

C

Corporate Risk Management: Implementation and Development from Asian (1997) to U.S. (2007) Economic Crises

การบริหารความเสี่ยงขององค์กร: การพัฒนาและการนำไปใช้ ในช่วงวิกฤติเศรษฐกิจในเอเชีย (2540) และในสหรัฐอเมริกา (2550)

- อธิริณ วาณิชเสนี
- สาขาวิชาการบริหารธุรกิจระหว่างประเทศ
- คณะบริหารธุรกิจ
- มหาวิทยาลัยหอการค้าไทย
-
- **Teerin Vanichseni**
- Department of International Business
- School of Business
- University of the Thai Chamber of Commerce
- E-mail: teerinv7@hotmail.com; teerin_van@utcc.ac.th

บทคัดย่อ

การวิจัยนี้เป็นกรณีศึกษาในองค์กรเอกชนไทย เพื่อแสวงหาผลกระทบและความเป็นไปในเหตุการณ์วิกฤติเศรษฐกิจที่เกิดขึ้นในเอเชีย ปี พ.ศ. 2540 และในสหรัฐอเมริกา ปี พ.ศ. 2550 โดยเจาะจงศึกษาการพัฒนาและการนำการบริหารความเสี่ยงไปใช้ ใน บมจ.ศรีไทยซูเปอร์แวร์ เป็นกรณีศึกษาขององค์กรที่สามารถผ่านพ้นวิกฤติเศรษฐกิจดังกล่าวมาได้ โดยมีวัตถุประสงค์เพื่อศึกษาและวิเคราะห์การบริหารความเสี่ยงองค์กรในช่วงเวลาของวิกฤติเศรษฐกิจทั้งสอง และศึกษาการบริหารความเสี่ยงองค์กร การพัฒนา และการนำไปใช้กับกลยุทธ์และวัฒนธรรมองค์กร การวิจัยนี้ใช้เครื่องมือวิจัยเชิงคุณภาพในการเก็บข้อมูลปฐมภูมิ ได้แก่ การสัมภาษณ์เชิงลึก ผู้บริหารองค์กรที่อยู่ในเหตุการณ์ทั้งสอง

และผู้บริหารแผนฟื้นฟูกิจการในช่วงวิกฤติเศรษฐกิจ ปี พ.ศ. 2540 นอกจากนี้ยังศึกษาการพัฒนาการบริหารความเสี่ยงจากข้อมูลทฤษฎี คือ รายงานประจำปีของบริษัท ตั้งแต่ปี พ.ศ. 2540 ถึง พ.ศ. 2553 จากการศึกษาพบว่า บริษัทประสบปัญหาด้านการเงินเป็นอย่างมาก จากอัตราแลกเปลี่ยนเงินตราและหนี้สินในช่วงวิกฤติเศรษฐกิจแรก แต่สามารถผ่านพ้นไปได้ด้วยปัจจัยที่ทีมงานมี ได้แก่ ภาวะผู้นำ การพัฒนากลยุทธ์ธุรกิจ และวัฒนธรรมองค์กร ที่สอดคล้องกับการพัฒนาการบริหารความเสี่ยงที่ตามมา และการใช้ประสบการณ์ที่ได้จากการผ่านพ้นวิกฤติเศรษฐกิจแรกไปได้ ซึ่งต่อมาก็ใช้เป็นมาตรการเตรียมการและป้องกันผลกระทบที่สำคัญอันเกิดจากวิกฤติเศรษฐกิจต่อมาได้ นอกจากนี้ยังพบว่า ภาวะผู้นำของผู้มีอำนาจมีอิทธิพลอย่างมากต่อกลยุทธ์และทิศทางธุรกิจขององค์กร

คำสำคัญ: การบริหารความเสี่ยง วิกฤติเศรษฐกิจ

Abstract

This single case study research is to investigate the effects and events, particularly in corporate risk management development and implementation in a Thai company, Srithai Superware Public Company Limited, between Asian and US Economic Crises that occurred in 1997 and 2007 in order to use the case as an example of organization survival in those particular situations. The objectives are to study and analyze the company's corporate risk management during those two economic crises, and the risk management development and implementation along with other aspects such as corporate strategy and culture. In-depth interviews with the concerned key responsible persons working within the company and a former rehabilitation planner during those economic crises, were used for primary data collection in this qualitative method investigation. The secondary data is primarily concerned with the historical records of the company and are tracked using the company's annual reports from 1997 to 2010. The researcher found that the company overcame a huge loss caused by currency exchange and debts from the first crisis through the management team's leadership, and during the second crisis via strategic development and corporate culture, which blended with risk management development. With the lesson learned from the first crisis, the company built-in a self-developed automatically managing risk system into the corporate strategy and culture. This preventive measure managed to significantly protect the company from the effects of the later crisis. The company's present leadership has a significant influence on the business strategy and leads the company's direction.

Keywords: Corporate Risk Management, Economic Crisis

Introduction

The dynamic changes in the economic environment through globalization have caused continual adaptation in the world of business. For instance, the events during the economic crises in the past resulted in many significant tragedies in business fields. As an example, more than fifty financial institutes in Thailand collapsed during the Asian Economic Crisis that started in 1997, and the giant financial institute bankruptcies in the United States during the U.S. Economic Crisis in 2007. These crises not only caused a revolution in many fields of business, such as in property, industry, finance and service, but also depressed and damaged all of the stakeholders' value, including whole nations. The 1997 Asian Currency Attack led the IMF to restructure the financial systems in Asia, particularly in Thailand where the crisis originated (Gough, 1998: 31-76). Until 2007, the failure in credit risk management, especially from the Sup-prime Mortgage Backed Securities (MBS). These were transformed into Collateralized Debt Obligation (CDO) and insured by many insurance institutes and other mixed securities but ended up becoming credit defaults and caused many large U.S. financial institutes to collapse (Pattanapongsa. 2008: 1-30).

During the above economic crises, many organizations struggled to avoid bankruptcy by implementing crisis management. James

Lam (2003: 35-40) concluded that crisis management always comes with a very high costs, deep suffering and incredible damages. He is also convinced that every decision is always concerned with risks and emphasized that, in the longer term, risk management is definitely very important for making any decision. The unavoidable alternative is to again end up in crisis management. Increasingly, due to globalization, all businesses are more than ever exposed to external contexts. Srithai Superware is a prime example, but survived both crises and is now one of the world's largest producers of 100% melamine and plastic products. Currently, Srithai Superware is expanding their markets and manufacturing to many countries in Europe, America and Asia (Srithai Superware Public Company Limited, 2010: 10). In consequence, Srithai Superware is more exposed than ever to economic instability around the world. Therefore, the Company has long implemented risk management as a tool for their business management.

Problem Statement

This study aims to prove the hypothesis that the implementation and development of corporate risk management enables the corporation to overcome the effects of economic crisis. This study also explores the answers to the following questions;

1. How was Srithai Superware able to survive those economic crises?

2. How did corporate risk management enable Srithai Superware to prepare for the crises?

3. What different type of risk management did Srithai Superware implement between Asian and U.S. economic crises?

4. How was Srithai Superware able to effectively implement and develop a corporate risk management for their business strategy?

Objectives

1. To perform a case study research on Srithai Superware's Corporate Risk Management during the Asian (1997) and U.S. (2007) Economic Crisis.

2. To analyze the corporate risk management development and implementation in Srithai Superware, together with other aspects in the organization such as corporate strategy and corporate culture for sustainable development.

Literature Review

Corporate Risk Management

Merna and Al-Thani (2008: 25-85) defined the risk management as any set of actions taken by individuals of corporations in an effort to alter the risk arising from their business; moreover, they also pointed out the importance of companies understanding that risk management was not an add-on but an integral part of

the business. Furthermore, they concluded that the important objectives in managing risk are to identify the key business risks in a timely manner, consider the likelihood of risks, evaluate the significance of the consequent financial impacts, establish priorities for the allocation of resources available for control, and establish and communicate clear control objectives throughout the organization.

Merna and Al-Thani also defined the difference between uncertainty and risk. They concluded that, "Uncertainty is used to describe the situation when it is not possible to attach a probability to the likelihood of an event occurred. Uncertainty causes a rift between good decision and good outcome. The distinguishing factor between risk and uncertainty is that risk is taken to have quantifiable attributes, and a place in the calculus of probabilities, whereas uncertainty does not. Moreover, during globalization, when the external environment influences the business, McCarthy and Flynn (2004: 30-40) suggested that risks are both past and future occurrences. They mentioned that risk and its mastery was the line of demarcation that separates modern times from a time when people believed the future was the mirror of the past, or alternatively totally unpredictable. By "modern times," McCarthy and Flynn do not refer to the industrial revolution, but to the Renaissance.

Chapman (2006: 15-20) confirmed the tie-in between risk and business. He mentioned that risk was inescapable in business activity. However, there should not be a preoccupation with downside risk. Risk management of both upside risks (opportunities) and down side risks (threats) is at the heart of business growth and wealth creation. Lam (2003: 3-22) explained that there were at least four reasons why businesses should implement risk management as an integral part of their business: job management, earnings volatility reduction, shareholder value maximization and financial security.

McCarthy and Flynn (2004: 30-40), Merna and Al-Thani (2008: 25-85) and Fraser and Simkins (2010: 10-25) reviewed the evolution of risk management and agreed that risk management started in ancient times. However, during the late twentieth century, risk management changed from predominately quantitative analysis to emphasis on methodology and processes. McCarthy and Flynn did a survey research on how risk management was implemented in hundreds of public companies in the U.S. They found that even though similar companies in the same industry would have similar risk profiles, that was true only for risk description, but the probabilities, severities and responses could be significantly different.

Currently, Shortreed, in Fraser and Simkins (2010: 155-160), summarized that the

recent ISO framework on risk management (ISO 31000), which are considered as the first accepted international standard on risk management principles and guidelines, was principle-based rather than prescriptive. Shortreed also declared that ISO 31000 as an ERM framework was a set of components that provide the foundations and organizational arrangements for design, implementing, monitoring, reviewing and continually improving risk management throughout the organization. This ISO could not be certified because the risk management process in a particular organization is very unique. This summary supported the work done by Noy and Ellis (2003: 119-128). Noy and Ellis did the empirical examination of 450 top executives of the largest companies in Israel and found that at least the different risk strategy on those companies depended on the organization's being risk seeking or risk averse; moreover, risk strategy in an organization was not uniform but varied across activities.

As a result, to create understanding and develop the evolution of knowledge on risk management with increasing globalization, there is much evidence that a case study on risk management in an organization is an important tool. In these risk management books and literature, Noor, Dillon and Williams (2001: 1-8), Lam (2003: 3-22), Macarthy and Flynn (2004: 50-100), Hanson and White (2004: 445-460),

Merna and Al-Thani (2008: 200-250), Chincarini (2008: 152-174), Rao (2009: 87-103) and Fraser and Simkins (2010: 350-450), used case studies on organizations to illustrate the implementation and development of risk management into the business. In conclusion, to be successful in development and implementation of managing risks, risk management should be an integral part of the business and the lessons learned from mistakes or successes should be well recognized and utilized as management tools in the business. Lastly, the researcher recently found that a very minimal amount of literature exists on risk management case studies about Thai organizations; therefore, this literature should be useful for risk management implementation and development knowledge for Thai businesses and the nation as a whole.

The Asian Economic Crisis (1997)

[Between] January to March 1997, the discovery that the Bangkok Bank of Commerce's (BBC) bad debts were serious, and [amid] suspicions of fraud, shakes confidence in the central bank, the Bank of Thailand, which had given assurances that all was well with BBC. Moreover, following problems in the property market, Thai regulators ordered major changes in banking rules to force lenders to increase their bad loan provisions. In May 1997, the Thai baht hits an 11-year low against the dollar as speculators forcefully sell South East Asian currencies. In Jun 1997, 15 finance companies

in Thailand closed down. On July 2, 1997, the Thai baht's long-standing peg to US dollar was removed. This was a de facto devaluation, since the baht was now "floating" and headed downwards. The crisis disseminated over the Asian Countries because of the continuous [attack] on Asian currencies (attacked). More [than] (of) 52 Thai finance institutes went into bankruptcy and caused the difficulties on Thai corporations' financial structure (Gough, 1998: 31-76).

The U.S. Economic Crisis (2007)

This crisis originally came from a kind of asset-backed security, which is sub-prime mortgage backed security (Nakornthab, 2008: 1-14). These complicated mortgage pools became harder to value, the securities issued by CDOs and CDO squared became doubly hard to value, because not only were they subject to the same underlying information asymmetries besetting the underlying mortgages, but also because they were leveraged claims on these assets, which were really complicated to value when defaults rose. Moreover, regarding the effects on the Thai economy, Nakornthab (2008: 1-14) viewed the impacts from the U.S. sub-prime crisis in 3 categories; as a direct impact which came from Thai financial institutes investing in sub-prime related assets, the capital flows which came from the exposure to global financial markets, and the indirect impact which came from the global economic slowdown

affecting Thai exports. As a result, an assistant governor of the Bank of Thailand (Bank of Thailand, 2008: 1) reported that there were negative risks according to this global financial crisis, while regional economics were declining in exports and experiencing inflation rates and then a slowdown in economic activities.

The Company Background

Srithai Superware was listed in The Stock Exchange of Thailand on October 2, 1991, with an increase of registered capital from Baht 170 million to Baht 200 million. The Company was transformed into a limited public company on December 13, 1993. The Company increased its registered capital again to Baht 470 million on January 14, 1994, and subsequently to Baht 500 million on March 19, 1996, with a fully paid-up share capital of Baht 400 million. In July 1997, under the pressure of the economic crisis in the Asia-Pacific region, the Company had restructured its debt. On April 28, 2000, the Company converted a portion of debt to equity according to the reorganization plan. This resulted in an increase in paid-up capital from Baht 400 million to Baht 2,857 million. The remaining portion of the affected debts was converted to Secured Floating Rate Notes, which were later fully redeemed. On July 15, 2002, the Southern Bangkok Civil Court passed an order to release the Company from the reorganization plan by virtue of Section 90/70 of the Bankruptcy Act B.E. 2483. As a result, the

management team of the Company resumed managerial power again (Srithai Superware Public Company Limited, 2010: 1-20).

Research Design

This single-case study research used qualitative research tools for data collection. The primary data was decoded and then concluded and analyzed by the researcher. The key measurement on successfully managing risks is the organization financial performance.

Secondary Data

The researcher reviewed the company's annual reports starting from 1997 to 2010, which have been submitted to the Thailand Stock Exchange.

Primary Data

The researcher collected data from a structured questionnaire (open ended) and unstructured in-depth interviews with the key persons from those crisis situations and who were concerned with the company's risk management. The interviewees include the Chairman and President of the Company, who has been the President during both crises, the Chief Finance Officer, who was first a team member with the rehabilitation plan administrators during the first crisis and then become the company CFO until the present, the former rehabilitation plan administrators

during the first crisis and the Finance Manager, who has been working at the company since the first crisis.

In the discussion and conclusion, the hypothesis ---effective corporate risk management in the organization is vital for its survival during the crises and business continuity strategy--- will be discussed and analyzed to a conclusion.

Results and Discussion

The secondary data was reviewed and summarized from Srithai's Annual Reports from 1997 to 2009, which covered the period of both crises. The primary data was also collected via the interviews with the key persons who were involved during the events. The results summarize both secondary and primary data with a conclusion.

The Results of Secondary Data Study

Key Events and Dates

On July 2, 1997, the Ministry of Finance announced a change in the exchange rate system from the Basket of Currencies to the Managed Float System. Srithai's assets and liabilities denominated in foreign currencies were impacted and significant losses occurred as a result. From 2 July 1997 to 31 December 1997, the company incurred a net realized and unrealized loss in the consolidated and company statements of income of 3,402 million

and 3,367.6 million baht, see Table 1. (Srithai Superware Public Company Limited, 1997: 2-20)

In the year 1998, because of the baht currency appreciation from 47.556 in 1997 to 38.89 per USD, Srithai's D/E ratio improved from 6.14 to 3.11 and also realized on improvement of ROE and ROA. However, sales fell in comparison with the previous year by around 11 %. See Table 1. (Srithai Superware Public Company Limited, 1998: 2-25)

On December 30, 1999, the Bangkok bankruptcy court appointed an administrator of the rehabilitation plan. Thereafter the management authority was transferred to the plan administrator. According to the plan, the USD 87.9 million of debts would be converted into equity, and USD 84.2 million of debt will be converted into a 5-year floating rate note (FRN). (Srithai Superware Public Company Limited, 1999: 2-50)

After negotiations with creditors and under the commitment in the rehabilitation plan, on April 28, 2000 the company agreed to convert a portion of debt to equity by increasing the paid-up capital from Baht 400 million to Baht 2,857 million. As a result, the portions of the former shareholders were reduced to 14% of this new paid-up capital. The remaining portion of the affected debt was converted to Secured Floating Rate Notes. The plan's administrator also appointed a Chief Finance Officer. The

company then began the sale processes of non-core assets. (Srithai Superware Public Company Limited, 2000: 2-40)

According to the section on the risk factors in the company's annual report in 2001, more details of the risk responses were analyzed and, because of the prohibition on using currency forward contract for floating rate notes, the implementation of natural hedging was executed. The restructuring of shareholders and organization were introduced, especially on the internal audit system. (Srithai Superware Public Company Limited, 2001: 30-35)

In the year 2002, Srithai was approved by a court order to be released from the rehabilitation plan. On July 30, 2002 the company made early redemption of all outstanding floating rate notes, the remaining debt in USD, so as to minimize risk on exchange rates. The company redeemed the FRN by its own cash and by refinancing it with a long-term loan denominated in Thai Baht. The loan was borrowed from two domestic commercial banks. (Srithai Superware Public Company Limited, 2002: 40-49)

In 2003, Srithai expanded with more investment abroad, especially in Vietnam, and the aggressive market expansion abroad was a success. A dividend was also paid to the shareholders. (Srithai Superware Public Company Limited, 2003: 20-24)

On August 10, 2004, the company appointed a Sub-Committee on Risk Management whose duties were to classify categories of risks. There were 4 main categories of risk: financial risk, operational risk, business risk, and risk from external factors. The impact of risk was classified on 4 levels: Catastrophic, Critical, Marginal and Minimal. (Srithai Superware Public Company Limited, 2004: 24-30)

By the year 2005, many aspects reported in the annual report had obviously been improved, especially on strategic analysis. This year, a Risk Management Sub-Committee was formally set up to perform duties on classifying internal and external risks that may have an impact on the company. Importantly, the report by the Board of Directors on its Accountability to Financial Statements has initially been guaranteed following the guideline in SOX 406. (Srithai Superware Public Company Limited, 2005: 40-45)

In the year 2006, the company restructured its lines of businesses so as to be in line with applications of the products. This year, the company also established a specific unit in the internal audit department to achieve effective results of risk management by being assigned to the Risk Management Sub-Committee. (Srithai Superware Public Company Limited, 2006: 45-50)

In the year 2007, the company re-engineered production by centralizing all of the plastic production in a manufacturing section and considered expansion into the trading business in order to minimize the risks from the high assets. Importantly, the US financial crisis began to impact the world economy. (Srithai Superware Public Company Limited, 2007: 42-47)

In the year 2008, the global economic condition fluctuated wildly. The company pursued an even more vigorous marketing strategy for the existing products. Srithai sold its products to 98 countries worldwide in the year before. In adopting a more broad-based

marketing strategy as opposed to a more focused market concentration, the company only felt a faint pulse of this global economic crisis. See Table 2. (Srithai Superware Public Company Limited, 2008: 15-20)

In the year 2009, the dramatic fluctuations in higher prices of plastic resin caused by oil prices and foreign exchange rate volatility effected the production and market. In particular, the political situation of unrest in Thailand contributed to the slowdown of demand and supply in many industries and the plastics business of Srithai was no exception. (Srithai Superware Public Company Limited, 2009: 15-20)

Table 1 Consolidated Income Statement 1997-1999

Revenues	1999	1998	1997
	Baht	Baht	Baht
Sales and hire of work	3,096,584,859	3,057,055,678	3,436,790,440
Interest income	42,770,561	63,272,781	73,438,094
Gain on exchange rate	-	1,530,777,052	-
Other income	39,041,625	27,245,721	113,019,955
Total Revenues	317,397,045	4,678,351,232	3,623,248,489
Expenses			
Cost of goods sold	2,443,551,812	2,366,197,718	2,607,704,581
Selling and administrative expenses	626,923,538	689,338,313	622,691,078
Claim arising from the right to purchase foreign currency	316,351,042	-	-
Loss from exchange rate	143,637,854	-	-
Interest Expense	544,107,680	620,072,659	458,459,812
Directors' remuneration	260,000	260,000	260,000
Total Expenses	4,074,831,926	3,675,868,690	3,708,100,690
Income (loss) before income tax	(896,434,881)	1,002,482,542	(84,852,201)
Income tax	-	-	6,677,206
Operating income (loss)	896,434,881	1,002,482,542	(91,529,407)
Share of income (loss) from subsidiaries	-	-	-
Share of income (loss) from associated companies	3,256,840	106,022,530	(133,676,475)
Income (loss) before minority interest	(893,178,041)	1,108,505,072	(225,205,882)
Minority interest, net	(3,064,086)	(19,070,946)	14,519,247
Income (loss) before extraordinary item	(896,242,127)	1,089,434,126	(210,686,635)
Extraordinary item:			
Loss on exchange rate	-	-	(3,402,858,518)
NET INCOME (LOSS) FOR THE YEAR	(896,242,127)	1,089,434,126	(3,613,545,153)
EARNING PER SHARE			
Basic earnings per share			
Income (loss) before minority interest	(22.33)	27.71	(6.15)
Share of profit in subsidiaries to minority interest	(0.08)	(0.48)	
Extraordinary item		-	(84.19)
Net income (loss) for the year	(22.41)	27.24	(90.34)
Diluted earnings per share			
Income (loss) before extraordinary item		24.20	(3.60)
Extraordinary item		-	(70.52)
Net income (loss) for the year		27.23	(74.12)

Source: Srithai Superware Public Company Limited (1997-1999)

Table 2 Consolidated Income Statement 2007-2009 (Unit: Thousand Baht)

	2009	2008	2007
Sales and hire of work	5,456,581	5,777,722	5,563,455
Gross profit	1,142,844	1,214,264	1,118,828
Selling & Admin. Expenses	(955,218)	(928,477)	(830,221)
Directors and managements' remuneration	(72,334)	(76,404)	(64,755)
Other income (Other expenses)	22,408	(8,313)	49,752
Profit before finance costs and income tax	137,698	201,070	273,604
Net profit for the year (Equity holders of the parent)	57,764	98,193	174,404

Source: Srithai Superware Public Company Limited (2007-2009)

Discussion

The Bangkok International Banking Facility (BIBF) was accepted into the Thailand financial sectors without the appropriate credit analysis. As a result, it caused the Asian Economic Crisis in which there were no government control measurement on BIBF, nor any particular risk management applied in the business.

“Before and during the Asian Economic Crisis, by average, the reporting system among Thai companies was not good enough for a suitable business decision; moreover, no risk management system was pragmatic or recognized in Thai business even among these foreign creditors.” Srithai’s rehabilitation plan administrator.

However, from the study the researcher found that the key success factors, which basically enabled Srithai to survive both crises, are the combination of leadership, strategic

development and corporate culture blended into risk management development.

Survival with Leadership

With integrity and transparency Srithai management honestly disclosed the company situation to the creditors during the Asian economic crisis, and was able to prove that the major difficulty was mainly caused by the currency exchange while the company’s operating cash flows were positively generated. Moreover, during execution of the rehabilitation plan, the trust between the plan administrator, creditors and Srithai management team, and the responsibility and spirit of the founder and shareholders within the debt restructure process, were also significant factors in the successful recovery.

“The plan administrator helped Srithai on financial report improvement, especially

on EBITDA, and cash flow monitoring instead of only be[ing] monitored on the net profit. Srithai successfully implemented the financial restructuring and input more discipline on operational and financial management.” Chairman and President of Srithai.

Strategic Development

Following the Asian Economic Crisis and being released from the rehabilitation plan, the researcher found that the business strategy had been developed from only the vertical to horizontal expansion. The company’s president, with his keenness on marketing and sales, diversified the market places by not relying on EU or US markets and expanded the markets into Asia, Africa and Middle East. Srithai also invented the SOS program as a risk response. The program is comprised of Survival – to satisfy customers’ demand and continue their purchase orders, Opportunities – crisis creates opportunity, a chance to do something ordinary in an extraordinary way, and Specialty – means the unique characteristics of our products.

“The Asian Economic Crisis not only [represented] a lesson learned for Srithai; moreover, this crisis built us to become stronger than ever. Conversely, during the US Economic Crisis in 2007, the subprime crisis, Srithai has been able to invest more because the debt to equity ratio still being low. This period of time was the great opportunity to shop for

the low prices.” Chairman and President of Srithai

According to the interview results with Srithai CFO and Finance Manager, the immunity created for Srithai from the Asian Economic crisis can be summarized as following:

- a. The discipline, --especially in financial management, such as budgets’ meeting and weekly monitoring and investment analysis
- b. The risk assessment –even though not applying a particularly framework--on the exposure of currency exchange
- c. The increased application on financial reporting systems
- d. Paying attention to cash flow for working capital and servicing interest
- e. Closely tracking the account receivables using customer relations management and credit monitoring.

Even though the second crisis’ effect on Srithai’s business was insignificant, the researcher found no obvious or particular risk management frameworks. Evidently the risk management sub-committee had established and implemented the risk management process. The risk management process in Srithai is comprised of risk identification, risk assessment and responses. The identification was initiated by the business advisory and reviewed by the committee. The risk assessment was to

prioritize the risks and figure out the responses. The risk analysis is qualitatively scrutinized on the basis of experienced senior management. Most of the risk jobs are still done by the sub-committee, which covered these jobs in detail with the internal audit staff. Nevertheless, from the primary data, the researcher found that at the beginning of the US Economic crisis in 2007, the company called for a brainstorming among the top management committee and assessed the macro economic situation and qualitatively analyzed the causes and effects. This process regularly results on corporate strategy rather than risk management strategy. “Our top management qualitatively assessed and responded [on] the coming crisis using our experience from the previous crisis in Asia.” CFO of Srithai

Corporate Culture

“We applied more financial figures and ratios such as EBITDA, interest expenses and debt to equity, not just the bottom line. This crisis made us realized the importance of the preventive system which protected us from the US Economic Crisis in 2007: additionally, this system had eventually been implanted and become the new culture in our organization.” Finance Manager of Srithai

Although Srithai’s corporate culture appears as a manufacturing base, it is actually mixed between manufacturing and service.

Importantly, within the corporate culture, the acquiring of the ethic and morals along with the owners’ feeling had consistently been implemented even prior to the first crisis and led to the transparency which is one of the key success factors for this organization. The quality and product innovations have consistently been developed, even during the rehabilitation plan, and funded via the government’s energy conservation fund. In addition, the market places have been diversified or expanded, especially after release from the rehabilitation plan. The experience from the severe Asian crisis was implanted in the current company management. One obvious result from the risk assessment is that the SOS program –as a risk response-- authored survival through the company’s credibility and customers’ demand for satisfaction. It created opportunities from risk and become a specialist in increasing the margin.

The management style of integrity and transparency, together with the prominent networking leadership of the company’s president, never changes except to become more liberal. As a result, the company even found business opportunities during the US Economic Crisis in 2007. Risk management, corporate culture and strategy seem totally integrated, at least in terms of the underlying principles based on which the business is managed. One simple way in which this idea

can be seen to permeate the whole organization is via the leadership creativity, the experienced management, production of innovative goods, the diverse markets and the dependable human resources. This is risk management in a subtle, rather than an elaborate form.

Conclusion

To have a successful development and implementation of risks management the risk management should be an integral part of the business and the lessons learned from mistakes or successes should be clearly recognized and utilized as management tools in the business. This case study provides the evidence from different crises in different periods of time when no risk management was pragmatic among businesses. The lessons learned created the managing of risks, which was then integrated into the corporate strategy and culture. Srithai informally built-in a risk management function into the organization during the rehabilitation administration plan. Even though this was not a formal risk management framework, it was able to protect the company from the effects of a later crisis. The company president's leadership was influential in the survival from both crises and his prominent networking and strategy still lead the company growth. However, inherent risk for his successor requires significant consideration.

For further research and development, it is suggested that a multiple case study on case comparison between the affected organizations from the economic crises, or the relationships between the key factors (of leadership or/and corporate culture) and risk management efficiency and development should be studied.

Acknowledgements: the author would like to thank the University of the Thai Chamber of Commerce for the research funding. In addition, the author would also like to thank Srithai Superware's management team and the former rehabilitation plan administrators- during the 1997 crisis- for valuable information and very warm collaboration.

References

- Bank of Thailand. 2008. "Monetary Policy Committee's Decision on 3 December 2008." **Bank of Thailand News**. 44: 1.
- Chapman, R.J. 2006. **Simple Tools and Techniques for Enterprise Risk Management**. Chichester, England: John Wiley & Sons.
- Chincarini, L. 2008. "A Case Study on Risk Management: Lessons from the Collapse of Amaranth Advisors L.L.C." **Journal of Applied Finance** Spring/Summer: 152-174.
- Dul, J. and Hak, T. 2008. **Case Study Methodology in Business Research**. Butterworth-Heinemann, UK: Elsevier.

- Fraser, J. and Simkins, B.J., eds. 2010. **Enterprise Risk Management, Today's Leading Research and Best Practices for Tomorrow's Executives.** Hoboken, New Jersey: John Wiley & Son.
- Gerring, J. 2004. "What Is a Case Study and What Is It Good for?" **American Political Science Review** 98, 2: 341-354.
- Gough, L. 1998. **Asia Meltdown: The End of the Miracle?** Oxford, UK: Capstone.
- Hanson, D and White, R. 2004. "Regimes of Risk Management in Corporate Annual Reports: A Case Study of One Globalizing Australian Company." **Journal of Risk Research** 7, 4: 445-460.
- Lam, J. 2003. **Enterprise Risk Management: From Incentives to Controls.** Hoboken, NJ: John Wiley & Son.
- McCarthy, M.P and Flynn, T.P. 2004. **Risk from The CEO and Board Perspective.** New York: McGraw-Hill.
- Merna, T and Al-Thani, F.F. 2008. **Corporate Risk Management**, 2nd ed, Chichester, England: John Wiley & Sons.
- Nakornthab, D. 2008. **The Global Financial Crisis and Your Organization, a Course Document in FINC S53: Risk Management for Executive.** Bangkok: Sasin Graduate Institute of Business Administration of Chulalongkorn University.
- Noor, I, Dillon, R.B. and Williams, R. 2001. "Enterprise IT Risk Management: A Case Study." **AACE International Transaction Risk**. 06: 1-8.
- Noy, E and Ellis, S. 2003. "Corporate Risk Strategy: Does it Vary Across Business Activities?" **European Management Journal** 21, 1: 119-128.
- Pattanapongsa, C. 2008. **Application of Risk Management in Financial Institutions: Lessons from the Current Credit Crisis, a Course Document in FINC S53.** Bangkok: Sasin Graduate Institute of Business Administration of Chulalongkorn University.
- Rao, A. 2009. "Implementation of Enterprise Risk Management (ERM) Tools – A Case Study." **Academy of Accounting and Financial Studies Journal** 13, 2: 87-103.
- Shortreed, J. 2010. "Enterprise Risk Management and ISO 31000." **The Journal of Policy Engagement** 2, 3: 8-10.
- Srithai Superware Public Company Limited. 1997. **Annual Report 1997.** Bangkok: Srithai Superware.
- Srithai Superware Public Company Limited. 1998. **Annual Report 1998.** Bangkok: Srithai Superware.
- Srithai Superware Public Company Limited. 1999. **Annual Report 1999.** Bangkok: Srithai Superware.
- Srithai Superware Public Company Limited. 2000. **Annual Report 2000.** Bangkok: Srithai Superware.
- Srithai Superware Public Company Limited. 2001. **Annual Report 2001.** Bangkok:

Srithai Superware.
Srithai Superware Public Company Limited.
2002. **Annual Report 2002**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2003. **Annual Report 2003**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2004. **Annual Report 2004**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2005. **Annual Report 2005**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.

2006. **Annual Report 2006**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2007. **Annual Report 2007**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2008. **Annual Report 2008**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2009. **Annual Report 2009**. Bangkok:
Srithai Superware.
Srithai Superware Public Company Limited.
2010. **Annual Report 2010**. Bangkok:
Srithai Superware.



Teerin Vanichseni is currently a Lecturer in the School of Business, University of the Thai Chamber of Commerce. He received his Ph.D. in Tropical Agriculture from Kasetsart University, MBA from Sasin Institute of Business Administration of Chulalongkorn University, Master of Science in Environmental Engineering from New Jersey Institute of Technology and B.E. in Civil Engineering from Kasetsart University. Dr. Teerin also has many years' experience working in several corporations before joining UTCC. His research record includes the renewable energy business model development, FDI impact assessment and Business Networking development, and others.