Enterprise Risk Management Strategies and Performance of Christian-Based Hospitality Businesses: An empirical overview

Midikira Churchill Kibusi¹, Zachary B. Awino², Kennedy Ogolla³, Martin Ogutu⁴

ABSTRACT
This study intended to determine the relationship between Enterprise Risk Management Strategies (ERMS) as the independent variable, and performance as the dependent variable on the composite non-financial performance indicators and specific financial indicators of Return on Assets (ROA) and Revenue per Available Room (RevPar). The context of the study was the Christian-Based hospitality Businesses in Kenya. Three Null Hypotheses were formulated to test the relationships of the study variables with a significance level of p<0.05. A positivistic philosophy using descriptive cross-sectional survey design on a population of 76 Christian-based hospitality businesses in Kenya was adopted. The results of the study show that the Null Hypotheses 1 (Ho₁(a)), on the effect of ERMS on composite performance was rejected while hypotheses (Ho₁(b)), (Ho₁(c)), which tested the relationship between ERMS and ROA and RevPar respectively were accepted. This concludes that ERMS have a significant relationship with composite performance while ERMS have no significant relationship with the financial indicators of ROA and RevPar. The diagnostic tests showed normal autocorrelation between study variables with DW test ranging between 1.5 and 2.5; Normality test showed normal distribution of study variables; homoscedasticity exists for all hypothesis while collinearity can be seen in hypothesis (Ho₁(a)), (Ho₁(b)) and (Ho₁(c)).

Keywords: Enterprise Risk Management Strategies; Performance; Return on Assets (ROA); Revenue per Available Room (RevPar); Christian-Based Hospitality Business

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Introduction

The dissemination of Risk Management concept over the years has included not only economic decisions in investments and insurance, but has included also both general pure insurable risks and uninsurable risks. Kraus and Lehner, (2012) states that the function of Enterprise Risk Management (ERM) is to safeguard, conserve and enhance the owner’s wealth or value. In so doing, management is able to successfully manage risks and exploiting existing favourable opportunities to maximize the value for the organization. Enterprise risk management strategies (ERMS) should therefore align risk inclination and strategy, which can easily enhance responses to decisions that can reduce any operational surprises and losses. At the same time they should be able to identify and manage across the board enterprise risks, and also time seize existing opportunities and being able to effectively improve the deployment of capital (COSO, 2011). This may be determined by looking at the growth of the asset base and the related income arising from their use or qualitative measures such as satisfaction or other socially related attributes. Strategy has diverse definitions given by various authorities. This is because strategy tends to be multidisciplinary and multidimensional and it is expected to affect the welfare of the organization through achieving stakeholder needs.

The aim and latitude of a business over a period of time should be to attain a competitive advantage in an ever changing environment and be able to organize or align various resources including skills and other competences in order to satisfy stakeholders’ needs. This is the focus of any strategy (Johnson, Scholes & Whittington, 2008).

The context of this study was the Christian-Based Hospitality Businesses in Kenya Tourism is an industry encompassing many sectors. This involves tourists that visit a particular country and use and enjoy the facilities such as hotels, resorts, wildlife enclaves, resorts, conferences, sports, among others. It involves outbound tourism, that is going out of one’s country or territory to other countries or territories or inbound tourism where visitors come into the country or territory from other countries and territories. Tourism can also be domestic, that is the citizens of a particular country or territory visit and enjoy for leisure available tourist facilities including hospitality facilities. Hospitality involves a variety of services to customers that visit the hospitality facilities. These include among others accommodation, restaurant services, health fitness, touring and conferencing. Hospitality enterprises are therefore an integral part of the tourism industry globally which contributes significantly to economic prosperity. This indicates a variety of services to customers that visit the hospitality facilities.

Globally, hospitality industry comprises international hotels, resorts, quick service restaurant chains and travel, all attached to the tourism industry as an important export for many nations. Faith based businesses, especially Christian based, have grown exponentially and are
diverse in operations and nature to include real estate, schools and even financial institutions such as banks and insurance, while the most dominant business being the hospitality businesses. This is no different from the Kenyan situation. There are 76 (seventy six) identified Christian-based hospitality businesses operating in Kenya today (Registrar of Societies/NCCK 2015) and this is the context of the study. These carry out businesses not necessarily for profit but for revenue generation for church and other socially related operations according to their mandates. Hospitality businesses as one of the most common form of businesses by Christian-based organizations have not been adequately studied to determine how enterprise risk management strategies (ERMS) affect their performance. This study was intended to establish the relationship between these two variables.

**Literature Review:**
According to Vaughan (2014), risk, is the adversative divergence from the expected results and which is accompanied by a financial loss. He goes on to state that risk management, as a concept, deals with two broad ways of managing risks: risk control and risk financing and there are various strategies that can accomplish these two aspects.

Risk control is concerned with various mechanisms of risk management. Loss reduction can be achieved by minimizing relationships risks through goodwill trust, behavioural and societal controls. It may also involve minimization of performance risks through competency trust, productivity and social control. Risk control may be achieved through other strategies such as loss deterrence that may include good governance through enhanced skills, replication of similar activities at different locations, separation of operations or assets, diversification of activities or investments and risk avoidance of activities that are likely to create losses (Das & Teng 2001; Chan, 2013).

Risk financing on the other hand deals with various mechanisms of risk transfer and risk retention which would require internal or external resources to finance the risks. Shifting a risk from self to a third party through some insurance arrangement is a strategy of minimizing the effects of such a risk on the insured person. In this respect when risk transfer is through insurance, the policyholder is safe and does not have to be anxious of possible loss (Banks, 2004). Other examples of risk transfer strategies include hold-harmless clauses in contracts, surety bonds in construction industry, outsourcing and hedging. Risk management process usually involves risk identification, measurement of its value, acceptance centered on some criteria for risk appetite, implementation of selected techniques and monitoring and review governed by an organizational policy that is promulgated by the top management or the Board of Directors (BoD). Such policy must be cascaded down the organizational structure for the lower cadre staff to implement under the guidance of some risk officer.
On the other hand Copeland, Weston and Shastri (2005) posit that risk management establishes the growth of regular dividend payments for the stated period as opposed to sheer capital gains. That is for the shareholder to benefit and feel satisfied from a risk management activity his wealth must be seen to be maximized by the growth in dividend receipts. On the other hand, Georges (2013) states that risk management is to do with the restructuring and reduction of organizational risks that leads to maximizing its value. Managers and organizations prefer stability other than volatility because stability provides an environment for utility for various stakeholders.

There are various burdens that increase risk. These include among others: personal managerial shortcomings and interests that impair decision-making; taxes that are nonlinear that tend to reduce the value of organizations; the cost of financial distress; market deficiencies; operational weaknesses (Santomero&Babbel, 1997). Therefore any enterprise risk management strategy must overcome some of these risks and yield some benefit to the stakeholder.

However, enterprise risk management in its totality is an integrated process that goes beyond insurance (Klein, 2013) to include non-insurance mechanisms. Strategy on the other hand involves a set of activities undertaken according to a plan in order to achieve an overall goal. It determines who, when, where and how the plans are to achieve the organizational goals and objectives (Thompson & Strickland, 2008). In its application, ERM is to explain an arrangement of critical and managerial functions that aim at generating a positive reaction to in-built ambiguities in the management of multifaceted and intricate business and its resources.

Enterprise risk management strategies (ERMS) help to contribute to the drive of organizational-wide ethos and style in business management that stimulates tactical evaluation of risks in order to avoid accepting undesirable risks that could easily harm an organization (Hoyt & Liebenberg, 2011). An enterprise-wide approach to risk management enables consideration of potential impact of all types of risks on all processes, activities, stakeholders’ products and services. This therefore tends to avoid a silo approach of identifying and managing the diverse risks faced by an organization.

Integrated ERMS provides for incorporation of policy, rules and regulation in order for the organization to control their activities in achieving their goals. It also allows for companies to consistently deliver superior performance while proactively managing risks. This therefore calls for a socially integrated framework that is composed of various skills that can be used to drive the organization and even evaluate the ERM processes (COSO, 2001).

When ERMS involve organizational restructuring the purposes is in enhancing efficiency. This can be achieved through an integrated structure, thus turning to strong relationships and actions when organizations are faced with uncertainties.
which may be work related, financing related, structural dynamics related, and social capital embedded in social structure, all of which require configuration (McKinley & Scherer, 2000; Levin &Murninghan, 2011). Unlike some aspects of ERMS integrative strategies, restructuring activities may be a one-time undertaking that is not repeated very often, for example management processes such as divesture, spin-offs, acquisition, stock-repurchase and debt swaps. (Gibbs, 2007; Sterman 2002).

Some of the effective risk management determinants that may be used in support of an integrated approach include among others: internal audit effectiveness, that is the ability of the organization to monitor and pinpoint areas of weaknesses and being able to address these weaknesses; human resource competencies that assures proper understanding of the problems and ability to implement any strategies recommended; regulatory influence support that ensures compliance of not only the legal framework but also professional compliance; top management commitment to policy and to strategy implementation as illustrated in the three lines of defense theory (Nocco &Stulz, 2011; Gibbs, 2007).

The goal of any organization should be to achieving an Integrated Management System (IMS) despite the fact that such IMS may not be very easy to actualize due to a multiplicity of systems in one organization. However, such integration makes sense (ISO 9001: 2015), because the success of the business must be part and parcel of a management system. Such system must be an integrated system that mirrors all spheres of business operations and must specifically focus on guaranteeing quality, good health, social environment promotion not only in safety but also in good governance in areas such as human resource governance, financial management among others. Any process and documentation must also relate to this integration (Vasile and Ion, 2012).

Teams performing risk management must integrate all aspects of managing into one integrated system other than individually in silos or conflicting each other. Such teams must ensure efficient management systems (EMS) in every aspect of organizational operation. Certain benefits can be derived from proper systems management. They include among others systems compliance and identification of weaknesses, quick, accurate and effective decision making. As effective systems are used they can easily point out areas of weakness in the operations (Vasile and Ion, 2012). Therefore the success of any organization will depend on teamwork where different managers operate as a team and not individuals. This will bring on board diverse experiences and skills that may be used in different circumstances. Teamwork presents the environment for an integrated management system and makes it possible for a successful implementation of risk management programme and achievement of organizational objectives. It also affords proper interdepartmental relationships the lack of which would
produce a dysfunctional organization susceptible to failure or collapse.

It is critical to note that an integrated risk management system activity must embrace both the key and sustaining principles of risk management. The success of an integrated teamwork calls for an open communication that enhances a free flow of information vertically and horizontally at all levels of operations and which process should encourage formal, informal and even unsolicited information that provides some impetus to quality information which enhances effective decision making. Teamwork as a continuous process in the integrated management system must keep watch over any old risks and the emerging ones due to changes in the environment, technology, customer tastes and other economic and market changes. Such integrated management system must ensure compliance and this makes it possible to evaluate performance. This also enhances identification of weaknesses before an adverse event occurs and be able to provide an avenue for mitigation and put in place first line defense as provided in the three lines of defense theory. There are several good reasons for integration. They may include: reduction of overlapping operations; reduction of risk and hence increasing wealth; harmonizing any incompatible goals; removing any contradictory tasks of governance systems of power and focusing all efforts on organizational objectives; reinforcing social informal systems and practices; developing reliability and cultivating effective communication and mobilizing human resources for development.

General economic theory states that profit is the reward of risk taking. Indeed performance measurement must be based on increasing financial worth of a firm, or what Shil, (2009), refers to as “economic value addition (EVA)”. and this gives an impetus in the creation of value by the executive and BOD for the shareholders. However, maximizing profit as a concept no longer holds as a measure of success, but maximizing the value of the firm would be a wise approach to measure success. Moseng and Bedrup (1993) present corporate performance as a culmination of three integrated factors which are: efficiency, effectiveness and adaptability. These factors lead to successfully achieving the firm’s goals. Firm performance is therefore a complex and multidimensional phenomenon.

Warren, (2008) states that organizational level of prosperity or achievement is measured in terms of business performance. Drury (2000) argues that there are two approaches of measuring firm performance: the traditional accounting or quantitative performance measures and contemporary and qualitative firm performance approaches. Awino (2013), states that accounting is the means by which economic activities are described and measured. However, there are other non-financial measurement such as satisfaction or a combination as in Balanced Scorecard as propounded by Kaplan and Norton (2008). Carton and Hoffer (2006) among others argue that accounting measures comprise financial reports from which information regarding scales of revenue, cash flows, profitability, and other financial ratios such
as return on assets, return on equity, return on investment (ROA, ROE, ROI) among other liquidity ratios may be obtained to reflect firms’ performance.

In their study of major performance indices in the Kenyan hotel and allied industry, Wadongo, Odhuno, Othuro and Kambona (2010) determined that most managers in the industry place their attention on economic and value measure of performance disregarding non-economic and other causal measures, and that organizational physiognomies and evaluation of performance stimulates the selection of important performance determinants. Tobin’s Q can be used to assess performance because of its reflection of the value addition by imperceptible elements like governance. While assessing performance in their study, Hermaline and Weisbach (2003) in their study of information disclosure of the board of directors on the monitoring of chief executive officers used financial indicators such as Return on Assets (ROA), Return on Investment (ROI) and Dividends Yield (DY) for the reason that they can be used to compare between firms. Therefore this confirms that intangible and financial factors are used to measure performance. In the hospitality industry, performance may be based on: Average daily rate (ADR), Revenue per available room (RevPar) and Occupancy rate (OR), O’Connor and Murphy (2004). Critical issues may arise in the use of this variable such as selection of indicators based on convenience and little on consideration of its dimensionality (Combs, Crook & Shook, 2005; Crook, Ketchen, Combs & Todd, 2008).

In their study on effects of organization restructuring on firm performance of National Bank of Kenya, Harwood, Nakola and Nyaana (2016) established that organizational restructuring as an ERMS and performance are positively connected although not so significantly. Van Ness and Kang (2010) in their study of BOD composition on performance in a Sarbanes-Oxley World established that board size and heterogeneity of director skills and the proportion of directors of finance have a negative impact on performance parameters. However, the duality of both chief executive officer and the composition of the board and the average tenure of the BOD have a positive impact on ROA, but the size of the BOD was negatively related to the ratio of debt to asset. No significance was shown of the effect of external directors, sex or average age of the BOD on financial performance.

Orlando (2000) argues that for human capital to subscribe to sustainable competitive advantage, it must create value. ERMS denotes substantial development and improvement hitherto experienced through various approaches of managing business risks whether systemic, environmental, legal compliance and services among others. Whereas Christian-based organizations’ main preoccupation is soul redemption and social programmes interventions, their involvement in business enterprises also requires value addition through their operations. ERMS must therefore configure various resources available to them over the long term, within a changing business environment and to fulfill stakeholders’
expectations just as stated by Kibera (1996) for a formal business environment.

Performance on the other hand is an organizational achievement or success which may be measured in various financial and non-financial parameters (Kaplan & Norton, 2008) which must result in innovative output clearly visible in performance. Given the exponential growth in the hospitality industry against the backdrop of challenges such as security advisories by foreign governments, rising operational costs, over-reliance on foreign tourists, poor infrastructure and ICT, effective ERMS, are some of the canons that Christian-based organizations need to adopt in order to enhance performance. Despite the tremendous growth and contribution to the tourism industry and hence GDP, there is no evidence of a study to show how ERMS as a concept impacts the performance of Christian-based hospitality business in such a competitive environment.

In an exploratory study to determine elements connected to the operationalization of Risk Management (RM) by US and international organizations Beasley, Clune and Hermanson, (2008) established that such implementation is positively related to the presence of chief risk officer. Similarly, using logistic regression framework, Liebenberg and Hoyt (2003) in their study of determinants of ERM implementation concluded that businesses whose capital is highly leveraged prefer a chief risk officer (CRO) in their employment. Generally most market oriented businesses would employ mechanisms such as innovation in order to be more competitive. It is assumed that faith-based businesses are not market oriented and may not employ a chief risk officer, but for them to compete effectively they must approach risk management from a market orientation position.

Methodologically, most studies have dwelt on financial impact on performance, although some have also used non-financial indicators. For example in their study Aon’s Global Enterprise Risk Management (ERM) using descriptive cross sectional approach and regression model to establish the use of ERMS was to reveal the employment of ERMS by large organizations using nine (9) non-financial indicators. The study established that only 7% had progressed significantly in ERM while over 40% regarded to be at the rudimentary stage (McDonald, 2010). Kraus and Lehner (2012) in their study of the nexus of ERM proxies for value creation of USA companies using a meta-analysis of literature and using qualitative and thematic analysis established that there was lack of reliable proxies.

Contextually, most studies have dwelt on formal businesses both locally and internationally. Studies have been undertaken in enterprise risk management and its relationship to specific aspects of firm characteristics in various sectors. For example Yegon, Gekara and Wanjau (2014) studied the effect of size on enterprise risk management (ERM) measured in relation to how listed firms in Kenya have performed financially and found that an increase in firm size leads to improvement in efficiency of enterprise risk management. Waweru and Kisaka (2012) studied how enterprise risk
management implementation affects the value of firms listed on Kenya Stock Exchange, and established this relationship to be positive.

Mugenda, Momanyi and Naiberi, (2012) studied the effect of ERM on financial performance of sugar companies in Kenya and found an above average relationship between the two variables while Tahir and Razali (2011) in their study of the relationship between ERM and the value of publicly listed firms in Malaysia and found that ERM is positively related to firm value but is not significant. Abdulla and Page (2009), studied corporate performance of 350 listed firms in UK using a cross-sectional survey approach and found no relationship between governance structures and book value performance. Hoyt and Liebenberg (2011) studied the ERM relationship with firm value focusing on CRO of European countries using cross-sectional approach and found a positive relationship. All these studies show the contribution of ERMS to performance and value addition to organizations from different contexts.

Methods and Results

A good understanding of the positioning of any research determines the design of the research and the philosophical foundation will determine the methods, investigation and results of the study (Easterby-Smith, 1991; Amaratunga and Baldry, 2001). The most common social research philosophies are the positivism and the phenomenology and this study adopted the former. A descriptive research design was adopted and carried out on a population of 76 Christian-Based Hospitality Businesses (CBHB) in Kenya as at 2015. Data was collected from managers of the respective CBHB for the period 2011-2015 for both financial and non-financial data.

The independent variable was ERMS represented by 7 factors while the dependent variables were represented by 16 non-financial factors which were measured on a 5-point Likert scale. The numerical indicators were measured in ratios in the descriptive statistics of mean, standard deviation and coefficient of correlation.

The linear regression modeling was given as follows:

\[ H_{1(a)}: \ y_1 = \beta_0 + \beta_1 x_1 + \epsilon_1, \]

(i)

Where \( y_1 \) is composite values of performance, \( \beta_0 \) is a constant or intercept, \( \beta_1 \) is regression Coefficient, \( x_1 \) is the independent variable (ERMS) and \( \epsilon_1 \) is Error

\[ H_{1(b)}: \ y_2 = \beta_0 + \beta_{1-2} x_{1-2} + \epsilon_{1-1} \]

(ii)

Where \( y_2 \) is ROA values of performance, \( \beta_0 \) is a constant or intercept, \( \beta_{1-1} \) is regression Coefficient, \( x_{1-1} \) is the independent variable (ERMS) and \( \epsilon_{1-1} \) is Error term

\[ H_{1(c)}: \ y_3 = \beta_0 + \beta_{1-2} x_{1-2} + \epsilon_{1-2} \]

(iii)

Where \( y_3 \) is Revenue per Available Room (RevPar) values of performance, \( \beta_0 \) is a constant or intercept, \( \beta_{1-2} \) is regression Coefficient, \( x_{1-2} \) is the independent variable (ERMS) and \( \epsilon_{1-2} \) is Error term.
Data was collected from 50 CBHB in Kenya representing a response rate of 65.8%. The descriptive statistics in Tables 1 and Table 2 show the average performance of CBHB on ROA and on RevPar.

### Table 1: Summary of Yearly Average Return on Assets

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets</td>
<td>47</td>
<td>7.81</td>
<td>8.34</td>
<td>9.07</td>
<td>8.56</td>
<td>11.91</td>
</tr>
</tbody>
</table>

The results show that on the average the return on assets was positive and grew from an average of 7.81% in year 2011 to 11.91% in year 2015. This therefore indicates that the performance is fairly good.

### Table 2: Minimum and maximum Average Revenue per Available Room

<table>
<thead>
<tr>
<th></th>
<th>Minimum Kshs</th>
<th>Maximum Kshs</th>
<th>Mean</th>
<th>SD</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average revenue</td>
<td>440.00</td>
<td>4675.00</td>
<td>1939.973</td>
<td>932.085</td>
<td>0.480</td>
</tr>
<tr>
<td>per available room</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N=47; SD – standard deviation; CV – coefficient of variation

Table 2 shows that the minimum revenue was Kshs. 440.00 for small businesses and the maximum was Kshs. 4,675.00 for larger businesses and a mean of 1939.973. As indicated, Average Revenue per Available Room is determined by multiplying occupancy rate with average room charges. Therefore the larger the occupancy rate and room charges the higher the value of this element. The growth of revenues is shown in diagram 1. The trend shows a moderate rise in the average daily rate for room occupancy over the five year period from shillings 2722 to shillings 4109.

### Figure 1: Average Daily Rate

![Average Daily Rate](image-url)
The linear regression can be seen in Table 3 for ERMS (independent variable) relationship with composite performance (dependent variable) and Table 4 for ERMS (independent variable) relationship with ROA (dependent variable), and Table 5 for ERMS (independent variable) relationship with RevPar (dependent variable).

The hypothesis was to test the relationship between ERMS and performance of CBHB in Kenya. The results show that F value of 4.325 explains the dispersion of the data from the mean. This value is sufficiently greater than 1.0. A p-value < 0.05 was adopted. The results show that a p-value of 0.048 exists in model 1 under ANOVA indicating the acceptability of the model. This is confirmed by the results of p-value 0.048 from the coefficient table. The results also show a Beta value of 0.391 which means for every 1% change in ERMS there is a 39.1% change in performance. This concludes that there is a directional positive relationship between ERMS and composite performance of CBHB in Kenya and the Null Hypothesis was rejected. The cited studies in the literature shows such directional and positive relationship between ERMS for a majority of market oriented businesses that are not faith-based. For example Waweru and Kisaka(2012) in their study of publicly listed firms in Kenya showed such a relationship. Tahir and Razali (2011) in their study of Malaysian firms showed that ERM had a positive relation to value addition though not significant. The results show that the ERMS adopted by the Christian-based hospitality businesses have a positive influence on performance. This position is confirmed by Mugenda, Momanyi and Naibei (2012) in their study of ERM practices and performance of the sugar industry in Kenya whose relationship was a positive one on general performance of the industry.

From the descriptive statistics of the study it was shown that a majority of the CBHB had adopted various ERMS which included among others integrated systems that provide a holistic approach to business management and diversified boards with varying skills and specific tenure. Similarly, their ability to develop skills at different levels is a contribution to their apparent success.
### Table 3: Model Summary ANOVA and Coefficients for H₁(a):

#### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.391&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.153</td>
<td>0.117</td>
<td>3.252</td>
<td>2.146</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Organizational performance

#### ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig. &lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>45.749</td>
<td>1</td>
<td>45.749</td>
<td>4.325</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>253.864</td>
<td>48</td>
<td>10.578</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>299.613</td>
<td>49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Organizational performance

<sup>b</sup> Predictors: (Constant), Enterprise risk management

#### Coefficients<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>8.238</td>
<td>3.637</td>
<td>2.265</td>
</tr>
<tr>
<td></td>
<td>Enterprise risk management</td>
<td>0.467</td>
<td>0.224</td>
<td>0.391</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Organizational performance

### Table 4: Model Summary, ANOVA and Coefficients for H₁(b)

#### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.096&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.009</td>
<td>-0.018</td>
<td>6.103</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Enterprise risk management

<sup>c</sup>
Table 4 shows the model summary, ANOVA and the coefficients for testing the relationship between ERMS and ROA as one of the financial performance indicators. The test of this relationship is important to the CBHB knowing that most of them may not necessarily be market oriented (MO). The MO hospitality businesses are more concerned with profitability and hence the ROA for them is a critical performance measure. The results in Table 4 from the model summary show that $R^2 = 0.009$ the adjusted $R^2 = 0.018$. This implies that only 0.09% explains the variability of the factors in the model and 1.8% shows the variations explained on the effect of ERMS on ROA. From the ANOVA results $p$-value $= 0.566$ which is higher than the acceptable $p$-value of 0.05 that underpins the acceptability of the Null hypothesis. The $F$ result indicates that the dispersion of data from the means is low at 0.336.

The coefficients show a standard error of 4.662, $t = 0.579$, standardized coefficient of 0.096 which indicates that for every 1% change in ERMS, there is a corresponding change of 9.6% in ROA. Therefore the study concludes that there is no significant relationship between ERMS and the ROA.

### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>12.508</td>
<td>1</td>
<td>12.508</td>
<td>0.336</td>
<td>0.566</td>
</tr>
<tr>
<td>Residual</td>
<td>1340.928</td>
<td>46</td>
<td>37.248</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1353.436</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Return on Asset

b. Predictors: (Constant), Enterprise risk management

### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>VIF</th>
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<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.316</td>
<td>4.662</td>
<td>1.355</td>
<td>0.184</td>
<td></td>
</tr>
<tr>
<td>Enterprise risk</td>
<td>0.172</td>
<td>0.297</td>
<td>0.096</td>
<td>0.579</td>
<td>1.000</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
<td></td>
<td>0.566</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Return on Asset
Table 5: Model Summary ANOVA and Coefficients for H1(c)

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Enterprise risk management
b. Dependent Variable: ARPAR1

ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>272790919.571</td>
<td>1</td>
<td>272790919.571</td>
<td>0.129</td>
<td>0.722&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>46349240652.263</td>
<td>38</td>
<td>2106783666.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>46622031571.833</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Average Revenue per Available Room1
b. Predictors: (Constant), Enterprise risk management

Coefficients<sup>b</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2742.147</td>
<td>46778.274</td>
<td>0.059</td>
<td>0.954</td>
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<tr>
<td>Enterprise risk management</td>
<td>1018.589</td>
<td>2830.700</td>
<td>.076</td>
<td>0.360</td>
<td>0.722</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Average Revenue per Available Room1 (RevPar)

The results from the model summary shows that R square = 0.006 which means a small proportion of 0.6% explains the variability of the factors in the model. Adjusted R square = 0.039 shows that 3.9% explains independent variables that affects the dependent variable. From the ANOVA table, F = 0.129 which shows that the variation between the two variables is minimal and p-value =0.722. The Coefficients table confirms a significant p-value of 0.722. The study adopted p value<0.05 and from this study results the Null Hypothesis H0<sub>1(c)</sub> is therefore accepted indicating that there is no
significant relationship between ERMS and RevPar

Conclusion

The main purpose for ERMS is to reduce duplication that may escalate costs and hence impairing organizational value. Removal of relationships and responsibilities that conflict and thereby eliminating power struggles, should be the aims of CBHB in Kenya. Through this CBHB can be able to recognize and or eliminate unnecessary informal systems such as cultural groupings, doctrinal biased leanings and other interest groups that may operate against the organizational drive to succeed. However, such integration must take cognizance of the availability of the resources such as skilled personnel with sufficient experience, financial resources and other physical resources needed to drive change.

The model that was used in the study was focused on ERMS as a determinant of composite performance. The result on the relationship between ERMS and composite performance has shown a directional positive relationship between the two variables with a p-value of 0.048. A composite measure of performance therefore confirms the argument that for any organization to assess value addition, it can not only rely on accounting ratios growth however critical they may be. Value addition must be comprehensive taking into consideration non-financial parameters of performance such as those that relate to social integration and skills development. In this study various non-financial indicators were measured using the descriptive statistics and their contribution to CBHB performance supported by the financial indicators has shown a positive relationship.

The model which focused on ERMS as the determinant of ROA as a performance indicator showed that Return on Assets (ROA) as a performance indicator is not significantly affected by the ERMS adopted by the CBB. The p-value for this measure was 0.566 which was far greater than the p-value threshold of 0.05. Therefore this concludes that CBHB may not be significantly profit oriented. This is despite the fact that the mean or average ROA over the five year period had grown from 7.81% in 2011 to 11.91% in 2015. It can also be concluded that the fluctuation in revenue growth may also have contributed to the findings of this relationship.

The relationship between ERMS and RevPar shows that ERMS as a predictor does not significantly affect RevPar. The p-value of 0.722 is much greater than the threshold p-value of 0.05 that was used to test the relationship. Room occupancy rates and charges are significant in this relationship and fluctuations in these parameters either due to economic factors, competition or security factors can determine the extent of RePar achievements. These factors therefore can easily impact the ERMS relationship with RevPar.

From the discussions of the findings it has been established that ERMS have a direct positive relationship with the composite performance indicators. However, the direct relationship between ERMS and the financial indicators is not supported.
In conclusion, it can be said that for CBHB to have any competitive advantage and be able to add value, they should not only focus on financial performance but also on non-financial performance. Be it as it may, financial performance may be a determinant of the qualitative indicators of performance for these organizations as financial resources will be needed to finance any social programmes undertaken by them. This is so especially considering that their main operating objective is socially oriented.

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