

# THE ROLE OF ERM AND CORPORATE GOVERNANCE IN MANAGING COVID-19 IMPACTS: SMES PERSPECTIVE

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# AGENDA

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MOTIVATION FOR  
RESEARCH



RESEARCH METHODOLOGY



RESEARCH AIM  
& QUESTIONS



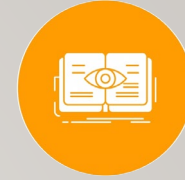
EMPIRICAL FINDINGS  
& CONCLUSION



LITERATURE &  
CONCEPTUAL MODEL



LIMITATIONS &  
FURTHER RESEARCH



# MOTIVATION FOR RESEARCH

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- Shortage of research concerning the current state of enterprise risk management (ERM) implementation in SMEs
- Lack of practical frameworks for evaluating the ERM – corporate governance relationship in SMEs
- No studies directly investigating the ERM - Corporate Governance relationship in German and Polish SMEs
- The most frequent causes of insolvency of SMEs are management errors and lack of appropriate risk awareness and governance issues



# RESEARCH AIM & QUESTIONS

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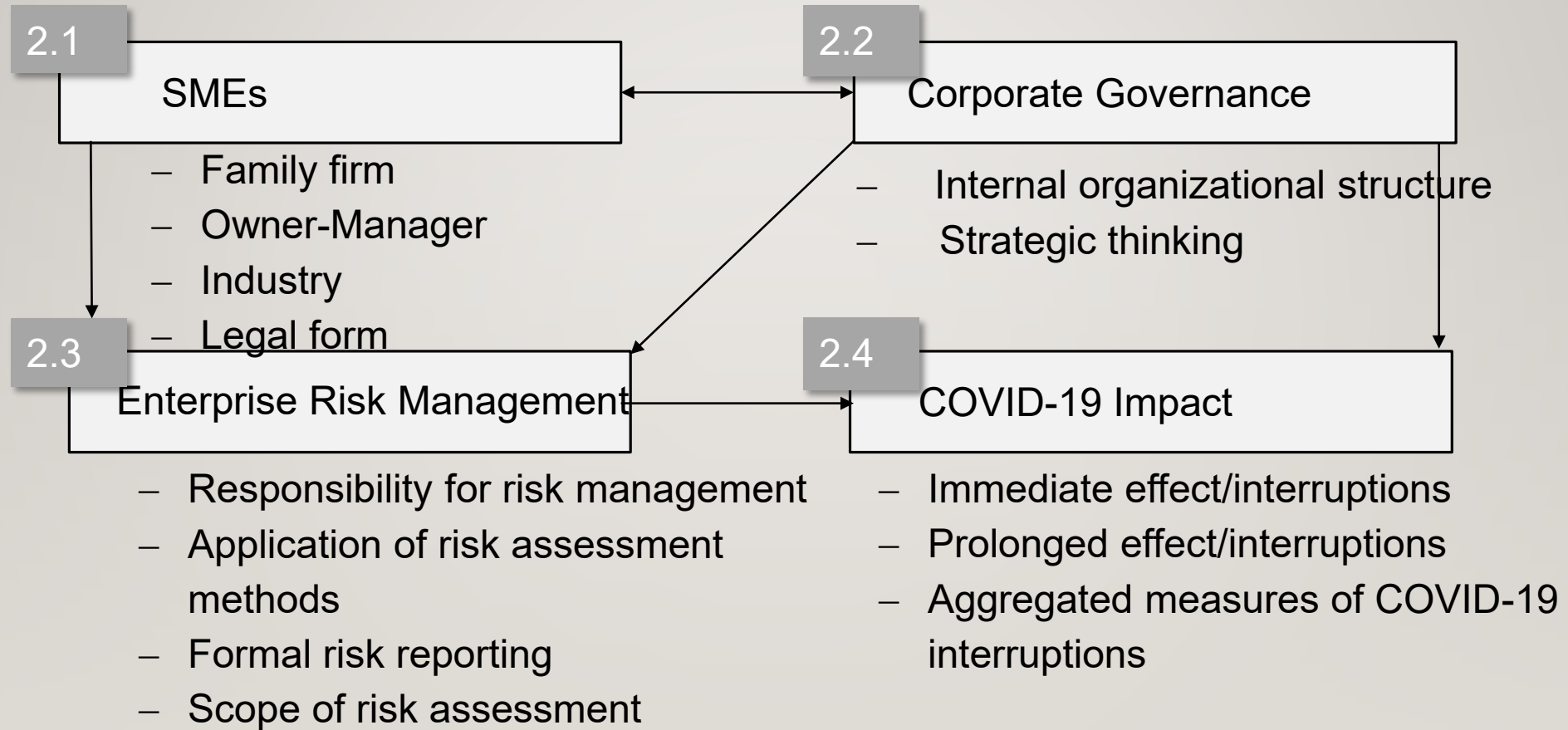
**Research aim:** SMEs are overall perceived as more exposed to the negative consequences of the external shocks. Thus, the aim of our work is to examine whether the ERM sophistication or corporate governance mechanisms could be relevant in resistance to COVID-19 shock.

**Research questions:**

- (1) What are the significant components for a successful ERM in SMEs for lessening the COVID-19 impacts and interruptions?
- (2) Can a sophisticated ERM improve a firm's governance mechanisms?
- (3) What effect does the risk attitude of the owner-manager have on the ERM sophistication of SMEs?

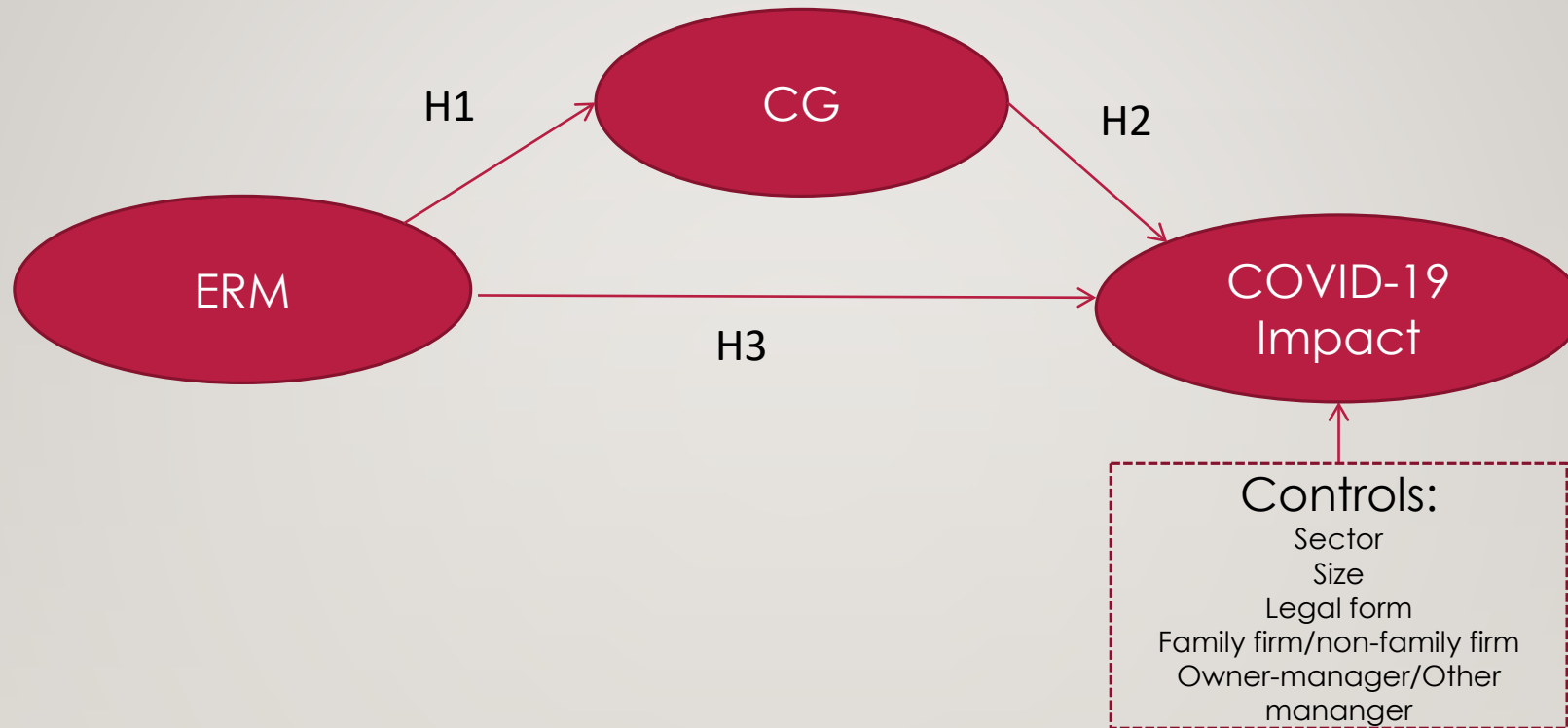


# LITERATURE REVIEW





# CONCEPTUAL MODEL



H1: ERM will be positively related to governance mechanisms

H2: Strength of corporate governance mechanisms will lower the COVID-19 interruptions

H3: ERM sophistication will lower the COVID-19 impacts



# RESEARCH METHODOLOGY 1/2

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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 and AMOS were 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*

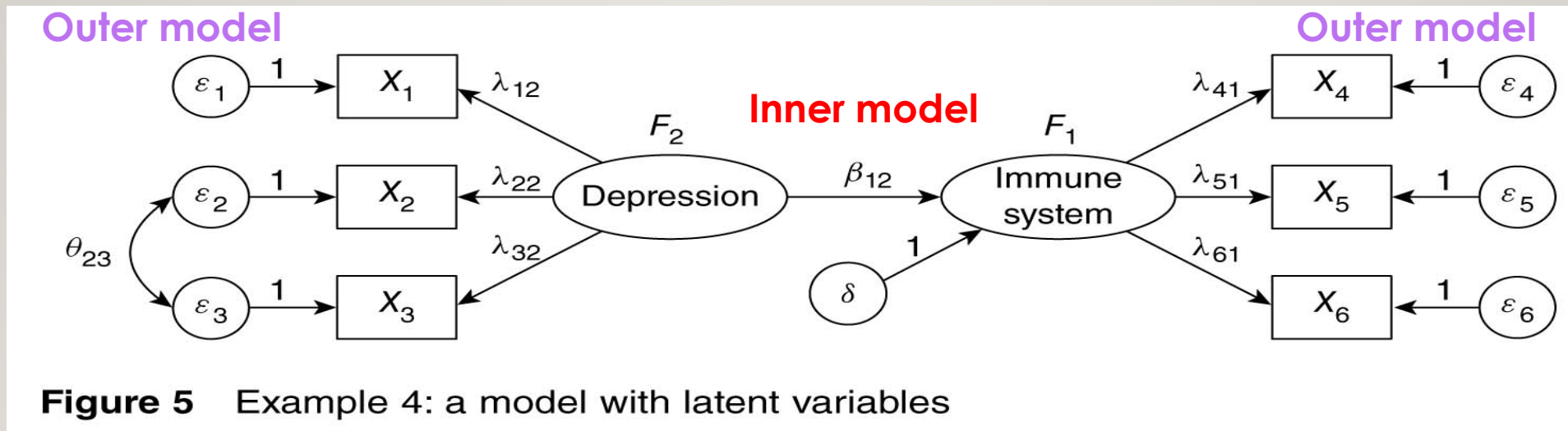


# RESEARCH METHODOLOGY 2/2

**Structural Equation Modeling is a two step process:**

1. Determination of Measurement model (**outer model**) – Confirmatory factor analysis
2. Determination of Structural model with hypotheses testing (**inner model**) – Regression model

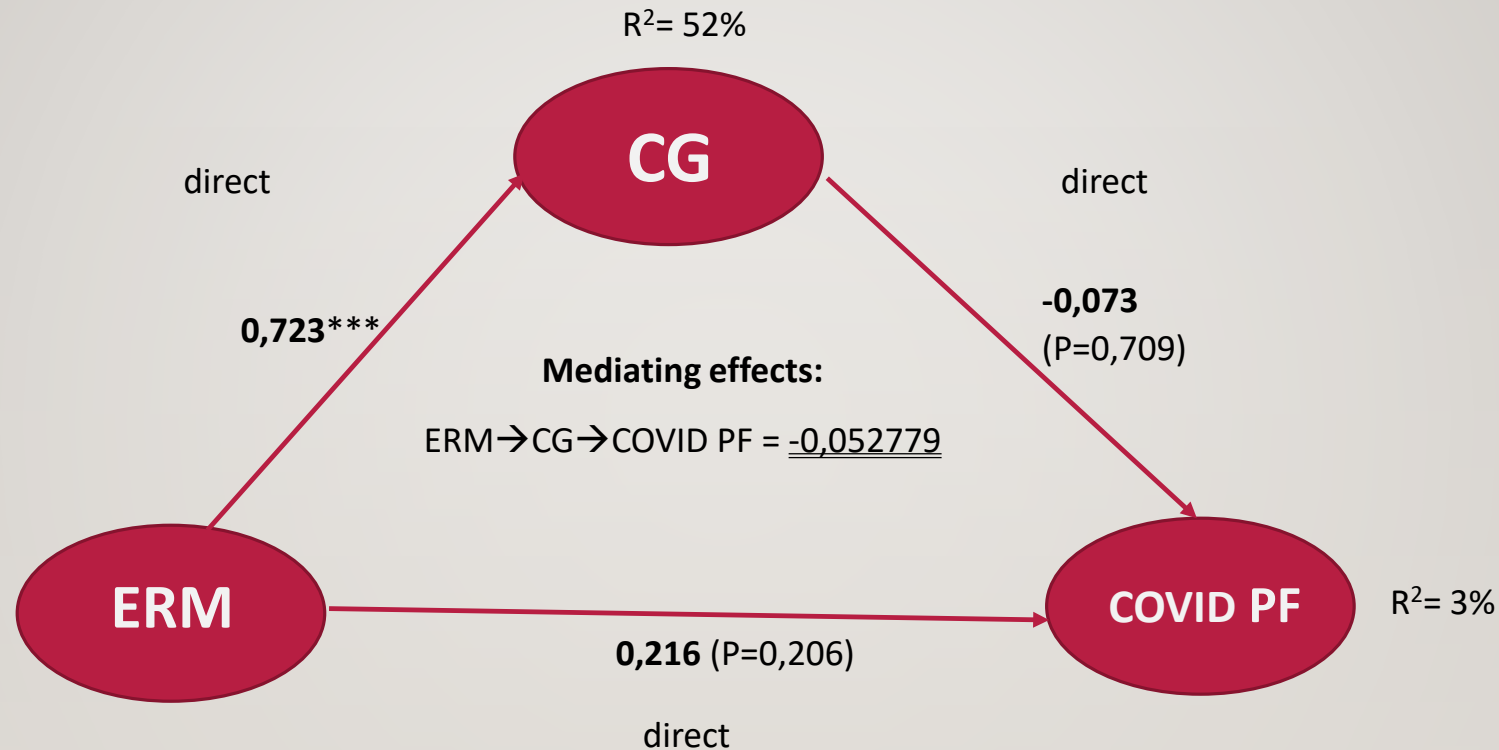
**Example for the general outline of a SEM model:**







# STRUCTURAL MODEL GERMANY

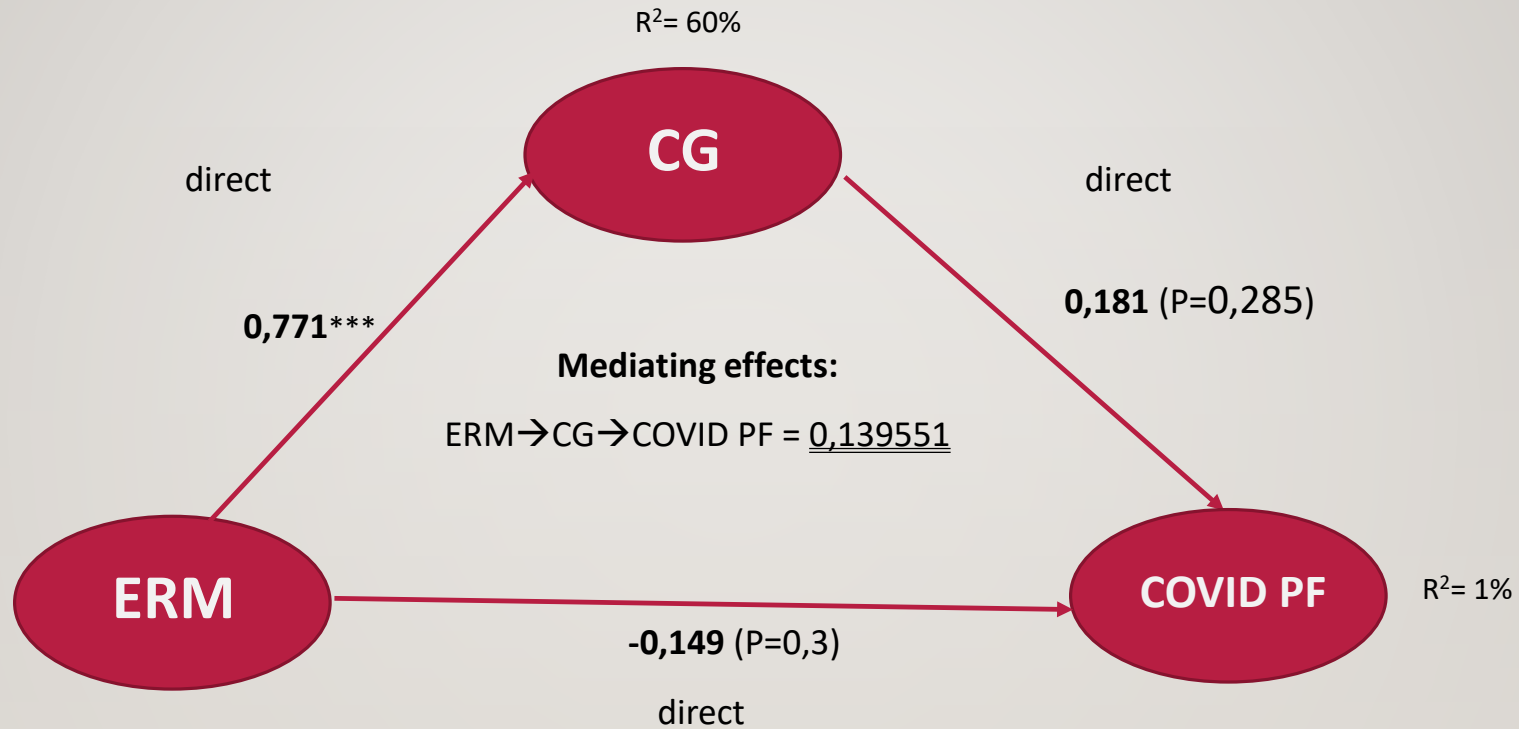


**Indirect effect:**  $0,723 * (-0,073) = \underline{-0,052779} \rightarrow$  Mediation effect

**Total effect:**  $0,216 + (\underline{-0,052779}) = \underline{0,16323}$



# STRUCTURAL MODEL POLAND



**Indirect effect:**  $0,771 * 0,181 = \underline{0,139551}$  → Mediation effect

**Total effect:**  $(-0,149) + \underline{0,139551} = \underline{-0,009449}$



# CONCLUSION

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- There are no empirical studies on ERM practices in German and Polish SMEs, following a broader perspective rather than dealing with isolated topics.
- This initial research model might be a good starting point for developing more comprehensive frameworks for the evaluation of ERM and corporate governance systems in SMEs.
- The proposed framework can also be used by consultants and SME supporting agencies to evaluate the ERM and governance activities in SMEs and to help them better to tailor their training to the needs of SMEs.
- The sophistication of governance structure plays an essential role in how systematically risks are handled.

# LIMITATIONS & FURTHER RESEARCH

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## Limitations

- Cross-sectional research design
- Potential self-presentation bias
- SEM analysis tests for associations and only assumes a certain direction of the relations based on our theoretical model.

## Further research

- Further testing with longitudinal data is necessary to corroborate our findings.
- Application of our findings to SMEs in other cultural contexts?

# TIME FOR YOUR QUESTIONS

