

Business Research Degrees

Researcher: Mr Kevin Williams

Accounting & Finance

Supervisors:

Dr Lesley Catchpole

Dr Julia Mundy

Abstract:

Enterprise Risk Management (ERM) was hailed as the next generation of risk management that could provide effective challenges to the risks that firms face, assisting in their survival and growth. However, the rise in firm failures since 2000 that have emanated from man-made risks in particular, raises serious questions over the role of ERM within firms and its ability to rise to these challenges, with sceptics viewing ERM as part of the problem itself or given the number of large, high profile corporate failures, appearing useless in practise.

Over the preceding years, the extent of adoption and implementation appears poor, with only 23.4% of firms having a '*complete ERM process* in place in 2012, with less than a third articulating the firm's tolerance of risks. The setting of risk tolerance is a core component of the specific ERM industry guidance via the COSO 2004 framework, yet it appears that this framework has not gained popularity with practitioners. ERM adoption therefore requires further empirical investigation, coupled with a an understanding of the extent that firms are actually using ERM frameworks as guidance in their systems implementation and development, along with the impact they are having on the firm's ability to survive and grow. The relationship between ERM and 'Mid –sized Businesses' (MSB's) is of particular interest, as the UK Government believe them to be key to driving the current UK economy, which is supported by recent research.

Academic research in this field is still in its infancy and has provided mixed results. Previous research has been predominately focused on larger financial enterprises, or government departments, which geographically have been based in North America. It has been noted that there has been an increase in research over the past few years, but again the majority of this is based on large enterprises; not specifically MSB's.

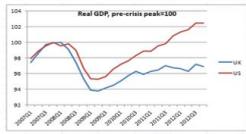
This research is aiming to contribute to the understanding of whether firms actually apply/use existing risk standards and risk frameworks and if not to further investigate the reasons behind their decision

It is also looking to provide further information regarding what is meant by 'the adoption' of Enterprise Risk Management processes/approaches, to examine the degree of implementation of ERM within MSB's and whether it allows them to survive and grow.

It will also seek to understand the risk management instruments applied by firms at an operational level and to attempt to measure the effectiveness of these practises in enabling a firm to survive, grow and their impact on a perceived level of value to the firm.

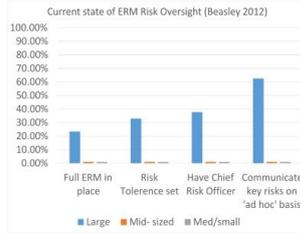
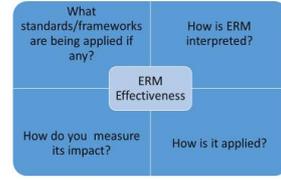
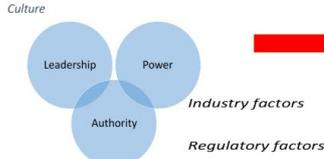
Effective Enterprise Risk Management (ERM) processes/approaches allow Mid-sized businesses to survive and grow.

Research conducted by Kevin Williams (wk60@gre.ac.uk)

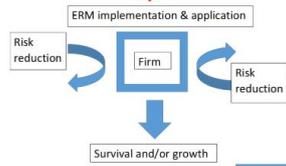


Top 50 UK Mid sized firms 73 x faster growth & 25 x increase in employment than the national average (Moules 2013)

Implementation affected by:



The current research provides inconsistent findings regarding ERM's positive impact/effectiveness on firm survival and growth.



ERM Implemented	Firm	Outcome
✓	HBOS	Corporate failure
✓	RBS	Corporate failure
✓	The Co-operative Group	Value destruction
✓	AIG	Value destruction
✓	Kodak	Corporate failure
✓	Woolworths	Corporate failure
✓	BP	Value destruction
✓	Enron	Corporate failure
✓	Arthur Andersen	Corporate failure

What is the value of ERM?

Relevant References
 BAKER, R. J. A. B., JEARL, C. AND HESTRICH, B. AND
 HEDBERG, A.B., 2012. Enterprise Risk Management
 Program Quality, Environmental Value Relevance, and
 the Financial Crisis. *Contemporary Accounting Research*,
 forthcoming.
 BEASLEY, M. C., BRANSON, BRUCE, HANCOCK, BONNE 2012.
 CURRENT STATE OF ENTERPRISE RISK
 MANAGEMENT.
 BEASLEY, M. C., LUTY, R. B. AND LIAW, S. 2012. The Impact
 of Enterprise Risk Management on the Organizational Cost of
 Financing. *Journal of Applied Corporate Finance*,
 forthcoming.
 HADY, W. A. AND ANDERSON, 2010. The Value of Enterprise
 Risk Management. *Journal of Risk and Insurance*,
 forthcoming.
 LIU, H. 2007. RISK RATING AND VALUE. *Enterprise
 Risk Management: Strategic Anticipation, Risk
 Integration and Performance*. South American Actuarial
 Association, p. 30-31. 2007.
 PANDOLF, C. AND BROWN, S.P. 2010. The Effect of
 Enterprise Risk Management on Firm Performance.
 QUINN, E. G. AND GIBLIN, D. B. 2012. Enterprise
 Risk Management and Firm Performance. *Journal of
 Social and Behavioral Sciences*, 62, 263-267.