

Risk and entrepreneurship: the case of MSMES

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Abstract

In the current environment it is common to hear that there is talk about an uncertain environment, a risk environment, even talk about a society of risk. Micro and small companies are much more vulnerable to different types of risk. How have entrepreneurs faced these risks?. In order to contribute with the answer to this question, this paper proposes to offer an exploratory analysis of the risk management practices in small and medium enterprises (MSMEs). The results obtained from the cases studied in the potosinian context indicate that the lack of security in the country is mentioned as part of internal risks, those related to human resources and as external risks. Simple or intuitive methods are used to manage risk. The main contribution is to provide reference elements to promote institutionalization in MSMEs.

Risk Management, Entrepreneurship SMES

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Introduction

In the face of current business circumstances, the dynamic and turbulent environment poses greater challenges for organizations, and therefore greater risk events. All types of profit or non-profit organizations, large or small, involve risks (ISO, 2009, COSO, 2004).

Entrepreneurship is not the exception, if understood, as the process by which an individual accesses a business idea, organizes the necessary resources to take advantage of it, and assumes an economic risk with the purpose of obtaining benefits (García Cabrera, 2013). So in the literature it has been identified that the term entrepreneur describes the people who take risks.

Justification

There is literature on risks and risk management linked to entrepreneurial orientation and to large companies that already exist. Nevertheless, there is an area of opportunity regarding research related to small and medium-sized companies (Verbano and Venturini, 2013). Little is known about risk management practices in companies that have survived (Kim and Vonortas, 2014). Therefore, the field of analysis in the exploration of the role played by entrepreneur risk perception and risk management in the internal processes of newly created MSMESs is evident..

Problem

Micro, small and medium enterprises are much more vulnerable to different types of risk (Street and Cameron, 2007) and have a much higher probability of breaking than their larger and more consolidated counterparts (OECD, 2001).

Objectives**General objectives**

Offer elements of reflection to support the development of SMESS professionalization in relation to internal control and risk management based on the exploration of risk management practices.

Specific objectives

Identify the risks that MSMESS perceive with greater probability and impact.

Theoretical framework

Risk is defined as the effect of uncertainty on the objectives, a deviation from the expected either positive and / or negative (ISO 31000: 2009). Risks can affect the attainment of strategic, operational information and compliance objectives (COSO, 2004). Likewise, the risk can be caused by external factors (economic, environmental, social, political) or by internal factors (human resources, processes, technology).

Organizations manage risk through the identification, analysis, evaluation and treatment of risk. Throughout this process, they communicate and consult with interested parties, supervise and review risk and controls to ensure that no additional risk treatment is required (ISO 31000: 2009).

Newly created companies, small and young, face major challenges in terms of access to resources such as human talent or financial capital and other complementary resources for technological development, commercialization and access to markets (Kim and Vonortas, 2014).

In addition, new and small companies are much more vulnerable to different types of risk and have much higher chances of breaking than their larger and more consolidated counterparts (OECD, 2001).

In this context, research has been carried out that analyzes the trinomial entrepreneurship, risks and MSMESs. Gómez-Araujo et al (2015) show that young people are more likely to be entrepreneurs, given their greater likelihood of taking on business challenges than in older people. Well, individuals, the more they grow older, the less desirable they are to open a new company, because their risk capacity decreases over the years. That is, the younger they are, the more they are able to take risks and, therefore, the more likely they are to be entrepreneurs.

On the other hand, Sepulveda and Bonilla (2014) agree that age affects risk quadratically (first positively, but after a certain point, negatively). In the case of a previous experience of closing a business, aversion to risk increases, that is, increases the probability of feeling fear of failure, which reduces the probability of becoming an entrepreneur.

Meanwhile, Herranz et al (2015) conclude that entrepreneurs more risk-averse lead smaller and more leveraged firms, with more negative capital than their less risk-averse counterparts. Less risk-averse entrepreneurs are willing to give up current consumption to expand their businesses in the hope of future rewards. In the distribution of the returns of small businesses, the actual gross return of the assets can be negative, the owners tend to invest substantial personal funds in their companies and work in them, which aggravates the risk.

Methodology

This work uses an exploratory approach and specifically analyzes three cases of companies that are classified as micro and small local entrepreneurs, enrolled in the Puro Potosino Program coordinated by the Secretary of Economy of the State of San Luis Potosí. This is part of an initial phase within the framework of a broader research project.

As a data collection technique, the structured interview is used considering the founder's voice information on the perception of risks.

Results

Case 1. Honey Production and Marketing Company, 58 employees, family business.

Informant. Woman, 31 years old, with a background in entrepreneurial family, high school education (Business as a lifestyle, 3rd generation). It is recognized as a risk taker.

Identification of Risks. Among the different internal and external risk events, the risks inherent to gender, the fact of playing different roles simultaneously and their repercussions in the business (women, breast, wife), in the second place, social risks are highlighted. , highlighting among them the insecurity of the country, which led to the decision to close outlets in other states and thirdly the risks related to human resources, including ant stealing, problems arising from having hired in key positions to relatives.

Risk management. Intuition is considered as a method of risk management.

Case 2. Company producing food products, 11 employees, 25 different products.

Informant: Woman, 45 years old, with a history of entrepreneurial family, forerunner of business by necessity. "I do not consider that there are risks ... if you want to start a business you just have to do it".

Identification of Risks: First of all, it highlights risks inherent in regulation, such as permits, requirements, forms, paperwork, procedures, etc. Secondly, it considers the risks related to the logistics and distribution of its products, including the place to offer its products and, thirdly, the risk events related to human resources.

Risk management. As a method of risk management, intuition is considered, advice from external.

Case 3. Company producing and marketing coffee, 18 employees family business.

Informant. Man, 62 years old, with a family background in the line, coffee farmers in Tamazunchale. "You have to do things and put fears aside."

Among the risk events that are more likely and impact are perceived, the risks inherent to the training, high costs, are observed, despite this being assumed and the necessary is expended as an opportunity to continue growing. In the second place, risk events related to insecurity are identified, among them the trips to promote the product. Third, the risks related to human resources are identified.

Risk management. As a method of risk management is considered the intuition and consensus in the family, the Intuition, the founder and the training and advice of the network of coffee growers at the national level of which they are part.

Conclusions

In today's environment, it is common to hear that there is talk of an uncertain environment, a risk environment, and even a risk society. Hence the need for entrepreneurs, managers not only of PIMES know, understand and rely on risk management.

In the analyzed cases it is observed that the concept of risks is linked to a negative connotation based on intuition to analyze the risks, which is a point of reference to promote professionalization, training and training, in relation to a program or system of Risk management inscribed in strategic management.

Among the risks that the founders perceive to be most likely and impact, risks related to human resources are considered as part of the internal risks, which is a starting point to apply the strategic management processes linked to risk management based on in internal processes.

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