

## Impact of Culture on Entrepreneurial Risk Taking Governance, Ethics and Sustainability

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### Abstract:

*This research investigates the Impact of Culture on entrepreneurial risk taking Governance, Ethics and Sustainability. Data were collected by various secondary sources. It was revealed that. Pressure increases, the situation becomes worse when the consultants are failing in getting new employees. The clients' satisfaction survey reveals that they are not treated well once they commit for the deal, so later they are less likely to revert. Although, entrepreneurial risk taking and bringing new clients through creative ideas is productive for every company but if pressure is taken farther then the same practices cause damage for the company. It was further revealed that as employees are solely compensated by commissions therefore they have to, at any cost, get sales done. Even if they have to cross ethical boundaries because if they won't bring in the sales they won't be compensated. Moreover, consultants are given ambitious targets and the target-setting flow is top-down. So, this means they will take high risks and often time will get the organization in danger as well*

### Introduction:

There are various kinds of risks associated in the business world. Generally merits of risk-taking action are perceived to be translated into greater creativity, growth, and opportunities. They do, however, entail extreme dangers if not managed properly and especially if ignored in anyway.

When two or multiple firms do joint ventures, where each firm has different culture, management style, history, and sometimes visions as well and they come together with all these differences for a common objective, and if managed properly these firms can capitalize on these differences or damage miserably (Shen, L. Y., Wu, G. W., & Ng, C. S., 2001). Specifically, in construction sector there are higher levels of risks reported related to the stakeholders' decision making that is influenced by their interests and goals in terms of real estate value (Zavadskas, E. K., Turskis, Z., & Tamošaitiene, J., 2010). Similarly, in the global supply chain sector there is multitude of risks involved, from logistics, operations, to overall strategy (Manuj, I., & Mentzer, J. T., 2008).

A tool called "risk exposure calculator" developed by Simons, R. (1999) that identifies the pressure points in any type of organization give overall scoring of how risky the firm is. It has categorized firms in terms of 'growth', 'culture', and 'information management'. By assessing firms in these direction by using this calculator will provide an overall picture of risk assessment.

This report has incorporated Simons' 'risk exposure calculator' to assess Property Millionaires risk of its whole organization.

## GROWTH

### Pressure for performance

Pressure on performance is very high in this organization. As employees are solely compensated by commissions therefore they have to, at any cost, get sales done. Even if they have to cross ethical boundaries because if they won't bring in the sales they won't be compensated. Moreover, consultants are given ambitious targets and the target-setting flow is top-down. So, this means they will take high risks and often time will get the organization in danger as well. When such a situation occurs, organization is rated on a higher side of the risk.

### Rate of expansion

The expansion has skyrocketed for Property Millionaires, it opened its offices in four different cities; Sydney, Melbourne, Brisbane and Adelaide. It grew so much that it exceeded the capacity of this organization to handle the resources in order to cater this growth rate. Hence, the pressure point on expansion is high.

### **Inexperience of key employees**

Since the expansion has rose steeply and given resources are getting drained off therefore the company went on to hire greater number of new inexperienced employees. This poses a great risk because more number of new employees without even a proper training means a sea of mistakes waiting ahead, and along with that they are also less trained or known about the acceptable behavior at work. Hence, the pressure point on this raises up.

## **CULTURE**

### **Rewards for entrepreneurial risk taking**

Consultants are given big targets and expected to get the deals done by all means, such as, they are on commissions so this is the only source of income through which they can be compensated. Pressure increases, the situation becomes worse when the consultants are failing in getting new employees. The clients' satisfaction survey reveals that they are not treated well once they commit for the deal, so later they are less likely to revert. Although, entrepreneurial risk taking and bringing new clients through creative ideas is productive for every company but if pressure is taken farther then the same practices cause damage for the company. Same was the case here in Property Millionaires; therefore their risk on this one is pretty high.

### **Executive resistance to bad news**

Regional managers and top management has kept themselves surrounded by yes-man people. That means they always tell the upper management only about the good things, whereas the potential risks and even blunders are almost always tried to be put under the rug. Lack of devil's advocate people restricts the organization to view situations from multidimensional view that should include both positives and negatives. When such a practice becomes a norm then even the small problems that were hidden away and ignored at one time tend to exacerbate for the future turning out to be a mountain sized. This is the current situation in this organization and that's why it scores high on this one.

### **Level of internal competition**

Internal competition is on rise. Consultants who outperform others are treated as crowned heads and receive special treatment from the upper management. This creates an environment of envy among other, which is natural in such situations. Moreover, culture of team-work is also weak in the organization as they all work independently, so information sharing and collaboration is to the least. Therefore, internal competition is on a high side to the point where it's extremely dangerous for the company.

## **INFORMATION MANAGEMENT**

### **Transaction complexity and velocity**

The technical and complexity of information has kept the company to rely on consultants alone where neither middle nor top managers interfere. Combined with high pressure on targets and complexity of information, which only consultants understand well, it becomes very likely that to achieve the targets they may manipulate information and facts and figures. Furthermore, given that regional managers (the immediate bosses) do not understand well, also have relied on consultants themselves. Therefore, it scores high on this.

### **Gaps in diagnostic performance**

Managers don't have much robust system of performance evaluation. Situation is so worse that they don't even seem bothered to make the system strong. As they are more concerned about the sales figures and moreover the periodic performance reports reach top management late or never. Lack of periodic check and balance loses

necessary control and pose to high risks.

### **Degree of decentralized decision making**

Decentralized decision making has numerous advantages, such as, greater creativity, sense of ownership, quick response to the challenges and problems – to name a few. They do, however, bring drawbacks with them, as in the case of this company where the well-defined information sharing channels are not clear, both horizontally and vertically. Moreover, without the awareness of a broader strategic vision decentralized units went on to take excessive risks. Combining both the lack of information sharing, especially to the top management, and excessive risk taking of independent units, make this company a high scorer on this one.

### **Conclusions**

Consultants who outperform others are treated as crowned heads and receive special treatment from the upper management. This creates an environment of envy among other, which is natural in such situations. Moreover, culture of team-work is also weak in the organization as they all work independently.

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