

## EXPLORING THE ROLE OF ORGANIZATIONAL CULTURE IN RISK MANAGEMENT PRACTICES: A QUALITATIVE STUDY OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN EMERGING ECONOMIES

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### ABSTRACT

This paper aims to investigate the effects of organisational culture on risk management in emerging market SMEs, which are often exposed to external risks, including political risk, economic risk, and supply chain risk. Employing a qualitative research method, the study is underpinned by case studies and semi-structured interviews with SME leaders to establish the link between organizational culture and risk management. The study also revealed that leadership style, communication openness and organizational flexibility are the most important factors that influence the perception, assessment, management and response of SMEs to risks. Autonomous, innovative and proactive, entrepreneurial leadership is more effective than a hierarchical one because the latter is more risk-averse and reactive in decision-making. The study also shows that risk communication and cooperation are essential for improving risk perception across the organization and that flexibility is critical for SMEs to act quickly to external forces. This research is relevant to the existing knowledge by providing a view of the general problems of SMEs in emerging economies. Based on the findings, the following recommendations can be made to SME managers: First, managers should engage in proactive leadership; second, communication should be made more open; and third, adaptability should be integrated into the organisational culture. Despite the restriction of the study to specific geographical location and small sample size the study provides the basis for further research on culture and risk management in varied contexts.

**Keywords:** Small and Medium Enterprises (SMEs), Risk Management, Emerging Economies, Supply Chain.

### 1.0 INTRODUCTION

Managing risks is one of the most important factors that can help SMEs achieve the goals of sustainable and competitive development in the modern world. The results show that the application of risk management practices in SMEs is moderated by the organizational culture that defines the approach to risk assessment, reporting, and mitigation. Organizational culture, therefore, is a system of defined values, beliefs and behavioral practices common to an organization that influences the perception of risk tolerance and decision making by stakeholders in the organization (Cameron & Quinn, 2011).

Political instability in the emerging economy means that risk management in SMEs is more complex and therefore the role of organizational culture is a subject of growing research

interest. Challenges affecting risk management practices by SMEs in emerging economies include; inadequate financial capital, restricted technological advancement and unsound legal structures (Khan & Ali, 2020). In this regard, the internal cultural factors play a part in either improving or worsening the risk management of SMEs.

According to Schein (2018), an organization's culture shapes and is shaped by its beliefs, assumptions, values, and tangible objects in the organization, which defines the behaviors, actions, and processes of an organization including risk management. According to Aldriweesh et al. (2022), one of the disadvantages of the hierarchical culture is that decision-making about risk management may be slow and less sensitive to emerging risks. On the other hand, an innovative and adaptability culture accelerates decision making and risk taking that enables the firm to be more competitive and to recover from shocks (Syahwani, 2019).

More current research emphasize the significance of the organizational culture and risk management integration, particularly in SMEs in emerging regions where external risks including political risks, supply chain risks and market risks are significant (Roffia & Dabić, 2023). Aldriweesh et al. (2022) find that Organizational culture acts as a mediator between ERM and financial performance in SMEs. Innovation culture is more suitable for SMEs to cope with external threats and operate in unfriendly contexts. Entrepreneurial leadership according to Syahwani (2019) is also useful in defining organizational culture and risk management. Having a good leadership and information systems in place, SMEs are not only able to detect risks quicker, but also to prevent them.

It is important to know how organizational culture affects risk management, especially in SMEs of emerging economies. These organizations, with limited resources, can derive much from the development of a culture that fosters innovation, flexibility, and dialogue. This research will look at how cultural factors which include leadership, communication and values influence risk management in SMEs. Thus, it will help to fill the gap in the literature regarding the ways in which internal organizational factors influence external business performance and, specifically, the management of risks.

## 2.0 LITERATURE REVIEW

### Organizational Culture

Organizational culture is a collection of beliefs, values and assumptions supported by organizational norms of operation. It concerns the nature of interactions between members, with external parties and the decision-making processes within the enterprise. The organizational culture includes things like innovativeness as opposed to stability, the norms that give expectations regarding the conduct of employees, as well as leadership styles that affect decisions and communication within that organization (Cameron & Quinn, 2011). Organizational communication is also another factor that defines how information is disseminated between different levels, and influences the level of openness and flexibility.

The risk management is different in every organization due to the organizational culture. A hierarchical culture, which is based on formal control systems, is likely to be highly risk averse and may lead to decision-making that is slower than is necessary (Aldriweesh et al., 2022). On the other hand, creative culture encourages risk taking, implying better handling of operation

concerns (Syahwani, 2019). Culture that encourages organization wide communication and cooperation is more effective when dealing with compound or several part risks which are quite common (Cameron & Quinn, 2011).

Organizational culture is a critical factor in risk management in SMEs because of the size of the firms. The risk management practices require entrepreneurial leadership that is characterized by innovation and flexibility (Syahwani, 2019). SMEs need to be responsive while at the same time being systematic in their risk taking to create an environment that encourages it.

## **Risk Management in SMEs**

Risk management is the process of identification, evaluation, and prioritizing of risks then the deployment of assets to mitigate, control, and monitor factors that can be an issue to an organization (Crovini et al., 2020). Risk management is rather important for SMEs because they are more sensitive to the fluctuations in the market than large companies, and they have fewer resources with which to combat these fluctuations. Risk management enables SMEs to detect and prevent potential risks and develop strategies that can allow them to prevent such risks, thus, improving their stability and sustainability (Khan & Ali, 2020).

Nevertheless, there are numerous constraints that make risk management in SMEs in emerging markets different from that of their counterparts in developed countries. Because of the constraints in financial resources, such organizations employ non-systematic and non-scientific methods of handling risks, and these may not be effective in handling sophisticated risks. In addition, the fact that most SMEs lack adequate expertise in risk management means that they cannot adequately classify risks and manage them appropriately.

SMEs in emerging economies are also operating in uncertain markets which are characterized by political risks, economic risks, and high risks of regulatory changes that make it challenging to design sustainable risk management strategies (Khan & Ali, 2020). This volatility only goes to show that the organisational culture plays a crucial role in influencing how SMEs go about risk management. Based on the literature, SMEs with adaptive or innovation culture may better manage the external pressures through developing the risk management culture.

In these economies there are factors such as supply chain interruptions and volatility of demand. Establishing agility and resilience culture enables SMEs to respond to any changes in market conditions or any other external conditions. Culture is one of the most important factors that defines how an organization is prepared to address risks (Crovini et al., 2020).

## **Interlinkages between Organizational Culture and Risk Management**

Culture is therefore a critical determinant of how risks are defined, evaluated and dealt with in SMEs. Organizational culture plays a significant role in decision processes, risk taking, and risk management and the above organizational cultures are not exceptional. Decision making in centralized cultures is slow, and there is little procedural flexibility to manage emergent risks and threats; risk aversion is common (Aldriweesh et al., 2022). These organizations mostly address risks in compliance with the set policies and this hinders them from quickly responding to external threats or opportunities.

On the other hand, Innovation driven and entrepreneurial culture support risk taking and planned risk management. Such organizations are usually found to be more agile than others, and therefore are in a position to manage risks that are unpredictable. Such cultures consider risk as an integral part of growth and are more likely to adapt to innovative strategies to avoid adverse consequences (Syahwani, 2019). In these cultures of entrepreneurship leadership cultivates a risk taking attitude and it also makes certain that the risks taken are inline with the business strategies. This is especially important for SMEs because they have scarce resources and, therefore, have to optimize the use of risk management and opportunity-prospecting strategies.

A number of works connect organizational culture with risk management results. For example, Aldriweesh et al., (2022) revealed that positive culture has a positive impact on the ERM of the SMEs resulting in better financial performance. This means that the firms in emerging markets with open culture, which encourages innovation, collaboration, and knowledge sharing are in better position to manage risks in uncertain environment. Syahwani (2019) also note that supportive organizational culture with the right information systems creates a good foundation to assess risks.

## **SMEs in Emerging Economies**

SMEs in emerging economies are generally small, financially constrained, and formally organized. These characteristics make them exposed to external shocks especially in the political instability, economic fluctuations and disruption of supply chain (Khan & Ali, 2020). SMEs in emerging economies are more vulnerable to shocks than their counterparts in developed markets because they do not have the structures and institutions that support elaborate risk management systems.

The first threat to SMEs in emerging markets is political instability. Instability of policies, lack of clear regulations, and corruption can be very damaging to business operations. Political risks affect trade relations, policies and access to markets; this may in the course of a short period present devastating impacts on SMEs. Indeed, it is not easy to manage these challenges if organizational culture does not support flexibility and positive approach to risk taking (Aldriweesh et al., 2022).

The other big threat is supply chain disruption. Supply chain networks are relatively less standardized, and more likely to be disrupted in emerging economies because of weak infrastructure, low levels of technology adoption, and dependence on the informal sector. SMEs are vulnerable to shocks in supply chain as some industries require timely delivery of their products. Strong organizational culture that promote cooperation coupled with strategies of innovation could assist SMEs to ensure they develop business backup plans together with a multiple plan concerning supply chain in a bid to avoid such risks (Syahwani, 2019).

Another important obstacle is economic instability. Small business owners are therefore likely to face some of the following challenges: Fluctuations in currency, Inflation and economic shocks that can lead to the following: Lack of financial capital puts many SMEs in a very vulnerable position to deal with long-term economic downturns. This goes further to show that there is need for organizations to foster for a culture that enhances the aspect of resourcefulness, risk taking and planning to enable the SMEs to effectively deal with the economic risks.

## 3.0 RESEARCH METHODOLOGY

### Research Design

The research employed a qualitative research approach to establish the relationship between organizational culture and risk management in SMEs in emerging economies. The present study fits well in the qualitative tradition because it focused on an exploration of a multifaceted context, namely the organizational culture, the nature of which is dependent on the meanings and perceptions of the behaviours involved (Creswell & Poth, 2018). This study will use case studies, semi-structured interviews and focus group to collect data from SME leaders on their perception on organizational culture and risk management. Such studies make it easy to study SMEs in their context to understand how culture affects decisions and risk management (Yin, 2018). Focus groups will complement the data by allowing SME leaders to discuss similarities and differences in risk management practices.

### Sample and Data Collection

The participants will be purposefully selected using purposive sampling technique since they will be individuals who have some level of knowledge or experience (Palinkas et al., 2015). It is proposed that SMEs will be selected from diverse industries in emerging economies, and especially those industries that are sensitive to external shocks such as political risks or economic fluctuations. The target population will be organisations having less than 250 employees operating in emerging economies and the study will focus on the extent of integration of risk management into the organisations' processes. Approximately 15-20 SMEs will be investigated to achieve adequate depth and variation while maintaining the study manageable. This sample size is sufficient to obtain data saturation, where no new themes are identified (Guest et al., 2020). Data will be mainly gathered from the semi-structured interviews with SME leaders, which allows for a focus on the depth of the information provided in response to the interview questions (Brinkmann, 2018). In some cases, the interviews will be supported by observational studies to capture risk management in practice.

### Data Analysis

The data collected was analyzed thematically because it was appropriate for studying intricate social processes such as organizational culture and risk management (Braun & Clarke, 2006). This approach was used in defining, describing and analyzing patterns within data that is collected. These stages consisted of: getting to know the data, developing first codes, looking for themes and finally, reviewing and defining these themes. The data collected was analyzed manually and the help of NVivo software will be enlisted to sort and make sense of the data to reveal patterns and connections (Bazeley & Jackson, 2013). Data analysis was deductive, based on the previous theories, and inductive, where themes are developed from the data itself.

### Ethical Considerations

The rights and anonymity of participants are important in this study and therefore ethical considerations are core to this work. Participants will be asked to sign consent forms and will be told about the study and their right to withdraw from the study at any time without any reason being asked from them (Orb et al., 2001). Any information collected during interviews



and observations will be de-identified to protect the participants and organizational information. Information collected will be kept confidential and retrievable only by the research team and in line with the GDPR amongst others (Saunders et al., 2019). This is to enhance ethical research practices, participants' rights to privacy and self-determination.

## 4.0 RESULTS AND DISCUSSION

### Key Findings

The findings of the qualitative study point to several significant factors related to the nature of organizational culture influencing risk management in SMEs in emerging economies. These findings are grouped into three key themes: leadership and culture from the perspective of risk perception, impact of communication on risk consciousness and behavior, and organizational flexibility in crisis. Each of them reveals the relationship between organizational culture and risk management, which gives an understanding of how SMEs can operate with external risks more effectively.

### Leadership and Culture's Role in Risk Perception

The study also revealed that leadership behaviour is the most dominant determinant of organisational culture in SMEs. When leaders of an organisation encourage innovation and the culture of entrepreneurship, risk perception is likely to be proactive. Top management of these SMEs and employees have a perception that risks are not threats but rather gains (Syahwani, 2019). Managers who encourage their subordinates to embrace diversity and novelty make their subordinates engage in risk appraisal, which is more effective than engaging in formal risk search. According to AlAli and AlAskar (2024) SME leaders said that they often talk about risks that may occur, and risk analysis becomes part of the decision-making process; this way, leaders are ready for various challenges.

On the other hand, in the SMEs where the leadership is more centralized and bureaucratic, risk perception is more responsive. In such organizations, risks are normally evaluated and managed only when they have reached a crucial level, which hinders the early control of risks in organizations (Aldriweesh et al., 2022). The lack of participative leadership in such settings hinders risk discussions, and most decisions are made by the top management. This leadership-driven approach can slow down major decision making processes and this leaves the organization open to major risks.

### Influence of Communication on Risk Awareness and Response

Risk awareness and ability to respond to threats was also established to be fostered by good communication. The study showed that firms with an open communication structure demonstrated a higher level of risk awareness especially if the firm is an SME. In these organizations, employees did not only feel capable to report risks, but were also engaged in risk discussion and risk management plans (Aldriweesh et al., 2022). Informal and formal communication about risks makes sure that all the people in the organization is on the same page concerning threats and measures to be taken.

On the other hand, the level of risk awareness was significantly lower among SMEs with more closed communication channels. For these organizations, risk communication was only within the management level with little information provided to the employees on the overall risk context. Consequently, the reaction to risks was slower and less synchronized. Respondents observed that in most top-down organizational communication structures, important risk information is often 'buried' or takes too long to filter up, thereby denying organizations timely risk management. The implications of this are that there is need for the organization to enhance communication at all the organizational levels to enhance the risk management results.

## **Organizational Adaptability in Crisis Situations**

One of the important conclusions was the concept of organizational flexibility in relation to crises. The study found that SMEs with a more adaptable organizational culture better managed crises like economic fluctuations, disruption of supply chain, or political upheavals. Managers in these organisations attributed their culture for flexibility to allow for such business model changes as diversification of supply chain, renegotiation of contracts or shifting of markets focus towards more robust ones (Syahwani, 2019).

On the other hand, it is the SMEs with a strong and bureaucratic culture that fail to be as responsive to the crises as the other companies. The organizational structure was bureaucratic and this slowed decision making especially in the formulation of reactions to external threats. The study also revealed that flexibility is related to leadership; the SMEs with flexible culture normally had leaders who supported change and risk taking while the firm with a rigid culture normally had managers who preferred order and predictability.

Consequently, the present study underlines the necessity of developing a culture of risk management and the ability to adapt to them. SMEs that embrace flexibility as a cultural value are in a better place to manage the risks and uncertainties of emerging economies and would be in a better place to respond to crises.

## **Interpretation of Findings**

This qualitative study confirms the evidence of other studies on organizational culture and risk management, although the findings are more particular to the SMEs in emerging economies. The study established that leadership style, communication openness, and flexibility affected risk management in SMEs. The results of this study offer understanding of the role of organizational culture in supporting or hampering risk management especially in uncertain contexts as the emerging economies.

## **Alignment with Existing Literature**

The paper contributes to the existing body of knowledge that points towards the role of leadership and organizational culture in influencing risk management. For instance, the moderating role of innovative and entrepreneurial leadership on risk perception and response is in consonant with Syahwani (2019) who opined that entrepreneurial leadership enhances the culture of innovation and risk management, which is helpful for SMEs to manage risks. In the same way, Aldriweesh et al. (2022) claimed that when leadership encourages open communication and cooperation, it results in more effective and timely risk management. This

paper supports these observations revealing that SMEs with an open and communication-oriented organizational culture are in a much better position to manage risks.

The study also supports findings made in other studies on how hierarchical and rigid cultures are harmful in risk management. Hofstede (1991) as well as Cameron & Quinn (2011) pointed out that cultures promoting strong emphasis on order and control, including centralized decision-making and numerous rules, hamper risk-taking and delay reactions to threats emerging on the market. This is particularly important in SMEs because these businesses need to be flexible and make decisions quickly due to market volatility. The hierarchical cultures noted in some SMEs in this study resulted in slower and more reactive risk management strategies as was noted earlier.

Despite the fact that the results of the study are generally consistent with prior research, there were some novel conclusions and paradoxes. For instance, while hierarchical cultures are known to be slow in responding to risks, this research established that it was possible for hierarchical cultures to be useful in containing risks originating from outside the organization. This was especially important for SMEs operating in very uncertain conditions, where new risks could be detrimental. In these cases, hierarchical cultures offered a systematic way of managing risks because of the insistence on proper assessment before a decision is made. This is in contrast with other works like Hofstede (1991) that describe hierarchical cultures in rather a negative light in as far as risk management is concerned.

The second moderated relationship in the present study deals with the impact of openness in communication on risk awareness. Even though the literature mainly focuses on the benefits of open communication in increasing risk awareness (Aldriweesh et al., 2022), the present study noted that open communication, especially when there is no clear hierarchy in decision-making, may lead to information overload and confusion, particularly in resource-scarce SMEs. At times, however, an overemphasis on participatory decision-making was counterproductive because it did not clarify who was responsible for acting on the identified risks. This is a factor that has not been discussed much in the literature: communication openness must be matched with effective decision-making.

## **Impact of Cultural Aspects on Risk Management Strategies**

Specific cultural aspects, such as hierarchy, openness in communication, and adaptability, have distinct impacts on how SMEs develop and implement risk management strategies.

### **1. Hierarchy and Risk Aversion:**

SMEs with a hierarchical culture have a strong focus on stability and control more than on innovation. The decision making in these organizations is centralized, and this is followed by prudential behaviors. Their risk management strategies are compliance and bureaucratic formalities (Cameron & Quinn, 2011). On the one hand, this approach guarantees comprehensive risk evaluation and identification of new risks, but on the other hand, it may lead to the lack of timely reaction to new threats and risks or the failure to grasp opportunities in rapidly evolving environments typical for the emerging economies (Hofstede, 1991). But it was revealed that in highly political unstable environment, structure offered control to SMEs and did not allow them to take risky decisions.



## **2. Openness and Proactivity:**

On the other hand, the SMEs, which had open communication, were seen to have adopted better practices in risk management. These organizations promoted risk reporting by employees at all organizational levels and thus increasing risk awareness in the organization. Hence, they were more flexible in addressing possible threats, which is consistent with Syahwani's (2019) conclusion about the relevance of open communication to organizational risk management. But too much openness and little decision-making hierarchy caused some inefficiency, showing that there has to be a good middle ground between openness and speed.

## **3. Adaptability and Crisis Management:**

Risk management is also influenced by organizational adaptability as a strategic factor. Companies with open, innovative organizational culture were able to better respond to external factors such as disruption of the supply chain or a change in the business climate. These firms considered risk management as a dynamic process through which they could adjust strategies as necessary (Aldriweesh et al., 2022). This is in line with the earlier literature that posited flexibility as being central to risk management in volatile contexts (Cameron & Quinn, 2011). On the other hand, low adaptable SMEs did not effectively embrace flexible strategies which made them more susceptible to shocks.

## **Implications for SMEs in Emerging Economies**

The research results of this investigation will be useful to SME managers in emerging economies to understand how organizational culture can be employed to enhance the effectiveness of risk management. Since the political environment, economic conditions, and supply chain disruptions are some of the factors affecting these business organizations the development of a culture that enhances risk management is vital for growth and sustainability. The last part of this paper provides recommendations for SME managers and recommendations on how to use the concept of organizational culture to improve risk management.

### **Practical Implications for SME Managers**

#### **1. Fostering Leadership that Emphasizes Risk Awareness and Proactivity:**

Risk management is a central factor in organizational culture and depends on leadership to a significant extent. The nature of entrepreneurship in SMEs should therefore be supported through recommending SMEs managerial to apply entrepreneurship leadership characteristic that include; innovation, risk awareness and proactive decision making (Syahwani et al., 2019). Those managers who talk about risks, involve employees in risk identification, and try different approaches to risk management foster risk management culture in the organization. Through this kind of leadership, SMEs are able to move from being at the mercy of the risks that are likely to happen to actually preventing those risks from happening.

#### **2. Creating an Open and Collaborative Culture:**

Therefore, risk management requires that there should be free and frequent communication between people involved in the process. SME managers should foster communication and

engage all employees in risk discussions and risk management ideas (Aldriweesh et al., 2022). Promotion of timely and effective communication through meetings, cross section departmental and knowledge sharing sessions would assist in the spreading of this important information on risks. Risk management in this context means that risk-related information is facilitated to move within the organisation to ensure that timely decisions are made to address threats from the outside world.

### **3. Enhancing Adaptability and Flexibility:**

Risk management is an important aspect within organizations and especially in uncertain environments, flexibility is crucial. SME managers should cultivate a climate of openness and willingness to change, forcing the teams to shift gears as soon as they notice changes in the environment (Cameron & Quinn, 2011). This could concern incorporating of techniques in management that would let SMEs to adapt quickly and change strategies when necessary. Organizing for adaptability brings culture change with it and enables SMEs to better manage sudden events such as a shutdown in a supply chain or a shift in the market.

### **4. Formalizing Risk Management Practices:**

The study also establishes that despite the fact that many SMEs use unstructured and unsystematic risk management techniques, it is important for such techniques to be incorporated into the SMEs' organizational structure. SME managers should incorporate systematic risk management frameworks including the Enterprise Risk Management (ERM) systems (Aldriweesh et al., 2022). These frameworks offer a structured process of risk identification, risk evaluation, and risk control, and enable organisational wide risk management culture. Risk management does not need to be costly – risk management matrices, risk registers, and audits can be initiated at a very low cost (AlAli, 2020).

## **Leveraging Organizational Culture to Build Robust Risk Management Practices**

### **1. Aligning Cultural Values with Risk Management Objectives:**

The organizational culture of SMEs must support the company's risk management goals as managed by the company's managers. For example, if innovation and creativity are the values, risk management should also promote trying out creative solutions to address risks. In the same way, if collaboration is one of the values, risk management should be centralized and implemented throughout the organization. When the cultural values of an organization are aligned with the risk management objectives, the SME being the subject of this study for instance, might be in a position to develop A risk-aware culture.

### **2. Embedding Risk Awareness into Daily Operations:**

Risk perception and management are also affected by the organizational culture of the company. Managers should ensure that risk consciousness goes beyond the risk management programs and infiltrates some of the organizational processes. For example, daily risk reminder sessions and inclusion of the risk aspect in the normal meetings make risk management an ongoing activity. It also aids SMEs in maintaining watchful and ready to avert dangers which could crop up due to changes in the environment.

### **3. Encouraging a Balanced Approach to Risk-Taking:**

The two extreme poles of risk management, risk avoidance and risk seeking, are equally dangerous. A proper blend of risk taking activities that are well managed and planned for are required in the situation. Organizational cultures that encourage measured risks mean that SMEs can venture into new markets, technologies or products while bearing risks which may be negative (Syahwani, 2019). Managers ought to embrace the culture of taking risks whilst at the same time, ensuring that all risks are well managed.

### **4. Building Resilience through Continuous Learning:**

This is because a culture of continuous learning assists organizations to develop buffer stock against external shocks. SME managers should ensure that the organization does not stigmatize failures but see them as lessons that enable the organization to improve on its risk management practice. This process allows SMEs to develop institutional memory regarding risks and improve the ways they can address future issues (Aldriweesh et al., 2022). The presentation of risk strategies, therefore, should be followed by post-crisis reviews and feedback that can aid the improvement of future risk strategies.

## **5.0 CONCLUSION AND RECOMMENDATIONS**

### **Summary of Findings**

This paper analyzed the impact of organizational culture on risk management in SMEs operating in emerging economies. Some of the common findings pointed out by the study include; Leadership style, communication and flexibility as some of the important factors that should be considered in the management of risks. Risk management is actively practiced by the leaders of the entrepreneurial organizations, while the communication within the organization makes the risks more apparent. Another factor is that SMEs which operate in a culture that supports flexibility are in a better position to respond to crises that occur outside the business. However, mechanistic cultures were identified to reduce risk management effectiveness by slowing down decision making processes and reducing the organization's ability to respond to external stimuli. Consequently, these studies underscore the role of organizational culture in the formation of SMEs' perception, management and risk mitigation strategies in uncertain environments.

### **Theoretical Contributions**

This study contributes to three key areas: organizational culture, risk management and SMEs researches. First, it contributes to the literature on organizational culture by identifying such factors as leadership and communication in relation to risk management in SMEs. Second, it offers information on risk management because it illustrates how diverse cultures influence risk-taking and flexibility in response to external shocks. Last but not the least, it situates this research within SME literature and underscores the issues unique to emerging economy SMEs and the importance of culture-sensitive risk management.

### **Practical Recommendations**

To enhance risk management through cultural initiatives, SMEs in emerging economies can adopt the following strategies:

- SME managers should adopt an entrepreneurial leadership style that encourages risk-taking within a structured framework. This can help create a culture where risks are not feared but viewed as opportunities for growth, provided that appropriate mitigation strategies are in place.
- Implementing regular risk-related discussions at all levels of the organization can enhance awareness and responsiveness to potential threats. Managers should foster open communication, ensuring that employees actively participate in identifying risks and developing solutions
- SMEs should therefore encourage flexibility so that the organization can easily shift its operations to a new direction in the event of externalities that may include things like supply chain disruptions or an unfavourable economic situation. □ While most SMEs are still operating in an informal nature, there is a strong need to put in place formal methods of risk management which can go a long way to enhance the capacity of SMEs in identifying and managing risks.
- Implementing regular risk-related discussions at all levels of the organization can enhance awareness and responsiveness to potential threats. Managers should foster open communication, ensuring that employees actively participate in identifying risks and developing solutions
- SMEs should promote adaptability, enabling the organization to pivot quickly in response to external shocks like supply chain disruptions or economic downturns
- Many SMEs operate informally, but formalizing risk management processes can significantly improve their ability to anticipate and respond to risks. The use of risk registers, risk audits, and daily management meetings will ensure that risk management forms part of organizational culture.

## Limitations and Future Research Directions

Nevertheless, this study has some limitations. First, the sample size was relatively small making generalization of the results hard to come by. The study brings useful information about the role of organizational culture in risk management in SMEs; however, larger samples from various industries would enrich the understanding. Second, the study targeted SMEs in several but only a few geographic areas of emerging economies, thus may not represent the entire spectrum of challenges in various markets. The future research should extend the geographic coverage to embrace other emerging economies that have diverse economic and political systems.

However, there is a threat to internal validity occasioned by methodological biases such as the fact that data collected was self-reported from the leaders of SMEs. This is because, qualitative interviews being structured based on the perceptions of the respondents, could contain bias. The limitations of the present study should be addressed in future work by integrating qualitative and quantitative approaches to ensure a more accurate cross-validation of the data. Qualitative studies that assess the extent of the direct effects of cultural dimensions on certain risk management results would provide additional support to these observations. Besides, the investigation of how the organizational culture influences risk management in the SMEs that

are larger or family businesses in the emerging economy could provide extra information about this relationship.

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