



The Effect of Enterprise Risk Management Implementation on Company Performance

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Abstract

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This study aims to review the relationship between the implementation of Enterprise Risk Management and company performance through a literature review approach to Google Scholar-indexed empirical articles over the past five years. The results of the literature synthesis show that the application of Enterprise Risk Management in general has a positive effect on profitability, operational efficiency, and company value. Enterprise Risk Management functions not only as a risk control mechanism but also as a strategic tool that can improve the competitiveness, managerial effectiveness, and resilience of organizations in the face of the uncertainty of the business environment. However, the effectiveness of implementing Enterprise Risk Management is highly dependent on internal factors such as the quality of corporate governance, intellectual capital, and risk culture, as well as external factors such as transparency of risk disclosure and dynamic market conditions. In practical terms, the results of this study confirm the importance of integrating Enterprise Risk Management into the company's strategic policies to create sustainable performance. These findings are expected to strengthen the theoretical foundation, contribute to managerial decision-making, and serve as a reference for future empirical research.



1. Introduction

In an era of global uncertainty and increasingly complex business dynamics, the implementation of enterprise risk management (ERM) is an important pillar in maintaining stability and improving organizational performance. Changes in the external environment, including digital disruption, economic fluctuations, as well as global crises such as the COVID-19 pandemic, have demanded that companies develop integrated and adaptive risk management systems. ERM is not just an administrative function, but a strategic framework that integrates risk identification, measurement, mitigation, and monitoring into all aspects of the company's operations (Fitriana & Wardhani, 2020).

Conceptually, ERM acts as a mechanism to create long-term value by helping management allocate resources efficiently in the face of uncertainty. Companies that have a mature risk management system in place can improve decision-making effectiveness, minimize potential losses, and ultimately increase the company's profitability and market value (Saeidi et al., 2021). In the perspective of the Resource-Based View theory, the practice of ERM is considered an intangible resource that provides a competitive advantage because it is difficult for competitors to replicate and is part of the organization's culture that is oriented towards risk management.

A number of empirical studies show that the effective implementation of ERM has a positive impact on financial performance. For example, Fitriana and Wardhani (2020) found that the integration of ERM into business strategies can increase the profitability and operational efficiency of companies in the Southeast Asia region. Similar results were also found by Mutaz et al. (2021), which showed

that the active role of the risk committee contributes significantly to the improvement of a company's financial performance because it encourages cross-departmental coordination in risk management. This research confirms that the existence of an effective risk governance structure is a fundamental element in encouraging the achievement of optimal performance.

Nevertheless, the relationship between ERM and company performance is not always linear. Several studies have found that the results of ERM implementation are highly dependent on the quality of corporate governance as well as organizational characteristics (Chairani & Siregar, 2021). For example, the effectiveness of ERM will decrease if the internal oversight structure is weak or if the risk culture is not embedded at all levels of management. In this context, intellectual capital also plays an important role as a mediating variable that strengthens the relationship between ERM and company performance (Saeidi et al., 2021). The knowledge capabilities, innovation, and analytical capabilities of managers are proven to magnify the strategic benefits of ERM implementation.

In addition to internal factors, risk disclosure also affects the company's performance. Iswajuni et al. (2018) found that transparent disclosure of ERM in annual reports is able to increase investor confidence and improve market perception of company value. These findings are consistent with Signalling theory, which states that open communication regarding risk management practices is a positive signal for stakeholders.

This research period, which is in the last five years, provides a unique context in which the effectiveness of ERM was tested in conditions of extreme uncertainty

due to the pandemic. Dinoyu and Septiani (2020) highlight that companies with mature ERM systems show higher resilience to economic shocks than companies without a structured risk management system. These results reinforce the view that ERM is not just a formal compliance, but a managerial instrument that has a real impact on the stability and performance of the company.

Based on the literature review, it can be concluded that the consistent implementation of ERM has the potential to improve company performance, although the strength of the relationship depends on supporting variables such as governance, risk culture, and intellectual capital. This study aims to review the relationship between risk management and company performance through a literature review approach, focusing on the empirical results of the last five years' publications. This analysis is expected to broaden theoretical understanding and make a practical contribution to the development of strategic risk management policies in the post-pandemic era.

2. Literature Review

2.1. Enterprise Risk Management and Corporate Performance

The implementation of Enterprise Risk Management (ERM) plays an important role in maintaining stability and improving organizational performance in the midst of a dynamic business environment. ERM serves as an integrated system for identifying, assessing, and responding to risks across the company's lines. This concept emphasizes that risk management is not only reactive to threats, but also

proactive in managing strategic opportunities that can create added value for the company (Fitriana & Wardhani, 2020).

In an empirical context, a number of studies have shown a positive relationship between ERM and financial performance. Saeidi et al. (2021) found that companies with strong ERM implementations experienced increased Return on Assets (ROA) and higher operational efficiency compared to companies that did not have an integrated risk system. These results show that ERM is able to increase competitive advantage by improving decision-making and strengthening coordination between parts of the organization.

However, the effectiveness of ERM is highly dependent on structural support and risk culture within the company. Chairani and Siregar (2021) highlight that the implementation of ERM that is not accompanied by good corporate governance tends to have a limited impact on performance. Thus, the success of ERM implementation is determined not only by formal processes, but also by managerial commitment and quality of risk communication at all levels of the organization.

2.2. Moderation and Mediation Factors in the ERM–Performance Relationship

The relationship between Enterprise Risk Management (ERM) and company performance is often not direct, but rather influenced by moderation and mediation factors. One of the variables that is widely discussed is intellectual capital, which includes managerial skills, innovation, and organizational knowledge. Saeidi et al. (2021) show that intellectual capital amplifies the impact of ERM on performance

because it improves companies' ability to identify, manage, and utilize risk information effectively.

In addition, corporate governance plays an important moderation factor. Chairani and Siregar (2021) emphasized that the structure of the board of directors, the existence of the risk committee, and the quality of internal supervision affect the effectiveness of ERM. When governance mechanisms work well, risk management becomes more transparent and accountable, thereby increasing investor confidence and financial performance.

Research by Iswajuni et al. (2018) added that open risk disclosure can strengthen the positive relationship between ERM and performance by creating a positive perception in the market. These findings support the Signalling theory, where the disclosure of risk information is a signal of the integrity and readiness of the company in the face of uncertainty. Thus, mediating variables such as intellectual capital and corporate governance play an important role in ensuring the success of ERM towards the achievement of organizational performance.

3. Methods

This study uses a literature review approach to examine the relationship between Enterprise Risk Management (ERM) and company performance. This method was chosen because it is in accordance with the research objective, which is to synthesize the empirical results that have been published over the last five-year period and provide a comprehensive picture of the direction of the relationship between the two variables. This approach allows researchers to identify patterns,

differences in outcomes, as well as research gaps from the existing literature without conducting primary data collection.

The first stage was carried out by a systematic literature search on Google Scholar-indexed databases using the keywords "Enterprise Risk Management", "Risk Management", "Firm Performance", and "Financial Performance". The selected articles meet the inclusion criteria: (1) published within the last five years, (2) sourced from indexed scientific journals, and (3) explicitly discuss the influence of ERM on company performance. Articles that are conceptual in nature without empirical data or are outside the research period are excluded from the analysis.

The next stage is content analysis of articles that pass the selection. This analysis includes the identification of the research objectives, methodological design, variables used, as well as the main findings of each study. For example, Fitriana and Wardhani (2020) measured company performance based on Return on Assets (ROA), while Iswajuni et al. (2018) assesses the influence of ERM disclosure on company value. These differences in indicators help to understand the diversity of approaches in measuring the impact of ERM. The analysis process is carried out by extracting relevant qualitative and quantitative data to be synthesized into a thematic form.

To maintain validity and reliability, each article is evaluated based on journal quality, number of citations, and contextuality with the research objectives. Furthermore, the findings are organized into three main themes: (1) the direct relationship between ERM and performance, (2) mediation and moderation factors such as intellectual capital and corporate governance, and (3) variation in results

between industries. This approach allows researchers to explore how ERM plays a strategic role in improving company performance as well as providing recommendations for future research directions. Thus, this literature study method results in a comprehensive understanding that is integrated between theory and the latest empirical evidence.

4. Results

The results of analysis from various Google Scholar-indexed studies over the past five years show that the relationship between the implementation of Enterprise Risk Management (ERM) and company performance tends to be positive and significant, although in some contexts there are differences in the level of influence influenced by internal and external organizational factors. In general, the results of the study indicate that the implementation of good ERM can improve operational efficiency, strengthen adaptability to changes in the business environment, and increase the company's profitability.

Table 1 Research Gap: The Relationship between Enterprise Risk Management (ERM) and Corporate Performance

Yes	Author (Year)	Title	Conclusion / Comparison (Research Gap)
1	1	Fitriana & Wardhani (2020)	The Effect of Enterprise Risk Management and Sustainability Reporting Quality on Performance: Evidence from Southeast Asia

2	2	Dinoyu & Septiani (2020)	Analisis Pengaruh Implementasi Enterprise Risk Management terhadap Kinerja dan Nilai Perusahaan
3	3	Pristianingrum et al. (2018)	Institutional Ownership Strengthens the Relationship Between Risk Management Disclosure and Firm Performance
4	4	Chairani & Siregar (2021)	The Effect of Enterprise Risk Management on Financial Performance and Firm Value
5	5	Saeidi et al. (2021)	The Influence of Enterprise Risk Management on Firm Performance with the Moderating Effect of Intellectual Capital Dimensions
6	6	Mutaz et al. (2021)	Pengaruh Enterprise Risk Management terhadap Kinerja Keuangan Perusahaan
7	7	Savitri et al. (2020)	Enterprise risk-based management disclosures and firm value of Indonesian finance companies
8	8	Iswajuni et al. (2018)	Pengaruh enterprise risk management (erm) terhadap nilai perusahaan pada perusahaan manufaktur yang terdaftar di bursa efek

9	9	Trisdia & Nyoman (2018)	Institutional ownership Capability in moderated disclosure effect of Enterprise risk management, intellectual capital, and corporate social responsibility on firm value
10	10	Cahyaningtyas & Sasanti (2019)*	Penerapan Manajemen Risiko dan Good Corporate Governance terhadap Kinerja Perusahaan Perbankan

Based on table 1, one of the important studies by Fitriana and Wardhani (2020) found that the integration of ERM in corporate strategy has a significant impact on the company's profitability and market value. The study used a sample of public companies in the Southeast Asian region and showed that companies with a mature ERM system have a higher Return on Assets (ROA) and lower profit volatility than companies that have not implemented comprehensive risk management. These findings support the view that ERM serves as a strategic tool to strengthen a company's resilience to economic uncertainty.

Another study by Saeidi et al. (2021) also confirmed this positive relationship, highlighting the role of intellectual capital as a mediating factor between ERM and company performance. Intellectual capital dimensions such as organizational knowledge, innovation, and managerial skills have been proven to strengthen the effectiveness of ERM. Empirical results show that companies with high levels of intellectual capital are better able to use ERM systems to improve information-

driven decision-making and create long-term added value. In other words, ERM becomes more effective when it is supported by superior human resource capabilities.

Furthermore, Chairani and Siregar (2021) stated that the effectiveness of ERM is greatly influenced by the quality of corporate governance. In its research on companies listed on the Indonesia Stock Exchange, it was found that the structure of the board of directors, the existence of a risk committee, and the transparency of risk reporting serve as important moderation variables that determine the extent to which ERM can improve performance. Companies with good governance tend to implement ERM more comprehensively and disciplined, so the results are more pronounced in the form of more stable financial performance and increased investor confidence. On the other hand, ERM which is only an administrative formality without strong governance support does not yield significant results.

Research by Iswajuni et al. (2018) also shows results in line with Chairani and Siregar, namely that risk disclosure plays a crucial role in strengthening the ERM-performance relationship. Using a sample of manufacturing companies listed on the Indonesia Stock Exchange, the study found that the level of disclosure of risk-related information had a positive correlation with financial performance and market perception. This supports the Signalling theory, which explains that transparent disclosure of risk gives investors a positive signal about a company's readiness to deal with uncertainty. Therefore, companies that actively report risk management activities usually have a better reputation and a higher market value.

A study conducted by Mutaz et al. (2021) adds a structural perspective to this relationship by showing that the frequency of risk committee meetings and management's participation in the risk assessment process significantly affects the improvement of financial performance. This research shows that institutional mechanisms such as risk committees can be an important driver in ensuring that ERM runs effectively at the implementation level. The more often the risk committee holds meetings and updates to the risk matrix, the greater the company's ability to anticipate potential threats that could degrade financial performance.

In terms of external influences, Dinoyu and Septiani (2020) highlighted that companies with mature ERM systems show higher resilience to economic shocks caused by the COVID-19 pandemic. Through a case study approach to the manufacturing sector, the results of this study show that ERM helps companies balance operational and financial risks under extreme conditions. Companies that have developed early warning systems and data-driven risk assessments are able to reduce potential losses and maintain profit stability, even in the face of major disruptions in global markets.

Meanwhile, Trisdia and Nyoman (2018) emphasized the importance of institutional ownership as a factor that strengthens the relationship between risk disclosure and company performance. In the context of public corporate governance, institutional ownership encourages transparency and accountability in the implementation of ERM. This study found that companies with high levels of institutional ownership tend to have more disciplined risk management and have a positive impact on profitability and company value.

From the point of view of industry variation, Savitri et al. (2020) show that the relationship between ERM and performance is not homogeneous across sectors. In their study on manufacturing companies listed on the Indonesia Stock Exchange, it was found that the influence of ERM on performance tends to be stronger in large companies with complex risk structures than in small or medium-sized companies. This is because the wide scale of operations allows for the implementation of a more formal and systematic ERM system. On the other hand, small companies often have limited resources so that the implementation of ERM has not been maximized.

In addition, Sudiyatno et al. (2018) found that effective risk management is able to improve financial policies such as dividend distribution and investment policies, which in turn improves long-term performance. Thus, ERM not only has an impact on the operational aspect, but also has implications for the company's financial strategy.

Research by Pristianingrum et al. (2018) reinforces these findings by highlighting the relationship between ERM disclosure and firm performance through the role of institutional ownership moderation. They found that a high level of risk transparency was able to attract institutional investors, which in turn strengthened supervisory and managerial performance. This shows that the benefits of ERM are not only internal but also external, through increased reputation and market trust.

In general, the results of the synthesis of the thirteen articles show three main patterns of findings. First, the majority of studies found a significant positive relationship between the implementation of ERM and improved financial

performance of companies. This is supported by empirical evidence showing that ERM improves efficiency, cost control, and data-driven decision-making (Mutaz et al., 2021). Second, the effectiveness of this relationship is greatly influenced by mediation and moderation variables such as intellectual capital, corporate governance, and institutional ownership (Trisdia & Nyoman, 2018). Third, the impact of ERM varies between industries depending on the complexity of risk and the level of adoption of risk management systems (Savitri et al., 2020).

In addition to providing strong empirical evidence, the literature also highlights some limitations that need to be noted. For example, some studies still use a cross-sectional design, so the causal relationship between ERM and performance cannot be fully ascertained (Chairani & Siregar, 2021). In addition, the performance indicators used vary between studies ranging from ROA, ROE, to Tobin's Q which can affect the results of statistical testing. Some studies such as Iswajuni et al. (2018) also underlines the importance of expanding the measurement approach to include non-financial dimensions such as sustainability performance and corporate reputation.

However, the overall results of the study show a consistent direction: the higher the quality of ERM implementation, the better the company's performance. This indicates that risk management is not only a defensive tool, but also an offensive strategy in creating long-term company value. The integration of ERM in the strategic planning process helps organizations recognize growth opportunities while systematically preparing for risk mitigation. Thus, ERM doubles as a control and innovation tool in a high-risk business environment.

The findings are also relevant for policymakers and business practitioners. For public companies, these results emphasize the importance of developing a comprehensive risk disclosure policy and involving stakeholders in every stage of ERM implementation. Meanwhile, for regulators, the results of this research can be used as a basis to strengthen corporate supervision and transparency policies. Overall, the results of this literature study confirm that Enterprise Risk Management plays a key role in improving organizational performance in the midst of global uncertainty.

5. Discussion

The results of the synthesis of various studies show that the implementation of Enterprise Risk Management (ERM) consistently contributes positively to improving company performance, both from the financial and non-financial sides. These findings reinforce the view that ERM is not just a risk control tool, but a strategic component in effective corporate governance. Theoretically, these results are in line with the Resource-Based View, where a company's ability to manage risk is seen as an intangible resource that can create a sustainable competitive advantage (Fitriana & Wardhani, 2020). The implementation of ERM allows companies to respond to market dynamics adaptively and minimize potential losses that can disrupt business sustainability.

Nevertheless, the positive relationship between ERM and company performance is not universal. Several studies such as those conducted by Chairani and Siregar (2021) confirm that the effectiveness of ERM is highly dependent on the

quality of governance and organizational risk culture. Without a robust monitoring system, the implementation of ERM risks becoming just an administrative formality without having a real impact on performance improvement. This condition is often found in companies that have not instilled risk awareness across the management line. Therefore, the success of ERM requires a long-term commitment from the board of directors and top management to integrate risk management into the strategic decision-making process.

From the external side, Iswajuni et al. (2018) shows that transparency through risk disclosure plays an important role in strengthening the relationship between ERM and performance. The disclosure of information about risks is considered a positive signal for investors and stakeholders, thereby increasing the reputation and market trust in the company. This is in line with Signalling Theory, which states that honest and comprehensive risk communication can improve market perception and expand access to capital.

Mediation factors such as intellectual capital are also an important highlight. Saeidi et al. (2021) suggest that organizations with knowledgeable human resources and high innovative capabilities are able to optimize the benefits of ERM to greater than companies with limited capabilities. Thus, ERM works more effectively when supported by qualified internal resources in managing knowledge and making data-driven decisions. Meanwhile, Mutaz et al. (2021) emphasized the importance of the existence of an active risk committee as part of the ERM implementation mechanism. This committee plays a role in ensuring that every risk policy is implemented in a disciplined and sustainable manner across all work units.

Overall, this discussion emphasized that the success of ERM implementation is determined by a combination of structural factors (governance and risk committees), cultural factors (risk culture and managerial commitment), and capability factors (intellectual capital and information disclosure). In the context of increasing global uncertainty, companies that are able to integrate all three dimensions will be superior in maintaining performance stability and increasing long-term competitiveness. Therefore, strengthening ERM should be viewed not only as a regulatory obligation, but as a corporate strategy oriented towards sustainability and organizational added value.

6. Conclusion

Based on the results of the literature synthesis over the last five years, it can be concluded that the implementation of Enterprise Risk Management (ERM) has a positive influence on company performance. ERM has proven to be a strategic instrument that helps organizations identify, assess, and control risks in an integrated manner, thereby improving operational effectiveness and financial stability. Research results from various contexts show that companies with strong ERM systems generally have higher profitability, better resource efficiency, and greater resilience to market uncertainty. However, the effectiveness of ERM is highly dependent on several supporting factors.

The quality of corporate governance, intellectual capital, risk culture, and the level of information disclosure have been proven to influence the strength of the relationship between ERM and performance. Thus, the implementation of ERM

cannot be seen as a mere administrative process, but rather as a management strategy that must be accompanied by organizational commitment on all fronts. This research also affirms the importance of the role of ERM in dealing with the era of disruption and global crisis. For practitioners and policymakers, these findings serve as a basis for strengthening risk policies and corporate governance. In the future, the development of further research is needed by expanding the cross-industry sample so that the understanding of the relationship between ERM and performance can be more comprehensive and applicable.

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