Risk Attitude, Risk Perception and Risk Management Strategies Adoption in Zimbabwean Small and Medium Enterprises

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Abstract

This study seeks to investigate the influence of both perceived risks and risk attitude on the decision by entrepreneurs to adopt risk management strategies. Risk management remains central to the day-to-day operations of small and medium enterprises, as these constantly need to mitigate risks such as frauds, delinquencies, liquidity and staff turnover. To empirically test a conceptual model of the relationship between the independent variables and the dependent variable, structural equation modelling was employed. A five-point Likert scale questionnaire was used to collect data from 288 small and medium enterprises, while to analyse the data and confirm the existence and strength of conceptualised relationships, a confirmatory factor analysis and a structural equation analysis were conducted. The results of the study provided rather a disparity from the general stereotypical perception about small and medium enterprises, that they largely seek and embrace risk and that they are poorly ranked in terms of risk management adoption. The findings of the study confirm that both perceived risk and risk attitude have a positive and significant relationship to the adoption of risk management strategies by entrepreneurs. In order to enhance adoption of risk management strategies by SMEs, it is important that the perceptions of owners and managers with regard to the probability of occurrence, possibility of impact and severity of impact of a risk event, must be altered.

Keywords: Perceived risk, risk attitude, risk management