

**RISK MANAGEMENT AND CORPORATE ORGANIZATIONAL
EFFECTIVENESS**

BY

ADERIBIGBE ABIODUN OYINKANSOLA

MGS1505593

**A PROJECT SUBMITTED IN THE DEPARTMENT OF BANKING AND
FINANCE (INSURANCE PROGRAMME), FACULTY OF MANAGEMENT
SCIENCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF BACHELOR OF SCIENCE, B. Sc. DEGREE IN INSURANCE,
UNIVERSITY OF BENIN, BENIN CITY, NIGERIA**

NOVEMBER, 2019

APPROVAL

I, the undersigned approve that this research study is adequate in scope and quality in partial fulfilment of the requirements for the award of Bachelor of Education Degree B. Sc.(Ed) in Computer Science.

Ven. Prof. Osawonyi
Project supervisor

Date: _____

CERTIFICATION

This is to certify that this research project was submitted by ADERIBIGBE ABIODUN OYINKANSOLA with matriculation number MgS1505593 to the Department of Banking and Finance, (Insurance Programme), Faculty of Management Sciences, University of Benin, Benin City in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc) degree in Insurance

Ven. Prof. I.O. Osamwonyi FAMN
Project Supervisor

Date:_____

Dr. (Mrs.) E.I. Evbayiro-Osagie
Head of Department

Date:_____

Dr. J. Obayagbona
Project Coordinator

Date:_____

DEDICATION

I, Abiodun Oyinkansola ADERIBIGBE, do here by declare that this project is entirely my work and composition. The work embodied in this project has not been submitted in candidature for any degree and is not concurrently being submitted for any other degree.

Abiodun Oyinkansola ADERIBIGBE

Date

ACKNOWLEDGEMENT

My deepest gratitude goes to God who has provided all that was needed to complete this project and the program for which it was undertaken for. Throughout this entire study, he took care of everything that would have stopped me in my tracks and strengthened me even through my most difficult times.

My sincere appreciation goes to my supervisor Ven. Prof. I.O. Osamwonyi whose contribution and constructive criticism has pushed me to expend the kind of efforts I have exerted to make this work as original as it can be. Thank you so very much sir. I have experienced true research and my knowledge on the subject matter has been broadened. Thank you for your patience, sir.

I also appreciate the effort of Mr Afiz Shittu who assisted me with the completion of the project, distribution of questionnaires and the analysis of the data. Thank you so much for your time and effort sir.

My utmost regard goes to Mr. Kayode Okegbenle who painstakingly laid the foundation for my university education giving it all it takes. I am and will forever be grateful to my soulmate who had given everything possible and even given up important things to make sure I achieve this feat. I can't find the words that express my gratitude. I also from the depth of my heart appreciate my son who even at

such tender age have had to endure much stress and discomfort just for me. I appreciate my siblings; Oluwatosin and Funmilayo for their prayers and calls, inspired me. I appreciate all my coursemates especially Vivian, Paulina, Sarah, Victoria, Rita, Anthonia, Loveth, Peter, Shari John and lots more who in one way or the other have been there and have continually prayed for my success.

Finally, I thank my father and my one and only brother Toheeb Olakunle Mohammed for their prayers, words of motivation and words of comfort that come in just in time. God bless you all for me.

TABLE OF CONTENTS

Title page	i
Certificate	ii
Declaration	iii
Dedication	iv
Acknowledgement	v
Table of content	viii
Abstract	x
CHAPTER ONE: INTRODUCTION	
1.1 Background of the Study	1
1.2 Definition of the Research Problem	5
1.3 Objective of the Study	7
1.4 Research Questions	7
1.5 Relevance of the Study	8
1.6 Scope and Limitation of the Study	9
CHAPTER TWO: LITERATURE REVIEW	
2.1 Introduction	10
2.2 Theoretical Framework	11
2.3 Concept of Risk Management	15
2.4 Importance of Risk Management	22
2.5 Concept of Corporate Organizational Effectiveness	23
2.6 Approaches to Organizational Effectiveness	27
2.7 Risk Management Processes and Corporate Organizational	29

Effectiveness	
2.8 Strategic Management Perspective on Risk Management	31
2.9 Empirical Studies	34
2.10 Summary of the Literature Review	39
CHAPTER THREE	
METHODOLOGY	
3.1 Introduction	40
3.2 Research Design	40
3.3 Population of the Study	41
3.4 Sample and Sampling Technique	41
3.5 Data Source	42
3.6 Data Instrument	42
3.7 Data Analysis Technique	44
CHAPTER FOUR	
DATA PRESENTATION AND ANALYSIS	
4.1 Data Presentation	45
4.2.1 Analysis of Responses	45
4.2.2 Discussion of Findings on Research Questions	49
CHAPTER FIVE	
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	
5.1 Summary of Findings	52
5.2 Conclusion	53
5.3 Recommendations	54
REFERENCES	55
APPENDIX	67

ABSTRACT

Risk management strategies are the actions that firms take in order to respond to the identified risks. Therefore, this study examined risk management and corporate organizational effectiveness in Edo State. The research adopted a descriptive survey. Stratified random sampling technique was used to select fifty staff from five corporate organizations in Edo State. A research questionnaire entitled "Questionnaire on Risk Management and Corporate Organizational Effectiveness" was used to collect data from the respondent which was validated by the supervisor and two experts in the Department of Banking and Finance, Insurance. Three research questions were raised and answered using descriptive statistics of mean, standard deviation, frequency counts and percentages. The result of the findings revealed that 50% constituted the majority of the respondents who agreed that the level of risk management by corporate organizations in Edo State was moderate. The results of the study indicated that implies that all the items on the questionnaire have effect on the risk management of the corporate organizational effectiveness in Edo State. The findings revealed that 40% constituted the majority who agreed that the level of corporate organizational effectiveness in Edo State was moderate. Based on the findings, it was recommended among others that corporate organizational effectiveness firms in Edo State should employ robust risk management practices as, these are likely to influence their financial performance in one way or another as well as for effective and efficient corporate organization. Corporate firms should endeavour to improve on their organizational effectiveness and financial performance by improving on how they assess their internal environment and work on control activities as these are likely to enhance organizational effectiveness of the firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Risk is an intrinsic part of doing business in the corporate organization as firms must be willing to take on a fair amount of risk in order to provide the most value to shareholders. To successfully do so, one must strike an optimal balance between growth and return objectives and the associated risk management and apply resources efficiently and effectively in pursuit of those goals (Sobel & Reding, 2014). That is where risk management comes in.

Risk management has emerged as a new paradigm for managing corporate organizational effectiveness that face organizations, and policy makers continue to focus on mechanisms to improve corporate governance and risk management in an organization. Risk management encompasses aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprises and losses, identifying and managing multiple and cross-enterprise risks, seizing opportunities, and improving

deployment of capital towards corporate organizational effectiveness (Beasley, 2015).

Risk management strategies are the actions that firms take in order to respond to the identified risks. Liebenberg and Hoyt (2003) stated that risk management has captured the attention of risk management professionals and academics worldwide unlike the traditional silo-based approach to corporate risk management. Risk management enables firms to benefit from an integrated approach to managing risk that shifts the focus of the risk management function from primarily defensive to increasingly offensive and strategic in the corporate organizational effectiveness (Liebenberg & Hoyt, 2013).

Risk management is defined as the process, effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives towards corporate organizational effectiveness (COSO, 2004). There are a number of risks that firms deal with. These are credit risks, market risks, liquidity risks and operational risks (Nocco & Stulz, 2006). Credit risk

is the potential that a borrower/counterparty fails to meet the obligations on agreed terms. There is always scope for the borrower to default from his commitments for one or the other reason resulting in crystallization of credit risk to the organisation. These losses could take the form of outright default or alternatively, losses from changes in portfolio value arising from actual or perceived deterioration in credit quality that is short of default (Nocco & Stulz, 2006). The management of credit risk includes: measurement through credit rating/ scoring, quantification through estimate of expected loan losses, pricing on a scientific basis and controlling through effective loan review mechanism and portfolio management (Nocco & Stulz, 2006).

Risk management is very potential to an organizational institution arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Theoretically, deposits or contributions generally have a much shorter contractual maturity than loans and liquidity management needs to provide a cushion to cover anticipated deposit withdrawals. Hence, the objective of risk management is to maintain earnings, improve the capability, ability to absorb potential

loss and to ensure the adequacy of the compensation received for the risk taken and effect risk return trade-off. Management of risk aims at capturing the risks arising from the maturity and re-pricing mismatches and is measured both from the earnings and economic value perspective (Sensarma & Jayadev, 2009).

In general, companies hardly publish any comprehensive information about their existing risk management system or plans. Hence, information about the current corporate risk management system can either be collected by using surveys or by scanning public sources. Surveys are typically used to study the level or stage of the risk management implementation.

Corporate organization has confidence in financial reporting among investors and creditors have renewed a corporate governance as a top-of-mind priority for Boards of Directors, Management, Auditors, and Stakeholders. At the same time, the number of companies trying to manage risk across the entire enterprise is rising sharply. Thus, there is need for companies to effectively integrate risk management with corporate governance (Sobel & Reding, 2014). These capabilities inherent in enterprise risk management help management achieve the entity's performance and profitability

targets and prevent loss of resources. Risk management helps ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences. It delivers a current, credible understanding of the risks unique to an organization across a broad spectrum that includes all types of risk (credit risk, operational risk, market risk, liquidity risk and trading risk), lines of business and other key dimensions (SAS, 2014).

As a result of this, therefore, this study intends to investigate risk management and corporate organizational effectiveness in Edo State.

1.2 Definition of the Research Problem

Financial system of corporate organization should be analysed in terms of a functional perspective rather than an institutional perspective. The central function of a financial institution of corporate organization is its ability to distribute risk across different participants. According to Saunders and Cornett (2006), risk management business undertakes the functions of bearing and managing risks on behalf of their customers through the pooling of

risks and the sale of their services as risk specialists. A lot of people rely on their pension funds as a source of income after retirement.

Addressing the research problem of risk management when dealing with ineffective corporate organization, by reviewing the established theories of risk management, it is noted that risk management strategies are not effective enough for firms to cope with weak institutional environment. Risk management has gained significant attention on managing financial risks. Not until recent years, research has paid more focus on project, enterprises and from risk management to opportunity management an institutional approach organizational risk. However, considering risk management strategies coping with weak legal framework, regulations or information exchange in a country, literature has shown its weaknesses and gaps in research which prevents managers to apply theories into practices when dealing with institutional causes of risks.

Klimczak (2007) in the attempt to develop an empirical research to integrate new institutional economics in risk management context, found an insufficient theory support in this field. A lack of strong institutional framework leads to risks when doing business. Even

though, it is seen that risk management practices may be influenced by institutions, scholars have not paid enough attention at developing a concrete framework for managing these risks.

1.3 Research Questions

The following research questions are raised to guide the conduct of the study:

- i. What is the level of risk management by corporate organizations in Edo State?
- ii. What is the level of corporate organizational effectiveness in Edo State?
- iii. To what extent does the effect of risk management enhance the corporate organizational effectiveness in Edo State?

1.4 Objective of the Study

The main objective is to examine risk management and corporate organizational effectiveness in Edo State. The specific objectives of this study are:

- i. to determine the level of risk management by corporate organizations in Edo State
- ii. to ascertain the level of corporate organizational effectiveness in Edo State
- iii. to assess the effect of risk management on the corporate organizational effectiveness in Edo State

1.5 Relevance of the Study

This study will be important to various groups of people. First, the study enriches the theory of risk management and how such practices are important in enhancing the performance of corporate organizational effectiveness in Edo State.

Secondly, this study is important to organizational managers as it shows the value of having and implementing enterprise-wide

risk management measures in their organisations for purposes of better firm performance.

The study will provide corporate organization managers in Edo State with an insight of extent of risk management implementation among other firms and help in making informed choices of service providers.

The policy makers of corporate organizations in Edo State can obtain knowledge from this study as regards to risk management. They can therefore obtain guidance from this study in designing appropriate risk management policies that will meet regulatory requirements.

The study can provide information to potential and current scholars on risk management among other firms or corporate organizations. They can use the study as a guide and for purposes of furthering future research.

1.6 Scope and Limitation of the Study

The study examines risk management and corporate organizational effectiveness in Edo State. The study is limited to corporate organisations and firms in Edo State. The study covers the level of risk management by corporate organizations, the effect of risk

management on the corporate organizational effectiveness and the level of corporate organizational effectiveness

However, states with similar economic profiles with Edo State will environment for replication. Questionnaire will be used to gather information from the respondents. Even though the questionnaire is taken from existing research and not validated. It however assumes the validation of the preceding studies. The study cannot be insulated from time and financial constraints. However, the study remains robust.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of various literature related to the risk management and corporate organizational effectiveness in Edo State. It covers the following sub headings:

- 2.2 Theoretical Framework
- 2.3 Concept of Risk Management
- 2.4 Importance of Risk Management
- 2.5 Concept of Corporate Organizational Effectiveness
- 2.6 Approaches to Organizational Effectiveness
- 2.7 Risk Management Processes and Corporate Organizational Effectiveness
- 2.8 Strategic Management Perspective on Risk Management
- 2.9 Empirical Studies
- 2.10 Summary of the Literature Review

2.2 Theoretical Framework

The theories are related to risk management and corporate organizational effectiveness. These theories are Modigliani and Miller, Modern Portfolio Theory and Capital Assets Pricing Model.

Modigliani-Miller Proposition

There is a broad literature on risk management decisions for firms in general, beginning with Modigliani and Miller (1958): Their famous theorem states that in a world of perfect and complete markets, financial decisions are irrelevant as they do not alter the value of the shareholder's stake in the firm. The only way to increase shareholder's wealth is to increase value of the firm's assets. Neither the capital structure nor the risk management decisions have an impact on shareholder's wealth.

Some important deviations from the perfect capital markets in the Modigliani and Miller setting have been identified, giving motivations for firms to care about risk management, such as taxes, bankruptcy costs, agency costs and others (Gossy, 2008). When these reasons for risk management are incorporated into the firm's objective function, one finds the following basic result: When all risks

are perfectly tradeable the firm maximizes shareholder value by hedging completely (Gossy, 2008; Mozumdar, 2001).

Modigliani and Miller (1958) state that under the restrictive neoclassical assumptions, corporate financial decisions do not influence the value of the firm. These decisions simply redistribute the income stream among different investors. As long as investors can act in the capital markets at the same terms and conditions as the firm itself, the only way to impact firm value is by influencing the expected level of firm cash flows (Gossy, 2008).

Since risk management is part of an overall financing policy, the MM findings directly have important implications for the ERM strategy of the firm. Under the MM proposition, any investor's wealth position is unaffected by corporate risk management activities on the part of the firm (Gossy, 2008). The immense importance of the MM proposition for corporate risk management, however, becomes apparent when it is used a starting point for identifying conditions under which corporate risk management makes economic sense. Such a positive theory of corporate risk management can be derived by relaxing the neoclassical assumptions of the MM proposition.

Modern Portfolio Theory

Modern Portfolio Theory (MPT) is a theory of investment which tries to maximize return and minimize risk by carefully choosing different assets (Markowitz, 1952). MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. This is possible, in theory, because different types of assets often change in value in opposite ways. For example, when the prices in the stock market fall, the prices in the bond market often increase, and vice versa. A collection of both types of assets can therefore have lower overall risk than either individually (Mandelbrot, and Hudson, 2004). The Primary principle upon which Modern Portfolio Theory is based (MPT) is the random walk hypothesis which states that the movement of asset prices follows an Unpredictable path: the path as a trend that is based on the long-run nominal growth of corporate earnings per share, but fluctuations around the trend are random (Chandra, Siddharth and Shadel, 2007). For ERM therefore, the MPT has important implications in terms of risk minimization by investing in portfolios that have lower overall risks. The pension fund management firms invest on behalf of the pension schemes members

and therefore must strive to invest in portfolios that maximise returns and minimise risks.

Capital Asset Pricing Model

The concept of risk is closely related to the insights of portfolio theory. The most important paradigm of risk is part of a set of results known in the financial economics literature as the Capital Asset Pricing Model (CAPM) developed by Sharpe (1964) and Lintner (1965) and later refined by Black (1972). It represents an extension and simplification of the model by Markowitz (1952). The Markowitz model was the first theorizing a relationship between risk and return. In his model, there are as many efficient portfolios as there are investor risk preferences. All efficient portfolios must lie on the mean-variance investment frontiers where investors can get a higher return only by accepting a higher level of risk (Gossy, 2008). The CAPM extends this theory to a situation of equilibrium. The CAPM argues that all investors will hold the same efficient portfolio (the market portfolio) regardless of their individual risk preferences. Thereby, the CAPM is capable of determining the market price for risk and an appropriate risk measure for a single asset (Gossy, 2008).

There have been numerous anomalies of the CAPM that have been discovered by finance researchers. This has initiated a discussion of the usefulness for the field of strategic management starting with the contribution by Bettis (1983). He detects a conundrum regarding the role of risk in strategic management context and states the main points of controversy between finance and strategy (Vicente-Lorente, 2001). In particular, he seriously questions the implications of the CAPM on strategic management but especially corporate risk management. He identifies an implied recommendation in the CAPM to corporate management not to be concerned at all about firm-specific risks. Bettis (1983) argued that business risks are associated with firm specific resources and competencies and are strongly related to the firm-environment interface. This theory implies that for ERM, firms should institute efficient portfolios that offer maximum returns and minimum risks.

2.3 Concept of Risk Management

Risk management processes such as enterprise risk management that originates from the field of management accounting and control and takes an active approach in dealing with all of the risks that a firm faces, has grown rapidly in interest among practitioners and academics during the past two decades. Initially, risk management emerged as a managerial discipline that devoted much attention to the control aspect of risk management. Yet, in recent years the discourse of risk and its management has become a source of principles for managing in general (Power, 2007). In fact, ideas about risk and risk management have come to play a key role in the very idea of organizing and organization itself (Scheytt, Soin, Sahlin-Andersson, & Power, 2006).

Although recent years have seen a considerable increase in practitioner attention on strategic risk management and scholars advocating the need for an integration of risk management and strategic management, the academic fields of strategic management and risk management seem to have railed along and been studied separately despite of the potential for their synergetic integration

(Beasley, Branson, & Pagach, 2015) and introduce a strategic perspective on risk management

Risk management is an inherent part of conducting business and it is arguably a critical aspect of firms 'strategic processes (Ruefli, Collins, Lacugna, & Wiley, 2009). Not surprisingly, risk management plays an important role in strategic management research (Sitkin, & Jemison, 2016). In the strategy literature the risk term has often been used when referring to the source of exposures in terms of external or internal factors that potentially have an impact on the firm (Miller, 2012). From a strategic perspective, such events are often referred to as trends, developments and changes that may have an influence on the firm's long-term strategy, competitive advantage and survival (Slywotzky & Drzik, 2015).

Risk management is most commonly conceived as reflecting variation in the distribution of possible outcomes, their likelihoods, and their subjective values. On these lines risk management has been perceived as the unpredictability in corporate outcome variables (Miller, 2012) and the strategic moves "for which the outcomes and probabilities may be only partially known (Baird & Thomas, 2015).

In this sense, risk management is embedded in the organizational choices that firms make. In strategic management research the most common approach of measuring risk has been borrowed from financial economics and decision theory that conceive risk as the variance of a set of returns over time (Ruefli et al., 1999). This measure has been criticized amongst behavioural scholars as managers seem to associate risk management more with losses and hazards than with variance in outcomes (March & Shapira, 2015). The use of variance as a measure of risk management is lacking validity in a strategic management context. This has led to attempts to measuring risk management in terms of downside risk the expected deficiencies in performance relative to aspirations (Miller & Leiblein, 2016), and conceptualize risk management as the probability of losing rank position the other firms in the reference set” (Collins & Ruefli, 2012).

Nevertheless, there seems to be a common acceptance that the goal of risk management is not to only reduce downside risk but also to retain the upside potential (Stulz, 1996) by selecting strategic choices that offer both upside and downside potential for the firm (Chatterjee et al., 2003). Thus, effective risk management recognizes

the two-sided nature of risk by considering both negative as well as positive outcomes of risk (COSO, 2004).

Risk management is broadly defined in terms of uncertainty, likelihood, event or consequences. The definitions of risk management have been developed considerably since risk management is considered an essential tool for effective management. In a common sense, risk management is seen as the negative impacts of uncertain events. According to Berg (2010), risk management refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential influence the achievement of an organization objective. The definition covers different aspects of the risk concept and by not referring to risks as negative consequences; it implies risk as a neutral outcome. As Gregorio (2005) pointed out country risk becomes an opportunity to profit from uncertainty the concept of risk is now an even broader approach. There is a distinction between the concept of risk and the concept of uncertainty. While uncertainty would be immeasurable, risk would be measurable (Cienfuegos, 2013). Risk management can be measured based on probability and its effects. How risky the event is depends on how much the outcome

is likely to differ from the organization's objectives. Literature reviews show a variety of classifications of risk management. According to Al-Tamimi and Al-Mazrooei (2007), risk management can be classified into systematic and unsystematic risk management. The approach is more frequently used in financial terms. Systematic risk management (or specific risk) is risk that cannot be eliminated through diversification, while unsystematic risk is a kind of risk that can be neutralized through diversification. Risk management (2005) defining two different sources of uncertainty, the research exploited risks faced by companies when operating in a given country. The universe of uncertainty that each company faces is comprised of endogenous and exogenous dimensions. Endogenous sources of uncertainty are the result of the internal environment, whereas exogenous uncertainty arises at three levels industry, competition and external environment.

There are several other classifications of risk management, including financial risk and non-financial risk, fundamental and particular risk, operational and strategic risks (McConnell, 2008).

Risk Management has its history started after World War II. Along its history, the concept of risk management focused on finance

and insurance section significantly. There have been various studies on the financial field, particularly on the management of insurable risks. However, development of risk management research shows that a number of aspects have contributed towards changing this narrow application of the risk management disciplines (Cienfuegos, 2013).

According to Cienfuegos (2013), risk management has moved to a wider approach from “a constricted technical function to a broad and integrated management of all of an organization's risks.

Risk management is considered a crucial element in organizations success, especially in an uncertain and rapidly changing business environment. As pointed out in the previous section, risks can be classified in different categories. Managers need to understand the sources of risk, its nature and how it can be managed effectively. Anderson and Terp (2006) defined risk management as the process of understanding and managing effectively internal and external uncertainties by eliminating, reducing and controlling pure risks, enhancing benefits and avoiding detriments from speculative exposures.

The various objectives of risk management to organization, including creating transparency, enhancing risk awareness, minimizing the probability of future losses and maximizing the probability of success. From another literature review, risk management is a scientific approach to the problem of dealing with risks, considering that it follows general applications of techniques, procedures and structured process on a sequence of logical steps (Cienfuegos, 2013). The definition emphasizes the definition and development of Risk Management program, which enables organizations to reach its strategies and objectives.

In general, risk management in modern world is not limited in identifying and controlling the negative impacts of uncertainties which happen but also enhancing potential opportunities. It is also important to raise the awareness of risks within organizations, by involving people at all levels in order to gain a better insights into likelihood of risk and its impacts. Therefore, developing a risk management culture helps to implement risk management effectively. Risk management is not only risk managers' job but everyone's business.

2.4 Importance of Risk Management

There are several definitions of risk management depending on the application. In decision theory, risk is related to making decisions under known probabilities of the states of nature. In economic theory, risk arises when the decision maker can assign probabilities to possible outcomes (Knight, 1921). A well accepted definition of risk given in projected management body of knowledge considers risk as “an uncertain event or condition that, if it occurs, has a positive (opportunity) or negative (threat) impact on project objectives (PMI, 2008). However, for most practitioners project risk management seems to be about identifying and managing threats. More generally, improving the “risk-return balance” is a central tenant of business decision making, from project portfolio choices (Florice and Ibanescu, 2008) to business strategy and investment allocation. There is also evidence that new product development suffers from risks, and is prone to serious cost and schedule overruns, as well as problems in achieving the targeted technical performance of the product (GAO, 2010).

2.5 Concept of Corporate Organizational Effectiveness

Corporate organizational effectiveness is a phrase used almost exclusively by researchers and one of the most extensively researched

issues since the early development of organizational theory. Corporate organizational effectiveness was first found in organizational behaviour theory of the 1950s. Despite some consensus, there is still significant lack of agreement on the definition and operationalization of this concept. However corporate organizational effectiveness is defined as a process of fulfilling objectives without incapacitating (an organization's) means.

Corporate organizational effectiveness is characterized as defining goals, relating resources, and determining if the goals were reached. Efforts to define the concepts of management and effectiveness in the nonprofit organization are influenced by varying perspectives on what constitutes the nonprofit sector and what makes it distinct.

The Lewin Group (2000) elaborated concept of corporate organizational effectiveness as characteristics, processes, and inputs: According to Group Effectiveness is considered a social construction based on judgments of individuals or groups. Flowing from concerns that capabilities might be difficult to measure as they are mediated by different stakeholder perceptions, this approach examines corporate organizational effectiveness as inputs and

processes. The approach focuses on the presence of corporate organizational effectiveness and formal documents:

- Mission statement
- Form to measure client satisfaction
- Planning document
- Calendar of board development activities
- Recruiting and training staff
- Form used in CEO and other employee performance appraisals
- Board manual

The Lewin Group (2000) asserted that effectiveness is reached through processes such as encouraging participation among clients and offering mentoring to volunteers and staff. In this framework, corporate organizational effectiveness is measured as a product of an organization's ability to develop strong leadership, recruit active members, rely on internal resources, and generally survive and grow.

According to definition of Yankey and McClellan (2003), corporate organizational effectiveness is the extent to which an organization has met its stated goals and objectives, and how well it performed in the process. Scott (2008) expressed that the term corporate

organizational effectiveness is usually deployed to contrast with development effectiveness. It focuses on the direct results of an agency's interventions, for which it can be held accountable, in contrast with development outcomes, which are the effect of many agencies interventions. The term corporate organizational effectiveness usually focuses on the internal systems that are geared towards producing development outputs and outcomes. In this sense, it is synonymous with results based management and managing for development results.

According to Herman and Renz (2008) the theory of corporate organizational effectiveness may be summarized as the development of alternatives to or modifications of what has been called the goal model of effectiveness while explaining the theoretical perspectives on organizational effectiveness. Herman and Renz (1998) revealed that the theory of corporate organizational effectiveness has a complex history. It may be summarized as the development of alternatives to or modifications of what has been called the goal model of effectiveness. Over the time there have been many criticisms of the goal model. In reaction, several alternatives have been proposed, for example, the alternatives as system resource, internal

processes, multiple constituencies, competing values, legitimacy, fault driven, and high performing models.

Rethore and Marian (n.d) narrated that a corporate organizational effectiveness likely has a set of metrics that:

- Holds individuals accountable for their individual performance that means clarifying individuals' roles, responsibilities, and their authority to make decisions
- Identifies and communicates 'acceptable' levels of risk (and the cost of not managing risk adequately)
- Measures a leader's behavioural impact and how that influences others' performance (or not)
- Clarifies 'what good looks like' since people cannot be effective if they don't understand the (qualitative and quantitative) performance standards
- Identifies the drivers for success to more consistently replicate performance
- Identifies critical feedback loops so individuals learn and develop confidence in their analysis and decisions
- Challenges everyone to perform at the next level in the organization

2.6 Approaches to Organizational Effectiveness

Four approaches of organizational effectiveness according to Herman and Renz, 2017) include Goal Approach, System Resource Approach, Multiple Constituency Approach and Social Constructionism Approach as explained below.

Goal Approach

The goal approach represents the most basic model of effectiveness and one from which many future models expanded. This theory is based on the common sense idea that all organizations have goals, which become the criteria used to measure effectiveness. Though this is a popular theory, it has limitations. For example, some argue that people, not organizations, have goals. Others state that goals lack specificity, prioritization, and ignore unofficial, but essential, goals. An example of an unofficial goal might be reducing work conflict. This goal would not be mentioned in a mission statement, but is essential to organizational effectiveness. As a result, most organizations utilize more specific and current theories when assessing effectiveness.

System Resource Approach

This theory classifies effectiveness as an organization's ability to take advantage of its environment, ultimately allowing it to gain scarce and valued resources. Financial variables are often used as the measure of effectiveness when implementing this approach.

Multiple Constituency Approach

This modification of the goal model accounts for the many constituencies, or stakeholders, including clients, employees, funders, licensing and accreditation bodies, board of directors, and vendors. In this model, each stakeholder advocates for different criteria to evaluate organizational effectiveness. As a result, the actual measure of effectiveness is multi-tiered and quite complex. In this approach, "effectiveness is a portfolio of performance dimensions, assessed by a portfolio of evaluators"

Social Constructionism Approach

This approach is a general perspective. From this viewpoint, reality is created by the beliefs, knowledge, and actions of people. "Overall nonprofit organizational effectiveness is whatever multiple constituents or stakeholders judge it to be". The major difference

between this idea and the multiple constituency approach is that people are not expected or required to behave simplistically or rationally within this theory. For example, the criteria assessing organizational effectiveness may change without warning by an outside stakeholder. Reimann (1975) narrated (the comments based on work of several researchers) that the concept of organizational effectiveness is among the most elusive and controversial in the organization theory literature.

2.7 Risk Management Processes and Corporate Organizational Effectiveness

Risk management process refers to logical steps of managing risks, or risk management cycle on the corporate organizational effectiveness. The process involves crucial stages in developing an effective risk management plan. The literature provides different approaches to risk management process. Anderson and Terp (2006) described risk management process on the corporate organizational effectiveness as a “five-step progression: (1) risk identification, (2) risk evaluation, (3) risk control, (4) risk financing and (5) risk monitoring and reporting” (p. 34). The process provides a simple and logical way

of looking at risk management, which goes along with its objectives. COSO (2004) developed risk management concept which consists of eight interrelated components: (1) internal environment, (2) objective setting, (3) event identification, (4) risk assessment, (5) risk response, (6) control activities, (7) information and communication and (8) monitoring. By integrating risk management and enterprise management, the eight components of ERM do influence each other.

The risk management process on the corporate organizational effectiveness expands from the core traditional five steps to eight sequence steps. The additional significant elements of standard risk management process, compared with the traditional process are “establish the contexts” and “communicate and consult. The organization's characteristics and needs are different, establishing the context is important in seeking the appropriate approach to the organization. This stage includes the activities to define the internal and external environment, to set objectives and scope of risk management process. By establishing the context, it is also important to develop risk criteria.

According to Berg (2010), the criteria reflect the context defined, often depending on an internal policies, goals and objectives of the

organization and the stakeholders of the corporate organizational effectiveness. Berg also suggested that the methods to assess the organizational environment include SWOT (strengths, weaknesses, opportunities and threats) and PEST (political, economic, societal and technological) frameworks. Risk assessment exists to provide an overall assessment to risk identification, risk analysis and risk evaluation. After each step when risks are identified, analysed and evaluated, it is crucial to generate a comprehensive review, which helps managers to evaluate fully their risk management process. This step aims to take critical factors into consideration and support for decision making process.

2.8 Strategic Management Perspective on Risk Management

The starting point of this thesis is the strategic management literature. According to Gavetti, Levinthal, and Rivkin (2005), strategy-making is most critical in times of change and in unfamiliar environments.” And a major area of research in the strategic management field concerns how firms can sustain their competitive

advantage in changing environments (Barney,2011). For firms to sustain their competitive position they must develop adaptive capabilities that identify strategic risks and take appropriate strategic responses (Andersen, Denrell, & Bettis, 2007). These responses may include substantial risk-taking that replaces obsolete sources of advantage and involve significant uncertainty and downside exposure that could erode firm's value. Hence, while engaging in strategic risk taking the greatest challenge for firms is to limit the downside risk while capturing the gains. From the earliest foundations of strategic management, strategic planning has been conceived as an important tool to manage environmental developments and the strategic risk exposures that come with these changes (Boyd, 2011), and today strategic planning is one of the most used strategy practices within firms (Spee and Jarzabkowski, 2011).

For this thesis, strategic planning was used to describe the organizational process of developing a firm's mission, long-term objectives and the plans to attain them, as well as the ongoing system that monitors the achievement of the strategic objectives Empirical research on the relationship between strategic planning and firm performance has been inconclusive, not least in studying the

relationship under the contingency of environmental uncertainty. In the strategic management literature there has been a debate whether strategy-making takes place through formal and deliberate planning processes or if they emerge as a firm muddles through and learns by trial and error. The former approach advocates a rational and systematic planning process (Ansoff, 2008), whereas the latter school supports emergent processes.

Most literature on risk management assesses the value of risk management based on how institutions manage their financial risks using derivatives to hedge, and conclude for or against the value adding ability of risk management. However, there is very little research on how the integrated approach to risk management (ERM), taking into account both financial and non-financial risk management activities, would have an effect on companies, in particular in emerging markets. Besides that, there seems to be limited research on factors associated with the implementation of ERM and how these factors affect the level of ERM implementation in companies in different markets (Pagach and Warr, 2010).

Kleffner (2003) suggests that larger firms would be more likely to adopt ERM because of the need for a more comprehensive risk

management strategy. Hoyt et al (2008) also studies the value risk management in the insurance industry and finds that ERM usage is positively related to firm size. The larger the organization, the more complex its operations will probably be and the more its exposure to threatening events. Besides that, the larger the organization, the more resources it will probably have to implement a more comprehensive risk management program.

Firms with higher leverage are more likely to suffer financial distress. Excessive leverage may also limit a firm's flexibility when pursuing additional profitable investment projects. The effect of ERM adoption on leverage is dependent upon whether the firm decides that it needs to lower its risk exposure in these areas, or whether the firm decides that because of ERM, it can afford to bear more financial risk. Thus the impact of ERM adoption on leverage is unclear, however, for firms that were previously at their target leverage level, greater control of operational risks would suggest that the firm could increase its debt capacity (Liebenberg and Hoyt, 2003).

Beasley et al (2005) states that as companies growth rate increases, the scope of events threatening it are likely to differ in nature, timing, and extent. Therefore the faster a company is

growing, the more likely it will embrace ERM. However, Hoyt et al (2008) finds no significant relationship between the rate of growth of a company and its level of ERM implementation. Allayannis and Weston (2001), control for the effect of growth opportunities on Tobin's Q using the ratio of R&D expenditure to sales, or capital expenditure to assets. However, data related to R&D expenditure was not available for this study thus consequently the study used historical (one-year) sales growth as a proxy for future growth opportunities.

2.9 Empirical Studies

There have been a large number of studies published about risk management and corporate organizational effectiveness in general. These include

Beasley, Pagach and Warr (2008) studied 120 US companies between 1992 and 2003 to examine market reaction to Chief Risk Officer (CRO) hire announcement. ERM was measured as CRO key words while performance was measured as cumulative abnormal returns after announcement. A linear regression analysis was used

to analyse the data. The study found that generally, the market did not react to CRO announcement. However, there was a positive reaction from non-financial firms. Further, there was a positive effect of firm size and earnings volatility on shareholder value and a negative effect of leverage and cash ratio on shareholder value. This was true only for non-financial firms.

Hoyt and Liebenberg (2008) examined the impact of ERM on shareholder value of 125 US insurers between 2000 and 2005 using a maximum likelihood model. ERM was measured using ERM and CRO key words as proxies while performance was measured using Tobin's Q. The study found a significant positive relation between firm value and ERM. The results showed that ERM improves shareholder value by approximately 17%.

Gordon, Loeb, and Tseng (2009) studied 112 US companies in 2005 to examine the impact of ERM on performance using linear regression. ERM was measured using ERM index created by the author and performance was measured using excess stock market return. The results showed a significant positive relation between ERM and firm performance. The study also revealed that this was

contingent upon proper match between a firm's ERM system and five firm specific factors.

Pagach and Warr (2010) examined 106 US companies in a bid to determine the impact of ERM on financial performance using logit and matched sample model. ERM was measured using CRO keywords as proxies and financial performance was measured using several financial variables. The results showed a significant decrease in stock price volatility after introducing ERM.

Tahir and Razali (2011) examined the impact of ERM on shareholder value of 528 Malaysian firms in 2007 using linear regression model. ERM was measured using secondary data from Osiris database and shareholder value was measured using Tobin's Q. The study found a positive but insignificant relation between ERM and shareholder value.

Grace et al. (2013) examined the impact of ERM on performance of 523 US insurers between 2004 and 2006 using linear regression model. A survey was carried out where ERM was measured using ERM activity while performance was measured using cost and revenue efficiency using Data Envelopment Analysis (DEA). The

study found a significant positive impact of ERM on cost and revenue efficiency depending on ERM activity.

Njiru (2003) sought to examine how cooperatives manage their credit risks. The study was done among cooperatives in Embu District. The study was a survey of coffee co-operatives in the area. The results revealed that the methods of managing credit risk were similar to the ones commonly espoused in finance textbooks.

Kioko (2008) examined the credit risk management techniques used by commercial banks in Kenya to manage unsecured loans. The study was a survey of various commercial banks. The study revealed that the Banks used a combination of credit management methods for unsecured loans.

Further, Kipchirchir (2008) examined the practices of motor vehicle firms towards foreign exchange risk management. The study was a survey of the motor vehicle industry in Kenya. The results revealed that the most commonly used foreign exchange risk management method was hedging. In another study by Ngare (2008), credit risk management practices by commercial banks were sought. This was a survey of commercial banks in Kenya. The results revealed

a combination of credit risk management methods used by commercial banks in Kenya.

Simiyu (2008) on the other hand sought to establish the credit risk management techniques in microfinance institutions in Kenya. The study design was survey of microfinance institutions in Nairobi. The study revealed that the methods did not differ from those of commercial banks.

Weru (2008) assessed the information systems risk management practices of firms. This was a case study design. The study revealed that the organization used various information system risk management strategies

Waweru and Kisaka (2013) examined the effect of ERM implementation on the value of 20 companies listed on the Nairobi Securities Exchange in 2011. A survey was carried out where ERM was measured using the level of implementation while firm value was measured using Tobin Q. The results showed that there was a positive relation between level of ERM implementation and firm value.

2.10 Summary of the Literature Review

From the theoretical review, three theories have been advanced that explain the adoption of risk management and corporate organizational effectiveness in organizations. The theories are Modigliani-Miller framework, capital market theory, and modern portfolio theory. In this study, it is important to understand which theory may better explain the adoption of risk management for risk management for corporate organizational managers. The empirical review shows a number of international studies that have examined the impact of risk management and corporate organizational effectiveness on performance.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the methodology on the description of the study to examine risk management and corporate organizational effectiveness in Edo State. Thus, the study adopts these include

3.2 Research Design

The design for the study would be a survey research. According to Ali (1996) it is preferable to use survey research design when the objective of a described investigation centered on opinions, attitudes and perceptions of individuals. The reason for choosing this design is that the study centered on opinions and perceptions of the respondents on what should be impact of infrastructure in small and medium scale enterprises. This survey method of research is a method that generally tries to collect information from a representative group and based on such information inferences are drawn about the behaviour of the entire population.

3.3 Population of the Study

The target population for this study would comprise all the corporate organizational managers and staff in Edo State. The corporate organizations to be selected for this study include; Pattessons Nigeria Limited, Oba Eweka Road, Benin, Menarish Investments Limited, Sapele Road, Benin City, Edokel Nigeria Limited, GRA, Benin City, Benin Chamber of Commerce Goodwill Road, Benin

City and Andrew Industries Nigeria Limited, Industrial Layout off Benin, Sapele Road.

3.4 Sample and Sampling Technique

For the purpose of this study; stratified random sampling technique would be used to select the staff from each enterprise. Thus, simple random sampling technique would be used to select 10 respondents each from Pattessons Nigeria Limited, Menarish Investments Limited, Edokel Nigeria Limited, Benin Chamber of Commerce and Andrew Industries Nigeria Limited. Therefore, fifty respondents would be used for the study.

3.5 Data Source

A set of data are utilized for the study: primary source: the primary data for the research would be collected through the use of questionnaire to be administered to the necessary personnel in the selected small and medium scale enterprises in the study area and through personal interviews. The data from these sources shall be analyzed with the aim of answering the research questions to either accept or not accept the null hypotheses respectively. The data used for this study would be the information on the questionnaire administered on staff of Pattessons Nigeria Limited, Menarish Investments Limited, Edokel Nigeria Limited, Benin Chamber of Commerce and Andrew Industries Nigeria Limited. Therefore, the respondents would be given sufficient time to supply necessary information on the questionnaire after that the questionnaires would be collected for analysis.

3.6 Data Instrument

The major instrument of data collection for this study is questionnaire method. Therefore, the instrument would be developed by the researcher and titled: Questionnaire on Risk Management and Corporate Organizational Effectiveness would be used to gather information from the respondents for the study. In this respect, the questionnaire would be divided into two sections. Section A would be used to collect demographic data of the respondents such as gender, job status, distribution of age and work experience etc. while section B would contain the items relating to the subject matter. The respondents would provide appropriate answer for the following items given in the questionnaire.

Validity of the instrument refers to the extent in which an instrument or test measures what it actually intends or is developed to measure. The questionnaire would be submitted to project supervisor and three experts in the Department of Banking and Finance in order to ensure the content and face validity. This refers to the degree of consistency of scores obtained by the same person when examined with the same test on different occasions. It is the accuracy, consistency, trustworthiness and stability or dependability of a measuring instrument or scores obtained. In order to determine the reliability of the instrument, a test re-test procedure would be applied on the participants that are not part of the study. Therefore, the instrument would be administered twice with an interval of two weeks and subjected to Pearson product moment correlation statistics.

3.7 Data Analysis Technique

Descriptive statistical tools such as mean, standard deviation, frequency and percentages would be used to answer the demographic information of the respondents as well as the research questions raised for the conduct of the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

This chapter present the data frequencies in the appendix. It contains the frequencies for all the responses to the questions.

4.2 Data Analysis

Descriptive statistical tools such as mean, Standard deviation, frequency and percentages were used to answer the research questions raised for the conduct of the study.

4.2.1 Analysis of Responses

Research Question 1: What is the level of risk management by corporate organization in Edo State

Table 1
Level of Risk Management by Corporate Organizations

Responses	Frequency	Percentages
High	15	30.0
Moderate	25	50.0
Low	10	20.0
Total	50	100.0

Source; Field work, 2019

Table 1 indicated the level of risk management by corporate organizations in Edo State. Fifteen of the respondents which represents 30% agreed that the level of risk management by corporate organizations was high, 50% agreed that it was moderate while the remaining 20% agreed that it was low. Thus, it is shown that 50% constituted the majority of the respondents who agreed that the level of risk management by corporate organizations in Edo State was moderate.

Research Question 2: To what extent does the effect of risk management enhance the corporate organizational effectiveness in Edo State?

Table 2
Effect of Risk Management on the Corporate Organizational Effectiveness

S/N	Items	Mean	SD	Decision
1	Every corporate organizational manager bears risk in an organization	2.96	.747	Accepted
2	Risk management enables organizational goals to be highly attained	2.51	.726	Accepted
3	Risk management improves the level of managing corporate organizational effectiveness	2.56	.774	Accepted
4	Risk management enhances risk appetite and strategy in a corporate organization	2.70	.980	Accepted
5	Risk management improves corporate organizational decisions and reduces operational surprises and losses	2.55	.553	Accepted
6	Risk management of a corporate organization	3.78	.800	Accepted

	identifies and manages multiple and cross-enterprise risks			
7	Risk management of a corporate organization brings new innovations to the organization	3.33	.156	Accepted
8	Risk management enables firms to benefit from an integrated approach to managing risk that shifts the focus of the risk management function from primarily defensive to increasingly offensive towards corporation organizational effectiveness	3.00	.555	Accepted
9	Risk management of a corporate organization is addressed by directors, management, and other personnel	2.65	.752	Accepted
10	Lack of risk management can lead to closure and liquidity of organization	2.95	.505	Accepted
11	Risk management of a corporate organization improves fund increases	2.88	.168	Accepted
12	Risk management of a corporate organization maintains earnings and improves the capability and ability to absorb potential loss	2.67	.705	Accepted
13	It ensures that adequacy of the compensation received for the risk taken	2.84	.703	Accepted
14	Risk managers of a corporate organization ensure that risk are bearable towards organizational effectiveness	2.75	.342	Accepted
15	Manager of a corporate organization promotes managerial discipline that devoted much attention to the control aspect of risk management	2.52	.271	Accepted

Source; Field work, 2019

Table 2 indicates the effect of risk management enhance the corporate organizational effectiveness in Edo State. The Items 1-15 had mean ratings of

2.96, 2.51, 2.56, 2.70, 2.55 and 3.33 respectively. The standard deviation of .747, .726, .774, .980, .553 and .800 respectively. This implies that the analysis of the mean ratings of these items are greater than 2.50 bench mark mean which were all accepted. The benchmark for the acceptance of any item was 2.50. Any item that was above 2.50 was accepted while any item below 2.50 was rejected. This shows that items on the questionnaire have effect on the risk management of the corporate organizational effectiveness in Edo State.

Research Question 3: What is the level of corporate organizational effectiveness in Edo State?

Table 3
Level of Corporate Organizational Effectiveness

Responses	Frequency	Percentages
High	14	28.0
Moderate	20	40.0
Low	16	32.0
Total	50	100.0

Source; Field work, 2019

Table 3 indicated the level of corporate organizational effectiveness in Edo State. Fourteen of the respondents which represents 28% agreed that the level of

corporate organizational effectiveness in Edo State was high, 40% agreed that it was moderate while the remaining 32% agreed that it was low. Thus, it is shown that 40% constituted the majority who agreed that the level of corporate organizational effectiveness in Edo State was moderate.

4.2.2 Discussion of Findings on Research Questions

The findings of the study revealed that 50% constituted the majority of the respondents who agreed that the level of risk management by corporate organizations in Edo State was moderate. This is in line with the findings of Sobel and Reding (2014) who stated that associated risk management and apply resources efficiently and effectively pursuit of those corporate organizational goals. Beasley (2015) found that risk management encompassed aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprises and losses, identifying and managing multiple and cross-enterprise risks, seizing opportunities, and improving deployment of capital towards corporate organizational effectiveness risk. Scheytt, Soin, Sahlin-Andersson, and Power (2006) concluded that risk management have come to play a key role in the very idea of organizing and organization itself.

The results of the study indicated that implies that all the items on the questionnaire have effect on the risk management of the corporate organizational effectiveness in Edo State. This was confirmed by the findings of Sensarma and Jayadev (2009) management of risk aims at capturing the risks arising from the maturity and re-pricing mismatches and is measured both from the earnings and economic value perspective. Sobel and Reding (2014) concluded that there is need for companies to effectively integrate risk management with corporate governance. Ruefli, Collins, Lacugna, and Wiley (2009) and Baird and Thomas (2015) concluded that risk management is an inherent part of conducting business and it is arguably a critical aspect of firms 'strategic processes, these lines risk management has been perceived as the unpredictability in corporate outcome variables and the strategic moves "for which the outcomes and probabilities may be only partially known.

The findings revealed that 40% constituted the majority who agreed that the level of corporate organizational effectiveness in Edo State was moderate. This is in line with the observation of The Lewin Group (2000) who elaborated that corporate organizational effectiveness as characteristics, processes, and inputs: According to Group Effectiveness is considered a social construction based on

judgments of individuals or groups. The Lewin Group (2000) asserted that effectiveness is reached through processes such as encouraging participation among clients and offering mentoring to volunteers and staff. Liebenberg and Hoyt (2003) stated that risk management has captured the attention of risk management professionals and academics worldwide unlike the traditional silo-based approach to corporate risk management. Risk management enables firms to benefit from an integrated approach to managing risk that shifts the focus of the risk management function from primarily defensive to increasingly offensive and strategic in the corporate organizational effectiveness. Yankey and McClellan (2003) concluded that corporate organizational effectiveness is the extent to which an organization has met its stated goals and objectives, and how well it performed in the process

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents summary and conclusion drawn from the research carried out on risk management and corporate organizational effectiveness in Edo State. Recommendations are also made based on the findings of the study.

5.1 Summary of Findings

This study was carried out to determine the risk management and corporate organizational effectiveness in Edo State. The independent variable was risk management while the dependent variable was corporate organizational effectiveness. The study also covered the level of risk management by corporate organizations, the effect of risk management on the corporate organizational effectiveness and the level of corporate organizational effectiveness. Also, literature was reviewed on the studied variables. Questions on Risk Management and Corporate Organizational Effectiveness was used to gather information for the study. Fifty respondents were used for the study from corporate organizational managers and staff in Edo State. Three research questions were raised for the study and answered using descriptive statistics of mean, standard deviation, frequency and percentages. The summary of the findings are as follows

1. The findings of the study revealed that 50% constituted the majority of the respondents who agreed that the level of risk management by corporate organizations in Edo State was moderate.
2. The results of the study indicated that implies that all the items on the questionnaire have effect on the risk management of the corporate organizational effectiveness in Edo State.
3. The findings revealed that 40% constituted the majority who agreed that the level of corporate organizational effectiveness in Edo State was moderate.

5.2 Conclusion

The results of the findings have shown that risk management has significant effect on the corporate organizational effectiveness in Edo State. The study also found that risk management has effect on the financial performance, risk assessment, objective setting, and information communication of the corporate organizational effectiveness.

5.3 Recommendations

The following recommendations were made based on the results of the findings;

1. Corporate organizational effectiveness firms in Edo State should employ robust risk management practices as these are likely to influence their financial performance in one way or another as well as for effective and efficient corporate organization
2. Corporate firms should endeavour to improve on their organizational effectiveness and financial performance by improving on how they assess their internal environment and work on control activities as these are likely to enhance organizational effectiveness of the firms.
3. Managers of the organizational effectiveness in Edo State should ensure that the risk management measures are put in place. This will encourage more firms to institute risk management practices as well as create more awareness on the need for the same in all organizations in the state.

REFERENCES

- Acemoglu, D., & Robinson, J. (2008). The role of institutions in growth and development. *World Bank, Washington DC*.
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth, 1*, 385-472.
- Al-Tamimi, H. A. H., & Al-Mazrooei, F. M. (2007). Banks' risk management: a comparison study of UAE national and foreign banks. *Journal of Risk Finance, The*, 8(4), 394- 409.
- Anderson, K. and Terp, A. (2006), Risk Management, Andersen T.J. (ed.), Perspectives on Strategic Risk Management: 27-46. Denmark: Copenhagen Business School Press.
- Bauernschuster, S., Falck, O., & Heblich, S. (2010). Social capital access and entrepreneurship. *Journal of Economic Behavior & Organization*, 76(3), 821-833.
- Beasley, M.S., Clune, R. and Dana, R. (2005) Enterprise risk management: an empirical analysis of factors associated with the extent of implementation, *Journal of Accounting and Public Policy*, 24(6), 521-531
- Begley, T. M., & Tan, W. L. (2001). The socio-cultural environment for entrepreneurship: A comparison between East Asian and Anglo-Saxon countries. *Journal of international business studies*, 537-553.
- Berg, H. P. (2010). Risk management: Procedures, methods and experiences. *Risk Management*, 1(17), 79-95.
- Bettis, R. (1983). Modern financial theory, corporate strategy and public policy: Three conundrums. *Academy of Management Review*, 8, 406-414.
- Black, F. (1972) Capital Market Equilibrium with Restricted Borrowing, *The Journal of Business*, 45(3), 444-455

- Boliari, N., & Topyan, K. (2007). Conceptualizing institutions and organizations: A critical approach. *Journal of Business & Economics Research (JBER)*, 5(1).
- Borg, W. R., & Gall, J. P. (1996). *Educational research: An introduction*. White Plains, NY: Longman.
- Borghesi, A., & Gaudenzi, B. (2013). Erratum to: Risk Management. In *Risk Management* (pp. E1-E1). Springer Milan.
- Carey, A. (2001). Effective risk management in financial institutions: the Turnbull approach. *Balance Sheet*, 9(3), 24-27.
- Chand, S., Duncan, R., & Quang, D. (2001). The role of institutions in the development of Vietnam. *ASEAN Economic Bulletin*, 276-288.
- Cienfuegos Spikin, I. J. (2013). *Developing a risk management maturity model: a comprehensive risk maturity model for Dutch municipalities*. Universiteit Twente.
- COSO (2004) Enterprise Risk Management —Integrated Framework: Executive Summary, [Online] available <http://www.coso.org>
- De Jong, G., Tu, P. A., & Van Ees, H. (2012). Which entrepreneurs bribe and what do they get from it? Exploratory evidence from Vietnam. *Entrepreneurship Theory and Practice*, 36(2), 323-345.
- Di Gregorio, D. (2005). Re-thinking country risk: insights from entrepreneurship theory. *International Business Review*, 14(2), 209-226.
- DiCicco Bloom, B., & Crabtree, B. F. (2006). The qualitative research interview. *Medical education*, 40(4), 314-321.

- Dirisu, J. I., Iyiola, O., & Ibidunni, O. S. (2013). Product Differentiation: A Tool of Competitive Advantage and Optimal Organizational Performance (A Study of Unilever Nigeria Plc). *European Scientific Journal*, 9(34).
- Do, A. T., (2001). Business Associations and Promotion of Small and Medium Enterprises in Vietnam. Working paper. University of Leipzig.
- Dorfman, M.S. (2007) *Introduction to Risk Management and Insurance*, (9ed.). Englewood Cliffs, N.J: Prentice Hall
- Durlauf, S. N., and Fafchamps, M. (2005) —Social Capital, Handbook of Economic Growth, Volume IB, Edited by Aghion, P., and Durlauf, S. N., Elsevier.
- Eicher, T. and O. Rohn (2007, 05). Institutional determinants of economic performance in OECD countries an institutions climate index. CESifo DICE Report 5 (1), 38–49.
- Enriques, L., & Zetsche, D. (2013). The Risky Business of Regulating Risk Management in Listed Companies. *European Company and Financial Law Review*, 10(3), 271-303.
- Estrin, S., & Prevezer, M. (2010). The role of informal institutions in corporate governance: Brazil, Russia, India, and China compared. *Asia Pacific journal of management*, 28(1), 41-67.
- Gordon, L.A., Loeb, M.P. and Tseng, C.Y. (2009) Enterprise risk management and firm performance: A contingency perspective, *Journal of Accounting and Public Policy*, 28(4), 301-327
- Gossy, G. (2008) *A Stakeholder Rationale for Risk Management: Implications for Corporate Finance Decisions*, Google Books
- Goto, K. (2013). Social networks, Informal trade credit and its effects on business growth: evidence from the local garment trade in Vietnam. *Journal of the Asia Pacific Economy*, 18(3), 382-395.

- Greener, S. (2008). *Business Research Methods*. Sue Greener and Ventus Publishing ApS ISBN978-87-7681-421-2.
- Greif, A. (2006). *Institutions and the path to the modern economy: Lessons from medieval trade*. Cambridge University Press.
- Guo, H., Xu, E., & Jacobs, M. (2014). Managerial political ties and firm performance during institutional transitions: An analysis of mediating mechanisms. *Journal of Business Research*, 67(2), 116-127.
- Hansen, H., R and, J., & Tarp, F. (2009). Enterprise growth and survival in Vietnam: does government support matter?. *The Journal of Development Studies*, 45(7), 1-35.
- Heberer, T., Kohl, A., Lai, T., & Vinh, N. D. (1999). *Aspects of private sector development in Vietnam*. Inst. fur Ostasienwiss.
- Hellman, J.S., Jones, G., Kaufman, D., & Shankerman, M. (2000). Measuring governance, corruption and state capture: How firms and bureaucrats shape the business environment in transition economies. *World Bank Policy Research Working Papers 2312*. Washington, DC: The World Bank.
- Helmke, G., & Levitsky, S. (2003). Informal institutions and comparative politics: A research agenda. *Perspectives on politics*, 2(04), 725-740.
- Hillson, D. (2002). Extending the risk process to manage opportunities. *International Journal of project management*, 20(3), 235-240.
- Hodgson, G. M. (2006). What are institutions? *Journal of Economic Issues*, 40(1), 1-95.
- Hogberg, A. (2009). Formal and Informal Institutions in Asia: A Survey of Asian Corporate Governance. In *Risk Management and Corporate Governance*.
- Ingram, P., & Silverman, B. (2002). Introduction. In P. Ingram & B. Silverman (Eds.), *The new institutionalism in strategic management*, 1–30.

- ISO 31000:2009, Risk Management—Principles and Guidelines. Geneva: *International Standards Organisation*, 2009.
- Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: antecedents and consequences. *The Journal of marketing*, 53-70.
- Khalil, E. L. (1995). Organizations versus institutions. *Journal of Institutional and Theoretical Economics (JITE)/Zeitschrift für die gesamte Staatswissenschaft*, 445-466.
- Khanna, T., & Palepu, K. 1997. Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75(4): 41–51.
- Kioko, K.T. (2008) A Survey Of Credit Risk Management Techniques Of Unsecured Bank Loans Of Commercial Banks In Kenya, *Unpublished MBA Project*, University of Nairobi
- Kipchirchir, D.T. (2008) Foreign Exchange Risk Management Practices: A Survey Of Motor Vehicle Industry In Kenya, *Unpublished MBA Project*, University of Nairobi
- Klimczak, K. M. (2007). Risk Management Theory: A comprehensive empirical assessment.
- Kshetri, N. (2007). Institutional changes affecting entrepreneurship in China. *Journal of Developmental Entrepreneurship*, 12(04), 415-432.
- Kuncic, A. (2013). Institutional quality dataset. *Journal of institutional economics*, 10(01), 135-161.
- Li, H., & Atuahene-Gima, K. (2001). Product innovation strategy and the performance of new technology ventures in China. *Academy of Management Journal*, 44(6), 1123- 1134.
- Li, J. J., & Zhou, K. Z. (2010). How foreign firms achieve competitive advantage in the Chinese emerging economy: Managerial ties and market orientation. *Journal of Business Research*, 63(8), 856-862.

- Li, Y., Chen, H., Liu, Y., & Peng, M. W. (2012). Managerial ties, organizational learning, and opportunity capture: A social capital perspective. *Asia Pacific Journal of Management*, 31(1), 271-291.
- Liebenberg, A.P. and Hoyt, R.E. (2003) The Determinants of Enterprise Risk Management: Evidence from the Appointment of Chief Risk Officers. *Risk Management & Insurance Review*, 6, 37-52, Available at <http://ssrn.com/abstract=416197>
- Lintner, J. (1965) The Valuation of Risk Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets, *The Review of Economics and Statistics*, 47, 13-37
- Mandelbrot, B., and Hudson, R. L. (2004) *The (Mis)Behaviour of Markets: A Fractal View of Risk, Ruin, and Reward*. London: Profile Books.
- March, J. G. 1991. Exploration and exploitation in organizational learning. *Organization Science*, 2: 71–87.
- Martin, X. (2014). Institutional advantage. *Global Strategy Journal*, 4(1), 55-69.
- McConnell, P. J. (2008). Operational risk-opportunities for accounting research. *Journal of Law and Financial Management*, 7(2), 26-35.
- McMillan, J., & Woodruff, C. (1999). Inter-firm relationships and informal credit in Vietnam. *Quarterly journal of Economics*, 1285-1320.
- McMillan, J., & Woodruff, C. (2002). The central role of entrepreneurs in transition economies. In *Pathways Out of Poverty* (pp. 105-121). Springer Netherlands.
- Merton, R.C. (1995), A functional perspective of financial intermediation, *Financial Management*, 24(2), 23-41

- Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic management journal*, 30(1), 61-80.
- Miller, K. D. (1992). A framework for integrated risk management in international business. *Journal of international business studies*, 311-331.
- Modigliani, F. and Miller, M.H. (1959). The Cost of Capital, Corporate Finance and the Theory of Investment, *American Economic Survey*, 48, 261-297
- Mozumdar, A. (2001) Corporate Hedging and Speculative Incentives: Implications for Swap Market Default Risk, *Journal of Financial and Quantitative Analysis*, 36(2), 221-250
- Mugenda, O. & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Acts press
- Mutuku, N. (2007). *The Kenyan Pension Fund Market*, Retirement Benefits Authority, Nairobi.
- Mutuku, N. (2011). *Need and Viability of a Benefit Protection Fund for Retirement Benefits Schemes in Kenya*, Retirement Benefits Authority, Nairobi.
- Ngare, E.M. (2008) A Survey Of Credit Risk Management Practices By Commercial Banks In Kenya, *Unpublished MBA Project*, University of Nairobi
- Nguyen, T. V., Bryant, S. E., Rose, J., Tseng, C. H., & Kapasuwan, S. (2009). Cultural values, market institutions, and entrepreneurship potential: A comparative study of the United States, Taiwan, and Vietnam. *Journal of Developmental Entrepreneurship*, 14(01), 21-37.
- Nguyen, T. V., Weinstein, M., & Meyer, A. D. (2005). Development of trust: A study of interfirm relationships in Vietnam. *Asia Pacific Journal of Management*, 22(3), 211-235.

- Nguyen, VT (2005). Learning to trust: A study of interfirm trust dynamics in Vietnam. *Journal of World Business*, 40(2), 203–221.
- Njiru G.M. (2003) Credit Risk Management by Coffee Co-operatives in Embu District, *Unpublished MBA Project*, University of Nairobi
- Nocco, B.W. and Stulz, R.M. (2006) Enterprise Risk Management: Theory and Practice. *Journal of Applied Corporate Finance*, 18(4), 8-20, Available at SSRN: <http://ssrn.com/abstract=963398>
- North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge university press.
- North, D. C. (1991). Institutions. *Journal of Economic Perspectives*, 5(1), 97-112.
- Odundo, E.O. (2008). Supervision of Pensions – The Kenyan Experience. Retirement Benefits Authority, Nairobi.
- Oetzel, J. M., Bettis, R. A., & Zenner, M. (2001). Country risk measures: how risky are they?. *Journal of World Business*, 36(2), 128-145.
- Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic management journal*, 18(9), 697-713.
- Pagach, D.P. and Warr, R.S. (2007) *An Empirical Investigation of the Characteristics of Firms Adopting Enterprise Risk Management*, retrieved on 03/08/2010 from SSRN website <http://ssrn.com/abstract=1010200>
- Pagach, D.P. and Warr, R.S., (2008) *The Effects of Enterprise Risk Management on Firm Performance*. Available at SSRN: <http://ssrn.com/abstract=1155218>
- Pejovich, S (1999). The Effects of the Interaction of Formal and Informal Institutions on Social Stability and Economic Development, *Journal of Markets and Morality* 2(Fall 1999), 164-181.

- Peng, M. W., Sun, S. L., Pinkham, B., & Chen, H. (2009). The Institution-Based View as a Third Leg for a Strategy Tripod. *The Academy of Management Perspectives*, 23(3), 63-81.
- PricewaterhouseCoopers, L. L. P. (2004). *Enterprise Risk Management: Integrated Framework*. Committee of Sponsoring Organizations of the Treadway Commission.
- Puffer, S. M., McCarthy, D. J., & Boisot, M. (2009). Entrepreneurship in Russia and China: The impact of formal institutional voids. *Entrepreneurship Theory and Practice*, 34(3), 441-467.
- Qin, W., & Shanxing, G. (2010). Managerial ties and innovative performance: an open innovation perspective. In *Proceedings of the 7th International Conference on Innovation & Management, Wuhan University of Technology, Wuhan*, 125-131.
- RBA (2012). Annual Report and Financial Statements 2011-12. Retirement Benefits Authority, Nairobi.
- RBA (2014). Registered Fund Managers, Retirement Benefits Authority, Nairobi.
- Runckel, C. W., (2011). *Small Medium Enterprise (SME) in Vietnam*. Retrieved from http://www.business-in-asia.com/vietnam/sme_in_vietnam.html
- Sala i Martin, X., R. Greenhill, and World Economic Forum (2011). The global competitiveness report 2011-2012. Geneva: World Economic Forum. Available online.
- SAS (2010) Enterprise Risk Management for Banking, [Online] available <http://www.sas.com/industry/fsi/risk/index.html>
- Saunders, A. and Cornett, M.M. (2006), *Financial Institutions Management: A Risk Management Approach*, McGraw-Hill, New York, NY

- Schwab, K., & Sala-i-Martin, X. (Eds.). (2014). The global competitiveness report 2013- 2014. Geneva: World Economic Forum.
- Sensarma, R. and Jayadev, M. (2009) Are bank stocks sensitive to risk management?, *The Journal of Risk Finance*, 10(1), 7-22
- Sharp, W.F. (1964) Capital Asset Prices: A Theory of Market Equilibrium Under Conditions of Risk, *The Journal of Finance*, 19(3), 425-442 43
- Sheng, S., Zhou, K. Z., & Li, J. J. (2011). The effects of business and political ties on firm performance: Evidence from China. *Journal of Marketing*, 75(1), 1-15.
- Short, J. C., Ketchen, D. J., Shook, C. L., & Ireland, R. D. 2010. The concept of “opportunity” in entrepreneurship research: Past accomplishments and future challenges. *Journal of Management*, 36(1): 40–65
- Simiyu, R.S. (2008) A Survey of Techniques of Credit Risk Management in Micro-Finance Institutions in Kenya, *Unpublished MBA Project*, University of Nairobi
- Sobel, P.J and Reding, K.F. (2004) Aligning corporate governance with enterprise risk management, *Management Accounting Quarterly*, Winter [Online] available at http://findarticles.com/p/articles/mi_m00OL/is_2_5/ai_n6118711/
- Stahl, B. C., Lichtenstein, Y., & Mangan, A. (2003). The limits of risk management: A social construction approach. *Communications of the International Information Management Association*, 3(3), 15-22.
- Steer, L., & Sen, K. (2010). Formal and informal institutions in a transition economy: The case of Vietnam. *World Development*, 38(11), 1603-1615.

- Sun, P., Mellahi, K., & Thun, E. (2010). The dynamic value of MNE political embeddedness: The case of the Chinese automobile industry. *Journal of International Business Studies*, 41(7), 1161-1182.
- Taussig, M. (2005). Domestic companies in Vietnam: challenges for development of Vietnam's most important SMEs. *Policy Brief*, 34.
- Teorell, J., N. Charron, M. Samanni, S. Holmberg, and B. Rothstein (2011). The quality of government dataset. <http://www.qog.pol.gu.se>.
- Tonoyan, V., Strohmeyer, R., Habib, M., & Perlitz, M. (2010). Corruption and entrepreneurship: How formal and informal institutions shape small firm behavior in transition and mature market economies. *Entrepreneurship Theory and Practice*, 34(5), 803-831.
- Tran T. C., Le X. S., & Nguyen K. A. (2008). Vietnam's small-and medium-sized enterprises development: characteristics, constraints and policy recommendations. *ERIA Research Project Report*, (5)
- Tran, T. B., Grafton, R. Q., & Kompas, T. (2009). Institutions matter: The case of Vietnam. *The Journal of Socio-Economics*, 38(1), 1-12.
- Tung, J. (2012). Firm Performance-A Social Networks Perspective. *Journal of Social Sciences*, 8(1), 39-42.
- Vaughan, Emmett J. (1997). *Risk Management*. USA: John Wiley & Sons.
- Vicente-Lorente, J. D. (2001). Specificity and Opacity as Resource-Based Determinants of Capital Structure: Evidence for Spanish Manufacturing Firms. *Strategic Management Journal*, 22, 157-177.
- Wambugu, S.M. (2008) A Survey of Credit Risk Management Practices By Micro-Finance Institutions In Kenya, *Unpublished MBA Project*, University of Nairobi

- Waweru, N. and Kisaka, E.S. (2011). The Effect of Enterprise Risk Management Implementation on the Value of Companies Listed in the Nairobi Stock Exchange (August 9, 2011). AAA 2012 Management Accounting Section (MAS) Meeting Paper.
- Weru, S.G. (2008) An Assessment of Information Systems Risk Management Practices: A Case of Practical Action (International), *Unpublished MBA Project*, University of Nairobi
- Xin, K. & Pearce, J. L. (1996), Guanxi: Connections as substitutes for formal institutional support. *Academy of Management Journal*, 39(6), 1641-1658.
- Yeager, T. J. (1998). *Institutions, Transition Economies, and Economic Development*. Westview Press: Boulder, Colorado.
- Yilmaz, A. K. (2009). The best enterprise risk management practice for airline and airport business. *Enterprise Risk Management*, 1(2).
- Zhou, K. Z., Brown, J. R., & Dev, C. S. (2009). Market orientation, competitive advantage, and performance: A demand-based perspective. *Journal of business research*, 62(11), 1063-1070.

APPENDIX
DEPARTMENT OF BANKING AND FINANCE, INSURANCE PROGRAMME,
FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN,
BENIN CITY

**Questionnaire on Risk Management and Corporate Organizational
Effectiveness**

Dear Sir/Ma

This questionnaire aims at collecting some information on risk management and corporate organizational effectiveness in Edo State. It is strictly for a research purpose. Your cooperation in responding to the questionnaire items will be highly appreciated. You are however assured that, all information supplied shall be treated with absolute confidentiality. In this regards, do not write your name on the questionnaire.

Please respond to the following statement (Effect of Risk Management on the Corporate Organizational Effectiveness) by ticking [] each item under the column that most describes your reaction. Strongly Agree (SA), Agree (A), Disagree (D) Strongly Disagree (SD)

S/N	STATEMENT	SA	A	D	SD
1	Every corporate organizational manager bears risk in an organization.				
2	Risk management enables organizational goals to be highly attained.				
3	Risk management improves the level of managing corporate organizational effectiveness.				
4	Risk management enhances risk appetite and strategy in a corporate organization.				
5	Risk management improves corporate organizational decisions and reduces operational surprises and losses.				
6	Risk management of a corporate organization identifies and manages multiple and cross-enterprise risks				
7	Risk management of a corporate organization brings new innovations to the organization				
8	Risk management enables firms to benefit from an integrated approach to managing risk that shifts the focus of the risk management function from primarily defensive to increasingly offensive towards corporate organizational effectiveness				
9	Risk management of a corporate organization is addressed by directors, management, and other personnel				
10	Lack of risk management can lead to closure and liquidity of organization				
11	Risk management of a corporate organization improves fund increases				

12	Risk management of a corporate organization maintains earnings and improves the capability and ability to absorb potential loss				
13	It ensures that adequacy of the compensation received for the risk taken.				
14	Risk managers of a corporate organization ensure that risks are bearable towards organizational effectiveness.				
15	Manager of a corporate organization promotes managerial discipline that devoted much attention to the control aspect of risk management				

Level of Risk Management by Corporate Organizations

Level	Responses
High	
Moderate	
Low	

Level of Corporate Organizational Effectiveness

Level	Responses
High	
Moderate	
Low	