

CITY UNIVERSITY OF HONG KONG
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**Firm Survival and Success in
Environmental Jolts: A Resilience
Perspective and Evidence from Hong Kong
Manufacturing Firms**
從韌力的角度探索香港廠商在環境波動中
的生存及成功

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ABSTRACT

The risk of turbulent change and unanticipated jolts in the environment requires firms to be resilient. In this study, I propose a theoretical model to investigate the impact of resilience on strategic change and firm performance over a 3-year period following the global financial crisis. Resilience is a multi-dimensional construct. Drawing on previous work on organizational and entrepreneurial resilience, I operationalise the resilience construct using optimism, financial slack, and external network and then examine their relative effects on strategic change and firm performance.

A mixed-methods sequential exploratory design approach, which comprises a first phase of qualitative research and a second phase of quantitative research, is used in this study. In the qualitative phase, a multiple case study method is adopted. I use six case studies to corroborate the hypothesised relationships among optimism, financial slack, external network, strategic change, and firm performance. In the quantitative phase, I test the hypothesised relationships using a sample of 207 manufacturing enterprises drawn from the consumer electronics and garment industries in Hong Kong. The test results show that (a) optimism, financial slack, external network and strategic change have positive and significant impacts on firm performance, (b) optimism, financial slack and external network significantly increase the variance explained in firm performance, (c) optimism and external network are facilitators of strategic change, and (d) financial slack does not play a significant role in facilitating strategic change, but it helps to absorb risk and uncertainty while adjusting to changes in the environment.

The study confirms that resilience is an important and powerful concept for surviving unanticipated and disruptive environmental jolts. Specifically, resilience

facilitates short-term and long-term adaptation through opportunistic and risk-taking behaviours and through access to the needed information and resources from supportive networks and relationships. The findings of this study have practical implications especially for SME owners/managers and policymakers. First, resilience can be created through (a) organizational practices that encourage opportunity seeking and risk taking, (b) active involvement in network participation, especially market networks and institutional networks, and (c) maintenance of adequate amount of financial slack against potential risk, uncertainty, and setbacks. Second, to survive and thrive in environmental jolts, firms can engage in positive, growth-oriented changes. Finally, for policymakers, they can improve the chances of survival and success of small manufacturing firms by developing policies and support programmes that facilitate new venture creation and help SMEs to broaden their market and institutional networks.