IMPLEMENTATION OF BUSINESS INTERRUPTION INSURANCE IN SMES: RELEVANCE OF ERM AND CORPORATE GOVERNANCE

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AGENDA

MOTIVATION
FOR RESEARCH

RESEARCH METHODOLOGY

RESEARCH AIM
& QUESTIONS

EMPIRICAL FINDINGS
& CONCLUSION

LITERATURE
& CONCEPTUAL MODEL

LIMITATIONS
& FURTHER RESEARCH

MOTIVATION FOR RESEARCH

- SMEs are less resilient due to the limited tangible assets, dependence on neighbourhood customers and limited slack resources.

- Shortage of research concerning the current state of BI application and its implementation barriers in SME

- Lack of practical frameworks for evaluating how the ERM – corporate governance concepts will influence the BI adoption in SMEs

- No studies directly investigating the ERM - Corporate Governance - BI relationship in German and Polish SMEs
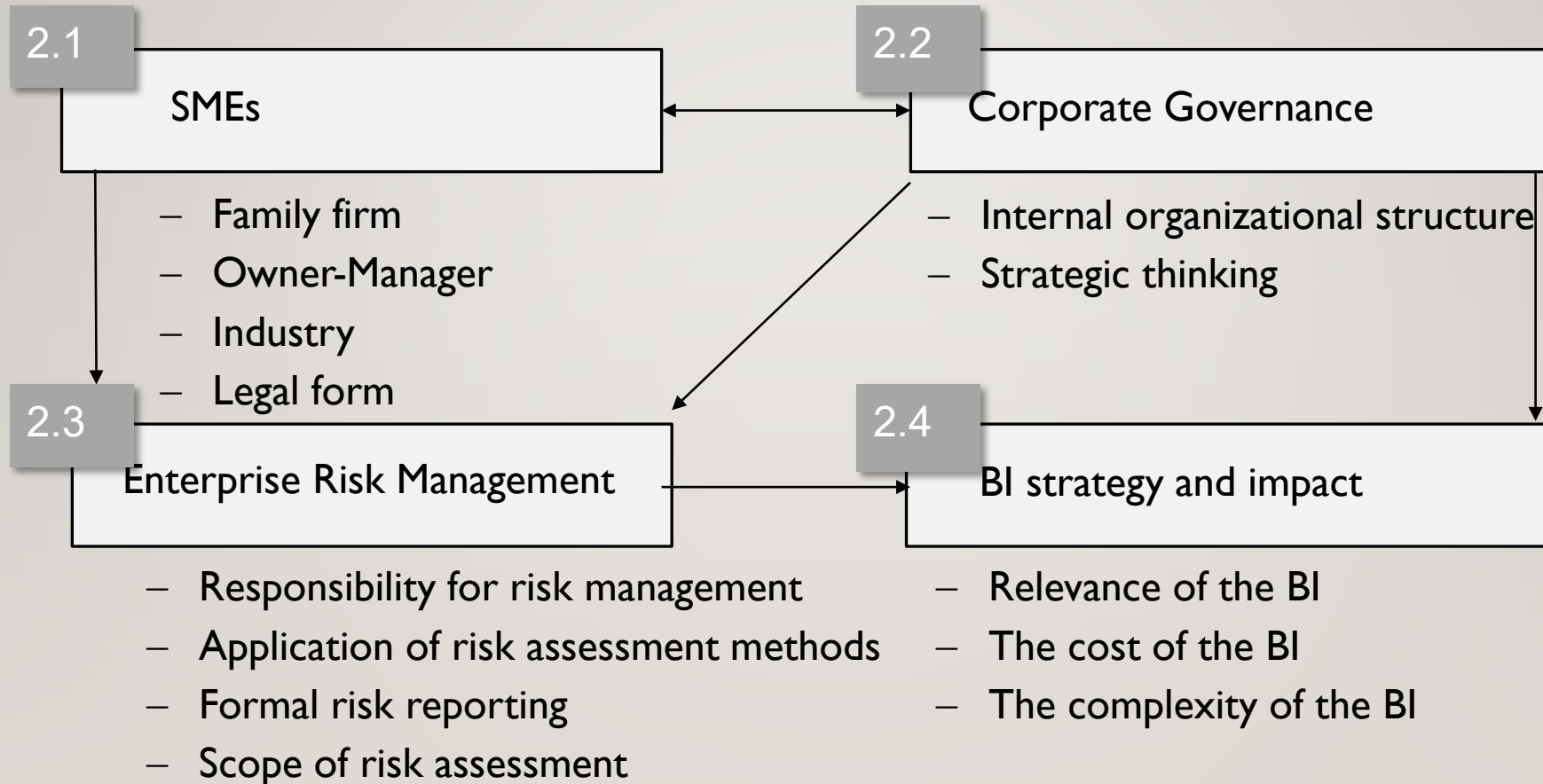
RESEARCH AIM & QUESTIONS

Research aim: SMEs are regarded as particularly vulnerable to the consequences of external shocks. BI is seen as an important enabler for resilience-oriented strategies. There is a need for studies that help to understand what drives their interest in BI cover, and what is the role of ERM and corporate governance is this regard.

Research questions:

(1) What are the relevant barriers to the wider implementation of BI in SMEs?

(2) Can a sophisticated ERM and governance maturity improve a firm's adoption of BI?

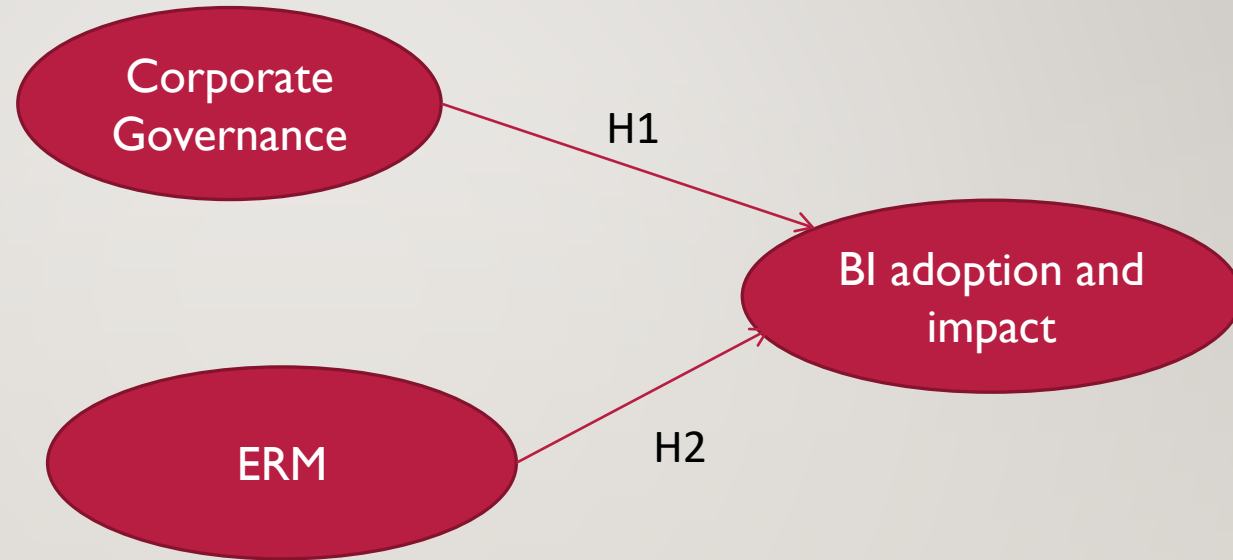(3) What effect does the insurance literacy of the owner-manager have on the BI sophistication of SMEs?

LITERATURE REVIEW

2.1

SMEs

- Family firm
- Owner-Manager
- Industry
- Legal form

2.2

Corporate Governance

- Internal organizational structure
- Strategic thinking

2.3

Enterprise Risk Management

- Responsibility for risk management
- Application of risk assessment methods
- Formal risk reporting
- Scope of risk assessment

2.4

BI strategy and impact

- Relevance of the BI
- The cost of the BI
- The complexity of the BI

CONCEPTUAL MODEL

H1: Corporate Governance will be positively related to BI adoption and impact
H2: ERM will be positively related to BI adoption and impact

RESEARCH METHODOLOGY

Approach of data collection:

- *Questionnaire* to SMEs in Germany and Poland
    - Development of online-questionnaire with email-link to participants

- *Sample construction*
    - Creditreform and Firmenwissen databases for Germany, for Poland own database by professional survey agency.
    - Cluster sampling; a total of 4,460 German and 4,200 Polish enterprises with the number of employees covered by the EU definition were selected.
    - For processing the statistical operations the software packages SPSS was used.

- *Responses*
    - The survey rendered 453 (German) and 526 (Polish) eligible responses, which translates to a final response rate of 9.9 per cent and 12.5 percent respectively.
    - *Non-response bias test and robustness tests provided no concerns*

DEMOGRAPHIC PROFILE OF RESPONDENTS

Variables		Germany		Poland	
		N	%	N	%
In total		215	100.00%	526	100.00%
Size	micro	41	19.07%	181	34.41%
	small	147	68.37%	206	39.16%
	medium	27	12.56%	139	26.43%
Age	infant	15	6.98%	86	16.35%
	young	32	14.88%	137	26.05%
	intermediate	53	24.65%	185	35.17%
	mature	115	53.49%	118	22.43%
Legal form	SP	23	10.70%	195	37.07%
	P-personal	67	31.16%	77	14.64%
	P-capital	125	58.14%	254	48.29%
Family business	Fam	125	58.14%	167	31.75%
	N-Fam	90	41.86%	359	68.25%
Sector	trade	36	16.74%	95	18.06%
	production	45	20.93%	198	37.64%
	services	134	62.33%	233	44.30%
In total		215	100.00%	526	100.00%

Note: .

EMPIRICAL FINDINGS – BI PERCEPTIONS (I)

Panel A. Relevance of the BI Insurance ("Business interruption insurance is a relevant component of our insurance program")
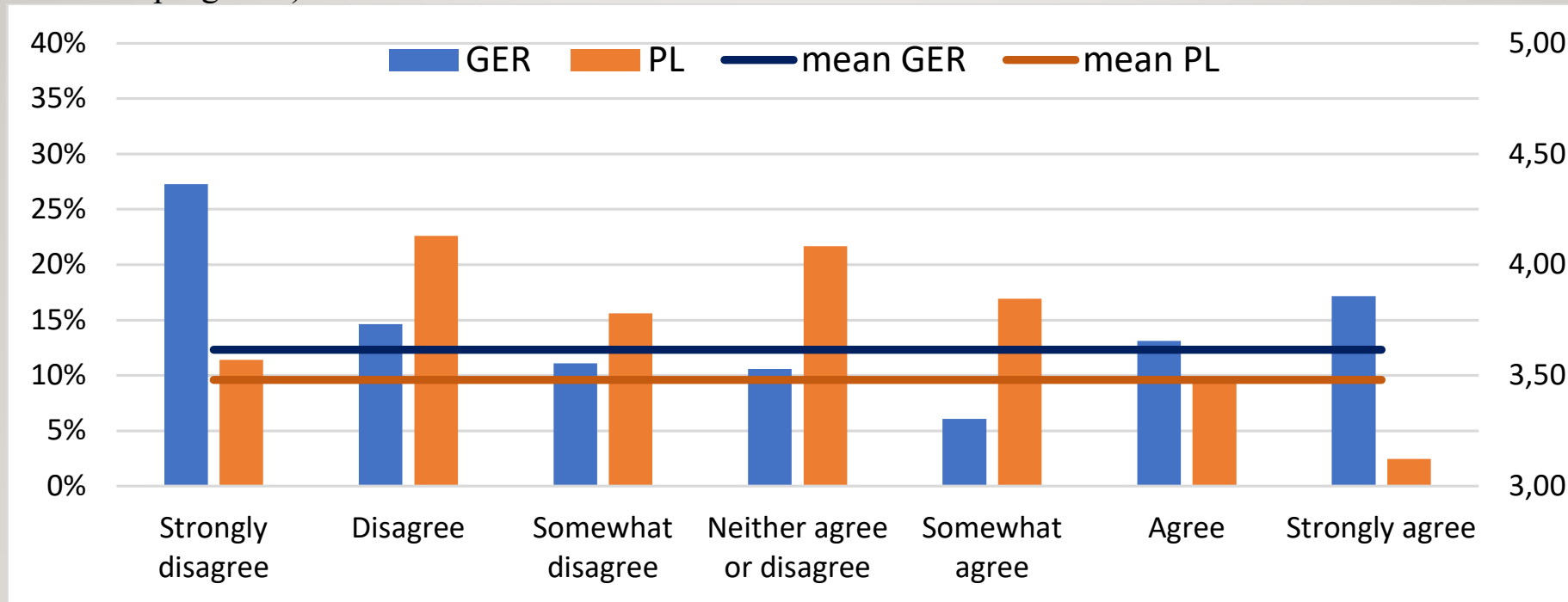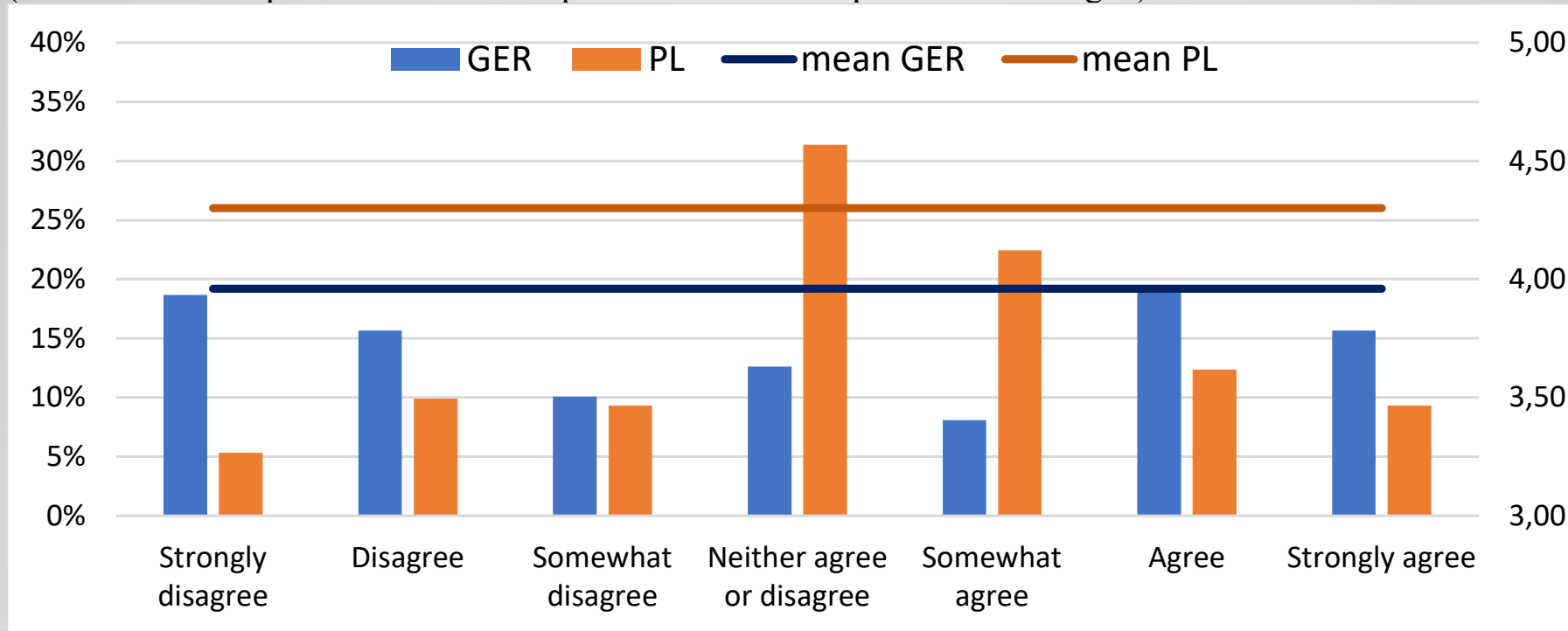
EMPIRICAL FINDINGS – BI PERCEPTIONS (2)

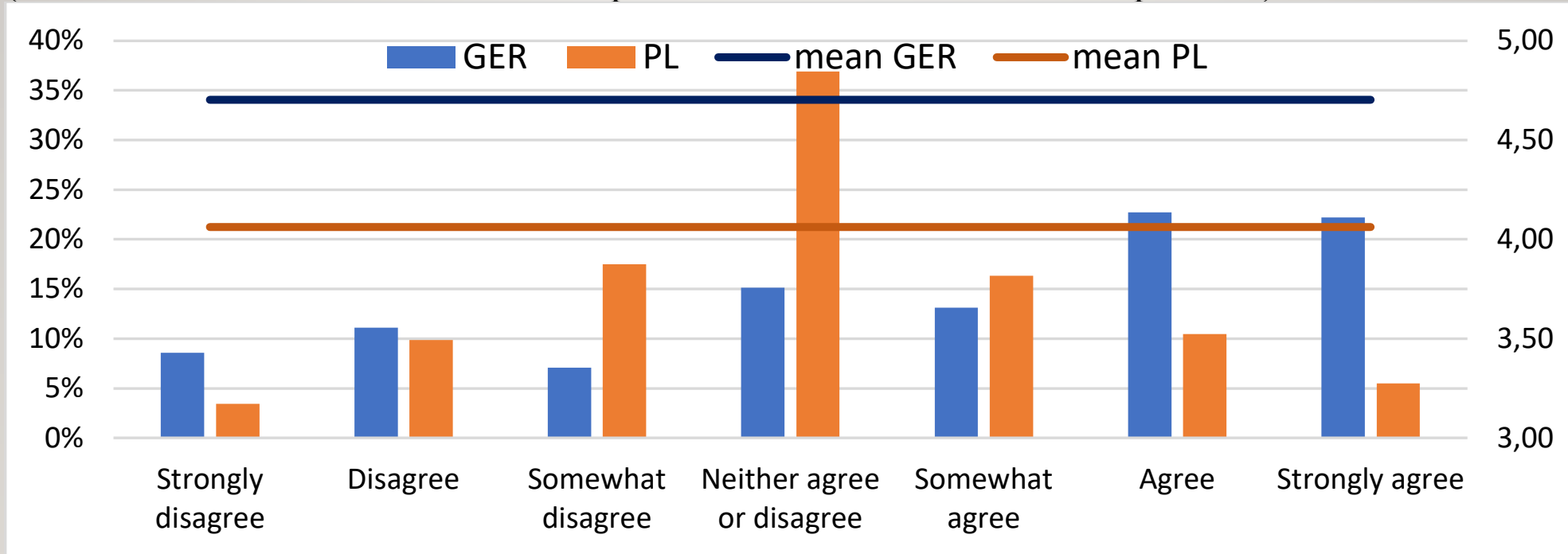Panel B. Cost of the BI Insurance
("Business interruption insurance is expensive – insurance premiums are high")

EMPIRICAL FINDINGS – BI PERCEPTIONS (3)

Panel C. Complexity of the BI insurance
("Terms and conditions of business interruption insurance are difficult and complicated")

EMPIRICAL FINDINGS – ERM SOPHISTICATION

Table 5. Low vs High RM sophistication & BI perceptions

	Relevance		Cost		Complexity
U-Mann Whithey	48605,50		54294,00		62527,00
W Wilcoxon	117240,50		122929,00		121180,00
Z	-5,421		-3,327		-0,277
p-value	0,000	***	0,001	***	0,782
Mean ranks of U-Mann Whitney					
LOW	316,87		332,24		358,51
HIGH	399,38		382,75		354,33

EMPIRICAL FINDINGS – CG SOPHISTICATION

Table 6. Low vs High CG sophistication & BI perceptions

	Relevance	Cost	Complexity
U-Mann Whitney	50582,50	56986,50	58088,00
W Wilcoxon	92777,50	99181,50	100283,00
Z	-3,557	-1,112	-0,693
p-value	0,000 ***	0,266	0,488
Mean ranks of U-Mann Whitney			
LOW	319,92	342,01	345,80
HIGH	374,52	359,02	356,35

CONCLUSION

•Our hypothesis that ERM and CG sophistication could be influential on the perceptions of BI relevance, cost and sophistication is partially confirmed.

•The results of our survey on German and Polish SMEs indicate that the greater sophistication of ERM and corporate governance was related to the assertations on higher relevance of the BI.

•This initial research model might be a good starting point for developing more comprehensive frameworks for the evaluation of BI, ERM and corporate governance systems in SMEs.

LIMITATIONS & FURTHER RESEARCH

Limitations

- Cross-sectional research design

- Potential self-presentation bias

Further research

- Uncovering which particular ERM practices and corporate governance features are linked to the perceptions of the relevance, cost and complexity of the BI in SMEs.

- Application of our findings to SMEs in other cultural contexts?

TIME FOR YOUR QUESTIONS