What determines the resilience of retail business in an unstable

business environment? Evidence from Harare Province

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ABSTRACT

Over recent years, a growing number of researchers and practitioners have developed an interest in the concept of organizational resilience. Amid the turbulent, complex and unpredictable business environment, organisational resilience is regarded as useful in helping organisations to thrive. The purpose of this study was to investigate the influence of organizational learning, innovation, organizational flexibility and business networks on the resilience of retail organisations in Harare, Zimbabwe. A quantitative approach was used in this study in which two hundred and three retail managers were randomly selected. The results indicate that both organizational learning and innovation have a statistically significant predictive effect on retail business resilience. The results also indicate that both organizational flexibility and business networks do not have statistically significant impact on retail business resilience. Therefore, to be resilient in turbulent environments, retail organisations need to create an environment that promotes learning and innovation.

1. INTRODUCTION

Business resilience is a critical ingredient to the survival of firms in a world where the external environment is continuously changing. The ability of organizations to continue to operate and to provide goods, services, and employment is critical to the resilience of the retail industry in Zimbabwe. The Zimbabwean retail sector is facing a very turbulent environment and, as a consequence, tremendous change. This change also brings many opportunities for organizations that are prepared to change. More than four years after the economy of Zimbabwe was dollarized and more stable currencies adopted, the retail sector continues to struggle (Zimbabwe Advertising Research Foundation, 2011). Problems characterizing this sector have continued despite the policy shift, leaving players in the industry wondering what has to be done. The challenge for an organization is thus to adopt an appropriate organizational design that encourages organizations to continually improve themselves to create and sustain competitive advantage. The deregulation of the retail sector has resulted in many players entering the market. However, a number of retailers have seriously scaled down their operations. On the other hand, some retailers namely OK Bazaars, TM, SPAR and few others have remained resilient in the current harsh business environment. What is not known is what accounts for such a resilience by these few retailers. What has helped them to thrive in an environment where others have failed? Organizational resilience is still a new business concept (Hillman, 2013). However the concept is now attracting the attention and interest of researchers and practitioners because of the fast pace at which the business environment is changing (Burnard and Bhamra, 2011). This demonstrates the critical importance of business resilience. In that vein, Hillman (2013) has encouraged more research on this concept. A review of literature on organizational resilience in general and in Zimbabwe shows that that there is a paucity of studies that has focused on the concept. As such, there was need to undertake a comprehensive study to examine factors that have enabled retailers to be resilient in a business environment characterized by complexity, turbulence and unpredictability.

1.1 Statement of the problem

While on the one hand some retailers have closed down operations, on the other hand others have remained resilient to the harsh business environment. What is not known is what accounts for such a resilience by these few retailers. What has helped them to thrive in an environment where others have failed? A review of literature on organizational resilience in general and in Zimbabwe shows that that there is a paucity of

studies that have focused on the concept. As such, there was need to undertake a comprehensive study to examine factors that have enabled retailers to be resilient in a business environment characterized by complexity, turbulence and unpredictability. Such research, while noteworthy, provides important avenues because it provides invaluable insights for retailers to design mechanisms that help them to thrive and sustain their businesses. Given the dearth of previous empirical work on this subject, this study seeks to make a theoretical and empirical contribution to the existing body of knowledge on business resilience by developing and testing a research model showing the drivers to resilience of retailers in Zimbabwe.

1.2 The main research objective

To evaluate the critical factors that enable business resilience among retailers in Harare Province. The specific objectives of the study were:

- To establish the contribution of organizational learning to the business resilience of retailers in Harare province;
- To assess the role of innovation in the business resilience of retailers in Harare province;
- To ascertain the influence of organizational flexibility on the business resilience of retailers in Harare province; and
- To establish the relationship between business networks and business resilience of retailers in Harare.

1.3 Research Proposition

The study makes the proposition that there a several factors that enable retailers in Harare to be resilient to the harsh business environment.

2. LITERATURE REVIEW

2.1 Organisational resilience

Everson and Pujadas (2014) define business resilience as the ability of an organisation to recognize, take, and rapidly and effectively adapt to changes and the resulting risk. Therefore, business resilience is a critical ingredient to the survival of firms in a world where the external environment is continuously changing. According to Lee *et al*, (2013), resilience is defined as the multi-dimensional, socio-technical phenomenon that addresses how people, as individuals or groups manage uncertainty. Organizational resilience is a continuously moving target that contributes to performance during business as usual and crisis situations (Mitroff, 2005). In order to address organizational resilience, organizations must be able to avoid crisis, maintain essential services during a response and to recover operations as quickly as possible. Indicators of company's resilience used in this study are sales growth rate, profits to sales ratio, and return on investments.

2.2 Organizational learning

According to Hoe (2007), organizational learning strategies foster positive employee outcomes by promoting job satisfaction. Morgan (2004) also propounded that knowledge and learning developed from customers, competitors, suppliers and strategic partners of products, technologies and ways of working provide a considerable input to the intangible assets that are valued so highly by investors. According to Hoe (2007), organizational learning consists of three distinct knowledge processes namely knowledge acquisition, knowledge dissemination and knowledge use. Knowledge acquisition is centered on skills creation and involves market research and competitor interactions. Knowledge dissemination involves sharing what has been learnt and is characterized by regular meetings with employees. Knowledge use involves the process of using the acquired knowledge to business use such as implementing new products and policies. Thus organizational learning is a vital catalyst for innovation and enables firms to obtain competitive advantages, maintain their competitive position and improve customer focus and employee relations (Cynthia, Hall

and Helm, 2004). Boyer (2003) has identified six different levels of organizational learning which are inherent in different organizations. These are action learning, active learning, experimental learning, co-operative learning, coaching and mentoring are the main.

2.3   Business networks

According to Nair (2009) a supply chain network is a collection of entities that exchange materials or information so as to maximize their individual revenue. Supply chain networks of modern era are complex adaptive systems that are dynamic and highly independent in nature. (Ponnambalam, Fu, Yin and Wang, 2013). With the increase in product/service/process complexity and outsourcing across international borders, risk associated with supply chain management due to disruptions is growing. The case of retail business in Zimbabwe most of the major retailers have built extensive business networks, be they national or international network. Some even medium sized retailers have gone to the extent of directly importing their goods for resale from neighboring states especially from South Africa. This has allowed them to sale their goods at competitive prices. Ponnambalam, Namatame, Fu, Goh, Kitamura and Souza (2001) argue that corporate stability planning is dependent upon vastly on the emergence of networks, susceptibility and robustness to disturbances. The current networks are dynamic and greatly interdependent in nature. The development of the network and its susceptibility, resilience/robustness to disruption are the determine interactions among entities in the network. Zhao, Kumar, Harrison, and Yen (2011) reiterate that there is a shift in today's supply chain systems from the "chain" structure to a network of interacting entities, such as manufacturers, distributors, and retailers. Rice and Caniato (2003) echo the same sentiments by stating that sometimes a small failure of the network may cause the calamitous failure of the whole system seriously disrupting the movement of goods, information and funds, leading to higher costs or reduced sales (Chopra and Sodhi, 2004). So, the ability of a network to maintain operations and connectedness under unstable conditions greatly influences the resilience of those in the supply chain system, who in this case are retailers. For the retailers to be resilient, the topology of the supply network has a great impact on its own resilience. Kleindorfer and Saad (2005) argue that building resilient networks has high priority that is evidenced by attracting the attention of managers and researchers.

2.4   Innovation

Acccording to Barret, Balloun and Weinstein (2012), innovations are critical to the success of retailers especially in an unstable business environment. Innovations have to be responsive to the respective market characteristics e.g. mature, emerging and the less developed markets require thus distinctive innovations (Galinic and Eisenhardt, 2001). A study by Ngamsirijit (2010) of Taiwanese companies found that there is a positive relationship between organizational innovation and organizational resilience. This shows that a business is able to be resilient if it has a culture that encourages employees to freely discuss and try out innovative ideas and approaches.
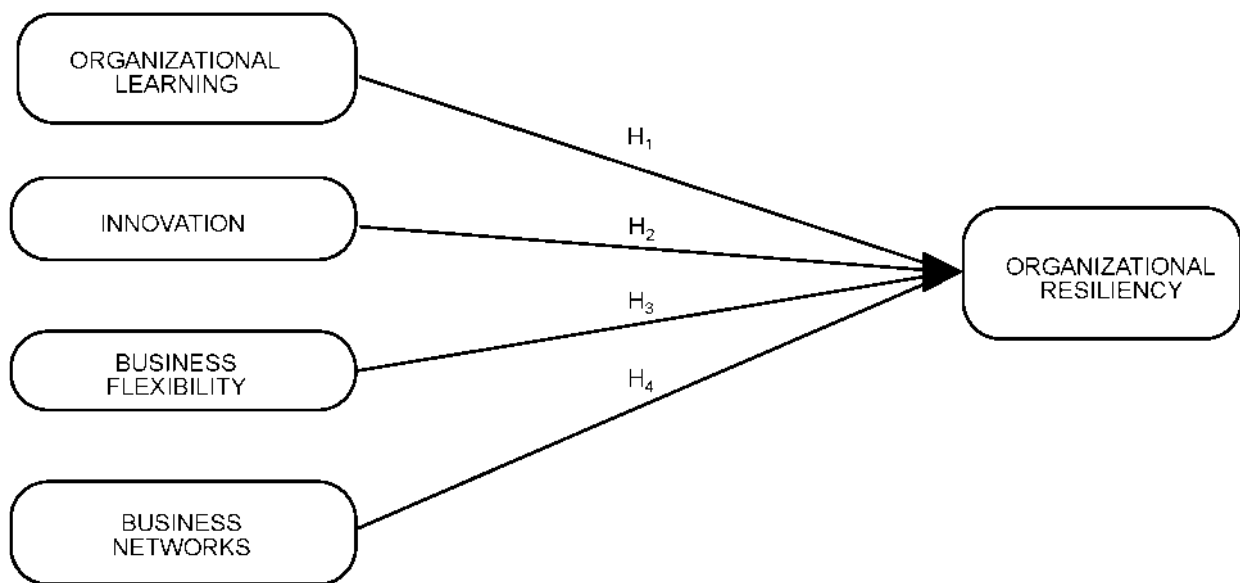
2.5   Organisational flexibility

The highly complex environments in which businesses operate require planning systems that are flexible in order to allow frequent changes and meet varying needs in the market (Bhattacharya and Giapponi, 2007). Flexibility is defined as the extent to which the different business units react efficiently supported by administrative relations and situational proficiency (Barrett *et al.*, 2012). Strategic flexibility is seen as the capacity of a business to maintain competitiveness by continually adapting or responding to changing competitive environments (Ngamsirijit, 2010) organisations with flexible structures and processes are able to thrive in dynamic business environments because of their ability to quickly adapt (Bhattacharya & Giapponi, 2007) In that vein, business leaders should manage flexibility in order to reduce their vulnerability and adjust to dynamic environments (Koornhof, 2001). Echoing the same sentiments, Buganza, Gerst and Verganti (2010), opine that to retain entrepreneurial momentum, flexibility to cope with uncertainties and

dynamic processes is needed. Firms that show low flexibility are seen as rigid in their administrative relations by strictly adhering to bureaucratic practices, thus preventing the development of new resources and capabilities, inhibiting competitiveness (Ireland, Hitt & Sirmon, 2003). Sufficient flexibility should be allowed in order to adapt efficiently and increase organisational resilience, especially where complex processes are involved in new product development (Buganza *et al.*, 2010). Turbulent markets require an integrated responsiveness, supported by flexible practices, to adapt competently and maintain international competitiveness. Businesses should however not be too lenient on control systems when applying flexibility practices (Ignatiadis, 2007).

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In order to empirically test the influence of organizational flexibility, innovation, organizational learning and business networks on business resilience, a conceptual model is developed premised on the reviewed literature. In this conceptualized model organizational flexibility, innovation, organizational learning and business networks are the predictors while business resilience is the single outcome variable. Figure 1 overleaf depicts this conceptualized research model and the hypothesized relationships between the research constructs.

Figure 1: Conceptual Framework

Based on Figure 1, the study developed the following hypotheses:

Hp There is a positive effect of organizational learning on the retailer's resilience.

H_2: There is a positive correlation between innovation and business resilience

H_3: The more flexible is a retail business, the more it is resilient to a harsh business environment.

H4: Business networks positively impact on the resilience of retail businesses to the harsh business environment.

4. RESEARCH METHODOLOGY

The study adopted a positivist, quantitative research paradigm. A positivist research perspective seeks to test and confirm hypothesis in order to explain and predict the effect of one factor on another (Johnson &

Onwuegbuzie, 2004). This approach was adopted in order to establish the effect of organizational flexibility, innovation, organizational learning and business networks on business resilience. The population of this study included managers of retailers operating in Harare province who were randomly selected.

A structured questionnaire was used. A demographic section solicited information about the managers - age, sex, marital status, position occupied in the business, and the respondent's title. Section A covered questions about the independent variables while Section C addressed the business resilience variable.

The unit of analysis in this study included junior, middle and senior managers of retail supermarkets in Zimbabwe. The sampling frame was taken from company register from Registrar of companies and confined to Harare supermarkets. Three hundred structured questionnaires were distributed to different retail supermarkets and only 203 were returned. Simple random probability sampling method was used as every retailer supermarket manager had the equal chance of being selected.

5. RESEARCH FINDINGS

Respondents' profiles in terms of gender, level of management, age, level of education and duration of company operation are presented in Table 1.

Table 1: Gender distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male		106	52.2	52.2	52.2
	Female	97	47.8	47.8	100.0
	Total	203	100.0	100.0	

From the analysis above, it can be concluded that 52.2 percent are male and 47.8 percent are female.

Table 2: Level of Management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Senior Management	34	16.7	16.7	16.7
Middle Management	65	32.0	32.0	48.8
Junior Management	104	51.2	51.2	100.0
Total	203	100.0	100.0	

Regarding the level of management the highest responding management level junior management with 51.2 percent followed middle management which has 32 percent and senior management with 16.7 percent.

5.1 Correlation Analysis

The results of correlation analysis were examined using the Spearman's rank correlation "rho". This was necessitated by the ascertainment that the sample data was non parametric.The Spearman's correlation is a non-parametric rank-based statistical test for unevenly distributed data (Zikmund, Babin, Car, & Griffin, 2009). The Spearman's correlation was therefore used because the data was ranked and not normally

distributed. The correlations range from -1.0 for a perfect negative relationship to +1.0 for a perfect positive relationship (Welman, Kruger & Mitchell 2005). The level of association between organisation resilience' antecedent factors and the organisational resilience are shown in Table 3.

Table 3: Results of Correlation Analysis

Factors:	1	2	3	4	5
Organisational Learning-1	1				
Influence of networks -2	.386**	1			
Innovation culture- 3	.403**	.472**	1		
Flexibility- 4	.116*	.136**	.226**	1	
Resilient organisation 5	.353**	.207**	.311**	.094*	1

** Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

It is observed that there is a weak to moderate positive relationship between organisational learning and retailer resilience (r=.353**, p<.01) supporting the null hypothesis (H1). This implies that organisational learning can result into a retailer being resilient. The results in table 3 also indicates that correlation between retail resilience and the other three factors namely, organisational flexibility (r=.094*, p<.05), networks (r=.207**, p< .01) and innovation culture (r= .311**, p<.01) was not due to chance as p was less than 0.05.

5.2   Regression analysis

Having established the strength of correlations between the variables, the study proceeded to conduct a regression analysis as correlations analysis only measure the strength of a relationship but fail to determine predictive relationship between variables. Regression analysis was performed to test the predictive relationship between the independent variables (organizational learning, innovation, business networks and organizational flexibility and the dependent variable (business resilience). Table 4 presents the regression results showing the predictive power of each factor on business resilience.

Table 4: Regression analysis between the factors and retailer resilience.

Dependent Variable: Independent Variables:	Std. Error	RESILIENT ORGANISATION (RETAIL)		
		Beta	t- value	sig. (p-value)
Factor: 1 Organisational Learning	0.55	0.276	3.477	0.001
2 Business networks	0.57	-0.041	-0.499	0.618
3 Innovation	0.56	0.236	2.787	0.006
4 Business Flexibility	0.46	0.054	0.76	0.448
R: 0.846; R Square: 0.682;		Adjusted R Square:		0.317
F Change: 9.721		Sig. F change:		0.000

Significant at p<0.05

The regression results depicted in Table 4 show that the four factors had an R_ value of 0.682 which implies that the factors explained approximately 68 percent of the variance in the business resilience of retailers. Thus about 32% of the retailers' resilience remains unexplained. It is also noted that the organisational learning (Beta = .276, p<0.05) and innovation (Beta= 0.236, p<0.05) are significant predictors of business resilience.

5.3 Discussion of results

The results presented above have shown that organisational learning is a statistically significant determinant of business resilience. These findings are consistent with the observations of Hoe (2007), who observed that firms which are good at implementing the learning styles are in a good position to be resilient in their industry than those that do not possess a greater understanding of the learning attribute. This shows that the more retail managers adopt and sustain a learning culture, the more they are able to thrive in a harsh business environment. Therefore the hypothesis:

H1: Organisational learning has a positive influence on the retailers' resilience, is accepted.

Similarly, the significant predictive power of innovation on business resilience is in line with study by Barret *et al*, (2003) of Taiwanese companies which found that there is a positive relationship between organizational innovation and organizational resilience. This shows that a business is able to be resilient if it has a culture that encourages employees to freely discuss and try out innovative ideas and approaches. Based on the finding, the hypothesis:

H2: Higher levels of innovation are associated with high resilience levels within the retail businesses, is accepted

On the other hand the other two business networks (Beta= -0.041, p >0.05) and business flexibility (Beta=0.054, p>0.05) are not significant predictors of business resilience of retailers. The results of the study therefore imply that retail management should not invest resources in organisational flexibility and business networks because the two factors do not enhance retail resilience.

In the light of these findings, the hypotheses:

H3: *The more flexible is a retail business, the more it is resilient to a harsh business environment*, is rejected.

H4: Business networks positively impact on the resilience of retail businesses to the harsh business environment is rejected.

Therefore of the four factors, organizational learning makes the most significant contribution to business resilience and is followed by innovation activities. While organizational flexibility did now show significant contribution, it did not show a negative contribution. If retailers are to be resilient in a harsh business environment, managers need to invest in organizational learning and innovation.

6. VALIDITY AND RELIABILITY

The questionnaire was subjected to a pilot study and consultation of subject experts to ensure the instrument measured what it is supposed to measure. With regards to reliability, the internal consistency of the scale was established by the Cronbach's alpha coefficient. A Cronbach's Alpha of 0.7 or above is regarded as acceptable for reliability of an instrument (Schiffman and Kanul, 2009). The Cronbach 's alpha coefficient of the instrument of this study attained a 0.895 which indicates a high level of internal consistency.

7. CONCLUSIONS AND RECOMMENDATIONS

The study sought to determine the influence of organizational learning, innovation, flexibility and business networks on retail resilience. The results indicated that both organizational learning and innovation have positive impacts on business resilience whereas flexibility and business networks are not significant predictors.

Based on the findings of this study, it is recommended that:

• Retailers should put more emphasis on rewarding and recognizing new ideas which managers bring on board. This should cut across all employees in the organization;

• Retailer supermarkets must create and sustain learning culture among their employees possibly through various incentives as this can enforce eagerness to learn, create new ideas and share ideas about new product development; and

Individual assistance and empowerment of managers in decision making is also critical in adapting to changing market forces.

8. LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

Although the study provides fruitful insights regarding factors influencing business resilience among retailers in Zimbabwe, it is not without limitations. The reliance on only four factors as predictors of business resilience is a limitation because there are other factors that are perhaps critical that were not examined. Future studies could possibly examine other factors that have an impact on business resilience. Data were gathered from only a limited number of respondents and retailers in Harare province; hence, the results cannot be generalized to all retailers in the country. Replication of this study is therefore warranted within the retail industry. More studies on the subject area are warranted as it is a relatively new business research area. Future development of the robustness of the scale measuring business resilience is required as this study is a valuable step toward a better understanding of this relatively new phenomenon of business resilience. A possible direction for future research is to conduct a similar study in other provinces in Zimbabwe or in other sectors in order to examine similarities and differences. Future studies should also make a comparison amongst different types of industries.

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