Abstract:
The global financial crisis has focused attention to the proper identification, analysis and management of key business risks because inadequate risk assessment has been identified as one of the main factors of a failure or financial difficulties of a large number of organizations worldwide. Hence, inadequate risk management has become a problem of a broader social interest, resulting in recommendations of the OECD and the European Commission on the necessary changes in the existing risk management systems. As a result, an increasing number of companies are moving on from traditional silo-based risk management (TRM), where different corporate risks were managed on the individual basis without taking into account their correlations, toward ERM, where a holistic view of corporate risks is conducted and overall risk exposure is assessed. There is a belief among increasing number of scholars that ERM offers companies a more comprehensive approach toward risk management in comparison to TRM. By adopting a systematic and consistent approach to managing all of the risks confronting an organization, ERM is presumed to lower a firm’s overall risk of a failure and thus increase the performance and, in turn, the value of the organization. However, a comprehensive research to prove a positive statistically significant relationship between the use of ERM and performance indicators of non-financial companies has not been conducted so far.

The purpose of this comprehensive study is to examine the effect of ERM implementation, and to explore whether firms adopting ERM actually achieve better financial results consistent with the claimed benefits of ERM, especially in the time of severe market conditions. To our best knowledge, little research exists on the effect of ERM to the company’s performance and value, and in particular on the effect of ERM to the performance and value of non-financial companies. This is the first comprehensive research conducted on the large sample of U.S. non-financial companies that are in the market index S&P 500. Previous ERM studies explored if ERM affects company’s value only. In our research we analyse if ERM affects company’s profitability, business risk, growth potential, liquidity and value. Our study differs from others as we explore if companies that implemented ERM before the Global financial crisis performed better in the period of crisis in comparison to companies that did not implemented ERM. This research objective is accomplished by performing MANOVA (multivariate analysis of variance) between ERM and no-ERM companies.

Keywords:
Enterprise Risk Management, Global financial crisis, financial performance, U.S. market, non-financial companies
**JEL Classification:** G30, H12