The Influence of Enterprise Risk Management on Firm Performance Measured by the Balanced Scorecard: Evidence from SMEs in Southern Thailand

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ABSTRACT

Even though enterprise risk management (ERM) has been extensively studied in recent years, the influence of ERM on firm performance in small and medium enterprises (SMEs) and its benefits to them has been little studied in emerging countries. Therefore, the main objectives of the study reported were to (1) investigate the extent and level of ERM among SMEs in southern Thailand, and (2) test for the influence of ERM on firm performance measured by the balanced scorecard (BSC) of SMEs. Using a mailed questionnaire, a sample of 385 (out of 394) SMEs from southern Thailand were analyzed. Descriptive analysis, a correlation matrix, and multiple regression were used to analyze the data obtained. From the results, the most common element of ERM employed was information and communication followed by control activities, monitoring, risk response, internal environment, event identification, objective setting, and risk assessment. Moreover, objective setting, risk assessment, control activities, and monitoring were found to significantly and positively influence SMEs’ performance measured by BSC while event identification had a negative influence on SMEs’ performance. The study demonstrates that SMEs in developing countries can benefit from the adoption of ERM in the same way as large firms in developed countries.

Keywords: Enterprise risk management, Firm performance, Balanced scorecard, SMEs, Southern Thailand