Organizational Resilience: A Key Factor for Business Survival and Value Creation – A Secondary Publication

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Abstract: The lodging and restaurant services sector in the city of Pereira presents complex situations generated by the turbulence of the new business game. Companies that survive the new challenges and those recently established require strategies that allow them to extend their life expectancy. Therefore, the study aims to identify how to apply resilience and management disciplines in a tool that allows companies in the sector under study to sufficiently face situations of high complexity. Achieving this objective requires knowing the causes of the short lifespan of many companies, identifying how surviving companies articulate management disciplines with their strategic objectives, and analyzing the possibility of formulating an organizational model based on resilience as a value. The methodology applied was mixed. The sample was simply random; 23 companies were analyzed through structured interviews and participant observation. As the most significant results: the deficient application of management disciplines was identified as an important cause of company closures; the level of acceptance to implement the practice of resilience and management disciplines in companies; and the way to apply resilience and management disciplines in an instrument that builds value. It was concluded that an organizational model should be formulated where resilience and management disciplines are applied to face times of crisis.

Keywords: Resilience; Financial management; Risk management; Information management; Knowledge management

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1. Introduction

According to Dominguez Rivera, “the average lifespan of a company in Colombia is five years. The main causes of this phenomenon are difficulty in accessing credit and capital, strategic design flaws, and a limited export attitude, which is not about selling from day one but having the attitude to export” [1]. Additionally, Baron stated that the reasons for business failure are fourfold: Human condition, active participation, sex in business, and addictions [2]. All these aspects are related to corporate culture, which is why human resources are a fundamental component for achieving success or falling into failure. Furthermore, COMFECAMARAS mentioned: “Between 2013 and 2017, the average gross entry rate of births was 19.2%, while the average gross exit rate was 18.1%”. These results show that out of every 100 formally created companies in 2012, 34 survive
at the end of five years; more than 32% of the business fabric is made up of companies that have not reached 2 years, 24% are companies aged between 3 and 5 years, 20% are companies aged between 6 and 10 years, and 23% are companies with over 10 years of existence \(^3\).

This information reflects the high levels of turbulence and the intensity of the market selection process. Regarding accommodation and restaurant activities, services, and commerce \(^4\), companies in these sectors have the lowest probability of survival, which originates from the smaller entry size of economic units and the existence of lower entry and exit barriers, resulting in market saturation.

As can be seen, the lifespan of companies is concerning, especially when considering data from the 2020 and 2021 periods, during the COVID-19 pandemic and significant commercial events worldwide. If the current situation persists, a significant number of companies in the sector under study could disappear long before reaching the four or five-year barrier, and a significant number of organizations would struggle to face crisis-generating situations.

The aforementioned details lead to the formulation of the following research question: How to apply resilience and management disciplines in an organizational model that allows companies in the lodging and restaurant sector to achieve a longer lifespan in situations of high complexity? Answering this question requires its systematization: What are the causes that have led to a significant number of companies offering lodging and restaurant services having a short lifespan? Do companies dedicated to lodging and restaurant services that are still in operation design, develop, coordinate, and align management disciplines with their strategic objectives to improve resilience? Based on resilience as a value, can an organizational model be formulated to help companies dedicated to offering lodging and restaurant services overcome the obstacles brought about by highly uncertain environments?

The research aims to achieve the following objectives: Identify the causes that have led to a significant number of companies dedicated to providing lodging and restaurant services to have a short lifespan; recognize whether companies offering lodging and restaurant services that are still in operation design, develop, coordinate, and align management disciplines with their strategic objectives to improve resilience; identify the possibility of formulating an organizational resilience model that contributes to companies dedicated to offering lodging and restaurant services overcoming the obstacles brought about by highly uncertain environments. The study aims to achieve the following general objective: Apply resilience and management disciplines in an organizational model that allows companies in the lodging and restaurant sector to achieve a longer lifespan in situations of high complexity.

The document has been divided into the following sections: Literature review, which delves into theoretical aspects related to the study’s keywords, the methodology applied in the research development, the description of the results obtained from in-depth interviews and participant observation, the discussion and analysis of the results, and the study’s conclusions.

2. Literature review

2.1. Resilience as a value

Survival is a stage in the life cycle of an organization; current times suggest that this stage can appear at any moment. The current global crisis demands that managers also know how to deal with unstable markets in addition to facing the challenge of managing amid scarcity and uncertainty, an aspect that requires their companies to be more flexible and dynamic to be able to face risks that in the past were considered of very low probability and high impact. Being able to face the business world in environments of high uncertainty requires a dynamic that only the most important resource of any organization has: its people. Human resources
are the heart of the company, the brain of the organization, two aspects that in one way or another significantly influence corporate results, a condition that requires knowing how to shape corporate culture to adequately face environments as changing as the current ones. Resilience is not a new concept, it is a domain of knowledge in which, according to Uriarte Arciniega, “observations, research, and psychosocial practices converge, which demonstrate the human being’s capacity to resist and overcome adversities and to build themselves with integrity despite having suffered traumatic experiences” \(^5\). Companies experience the same situation when they face different circumstances that generate crises during any stage of their life cycle, hence why it can be asserted that the survival stage can appear from one moment to another, as is currently happening; survival, more than a challenge, is a consequence of the evolution of every organization: to survive, it is necessary to maintain or grow.

Resilience is considered by Norris as an ability or process rather than an outcome and is recognized more as an adaptation process rather than a stable characteristic \(^6\). From this point of view, resilience fully develops in the stage of business growth in which new markets are explored, new products and services are identified, and the focus is on achieving, in addition to the goal of survival, also profitability, aspects that require, according to Sheffi \(^7\), detection, prevention, response, and resilience, aspects that contribute to reducing the duration, probability, and magnitude of disruptions.

2.2. Financial and risk management: management disciplines necessary for business success

Every company faces three objectives: to survive, to grow sustainably over time, and to generate profitability for its stakeholders. Surviving in markets as complex as today’s requires applying financial management for crisis moments. This is why financial management is responsible for ensuring that the organization’s funds are managed according to a predetermined plan, which implies determining the appropriate amount that the organization should handle, defining the destination of the funds towards specific assets efficiently, and obtaining funds under the best possible conditions, determining the composition of debt \(^8\).

As for risk management, ISO 31000 defines it as all coordinated actions to direct and control the risks that organizations may face \(^9\). Regarding the term “risk,” in general terms, “it is a measure of the variability of the possible outcomes that can be expected from an event. Perhaps the simplest and most intuitive definition of risk is that it is the mathematical expectation of loss” \(^10\).

Surviving from a business perspective in times of high volatility and uncertainty involves the use of financial diagnostic tools such as financial indicators. Growing sustainably over time and generating long-term profitability requires the use of forecasts, including projected cash flows, financial ratios that assess the value of money over time, and statistical tools that estimate risk.

Crises are indeed difficult to anticipate, even more so if there is no early warning system to identify opportunities and threats that may affect the organization in one way or another. What happened during the COVID-19 pandemic allowed understanding the financial reality of companies dedicated to offering lodging and restaurant services in the municipality of Pereira. Those who practice appropriate financial management have managed to maintain themselves without major traumas due to optimal decision-making, and measured confidence regarding the risks they face, especially the risk of becoming illiquid at critical moments for business survival. Therefore, according to Bravo Perdomo \(^11\), from this perspective, decision-making at the management level must follow a disciplined process of prioritization, based on a correct understanding of the business reality, which includes defending the financial sustainability of the company through the use of projected cash flow and the variables that affect it in the short, medium, and long term; taking care of people,
especially the most vulnerable (employees), suppliers, and customers; and building a better future through foresight exercises that involve both actors and key variables in the business environment.

These three aspects are enshrined within the management disciplines recommended by ISO 22316, such as asset management, business continuity management, financial control, human resources management, risk management, and strategic planning \[12\].

### 2.3. Information management and knowledge management: key disciplines for implementing resilience

Information management is “the process by which the entity can exploit and leverage its information (at a lower cost and with better quality, accuracy, and timeliness) to achieve its objectives” \[13\]. If the company’s objectives focus on survival, growth, and profitability, it is necessary to have an information system that allows for capturing, processing, storing, and disseminating the information essential for decision-making. Consequently, optimal information management is required to build value.

Regarding knowledge management, it is important to mention that only the human being has the competence to generate knowledge. Therefore, it is the same company, through its human resources, that is capable of generating and disseminating new knowledge and, consequently, creating more value through innovation. However, it is important to note that “a knowledge-creating organization does not operate as a closed system but as an open system that allows for constant exchange of knowledge with the external environment” \[14\].

When implementing organizational resilience processes, it is necessary to widely share knowledge, hence the reason why knowledge management contributes to improving effectiveness in problem-solving and ensures the sustainability of the competitive advantages that a company has \[15\] while creating an environment in which essential information becomes more accessible to individuals, allowing them to acquire and share such information to develop their own knowledge and apply it for the benefit of the organization \[16\].

Drucker stated that companies are not created to control costs but to generate wealth \[17\]. For Drucker, achieving this goal requires four sets of diagnostic tools: fundamental information (financial indicators, projected cash flow, among others), information on productivity and competition (use of benchmarks through benchmarking), information on essential skills (differentiation), and information on the allocation of scarce resources (capital and high-performing personnel). Companies with a highly competitive profile know how to apply these tools and identify, through data analysis, opportunities and threats early on, thereby generating, in addition to knowledge, competitive advantages, and greater value generation. Information management and knowledge management, together with financial management and risk management, will be key to organizational resilience processes in high-uncertainty environments.

### 3. Methodology

A mixed-methodology approach was utilized, which Hernandez Sampieri \[18\] defined as a set of systematic, empirical, and critical research processes involving the collection and analysis of quantitative and qualitative data, as well as their integration and joint discussion, to draw inferences from all gathered information and achieve a better understanding of the phenomenon under study. Therefore, the research is based on a qualitative evaluation with support from quantitative methods for result analysis. In the qualitative evaluation, the influence of the identified Organizational Resilience Factors on companies and their leaders is explored. In the quantitative aspect, a presumed cause-effect relationship was assessed to evaluate the outcome generated by the application or non-application of resilience in the studied companies.
The historical-hermeneutic approach was applied, which encompasses a range of humanistic-interpretative currents and trends, focusing on the study of symbols, meanings, and significances of human actions and social life \(^{(19)}\). These actions are linked to the development of activities where subjectivity played a significant role, such as in-depth interviews and participant observation. The research gathered data from 23 companies, classified as follows: large enterprises (8.7%), medium-sized enterprises (17.4%), and micro and small enterprises (73.9%). The investigation delved into specific topics, including the role of management, organizational resilience as a strategy for facing crisis moments, financial management, risk management, information management, and knowledge management.

4. Description of the obtained results

To analyze the existing knowledge and evaluate the reliability of the attitude and knowledge test associated with resilience, financial management, risk management, and information and knowledge management topics, a form was constructed containing closed-ended questions and statements measured through a Likert ordinal scale with values of 1 as strongly disagree (SD), 2 disagree (D), 3 neither disagree nor agree (NDA), 4 agree (A), and 5 as strongly agree (SA). Regarding the statements, a randomized odd-even technique was used, from negative to positive direction in all items. It should be clarified that when totaling all the statements, the attitude of the survey respondents was positive (66%) regarding the implementation of practices aimed at strengthening risk management, financial management, and information and knowledge management, key aspects in the design of the organizational resilience model, a percentage that exceeded the negative attitude of 14% reflecting little understanding of the question or doubt about the implementation of practices associated with the pillars of the proposed model. Through the formulation of statements and responses given by the respondents, the following details were identified:

<table>
<thead>
<tr>
<th>What they state</th>
<th>A - SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies monitor their political, legal, and competitive environment.</td>
<td>78.3%</td>
</tr>
<tr>
<td>The organization maintains strong relationships with its stakeholders.</td>
<td>95.7%</td>
</tr>
<tr>
<td>The organization regularly reassesses what it is trying to achieve.</td>
<td>87.0%</td>
</tr>
<tr>
<td>The company has an innovation area for products, services, and internal processes, a key aspect for surviving in times of crisis.</td>
<td>69.5%</td>
</tr>
</tbody>
</table>

4.1. Results regarding resilience

The perception that survey respondents have regarding how the issue of resilience has been managed by top management and how the team has assimilated it, suggests that a culture of support for resilience is promoted as there are roles and responsibilities focused on this issue. Here is the collected information:

<table>
<thead>
<tr>
<th>What they state</th>
<th>A - SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>The leadership promotes a culture of support for resilience.</td>
<td>83%</td>
</tr>
<tr>
<td>There are roles and responsibilities to improve resilience.</td>
<td>74%</td>
</tr>
<tr>
<td>The company has a culture that supports organizational resilience.</td>
<td>61%</td>
</tr>
</tbody>
</table>

Regarding whether the practice of resilience occurs throughout the organization, the following details were identified: Only 48% are in the positive zone when stating that the company always has a plan prioritizing activities when unexpected events occur. It is concerning that only 30% are in the positive zone while 40%
are in the disagreement zone when inquiring about the breadth of the product and/or service portfolio that can cushion times of crisis. Concerning whether the company invests enough resources in research, development, and innovation as a way to anticipate adverse situations, 39% respond positively to both options, and another 39% respond to both negative options. Regarding whether the organization conducts simulation exercises in crisis scenarios to identify threats and opportunities early, 30% respond positively while 44% are in the disagreement zone. Based on these results, it can be inferred that simulation exercises in crisis scenarios are not given much consideration, something that highlights the reasons why a significant number of companies, especially micro and small ones, did not manage to shield themselves early on against the COVID-19 pandemic. It is important to mention that these four aspects require more attention as they may fall into an unfavorable zone if the deviation of each from the average is considered.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>σ</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization always has a plan to prioritize activities when unexpected events occur.</td>
<td>3.43</td>
<td>1.237</td>
</tr>
<tr>
<td>The company has a broad portfolio of products and/or services that can help cushion times of crisis.</td>
<td>3.26</td>
<td>1.421</td>
</tr>
<tr>
<td>In your company, enough resources are invested in research, development, and innovation.</td>
<td>3.17</td>
<td>1.466</td>
</tr>
<tr>
<td>The organization conducts simulation exercises in crisis scenarios allowing it to identify threats and opportunities early.</td>
<td>2.91</td>
<td>1.505</td>
</tr>
</tbody>
</table>

4.2. Causes that lead to the closure of businesses dedicated to offering lodging and restaurant services in the survival stage

During 2020, and due to COVID-19, a significant number of companies in the sector under study saw their income decrease to such an extent that the occupancy rate in the hotel sector, according to figures from DANE’s EMA Bulletin [20], was 36.2% in December 2020 compared to 44.4% in December 2019. The contraction of demand and the low capacity to respond led to the closure of many hotels. This phenomenon was repeated in the restaurant sector: according to DANE’s December 2020 Bulletin [21], “Restaurant, catering, and bar services recorded a 17.8% decrease in nominal income, total occupied personnel presented a 16% decrease, and wages recorded a 3.9% decrease compared to December 2019.” These aspects show how an emerging risk caused crises in the companies under study. The lack of foresight led to a failure to take measures that would have allowed for greater flexibility of their capacities to effectively confront the COVID-19 phenomenon, sufficient reason to infer that the implementation of early warning systems was lacking, demonstrating thereby that disciplines such as business continuity management, crisis management, communication management, risk management, among other disciplines according to ISO 22316, were little taken into account.

4.3. Results regarding the topic of risk management, financial administration, and information management

Despite what was mentioned in the previous section, which can be considered a weakness of the companies, the implementation of soft skills highlights aspects that should be subject to evaluation in terms of risk. Among the positive aspects, it is noteworthy that 74% of companies assess risks and opportunities when formulating and establishing strategies. Aspects requiring more attention include: only 52% of respondents recognize critical risks and incidents that can affect their operations; 57% of companies have an information and communication system (ICS) capable of identifying risks generated by changing situations early on; and 61% of companies show a weak cash flow. Regarding indicators evaluating financial management and risk management, only one company claims not to use such instruments.
Regarding how they perceive the company in terms of financial management and risk management, 60% of respondents perceive their companies to be in a strong position. Despite this perception, it is important to note that, among the surveyed companies, 47.8% do not have an ethical code to guide appropriate behavior and support risk management. When asked about the human resources available for risk management, 43.5% of companies state that they do not possess that strength, even though 91.3% of companies are willing to make risk-taking decisions. Additionally, only 47.8% of organizations claim to have an information system to support the identification, analysis, and evaluation of risks.

5. Discussion and analysis

The results presented, along with information gathered from primary sources, allow us to address the first research question: What are the causes that have led to a significant number of companies offering lodging and restaurant services having a short lifespan? Quoting Veliz Montero [22], “In the world of business, crises generally turn into chaos; this is due to poor planning and not understanding that ‘surprise factor’ is common in highly complex systems, such as organizations.” The research results are consistent with this quote. It has been verified that one of the causes leading to the significant exit of companies from the sector under study is the low responsiveness of top management to complex situations. This is reflected in the following symptoms: Scarce or poor preparation in risk management-related topics; weak application of financial tools for analysis and foresight against emerging risks; high levels of indebtedness jeopardizing solvency, leading to reduced innovation capacity and, consequently, market loss; and low responsiveness due to the absence and/or failures in the ICS.

Regarding the second research question: Do companies dedicated to lodging and restaurant services that are still operational design, develop, coordinate, and align management disciplines with their strategic objectives to improve resilience? As mentioned in the description of the results regarding the practice of resilience, it is observed that this is only partially fulfilled. This inference is drawn when it is identified that 83% of companies do not conduct simulation exercises in crisis scenarios to test their resilience capacity. Similarly, information and knowledge management, risk management, and financial administration are underutilized.

Given this situation, it was found that the surveyed companies lack effective financial administration aimed at creating value, apply poor risk management when faced with high volatility in cash flows, and information management, as Blasquez said [23], “the process of analyzing and using the information that has been collected and recorded to enable managers to make documented decisions,” does not fulfill its most important task: generating knowledge.

Regarding the third research question: Can an organizational model be formulated based on resilience as a value, which contributes to companies dedicated to offering lodging and restaurant services overcoming the obstacles brought by highly uncertain environments? By crossing key variables and analyzing the results, it is demonstrated that it is necessary to implement actions based on ISO 22316 and ISO 31000 norms (comprehensive risk management). This is why it is necessary to design an organizational resilience model where financial administration, risk management, information management, and knowledge management become the pillars supporting competitiveness. Designing a better organizational future focused on creating new paradigms that contribute to value creation and supported by value variables such as attitude, investment, human management, liquidity, effective costs, growth, and continuity, will be the task of the model, which requires a theoretical support based on knowledge management and where emphasis will be placed on internal processes. This process requires that resilience as a value be put into practice, complying with what Blanchard stated: “Organizations do not make values work; people make values work” [24], hence leadership cannot be
left behind: implementing resilience requires leadership that knows how to combine systemic thinking with corporate culture, which requires an in-depth understanding of the aforementioned management disciplines.

The proposed organizational resilience model, which will be called Organizational Resilience Applied to Business Survival, Competitiveness, and Value Creation, started by Molina & Marsal Serra [25], “recognizing the importance of accumulated experience and learning speed in value creation,” a sufficient reason for the Model to have knowledge management as support, thus complying with what Santillán de la Peña expressed: “the ultimate goal should be that knowledge and information are accessible when people in the company need it and in the most appropriate form to help them make more accurate decisions and/or take timely actions in the different situations that arise in their daily work” [26].

6. Conclusions

The lodging and restaurant sector companies that suffered the greatest impact from the crises in 2020 and 2021 relied little on management disciplines such as financial administration, risk management, information management, and knowledge management. This corroborates the fact that a significant number of these companies fail to surpass the 5-year life expectancy.

It was evident that the companies still in the market and dedicated to offering lodging and restaurant services apply resilience as a value, financial administration, risk management, information management, and knowledge management in a rudimentary manner. This is evidenced by the fact that many companies lack early warning mechanisms to indicate the arrival of emerging risks, a situation that highlights the risk of shortening their lifespan if they are not prepared to face complex scenarios.

The lodging and restaurant sector requires the design and implementation of instruments that not only extend its lifespan but also achieve sustained growth and profitability. This is why it was confirmed that it is indeed possible to formulate an organizational model supported by resilience and management disciplines such as financial administration, risk management, information management, and knowledge management.

Disclosure statement

The author declares no conflict of interest.

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