EDITORIAL PREFACE

Casual Models of Contingency and Risk in Finance and Manufacturing

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INTRODUCTION

In this final issue for the *International Journal of Risk and Contingency Management* (*IJRCM*) in 2014 we present manuscripts with an emphasis on casual models of contingency and risk across several disciplines. The disciplines include financial services organizations (including banks) and a company in the automobile manufacturing industry. The methods involve surveying, case studies, and general analytical techniques (including linear regression and linear programming models). We are confident that readers will find these manuscripts unique, interesting and useful towards informing future contingency and risk management research.

LITERATURE REVIEW

Measuring the Financial Value of Marketing Strategy with Excess Stock Market Return

Lane (2014) conducted a critical analysis of several financial asset management theories and then proposes a contingency management best-practice for how to improve the firms value. She proposes that marketing information can be disseminated at a critical time in order to increase a firms stock value. First she describes how to measure the incremental value of releasing the marketing strategy to the public. Then she focused on how to apply the event study method, which is a casual model with a set of equations that can estimate the firm's stock price increase after the release of marketing strategy information.

Supply Risk Management Process: Modeling Enablers to Develop a Structural Framework

Ganguly and Bandyopdhyay (2014) applied the single case study method along with general analytical techniques to examine supply chain management risk in the automobile manufacturing industry. After an extensive literature review, they utilized interpretative structural modeling, which involves a form of vector matrix analysis similar to the Analytical Hierarchy Process, in order to develop a casual supply risk framework. Their model was informed by collecting data from Indian automobile manufacturing company managers. They fitted their model to the case study company and analyzed the relevancy. They mapped the casual factors from the four key risk framework categories of risk identification, risk evaluation, risk measurement and risk assessment. They developed a dependence diagram (similar to that from nonparametric Correspondence Analysis). The diagram had two axes: Driving power and strategy dependence. They classified the structural risk enablers into four quadrants: Autonomous, dependent, independent, and linkage. There were 13 enabler factors identified from the data. Their qualitative approach to analyze supply chain risk management enablers was innovative. We encourage more studies like this.

Impact of Financial Practices on Bank Operational Efficiency Using a Three-Stage DEA

Wang and Lin (2014) used linear regression and they applied the general analytical process of a three-stage sequential technique to develop a Data Envelopment Analysis (DEA) model for examining the technical efficiency index at 34 Taiwan banks. They estimated internal process risk and external environmental risk to accommodate the well-known BASEL III Accord (this is a required capital adequacy ratio in the financial industry). They collected financial data from the 34 Taiwanese commercial banks for the period of 2008 through 2011 following the global financial crisis. Thus this is another interesting look at the post-global fiscal crisis methods applied in the financial industry. They calculated the total factor productivity index to measure the impact of changes in productivity and they utilized this in their DEA model. A DEA model is a type of deterministic linear programming model which measures an efficiency ratio based on known or archival data. They used corrected ordinary least squares (COLS) linear regression to estimate if these factors impacted the performance. In fact they found that there was a decrease in bank productivity and an improvement in pure technical efficiency in the sampled of Taiwan commercial banks since the global fiscal crisis. This seems to be in line with other research that has found the financial risk management processes have changed since the 2008 global fiscal crisis.

Applying Enterprise Risk Management on a Fiber Board Manufacturing Industrial Case

Hayat (2014) conducted a single case study with an imbedded survey of risk management at a USA-based fibre board manufacturing company. He also collected data from auditing records at the case study organization. His results indicated the highest number of risks emanated from the operations function of the company. The top risk factors were: Employee dissatisfaction (lack of work ownership), inadequate working capital, man-made or natural disasters, inefficient storage, and market risk. Interestingly, human resource talent management was identified as one of the most risk mitigation factors at the company. He developed a two-dimensional heat map model to illustrate the likelihood and impact of each risk.

Review of Risk Management Challenge and Opportunity

Zakaria and Islam (2014) reviewed a practice-oriented handbook about managing risks in financial as well as non-financial industries. A key benefit of the handbook they identified was the integration of qualitative theories (e.g.,

conflict of interest) with quantitative analysis methods (variance and standard deviation). Another useful feature they discussed was how to analyze information in the context of principal and agent ethical issues. We appreciate reading such a comprehensive and objective review of a book that is relevant to the journal's keywords. It was clear that this book could be of use to practitioners in the accounting or finance industry as well as for academic scholars teaching risk management topics.

CONCLUSION

We encourage risk management practitioners to continue to improve the risk and contingency management body of knowledge. We would like to see more research risk, uncertainty, and contingency management studies across the disciplines and using multiple methods. We also advise researchers to triangulate their data and method to increase the reliability of the results as well as to gain a more robust interpretation of the findings. Using multiple methods on the same data, collecting additional data, and replicating studies to new samples, are all recommended approaches to improve the reliability of studies. In closing, we wish everyone a happy new year and continuing success with their research (http://ijrcm.multinations.org/).

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