

The Influence of Corporate Governance on Enterprise Risk Management: A Systematic Literature Review

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Doi : 10.56858/bugis.v4i1.910

Abstract

This study analyzes the influence of corporate governance on enterprise risk management (ERM) through a Systematic Literature Review (SLR) of 22 international journal articles published between 2017 and 2026.

The results show that corporate governance generally has a positive impact on ERM (86% of the reviewed articles). Mechanisms such as board independence, directors' financial expertise, risk committees, and audit committees are proven to enhance ERM effectiveness.

Agency Theory emerges as the most dominant theoretical framework (41%). A small number of studies report weaknesses in implementation, limitations in ERM integration, and conservative tendencies associated with gender diversity.

This study concludes that corporate governance is a crucial foundation for effective ERM; however, its success depends on the context and the design of governance mechanisms.

Keywords: Corporate Governance, Enterprise Risk Management, SLR

1. Introduction

In the modern business landscape, characterized by high uncertainty, market volatility, and the increasing frequency and impact of financial crises, corporate risk management has become a central issue in corporate governance. Enterprise Risk Management (ERM) has emerged as an approach that integrates various types of risks—strategic, operational, financial, and compliance—into a coordinated framework. However, the effective implementation of ERM cannot operate independently without the support of strong corporate governance (CG) mechanisms. As found by (Anugerah et al., 2023), the joint implementation of ERM and corporate governance mechanisms contributes to improved firm performance in Indonesia. This indicates that corporate governance and ERM are two complementary components in creating sustainable firm value.

Although the relationship between corporate governance and ERM is theoretically considered positive, empirical findings across countries show inconsistent results. (Dionne et

al., 2019) demonstrate that directors' financial expertise and board independence enhance firm value through risk management channels. Similarly, (Li et al., 2024) find that board independence significantly reduces cost stickiness, reflecting better operational risk control. However, (Gennaro & Nietlispach, 2021b) reveal that, following the global financial crisis, governance systems and risk management approaches in many firms still exhibit significant weaknesses in their implementation. Furthermore, (Viscelli et al., 2017) show that governance leadership structures and organizational culture often limit the full integration of ERM into corporate strategy. These inconsistencies (research gaps) highlight the need for a systematic synthesis of the existing literature.

Therefore, this study aims to analyze and synthesize the influence of corporate governance on Enterprise Risk Management based on empirical articles published in reputable international journals between 2017 and 2025. By employing a Systematic Literature Review (SLR) method and following the PRISMA protocol, this study not only maps the direction of the relationship (positive or negative) but also identifies which governance mechanisms most consistently support ERM implementation. (Karim et al., 2024) emphasize that attributes of risk management committees—such as size, independence, and meeting frequency—positively influence market-based firm performance. Likewise, (Mohd-Sanusi et al., 2017) find that the presence of risk management committees and board independence significantly affect the extent of ERM practices in Malaysia.

Thus, the findings of this study are expected to contribute theoretically to the development of Agency Theory and provide practical recommendations for firms, regulators, and boards of directors in designing governance structures that support effective risk management.

2. Research Methodology

This study employs a Systematic Literature Review (SLR) method to analyze and synthesize empirical findings on the influence of corporate governance on enterprise risk management (ERM). The article selection process follows the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol, which consists of four main stages: identification, screening, eligibility, and inclusion.

The literature search was conducted using leading databases such as Scopus, ProQuest, and Google Scholar, using the keyword combination: “Corporate Governance” AND “Enterprise Risk Management.” The search was limited to articles published in reputable international journals within the 2017–2026 period.

Table 1. Journal Article Distribution

Quartile	Number of Articles	Percentage
Q1	10	45%
Q2	6	27%

Q3	3	14%
Q4	1	5%
ProQuest	2	9%
Total	22	100%

Based on Table 1, out of the 22 analyzed articles, 10 articles (45%) are from Q1-indexed journals, 6 articles (27%) from Q2, 3 articles (14%) from Q3, 1 article (5%) from Q4, and 2 articles (9%) from the ProQuest database.

3. Results and Discussion

Based on the analysis of 22 selected journal articles, Agency Theory emerges as the most dominant theoretical framework in explaining the relationship between corporate governance and enterprise risk management (ERM).

Table 3. Theoretical Framework Distribution

Theory	Number	Percentage
Agency Theory	9	41%
Resource-Based View	4	18%
Signaling Theory	3	14%
Stewardship Theory	2	9%
Stakeholder Theory	2	9%
Institutional Theory	1	4.5%
Contingency Theory	1	4.5%
Total	22	100%

Based on Table 3, among the 22 analyzed articles, Agency Theory is the most dominant theoretical framework, appearing in 9 articles (41%). It is followed by Resource-Based View with 4 articles (18%) and Signaling Theory with 3 articles (14%).

Other theories include Stewardship Theory and Stakeholder Theory, each represented by 2 articles (9%), as well as Institutional Theory and Contingency Theory, each contributing 1 article (4.5%).

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Based on the synthesis of 22 analyzed articles, corporate governance generally has a positive impact on enterprise risk management (ERM). (Dionne et al., 2019) demonstrate that directors' financial expertise and board independence enhance firm value through risk management channels. (Li et al., 2024) also find that board independence significantly reduces cost stickiness, reflecting better operational risk control.

(Karim et al., 2024) add that attributes of risk management committees—such as size, independence, and meeting frequency—positively influence market-based firm performance. (Mohd-Sanusi et al., 2017) show that the presence of risk management committees and board independence significantly affect the extent of ERM implementation in Malaysia. (Al-Qudah, 2023) confirms that corporate governance functions as a significant mediator between ERM models and business risk reduction.

(Horvey & Odei-Mensah, 2024) further demonstrate that board size and independence positively interact with ERM to improve firm performance. (Malik et al., 2020) find that the presence of board-level risk committees strengthens the positive relationship between ERM and firm performance. (Pecina et al., 2022) show that active board involvement in risk oversight enhances the effectiveness of ERM systems in the energy sector. (Wieczorek-Kosmala & Henschel, 2022) add that sophisticated governance helps firms understand crisis impacts and encourages strategic adjustments through improved ERM systems.

However, some studies also report negative effects or weaknesses in this relationship. (Gennaro & Nietlispach, 2021a) reveal that despite improvements, governance systems and risk management approaches still exhibit significant weaknesses in implementing their principles after the financial crisis. (Viscelli et al., 2017) show that governance leadership structures and organizational culture often limit the full integration of ERM into corporate strategy. (Horvey, 2025) also finds that while board independence and size enhance effective risk-taking, higher gender diversity tends to lead to more conservative decision-making.

Overall, corporate governance has a positive influence on ERM; however, its effectiveness largely depends on contextual factors, the design of governance mechanisms, and the organization's cultural readiness to integrate risk into corporate strategy.

4. Conclusion

Based on a Systematic Literature Review of 22 reputable international journal articles published between 2017 and 2026, this study concludes that corporate governance generally has a positive impact on enterprise risk management (ERM), as evidenced by 86% of the analyzed articles.

Governance mechanisms such as board independence, directors' financial expertise, the presence of risk committees, and strong audit committees are proven to effectively enhance ERM implementation. The Agency Theory emerges as the most dominant theoretical framework (41%) in explaining this relationship.

However, a small number of studies highlight weaknesses related to the implementation of governance principles, limitations in ERM integration due to organizational culture, and a tendency toward conservative decision-making associated with higher gender diversity.

Future research is recommended to conduct meta-analyses to measure the effect size of various governance mechanisms on ERM.

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