

## An Approach to Business Resilience Based on of Critical Realism and Future Studies<sup>1</sup>

Saeid Samimi<sup>2</sup>, Fatemeh Vahidinasab<sup>3</sup>

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Research Paper

### INTRODUCTION

With the growth of information technology and the continuous change in customers' needs, business environments in non-competitive economies face economic, social, and political risks and must be flexible and resilient to survive in the field of competition (Ludwig Wesassen, 2022). Alexik (2023) believes that in socialist and less developed economies, the principles of business activities in entrepreneurial activities are significantly affected by economic and environmental shocks and crises, and the economic units that operate in these conditions. To adapt to the environmental conditions of the business, they should be flexible and resilient to the changes in information technology. Also, in conditions of uncertainty, if businesses cannot have adequate resilience in the face of financial crises and show appropriate flexibility in changing strategies, they will be doomed. Accordingly, economic units should, in addition to applying themselves to resilience techniques in economic activities. to equip identify potential risks and consider plans to reduce them so that in the event of non-voluntary events and imposing more systematic risk on business units, they can develop a wide range of

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2. Ph.D. Department of Economic and Management, Tabriz Branch, Islamic Azad University, Tabriz, Iran.  
Corresponding Author. (Samimisaied@gmail.com).

3. Ph.D. Student, Department of Financial Engineering, Tabriz Branch, Islamic Azad University, Tabriz, Iran. (Vahidinasabfatemeh@gmail.com).

competencies to prevent the aggravation of economic damage, and improve their activities make them resilient with environmental conditions (Hamel and Valkangas, 2023; Mensawi et al., 2019). Business resilience can be considered as an organization's ability to anticipate, prepare, and adapt to adverse events to continue operating. A resilient system indicates the reduction of the probability of failure, the reduction of the consequences of failure, the prevention of damage and negative economic and social consequences, the reduction of time for the recovery of a specific system or a set of systems, the return to the normal performance level and the stability of a system or ecosystem. It focuses on the response of systems, including environmental, social, and economic systems, to severe disturbance and continuous stress (Wardaker et al., 2020; Merches et al., 2018).

In our country, considering the volatile economic environment, small and medium-sized businesses must take a fundamental step towards resilience and new business models to deal with all environmental shocks changes, and disturbances, and most importantly for their survival. Therefore, achieving a comprehensive model for policy-making in this area that provides a resilient and suitable environment for business is essential and is the main goal of this research using the context-based method and in the light of the theory of critical realism and future research, calculate strategies for the resilience of businesses.

## **MATERIALS AND METHODS**

Realist theory emphasizes the heterogeneity of economic and political resources or local cultural roots by micro theories, and many of the ideas of this theory indicate that the path of change in political economy is towards homogenization in businesses. Critical realism was introduced by Bhaskar in 1970 and is rooted in theoretical challenges to overcome positivism and empiricism that dominate philosophical thinking, especially in practice. The premise of critical realism is the existence of two characteristics of objectivity and subjectivity, the distinction and connection between them, and providing a standard for the degree of conformity of subjective findings with objective events. In the current research, based on the theory focused on critical realism, the objective facts of the business environment in our country are tried to be

considered to collect information, analyze, draw conclusions, and finally examine the extent of its compliance with the facts (Ataayat and Rezaei, 2019). In critical realism, the objective consequences, perceptions, and perceptual biases of accountants, managers, decision-makers, and other stakeholders and how they react to accounting information are examined.

Utilizing the future research approach to identify the incompatibilities, gaps, and opportunities for the growth of businesses in the current and future business environment, by examining the sources and patterns related to the visualization of potential futures and how to give birth to reality from the heart of change (stability), strategies to pay attention to resilience and opportunities Provide growth of economic units. Therefore, in the first part of the research, the effective and intervening factors of business resilience will be investigated, and finally, the possible topics of future research will be presented to clarify gaps and incorrect topics in the field of regulations and governance, as well as resilience strategies. They establish a good relationship with critical realism and other social indicators affecting business concepts; Because the approach of this method is based on a mind devoid of previous information and information, and attempts are made to screen statistical, experimental, and objective information, and then formulate theories corresponding to it (Vatanparast, 2014; Tadil and Yu, 2018). Of course, it should be noted that for the development and comprehensiveness of the phenomenon under investigation, a combination of quantitative and qualitative methods provides more desirable and understandable results, and in the present study, a mixed approach has also been tried. It is exploratory for the following reasons. 1) No research has been done on the subject of a coherent model of business resilience based on social theories in the country; 2) the results of this research lead to the presentation of a theory and 3) the findings of the current research develop the existing knowledge in the field of business resilience.

Also, the current research is of a mixed type from the point of view of implementation, and from the point of view of the result of the implementation, it is due to the attempt to discover the nature of the investigated phenomenon of a fundamental type. Also, the current research is inductive from the point of view of implementation logic. In the qualitative part of the research, the

context-based method and due to the desire for elitism of the investigated phenomena, the semi-structured interview tool has been used.

The period of the research implementation is in 1402 and the statistical population consists of expert and experienced university professors in the fields of accounting and management and business, financial and executive managers of companies admitted to the Tehran Stock Exchange, and management accountants, and management accountants. In this regard, 14 in-depth and semi-structured interviews were conducted through purposive sampling, which was used to analyze qualitative data using MAXQDA software and PLS software for structural equation modeling.

## RESULTS AND DISCUSSION

To collect qualitative data, 14 deep and semi-structured interviews were conducted with a weighted average of 42 minutes. Table 1 shows the statistics of the participants of the qualitative part and Table 2 shows the statistics of the participants of the quantitative part of the research.

**Table1. Statistics of the participants of the qualitative part of the research**

Area of expertise	Number	Science ranking			Level of education			Level of experience (in years)	
		Master of PhD	Master's degree	other	Assistant professor	Associate professor	professor	Less than 10 years	More than 10 years
Expert and experienced academic professors in the field of finance and Business	6	1	4	4	-	-	6	5	1
Financial and executive managers of Tehran Stock Exchange member companies	4	-	1	2	-	2	1	4	-
Management accountants	4	-	1	1	1	2	2	4	-
Total	14	1	6	7	1	4	9	13	1

**Table2. Statistics of the participants of the quantitative part of the research**

area of expertise	Number	gender		Science ranking					Level of education		level of experience (in years)	
		male	Female	Professor	Associate Professor	Assistant Professor	No Doctoral rank	Master of PhD	Master's degree	Other	Less than ten years	More than ten years
Panel members of the quality department	8	7	1	2	2	4	-	6	2	-	-	8
Education (Faculty members and financial analysts)	42	39	3	-	8	34	-	42	-	-	9	36
Executive and financial managers	78	47	31	-	1	15	62	19	45	14	23	55
PhD students Accounting and business	68	57	11	-	-	-	68	-	68	-	24	21
Total	196	150	46	2	11	53	130	47	115	14	56	120

The reliability results of the questionnaire through Cronbach's alpha test showed that the used questionnaire has the necessary reliability and accuracy. To measure validity, a confirmatory factor analysis test, the KMO index, and Bartlett's test were used.

**Table3. KMO and Bartlett test for questionnaire questions**

KMO test	0.630	
Bartlett's test	$\chi^2$	765.845
	Degrees of freedom	369
	Sig	0.000

The findings showed that among the causal and effective factors on the resilience of businesses, the economic factor that is caused by the state and non-free economy has an impact on resilience to the extent of (0.611), and the cultural, environmental, and social factor to the extent of (0.463). Also, the

managerial and political factors are effective as intervening factors to the extent of (0.569). Structural and technical strategies with a coefficient of (0.658) and management and political strategies (0.451), as well as economic platforms with a ratio of (0.631) and cultural, environmental, and social platforms with a ratio of (0.589) in creating the necessary platform and strategy Raising businesses, are effective in the current economy. Also, the consequences of using the model of business resilience at the macro level include increasing the growth of the gross domestic product and reducing the unemployment rate, creating an effective information system to control the processes and strengthen the businesses in dealing with economic shocks, and at the micro level, the satisfaction of employees and other stakeholders with the performance companies and improving working capital. The key factors of resilience are not only limited to material resources; Rather, gaining legitimacy from providing social benefits, equipping network resources, and providing intangible resources are the main axes of business resilience.

## **CONCLUSION**

Resilience is a vital component of companies' ability to plan, respond, and recover from emergencies and crises, which can be a source of competition and drive the capacity to adapt to the economic environment. A reactive approach in critical conditions and environmental uncertainty is the basis of business continuity, and the key to the success of any economic unit in these conditions is resilience in the face of crises and economic shocks.

Business leaders should adopt a new way of thinking about their activities and provide the agility of the organization and its different departments to achieve business resilience dimensions. The ability to identify and assess threats in time, create opportunities for improvement, eliminate disruptions in the supply chain, and define a clear action plan among the responsibilities assigned to employees are among the necessary platforms for resilience in current businesses. Also, some of the key features of a resilient company include creating the necessary platforms for continuous improvement, raising awareness and continuous training of employees in dealing with environmental and environmental factors affecting the company's activities, creating flexible and agile processes in the production of products and optimal management of the company's human resources. The research question seeks to explain a suitable model for business resilience with a critical realism approach. The findings of this section showed that the dimensions of resilience are not limited only to material resources; but also gaining legitimacy from providing social

benefits; Equipping network resources and providing intangible resources are the main axes of business resilience; Also, taking advantage of the technological approach in the production of products and flexibility in meeting the changing needs of customers are among the key factors of the resilience of business units. In a situation where businesses are vulnerable to various possible economic events and may unexpectedly make their business logic ineffective, technological developments, such as big data, the sharing economy, and crowd-sourcing, are factors that help the survival of these types of businesses. The politicization and inadequacies of the country's economy, along with the fluctuation of high-interest rates, have unfortunately limited the competitive environment and the mandated pricing of products and other existing bottlenecks such as economic sanctions and the interpretability of laws and regulations for launching businesses in the current inflated economy have had a negative impact. In this regard, creating a healthy competitive environment, limiting political governance in the country's economy, and real and practice-based privatization will be effective for the flexibility and resilience of businesses. Also, membership in international organizations to obtain international discounts for the export of domestic products is a practical strategy for businesses.

Creating transparency in financial markets and attracting foreign investment also has a significant impact on the growth of financial markets. In the cultural and educational dimension, modeling the advantages of competing companies in covering internal weaknesses, creating dynamic competitiveness in the market by increasing product quality, creating motivation to increase creativity and innovation in employees, and increasing the capabilities of managers and decision-making elements of companies through Continuous training of institutions and professional associations help to make optimal decisions.

In terms of performance, using new cost management techniques, involving customers in the value chain, promoting learning growth, and promoting organizational culture are effective strategies for resilience in today's businesses. Also, the consequences of the resilience of businesses in the current economic environment will be noticeable, the most important consequences of which at the macro level are the increase in GDP growth and the decrease in the unemployment rate, the increase in the efficiency of the financial and capital markets, the attraction of foreign investors, and at the micro level, the retention of actual customers and the attraction of potential customers. In the direction of the strategic goals of the companies, the satisfaction of employees and other stakeholders towards the company's performance, improving the company's net working capital, improving the

performance indicators and KPIs, rebuilding and re-creating the main capacities of the economic activities of the business units and strengthening the businesses against Economic shocks will also be another consequence of business resilience.

**Keywords:** Financial Resilience, Critical realism, Economic Shocks, Structural and Technical Strategies, Future Studies.

**JEL Classification:** Q01.

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