

Our mind continually assesses risks as we drive cars and even when we pay bills. In each of these occasions, the mind itemizes the risks, quantifies them, and then induces us to make decisions based on this assessment. However, failure to succeed in accomplishing risk assessments followed by decisions can lead to a disastrous result.

Currently, most businesses and industries face various types of risks such as operational, strategic, competitiveness, financial, reputational and compliance risks. These became more salient during and after the financial crisis of 1997.

Risk is present in any situation; thus, it must be managed. Firms must be more practical and convert from defensive to aggressive strategies, and decisions must be made under uncertainty with imperfect information. Thus, managing these risks can be a real source of opportunity and challenge and a powerful way of sustaining a competitive edge. Enterprise Risk Management (ERM) is described as the route of recognizing and analysing risks from an incorporated, company-wide perspective.

Hundreds of organizations have spent a large amount of money on the revitalization and enhancement of business processes and the augmentation of information system abilities to achieve effective competitive advantage over competitors (Akram, 2011).

Understanding the risks in public companies in Bahrain and attempting to manage them appropriately, will increase the competitiveness at all levels from producer to market through enhancing their ability to make better decisions, deliver company objectives and hence subsequently improve performance.

ERM helps create a comprehensive approach to anticipating, identifying, prioritizing, and managing material risks of the company. It is designed to enhance upper level management's ability to control the entire portfolio of risks facing an enterprise (Beasley et al., 2006), and offers an important source of competitive advantage for those who can demonstrate strong risk management capability and strength (Stoh, 2005).

Research Objectives

Away from the instantaneous pressures of global markets, increasingly demanding customers, and spectacular business change, is an increasing realization that firms have a possibility to create competitive advantage from their risk management competences, allowing enduring advantageous growth and continual future achievement.

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Various business executives consider that a wide-ranging program for managing business risks grants a necessary establishment for boosting competitive advantage (Economist Intelligence, 2001).

Given that ERM, to some extent, is a modern notion and has yet to be applied fully by the majority of companies in Bahrain, it must be emphasized that there have been few academic investigations about its activities and about the barriers to the effects of adopting ERM to enhance competitive advantages. While ERM acknowledgment is increasing, very few firms are adopting it. Very few have a deep knowledge about why some businesses adopt ERM while others do not. One objective in this paper is to fill this research gap by evaluating the effects of ERM on boosting competitive business advantages among five selected major Bahraini corporations, through introducing an ERM conceptual framework. Another objective in this paper is to measure whether the selected firms in Bahrain are adopting ERM, the level of adoption within their business units, and the effect of this adoption on the level of competitive business advantage.

Research Methodology

A questionnaire will be conducted and distributed by hard and soft document to respondents targeting only the Bahraini public sector. The Statistical Package for the Social Sciences (SPSS) will be utilized to analyse results by measuring the hypothesis of the proposed conceptual framework. In addition, the questionnaire will include a measurement of the importance of ERM factors to boosting competitive business advantages.

Research Structure

The remainder of this paper is organized as follows. Section 2 is a literature review and 3 is a discussion of the conceptual research model and hypothesis. Section 4 will be a discussion of the research method that will be used for this research. In section 5, result analysis and discussion will be presented. Finally, the conclusion will be presented in sections 6.

Literature Review

In the last few years, the need for managing risk increased rapidly especially in the financial sector because it is the most variable since the current financial crisis. Many activities within the financial sector face a variety of risks.

A high number of periodicals have presented and discussed various terms including corporate-wide risk management, organizational risk management, strategic risk management, integrated risk management, and

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enterprise-wide risk management (D'Arcy, 2001), which all have a distinct focus; however, these constructs resemble Enterprise Risk Management (ERM) as they all emphasize a broad view of risk management.

Anderson and Terp provide a clear definition of risk management as:

a process that should seek to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures. The objective of risk management is to maximize the potential of success and minimize the probability of future losses. Risk that becomes problematic can negatively affect cost, time, quality, and system performance. (2006)

Alternatively, Chapman (2003) defined ERM as the process of identifying and analysing risk from an integrated, company-wide perspective. Meagher and O'Neil (2000) illustrated enterprise-wide risk management (EWRM) as an ordered and regimented approach in organizing strategy, processes, people, technology and knowledge with a clear objective of assessing and managing the suspicions the firm may face as it produces value.

While Brian and Stulz (2006) stated "ERM adds value by ensuring that all material risks are owned and risk return trade-offs carefully evaluated, by operating managers and employees throughout the firm". It is strongly believed that implementing ERM adds value to the firm if it was effective and the action points were implemented correctly.

In addition, The Committee of Sponsoring Organizations (COSO) of the Treadway Commission considers enterprise risk management as:

a process effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. (Committee of Sponsoring Organizations, 2004)

Al Tamimi and Al-Mazrooei (2007a) classified risks as systematic or unsystematic. Systematic risk can be assigned to risk that affects the entire system or market. Interest rates, recession, and wars are sources of that kind of risk as they affect the entire market and cannot be avoided through diversification. Whereas, this type of risk affects a broad range of securities, unsystematic risk affects a very specific group of securities and hence can be avoided through diversification.

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