

FACTORS INFLUENCING ENTERPRISE RISK MANAGEMENT (ERM) ADOPTION BY UNIVERSAL BANKS IN GHANA.

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Abstract

Identifying the right mix of Enterprise Risk Management (ERM) adoption factors enhances a bank's resiliency and efficiency particularly in times of financial distress. This study seeks to identify the best factors that influence successful ERM adoption by banks by examining relationships between composite factors of technical, organizational, environmental, as well as risk appetite and ERM adoption. The study's conceptual model was used to test the relationships between relative advantage, ease of use, operational competence, employee collaboration, customer and regulatory pressures and competitive intensity as elements of identified composite factors and ERM adoption. Additionally, the moderation effect of risk appetite on the relationships between factors influencing ERM in banks and ERM adoption was highlighted. The research findings agree with literature that relative advantage, ease of use, customer pressure, and competitive intensity all had significant positive effects on a bank's ERM adoption, whilst a positive risk appetite interactive effect was also attained between relative advantage, operational competence, and competitive intensity and ERM adoption. The research employed a mixed method approach comprising survey research and a case study to deal with its quantitative and qualitative aspects. Partial Least Squares (PLS) was applied to test hypotheses on data collected from 21 banks, whilst a case study was performed on one indigenous and one foreign controlled bank to further explain the phenomenon of ERM adoption in banks. Finally, significant differences and similarities between indigenous and a foreign controlled bank in the ERM adoption process were shared. The research concludes that a bank's ERM adoption process should of necessity include risk appetite for effectiveness in the ever-evolving banking industry.

Keywords: Competitive Advantage; Enterprise Risk Management (ERM); Enterprise Risk Management (ERM) Adoption; Operational Resilience; Risk appetite.