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Sean Dodd

University of East London, s.dodd@uel.ac.uk

Yong Wang

University of Wolverhampton, yong.wang@wlv.ac.uk

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PRINCE2 AND ENTREPRENEURSHIP: RISK TAKING & RISK MANAGEMENT IN TWO MICRO-SIZED RESTAURANTS

Dr. Sean Dodd

*The Royal Docks Business School, University of East London, London SE16 2RD
Telephone: 0208 223 2307. Fax : 0208 223 3395. Email: s.dodd@uel.ac.uk*

Dr. Yong Wang

The Business School, Wolverhampton University

Abstract

In the current and difficult economic climate many people are turning to entrepreneurship as an alternative to an unstable and insecure career. Entrepreneurial small businesses are reckoned as agents of innovation, wealth creation and employment generation. Yet evidence from the literature indicates that small businesses often confront multi-dimensional challenges that can shrink their projected profits, impair operating efficiency, and even cause business failure or bankruptcy. The current study examines risk taking and risk management practices in two micro-sized restaurants. The research procedure follows Yin's (1994) case method approach. Challenges facing these two firms are exemplified. An assimilation of executive and managerial thinking that reflects risk taking and risk management experiences/initiatives as prescribed by PRINCE2 is presented. It is anticipated that the study will shed light on business venturing and the impact of risk management on business survival and growth. Suggestions are addressed in line with the findings.

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Abstract

In the current and difficult economic climate many people are turning to entrepreneurship as an alternative to an unstable and insecure career. Entrepreneurial small businesses are reckoned as agents of innovation, wealth creation and employment generation. Yet evidence from the literature indicates that small businesses often confront multi-dimensional challenges that can shrink their projected profits, impair operating efficiency, and even cause business failure or bankruptcy. The current study examines risk taking and risk management practices in two micro-sized restaurants. The research procedure follows Yin's (1994) case method approach. Challenges facing these two firms are exemplified. An assimilation of executive and managerial thinking that reflects risk taking and risk management experiences/initiatives as prescribed by PRINCE2 is presented. It is anticipated that the study will shed light on business venturing and the impact of risk management on business survival and growth. Suggestions are addressed in line with the findings.

Keywords: risk taking, risk management, small business, project management, PRINCE2

1.0 Introduction

The global recession has resulted in many hundreds of thousands losing their job with no end in sight. Entrepreneurship used to be viewed as an option, even a luxury, but now is more of a necessity for many in order to survive. Those made redundant, and graduates new to the market place, are no longer at liberty to choose which vacancies to apply for. In deed, suitable vacancies are hard to find and entrepreneurial small businesses have increased as a consequence. They are often recognised as an engine of the post-industrial growth process - a driving force for national employment and wealth generation (Simon, Houghton, and Savelli, 2003; Cooper and Artz, 1995). According to the Department of Trade and Industry (DTI) (2006), more than 99 percent of the UK businesses are small and medium sized. They altogether contribute 58.7 percent of employment and 51.1 percent of the GDP turnover. Yet small businesses face unforeseen risks, whilst the loss triggered by these risks can prevent the entrepreneurial sector from achieving its industrial potential in employment creation and innovation activity (Storey, 2005; Berryman, 1983). Despite the exact figure being unclear, it is estimated that about 55

percent of small businesses cease trading within five years since inception, and over 80 percent within ten years (Dodge and Robbins, 1992).

The current paper epitomises a story of two micro-sized restaurants, professionally managed by a novice and a habitual entrepreneur in partnership. The entrepreneurial development of these two businesses indicates that the marriage of management art with flexible business strategies can enable businesses to hedge potential perils. The paper commences with a brief review of the literature that relates to risk-taking propensity and risk management, followed by an introduction of the research methods adopted in this study. The paper proceeds with a detailed description of ongoing business risk taking and risk management, as advocated by PRINCE2 (a methodology created by the Government with the aim of managing risk consistently and successfully). In summary, the paper concludes with a set of tentative recommendations.

2.0 Theoretical Background

The concepts of risk and risk taking in organisations recently have attracted increasing attention (Simon *et al.*, 2003; Sitkin and Pablo, 1992). Researchers recognise that small entrepreneurial firms encounter a diversity of risks in their operations. Some risks are entrepreneur/firm related, reflecting the unique features of the business and its decision-makers (Busenitz and Barney, 1997; Gilmore, Carson and O'Donnell, 2004). For example, a business owner willing to invest in an unfamiliar foreign market because of his/her risk taking propensity and the expectation to achieve premium profit margin may confront the difficulty of not understanding the local culture and business operation routines and making strategically unsound decisions. Other risks are industry related, mirroring the evolution pace of the industrial battlefield to which firms engage (Zahra, 2005). For instance, a small IT company that cannot promptly update its knowledge base and technological expertise will encounter the challenge of being excluded from the market by competitors.

2.1 Entrepreneur/Firm Related Risks

Research on the risk taking propensity of entrepreneurs follows two broad streams: trait approach and cognitive approach (McClelland, 1961; Perry, 1990; Simon, Houghton, and Aquino, 1999; Gilmore *et al.*, 2004). The trait approach concentrates on psychological features of a decision-maker to decipher why he or she chooses a more or less risky option to respond to a market call. Studies suggest that entrepreneurs may distinguish themselves from other members in the population by possessing idiosyncratic psychological attributes, such as a need for achievement, tolerance for ambiguity and/or a need for conformity (Begley and Boyd, 1987; Busenitz and Barney, 1997). Specifically, Brockhaus (1980) points out that entrepreneurs exhibit higher level of 'risk preference', different from managers in large organisations who are often characterised as being risk averse (Amihud and Lev, 1981) and adhering to broadly accepted norms of behaviour (Pettigrew, 1973; Busenitz and Barney, 1997). Similar findings are attained by comparing entrepreneurs with owner-managers in small businesses. Covin and Slevin (1991) argue that comparatively, entrepreneurs are 'willing to take on high-risks projects with chances of very high returns, and are bold and aggressive in pursuing opportunities' (pp.7-8). Researchers in family businesses, most of which are micro or small sized, also suggest that owner-managers are often characterised as conservative (Aronoff and Ward, 1997), resistant to change and introverted (Hall, Melin and Nordqvist, 2001; Naldi, Nordqvist, Sjoberg, and Wiklund, 2007). The reason for risk aversion in this particular sector is that family firms are inclined to invest their wealth in the firm and therefore excessively concern the financial security of the investments (Gedajlovic, Lubatkin and Schulze, 2004; Naldi *et al.*, 2007).

Despite numerous studies undertaken along the psychological trait trajectory, the view that entrepreneurs are endowed with distinctive traits has been continuously questioned (Low and MacMillan, 1988; Busenitz and Barney, 1997; Gilmore *et al.*, 2004). Researchers emphasise that findings on trait differences between entrepreneurs and non-entrepreneurs are only marginal, non-consistent and rarely systematic (Cooper and Dunkelberg, 1987; Low and MacMillan, 1988). Others point out that the results on the distinction are not overall convincing (Begley and Boyd, 1987); sometimes they are

confusing or even mutually contradicting against each other (Low and MacMillan, 1988). Hence a separate stream of research emerges, focusing on the variations of cognitions and the decision making process (Busenitz and Barney, 1997; Simon *et al.*, 1999).

The cognitive approach, instead of focusing on heterogeneity in psychological predispositions, pays attention to cognitive disparities among individuals and attempts to understand why entrepreneurs decide to take risk although they are aware of the level of risk present. This body of research emphasises how an individual's perception, cognition and decision-making style influences his/her behaviour (Das and Teng, 1997). Palich and Bagby (1995) find that entrepreneurs are inclined to be optimistic and perceive more opportunities rather than risks behind the business scenarios. This viewpoint is also evidenced by early studies, such as Cooper, Woo and Dunkelberg (1988) and Corman, Perles and Vancini (1988). Cooper *et al.* (1988) observe that 95% of entrepreneurs of new ventures are confident that their firms will succeed even though over 50% of these businesses fail in a relative short period. Similarly, Corman *et al.* (1988) recognise that two thirds of entrepreneurs ironically assert that they are not facing risks. This evidence suggests that entrepreneurs' risk behaviour is associated with their risk perceptions, while these perceptions may be affected by cognitive biases (Busenitz and Barney, 1997; Simon *et al.*, 1999; Cooper *et al.*, 1988; McCarthy, Schoorman and Cooper, 1993).

No matter which conceptual approach is followed to understand entrepreneurial risk management, trait or cognitive, entrepreneurs are recognised to be inclined to take risks with an expectation to capture superior opportunities or secure a distinctive niche market. Entrepreneurship is about recognising and developing opportunities in the market, reconfiguring existing and exploiting new resources and operating businesses in an innovative manner. Furthermore, operating businesses entrepreneurially implies that entrepreneurs may come across perils as they often do not have relevant experience. Yet Naldi *et al.* (2007) point out that embedded in a rapidly changing and uncertain environment, small entrepreneurial firms have to be prepared to take risks. If they are not ready or willing to confront risks, the prospects for business growth may wane in a long run and simple survival may become a higher priority as a result (Ward, 1997).

2.2 Industry Related Risks

The risks encountered by small firms can be industry related, mirroring the influence of the industrial evolution on firms (Zahra, 2005). To this end, the institution theory rooted in conformity is helpful in enlightening the source of industrial pressure and how the pressure is exercised onto small businesses. According to the institution theory, organisations are involved in the industrial environment and there are shared institutionalised views in this environment about what organisations should perform to maintain their legitimacy (Dowling and Pfeffer, 1975). These views can then be transformed into industrial pressure and drive organisations to incorporate widely accepted rules or norms and reflect them in the business process.

With the influx of information and emergence of the knowledge economy, the industrial environment is changing rapidly. Economic progress and technological innovation reshape small businesses' competitive landscapes on a regular basis. This requires entrepreneurs, no matter whether they are willing or not, to respond to the change in a wise manner. Industrial pressure is often originated through 'competitive pressure' from industrial competitors and 'imposition by trading partners' (Iacovou, Benbasat and Dexter, 1995). When competitors in the industry take the lead and enjoy advantages brought by a new approach/technology, a firm will be obliged to consider whether or not to follow its competitors. Not doing so, the firm may become incompetent or quickly outdated. Pressure from trading partners can also coerce the firm to make adjustments. Specifically, when the firm has powerful trading partners engaged in a new approach/technology, they could exercise both push and pull strategies to induce the business to move onto the trajectory.

Small businesses often have difficulties in adjusting themselves to their external changing environment. Their owners are apt to exhibit an artisan-type inward-oriented management over the business. The management culture is often xenophobic which manifests itself through the limited delegation of authority. This may cause a number of management

problems, such as failure to respond to the market and incapable of realising the benefits of specialisation. In addition, due to limited resources and insufficient networking, small firms often have difficulties in collating market information and comprehending the intricacy of industrial policies. Poor analysis on gathered information can further exacerbate the situation, misleading small firms to erroneous judgements and decisions.

2.3 Risk Management

Risk taking is often claimed by scholars as a dominant dimension of the entrepreneurship concept (Miller, 1983; Lumpkin and Dess, 1996). An entrepreneurial firm is the one ‘that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch’ (Miller, 1983, p.771). According to Covin and Slevin (1991), entrepreneurship orientation is often an indication of those competent businesses that can secure competitive advantages in the market and achieve greater financial rewards.

Although risk taking may eventually bring benefits to business performance, this does not mean that risk itself will do any good to performance. In fact, the importance of taking into account risks in operating a small business has been repeatedly addressed in the literature (Simon *et al.*, 2003). The concept of risk management was thus engendered, referring to the behaviours or activities taken by businesses to preserve their assets and profit earning capability (Longenecker *et al.*, 2006).

Risk management in small firms has its own distinctive nature. In large organisations, responsibilities of risk management are often assigned to a specific risk manager or a risk management team which are equipped with bespoke mechanisms or schemes, and are ready or rehearsed to potential risks (Spillan and Hough, 2003). Entrepreneurial small firms, on the other hand, are often characterised by dearth of resources and lack of managerial, marketing and technical expertises (Storey, 2005; Barton, 1993). Under this circumstance, entrepreneurs have to wear several ‘managerial hats’ simultaneously, including the one tagged ‘risk manager’. The commitment diversification determines that

entrepreneurs will not allocate sufficient time and effort to managing risks. They may be aware of the existence of risks, yet they may not take any actions until the 'last minute'. The more perilous is that within the firm, there is not likely to be any established risk-tackling routines to follow. When encountering crises, entrepreneurs may only be able to make improvised decisions (Casson, 2005), while the consequence of taking impromptu actions is uncertain. Some entrepreneurs even naively assume that risks will never occur in their territories (Caponigro, 2000; Spillan and Hough, 2003). Therefore they tend to lay back or pay trivial attention to potential risks.

Risk management is a systematic approach of using a firm's physical, financial, and human resources to minimise the impact of a risk and facilitate an organisation to regain control (Caponigro, 2000; Spillan and Hough, 2003). The methodology PROjects IN Controlled Environments (PRINCE2) was created by the British government, in part, to enable the consistent and successful management of risk. (PRINCE2 replaced PRINCE to make it applicable to all sectors and not just IT.) One of the widely recommended approaches to managing risk, and advocated by PRINCE2, is insurance (Spillan and Hough, 2003; Longenecker *et al.*, 2006; Simbo, 1993), as it can transfer risks to a third party, offer financial help for vulnerable firms and rescue firms in urgent need. The cost and availability of insurance, however, do not seem to be favourable. According to Insurance Information Institute (2004), 50% of small businesses in the US have no interest in purchasing insurance due to the expenditure concern. More than 17% of businesses that purchased insurance in the past have reduced their insurance coverage to alleviate financial obligation. The National Federation of Independent Business in the US reports that recent complaints from small firms have become louder and more frequent. The major concerns are not only confined to premium increase of insurance, but touch upon availability, exclusion, fits and even claims of insurance (Longenecker *et al.*, 2006). Indeed, although insurance can proffer reasonable cover for businesses, the interruption caused by crises may have long-term detrimental impact on business stakeholders. Some of them may never be able to heal the 'psychological scar' left by crises. Additionally, the cover of the insurance is limited. For example, insurance cannot function as a shield

for intangible assets, such as business reputation, customer goodwill, and professional rapport with suppliers or business partners (Spillan and Hough, 2003).

An alternative to insurance protection is risk planning (Caponigro, 2000; Penrose, 2000; Spillan and Hough, 2003). Compared to the insurance protection, risk planning does not have any coverage, fit, or availability constraints. Through risk planning, small entrepreneurial firms may participate in more intensive calculated risk taking to compete for a leading edge, since they possess a physical and psychological buffer. Fink (1986) indicates that those firms without any risk plan have their crises lasting 2.5 times longer than those with plans.

3.0 Research Methodology

The study tracks the ongoing risk taking and risk management practices in two micro-sized restaurants. The research procedure follows Yin's (1994) qualitative case study approach, the merit of which primarily lies in the potential to yield in-depth insights of business processes and practices. Furthermore, the access to a wealth of information and anecdotal evidence enables researchers to offer reasonable interpretations of business scenarios and developmental activities.

Bygrave (1989) indicates that entrepreneurs cannot be separated from the environment they engage in. Driven by this perception, the qualitative data in this study were collected on the basis of one author's personal experience as a business partner. A number of incidents critical to the business are described. Apart from this, the employment of the secondary sources of information such as archives and published articles are utilised. Whenever possible, data are triangulated to enhance validity. Through these, an attempt is made to elicit experiences and lessons related to risk taking, risk management, and entrepreneurial development.

4.0 Risk Taking and Risk Management - Two Restaurants' Experiences

4.1 The Establishment of the Businesses

In 2001 two friends, Martin and Steve, decided to leave the rat race in London and take the risk of running a business together in the South West of the UK. After a search across the South West, in April 2002 they completed the purchase of a tired restaurant in south Devon and transformed it into a modern and bright restaurant. Following the successful launch of the first restaurant, the partners purchased the second that is located a few miles away from the first and formally commenced operation in November 2006. The second restaurant is managed by Martin's friends from London.

The motivations of the two partners to launch the businesses are different. Martin has adequate restaurant running experience because of his family 'legacy' (i.e. his family has a chain of restaurants and retail shops in London). Before launching this business, Martin had a profitable firm, running it with his brother and sister-in-law. He worked seven days a week, stressed and exhausted. Hence he would seek an escape to reconstruct some normality into his life. Martin also had conflicts in operating the business in London against his sister-in-law, which was deemed hard to resolve. The lure of owning a restaurant situated alongside beaches in Devon with fabulous landscape was naturally appealing and also psychologically alluring.

Steve, although having no direct restaurant running experience, is endowed with entrepreneurial charisma. He has an entrepreneurial background with the ownership of other businesses in addition to this new venture. His motivation is crystal clear – aiming to be independent, maximise the value of managerial expertise, and secure a financially comfortable retirement and legacy for his family.

5.0 Entrepreneur/Firm Related Risks

5.1 Application for a Licence to Sell Alcohol

In summer 2006, all firms in the UK selling alcohol to the public were required to apply for new licences from their local Councils due to the newly issued legislation. Steve telephoned the Council helpline, set up specifically for this purpose, to seek advice since the application document was 40 pages long. Based on the guidance, an application was submitted to the Council, along with 7 additional full copies for other departments. Yet, after a long waiting period, the owners were informed that the application had been rejected because of mistakes made in the application. Feeling puzzled and treated unfairly, Steve contacted the relevant person at the Council again and emphasised that the application was completed according to the advice received from the Council helpline. This time, he was told that *'the Council is not responsible for any information given out as we are not solicitors'*.

Though frustrated, Steve decided to consult his own solicitor and other managers in the industry. After a significant alteration, the application was rendered to the Council for a second trial and this time the authority finally approved the agenda. In this case, the owners did attempt to remove the risk of being rejected by calling the Helpline. Yet the plan to hedge risk did not work as anticipated. The query therefore arises - if the Council staff are not accountable for the advices offered, what is the value of counselling? Specifically, when help is sought from the Department directly in charge of the applications, applicants undoubtedly will assume that the information received can facilitate or ensure the application's success. When all these become unreliable, the only way for businesses to proceed is to resort their flexible operating strategy and networking assets. PRINCE2 requires identifying risk and managing it accordingly. This includes managing the stakeholders – in this instance the Council. Although the Risk Theme was implemented it was not sufficient to lead to success at the first attempt.

5.2 Application for Planning Permission for External Signage

When the second restaurant was purchased, an application was submitted to the local Council to remove the existing Greek restaurant name from the outside wall, which was visible to all pedestrians and traffic. The size of the new signage could easily fit the existing framework and no illumination would be included. Indeed, the design style of the new signage reflected that used for the first restaurant. Even the local MP was enthusiastic about it and stated, 'You have made the area proud'. Nonetheless, the application for the name change was rejected and the reason provided was that the new signage design was '*detrimental to the area*'. Learn from Previous Lessons is a PRINCE2 Theme and as the first restaurant was successful in changing the name prior to opening, the same style was used for the second restaurant. The new sign was also slightly smaller than the previous sign which the owners knew was required from planning legislation. A stakeholder, the local MP, also provided feedback which also indirectly supported the application. But neither led to initial approval from the Council. Steve managed another stakeholder, the Council, by meeting the Planning Officer and negotiated a solution.

This experience was a shock as the area is not a conservation area and the neighbours in the vicinity of the restaurant are all service businesses, including pubs, restaurants, amusement arcades and gift shops. Steve eventually found that new guidelines had been issued to local councils to further restrict signage on outside walls in public spaces to encourage uniformity in surrounding areas. In this event, the risk of a small business being vulnerable to rapid changes in the external environment is axiomatic. PRINCE2 states senior management need to be aware of the wider environment which was not achieved prior to the application being submitted.

5.3 Application for Work Permits for Thai Chefs

With the opening of the second restaurant drawing closer, applications for the work and residency permits for two Thai chefs were made to the Immigration Office. Yet, this trial only added another failure record to the business administration history. Under the pressure of an imminent launch of the new restaurant, the owners needed to transfer a chef temporarily from the existing restaurant to the new one. The chef to be transferred

had a 5 year work permit with the endorsement of the first restaurant's name. The owners had sufficient confidence (i.e. confirmation received from a previous telephone call) that the Immigration Office would allow this transfer - Steve had telephoned the Immigration Office in advance and described the situation for the sake of cautiousness (managing the risk). The advice provided was to call again closer to the opening date and a new work permit would be issued. The official who gave the advice described the process as '*Just a technical change on the paperwork.*'

Two weeks prior to the restaurant opening, Steve contacted the Immigration Office again and requested the technical change. Nevertheless, he was notified that a new and full application would be essential and the information provided previously was incorrect. Feeling not being fairly and correctly guided (again), Steve had to resort to his own networking resource. A new full application with the help of a solicitor was promptly submitted. After a short but traumatic period, a 6-month work permit was issued, with a possibility to be extended to 18 months – replacing the original 5 year visa! A condition subjected to this new work permit was that a new residency permit also had to be applied for within 6 months from the issue of the new work permit.

In this event, the staff at the Immigration Office appeared not to follow a clear procedure in processing permit applications. They appeared to show inconsistency and erratic manoeuvre. In fact, Steve had the intuition that the 6-month work permit would finally be granted, as he had included his solicitor's details to the end of the letter to the Immigration Office, indicating a copy of the letter had also been sent to the solicitor. The intention was to give 'pressure' to the Immigration Office staff as Steve's patience was wearing thin.

Risk Management in PRINCE2 was again implemented by the earlier call for advice. A later call stated the earlier advice was incorrect and the owners temporarily struggled to staff the new restaurant as a result. This shows proactive risk management does not automatically remove a risk.

5.4 Unexpected Departure of Key Personnel

In April 2006, the business confronted a personnel risk, a major risk described by Longenecker *et al.* (2006) in their risk typology - a head chef at the first restaurant passed away with no prior symptoms of any illness. On a Saturday night, he worked as normal and the restaurant closed towards midnight as usual. At 2am on Sunday morning, the chef complained of a loss of feeling in his right leg and an ambulance was called. He was kept in hospital and died the following Friday. Since the chef had no will or relatives in England, the firm took the responsibility and organised his body to be cremated and flown back to his family. The funeral arrangements had to be made, and paid for, by the owners with no legal power or similar experience.

On account of health and safety concerns, the business owners purchased private health insurance to cover their key employees. However, the owners were informed by the insurance company that no payment would be made to the chef's 'estate' as his death was not due to natural causes. The insurance company further stated that the insurance policy would not cover the funeral expense either, nor the cost of the flight. In reality, the risk of a key personnel departing in this manner was considered *prima facie* non-existent as he was only in his early fifties and had not complained of any symptoms in the past. When a crisis arises, all insurance problems (such as availability, exclusion and fit) emerge, offering no benefit but headache to the firms. To this end, the latent restraint of using insurance as a risk management means is apparent. PRINCE2 supports the owners' actions by managing the risk by taking out insurance, but in this instance was ineffective when needed, supporting the complaints made by policy holders generally. Policies can be purchased to automatically pay out if the first level of cover does not in the event of a claim. This approach, however, increases the cost of insurance significantly as two premiums are then payable by the business.

6.0 Industry Related Risks

6.1 Incorrect Advert

Advertising is perceived as an investment by the owners and as such, many adverts are placed in the local press and other publications on an ongoing basis. On 28 December 2006, a wrong message was printed in an advert, 'Book now for Christmas', which was supposed to encourage reservations for 31 December 2006, New Year's Eve. An attempt to rectify this human error was made promptly by the owners by organising a meeting with the account manager at the local paper. Although no apology was received, the correct advert did appear again in the press two days afterwards, leaving a much squeezed gap for further reservations. As a consequence, some customers switched over to competitors' restaurants to celebrate the New Year. This was not the only time the local paper did not provide a timely and/or correct advert for the restaurants as organised proactively by the owners.

In a small town full of restaurants, the market has been segmented to such an extent that any business engaged has to function and operate in prudence. Any mistakes made by the firm or other stakeholders may cost a fortune. In fact, the owners in this case checked with the local press in advance for the correctness of the advert and requested a reasonable compensation afterwards. The lesson that can be learnt is that if the firm wants to diminish the probability of dysfunction occurrence, careful monitoring of the business operation much earlier than the desired date of an advert seems to be essential.

6.2 Potential Loss to Competitors

Very occasionally customers of the two restaurants complain about their bills, stating that the menu does not clearly show the price. The layout of the menus was designed by taking into account the ease of navigation by restaurant customers - nothing hidden in any way. Customers who complain about the bill tend to be young customers who are perceived to be attempting to get a discount. As this might create feelings of discomfort among the staff and with other customers listening, the attempts are often quashed without success. Most of these customers later choose not to return and eat at

competitors' restaurants due to their own embarrassment. This alerted the owners that if no action is taken, a market share loss would occur, given that the restaurants are located in a small town and the competition has already been intensive because of the oversupply of food services. The owners exercise diplomacy to soothe customers' anxiety when they make mistakes unintentionally, while for those customers who are obsessed with bargaining attempts, the owners demonstrate managerial tactics to put off their immoral intentions. Manage your Stakeholders is a requirement of PRINCE2 and clearly the owners do this by showing the menu to the customers who complain and identifying the layout of the dishes and their respective prices – thereby cancelling the complaint.

7.0 Discussion and Recommendations

Risk taking and risk management have abundant contexts in the entrepreneurship field. Entrepreneurship centers on recognising and capturing opportunities by reconfiguring existing - and exploiting - new resources in ways that create an advantage. Pursuing such opportunities is risky because the duration and the payoff from the pursuit are unknown (Zahra, 2005). Nonetheless, the venturing endeavour seems to be essential if owner-managers yearn for business prosperity and sustainability over a long run in a hyper competitive market (Rauch, Wiklund, Freese and Lumpkin, 2004).

Notwithstanding the fact that proactive risk taking may benefit small firms, the damage and negative influence likely caused by risks is widely acknowledged. In this world currently in financial crisis, every corner is crammed with traps of risks and uncertainties. Business, as an entity inhabiting on this globe, cannot avoid perils. Across all business functional dimensions, unforeseen events and incidents may, and do, occur. In practice, to facilitate small businesses to survive and succeed, the following procedure of risk management in a PRINCE2 context is recommended:

Assessment of industrial competitors' practices: small firms battling on the forefront of the battlefield should carefully assess their industrial counterparts' risk management practices. Features of those firms in awareness of benefits of risk management, nurturing

risk management culture, resource allocation, and expertise and knowledge in risk management should be inspected. Understanding of critical determinants leading towards successful risk management should be acquired and developed. This supports the PRINCE2 principle of Learn from Lessons, those of the owners and also including those of stakeholders.

Development of a risk management plan: a self-appraisal in risk management should be carried out. Experiences and lessons of counterpart companies in risk management should be analysed and assimilated. Aligning with the analysis, a plan focusing on risk management should be drafted, where prescriptions on how risks can be prevented and controlled should be outlined. In particular, the following issues should be addressed: Why should the business be committed to risk management? Who should participate in the risk planning process? Who should be involved in the risk management team and who should be the team leader? What physical and financial resources should be allocated as a buffer to mitigate or avoid risks? When risk arises, who should be responsible for what activities? How to appraise the performance of the risk management team on a regular basis? What about the rewarding and punishing schemes associated with the team performance?

Enactment of the Risk Management Plan: at the implementation stage, financial and ‘technical’ assistance, and supportive culture are critical. Financial assistance for risk management can be subsidised by extra investment by the owners, or retained operational profits. ‘Technical’ assistance can be achieved through training guided and organised by agencies and consultants. Alternatively, small firms can consider acquiring risk management expertise by recruiting external specialists. Apart from financial and ‘technical’ assistance, an organization-wide shared vision on risk management should be achieved. A genuine shared vision plus a conducive internal environment will enable employees to learn new concepts and techniques, paving the way for the establishment of a comprehensive risk management scheme with company wide buy-in.

8.0 Conclusion

This research study depicts how two micro-sized restaurants undertake risks and master them through managerial administration. Readers may cast a glance at how small firms, constrained by resources, can survive in an increasingly competitive market. Indeed, the fact that the first restaurant will shortly commence its tenth year of trading effectively lends evidence to a successful story with the blend of creative management skills, flexible strategies and a strong working partnership.

This research study consists of two micro-sized restaurants that have encountered a diversity of risks, which reduce both projected profits and operating efficiency. Failure or bankruptcy, which could occur in these circumstances, has been avoided.

This empirical study is an exploratory attempt aiming to outline risk taking and risk management in the small business administration context. It offers detailed evidence of two micro-sized firm's empirical experiences, but owing to the research methodology's inherent characteristics, it is not suitable for any generalisation. Future studies could consist of more case studies and examine them on a longitudinal basis. On the other hand, quantitative studies can be followed for a generalisation purpose. Indeed, more exploratory and confirmatory work is warranted before one can hope to develop domain-specific theories pertaining to this theme.

The owners/managers are proactive in risk management - with the evidence described above suggesting risk-taking propensity increases with experience - yet evidence is provided of unforeseen (associated) risk impairing normal business activities. In these cases, reactive risk management is additionally needed, albeit not the owners' preferred choice of approach, but necessary following an event. Examples of proactive management are provided which still result in difficult situations, i.e. new alcohol licence applications and work permit applications for foreign nationals. The findings suggest that in these situations proactive risk management cannot always facilitate an omission or reduction of the impact on operating efficacy. This was additionally found to be the case

with insurance. Health insurance was in place to protect the business owners and other key personnel (despite the generally known high cost of premiums), but when a head chef was hospitalised (and ultimately died) the insurance company did not compensate the owners in any way. The policy has consequently been cancelled. Again, proactive risk management resulted in no benefit being realised when a difficult situation arose. The case study suggests the level/quality of management of risk and difficult situations can be solely founded on the ability and motivation/availability of the owners/managers. Proactive risk management and insurance policies have been shown to be of limited/no use in some situations - even when applied in conjunction.

PRINCE2 principles and themes advocate, in part, the management of stakeholders and proactive risk management. Both were implemented by the entrepreneurs with varying levels of success. Adopting a methodology can be seen to reduce risk, however, but cannot guarantee the total avoidance of risk in a world particularly characterised by constant change and also, at this juncture, in a global financial crisis.

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