Research Article

Survey of the Relationship between Risk Tolerance and Readiness to Change in the Bank Officials of Kermanshah Province

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ABSTRACT

Understanding the relationship between risk power and readiness to change can be important from both operational-executive and theoretical points of view. Thus, the present study aimed to investigate the relationship between risk tolerance and readiness to change in the bank officials of Kermanshah province, Iran. In this descriptive, analytical study, the data were gathered using a questionnaire. The statistical community included the chiefs and assistants of banks in Kermanshah and using the Cochran formula, a 120-subject sample size was determined for the study. Pearson and Spearman correlation coefficient was used to determine the relationship between the variables. The study results revealed a direct relationship between the challenge and variety index and tolerating novelty, complexity, and situations with insolvable problems. However, a negative relationship was observed between monotony and predictability of the tasks and tolerating novelty, complexity, and situations with insolvable problems. Also, no significant difference was found between the chiefs and the assistants regarding their risk tolerance and readiness to change. In case the projects, which require change acceptability and creating new conditions, are executed in banks, the managers with high change acceptance and risk tolerance should be employed. In fact, younger managers with higher education levels and lower working experiences should be hired in the posts, which require risk tolerance and change acceptability.

1. Introduction

Banking and financial services comprise a major section of service industries. The perspective of financial services is rapidly changing in the world. Up to now, a large number of modulatory, structural, and technological changes have occurred toward a global integrated banking environment. Also, by presenting various advantages and competitive services and renewing their services structure toward using quick technologies for meeting the customers’ changing needs, banks are expanding through the boundaries. Consequently, the nature of banking services and customers’ relationships has also changed. The highly competitive and ever changing banking environment has caused the banks to revise their attitude toward customer satisfaction and optimize their services quality [1]. Change is defined as getting out of a condition and entering another. Considering the organizational perspective, change is defined as alteration in at least one of the organizational structure, technology, human resources, and production and service tasks areas and reaching the desirable status [2]. In the recent decades, financial crises have caused a lot of international changes. These crises have increased the banks’ as well as the policymakers’ consciousness for more supervision on different types of risks in financial and banking institutes. Overall, risk and its management have attracted a lot of attention through the recent years [3]. Decision-making is one of the main duties of the managers at all the management levels. Moreover, the managers’ risk tolerance and their attitude toward risk, as one of the particular personal characteristics, determine their risk tolerance for risk aversion while decision making. In fact, managers have to make decisions for all their duties including planning, organization, direction, equipment of the resources, and controlling the organization’s functions [4]. In general, most of the managers’ decisions are accompanied by risk and, as a result, risk tolerance is one of the necessities of management [5]. Accepting a risk is in fact exposing oneself to damage and is associated with sensation seeking [6]. Sensation can be defined as seeking for novel, complex emotions and experiences and tendency toward accepting physical, social, legal, and financial risks. It can also affect risk tolerance [7]. The indexes increasing the risk include the speed of technological changes, changes in the customers’ expectations, increase in general available Internet networks, decrease in face-to-face interaction with the financial institutes’ customers, and the necessity to integrate electronic banking using institutional computer systems [1]. Change acceptance involves tolerating novelty, complexity, and insolvable issues. In the competitive environment of the 21st century where global banks econ-
Risk tolerance is so important that is considered as one of the effective factors in the students’ risk tolerance and appropriate decision making. For instance, one study revealed that the relationship between risk tolerance and motivation, enjoyment, and happiness of great importance in manager’s tasks and is associated with anxiety, fear, motivation, enjoyment, and happiness [8]. In the same line, other studies have revealed a more significant relationship between risk tolerance and total assets yield in the organizations with risk tolerant managers compared to those with risk-averse managers. However, no such relationship was observed regarding the sale growth trend [9].

3. Materials and Methods

The present correlation, descriptive-analytical study investigated the relationship between the tendency to change the organization and readiness to change. The study data were collected using a questionnaire which consisted of three parts. The first part included the demographic characteristics. The second section of the questionnaire was related to risk tolerance and the third part was related to change acceptance. Considering the role of the managers’ risk tolerance in the banks’ financial structure and the need for change in the banks’ competitive environment, the current study investigated the relationship between risk tolerance and readiness to change among the bank officials of Kermanshah province, Iran.

2. Results

Among the 120 study participants, 42 [35%] were chiefs and 78 [65%] were assistants. In addition, 58.8%, 3.38%, 32.5%, and 23.3% of the subjects were below 30, between 31 and 40, between 41 and 50, and above 50 years old, respectively (Table 1).

In the present study, 7.5%, 36.7%, 42.5%, and 13.3% of the respondents had diploma, A.D., B.Sc., and M.Sc. and above degrees, respectively (Table 2).

According to the study results, 0.8%, 29.2%, 34.2%, and 35.8% of the participants had below 10, between 11 and 15, between 16 and 20, and above 20 years working experience, respectively (Table 3).
The findings of the current study revealed a significant relationship between change and variety and the individuals’ tolerance of novelty, complexity, and situations with insolvable problems [P<0.05]. As the degree of challenge and variety increased, the subjects’ level of tolerance for novelty and new, unexpected conditions, complexity and insufficient, unrelated, unorganized information, and the situations with insolvable issues increased, as well. Moreover, a significant reverse relationship was observed between the monotony and predictability of the tasks and the participants’ tolerance of novelty, complexity, and conditions with insolvable issues [P<0.05]. As the monotony and predictability of the tasks increased, the subjects’ tolerance of novelty, complexity, and situations with insolvable issues decreased. Overall, the results of Pearson correlation coefficient revealed a statistically significant relationship between all the variables related to risk tolerance and readiness to change (Table 4).

In this study, no significant difference was found between the bank chiefs and assistants regarding risk tolerance and readiness to change [P>0.05]. However, a significant relationship was observed between the level of education and risk tolerance [P<0.05]; the participants with higher levels of education showed more risk tolerance and readiness to change. Furthermore, a significant reverse relationship was found between the working experience and readiness to change [P<0.05]; the respondents with lower working experience had more risk tolerance and readiness to change. In this study, the results of Friedman test showed challenge, variety, and conditions with insolvable issues as the most and least important factors, respectively (Table 5).

### 4. Discussion

The present study investigated the relationship between risk tolerance and readiness to change in 120 bank officials of Kermanshah province. The study results showed that risk tolerance was effective in readiness to change and that risk tolerance behavior was of utmost importance in higher levels of management. Managers have to take risks for planning, developing, and selecting new strategies, changing these ideas to realities, and reaching success. On the other hand, risk aversion causes the managers not to have tendency toward selecting high-risk investment plans with high profitability. In this way, the rate of investment decreases. Risk averse managers choose activities with low risk and low efficiency and avoid accepting new, advanced technologies which are accompanied by high risks [15]. One study revealed a negative relationship between the managers’ risk aversion and the company’s profitability [10]. One other study showed that at stagnation of quick changes in the economic system, managers should select appropriate strategies according to the type of change. It has also been shown that the shareholders’ risk aversion leads to a more fatal condition [16]. In the current study, tolerance of novelty, complexity, and conditions with insolvable issues showed a direct relationship with change and variety index. Owen in his book entitled “Human dimensions of organizational change in higher education” concluded that change caused the individuals not to feel calm in their new roles, complain about losing their previous status, and show resistance toward the change because of their uncertainty toward the new status [17]. This implies that risk tolerance is required in order to create a change. The findings of one study showed that the performance of the instructors whose managers had employed change management was 80% better than that of the instructors whose managers did not make use of this strategy [10]. The results of the present study revealed a reverse relationship between monotony and predictability of the tasks and the three indexes of change. Keup conducted a study and showed that culture could affect the change plans through creating readiness for organizational change and responding to it, reducing resistance toward the planning change, and improving the outcomes of change. Other studies have also mentioned culture as one of the key effective factors in creating a successful change. Therefore, successful execution of change and appropriate exposure to changes depend on creating the necessary readiness in the individuals as well as cultural infrastructure [19]. In the same line, other researchers have focused on readiness to change and stated this issue as a necessity [20]. Furthermore, one study showed that in case managers understand and act according to the change processes, they will be able to manage the change process without destroying the individuals’ motivation and commitment [21]. The findings of the current study showed that the officials with higher levels of education had higher risk tolerance as well as readiness to change. On the other hand, the participants with higher working experiences had lower risk tolerance and readiness to change. Nonetheless, no significant change was observed between the chiefs and assistants regarding their risk tolerance and readiness to change. In conclusion, in case of executing novel projects requiring change acceptance and creation of new, unpredictable conditions, management and experience of the managers with

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**Table 3. Frequency distribution of the study participants’ working experience**

<table>
<thead>
<tr>
<th>Working experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10 years</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Between 11 and 15 years</td>
<td>35</td>
<td>29.2</td>
</tr>
<tr>
<td>Between 16 and 20 years</td>
<td>41</td>
<td>34.2</td>
</tr>
<tr>
<td>Above 20 years</td>
<td>43</td>
<td>35.8</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 4. Statistical indexes of the relationships among the study variables using Pearson correlation coefficient**

<table>
<thead>
<tr>
<th>Risk tolerance</th>
<th>Tolerance of novelty</th>
<th>Tolerance of complexity</th>
<th>Tolerance of insolvable issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge and variety</td>
<td>0.65</td>
<td>0.74</td>
<td>0.69</td>
</tr>
<tr>
<td>Significance level</td>
<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Sample size</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Monotony and predictability of tasks</td>
<td>-0.72</td>
<td>-0.69</td>
<td>-0.83</td>
</tr>
<tr>
<td>Significance level</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Sample size</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

**Table 5. Ranking the research assumptions using Friedman test**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Rank. of Friedman test</th>
<th>Research variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.02</td>
<td>Challenge and variety</td>
</tr>
<tr>
<td>2</td>
<td>2.03</td>
<td>Tolerance of insolvable issues</td>
</tr>
<tr>
<td>3</td>
<td>2.5</td>
<td>Monotony and predictability of tasks</td>
</tr>
<tr>
<td>4</td>
<td>2.8</td>
<td>Tolerance of complexity and insufficient, unrelated, unorganized information</td>
</tr>
<tr>
<td>5</td>
<td>2.86</td>
<td>Conditions with insolvable issues</td>
</tr>
</tbody>
</table>
high risk tolerance and change acceptance should be used. On the other hand, management and experience of the managers accepting the monotony and predictability of the tasks should be employed in case the banks are faced with repetitious issues, which lack new and unexpected conditions. Furthermore, younger managers with higher levels of education and lower working experiences are recommended for the posts requiring risk tolerance and readiness to change.

5. Suggestions
- In future studies, private banks are recommended to be investigated in addition to state banks.
- Considering the importance of creative managers in today’s competitive and uncertain world, other managers’ characteristics should be assessed in future studies.
- The reasons for the correlation between the managers’ risk tolerance and readiness to change should be investigated in future researches.
- Further studies are recommended to be conducted on the effect of risk tolerance and readiness to change factors on the banks’ success and customer orientation.

References