IMPACT OF EFFECTIVE ENTERPRISE RISK MANAGEMENT ON BUSINESS RELATIONSHIP

Submitted By

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Constant business developments and changes in business require organizations to rethink the way they manage their businesses for sustainability. Today organizations face a growing range of risks such as environmental, social, political and risks internal to Organization. The ability to manage these risks has become a key driver of high performance and will define the impact of effective management of risks on the business relationship with the customers. Effective Enterprise Risk Management includes identifying, analyzing, and managing risks that are currently related to organizational success and in specific which can impact the business relationship. The past studies have shown different results on how an Effective Enterprise Risk Management impacts the financial aspects of the organisations. However, there are no studies which quantified the impact of Effective Enterprise Risk Management to Business Relationship with customers. Therefore this study is an attempt to study the relationship between Effective Enterprise Risk Management and Business Relationship. This study uses a modified conceptual model that explicitly incorporates the Effective Enterprise Risk Management and Business Relationship. In this study, we will examine the applicability of the model to describe how Effective Enterprise Risk Management impacts the Business Relationship. The independent variable “Effective Enterprise Risk Management” is defined by variables such as Culture, Process, Structure, Training, Risk Governance and Performance Measurement while the dependent variable “Business Relationship” is defined by Customer Satisfaction. A multi method data analysis using appropriate statistical techniques was chosen with the view to meet the objectives of the study. A total of 125 responses from 5 IT companies were received. The reliability of each of the measures was investigated with cronbach alpha. A correlation analysis was run based on each of these variables and finally a regression analysis was also run to analyze the relationship between Effective Enterprise Risk Management and Business Relationship. Further, the research model was analyzed using Anova test for the significance of Risk Management experience to understand the difference in perceptions between the groups towards Risk Management and its impact on the Business Relationship. The results indicate that there is strong correlation between independent variable Effective Enterprise Risk Management and dependent variable Business Relationship. Effective Enterprise Risk Management explains a variance of 70% in Business Relationship which indicates a linear relationship between Enterprise Risk Management and Business Relationship. Further the regression shows that Process, Training, and Performance Measurement are significantly related to Business Relationship. However, Culture, Structure and Risk Governance is not significantly related to Business Relationship as the value of P>0.05. The results further indicate that highly experienced employees perceive more positive about the relationship between Effective Enterprise Risk Management and Business Relationship. Based on the results obtained, this study suggests that traditional risk management is not currently meeting client needs including those that are becoming apparent in global expansion of operations. By using sustainability as a platform for risk management, the analysis can be expanded beyond traditional risk management factors to include emerging risk areas that are of growing importance in an increasing global economy. Besides identifying critical risks and providing responses to risk, this approach will allow enterprises to identify opportunities for new products and services that enhance economic performance. Several recommendations for future research have also emerged out of this study such as integration of both finance and non-financial goals is very important and future research can scope in both.

Keywords: Enterprise Risk Management, Business Relationship, Quality, Innovation, Customer Satisfaction
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee of Sponsoring Organizations of the Treadway Commission</td>
</tr>
<tr>
<td>CULT</td>
<td>Culture</td>
</tr>
<tr>
<td>PRO</td>
<td>Process</td>
</tr>
<tr>
<td>STR</td>
<td>Structure</td>
</tr>
<tr>
<td>TR</td>
<td>Training</td>
</tr>
<tr>
<td>RG</td>
<td>Risk Governance</td>
</tr>
<tr>
<td>PM</td>
<td>Performance Measurement</td>
</tr>
<tr>
<td>BR</td>
<td>Business Relationship</td>
</tr>
<tr>
<td>CSAT</td>
<td>Customer Satisfaction</td>
</tr>
</tbody>
</table>
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1. INTRODUCTION

Constant business developments and changes in business require organizations to rethink the way they manage their businesses for sustainability. Today organizations face a growing range of risks such as environmental, social, political and risks internal to Organization. The ability to manage these risks has become a key driver of high performance in this fast-paced environment, as companies balance the need to generate profits with the need to follow sustainable business practices. The integrated practice of Enterprise Risk Management (also known as ERM) is becoming a fundamental principle of business management and organization. It introduces an opportunity to turn risk into advantages. Also, Enterprise Risk Management enables businesses to manage the risks and maximize the opportunities through identifying both key financial and non-financial stakeholders and establishing a relationship with them regarding different types of risks and categories.

Based on industry update by AON (leading global provider of risk management services) Enterprise Risk Management offers a new way of looking at risk that is broader than a traditional risk management framework. S. Berinato in CIO magazine "Risk's Rewards", 2004 comments that the inability to meet the challenges in any of the areas such as regulation, technology and competition can result in negative consequences for an organization. Berinato says that the only way to meet the risks associated with conducting business in today’s environment is to “balance risk.” Enterprise Risk Management (ERM) is one technique that has been developed to meet the challenge of doing business in an increasingly complex global market. ERM differs from traditional risk management techniques that manage risk as independent “silos” because ERM uses a coordinated method to manage a wide variety of risk throughout the entire organization. Generally it is argued that ERM can enhance firm performance, but most of the previous studies only focused on measuring the financial value of the organization. Studies that have been published present different results and only concentrated on economic aspects. However there is a need to study the impact of ERM on the Business Relationship because the sustenance of business practice is governed highly by the satisfied customer. This study uses a modified conceptual model that explicitly incorporates the Effective Enterprise Risk Management and Business Relationship. In this study, we will examine the applicability of the model to describe how Effective Enterprise Risk Management affects the Business Relationship.

1.1. RELEVANCE AND IMPORTANCE

Effective Enterprise Risk Management will be a core competency for global business management and organization to ensure highly satisfied customers and thereby ensure high Business Relationship. The Enterprise Risk Management framework offers a flexible strategic approach to anticipating potential problems and resolving challenges through risk analysis, positive external engagement, and robust management systems. The Enterprise Risk Management framework model provides many basic benefits which allow a business to ensure its sustainability. These include: managerial approaches and processes such as strategic planning, corporate governance, Human Resource Management, the decision-making process, reputation management, crisis management, corporate resource planning and management, and financial risk management. Therefore studying the relationship between Enterprise Risk Management and Business Relationship is very critical.
2. PROBLEM STATEMENT

Traditional risk management approaches do not adequately identify, evaluate and manage risk. Traditional approaches tend to be fragmented, treating risks as disparate and compartmentalized. Traditional risk management approaches often limit the focus to managing uncertainties around only few sources of risk rather than looking at holistic approach.

3. RESEARCH OBJECTIVES

The need for this study is to examine the applicability of modified Enterprise Risk Management model to describe the impact of Effective Enterprise Risk Management on Business Relationship in the IT organizations and to study the relationship between them. Specifically, the research objectives are:

1. To develop measures to understand the Effective Enterprise Risk Management and Business Relationship.
2. To conceptualize framework involving the Effective Enterprise Risk Management and Business Relationship.
3. To analyze if the Effective Enterprise Risk Management will influence the Business Relationship.

4. REVIEW OF LITERATURE

This section presents a literature review of Effective Enterprise Risk Management and Business Relationship and most importantly the conceptual framework developed for this study. Madhu Acharyya and Stanley Mutenga in their study “The Benefits of Implementing Enterprise Risk Management: Evidence from the U.S. Non-Life Insurance Industry” distinguishes enterprise risk management from generic risk management in terms of its design and effectiveness in creating value for the organization. Parvaneh Saeidi, Saudah Sofian, Siti Zaleha Binti Abdul Rasid in their study “A Proposed Model of the Relationship between Enterprise Risk Management and Firm Performance” refers to the history of risk management in several previous studies. The practice of applying risk management strategies to the management of corporations began in the 1960s. Until 1975, risk management meant managing risk by taking insurance to mitigate potential loss. In 1975, risk management evolved from an activity that was solely an insurance activity to one that began to focus on managing the factors that created risk. The 1990s saw a major paradigm shift in the area of corporate risk management. Instead of relying only on silo based approaches to analyze and address risks, organizations began to take a more holistic approach towards risk management. This holistic approach is known as Enterprise Risk Management or ERM. Table 4.1 compares risk management approaches as specified by Olson and Wu.

According to S. P. D'Arcy explains in the study “Enterprise Risk Management” comments that since the 1990s when market uncertainty exploded, several terms have been used in the literature to define ERM. These terms include: Corporate risk management, Strategic risk management, Business risk management, Holistic risk management, integrated risk management, and Enterprise risk management. ERM connects risk management with the approaches employed
one of the most commonly used descriptions of ERM was originally provided by COSO who wrote that; “Enterprise risk management is a process, affected 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.”

Table 4.1 Traditional Risk Management Vs Enterprise Risk Management

<table>
<thead>
<tr>
<th>Traditional Risk Management</th>
<th>Enterprise Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Risk as individual hazards</td>
<td>• Risk viewed in context of business strategy</td>
</tr>
<tr>
<td>• Risk identification and assessment</td>
<td>• Risk portfolio development</td>
</tr>
<tr>
<td>• Focus on discrete risks</td>
<td>• Focus on critical risks</td>
</tr>
<tr>
<td>• Risk mitigation</td>
<td>• Risk optimization</td>
</tr>
<tr>
<td>• Risk limits</td>
<td>• Risk strategy</td>
</tr>
<tr>
<td>• Risks with no owners</td>
<td>• Defined risk responsibilities</td>
</tr>
<tr>
<td>• Haphazard risk quantification</td>
<td>• Monitoring and measurement of risks</td>
</tr>
<tr>
<td>“Risk is not my responsibility”</td>
<td>“Risk is everyone’s responsibility”</td>
</tr>
</tbody>
</table>

4.1. STUDIES RELATED TO EFFECTIVE ENTERPRISE RISK MANAGEMENT

Parvaneh Saeidi, Saudah Sofian, Siti Zaleha Binti Abdul Rasid in their study “A Proposed Model of the Relationship between Enterprise Risk Management and Firm Performance” proposes a conceptual model that links Enterprise Risk Management to both financial and non-financial performance through Balanced Scorecard for future empirical study. B. W. Nocco and R. M. Stulz in their study “Enterprise risk management: theory and practice” revealed that companies that embrace Enterprise Risk Management have a competitive advantage over those organizations that rely on traditional silo approaches.

According to COSO in their paper “Enterprise Risk Management – Integrated Framework” comments that the culture of an organization is the internal environment, which acts as a foundation that will allow other components to arise and sustain. It is also an essential basis from which to determine the company’s risk management policy, which emphasizes quality of
personnel. The ERM cannot succeed if it lacks accountability and encouragement from the management level. Therefore, management must build a good internal environment in their organization by determining policies, objectives, and strategies in risk management and define the acceptable risk level for the organization. The process also needs to be consistent with current operations. Management must support and participate in risk management and communicate this risk management process to their employees so that they will also be aware of the importance of risk management. According to COSO, a successful ERM would not be sustainable without systematic compliance. Also the process needs to regularly be improved and made applicable for specific operations.

Kittipat Laisasikorn and Nopadol Rompho in their study “A study of the relationship between a successful enterprise risk management system, a performance measurement system and the financial performance of Thai listed companies” suggests that an organization that has successfully implemented an ERM needs to determine a suitable structure for risk management and clearly identify responsibilities in the risk management process. All employees up to and including top management, need to be involved and participate in the ERM. However, there is no best standard structure of an ERM that works for every company. In general, an efficient structure should be composed of: 1) a committee that is directly responsible for the ERM, for instance, the audit committee, 2) a committee to take responsibility for developing the ERM process and 3) a department designated as responsible for applying the ERM to determine the policy and its implementation. Kittipat Laisasikorn and Nopadol Rompho in their study also suggest that infrastructure is the foundation of the ERM and is the driver and support for an efficient ERM process. This implies that an organization that has a successful ERM has a good infrastructure, comprised of proper employee training, Risk Governance and Performance Measurement. The variables used in the present study can be referred as shown in table 4.2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Source of Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Committee of Sponsoring Organizations (COSO), (2004)</td>
</tr>
<tr>
<td>Process</td>
<td>Committee of Sponsoring Organizations (COSO), (2004)</td>
</tr>
<tr>
<td>Structure</td>
<td>Kittipat Laisasikorn and Nopadol Rompho, 2014</td>
</tr>
<tr>
<td>Training</td>
<td>Kittipat Laisasikorn and Nopadol Rompho, 2014</td>
</tr>
<tr>
<td>Risk Governance</td>
<td>Kittipat Laisasikorn and Nopadol Rompho, 2014</td>
</tr>
<tr>
<td>Performance Measurement</td>
<td>Kittipat Laisasikorn and Nopadol Rompho, 2014</td>
</tr>
</tbody>
</table>
### 4.2. STUDIES RELATED TO BUSINESS RELATIONSHIP

Rosie Page, Nick Jagger, Penny Tamkin and Nadya Henwood in the paper “The measurement of Organizational Performance” refers to the 4As model and recommends that the chain of impact shows that skills, qualifications and training, affect human and organizational capability. This in turn affects the activity of people at work, their productivity and the quality of what they do, and ultimately influences business outcomes and performance, such as profitability. They also suggest that Customer Satisfaction, Innovation and Quality represent non-financial aspects of Business Relationship. The measures of Business Relationship used for this study are as shown in below table 4.3.

#### Table 4.3 Business Relationship Measure and Source

<table>
<thead>
<tr>
<th>Variables</th>
<th>Source of Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of complaints</td>
<td>IES 2006, Becker and Huselid, 2003</td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>IES 2006, Becker and Huselid, 2003</td>
</tr>
<tr>
<td>Repeated Business</td>
<td>IES 2006, Becker and Huselid, 2003</td>
</tr>
<tr>
<td>Customers provide reference</td>
<td>Bae and Lawler, 2000</td>
</tr>
</tbody>
</table>

### 4.3. LITERATURE GAPS

Most of the previous studies on evaluating value creation of Enterprise Risk Management only focused on the financial aspects of the firm performance. Table 4.6 shows the consolidated view of the research gaps observed in the studies related to Enterprise Risk Management, Business Relationship and the need for the current research.

#### Table 4.6: Research Gaps

<table>
<thead>
<tr>
<th>Research Gaps</th>
<th>Need for Current Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. The previous studies have not statistically proven the relationships between Effective Enterprise Risk Management and Business Relationship</td>
<td>2. Need for studying the relationship between Effective Enterprise Risk Management and Business Relationship.</td>
</tr>
<tr>
<td>3. The past studies were conducted in different geographical context.</td>
<td>3. Need to study the perspective of Indian IT Industry.</td>
</tr>
</tbody>
</table>
4.4. CONCEPTUAL FRAMEWORK

In line with the literature reviews above, a conceptual model was created as shown in Figure 4.1

Figure 4.1: Theoretical Framework with Variables and Measurable Items

5. RESEARCH DESIGN & METHODOLOGY

A survey questionnaire was designed to measure the research model variables. All items were measured on a 5-point Likert scale from strongly disagree-1 to strongly agree-5. The survey instrument also captured values for the demographic variable Experience. Random sampling procedure was used to identify the respondents from a list of all large IT organizations as listed in the Bangalore Stock Exchange. Nonprobability sampling was considered for practical advantages of availability of population. Convenience sampling was used as a method to gather
the responses. The independent variable in this study is Effective Enterprise Risk Management and dependent variable is Business Relationship.

5.1. RESEARCH HYPOTHESIS

The accompanying research hypotheses are described below. To test the significance, null (H0) and alternate hypothesis (H1) are used.

To test the relationship between Effective Enterprise Risk Management (Independent Variable) and Business Relationship (Dependent Variable).

**H0**: There is no linear relationship between Effective Enterprise Risk Management and Business Relationship, \( r = 0 \)

**H1**: There is a linear relationship between Effective Enterprise Risk Management and Business Relationship, \( r \neq 0 \)

6. DATA ANALYSIS

A multi method data analysis using appropriate statistical techniques was chosen with the view to meet the objectives of the study was done. A total of 125 responses from 5 IT companies were received. The level of experience of the respondents is as shown in the figures 6.1. All respondents are part of the Risk Management function in their career and contributed to the Risk Management Process. The reliability of each of the measures was investigated with cronbach alpha as shown in table 6.2. A correlation analysis was run based on each of these constructs and the results are reported in table 6.1. A regression analysis was also run to analyze the relationship between Effective Enterprise Risk Management and Business Relationship as shown in tables 6.3. Anova test was conducted to analyze the impact of experience on the research model.

**Figure 6.1: Experience**

![Experience Pie Chart]

- 57, 46% < 5 years
- 33, 26% 5 to 10 years
- 20, 16% 11 to 15 years
- 15, 12% >15 years
6.1. DESCRIPTIVE & CORRELATION ANALYSIS

Table 6.1 summarizes the mean, standard deviations and correlation analysis for each study variable. For all variables, the lowest rating was 2 and the mean was greater than 3.8, indicating that all of the scores fell above the mid-point and more towards positive response. Further the correlation matrix had no correlation value greater than 0.85 indicating there was no redundancy in the measures. A preliminary examination of correlations indicated that there were relationships amongst the variables. The correlation of Effective Enterprise Risk Management and Business Relationship found to be highly positive.

Table 6.1: Descriptive Statistics and Correlation

<table>
<thead>
<tr>
<th>Variables</th>
<th>CULT</th>
<th>PRO</th>
<th>STR</th>
<th>TR</th>
<th>RG</th>
<th>PM</th>
<th>BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.03</td>
<td>4.03</td>
<td>3.94</td>
<td>3.88</td>
<td>4.05</td>
<td>3.84</td>
<td>3.99</td>
</tr>
<tr>
<td>Std Deviation</td>
<td>0.64</td>
<td>0.55</td>
<td>0.52</td>
<td>0.61</td>
<td>0.65</td>
<td>0.53</td>
<td>0.54</td>
</tr>
<tr>
<td>No of items</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

CULT 1

PRO 0.7** 1

STR 0.68** 0.79** 1

TR 0.67** 0.79** 0.88** 1

RG 0.77** 0.66** 0.67** 0.65** 1

PM 0.62** 0.59** 0.75** 0.67** 0.77* 1

BR 0.65** 0.72** 0.76** 0.8** 0.61* 0.68** 1

6.2. RELIABILITY MEASUREMENT

The excellent internal consistency was observed in case of all study variables as shown in table 6.2. The reliability scores of different measures in the model exceed the recommended threshold value of 0.70. The data indicates that the measures are robust in terms of their internal consistency as indicated by the cronbach alpha values.

Table 6.2: Reliability Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach Alpha</th>
<th>No of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>0.920</td>
<td>4</td>
</tr>
<tr>
<td>Process</td>
<td>0.920</td>
<td>3</td>
</tr>
<tr>
<td>Structure</td>
<td>0.906</td>
<td>4</td>
</tr>
</tbody>
</table>
6.3. REGRESSION ANALYSIS

Regression analysis is the technique to predict the value of a variable based on the value of another variable. It is seen from the table 6.3 that the correlation coefficient value $R$ is 0.83, which indicates a strong correlation between Effective Enterprise Risk Management and dependent variable Business Relationship, with the F-ratio being 44.96 and its associated significance level being small ($P<0.05$). Effective Enterprise Risk Management explains a variance of 70% in Business Relationship. Since the value of $p <0.05$, alternate hypothesis is accepted which indicates that there is a linear relationship between Effective Enterprise Risk Management and Business Relationship. Process, Training, and Performance Measurement are significantly related to Business Relationship. However, Culture, Structure and Risk Governance is not significantly related to Business Relationship as the value of $P>0.05$.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>0.959</td>
<td>0.70</td>
<td>0.68</td>
<td>0.31</td>
</tr>
<tr>
<td>Risk Governance</td>
<td>0.964</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Measurement</td>
<td>0.755</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Relationship</td>
<td>0.964</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Sig value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6.00</td>
<td>25.33</td>
<td>4.22</td>
<td>44.96</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>118.00</td>
<td>11.08</td>
<td>0.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>124.00</td>
<td>36.41</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.58</td>
<td>2.51</td>
<td>0.01</td>
</tr>
<tr>
<td>CULT</td>
<td>0.12</td>
<td>1.63</td>
<td>0.11</td>
</tr>
</tbody>
</table>
6.4. ANOVA ANALYSIS

Level of Experience in the current study is anchored as novice (<5 years), moderate (5 to 10 years) and highly experienced (> 10 years) as per IT industry standard. 20 respondents assessed themselves as less experienced, 33 of them assessed themselves as moderate, and 72 of them are grouped as highly experienced in the Risk Management function. Results show significant difference in values between varied groups for the all variables except Structure. The finding suggests that highly experienced employees perceive more positive about the impact of Effective Enterprise Risk Management on Business Relationship. This could be attributed to the factor that the highly experienced employees realize the value of Effective Risk Management and its impact on Business Relationship with customer if carried out effectively.

7. LIMITATIONS OF THE STUDY

The following are the limitations of the study:

- The scope of the study involves only 5 organizations registered in Bangalore stock exchange. Therefore this study may not represent the entire population.
- The response for the study was from IT organizations and based on their individual experience in Risk Management function and the role they currently play within the function. Therefore individual perception may give rise to chances of bias in their opinion and thus their response corresponding to the understanding of the questions.
- The sampling used was based on convenience. This can disturb the true sample of the population.
- The sample size is quite limited because the number of firms that have implemented structured Enterprise Risk Management is quite small. Thus any generalization of these findings can be limited and should be used with caution.

8. IMPACT OF EFFECTIVE ENTERPRISE RISK MANAGEMENT AND BUSINESS RELATIONSHIP

The data analysis implies that Effective Enterprise Risk Management is definitely the important aspect that contributes to the Business Relationship and explains a variance of 70% in Business Relationship. Amongst the six variables of Enterprise Risk Management, Process,
Training and Performance Measurement are significantly related to Business Relationship. The Effective Enterprise Risk Management will allow organizations to consider risk in their decision making process thereby identifying the uncertainties much earlier, deploying mitigation plans to reduce the negative impact in the event it occurs. Organizations that employ ERM principals can better recognize the risks inherent in a variety of business activities. Through Effective Enterprise Risk Management, organization has better knowledge of the critical risks and their potential impact if it occurs, thereby it helps the organization to be well prepared to manage all risks and reduce the negative impact if any.

By employing the Risk Management Process, there is continuous rigor in the identification of risks at early stage, evaluating the impact of risks, planning the actions, ensures visibility of critical risks to the management. ERM benefits the organizations in the following ways and thereby lead to increased customer satisfaction, Quality of products/Services and Innovation.

- ERM enables early detection of risks, enabled mitigations of risks at an early stage
- ERM supports identification of business opportunities via structured Risk Management
- ERM helps in developing the necessary skills & competencies required to manage risks.

Training is the foundation of an Effective Enterprise Risk Management and is the driver and support for an efficient process. Proper awareness and training on the Enterprise Risk Management will enable the employees to perform risk assessment covering all aspects and sources of risk. Job aids will provide them support to identify the appropriate action plans to mitigate the risk and reduce the uncertainties.

With Performance Measurement, management is able to get the visibility of the critical risks and changing conditions. It supports decision making and to put actions in place to mitigate the risk. The Performance Measurement will provide triggers for early warning notification and management of risk. To conclude Effective Enterprise Risk Management will positively impact the Business Relationship with customers.

9. RESEARCH FINDINGS

The objective of this study was to statistically validate the model to the IT industry and analyze the relationship between Effective Enterprise Risk Management and Business Relationship. Following is a brief discussion of the findings of this study with regard to the research objectives:

- Effective Enterprise Risk Management has a significant direct linear relationship with Business Relationship and explained 70% of the variance.
- Process, Training and Performance Measurement are considered as critical Enterprise Risk Management measures that impact the Business Relationship.
- Structure, Culture and Risk Governance are also critical activities however they are not appearing as significantly impacting the Business Relationship. They may not have direct impact but definitely needs further analysis and research to understand the indirect effects they may have.
10. RESEARCH CONTRIBUTION

Important contributions of this study include:

- The study contributes Risk Governance and Performance Measurement in the form of new variables to define the Effective Enterprise Risk Management.
- Metrics as an item is used to define the Performance Measurement of the Enterprise Risk Management in this study.

11. SUGGESTIONS FOR BUSINESS PRACTICE & RECOMMENDATIONS FOR FUTURE RESEARCH

11.1. SUGGESTIONS FOR BUSINESS PRACTICE

Traditional approaches to Risk Management are not currently meeting client needs in areas of emerging risks, including those that are becoming apparent in global expansion of operations. These often involve social and environmental factors where an understanding of local laws, customs and traditions may be as important as good business practices. By using sustainability as a platform for risk management, the analysis can be expanded beyond traditional risk management factors to include emerging risk areas that are of growing importance in an increasingly global economy.

The study suggests that there is positive relationship between the Effective Enterprise Risk Management and Business Relationship. Therefore it is important that the organizations link the Enterprise Risk Management with organizational goals. Companies should recognize that in the fast changing environment such as new products & services, new business models, etc should seize the opportunities to increase Business Relationship with their customers.

Risk is identifying any uncertainty that could either be a positive or negative business outcome. Risk Management is mostly done in siloes and it is mostly reactive based on the historical failures of the organization. This study suggests that Risk Management must be a performed on a proactive basis and a holistic risk management should be carried out which encompasses the tools and processes used to identify, assess, and quantify business threats and the measures taken to prioritize, monitor, control, and mitigate those threats.

It may be noted that the training plan may be devised in such a way that there are more frequent trainings and awareness sessions conducted for the less experience employees to ensure that there is greater awareness of the benefits of Risk Management, process and implications of the same.

It is important to introduce Consequence Management to effectively percolate the culture of Risk Management within the organizations. Clear accountability for Risk Management should be assigned so that it is treated as a decision making aspect for the Managers and they are suitably entitled for the Consequence Management.
11.2. RECOMMENDATIONS FOR FUTURE RESEARCH

Several recommendations for future research have also emerged:

In the present study, Business Relationship has been measured in non-financial terms only. However, integration of both finance and non-financial goals is very important and future research can scope in both.

The research involved studying direct relationships only. But there is further need to analyze indirect effects each variable may have on the other. Risk Governance, Culture, Structure may be studied further for any indirect impact it may have.

Critical Success factors have been studied in this research however future scope of study may include the impact of all the Risk Management Activities on the Risk Adoption by employees and correlate with the Business Relationship.

Future study may analyze the impact of other demographic profiles such as Age and Level of Education on the Relationship between Effective Enterprise Risk Management and Business Relationship.

12. CONCLUSION

The results of this study show that the Effective Enterprise Risk Management is indeed highly correlated with positive relationship with Business Relationship. The results suggest that the Effective Risk Management Process and its variables Process, Training, Performance Measurement are significantly related to Business Relationship.

At the same time, non-significant relationship was found between Culture, Structure, Risk Governance and Business Relationship. The insignificant relationship found in this study can be due to the fact that Business Relationship can be affected by various uncontrollable factors such as the economic condition or political situation. While the Project level Risk Management is mature, Enterprise Risk Management is gaining momentum now in IT Organisations. It may require some time until improvement in their indicators can be observed.
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