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INFLUENCE OF ENTERPRISE RISK MANAGEMENT ON ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM KENYAN STATE-OWNED CORPORATIONS

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Abstract

The study conceptualized the association between performance of state corporations (SCs) in Kenya and their enterprise risk management (ERM). ERM is a practice in strategic management that aims to manage risks within the adopted risk tolerance and offer realistic guarantee in accomplishing an entity's objectives and goals. This strategic management practice was introduced in public organizations as part of the government reforms to deal with the dismal performance of state corporations. However, following its introduction in the year 2009 and thereafter it being made mandatory to augment other performance related reforms in the SCs, poor performance persists in most SCs. The purpose of the study therefore, was to determine the effect of ERM on organizational performance of SCs in Kenya. The study used structured questionnaire to collect data in a cross-sectional survey design approach. Data was collected from 92 state corporations in Kenya. Descriptive and inferential statistics were used in analysis of the collected data. The results from the study established that ERM had a statistically significant influence on organizational performance. The results supported contingency theory of ERM. The study stresses the need to enhance the enforcement and implementation of ERM in strategic government agencies. The study contributed to knowledge by demonstrating that ERM significantly influences performance in public sector organizations. The study supported the advancement of contingency theory of ERM by validating that ERM has a positive influence on the performance of SCs in Kenya, thus extending the advancement of the theory to the public sector context. This suggests that matching the contingent factors and adoption of strategic risk management in an organization enables it to accomplish the envisioned outcomes. The study recommendation to policy is for the government to enforce the adoption of ERM in SCs by evaluating its adoption and auditing corrective action. To practice, the study recommends that managers as the owners of organizational strategy in

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SCs should ensure the adoption of ERM as a practice in strategic management by its integration at all levels of strategy development, implementation and decision making in the organization to enhance organizational performance. The study was carried out among Kenyan owned state corporations, which ordinarily function in a different external and internal environment as compared to organizations either in financial or non-financial private sector. The results of the study therefore, are to be applied cautiously since they may not be easily generalized in all other sectors.

Key words: Enterprise risk management, organizational performance, state owned corporations.

1.0 introduction

Enterprise risk management (ERM) is a component of strategic management practice, implemented by firms at diverse echelons of the organizational strategic setting, to recognize any contingencies that could influence its operations and institute appropriate mitigation measures. The purpose of ERM according to the Committee of Sponsoring Organizations of the Treadway Commission – COSO (2006), is to manage risks within the adopted risk tolerance levels and operationalize adequate risk management tools, to offer realistic guarantee in realizing an organization's objectives and goals. Effective ERM promotes risk-management that enables the organization to be in a better position to effectively implement its strategic decisions (Nocco & Stulz, 2006). According to Walker et al. (2003), integrated strategic risk management is intertwined with the concept of ERM.

The application of ERM is based on numerous theories including the contingency theory, agency theory and stakeholders' theory. Kaplan and Mike (2014) developed the contingency theory of ERM, which hypothesizes that the practice of strategic risk management can be effectively operationalized by creating a 'fit' between the adoption of ERM and organization specific factors. The core of a contingency theory of ERM is to discover schemes of fit that would lead to the anticipated performance outcomes by having a fit between an organization's ERM practices and contingent factors (Hammond et al., 2006). Jensen and Meckling (1976) develops the agency theory by suggesting that ERM is influenced by organizational context and the implicit 'contract' between the owners of the organization and management. To empower the firm to attain its objectives as envisioned by shareholders, management must engage in effective ERM, whereas the stakeholder's theory postulates that the performance of the organization is a result of how effectively the firm creates value for its various stakeholders (Freeman, 1984).

The frameworks that anchor ERM include the COSO integrated framework, ISO 31000-2009, and other organization-specific models customized to 'fit' the different environments (Lundqvist, 2014). Three mechanisms are necessitated in any effective ERM approach. These include; governance activities, strategic activities and monitoring activities to address probable outcomes that could threaten the attainment of strategic oversight and goals oversight at various levels (McShane et al., 2011). Nevertheless, every organization has its unique approach of adoption, engagement, formality and maturity of ERM activities. Risk culture and strategic risk management as depicted by the Standard and Poor's ERM framework encompass risk management tools, risk management roles, communications, risk culture evaluation and involvement in risk management decision-making (Beasley, 2005). ISO (2009) approach on ERM takes the strategic approach of managing the organization with regard to risks to enhance the achievement of set objectives, as opposed to the traditional silo-approach of managing risks.

The aim of ERM is to identify, analyze and prepare for any uncertainties, disruptions, hazards, dangers and other probable causes of disasters that may derail the organization from attaining its objectives. ERM is purposed to enable the firm to attain its non-financial and financial performance aims (Channar, Abbasi & Maheshwari, 2015). According to Radner and Shepp (1996), an entity's performance is its capacity to accomplish its key objectives and mission through sound management, effective strategy execution, strong governance and a determined commitment to accomplish results and goals. Besides, Pfennigstorg (1977) posits that measuring of performance in SCs globally is mainly through two far-reaching areas of non-financial aspects and financial stewardship. Non-financil aspects include aspects such as compliance with legal requirements, organizational development, quality management and service delivery.

The wide adoption of ERM into companies' organizational processes, according to Kopia, Just, Geldmacher and Bubian (2017), has not always led to organizational performance outcomes because most organizations lack ground-based theories abouts its outcomes and clear standards for ERM adoption and implementation. This has led to instances where ERM does not contribute to organizational performance Abuzarqa (2019). Despite the fore-mentioned view, there is an increasing prominence in literature tending to link performance and ERM in organizations globally (Rizzi et al, 2011). Risk management issues on the one hand are seemingly gaining importance within the context of both non-financial and financial organizations, undoubtedly with the reason that the business environment is rapidly changing as influenced by the unprecedented technological evolution, increasing unpredictable as characterized by the emergence of catastrophes and constantly hardening based on the 'cut-throat' competitive environment (Kosmala, 2014). Conversely, according to Culp (2002), the discussion of risk management is still considered odd by several organizations especially those in the non-financial sector. The varying propositions notwithstanding, Lundqvist (2014) concludes that ERM enhances organizations' effectiveness in assessing and in the pro-active management of uncertain events, in a timely and efficient manner, while enhancing the achievement of organizational objectives.

The focus of this study was to determine whether ERM influences performance in state owned enterprises (SOEs) in Kenya. Kenyan SOEs, also referred to as state corporations (SCs) or parastatals are enterprises formed to meet socio-political-economic goals or correct market failure where such services cannot profitably be provided by private investors (GoK, 2003). State Corporations are established to deliver on the various government objectives (Obong'o, 2009). The establishment of SCs in Kenya is through an Act of parliament pursuant and a statute pursuant to various Acts within the state Corporation Act Cap. 446. Their mandate is to deal with major functions, which may include products or services designed to enhance citizens' welfare that may be otherwise very unaffordable and unsustainable when left in the hands of the private individuals. In other instances, SCs are required by the government to either collect revenue or make a surplus so that they can sustain their operations in order to meet their respective mandates and intended objectives (Kobia & Mohammed, 2006).

The dismal performance of SCs, which could partly be attributed to several factors including governance and leadership challenges, has seen the government of Kenya undergo a reform process, which culminated into the implementation of public sector reform strategy to hasten the achievement of a sustained economic growth. Some of the key components of the reform strategy were the introduction of Performance Contracting and the institutionalization of Enterprise risk management in all SCs (GoK, 2013). The republic of Kenya has 187 state corporations existing for various reasons (Directorate of Personnel Management, 2006). These includes, agencies formulated to exploit political and social objectives, correct market failure, provide health and education, maintain equality through redistribution of income and also participate in the development of marginal areas (GoK, 2012).

The government of Kenya, determined to improve the performance of its SCs, did introduce several reforms in its public sector, ERM being part of the later government-wide reform agenda items (GoK, 2013). The performance of SCs is of a major strategic importance in driving Kenya's socio-economic agenda as envisioned in the country's Big four (4) agenda and Vision 2030 which is grounded on the three key pillars, that is, economic, social and political, aiming to change Kenya into a middle-income industrialized country by 2030. It is owing to this critical role that SCs hold, that the institutionalization of ERM with a view to improving performance of SCs has been given impetus to enhance the delivery of the SCs objectives towards the attainment of Vision 2030 in Kenya (KIPPRA, 2009). This notwithstanding, the relationship between the key hypothesized concepts in the study which are ERM and the performance of the Kenyan SCs, remains largely undocumented in literature, signifying conceptual, contextual and methodological gaps elaborated subsequently, which this study sought to address.

According to McShane et al (2011), debate on the relationship between organizational performance and ERM has been inconclusive. Conceptually, studies have hardly explored ERM and organization performance. A few studies that looked at organizational performance and ERM provided mixed results. Among these studies, some advanced the existence of a positive relationship (Yegon, 2015), others positing that the influence of ERM on organizational performance differs in extent (Belanes & Hachana, 2009). Whereas others concluded that, firms have only accepted ERM as a topical practice and to variable extent and therefore had not fully realized ERM's impact (Beasley et al., 2006). Arising from the evaluation of studies, it was evident that, it was essential to determine the association between ERM and performance of SCs, since based on the knowledge of the researcher, there had been no study that had sought to establish this relationship, thereby making this aspect, a gaps that the study sought to address.

A few studies relating to ERM and influence on organizational performance have been explored (Yegon, 2015). Contextually, Lundqvist (2014) studied ERM implementation and firm performance of publicly listed firms, focusing on Nordic countries where it was established that four underlying pillars of ERM enhances firm performance. Rao (2007) measured the importance of ERM to firm performance across different sectors in Dubai and established that there was a need for organizations to integrate ERM to management processes. Sunjka and Emwanu (2015) analyzed ERM practices and performance in South African manufacturing SMEs and established that higher risks to the firms emanated from the external environment. Limited studies explored the variables proposed in the study and their relationship, with hardly any focusing on the public sector organizations in developing countries. To the best knowledge of the of the researcher, no study has investigated ERM and performance of Kenyan owned SCs, making this a gap that the study took to address.

The review of studies undertaken revealed that studies adopted varying research designs and methods to investigate the concept of ERM and other variables. For instance, Rao (2007) adopted census survey to evaluate the impact of ERM in private organizations, Sunjka and Emwanu (2015) adopted the case study approach to establish the association between ERM and performance. The study employed a cross sectional design and applied regression analysis to investigate the association between ERM and performance of Kenyan SCs. To address this and the fore mentioned conceptual, contextual and methodological gaps, this study pursued to respond to the question: What is the association between ERM and performance of SCs in Kenya?

2.0 Literature Review

This section provides a review of the foundations of theories that reinforce the study and provides literature review on the study objective. The reviewed literature is sourced from books, scholarly articles and academic journals that provide the expected relationship amongst the study variables. The section further provides the conceptual model that guided the study, alongside the extracted hypotheses that guided the empirical study.

2.1 Theoretical Foundation

Kaplan and Mike (2014) developed the contingency theory of ERM which hypothesizes that the practice of strategic risk management can be effectively operationalized by interlinking ERM with the intrinsic characteristics of the risk types faced by the organization. The core of a contingency theory of ERM is to discover schemes of fit that would lead to the anticipated performance outcomes by having a fit between an organization's ERM practices and contingent factors (Hammond et al., 2006). The conclusion from the theory is that conditional circumstances in the organization enable effective management of risks (Kaplan & Norton, 1996). Contingency theory of ERM was applied in this study to enable operationalization of ERM as an essential practice in strategic management that is implemented by SCs in Kenya to improve their performance. However, as noted by Beasley et al. (2006), the theory is criticized because it hypothesizes an unchanging positive relationship between performance and application of ERM, even in situations where the association may not be solely ascribed to ERM.

The study was also anchored on the Jensen and Meckling's (1976) agency theory, which suggest that agency conflicts emerge in relationships between principals and agency. The agent can adopt practices and operations that put their interests over the interests of the principals. This necessitates the principal to take actions and devise measures that will guarantee that the agent performs in conformity with the principal's interests. In the context of a SC, the government requires management in these SCs to adopt and implement effective ERM practices to enable the SCs to achieve their performance objectives. ERM is hence an approach that has been institutionalized, to enable the state corporations to continually and effectively deliver on their core mandates and contribute to the socio-economic progress of the state, even in times of a national or global crisis.

Stakeholder theory was applied as complementary to the agency theory in the study considering the multifaceted mandates and roles of the State-Owned corporations, which cut across revenue generation, revenue collection, service delivery to the citizens, regulation and over-sight among others. Stakeholders' theory advances that performance of the organization is a consequence of the efficacy with which the firm meets the objectives and satisfies its stakeholders. The theory further suggests that stakeholders have interconnected networks that influence the organization's decision-making process and thereby influencing the outcomes and effectiveness of the organization (Freeman, 1984). One of the key stakeholders in an organisation are shareholders whose main objective is maximization of their value. However, shareholders' value maximization is not the only objective that managers must pursue and therefore, managers must also serve the interest of other key stakeholders such as customers, employees, suppliers, partners, government and the public (Child, 1972).

2.2 Enterprise Risk Management and Organizational Performance

ERM entails planning, directing, controlling and organizing organizational actions with the purpose of minimizing the consequences of risks on the operations and performance of the firm while enhancing the achievement of objectives. According to Sleimi (2020), the aim of ERM is to identify, analyze and prepare for any hazards, dangers and other probable causes of disasters that may derail the organization from attaining its objectives. The components of ERM are context setting, risk assessment, risk evaluation and risk communication (Okeke, Aganoke & Onuorah (2018). Context setting entails defining the space for the process of risk management and setting the standards for risk evaluation within the context of the objectives of the organization (El-Dalabeeh & ALshbiel, 2019). Risk assessment is the procedure for identifying and analyzing risk factors and hazards (Abuzarqa, 2019). Risk evaluation is the process of comparing the estimated risk against the provided risk criteria with the aim of determining the importance of the risk. The evaluation process also entails considering the appropriate risk treatment approach (Sleimi, 2020). Moreover, Esa, Salwa, Ibrahim and Ishak (2018) indicate that risk communication encompasses exchanging of up-to-date advice, opinions and information between the organizational employees to enable them to make informed decisions towards ERM. These components of ERM are interdependent and work in harmony to culminate in the establishment of an effect ERM. The purpose of ERM is to have positive outcomes towards organizational performance.

Organizational performance is the actual result or outcome of a firm evaluated according to its envisioned objectives and goals (Alawattegama, 2017). According to Songling, Ishtiaq and Anwar (2018), firm performance is a broad construct capturing the operations, production and accomplishment of the organization towards its various stakeholders. In this study, the Balanced Scorecard (BSC) was applied to measure performance. The BSC uses both non-financial and financial performance measures by applying four dimensions; financial, internal business processes, customers, and learning and growth (Peng & Zhou, 2011). This study applied the BSC approach by focusing on financial stewardship (revenue, and budget absorption) and non-financial performance (service delivery; customer satisfaction and ranking).

There have been various studies linking ERM to organizational performance with mixed results. Sleimi (2020) established that ERM practices had positive influence on banks' financial performance. Other studies with similar findings include Songling et al. (2018) and Obala, Akpan and Abass (2014). However, there are studies with contradicting findings. For example, Okeke et al. (2018) established an inverse association between ERM and organizational performance, largely due to poor communication and inadequate risks assessment and context setting. Besides, Abuzarqa (2019) established that ERM has no effect on performance of Hungarian banks. Studies with comparable findings include Saleem (2011) and Esa et al. (2018). Despite the importance of ERM in contributing to performance in all organizations, most of the research undertaken has placed emphasis on the private sector, largely focussing on commercial banks. Studies undertaken have focused on the publicly listed firms and further narrowed down to observing ERM on financial performance. These study results have obtained mixed or rather inconclusive findings (Brustbauer, 2014). Williams (2005) argues that although ERM is depicted as one of the crucial strategic management practices that organizations are continuously adopting, most businesses are yet to integrate the critical elements of ERM, to realize improved performance (Venkatraman & Ramanujam, 1986). El-Dalabeeh and ALshbiel (2019) notes that there is a dearth of empirical studies on ERM in the public sector.

ERM increases value when it helps improve performance and factors that may contribute to ERM not having an effect on organization performance include; inadequate risk knowledge of management, poor risk assessment, lack of monitoring and evaluation of adopted risk management tools and strategies and poor communication (Ojasalo, 2009). In Kenya, implementing of public sector reforms was started in 1993 with the purpose of enhancing socio-economic development and improving service delivery by the public sector. Government reforms have so for been implemented in three subsequent phases, targeted at revamping state corporations to improve their performance. Later interventions such as revamped performance management in the year 2003, introduced the signing of performance contracts between the SCs and government, performance evaluation, ranking and publication of performance (GoK, 2003). Progressive reforms included the institutionalization of ERM in 2009, geared towards improving public sector effectiveness and efficiency and supporting the achievement of the National developmental plans, key among these being the country's economic blue-print, Vision 2030 (KIPPRA, 2009). This reform strategy was augmented by the launch of a governance code, popularly referred to as "Mwongozo Code of Governance" (2015). This Code was issued through an Executive Order in 2015 and provided for the mandatory adoption of ERM as a strategic management practice for all SCs, thus institutionalizing ERM in all Kenyan owned SCs. The overarching objective was to foster performance of SCs.

Beasley et al (2006) advocate for integration between both non-financial and financial organizational objectives with risk management together with individual responsibilities towards the entity's strategy. This is actualized through the definition and monitoring of definite responses as per the strategies in place to ultimately enhance likelihood of achieving the overall strategic objectives and targeted goals (Kaplan & Norton, 1996). Looking at the balanced scorecard approach, strategy and corresponding measurements are distributed across four areas: financial, customer, internal, and learning (Kennerly & Neely, 2003). According to Kim and Lim (1998), financial goals typically differ depending on the maturity level and various practices adopted by respective organization including practices such as ERM, aimed at improving the overall performance of the organization. ERM improves performance by its focus on potential uncertainties and a range of disruptive events that can impact on the achievement of established objectives as opposed to a focus on bottom-line performance (Brustbauer, 2014).

2.3 Conceptual Framework

The purpose of the study was to assess the effect of ERM on organizational performance. a conceptual framework as depicted by Ravitch and Riggan (2012) is a diagram that illustrates the hypothesized relationship amongst the variables of the study. Figure 1 provides the study's conceptual framework.

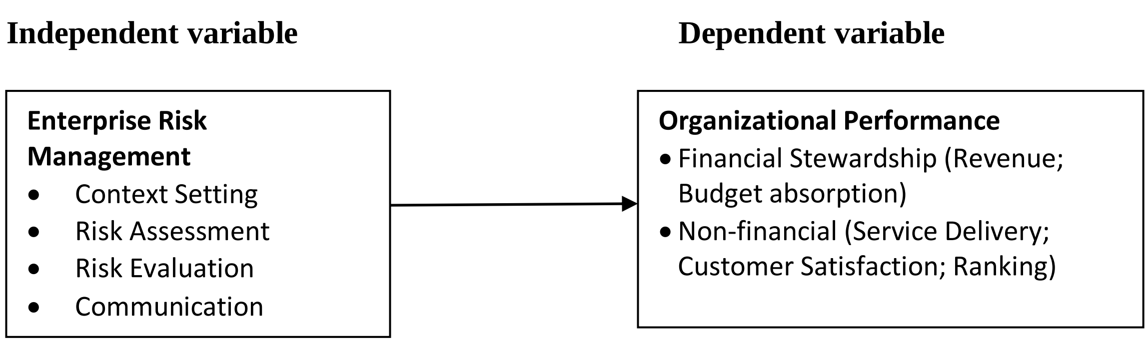

Figure 1: Conceptual Framework on ERM and Organizational Performance

ERM is the independent variable in the study and it is operationalized by risk assessment, context setting, communication and risk evaluation. This study's conceptual framework was formulated based on the theoretical literature and empirical review. Organizational performance was theorized as the response variable with two key pointers which are; non-financial and financial. The hypothesis extracted from the framework is;

H_1: Enterprise risk management has a significant effect on organizational performance of state-owned corporations in Kenya.

3.0 Research Methodology

This section captures the philosophy of the research, the employed research design and population that was targeted. The section also highlights on the sampling method adopted by the study, the data collection approach and the descriptive data analysis measures used.

3.1. Research Philosophy and Research Design

The positivist research philosophy was adopted to anchor the study since it was about theory testing. The study applied cross sectional survey design. The unit of analysis was 187 government State-Owned Corporations in Kenya. These corporations are classified into: development or promotional; regulatory; revenue collection; cultural and social services; commercial; educational and professional; and research institutions (GoK, 2013). A Yamane (1967) formulae was used to compute a sample of 127 SCs that were selected using the stratified random sampling technique.

3.3. Sampling Technique

The study used probability sampling design and adopted the Proportionate Stratified random sampling approach. Choice of technique was guided by the fact that stratified sampling splits the study population into different groups from which specific units can be chosen randomly, thus increasing statistical efficiency (Trochim, 2000).

The sample size was derived using Yamane (1967:886) formulae. The formula was stated as follows;

$$n = \frac{N}{1+Ne^2} \qquad \ldots\ldots\ldots\ldots \text{(i)}$$

In the formula, N = study population, n = sample size and e= 95% confidence level.

On the basis of this formula the sample size was 127, which was 67.9% of the research population. The sample size was thereafter distributed across each of the sub-samples on the basis of their initial proportion as shown at Table 3.1 below. The applicability of the approach was chosen due to ease in carrying out and its high efficiency in statistics (Zikmund et al, 2013).

Table 1: Sample Size Determination

Category	Corporations	%	Sub-Sample
Executive agencies	62	33	42
Vocation and tertiary training institutions, research institutions and public universities	45	24	31
Agencies engaged in commercial activities	34	18	23
Agencies engaged in regulatory activities	25	13	17
Strategic agencies	21	11	14
Total	**187**	**100**	**127**

Source: Researcher (2019)

Primary data used in the study was collected through a questionnaire. The respondents were chief executive officer (CEOs) or authorized Head of risk function, Head of human resource or Head of corporate planning function. Before the final questionnaire was drafted, a pilot study was conducted whose results were used to test validity and reliability. The reliability of the questionnaire was assured with a Cronbach's alpha above 0.7 (α = 0.974). Administration of the questionnaire was trough the drop and pick method. This was aided by trained Research Assistants, who had the capacity and knowhow to effectively administer the questionnaires. Analysis of quantitative data collected through the questionnaire survey was by descriptive statistics (standard deviations, means and percentages) and ordinary least squares regression. Model specifications tests were conducted before model fitting. The study results were presented using tables.

4.0 Analysis and Findings

This section provides the results on the response rate alongside setting out the study's descriptive results. The descriptive statistics relating to Enterprise risk management and organizational performance are then outlined. Finally, the findings relating to the study hypothesis are tabulated.

4.1 Response rate and Organization Characteristics

The study administered a total of 127 questionnaires and 92 questionnaires were collected which was a response rate of 72.4%. Babbie (2004) notes that a return rate of 50% or higher is suitable to analyze and publish the results. Majority of the respondents were drawn from education ministry (26.9%) while 37% of the organizations targeted had more than 1000 employees. Regarding years of operation, majority of the organizations (56.5%) had been in operations for a period of over 15 years. On scope of operations, 40.2% of the organizations operated at the regional scope. Regarding ownership, 93.5% of the organizations were fully government owned. Further, 52.2% of the organizations pursued commercial interests while 47.8% pursued non-commercial interests. Table 2 presents the results obtained based on response rate.

Table 2: Response Rate

Company Interest Category	Frequency	Percentage
Commercial	**48**	**52.2**
Non commercial	**44**	**47.8**
Total	**92**	**100.0**

Source: Primary Data (2019)

4.2 Descriptive Statistics

This section provides for the descriptive statistics results of the study variables. Details on the mean, standard deviation and coefficient of variation obtained are provided and a summary of how they were used to examine and interpret the results.

4.2.1 Enterprise Risk Management

ERM variable was analyzed on the subsections namely; communication, risk assessment, context setting and risk evaluation. The study sought the respondents rating on statements relating to enterprise risk management on a Likert scale that ranged from 1 – 5 (5 = Very great extent; 4 = Great extent; 3 = Moderate extent; 2 = Small extent; 1 = Not at all). The results of the sub-variables are shown in Tables 3 to 6.

Table 3: Descriptive Statistics for ERM-Context Setting

Statements	Mean	Std. Deviation	C_V (%)
Organization possess a formal strategy to pursue its mission and vision	4.7	0.808	17.191
Organization has clearly written roles, structure and responsibilities for its functions	4.76	0.603	12.668
Performance objectives are set periodically to measure whether the organization is accomplishing its aims	4.62	0.875	18.939
All staff signs individual performance contracts in my organization	4.38	0.892	20.365
Authority and responsibilities for the entire top management are formally defined	4.45	0.856	19.236
The organization has an approved risk management policy	4.39	0.96	21.868
The existing risk policy provides for the identification of strategic, operational and compliance risks	4.24	1.073	25.307
There exists a board level committee with risk management responsibility led by a senior manager	4.4	0.915	20.795
The organization has a risk management function headed by a senior manager	4.33	1.049	24.226
Overall	**4.47**	**0.8923**	**19.962**

Table 3 shows the results of the subscale 'contest setting'. The results for ERM sub variable of context setting showed that the subscale 'context setting' was felt to a large extent in the SCs (overall mean = 4.47, std deviation = 0.892). The statement with the highest rating was that 'organizations had clearly written roles, structure and responsibilities for their functions' (mean = 4.70 and std dev = 0.808). The lowest rated statement was that 'the organizations have a risk management function headed by a senior manager' (mean = 4.33 and std dev = 1.049). These statistics show ERM context setting was adopted to a large and very large extent in the SCs.

The next sub variable for ERM was risk assessment. The results established that risk assessment was conducted to a large extent in the SCs (overall mean = 4.30, std deviation = 0.993). Statement with highest mean rating was 'the organization identifies corruption risks and their likelihood to affect the ability of achieving set organizational objectives' (mean = 4.46, and std deviation = 0.818) while the lowest rated statement was 'the organization has an approved risk appetite statement (mean = 4.12 and std deviation = 1.226). This indicates that respondents were of the opinion that risk assessment was conducted to large extent in the studied SCs. Table 4 provides the results of the subscale 'risk assessment'.

Table 4: Descriptive Statistics for ERM-Risk Assessment

Statements	Mean	Std. Deviation	C_V (%)
The organization identifies strategic risks and their likelihood to affect the capacity of accomplishing set firm goals	4.32	0.983	22.755
The organization identifies operational risks and their likelihood to affect the capacity of accomplishing set firm goals	4.27	1.039	24.333
The organization identifies compliance risks and their likelihood to affect the capacity of accomplishing set firm goals	4.22	1.036	24.550
The organization identifies quality management system and their likelihood to affect the ability of achieving set organizational objectives	4.41	0.854	19.365
The organization identifies corruption risks and their likelihood to affect the ability of achieving set organizational objectives	4.46	0.818	18.341
The organization has an approved risk appetite statement	4.12	1.226	29.757
Overall	**4.3**	**0.9927**	**23.086**

Risk evaluation was the third sub variable of ERM. The study results show that the SCs conducted risk evaluation to a large extent (overall mean = 4.11, std deviation = 1.118). The statement with the highest mean was 'formal reports are submitted to the board periodically on the state of risks and risk mitigation' (mean = 4.28, std deviation = 1.031). The statement with the lowest mean was 'alternative risk response plan is established for all the significant risks identified by the organization' (mean = 4.07 and std deviation = 1.107). These results indicate that the SCs observed best practices in risk evaluation to a large extent. Table 5 provides the results of the subscale 'risk evaluation'.

Table 5: Descriptive Statistics for ERM-Risk Evaluation

Statements	Mean	Std. Deviation	Cv (%)
The risk management function evaluates the on-going organizational risks	4.13	1.087	26.320
The organization assesses impacts of risks on main indicators of performance	4.13	1.056	25.569
Formal reports are submitted to the Board periodically on the state of risks and risk mitigation	4.28	1.031	24.089
The organization has an automated system to track risk-related information	3.98	1.309	32.889
Alternative risk response plan is established for all the significant risks identified by the organization	4.07	1.107	27.199
The organization undertakes structured and frequent updates of information related to risk	4.08	1.118	27.402
Overall	**4.11**	**1.118**	**27.202**

The findings for risk communication in the SOEs show that study participants were of the view that the SCs conducted risk communication to a large extent (overall mean = 4.00, std deviation = 1.163). The statement with the highest mean was ‘identified risks are shared with the relevant organizational stakeholders as appropriate’ (mean = 4.16, std deviation = 1.207). The statement with the lowest mean was ‘All employees are aware of the organization's risk appetite levels’ (mean = 3.82, std deviation = 1.226). All the statements however, showed that the SOEs conducted risk communication to a large extent. Table 6 provides the results of the subscale ‘risk communication’.

Table 6: Descriptive Statistics for ERM-Risk Communication

Statements	Mean	Std. Deviation	Cv (%)
The organization holds formal risk management meetings to evaluate the status of implementation of ERM	4.04	1.118	27.673
All employees have been sensitized on the content of ERM	3.89	1.169	30.051

All employees are aware of the organization's risk appetite levels	3.82	1.226	32.094
Strategies of risk management are shared with all the management levels	4.08	1.088	26.667
Employees in the organization are aware about identified risks and mitigation measures	4.02	1.167	29.030
Identified risks are shared with the relevant organizational stakeholders as appropriate	4.16	1.207	29.014
Overall	**4.00**	**1.1625**	**29.063**

4.2.2 Organizational Performance

The study investigated the performance of the SCs and relied on primary data on performance rating by respondents on both financial and non-financial measures of the SCs performance on a Likert scale that ranged from 1 - 5 (5 = Very great extent; 4 = Great extent; 3 = Moderate extent; 2 = Small extent; 1 = Not at all). The performance was for 2011/2012 - 2015/2016 financial years. Results of the resulting analysis are provided in Table 7.

Table 7: Organizational Performance

Measures of Performance	Mean	Std. Dev
Revenue collection	3.04	1.356
Budget absorption	4.04	1.200
Corporate customer satisfaction	2.93	0.878
Corporate service delivery	3.13	1.622

The results on revenue collection by the SCs over the five-year period was indicated as good (mean score = 3.04, std deviation = 1.356) while budget absorption was rated as very good (mean score = 4.04, std deviation = 1.200). Further results indicated that corporate customer satisfaction was rated as good over the five years (mean score = 2.93, std deviation = 0.878) while corporate service delivery was also rated as good (mean score = 3.13, std deviation = 1.622). These results imply that the SCs had largely attained their objectives over the five years. The use primary data on performance indictors ranking of SCs as opposed to secondary data was due to the fact that though the SCs' performance had been individual evaluated by the relevant government authorities, there was lack of official published data by government on SCs

performance ranking since the financial year 2014/15.

4.3 Hypothesis Testing

The study sought to establish the influence of ERM on the performance of SCs in Kenya. ERM was operationalized in terms of risk communication, risk assessment, context setting and risk evaluation. In order to accomplish this, the study set out the following hypothesis;

H_1: ERM has a significant influence on performance of Kenyan State-Owned Corporations.

Simple linear regression analysis was applied to test the hypothesis. The analytical model applied was;

$OP = B_0 + B_1ERM.$

Where OP is the organizational performance and ERM is enterprise risk management. B_0 is a constant and B_1 is coefficient of ERM. The results obtained are presented in Table 8 to 10.

Table 8: Summary of the Model

R	R Square	Adjusted R Square	Std. Error of the Estimate
.256	0.065	0.054	6.79854

The study results in Table 8 reveal that the coefficient of determination (R^2 = .065) indicated that 6.5% of the change in organizational performance was explained by the variations in ERM.

Table 9: Analysis of variance of the Model

	Sum of Squares	df	Mean Square	F	Sig.
Regression	274.757	1	274.757	6.294	.017
Residual	3928.713	91	43.652		
Total	4203.469	92			

The model was overall significant (F = 6.294, p = 0.017 < 0.05) as indicated in Table 8. This indicates that the regression model was a good fit and ERM could be applied as a linear predictor of organizational performance.

Table 10: Influence of ERM on Organizational Performance

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig**
	B	Std. Error	Beta		
(Constant)	23.287	4.267		5.458	0.000
ERM	0.479	0.196	0.256	2.438	0.017

ERM had a positive and significant influence on organizational performance (β = 0.479, t = 2.438, p = 0.017 < 0.05) as presented in Table 10. This suggests that a one-unit improvement in ERM causes 0.479 units increase in organizational performance. The results provide evidence that ERM influences organizational performance, hence hypothesis that ERM has a significant influence on

organizational performance in Kenyan State-Owned Corporations was accepted.

5. Discussion of the Findings

The findings of the study provide evidence that ERM is essential for organizational performance. These findings support the findings by Sleimi (2020) who established that ERM had a significant positive influence on financial performance. Other studies with similar findings include Songling et al. (2018) and Obalola, Akpan and Abass (2014). Moreover, the findings relate to the observation by Pfennigstorg (1977) that embracing and application of effective practices in strategic management such as ERM is essential in enabling the organization to accomplish its performance objectives. The findings also agree with the contingency theory of ERM which advances the status of the adoption of ERM in enhancing the achievement of set company goals, that encompass financial and profitability goals, by focusing on managing organizational risks comprehensively (Kaplan & Mike, 2014). This study's finding further supported the findings by Yegon (2015) who established that notwithstanding ERM being a new practice in strategic management, it has pointedly affected organizational performance of non-financial organizations. This can be credited to the decision by the Kenyan government to make ERM an obligatory practice in strategic management for all SCs in its public sector reform agenda (GoK, 2009). There is enhanced energy to accept and apply ERM, due to the drive by government to revamp the public sector by giving prominence to prudent resource application, responsible fiscal attitudes and prioritization of resource allocation as enforced through 'Mwongozo' Code of Governance (2015), that has consolidated governance efforts, to be directed towards the achievement of the National development plans ascribed in the Vision 2030 and the BIG 4 Agenda, while giving key prominence to the institutionalization of ERM.

The study findings also supported the findings by Njoroge et al (2013), that ERM has a positive and significant influence on financial performance. However, notwithstanding the agreement on the positive contribution of ERM to organizational performance, its adoption and implementation in the public sector in Kenya is fragmented and uncoordinated, as characterized by the reported the low ranking of critical ERM implementation factors such as the lack of an established risk management function to augment the assurance efforts on effective achievement of established strategic objectives; lack to established risk appetite statements, that would define the thresholds of acceptable risks and guide successful ERM implementation while facilitating effective decision-making and strategic alignment; the non-institution of adequate risk mitigation and treatment plans post-risk assessment and identification, a factor that enhance organizational exposure to the eminent disruptions and environmental volatility and the reported lack of awareness among of ERM among the employees of SCs which significantly reduces the level of ownership of this important strategic management practice thus hampering its effective implementation. This notwithstanding, ERM's adopting seems to be gaining momentum and gradually being integrated into government business with the support of the instituted governance instrument such as the 'Mwogonzo' Code of Governance. This has seen ERM starting to positively contribute towards performance of SCs. Thus, the study findings support the findings from other similar studies (Abdel-Azim & Abdelmoniem, 2015; Williams, 2005; Gilley et al., 2002).

However, the findings contradict results from other studies. For instance, Belanes and Hachana (2009) and Aaker and Jacobson (1987) had previously established that since the concept of ERM is new to many firms and its application fragmented and uncoordinated, ERM is yet to significantly contribute towards performance in organizations. Furthermore, other authors such as Beasley et al. (2006) and Rao (2007) and McShane et al. (2011) have posited that due to its newness and its fragmented application, its is difficult to assess the influence of ERM on organizational performance. Other findings with contradicting findings include Abuzarqa (2019), Okeke et al. (2018), Esa et al. (2018) and Saleem (2011). Abuzarqa (2019) notes that ERM may fail to have significant positive outcomes towards organizational performance due to lack of adopting a common ERM model as best practices, failure of top management support to effectively implement ERM or lack of effective communication throughout the organization regarding ERM.

6.0 Implications of the Study

The implication from the study results is that ERM is essential and should be considered as a critical strategic management practice to the successful operation of SCs in the delivery of government goals and objectives, as it positively influences organizational performance. For practice, the study findings suggest that the adoption of ERM and its operationalization by matching strategic risk management and contingent factors specific to an organization, results in an enhanced assurance and achievement of set organizational objectives and ultimately improves performance in the public sector.

The study contributed to knowledge by way of demonstrating that ERM has a positive influence on organizational performance in the public sector and specifically among the Kenyan owned State Corporations. Proponents of Contingency theory of ERM (Kaplan & Mike 2014) who advanced the theory pursuant to the assessment of organizations in the private sector in developed countries, posits that there ought to be a 'fit' between the organizational risk type, enterprise risk management strategy and the organizational desired outcomes, therefore only firms with effective combination of these factors will experience enhanced performance and therefore survive. It was established that on the overall, ERM had a statistically significant influence on the overall organizational performance of SCs. The Contingency theory of ERM was therefore validated by the findings of this study as established in the Kenyan state-owned corporations' context. The postulations of Contingency theory of ERM that adoption of ERM influences performance and that this is contingent on its adoption and establishing a 'fit' with the organizational specific factors was further validated in the context of Kenyan owned State Corporations. The proposition of the Agency theory was further augmented by the study finding, as it was established in the public sector, that adoption of ERM as an enterprise-wide risk management practice, by organizations as the 'agent' enhances the achievement of objectives. In the same vein, the postulations of the Stakeholders theory regarding performance of the organization being a consequence of how effectively the firm creates value for the various stakeholders beyond profits was supported in view of the finding that ERM influences both non-financial and financial performance.

For policy, as the reform interventions to promote efficiency and effectiveness of delivery of government national development plan and efficient service delivery continues, more-so in the light of the recent global happenings such as unprecedented large scale catastrophes and unpredictable pandemics that have significantly disrupted almost all business and government critical operations and services, the findings of this study are critical and very timely to support the ongoing legal and policy review and formulation. The study findings can augment the case of institutionalization of ERM in all government institutions and its regulation as a strategic mandatory practice in view of the position of SCs and government agents for socio-economic development and ERM's roll in enhancing SCs performance.

7.0 Recommendations from the Study

The study makes the following recommendations. Firstly, to policy ERM as a strategic management practice should be enacted and regulated and ensure its effective implementation. This is in view of ERM's importance in perpetuating business continuity and achievement of set government objectives, which are mainly delivered by SCs especially, in the face of the on-going unprecedented immense business disruptions caused by catastrophes, pandemics and other uncertainties. This action will considerably enhance the delivery of planned national government development programmes and projects key among these being the economic blue print Vision 2030 and the BIG 4 Agenda. This intervention will also support the effective evaluation and monitoring to measure impact on SCs performance through stringent audits, implementation of mitigation actions and follow-through reporting mechanisms to the central government as is the current practice in the area of financial auditing and reporting.

Secondly, to practice, improvement of managerial and leadership practices has been a long-standing desire within the context of 'Ethics and Governance' in Kenyan state corporations. Thus, numerous interventions have been instituted in seeking best ways that state corporations could enhance leadership practices with a view to enhancing performance. This study provides recommendations to managerial practice more-so in state corporations in Kenya. For managers, organizational decision-making process ought to be anchored on and supported by organizational wide strategic risk management framework that focuses on managing the organization with regard to risks in order to reduce uncertainties and enhance the realization of performance goals. Managers need to ensure the adoption of strong and effective risk intelligent culture by all and the integration of risk management at all echelons of decision- making in the organization, paying further attention to enforcing structures that support to ERM as a strategic management practice, effectively instituting risk mitigation measures to address reported risk and enforcing awareness of ERM across the organization.

Lastly, for theory, the study recommended that scholars can in future benefit in considering the Contingency theory of Enterprise risk management, alongside other organizational theories to build this theory and further advance the case for the adoption of strategic risk management more-so in non-financial organizations. This study provided empirical evidence that in looking at how the Contingency theory is complemented by Agency theory and Stakeholders' theory in understanding organizational wise strategic risk management and the delivering of both financial and non-final objective to satisfy the need of the shareholder and in addressing the comprehensive needs of all stakeholders. In adopting this complimentary approach, the discourse in the field of contemporary ERM theory development would be augmented to advance argument for organizational performance.

8.0 Limitations and Areas for Further Research

The study, like any other, faced several limitations. In the process of establishing the main objectives of the study, conceptual, contextual and methodological limitations were faced. Conceptually, there was a limitation of literature on previous research undertaken to study the effect of ERM on the organizational performance in non-financial sector. Contextually, the study was carried out among Kenyan owned state corporations. State corporations ordinarily function in very diverse external and internal environment from other firms, either in financial or non-financial private sector. The results consequently, are to be applied guardedly since they might not be easily generalized in other segments like the manufacturing and banking sectors among others. Lastly, there were methodological limitations that were experienced in undertaking the study. The study collected data through self-reporting questionnaire. The study therefore depended on the respondent's provided information. Having further noted that the government publication for the SC's corporate performance ranking had been halted effective financial year 2014/15. This data collection technique may provide some validity challenges.

This study focused on the influence of ERM on organizational performance and adopted a cross-sectional research design. The study aroused issues that would require further research. First, the study depended on self-reporting data. Future research should consider adopting different research designs such as longitudinal study to investigate the influence of ERM on organization performance over a longer period. Additionally, the study solely relied on linear regression analysis in examining the influence of ERM on organizational performance. Linear regression has an implied assumption that the association is linear. Since there is a possibility that ERM has a non-linear association with organizational performance, future research should consider non-linear models in assessing the hypothesized association.

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