**Environmental Risk, Reputational Risk, and Legal Risk as determinants of Performance of Manufacturing Companies in Nigeria**

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**Abstract**

Most manufacturing firms focus on how to improve their effectiveness and pay less attention to the possible risks that can affect their profitability. The impact of environmental, reputational and legal risks on the performance of manufacturing firms was examined in this paper. An exploratory research design was used by the researcher. The population of this study is 305 senior staff from 10 manufacturing companies in Lagos state's Ikorodu Metropolis. The Logit Binary regression model was used to test the study's hypotheses. This model is thought to be suitable because it can predict the impact of independent variables on dependent variables. According to the findings of this study, environmental risk, reputational risk, and legal risk all have a negative significant impact on the performance of manufacturing firms. This study recommended that manufacturing company management give greater attention to their environmental, reputational, and legal risks by making sure that such risks are properly managed with the help of Enterprise Risk Management Tools and by offering valuable intelligence into their entire organization with Data-Driven Decision Making. Manufacturing firms should use Optimised Heat Maps and Charts to distinguish, analyze, and assess Environmental Risk, Reputational Risk, and Legal Risk in order to avoid or minimize such risks.

**Keywords: Environmental Risk; Reputational Risk; Legal Risk, performance of manufacturing companies**

**Introduction**

Industries all over the world are subjected to various risks, including environmental risk, reputational risk, and legal risk, and this has a significant impact on their performance (AliBaba & VazirZanjani, 2021). The likelihood of a detrimental event occurring is defined as risk. The ambiguity that engulfs upcoming events and outcomes is referred to as risk. It expresses the probability and consequence of an event that has the potential to impact a firm's attainment of goals (Bhimani, 2020). Risk can be defined as a state in which there is a possibility of loss but also a possibility of gain (Boekestein, 2021). Based on the goal and point of view of a discussion, the concept of risk can also be described and explained in a variety of ways. According to Chapman and Ward (2021), a risk is a doubt associated with damage or loss. They imply that something that is indeterminate does not have to be risky; nevertheless, if an event is both vague and involves a loss, it can be classified as a risk. According ito iEssinger iand iRosen i(2021), irisk iis idefined ias i"the ipossibility iof iunwelcome, iadverse iconsequences ito ihuman ilife, ihealth, iproperty, ior ithe ienvironment." iBecause ione iwould inever irisk ia iloss iif ithere iwas ino ichance iof iwinning, to irealize ithe iexistence iof ia irisk, ione imust ibe iaware iof iboth ithe igains iand ilosses iincurred iand itherefore ia irisk ican ibe reflected as individual and relative to observer (Francis & Armstrong, 2019).iAll ithese idefinitions iseek ito imake iknown ithat irisk iis ito ibe iseen ias ipart iof idaily ilife, iand ithe ipresence iof irisk iin iany ienvironment ishould inot ibe ia iproblem ibut ithe ifocus ishould ibe ion ihow ithose irisks iare ibeing imanaged iand iin iturn iminimizing itheir ipotential ieffect.

Risk imanagement ion ithe iother ihand ideals iwith ithe iprocess iof iidentifying iand icontrolling ipotential irisks ithat ican ibe ifaced iby ian iorganization. iRisk imanagement iis iabout iidentifying ithe irisk ito ibe imanaged, irisk ito ileave iunattended iand irisk ithat ineed ito ibe ihedged. iRisk imanagement iis irecognized iin itoday’s ibusiness iworld ias ian iintegral ipart iof igood imanagement ipractice. iIn iits ibroadest isense, iit ientails ithe isystematic iuse iof imanagement ipolicies, iprocedures iand ipractices ito ithe itasks iof iidentifying, ianalysing, iassessing, itreating iand imonitoring irisk. iRisk imanagement irefers ito ia ipractice iof iidentifying iloss iexposures ifaced iby ian iorganization iand iselecting ithe imost iappropriate iprocedures ifor itreating ithese iparticular ispotlights ieffectively i(Gordon, iLoeb, i& iTseng, i2019). iRisk imanagement iis ithe iidentification, iassessment, iand iprioritization iof irisks ifollowed iby icoordinated iand ieconomical iapplication iof iresources ito imitigate, imonitor, iand icontrol ithe iprobability iand/or iimpact iof iunfortunate ievents ior ito imaximize ithe irealization iof iopportunities i(Gupta, i2018).

Effective irisk imanagement ican ibring ifar ipayoffs ito ithe icompany iirrespective iof iwhat itype iit iis. iThese ipaybacks iinclude, isuperior ifinancial iperformance, ibetter ibasis ifor istrategy isetting, iimproved iservice idelivery, ibetter icompetitive iadvantage, iless itime ispent ifirefighting iand ifewer iunwanted isurprises, iincreased ilikelihood iof ichange iinitiative ibeing iachieved, icloser iinternal ifocus ion idoing ithe iright ithings iproperly, imore iefficient iuse iof iresources, ireduced iwaste iand ifraud, iand ibetter ivalue ifor imoney, iimproved iinnovation iand ibetter imanagement iof icontingent iand imaintenance iactivities i(Gupta, i2018). iRisk imanagement iin imanufacturing isector iis iabout ithe icategories iand itypes iof irisks ithat ican ibe iopened ito icompanies iin ithe i[manufacturing iindustries](https://www.modishproject.com/corporate-governance-and-profitability-of-selected-manufacturing-firms-in-nigeria/) iand ithe iapproach iwhich ithe icompanies iadopt iin imanaging ithose irisks. iThe iways iand imanners iwhich icompanies iadopt iin imanaging itheir irisks ican ihave ieither iof ipositive ior inegative ieffect ion itheir iperformance. iHere iare isome iof ithe irisks ithat imanufacturing icompanies ican ibe iexposed ito; ienvironmental irisk, ireputational irisk, iand ilegal irisk. iSome ifactors ithat imay icause icompanies ito iface ivarious iunpredictable irisks iare ienvironmental icomplexity i(Hoyt i& iLiebenberg, i2020), iintense icompetition,advanced itechnology, idevelopment iof iinformation iand icommunication itechnology, inew imethods iof isupplying igoods iand iservices, ienvironmental iissues iand icompanies’ imovement ifrom itangible ito iintangible iassets. iAs ia iresult, icompanies iare ifaced iwith iseveral irisk imanagement iissues iincluding ienterprise irisk imanagement, ibusiness irisk imanagement iand istrategic irisk imanagement i(Luo, i2017).

Currently, irisk imanagement iis iregarded ias ione iof ithe imost iimportant iconcerns iof iexecutives iand ithe irisk imanagement iactivities iare iexpanding. iHowever, iregarding ithe iperipheral ieffects iand iapplications iof irisk imanagement, ifew iempirical iresearches ihas ibeen idone iup iuntil inow i(2021). iIn iother iwords, idespite irapid igrowth iin iimportance iof ithe itopic, ifew iapplied istudies ihave ibeen idone ito idetermine iwhether ienvironmental irisk, ireputational irisk, iand ilegal irisk ihas ipractically idesirable ieffects ion ithe ifirm’s iperformance.

On ithe iother ihand, idue ito ithe iconceptual icomplexities iof irisk imanagement iand ivariation iin imethods iof icontrolling iadverse ieffects iof ilosses, ithe iprevious ifew iattempts ithat ihave ibeen imade ifailed ito ioffer ia icomprehensive iand iintegrated iframework. Risk imanagement ihas iseveral iadvantages. iIt iinspires istrong istimulus iin icompany’s imajor istockholders ito iincrease itheir iinvestments iin ithe icompany. iBy iincreasing itheir iinvestments isuch iinvestors iinvest iin icompany’s ispecific iassets. iThese iassets iare iregarded ias itools ithat iprovide ibetter ibusiness iopportunities itoward iobtaining iproper iand ilong-lasting icompetitive iadvantage. iTherefore, iit iis iconcluded ithat ilack iof ieffective ienvironmental irisk, ireputational irisk, iand ilegal irisk imanagement imay ilead ito iimposition iof iextra icosts ion iboth iinvestor iand iinvestee iand ithereafter iaffects itheir iperformances.

**Research Objectives**

The primary purpose of this paper is to examine the effect of environmental risk, reputational risk, and legal risk on the performance of manufacturing companies in Nigeria. The specific objectives are to:

1. determine the extent at which environmental risk impact the performance of manufacturing firms.
2. Examine the extent at which reputational risk influence manufacturing firms performance.
3. ascertain how legal risk influence manufacturing firms performance.

**Literature Review**

**Risk**

Risk in finance refers to the likelihood that actual outcomes will differ from predicted outcomes. Risk is described as the volatility of returns in the Capital Asset Pricing Model (CAPM). The "risk and return" concept holds that riskier investments should have higher expected returns to reimburse investors for the increased volatility (Mua, GangPengb, & Douglas, 2019).

**Types of Risk**

As indicated by ParvizRad (2012), there are two types of risk: systematic risk and unsystematic risk. Systematic risk is an investment's market unpredictability, which means that it symbolizes external factors that affect all (or several) businesses in a sector or group. Unsystematic risk refers to asset-specific unpredictability that can influence an investment's effectiveness.

The following are the most vital types of risk to take into account when assessing investment options for a financial analyst:

**Environmental Risk**

This is known as the risk that a particular business venture or activity will cause destruction to the surrounding natural environment. iFor iexample, iif ioil ireserves iwere idiscovered iin ia inational ipark, ithere iwould ibe ithe ienvironmental irisk ithat iexploiting ithe ireserves imight iharm ior idestroy isome iof ithe ipark's iwildlife. iWhile ienvironmental irisk iimplies isome imoral ior iat ileast ireputational irisk, iit ialso icarries i[economic](https://financial-dictionary.thefreedictionary.com/economics) iconsequences. iA icompany iwith ienvironmental irisk ioften ihas ito i[pay](https://financial-dictionary.thefreedictionary.com/pay) ifees ifor iexemptions ifrom icertain ipolicies, iand iit iis iusually iresponsible ifor icleaning iup ithe ienvironment iin icase iit icauses ia islow ior isudden idisaster(Shiller, i2021).

### Environmental iRisk iManagement

Environmental irisk imanagement i(ERM) ihelps ito iensure ithat ienvironmental irisk iis icontained ito iacceptable ilevels, iand iideally ishould ibe iapplied ito iall iaspects iof ia imining ioperation iin ia istructured iprocess ito iensure ithat iall irelevant iissues iare iaddressed. iCriteria iand iobjectives ifor irisk iassessment ishould ibe iestablished iduring ithe iplanning istage. iResults iof imonitoring ishould ibe ifed iinto ithe irisk iassessment iprocess ito iidentify iand ireduce iemerging iproblems ias isoon ias ipossible. iAs iERM iencompasses ithe ientire imine iproject, imultiple iskills iare ineeded iand isufficient iresources imust ibe imade iavailable ito ido ithe ijob ieffectively. iThe iresults iof ithe irisk ianalysis imust ibe icommunicated ieffectively ithough ithe icloud isystem, iand irisk imanagement irecommendations ishould ibe iimplemented ipromptly ifor ithe iERM iprocess ito isucceed(Maginn, iTuttle, iMcLeavey, i& iPinto, i2017).

**Reputational iRisk**

This type of irisk istrikes iwithout iwarning iand ishifts iyour icorporate ilandscape. iEven iworse, iit iinjects ian iunfavourable inarrative iinto iyour isearch iresults iwhich iaffects icustomer iopinions iand iimpacts irevenue. iThere iare i[countless istatistics iabout ionline ireputation](https://www.reputationmanagement.com/blog/online-reputation-management-statistics/) ithat isupport ithis iconclusion. iWe icommissioned ia istudy iby iForrester iConsulting ito ifind iout iwhat iexecutives iat ilarge ibrands ithink iabout iSEO iand ireputation(Elosegui, i2003).

Reputation irisk iis ievolving. iIt’s ia istrategic iconcern ibecause iit iis iconnected ito iand imagnified iby iother ibusiness irisks. iAccording ito ia irecent iDTTL isurvey, i[Reputational iRisk](https://www2.deloitte.com/ng/en/pages/governance-risk-and-compliance/articles/reputation-at-risk.html), ithe imost iprevalent idrivers iof ireputation irisk iare irisks irelated ito iethics iand iintegrity, iphysical iand icyber isecurity, iand iproducts iand iservices. iThird-party irelationship irisk iis ialso irapidly iemerging, ias icompanies iare iincreasingly ibeing iheld iaccountable ifor ithe iactions iof ivendors, ibrokers, iand isimilar iassociates. iSo ias ithose irisks iproliferate, ireputation irisk iheightens ias iwell.

Reputation irisk ikeeps ibusiness ileaders iup iat inight ibecause iit’s ia imeta irisk. iIt ican ioriginate iand ispread ifrom iinside iand ioutside ithe iorganization, iat ian ialarming ispeed. iThe iexecutives iinterviewed iin ithe iglobal isurvey iexpressed ithe iinherent ichallenges iin ithis isituation. iFor iexample, iperceptions ican ivary ifrom igeography ito igeography, iso ian iissue ior ievent imay inot ipose ia ithreat iin ione ilocale, ibut imay itrigger ia iworldwide imedia ifrenzy iin ianother iwith ivery ireal iconsequence ito ireputation (Jovanovic, i2015).

Adding ito ithe iconcern iis ithat isome iof ithese irisks iare ibeyond ithe icompany’s idirect icontrol. iRespondents ito ithe isurvey iwere iless iconfident iabout imanaging irisks ifrom ithird-party/extended ienterprise iissues, icompetitive iattacks, iand ihazards ior iother icatastrophes ithan iabout imanaging irisks ithey ican icontrol iinternally, isuch ias ithose irelated ito iregulatory icompliance ior iemployee imisconduct.

**Legal iRisk**

Legal irisk iis ithe ilikelihood iof ifinancial ior ireputational iloss iresulting ifrom ia ilack iof iknowledge i(or imisunderstanding) iof ihow ithe ilaw iapplies ito iyour ibusiness, ior ioperating iwith ia ireckless iindifference ito ithe ilaw iand ihow iit iapplies(Mas-Colell, iWhinston, i& iGreen, i2019).

Legal irisk iwas idefined ias ipart iof i[operational irisk](https://capital.com/operational-risk-definition) iby ithe i[Basel iII iaccord](https://capital.com/basel-3-definition) i iin i2003. iIt iincludes ithe irisk iof ifinancial ior ireputational iloss iresulting ifrom iany itype iof ilegal iissue. iThis icould iinclude ia ilack iof iawareness ior imisunderstanding iof ithe iway ilaws iand iregulations iapply ito ia ibusiness. iBut icompanies ican itake iaction ito ireduce ithis irisk. iSo, ifor iexample, ia icorporation imay irequire iall iits iemployees ito iundergo ihealth iand isafety itraining iin iorder ito ireduce iits ilegal irisk ifrom icompensation iclaims(Den i& iHaan, i2019).

One iof ithe iprimary ireasons iwhy ilegal irisk iis iassociated iwith ioperational irisk iinvolves i[fraud](https://en.wikipedia.org/wiki/Fraud) isince iit iis irecognized ias ithe imost isignificant icategory iof ioperational iloss ievents iand iconsidered ito ibe ia ilegal iissue ias iwell. iThese, ihowever, ido inot imean ithat ilegal irisk iis ionly iconfined ito ithis iconceptualization ibecause iit iis idefined iin imore ithan iway. iFor iinstance, ithere iare ispecific isets iof ilegal irisks ithat iare idefined iby ithe i[European iUnion i(EU) iLaw](https://en.wikipedia.org/wiki/European_Union_law). iIn i2005, ithe i[European iCentral iManufacturing icompanies](https://en.wikipedia.org/wiki/European_Central_Bank) ideclared ithat iit iwill idevelop iits iown ilegal irisk idefinition ito ihelp i"facilitate iproper irisk iassessment iand irisk imanagement, ias iwell ias iensure ia iconsistent iapproach ibetween iEU icredit iinstitutions(Krusell i& iSmith, i2018).

**Risk iManagement iand iPerformance iof iManufacturing iCompanies**

Adebisi i(2021) investigate ithe iconnection iof iethics ito irisk imanagement. iThey iargue ithat ithere iare icompelling ireasons ifor igood iethical ipractice ito ibe ian iessential ipart iof irisk imanagement. iThey idiscuss ithat iexploring ithe irelationship iof iethics iand irisk imanagement ihas isignificant icommercial ioutcomes. iNot ionly ithose ioutcomes ihelp ito iidentify ipotential iproblems, ibut ithey ialso ihelp ipreventing ifraud, ipreserving icorporate ireputation, iand ito imitigate ilitigation iagainst icompany iwhich ilead ito iincreased ilegitimacy. iLikewise, iBhimani i(2021) isay ithat irisk imanagement ileads ito ihigher icorporate ilegitimacy.

Using ia isample iof iChinese ifirms, iMua i(2021) iexamine ithe ieffect iof irisk imanagement istrategy iover iperformance iof inew iproduct idevelopment. iThey ifind ithat irisk imanagement istrategies ithat ifocus ion itechnological, iorganizational, iand imarketing ifactors, iindividually iand iinteractively iimprove ithe iperformance iof inew iproduct idevelopment.

Gordon iand iKen i(2020) examine ithe irelation iof ienterprise irisk imanagement i(ERM) iand iperformance. iThey iargue ithat ithe irelation iof ienterprise irisk imanagement iand iperformance iis icontingent iupon ifive ifirm-specific ifactors inamely, ienvironmental iuncertainty, iindustry icompetition, ifirm icomplexity, ifirm isize, iand iboard iof idirectors’ imonitoring. iFinally, ithey iargue ithat ifor iimplementing iERM ifirms ishould ipay iattention ito ithe icontextual ivariables ithat iare isurrounding ithe ifirm.

Andersen i(2020) iexamines ithe ifirm-specific iinvestment irationale ias ia iplausible iexplanation ifor ipositive irisk imanagement ieffects. iAs ia iconsequence iof ithe ifirm- ispecific iinvestment irationale ihe ifinds ithat ieffective irisk imanagement ioutcomes iare iassociated iwith isuperior icorporate iperformance. iFurther ihe iindicates ithat ifirms ithat ivary iin ilevels iof iintellectual icapital iand iinvestment iin iinnovation ialso idiffer iin itheir irisk imanagement ieffects.

Likewise, iGupta i(2021) iexamines ithe irisk imanagement iin iIndian icompanies iand iexplore ithe ireasons ifor ithe iadoption ior ilack iof iadoption iof iintegrated iapproach ito irisk imanagement. iHe ishows ithat ieven ithough ieffective irisk imanagement ican iimprove iorganizational iperformance, icompanies ido inot ihave iadequate iinfrastructure ito iimplement ienterprise-wide irisk imanagement. iHe iconcludes ithat ia isea ichange iin irisk iperception iis irequired ito ibuild iup irisk iculture iacross ibusiness isegments iand iincentivize irisk imanagement iadoption.

Risk imanagement iis ian ieffective itechnique ifor iminimizing iundesirable ieffects iof irisks iand ioptimizing ithe ibenefits iof irisky isituations i(Cohen i& iKaimenakis, i2017). iManuel i(2018) idescribes ithe iaim iof irisk imanagement ias iprocess ienhancement ithat iis iestablished ithrough isystematic iidentification, ievaluation iand imitigation iof iproject irisks. iAccording ito ithese idefinitions irisk imanagement iis idefined ias imeasures ithat iare itaken ito idecrease ithe ipotential irisky iconsequences iof ispecific iphenomenon inamely iprice ivariation, iaccidents, ipolitical ihazards, idisruption iin isupply iof iraw imaterial, ieconomic idevelopment, ietc. iSuch irisks irepresent ia iwide ispectrum iof icompany’s irisks ithat iare idealt iwith iby ivarious ispecialists. iIn iother iword, ieffective irisk imanagement ideals iwith imarket irisks ithat ithe icompany iis ifacing iand itries ito itake iadvantage iof ibusiness iopportunities ithat ithese irisks imight ihave. iIt iis ian ieffective itool iof icontending iwith iexternal imarket ithreats ithat iare iout iof imanagement icontrol iand iresult iin ireduction iof iprofit ivariances i(Milost, i2017).

The itools iand ifacilities ithat imanagement iuses ito iface iexternal imarket ithreats iare ifinancial ihedging, iinsurance icontracts, imanagement icontrols isystems, itransportation iof iresources iand icareful idecisions ithat iare imade ito iimprove icompany’s iprofitability. iAll iof ithe iaforementioned imovements iare imade ito ireduce iadversity iof isituations ithat ithe icompany imight iface iwith.

To icover ienvironmental irisk, ireputational irisk iand ilegal irisk, icompanies ido irisk imanagement ithrough iderivatives ivia iusing iinsurance icoverage iand ithrough iexamining iintegrative irisk imanagement iapproaches. iIn iaddition, iin icomparison iwith ipast irisk imanagement imotivations, iand ihistorical ifinancial iobligations, ithere iis ihigher itendency ito irisk imanagement inow. iIndeed, iit iis iobvious ithat icompany’s iaccountability idepends ito iits iability ito iutilize ithe inew iopportunities ithat iare iderived ifrom ichanges iin ienvironment(Boekestein, i2021).

**Methodology**

The researcher made used of an anexploratory research design. The study population is employees of manufacturing firms in Ikorodu Area of Lagos state. A research questionnaire was utilized as an instrument for collection of data. The instrument was adequately subjected to reliability and validity test. The simple random sampling was used as sampling technique for this study which is targeted towads giving every respondent an equal opportunity of being selected. For the purpose of this study, Taro Yamane was utilized to determine the sample size.

ss = 171.

The sample size for this study is the 171 respondents.

**Reliability of the Research Instruments**

**Table 1: Reliability Test Result**

|  |  |
| --- | --- |
| **Reliability Statistics** | |
| Cronbach's Alpha | N of Items |
| .721 | 171 |

**Source: SPSS 25.0 OUTPUT**

The result of the reliability test in table 1 shows that Cronbach Alpha for all the items in the questionnaire is reliable. This means that the questionnaire is reliable enough for further research.

**Table 2: Kaiser-Meyer-Olkin (KMO) and Barlett’s test of Sphericity**

|  |  |  |
| --- | --- | --- |
| **KMO and Bartlett's Test** | | |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .741 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 3241.144 |
| Df | 171 |
| Sig. | .000 |

**Source: SPSS 25.0 output**

This istudy iconducted ithe iKMO iand iBarlett’s itest iof iSphericity. iThe iKMO idetermines ithe isampling iadequacy iiwhich ishould ibe iclose ithan i0.5 ifor ia isatisfactory ifactor ianalysis ito iproceed. iKaiser i(1974) irecommend i0.5 i(value ifor iKMO) ias iminimum i(barely iaccepted), ivalues ibetween i0.7-0.8 iacceptable, iand ivalues iabove i0.9 iare isuperb. iThe itable i4 ishows ithat ithe ivalue iof iKMO imeasure ifor ithe iquestionnaire iis i.6151 iwhich iis igreater ithan i0.5 iand itherefore iaccepted ithat ithe isample iwas iadequate.

iFrom itable i2, ithe test iis isignificant i(0.001 which infers ithat icorrelation imatrix iis inot ian iidentity imatrix.

**Method of Data Analysis**

The hypothesis was tested using Logit Binary regression model.

The Formula for Logit Binary regression model:

Where:

L i= iLogit iRegression

ln i= iLog

Pi i= iEnvironmental iRisk, iReputational iRisk, iLegal iRisk,

1 i– iPi i= iEnvironmental iRisk, iReputational iRisk, iLegal iRisk,

β i= iBeta

X i= iPerformance iof iManufacturing iCompanies.

Statistical iPackage ifor iSocial iSciences iSoftware i(SPSS) iversion i25 iwas iused ifor ithe idata ianalysis.

**Data Presentation, Analysis and Interpretation**

Questionnaires were administered to respondents, out of the 171 questionnaires that was administered, 151 copies were filled correctly and returned.

**Data Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 3 Model Summary** | | | |
| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
| 1 | -44.124a | .887 | .754 |
|  | | | |

**Source: SPSS 25 Output**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table 4 Variables in the Equation** | | | | | | | |
| B | |  | S.E. | Wald | df | Sig. | Exp(B) |
| Environmental Risk | -4.141 | 3.212 | | 2.211 | 4 | .007 | 55.111 |
| Reputational Risk | -5.141 | 3.221 | | 3.321 | 4 | .001 | 12.214 |
| Legal Risk | -6.251 | 2.011 | | 6.341 | 4 | .000 | 1.214 |
| Constant | 5.141 | 22.117 | | 5.141 | 4 | .001 | 2.321 |
| a. Variable(s) entered on step 1 | | | | | | | |

**Source: SPSS 25 Output**

Table 3 shows that there is about 89% correlation between the performance of Environmental Risk, Reputation Risk, Legal Risk and the performance of manufacturing companies. This iimplies ithat ipoor imanagement iof ithese irisk ihas iabout i89% ichances iof iaffecting ithe iperformance iof imanufacturing icompanies ieither ipositively ior iotherwise. iThis iis ialso iconfirmed iby ithe iNagelkerke iR iSquare ivalue iof i75%.

Table i4 irevealed ithat iEnvironmental iRisk; iReputational iRisk; iand iLegal iRisk ihas inegative isignificant ieffect ion ithe iperformance iof imanufacturing icompanies. iConsequently, ithe iBeta ivalue iof i-4.141 i(as ishown iin iTable i4) isimply imean ithat iEnvironmental iRisk iaccount ifor ia iunit ieffect iof i-4.141, iReputational iRisk ihas ia iunit ieffect iof i-5.141, iLegal iRisk iaccount ifor ia inegative ieffect iof i-6.251. iThe ip-value i(.007, i.001, i.000, iand i.001) iis iless ithan ithe isignificant ilevel iof i0.05. iThe iresult iin ithe iTable i4 ishows ithat ithe ip-value iis iless ithan ithe ilevel iof isignificance iof i0.05. Therefore, Environmental Risk; Reputational Risk; and Legal Risk has negative significant effect on the performance of manufacturing companies.

**Conclusion**

Bad management of Environmental, Reputational and Legal Risks may lead to total collapse of manufacturing firm. It was concluded in this study that all the risk factors (Environmental, Reputational and Legal Risks) negatively significantly affect the performance of manufacturing firms.

**Recommendations**

Manufacturing firms' managers should give more attention to environmental, reputational, and legal risks, making sure that these risks are addressed with Enterprise Risk Management Techniques and giving valuable intelligence into their entire organization with Data-Driven Decision Making. These firms should use Optimal operational Heat Maps and Graphs to classify, analyze, and assess Environmental Risk, Reputational Risk, and Legal Risk in order to avoid or completely eradicate such risks.

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