focused on owners/managers beliefs that seriously hamper sustainable business development. As a result, they makes decisions in terms of their business as an entity rather than in terms of manager specific risks. This study has demonstrated that there is a correlation which implies that culture influences the way SMEs manage risk. The study recommends the introduction of risk management education for SMEs, increase awareness campaigns on risk management and access to information on risk management by the SMEs.

### Conclusion

From the research findings it was concluded that culture influences risk management. The owners of these firms believe that culture influences behavior such as risk management. Cultural beliefs translate into business norms and values. It was found that cultural factors that had a significant effect on risk management practices were social complexity, fate control and religiosity. However it was found that cultural factors such as social cynicism and reward for application had no significant effect on SMEs risk management practices.

Those who are nurtured in a culture that believe in fate are more likely not to implement risk management in their businesses as they believe that fate is the great determinant of future eventualities. Additionally people nurtured in a religious set up and believing in the existence of a supreme being controlling the universe are more likely not to implement risk management in their businesses. This is because they believe that it is only God who determines what happens and efforts to manage risk that face the business might be a waste of time.

Those who are nurtured in a culture that believe in social cynicism are more likely not to implement risk management in their businesses as they believe that business goals can be achieved through using unethical or informal means. It should be noted also that those who are nurtured in a culture that believe in getting a

reward for putting effort are more likely to implement risk management in their businesses as they believe that putting effort like managing risk will result in getting a reward or benefit. The respondents who believed that there are many solutions to a problem and people will always stick to what worked for them before. These findings therefore reinforces the previous literature that culture influences risk management practices. It can be noted from the interview results that culture influences risk management practices.

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