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Enterprise Risk Management on Business Performance: A Quantitative Analysis of Local Businesses in Surigao del Norte, Philippines

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Abstract: *The study aimed to assess Enterprise Risk Management (ERM) observance and performance variables among local businesses, conducted through non-probability purposive sampling. Utilizing statistical tools like mean, standard deviation, analysis of variance, and Pearson rho, the study revealed a concentration on grocery owners (43%) and businesses operating for 6 to 10 years (52%). ERM observance exhibited a strong commitment to compliance, financial, operational, reputational, and strategic practices, while performance, rated very high, encompassed financial, customer satisfaction, and market share factors. Significantly, the study identified a positive relationship between financial ERM observance and overall performance. The study emphasized business owners' dedicated ERM commitment, positively influencing business performance. Thus, fostering teamwork, incentivizing ERM adherence, disseminating ERM knowledge, and encouraging continuous learning, aiming to establish a robust ERM framework for proactive risk mitigation and strategic decision-making.*

***Key Words*: Enterprise Risk Management, compliance, financial, operational, reputational, strategic, customer satisfaction, market share.**

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1. INTRODUCTION

Risks, defined as uncertainties impacting an enterprise's objective achievement with potential interdependent outcomes, whether positive or negative, underscore the dynamic nature of today's business environment. The perpetual flux of business opportunities and risks in the global economy necessitates a strategic approach to identify and manage organizational performance and risks (Hamdan et al., 2020).

The Philippines' economic landscape is undergoing continuous transformation due to evolving business dynamics and risk factors, exposing organizations to risks that can significantly affect their reputation and brand integrity within a realm of uncertainties. Recognizing this, Philippine regulators have heightened efforts to emphasize the pivotal role of enterprise risk management (ERM) as a catalyst for sustained growth in the national business environment (Yang et al., 2018).

In this context, the Municipality of Claver, Surigao del Norte, emerges as a rapidly growing economic hub, as substantiated by the Commission on Audit's (COA) 2022 Annual Financial Report, where Claver secured the top position among the municipalities with the highest total revenues in Mindanao and rank 8th in the country. The surge in demand for services mirrors the burgeoning enterprise opportunities, inevitably intensifying competition, especially among local businesses.

Pre-interview insights highlighted that competition is the foremost concern among entrepreneurs, particularly those steering local businesses. Entrepreneurs exhibit heightened sensitivity to business intricacies and demonstrate initiative by navigating the risks inherent in competitive sectors. Motivated by these insights, this research delves into the realm of Enterprise Risk Management (ERM) and its nexus with performance among local businesses in the municipality of Claver. The objective is to unravel existing ERM practices, comprehend their impact on business performance, and ultimately provide actionable recommendations to fortify the resilience of these local enterprises.

1.1 Conceptual Framework

This study is anchored in the conceptual framework articulated by Dichaves (2018), emphasizing the imperative for businesses to adopt an enterprise risk management (ERM) framework. This framework serves as a cornerstone for sustaining secure and proficient operations while facilitating the implementation of management policies geared toward achieving business objectives. Recognizing that effective performance is pivotal for business owners, it provides a means for them to discern the gaps in their operations, contributing to the overall success of the enterprise. The significance of effective performance extends beyond mere business operations; it echoes the portrayal of the business and the owner's image (Hao et al., 2018).

Enterprise Risk Management (ERM) practices play a crucial role within this structure, as they are pivotal in influencing the well-being and sustainability of a business enterprise. Organizations that neglect to identify risks jeopardize their readiness to confront unforeseen risk events (Kumar, 2019). The escalating volatility in the business landscape, coupled with the limitations of traditional and fragmented risk management approaches, has spurred the adoption of an integrated method known as Enterprise Risk Management practices (sax & Anderson, 2018).

Furthermore, Algheriani et al. (2019) introduce the concept of proposed intervention, a process integrating partnership and mediation to address and resolve disputes before the preemptive closure of contracts. This intervention becomes an opportunity to apply conceptual tools and knowledge acquired throughout the Enterprise Risk Management practices.

The amalgamation of these concepts serves as the foundation for understanding the enterprise risk management practices of local businesses. As depicted in Figure 1, the identification of business profiles and the influences of enterprise risk management practices on local business performance lays the groundwork for a comprehensive understanding. This understanding, in turn, enriches the proposed intervention, providing valuable insights to assist local business owners in navigating the complexities of risk management.

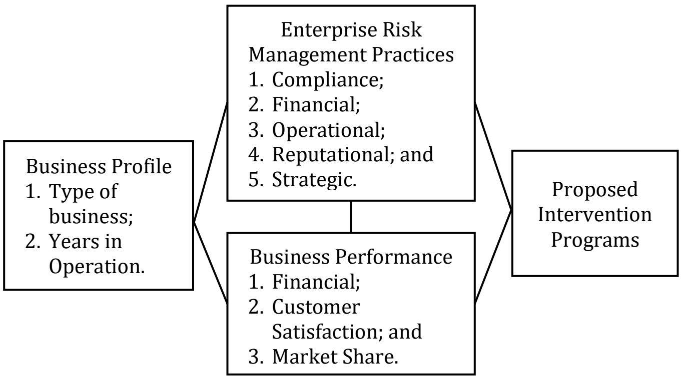

Fig -1: Research Paradigm

1.2 Statement of the Problem

This study aims to assess the level of Enterprise Risk Management (ERM) practices and performance within local businesses in Claver, Surigao del Norte. The specific questions addressed are as follows:

1. What is the business profile of the respondents?
   1.1 Type of business;
   1.2 Years in operation?

2. What is the degree of observance of enterprise risk management practices among the selected businesses in terms of:
   2.1 Compliance;
   2.2 Financial;
   2.3 Operational;
   2.4 Reputational; and
   2.5 Strategic?

3. What is the level of business performance as rated by the owners of the selected local businesses in Claver, Surigao del Norte, in terms of:

3.1 Financial;
3.2 Customer Satisfaction; and
3.3 Market Share?

4. Is there a significant difference in the observance of ERM practices and business performance when grouped by business type and years in operation?

5. Is there a significant correlation between the level of ERM observance and business performance?

6. What recommendations can be suggested based on the study results to address identified concerns and enhance ERM practices and business performance?

2. RELATED LITERATURE

2.1 Enterprise Risk Management Concepts

Enterprise Risk Management (ERM) is a critical aspect of modern business operations, with a growing body of literature emphasizing its significance. ERM has been shown to have a substantial impact on competitive advantage, particularly when moderated by information technology (Saeidi et al., 2019). Additionally, the importance of ERM in public sector organizations has been highlighted, emphasizing the need for robust risk management frameworks (Abah et al., 2019). Furthermore, research has indicated that ERM plays a mediating role in enhancing organizational performance and resilience, particularly through the management of alliance capabilities (Lisdiono et al., 2022; Roslan et al., 2017). Moreover, the specific application of strategic risk management in small enterprises, such as those in the construction industry, has been a subject of interest, shedding light on the unique challenges and opportunities for ERM in these contexts (Baloyi & Ozumba, 2020). Additionally, the telecommunications sector has been a focus for the formation of strategic risk management guidelines, underscoring the industry-specific considerations for effective ERM (Zakharzhevska, 2022). These findings collectively underscore the diverse dimensions and implications of ERM practices across different sectors and organizational contexts, providing a comprehensive understanding of its multifaceted impact on business operations and performance.

2.2 Enterprise Risk Management in the Philippine Context

Enterprise Risk Management (ERM) practices in the Philippines have been the focus of the recent research. Chairani & Siregar (2021) examined the effect of ERM on financial performance and firm value in the ASEAN 5, including the Philippines, emphasizing the role of environmental, social, and governance performance. Additionally, Simbulan & Laraya (2022) specifically focused on the influence of organizational leadership on ERM implementation in Toms World Philippines, highlighting the organizational dynamics impacting ERM practices. Atif & MacDonald (2021) emphasized the importance of applying scientific evidence through risk analysis in the Philippines' food service inspection capacity, underscoring the practical orientation of ERM in regulatory frameworks. These studies collectively underscore the multifaceted nature of ERM practices in the Philippines, encompassing financial, organizational, and regulatory dimensions, and provide valuable insights for organizations and policymakers seeking to enhance risk management strategies in the country.

Almeida et al. (2019) highlighted the challenges in enacting effective ERM practices, particularly in the context of ISO 31000, providing valuable insights into the complexities of ERM implementation in the country. Simbulan & Laraya (2022) specifically examined the influence of organizational leadership on ERM, shedding light on the organizational dynamics impacting ERM practices in the Philippines. Furthermore, Putri et al. (2021) emphasized the applicability of ERM frameworks in the governance of zakat institutions, indicating the relevance of ERM in specific organizational contexts within the Philippines. These studies collectively provide valuable insights into the challenges, organizational dynamics, and specific applications of ERM practices in the Philippines, contributing to a comprehensive understanding of ERM in the country's business landscape.

2.3 Enterprise Risk Management Practices

2.3.1 Compliance Risk Practices

Enterprise risk management encompasses the identification and mitigation of compliance risks, which are associated with potential legal or regulatory consequences, financial setbacks, and damage to reputation arising from the failure to adhere to laws, regulations, rules, and other relevant standards Syrtseva & Cheban (2021). Compliance risk management involves a cyclical process aimed at minimizing identified risks through the development and implementation of appropriate control procedures and measures (Dubinina et al., 2021). Additionally, the importance of compliance risk management is underscored in the context of corporate criminal liability, where an effective compliance program is essential to prevent, identify, and respond to potential compliance risks (Meng, 2022).

Furthermore, compliance practices extend beyond mere legalities, delving into meeting investor and customer expectations, notably through upholding proper corporate governance. This encompasses considerations such as adherence to employment or health and safety legislation, which may impact business overheads and necessitate alterations in established working methods (Woodruff, 2019). Sadia et al. (2018) emphasize the importance of organizations aligning with compliance agendas and requirements to avoid becoming frequent violators in the business landscape. Lu (2017) underscores that adherence to regulations and business standards has become an increasingly critical concern in designing business processes. Despite the rising significance of compliance, Schumm (2018) points out that organizations continue to grapple with challenges in ensuring business process compliance. Despite the proliferation of methods and tools, the struggle persists, highlighting the need for effective support to safeguard businesses from the potential pitfalls associated with non-compliance.

2.3.2 Financial Risk Practices

Financial risks in retail businesses are intricately linked to the business's financial structure, transactions, and existing financial systems Hänninen et al. (2017). The identification of financial risk practices involves scrutinizing daily financial operations, such as cash flows, and assessing dependencies on a single customer (Zhen et al., 2022). Additionally, the impact of external factors, such as the COVID-19 epidemic, on the financial situation of retail businesses has been studied, highlighting the need to analyze the financial risk level of enterprises (Zhang, 2022). Moreover, the effects of large retail establishments on small retail businesses have been examined, shedding light on the compliance-related challenges faced by small retailers in competing with larger counterparts (Villa et al., 2022).

Furthermore, Benston et al. (2018) emphasize that financial risk assessment should extend to external factors like interest and foreign exchange rates, which can impact debt repayments. Guiso (2018) underscores that effective financial practices not only enhance the likelihood of starting a business but also contribute to its growth, fostering competition in the market. Lohrey (2019) supports this notion, asserting that strategic financial practices are a cornerstone of most successful businesses. Establishing and implementing a robust system of financial practices is vital for achieving the business's ultimate goal of maintaining control over budgets and ensuring future financial success (Durcevic, 2018).

2.3.3 Operational Risk Practices

Operational risk practices in business operations are focused on optimizing operational and administrative procedures to achieve the highest efficiency within the organization Pandey et al. (2020). These practices encapsulate the potential chances and uncertainties encountered in day-to-day business activities, procedures, and systems, often hinging on the human factor, including errors or failures resulting from actions or decisions made by employees within the business (Shipanga et al., 2022). As noted by Segal (2019), operational practices encapsulate the potential chances and uncertainties a company encounters in its day-to-day business activities, procedures, and systems, often hinging on the human factor. This human factor includes errors or failures resulting from actions or decisions made by employees within the business.

Moreover, operational risk practices are a fundamental component of Enterprise Risk Management (ERM), serving as a tool to address mistakes or lapses occurring in daily business performance. These lapses can stem from inadequate procedures, policies, or human errors, negatively impacting the overall quality of operations and performance (Anwar, 2018). Business owners and employees are urged to scrutinize operations, identify potential risks, and develop contingency plans. For instance, in the scenario of heavy reliance on a single supplier, a proactive approach would involve diversifying sources to minimize the associated risks (Colen, 2018).

2.3.4 Reputational Risk Practices

Concerning reputational risk practices, as highlighted by Kenton (2019), reputational risk poses a concealed threat or danger to the favorable name or standing of a business entity and can manifest in diverse ways. Recognizing the significance of reputational practices is vital, given the potential impact on a business's success. Webb (2018) underscores this importance, noting that issues like customer complaints about the cleanliness of a restaurant serve as early indicators, prompting the need to elevate standards before they become synonymous with an unsafe dining place. Thus, reputational practices play a crucial role in influencing business performance.

Hanekom (2017) further emphasizes the formidable nature of a business's reputation, asserting its indispensable role in survival. A positive reputation, as elucidated by Prasad (2017), yields favorable outcomes in a social context. It not only distinguishes a business from its competitors but also facilitates the attraction and retention of customers. This sentiment is echoed by Bridges (2018), who reveals that, according to recent studies, at least half of a business's market value can be attributed to its reputation. Such findings underscore the pivotal role of reputational practices in shaping the perception and success of a business in today's competitive marketplace.

2.3.5 Strategic Risk Practices

Strategic risk within organizations is conceptualized as the uncertainty associated with the potential loss of an entire organization, encompassing both profit and non-profit dimensions Sax & Andersen (2018). This multifaceted nature of strategic risk arises from factors such as regulatory changes, political hurdles, or technological innovations, making it challenging to define and understand precisely (Camilleri, 2017). The integration of enterprise risk management with strategic planning has been explored, emphasizing the need to align risk management practices with strategic objectives (Kanu, 2020). Additionally, the significance of strategic risk management in enhancing the competitiveness of small and medium-sized enterprises has been highlighted, indicating the importance of managing strategic risks for organizational success (Gavurova et al., 2020). Furthermore, the impact of strategic risk on managerial performance and organizational development has been studied, emphasizing the need for effective risk management practices to achieve strategic goals (Liashenko et al., 2019).

Strategic practices hold paramount importance, serving as the foundation for the organization's overall functioning and articulating its future trajectory. As emphasized by Thompson (2019), strategic decisions involve meticulous planning and layout of the organization's entire operations, providing a roadmap for its systematic progression. Wilson (2017) complements this perspective by asserting that effective long-term strategic practices contribute to a broader vision of success driven by hard work and determination. Such practices, in turn, yield progress that inherently fuels the development of the organization.

2.4 Business Performance

Enterprise Risk Management (ERM) plays a pivotal role in positively influencing business performance when implemented with precision and adherence to best practices Hanggraeni et al. (2019). The impact of ERM on firm performance has been studied extensively, with research exploring the influence of ERM on both financial and non-financial firm performance, as well as the moderating role of intellectual capital dimensions (Saeidi et al., 2020). The effectiveness of ERM lies in its ability to influence business performance positively, provided it is implemented with precision and adherence to best practices. The intricate interplay between ERM and business performance underscores the pivotal role of a robust risk management framework in steering an organization toward strategic objectives (Chairani & Siregar, 2021).

This section will delve into the performance evaluations provided by business owners, exploring key dimensions such as financial performance, customer satisfaction, and market share. By examining these critical aspects, we aim to unravel the nuanced connections between ERM practices and various facets of business performance, as assessed by the discerning perspectives of owners.

2.4.1 Financial Performance

Business owners heavily rely on financial information derived from their operations to gauge the profitability of their ventures. The analysis of financial statements serves as a crucial tool for informed decision-making, enabling owners to assess the overall performance of their businesses. This assessment guides pivotal choices, including the decision to persist in business operations, refine strategies for improvement, or, in some instances, consider discontinuation of the business Lüdeke-Freund et al. (2018). Additionally, the financial statement analysis method involves several financial ratios, namely liquidity ratios, leverage, activity, and profitability, and is measured based on quantitative data (Agustina et al., 2020). The quality of accounting and financial reporting standards application is crucial for achieving the quality of accounting and financial information necessary for decision-making (Pakšiová, 2017).

Moreover, the significance of financial performance for business owners extends beyond a retrospective examination. Business owners leverage insights into past performance to make informed predictions about future trajectories. The overarching objective is not only to understand historical performance but, more critically, to foresee potential challenges and proactively address them (Skipper and Kwon, 2017). Saeidi et al. (2020) emphasize that financial considerations play a pivotal role in facilitating growth by providing the capacity for a higher return on capital and the implementation of necessary financial structures. This notion aligns with Hart's (2017) assertion that a meticulous financial analysis is imperative for business owners to ensure sustained performance and avert the risk of bankruptcy.

2.4.2 Customer Satisfaction Performance

Concerning customer satisfaction, insights from the White House Office of Consumer Affairs (2019) underscore the substantial value of loyal customers, emphasizing that, on average, their worth can be up to ten times that of their initial purchase. Furthermore, research indicates that the cost of acquiring a new customer is six to seven times higher than retaining an existing one (Riyanto, 2022). Customer satisfaction helps both the organization and the consumers (Riyanto, 2022). Previous research in this area found that customer satisfaction has a direct impact on business profitability, or has an indirect impact on the customer–bank relationship quality (Al-Dmour et al., 2019). In the end, customer satisfaction will influence consumer retention (Hadiyanto, 2021).

Lucjan Kierczac (2019) emphasizes the indispensability of customer satisfaction among the myriad factors influencing a business. Notably, customer satisfaction significantly contributes to a business's profitability. The correlation between a customer's satisfaction and business performance is pivotal. Customer satisfaction serves as a reliable predictor of loyalty and positive responsiveness. Accordingly, acquiring and continually monitoring customer satisfaction emerges as fundamental keys to a business's success—an endeavor that, as Sarah Chambers (2019) suggests, is more straightforward than one might think.

2.4.3 Market Share Performance

Market share, as explained by Adam Hayes (2019), encapsulates the proportion of an industry or market's total sales that a specific company garners over a defined timeframe. In essence, it reflects the percentage of a customer's product or service purchases that align with a particular company.

Highlighting its critical significance, small business insights, as referenced by Kimberlee Leonard (2018), affirm that market share is pivotal for achieving business success. It serves as a representation of the percentage of consumers a company has captured within its targeted market—a key metric influencing revenues, growth, and net profits. A higher market share not only correlates with increased sales and a more efficient selling process but also establishes formidable barriers to entry for competitors. Michael Chevalier (2017) adds that a higher market share positions the owner advantageously, especially in a growing market, where they stand to gain more than their counterparts. As William Martinborough (2018) asserts, market share functions as a crucial indicator of a business's competitiveness against rivals and aids owners in assessing market demand.

2.5 Enterprise Risk Management and Business Performance

Enterprise Risk Management (ERM) plays a crucial role in shaping the performance and sustainability of businesses across various industries. Recognizing the need for effective ERM activities, Armaneue (2017) emphasizes their role in responding to unexpected threats, ensuring flexibility, and capitalizing on opportunities for gaining a competitive advantage. Hanggraeni et al. (2019) delved into the impact of internal, external, and enterprise risk management on the performance of micro, small, and medium enterprises (MSMEs). The study revealed that effective risk identification and management significantly contribute to operational business performance and overall business success.

Undoubtedly, businesses engaging in risk-related activities can enhance their performance by smoothing income volatility and mitigating the impact of financial crises (Ashraf, 2018). Florio and Leoni (2017) highlight the indispensability of ERM practices in improving business performance and managing diverse types of risks. Successful implementation of ERM activities, as noted by Lechner and Gatzert (2018), empowers businesses to enhance their values and navigate risks effectively.

Given the strategic responsibilities of top management, Meidll and Kaarboe (2017) stress the importance of their awareness of ERM activities, which directly influence decision-making processes, costs, and overall business activities. Managers are strongly urged to implement ERM activities to bolster business performance and values (Laijili, 2017). Brustbauer (2016) suggests addressing employee absenteeism as a potential intervention for improving ERM activities, recognizing its impact on income and service quality, thereby influencing business performance. Furthermore, Peng (2022) focused on optimizing the performance appraisal system for enterprise management employees, highlighting the importance of refining performance evaluation methods to enhance management efficiency and market competitiveness. Consequently, evaluating the level of enterprise risk management practices becomes crucial for understanding the significance of risks and deciding whether to accept, prevent, or minimize specific risks.

Synthesis

The literature review reveals a cohesive understanding of the intricate relationship between Enterprise Risk Management (ERM) practices and business performance. ERM is recognized as a strategic approach crucial for safeguarding organizational operations, involving systematic risk identification, assessment, and preparation to mitigate impacts and enhance decision-making. This comprehensive process, involving boards, management, and personnel, aligns with regulatory emphasis, particularly in regions like the Philippines, where regulatory bodies mandate ERM adoption for sustained growth and safe operations. The literature emphasizes the universal significance of ERM practices, underscoring their pivotal role in determining the vitality and longevity of businesses across various sectors.

In examining the degree of observance of ERM practices, compliance, financial, operational, reputational, and strategic risk practices are elucidated. Compliance practices extend beyond legalities, emphasizing alignment with investor and customer expectations. Financial risk practices involve scrutinizing daily financial operations, while operational risk practices optimize procedures for efficiency. Reputational risk practices recognize the threat to a business's standing, emphasizing the importance of managing customer perceptions. Strategic risk practices involve long-term decisions and plans guiding all activities. Collectively, these practices reflect the multifaceted nature of ERM and its crucial role in mitigating risks across diverse business dimensions.

3. RESEARCH METHOD

This study employed a quantitative descriptive design to elucidate its findings. Utilizing a descriptive survey within this quantitative research framework, the research aimed to discern the degree of observance and the level of performance related to Enterprise Risk Management (ERM). According to Shona McCombes (2019), a descriptive method provides a comprehensive portrayal of characteristics, frequencies, trends, correlations, and categories within the population under examination. The survey, a primary data collection tool, was instrumental in gauging ERM practices and performance-related insights.

The research was conducted in the Municipality of Claver, a primarily mining-focused town encompassing fourteen barangays. The Local Economics Enterprises Development Management Office (LEEDMO) documented approximately 1,700 registered local businesses in Claver, from which 313 were purposively selected as respondents for the study using non-probability purposive sampling. Following a thorough data-cleaning process, 36 survey responses were deemed ineligible and subsequently excluded, resulting in a total of 277 valid respondents for analysis. As elucidated by Foley (2018), purposive sampling involves judgment-based selection, which is particularly apt for this study due to its focused sample size and targeted criteria.

3.1 Research Instrument

The research instrument comprised a researcher-designed questionnaire with three parts. The first segment delved into respondent profiles, while the second explored the degree of ERM observance across compliance, financial, operational, reputational, and strategic dimensions. The third part gauged the level of performance, as rated by business owners, considering financial, customer satisfaction, and market share metrics.

3.2 Data Gathering Procedure

The study followed a structured procedure involving content validation, approval requests to business owners, and the subsequent distribution and explanation of questionnaires. The survey was conducted between July and August 2023. The collected data underwent classification, tabulation, and analysis to address the research problem. Prior to full implementation, a pretesting phase was undertaken, involving ten respondents through referrals or snowball sampling to refine the questionnaire for clarity and consistency.

3.2.1 Pretesting and Reliability Test

The questionnaire developed was pre-tested. Pre-testing can help determine the survey questionnaire's effectiveness concerning question format, wording, and order (Jena, 2017). This was done by administering a questionnaire to ten (10) respondents from the target population through referrals or snowball sampling techniques. The reason for using such a technique was to get those respondents who would spend adequate time going through the questionnaire and report any inconsistencies.

A reliability test using Cronbach's alpha in SPSS yielded a result of 0.899, indicating a high degree of reliability. As per Rector (2019), a Cronbach's alpha above 0.70 is generally considered reliable, affirming the consistency of the research instrument.

3.3 Data Processing and Analysis

Microsoft Excel (2016 edition) and SPSS with AMOS were employed for data analysis. The presentation involved frequency counts, percentage distributions, means, and standard deviations for profiling business owners. Analysis of variance was applied to ascertain differences in ERM levels and business performance based on business profiles, and Pearson moment correlation explored significant relationships between ERM and business performance. This multi-faceted approach ensured a comprehensive exploration and interpretation of the study's findings.

4. RESULTS AND DISCUSSIONS

Problem 1: What is the business profile of the respondents?

Table 1 – Profile of the Owner-Respondents

PROFILE VARIABLES	Frequency	Percentage(%)
Type of business		
Beauty/Clothing Line	63	23
Eatery/Restaurant	66	24
Grocery	119	43
Pharmacy	16	6
Shopping Center	13	5
Years in Operation		
1-5 years	89	32
6-10 years	144	52
11-15 years	29	10
16-20 years	11	3
21-25 years	3	1
26-30 years	1	1

Table 1 outlines the business profile of the 277 respondents. The majority, comprising 43%, are engaged in the grocery business, with 52% having operated for 6-10 years. Meanwhile, 24% of businesses are eateries, with 32% having a business tenure of 1-5 years. Notably, 5% are shopping centers. This suggests a prevalence of grocery stores in Claver, Surigao del Norte, possibly due to accessibility, convenience, and the essential nature of grocery items. The long shelf life and minimal equipment requirement for starting a grocery business contribute to its popularity. Furthermore, the demand for grocery stores is attributed to their adaptability to consumer needs, positioning the Philippines as the fifth-largest in Asia for the number of grocery stores (Sanchez, 2019).

Problem 2: What is the degree of observance of ERM practices among the selected businesses?

In Table 2, the dedication of business owners to enterprise risk management practices, particularly in terms of compliance, is evident. The high mean of 3.72 and low standard deviation of 0.56 showcase a uniform commitment to meeting all business requirements. This suggests a robust observance of compliance-related policies, emphasizing a "very high degree of observance" among respondents. Even the lowest mean of 3.42, interpreted similarly as a "very high degree of observance," highlights a substantial familiarity with business policies and guidelines crucial for the effective functioning of businesses.

The cumulative total mean response of 3.55 reinforces the consistent and high-level prioritization of compliance-related practices by business owners. This commitment ensures alignment with both internal policies and external legal requirements.

Table 2. Degree of observance of enterprise risk management in terms of compliance practices.

Rating Statements	M	SD	VD	I
1. The compliance-related policies and procedures that govern the job of employees.	3.72	0.56	Always	VHO
2. The guidance to employees and others in dealing with potential compliance issues.	3.54	0.70	Always	VHO
3. The familiarization of business policies and guidelines like complete attendance	3.42	0.80	Always	VHO
4. Compliance with business rules and regulations.	3.55	0.73	Always	VHO
5. The importance of policies to meet the expectations of the customer	3.54	0.69	Always	VHO
Total mean	**3.55**	**0.70**	**Always**	**VHO**

Legend:

Scale	Range	Verbal Description (VD)	Interpretation (I)
4	3.25 - 4.00	Always	Very High Degree of Observance (VHO)
3	2.50 - 3.24	Often	High Degree of Observance (HO)
2	1.75 - 2.49	Sometimes	Low Degree of Observance (LO)
1	1.00 - 1.74	Never	Very Low Degree of Observance (VLO)

The findings imply that as businesses expand, the complexity of compliance practices increases, becoming integral catalysts for positive change within the organizational framework. Compliance is not merely a regulatory necessity; it emerges as a dynamic force that fosters business consistency, prevents disputes, and contributes significantly to the overall health and governance of enterprises. This perspective resonates with John Wiley & Sons (2016), emphasizing the pivotal role of compliance standards, especially during the inception stages, when entrepreneurs establish the groundwork for enduring and robust enterprise governance.

Table 3. Degree of observance of enterprise risk management in terms of financial practices.

Rating Statements	M	SD	VD	I
1. Insurance of on-time payment and provision of receipts to customers.	3.53	0.68	Always	VHO
2. Separation of money from the business to personal expenses.	3.40	0.81	Always	VHO
3. Recording the day-to-day total expense and total sales.	3.58	0.68	Always	VHO
4. Creation of an emergency fund for unexpected business matters expenses.	3.42	0.77	Always	VHO
5. Removal of unnecessary that include anything based on personal wants.	3.29	0.88	Always	VHO
Total Mean	**3.44**	**0.76**	**Always**	**VHO**

In Table 3, the evaluation of enterprise risk management practices concerning financial aspects unfolds. Notably, meticulous recording of day-to-day total expenses and total sales emerges as a consistent practice, marked by the highest mean of 3.58 and a standard deviation of 0.68, reflecting a "very high degree of observance." Conversely, the task of curtailing unnecessary expenses, including those driven by personal wants, exhibits a lower mean of 3.29 and a wider standard deviation of 0.88. While responses vary on this aspect, the overall interpretation remains a "very high degree of observance," underscoring the general trend of avoiding overspending among business owners, a strategic move for long-term financial success.

The total mean response of 3.44, categorized as "always," and the standard deviation of 0.76 emphasize a "very high degree of observance" across financial practices. Despite nuanced responses, this indicates a strong collective commitment among respondents to effective financial management practices, which is crucial for sustained business success. The findings recognized the paramount importance of financial management in steering a business toward success and averting crises, and it resonates with Jorgensen's (2017) perspective. The study reinforces the notion that adopting sound financial practices is imperative for preventing bankruptcy and navigating through financial challenges, ultimately influencing overall business performance.

Table 4. Degree of observance of enterprise risk management in terms of operational practices.

Rating Statements	M	SD	VD	I
1. Employees must be in complete attendance to provide customers on time.	3.43	0.78	Always	VHO
2. To monitor and evaluate the business needs daily.	3.59	0.63	Always	VHO
3. Overseeing daily operations, checking the supply of the product	3.51	0.69	Always	VHO
4. Reviewing the budget expenditure and cash receipts, to make sure that the business generates profit.	3.58	0.64	Always	VHO
5. Assurance of products or the equipment to work properly.	3.62	0.61	Always	VHO
Total Mean	**3.55**	**0.67**	**Always**	**VHO**

In Table 4, the examination of enterprise risk management practices shifts to operational aspects. The highest mean of 3.62, coupled with a standard deviation of 0.61, highlights the pronounced emphasis on ensuring the proper functionality of products or equipment, indicative of a "very high degree of observance." Conversely, the imperative for employee attendance to meet customer expectations registers a slightly lower mean response of 3.43, along with a standard deviation of 0.78, suggesting more dispersed answers. Nonetheless, the overall mean of 3.55, characterized as "always," and the standard deviation of 0.67 affirm a collective commitment to operational observance, underscoring its mandatory nature in daily business operations. Respondents recognize the importance of these practices in enhancing daily processes and meeting customer expectations, as emphasized by a participant who stressed the need to review operations, particularly concerning product expiration, to prevent complications and damage.

Operational practices emerge as a critical element in achieving the highest level of efficiency within a business, as validated by Kenton (2019). The overall mean response, denoted as a "very high degree of observance," aligns with the understanding that operational efficiency is fundamental to a business's productivity and functionality. Given its pivotal role in addressing issues related to the production of goods and business maintenance, efficient operational activities, especially when overseen by the owner, contribute significantly to effective business management and observation.

Table 5. Degree of observance of enterprise risk management in terms of reputational practices.

Rating Statements	M	SD	VD	I
1. Ensuring the environment and the equipment are clean.	3.62	0.64	Always	VHO
2. Bad services that reduce the interest of potential customers.	3.15	0.98	Often	HO
3. Quality issues of the product that lead to low perception of the business.	3.25	0.84	Always	VHO
4. Employee personal issues that affect the business reputation.	3.10	0.92	Often	HO
5. If something happens, response creation and plans to bring the good image back.	3.41	0.76	Always	VHO
Total Mean	**3.31**	**0.83**	**Always**	**VHO**

Table 5 sheds light on the observance of enterprise risk management practices concerning reputation. Notably, the commitment to maintaining a clean environment and equipment stands out, recording the highest mean of 3.62 with a standard deviation of 0.64, signifying a "very high degree of observance." Conversely, concerns about employee-related issues impacting business reputation register a slightly lower mean of 3.10 and a standard deviation of 0.92, indicating more varied responses. Despite this dispersion, the overall mean of 3.31, interpreted as a "very high degree of observance," underscores the collective vigilance of business owners in reputational practices. The findings emphasize that entrepreneurs recognize the potential impact of employee matters on the overall image of the business.

The majority of respondents consistently prioritize reputational practices, as reflected in the overall mean response. McCormick (2019) highlights that a business's reputation encompasses various aspects and extends beyond the owner to include everyone associated with the business. Maintaining a positive reputation not only influences the entire business but also fosters favorable perceptions among customers. Entrepreneurs aspire to be well-regarded, and the study underscores the importance of reputational practices in creating opportunities for business growth. The results reinforce the notion that fostering a positive reputation should be a top priority for business owners, aligning with the understanding that a good reputation contributes significantly to a business's sustained success.

Table 6 delves into the extent of enterprise risk management practices related to strategic initiatives. Notably, the collaborative effort to strategically achieve goals emerges with the highest mean of 3.65 and a standard deviation of 0.67, indicative of varied responses among the respondents. In contrast, preparing responsive plans for changes in customer demands garners the lowest mean response of 3.39 with a standard deviation of 0.74, revealing dispersed answers yet maintaining a "very high degree of observance." This suggests that entrepreneurs are proactive in anticipating and addressing shifts in customer demands, strategically avoiding potential problems.

Table 6. Degree of observance of enterprise risk management in terms of strategic practices.

Rating Statements	M	SD	VD	I
1. Provision of plans if the customer or the demand has changed, prepare some response.	3.39	0.74	Always	VHO
2. Making development strategies including the target customer and market.	3.40	0.74	Always	VHO
3. Availing of new innovative equipment can help the business.	3.40	0.79	Always	VHO
4. Analysis of competition to identify the area for improvements.	3.44	0.72	Always	VHO
5. Work as one to strategically meet goals.	3.65	0.67	Always	VHO
Total Mean	**3.46**	**0.73**	**Always**	**VHO**

The overall mean of 3.46, categorized as "always," underscores the business owners' consistent commitment to strategic practices. Sam (2016) emphasizes that strategic planning is a dynamic process essential for establishing, controlling, and advancing business goals. This tool not only guides daily decisions but also facilitates progress evaluation. The collaborative strategic efforts of owners and employees work cohesively to achieve the business's overarching goals. By maintaining a strategic focus, businesses ensure the efficiency and effectiveness of their practices, aligning with the assertion that strategic planning is a vital component for sustained business development and informed decision-making.

Table 7. Summary table on the degree of observance of enterprise risk management practices.

Indicators	Mean	SD	Verbal Description	Interpretation
1. Compliance	3.55	0.70	Always	VHO
2. Financial	3.44	0.76	Always	VHO
3. Operational	3.55	0.67	Always	VHO
4. Reputational	3.31	0.83	Always	VHO
5. Strategic	3.46	0.73	Always	VHO
Grand mean	**3.46**	**0.74**	**Always**	**VHO**

In Table 7, the summarized overview of enterprise risk management practices within local businesses in Claver reveals an overall mean of 3.46, indicating a "very high degree of observance." This underscores the crucial role these practices play in maintaining the business as a going concern. Notably, compliance and operational practices stand out with the highest mean of 3.55, emphasizing their significant relationship and observance within the business. The interdependence of compliance and operational practices is highlighted, with the understanding that a business cannot effectively operate without observance of these foundational elements. Proper application of these practices is seen as instrumental in enhancing overall business performance.

Cane's (2017) insights reinforce the centrality of compliance and operational procedures in any business, asserting their pivotal role in decision-making for both owners and employees. The highest mean in this category reflects a robust commitment to these essential components. Despite having the lowest mean, reputational practices, with a mean of 3.31, still maintain a "very high degree of observance." Lake's (2019) perspective aligns with this, emphasizing the perpetual need for businesses to observe and understand customer influences, values, and problem-solving approaches. The meticulous observation of reputational practices signifies an acknowledgment of their far-reaching impact on overall business performance.

Problem 3: What is the level of performance as rated by the owners of the selected local businesses?

Table 8. Level of financial performance as rated by the owners.

Rating Statements	M	SD	VD	I
1. The business has a stable financial status.	3.61	0.56	SA	VH
2. Business income is utilized for business matters only.	3.38	0.73	SA	VH
3. Money is invested in legal financial institutions.	3.60	0.63	SA	VH
4. Bills are paid on time to avoid conflict.	3.57	0.64	SA	VH
5. Extra funds are allocated for unexpected business-related situations.	3.44	0.77	SA	VH
Total Mean	**3.52**	**0.67**	**SA**	**VH**

Legend:

Scale	Range	Verbal Description (VD)	Interpretation (I)
4	3.25 – 4.00	Strongly Agree (SA)	Very High (VH)
3	2.50 - 3.24	Agree (A)	High (H)
2	1.75 - 2.49	Disagree (D)	Low (L)
1	1.00 - 1.74	Strongly Disagree (SD)	Very Low (VL)

In Table 8, the assessment of financial performance by business owners indicates a robust financial status for the majority of respondents, with a high mean of 3.61 and a low standard deviation of 0.56. This stability is marked as a "very high" level, showcasing the financial health of these local businesses. However, the allocation of business income solely for business matters received a lower mean of 3.38, with a more dispersed set of responses. Despite the varied answers, this still translates to a perceived "very high" level, suggesting that business income might not be exclusively utilized for business-related purposes, according to owners.

The overall mean of 3.52, denoted as "strongly agree" and interpreted as a "very high" level, reinforces the notion that these businesses maintain a stable financial performance. This stability not only reduces potential conflicts within the business but also lays the groundwork for future financial success, as noted by Abel (2018). Financially stable businesses can efficiently allocate funds, ensuring timely payments and minimizing conflicts. The emphasis on a stable financial status aligns with the broader strategy of effective financial planning and risk reduction for sustainable growth.

Table 9. Level of customer satisfaction performance as rated by the owners.

Rating Statements	M	SD	VD	I
1. Customers have no complaints about the service or the product.	3.29	0.79	SA	VH
2. Good quality of the product or service will satisfy the client.	3.59	0.61	SA	VH
3. The business environment is approachable and makes them comfortable.	3.51	0.69	SA	VH
4. Provide fast and friendly service quality that exceeds the customers' satisfaction.	3.61	0.64	SA	VH
5. The customer is happy whenever there is a new offering in the business.	3.47	0.76	SA	VH
Total Mean	**3.49**	**0.70**	**SA**	**VH**

Table 9 details the performance ratings by business owners concerning customer satisfaction. Providing fast and friendly service, exceeding customer expectations, emerges as the top-performing indicator with the highest mean of 3.61, suggesting a "very high" level of performance. Conversely, instances of customer complaints about service or products received the lowest mean of 3.29, indicating more dispersed responses but still interpreted as a "very high" level. This implies that the majority of owners received minimal to no complaints, underscoring a commendable performance level in customer satisfaction.

The overall grand mean of 3.49, categorized as "strongly agree" and interpreted as a "very high" level, emphasizes the strong correlation between business owners and customer satisfaction. This alignment highlights the significance of meeting or surpassing customer expectations as a pivotal performance metric. Customer satisfaction, as noted by Copley (2017), serves as a fundamental measure influencing customers' lifetime value and mitigating negative feedback that could potentially impact the business's reputation. These findings underscore the crucial role of customer satisfaction in driving overall business success and warrant continued emphasis on business strategies.

In Table 10, business owners assess their enterprises' performance in terms of market share, emphasizing the enhancement of products and services to attract customers and drive high income. The highest mean of 3.42, coupled with a standard deviation of 0.79, signifies a "very high" level of performance in innovating and introducing new products. Conversely, the lowest mean of 3.34, with a standard deviation of 0.78, suggests dispersed responses regarding the efficacy of staying relevant through innovation and outpacing competitors in market share. Despite the dispersion, the collective rating of "strongly agree" demonstrates a consensus among owners that their businesses excel in strategically positioning through innovation to surpass competitors in market share.

Table 10. Level of market share performance as rated by the owners.

Rating Statement	M	SD	VD	I
1. Numbers of potential customers that spend in business are increasing.	3.41	0.74	SA	VH
2. Improvement of products and services like new products that attract customers that leads to high income.	3.42	0.79	SA	VH
3. Spot relevant through innovation and new trends ahead of competitors.	3.34	0.78	SA	VH
4. Exceed the competitors' market share and strategy.	3.34	0.78	SA	VH
5. Using customers' ideas might be the next hit to increase market share.	3.40	0.79	SA	VH
Total Mean	**3.38**	**0.78**	**SA**	**VH**

The overall mean of 3.38, described as "strongly agree," underscores the business owners' confidence in the interpretation of their market share as "very high." These findings align with Leonard's (2018) insights, highlighting the pivotal role of market share as a paramount metric for evaluating business effectiveness and profit generation. The imperative for owners to continually enhance market share underscores their commitment to strategic growth, competitiveness, and a continual increase in market dominance relative to their industry peers.

Table 11. Summary table on the level of business performance as rated by owners.

Indicators	Mean	SD	Verbal Description	Interpretation
1. Financial	3.52	0.67	Strongly Agree	Very High
2. Customer Satisfaction	3.49	0.67	Strongly Agree	Very High
3. Market Share	3.38	0.70	Strongly Agree	Very High
Grand Mean	**3.46**	**0.68**	**Strongly Agree**	**Very High**

Among the three factors under scrutiny, financial performance emerges as the standout, boasting the highest mean of 3.52. This consistent interpretation by owners as "very high" underscores that businesses achieving commendable financial ratings implement effective practices, ensuring stability. Building on Max Holmes's (2017) insights, financial performance not only mirrors the business's health but also defines its competitive stance. Holmes emphasizes how financial success acts as a cornerstone, providing essential capital, optimizing resource utilization, and serving as a benchmark for overall performance.

In contrast, market share records the lowest mean at 3.38, signaling a comparatively lower rating than financial performance. Holmes's (2017) perspective reinforces the pivotal role of financial metrics in gauging business success. While market share is integral for competitiveness, its subdued mean in this evaluation signals a potential area for improvement. Businesses must address challenges associated with market share to elevate their overall performance and strategic positioning in the competitive landscape.

Problem 4.1: Is there a significant difference between the observance level of ERM practices when grouped according to business profile variables?

Table 12. Analysis of variance result of observance level of enterprise risk management practices when grouped according to business profile variables

Dependent Variables	Type of Business				Years of Operation			
	SS	MS	F	p-value	SS	MS	F	p-value
Compliance	3.405	0.851	2.472	0.045	10.066	0.438	1.273	0.186
Financial	2. 443	0.611	1.426	0.225	11.597	0.504	1.189	0.255
Operational	0.854	0.214	0.691	0.599	6.333	0.275	0.887	0.617
Reputational	1.232	0.308	0.717	0.581	6.337	0.276	0.624	0.911
Strategic	2.346	0.587	1.521	0.196	11.307	0.492	1.296	0.169

Table 12 shows the results delineating the variance in the level of enterprise risk management practices observance, categorized by the type of business and years of operation.

The results underscore a particularly notable difference in the compliance variable (p-value = 0.045), indicating that the nature of the business may indeed wield influence over the formulation of policies and procedures. This variance suggests that different business types may necessitate distinct strategic approaches for compliance, emphasizing the need for tailored procedures aligned with strategic objectives. The other variables, however, did not exhibit significant variations in observance levels based on the type of business. Aligning with Kenton's (2018) perspective, Enterprise Risk Management introduces a control process geared towards managing the risk profile of a business. Within this enterprise-level framework, collaborative discussions among owners and employees revolve around determining acceptable risk levels and handling business exposures in a normative manner.

However, there are no statistically significant differences in the level of enterprise risk management practices across varying durations of business operation. Delving into the individual p-values, ranging from 0.169 for strategic practices to 0.911 for reputational practices, it is evident that none of the aspects of enterprise risk management exhibit a significant variance concerning the operational longevity of the businesses. Speights's (2017) perspective resonates with these findings, emphasizing that the crux of business lies in survival and prolonged operational years, with the ultimate aim being stable profitability. In essence, the day-to-day operations, as supported by Speights, are orchestrated to secure revenue and sustain the business as a going concern, aligning with the consistent application of enterprise risk management practices across the varying timelines of business operation.

Problem 4.2: Is there a significant difference between business performance levels when grouped according to business profile variables?

As indicated, both profile variables showed no statistically significant differences in all business performance variables. It suggests that, on average, the performance metrics analyzed (such as financial performance, customer satisfaction, and market share) do not vary significantly between different types of businesses or across different durations of operation. It means that the type of business, on average, businesses of different types perform similarly, and the number of years a business has been operating suggests that the duration of operation does not necessarily correlate with a significant change in performance.

Table 13. Analysis of variance result of business performance level when grouped according to profile variables

	Type of Business				Years of Operation			
Dependent Variables	SS	MS	F	p-value	SS	MS	F	p-value
Financial Performance	2.271	0.568	1.987	0.097	5.037	0.219	0.739	0.803
Customer Satisfaction	1.144	0.286	0.795	0.529	5.565	0.242	0.655	0.886
Market Share	3.314	0.783	1.788	0.131	11.758	0.511	1.170	0.273

However, Marko et al. (2017) observed a tendency for businesses with an extensive operational history to experience sluggish growth. Nevertheless, the authors posit that the implementation of strategic approaches, such as effectuation and causation, holds the potential to counteract this trend, enabling businesses to achieve accelerated growth despite their prolonged years of operation.

Problem 5: Is there a significant relationship between the level of ERM and business performance?

Table 15. Correlation Result on Level of Enterprise Risk Management and Business Performance

	Level of Performance		
Degree of Observance	r-value	p-value	Decision
Compliance	.418**	.000	*Reject H_o*
Financial	.428**	.000	*Reject H_o*
Operational	.284**	.000	*Reject H_o*
Reputational	.221**	.000	*Reject H_o*
Strategic	.422**	.000	*Reject H_o*

Legend: Asterisk (**) indicates that correlation is a significant relationship at 0.05 level.

The following table illustrates the correlation outcomes derived from Pearson moment correlation (r-value), scrutinizing the interrelation between enterprise risk management (ERM) levels and business performance. By employing a critical alpha value decision rule of 0.05, the obtained p-values signify the statistical significance of the correlation coefficients. Significantly, the p-values for the correlation between ERM observance and business performance fall below the predetermined significance level, affirming the statistical significance of the observed relationships.

The most noteworthy correlation surfaces between the level of ERM observance and financial performance, revealing a robust positive correlation with an r-value of 0.428. This indicates that as the adherence to ERM practices increases, there is a proportional augmentation in business performance, particularly in financial metrics. As elucidated by Gentile (2018), gauging business performance serves as a mechanism for business owners to assess the return on investment in their operational processes. This monitoring practice not only aids in identifying ERM practices but also serves as a conduit for refining methods, enhancing efficiency, and achieving overarching business goals.

5. CONCLUSIONS

In conclusion, the findings of this study reveal a notably high level of observance among respondents to Enterprise Risk Management (ERM) practices, encompassing compliance, financial, operational, reputational, and strategic dimensions. This indicates that business owners demonstrate a keen commitment to ERM, contributing positively to the enhancement of overall business performance. The results underscore the effective implementation of ERM practices, reflecting the business owners' adeptness in aligning their operations with strategic risk management.

Enterprise Risk Management emerges as a pivotal component in the day-to-day operations of businesses, serving as a valuable tool for assessing and managing performance across various dimensions. By proactively identifying potential risks and implementing preventive measures, ERM not only acts as a safeguard against conflicts but also functions as a strategic response mechanism when challenges arise.

Recognizing the critical role business owners play in the success of their enterprises, maintaining a high level of observance and performance proves to be a challenging yet indispensable aspect of their responsibilities. This study sheds light on the intricate relationship between ERM practices and business improvement, providing valuable insights into how businesses leverage this approach to navigate complexities and enhance overall performance. The significance of ERM as a proactive and responsive strategy is emphasized, offering a comprehensive understanding of its application in optimizing business operations.

6. RECOMMENDATIONS

Drawing insights from the study's findings and conclusions, the following recommendations are put forth for consideration.

Promote team atmosphere for enhanced ERM practices: To elevate the level of enterprise risk management practices, fostering a collaborative team atmosphere is essential. Business owners should clearly define team objectives, specifically related to enterprise risk management practices, to establish a shared understanding of the business's destination. While this may seem like a fundamental practice, it requires substantial effort. Articulated goals contribute to improved business performance and overall effectiveness. Regularly overseeing or observing business operations ensures that everything is functioning optimally. Continuous personal and professional development is crucial for business owners to stay informed, innovative, and effective in steering their enterprises.

Incentivize ERM adherence with recognition: Business owners are encouraged to introduce incentives or awards, such as an "employee of the month," to recognize and appreciate employees who actively engage in or adhere to ERM practices. Recognizing and rewarding exemplary performance in ERM can serve as a powerful motivator for other team members, inspiring a culture of effective risk management throughout the organization.

Disseminate knowledge and understanding of ERM: The study's results emphasize the importance of disseminating knowledge about the significance of enterprise risk management in enhancing business performance. Business owners should actively engage with the insights provided by this study, incorporating them into daily decision-making processes. Furthermore, these findings can serve as a foundational resource for aspiring entrepreneurs, offering guidance on the crucial practices necessary for successful business operations.

Continuous learning and adaptation: By acknowledging the dynamic nature of business environments, business owners are advised to embrace continuous learning and adaptation. Staying abreast of industry trends, regulatory changes, and emerging risks ensures that ERM practices remain relevant and effective. A proactive and adaptive approach to risk management contributes to the long-term sustainability and success of the business.

Incorporating these recommendations into business practices can contribute to the establishment of a robust enterprise risk management framework, fostering a culture of proactive risk mitigation and strategic decision-making.

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