THE STUDY OF ENTERPRISE RISK MANAGEMENT, ITS BENEFITS AND PRINCIPLES AND HOW IT CAN HELP AN ORGANISATION TO ACHIEVE GROWTH AND PROFITABILITY

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PART 1

DECLARATION

I do hereby attest that I am the sole author of this project/thesis and that its contents are only the result of the readings and research I have done. The dissertation titled “the study of enterprise risk management, its benefits and principles and how it can help an organisation to achieve growth and profitability”, submitted for the award of Doctor of Philosophy (PhD) at the Selinus University of Sciences and Literature, School of Business and Media; is my original work and the dissertation has not formed the basis for the award of any degree.

All the materials, various schools of thoughts, and other academic consulted during the research work and for the dissertation were duly acknowledged.

Date: July 1, 2020.

Name: **Olawale Awosina**

Signature :

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DEDICATION

This work is dedicated to the Glory of God the giver of life, power and knowledge. I dedicate this work to my family and the Awosinas for the beginning of greater things to happen.

Most importantly, dedicated to myself; Not easy, but not impossible. He who dares the odd achieves the impossible. No one owe me anything, I owe myself everything.

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I express my deep sense of gratitude to the almighty, my family members, friends & colleagues who have directly and indirectly helped me in this thesis. I acknowledge my mentor Alex Dali; the President of G31000 who helped built my capacity in enterprise risk management.

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ABTRACT

There are remarkable research work in the field of Enterprise Risk Management (ERM), and notably research have been carried out in the areas of Value at Risk (VAR), Enterprise Risk Management quantification and measurement, liquidity, and capital adequacy, capital asset pricing model (CAPM) to mention just a few. There are however limited study on the principles of ERM and how it can be used as a tool by organisations to achieve growth and profitability. Enterprise Risk Management is a relatively new subject, although risk management practices can be traced back to the 1930s, and was attributed to insurance. ERM became popular afterwards but the subject matter remained elusive (not well understood) to so many. The practice of ERM became much more popular in the late 90s to mid-2000, no thanks to series of catastrophe and the financial crisis experienced by notable organisations and the world at large. The Board of organisations, Chief Executive Officers (CEOs), Chief Risk Officers (CROs), Chief Financial Officers (CFOs), and other functions saddled with the responsibility of ERM now have responsibilities to deliver on ERM practice. To add to its importance, organisations are now required by some regulators to disclose or report on their risk management practices.

Sithipolvanichgul (2016) in his thesis titled “Enterprise risk management and firm performance: developing risk management measurement in accounting practice” submitted to University of Edinburgh, stated that many research work has attempted a study of the impact of ERM and its impact on organisations’ performance. In most of these studies, proxies are used to examine if an organisation had implemented ERM, and one of such proxies are confirmation if an organisation as appointed a Chief Risk Officer (CRO) or the use of an ERM keyword in such organisations. Sithipolvanichgul (2016) also indicated that previous

studies were concentrated on secondary data, and as a result essential to gather information on all ERM components so as to gain insight into ERM implementation, which will then allow the assessment of the impact of ERM on organisations.

Fraser and Schoening- Thiessen, (2010); Mikes and Kaplan, (2013) as cited in Sithipolvanichgul (2016) stated that the connection between ERM and firm performance has still not been resolved, which needs extensive study by academics. More reason for this study which is applied in nature to contribute to previous studies and look into how the principles of ERM when implemented can help boost profitability in organisations. This research work will explore Enterprise Risk Management, its benefits and principles, and how organisations can achieve growth and profitability by applying the ERM principles to their day to day activities.

Keywords: enterprise risk management, financial performance, profitability, capital asset pricing model, principles, benefits, value at risk, chief executive officers, chief risk officers.

PART TWO

CHAPTER ONE

1. INTRODUCTION

Every organisation has stated objectives, irrespective of industry or sector, and objectives can be market share, profitability, health and safety, to mention just a few. How to achieve these objectives are stated and communicated across the entire organisation, and are owned by strategic leaders and departmental heads, with the broader aim of achieving the objectives. With the volatility of the world today, coupled with macro-economic environment, achieving stated objectives have become dreams at the initial stage that organisations now need to do something differently, calculated, and targeted to make the achieving of stated objectives a reality. Using different means i.e. by being innovative, aggressive sales, price wars, setting smart goals, staying focused and tracking of stated objectives against timelines, to mention just a few.

Enterprise Risk Management (ERM) for some organisations is not seen as main strategy to the actualisation of organisational objectives. Some organisations that are regulated practice and implement ERM to satisfy regulatory requirements. Some that have the will to adopt and implement an ERM framework, struggle to understand how value is created or protected through ERM, hence its value and importance is lost. Some organisations that have achieved tremendous growth and profitability, and are compliance driven have given little or no credit to ERM as a strategy that has helped in top line growth and bottom line protection. For some, risk management practice is a stand-alone activity and is not integrated across all operations.

These organisations cannot be blamed; the reality is that ERM principles are not well understood. Even those organisations that have a structured approach to ERM still get little input to the framework from the Board. Very little time is dedicated to enterprise risk management during Board meetings; rather focus is on financials, client acquisition and other agendas, and the only item on ERM is reporting; the risk report is glanced through with one or two questions and that is it, with a very few acknowledging the importance of its principles. Very few, link ERM with objectives, strategies, and innovations, and product development is discussed without recourse to risk management. And a key limitation to previous research work to the study of enterprise risk management is the inability to buttress and quantify how the ERM principles can aid organisational financial performance.

This thesis explores the roadmap to ERM drawing past experience from the financial crisis in 2008, define and explain what ERM is with a literature review of different scholars in the field, drawing from those schools of thoughts, the thesis concluded the review with a definition of ERM. Based on the limitations of research work on the studies of the principles and benefits of ERM, the study is limited to the principles of enterprise risk management as identified by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), and also as identified by the International Organisations for Standardisation (ISO).

The risk management standard by ISO known as ISO 31000, which can be used by any organisation in any sector or industry irrespective of size listed eleven (11) principles of Enterprise Risk Management with the core and the first principle being value creation. In 2018, and according to the revised ISO 31000 (2018) reviewed the principles downward to eight (8) and value creation was not one of the principles, but the eight principles are centred around value creation and protection to denote that value creation and protection is the main purpose of Enterprise Risk Management, and when applied, will help organisations to improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment which ultimately will increase the likelihood of achieving objectives.

The thesis consists of three (3) parts. Part (1) one consists of the dedication, acknowledgement, table of contents, and the abstract of the thesis. Part (2) two consists of the chapters 1-7 (seven chapters), and part (3) three, the appendix and references. Chapter one which is the introduction provides enterprise risk management overview. Chapter (2) two deals with the background of the study, research objectives, research methodology which include the strategy used for the thesis, data collection method, selecting of samples, ethical issues and consideration of the research work. The chapter discusses the roadmap to ERM, some catastrophe events and the aftermath ERM model to appreciate the subject matter. For further appreciation of ERM, the study covers the study of the world financial crisis in 2007, regulations that follows, and corporate governance.

Chapter (3) three, literature review on enterprise risk management from different school of thoughts, chapter (4) four, benefits of enterprise risk management. Chapter (5) five provides a discussions of the eight (8) principles of enterprise risk management and chapter (6) six, discussion of findings on how the principles of ERM can help organisations to be profitable and achieve better financial performance with respondents analysis. Chapter (7) of the thesis discuss the limitations of the study, with a summary and recommendation. The last part of the thesis (part 3) provides the appendix and the list of materials (references) consulted for the research work.

Two questions are raised in this thesis and which are; does ERM implementation enhance profitability and financial performance (value creation)? And secondly, can ERM help an organisation to achieve efficiency and prevent losses (value protection). This thesis answered the above questions by researching the principles of ERM, and how its application can help improve financial performance and profitability. Respondents in the study are Chief Executive Officers (CEOs), Chief Risk Officers (CROs), Chief Financial Officers (CFOs), and a Business Development Manager, Head, Sales and Distribution, and HR Business

Partner drawn from different sectors to gain the knowledge if ERM is part of the strategy for top line growth and bottom line protection and how it is applied.

CHAPTER TWO

2. BACKGROUND OF THE STUDY

It will be vague researching into how beneficial Enterprise Risk Management is to an organisation and attainment of objectives and growth without providing a broader understanding of ERM and how the world got to value ERM. The thesis provides an overview of the journey to Risk Management from inception and journey to Enterprise Risk Management.

To appreciate the subject matter of ERM, few and recorded catastrophe events in the world were listed which buttress a systemic failure and the need for the world to know that no organisation is too big to fail, and the need for monitoring, that gave birth to the new ERM model that is sustainable and the one that can enable organisations to achieve their objectives; survival, growth, profitability, and other stated objective depending on their sector or industry. Borne in the minds of all is the financial crisis that almost crippled the banking industry in the world in 2008. The problem was caused through irresponsible subprime lending in the US and in few months the world financial system was crippled, several financial institutions failed and were wound up, and governments of several countries came to aid in bail-outs at the taxpayers' expense.

One key function of the executives of organisations is to create value for shareholders, the demise of these financial institutions would mean two things; values were not created and not protected as a result of executive management failure, and failure of the Board in providing oversight. As a result, more regulations came into existence to prevent another disaster and protect the interest of shareholders. Corporate governance and the new ERM model became sacrosanct for organisations irrespective of size or industry for objectives to be achieved. For compliance driven organisations, ERM is ticked to satisfy requirements. The well-structured organisations have an ERM framework and ensure its implementation. The study is embarked on to contribute to the knowledge in the study of the benefits of ERM, how its principles if well integrated in an organisation can help organisations to stay clear of troubles, help liquidity, steer them to growth and profitability.

2.1. Research Objective

Organisations can use ERM principles as an effective tool to achieve their stated objectives. The credit crunch and global financial crises made the adoption and implementation of ERM a key priority organisational Boards. The Board and Executive Management goal is to ensure efficiencies, growth, and that the financial performance is improved by effectively managing the organisation's risks. Also, credit rating agencies use the ERM model in their rating of organisations. Therefore, it is a fact that the main aim of adopting and implementing ERM is to assist and enhance organisational performance, to include financial performance, and to achieve other stated objectives.

There are research works that have studied various methods of ERM measurement to explore whether adopting ERM have any effect on the financial performance of organisations. There are however limited research into the benefits and principles of ERM and how these principles can steer growth and financial performance. This study will conduct a research into the benefits and principles of ERM. The findings of this research will provide academic and work-based evidence that the principles of ERM, when integrated into all activities of an organisation will ensure profitability. The research will investigate the relationship of ERM principles and organisation's financial performance.

2.1.1. Research Questions

Can the principles of ERM enhance profitability and financial performance (value creation)? What relationship does it have with growth apart from satisfying regulatory compliance? And secondly, can the implementation of ERM principles help an organisation to achieve efficiency and prevent or reduce losses (value protection).

2.1.2. Research Methodology.

This chapter includes the research methodology of the study. This thesis provides in details, the research; strategy, research method, the research approach, data collection approach, sample selection, the type of data analysis, the ethical issues in the research and the research limitations of the thesis.

2.1.3. Research Strategy

The research strategy undertaken for this thesis follows a descriptive pattern. It aims to answer the questions; *can the principles of ERM enhance profitability and financial performance (value creation)? What relationship does it have with organisational growth apart from satisfying regulatory compliance? And secondly, can the implementation of ERM principles help an organisation to achieve efficiency and prevent or reduce losses (value protection).* This research work is descriptive in nature and it analyses research questions such as; What, Where, How, How many to discover the nature of a situation a phenomenon exists (Adams et al., 2007).

According Dudovskiy (2019) descriptive research is defined as a statement of affairs as they are at present with the researcher having no control over variable. Furthermore, “descriptive studies may be characterised as simply the attempt to determine, describe or identify what is, while analytical research attempts to establish why it is that way or how it came to be. This type of research is targeted at revealing more on current issues or problems by collecting data that enables more description of the situation more completely and more insights. In its essence, descriptive studies are used to describe various aspects of the phenomenon. In its popular format, descriptive research is used to describe characteristics and/or behaviour of sample population. They are closely related with observational studies, but not limited with observation data collection method.

With descriptive essay, case studies and surveys can also be specified as popular data collection methods (Dudovskiy, 2019). Baha (2016) in a paper titled "an introduction of descriptive analysis, its advantages and disadvantages noted one key characteristic of descriptive research as the type that encourages neutrality and objectivity, and which is Positive in nature. Descriptive research includes both on time interactions (Cross sectional) and study of events and incidents over time (time series, Longitudinal). Available are numerous methodological approaches available for researchers in descriptive thesis, and commonly used methodological approaches are; interviews, surveys, Observational studies, case studies and using of existing recordings for description (Baha, 2016). For the benefit of this thesis, events over time with case studies, interviews and questionnaire are used in findings and to answer the research questions.

This thesis does take into consideration the shortcomings of using the descriptive approach, and of great concern is issues around confidentiality and facts which respondents may consider, which may invalidate findings. According to Baha (2016), "confidentiality and lack of truthfulness of the respondents is one of the main shortcomings of the descriptive analysis. Some time, the respondents are not truthful and do not provide the actual answer due to different reasons". And also Dudovskiy (2019) noted that the approach cannot test or verify the research problem statistically. This might be helpful in validating responses from samples to mitigate this limitation. Also, it was posited that in their findings that research results may reflect certain level of bias due to the absence of statistical tests.

To overcome this shortcomings the research work will involve extensive study of literatures on the subject matter. More importantly, the thesis carries out an observational study, extensive study of financial reports and other performance metrics of respondent's organisations to validate responses. One great benefit of the approach is that it helps in detailed studies due to its effective nature in analysing a non-quantified topics and issues. It also makes it possible to observe a phenomenon in a completely natural and unchanged natural environment (Dudovskiy 2019).

2.1.4. Research Method (Qualitative Research Method)

In order to achieve the objective of the dissertation, a qualitative research method was undertaken. The main aim of the qualitative method of data collection is to produce in-depth and illustrative information in order to have a broader understanding of the research problem under analysis. Qualitative research is concerned with details of reality that cannot be quantified, focusing on the understanding and explanation of the dynamics of social relations (Queiros and Faria and Almeida 2017, p.2). According to Bhat (2020) qualitative research is defined as a research method that focuses on obtaining data through open-ended and conversational communication. Qualitative research is a method of research in which the researcher takes an active role in interacting with the participants or respondents in a study (Muchinsky, 2003). Shaughnessy & Zechmeister & Zechmeister (2003) as cited in Jandagh and Martin (2010, p.2) described "qualitative research as a method which produces verbal summaries of research findings with no statistical summaries or analysis". This method of research is used to answer those what and how questions that cannot be simply carried out by the quantitative answers.

The sample used in the research was limited in size, and one feature of qualitative research is that it is mostly appropriate for small samples, while its outcomes are not measurable and quantifiable (Langos, 2014). Its basic advantage, which also constitutes its basic difference with quantitative research, is that it offers a complete description and analysis of a research subject, without limiting the scope of the research and the nature of participant's responses (Collis & Hussey, 2003) as cited in Langos (2014). It is important to note here that using the qualitative method for adequate result for a research with a relatively small sample is based on, and can be supported with the knowledge, skills and ability of the researcher. This research work is undertaken in the field and subject matter that the researcher has adequate knowledge and skills (extensive and over 15 years of practical experience) with which findings and research results can be validated.

Of the methods used in obtaining data for this research are focus group interviews and interviews with individual samples which will also validate data from questionnaire. According to Acollella, (2012) as cited in Queiros and Faria and Almeida (2017, p.9), focus groups are a very popular and useful method to investigate complex behaviours, where the research can interact with the participants. The information is typically provided more quickly than if people were interviewed individually. Two main characteristics that differentiate focus groups from other techniques are: (i) the information source is a group; and (ii) the heuristic value of this technique lies in the kind of interaction that emerges during the debate. Focus groups will provide a wider range of data and will of provide researcher the opportunity to seek further clarifications when they are needed or required. However, focus groups can be hard to control and manage. Additionally, it can be difficult to encourage people to participate and, therefore, they may not be representative of non-users.

One of the characteristics of qualitative research methods is being communicative in nature. Bhat (2020) stated that since it's a more communicative method, people can build their trust on the researcher and the information thus obtained is raw and unadulterated. Conducting in-depth interviews very common qualitative research methods. It is a personal interview that the researcher undertakes with one respondent at a particular time. This is purely a conversational method and invites opportunities to get details in depth from the respondent (Bhat, 2020). One benefit of this method is it provides a great opportunity to gather precise data about what people believe and what their motivations are. Since I am well experienced in the subject matter of ERM, asking the right questions will assist in collection of meaningful data for this research work. Since it is an open-communication, it encourages follow up questions that will help should more information or data is required. Qualitative research methods allow for in-depth and further probing and questioning of respondents based on their responses (Bhat, 2020).

A comparative to qualitative research and quantitative research method according to Miles and Huberman, (1994) as cited in Langos (2014) presented in table 1 below:

Table 1: Features of Qualitative Research vs. Qualitative Research

Qualitative Research	Quantitative Research
The aim is a complete, detailed description.	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.
Researcher may only know roughly in advance what he/she is looking for.	Researcher knows clearly in advance what he/she is looking for.
Recommended during earlier phases of research projects.	Recommended during latter phases of research projects.
The design emerges as the study unfolds.	All aspects of the study are carefully designed before data is collected.

Researcher is the data gathering instrument.	Researcher uses tools, such as questionnaires or equipment to collect numerical data.
Data is in the form of words, pictures or objects.	Data is in the form of numbers and statistics.
Subjective – individuals interpretation of events is important ,e.g., uses participant observation, in-depth interviews etc.	Objective: seeks precise measurement & analysis of target concepts, e.g., uses surveys, questionnaires etc.
Qualitative data is more 'rich', time consuming, and less able to be generalized.	Quantitative data is more efficient, able to test hypotheses, but may miss contextual detail.
Researcher tends to become subjectively immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.

Source: Langos (2014, p.5)

2.1.5. Method of Data Collection

For the purposes of the topic of this research work and which requires the inputs of business professionals in the chosen subject, a questionnaire and in depth interview were used. The interview was structured to be personal and unstructured. The aim is to identify the emotions, feelings, and opinions of the respondents regarding how the see and view ERM in their organisations. In (Fisher, 2005, Wilson, 2003), as cited in Langos (2014) a key benefit of personal interviews is that they involve personal and direct contact between interviewers and interviewees which eliminates non-response rates. Also, Langos (2014) posit that unstructured interviews allows flexibility in interviews, thereby leaving room for the generation of conclusions that were not initially meant to be derived regarding a research subject. It is worthy of note of the risk that unstructured interview poses; there are possibilities that the interview may deviate from the pre-specified research aims and objectives (Gill & Johnson, 2002).

Though more ideal for large sample, and in order to acquire adequate data from few participants that were not available to be interviewed, a questionnaire was used. Questionnaire method is simple, quick and an efficient way of obtaining information. McLeod (2018) described a questionnaire as a research instrument consisting of a series of questions for the purpose of gathering information from respondents. It can be considered to be a kind of written interview, can be carried out face to face, by telephone, computer or post. It is data collection method which provides a relatively cheap, quick and efficient way of obtaining large amounts of information from a large sample of people. Dudovskiy (2019) classify questionnaires can as both quantitative and qualitative method of data collection and depending on the nature of research question. Specifically, open-ended questions are used for this study as it enables the researcher to analyse the questions using qualitative methods, and they involve discussions and critical analyses without use of numbers and calculations Dudovskiy (2019).

A standardized questionnaire is used for the research work so that reliability of data can be checked. For a particular organisation, more than one individual are sampled in the same organisations on the subject matter. Of the numerous advantages of this method and itemised by McLeod (2018) is that due to its standardization, all respondents are asked exactly the same questions in the same order. This means a questionnaire can be replicated easily to check for reliability. Therefore, another researcher can use the questionnaire to check that the results are consistent. The disadvantage with questionnaire is that respondents may not give accurate information due to social desirability. However, the risk is mitigated by carefully designing of the questions which are verifiable from other sources of information. For ethical consideration participants are provided informed consent prior to completing the questionnaire, and are made aware of their right to withdraw their information at any time during the study.

2.1.6. Sample Selection

Respondents are selected on the basis of their expertise, understanding and knowledge, regarding the research subject. For the research work, the selected respondents have financial background and extensive exposure with the subject matter. They have sufficient and relevant work experience in the subject matter of Enterprise Risk Management and strategic initiatives and strategic interventions in corporate business. For the research work, the participants were drawn from financial service and other service sector operating in Nigeria; and are chief executives officers, chief risk officers, chief finance officers, head of operations, head of risk and compliance, head of strategy and business development.

2.1.7. Personal Values

Personal values are the things that are important to us, the characteristics and behaviours that motivate us and guide our decisions (Blackman, 2018). One key value I can easily identify with is setting realistic goals. My capabilities were considered before embarking on this research work, and this was used to set achievable and a target I know I can achieve within a specified timelines as no human being is perfect. I believe preaching perfection is an act of imperfection.

https://www.chrysalisleadershipdevelopment.com/wp-content/uploads/2016/06/Traits-and-time-management.pdf (no date) buttresses Taibi Kahler (1975) trait on **be perfect**, which stated that "accept that human beings, including yourself, are not capable of perfection. Set yourself realistic deadlines and accept that sometimes additional time doesn't add significantly to improved quality". Time is a scarce resource, and no matter how hard one tries, time often times stay ahead of tasks and efforts, a reason setting realistic goal is very important which was factored for this research work.

2.1.8. Ethical Considerations

Ethics is an expression of thought rather than instinct in doing (‘moral rationality’), (‘right’) pursuing of our own interests to a self-controlled extent; it is responsibility in the relationships that includes, at least partially, the interests of those whose interests are at stake (‘solidarity’), loyalty of information and action, respect of super parties interests (‘action correctness’) (Vallini, 2007). There are number of ethical issues that this research study was exposed to. Of such are the participants releasing information about their organisations. In consideration of this, and to satisfy the principle of research, all participants were given a written consent and an initialled acceptance (consent and briefing letter) notice was received from participants regarding their participation in the study. In addition to consent, participants were asked to sign a withdrawal letter. This is to reassure participants that their participation by providing data is voluntary and that they are free to withdraw should they want to, and at any time they want to. Also, participants were notified of the aims and objectives of the study, and were informed that there participations are treated confidential, and that their views and responses are confidential and used for the purpose of the research study and for academic purposes only.

2.2. Roadmap to Enterprise Risk Management

The practice of risk management can be traced back to thousands of years. According to Enterprise Risk Specialists LLC, the risk management process was focused on what was termed as the “pure risk”, also known as “traditional risk management; risk of loss or no loss which focuses on specific loss exposure, hazards and accidental loss, and a process that will restore an organisation to its former pre-loss condition. An example of this is ownership of a house which is prone to catastrophe like fire, earthquake, and other unfavourable conditions that may affect and negatively impact the house. If none of these occurred, then no loss is recorded. Pure risks were the center of attention for traditional risk management for so many reasons, and the major being restoring to original position. At the instance, the subject areas of risk management were developed by insurance professionals with limited exposures to other business field aside the insurance profession.

The focus was on risks that insurers would be willing to underwrite. In fact, some risk managers job duties were limited to insurance business (buying of insurance to mitigate a loss), an unfortunate limitation since many other options are readily available and should be explored which were not explored. Another reason for the focus on pure risks is that in many cases hazards represented the most serious short term threats to the financial position of an organisation at the time risk management field was founded. An outbreak of fire could quickly put an organisation out of business. Efforts to reduce the likelihood of a fire occurring, or to minimise the damage a fire would cause, or to establish a contingency plan to keep the business going in the event of a fire, or to purchase an insurance policy to compensate the owners for the damages caused by a fire, were easily seen to be beneficial to the firm. Finally, there were simply not a lot of reasons or options for dealing with other types of risks (Enterprise Risk Management, LLC).

The management practice on the subject matter of risk management has changed within the last century with focus more on the management of variety of risks in a holistic manner (Casualty Actuarial Society, 2003). In addition to hazards, more complicated risks have emerged and with a focus on the business risks of organisations. Financial risk has become so important for organisations in other to attract opportunities and fulfil productive potentials. Other risks have also emerged with the changing business environment and due to globalisation (Casualty Actuarial Society, 2003). Operational and Strategic risk management have taken the center stage as a result of the demise of high profile organisations due to lack of control e.g. Barrings bank in 1995, and Enron/Arthur Andersen, 2001 (Casualty and Actuarial Society).

2.3. World Catastrophe Events

The collapse of Enron gives a question of “too big to fails? The Enron group whose business area was commodities trading, and also distribution of future contract on gas ranked in the top seven (7) companies in the United States until it collapsed in 2001. Prior to that, and in 1996, its value on the US stock exchange was $50billion. For a number of years, the group reported profits and in the third quarter of 2001, a loss of more than $600million was reported to the surprise of the shareholders. Investigations to the prior year’s dealings of Enron revealed that the company had kept huge debt off its balance sheet by misrepresentation, thereby misleading investors (Passenheim, 2010).

And other world events bringing the path of operational risk management; the burning to the ground of Moscow by Napoleon in 1812, Titanic iceberg hit in the North Atlantic in 1912, Kennedy Space Center in 1986 (the failure of a seal in a rocket booster leads directly to the disintegration of the challenger space shuttle only 73 seconds into its flight, killing the seven crew members on board. Inquiry identified poor governance and controls within the NASA as contributing factors to the disaster). Other notable events are; Piper Oilfield 1988 (explosion on the Piper Alpha oil production platform killing 167 of the 226 men on the platform, and due to lack of safety procedures and non-compliance to procedures). Bligh Reef, Exxon Valdez 1989 (an oil spill that resulted to collapse of the local marine population and due to failures to adhere to specified work patterns and failure of oversight from the coast guards) (Blunden and Thirlwell, 2010).

2.4. The New Enterprise Risk Management Model

Prior before now, risk revolves around control, compliance, auditing, and regulations, insurance and reporting, with the philosophy of the ISO 31000 Risk Management Standard, the management of risk has gone beyond controls and compliance to the key and heart of an organisation. In addition to the controls mechanisms, organisations now focus on uncertainty, performance, decision making, objectives, and best allocation of resources, making strategic risk management a core duty and function of the executive management for the achievement of stated objectives. Competitions, customers' needs, leading to new product designs and innovation, social and cultural factors, technology, and the regulatory environment are strategic risk that if not managed may hinder organisational growth, and this coupled with operational risk have changed the scope and practice of traditional risk management (hazards) towards enterprise risk management (business risk).

2.5. The World Financial Crisis

In 2007, bad loans and mortgage losses arising from stiff competitions in the financial sector, and excessive risk taking by financial institutions in providing credits led to the global financial crisis (GFC); period of extreme stress in global financial markets and banking systems between which occurred in the mid-2007 and early 2009. According to the Reserve Bank of Australia (2019), "the downturn in the US housing market was a catalyst for a financial crisis that spread from the United States to the rest of the world through linkages in the global financial system. Many banks around the world incurred large losses and relied on government support to avoid bankruptcy. Millions of people lost their jobs as the major advanced economies experienced their deepest recessions since the Great Depression in the 1930s. Recovery from the crisis was also much slower than past recessions that were not associated with a financial crisis".

By the 15th of September 2008, Lehman Brothers, a giant US investment bank collapsed, and the moment that the global financial crises became a full blown international emergency. The demise of Lehman Brothers with some $700billion liabilities resulted into a seismic shock to the entire global financial system, freezing the global money market and financial institutions (banks and insurance companies) in the most developed economies could not borrow funds. Central banks around the world were forced to engage on a massive lending to banks in order to prevent a cascade of financial sector bankruptcies of institutions even bigger than Lehman (Chu, 2018). Merrill Lynch, AIG, Freddie Mac, Fannie Mae, HBOS, Royal Bank of Scotland, Bradford & Bingley, Fortis, Hypo and Alliance & Leicester all close to bankruptcy like Lehman Brothers and had to be rescued with infusion of funds (Mathiason, 2008).

The financial crisis did not begin with the demise of Lehman Brothers as the financial system had been under severe stress in the prior year. A large investment banker in the United States, Bear Stearns, had been rescued in March. And a popular mortgage lender in the United Kingdom, Northern Rock, had experienced a crisis as early as the autumn of 2007. Northern Rock raised funds in the international money market (IMM) rather than using customer deposits as the source of funds to lend out to homeowners. And when the United States of America took the sub-prime crisis hit, the market (IMM) decided not to throw caution the wind and stopped lending to the institutions that were adjudged to be likely exposed to the housing market. The United Kingdom Northern Rock, the fourth biggest bank in the UK by share of lending became a casualty.

The British Broadcasting Corporation (BBC) broke the news that it needed Bank of England support 10 years ago tomorrow, and the day after there were queues outside branches of Northern Rock for panic withdrawals. The first run on a British bank in 150 years and in a few months, Northern Rock was nationalised in February 2008 (O’Connell, 2017). The proximate cause of this stress was a systematic loss of trust amongst financiers in the solvency of each other's institutions (Chu 2018).

According to Chu (2018, p. 1) "bankers in the United States had developed a lucrative business of buying up the US mortgages of poor Americans (known as "subprime"), branding them together with better quality mortgages and selling them on as essentially risk-free assets known as mortgage-backed securities. When the US central bank raised interest rates in 2006 many American homeowners started to default, house prices fell and these securities were revealed to be, in fact, very risky indeed and it was clear that there were considerable losses in the system. But it was unclear where all these toxic securities were and whose balance sheets had been blown apart by the bad debts. Banks started charging high rates of interest to lend to other banks and institutions who, they suspected, might be sitting on massive unrecognised losses. This was the "Credit Crunch" phase".

With this phase already established, policy makers in other advanced and developing economies determined to avoid past mistakes reacted aggressively by injecting massive amounts of credit into financial markets and nationalising banks, slashing interest rates, and increasing discretionary spending through fiscal stimulus packages (a risk management approach). The intervention helped avoid a catastrophic depression in many economies though the effectiveness of policies has varied depending on the magnitude of the response and vulnerabilities of the domestic economy (Verick & Islam, 2010). However, despite all the interventions, the global financial crisis in a rapid faction evolved into a global jobs crisis, as the crisis-induced credit crunch strangled the real economy and trade flows collapsed. Unemployment in OECD countries increased enormously, while in countries without social security schemes, the downturn has threatened to push millions into poverty (Verick & Islam, 2010).

The basic that can de deduced was that the interventions were too late to prevent the crisis from unfolding to its full capacity as this was a reactive initiative which was the opposite of the principle of ERM which is proactive in nature. During the boom, financial players ignore the possibility of something going wrong. Failure to ascertain what could go wrong, when it could go wrong, and where it could go wrong. Maybe cautions will not be thrown into the wind with the sub-primers. Lending with care to this section and group could have helped steamed if not totally prevented the financial crises. Anything that could go wrong most times, if not always, leaves a footprint. Even in reaction, consequences and its magnitude depend on how we react to these indicators.

Harner (2010) in the paper titled "ignoring the writing on the wall: the role of enterprise risk management in the economic crisis" gave account to the warning events prior the crisis in 2008. According to the findings in the paper, Governor Edward Gramlich of the Federal Reserve gave warnings on the instability in the subprime mortgage market and possible corrections in the housing market. He stated "the subprime incidence of mortgage brokers without a lot at stake in the game is getting pretty high". In addition to this warning and indicator, other reports revealed that real estate profits was stalled in the first quarter of 2006, with the average price of a home in the United State falling by 3.3 percent compared with the first quarter of 2005. In February 2006, Washington Mutual reduced its workforce by 2,500, and this was followed by a similar job cut at Lehman Brothers and National City in 2007. *The financial crisis event in 2008 a failure of risk management or enterprise risk management practices?* This amounts to a failure in governance and ultimately a failure of enterprise risk management as warnings are not enough.

The regulatory agencies were not left out in giving warnings as they with other industry organisations began warning of liquidity issues in the financial market in the last quarter of 2006 and first quarter of 2007. In a blatant disregard to the warnings, former Citigroup CEO, Charles Prince, was asked of the liquidity warning was quoted “when the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you’ve got to get up and dance. We’re still dancing…” And less than four months to his statement, Citigroup announced a $6.5 billion write down, which led to Charles Prince resignation (Harner 2010). He took a bullish approach to the crisis and the firm risk management, and caused Citigroup stakeholders to pay the ultimate price. Do we classify the financial crisis event to failure in risk management or a failure in enterprise risk management? This is a failure in ERM as ERM considers corporate governance in broader context. Citigroup crisis is the failure of the Board of Citigroup to provide oversight and implement effective ERM program

Table 2: Traditional Risk Management vs. Enterprise Risk Management

Traditional Risk Management	Enterprise-wide Risk Management
• Emphasis on protecting assets • Focus on physical and financial assets • Risks managed within functional silos • Inconsistent approaches	• Board/Executive Support of risk management • Clear accountabilities • Appropriate risk oversight structures • Dedicated risk management coordinator • Explicit consideration of both operational and strategic risks • Risk management integrated with operational and general management processes • Clear accountabilities and timeframes for treatment of risks • Differentiated risk reporting tailored to

	specific stakeholders • Regular reviews of risk and risk management processes

Source: IIRM 2015.

The Financial Crisis Inquiry Commission (FCIC), a body inaugurated by the US government to examine the crisis concluded that the financial crisis was avoidable. In their remark "the crisis was the result of human action and inaction, not of mother nature or computer models gone haywire. The captains of finance and the public stewards of our financial system ignored warnings and failed to question, understand, and manage evolving risks within a system essential to the well-being of the American public. Theirs was a big miss, not a stumble. While the business cycle cannot be repealed, a crisis of this magnitude need not have occurred. To paraphrase Shakespeare, the fault lies not in the stars, but in us. Despite the expressed view of many on Wall Street and in Washington that the crisis could not have been foreseen or avoided, there were warning signs. The tragedy was that they were ignored or discounted. There was an explosion in risky subprime lending and securitisation, an unsustainable rise in housing prices, widespread reports of egregious and predatory lending practices, dramatic increases in household mortgage debt, and exponential growth in financial firms' trading activities, unregulated derivatives, and short-term "repo" lending markets, among many other red flags. Yet there was pervasive permissiveness; little meaningful action was taken to quell the threats in a timely manner" (FCIC 2011).

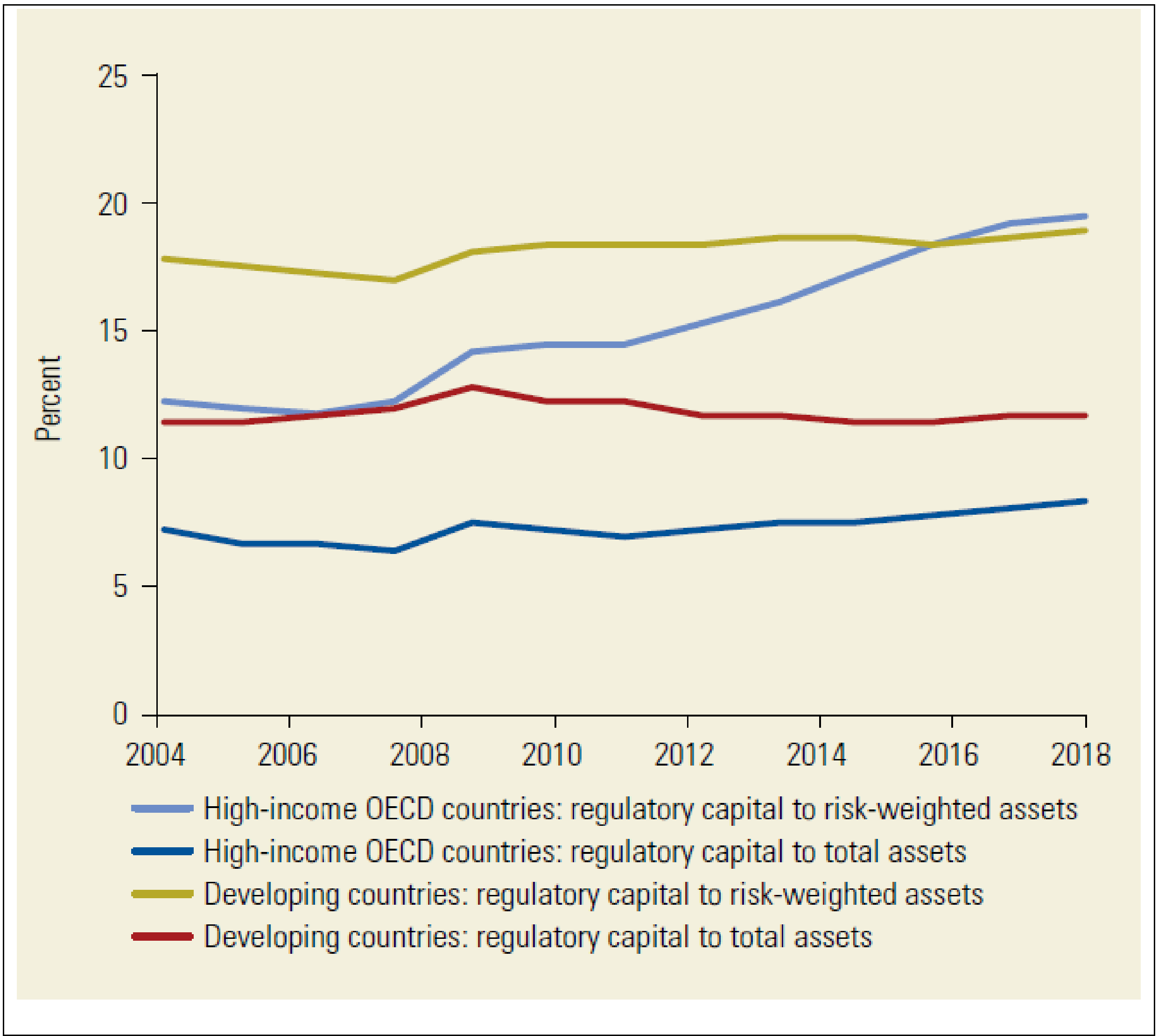
2.6. The New Phase of Regulation and the Risks Associated.

The global financial crisis has called into question the role of financial policy in general, especially in banking, revealing major shortcomings in market discipline, regulation, and supervision. The decade following the crisis was characterised by intense regulation of banking sectors across the world, especially in advanced countries. The crisis has also reignited the debate about the right blend of regulation and market discipline to ensure the safety and efficient functioning of banking systems (The World Bank Group, 2019).

The crisis also brings about extensive regulatory reforms, since strong regulation and supervision is important for the stability and inclusiveness of the banking sector and the crisis revealed many shortcomings. Another positive development since the meltdown is that many more countries have reformed their resolution schemes, which are intended to reduce the likelihood of bailouts with taxpayers' monies. Dermirguc-Kunt (2019) in her extract of bank regulation and supervision a decade after the global financial crisis, gave an example that over 1/3rd of developing economies introduced creditor bail-in initiatives and 2/5th have requirements for bank resolution plans. But few put in place a formal regulatory framework to deal with the resolution of international banks, which remains a weak area in general. Unfortunately, these resolution schemes need to be tested by crisis to be credible, and it is not yet clear if these reforms are strong enough to offset the impact of the bailouts during the global financial crisis and the confidence large banks gained in their ability to socialize future losses (Dermirguc-Kunt 2019).

Also and according to Dermirguc-Kunt (2019), deposit insurance schemes have been introduced and their coverage and scope were expanded in many countries, particularly in low-income ones in aftermath of the crisis. Other initiative adopted to encourage market discipline is through capital regulation. Among other things, capital regulations make sure that owners of banks have enough "skin in the game" so that they are less likely to take excessive risks. In her findings, it was revealed and as shown in figure 1 below that banks in the developing countries are in general better capitalised than banks in high-income countries, which have increased their capital and their regulatory capital ratios, which measure the amount of capital held by banks relative to risk-weighted assets are at their highest since the global financial crisis.

Figure 1: OECD regulatory capital



Adapted From: Global Financial Development Report, World Bank Group 2019-2020

Government's role as regulator and supervisor of banking has become essential and important for promoting a stable and efficient functioning of the financial system. Several theories after the financial crisis provides support for the government and several good reasons for enhancing this role and more importantly becoming a watchdog over Boards and Executives on their risk management strategies. The Global Financial Development Report 2019-2020 of the World Bank Group gave one key reason of government intervention as "the existence of "market imperfections," such as the costs and uncertainties associated with acquiring and processing information that influence all financial contracts and transactions". These imperfections most times result into a systemic problem, a situation whereby the actions of a few people or institutions negatively affect many others in the society. Preventing such externalities is one reason that government's role as regulator and supervisor can improve the functioning of the financial system (GFDR 2019-2020). Other reasons for the government to assume a key stakeholder's role is what this thesis deem as "the last bus stop". They are often forced to provide cushion for troubled financial organisations by providing funds to bail them out, which would mean that these financial institutions often do not bear the full risk of their activities. For example, when a large bank makes risky investments, and the bets pay off, the gains are private, in that the bank's owners reap the profits. However, when such gambles fail, the losses are often socialized—that is, the government pays for some of the losses (GFDR 2020).

It is important in this thesis to mention the downsides of the government interventions to further appreciate the concepts of Enterprise Risk Management. Too much regulation often times result into a burden. Beales, et al in their paper "Government regulation: the good, the bad, & the ugly" posit that regulatory actions often have come at a cost that exceeds their benefits and sometimes actually have been counterproductive. These failures are abetted by the structure of the regulatory process. "Employing hundreds of thousands of people to write and implement regulations. Every year, they issue about 3,500 new rules, and the regulatory code now is over 168,000 pages long. Because regulatory impacts are diffuse and hard to measure, no estimates of the actual costs of regulation are completely reliable, but some researchers peg the total annual cost at more than $2 trillion. Other research suggests the drag on economic growth could be twice that much, about $4 trillion per year, or $13,000 for every man, woman, and child in the United States. And we will never know the other costs, such as the value of jobs never created, factories never built, medicines never discovered, or entrepreneurial ideas never realised" (Beales et al 2017).

According to Parker & Gupta (2015), the Dodd-Frank Act has brought a remarkable regulatory change to the finance industry since the 1930s. The Volcker rule limits speculative investments which can lead to brain drain of banking talents. In Europe there is the Basel regulatory capital-driven requirement. And the EU's Mifid II, Emir and Mifir brought in increased consumer protection and complex financial-instrument restrictions and requirements. All these combined make the financial markets are more regulated than ever. It is important to note that constant oversight has been necessary since the crisis to restore and enhance trust in the sector, but a fine line exists between restoring trust and strangling opportunity through high compliance costs, increased capital requirements and disproportionate penalties.

Also, the banking environment for players has been made so suffocating that the best leave, desperate to breathe again in a lighter-regulated landscape. Regulators have gone further with guidelines that focus on leadership on an individual basis. The Senior Managers Regime, Certification Regime and Conduct Rules, implemented in 2016, required that bankers working at all levels to take appropriate steps to prevent regulatory breaches. Senior managers, in particular, are now held accountable for any misconduct that falls within their area of responsibility. This regulation is capable of making senior managers to move away from the big banks and to the smaller finance houses, which are not, for the foreseeable future, required to comply with the regulation.

With an annual levy imposed by the UK Treasury based on banks' global liabilities, it is the world's largest banks that have been hit particularly hard. In addition to concerns about the cap on bankers' bonuses and the rules preventing investment banks from touching funds in retail counterparts since the 2011 Vickers report, last year the UK's leading banks bore a burden of more than £1bn in levies. This is of great economic concern and negative economic impact. For instance in London, which employs nearly 2m people in the finance and professional services industry and injects gross value of more than £120bn into the UK economy, the costs of over-regulation may lead to large institutions moving operations overseas to less regulated jurisdictions. Smaller banks and finance houses often have reduced regulatory and compliance burdens applied to them. Regulators need to make sure that they do not take the "great re-regulation" practices too far. The problem is that tightening the reins can also have the unintended consequence of forcing some bankers to move away from the positions where their expertise and experience is sorely needed, and into positions where they are able to use such expertise in a more risk-friendly environment (Parker and Gupta 2015).

Over the years, structural regulations have been imposed in the banking industry to enforce stricter regulation with the aim of protecting the market. According to William in Eden (2014) as cited in Almaw (2018) "structural regulation is the restriction imposed on the activities banks are allowed to undertake. Bank activity restriction is the degree of regulation to which a bank restricted from involvement in security market, insurance and other non - financial investments". As cited in Almaw (2018) and according to National bank of Ethiopia (2015) and Basel accord III (2010), the aim of structural regulation is to minimise the complex structure and risk of the banks. However, different researchers have opined of other views on what impact the structural regulation can bring on the banks performance. "Haque and brown (2016); and Barth et al (2013) stated that structural regulation may affect banks' performance negatively. They argued as bank structural restriction impedes economies of scale advantage by the bank since it restricts the activity of banks to what they should do from what they can do. This increases the cost of operating banks which in turn decrease its performance" (Almaw 2018). Leaven & Levine (2009) in their work posit that "structural restriction limits the economy of scale advantage of the banks which in turn restrict the banks from providing different type of service and ordinary service at low cost. Moreover, this regulation impedes the banks' ability to diversify the stream of cash flow or income and franchise value which limits the motivation of productivity and result week performance" (Almaw 2018).

Stricter bank regulation leads to good banks' performance and efficiency as revealed by research. The economy of financial regulation posit that having regulations in place for banks can enhance the efficiency of the banking system globally as well as nationally by reducing cost of transaction for costumers and positive externality without offsetting by higher transaction cost by regulators and firms (Llewellyn 1999). However, other studies revealed mixed opinions. some researchers conducted empirical studies related to the effect of bank regulation on the efficiency and performance of banks and have report a varying twin effect, and notably: (Chortareas et ale (2012); Quintyn and Taylor (2002); Demirguc-kunt et al (2003); Beck et al (2006); Biggar (2005); Barth et al (013); Omran and Naceur (2010); Gual (2011); Jomini (2011); Eskinder (2015); Klomp and Haan (2015); Calicec et al (2016); Psillaki and Mamatzakis (2016); Deli and Hasan (2016); Haquea and Brownb (2016) and Banerjee and Mio (2017)) are few of these school of thoughts according to Almaw (2018).

In effect and based on the findings of the associated risks regulations poses to organisations, and also for organisations to achieve their objectives, it is important for leadership of organisations to identify all risk sources including regulations for adequate mitigations to be implemented and one good reason understanding enterprise risk management; its principles and benefits by the Board and Executive Management is important. Most for-profits organisations will have "maximising shareholders wealth" as a core objective, and a situation whereby risks are not identified for adequate attention could jeopardise the objective. And according to G31000, a risk not identified will not be treated.

2.7. Corporate Governance and Enterprise Risk Management.

The motive here is not to do an extensive study on corporate governance, but rather to understand that for ERM implementation to be successful, it requires a consolidated approach, and the one which the Board is saddled with a responsibility in ERM adoption. The Institute of Chartered Accountants in England and Wales (ICAEW) (2020) defines "corporate governance as the system by which companies are directed and controlled and Boards of directors are responsible for the governance of their companies. It is about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company by full-time executives". They have the responsibilities of setting organisational strategic aims, providing the leadership at the strategic level of the organisation, supervising the management of the business and reporting to shareholders on their stewardship.

From a corporate governance point of view, the major responsibility of the Board is to look after the interests of shareholders (Crouhy and Galai and Mark, 2006) and this interest is creating and protecting value of the shareholders. According to the Committee of Sponsoring Organisation (COSO) as cited in Pratama & Augustine (2019), ERM is a process that is influenced by management, the board of directors, and other personnel that is responsible for the determination and incorporation of the overall strategy of the organisation. ERM is designed to identify potential occurrence that can affect the organisation, and the purpose of corporate risk management is to create added value in every organisational activity continuously (Siahaan, 2009) Pratama and Augustine (2019). Suffice to say that responsibility for managing organisational risk is not solely the duty of the executive management. The Board have been made to participate in managing the risks faced by organisations. Effective corporate governance would mean a going-concern for organisations.

OECD in their study titled “Risk management governance framework and practices in 27 jurisdictions” in the work Corporate Governance and the Financial Crisis during 2009-10, their findings revealed that the risk management failure that led to the financial crisis was as a result of failure of corporate governance. Executives and risk managers were left to make strategic and credit decisions without supervisions from the Board. Below is an extract of key findings and recommendations.

Table 3: OECD Key Findings on ERM

Corporate Governance and the Financial Crisis (OECD, 2010) Key findings and main messages: Effective implementation of risk management
• One of the greatest shocks from the financial crisis has been the widespread failure of risk management. In many cases risk was not managed on an enterprise basis and not adjusted to corporate strategy. Risk managers were often separated from management and not regarded as an essential part of implementing the company’s strategy. Most important of all, boards were in a number of cases ignorant of the risk facing the company.
• It should be fully understood by regulators and other standard setters that effective risk management is not about eliminating risk taking, which is a fundamental driving force in business and entrepreneurship. The aim is to ensure that risks are understood, managed and, when appropriate, communicated.
• Effective implementation of risk management requires an enterprise-wide approach ratherthantreatingeachbusinessunitindividually.Itshouldbeconsideredgoodpractice to involve the board in both establishing and overseeing the risk management structure.
• The board should also review and provide guidance about the alignment of corporate strategy with risk-appetite and the internal risk management structure.
• To assist the board in its work, it should also be considered good practice that risk management and control functions be independent of profit centres and the “chief risk officer” or equivalent should report directly to the board of directors along the lines already

advocated in the OECD Principles for internal control functions reporting to the audit committee or equivalent.
• The process of risk management and the results of risk assessments should be appropriately disclosed. Without revealing any trade secrets, the board should make sure that the firm communicates to the market material risk factors in a transparent and understandable fashion. Disclosure of risk factors should be focused on those identified as more relevant and/or should rank material risk factors in order of importance on the basis of a qualitative selection whose criteria should also be disclosed.
• With few exceptions, risk management is typically not covered, or is insufficiently covered, by existing corporate governance standards or codes. Corporate governance standard setters should be encouraged to include or improve references to risk management in order to raise awareness and improve implementation.

Source: OECD (2014) Risk management and corporate governance pg. 12

Price (2018) also noted the relationship of ERM and corporate governance with an insight of the OECD work in his article. He stated in his article that the correlation between risk management and corporate governance is about stewardship. In his illustration of the OECD findings on the study of corporate executives from 27 jurisdictions, majority of the respondent agreed that they'd like to see a new approach toward developing corporate governance principles related to risk management, particularly as it pertains to managing reputational risk. The position and argument of the respondents was that the current corporate governance model mostly applicable to the financial industry. As a result, corporate governance principles have not proved to be reliable during serious financial crises. A large number of the participants agreed that the boards of present day need to place priority on identifying, monitoring and managing catastrophic risks, irrespective of the chance of such risks actually occurring.

The recent happenings and scandals around corporate financial reporting have made enterprise risk management a new reason for the management of the portfolio of risks facing organisations (Lai & Azizan, 2012). According to (Beasley et al., 2005; Walker et al., 2002), it provides s a new approach which laid emphasis on the improvement of corporate governance and the larger oversight on key risks to ensure that stakeholder value is created and well protected. Worldwide, so many regulatory reforms have contributed to the growth of ERM formulation and implementation. For example in the United States of America, the Sarbanes-Oxley Act of 2002 (SOX 2002) has significantly extended public policies related to effective corporate governance and risk management (Lai & Azizan, 2012).

For Nigeria, the regulatory environment regarded ERM has a catalyst for good governance and priority is placed on ERM as a value enhancer, Notable of these regulators are the; Central Bank of Nigeria (CBN), regulating the banking sector, the National Insurance Commission (NAICOM) regulating the insurance industry, the National Health Insurance Scheme (NHIS) regulating the health sector, the Nigeria Communication Corporation (NCC) for the telecommunication sector. All these regulators have guidelines and requirements set out for the industries spelling out the minimum requirements of ERM implementation.

The recent amendments in the New York Stock Exchange’s (NYSE) corporate governance rules saw the inclusion of specific requirements for NYSE registrant audit committees to shoulder explicit responsibilities with respect to “risk assessment and risk management”. These responsibilities include the assessment and management of risks that are beyond financial reporting (Beasley et al., 2005; NYSE, 2003) as cited in Lai & Azizan (2012, pg. 2). Also, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2004) issued the ERM integrated framework to provide a model framework for ERM implementation. According to COSO ERM was defined as a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (COSO, 2004)

CHAPTER THREE

3. LITERATURE REVIEW

3.1 What is Risk and Enterprise Risk Management?

ISO 31000 (2009; 2018) defined risk as the effect of uncertainty on objectives. In the notes to the definition, an **effect** (note 1) is a deviation from expectations, which could be positive, negative or both. **Objectives** (note 2) can have various aspects and could be health and safety, financial, or environmental goals depending on the organisation objectives, and can apply to different levels such as strategic, organisational-wide, project, product and process. Risk is often characterised by reference to potential **events** and **consequences,** or combination of both (note 3). In note 4 to the definition, risk is always expressed in terms of a **combination** of the **consequences of an event** (including changes in circumstances) and the associated **likelihood of occurrence. Uncertainty** is the state of **deficiency of information** attached with the understanding of an event, its consequence or likelihood (note 5).

ISO 27005 states: “risk is the potential that a given threat will exploit vulnerabilities of an asset or group of assets and thereby cause harm to the organisation”. NIST SP 800-30 states: “risk is a function of the likelihood of a given threat-source’s exercising a particular potential vulnerability and the resulting impact of that adverse event on the organisation” (Owitti, 2013). ISO 31000 (2009, 2018) defined Risk Management as coordinated activities to direct and control an organization with regard to risk. Owitti (2013, pg.4) defined Risk Management as the identification, assessment, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events or to maximise the realisation of opportunities.

Blunden & Thirlwell (2010, pg. 10) go the way of the above definition of risk as defined by the Risk and Insurance Management Society and defined enterprise risk management as “the culture, processes and tools to identify strategic opportunities and reduce uncertainty. It is a comprehensive view of risk both from operational and strategic perspectives and is a process that supports the reduction of uncertainty and promotes the exploration of opportunities. The definition means that ERM is managing all risks (operations, business and strategic) that an organisation is exposed to. Blunden & Thirlwell, though focuses on operational risks, went on to itemise that ERM scope covers liquidity risk, market risk, product risk, credit risk, group risk, underwriting risk, operational, and strategic risk. According to them, operational risk is a potential threat to the objectives of an organisation, as the management of organisations is driven by its objectives.

According to Williams (2016) Enterprise Risk Management (“ERM”) is described as a strategic business discipline that supports the achievement of an organisation’s objectives by addressing the full spectrum of risks and managing the combined impact of those risks as an interrelated risk portfolio. Tazhir & Razali (2010) as cited in Yegon (2015) noted that ERM is geared to address risks that can occur to a business organization such as financial risks, strategic risks and operation risks. To mean that enterprise risk management is a wagon of so many risks, and according to Anton (2018), Enterprise Risk Management (ERM) represents the fundamental paradigm for managing the portfolio of risks confronting enterprises. It provides the platform to harmonize the goal of balancing enterprise’s portfolio of risks with stakeholders’ appetite for risk (Fraser & Simkins, 2010) as cited in Farhan (2017). Rouse (2018) defined enterprise risk management (ERM) as the process of planning, organizing, leading, and controlling the activities of an organisation in order to minimize the effects of risk on an organisation's capital and earnings. Just like Blunden and Thirlwell (2010) and Tazhir & Razali (2010), Rouse (2018) described enterprise risk management as the combination of financial (to liquidity credit, and market risks), strategic and operational risks, in addition to all other risks associated with accidental losses.

Crouhy & Galai & Mark (2006) described liquidity risk as both funding liquidity risk and asset liquidity risk. Funding liquidity risk is the organisation's ability to raise funds to meet its debt obligations; cash, margin, and collateral requirements of counterparties. They (Crouhy & Galai & Mark, 2006, pg. 30) defined asset liquidity risk is the risk that an institution will not be able to execute a transaction at the prevailing market price due to temporarily, and no appetite for the deal on the other side of the market. According to them; business risk refers to the classic risk of the world of business which can be uncertainty about the demands for products, pricing, or the cost of production or the supply chain associated costs. Operational risk was defined as "the potential losses resulting from inadequate systems, management failure, faulty controls, fraud, and human error. And they defined strategic risk as "the risk of significant investments for which there is a high uncertainty about success and profitability.

Enterprise risk management is associated with risks and opportunities affecting value creation and protection. COSO (2004, pg.8) defined enterprise risk management (ERM) as "a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives". From the COSO definition, certain fundamental concepts can be deduced irrespective of interpretation, and which will be examined. In support, the Chartered Enterprise Risk Analyst (CERA) defined Enterprise risk management as the process of coordinated risk management that places a greater emphasis on cooperation among departments to manage the organization's full range of risks as a whole.

ERM offers a framework for effectively managing uncertainty, responding to risk and harnessing opportunities as they arise.

Enterprise risk management is; a continuous process that flows throughout all the operations and processed of an organisation. ERM is applied by all employees irrespective of cadre of in an organisation. It can be applied, and should ideally be in strategy setting (be included in organisational framework according to ISO 31000. Applied across all levels and units of the organisation (should not be a stand-alone practice, ISO 31000 (2009; 2018), and includes taking an entity level portfolio view of risk COSO (2004), Designed to identify potential events that, if they occur, will affect the entity and to manage risk within its risk appetite, able to provide reasonable assurance to an entity's management and board of directors, and geared to achievement of objectives in one or more separate but overlapping categories COSO 2004, pg. 8). Deloach (2018) combined the approach of COSO and ISO and defined ERM as the discipline, culture and control structure an organization has in place to continuously improve its risk management capabilities in a changing business environment.

ERM definition by COSO is purposefully broad which captures key concepts fundamental to how organisations should manage risk, and which can be used by all organisations irrespective of industry and sector. It directly laid emphasis on the achievement of objectives established by a particular entity and provides a basis for defining enterprise risk management effectiveness (COSO, 2004). However, and notwithstanding the coverage of fundamental ideas in the definition by COSO, it is lacking in two major areas (Passenheim, 2010); number one, for ERM to be successful, it has to be anchored and directed by everyone in an organisation most especially employees in the middle management. And secondly, every organisation that adopts and implements ERM has to ensure that a "risk awareness culture" is embedded and rewarded in the organisation (Passenheim, 2010).

According to the committee on ERM of the Casualty Actuarial Society (2003, pg. 10) enterprise risk management was defined as “the discipline by which an organisation in any industry assesses, controls, exploits, finances, and monitors risk from all source s for the purpose of increasing the organisation’s short-term and long-term value to its stakeholders”. From the definition, certain concepts are deduced and first, ERM is considered to be a discipline, which means that it is an orderly pattern of behaviour for an organisation, and have the full support and commitment of executive management, and taken into consideration when decisions are taken. Second, ERM applies to all industries. Third, the exploits aspect of the definition as a part of the risk management process indicates that the intention of ERM is to create value in addition to risk mitigation. Fourth, all sources of risks are taken into consideration, not just hazard risks that the casualty actuaries are concerned of, nor focus on just financial risk that some organisation manages. Fifty and lastly, ERM considers all stakeholders of an organisation which include stakeholders and debtors, management and officers, employees, customers, and the environment or community where organisations operates (CAS, 2003).

Casualty Actuarial society (CAS) further establish the types of risk that are covered within the subject matter of enterprise risk management and are; hazard, financial, operational and strategic. Hazard risks are described as the risks that have traditionally been addressed by insurers, including fire, theft, windstorm, liability, business interruption, pollution, health and pensions. Financial risks are risks of potential losses due to changes in financial markets, including interest rates, foreign exchange rates, commodity prices, liquidity risks and credit risk. Operational risks cover a wide variety of situations, including customer satisfaction, product development, product failure, trademark protection, corporate leadership, information technology, and management fraud and information risk. Strategic risks include such factors as completion, customer preferences, technological innovation and regulatory or political impediments. Although there can be disagreement over which category would apply to a specific instance, the primary point is that enterprise risk management considers all types of risk an organisation faces (D'Arcy 2001, pg. 3).

On the other hand as cited in Razali and Tahir (2011, pg.1); Lam (2000) defines Enterprise Risk Management as an integrated framework for managing credit risk, market risk, operational risk, economic capital, and risk transfer in order to maximise firm value, Makomaski (2008) defines Enterprise Risk Management as a decision-making discipline that addresses variation in company goals, and Alviunessen and Jankensgård (2009) pointed out that Enterprise Risk Management is concerned about a holistic, company-wide approach in managing risks, and centralised the information according to the risk exposures. Combining the definitions above, Razali and Tahir (2000, pg. 2) defines Enterprise Risk Management as a "systematically integrated and discipline approach in managing risks within organisations to ensure firms achieves their objective which is to maximize and create value for their stakeholders". And from the definitions, it is inferred that the purpose of ERM is to enable organisations maximise their potentials and achieve objective which could be financial.

As illustrated by the ISO 31000, ERM is a the management; of both hazard and business risk of an organisation, having a possibility of gain, loss or no loss, can enable an organisation to fulfil its greatest productive potential, focuses on the value of the organisation, and also, focuses on an organisation as a whole. Some research studies proposed that ERM can reduce financial problem costs, enhance managerial risk aversion, mitigate expected tax payments, solve underinvestment problems and provide confidence for businesses to carry out new investment projects (Farhan 2017, pg.3). Fraser & Simkins (2007) as cited in Farhan (2017) stated that enterprise risk management can help organisations to improve their performance by way of reducing their cost of capital, improving confidence of investors and also improving rating of the firm, which shows that the organisation can meet their debt obligations under conceivable conditions.

Within the same context, Baxter et al (2013) posited that good and well thought through enterprise risk management programs improves the operating performance, and add value to organisations. ERM can assist an organisation to achieve better financial performance. ISO 31000 explained further that by enhancing better financial performance will mean; reduce the long-term cost of risk, reduce financial losses, safer investment for shareholders, and better return on capital, better credit rating, and better condition for corporate loans. In illustrating the benefits of enterprise risk management, ISO 31000 identified "reducing losses as one of the benefits, and stated that ERM will help prevent losses, minimise losses, waste, and frauds, will help improve organisational resilience, will encourage better business continuity and maintenance management, and will help improve incident management. All this elements combined are attached to financial performance of an organisation, and when ERM is successfully implemented will result to better financial performance.

In the findings of Adeuji, Akele, Adebisi & Olundunjoye (2013) as cited in Yegon (2015), it was stated that effective risk management (ERM) practices can influence the financial performances of firms which when several of its elements are combined together will have an impact on the economic growth. Yegon (2015) illustrated with an example, the finding of (KIPPRA, 2009), on Kenya, which was ranked in position 86 out of 207 countries in terms of GDP while in its business attractiveness as a country it was ranked at number 72 out of 178 countries compared with the ratings of in the Asia; Singapore, Taiwan and Malaysia which had better ratings and were ranked in position six, eight and nine respectively. The reason for better performance of Singapore, Taiwan and Malaysia in terms of business destination were attributed to effective enterprise risk management (ERM) system which leads to better financial performance and therefore attracting business firms (KIPPRA, 2009) as cited in Yegon (2015).

The Chartered Global Management Accountant (CGMA) also sees ERM as a process. Enterprise risk management (ERM) was defined by them has “the process of identifying and addressing methodically the potential events that represent risks to the achievement of strategic objectives, or to opportunities to gain competitive advantage” (CGMA 2013, p. 18). CGMA believe ERM is a strategic tool used by organisations to achieve their objectives. Meaning that enterprise risk management (ERM) is believed to be a very important tool, which executive management and Board of organisation must own for its success. CGMA (2013, p. 18) further described risk management (RM) as an essential element of the strategic management of any organisation and should be embedded in the on-going activities of the business. This is in tandem with the ISO 31000 (2009, 2018) which stated that risk management is an integral part of all organisational processes, that is, risk management is not a stand-alone activity that is separate from the activities and processes to include organisational strategic planning, organisational projects, and change management processes of the organisations. The CGMA definition and explanation is also referenced, and in agreement with the Committee of Sponsoring Organizations of the Treadway Commission COSO ‘ERM – Integrated Framework’; and the guidance developed by Airmic and the Institute of Risk Management IRM – ‘A structured approach to ERM and the requirements of ISO 31000’.

According to the CGMA (2013, p.18) positioned that the assessment of significant risks and the implementation of suitable risk responses are the major ingredients of enterprise risk management. They described risk responses as; acceptance or tolerance of a risk; avoidance or termination of a risk; risk transfer or sharing via insurance, a joint venture or other arrangement; and reduction or mitigation of risk via internal control procedures or other risk prevention activities. Other important ERM concepts include the risk philosophy or risk strategy, risk culture and risk appetite. These are expressions of the attitude to risk in the organisation, and of the amount of risk that the organisation is willing to take. These are important elements of governance responsibility. Management responsibilities include the risk architecture or infrastructure, documentation of procedures or risk management protocols, training, monitoring and reporting on risks and risk management activities.

CGMA (2013) concluded in their illustration that ERM will provide organisations a greater awareness of the risk facing them, and the ability to respond to those risks effectively. They stated that ERM can give enhanced confidence about the achievement of strategic objectives and improve compliance with legal, regulatory and reporting requirements, and also provides increased efficiency and effectiveness of operations. This is in agreement with the ISO 31000 (2009, 2018) listed benefits of ERM which as stated; ERM enhances the improvement of overall management; increase the likelihood of achieving objectives, improve controls, encourage proactive management, and improve operational effectiveness and efficiency.

Also listed in ISO 31000 (2009, 2018) that ERM helps organisations to respect law and regulations; better compliance, better health and safety for employee, respect of the environment, and improve mandatory and voluntary reporting. Reuters (2012) supported this in a statement that risk management is now hard wired into more rules and regulations since the beginning of the financial crisis. Reuters (2012) also stated that the United Kingdom’s Financial Services Authority (FSA) has increased its fines for risk management failures. This statement is evidenced by the recent London Metal Exchange (LME) fine of 180,000 pounds on the brokerage ED&F Man Capital Markets Ltd (EMV), for a lack of risk management systems to detect suspicious trading activity (Reuters, 2020).

3.2 Enterprise Risk Management and Value Creation

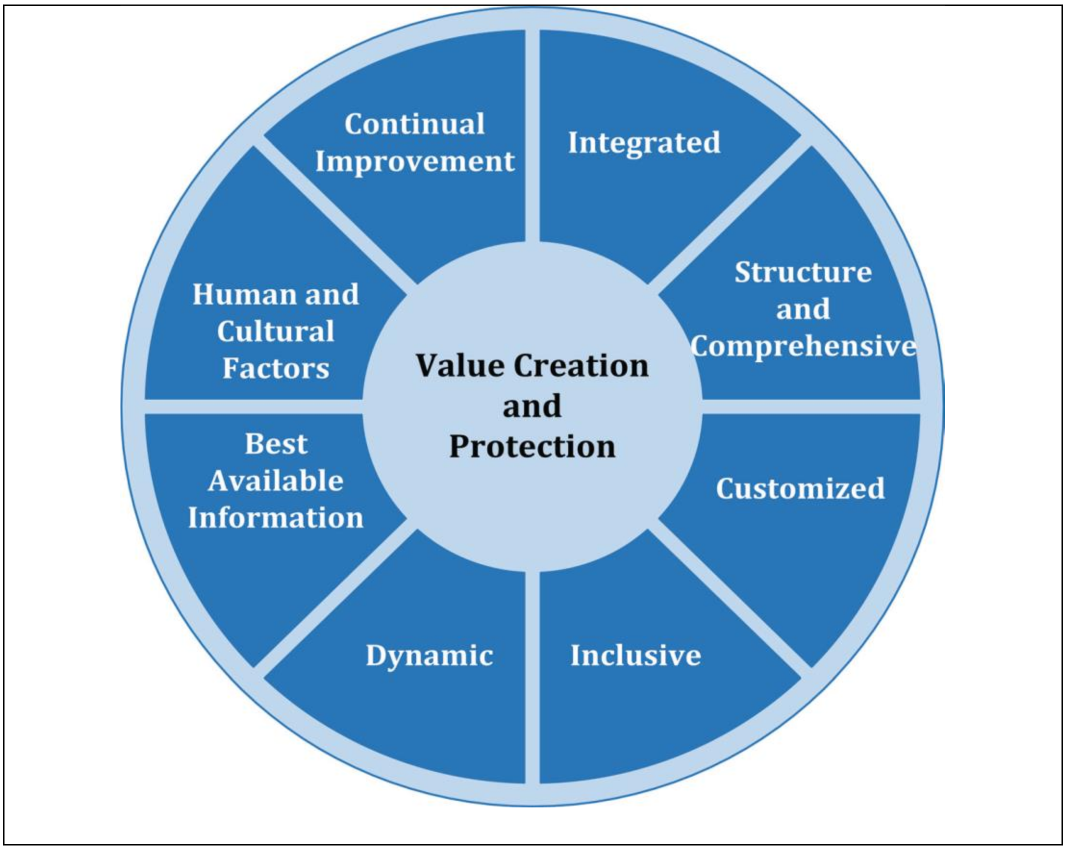
According to Machini (2016) many benefits accrue by having risk management as an independent role in management. Some benefits as listed by ISO (2009) are; improve overall management, better financial performance, enhance reputation, respects laws and regulations, and help improve governance and internal controls. Strategically, risk management adds to the value of a firm. (Suranarayana, 2003) as cited in Machini (2016). Organisation without any form of ERM implementation by the context of the above benefits may record some losses. For instance, respect for law and order will denotes that organisation are compliant to regulations and guidelines which will mean that fines and penalties are not incurred. Lack of effective risk management often results into fines and penalties which may negatively impact profitability.

Even when the impacts of fines and penalties are intangible, firm's reputation are affected even with the minimal fines and penalties which ultimately can damage brand and affect future sales. Halleck (2015) described organisational reputation as the overall estimation in which an organisation is held by its internal and external stakeholders based on its past actions and probability of its future behaviour. Halleck (2015) stated that "reputation being considered an intangible concept, research universally shows that a good reputation demonstrably increases corporate worth and provides sustained competitive advantage. A business can achieve its objectives more easily if it has a good reputation among its stakeholders, especially key stakeholders such as its largest customers, opinion leaders in the business community, suppliers and current and potential employees". Suffice to say that organisations that are compliant to law and regulations as a risk management practice will record almost zero fine and penalties which will improve their reputation and invariably add value to their brand equity.

Schroeck (2002) in his book titled “risk management and value creation in financial institutions” found that risk management is perceived in practice to be necessary and critically important to ensure the long-term survival of banks. Banks perceive risk management to be a critical success factor that is both used with the intention to create value. Suffice to say that without risk management banks survival is threatened and when this is the case value is lost. Enterprise risk management is a determinant of value preservation and the survival of organisations depends on ERM. This is supported by Schroeck (2002) as stated that risk management plays a central role in intermediation in corporate success, and is therefore an integral part and a key area of the business of banking, and risk management is viewed as one of the most important corporate objectives. He posited that “risk management also appears to be one of the most likely sources of value creation in banks and value maximising banks should have a well-founded concern with risk management”.

The question that arises here is how risk management can be linked to the overall objective of value maximisation. It is essential to know how risk management can contribute to this overall goal, because, in order to use risk management the right way, one has to have a clear objective function for it and needs to know its impact on the firm’s overall objective. And a clear reason why having a clear understanding of the principles and its application is important. As the key purpose of enterprise risk management is the creation and protection of value, improving organisational performance, encouraging innovation, and supports the achievement of objectives (ISO 31000, 2018). Walsh (2018) supported that ERM enhances growth by stating the position of COSO on enterprise risk Management framework which tasked management with the job of setting strategies and objectives minimising threats while allowing tolerance for risks that lead to business growth. Setting goals incorporates strategic, operational, reporting, and compliance management.

Figure 2: Principles of Enterprise Risk Management



Source: ISO 31000, 2018.

Whether profitability being an objective in financial the services industry, health and safety in healthcare, economic growth, full employment, price stability to mention just a few of governments objectives can be termed as value. Business begins with value creation and the purpose of any institution is to create and deliver value in an efficient way that it will generate profit after cost (Jorgenson, 2015) or satisfaction which will be a value derivation for a government entity. Acharyya (2008) stated that the objective of ERM is that an organisation takes risk intelligently in a controlled (or balanced) manner so that the business remains viable for a longer term while meeting the expectation of the stakeholders (i.e., shareholders, customers/policyholders, employees, regulators, rating agencies, suppliers, etc.). Whichever the institution concerned, the application of the eight (8) principles of ERM in figure 2 above will enhance value creation and protection, and these principles are further examined later in the study.

3.3 Enterprise Risk Management and Financial Performance of a Firm

While value creation in a context would mean profitability, in another context it may not. For instance creating value in a corporate context can be said to mean the same thing as being profitable, while value for a government entity, value could be other goals from economic indices i.e. high employment rate, price stability and security, and also for other entities or organisations where health and safety will matter most. To achieve the aim of this study, it is necessary to explore literature and opinions of school of thoughts on the relationship or what impact, if any, that ERM will have on profitability. Studies on the relationship between risk management and financial performance of banks mostly have been conceptual in nature, often drawing the theoretical link between good risk management practices and improved bank performance (Ariffin and Kassim, 2012, pg. 3). Nocco and Stulz (2006) as cited in Ariffin and Kassim (2012, pg. 3) laid emphasis on the importance of good risks management practices to maximise firms' value, and more specifically, they posits that effective enterprise risk management (ERM) have a long-run competitive advantage to the firm (or banks) compared to those that manage and monitor risks in silos.

As cited in a research by Joseph (2016), Boadi, et al. (2013) carried out a study on the factors determining profitability in insurance firms in Ghana. The study was carried out using the descriptive and inferential statistics to examine sixteen insurance companies in Ghana. It was found that a positive relationship between liquidity, leverage and Return on Assets exists, while findings showed a huge negative relationship between tangibility and returns on assets (ROA). Reason being that liquidity helps organisations to deal with uncertainties around contingencies, and help them to cope with their obligations during period where low earnings are recorded, while leverage influences shareholders‟ return and risk plus firms market value.

In another study of the relationship between profitability and ERM, Eunju & Soocheong (2005) as cited in the research by Joseph (2006) study centred on company's profitability, financial leverage and size in a restaurant industry. The main objective of the study was to establish the relationship between financial leverage and restaurants profitability and risk management. It was found and revealed that while large restaurants were more profitable compared to the small ones, high debt rates resulted in less profits, and where there were negative financial leverage variables. The assertion of this argument is that financial risk e.g. liquidity risk, credit risk, market risk and sector risk entails an exposure to uncertainty that could lead to possible financial losses and impact profitability, and the proactive management of these financial risk will enhance and improves an organisation's ability to be make profit. The inability to properly mitigate these risks may lead to poor firm performance since measures are not put in place to mitigate such unavoidable risks.

In several studies of the relationship between profitability and risk management at Islamic banks as cited in the research by Joseph (2016); Ariffin & Kasssin (2012) established a positive link between risk management practices and profitability of the bank in five Malaysia Islamic banks. The adequacy of practice in risk management was the conclusion of a study that performed risk management differential analysis in Pakistan's Islamic banks and compared their ROEs with banks that were conventional. Ariffin & Kassim (2012); Boadi, *et al*. (2013) concluded that risk management practices were positively associated with profitability. In a study of this relationship in general insurance companies, Shiu (2004) concluded that liquidity, inflation that was unexpected, level of interest rate and profits that are underwriting significantly determined performance of the insurer, statistically. However, Pignanelli and Csillag (2008) concluded that there was no evidence of profitability in organisations that embraced quality management in Brazil. Study findings by Kithinji (2010) revealed that there was no significance relationship between the banks profit and credit risk management. And the reason for this research; to examine the impact that enterprise risk management and its principles have on firm's profitability. Renaulta & Agumba &Balogun

(2016) emphasised that ERM can increase firms' value, the three main rating agencies (Moody's, S&P and Fitch), have included a firm's ERM system as an element in their rating methodology in various industries. Thus, credit rating agencies' requirements could drive ERM implementation.

Yang and Ishtiaq and Anwar (2017) in their research cited various schools of thought that supported that successful implementation of ERM will improve the profitability or performance of an organisation. As cited in Yang and Ishtiaq and Anwar (2017); (Beasley et al. 2008; Hoyt and Liebenberg 2011; Paape and Speklè 2012) stated that ERM is capable of minimising direct and indirect costs of financial distress, volatilities associated with firm's earnings, negative shocks that may arise from the financial markets, and also capable of improving the decision-making process to select the best investment opportunities. This is supported in ISO 31000 (2018) which stated that managing risk is iterative and assists organisations in setting strategy, achieving objectives and making informed decisions.

Also, Khan et al (2016) supported that ERM will help an organisation to reduce costs by stating that ERM practices enable a firm to reduce different types of costs associated with firms' operational and non-operational activities. As cited by them; Unnikrishnan et al (2015) in their study on how ERM can help an organisation face the tide in a competitive environment stated that various internal fences and lack of resources compel small and medium enterprises to embrace enterprise risk management practices in other to avoid poor performance and to enhance their survival in the competitive markets. Brustbauer (2016) however noted the challenges small organisations face they are unable to support risk management activities due to lack of resources and capabilities. ERM is crucial for everyday business activities and organisational practices in the current era as it facilitates business firms to control their internal system. Risk management is deemed a core factor for business competitiveness. According to Radner and Shepp (1996) ERM facilitates a firm to develop a unique strategy to minimise the potential losses and open a door for the exploitation of new opportunities. Effective ERM practices help to reply to unexpected threats, to ensure flexibility and to take the benefits of opportunities which in turn facilitate firms to gain competitive advantage (Armeanu et al. 2017) as cited in Yang and Ishtiaq and Anwar (2018).

According to Pratama and Augustine (2019) risk management is an integral component of the company's strategy and its implementation is carried out as an action to prevent and mitigate risk to the smallest level of risk, so that the company can survive in competition and they stated that organisations in carrying out their activities are faced with uncertain conditions that can affect success or failure in achieving goals. Sanjaya and Linawati, (2015) as cited in Pratama and Augustine (2019) posited that the rapid development of external and internal environments leads to increasingly complex business risks. And (Widjaya and Sugiarti, 2013) stated that to deal with existing conditions, organisations needs to provide management tools that can manage risk. Good risk management will not only increase business certainty but also increase competitive advantage and the profitability and value of companies (Pratama and Augustine 2019).

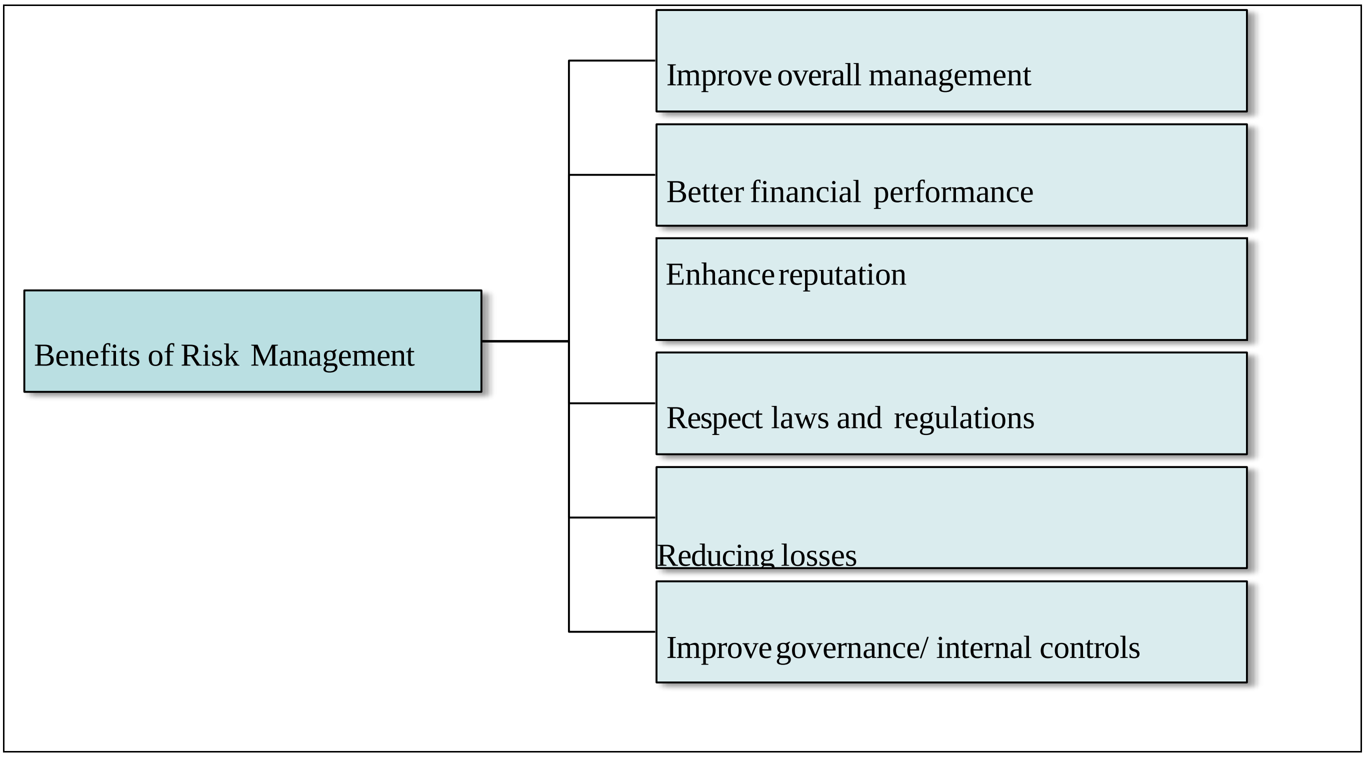
The subject matter of enterprise risk management is still elusive in a large context and organisations still are not able to measure quantitatively how the practice impact their books and a key reason why research into its impacts is still necessary and in clearer terms. This research work will study how the practice of ERM will benefit an organisation and how the practice of the principles of ERM in figure 2 above can enhance profitability.

CAHPTER FOUR

4. BENEFITS OF ENTERPRISE RISK MANAGEMENT

According to Herrera (2012), the practices of enterprise risk management are a prerequisite for sound governance and risk management and organisations that implement the process will have; a greater likelihood of achieving business objectives, consolidated reporting of different risks at the board level, improved understanding of the key risks facing the organisation, greater management focus on risks, and ones that really matter, more focus internally on doing the right things, the right way and more informed risk taking and decision making. One important benefit of ERM is that it helps organisations view risk as opportunity. Enterprise risk management (ERM) looks at risk holistically, considering how to treat and exploit risk. In other words, ERM helps organisations to think about how to use risk as an opportunity. This could involve increasing competitive positions or taking better advantage of the market. As ERM helps in identifying risks early, organisations are not blindsided by risk events as they are able to track potential future risks, providing a warning to the organisation and improving the value of analysis of data. ERM can help eliminate redundancy by creating a consistent way to evaluate risk using enterprise risk management, and also, can help cut down on time and resources spent in audits and reviews (Exigis, 2017).

Fig 3: Benefits of Enterprise Risk Management



Source: G31000 (the global platform for ISO 31000).

4.1 Enterprise Risk Management Improving Overall Management

According to ISO 31000 (2009; 2018) and COSO (2004) Enterprise risk management will improve the overall management of a company by the following;

- It is a reliable basis for decision-making in organisations. When good and informed decisions are made, corporate outcomes are better off.
- ERM encourages proactive management
- It increases likelihood of achieving objectives
- With ERM, organisations are able to assess and treat/respond to risks
- It supports the identification of opportunities and threats Improve controls
- Competitive advantage for organisations
- Improve performance
- Effective allocation of resources
- Improve operational effectiveness and efficiency.

4.2 Better Financial Performance

ISO 31000 (2018) posited that organisations that practice ERM are able to reduce the long-term cost of risk. It will enable organisations to reduce financial losses. Safer investment for shareholders. Better return on capital. Better credit rating. Better conditions for corporate loans. It encourages the sound application of financial ratios i.e. liquidity ratio and profitability ratio. Ariffin and Kassim (2012) in their study, evaluates the financial performance of the Islamic banks in Malaysia during the period of 2006-2008 with the use of financial ratios. The analysis provides a method for assessing the financial strengths and weaknesses of the firm using information found in its financial statements (Rosly and Abubakar, 2003). According to them, the financial ratios used for the study include the rate of return on assets (ROA) and the rate of return on equity (ROE). It is worthy of note that ROA is the most comprehensive accounting measure of a bank's overall performance.

Return on Assets (ROA) is expressed as net income over total assets, it shows the profit earned per dollar of assets (Ariffin and Kassim, 2012). THE rate of return on assets (ROA) is an indicator of bank's efficiency and a measure of their ability to earn rent from its total operations. The return on equity (ROE), on the other hand, which is expressed as net income divided by total equity, reflects how effectively shareholders' investments are being managed by a bank. According to Goudreau (1992) as cited in Ariffin and Kassim (2012), ROE revealed to the bank's shareholders how much the institution is earning on the book value of their investment. In fact, ROE is the most important measurement of banking returns because it is influenced by how well the bank is performed on all other return categories, and indicates whether a bank can compete for private sources in the economy.

Fig 4: Profitability Ratio Formula.

Gross Profit Margin = $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$ Operating Profit Margin = $\frac{\text{Operating Profit}}{\text{Sale}} \times 100$	Net Profit Margin = $\frac{\text{Net Income}}{\text{Sales}} \times 100$ Return on Assets = $\frac{\text{Net Income}}{\text{Assets}} \times 100$
Return on Equity	$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$

Source: Researcher

Hansen (1989) as cited in Obalola and Akpan, and Abass (2014) discusses two perspectives organisations can use to measure their performance and namely financial management perspective and strategic management perspective. The financial management perspective laid emphasis on the economic factors of organisations with focuses on the external market from financial context. This perspective is supported by Acharyya (2007) as cited in Obalola and Akpan, and Abass (2014) which gave income parameters (profit and loss), cash flows, return on investment and value as the financial management perspective for measuring performance. Also as cited in Obalola and Akpan, and Abass (2014), Doherty (2000) and Fatemi (2002) posited under this financial management perspective that the primary task of management is to maximise returns to shareholders. A major criticism of financial management according to Acharyya (2007) as cited in Obalola and Akpan, and Abass (2014) is the heavy reliance on financial outcomes and exclusion of strategic, operational and ethical issues including firm's social and environmental responsibilities.

On the other hand, and on strategic management perspective, Hansen (1982) as cited in Obalola and Akpan, and Abass (2014), laid emphasis on the organisational factors with focus on the psychological and sociological perspectives. These are subject matter of ERM. It encompasses the risk taking and decision making issues by managers (Acharyya & Ball, 2000). A major criticism of strategic management is that it emphasises more on subjective issues like customer preference, employee satisfaction rather that firms financial outcomes. Killackey (2009) posits that organisations need to implement an ERM framework that is properly aligned with their strategies at all levels (strategy, operational and processes). The outcome of the ERM programmes according to Acharyya (2007) should provide information in determining corporate objectives and formulation of appropriate corporate strategies (Obalola and Akpan, and Abass 2014).

4.3 Enhance Reputation

An organisation's reputation is a critical asset and lack of effective risk management can lead to reputational damage. Effective Risk Management can turn reputation to a positive asset (G3100, 2009). Christopher et al (2009) supported that ERM may impact corporate reputation in a variety of ways. First, they posited that ERM is a management process that enables a firm to holistically manage all types of risks. This creates a process in which individual risks, including reputation risk, are identified, assessed, and managed in a unified manner so that the firm value is maximised. Secondly, they argued that ERM encourages disclosure of risks, so that stakeholders can better understand which risks a firm is accepting and which it is avoiding. Proper disclosure enhances an organisation reputation and is generally viewed positively by outside stakeholders because it allows them to better manage their own risk profiles. Finally, they stated that ERM provides a strategic response to a reputation damaging event. In their research, they conducted an examination of a range of reputation proxies, and it was found out that implementation of ERM program may enhance corporate reputation, although not in the short-term. It was also found out that ERM adoption tends to occur during a period in which various reputation measures tend to be decreasing. This suggests that firms may be implementing ERM as a response to a decline in corporate fortunes.

Gatzert and Schmit (2015) described reputation risk as the “risk of risks,” meaning that it generates from other sources of variability. They posited that reputation is exposed to volatility from all other sources of volatility, as depicted by the Global Association of Risk Professionals (GARP, 2011), with reputational risk at the center of the entire ERM process. A successful ERM process, therefore, manages reputation risk effectively. Also, a successful process to manage reputation risk will be an effective ERM effort. According to them, managing corporate reputation can generate substantial value for an organisation by positively influencing various stakeholder groups which in essence is exactly in line with the objective of ERM.

Organisation’s reputation not well managed can induce costs for firms, including from redundant or inconsistent risk identification and risk management processes (Tonello, 2007; Regan, 2008) as cited in Gatzert and Schmit (2015). Also as cited in Gatzert and Schmit (2015), Tonello (2007) put forth an argument whether reputation risk should be treated separately from other risks faced by organisations. In the arguments, he cites a survey by the KPMG’s Audit Committee Institute and the National Association of Corporate Directors, where 55 percent of the participants responded that it should be considered as a “failure to manage other risks effectively” and that reputation risk should not be managed separately. As cited in G31000 (2017), Baur & Schmitz (2011); Mahon & Wartick (2003); and Roper & Fill (2012) noted that an organisation’s reputation reflects how it is regarded by diverse stakeholders and that its reputational stance can help the organisation to gain trust and credibility, which will invariably help in the achievements of objectives and goals.

4.4 Respect Laws and Regulations

Risk management is now hardwired into more rules and regulations since the beginning of the financial crisis. Most regulatory agencies all over the world are now concern with how businesses are run. In the United Kingdom, the Financial Services Authority (FSA) has increased its fines for risk management failures. The United States Security and Exchange Commission (SEC) has taken risk management as well as other governance and compliance issues even more seriously than it was in the past (Reuters, 2012). Compliance to regulatory guidelines has become a key focus to many Board and Management of organisations and management are required to report and demonstrate to their Boards the mechanism in place to ensure compliance and an effective ERM framework is a key strategy to achieve this. ERM provides greater awareness about the risks facing the organisation and the ability to respond effectively. It can give enhanced confidence about the achievement of strategic objectives and improve compliance with legal, regulatory and reporting requirements (CGMA, 2013). According to COSO (2004) the enterprise risk management framework is geared to achieving an entity's objectives, set forth in four categories namely:

• Strategic – high-level goals, aligned with and supporting its mission

•Operations – effective and efficient use of its resources

• Reporting – reliability of reporting

• Compliance – compliance with applicable laws and regulations.

In this study, demonstration was given on the relationship between ERM and financial performance of organisation. Fines and penalties are elements that affect the financial performance of organisations. And one key area of focus for enterprise risk management, as prevention of fines and penalties is part of risk exposures the framework (ERM) manages. In this study, a respondent, who is a chief risk officer in a leading insurance company in Nigeria has responded that regulatory risk is a key risk and only next to business continuity gets more attention even at the board level. Managers across the company work to ensure that no fine and penalty is recorded by the company, as it negatively impacts the company's margin (profit). More importantly, it is tied to the reputation of the company as any fine or penalty paid is reported in the company's financial statement. Also culture depicts the way organisations views fines and penalties. While some will treat it as compliance risk that is put cost and benefit (cost/benefit analysis) into consideration. If the benefit of a particular transaction that warrant fines, these organisations we prefer to continue and take the risk, while on the other hand, an organisation with strong culture of zero-compliance to fines and penalties will do otherwise. While it is agreed that ERM will enable an organisation to respect law and regulation, further research is necessary to examine the correlation and establish a position whether this benefit have huge impact on financial performance, especially taking into consideration cost and benefit analysis of a project that is prone and exposed to regulatory fines.

4.5 Reduces Losses

This study has been able to demonstrate that ERM will enhance and protect value for organisations and losses are prevented and reduced through identifying potential risky events and by providing assistance in selecting appropriate risk responses. ERM proves to be extremely beneficial in minimising surprises and losses. Nothing comes as a surprise to the organisation, as they are armed and ready to meet them and know how to handle them. Figure 4 below is a survey by Deloitte in examining how enterprise risk management will benefit an organisation, and figure 5 reveals example of operational losses by industries with value and count.

Fig 4: Deloitte Survey on ERM Benefits

Deloitte ERM Benefits Survey	
% of Respondents	Expected Benefits
49%	Ability to link growth, risk, and return
44%	Ability to align risk appetite and strategy
44%	Ability to provide integrated responses to multiple risks
42%	Help to minimize operational surprises and losses.
39%	Help to seize opportunities.

Source: Peterson, 2019 Business Process and Management.

Fig 5: Operational Risk Losses (minimum threshold $100k)

Top 10 Industries by Loss Amount		Top 10 Industries by Loss Count	
Industry Sector Name	**Loss Amount $**	**Top 10 Industries by Loss Count**	**Count**
Financial Services	880,021	Financial Services	13,692
Manufacturing	652,661	Manufacturing	6,512
Mining	312,882	Information	1,637
Utilities	117,634	Utilities	1,517
Information	114,209	Mining	1,267
Professional Services	41,112	Transportation and warehousing	966
Retail Trade	29,418	Healthcare and Social	825
Transportation and Warehousing	28,905	Professional Services	758
Public Administration	23,990	Retail Trade	730
Health Care and Social Assistance	22,790	Construction	428

Top 10 Risk Category Level by Loss Amount		Top 10 Risk Category Level by Loss Amount	
Sub Risk Category	**Loss Amount $**	**Sub Risk Category**	**Count**
Improper Business/Practices	664,361	Improper Business/Practices	7383
Disasters and Other Events	581,997	Disasters and Other Events	4246

Suitability, Disclosure & Fiduciary	548,933	Suitability, Disclosure & Fiduciary	7277
Theft and Fraud	283,629	Theft and Fraud	7460
Product Flaws	67,051	Product Flaws	287
Unauthorised Activity	46,612	Unauthorised Activity	464
Employee Relations	37,610	Employee Relations	826
Diversity & Discrimination	19,524	Diversity & Discrimination	518
Systems	15,132	Monitoring & Reporting	343
Transaction Capture and Execution	9,902	Transaction Capture and Execution	343

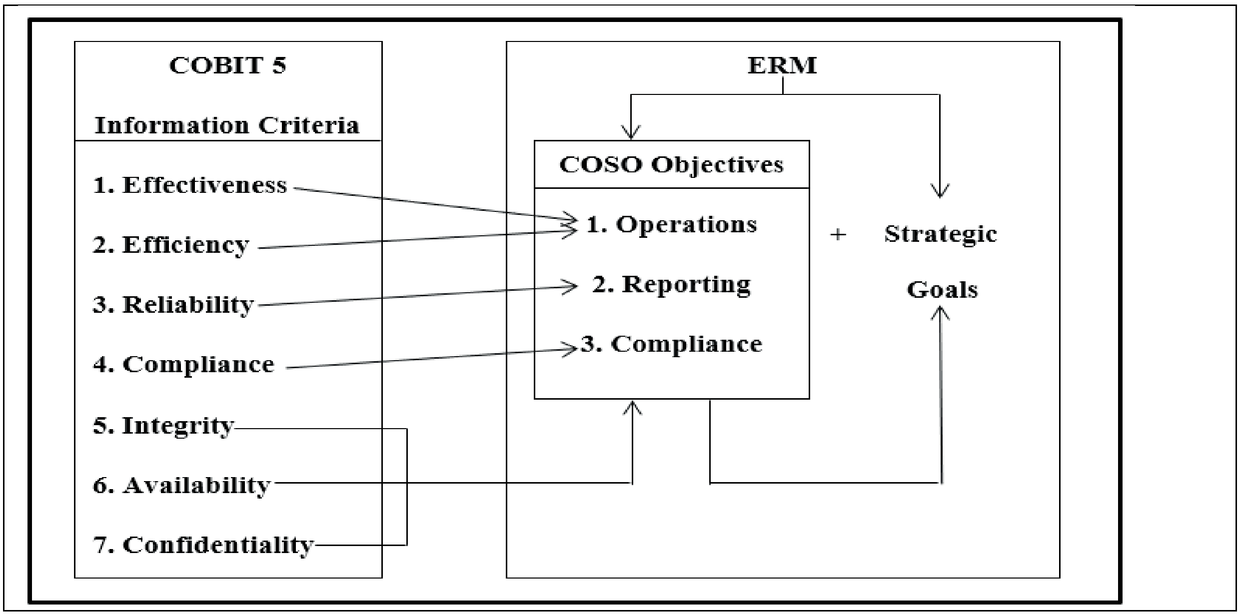
Source: SAS OpRisk Global Data.

4.6 Improve Governance & Internal Control

According to ISO 31000 (2018) ERM will enhance corporate governance, encourage sound system of internal controls, better accountability and audit, offers protection for shareholders as well as improve stakeholders confidence and trust in an organisation. Enterprise risk management and internal control contribute value to, and are integrated as part of, the overall governance and management process. The COSO Internal Control Framework and ERM Integrated Framework show a relationship between the two frameworks and business activities. The internal environment and objectives setting components fill governance, strategy setting and business planning. The event identification, risk assessment and risk response components of the ERM framework are applied in strategy setting and business planning, the control activities component in execution and the monitoring component in monitoring of the COSO Internal Control Framework. Additionally, event identification, risk assessment and monitoring components are also applied in adapting. Information and communication components of both frameworks are alike throughout the elements of a business model. It is important to remember that as a subset of ERM, internal control also contributes value to the organisation (COSO, 2004)

According to Chesley and Pett and Martens (2020) internal control is a very essential part of enterprise risk management. Enterprise risk management (ERM) is applied from strategy through execution, while relying on internal control at critical junctures. To buttress this, the risk management framework of organisations set the parameters which are by nature an enforceable standard, and needs the internal control mechanism for implementation, effectiveness and assurance. The two are interconnected, but not interchangeable. Indeed, when used together, they’re powerful complements in supporting management. Internal control is the activities designed to assist organisations to achieve compliance, reporting and operations goals and objectives. To achieve this, organisations are required to consider the risk to those objectives they have set as a result; it is fundamentally an element of risk management. They posit that internal control complements ERM as each raises the value of the other. For example, ERM helps in developing the objective used as a basis for developing controls, while internal control makes ERM more effective when control activities are in place over risk responses and other ERM processes (Chesley and Pett and Martens 2020).

Figure 6: Relationship between Enterprise Risk Management and Internal Control



Source: Ettish and El-Gazzar and Jacob 2017.

In conclusion, the purpose of ERM is to ensure value is created and ultimately protected, and the findings of the study of the benefits of ERM showed and support the principle of value creation and protection, and when integrated in objective settings, framework, and the processes of organisations.

CHAPTER FIVE

5. PRINCIPLES OF ENTERPRISE RISK MANAGEMENT

This study has demonstrated with positions of different school of thought that ERM will enhance the financial performance of an organisation. But how this is achieved depends on the actions taken by organisations. ERM as a new but popular discipline that evolve after the demise of some organisations has not been quantified to determine and declare it as a profit center, rather some organisations still see it as a cost rather than value adding initiatives, and more importantly, a regulatory requirement.

Yar (2019) looking at perspectives from two proponents stated that *"the proponents of ERM as a cost centre argues that the idea of risk management is mainly imposed by the regulator to control and mitigate potential risks according prescribed approaches by the regulator. Given the high demand and high bureaucratic complexity for risk management by the regulator, hired specialist staffs and the Head of Risk Management, the Chief Risk Officer beside special risk management software tools causes additional costs on the limited HR costs also needed for more essential (that is the way the senior management sees it) departments as Sales, Relationship Management, Marketing, Finance, Accounting, Billing, IT etc. Hence, the risk management is not only an additional cost factor, it is also occupying investments needed for "essential" and "optimal" structuring of profit generating units"*.

On the other hand, Yar, (2019) stated that the proponent of the ERM as a profit center argues *"that risk management has elements of bureaucracy imposed by the regulator which can make RM cumbersome and disliked. Nevertheless, RM is not a cost centre and although it is not generating directly profits it prevents by its activities as identifying, measuring and mitigating risks directly losses and hence provides healthy and safer profits. Preventing the FI from severe losses, protecting it against a potential bankruptcy or severe crisis is equal to* *generating profits (what is helping the financial institutions if any great profits will be devoured by severe downturn events and cause on top severe losses which is endangering the very existence of the FI). With this, if not direct, the RM is an indirect profit centre".*

According to Dodgson (2018) the risk management function will move beyond being a cost centre to become a value-added component within the financial services sector. He stated that *"ERM can change its mission from making sure organisations doesn't lose money to helping the firm make money, and that the single biggest shift in the risk management space over the past five years has been the move from quantitative to qualitative analysis"*. The difference between ERM as a cost center and as a profit center is dependent on how it is applied as a tool by organisations. There are remarkable research work on ERM and its positive impact financial performance with emphasis on capital management, asset management, value at risk (VAR) to mention just a few. This research work will study the principles of ERM and how it can help organisations to achieve value and profitability.

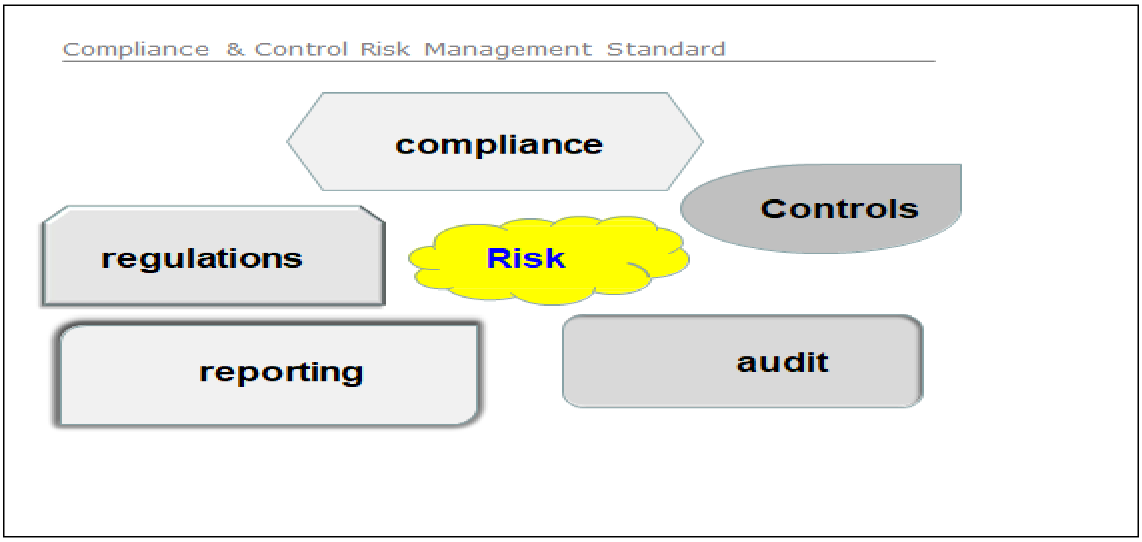
5.1 Principle 1 - ERM Should Be Integrated

Organisation should integrate its risk management efforts into all parts and activities of the organisation. In the introduction of this study, it was established that corporate failures led to collapse of some organisations. One of the lessons learned during the evolution of ERM was the need to have ERM integrated into the organisation's existing processes, including strategy settings, governance, performance management and internal control, as illustrated in figure 7 below. Separate, ERM functions, can seldom, if ever, deliver the level of benefits of an ERM function that is fully integrated into the core businesses processes of the organization (Anderson and Frigo 2020). Risk management is not a stand-alone activity that is separate from the main activities and processes of the organisation. Risk management is part of the responsibilities of management and an integral part of all organisational processes, including strategic planning and all projects and change management processes (American Society of Engineers, 2011). Renaulta & Agumba &Balogun (2016) stated that to be successful, ERM should be aligned to the management teams in the different units as this alignment helps in enhancing their understanding of the business functions they support Further key components for ensuring ERM success is the alignment of the RM strategy with the firm's overall business strategy, and the integration of RM into the organisational processes, as risks, are the best managed as close as possible to the source of the risk.

Figure 7: Integration of ERM to Organisation

Source: G31000: Global platform for ISO 31000.

Figure 8: Integration of ERM to Compliance & Control (A Regulatory Philosophy)



Source: G31000: Global platform for ISO 31000.

Bob Hirth, as cited in Anderson and Frigo (2020) posited that the integration of ERM is critical to not only the success of an ERM initiative but key to obtaining the real benefits of an investment in ERM, and he listed the benefits to include:

• Increase the range of opportunities by considering both the positive and negative aspects of risk

• Increase positive outcomes and advantages while reducing negative surprises

• Respond more proactively to risks versus reactive responses

• Enhance ability to identify and manage entity-wide risks

• Reduce performance variability

• Improve resource deployment

Anderson and Frigo (2020), in their illustration of what ERM integration means for organisations, stated that the key concept underlying integration is to add the ERM activities to existing activities rather than creating separate and entirely new processes and practices. For example, most organisations already have some kind of budgeting or performance planning process. A first step in integrating ERM may simply be to add one page to the existing budgeting process for each business unit to articulate: first, what events are they concerned with that may impair their ability to achieve their budget/ business plan objectives, and second, describe what activities they will undertake to monitor and manage those possible event.

Another consideration is investment, ERM when integrated into investment decisions will mean that organisation will consider ratings of financial institutions from reputable credit bureau and public information on financial institutions before making a call. This adds to profitability in the sense that monies that would have been lost through to bad investment decisions will be saved through conducting a risk assessment. A broader way to look at the benefit and value of ERM is the integration to decision making. Boards and management are constantly faced with decisions ranging from strategic to operational decisions. An ERM process provides additional risk information related to the strategies to enable them to make better informed decisions to create and protect value.

In an interview with a respondent who is a Head of Sales and Distribution in a leading health maintenance organisation gave an insight on how ERM is integrated into their sales activities. He noted that prospective clients are screened against the Nigerian Economic and Financial Crime Commission (EFCC) sanction list before un-boarding. This risk assessment activity enables the company to avoid fines, reputational damage, loss of business, and possible loss of operating licence as specified in the Anti-money laundering/Counter Financing of Terrorism (AML/CFT) laws. Avoidance of fines and penalties positively impact the company’s financial position, and ultimately value is protected. Another respondent to a questionnaire in this research study who is HR Business Partner of an insurance company responded that ERM is part of the organisation’s strategy that is linked to employees’ performance which enhances productivity and invariably improves the financial position of the company. For the organisation, ERM elements i.e. health and safety responsibilities are included in employees’ key performance indicators (KPIs) and are measured bi-annually.

The inclusion of ERM in employees KPIs is evidenced in British petroleum (BP) linking staff bonuses to safety performance. In a statement credited to Bob Dudley and according to BBC (2010), Mr Dudley said in an email that safety will be the sole measure for bonus payments in the fourth quarter. Payments would be linked to "reducing operational risks" and "excellent safety and compliance standards". Existing bonus arrangements would be honoured for the first nine months of the year, he added. BP is struggling to repair its image following the Gulf oil spill disaster. "We are taking this step in order to be absolutely clear that safety, compliance and operational risk management is BP's number one priority, well ahead of all other priorities," the email said. Integrating risk management into an organisation is a dynamic and iterative process, and should be customized to the organization’s needs and culture. Risk management should be a part of, and not separate from, the organisational purpose, governance, leadership and commitment, strategy, objectives and operations (ISO 31000, 2018).

5.2 Principle 2 - Structured and Comprehensive

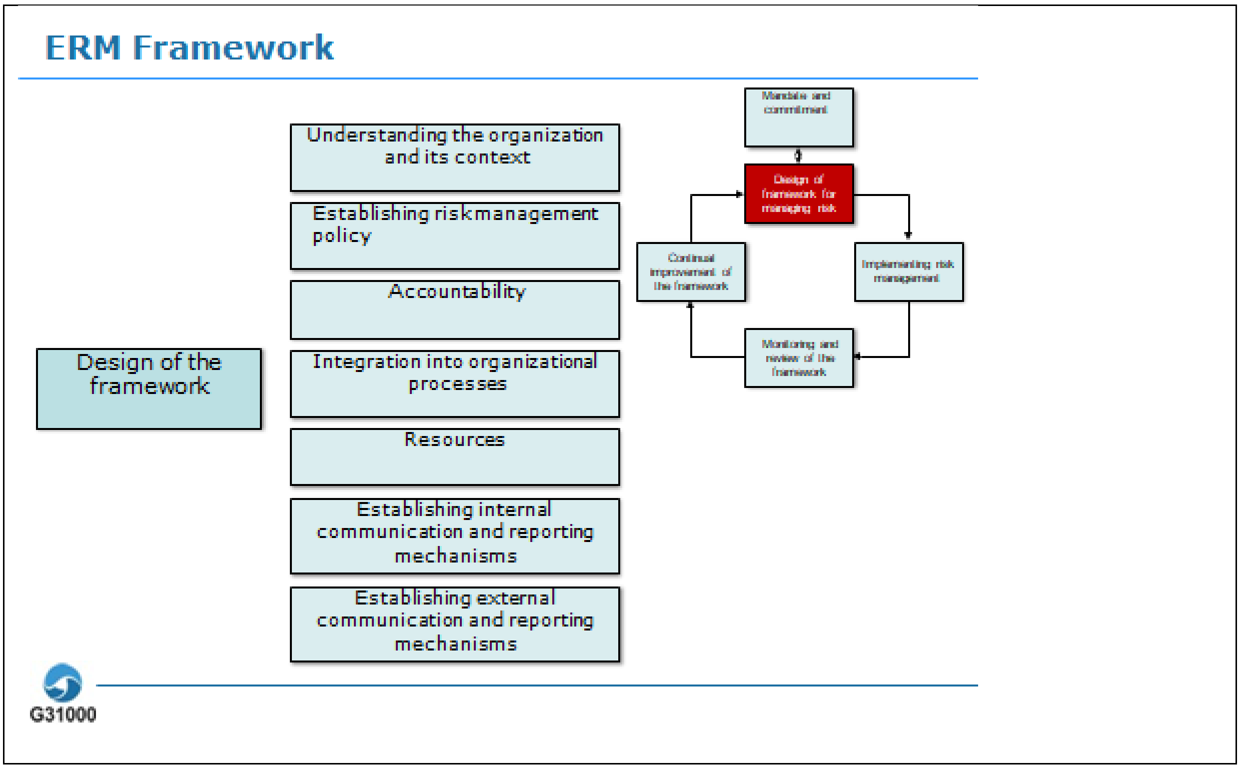
A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results. The more aligned the ERM framework, the more effective and efficient for the entire operation (American Society of Engineers, 2011). When setting out to improve risk management performance, the expected benefits of the risk management initiative should be established in advance. The outputs from successful risk management include compliance, assurance and enhanced decision-making. These outputs will provide benefits by way of improvements in the efficiency of operations, effectiveness of tactics (change projects) and the efficacy of the strategy of the organisation (AIRMIC and Alarm and IRM 2010). According to SKYS Inc. (2013), a comprehensive enterprise management framework will encourage a thoughtful, disciplined approach toward risk management and will help organisations acknowledge the current ERM position, analyse and manage the multitude of risks facing the operational and financial standing of organisation, and build value by taking risks wisely.

A structured and comprehensive ERM framework will bring about effective enterprise risk oversight, which is essential if organisations must achieve their strategic objectives. Without effective risk oversight, organisations may find themselves not prepared to address the various challenges of managing a complex and volatile risk portfolio. ERM Comprehensive framework will encourage a strategic and holistic approach to identifying, analysing and managing an organisation entire risk. Suffice to say that, when not comprehensive and structured, risk is will be manage in silos. It is important to note that to have a structured and comprehensive ERM framework, it requires human interaction, teamwork, cross-functional participation and communication, and everyone from the Board to CEO to the employees (a top down approach) must be aware of the risks and address them as soon as they are identified. For ERM to be structured and comprehensive SKYS Inc. (2013) stated that focus should be on; the approach aligned with the organisation's structure and strategy, continuous education and improvement by focusing on business performance, quantification process to measure risk impact to value, coordinated enterprise-wide response to substantial risks, and a sustained approach to create business value.

5.3 Principle – 3 ERM Should Be Customised

A tailored ERM is aligned with an organisation's internal and external context. ISO 31000 (2018) posited that it should recognise the peculiarity of the risk profile of an organisation, and the risk management framework and process should be customised and proportionate to the organisation's external and internal context related to its objectives. It was stated that top management and oversight bodies, where applicable, should ensure that risk management is customised and implemented by all components within the framework, as this will help the organisation to align risk management with its objectives, strategy and culture. Figure 8 below represent an ERM framework and elements within the framework that risk management should be customised with. The principle of customisation is similar in nature to the principle of integration; as a result further research study to this principle (customisation) is required to determine its importance in value creation for an organisation.

Figure 9: Enterprise Risk Management Framework



Source: G31000: Global platform for ISO 31000

5.4 Principle – 4 ERM is Inclusive

The principle of inclusiveness of enterprise risk management is similar to the principle of integration. But inclusiveness looks at human factor rather than process or operations. Inclusive ERM denotes that everyone is responsible for the successful implementation of enterprise risk management from the cleaner, the security up to the CEO. According to

G31000 (2017), appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organisation, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.

Banham (2018) posited that feelings of inclusion give all people the confidence to openly express their ideas, increasing the likelihood that they will voice unique ideas that can improve the business. Henna Karna a data scientist and chief data officer at XL Catlin as cited in Banham (2018) stated that “the wider the spectrum of colleagues with diverse backgrounds in an organisation, the greater the likelihood of accumulating novel ideas that contribute to business growth,”. Banham (2018) also stated that the inclusiveness also fosters higher employee engagement, productivity and company loyalty, resulting in higher retention rates. Cecile Alper-Leroux as cited in Banham (2018) stated that “it is easy to hire for diversity, but if you don’t have a culture of inclusion, people will leave, and when they leave, word gets out about why, alternatively, if you truly listen to the ‘voice’ of all employees, people feel they matter and will give more of themselves.”

ERM can assist an organisation to achieve the greatest innovation and by doing so, enhance a company’s profitability. The ERM programme when designed to have the inputs of all innovation risk will bring about great ideas from diverse perspective and background giving the management a bucket full of options and ideas to leverage on and so by allowing them to make a better decision. While inclusion is difficult to quantify, businesses can try to track their efforts by keeping a record of the new ideas that emerge from traditionally underrepresented employees to give them some idea of whether all voices are being heard. Innovation by definition is about thinking differently, which is, after all, the seedbed of all successful companies.

The principle of inclusiveness would mean that roles and responsibilities for managing risk are every employee's duty and not the Chief Risk Officer. All employees take ownership. Mckinsey & Company (https://www.mckinsey.com/business-functions/risk/how-we-help-clients/enterprise-risk-management-and-risk-culture#, no date) stated that everyone in an organisation has some responsibility in managing risk across the organisation, not just the chief risk officer. Shareholders, rating agencies, and regulators and policy makers request that companies involve their top management and even their boards. However, the right structural and organisational choices, the description of roles and responsibilities, as well as the appropriate definitions of organisational units and reporting lines, are critical to ensuring robust and effective enterprise-risk management for efficiency and better financial performance.

Case Study 1: how the principle of inclusiveness can enhance value by preventing losses

Company XYZ have a robust enterprise risk management framework which is integrated in both the operational and strategic functions of the company. The company organises ERM training for all employees every quarter and as part of key performance indicators, all employees must attend a minimum of 3 sessions out of 4 sessions organised in a year. All staff members except the cleaners who are outsourced employees are profiled for the session.

The cleaner who have not participated in any ERM training of the company and who is not exposed to Health and safety principles while discharging his cleaning duties did not put a 'wet floor' signage to alert clients of the floor status. A client coming for a business meeting not aware of the wet floor slipped and damaged his ankle, resulting into financial loss as a result of;

- Litigation
- Reputational damage
- Loss of business opportunity
- Fines and penalty for HSE non-compliance

Source: Researcher.

For ERM to be inclusive, the board and all employees must be responsible for its implementation. An inclusive ERM will ensure that losses are minimised, financial environment controlled, aligned with financial to include investment decisions, operational and strategic levers and initiatives, thereby increasing the likelihood of achieving profitability objectives.

5.5 Principle - 5 Dynamic, Iterative and Responsive to Change

Enterprise risk management when in its best simplicity will aid acceptance by various stakeholders both internally and externally and as such implementation will be more successful. As cited in Bickmore (2016) Albert Einstein stated that “if you can’t explain it simply, you don’t understand it well enough”. It must be very flexible to accommodate changes as context for risk management framework might change as a result of various factors like drivers for change, external forces, regulatory requirements and organisational strategy to mention a few. According to Marks (2014) organisations must be responsive to change, nimble and agile in modifying strategy and execution. Marks (2014) posited that dynamism implies that risk management operates at the speed of the business. It is far more than the occasional, even if regular, assessment of a list of so-called top risks. It is a situation when the consideration and management of risk is part of the fabric of the organisation, and an element in daily decision-making and operations of the organisation. It is active and essential. “Iterative” is about a reliable set of processes and systems for identifying, assessing, evaluating, and treating risk. It means that when management makes decisions, based in part on risk information, there are proven processes and the information is reliable.

And being “responsive to change” is essential when risk changes at speed. Every day there is a potential surprise, a new or changed situation to which the organisation should at least consider responding. It could be a shift in exchange rates, a change in the government of a nation where you do business, a flood that affects the supply of a critical component, the decision in a court case that affects you directly (because you are a party) or indirectly (because it creates a new interpretation of a regulation with which you must comply), the loss of a key customer, a new product from a competitor, the loss of a key employee, or so on (Mark, 2014). According to Algonquin (2015) as internal and external events occur, context and knowledge change, monitoring and review take place, new risks emerge, some change, and others disappear. Therefore, the organisation should ensure that risk management continually senses and responds to change to achieve stated objectives and ensure value is created and preserve. This principle will ensure that organisation are proactive in the management of risk and as such will help in minimising losses and when this is achieved, growth and profitability is a possibility. In reality, there are several indices and factors that determine top line growth and notably is organisational growth objectives attached to sales. Even when ERM framework is adequate and this principle is evidenced, profitability may not be achieved without top line growth (sales). Although and from research as evidenced above, this principle improve organisational profitability, future research is a necessity in terms of its quantification.

5.6 Principle – 6 ERM Should is Based on Best Available Information.

G31000 (2017) stated that the inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. It was stated that executives saddled with decision making responsibility should inform themselves of, and should take into account those limitations of data used, and divergence of opinions among experts. This principle will suggest an organisation will ensure that risk assessment techniques are applied consistently across its entire operations. This principle rather support ERM best practice in terms of decision about risk, extensive research is necessary to determine its relationship with growth and profitability.

5.7 Principle 7 – Human and Cultural Factor

Enterprise risk management should take into consideration human and cultural factor for its successful implementation. It has been proven by research and as revealed by this study that ERM support the achievement of objectives, thereby improving the chances for organisational growth. However, ERM initiatives and program are prone to failure due to poor strategies, and notably when human factors are not considered. Employees constitute a very key stakeholder in an organisation and whether ERM program will be successful is largely dependent on them. This principle can be interpreted that the ERM framework even at its design stage, must factor different cultural beliefs to its implementation. Kuwal (2018) stated that humans manage risks. Involvement of humans into any process brings various advantages and disadvantages. This also applies to implementation of risk management processes within an organisation. KPMG (2018) supported this by stating that risk culture and human factor is the heart and soul of ERM and culture must be actively cultivated in order to achieve the desired result.

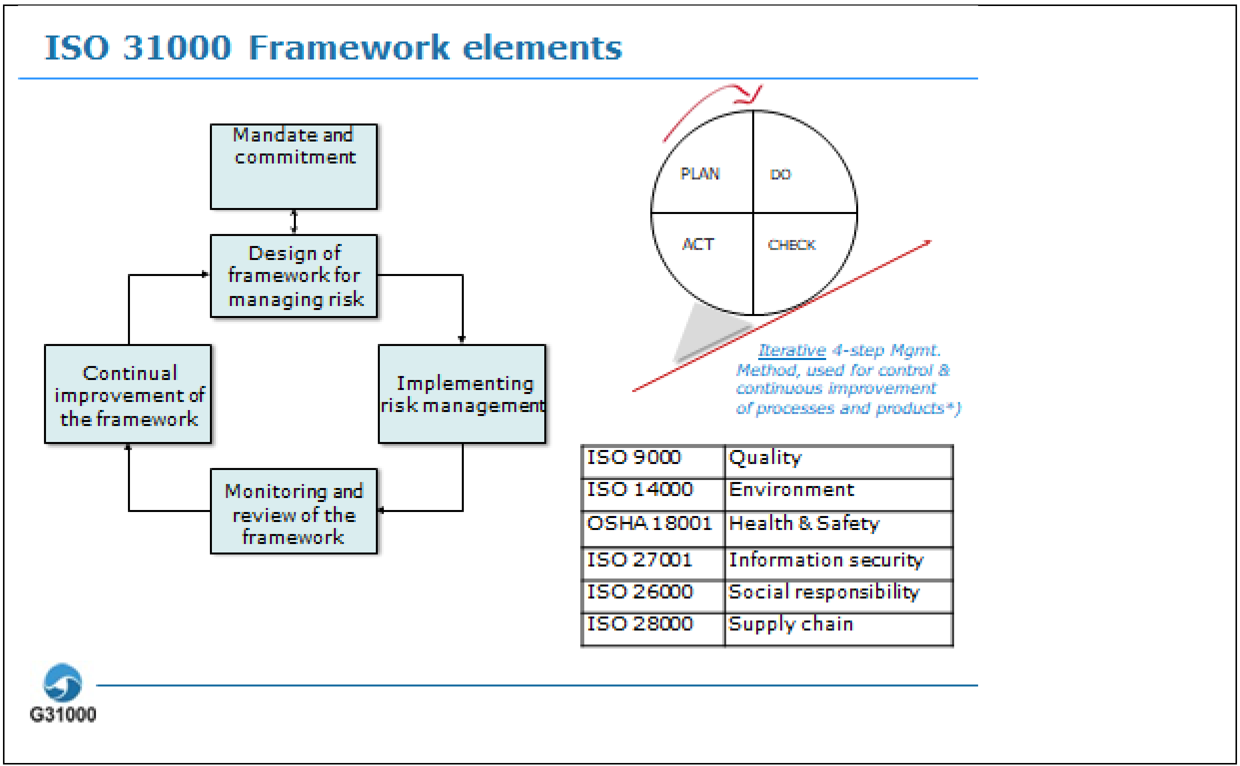
As cited in Bakker and Somani (2006), Rijsenbrij (1993) in his book presented an approach in which they human factor was introduced in risk management. A risk awareness process at the beginning of the project during the phase of Risk Identification, involving all project members, will prevent risks from occurring because members feel a shared responsibility. Rijsenbrij perceived risk is more important than actual risk. This approach is useful, because there is attention to the fact that risk management is a process, executed by people working and communicating with each other in a team environment. And without these people and the interactions, the process cannot take place, suffice to say aligning an ERM framework that will enable an organisation meets financial its objectives (profitability) without putting into consideration the human element that will make it happen will result into loss. I state categorically here that ERM support the achievement of financial growth by minimising losses, and financial growth indicates value creation, and human and cultural factor is a driver that will make it successful.

Every ERM programme is developed by people, directed for the growth of an organisation, to be implemented and adopted by people. When their cultural beliefs are not factored in, resistance is likely making the framework to fail. An example of this is the common sayings that “think global but act local. An example of human and cultural factor in ERM is seen in multinationals, whereby ERM frameworks and policies are designed by the group and subsidiaries are allowed to adjust taken into consideration in-country requirements and culture. A practical example is when I have to implement the Group ERM policy in Nigeria. It became necessary to look at the Nigerian environment, the subsidiary (Nigeria office), and culture of the people to get the buy-in of the employees for the implementation to be successful. Kleffner et al., (2003) as cited in Ping and Muthuveloo (2015) posited that when it comes to implementing ERM, previous studies consider organisational culture an obstacle and limitation. Koompai (2010) as cited in Thomya & Saenchaiyathon (2014) supported that organisational culture is one of contextual factors which has important role to the success of management in organisation A study by Kimbrough and Componation (2009) revealed that organic culture tended to create progress to ERM; however, the studies that shown the linkage among organisational culture, ERM, and organisational performance is rare.

5.8 Principle – 8 ERM must be Improved Continually

Continual improvement is essential to ensure that the ERM program of an organisation is adequate and still meet the necessary requirements to minimise losses for organisational growth. Walsh (2018) stated that whether through internal audit, external audit, or as part of on-going management activities, ERM must be continuously monitored to adjust to changing risks. G31000 (2017) noted that continuous improvement entail organisation assessing the effectiveness and modifies the approaches to risk management on a regular basis including the steps to taken improve the overall risk culture.

Figure 10: Enterprise Risk Management



Source: G31000: Global platform for ISO 31000

The eight (8) principles of ERM will no doubt ensure that value is created leading to profitability when it is applied is settings in an organisation. The subject is not well understood by many as ERM is attached or linked to reporting, control and compliance. Deloach (2018) stated that ERM is an enigma, which many executives proclaim that they practice it, yet most of them can't agree on what it is exactly. The reality is that companies think they are implementing ERM, but they really are not. What we see in practice often demonstrates a very limiting view of ERM, from maintaining a list of risks ("enterprise list management") to summarising risk responses, leaving many corporate leaders underwhelmed with its value contributed in view of the speed of business and ever-changing economic environment (Deloach, 2018).

G31000 (2017) in their risk maturity model for assessing risk management based on the principle of ISO 31000 standard, assessed organisations on three (3) criteria; compliance driven organisation, a structured organisation, and an integrated organisation. According to their research, a compliance driven organisation sees ERM as a control mechanism and also a regulatory requirement, a result showed that this organisations financial performance are below defined objectives and/or industry benchmark. A structured organisation is one with a verifiable ERM program which is not adequately applied to all operational activity. These organisations are found to achieve financial performance which meets defined objectives and/or industry benchmark. An integrated organisation is the one with verifiable board approved ERM program, integrated to all strategic and operational function of the organisation and all employees are accountable for its successful implementation. These organisations financial performance exceeds defined objectives and/or industry benchmark.

This research aim to answer these questions; can the principles of ERM enhance profitability and financial performance (value creation)? What relationship does it have with growth apart from satisfying regulatory compliance? And secondly, can the implementation of ERM principles help an organisation to achieve efficiency and prevent or reduce losses (value protection)? The findings of this research work have established that ERM is a value enabler as well as catalyst for organisational growth and also driver for better financial performance.

In the next chapter, I discussed the findings and analysis of feedbacks from respondents sampled.

CHAPTER SIX

6. Findings and Analysis

5.1 The sample comprises of 10 Respondents drawn from different industries, and to strike a balance the respondents comprises of both male and female. 60% of the respondents are male and minority are female at 40%. Majority of the respondents are above the age of 40 years and stands at 80% of the respondents. This may imply that the respondents have sufficient working experience in their various industries and may understand the subject matter of ERM. Respondents are carefully selected across different departments and not just the risk management department, and only 40% of the respondents are in risk management department and title ranging from Chief Risk Officer to Head of risk department, and quality assurance supervisor. In terms of management level in the company, 60% of the respondents are from the senior management role in their various organisations. This indicates that the respondents are appropriate and qualified to answer the questionnaires.

In addition, 60% of the respondents have more than ten (10) years working experience with their current company. This may indicate the respondents have experience and understanding to the company's structure and planning thus could increase the reliability of the information provided by the respondents. None of the responded companies has established less than 5 years. Majority of the responded companies have established for over 20 years or more. The respondents were asked on their status of risk management activities. 100% of the companies claimed that they have ERM framework in place. While this is expected, feedback from some respondents (20%) of the respondents revealed that ERM is not integrated in all operational activities and only partial ERM structure is evidenced but the company is looking into the implementation of ERM in the coming future as they realised the paradigm shift of ERM as nowadays' trend. From the result, we found that almost of the responded companies (80%)

started to adopt ERM in between year 2008 to 2018 which showed that the initiative became imperative as a result of the financial meltdown that rocked the financial service world changing the dynamics.

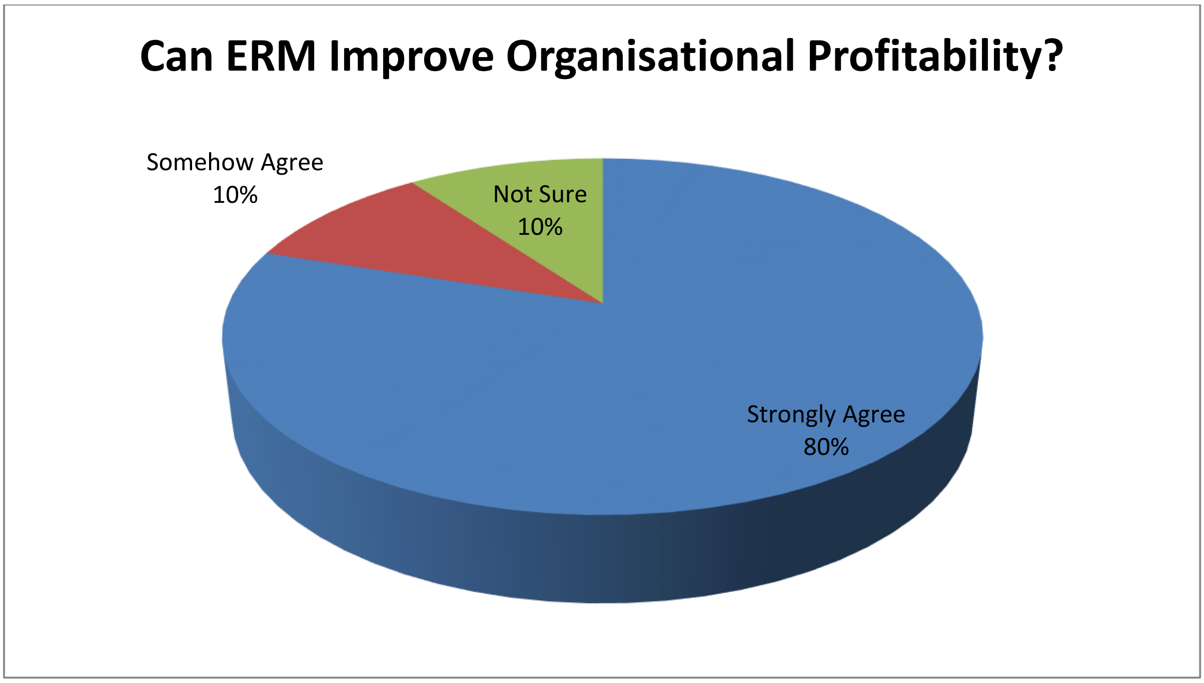
Table 4: Profile of Respondents

	Frequency	Percent
Gender: Male	6	60
Female	4	40
Age: 25 - 40 years	2	20
41- 55 years	8	80
Department: Risk Management	4	40
Other departments	6	60
Occupational Ranking: Middle management	4	40
Senior Management	6	60
Work Experience: 5 - 10 years	4	40
More than 10 years	6	60

Source: Ph. D researcher.

To support the claim and findings by various scholars on whether ERM can help organisations to improve their profitability and by hearing from practitioners, respondents were specifically asked to comment on whether ERM as a program can help organisations achieve profitability and 8 out of 10 respondents (80%) responded in its affirmative that ERM will enable the likelihood of organisations achieving their objectives and mostly profitability. 1(one) respondent agree that ERM can help and another respondent was not certain if ERM is a driver for profitability, and as shown in figure 11 below. Interestingly, and to show that enterprise risk management is a catalyst that decides and will enhance profitability, a respondent shared the organisation's ERM matrix as shown in appendix 1. Risk matrix is used by organisations to define the level of risk by considering the category of likelihood against the category of consequence severity. Risk matrix is a mechanism used to increase the visibility of risks and assist management in making decisions that will promote growth. According to Wilson (2018), risk matrix is a visual depiction of the risks affecting a project to enable companies to develop a mitigation strategy to enhance their decision-making. There are many things that could go wrong during a project's lifecycle, and deal a huge blow to its timeline. While many project managers are overwhelmed by the thought of risk let alone controlling them, the smart ones turn to risk matrix to stay on top of their game. They know well that if they're not swift to assess and moderate them, all other assets will be at stake. Organisations that uses risk assessment matrix are able to ascertain when a particular risk is above the required threshold or limit, with its potential impact on financials (profit/loss).

Figure 11: Pie Chart Representing Respondents' Feedbacks.



Source: PhD Researcher.

As indicated above, my findings revealed that enterprise risk management is a value and profit enabler. All the respondents are familiar with ERM program and were able say specifically that the framework has assisted in preventing losses. Even for the 20% of the respondents that are not able to confirm in its affirmative, it shows that ERM for this organisations are still operating in silos and as confirmed by one respondent; ERM is centred mostly on control and compliance. One major finding is that some organisations are not practicing ERM in its entirety and it is likely that these organisations will not benefit fully with what ERM can offer. A striking question to ask; if ERM is centred on control and compliance, will it not prevent losses? A strong control and compliance culture will prevent regulatory and core operational losses, which invariably will increase the likelihood of profitability. Suffice to say that ERM is value adding, and a well designed and implemented ERM program will enhance profitability.

CHAPTER SEVEN

7.1 Limitation of the Study.

This study was faced with some limitations that are worthy to be mentioned, and notable amongst these limitations is the sample size. Others are; lack of prior research on the principles of enterprise risk management, measure used in collecting data, professional bias, and access due to the COVID-19 pandemic. The sample is a size of 10 and more sample would have given a more reliable and confirmed result. However, the small size sample does not have a negative impact or invalidate the position of the findings. Taken into consideration the sample size, extensive literature research was carried out to answer the research question, and the sample was used to support the findings and hear from the business practitioners, while maintaining an open mind to feedbacks. There are several research studies on ERM, but not many have specifically reviewed the ERM principles, however most of the studies have narrowly commented on the ERM principles which are adequate for this research study in addition to the literature and general study of ERM that I embarked on. There is however, a need for further research with focus on the benefits and principles of enterprise risk management.

Measure used in collection of data is an interview and questionnaires for few samples, however and during analysis of feedbacks, I discovered that value creation and profitability may have different meaning to different organisations though value creation is synonym to profitability and better financial performance in way. To illustrate more, an insurance company sees value creation as a better financial performance, for healthcare organisation, value creation does not have the same meaning as being profitable. In a fact, findings revealed that a loss can be made while value is created. In the interview conducted with a healthcare executive management staff, value is created when better healthcare is offered and not when profit is made. A question like “do you view value creation as being profitable” in retrospect could have helped address that.

As a professional with over 15 years of practical experience in enterprise risk management, I am opinionated and believe that ERM contributes to organisational profitability even before embarking on the study which exposed me to being possibly biased on the outcome of the research study. However, an open mind was maintained throughout the study and possibly to learn new facts, and as evidenced in my extensive literature research on the subjects matter and the use of interview and questionnaire to hear from other professionals. Lastly and another limitation was having access to all the professionals pencilled down for interview. This was not possible due to the COVID-19 pandemic as only one interview was granted. However, the questionnaire was designed carefully and some interview questions were drafted to the questionnaires, and samples were selected across public and private enterprise, and across various industry e.g. banking, insurance, healthcare, government agency, and aviation to make up for the interviews not granted, and to have diverse and professional opinions.

7.2 Summary and Recommendation

This study explores diverse literature and used primary data and secondary data to examine enterprise risk management practices in the world at large and from inception. To appreciate the study as well as to connect with the subject matter, the study gave account of why enterprise risk management; taken into account catastrophe events and operational losses that crippled the world at large in the 90s, and most notable and recent is the financial crisis/crunch that took the world at large in 2007/2008 and as a result of subprime lending. Most importantly, the study explores the benefits and principles of enterprise risk management and how it can lead to; promote/enhance value creation and the profitability of organisations if applied. In a nutshell, the study aims to provide the relationship between enterprise risk management practices, value creation, and financial performance of organisations. Table 5 provides a summary of major findings.

Overall, the findings on enterprise risk management reveal the importance of board of directors, executive management and all employees to take ownership and accountability, and takes necessary actions to manage the risks which invariably will be value adding. In addition, the findings also show that for ERM to create value and lead to better financial performance, it should be integrated in all operational activities and strategic objectives of an organisation; it should not be operated as a stand-alone or in silos. It must be structured and comprehensive, must be dynamic, iterated, and responsive to change, it must take human and cultural factor into consideration, it must be inclusive, it must be based on the best available information, it must be customised, and lastly, the framework and program must be monitored and continually improved. To achieve all this, organisations must put in place governance structure to cater for its needs.

Table 5: Summary of Findings

Research Objective	Findings
To explore enterprise risk management practices.	Study revealed that enterprise risk management practices is not a new subject, and can be traced back to the 1930s. The subject became so popular with the catastrophe events around the world and organisations globally saw the need to put in place a mechanism that will eliminate and drastically reduce operational losses. Study revealed that the credit crunch that led to the

	world financial crisis in 2005 through 2008, which led to the demise of big financial organisations e.g. Lehman Brothers, Northern Rock and few others became an eye opener and a re-birth on the new era of ERM backed by regulators and the Boards of organisations. Findings showed that ERM is still not very understood by many in the corporate world, and is seen as a control and compliance tool. Importantly, findings showed that the subject matter has come to stay as most organisations around the world are building capabilities on the enterprise risk management.
To explore the benefits and principles of enterprise risk management	Findings revealed that so many principles of ERM exist by different scholars, but the ISO 31000 risk management standard which has been globally accepted and adopted by many countries around the world listed six (6) benefits and eight (8) principles of ERM. These benefits and principles are explored in the study and findings revealed that they are value enablers and will help organisations increase the likelihood of achieving their objectives including better financial performance.
To examine if enterprise risk management can enhance value creation and protection, as well as profitability.	Findings in the study revealed that there is a relationship between ERM, value creation and profitability. Exploring literatures, various

	schools of thought established that ERM is a mechanism that will help prevent losses. ERM is argued to be value enabler and will lead to profitability of organisations if implemented properly. In the interview and questionnaire, most professionals revealed that ERM is a program that is aligned with strategic object settings which helps in keeping losses to its barest minimum and enhance profitability. Findings also revealed that some still see ERM as a control and regulatory reporting, and compliance tool rather than a day to day business/operational tool, but in essence, even if it is a control and compliance tool, it is still a value enabler as it will help protect the bottom line (value protection) if not adding to the productivity.

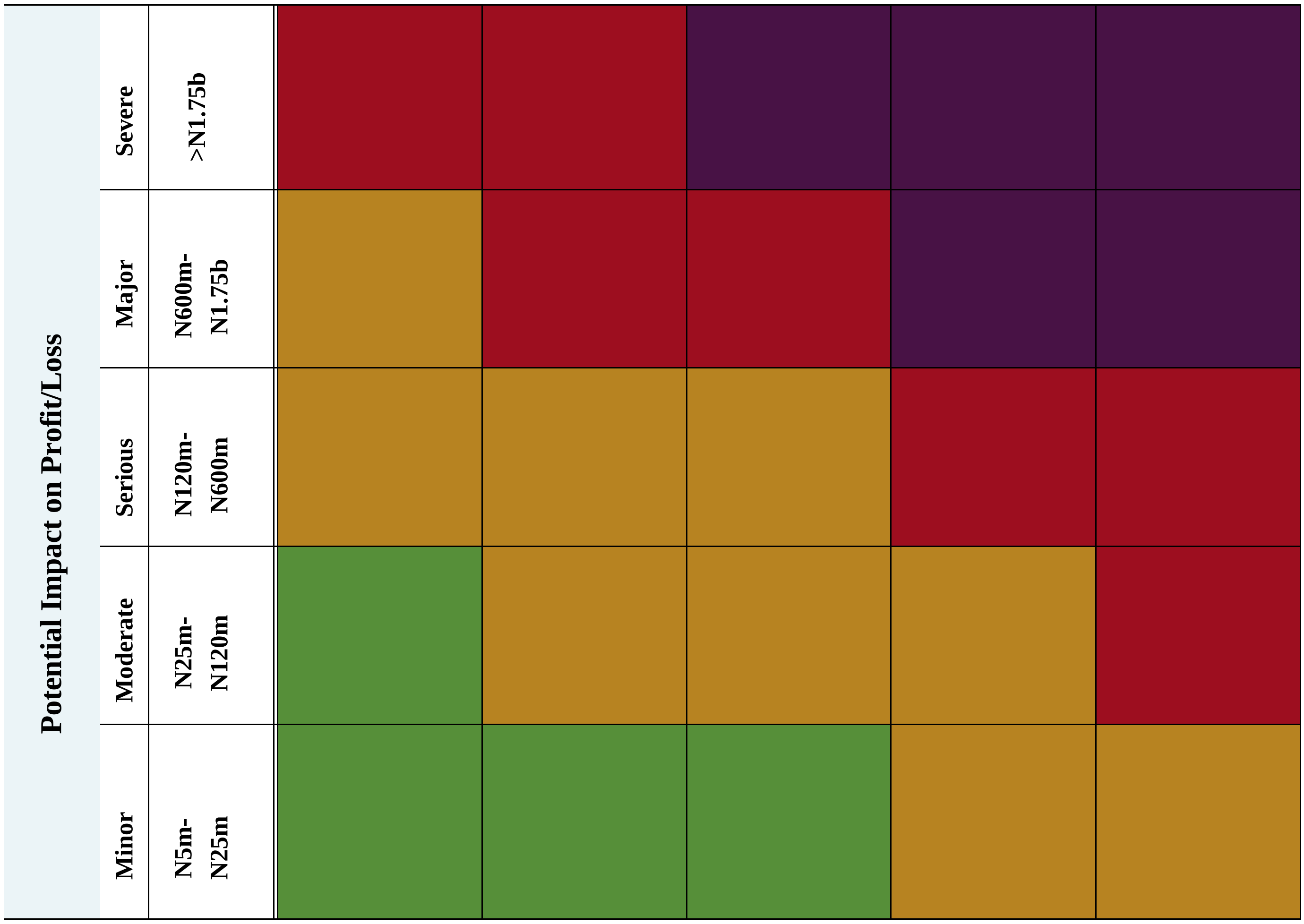
Source: Ph.D. Researcher

In conclusion, having considered various definition of enterprise risk management and its importance, *I posit that enterprise risk management is a mechanism that determines the going concern and survival of organisations when faced with contexts out of their controls.* As enterprise risk management continues to gain attention in the academic world and professional practice, more research is important in the area of ERM and it is recommended that researcher focuses on ERM principles as more and interesting facts are likely to emerge which will assist organisations to achieve their objectives.

PART 3

Appendix

Appendix 1: Enterprise Risk Management Matrix.



Source: Shared by a respondent.

Appendix 2: Questionnaire Introduction/Confidentiality

For this questionnaire, brief responses are required and majorly in a sentence and the sections are separated for ease of identification.

Enterprise risk management popular known as ERM is a subject that has gained great attention and interest from various stakeholders, and more organisations are investing in the program/framework as its purpose is to ensure that organisations risk are minimised.

The purpose of carrying out this research work is to find out if ERM can enhance profitability of organisations. It is worthy of note that various scholars have posited that ERM will help value creation and improve profitability. It is however important to survey with business practitioners as events have proven that business world can be more versatile with realities.

Obtaining feedback from professionals is vital to the review process and to support or oppose the literature. Let your voice be heard.

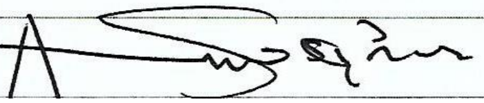
I will appreciate your taking the time to complete the below questionnaire. It should take about five minutes of your time. Your responses are voluntary and will be confidential. Responses will not be identified by individual, name or organisation. All responses will be compiled together and analysed as a group.

If you have any questions or concerns, please contact Olawale Awosina, +2348181803779, email: olawaleawosina@yahoo.com Also, if you have any questions about your rights as a respondent, kindly contact me to discuss them.

Thank you,

Name: **Olawale Awosina**

Signature:



Appendix 3: Enterprise Risk Management Questionnaire

- How well are strategic and related objectives defined?

- How do internal and external forces impact your organisation risk profile?

- How are risks monitored and reported within the organisation?

- Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?

- Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?

- Is Enterprise Risk Management taken into consideration while making an investment?

- Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?

- Do you assign ERM responsibilities and roles for employees in your organisation?

- Is ERM a value enabler in your organisation?

- Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?

- What is your view on Enterprise Risk management

ERM Questionnaire for Respondents				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework			
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations			
3	If yes to (2) above, do you monitor as appropriate?			
4	Do you consider risk management when making decisions?			
5	Does your ERM framework take human and cultural factor into consideration?			
6	Do you train your employees on ERM?			
7	Is there accountability for enterprise risk			

	management i.e. risk ownership?			
8	Do you have a risk register?			
9	Do you have a designated Chief Risk Officer?			
10	Is you ERM program/Framework supports or improve your company's profitability?			

Respondent Initials.

Appendix 4:

1. Completed Enterprise Risk Management Questionnaire

- **How well are strategic and related objectives defined?**

They are well defined

- **How do internal and external forces impact your organisation risk profile?**

Both depends on if those risk are systemic or particular, if systemic we only mitigate them by managing those risk to be within our tolerance limit. If particular, measures are pollicised to avoid or reduce impact and severity.

- **How are risks monitored and reported within the organisation?**

Through risk champions, Line managers and occurrence basis through risk questionnaires.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Yes. As this is the fourth quadrant in risk management quadrant.

- **Is Enterprise Risk Management taken into consideration while making investment?**

No

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

No.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes. Through risk champions

- **Is ERM a value enabler in your organisation?**

Yes

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

All. But more on Compliance and strategy setting

- **What is your view on Enterprise Risk management**

It should be embraced by all organisation and capacity of the CRO and their team increased

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management	✓		

	framework			
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	✓		
3	If yes to (2) above, do you monitor as appropriate?	✓		
4	Do you consider risk management when making decisions?	✓		
5	Does your ERM framework take human and cultural factor into consideration?	✓		
6	Do you train your employees on ERM?	✓		
7	Is there accountability for enterprise risk management i.e. risk ownership?	✓		
8	Do you have a risk register?	✓		
9	Do you have a designated Chief Risk Officer?	✓		
10	Is you ERM program/Framework supports or improve your company's profitability?	✓		

Respondent Industry: Insurance (General and Life)

Respondent Initials: F. M

2. Completed Enterprise Risk Management Questionnaire

- **How well are strategic and related objectives defined?**

A strategic objective could be defined as a statement that indicates what is critical or important in an organizational to achieve. They could be goals that an organisation is trying to achieve in a certain period of time.

- **How do internal and external forces impact your organisation risk profile?**

One good thing we do, to reduce our exposure to business risk is by identifying internal risks and external risks that can impact our organisation's operational performance and income. Such internal risk like Personnel issues may pose operational challenges and our organisation has designed its retention policy to reduce our level of exposure.

External events that lead to external risk cannot be controlled by an organisation or cannot be forecasted with a high level of reliability (E.g. theCOVID-19 pandemic) but our Business Continuity Plan has also taken this into consideration.

- **How are risks monitored and reported within the organisation?**

Risk monitoring is a continuous activity that results in the awareness of what is actually happening across different parts of the organization. This is performed by reassessing our risk, performing risk audit to evaluates deviation from the baseline plan and perform technical measurement using matrix to measure the goals associated with the specific objectives. Thus, regular risk monitoring and review is conducted to inform management decisions.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes. The purpose of strategic planning is to set the overall goals, basic planning, information gathering and decision making. Hence, the board is the to the corporate objectives committee of the board for discussion, debate, modification, and, ultimately, approval.

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Yes. Implementing ERM in an organisation makes the process of planning, organising, coordination and controlling organisation activities appreciated to strategizing the achievement of goals and objectives of an organisation and likewise helped to minimise the effect of risk of an organisation and helped maximisation of the opportunities of achieving its overall objectives.

- **Is Enterprise Risk Management taken into consideration while making investment?**

Yes. The management decision on our investment, and the returns on investment of our organisation has spoken for itself, taken to account the opportunities derived from implementation of the ERM. The implementation of ERM in financial investment has helped systematically make business decisions that contemplate all types of risk.

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Yes. Each employee is assigned the ownership of his/her deliverables; this makes them accountable and enhances their sense of value in the organisation.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes. Each account manager or business manager or team lead have been assigned the responsibilities of ownership of the business environment or business activities and this have been greatly adding value to the organisation by effectively manage our risks.

- **Is ERM a value enabler in your organisation?**

Yes. Since the adoption Enterprise risk management (ERM) it has been a set of processes that enables the effective management of our risks, manage opportunities, and to avoid both expected and unexpected events that may affect the enterprise.

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

Adoption of ERM in our organisation has helped to facilitate continual improvement in the organisation taken to consideration the available information, our operations has been systematic, structured and timely.

- **What is your view on Enterprise Risk management**

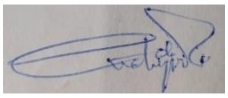
Indeed, ERM is the process of planning, organising, coordination and controlling organisation activities in order to minimise the effect of risk on the organisation and maximise the opportunities to achieve the organisation objectives.

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	Yes		

2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	Yes		
3	If yes to (2) above, do you monitor as appropriate?	Yes		
4	Do you consider risk management when making decisions?	Yes		
5	Does your ERM framework take human and cultural factor into consideration?	Yes		
6	Do you train your employees on ERM?	Yes		
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?	Yes		
10	Is you ERM program/Framework supports or improve your company's profitability?	Yes		

Respondent Industry: Health Insurance

Respondent Initials: A. B



3. Completed Enterprise Risk Management Questionnaire

- **How well are strategic and related objectives defined?**

It is well defined as evidenced in the bank's objectives and risk management policy statement.

- How do internal and external forces impact your organisation risk profile?

Both internal and external forces impact on our Risk profile. However, the Risk inherent have been scaled and measures put in place to minimise the risk to the barest minimum,

- **How are risks monitored and reported within the organisation?**

There is a Risk management team set up by the Chief Risk officer of the bank in conjunction with internal control and Executive management who quickly identify risk at every branch, region and directorate who then makes a report to the board for decision making.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

The board is informed adequately at when initiating strategy setting process and decisions, The risk Managers with Chief compliance officers /Chief Risk officer informs board.

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

ERM is definitely a strategy, even though there are other decisions as relates to achieving performance goals.

- **Is Enterprise Risk Management taken into consideration while making investment?**

ERM is taken into consideration when making investment decisions.

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

ERM is not necessarily included in KPI's.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes, ERM responsibilities are assigned to every employee at Junior and middle management levels. It's very important

- **Is ERM a value enabler in your organisation?**

Yes it's a value enabler in any organisation.

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

ERM Policy on Adherence to Electronic payment, another policy of ERM is on Lending to High risk businesses.

- **What is your view on Enterprise Risk management**

ERM is a very important tool and required policy for any successful organisation to put in place. It cannot be over emphasized and must be followed through and not compromised.

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	YES		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	YES		
3	If yes to (2) above, do you monitor as appropriate?	YES		
4	Do you consider risk management when making decisions?	YES		
5	Does your ERM framework take human and cultural factor into consideration?	YES		
6	Do you train your employees on ERM?	YES		
7	Is there accountability for enterprise risk management i.e. risk ownership?	YES		
8	Do you have a risk register?	YES		
9	Do you have a designated Chief Risk Officer?	YES		
10	Is you ERM program/Framework supports or improve your company's profitability?	YES		

Respondent Industry: Banking

Respondent Initials. A. R

4. Completed Risk Management Questionnaire. Respondent No. 4

- **How well are strategic and related objectives defined?**

Strategic objectives are statements that indicate what is critical or important in our organisational strategy which are defined. In other words, they're goals we are trying to achieve in a certain period of time

- **How do internal and external forces impact your organisation risk profile?**

The internal factors determine how the organisation moves forward, both as a self-contained organisational entity and in response *to* its *external* environment. In identifying risk, we consider both the risk that are internal like operations, HSE and fraudulent claims. For external, we consider regulatory risk.

- **How are risks monitored and reported within the organisation?**

There is a process for every step taken in the organization and all this processes goes through the Risk and Compliance desk. Hence, all risk is been monitored and recorded in a register.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes, the board are carried along through quarterly reporting and the audit committee meeting

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Yes, ERM is a strategy for achieving business objectives and performance goals.

- **Is Enterprise Risk Management taken into consideration while making investment?**

ERM is always taken into consideration before making investment

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Yes

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes. All HODs are the risk owners in their various unit and are responsible to keep an up to date risk register.

- **Is ERM a value enabler in your organisation?**

Yes

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

- **What is your view on Enterprise Risk management**

I think ERM is what every organisation should imbibe into if they want to sustain the company.

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	Yes		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	Yes		
3	If yes to (2) above, do you monitor as appropriate?	Yes		
4	Do you consider risk management when making decisions?	Yes		
5	Does your ERM framework take human and	Yes		

	cultural factor into consideration?			
6	Do you train your employees on ERM?	Yes		
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?	Yes		
10	Is you ERM program/Framework supports or improve your company's profitability?			In a way. Loss Prevention.

A. A

Respondent Initials.

5. Completed Enterprise Risk Management Questionnaire – Respondent No. 5

- **How well are strategic and related objectives defined?**

- **How do internal and external forces impact your organisation risk profile?**

Minimal impact because our operational risk framework is robust and very practical. We have also created a risk-aware culture that helps all first line functions to quickly identify emerging risks and internal risks

- **How are risks monitored and reported within the organisation?**

Risk monitoring is done by the second line of defence function. We have created an automated platform where all first line function can easily escalate all risks identified to the risk management unit, the risk management unit in turn reports this risks to the Executive Management Risk Committee and where necessary this is also reported to the Board Risk Committee

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes, there is a very strong tone from the top. Whenever strategic decisions are made the Board Risk Committee is carried along and this is cascaded down. However the Executive Management Risk Committee would have first deliberated on this before passing it on to the Board where necessary

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Yes, Our Enterprise Risk Management is a business enabler; it helps the key functions to be able to make informed decisions. For every strategic business objective the risk function always have a seat at the table. The risk function helps in spotting the grey areas they are often overlooked

- **Is Enterprise Risk Management taken into consideration while making investment?**

Yes, the Chief Risk Officer is a member of the investment committee

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Yes, to ensure that every member of staff takes ownership, the risk function together with the Human Capital Management has infuse some major risk function into all employees KPI. All employees are being measured on how well they are able to meet up with this KPI's during appraisals. A weight score is also attached to this KPI's

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes, to risk Champions and risk owners across the enterprise because ERM is everybody's business

- **Is ERM a value enabler in your organisation?**

Yes

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

Integration

- **What is your view on Enterprise Risk management**

Enterprise risk management is a business enabler, and all members of staff in an organization must see risk management as everyone's business. Effective implementation of enterprise risk management is the missing link in any unsuccessful organization. Also, a buy-in from the management will help in achieving business success

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	Yes		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	Yes		
3	If yes to (2) above, do you monitor as appropriate?	Yes		
4	Do you consider risk management when making decisions?	Yes		
5	Does your ERM framework take human and cultural factor into consideration?	Yes		
6	Do you train your employees on ERM?	Yes		
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?	Yes		
10	Is you ERM program/Framework supports or improve your company's profitability?	Yes		

Respondent Initials. O.A Chief Risk Officer

6. Completed Enterprise Risk Management Questionnaire – Respondent No. 6

- **How well are strategic and related objectives defined?**

These objectives are explicitly documented in the various manuals in use within the organizations i.e., Safety manual, Flight Operations, Engineering, etc.

- **How do internal and external forces impact your organisation risk profile?**

To the extent that our industry, aviation is heavily regulated by the Nigerian Civil Aviation Authority (NCAA), regulatory amendments and pronouncements by the Authority would often mean a review of existing procedures and, most often, the risk profile of the organization. As part of our internal assurance mechanism, internal audits are carried out by a unit within the organization. Their reports could also necessitate a review of the current risk profile.

- **How are risks monitored and reported within the organisation?**

Monitoring of risk is done during scheduled internal audits, investigations (using BowTie), and routine inspection. Reports are done electronically through a customized platform that every staff can access

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes. Quarterly meetings are held at the board level to brief board members on risk areas and decisions.

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Absolutely! It allows a more robust way of assessing risk, thereby ensuring that all conceivable areas within an organization are considered in arriving at decisions.

- **Is Enterprise Risk Management taken into consideration while making investment?**

Partially. ERM is still at infancy level with our organization.

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Some units such as engineering, Flight Operations are well developed and included.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Not company-wide at the moment.

- **Is ERM a value enabler in your organisation?**

Yes

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

In our organization, all components of the principle have proven very useful in delivery result for the company. However, risk communication has been most useful

- **What is your view on Enterprise Risk management**

It is a good approach to doing business, and I would recommend its usage particularly because it allows organization to proactive respond to issues that could enhance or jeopardize business survival.

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	Yes		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and	Yes		

	operations			
3	If yes to (2) above, do you monitor as appropriate?	Yes		
4	Do you consider risk management when making decisions?	Yes		
5	Does your ERM framework take human and cultural factor into consideration?	Yes		
6	Do you train your employees on ERM?		NO	
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?		NO	
10	Is you ERM program/Framework supports or improve your company's profitability?	YES		

Respondent Initials. V.O. (Aviation Industry).

7. Completed Enterprise Risk Management Questionnaire – Respondent No. 7

- **How well are strategic and related objectives defined?**

Clearly defined and always reiterated upon at the quarterly HODs strategy reloaded session

- **How do internal and external forces impact your organisation risk profile?**

Positively

- **How are risks monitored and reported within the organisation?**

Risks are monitored at different levels, from the base level who are the risk owners then to the identification stage, assessment, treatment and finally the report stage.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

Yes

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

It is a business support function in the organisation

- **Is Enterprise Risk Management taken into consideration while making investment?**

Yes

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Yes, while setting KPI of all employees, all stake holders including ERM are fully involved.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes, ERM cuts across all functions

- **Is ERM a value enabler in your organisation?**

Yes

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

Setting and adherence of the risk appetite for the organisation.

- **What is your view on Enterprise Risk management**

ERM is a value adding function that ensures the company remains focused on the attainment of its strategic goal, and objectives.

ERM Questionnaire				
		Yes	**No**	**Not**

				Applicable
1.	Does your organisation have a risk management framework	Yes		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	Yes		
3	If yes to (2) above, do you monitor as appropriate?	Yes		
4	Do you consider risk management when making decisions?	Yes		
5	Does your ERM framework take human and cultural factor into consideration?	Yes		
6	Do you train your employees on ERM?	Yes		
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?	No. But Head of Risk Mgt.		
10	Is you ERM program/Framework supports or improve your company's profitability?	Yes		

Respondent Initials. E. B.

8. Completed Enterprise Risk Management Questionnaire – Respondent 8

- **How well are strategic and related objectives defined?**

Strategic objectives are often well defined at the beginning of every business year based usually based on growth or consolidation projections using previous business performance

- **How do internal and external forces impact your organisation risk profile?**

Internal forces often fall within the risk appetite of the organization as these are manageable and can be brought under control using mitigating strategies. However external factors have greater impact especially as these are not within the company's control and may pose continuing risk to the existence and profitability of the enterprise

- **How are risks monitored and reported within the organisation?**

Through Risk classification, keeping of risk registers and risk reporting on a monthly basis to the executive management and quarterly to the board. Each risk is owned and managed for mitigating by an executive team member who ensures de-escalation of the risk over time.

- **Are the board carried along at any time during the strategy-setting process, including when making decisions on risks?**

The board usually receives the end product of the Strategy setting process which is then approved or revised as appropriate. Risk identification however is not an ingrained part of the strategy setting process but developed separately on evaluation of the strategy and operational factors that may impede actualization of these strategic objectives

- **Is Enterprise Risk Management a strategy for achieving business objectives and performance goals?**

Yes. ERM must become an integral part of the Strategy setting process in order to anticipate the risks/existing internal and external factors of that may lead to non-achievement of these business objectives set in the strategic framework

- **Is Enterprise Risk Management taken into consideration while making investment?**

Usually this is done, but not an ingrained part of the investment process at some levels

- **Is Enterprise Risk Management included in employees' key performance indicators (KPIs)?**

Not systematically included although line manager are risk owners in the organization.

- **Do you assign ERM responsibilities and roles for employees in your organisation?**

Yes.

- **Is ERM a value enabler in your organisation?**

Yes, it is. By being forced to identify, assess and mitigate risks, we are able to ensure that key strategic objectives are met within defined timelines leading to sustainable business growth and profitability

- **Which of the ERM principles is evidenced in your organisation that you think has helped in value creation?**

Making line managers and other executives become risk owners and contribute to control/activities

- **What is your view on Enterprise Risk management**

A great concept that is inclusive in process and implementation useful in ensuring sustainability of organizations

ERM Questionnaire				
		Yes	**No**	**Not Applicable**
1.	Does your organisation have a risk management framework	Yes		
2.	If yes to (1) above, is your risk management framework applied to objectives, strategy, and operations	Yes		
3	If yes to (2) above, do you monitor as appropriate?	Yes and quarterly		
4	Do you consider risk management when making decisions?	Yes and at both strategic and operational		

		committees		
5	Does your ERM framework take human and cultural factor into consideration?	Yes. People aspect on strategic lever		
6	Do you train your employees on ERM?	Yeas and quarterly as required by the regulator		
7	Is there accountability for enterprise risk management i.e. risk ownership?	Yes. All HODs		
8	Do you have a risk register?	Yes		
9	Do you have a designated Chief Risk Officer?	Yes at the group level but Head of Risk Management at the subsidiaries.		
10	Is you ERM program/Framework supports or improve your company's profitability?	Yes. Risk management gains and losses are recorded in the company's annual statement.		

Respondent Initials; A. M

Respondent Industry: Healthcare Management.

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