

## EDITORIAL PREFACE

# Management of Uncertainty Tolerance and Socio- Economic Risk

*Kenneth David Strang, State University of New York, NY, USA & APPC Research, NSW, Australia*

## INTRODUCTION

During 2013-2014, there has been an increased emphasis on exploring the uncertainty tolerance of important people; more than one researcher has measured the impact of human risk-taking behavior on socio-economic outcomes. While terrorism first comes to mind, this growing field of research focuses on risk taking or avoidance behaviors of key people in society and in companies.

These studies cross the disciplines of business, economics, psychology, management, sociology, and others. The research questions often focus on the individual level of analysis within specific disciplines, such as how the risk-taking propensity of internal organ surgeons correlates with patient recovery or if the uncertainty tolerance of military leaders improves the medium-term socio-economic stability of a region undergoing civil unrest. This is a fascinating new body of knowledge for future contributors of this journal to investigate.

Preliminary work in this risk management body of knowledge was advanced in 2014 by the Economic and Social Research Council (ESRC). The ESRC operates the Centre for Risk, Banking, and Financial Services at Nottingham University in UK. ESRC recently held a free public seminar that was focused on examining the impacts of risk taking behaviors for key employees (2014, March 26, <http://www.nottingham.ac.uk/business/businesscentres/crbfs/>). Presenters discussed interesting topics such as how the uncertainty acceptance (or risk avoidance behavior) of pilots, air traffic controllers, financial market traders, surgeons, train drivers, and maritime captains impact economic, societal, and environmental conditions. It makes sense to study the link between risk taking behavior of important people and outcomes that impact one or more people.

From a scholarly research standpoint, it would add to the body of knowledge to examine the uncertainty tolerance of certain individuals in our society, namely risk-taking people who could contribute strategic intellectual

insight. For example, we should investigate the uncertainty tolerance in honors-level college graduates, scientists, inventors, and engineers. Although these categories of people are perhaps not as well known as CEOs or politicians yet, their behaviors are modified by their tolerance for uncertainty. Their risk-taking propensity impacts the socio-economic future of many people. IJRCM encourages more research into that topic. In fact, our current issue contains several articles that begin this exploration into the people side of risk tolerance, as summarized in the following section.

## **LITERATURE REVIEW**

### **Outsourcing Risk Avoidance: Comparative Study of Manufacturing and Service Firms**

Agrawal used logistic regression to test risk-driven hypotheses that profitability and market capitalization were higher for product manufacturing and service companies who wrote short-term and low-value outsourcing agreements to avoid risks. She collected financial data for manufacturing, agriculture, and service industry companies (N=79) from USA public archives. She found that manufacturing firms performed better and market value increased when they announced short-term and low-value contracts. Surprisingly, service firms performed better and increased their market value when they initiated long-term and high-value outsourcing agreements. This finding makes sense because in product manufacturing expensive longer-duration outsourcing contracts reduce flexibility while increasing maintenance expenses for equipment-dominated assembly lines. Service organizations often utilize technology (such as personal computers and office productivity software); thus, short-term outsourcing contracts facilitate rapid adaptation to market conditions, and they allow a provider switch when technology advances occur. Notwithstanding these managerial viewpoints, the shareholders of service and product manufacturing companies

prefer low-cost long-term contracts because this reduces dividend uncertainty and cost risks.

### **Comparative Analysis of Racio-Ethnicity and Gender Impact on Stock Risk**

Smith, Tillman-Hawkins, Mosley, and Assad used regression to estimate the impact of cultural and gender diversity announcements in 106 American companies on their profitability. They collected announcements from magazines such as Fortune and New York Times, while they gathered company performance data from the NYSE, AMEX, and NASDAQ. Profitability was measured through the Capital Asset Pricing Model, which includes the expected daily stock return rate and other factors. While most of the findings were mixed (with some patterns over certain years), they detected a longitudinally significant relationship between cultural as well as gender diversity announcements and firm performance. Furthermore, they found that company stock values responded differently to cultural diversity announcements on the day of the announcement as compared to years after the announcement.

### **OCTAPACE Human Resource Development Culture Impact on Bank Performance**

Mahapatra and Kumar examined how human resource development cultural factors impacted performance risk of a large Indian bank. OCTAPCE is an acronym for Openness, Confrontation, Trust, Authenticity, Pro-Action, Autonomy, Collaboration, and Experimentation. It is considered a form of positive organizational culture. The case study bank fell from first to eighth position in the country. They hypothesized that liberalization, privatization, and globalization culture of bank managers impacted this decline. They collected and analyzed personnel data for 153 bank employees over ten years to identify which human resource factors impacted institutional performance.

## **Best-Practice of Reducing Risk through a Culture of Total Quality Management**

Bialaszewski conducted a critical self-reflection of applying a Total Quality Management (TQM) philosophy in several non-profit organizations. He describes how TQM was a best-practice organizational culture for reducing risks. He found that tools such as Gant Charts and software supplemented TQM. This was a practitioner best-practice self-reflection case study, and it was peer-reviewed.

economic, and operational aspects of uncertainty quantification, risk assessment, and contingency management. We also want to attract manuscripts that examine inherent risk or uncertainty within knowledge management practices, game theory, and human resource management. IJRCM is not focused on computer science or investment model analysis. Please see our online call-for-papers at <http://ijrcm.multinationals.org/>.

Kenneth David Strang  
Editor-in-Chief  
IJRCM

## **FUTURE RESEARCH**

We encourage future IJRCM contributors to focus on the social, psychological, political,

*Kenneth David Strang has a Doctorate in Project Management (business research), an MBA (honors), a BS (honors), as well as a Business Technology diploma (honors). He is a certified Project Management Professional® from Project Management Institute, and is a Fellow of the Life Management Institute (distinction, specialized in actuary statistics and pension systems), from the Life Office Management Association. His research interests include: leadership, multicultural e-learning, marketing new product development, knowledge management, and risk/e-business project management. He teaches subjects in business, in class as well as online, plus he supervises doctorate students. He has authored numerous manuscripts and books since 1981. Finally, he is an Editor and Associate Editor at several journals.*