ENTERPRISE RISK MANAGEMENT AND THE PERFORMANCE OF LOCAL CONTRACTORS IN SINGAPORE

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Abstract
Enterprise risk management has been creating value in many industries around the world. However, there is still lack of study about its influence on the Singaporean construction industry. This study is to investigate the nexus between ERM and the performance of Singaporean contractors, and to identify the main hindrances that impede ERM implementation. Questionnaire-based survey is conducted with Singaporean contractors to test their awareness and implementation of ERM, and to what extent ERM has affected different aspects of their performance. The result shows that, apart from health, 10 selected performance indicators have benefited from ERM. The main factors impeding the implementation of ERM are: inadequate time for implementation, lack of experienced staff, and inadequate resources. The study clarifies the reasons why ERM has not fully performed as anticipated. Suggestions to further tap the benefit of ERM are also given.

Keywords
Enterprise Risk Management, Singaporean Contractors, Performance, Nexus

INTRODUCTION

The business environment is fraught with risks and crises (Low et al., 2010a) due to the rapid changes taking place in the business world and the globalization of the world economy. The scope of risks has been expanded beyond insurance and finance to accounting risks, terrorism, and several other factors that can also threaten an organization. Organizations must understand and manage all risks collectively, not just as separate threats but also with an understanding of the interactions between them (Liu et al., 2011). Seemingly insignificant risks, when coupled together, can cause great damage (Cendrowski et al., 2009). Efforts are needed for organizations to improve firm’s performance in the dynamic and risky environment. The same goes for the Singaporean construction industry, which is a key economic growth sector and of strategic importance in supporting future development plans of Singapore.

Among various management tools, Enterprise Risk Management (ERM), which integrates or aggregates all types of risks faced by companies (Yazid et al., 2012) and have been improving and securing the financial performance of companies, is coming into the sight of building enterprises, including Singaporean contractors. It is a