

DO ENTERPRISE RISK MANAGEMENT PRACTICES IMPACT ON STRATEGIC PERFORMANCE? - EVIDENCE FROM AN EMERGING ECONOMY

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Enterprise risk management (ERM) has gained increasing attention among corporate managers in the recent past as a strategic approach to managing risk. This study empirically verifies whether the adoption of ERM impacts strategic performance based on the perception of executive-level employees from 26 active Sri Lankan insurance companies. From the total population of 1111 executives, 236 Respondents have been selected using a stratified random sampling technique and primary data were collected using a structured questionnaire. Stakeholder theory has been used to decide the proxies to measure the Strategic performance and ERM practices have been measured based on the COSO ERM framework guidelines. Mean testing, Correlation analysis and regression analyses are used to analyze data. The mean testing results reveal that three components of COSO ERM framework namely, Internal Environment, Objective setting and Risk Assessment indicate a high level of practice and other five components show a moderate level of practice. According to the correlation analysis results, all the independent variables have a significant relationship with Strategic Performances. Hypotheses testing results indicate that Information & communication and monitoring are the most crucial variables that positively impact the strategic performance of the insurance company. The results indicate that, even though the implementation of ERM practices in Sri Lankan insurance industry is moderate / high levels, other than Information & communication and monitoring all other six components are not showing a significant impact on the Strategic performance. It implies that the expected value addition from the ERM practices have not been achieved by the Sri Lankan insurance companies yet. Findings of this study contribute methodologically as the researchers used a robust model to measure ERM practices. The results may help insurance companies in Sri Lanka and other countries with similar settings to improve their ERM practices and adopt efficient strategies to improve firm strategic performance by implementing proper ERM practices. Since risk management is a vital component in the insurance industry, relevant authorities could find the results useful in stabilizing the industry.

Keywords: *COSO ERM Framework; Enterprise Risk Management; Strategic Performance*