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CORPORATE GOVERNANCE PERSPECTIVE ON ENTERPRISE RISK MANAGEMENT AND ORGANIZATIONAL SUSTAINABILITY

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ABSTRACT

The study was designed to explore the relationship between enterprise risk management and organizational sustainability. Enterprises can only meet the generational intention of founders when they are properly managed exemplified by sustainable performance. Business failures in recent history refocused attention towards good enterprise risk management to promote organizational sustainability. Sustainability implies meeting the needs of the present generation without compromising the needs of the future generations, and this cannot happen in an environment drenched in weak enterprise risk management. Corporate governance perspective suggests that the BODs of a company has the ultimate responsibility to establish effective risk management framework for the healthy performance and sustainability of the enterprise. Therefore, a major concern of the BODs is to diversify away risks and to create a stable average to enhance organizational performance. Management decision making as an integral part of modern management aims at both enterprise risk minimization and the optimal achievement of organizational goals and sustainability. The exploratory research design was used for the study. Data generated and analyzed through statistical techniques, showed strong positive relationship between enterprise risk management and organizational sustainability. Because of limitations in terms of current literature, the study was not exhaustive; therefore, further study should examine the relationship between weak risk management and enterprise failure. It was recommended that complex organizations must establish good corporate governance structure to promote enterprise risk management and organizational sustainability.

Keywords: Enterprise sustainability; Risk transfer; Risk management process; Risk appetite; Organizational survival; Portfolio theory

1. INTRODUCTION

Corporate governance refers to the processes, structures and procedures through which the affairs of an enterprise are directed and managed in order to improve long-term shareholders' value by enhancing performance, transparency and accountability of the enterprise. Among the central concerns of good corporate governance architecture is having a sound risk management system by the board of directors (BODs), capable to drive corporate sustainability.

On the other hand, risk involves the probability of an unfortunate incident, while risk management involves the methods in controlling enterprise risks. Enterprise risk management therefore, is the process of reducing the likelihood of an unfortunate event or its negative impact, or if possible, avoiding the risk at all. All types of enterprises are confronted with various types of risks that may even be difficult to establish or count.

Therefore, it is most reasonable in a study of this nature to categorize enterprise risks into three board areas of: strategic risks, business risks, and operational risks. Strategic risks are fundamental to the survival or failure of any enterprise. These are the type of risks that can rock the foundation of the enterprise.

Ledgerwood and White (2006) describe strategic risks as the risks to earnings or capital arising from adverse business decisions and lack of compatibility with organizational objectives or the business strategy developed to achieve such goals, the resources deployed for these goals, and the quality of management. They suggest that business risks include credit risk, liquidity risk, market risk, economic risk, compliance risk, ICT risk, litigation risk, and others that result to unexpected losses to the corporation.

Also operational risks relate to risk of loss that arises directly from service or product delivery, and from human or system errors. Such risks occur on a daily basis as transactions are processed. Operational risks transcend all divisions, departments and units of any human organization. Prominent among operational risks are inadequate information systems, operational problems or breaches of contract, fraud and others that result to unexpected losses.

Good corporate governance principles suggest that the BODs of a company has responsibility to identify key risk areas and key performance indicators of the business and

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monitor them to enhance organizational sustainability. Organizational sustainability is more than organizational survival; it rather focuses on organizational success, survival and thrival. Colbert and Kurucz (2007) define sustainability as relating to keeping the business going, and achieving success today without compromising the needs of the future.

They suggest that organizational sustainability implies a simultaneous focus on economic, social, and environmental performance, and that it flourishes more on organizational culture rather than on specific policies and procedures. Eccles et al (2011) opine that organizations today develop a culture of sustainability by articulating the values and beliefs that underpin the organizations' objectives.

The CIPD (2012) also emphasizes the creation of meaningful values that shape strategic decision-making and building a culture that reinforces desirable behavior and an approach to enhancing corporate governance, which leads to sustainability (Blaga, 2013). Because of the nature of enterprise risk and its impact on the enterprise, ways are continuously being explored to achieve a good level of risk management to enhance organizational sustainability, because it is almost impossible to manage successfully and sustainably without the mitigation of enterprise risks.

On the this basis therefore, the philosophy or paradigm of this study while not entirely very different from what earlier scholars have dreamt about, however, takes a synthetic approach, embracing not only the conventional or traditional concepts of an inductive or deductive logic adequate enough for clinical judgment or scientific inference to encompass intuitive and demonstrative logic from which creativity needed for enterprise risk management and organizational sustainability emerges.

This approach is critically denoted to refocusing the attention of the BODs on the need for properly identifying, analyzing, responding to, and monitoring enterprise risks, and opportunities, within the internal and external environments facing the enterprise as ultimate mechanisms for corporate sustainability. In full compliance with good corporate governance principles, the BODs must ensure that monitoring is properly performed by management through necessary internal control activities like regular reviews of financial records and reports, regular management committee meetings, proper internal and regular external audits to ensure that organizational strategies including risk management strategies are complied with.

A strategic balance between good corporate governance and enterprise risk management becomes imperative through effective board management by increasing

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management control, internal control and audits, transparency and accountability, and the quality and competence of the audit committee. This perspective is imperative in enterprise risk management because the nature of risk itself involving pure and speculative risks is such that both can result to loss if not well managed.

For example, pure risk is caused by some unfavourable, unpredictable, or undesirable events, and probabilities of alternative outcomes can be estimated. On the other hand, speculative risk, as an uncertainty occurs where the future outcome cannot be predicted with any degree of confidence from knowledge of past or existing events, so that no probability estimates are available.

According to Okenwa (1999) most pure risks can be dealt with by insurance, while speculative risks are generally uninsurable (Douglas, 2009, Dorfman, 2007, Abolo, 2000). To ensure effective enterprise risk management and organizational sustainability, it is expected that exceptional standards of corporate governance should be the norm in corporate management.

According to Ettah (2010) management should not only focus on administration but also on managing for greater productivity and performance. He states that United African Company Nigeria (UACN) Plc prides itself as preserving and maintaining global standards of governance in its operations and conduct and this may be true for several other organizations but such is not the norm everywhere today.

His definitions clearly suggest that good leadership, ethical standards and corporate governance are inevitable for good management and organizational sustainability (Wales, 2013, Kanter, 2011, Guinness, 2008, Muraina, et al., 2010, Ezeh, 2019, Ikhilae, 2019, Kien, 2010, Rowe, 2001, Nidumohi, et al, 2009).

1.1. Conceptual Framework

A conceptual framework is the structure of the study concept and how it is designed to elaborate on the research problem in relation to the relevant literature. It is frequently summarized in a schematic model that presents the major variables of the study and their hypothesized relationships. The model of the study is shown in figure 1. Models are used to clarify issues that would otherwise be buried in an excess of words, and lead to theory building (Keeves, 1997).

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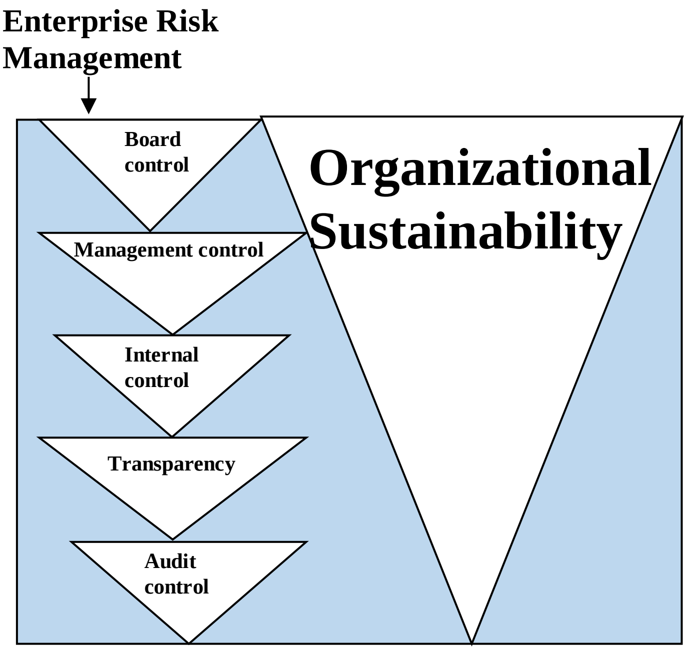

Figure 1: Enterprise Risk Management and Organizational Sustainability Model.
Source: Author Designed (2020)

This model suggests that while the BODs has ultimate responsibility for enterprise risk management it nevertheless must work with the management team for exercising oversight functions, establishing internal control and audit systems, that help to increase the culture of transparency and accountability while the audit committee has the residual responsibility to ensure the effectiveness, efficiency and efficacy of these processes, and to report to the BODs, for proper risk management control, organizational effectiveness and sustainability.

This psychometric model supports corporate governance principles that the BODs should establish an audit committee to review financial statements and maintain internal and audit controls for efficient functioning of the corporation. It must also endeavour to mitigate key risk elements to pave the way for organizational performance and sustainability.

For example, according to vanGreuining and Bratanovic (2003) while the board and management need to support each other, each has its own different role and responsibility to fulfill in terms of risk management. Therefore, the chief executive officer (CEO) and the management should run the day-to-day activities of the enterprise in compliance with board policies, laws, and regulations, and should be supported by a sound system of internal controls and audits.

While fulfilling its overall risk management responsibilities, the BODs must leave the management team with adequate incentives to maintain a well-informed overview of business operations and corresponding risks for monitoring and control. It is expected that the BODs on

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its part must as fast as practicable and possible incorporate its outputs into the pool of judgment or decision that is often dominated by qualitative experience as an approach that minimizes enterprise risks and therefore maximizes the likelihood and opportunity for organizational success and sustainability.

This approach believes that enterprise risk management is a complex exercise requiring the superior attention of the BODs, for the major reason that risk management can make the difference between enterprise success or failure (Borge, 2001). In this regard enterprise risk management requires ingenuity and creativity focused towards corporate success and survival strategies in a complex and unpredictable business environment (Dedman & Robert-Tissot, (2001).

1.2. ResearchProblem

Although all formal enterprise risk management methods help, the real problem is on the integration of all the components in an enterprise's total risk management strategy. This is true because often the problems that result to losses often reside in the minds of some members of the BODs. Each member may legitimately perceive the intended balance of risks and organizational goals differently. Some of such differences may be openly expressed as major issues to be resolved on the availability of new information, while others may not be expressed but often remain a hidden agenda to emerge at later dates.

These issues themselves constitute risks and others that may be masked by accepting so broad statements of intention that many different views are included in a seeming consensus, when a more specific statement might be divisive. From a psychological perspective and to deliver on sound enterprise risk management in pursuit of organizational sustainability, the BODs must recognize that it is at the confluence of a numerousity of pressures from; shareholders, the environment, governments, customers, employees, suppliers, unions, ambitious directors, and managers, among others.

The implication of the situation for the BODs is to understand that reasonable and knowledgeable people can easily disagree on proper actions in response to pressures that may not always be in the overall interest of the organization. For example, the collapse of Enron did not just happen without some of its directors expecting it. At least Enron did not disclose its financial predicament to Dynergy before the later agreed to a merger deal (Klein & Chu, 2001, Laxmi, 2001).

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Also, the Cadbury Nigeria Plc accounting and auditing scandal that cost the parent company in the UK about 15 million pound sterling in impairment only occurred because of the deliberate action of some directors in connivance with external auditors. The problem then remains weak BODs control, lack of integrity, transparency, accountability and poor internal and audit controls.

For example, a major driver of the Soludo Banking Consolidation Programme in Nigeria between 2004 and 2006 was to minimize the risk of bank failures as banks were characterized by huge frauds, window dressing of financial statements, reckless lending and abuse of credit risk management processes. It is obvious that enterprise risk management can be very problematic as it even involves attempts to avoid the nefarious activities of the 007s, Ponzi schemes, or other such schemes of this world that bring huge losses to individuals, groups, organizations, and society at large.

The problems of enterprise risk management is exacerbated by weak regulatory oversight in complex organizations, poor management and corporate governance standards that provide incentives for lower employee fidelity, higher job mobility and higher rates of frauds and corruption that often deplete organizational profitability. According to Ettah (2010) one consequence of the unchecked corruption in society is that it has also permeated all sectors including the private sector.

Revelations about sharp practices in the capital market, the financial sector and some quoted companies are confirmation that the private sector may be as corrupt as the government sector. He opines that what has developed is poor corporate governance in the private sector, institutions, and combined with the absence of transparency and accountability in government (AbdulGaniyu, 2013, Amadi, 2018, AIIA, 2004, Babalola, 2013, Boudreau & Ramstad, 2005).

Risk is inherent in all organizational activities thereby making it necessary for a comprehensive enterprise risk management framework. The increasing spate of business failures since the global financial crisis and the collapse of Enron and World Com among other enterprises; provides the appetite for scholars to continue looking closely into suitable methods of reducing losses resulting from weak risk management. It is now understandable more than ever before that any kind of lazy enterprise risk management is certainly going to metamorphose into huge losses (Okaro& Okafor, 2013, Michel, 2009, Mansouri& Pirayeshi, 2009, Vafeas, 2001, Holm& Zaman, 2012, Solanke, 2007).

1.3. ResearchObjective

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The study was designed to explore the relationship between enterprise risk management and organizational sustainability.

1.4. ResearchSignificance

The subject of risk management has changed from being the concern of one division in an organization to a more holistic, well coordinated and integrated system characterized by the ability of the BODs of the company to identify particular events or situations in terms of risks and opportunities relevant to the organizational goals, and assessing such circumstances with regard to finding suitable solutions in the interests of the corporation and society as a whole.

According to Sharafa (2014) drivers of effective enterprise risk management include: globalization, the increasing complexity in doing business, regulatory compliance, corporate governance and ethical developments, as well as the greater needs for transparency and accountability as well as a sense of corporate social responsibility on the part of the BODs.

1.5. Hypothesis

To achieve the objective of the study the following hypothesis was formulated and tested at 0.05 level of significance.

- Ho: There is no relationship between enterprise risk management and organizational sustainability.
- Hi: There is a relationship between enterprise risk management and organizational sustainability.

2. LITERATURE REVIEW

Even though many types of enterprise risks may be identified, the wide variety of such risks can be broadly grouped into three categories, as demonstrated in figure 2. This model supports the idea that risks can be effectively managed by bundling them together with a large number of other risks to create a stable coverage outcome to ensure the management of risks on a group-wide basis for effectiveness, by bringing them under one umbrella.

As shown in figure 2, the major risks that face organizations and which must be effectively managed are business risks and operational risks under the umbrella of strategic risks, although other risks, such as credit risk, market risk, competition risk, political risk, economic risk, reputational risk, regulatory risk, among others are inevitable in the sustainability of the enterprise (Miles, 2011, Adam, 2003).

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Figure 2: Enterprise Risk Management Umbrella Model
Source: Author Designed (2020)

All these categories of risks when they occur often result to losses to the organization. Most of these risks occur due to poor risk appetite and business decision-making that lead to losses or even business failure. To mitigate these lapses that are often of strategic, business and operational propensities, the OECD principles advocate that the BODs should at all times try to protect both the assets and reputation of the corporation.

The BODs should also retain decision-making responsibility over material matters affecting the enterprise in terms of risk and otherwise. For effective enterprise risk management, it is the responsibility of the BODs to review regularly the processes and procedures used by the organization to ensure the effectiveness of internal controls.

These are required to maintain at the highest level the decision-making capacity of the corporate leaders and the accuracy of its reported financial results, and to maintain competent committees including the audit committee and even an environmental committee to facilitate effective enterprise risk management. Decision-making is a risk in-itself but the quality of management decision makes the ultimate difference between enterprise failure or sustainability.

The codes of corporate governance envisage that where there is effective board management all these categories of risks can be drastically minimized through board control, management control, internal control, increasing internal transparency and accountability, and with the support of a competent audit committee. It is obvious that risk is inescapable in any human organization, thus the imperative for good risk management.

Also, it is true that profitability is the ultimate destination of most business organizations, and to achieve this objective, the question of risk avoidance does not help. Rather, the techniques of hedging, risk reduction, risk retention, and risk transfer can help in

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great measure in achieving the goals of organizational productivity, profitability and sustainability.

Ekechi (1999) posits that one of the objectives of the firm is to maximize shareholders' wealth, and hedging as a risk management technique becomes imperative to lower the volatility of the value received by shareholders. Where management is delighted at the use of hedging in the interest of shareholders, it will be more delighted at increasing economic value, profitability and enterprise sustainability.

He insists that the policies for risk management should be put in place at the highest level of the enterprise, and these should include sound risk management processes, and strong internal controls, adequate policies, procedures and limits, adequate risk measurement, monitoring and management information systems and detailed internal audits. There is always the need for good reporting systems in order to manage enterprise risk properly. Risk avoidance includes not performing an activity that could carry risk, but not taking any action to avoid the risk of loss will also avoid the possibility of earning profits.

On the other hand, risk reduction may cause a greater loss, because a sophisticated suppression system may mitigate the risk of fire for example, but the cost may be prohibitive as a risk management strategy. Accepting a risk when it occurs or risk retention is only a viable risk management strategy in terms of small risks where the cost of insuring against the risk would be greater over time than the total costs sustained. Against this background, risk transfer looks better and means causing another party to accept the risk usually by contract or by hedging.

According to Ezigbo (2013) insurance is one type of risk transfer that relies on contract. She posits that taking offsetting positions in derivatives is typically a measure of how organizations use hedging to financially manage enterprise risks. It is implied that risk management is a practice of systematically selecting cost effective approaches for minimizing the effect of threat realization to the organization.

All risks can however, never be fully avoided or mitigated due to environmental, social, financial and practical limitations. Risk management is therefore, mostly concerned with removing or mitigating the risks associated with the normal functioning of the organization, through a well-structured approach which requires considerable investment in training, tools and techniques to enhance organizational productivity and sustainability (Enofe, et al., 2013, Gandhi & Sachdeva, 2018, Junaid, 2004, MAS, 2008, Achebe, 2019, Cummins, et al., 1998).

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2.1. Riskand Business Failure

Risks are inherent in all organizations, and experts identify the major elements in the risk management system to include: risk analysis, risk control, and risk financing all of which are necessary to protect the enterprise from potential losses and possible failure. Nzotta (2002[b]) suggests that business failure in Nigeria is often associated with the risks of economic failure, financial failure, and management failure.

Therefore, business failure could be classified into two broad categories of economic failure and financial failure. He hypothesizes that while economic failure signifies a situation whereby the revenue of a company does not cover the costs, financial failure recognizes technical insolvency to the extent that it cannot meet its current obligations out of current incomes as they fall due, even if its total assets exceed its total liabilities. On the other hand, a business is considered bankrupt if its liabilities far exceed the total value of its assets, in which case the firm has a negative net worth.

These risks could be avoided or minimized through appropriate risk management processes. According to McNaughton (1997) the risk management process demands normal management which requires continuous efforts at liquidation or collection of risk assets in accordance with the objectives and expectations of the enterprise. Since the risk management process is frequently people-oriented it therefore, reflects the competence and relevant experience of the enterprises' manpower.

Risk analysis concerns the proper identification of risk in terms of estimating the probability of a loss occurrence and considering the potential impact if the loss eventually occurs. Risk analysis makes it possible to determine and quantify the potential loss. But in other related cases, where the financial loss cannot be estimated, the risk can be described in quantitative terms. Again, risk control covers all those other measures, directed at avoiding, eliminating or reducing the chances of loss producing circumstances taking place. Otherwise, risk financing aims at spreading more evenly the cost of risk in order to minimize the financial loss and the insolvency of the enterprise.

Despite a risk management framework, a critical element in the overall risk management process is the quality and organization of manpower involved in the entire process. Accurate and timely information are essential in managing risk and reducing the opportunities for losses and business failure.

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Based on the views of Agwu (2018) managing director/chief executive officers (MD/CEOs) of companies who are ultimately responsible for the success or failure of their organizations should also see themselves as the chief risk officers (CROs). Therefore, any argument that the CEOs enormous task makes it impossible for them to really get into the details of organizational risk management activities is not plausible.

Rather, the increasing spate of corporate failures around the world should raise the curiosity of CEOs' as CROs to get more involved in all the details regarding the management of the company as contemplated by management. This is critical for corporate success because any kind of lazy approaches to management at the top by the CEO is certainly to metamorphose into weak risk management, organizational performance and ultimately business failure. Mismanagement or fraud risk also leads to losses or business failures like the case of Etisalat International Nigeria Ltd. where a court stopped the sale of 9mobile, also known as Etisalat International Nigeria Ltd, due to lack of internal transparency.

According to Ibrahim (2018) the problem of Etisalat resulted from the mismanagement of its funds. He states that the firm's quagmire arose from not only the mismanagement of its funds, but it also included the inability to declare dividends from 2009 and the move by the defendants' to conduct a clandestine sale of the company at the detriment of the plaintiffs and disappear with the plaintiffs' investment of not less than US$43.33m.

All forms of businesses face different types of risks and the approach of an organization to risk-taking determines the level of sophistication that is required of the risk management system. For example, liquidity is necessary for banks to compensate for expected and unexpected balance sheet fluctuations and to provide funds for growth therefore, bank liquidity management policies should comprise a risk management, and decision-making framework or structure, a liquidity management and funding strategy, a set of limits to liquidity risk exposures, and a set of procedures for liquidity planning under alternative scenarios, including all crisis situations.

2.2. Environmental Risks

Risks in the business environment are various and they include Internet risk, and others. The Internet is so huge that when abuses by hackers occur it leads to business losses. Laudon and Laudon (2006) explain that Internet risk is dangerous and without Internet risk management architecture and governance, hackers can intercept conversations to obtain credit

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card and other confidential personal information about a firm and use same to undermine its mission.

They explain that vulnerability has also increased from widespread use of e-mail. E-mail can contain attachments that serve as springboard for malicious activities by unauthorized persons to the detriment of the company (Baker, 2000; Nelson, 2005; Saadullah, 2007) Business related risks involve pure, insurable risks and speculative risks that are not insurable. Insurance must form part of an enterprise's risk management culture since it aims to provide cushion for potential losses and business failures.

Insurable risks include property insurance to cover buildings against fire, lightening, explosion, leakage among others, to minimize business losses if they occur. Business and management involve taking risks and such risks are associated with success or failure of business operations. Risk management therefore, refers to the control and management of risks, and encompasses the organizing of activities and controlling the use of resources in such a manner as to minimize the effect of uncertainties surrounding all forms of business operations.

Risk management is therefore the systematic and scientific methodology of planning and organizing to deal with potential losses and enterprise failure. The most effective way of managing enterprise risk is to avoid the possibility of loss occurring, and risk prevention is a risk management technique which incorporates risk avoidance and risk reduction. Further, risk reduction refers to those activities designed to reduce the severity of losses that occur, while risk retention relates to a type of self-insurance against loss.

Business risks include the risk that the company cannot complete its asset conversion cycle effectively, and this may be peculiar to the firm alone or a function of the nature of the firm or its industry. They may relate to raw materials purchase, price, production process, sales process, and collection risk. Raw materials purchase risks involves whether raw materials are purchased directly or through agents, and the delivery, cost implications, as well as things like fashion risk.

Price risk is always a potential problem because of market volatility. The production process portends risk because in converting raw materials into finished salable goods; the work force is often the primary element of risk. The demand of products and services is a critical element of risk as risks are insidious and difficult to spot because they are a function of product or service dynamics that affect the sales process.

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It is argued further that it is not sufficient just to sell the product; the company must also be paid for the cycle to be complete. Collection risk needs to be properly managed to ensure that the company has the required liquidity to avoid losses, bankruptcy and failure. According to Zhang, et al (2013) because of globalization, stiff competition, rapid market changes, higher environmental uncertainty and lower ICT cycle time, risk management is important to eliminate, minimize or transfer of risks of potential loss or damage to the organization.

3. RESEARCH METHODOLOGY

The quantitative technique of the exploratory research design was adopted for the study. The design is historical in nature and does not often require a large sample or a structured questionnaire. Information about enterprise risk management is mostly kept confidential by many organizations mainly because of the challenge of competition. Data used for the study were collected from both secondary and primary sources including journal articles, newspaper reports, risk management reports, books, bank reports, personal interviews, observations, risk surveys among other sources of data. Each data collection method has advantages and disadvantages.

However, the best approach is using multiple methods of collecting data because it offers researchers a chance to cross-check the information obtained through the various methods (Nelson& Quick, 2003). All the public companies quoted on the floor of the Nigerian Stock Exchange (NSE) including banks comprised the population of the study; while all the 24 banks in Nigeria were selected as sample, and First Bank of Nigeria Ltd was used as the unit of study.

The banks were selected as sample, not only because they are more vulnerable to risk than most other companies, but also because they are known to have robust corporate governance frameworks which promote enterprise risk management (Wabara, 2018). For example, First Bank of Nigeria Ltd is over 125 years old in Nigeria and is one of the enterprises reputed for corporate social responsibility and good corporate governance practices and excellent risk management policies.

These arrangements have seen the global enterprise remaining very profitable and sustainable from the last century to the present. Data for the study were analyzed through descriptive and regression techniques. The regression was done using the Statistical Package for the Social Sciences (SPSS). The equation used was $Y = a+b_4$

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Where:

Y = Organizational Sustainability (OGS)

X = Enterprise Risk Management (ERM)

b = Slope of the line

a = Value of Y, when X = O

The square of regression coefficient r^2, provides a measure of the percentage of variability in the values of Y that is explained by the independent variables. The possible values of r^2, range from O to 1.00. The closer r^2, is to 1.00, the greater the percentage of the explained variation. A high value of r^2, of about .80 or more, would indicate that the independent variable is a good predictor of values of the dependent variable of interest. A low value, of about .25 or less, would indicate a poor predictor. Result of the analysis was presented in tables 1-3.

4. PRESENTATION OF RESULT

Table 1: Model Summary[b]

Model	R	R Square	Adjusted R	Std. Error of the Estimate	Durbin-Watson
1	.957[a]	.915	.906	1305.38817	1.896

a. Predictors: (Constant), ERM
b. DependentVariable: OGS

Table 2: ANOVAa

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	332088539.519	2	166044269.759	97.442	.000[b]
	Residual	30672688.993	18	1704038.277		
	Total	362761228.511	20			

a. Predictors: (Constant), ERM
b. DependentVariable: OGS

Table 3:Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interva! For B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
		89.565	403.384		.222	.827	-757.913	937.043
(Constant)		1060.142	1287.22	.127	.824	.421	-1644.212	3764.497
1	ERM	1.955	3	.841	5.437	.000	1.199	2.710
	OGS		.360					

a. Predictors: (Constant), ERM
b. DependentVariable: OGS

4.1. Discussion

The psychometric model in figure 1 showed the relationship between the independent and dependent variables in relation to the research problem. Table 1 showed that the coefficient

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of the model Ris .957 which implies that there is a strong positive relationship between the dependent and independent variables of the study. The coefficient of determination R^2 of .915 showed that the independent variables explain about 91 percent change in the dependent variable.

The goodness-of-fit test of the model is also splendid as the adjusted R^2 is .906. The value of Durbin-Watson is 1.896 that is within the range between 1.5 and 2.5. So it can be stated that there is no autocorrelation among the independent variables of the study. All the factors are positive at 0.05 level of significance. This is the interest of the study. Quality risk management is critical to avoid business failure because significant risks like control risks may not be discovered through the internal audit and control mechanisms.

Therefore, weak risk management situations may be overcome through good corporate governance architecture. The principles of good corporate governance suggest that the BODs of a company has the primary responsibility for the efficient and effective management of the company with the aim to protecting it from the dangers of failure. Risk relates to an uncertain event which would often have a probability of occurrence in the business environment with adverse effect on the operations of the business.

Accordingly, the idea of risk management involves the process of identifying potential risk elements and assessing them in terms of the probability of occurrence and quantifying the impact they might have on the business. Such data will help management to find suitable ways and strategies to be adopted in addressing specific risks like: businessman's risk, control risk, financial risk, credit risk, liquidity risk, among others that often lead to business liquidation.

Risk management enhances the opportunity to change uncertainty into success for the business through the mechanism of constraining threats because managing risk needs a holistic approach since specific risks cannot be managed in isolation from each other. This is so because addressing or managing one specific risk could lead to another risk or have an influence on another risk.

Therefore, active management is necessary in risk management approach so as to exercise a meaningful risk control measure to avoid business failure. Many enterprises have failed in Nigeria and elsewhere due to weak risk management. Such cases make it necessary for management to regard risk management as an important function as a means of remaining in business and also increasing shareholder value and enterprise sustainability.

4.2. Scope for further Study

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Further study should examine the relationship between employee satisfaction and business failure to determine necessary remedies for such situations in Nigeria.

4.3. Recommendations

i. Organizations, dependinguponthe degree of their risk appetite should put proper mechanisms in place to ensure good risk management for the sustainability of the business.

ii. EnterprisesespeciallytheSMEs should cultivate the habit of property insurance as an important measure against the risks of failure.

iii. Organizationscouldreducecontrol risk by effective corporate governance practices, because control risks which often relate to misstatements and errors in financial statements are not easily discovered through the internal control and audit processes.

iv. Effectivebudgetingprocessis critical to guide prudent management of enterprise resource wealth so as to ensure enterprise success and sustainability.

v. Active management isessential to reduce operational risk. The competence of management must not be in doubt but should be demonstrated in significant frequency to avoid business failure.

5. CONCLUSION

A competent audit committee complements the board in the effort to provide necessary incentives to eliminate organizational risks and to increase the opportunities of performance, profitability and organizational sustainability. Therefore, good risk management is seen as crucial in modern enterprise management in order to reduce the rate of organizational misfortune and the possibility of failure.

Risk management is a practice of systematically selecting most effective approaches for minimizing the effect of threat realization to the organization. All risks can never be fully avoided or mitigated because of both financial and practical limitations. In this circumstance, organizations have to accept some levels of residual risks. But competent risk management literature emphasizes that when risks are carelessly or improperly managed or controlled huge losses can befall the organization.

Generally speaking enterprise risk management starts any moment the organization or the BODs analyzes or attempts to quantity the potential for losses in the organization and takes necessary precautionary action to minimize the occurrence of such misfortune. The traditional approach to risk management involves the identification, assessment and prioritization of enterprise risks on organizational original objectives, whether positive or negative, and they are followed by effective management, and economical application of resources to minimize, monitor and control or curtail the possibility of the risk materializing.

The critical idea of enterprise risk management is to reduce all types of risks. Corporate governance and risk minimization help to optimize the goals of the organization. Through effective board leadership and the establishment of risk management environment, management is equipped to exercise adequate oversight to enhance proper risk management through internal control and audit exercises. These controls including external audit help to reduce risks, ensure safety of assets and promote the soundness of financial statements, records and reports.

These provide the framework to enhance internal transparency and accountability necessary to reduce reputation risk and promote public confidence in the organization. The work of the audit committee is essential in a complex organization and it is often designed to reduce fraud risk and other business hazards through internal monitoring and external monitoring activities. Audit committee complements the effort of BODs and management by ensuring that laws, rules and regulations are followed and in compliance with both national and corporate goals.

Major audit functions ensure growth operations, clearly defined reporting lines and performance measurement systems, segregation of duties, and control. Management decision-making as an integral part of modern management aims at both enterprise risk minimization and the optimal achievement of organizational goals and sustainability. The exploratory research design was adopted for the study and the result showed a significant positive relationship between enterprise risk management and organizational sustainability.

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