THE ROLE OF ENTERPRISE RISK MANAGEMENT IN THE BUSINESS ENVIRONMENT: A CASE STUDY OF STAR ASSURANCE COMPANY LIMITED

BY

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

The dynamic and highly competitive business environment in recent times has seen numerous debacles, from natural disasters to financial crisis, not forgetting frauds and scandals. This has brought to the lime-light risk management, a discipline that has in the past focused on mostly hazardous risks, and is most recognized in the finance and insurance sectors. All these; including the numerous measures taken to mitigate the current and emerging risks, have given governments, businesses and stakeholders a new view of the environment; the risk environment. The intervention by what is considered the evolutionary discipline of the traditional risk management, known as Enterprise Risk Management (ERM), takes a new and holistic approach towards the management of risk. Experts describe ways of implementation through the use of frameworks. This study is carried-out using a case-study research design looking at

Star Assurance Company Limited. The general objective of the study is to assess ERM implementation strategies by Star Assurance Company Limited in its attempt to increase sales and overcome the core challenges facing the insurance industry in Ghana. Reported findings, herein, show that, the ERM implementation processes is apparently influenced by numerous success factors including the risk appetite, risk culture, management competence, among others, which go a long way to show the value of ERM; even though not quantified. In concluding this research, the influential factors, taking into Star Assurance Company Limited implementation challenges and how they are linked to the ERM process of achieving these strategic implications are highlighted.

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May the peace of God that transcends human understanding be with you all.

DEDICATION

This thesis is dedicated to Ms Janet Opoku – Agyemang, Mr.& Mrs. Gyamfi, Rev Fr. Richard Opoku Acheampong, Mr. Eric Kwankye Acheampong, Lovemark Osei Agyemang, Sandra Osei Agyeiwaa and all members of my family and friends. Thank you for your advice, encouragement, prayers and financial assistance. May God richly bless you.

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Enterprise Risk Management (ERM) is a relatively new term in academic literature but has long been practiced as the ultimate approach to controlling organizational risk (Saeidi et al, 2013). According to Weber et al (2002), the growing complexity surrounding the world of enterprises, most especially in dealing with variety of customers and clients from different background, exposes their vulnerability to several risks. Managing risk however require strategic managerial competence and foresight. Saeidi et al (2013) maintain that enterprise managers now have the core mandate to plan towards averting risks that could render their business susceptible to collapse.

In recent years, business entities have incorporated ERM in their strategic plans and continue to invest in dealing with all manner of risks. According to Ricondo et al (2006), business enterprises that are most liable to risk are financial and insurance companies. They argued that such enterprises are most likely to be exposed to numerous financial problems that are beyond control of management of such businesses.

Uyemura and Donald (1993) indicated that ERM has proved effective for insurance companies in the developed world because enterprise insurance companies prioritize risk management to reduce financial losses. According to the researchers, companies started to look at alternative ways of managing financial risks, such as unpredictability of exchange rates, commodity prices fluctuations, interest rates and share prices. A formal system of financial risk management began and financial derivative products such as financial futures, options and swaps were also developed. This was because investment banks had developed these financial instruments and their associated markets in part to help their corporate customers to confront these financial risks. Hence, financial risk management and insurance risk management emerged in much the same way. It was inspired by the existence of these financial products, which led management to consider their risk appetite and determine how much of the risks should be managed by the company‟s internal controls and how much should be transferred through these external arrangements. The existence of financial derivatives markets also forced companies to think more carefully about the pricing of risks, financing those risk expenditures internally, and the value added by those additional services provided by enterprise firms. Organizations now consider the need to manage insurable risks and financial risks together, since the patronage of insurance and the purchase of derivatives to reduce financial risks performed essentially the same role. This has led more recently to the development of new risk management approach that combines both types of risk.

1.1 STATEMENT OF THE PROBLEM

In Ghana, insurance companies have had to battle with several risks, including untimely payment of premium by clients, false pretense of insurance claim, limited understanding of how insurance companies operate, especially among the illiterate population leading to low patronage of insurance products coupled with other externalities including changes in currency rates and inflation. These challenges greatly affect the smooth operations of insurance companies and have increasingly affected progress of insurance in Ghana.

Unlike the State Insurance Company (SIC) which has virtually opened branches in all parts of the country and therefore is able to manage financial risk by sharing cost, Star Assurance Company has relatively a lower coverage and thus had to deal with greater risk.

In most cases, insurance companies located within the major cities of Accra, Kumasi and Sekondi-Takoradi are most likely to pay untimely claims because of the dangers usually faced by clients. This implies that such insurance companies need risk management skills to be able to manage all manner of risk in order to keep their businesses afloat.

In the case of Star Assurance, there is limited information and public understanding of what framework exist in identifying and managing risk of the company in order to arouse public interest to patronize their products and increase sales of the company. There is also no clear cut information on how staff of Star Assurance Company perceive the effect of enterprise risk management in their attempt to develop a framework to deal with all manner of enterprise risks. As a private insurance company, there is also the need to identify what kind of challenges Star Assurance Company faces in their implementation of ERM. There is the need therefore to look intently at how business risks are managed from the enterprise perspective, hence this study looks into how Enterprise Risk Management is practiced within organizations using Star Assurance Company Limited as a case study.

1.2 OBJECTIVES OF THE STUDY

The general objective of the study is to assess ERM implementation strategies by Star Assurance Company Limited in its attempt to increase production and overcome the core challenges facing the insurance industry in Ghana. The specific objectives are;

1. To identify the critical success factors that will enhance the effectiveness of risk management procedures.
2. To find out how Enterprise Risk Management is implemented in the Company.
3. To examine some of the challenges associated with risk management in Star Assurance Company Limited.

1.3 RESEARCH QUESTIONS

Based on the anticipated argument raised, this research seeks to provide answers to the following research questions:

1. Are there any considerable success factors for implementing ERM by the company?
2. How is ERM implemented in the company?
3. What are some of the associated challenges in implementing ERM in the company?

1.4 SIGNIFICANCE OF THE STUDY

The study aimed at providing reliable information on how ERM is implemented by Star Assurance Company Limited to guide other insurance companies who face risk in their operations. It also made available literature for academic use and provide bases for further research into the subject matter using other insurance companies as case study.

1.5 BRIEF METHODOLOGY

The design of the research was a mix method approach involving both qualitative and quantitative data analysis.

Sampling method was the non-probability, which is purposive sampling technique. This technique was deemed scientific and appropriate for this research because the target group was known and it allowed all management and senior staff of Star Assurance Company Limited to be selected for the study due to their limited number.

Sources of data included primary and secondary sources. The primary data was collected using questionnaires. The secondary data was obtained from published journal articles, e-library sources, text books from the KNUST main library all related to the subject matter. The primary data was analyzed and presented to provide evidence in response to the research questions and objectives.

1.6 SCOPE OF THE STUDY

The thematic scope of the study was limited to the role of ERM in business using Star Assurance Company as a case study. The unit of analysis included only management and senior staff of Star Assurance Company Limited branches in Kumasi, Accra, Takoradi, Koforidua, Ho, Sunyani and Tamale.

1.7 LIMITATION OF THE STUDY

There were hindrances of this study. Interview appointments with respondents delayed the research schedule. The short time frame of the research limited the researcher in terms of inadequate time to bring a broader view of research from the perspective of management and senior staff of Star Assurance Company Limited. The researcher therefore chooses to limit the scope of the study by using one case company as target population.

However notices were served in advance to keep them informed prior to the data collection to make them available to participate in the study. Taking all these limitations into account, the researcher attempted to ensure that the schedule of the interviews is properly followed, and to open for further discussions at the end of the study. In some cases, telephone calls and mails were carried out to collect data from the respondents as a result of the geographical location of the various branches.

Despite the challenges in Star Assurance Company Limited, the study‟s findings has brought to fore some implications for policy formulation toward improved Enterprise Risk Management that would enhance the success of businesses in Ghana and beyond.

1.8 ORGANIZATION OF THE STUDY

The study was organized into five chapters. The first chapter provides an introduction to the study. The second chapter reviewed literature and the conceptual framework for the study of enterprise risk management. The third chapter describes the study methodology and profile of Star Assurance Company Limited. The fourth chapter provided detailed analysis of data obtained from study participants.

The fifth chapter provides a summary and conclusions reached as well as recommendations for improvement in ERM, and also some recommendations for further research. This was followed by references made.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews literature on the role of enterprise risk management on business. The thematic areas discussed include understanding enterprise risk management, perspectives on risk management, insurance and risk management, scope of enterprise risk management challenges in Ghana and significance of ERM in insurance business in Ghana.

Information contained in this chapter was obtained from secondary sources and are views of scholarly researchers whose works on the subject is invaluable to this research.

2.2 UNDERSTANDING ENTERPRISE RISK MANAGEMENT IN BUSINESS

Risk management is fundamental in securing the business capitals and different properties. In any case, risk is a need for the development of any business. In this manner, it is frequently underscored in business techniques that risk management is not to restrict going out on a limb completely, but rather to comprehend the levels of risks, and to appropriately draw in risk into advancement and development.

Risk management underscores the abilities of a business to foresee changes, not the stay away from risk. Evasion of risk means sitting tight for the occasion to happen then respond to it, instead of get ready for the progressions. Truly, numerous organizations decide to maintain a strategic distance from risk, as in their most straightforward risk management procedure. In one hand, this system permits completely security from 16 specific losses. On the other hand, this methodology denies benefit, and may bring about another risk. (Biasi 2011 p.12).

Every single business enterprise is prone to facing risk. Understanding of business risk is however the key to managing or preventing the risk. According to Meulbrok (2002), ERM is understood as the identification and assessment of collective risk that invariably compromise a firm value, and the implementation of a firm-wide strategy to manage those risks. Nocco and Stulz (2006) opine that every business risk management could be done in two separate ways; the first being managing the risk one after the other (systematically) and the second being managing the risk holistically. The latter approach is however described by Nocco and Stulz as Enterprise Risk Management.

In a discussion of ERM framework, the Committee of Sponsoring Organization of the Treadway Commission (COSO) (2004) describe enterprise risk management as a systematic process initiated by an entity‟s board of directors or the management body in their quest to identify potential events that may affect the entity in order to provide reasonable assurance regarding the achievement of the entity‟s objective.

As businesses grow occasionally, significant risks develop at the same rate, together with new field of risk management opens up. Subsequently, organizations' risk management adopts to the specific risk by a more coordinated methodology: Enterprise Risk Management (ERM). The idea has been produced from the mid-1990s industry (David, O. & Desheng, W.) to meet the necessity of business development and risk management. Stephen, D. (2001) extracted the Casualty Actuarial Society definition of enterprise risk management as: "The process by which organizations in all industries assess, control, exploit, finance and monitor risks from all sources for the purpose of increasing the organization's short and long term value to its stakeholders. "

While traditional risk management views risk as individual hazards, ERM puts risks in the context of business strategy, then build a portfolio of risk development. ERM provides base for risk mitigation and rational management. Traditionally risk management approaches the downside – possible losses from risk events whereas ERM scholars encourage management to recognize risks with both upside and downside factors (Investopedia, 2013).

When companies talk about ERM is when they manage risks following a framework, a tailored approach to identify, measure, respond to and prevent or monitor risks and uncertainties. The two most well-known ERM frameworks are which of Casualty Actuarial Society (CAS) and of Committee of Sponsoring Organizations of the Treadway Commission (COSO). The CAS conceptualized ERM as a means to increasing the organization‟s value. The process of ERM is recognized depending on the risk types: hazard risk, financial risk, operational risk and strategic risk (CAS, 2003). COSO ERM framework is categorized into components and objectives, with highlights lie in supporting the organization‟s strategy,

One underlying truth inherent in the understanding of ERM is identification of the risk. This means that a risk can only be managed when identified. In view of this, every ERM process must first tackle the issue of identifying the risk in order to manage it. Nonetheless, the second explanation of ERM by COSO (2004) underscores the fact that ERM is a process and a responsibility of management of the enterprise not merely an employee. Managements of an enterprise are expected to identify any set back with potential effect of reducing value for its customers and investors. In doing so, ERM is the appropriate tool.

Nocco and Stulz (2006), however argue that ERM does not completely eliminate risk but rather provide a better estimate of expected value and understanding of unexpected losses. They added that enterprise risk is inevitable but can be managed sustainably to reduce losses.

The major difference between risk management and enterprise risk management lies in the fact that risk management is merely determining an acceptable risk in business and tackling it systematically rather than holistically until the risk is bearable to provide value by minimizing losses.

2.3 FACTORS INFLUENCING THE SUCCESS OF ENTERPRISE RISK MANAGEMENT STRATEGIES

Available literature indicates that the management of enterprise risks is duly influenced by a lot of factors. On a global and national scale, government policies affect the nature and processes of ERM. Policies such as higher corporate taxes charged by government could positively influence enterprises to carefully manage their risk to minimize losses (Hutter and Jones, 2006).

Weber et al (2002) however indicated that not all government policies influence ERM strategies positively and that in an environment of harsh economic policies and regulations such as high interest rates by central banks, political instability and insecurity coupled with low investor confidence are likely to negatively affect certain external risk management efforts.

According to Abosti et al (2014), the location of an enterprise also determines the kind of risk management skill to adopt. The researchers found in their studies on small and medium scale enterprises in Ghana that business risk vary from location to location and that ERM of a particular enterprise may not be applicable to other business located elsewhere. They indicated further that certain business locations are prone to risk especially those located at the central business districts (CBDs) are more likely to be affected by fire outbreaks, floods, limited space for expansion of business to accommodate more customers and higher corporate taxes.

Velandia et al (2009) also identify economic factors as driving influence to ERM. Economically, the asset base of an enterprise determines how risk averse such enterprise could be.

It is believed that enterprises with high capital asset are more likely to face greater risk. However, depending on the nature of the risk, not all enterprises with greater asset base will be prone to severe business risk.

Although these factors are believed to be universal in nature, other studies (Hutter and Jones 2006; Garling et al 2010; and Cho and Orazem 2011) identify demographic indicators as possible influences to enterprise risk management. According to Hutter and Jones (2006), men are more risk taking than women because they are able to endure failure over longer period of time. Unlike women, men have the guts to approach risk in a more aggressive manner. In a related demographic study, Cho and Orazem (2011) argued that age play a critical role in the manner in which risk is managed. Thus young entrepreneurs are more risk taking than older ones. These means that ERM could best solve business losses and add value to customers and investors if handled by young managers than the aged.

In the context of insurance enterprises in Ghana, these factors are not in themselves exhaustive because other external influences such as changes in foreign currency rates, inflation and macroeconomic instability invariably are bound to affect the nature of risk in insurance business. Investors are more likely to shun away from investing in businesses or enterprises where more risk are likely to affect value of investments. These compromise the growth and stability of most enterprises and increase their susceptibility to diverse risk.

2.4 EFFECTS OF ERM ON ENTERPRISE INSURANCE BUSINESS ENVIRONMENT

In a small work environment where every activity is wholly involved and directly affects each other and the business, management of one issue should go along and closely with the rest of operational issues.

Managing risk in a small business should be the combined effort through integrating management processes: customer relationship management, business strategy planning, financial management, and human resources management.

According to Duong (2009), due to the business scale of SMEs and micro companies, the organization owner will ultimately take responsibility for the risk decisions. The extent of efforts required for risk management depends on the complexity of the operational activities and the scale of the business. Non-employing businesses, with one or two owners as partners and employees at the same time, will not face a human resource risk at the same level as micro companies with more than five staff.

Risk management for a business of any size relates to systematic assessment and strategic response to threats. By their nature, small business owners are frequently entrepreneurs; successful and optimistic entrepreneurs. They have the tendency to be confident based on their success in establishing and leading the business, and it might be common for small business owners to put risk management plans down the list of priorities. A research by the Institute of Chartered Accountants in England and Wales (Alpa, et al. 2005) show that expenditures for risk management of smaller businesses are considerably less than larger businesses. SMEs generally spend their budget on insurance and internal – external audits.

There are several approaches that SMEs and micro companies can choose to process risk management and reduce loss exposures. Kliem et al (1997) prefers a four-step process: risk identification, risk analysis, risk mitigation and risk follow-up.

As indicated in the explanation of ERM, it is imperative that its outcome or effect help to minimize losses and create value for customers and investors alike, especially for business enterprises like Star Assurance.

Available literature (Chapman, 2006; Nocco and Stuls, 2006) indicate that a well implemented ERM help improve compliance, corporate governance and enhance effective allocation of resources.

Thus insurance enterprises that use ERM have high propensity of success over time and are able to endure if not completely reduce the collective risk that compromise their output. Studies by Meulbroek and Barnett (2000) also sidelined reduction in risk exposures, increase in stock price and delivery of risk assurance through corporate governance as key positive impacts of enterprise risk management. The two researchers were optimistic that ERM enable businesses to operate within expected risk by minimizing unexpected collective risks.

Nocco and Stulz (2006) concluded in their studies that an enterprise that understands the risks they face are able to command resources required for engaging in productive ventures because it is trusted by its shareholders/investors.

Nonetheless, Abosti et al (2014) made contradictory statement that a successful implementation of ERM does not necessarily guarantee investor confidence in business enterprises because locational factors coupled with other external influences such as general economic instability and government policy could reduce the effectiveness of ERM and compromise its effort to maximize profit/value for shareholders. It is within this context however that Nocco and Stulz (2006) argued that ERM in its self does not completely eliminate risks but provide grounds for successful operation of every business enterprise.

2.4.1 FORMS OF ENTERPRISE RISKS IN INSURANCE

Risks incurred vary from business to business. Calandro et al (2006) identify nine different categories of risks associated with insurance enterprises. These risks are discussed briefly as follows;

a) Premium risks

This form of risk connotes pricing risks, solvency and customer relation risks. Thus in the event that insurance companies charge premiums less than they could sufficiently cover losses is referred to as pricing risks. Solvency risks arise from inability of insurance companies to fulfill their core obligations out of the premium charges. Failure to successfully manage this risk reduces customer confidence in insurance therefore affect sales of premium products (Calandro et al, 2006).

b) Investment risk

Calandro et al (2006) argue that insurance companies are faced with market volatility which affect investment income and cash inflow. This form of risk is quiet external in nature because they are driven by external forces.

c) Reinsurance contribution risks

This form of insurance risk usually occurs out of inappropriate record keeping, billing and accounting (Calandro et al 2006).

d) Recovery risks

This form of risk arises when untimely claim payments are made by insurance companies and have to recover from the amount paid. It affects the general cash inflow of the insurance company (Calandro et al, 2006).

e) Claim risks

Claim risk is mostly affected by price and social inflation. When such price hikes occur, insurance companies are forced to pay high claim than calculated claims generated by premium charges in order to cover the cost incurred by the customer.

f) Other forms of insurance enterprise risks are interest and dividend risks, reinsurance cession risks, advisor risks, tax risks and cross discipline risks (Calandro et al, 2006).

The latter is also external in nature because it is associated with changes in foreign currency rates and general economic instability.

2.4.2 CRITICAL SUCCESS FACTORS FOR EFECTIVE RISK MANAGEMENT

To begin, Critical Success Factors (CSFs) is defined and introduced by Rochart (1979, p.84). By his definition, Critical Success Factors is "The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where things must go right for the business to flourish. If results in these areas are not adequate, the organization"s efforts for the periods will be less than desired". Boynton and Zmud (1984) discuss CSF methodology, define CSFs, review and arrange the uses of the CSF method in the first part of their article. They regard Critical Success Factors as one of the few things that ensures success for an organization. Critical success factors is maintaining a high performance for an organization‟s currently operating activities and its future.

Moreover, Freund (1988) illustrates the CSFs concept as the most important for overall organizational objectives, mission and strategies. Critical Success Factors which are appropriate to each unit of business and overall organization aim to fulfill the organization‟s objectives.

A great number of factors are extremely difficult to focus on and therefore only five to ten should be indicated.

The following review of Critical Success Factors will discuss Critical Success Factors for effective risk management. There are a number of papers on Critical Success Factors contributing to risk management.

Grabowski and Roberts (1999) examine the problem of risk mitigation and suggest a process designed to support the high level of performance in an organization. They identify the four important factors as:

1. Organizational Structuring and Design
2. Communication
3. Organizational Culture
4. Trust

Galorath (2006) focuses on the importance of risk management, the essence of risk management and assesses the processes to implement risk management. He argues that risk management requires five activities, which are as follows:

1. Top-level management support

2. An integral part of the entire program management structure and processes
3. The participation of everyone involved
4. Cultural imperative
5. A pattern of measurement

Earliest attempt to provide concise explanation to what constitute critical success factors in a business environment date back to the writings orchard (1979) and Boynton and Zmund (1984). They argued that critical success factors connotes strategic areas of influence that drives successful operations of past, present and future performances of a business. Other scholars (Grabowski and Roberts, 1999; Zwikael, 2008) indicate that critical success factors are more or less the pivot on which performance indicators of every business is measured. Grabowski and Roberts
(1999) identify four critical success factors for effective implementation of ERM.
These include; organizational structure and design, communication, organizational culture and trust. Likewise, some studies (Hasanali, 2002;Hutter and Jones, 2006) also show that factors such as cultural values, managerial support and employees‟ participation are all indicators contributing to critical success factors of every enterprise.

However a more comprehensive approach to measuring critical success factors is that provided by Ranong and Phuenngam (2009). In their study of critical success factors for effective risk management procedure in financial industries in Thailand, they outlined seven possible areas which invariably contribute to critical success factors.
These are as follows;

Table 2.1: Critical Success Factors

1. Organizational structure

2. Culture
3. Commitment and support from top management
4. Information technology
5. Trust
6. Communication
7. Training

Source: Ranong and Phuenngam (2009)

These critical success factors relatively provide somewhat concise understanding of how businesses measure performance by reducing risks leading to increasing output and value for growth while improving on customer and investor confidence.

1. Organisational structure

This factor is associated with the internal arrangement of every organisation beginning with top management staff to bottom service employees whose effective interpersonal communication contribute significantly towards identifying, analyzing, and treating collective risks affecting business performance (DeLoach, 2004 cited in Ranong and Phuenngam, 2009).Organisation structure is crucial because it help identify different levels of risks in an organisation for effective risk management.

2. Culture

The element of culture plays a vital role in every risk management process. The different aspects of cultural values, attitude, ideas, beliefs, skills and thoughts help to bring out variety of concepts and new forms of managing enterprise risks.

3. Communication

The idea that knowledge vary from person to person makes effective communication an ideal tool for problem solving. According to Ranong and Phuenngam (2009), communication provides linkages for clarity, discovery of ideas, and understanding of the dynamics of risks and risk management. Based on this linkage, the ISO 31000:2009 risk management framework emphasized on effective communication and consultation as vital tools for enterprise risk management.

4. Information Technology

Ranong and Phuenngam (2009) opine that world businesses today are compelled to adapt to the increasing dynamics of technological change. The use of ICT based business information systems allow organisations and enterprises to quickly identify risks that are common and have been researched. According to Rolland (2008), ICT application has become a tool for effective risk management because it facilitates easy communication and consultation and create room for accessing innovative ideas to solving risks.

5. Trust

This factor although very relative has become a subject of interest among organisations. Tyler (2003) cited in Ranong and Phuenngam (2009) argue that trust fosters cooperation among individuals in an organisation and forges unity for businesses growth. It forms the basis for individual loyalty and allows a common platform and network for reliable risk management information sharing (Saeidi et al, 2013).

6. Training

Available literature indicate that training of employees is very necessary for every organisation seeking to inculcate, groom, unearth, and instill a sense of discipline and attitude for improved performance on the job (Mambula, 2002). According to Treven (2003), both on the job and off the job training for employees are designed to equip them and build their capacity to manage risks and contribute to the growth of the business. Gordon, et al (2009) also argue that companies that fail to provide training mechanisms and opportunity for their staff are bound to face difficulties especially in adapting to new trends and innovation for corporate development.

7. Commitment and support from top management

Studies have shown that any business atmosphere without top managerial support for decision making is liable to failure (DeLoach, 2004 cited in Gordon et al 2009). According to Hutter and Jones (2006), managerial support provides grounds for other critical success factors such as training, communication and adaptation to ICT to develop overtime. Such commitment from top management could also mean providing material and financial support necessary for risk management towards improving an organisation‟s performance.

2.5 SIGNIFICANCE OF INSURANCE BUSINESS TO NATIONAL DEVELOPMENT

Insurance has been a key contributor to economic growth and development of nations across the globe. In developed economies such as the United Kingdom, France and Germany, insurance contribute significant proportion to GDP growth while household benefits from wide range of insured products. Advance social protection schemes have continuously thrived on viable insurance enterprise (CEA, 2006).

Aside providing employment for specialized skills, insurance firms, when properly managed from all risks, foster invention and innovation for other businesses to thrive. In 2002, the CEA noted that insurance firms contributed about 1.42% to United Kingdom‟s GDP growth and 0.8% to that of Germany. These figures increased up to 8.6% and 7.4% in 2009 respectively (CEA, 2006). Areas of most interest to insurers include health, transport, property and life. Social protection and pension schemes have been core to all these development insurance products.

In Ghana, insurance companies have provided hope to individual households, commercial workers, investors and corporate institutions alike. Government also benefits from insurance tax revenue which is geared towards infrastructural development (CEPA, 2011).

2.6 IMPLEMENTATION OF ERM

The choice of ERM framework by enterprises varies from business to business and most importantly the line of activities engaged by a particular enterprise. While some engineering enterprises may choose to operate their ERM within the framework proposed by the Institute of Electrical and Electronics Engineers, USA of 2001 known as *IEEE Standards 1540-2001: Standard for Software Life Cycle processes - Risk Management,* others prefer to adapt to the Switzerland standard (CEI/IEC

62198:2001: International Standard, Project Risk Management: Application Guidelines).

In the world of financial and insurance business however, many have implemented their ERM framework within the context provided by the Committee for Sponsoring Organisations of the Tread way Commission (COSO II) and the International Organisation for Standardization (ISO 31000:2009). The ISO framework is however believed to be the most acceptable, comprehensive and well adapted framework by all enterprise institutions in the world (Hutter and Jones (2006). This lends support to review the theoretical framework by ISO 31000:2009.

2.7 THEORETICAL FRAMEWORK

The evolution of a comprehensive ERM framework dates back to 1997 by the Canadian Standards Association (CSA). The framework provided certain key guidelines for decision making by management of enterprises in their quest to carefully prevent, manage and control their collective risks in their businesses (Kleffner and Mcgannon, 2003).

Following the CSA"s ERM framework, institutions such as the British Standards Institution (BSI), Japanese Standards Association and Project Management Institute, USA among others have put forward some ERM frameworks which have been commonly practiced over the years by enterprises.

In 2009, the Committee of Sponsoring Organisations of the Treadway Commission and International Organisation for Standardisation (ISO) both put across two separate ERM framework. However, the framework by ISO dubbed ISO 31000:2009 (Risk Management Principles and Guidelines) have since been widely acclaimed as the most suitable ERM framework for all institutions.

2.7.1 CONCEPTUAL FRAMEWORK FOR THE IMPLEMENTATION OF ERM

The ISO 31000:2009 Risk Management framework emphasize on key components of ERM procedure beginning with risk identification, risk analysis, risk evaluation and risk treatment. Prior to managing the risks, management of the said enterprise is supposed to put the risk in the context of operations by the enterprise and set out the parameters within which the risks are to be managed in accordance with the goals and visions of the enterprise. Such a process is defined as establishing the context.

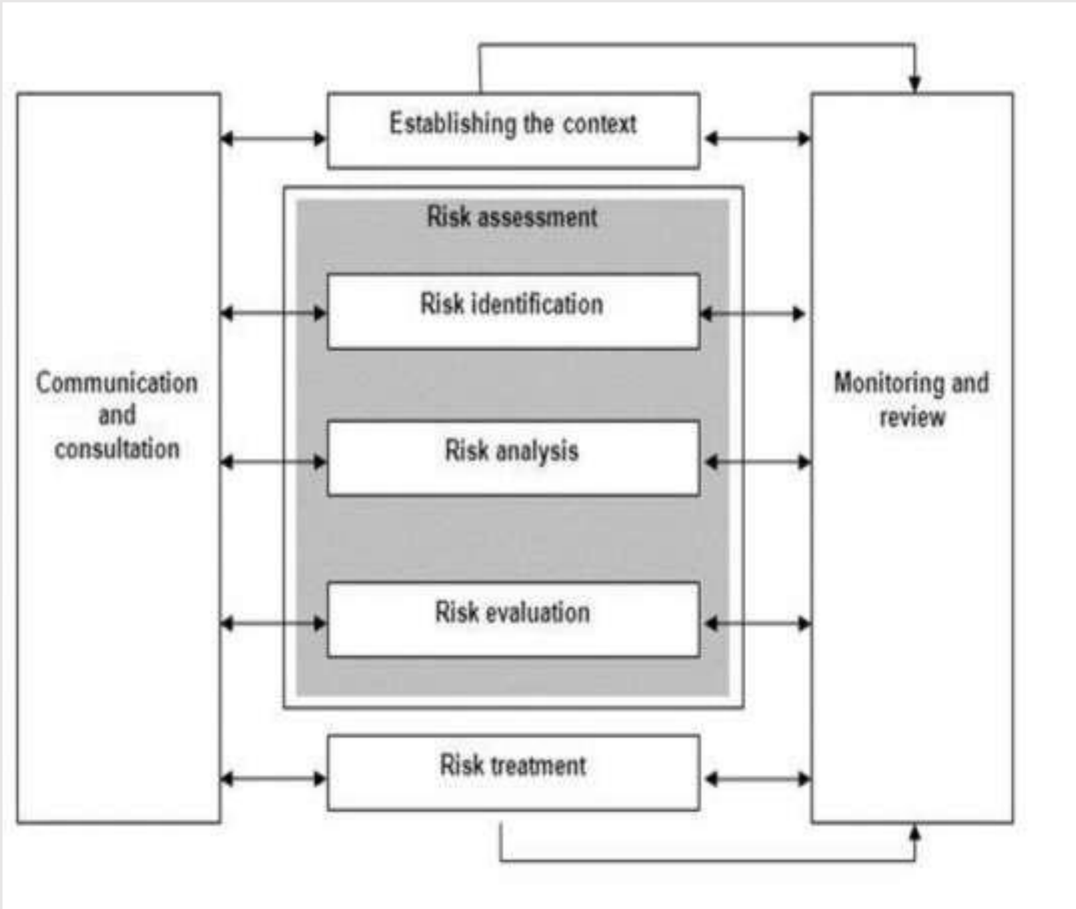


Figure 3.1: The ISO 31000:2009 Risk Management Framework
Source: Adapted from ISO, (2009)

Having critically set the ERM implementation parameters, the risks are then assessed in a collective manner by clearly analyzing, evaluating and treating the various risks.

The ISO (2009) added that, communication and consultation as well as monitoring and review, play vital role in the implementation of ERM. According to the ISO, risk managers are supposed to communicate and consult various heads of the establishment in identifying the collective risks and if possible seek external consultation from experts who have successfully managed similar risks in similar or different enterprises.

In furtherance of effective ERM implementation, Calandro et al (2006) identify four possible forms of risk interaction: financial risk, government risk, operational risk, and insurance risk. These risks are to be treated in a more consultative manner to help such that a holistic mechanism can be identified to manage all risk types and forms.

The monitoring and review also places much emphasis on the effectiveness of the ERM processes and ensures that the target set for managing the risks is collectively achieved.

2.8 CHALLENGES IN THE IMPLEMENTATION OF ERM

The implementation of ERM by businesses is influenced by a number of factors. Fadun (2013) indicates that most business enterprise struggle to choose a proper framework within which ERM is to be implemented. There are at most thirteen different categories of ERM framework with each having its own appropriate techniques for implementation. Nonetheless, Jackson (2009) and Ferkoji (2010) categorize ERM implementation challenges into eleven different kinds usually reported by enterprise risk managers. According to Jackson (2009), limited understanding of what constitute the various types of risks to be managed is very critical to putting the risk in a well-defined context.

Another critical challenge facing ERM implementation in most enterprises is risk assessment. Fadun (2013) opine that most enterprise managers are unable to conduct proper risk assessment to prioritize the identified risk and find appropriate mechanism to solve it collectively. The assessment stage is quiet tedious and involves financial commitment and expertise. Jackson (2009) argued that poorly conducted risk evaluation as a component of risk assessment fail to provide a comprehensive list of risks and increase intolerance levels among board members.

In all these challenges, access to effective resources and risk management expertise is required to carefully treat, monitor and create risk awareness culture to mitigate future risks.

Fadun (2013) concluded in his studies that each of the ISO risk management procedures possess some sort of challenge to every enterprise and therefore the need to carefully conduct successful ERM require managerial commitment, resources, communication and consultation as well as monitoring and review.

CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANIZATIONAL PROFILE

3.1 INTRODUCTION

The chapter outlines the research methodology of this study. The research was conducted using the qualitative approach. Secondary data that outlines enterprise risk management were obtained from Star Assurance and discussed and analyzed as a way of evaluating them. Senior management staff of the company were also interviewed to give their personal observations on the problems they encounter in implementing the enterprise risk management framework adopted for use within the company. The company profile of Star Assurance Company Limited was also presented.

3.2 RESEARCH DESIGN

The case study design was used to carry out the study, this was necessary to have a detailed assessment of the phenomena in Star Assurance Company Limited. The study was largely qualitative, however, some quantitative approach were used to measure biographic profile of the study participants. The reason for choosing qualitative approach is due to the fact that it employs inductive reasoning of raw data and elicits insightful data for accurate information and generalizations out of the collected data (Neuman, 2000). The quantitative approach however uses deductive methods such as statistical analysis to arrive at the study objective.

The study of this nature involving quiet a limited number of population size and also the fact that the data required is very sensitive makes it appropriate to employ a qualitative approach to a large extent. This will allow the study participants to respond to the interview questions and provide insightful data for the study. Thus questionnaires will be prepared and administered to the selected sample to obtain qualitative data on the subject matter. Respondents will be allowed to freely express themselves in providing answers to the questions which will be analyzed using descriptive statistics and direct quotations. Data on biographic profile such as sex ratio, age of respondents, position held in the company, educational attainment level and length of years working in the company will be measured quantitatively using close ended questions. Such questions will be coded, cleaned, and analyzed using the SPSS statistical software tools including descriptive statistics and shall be presented using simple tables and charts.

3.3 STUDY POPULATION AND AREAS

A study population simply defines the entire elements, individuals and groups who share or exhibit same characteristics. In this research, the population defines all management and senior staff (temporal or permanent) of all the 17 branches of Star Assurance Company Limited operating in Ghana at the time this study was conducted. Thus, because the study population is subject to change over time, it is always appropriate to define the population within time context (Neuman, 2000).

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

A sample size of 25 senior staff and management of Star Assurance Company Limited was used for this study. The non-probability sampling technique was employed for this purpose. A non-probability sampling technique is scientifically justifiable for special situations such as studying a specific phenomenon which is common among specialized professionals or individuals (Babbie, 1990). The purposive sampling technique was employed in this regard. The purposive sampling was used to reach the target population that is management and senior staff of Star Assurance Company Limited to elicit comprehensive data significant to the study by giving their professional opinion on the subject matter.

This kind of sampling method is appropriate because it is based on judgment of the research to select specific respondents (only staff of Star Assurance Company limited in the study area) to respond to the questions.

The interconnected network among the branches of Star Assurance Company limited enabled the researcher to overcome the time constraints in reaching the participants of the study.

In view of the population size of 25 management and senior staff of Star Assurance Company Limited, all 25 management and senior staff of the company in Accra, Kumasi, Takoradi, Sunyani, Koforidua, Ho and Tamale were selected to participate in the study.

Thus the purposive sampling was used to select the 25 respondents. Although not probability sampling technique was used, the sampling approach to be used has been structured to allow all management and senior staff of Star Assurance Company Limited to respond to the questions without given room for bias selection.

3.5 ETHICAL CONSIDERATION

Every successful data collection exercise require that respondents be given prior notice either in writing or personally to prepare respondents, especially opinion leaders, such that they will be ready to provide needed data to support the research. In view of this, a letter of notification was sent to the managers of Star Assurance Company Limited in the seventeen (17) branches to allow them adequate time for preparation to respond to the questions.

3.6 DATA COLLECTION

The tools for data collection are usually based on the research design. In view of the fact that the study is largely qualitative, questionnaires will be prepared to cover all the thematic areas of the studies and administered to the study participants to elicit qualitative data. However, the data on the biographic profile of the respondents, critical success factors, indicators for ERM implementation were elicited using closed ended questions. Such questions will include possible responses from which respondents are obliged to choose from.

3.7 DATA ANALYSIS

The obtained qualitative data using questionnaires was analyzed using descriptive statistics and direct quotes. The data was however sorted and cleaned to be accurate for presentation.

The quantitative data on demographic profile of respondents will be coded and analyzed using the SPSS statistical software tools including frequency and percentages. The results will be presented with simple tables, bar and line graph charts.

3.8 PROFILE OF STAR ASSURANCE COMPANY LIMITED

Star Assurance Company Limited is a privately owned Insurance Company incorporated in August 1984 and licensed to carry out corporate and retail insurance businesses in Ghana. It commenced in April 1985.

Star Assurance, which started business as a composite company had to hive off its operation by setting up a subsidiary company, StarLife Assurance, in compliance with the Insurance Law 2006, Act 724. Star Assurance consequently underwrites only general business products including Motor, Fire, Marine, Aviation, Accident, Travel Insurance etc.

In 2012, a significant growth was recorded in the company‟s gross premium product which grew from 35.1 million in 2011 to 61.8 million in 2012 representing 76% growth rate.

By location and coverage, the company‟s head office is situated at Airport City (Stanbic Height building) in Accra and operates branches in seven (7) out of the ten (10) regions in Ghana including Greater Accra, Ashanti, Volta, Brong Ahafo, Western, Northern and Eastern Regions, with the remaining three (3) regions serviced by Agency offices.

The company‟s Profit before Tax also grew from GH¢3.7 million in 2011 to GH¢8.1 million in 2012, representing 119%. Investment Income for 2012 grew by 250% over the 2011 figure of GH¢1.4 million to GH¢4.9 million. This sterling performance earned them the prestigious Insurance Company of the year 2012 award by the Chartered Institute of Marketing Ghana.

In 2012, the top six classes of insurance that delivered the most premium income and the percentage of total premium income they provided were: Accident (46.10%), Motor (30.97%), Fire (11.30%), Marine (5.41%), Aviation (5.24%), and Travel (0.98%)

In the National Insurance Commission‟s (NIC) 2011 Annual Report, Star Assurance was ranked second in the general insurance industry by Total Assets and Gross Premium Income respectively. The company has been a member of the prestigious "Ghana Club 100" - a listing of the top 100 blue chip companies in Ghana and was once adjudged number one in the insurance industry. Currently the company is believed to be operating its ERM within the framework of ISO 31000, 2009 (Star Assurance Company limited, 2015 profile available online).

The company is governed by a Seven Member Board consisting of a Board chairman, a Managing Director (MD), a Deputy Managing Director (DMD), an Executive Director (ED) and three Non – Executive Directors (NEDS), an Executive Management Committee (EMC), an Audit Committee, Risk Management Committee and then Units/Branches heads.

The Board of Directors has formally established an Enterprise Risk Management Framework with the aim of enabling Management to effectively identify, evaluate and mitigate existing and emerging risks which can potentially prevent the Company‟s ability to maximise stakeholders‟ value and achieve its business objectives.

3.9 RISK MANAGEMENT POLICY STATEMENT

At Star Assurance Company, effective risk management is highly essential to achieve our vision, mission, and objective.

Risk arises in all aspects of our operations and at all stages within the life cycle of those operations. It offers both opportunity and threat, and must therefore be managed appropriately. Risk management is an integral part of responsible management practice.

It involves establishing an appropriate risk management infrastructure and culture, and applying logical and systematic risk management processes to all stages in the life cycle of any activity, function or operation. By minimising losses and maximising gains, risk management enables the Company to achieve its corporate objectives.

An enterprise-wide approach to risk management is adopted by Star Assurance Company, meaning, every key risk in each part of the Company is included in a structured and systematic process of risk management. The risk management processes are embedded into our systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts are focused on supporting our objectives, ensures compliance with relevant legislation, and fulfils the expectations of Staff and other Stakeholders in terms of corporate governance. Different risk related or assurance provider functions align their various goals and reporting processes into one cohesive and structured framework. All of Star Assurance Company"s financial, operational, environmental, and strategic risks are identified, assessed, and appropriately managed.

This policy statement confirms Star Assurance Company"s commitment to adopting a strategic, consistent and structured enterprise-wide approach to risk management to achieve an appropriate balance between realising opportunities for gains and minimising losses. The policy reflects the ISO 31000:2009 which provides the overall framework for risk management at Star Assurance Company.

CHAPTER FOUR

PRSENTATION OF DATA AND ANALYSIS

4.1 INTRODUCTION

The central focus of this chapter is to analyze and present the findings of data collected from the study participants. Broadly, the chapter discusses a brief biographic data of study participants with regards to their level of education, position held in Star Assurance Company as well as their line of operations or activities in the company.

The data on these characteristics help to understand the link between respondent"s line of operation in the company and their perceived understanding of how enterprise risk management influence critical success factors of the company. It also delved into participants understanding of ERM implementation procedures and framework used by Star Assurance Company and the challenges they face thereof.

4.2 BIOGRAPHIC DATA OF RESPONDENTS

The study sampled a total of 25 management and senior staff of Star Assurance Company from the branches in Kumasi, Accra, Takoradi, Koforidua, Ho, Sunyani and Tamale, out of which the percentage of male and female were 72 and 28 percent respectively (see Table 4.1).

The least and dominant age groups among respondents were found to be 26-30 years (8%) and 40 years and above (36%) respectively. The findings also indicate that 52 percent of the respondents had degree certificates within the domains of business management such as accounting, marketing, purchasing and supply chain, insurance management as well as business information systems and operations.

It can be said that in view of the educational attainment by respondents, they were in good standing to contribute significantly towards the study as they could better understand what enterprise risk management is about. The study also found the least years of experience by the study participants who were also employees of Star Assurance Company to be two (2) years. However as evident in Table 4.1, 40 percent of the respondents had more than eight years professional working experience in Star Assurance Company limited.

The 68 percent senior staff of Star Assurance Company Limited was also observed to have attained master degrees with more than eight years of experience, with a few degree holders in the senior staff, whilst 32 percent of the respondents constituted the management staff as shown in Table 4.1.

Table 4.1: Background Information of Respondents

Gender distribution	Frequency (F)	Percentage (%)
Male	18	72
Female	7	28
Total	**25**	**100**
Age distribution		
26-30 years	2	8
31-35 years	6	24
36-40 years	8	32
40 years and above	9	36
Total	**25**	**100**
Years of work experience		
2 years	2	8
3-5 years	5	20

6-8 years	8	32
More than 8 years	10	40
Total	**25**	**100.0**
<u>Educational level</u>		
HND	5	20
Degree holder	13	52
Master holder	7	28
Total	**25**	**100.0**
Position held in the Company		
Management staff	8	32
Senior Staff	17	68
Total	**25**	**100.0**

Source: Field Survey (2015)

4.3 ERM IMPLEMENTATION BY STAR ASSURANCE COMPANY

Respondents" knowledge on enterprise risk management was found to be very high as it was observed that all the management and senior staff showed a full understanding of ERM in the business environment. This presupposes that majority of the respondents have a significant level of understanding on how the company manages its enterprise risk since such knowledge contributes to ERM implementation procedures, especially in relation to identification of the various steps in the risk management process. It was observed in an interview with management and senior staff of Star Assurance Company Limited that ERM implementation process was as follows:

'Establish Context; Risk Identification; Risk Analysis; Risk Treatment; Monitoring and Review and Communication and Consultation.'

Varied opinions were raised by the respondents with regards to the effectiveness of ERM implementation procedures by the company. According to 52 percent of the respondents, the ERM implementation framework adapted by the company is effective because it has successfully contributed to the success stories in term of growth and development of the company. Some (40%) of the respondents further indicated that, the ERM framework by the company has been the reason behind the increased customer confidence in the operations and insurance products being offered by the company. Nonetheless 8 percent of the respondents were not sure whether the ERM framework by the company was effective because they think there are still outstanding challenges in the implementation process as shown in Figure 4.1.

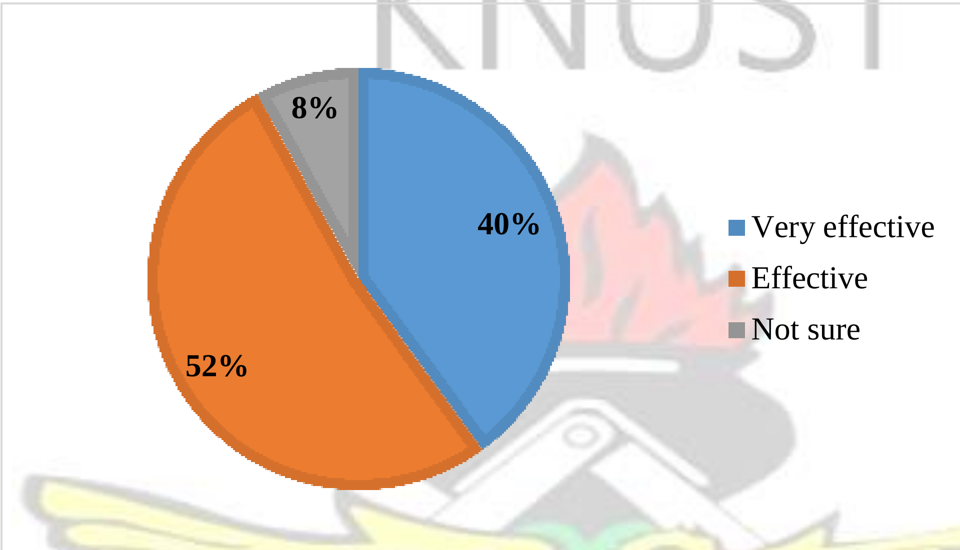


Figure 4.1: Effectiveness of the ERM Framework Source: Field Survey (2015)

Other indicators used in measuring the effectiveness of the ERM framework by the company was the regularity in the implementation of ERM. A total of 65.9% of the respondents shared the view that Star Assurance Company performs regular enterprise risk management exercise. However there were few (13.3%) of the respondents who stated that although the company"s risk assessment processes are effective, there is no timeline within which the ERM is carried out on constant basis. Nonetheless, they believe management has been up to task by ensuring that the company undertakes risk management processes.

Also, the use of official meetings, personal interview and memos were found to be contributing significantly towards the implementation of ERM by the company. Majority (80%) of the respondents from Figure 4.2 indicated that management of Star Assurance Company regarded each individual contribution in the ERM process as crucial and hence personal interviews has always been conducted as part of the ERM process in seeking various opinion on the diversity of risks facing the company at different angles.

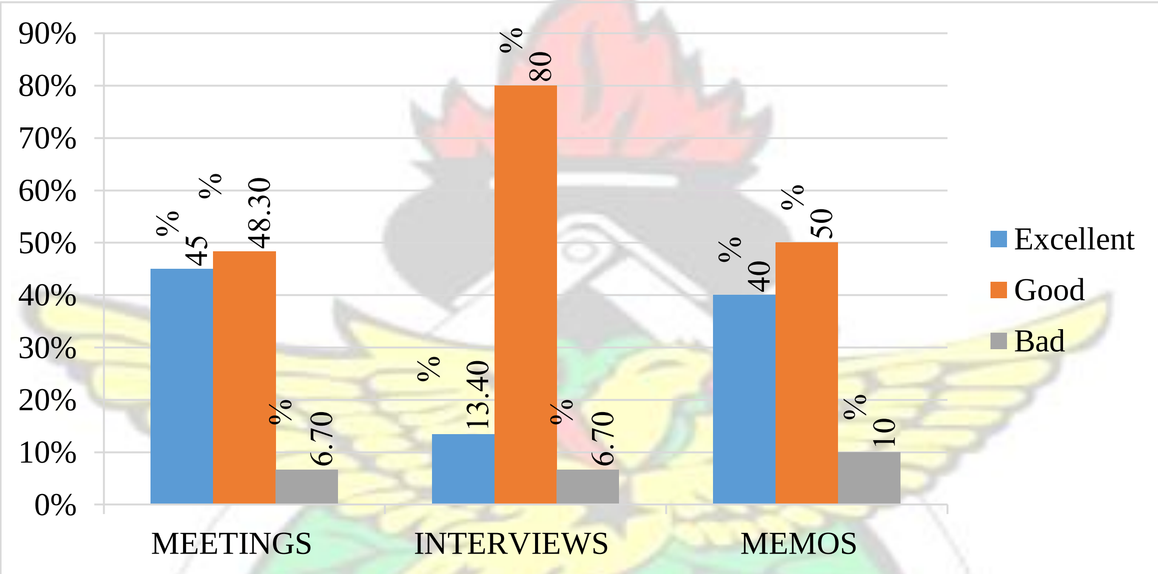


Figure 4.2: Indicators for conducting effective ERM implementation
Source: Field Survey (2015)

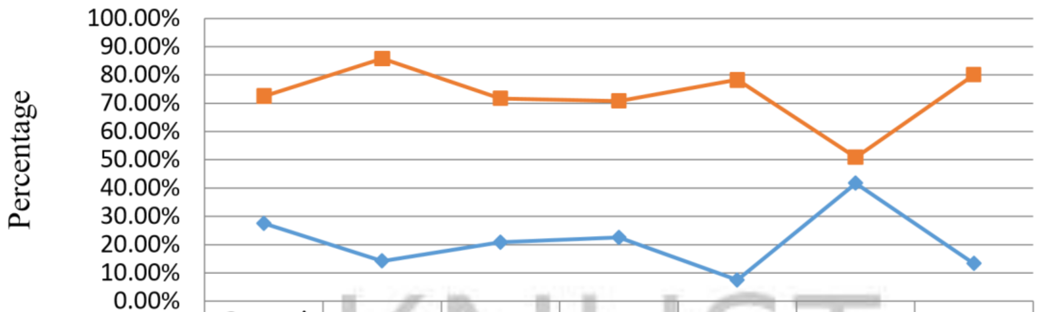
It is evident from Figure 4.2 that the average performance indicators using meetings, interviews, and memos to communicate and identify various possible risk towards effective ERM implementation is quiet good except in few cases where some respondents objected to the fact that these indicators were actually being conducted properly to enhance ERM implementation by the company.

Likewise, the use of email was identified by 70.8% of the respondents as haven improved the methods of communication between employees and management in their quest to contribute significantly to ERM implementation. According to the chief operations manager of the company, the growing dimensions of business information systems have consistently improved the way and manner in which companies perceive and approach ERM and as such Star Assurance Company is no exception. He stated further that, over the years, he encouraged the use of ICT - based communication platform between employees and customers as well as managers.

Indeed, 86.7% of the respondents indicated that they give all categories of staff the opportunity to undergo risk management training such that they will be better equipped to aid the ERM implementation process. The results thus agree that, **i**n the world of financial and insurance business however, many have implemented their
ERM framework within the context provided by the Committee for Sponsoring Organisations of the Tread way Commission (COSO II) and the International Organisation for Standardization (ISO 31000:2009). The ISO framework is however believed to be the most acceptable, comprehensive and well adapted framework by all enterprise institutions in the world (Hutter and Jones (2006).

4.4 CRITICAL SUCCESS FACTORS OF STAR ASSURANCE COMPANY

The critical success factors of Star Assurance Company was measured using several indicators such as the organizational structure of the company, the company‟s culture, mode of communication, training of staff, trust by members and support from management.



	Organisational structure	Organisational culture	Communication	Training	Trust	Info Tech.	Managerial commitment
Excellent	27.50%	14.20%	20.80%	22.50%	7.50%	41.70%	13.30%
Good	72.50%	85.80%	71.70%	70.80%	78.30%	50.80%	80%

Figure 4.3: An assessment of seven critical success factors in Star Assurance Company

Source: Field Survey, 2015

4.4.1 ORGANIZATIONAL STRUCTURE

Pertaining to organizational structure from Table 4.2, 28 percent of the respondents indicated that the structural arrangement was excellent because it encouraged effective flow of communication while management see every individual employee of the company as an indispensable asset.

The internal structure of the company according to some respondents was very flexible and allows employees at different levels of the company to be responsible for their actions while at the same time promoting grounds for equal opportunity for individual employees to express their opinion in accordance with the company‟s code of communication. Again, 72 percent of the respondents also agreed that the internal structure of the company has been a critical success factor by way of allowing each person within the organization the opportunity to be part of the ERM implementation process regardless of the position they hold and whether or not they are temporal or permanent staff.

Table 4.2: Organizational structure as a critical success factor

	Frequency	Percent
Excellent	7	28
Good	18	72
Total	**25**	**100**

Source: Field Survey (2015)

4.4.2 ORGANIZATIONAL CULTURE

The study found that Star Assurance Company embraces diverse culture as key component of its critical success factors. Indeed from Figure 4.3, 85.8 percent of the respondents acknowledged the fact that the company‟s position on respect for diverse culture has been a driving force behind its enterprise risk management efforts.

Likewise the remaining 14.2 percent of the respondents indicated that Star Assurance has outstanding legacy in terms of how its staffs are trained and the respect they command in the insurance industry in Ghana. According to one senior staff member of the company, its employees are expected to show respect for one another regardless of position, level and years of work in the company. He argues that the company‟s culture has been a contributory factor to the success stories of the company and its enterprise risk management implementation process. According to him, the company frowns on cultural discrimination and as part of their code of ethics, everyone is obliged to embrace diverse views in support of the company‟s growth.

4.4.3 COMMUNICATION

With regards to communication, Star Assurance was found to have improved an open channel of communication which encourages effective flow of information from top management to bottom staff of the company. From Figure 4.3, 78 percent of the respondents indicated that effective communication exist within the organisation and has been helpful, especially in providing open access for articulation of diverse views with regards to enterprise risk management. Some section of the respondents; 22 percent, also regarded the role of communication as the most powerful tool aiding the company‟s enterprise risk management effort.

According to them, there was no way the company could have been this successful in terms of growth and its enterprise risk management if effective communication had not been encouraged in their decision making process.

4.4.4 INFORMATION TECHNOLOGY

Access and usage of information technology was found to be the core element underpinning the several operations being carried out by Star Assurance Company.

From Figure 4.3 50.8 percent of the respondents stated that without the use of information technology, there was no way their work could have been any easier, especially reporting from the field and meeting timeline submission of day-to-day tasks; same way they agreed that the use of ICT - based communication gadgets have consistently facilitated a holistic management of enterprise risks.

Processes such as risk identification, assessment and treatment as well as seeking expert consultation on how to deal with certain technical enterprise risks have all been possible with information technology in the company.

Information technology (IT) is another factor that is indicated as a top priority in effective risk management procedures by most of the respondents. Organizations are large scale and it would be difficult for members to communicate and share information without information technology infrastructure (Hasanali, 2002). Information technology can enable prompt searches, access to, and retrieval of data, and support communication in organizations. Most of the financial institutions use the international standards system, methodologies or framework to protect their information. Information technology provides data security according to employee level, limiting a user's access by time, line of business, business activity and individual risk. IT tools collect data used in the past so that companies can learn through experience and avoid repeating mistakes (Rolland, 2008).

4.4.5 TRAINING AND TRUST

As regards training, from Figure 4.3, 70.8 percent of management and senior staff of Star Assurance Company Limited were of the view that access to quality risk management training has been a priority of the company because it was a way of exposing them to past and present risk facing the company while preparing them against possible future risks. In view of the significance attached to training by management of the company, the chief operations officer stated that each employee is encouraged to undergo the training exercise as and when necessary to equip them in addressing the various risks facing the company.

Similarly, trust among members of the company was indicated by 78.3% of the respondents as a contributory critical success factor.

Some of the respondents could not agree less to the fact that it takes trust to have confidence in other co-worker (s) either within same level or at different levels of the company to share valuable information that could easily lead to managing enterprise risk. Except for a few 14.2% who said they could hardly have complete trust in their fellow workers due to past experiences and the danger of sharing certain secrets either, especially pertaining to work. This could be an indication or sign of weakness which therefore places much responsibility on management of the company to work towards imbibing complete honesty and trust among its staff.

The results of this study thus support other studies by Fill and Mullins (1990) that, risk management becomes a part of good business practice and should include training staff appropriately. The main reason for an education and training program is to ensure that the members are comfortable with the system and increase the expertise and knowledge level of the members. Most companies offer training courses for new employees.

The purpose of training is to improve knowledge, skills and attitudes that in turn increase confidence, motivation and job satisfaction.

Again, majority of the respondents indicate that trust is an important and critical issue within Star Assurance Company Limited. Trust is important because of the strong desire to understand how to create effective cooperation within organizations (Tyler, 2003). As Pinto, Slevin and English (2008) stated that the success of an organization and project performance is related to their ability to manage effective cooperation.

The study results further support studies by Grabowski and Roberts (1999) that, trust permits an organization‟s members to focus on its mission, unfettered by doubts about other members' roles, responsibilities and resources follow with. Star Assurance Company respondents showed that, they must trust their superiors and feel confident enough to give their opinions and ideas.

4.4.6 COMMITMENT AND SUPPORT BY TOP MANAGEMENT STAFF

Managerial support in Star Assurance Company was confirmed by 80 percent of the respondents as another key component of its critical success factors as shown in Figure 4.4. Management and senior staff of the company indicated that for every successful business to continue to thrive, there is the need for them to throw their weight behind every policy implementation in the company. In view of this, they always ensure commitment in terms of financial and expertise to addressing the company‟s challenges and keeping the company‟s pace of growth and its enterprise risk management efforts.

From Figure 4.4 it can be said that all seven critical success factors identified by Ranong and Phuenngam (2009) were acknowledged fairly by the respondents as having key influence on the growth of Star Assurance Company.

However information technology was rated the best in terms of excellent contribution to the company‟s growth and enterprise risk management process. This was quickly followed by the company‟s organizational structure (27.5%) compared with training (22.5%) and communication (20.8%) as shown in Figure 4.4.

4.5 HOW ERM IS IMPLEMENTED IN STAR ASSURANCE COMPANY LTD

According to the framework adapted by the company, risk management process is designed to ensure that risk management decisions are based on a robust approach, assessments are conducted in a consistent manner and a common language is used and understood across the company. This has led the company to develop a seven step process for managing risk.

4.5.1 ESTABLISH CONTEXT

The purpose of this is mainly to understand the factors that can in one way or the other influence the ability to achieve its objectives and also the boundaries within which the risk management operates. This will help the company to define its risk criteria to ensure that risks are assessed in a consistent manner. Understanding the Company‟s objectives and defining the external and internal environment within which the Company operates is the main guideline under this first stage of the process.

4.5.2 RISK IDENTIFCATION

For every risk management program, the benefits can be realized if and only if risk that can negatively affect the achievement of the entity can be spotted out to enable the management identify where to focus its procedures to ensure the company is not exposed to those risks that can hinder their objectives. In identifying its risks, it has adopted the enterprise wide approach whereby each unit will list the risk it faces so that these can all be recorded in their risk register including their sources, causes and potential consequences. This aids in the generation of a comprehensive list of threats and opportunities that is based on events that might enhance, prevent, degrade or accelerate or delay the achievement of objectives. This is then analysed to understand the nature of those risks. This is done by requesting the top ten risks facing Star Assurance Company Limited and any risk development. Each branch/unit has the responsibility to submit a list of top 20 risks facing the unit/branch.

4.5.3 RISK ANALYSIS

Star Assurance Company Limited has various ways to comprehend the nature of the risk and determining the level of risk exposure. The Enterprise Risk Management framework has been designed to provide the risk owner the necessary resources to ensure that risk management decisions are based on a robust approach, and assessments conducted in a consistent manner, and also a common language used and understood across the department.

Risk descriptors have been designed in the categorization of the likelihood and impact of various risks in order to appropriately classify such risks and design procedures to manage them as they deem appropriate. For example, to assess the likelihood that the risk under discussion is almost certain it must occur several times in a week. Risks that occurs monthly or several times a year are classified as likely with a percentage between 70% and 95%. Risk that occur once every two years are rated as possible and those that occurs once every 2-5 years are rated as unlikely. Those that occur once in every five years are categorized as rare.

In determining an event"s severity or impact, it has classified risks impact into insignificant, minor, moderate, major and catastrophic. Insignificant risks as defined by the framework, has been described as those risks that are seen as negligible threat to the strategic objectives of the company. Minor risks are those whose impact is seen as a minor threat to the strategic objectives of the company. Moderate risk threatens strategic objectives in the short term. Major risks threaten strategic objectives in the medium term. Catastrophic risks have been defined by the framework as those that impact on the ability of the company to provide services and may threaten a project or opportunity.

These categorizations provide a guide in analyzing risks with reference to their likelihood and impact and since they have been properly documented, it helps anyone who will be in charge of those responsibilities of rating risks to do so and can justify why they categorized those risks as such.

4.5.4 RISK EVALUATION

The company has a clearly defined risk criterion which is compared to the risks as analyzed to determine whether the risk is acceptable or tolerable. This helps them to determine whether the controlled risk is acceptable and within the risk appetite of those in charge of governance. It also helps them to determine the risks that need further treatment plans and identify priority order in which individual risks should be treated.

Proper evaluation of the risk as identified and analyzed will help the company to determine treatment plans for various risks which will help them to be able to concentrate on areas that need such efforts for their proper management. This will ensure proper control measures designed to be used to respond to those risks.

4.5.5 RISK TREATMENT

Risk treatment involves selecting one or more options for responding to the risk and reassessing the level of risk with controls in place and how the controls are helping to reduce the impact and frequency of those risks. This will help to identify treatments for risks that fall outside the Company"s risk tolerance and provide an understanding of the residual risk. It also identifies priority order in which individual risks should be treated, monitored, and reviewed. Extreme risks require processes such as controlled evaluation, immediate detailed action, escalation to Executive Management and so on. High risk events require treatment plans, the need to undertake controlled evaluation and review by senior management with escalation to Executive Management. Medium risks need to be monitored using routine procedures (such as appropriate internal controls), to ensure that they do not get into the high and extreme categories. Risks classified as low priority also needs to be monitored with appropriate internal controls and employees under supervision.

Once an event has been identified as posing a risk in one way or the other, a treatment plan is in place as they see risk in any way as a threat to the objectives of the organization.

4.5.6 MONITORING AND REVIEW

Risk management is an ongoing process and so needs to be monitored closely to ensure whether the risk treatment procedures being implemented is yielding its intended results. There is the need to determine whether the risk profile has changed or new risks have emerged. Certain treatment plans might result in new risks altogether and so once a plan is implemented, it needs to be monitored closely to identify any changes that may emerge and respond appropriately. Monitoring of risks will help the company to identify emerging risks, provide current risk information, provide feedback on control efficiency and effectiveness, identify whether treatment plan is required, provide a basis to reassess risk priorities and capture lessons learnt from event failures, near misses and successes.

4.5.7 COMMUNICATION AND CONSULTATION

After going through the process of management of risks, there need to be a way to communicate the extent to which these risks are managed. This is done involving stakeholders and information sharing throughout the risk management process vertically and horizontally across the organization. Here, the context of risk management is appropriately defined and all staff involved throughout the risk process. This will help them to understand the basis for decisions and actions required. Lessons learnt are shared and can be transferred to those who can benefit from them. The company in this direction maintains a risk register that enables staff to monitor and review risks in alignment with the strategic plan using the SAC"s offline risk register. This documents the risk management activities in place that demonstrates a link between risks and objectives. Priorities, based on the risk rating together with information on key controls and treatments needed to modify the risk. Risks that are getting worse must be reported on as well as new risks and potential areas that require urgent attention. In addition to the risk reporting conducted by the Unit/Branch, the internal audit department also provides reports to units on how risks are being managed. This is done at least once every quarter.

4.6 CHALLENGES ASSOCIATED WITH THE IMPLEMENTATION OF ERM

The operational challenges associated with the implementation of ERM with Star Assurance Company Limited in relation to business varied in kind for this study. However lack of periodic training appeared amongst them. In an interview with the management and senior staff of the company, it was realized that, periodic training for staff and agents was an issue and because of that some of the staff lack understanding of the implementation procedure and framework resulting in ineffective implementation.

Significantly too, embezzlement of funds by some of the agents and brokers was also identified as one of the challenges faced by Star Assurance Company Limited. In the implementation of ERM, this leads to inadequate capital to carry out some projects and thus has a toll on businesses. This equally amounts to mismanagement of resources by agents.

Poor communication in some cases has posed a lot of challenges to Star Assurance Company Limited. This is because risk reporting on what information should be shared with various internal and external branches is not properly communicated. This to some extent has contributed to loss of clients and top notch producing field agents.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

5.1 INTRODUCTION

This chapter provides the summary of the study organized in three main sections. The first section highlights the specific objectives, methods employed and then provides summary of findings from the study. Section two provides the major conclusions drawn from the study and the limitations encountered during the data collection process. The third section highlights recommendations from the study based on the findings.

5.2 SUMMARY OF FINDINGS

This study was carried out to investigate how ERM impact on business by using Star Assurance Company Limited in Ghana. This was necessary because, empirical and evidence-based study is needed to ascertain the various ways ERM is impacting on businesses. Hence, the specific objectives for this study were to identify the critical success factors for effective risk management procedures, find out how Enterprise Risk Management is implemented in the Company and examine some of the challenges associated with risk management in Star Assurance Company Limited.

With regard to the critical success factors, it was found out that majority of it were identified that the support from top management, commitment, culture, Information technology, communication, training and trust, organizational structure as factors that contribute significantly toward the implementation of ERM framework. Also, it was found out that seven (7) basic steps: Establish Context, Risk Identification, Risk Analysis, Risk Evaluation, Risk Treatment, Monitoring and Review, Communication and Control is employed by Star Assurance Company to manage the risks faced by the company. Furthermore, it was identified that lack of periodic training of staff and agents makes it difficult for the understanding of implementation of ERM procedures resulting in ineffective implementation. Also, misappropriation of funds by field agents limits capital available for investment to settle claims and the general running of the business. Poor communication within the company poses threat for the effective management of risk. All these were identified to be challenges in the implementation risk management in the company.

5.3 CONCLUSION

According to the uncertainty of conditions, the financial industries are facing a large number of risks. For this reason, the financial industries emphasize risk management. Furthermore, risk management which is implemented effectively is so important that it can enhance project success. A framework of risk management is derived from Standards Australia and Standards New Zealand (2004) and the International Organization for Standardization (ISO/DIS 31000, 2008). The process of risk is comprised of identifying risks, analyzing risks and evaluating risks, risk treatment, communication and consultation, and monitoring and controlling risk events.

This research studies what critical success factors are necessary for effective risk management procedures, implementation and some challenges. A set of critical success factors has been found in previous studies. A qualitative approach, namely a self-completion questionnaire, was used to collect data. The questionnaires were sent to 25 senior staff and management of Star Assurance Company Limited. The respondents gave the researcher data that was analyzed and discussed. The discussion part shows the importance of each of the critical success factors in influencing risk management, implementation procedure and some of the challenges.

5.4 RECOMMENDATIONS

Evidence gathered by the researcher from the field points to the important role ERM success factors play in the business environment and challenges facing Star Assurance

Company Limited in the implementation of ERM procedures. Based on the findings of the study therefore, the following recommendations are submitted.

1. Education and awareness raising about ERM

Star Assurance Company Limited recognizes that, the lack of awareness about ERM in the business environment bring about lack of participation of staff and agents resulting in poor implementation of ERM framework. Hence there is need to embark on education and awareness raising.

2. Regular carrying out of research on risk management and business development

Secondly, there is need for Star Assurance Company Limited to regularly conduct research to help review its policy and framework for implementation of ERM. This comes against the backdrop of the intense competition by other insurance companies.

3. In-service training and refresher courses for the staff

Again, there is the need for training and refresher courses organised for the staff of Star Assurance Company Limited because this will build their capacity and expertise to actively participate in the implementation of ERM and bring about innovativeness. These training and courses will always position the staff of Star Assurance Company Limited to be ready for the needs of their clients anytime.

5.5 SUGGESTIONS FOR FURTHER STUDIES

Future researchers on the topic could concentrate on what various efforts are needed by insurance institutions in our competitive business environment to minimize risk whiles gaining and retaining clients.

Secondly, given that a number of clients may leave, there is the need for Star Assurance Company Limited to seriously step up its research into why some clients and field agents should leave and address the shortfalls as quickly as possible.

Another issue that could also be considered for future research is under what circumstance can one argue that ERM services has improved performance of financial institutions.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

SCHOOL OF GRADUATE STUDIES

This study is being conducted by a MBA student of the Kwame Nkrumah University of Science and Technology, Kumasi. The intention is mainly for academic purpose and it seeks to understand the implementation of ERM in business by using Star Assurance Company as case study. Your participation is needed to facilitate this study, Thank you

SECTION A

Biographic profile of respondents

1. Age of respondent a) 18-25yrs [ ] b) 26-30yrs [ ] c) 31-35yrs [ ] d) 36-40yrs [ ] e) >40yrs [ ]
2. Gender a) Male [ ] b) Female [ ]
3. Educational level a) DBS/Diploma [ ] b) HND [ ] c) Degree holder [ ] d) Master degree [ ]

4. Years of service at Star Assurance Co. a) Less than 2yrs [ ] b) 2yrs [ ] c) 3-5yrs [ ] d) 6-8yrs [ ] e) > 8yrs [ ]

5. Position held in Star Assurance Company

a) Management staff [ ]　　　　b) Senior staff [ ] 6.

Line of work engaged in at Star Assurance Company.

a) Administrator [ ]　　　　b) Officer [ ]

SECTION B

Influence of ERM Strategy on the Company's Operations 11.

What form/kind of ERM framework is used by Star Assurance Company?

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12. How effective is the ERM framework on the company‟s operations

1) Very effective [ ]　　2) Effective [ ]　　3) Ineffective [ ]　4) Don‟t know [ ]

13. Kindly explain why your choice of answer in question 12.

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14. How long has Star Assurance adopted their ERM framework?

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15. In what way do you contribute to ERM in the company?

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16. How regular does the company conducts ERM exercise?

1) Very regular [ ]　　2) Regular [ ]　3) Irregular [ ] 4) Don‟t know [ ]

17. Kindly explain why your choice of answer.

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SECTION D

Determining the Critical Success Factors of ERM in Star Assurance Company

18. Who initiate ERM implementation in the company?

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9. How does your organisation support its ERM implementation strategies?

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20. Kindly state the critical success factors promoting the ERM implementation of this company.

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21. Please rate how the following communication methods are used in the company‟s ERM implementation.

	Excellent	**Good**	**Bad**	**Don't know**
Meeting				
Personal interview				
Memo/notes/fax				
Telephone interview				
Email				

22. In what way does the company‟s culture promote its ERM implementation?

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23. How does the organizational structure of Star Assurance Company facilitate ERM implementation?

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24. How often does your organisation change its ERM policies and why?

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25. In what way does information technology contribute to the ERM implementation of this company?

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26. Does your organisation offer risk management training for all categories of staff?

Yes [ ]   No [ ]

27. In your personal opinion, does trust among staff of the company contribute to ERM implementation and why?

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28. How would you rate the significance of the following to ERM in Star Assurance?

	Excellent	**Good**	**Bad**	**Don't know**
Organisation structure				
Organisation culture				
Communication				
Information technology				
Training				

Trust				
Commitment and support by top management				

SECTION E

ERM IMPLEMENTATION

29. Please state in your own opinion the first stage in ERM implementation by the company.

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30. What other processes are involved in ERM implementation by the company?

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31. What are the common risks faced by the company and why?

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32. Kindly state some of the challenges faced by the company in its attempt to successfully implement its ERM.

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THANK YOU FOR PARTICIPATING!!!