
The effects of enterprise risk management on operational performans

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Abstract

As a result of financial scandals occurred in developed countries recently, risk management has gained importance and perspective on risk management has changed. According to new risk management approach, risk must be managed with a holistic approach. This holistic approach is called as enterprise risk management (ERM). The hypothesid benefits of ERM are enhanced business performance, improved financial results and risk mitigation. Whilet here has been significant growth in the number of ERM implementations, the literature provide few empirical studies investigating whether ERM increasing financial performance. Moreover as i know, none of the studies investigate there relationship between ERM and operational performance. The purpose of this research is to investigate the association between enterprise risk management and operational performance. I conduct this study on manufacturing firms listed Borsa Istanbul 100 Index. There are 40 manufacturing firm in Borsa Istanbul 100 Index. In this study receivable turnover, inventory turnover, tangible asset turnover, asset turnover and equity turnover are used as indicator of operational performance and are calculated from 2014 dated annual financial report of firms. The relation between ERM and operational performance is analysed with logistic regression analysis. According to correlation analysis result, tangible assets turnover correlate asset turnover. In order to solve multicollinetary problem tangible asset turnover is excluded from the analysis. The Hosmer Lemeshow goodnes-of-fit statistic is non significant ($\chi^2= 0,388$) suggesting that overall model fit is acceptable. As a results of logistic regression analysis none of the operational performance indicators are associated with ERM. Considering the hypothesid benefits of ERM, this is an unexpected result. Despite the increasing application of ERM, using holistic approach to manage risk is a new concept for Turkey. So firm's implementation regarding ERM can be different maturity levels. This study should be expanded considering ERM maturity levels of firms.
