THE EFFECT OF ENTERPRISE RISK MANAGEMENT ON THE FINANCIAL PERFORMANCE OF FIRMS IN THE HOSPITALITY INDUSTRY IN KENYA

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NOVEMBER 2022

DECLARATION

I declare that this research project is my original work and has not been submitted for an award at any university or institution of higher learning.

Signature:…………………………….. Date:………… 07 December 2022

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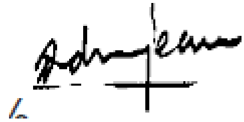
This project has been submitted for examination with my approval as the University supervisor



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DEDICATION

This work is dedicated to my family and most of all to my parents for believing in me and their relentless support and inspirational encouragement. Your prayers brought me this far.

ACKNOLWEDGEMENT

The success of this project is as a result of a considerable contribution from many people. I sincerely thank my parents for pushing me and holding my hand through the process. I would to wish to acknowledge the contributions of my supervisor Dr. Duncan Elly, (PhD, CPA, CIFA) for his guidance during the project execution.

May the Almighty God reward you appropriately.

TABLE OF CONTENTS

DECLARATION ..... **ii**

DEDICATION ..... **iii**

ACKNOLWEDGEMENT ..... **iv**

LIST OF TABLES ..... **viii**

LIST OF FIGURES ..... **ix**

ABSTRACT ..... **x**

CHAPTER ONE **1**

INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Enterprise Risk Management 2

1.1.2 Financial Performance 3

1.1.3 Enterprise Risk Management of Financial Performance 3

1.1.4 The Hospitality Industry in Kenya 4

1.2 Research Problem 5

1.3 Research Objective 6

1.4 Value of the Study 7

CHAPTER TWO **8**

LITERATURE REVIEW **8**

2.1 Introduction 8

2.2 Theoretical Review 8

2.2.1 Agency Theory 8

2.2.2 Stakeholder Theory 9

2.2.3 Traditional Risk Management Theory 10

2.3 Types of Risk in an Organization 10

2.3.1 Systematic Risk 10

2.3.2 Unsystematic Risk 11

2.4 Drivers of Risk in Organizations 11

2.4.1 Risk and Control Self-Assessment 11

2.4.2 Identification of Risk Indicators 11

2.4.3 Incidence Management 12

2.4.4 Compliance of Internal and External Regulation 12
2.5 Empirical Studies 12
2.6 Conceptual Framework 14
2.7 Chapter Summary 15
CHAPTER THREE 16
RESEARCH METHODOLOGY 16
3.1 Introduction 16
3.2 Research Design 16
3.3 Population of the Study 16
3.4 Sample Size 17
3.5 Data Collection 17
3.6 Data Analysis 17
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION 19
4.1 Introduction 19
4.2 Response Rate 19
4.3 General Information 19
4.3.1 Respondents Type of Business 19
4.3.2 Period the Organization Operation in Kenya 20
4.3.3 Enterprise Risk Management Policy 21
4.4 Descriptive Statistics 22
4.4.1 Enterprise Risk Management Practice 22
4.4.2 Financial Performance 25
4.4.3 Profitability Efficiency Matrix 26
4.5 Correlational Analysis 26
4.6 Regression Analysis 27
4.7 Discussion of Findings 29
CHAPTER FIVE 31
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 31
5.1 Introduction 31
5.2 Summary of Findings 31
5.3 Conclusions 32

5.4 Recommendations 33
5.5 Limitations of the Study 33
5.6 Suggestions for Further Research 34
REFERENCES 35
Appendix I: Questionnaire 39

LIST OF TABLES

Table 4.1: Response Rate 19

Table 4.2: Risk And Control Self-Assessment 22

Table 4.3: Identification of Risk Indicators 23

Table 4.4: Incidence Management 24

Table 4.5: Compliance Of Internal And External Regulation 24

Table 4.6: Financial Performance 25

Table 4.7: Correlational Results 26

Table 4.8: Model Summary 27

Table 4.9: Analysis of Variance 28

Table 4.10: Beta Coefficients of the Variables 28

LIST OF FIGURES

Figure 4.1: Type of Business 20

Figure 4.2: Period the Organization Operation in Kenya 20

Figure 4.3: Enterprise Risk Management Policy in the Organization 21

Figure 4.4: Effect of ERM on Performance 21

ABSTRACT

The hospitality industry in Kenya has been facing a lot of turbulences including economic crises, political instability, and the covid-19 pandemic. This adversely affects the performance of players within the industry due to low level of tourism activities. The objective of this study was to determine the effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya. This study employed a descriptive research design. The study population was 211 hotels and restaurants and 324 tour operators. This study employed simple random sampling to select 53 hotel and restaurants and 80 tour operators, representing 25% of the population. The study primarily employed primary data. A questionnaire was used to collect. Data was analyzed using descriptive and inferential statistics. Descriptive statistics included mean, standard deviation, frequencies, and percentages. Data was presented in form of tables, figures, and pie charts. Correlational analysis was conducted to determine the strength of the relationship between the variables. Regression analysis was conducted to determine the relationship between the variables. The study revealed that risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. It was established that identification of risk indicators, incident management, and compliance of internal and external regulation had a significant and positive with the financial performance of firms in the hospitality industry in Kenya. The study recommends that the firms should include risk management component in the mission statement, work roles and in the board, decision making process. This emphasis would directly lead to an increased management focus on risk and risk management. The study recommends that firms should adopt rigorous and on-going process of identification of risk indicators that also includes mechanisms to identify new and emerging risks timeously and that firms should have a comprehensive incidence management in place. Hence, the firms will learn from past mistakes, business units will learn from one another and controls that are not working are fixed. The study recommends that firms should ensure full integration of ERM. This will enhance compliance to various policies and regulations leading to reduction in cost incurred in mitigating non-compliance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The goal of risk management is to reduce the volatility of firm value and to eliminate the lower tail outcomes (Kaya, 2018). This means that it should reduce the expected costs of financial distress, but it should still enable companies to gain a competitive advantage in risk-bearing. It is the management's duty to determine how much risk to accept in a bid to grow the stakeholder's value. Risk management mostly uses techniques such as avoidance, mitigation, transfer, and acceptance in dealing with the risks (Soliman & Adam, 2018). Enterprise risk management (ERM) takes a holistic view of risk management and attempts to reduce the probability of large negative earnings and cash flows by coordinating and controlling offsetting risks across the enterprise (McShane, 2018).

This study will be anchored on the agency theory, stakeholder theory and the risk management theory. Jensen and Meckling (1976) advanced the agency theory. The theory explains about the relationship between the owners and managers and that risks are borne by owners who have delegated to managers. The stakeholder theory was developed by Freeman in (1985). The theory argues that a firm should create value for all stakeholders not just shareholders. This risk management theory advanced by Wenk (2005). According to Wenk, risk management involves risk identification, risk assessment and risk prioritization followed by a coordinated and economical application of resources to minimize, monitor, and control the probability and/or the impact of the unfortunate events or maximize the realization of opportunities.

The hospitality industry in Kenya has been growing over the years. The industry contributes highly in the Kenyan economy since it is a source of employment (Shad & Lai, 2015). Further, the hospitality industry in Kenya is facing high competition due to the increasing players in the sector. The industry has also been facing a lot of uncertainty like the global economic crises, post-election violence and the recent COVID-19 pandemic which has led to closure of many hotel businesses in Kenya (Nyamao, 2016).

Therefore, effective risk management play an important role on the performance of an organization.

1.1.1 Enterprise Risk Management

Enterprise risk management is a process put in place by an entity to identify potential events that may affect the entity and manage risk to be within its risk appetite and thus provide reasonable assurance regarding achievement of the entity's objectives (Yang, Ishtiaq & Anwar, 2018). Enterprise risk management (ERM) is referred to as a framework that allows an organization to adopt a systematic and consistent approach to managing all the risks affecting the organization (Chairani & Siregar, 2021). Kaya (2018) defines ERM as the overall process of managing an organization's exposure to uncertainty with emphasis on identifying and managing the events that could prevent the organization from achieving its objectives.

ERM is geared to address risks that can occur to a business organization such as financial risks, strategic risks, and operation risks (Tazhir & Razali, 2015). Organizations have traditionally managed risk by insuring or hedging against every class of risk. In this case, risks can be grouped in more than one class, leading to hedging or insuring a risk more than once. This makes this type of approach inefficient. Enterprise risk management tries to solve this problem by dealing with risks holistically, thus the problem of grouping a risk more than once is eliminated (Smithson & Simkins, 2015).

Fraser, Schoening-Thiessen and Simkins. (2018) provided key elements of ERM which include risk opportunities, robust risk intelligence information, alignment of incentives, cost reduction and better coordination. On the other hand, Anton and Nucu (2020) provided elements of ERM to include compliance with regulations, identification of risk indicators, risk control ad incidence management. According to Kasim and Hanafi (2017) effective ERM enhance compliance to various policies and regulations leading to reduction in cost incurred in mitigating non-compliance.

1.1.2 Financial Performance

Performance is the ability of a company to reach its goals and optimize results. Performance is also defined as the actual output of a company measured against the intended output (George, Walker & Monster, 2019). Fwaya (2016) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee morale and effectiveness with the aim of attaining sustainable competitive advantage. An organization's performance can be measured either financially or non-financially. Non-financial performance is measured in terms of customer service, vendor management, quality assurance, supply chain management and management control (Pun & White, 2015).

Knies, Jacobsen and Tummers (2016) views financial performance as a measure of efficiency of an organization in meeting its obligation by ensuring sound liquidity, solvency and profitability as well as maintaining a positive value of assets. Financial performance is usually a measure to show the financial health of a sector over a specified period. It shows how, in the specified period, the entity has used its resources to maximize its shareholder's wealth. The measures for financial performance include profitability, return on assets, return on equity and leverage (Nudurupati, 2016).

Profitability is used to evaluate the financial viability of an organization. ROA shows how well the managers are utilizing the organization's numerous resources. ROE shows how well the organization is doing in terms of shareholders investments. Leverage is used to show the long-term solvency of the organization (Nudurupati, 2016). In this study, financial performance will be measured in terms of profits return on assets and return on equity.

1.1.3 Enterprise Risk Management of Financial Performance

Effective enterprise risk management strategies come with its associated costs. The implementation comes with a significant change in the risk management philosophy, culture, business strategy and other business strategies and internal processes (Isanzu, 2017). Considering that these may require new technology, consultancy fees, training,

and reorientation costs in the short term while the benefits of the implementation are long term in nature, the performance of a firm in the short term may be negatively affected (Kokobe & Gemechu, 2016). Gupta (2015) pointed out that effective ERM system has significant influence on financial performance. The benefits are derived from efficiency in staff productivity and significant improvement on information technology risk management.

Nguyen and Vo (2020) investigated the correlation between performance and the adoption of ERM in firms in both the financial and non-financial sectors and found no significant association between the two. Hoyt and Liebenberg (2015) reviewed effects of adoption ERM on the performance of firms across different sectors, found a significant positive relation between ERM adoption and company performance. Performance in this case was measured as one-year excess stock returns. Lotti (2016) concluded that firms that had adopted ERM experienced a reduction in stock return volatility and an increase in operating profit per unit of risk.

According to Pagach and Warr (2018) ERM has a high impact on a firm's financial performance. Paape *et al.,* (2012) noted that the main benefit associated with enterprise risk management is that it helps the firms deal with all possible risk effectively and in a coordinated manner, thus reducing earnings and stock-price volatility, reducing costs, and increasing efficiency, which in turn improves performance and the value of firms. Effective risk management practices affect financial performance of firms which when aggregated has an impact on the economic growth (Lai & Shad, 2017).

1.1.4 The Hospitality Industry in Kenya

The hospitality industry is experiencing a period of growth around the world. The hospitality industry is documented to have the third highest growth rate after the oil and the automobile industries. This rise however comes together with changing dimensions of risks. The environment in which the hotels operate is becoming more unpredictable, dynamic and uncertain as hotels around the world seek to serve the increasing number of tourists from diverse backgrounds. The levels of risk and uncertainty in the hotel industry are thus on the rise (PWC, 2015).

The hospitality industry comprises of lodging (hotels and motels), food service (restaurants and caterings), leisure (vacations, parks, sightseeing and hiking), conventions (meetings and trade shows), travel (pleasure and business) and attractions (fairs, gatherings, and meetings). There are more than 100 hotel classification systems, both official and unofficial. Governments are responsible for the official classification of the hotels within their country. However, some private agencies such as tour agencies and tour operators may come up with unofficial ways to categorize the entities Guide (Uduni, 2018).

Hotels in Kenya offer a diverse range of services, with class, elegance and quality of service being the major distinguishing factors. The tourism regulatory authority (TRA), the body tasked with the rating of hotels and restaurants in Kenya, uses this method. The TRA uses various criteria in this classification including with focus on location, building features, front office services, lobby/ lounge/ public areas, and amenities. A 1-Star to 5-Star rating is then assigned to the hotel or restaurant (Tourism Regulatory Authority, 2019). In Kenya, there are 211 listed hotels and restaurants. Of this 24 are 5-star rated, 66 are 4-star rated, 60 are 3-star rated, 58 are 2-star rated and 3 are 1-star rated (Tourism Regulatory Authority, 2019).

1.2 Research Problem

The hospitality industry in Kenya has been facing a lot of turbulences including economic crises, political instability, and the covid-19 pandemic. This adversely affects the performance of the hospitality industry due to low level of tourism activities. Further, a decline in world tourism grossly affects hotel sales and poses a threat to hotel operators because Kenyan hotels largely depend on the international tourism market (PWC, 2015). In the last decade, many hotels in Kenya have closed, there has been a low bed occupancy capacity of 10-20% and the hotels have become more complex to manage because of the demands of the dynamic business environment (PWC, 2015).

The increased dynamic business environment requires hotels to integrate ERM in their operations. This will help them to deal with risks that may arise during their operations. Risk management is a way to reduce business complexities and unpredictable business environment thus a key to improving financial performance of a business. A study by PWC (2015) showed that in Kenya, business related risks were at 52%, above the African average which was at 50% and the global average of 37% despite large-scale adoption of ERM in the country. Asset misappropriation, accounting and procurement fraud, corruption and cybercrime were listed as common risk types in the survey. Increases in these risks have increased the cost of business, hence a negative impact on financial performance.

Candy (2020) researched on best practice of enterprise risk management on rurals' bank performance Riau Island. The result showed that ERM enhances the rural banks' performance, both financial and non-financial. Saeidi (2020) studied the influence of enterprise risk management on firm performance with the moderating effect of intellectual capital dimensions Iranian financial institutions. The findings revealed that ERM had a positive relationship with firms' performance. The studies focused were focused on Riau Island and Iran in financial institutions; contextual gap. Olayinka, Emoarehi, Jonah and Ame (2017) researched on enterprise risk management and financial performance Nigerian financial sector. The empirical findings showed that ERM is positively and significantly related to financial performance. Odipo (2020) researched on the effect of enterprise risk management on financial performance of insurance firms in Kenya. Findings showed a negative correlation between liquidity risk management and financial performance. The study adopted secondary data while the current study will use primary and secondary data. This study sought to answer the research question, what is effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya?

1.3 Research Objective

The objective of this study was to determine the effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya.

1.4 Value of the Study

The study would add to the literature on the effects of enterprise risk management on the financial performance of organizations in general and to the Hotel Industry players specifically. Policy makers would be helped by this study insights as they would get a deeper understanding on how enterprise risk management affects financial performance of the hotel industry players and other sectors of the economy.

Owners, the boards of directors and managers of hotels and other players in the hotel industry in Kenya would benefit from the study when making the decisions to implement the enterprise risk management strategies or not. This will improve on their ability to manage their firms, increasing their profits and ensuring their survival.

Lastly, the research would open other avenues for further research by students and scholars on the increasingly interesting field of enterprise risk management.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on enterprise risk management and its effect on financial performance of organizations. The chapter covers the theoretical review, empirical review, conceptual framework, and chapter summary.

2.2 Theoretical Review

This study was guided by the agency theory, stakeholder theory, traditional risk management theory and theory of finance.

2.2.1 Agency Theory

Jensen and Meckling (1976) advanced this theory. They explained that a firm consists of a nexus of contracts between the owners of the economic resources making up the firm referred to as principals and those who manage the resources referred to as agents. This essentially means that although the risk is borne by the principals, the decision is delegated to the agents. A problem thus arises when the desires of the principal conflict with those of the agent and it is too difficult or expensive to monitor whatever the agent is doing, or when the principal and the agent have different risk bearing attitudes. Agents will usually have more information than the principals. This information asymmetry will affect the principal's ability to monitor the agent.

Failure of agents to act in the interests of principals covers a very broad range of behaviour. It would include shirking, carelessness, inappropriate decisions, and fraud. Since such self-interested behaviour is common in agents, principals must design organizations and contracts to minimize the likelihood of occurrence. Agency theory not only helps to identify situations where agency risk is high but also suggests principles for reduction through effective organizational structures (Muller, 2019).

The agency theory can be used in enterprise risk management in organizations. This can be achieved designing contracts that would ensure that the managers in the organization

would act in the interest of principals. Also, ERM can be used to mitigate the conflict-of-interest problem as in the agency theory through setting an appropriate link between a manager's pay and the firm's stock price. Hence, this theory was used to explain the effect of enterprise risk management on the financial performance of firms.

2.2.2 Stakeholder Theory

The stakeholder theory was developed by Freeman in (1985). The theory stresses on the interconnected relationships between a business and customers, suppliers, employees, investors, and communities who have stake in the organization. The theory argues that a firm should create value for all stakeholders not just shareholders. Kaliti (2015) posits that managers should not only act in the interest of the shareholders but also take into consideration the interests of other stakeholders like suppliers, employees, the government, and other business partners. Hence, in management decision making, all stakeholders' interests have intrinsic value, thus no set of interests, including the shareholder's, should dominate the others.

Stakeholder theory is important since it ties into social responsibility. It focuses on the potential of every participant. Stakeholder theory also aims to keep ethics and economics in line while achieving organization's goals. An organization should be run in manner that benefits the stakeholders, and managers should be accountable to them. This implies that organizations cannot use stakeholders to benefit themselves in the long run. Rather, the main objective should be earning profits for the stakeholders.

In relation to the study, organizations should continually identify, manage, and communicate risks to key stakeholders during the different phases of crisis management. A stakeholder orientation demands that organizations seek and involve stakeholders in enterprise risk management process. The level of involvement depends on both the identified risks and how stakeholders are expected to be affected by the proposed solutions and decision-making process. The benefit of engaging stakeholders includes enhanced understanding of risk, building trust and credibility as they feel that their interests are taken seriously by the organization.

2.2.3 Traditional Risk Management Theory

This theory was advanced by Wenk (2005). According to Wenk, risk management involves risk identification, risk assessment and risk prioritization followed by a coordinated and economical application of resources to minimize, monitor, and control the probability and/or the impact of the unfortunate events or maximize the realization of opportunities. Strategies to manage the risks are normally associated with transfer of the risk to another party (risk transfer), accepting some or all the consequences of the risk (risk acceptance), avoiding the risk entirely (risk avoidance) or reducing the negative effects of the risk (risk reduction).

According to the theory effective risk management as beneficial to a firm as it may lead to superior financial performance, better strategy setting, improved service delivery, efficiency as less time is spent dealing with unwelcome and unforeseen surprises, more efficient use of resources, reduced chances of fraud and better management of contingent and maintenance activities. Decision making is enhanced as a good understanding of risks and their likely consequences would lead to better decision making (Wenk, 2005). Hence, this theory provides a guideline on enterprise risk management through identification, risk assessment and risk prioritization. The adoption of this process by organizations would help in risk management and enhanced performance. Also, effective risk management would lead to an increase in stakeholder’s value.

2.3 Types of Risk in an Organization

Risk can be broadly classified into systematic and unsystematic risk.

2.3.1 Systematic Risk

Systematic risk is the risk which affect the entire market. It is the portion of variability in investment caused by factors affecting all assets (Teoh, Lee & Muthuveloo, 2017). This risk is caused by the unpredictability of economic, political and sociological factors. Systematic risk is also known as undiversifiable risk. The risk arises due to an influence of external factors that the organization cannot control, thus it is undiversifiable (Gupta & Gurjar, 2014). Systematic risk includes interest rate risk, inflation risk and market risk.

2.3.2 Unsystematic Risk

Unsystematic risk is the risk generated in a particular company or industry and does not apply in other industries (Ping & Muthuveloo, 2015). This is risk due to the influence of internal organizational factors (Gupta & Gurjar, 2014). Unsystematic risk can also be referred to as diversifiable risk. Ways to mitigate these risks can be planned for and the risk can be avoided, transferred, accepted, or mitigated. These risks include business or liquidity risk, financial or credit risk and operational risk.

2.4 Drivers of Risk in Organizations

The drivers of risk include risk and control self-assessment, identification of risk indicators, incidence management and compliance of internal and external regulation.

2.4.1 Risk and Control Self-Assessment

According to Farrell and Gallagher (2019) ERM taking three facets of the internal environment by having a risk management component included in the mission statement, work roles and in the board, decision making process. This emphasis would directly lead to an increased management focus on risk and risk management. According to Khan and Ali (2017), since management decisions create value and enhance firm performance, a strategic balance between growth and risk if paired with prudent resource allocation will yield positive financial performance of the firm.

2.4.2 Identification of Risk Indicators

This is the determination of present risk levels and performance controls by studying past trends. The aim of this process is to determine the level of risk that is considered disastrous to the organization and then take immediate corrective action (Machini, 2016). Comprehensive identification and recording to risks are vital, since a risk that is not identified may be excluded from further analysis. To manage risks effectively, organizations need to know the risks they face. Hence, organizations should adopt rigorous and on-going process of identification of risk indicators that also includes mechanisms to identify new and emerging risks timeously (Machini, 2016).

2.4.3 Incidence Management

This is the management and analysis of actual risks incidents to ensure minimization of negative consequences and that improvements are put in place to ensure the incidents do not recur. This, according to Malik, Zaman and Buckby (2020) will enhance organization transparency, avoid recurring of risk incidences, provide objective data on various risk types and identify problem risk areas. With incidence management in place a business will learn from past mistakes, business units will learn from one another and controls that are not working are fixed (Oliveira, Méxas, Meiriño & Drumond, 2019).

2.4.4 Compliance of Internal and External Regulation

Depending on the sector that a business is operating, rules and regulations dictate what a business ought to do and way to manage daily operations. Failure to comply with such regulations can lead to detrimental effects for business, from financial penalties and imprisonment (Lotti, 2016). Failure to comply with various regulations is costly and therefore can be a source of risk to a firm. Effective integration of firms' ERM is expected to enhance compliance to various policies and regulations leading to reduction in cost incurred in mitigating non-compliance (PWC, 2015).

2.5 Empirical Studies

Candy (2020) researched on best practice of enterprise risk management on rurals' bank performance. The study aim was to examine the role of enterprise risk management (ERM) on rural banks' performance. ERM was measured by the structure, governance, and process in the risk management process. The study sample was the rural banks in Riau Island provinces, consisting of 63 questionnaires as the data for further analysis. The result showed that ERM enhances the rural banks' performance, both financial and non-financial. This study focused on banking industry in Riau Island while the current study is about hotel industry in Kenya.

Saeidi (2020) studied the influence of enterprise risk management on firm performance with the moderating effect of intellectual capital dimensions. The study explored the effect of enterprise risk management (ERM) on both financial and non-financial firm

performance and the moderating role of intellectual capital (IC) and its dimensions on the relationship between ERM and firm performance in 84 Iranian financial institutions. Structural equation modeling (PLS software) was used to analyze the data statistically. The findings revealed that ERM had a positive relationship with firms' performance. The results also showed that the overall IC had a moderating effect on ERM-firm financial performance. However, regarding components of IC, knowledge, and information technology (IT) had a positive and significant moderating effect while training, organizational culture, and trust did not affect. This study focused on Iran, the findings cannot be generalized to Kenya.

Olayinka, Emoarehi, Jonah and Ame (2017) researched on enterprise risk management and financial performance. This study examined the impact of enterprise risk management (ERM) on financial performance in the emerging market with special focus on the Nigerian financial sector. The study investigates 40 companies from the period 2012 to 2016 resulting into 200 firm observations. The empirical findings showed that ERM is positively and significantly related to financial performance. The results support the hypothesis that ERM has a significant impact on the financial performance of listed firms in the Nigerian financial sector. This study was focused on financial sector in Nigeria, while the current study focus is on hotel industry in Kenya.

Odipo (2020) researched on the effect of enterprise risk management on financial performance of insurance firms in Kenya. The study goal was the assessment of the effect of Enterprise Risk Management (ERM) on financial performance of insurance companies in Kenya. Secondary data used was from 54 IRA registered insurance companies. SPSS software was used in the examination of the quantitative data.
Findings showed a negative correlation between liquidity risk management and financial performance, all other independent variables (credit risk management and firm size) were all positively correlated with the dependent variable (financial performance). The study adopted secondary data while the current study will use primary and secondary data.

Yegon (2015) studied the effect of enterprise risk management determinants on financial performance of listed firms in Kenya. The purpose of this study was to find out the effect of ERM determinants on financial performance of NSE listed firms in Kenya. A semi structured questionnaire was administered to a finance officer, an auditor and a staff in-charge of ERM department while survey sheet was used to collect secondary data from annual financial statements of each of the listed firms. The descriptive and inferential statistics were generated and regression analysis was done to test the null hypotheses using F-test at 5 percent level of confidence and interpretation done accordingly. The findings from the study show that effective management of ERM determinants (firms' characteristics, staff capacity, information technology and regulatory framework) has effect on financial performance of the listed firms in Kenya. This study focus was on NSE listed firms while the current study focus is on hotel industry in Kenya.

Gachanja (2017) researched on enterprise risk management practice and performance of selected commercial state corporations in Kenya. The purpose of this study was to establish the impact of enterprise risk management practice on the performance of the 34 commercial state corporations in Kenya. The study adopted a descriptive study design. The target population for this research was 136 staff obtained from the 34 CS corporations. Multiple regression analysis was used. The findings of this study indicated that ERM practice was popular among commercial state corporations and which is practiced most is the identification of key risk indicators. Risk and control self-assessment practice of the corporations also was found to be a common practice that is undertaken by corporations. This study focus was on state corporations while the current focus is on hotel industry in Kenya.

2.6 Conceptual Framework

The conceptual framework as a diagrammatic representation showing the connection between the independent and the dependent variables. Figure 2.1 shows the connection between the independent and dependent variables.

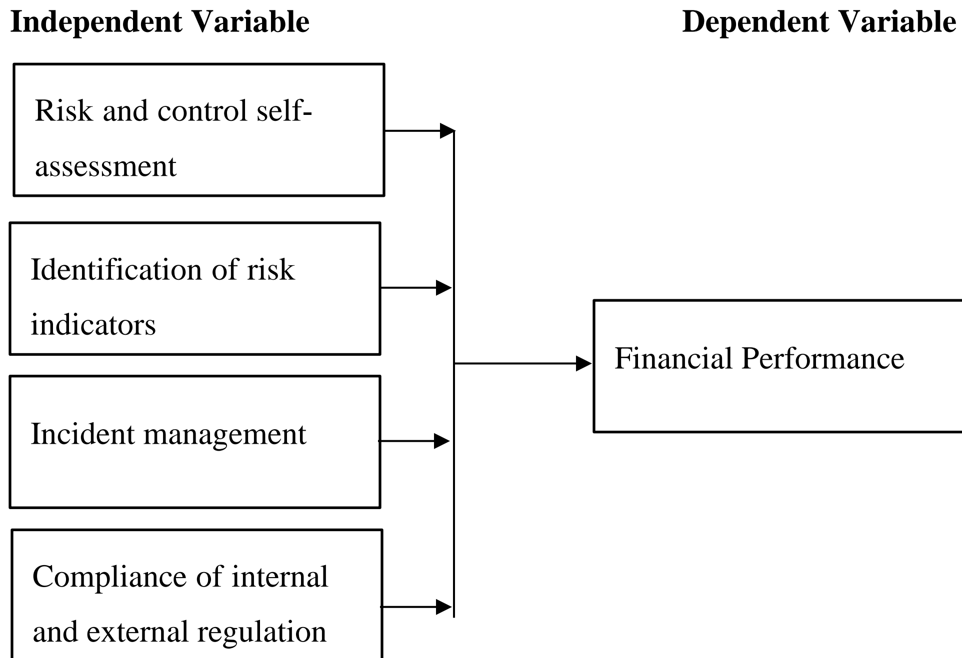


Figure 2.1: Conceptual Framework

2.7 Chapter Summary

Theories that have been used to explain ERM and financial performance include the agency theory, stakeholder theory, traditional risk management theory and theory of finance. The study identified drivers of risks in organizations to include risk and control self-assessment, identification of risk indicators, incidence management and compliance of internal and external regulations. Empirical studies have been reviewed and gaps identified. The conceptual framework shows the connection between the independent and dependent variables.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methods the researcher will employ to satisfy the objective of the study. The chapter entails the research design, research population, how data is collected and how data will be analyzed.

3.2 Research Design

Chandran (2014) describes research design as a planning framework that includes the methodology, assumptions, and models. This study employed a descriptive research design. Creswell (2014) describes a descriptive research design as a type of research that depicts the state of affairs as it exists, where the researcher has no control over the variables and can only report what has happened or is happening, while attempting to discover the causes without controlling the variables. According to Ngechu (2014), it is a systematic collection and analysis of data to answer questions concerning the status of a program, project, or activity. This method was appropriate for this research as the researcher is interested in the current situation and cannot manipulate any variables.

3.3 Population of the Study

Mugenda and Mugenda (2003) define a population as a well-defined set of people, services, elements, events, group of things or households being investigated. The target population of this study was tour operators and hotels and restaurants in Kenya. At the time of the study 2022, there were 211 hotels and restaurants registered with the Tourism Regulatory Authority (TRA) and 324 tour operators registered with the Kenya Association of Tour Operators (KATO). Therefore, the study population was 211 hotels and restaurants and 324 tour operators.

3.4 Sample Size

A sample is a part or section of the population to be studied (Peters & Waterman, 2016). Sekaran (2013) showed that a sample size of between 20% and 30% would be representative. This study employed simple random sampling to select 53 hotel and restaurants and 80 tour operators, representing 25% of the population.

Table 3.1: Sample Summary

	Population	**Sample (25%)**
Hotels and Restaurants	211	53
Tour Operators	324	80
Total	**535**	**133**

With good judgment and the right strategy, elements can be handpicked and developed as a representative of a population (Cooper & Schindler, 2015). This is referred to as purposive sampling. Purposive sampling was used in this study as operations managers would have better knowledge of the application of the enterprise management strategies from the setting of the strategy to the application.

3.5 Data Collection

The study primarily employed primary data. A questionnaire was used to collect data on the application and the usefulness of enterprise risk management strategies on the Hospitality Industry firms. Both open ended and structured closed ended questions. The structured closed ended questions had the respondents give answers on specific targeted information while the open-ended questions gave in depth information on the matter. The questionnaires was sent and the scanned responses receive via email correspondence.

3.6 Data Analysis

Data collected was verified for completeness and accuracy. The raw data collected was then keyed into Microsoft excel for analysis. Data was analyzed using descriptive and inferential statistics. Descriptive statistics included mean, standard deviation,

frequencies, and percentages. Data was presented in form of tables, figures, and pie charts.

Correlational analysis was conducted to determine the strength of the relationship between the variables. Regression analysis was conducted to determine the relationship between the variables using the model;

$$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y Financial Performance

X_1 Risk and Control Self-Assessment

X_2 Identification of Risk Indicators

X_3 Incidence Management

X_4 Compliance of Internal and External Regulation

Bo = constant/intercept

B_1……. B_4 Coefficients

Depending on the type of data, it was analyzed using descriptive statistics such as frequency distribution and measures of central tendency. Findings were inferred and presented using pie charts and tables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The analysis, results and discussion is covered in this section. This involves the analysis of the general information, descriptive statistics, correlation analysis, regression analysis and discussion of the results.

4.2 Response Rate

The study target was 133 respondents comprising of 53 operation managers and 80 tour operators. The participants were issued with questionnaires from where 117 filled and returned the questionnaires. The response rate was 88%. Mugenda and Mugenda (2008) explained, the acceptable response rate is that of 50% and above and, if the response rate is above 70% it is excellent. Our rate of response was therefore considered excellent and suitable for analysis and reporting as summarized in Table 4.1.

Table 4.1: Response Rate

	Frequency	Percent
Response	117	88%
Non Response	16	12%
Total	**133**	**100%**

4.3 General Information

This section covers the general information of the respondents.

4.3.1 Respondents Type of Business

The respondents were required to indicate their type of business. The findings are as illustrated in Figure 4.1 below.

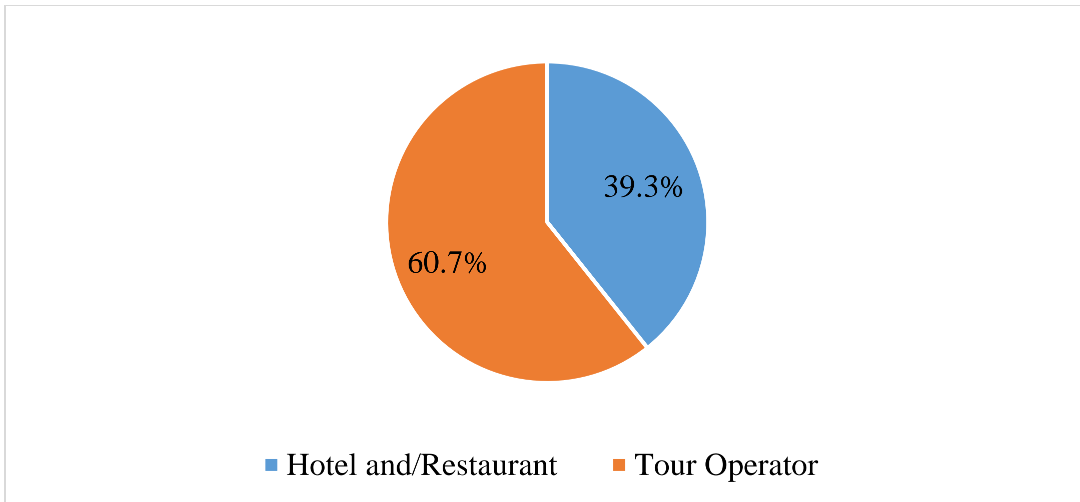


Figure 4.1: Type of Business

From the findings, 60.7% of the respondents indicated that their business is tour operators and while 39.3% indicated that their business is hotel and restaurants.

4.3.2 Period the Organization Operation in Kenya

The participants were required to indicate the period their organization has been in operation in Kenya. This is as shown in Figure 4.2.

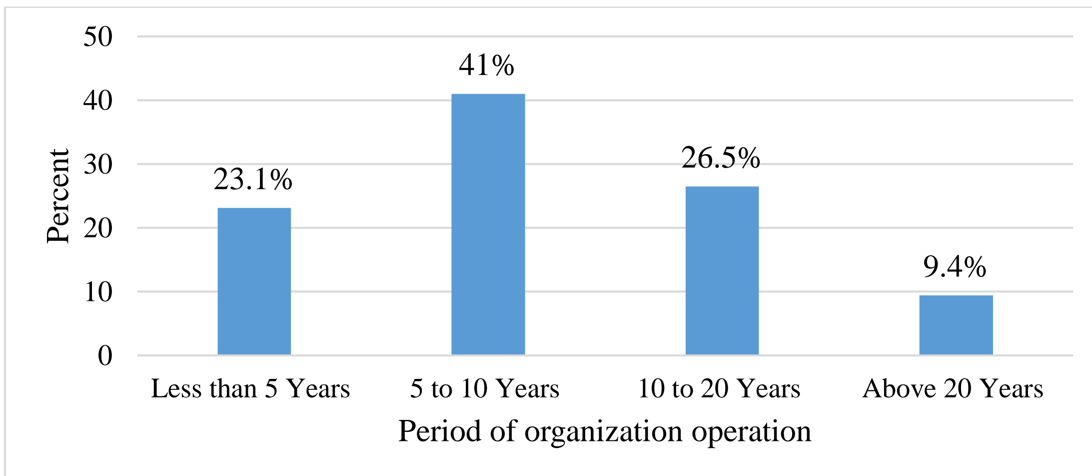


Figure 4.2: Period the Organization Operation in Kenya

The findings show that, majority (41%) of the organizations has been in operation for between 5 to 10 years, 26.5% have been in operation for between 10 to 20 years, 23.1% have been in operation for less than 5 years and 9.4% have been in operation for more than 20 years. This implies that the organization has been in operation long enough to provide information on enterprise risk management.

4.3.3 Enterprise Risk Management Policy

The respondents were asked to indicate whether their entity have a well-defined enterprise risk management policy. The results are as summarized in Figure 4.3.

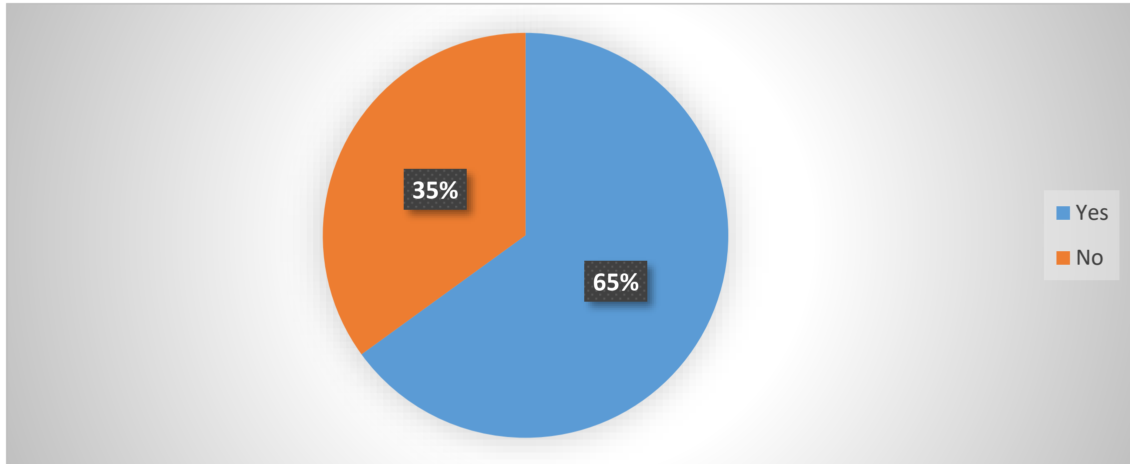


Figure 4.3: Enterprise Risk Management Policy in the Organization

From the findings, 65% of the respondents indicated that their organization have a well-defined enterprise risk management policy while 35% indicated that they do not have a well-defined enterprise risk management policy. This implies that majority of the organizations have well-defined enterprise risk management policy.

Those who indicated yes were asked whether the enterprise risk management policy has improved their organization's financial performance. The results were as shown in Figure 4.4.

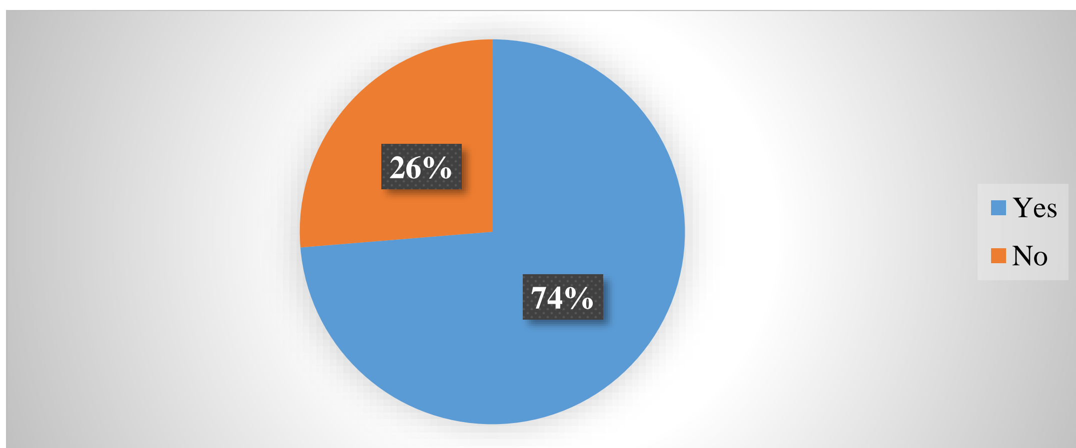


Figure 4.4: Effect of ERM on Performance

The findings in Figure 4.4 depict that 74% of the respondents indicated that enterprise risk management policy has improved their organization's financial performance while 26% indicated no. This implies that ERM is important for organization's financial performance.

4.4 Descriptive Statistics

This section covers the descriptive analysis of the study objectives.

4.4.1 Enterprise Risk Management Practice

The respondents were asked to indicate the level to which their organization has adopted enterprise risk management strategies. 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree.

Table 4.2: Risk And Control Self-Assessment

		1	**2**	**3**	**4**	**5**	**Mean**	**Std. Dev**
1	The risk policy is set by the management	8	13	18	42	36	3.726	0.693
2	There exists a comprehensive risk register set by the management.	5	10	15	54	33	3.855	0.807
3	The risk register and the strategies to mitigate the risks are cost conscious	9	11	17	50	30	3.692	0.719
4	Frequent use of scenario analysis at the board for future risks mitigation.	4	9	18	46	40	3.932	0.797
5	The risk management process is embedded in the mission statement of the organization.	8	10	16	61	22	3.675	0.827
6	A risk self-assessment checklist exists for Business Units to map risks	6	12	15	58	26	3.735	0.801

The findings in Table 4.2 on risk and control assessment shows that the respondents were in agreement that Frequent use of scenario analysis at the board for future risks mitigation as indicated by a mean of 3.932, there exists a comprehensive risk register set by the management as indicated by a mean of 3.855, a risk self-assessment checklist exists for business units to map risks as indicated by a mean of 3.735, the risk policy is set by the

management as indicated by a mean of 3.726, the risk register and the strategies to mitigate the risks are cost conscious as indicated by a mean of 3.692 and the risk management process is embedded in the mission statement of the organization as indicated by a mean of 3.675.

Table 4.3: Identification of Risk Indicators

B:		**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Dev**
1	There exists a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability, efficiency etc.	4	9	20	53	31	3.838	0.771
2	A list of situations that may lead to certain risks happening exists	7	11	17	61	21	3.667	0.821
3	There exists a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks.	3	13	21	58	22	3.709	0.775
4	There exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance.	5	14	19	49	30	3.726	0.702

The results in Table 4.3 depict that the respondents were in agreement that there exists a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability and efficiency as indicated by a mean of 3.838, there exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance as indicated by a mean of 3.726, there exists a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks as indicated by a mean of 3.709 and a list of situations that may lead to certain risks happening exists as indicated by a mean of 3.667.

Table 4.4: Incidence Management

C:		1	2	3	4	5	Mean	Std. Dev
1	The organization has set risk quantifying metrics to assess risk impact.	6	12	18	43	38	3.812	0.733
2	Clear and specific steps to follow in dealing with certain risks have been set by the management.	8	14	16	52	27	3.650	0.717
3	All departments are involved in coming up with risk mitigation strategies.	4	14	19	47	33	3.778	0.709
4	The risk management strategy has the flexibility to deal with unforeseen incidences.	7	10	15	64	21	3.701	0.871

The findings in Table 4.4 shows that the respondents were in agreement that the organization has set risk quantifying metrics to assess risk impact as indicated by a mean of 3.812, all departments are involved in coming up with risk mitigation strategies as indicated by a mean of 3.778, the risk management strategy has the flexibility to deal with unforeseen incidences as indicated by a mean of 3.701 and clear and specific steps to follow in dealing with certain risks have been set by the management as indicated by a mean of 3.650.

Table 4.5: Compliance Of Internal And External Regulation

D:		1	2	3	4	5	Mean	Std. Dev
1	A company-wide communication strategy on risk management exists.	3	10	19	59	26	3.812	0.816
2	The organization briefs the board on risk management affairs regularly.	5	8	19	62	23	3.769	0.848
3	Risk management policies are incorporated into the job profiles of managers.	5	7	15	53	37	3.940	0.843
4	The employee representatives are involved is both strategy and risk management process.	8	11	18	47	33	3.735	0.713
5	The company mission, values and benefit statements on risk strategy is shared with	4	8	16	60	29	3.872	0.856

managers in the organization.

The findings in Table 4.5 shows that the respondents were in agreement that risk management policies are incorporated into the job profiles of managers as shown by a mean of 3.940, the company mission, values and benefit statements on risk strategy is shared with managers in the organization as shown by a mean of 3.872, a company-wide communication strategy on risk management exists as shown by a mean of 3.812, the organization briefs the board on risk management affairs regularly as shown by a mean of 3.769 and the employee representatives are involved is both strategy and risk management process as shown by a mean of 3.735.

4.4.2 Financial Performance

The respondents were required to give their opinion, on how have the implemented risk management strategies impacted the below financial performance indicators. 5- Strongly Positively Impacted, 4- Positively Impacted, 3- Has had no effect, 2-Negatively Impacted, 1- Strongly Negatively Impacted.

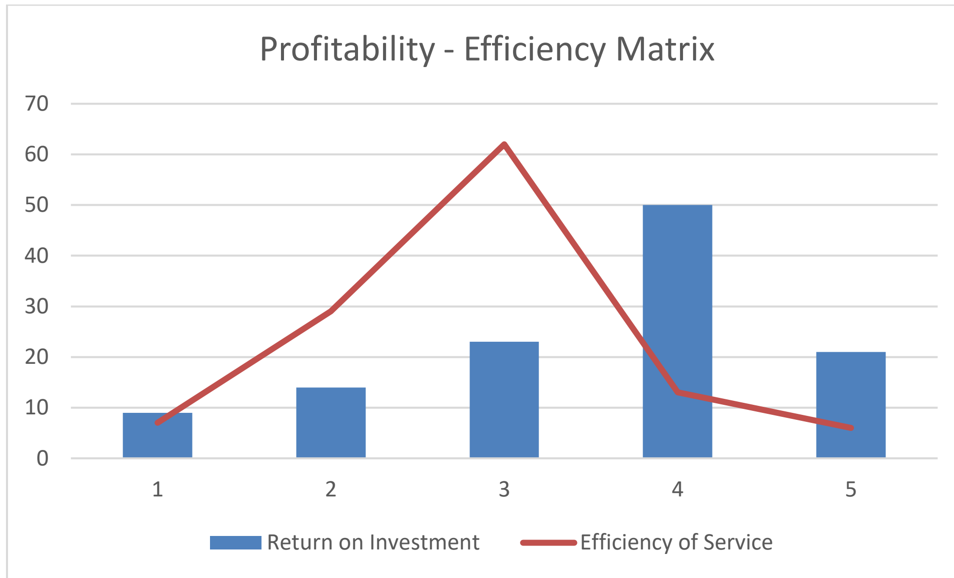
Table 4.6: Financial Performance

	FINANCIAL PERFORMANCE	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Dev**
1	Return on Investment	9	14	23	50	21	3.513	0.646
2	Market Growth	8	14	19	53	23	3.590	0.702
3	Sales Growth	6	16	17	48	30	3.684	0.687
4	Cost Reduction	10	15	20	43	29	3.564	0.611
5	Efficiency of Service	7	29	62	13	6	2.846	

The findings show that the respondents were in agreement that risk management strategies have positively impacted on return on investment as shown by a mean of 3.513, market growth as shown by a mean of 3.590, sales growth as shown by a mean of 3.684, cost reduction as shown by a mean of 3.564 and efficiency of service delivery by 2.846.

4.4.3 Profitability Efficiency Matrix

The study created a profitability – efficiency matrix to provide information on how the implementation of the enterprise risk management strategies affects the company performance.



4.5 Correlational Analysis

The Pearson moment correlation was used to determine the strength of the relationship between enterprise risk management and financial performance. The results were as shown in Table 4.7.

Table 4.7: Correlational Results

		Financial performance pandemic	Risk and control self-assessment	Identification of risk indicators	Incident management	Compliance of internal and external regulation
Financial performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	117				

Risk and control self-assessment	Pearson Correlation	0.801	1			
	Sig. (2-tailed)	0.001				
	N	117	117			
Identification of risk indicators	Pearson Correlation	0.783	.409	1		
	Sig. (2-tailed)	0.001	.009			
	N	117	117	117		
Incident management	Pearson Correlation	0.771	.447	.462	1	
	Sig. (2-tailed)	0.001	.007	.008		
	N	117	117	117	117	
Compliance of internal and external regulation	Pearson Correlation	0.788	.394	.404	.413	1
	Sig. (2-tailed)	0.001	.007	.007	.007	
	N	117	117	117	117	117

The results shows that risk and control self-assessment had a positive correlation with financial performance of firms in the hospitality industry in Kenya ($r = 0.801$, $p = 0.001$), identification of risk indicators had a positive correlation with financial performance of firms in the hospitality industry ($r = 0.783$, $p = 0.001$), incident management had a positive correlation with financial performance of firms in the hospitality industry ($r = 0.771$, $p = 0.001$) and compliance of internal and external regulation had a positive correlation with financial performance of firms in the hospitality industry ($r = 0.788$, $p = 0.001$).

4.6 Regression Analysis

Regression analysis was conducted to determine the relationship between the variables. This comprised of the model summary, ANOVA and beta coefficients.

The model summary was used to test for the variation of financial performance due changes in risk and control self-assessment, identification of risk indicators, incident management and compliance of internal and external regulation. The results were as shown in Table 4.8.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.632	.628	0.21740

The model summary results show that the adjusted R-square is 0.628. This implies that there was 62.8% variation in financial performance of firms in the hospitality industry due to changes in risk and control self-assessment, identification of risk indicators, incident management and compliance of internal and external regulation. The remaining 37.2% implies that there are other factors affecting financial performance of firms in the hospitality industry in Kenya that were not part of model.

The analysis of variance was used to determine whether the model was significant. The results were as shown Table 4.9.

Table 4.9: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.204	4	4.301	18.244	.001[b]
	Residual	26.404	112	0.236		
	Total	**43.608**	**116**			

The results shows that the p-value was 0.001 less than the selected level of significance (0.005) suggesting significance of the model. Further, the f-calculated (18.244) was greater than the f-critical (2.453) from the f-distribution tables. This implies that the model is fit in predicting financial performance of firms in the hospitality industry in Kenya.

Table 4.10: Beta Coefficients of the Variables

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	**t**	**Sig.**
1(Constant)	1.209	.239		5.059	.001
Risk and Control Self-Assessment	.361	.090	.304	4.011	.001
Identification of Risk Indicators	.374	.093	.311	4.022	.001
Incidence Management	.342	.096	.295	3.563	.001

Compliance of Internal and External Regulation	.357	.091	.307	3.923	.001

The regression model was fitted as follows;

$$Y = 1.209 + 0.361X_1 + 0.374X_2 + 0.342X_3 + 0.357X_4 + \varepsilon$$

The equation shows that holding the variables risk and control self-assessment, identification of risk indicators, incident management and compliance of internal and external regulation at a constant zero, financial performance of firms in the hospitality industry will be at a constant of 1.209.

Further, risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya (B = 0.361, P = 0.001). Hence, a unit increase in risk and control self-assessment would lead to an increase in financial performance of firms in the hospitality industry by 0.361 units.

Identification of risk indicators had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya (B = 0.374, P = 0.001). Hence, a unit increase in identification of risk indicators would lead to an increase in financial performance of firms in the hospitality industry by 0.374 units.

Incident management had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya (B = 0.342, P = 0.001). Hence, a unit increase in incident management would lead to an increase in financial performance of firms in the hospitality industry by 0.342 units.

Compliance of internal and external regulation had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya (B = 0.357, P = 0.001). Hence, a unit increase in compliance of internal and external regulation would lead to an increase in financial performance of firms in the hospitality industry by 0.357 units.

4.7 Discussion of Findings

The study found that there is frequent use of scenario analysis at the board for future risks mitigation, there exists a comprehensive risk register set by the management and the risk

management process is embedded in the mission statement of the organization. It was also revealed that risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The findings concur with those of Saeidi (2020) who found that ERM had a positive relationship with firms' performance.

It was established that there exists a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability and efficiency, there exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance and the organization has a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks. Further, identification of risk indicators had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The results relate to those of Olayinka, Emoarehi, Jonah and Ame (2017) who found that ERM is positively and significantly related to financial performance.

The study revealed that organization has set risk quantifying metrics to assess risk impact, all departments are involved in coming up with risk mitigation strategies as indicated and the risk management strategy has the flexibility to deal with unforeseen incidences. Further, incident management had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. Yegon (2015) found that effective management of ERM affects financial performance of firms.

The study revealed that risk management policies are incorporated into the job profiles of managers, the company mission, values and benefit statements on risk strategy is shared with managers in the organization, a company-wide communication strategy on risk management exists and the organization briefs the board on risk management affairs regularly. The findings concur with those of Candy (2020) who found that ERM enhances firms' performance, both financial and non-financial.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In section the summary, conclusion and recommendations are covered. The study aim was to explore the effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya.

5.2 Summary of Findings

The study revealed that firms in the hospitality industry have a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability and efficiency there exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance, there exists a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks and a list of situations that may lead to certain risks happening exists. Further, Risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya.

The study found that organization frequent use of scenario analysis at the board for future risks mitigation, there exists a comprehensive risk register set by the management, a risk self-assessment checklist exists for business units to map risks, the risk policy is set by the management, the risk register and the strategies to mitigate the risks are cost conscious and the risk management process is embedded in the mission statement of the organization. Also, identification of risk indicators had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya.

It was established that exists a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability and efficiency, there exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance, there exists a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks and a list of situations that may lead to certain risks happening exists. Further, incident management had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya.

The study established that risk management policies are incorporated into the job profiles of managers, the company mission, values and benefit statements on risk strategy is shared with managers in the organization, a company-wide communication strategy on risk management exists, the organization briefs the board on risk management affairs regularly and the employee representatives are involved is both strategy and risk management process. Further, compliance of internal and external regulation had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya.

5.3 Conclusions

The study revealed that risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. Hence, a unit increase in risk and control self-assessment would lead to an increase in financial performance of firms in the hospitality industry. The study concludes that risk and control self-assessment significantly affects financial performance of firms in the hospitality industry in Kenya.

It was established that identification of risk indicators had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. Hence, a unit increase in identification of risk indicators would lead to an increase in financial performance of firms in the hospitality industry. The study concludes that identification of risk indicators significantly affects financial performance of firms in the hospitality industry in Kenya.

The study found that incident management had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. Hence, a unit increase in incident management would lead to an increase in financial performance of firms in the hospitality industry. The study concludes that incident management significantly affects financial performance of firms in the hospitality industry in Kenya.

Compliance of internal and external regulation had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. Hence, a unit increase in compliance of internal and external regulation would lead to an increase in financial performance of firms in the hospitality industry. The study concludes that

compliance of internal and external regulation significantly affects financial performance of firms in the hospitality industry in Kenya.

5.4 Recommendations

The study revealed that risk and control self-assessment had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The study recommends that the firms should include risk management component in the mission statement, work roles and in the board, decision making process. This emphasis would directly lead to an increased management focus on risk and risk management.

It was established that identification of risk indicators had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The study recommends that firms should adopt rigorous and on-going process of identification of risk indicators that also includes mechanisms to identify new and emerging risks timeously.

The study found that incident management had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The study recommends that firms should have a comprehensive incidence management in place. Hence, the firms will learn from past mistakes, business units will learn from one another and controls that are not working are fixed

Compliance of internal and external regulation had a significant and positive relationship with financial performance of firms in the hospitality industry in Kenya. The study recommends that firms should ensure full integration of ERM. This will enhance compliance to various policies and regulations leading to reduction in cost incurred in mitigating non-compliance.

5.5 Limitations of the Study

The study was limited to the hospitality industry in Kenya. The study mainly used primary data collected using questionnaires. Hence, the researcher could not verify the respondent's honesty. Further, incorporation of secondary data could provide deeper insights. The study was limited to determine effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya.

5.6 Suggestions for Further Research

This study focus was on the effect of enterprise risk management on the financial performance of firms in the hospitality industry in Kenya. The study recommends that another study should be done to cover other ERM factors that were not discussed in this study.

Future studies should also focus on enterprise risk management and financial performance in other industries including the manufacturing and service firms.

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Appendix I: Questionnaire

Kindly tick appropriately in the provided spaces

Part A: General Information

1. Name of Organization (Optional) …………………………………………
2. Type of Business

   Hotel and/Restaurant [ ]

   Tour Operator [ ]

3. How long has your organization been in Operation in Kenya?

   Less than 5 Years [ ]

   5 to 10 Years [ ]

   10 to 20 Years [ ]

   Above 20 Years [ ]

4. Does your entity have a well-defined enterprise risk management policy?

   Yes [ ] No [ ]

5. If yes, has the enterprise risk management policy improved your organization's financial performance?

   Yes [ ] No [ ]

Part B: Enterprise Risk Management Practice

6. Please Tick on the table as below on the level to which your organization has adopted enterprise risk management strategies. 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree

A:	**RISK AND CONTROL SELF-ASSESSMENT**	**1**	**2**	**3**	**4**	**5**
1	The risk policy is set by the management					
2	There exists a comprehensive risk register set by the management.					
3	The risk register and the strategies to mitigate the risks are cost conscious					
4	Frequent use of scenario analysis at the board for future risks					

	mitigation.					
5	The risk management process is embedded in the mission statement of the organization.					
6	A risk self-assessment checklist exists for Business Units to map risks					

B:	**IDENTIFICATION OF RISK INDICATORS**	**1**	**2**	**3**	**4**	**5**
1	There exists a multi-faceted look on financial soundness including key aspects like liquidity, solvency, profitability, efficiency etc.					
2	A list of situations that may lead to certain risks happening exists					
3	There exists a team/department/individual responsible for identifying risk areas with a set plan of dealing with the risks.					
4	There exist policies on risk avoidance, risk reduction, risk sharing and risk acceptance.					

C:	**INCIDENCE MANAGEMENT**	**1**	**2**	**3**	**4**	**5**
1	The organization has set risk quantifying metrics to assess risk impact.					
2	Clear and specific steps to follow in dealing with certain risks have been set by the management.					
3	All departments are involved in coming up with risk mitigation strategies.					
4	The risk management strategy has the flexibility to deal with unforeseen incidences.					

D:	**COMPLIANCE OF INTERNAL AND EXTERNAL REGULATION**	**1**	**2**	**3**	**4**	**5**
1	A company-wide communication strategy on risk management exists.					
2	The organization briefs the board on risk management affairs regularly.					
3	Risk management policies are incorporated into the job profiles of managers.					
4	The employee representatives are involved is both strategy and risk management process.					
5	The company mission, values and benefit statements on risk strategy is shared with managers in the organization.					

PART C: EFFECT OF ENTERPRISE RISK MANGEMENT OF FINANCIAL PERFORMANCE

7. In your opinion, how have the implemented Risk Management Strategies impacted the below Financial Performance indicators

   5- Strongly Positively Impacted

   4- Positively Impacted

   3- Has had no effect

   2- Negatively Impacted

   1- Strongly Negatively Impacted

	EFFECT ON FINANCIAL PERFORMANCE	**1**	**2**	**3**	**4**	**5**
1	Return on Investment					
2	Market Growth					
3	Sales Growth					
4	Cost Reduction					

Thank You for Participation