

Influence of Enterprise Risk Management on Perceived Organizational Performance of SMEs in Davao del Norte, Philippines

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ABSTRACT

Small and Medium Enterprises (SMEs) form the backbone of the Philippine economy. These enterprises play a vital role in generating income, creating employment, and strengthening the economy. Hence, it is important to know what contributes to their performance so they can thrive despite the challenging business landscape. One factor seen to affect Organizational Performance (OP) is Enterprise Risk Management (ERM). This research investigated the extent of adoption of ERM components among SMEs; measured the SMEs' level of perceived OP; and determined the influence of control variable age of respondents and ERM components on OP. Descriptive, correlational, and causal methods were employed. A total of 653 randomly selected respondents were surveyed. ERM components governance and culture; strategy and objective setting; performance; review and revision; and information, communication, and reporting were much observed. Results signify that SMEs' adherence to ERM practices is substantial. The OP indicators capability and resource were very much observed; while environment; strategy; process; measure and analysis; and innovation and learning were much observed. A significant positive correlation between ERM and OP was established. ERM components governance and culture; strategy and objective setting; performance; and information, communication, and reporting are significant predictors of OP. This underscores that ERM is vital in enhancing overall organizational performance, providing valuable insights for organizational development.

Keywords: Enterprise Risk Management, Organizational Performance, Small and Medium Enterprises.

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1. INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) form the backbone of the Philippine economy, representing a vast majority of businesses that drive innovation, create employment opportunities, and contribute to the nation's economic resilience. The development of SMEs is closely linked to economic growth and job creation (Beck *et al.*, 2005). Their agility in responding to client needs, flexibility, innovation, and ability to customize products give them an edge over larger companies (Islam *et al.*, 2012). In Asia, SMEs are considered the foundation of the economy (Hidayati *et al.*, 2021). In the Philippines, the

Department of Trade and Industry (2023) reported that in 2021, there were 97,667 SMEs, collectively providing 2,719,990 jobs, which accounted for 25.08 percent of small businesses and 7.12 percent of medium businesses' employment contributions. These figures underscore SMEs' critical role in income generation, employment, and economic stability.

However, global financial crises and corporate failures have heightened stakeholder demands for improved risk management to protect and foster growth. Enterprise Risk Management (ERM) has emerged as a strategic, integrated approach to managing risks across organizations, moving beyond the traditional focus on operational and financial risks (Kleffner *et al.*, 2003; Liebenberg *et al.*, 2003). While this study centers on SMEs in Davao del Norte, Philippines, its findings have broader relevance. SMEs worldwide, particularly in developing economies, share common characteristics such as resource constraints and adaptability. Therefore, the insights on ERM from this study can be generalized to other nations. However, differences in regulatory frameworks, market conditions, and cultural attitudes towards risk management should be considered when applying these findings globally. This study contributes to the international discourse on risk management, emphasizing the role of ERM in SME sustainability across diverse economic settings.

1.2 Literature Review

Enterprise Risk Management (ERM) is gaining popularity among field experts and researchers as a comprehensive approach to recognizing and mitigating the risks that organizations face. Originally, risk management was established to handle risks in financial institutions and insurance companies. Understanding the business context is crucial for effective risk management as it permits the organization to anticipate potential risks and identify opportunities (Shad *et al.* 2019).

ERM is a process that requires companies to concentrate on their strategies and objectives. The process requires the board of directors, management, and other staff to detect possible events that could affect the organization and dealing with the risk within its risk capacity to provide reasonable assurance of realizing its operational goals and objectives. ERM views risk management as an ongoing process applied throughout the enterprise and integrated into its strategy. Through ERM, the organization can establish a risk management culture that enables it to recognize, evaluate, and properly handle risks, which can help it achieve its strategic objectives effectively (eds Fraser, *et al.* 2021).

Gallati (2003) argues that for an organization to achieve lasting and long-term success, it must consider all risks as part of its decision-making process at both the organizational and business unit levels. In addition, the management team should implement enterprise-wide risk management programs to develop a shared understanding of risks and facilitate effective decision-making. By approaching the risk management process in a comprehensive manner, an organization can detect both potential positive and negative outcomes and better strategize a way to gain leverage with them to enhance the organization's holistic growth and resilience.

In relation to SMEs' resilience, a study was conducted to evaluate the impact of organizational resilience—specifically crisis anticipation, sense-making, problem-solving, and learning—on the economic sustainability of small and medium-sized

restaurants in Makati City, Philippines. A quantitative approach using linear regression analysis was applied to 100 samples of SME restaurants. The results indicated that all variables have significant positive influence on economic sustainability, except for crisis anticipation, which had a negative effect. Overall, the study demonstrated that organizational resilience plays a significant role in the economic sustainability of SME restaurants (Moraga *et al.* 2024).

Also, front-line employees need to possess the ability to diagnose problems, think creatively, and develop novel solutions to provide high-quality services to customers. Therefore, investing in human capital expertise is a strategic move for businesses to achieve sustainable growth and competitive advantage. By developing and leveraging the expertise of their employees, businesses can enhance their service quality, innovate their offerings, and drive operational efficiency, leading to increased profitability and customer satisfaction (Bello *et al.* 2016).

In addition, a descriptive-correlational study was conducted in seven municipalities of Tarlac, Philippines, involving 45 entrepreneurs engaged in various manufacturing sectors. The study aimed to explore the impact of human capital and personal entrepreneurial competencies on the career success of entrepreneurs of micro, small, and medium enterprises. Career success was assessed through indicators such as career satisfaction and the financial performance of the enterprises, including profitability, liquidity, and stability. The study utilized multiple regression analysis, multicollinearity analysis, and backward elimination to identify the strongest predictors of career success. The findings indicated that a strong commitment to work contracts, systematic planning and monitoring, and literacy in industry trends significantly contributed to SME success. Additionally, goal setting emerged as a crucial factor in predicting the career success of these entrepreneurs (Mercado, 2024).

Also, innovation plays a crucial role in enabling companies to navigate the challenges presented by the ever-changing external environment. It serves as a vital driver for long-term success, especially in dynamic markets. Through the acquisition, assimilation, and application of knowledge, companies can continuously enhance their capabilities and stay ahead of the competition. Emphasizing a learning orientation allows organizations to continuously evolve, innovate, and respond effectively to market demands and changing customer preferences (Jiménez-Jiménez *et al.* 2011).

The above-cited literature and studies concretize the concept of this research in assessing the influence of Enterprise Risk Management on perceived Organizational Performance among SMEs in Davao del Norte, Philippines.

1.3 Research Problems and Objectives

This study was conducted to determine the influence of the age of respondents and Enterprise Risk Management (ERM) components on the perceived Organizational Performance (OP) of Small and Medium Enterprises (SMEs) in Davao del Norte, Philippines. Specifically, it sought to answer the following questions:

- What is the age distribution of respondents?
- What is the extent of practices of Enterprise Risk Management components among SMEs in terms of: Governance and Culture; Strategy and Objective-setting;

Performance; Review and Revision; and Information, Communication, and Reporting?

- What is the level of perceived Organizational Performance among SMEs in terms of: Capability; Resource; Environment; Strategy; Process; Measure and Analysis; and Innovation and Learning?
- Is there a significant relationship between the age of respondents and the components of Enterprise Risk Management and perceived Organizational Performance?
- What are the significant predictors of perceived Organizational Performance among SMEs?

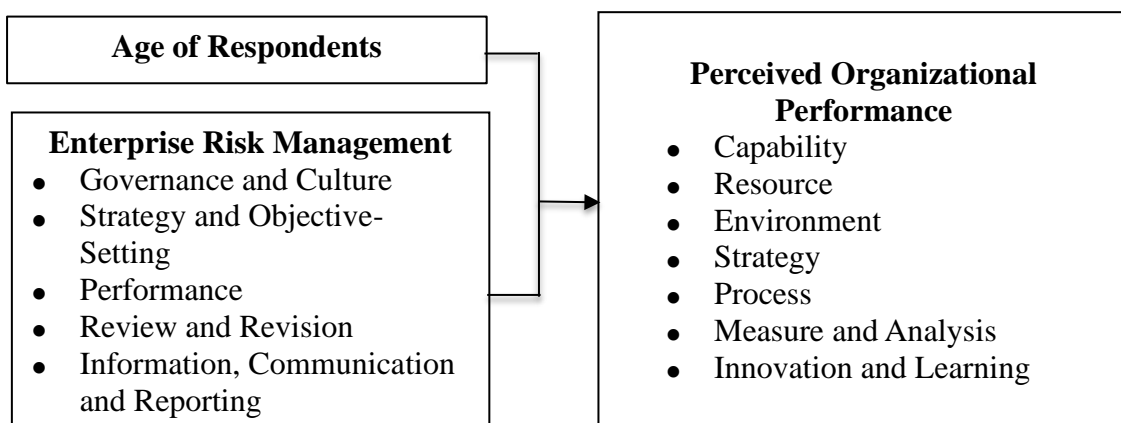
1.4 Theoretical Framework

The study, anchored in Penrose's (1959) Resource-Based Theory, asserts that a firm's competitive advantage and business performance are influenced by its unique resources and capabilities, with effective risk management viewed as a valuable resource contributing to superior performance. The Dynamic Capability Theory (Teece *et al.* 1997) further supports this by emphasizing the need for organizations to adapt, learn, and innovate in dynamic environments. The Committee of Sponsoring Organizations (COSO) of the Treadway Commission (n.d.) framework underscores strategic alignment and continuous adaptation, helping businesses optimize strategy and performance by addressing evolving opportunities and challenges, ensuring informed decisions and superior business performance through effective risk management aligned with business strategies and objectives.

1.5 Conceptual Framework

ERM components include governance and culture; strategy and objective-setting; performance; review and revisions; and information, communication, and reporting. OP covers capability; resource; environment; strategy; process; measure and analysis; and innovation and learning. The framework illustrates that the control variable age of respondents and enterprise risk management may affect the perceived organizational performance of SMEs in Davao del Norte, Philippines.

Figure 1. Conceptual Framework



2. METHODOLOGY

This section describes the research design, research instrument, sources of data, and statistical treatment employed in the study.

2.1 Research Design

The research incorporated diverse research designs such as descriptive, correlational, and causal methodologies. The descriptive approach was aimed at summarizing the age of respondents, evaluating the extent of ERM practices, and determining the level of perceived organizational performance. Correlational research was employed to establish relationships between multiple variables (Curtis *et al.* 2016) such as age of respondents and ERM and OP within the same population and examine their statistical association. Moreover, the study applied causal design where the cause-and-effect relationship among the variables are identified (Gay *et al.* 2012). This study determined relationships between the age of respondents and ERM and OP to identify which factors significantly influence OP.

2.2 Sources of Data and Research Instrument

Primary data for this study were collected using a survey questionnaire administered to 653 employees who are directly involved in the supervision and management of SMEs in Davao del Norte, specifically in Tagum City, Panabo City, and the Island Garden City of Samal (IGACoS). The study examined the influence of control variable age of respondents and Enterprise Risk Management (ERM) on perceived Organizational Performance (OP). ERM components include governance and culture; strategy and objective-setting; performance; review and revision; and information, communication, and reporting. The assessment of OP was based on seven indicators—capability; resource; environment; strategy; process; measure and analysis; and innovation and learning—which was adapted from Wu (2009).

The SMEs were randomly selected from a list provided by the local government's Business Permit and Licensing Office, and the sample size was determined using Yamane's Formula. Proportionate sampling was employed to ensure representative data from employees across various SMEs, providing insights into how ERM influences organizational performance in the region. Primary data were gathered using a survey questionnaire which underwent reliability testing and content validation by three experts, whose feedback was incorporated into the revised research instrument prior to administration.

2.3 Statistical Treatment

The study employed both descriptive and inferential statistical tools to analyze the data: Frequency and percentages were used to record the age of respondents; Mean was utilized to assess the levels of Enterprise Risk Management and perceived Organizational Performance. Pearson product moment correlation was employed to establish the significance of the relationship between age of respondents and ERM and OP. Multiple Linear Regression was applied to establish if age of respondents, as well as identify which ERM components significantly predict perceived Organizational Performance.

3. RESULTS AND DISCUSSIONS

This section presents the age distribution of respondents, extent of practices of Enterprise Risk Management (ERM), level of perceived Organizational Performance (OP), significance of the relationship between age and ERM and perceived OP, and significant predictors of perceived OP.

3.1 Age Distribution of Respondents

Shown in Table 1 is the age distribution of respondents who play a significant role in implementing risk management in SMEs.

Table 1. Age Distribution of Respondents

Young Adult (20-29)	109	17%
Early Middle Age (30-39)	184	28%
Middle Age (40-49)	156	24%
Late Middle Age (50-59)	204	31%
Total	653	100%

The age distribution shows that about one-third of the respondents belong to Late Middle Age (50-59) bracket with 204 individuals, followed by Early Middle Age (30-39) and Middle Age (40-49) at 28 percent and 24 percent, respectively. Young Adults (20-29) comprise the smallest group at 17 percent. Ages of respondents ranged from 23 to 58. Results suggest that risk management roles in SMEs are largely filled by individuals in their 30s to 50s, emphasizing the value of experience.

3.2 Extent of Practices of Enterprise Risk Management Components among Small and Medium Enterprises in Davao del Norte, Philippines

Presented in Tables 2 to 7 are the extent of practices of Enterprise Risk Management (ERM) components among SMEs.

The respondents regarded governance and culture as a vital aspect of ERM as it yielded an overall result described as much observed. It can be depicted that SMEs embody corporate responsibilities together with their core values as an important ingredient in achieving the entity's vision, mission, and objectives, which in turn characterize the business culture. This is aligned with the notion presented by Udin *et al.* (2017) that effective corporate governance plays a crucial role in helping companies attain their corporate goals. By adopting sound corporate governance principles, companies can mitigate risks ultimately resulting in improved financial stability, a bolstered reputation, and the inception of long-term value.

Table 2. Extent of Practices of Enterprise Risk Management Components among SMEs in Terms of Governance and Culture

Statements	Mean	Descriptive Equivalent	Interpretation
1. The management oversees and carries out governance responsibilities to support the fulfillment of business strategies and objectives.	4.3711	Very High	Very Much Observed
2. Operating systems are established to achieve business strategies and objectives.	4.3308	Very High	Very Much Observed
3. The organization defines behaviors that characterize the organization's desired culture.	4.1562	High	Much Observed
4. The organization is committed to embodying and putting into action the entity's core values.	4.1868	High	Much Observed
5. The organization is geared towards building human capital that is aligned with the entity's vision, mission, and objectives.	4.1807	High	Much Observed
Overall	4.2453	High	Much Observed

It is further supported by a study conducted by Bautista *et al.* (2023) among 161 employees from the telecommunications industry, each with at least five years of experience at their company, to examine the impact of organizational culture and leadership style on organizational performance. The study suggests that cultivating the right organizational culture and leadership style is crucial for achieving sustainable competitive advantage and fostering resilience in times of crisis.

Table 3. Extent of Practices of Enterprise Risk Management Components among SMEs in Terms of Strategy and Objective-Setting

Statements	Mean	Descriptive Equivalent	Interpretation
1. The organization considers the potential effects of business activities and the environment on the company's capacity, interest, and willingness to take and manage risks.	4.2481	High	Much Observed
2. The organization defines the level of risk it is willing to accept in creating, preserving, and realizing value.	4.2603	Very High	Very Much Observed
3. The organization evaluates alternative business strategies and their potential impact on the company's risk capacity, tolerance, and requirements.	4.1960	High	Much Observed
4. The organization considered risk while establishing organizational strategies and objectives at various levels.	4.2129	High	Much Observed
Overall	4.2293	High	Much Observed

A significant emphasis on strategy and objective setting concerning ERM is much observed among the SMEs. This underscores the importance of businesses recognizing risks, as this recognition is a crucial requirement to classify risk management as effective in its implementation. Through the adoption of ERM, the organization can cultivate a risk-aware culture that empowers it to identify, evaluate, and effectively address risks, thereby facilitating the attainment of its strategic objectives (eds Fraser *et al.* 2021).

Table 4. Extent of Practices of Enterprise Risk Management Components among SMEs in Terms of Performance

Statements	Mean	Descriptive Equivalent	Interpretation
1. Risk that impacts the performance of strategy and business objectives is identified.	4.1654	High	Much Observed
2. The severity of identified risk is identified.	4.1807	High	Much Observed
3. The organization prioritizes risks when selecting risk treatment and responses.	4.1317	High	Much Observed
4. Appropriate risk treatment and responses are identified and selected.	4.1960	High	Much Observed
5. The organization develops and evaluates a collective view of the identified risks.	4.2542	High	Much Observed
Overall	4.1856	High	Much Observed

Performance concerning ERM is recognized as significant as it is much observed among SMEs in Davao del Norte, Philippines. This underscores the importance of businesses acknowledging risks which is a crucial requirement to classify risk management as effective in its implementation. This perspective finds support in the work of Hopkin (2018), which highlights the vital role of risk assessment in the broader process. Risk management entails risk recognition and the selection of appropriate strategies for managing and responding to these risks. Notably, any risk that go unidentified becomes challenging to handle.

Table 5. Extent of Practices of Enterprise Risk Management Components among SMEs in Terms of Review and Revision

Statements	Mean	Descriptive Equivalent	Interpretation
1. Changes that may substantially affect organizational strategy and objectives are identified.	4.1194	High	Much Observed
2. Entity performance is regularly evaluated alongside the consideration of risk.	4.1179	High	Much Observed
3. Enterprise risk management is continually improved.	4.1317	High	Much Observed
Overall	4.1230	High	Much Observed

Review and revision combined is also a significant aspect of ERM. The notable finding of much observed signifies that the SMEs acknowledge the value of a learning organization, one that can acquire knowledge and derive insights from its experiences. As articulated by Hunger (1983), organizations that exhibit a willingness to experiment and a capacity to learn from their experiences tend to achieve greater success than those that do not. Furthermore, organizations must foster a culture of continuous learning and encourage active participation from all members, enhance their adaptability, foster innovation, and boost their competitiveness within their respective industries.

Table 6. Extent of Practices of Enterprise Risk Management Components among SMEs in Terms of Information, Communication, and Reporting

Statements	Mean	Descriptive Equivalent	Interpretation
1. The organization makes use of the entity's information and technology systems to support enterprise risk management.	4.1685	High	Much Observed
2. Communication channels are used to support enterprise risk management.	4.1332	High	Much Observed
3. Risk, culture, and performance are reported at multiple levels and across the entity.	4.0934	High	Much Observed
Overall	4.1317	High	Much Observed

Information, Communication, and Reporting, a vital component of ERM, was considered much observed. It can be deduced that organizational databases play a crucial role in the success of ERM as applied by SMEs. It is evident that SMEs communicate their business matters to different levels within the organization. This aligns with the perspective of Dalkir (2013) which underscores the key role of an organization's information database

in facilitating the creation of an effective and efficient risk management framework by managers.

Table 7. Summary of Extent of Practices of Enterprise Risk Management Components among SMEs

Indicators	Overall Mean	Descriptive Equivalent	Interpretation
Governance and Culture	4.2453	High	Much Observed
Strategy and Objective-Setting	4.2293	High	Much Observed
Performance	4.1856	High	Much Observed
Review and Revision	4.1230	High	Much Observed
Information, Communication and Reporting	4.1317	High	Much Observed
Grand Mean	4.1830	High	Much Observed

Among the five components of ERM, governance and culture got the highest overall mean of 4.2453 described as much observed. It signifies that governance and culture is a practice that is almost always observed. The lowest overall mean of 4.1230 was for review and revision which implies still that it is much observed. The grand mean of 4.1830, noted with high level descriptive equivalent, indicates that ERM practices by the SMEs are much observed. In addition, its high results are due to its capacity, interest, and willingness to take and manage risks. Moreover, it can be inferred that SMEs in Davao del Norte focus on risks when selecting risk treatments and responses to which the IT systems of the organization play a pivotal role to aid ERM.

3.3 Level of Perceived Organizational Performance among Small and Medium Enterprises in Davao del Norte, Philippines

Shown in Tables 8 to 15 are the levels of perceived Organizational Performance (OP) among SMEs in Davao del Norte, Philippines. Perceived OP is measured in terms of capability; resource; environment; strategy; process; measure and analysis; and innovation and learning.

Table 8. Level of Perceived Organizational Performance among SMEs in Terms of Capability

Statements	Mean	Descriptive Equivalent	Interpretation
1. The organization responds quickly to customers' needs.	4.4135	Very High	Very Much Observed
2. The organization effectively and efficiently manages people and resources.	4.3798	Very High	Very Much Observed
3. The organization adopts an appropriate managerial system adaptive to resource and environment changes.	4.3262	Very High	Very Much Observed
4. The organization understands, catches up, and adapts to technological, industry, and market trends and changes.	4.3032	Very High	Very Much Observed
Overall	4.3556	Very High	Very Much Observed

The result showing that capability is very much observed indicates that the SMEs can respond to customer, technology, and industry requirements promptly and effectively. It is a crucial attribute highlighted by Harraf *et al.* (2015), a distinguishing factor for successful organizations wherein being watchful and proactive in adapting to external shifts is significant, in line with the notion that organizations must remain ready to respond swiftly to evolving circumstances.

Table 9. Level of Perceived Organizational Performance among SMEs in Terms of Resource

Statements	Mean	Descriptive Equivalent	Interpretation
1. The organization has the availability of capital.	4.3874	Very High	Very Much Observed
2. The organization has competent managerial executives.	4.2603	Very High	Very Much Observed
3. The organization has access to overall low-cost factors of production.	4.2404	High	Much Observed
4. The organization has a comprehensive and efficient organizational system, structure, and planning.	4.1623	High	Much Observed
5. The organization has experts in product/service development.	4.3063	Very High	Very Much Observed
6. The organization has experts in marketing.	4.3752	Very High	Very Much Observed
7. The organization has experts in customer service.	4.4273	Very High	Very Much Observed
8. The organization has experts in management.	4.3828	Very High	Very Much Observed
9. The organization has access to low-cost distribution channels.	4.2190	High	Much Observed
10. The organization has a positive enterprise culture.	4.3002	Very High	Very Much Observed
11. The organization has a good reputation.	4.3691	Very High	Very Much Observed
Overall	4.3118	Very High	Very Much Observed

The OP indicator resource is depicted as very much observed which suggests that business entities possess the necessary elements to ensure a favorable organizational performance. Notably, the highest-rated statement relates to the presence of customer service experts. This aspect is underscored by Bello *et al.* (2016) as critical, given the variability in customer needs and demands. Furthermore, skilled and innovative employees are likely to introduce cost-effective methods into the marketing and service delivery process, thereby enhancing the financial gains of the organization.

Table 10. Level of Perceived Organizational Performance among SMEs in Terms of Environment

Statements	Mean	Descriptive Equivalent	Interpretation
1. The company clearly defines and selects its customer groups and market segments.	4.2036	High	Much Observed
2. The organization understands and learns about customers, anticipates customer needs, and develops business opportunities.	4.2282	High	Much Observed

3. A systematic and organized process exists for collecting and conveying customers' complaints and feedback about products which will be analyzed to improve the business process.	4.2144	High	Much Observed
4. The company knows its main competitors and knows its competitive position in the market.	4.2802	Very High	Very Much Observed
5. The organization gathers competitors' information regularly and systematically.	4.1455	High	Much Observed
Overall	4.2144	High	Much Observed

The indicator environment received a notable much observed rating, signifying the considerable importance attributed to competitive advantages in management strategies. This manifests that SMEs exert their utmost efforts to confront market competition and surpass their rivals and to capitalize on market opportunities while mitigating the threat of competition that is vital for long-term success. This perspective is further elucidated by Lemon *et al.* (2016), who emphasize the need for companies to align their products and services with the requirements of their most valuable customers, with the objective of maximizing their long-term financial value to remain relevant in the market.

Table 11. Level of Perceived Organizational Performance among SMEs in Terms of Strategy

Statements	Mean	Descriptive Equivalent	Interpretation
1. The management considers employees' ideas when planning the company's future.	4.2083	High	Much Observed
2. The company strategies are developed, evaluated, and updated periodically based on the information from customers, the environment, and the performance measurement.	4.2037	High	Much Observed
3. The company seeks to provide new products to the existing market.	4.2971	Very High	Very Much Observed
4. The company seeks to provide established products for a new market.	4.2848	Very High	Very Much Observed
5. The company seeks to provide new products to a new market.	4.2802	Very High	Very Much Observed
Overall	4.2548	High	Much Observed

Strategy, as an indicator of organizational performance, is also imperative. That the company seeks to provide new products is laudable. It is evident from the findings that the SMEs placed a high value on effective planning and analysis as essential for recognizing the differences between an organization's current state and its desired future state. This aligns with the perspective as highlighted by Wang *et al.* (2017), that the periodic development, assessment, and adjustment of company strategies based on customer feedback, environmental influences, and performance evaluation are critical.

Table 12. Level of Perceived Organizational Performance among SMEs in Terms of Process

Statements	Mean	Descriptive Equivalent	Interpretation
1. The company process ensures that changes in customers, market requirements, and technology can be incorporated into product and/or service design.	4.1930	High	Much Observed
2. Processes meet the customer's needs as well as the	4.2879	Very High	Very Much Observed

desired quality and performance.

3. Operational processes are coordinated to ensure trouble-free and timely delivery of products and services.	4.2052	High	Much Observed
4. The processes are evaluated and improved continuously to achieve better performance.	4.2312	High	Much Observed
5. The key support processes (i.e., finance and accounting, IT support, personnel, legal) are well defined to achieve the company's performance outcome and objectives.	4.1501	High	Much Observed
6. Processes involving suppliers and other partner entities are well managed to ensure effective and efficient delivery of products/services	4.1654	High	Much Observed
Overall	4.2055	High	Much Observed

The OP indicator process yielded a rating of much observed. The results show that the respondents have confidence in the fact that the SMEs' processes align with customer requirements and deliver the desired quality and performance. As noted by Lakhali *et al.* (2006), organizations are compelled to elevate the quality of their offerings to maintain competitiveness within their industry considering the expanding global market. To boost organizational performance and enhance customer satisfaction, various practices should be implemented to ensure favorable outcomes.

Table 13. Level of Perceived Organizational Performance among SMEs in Terms of Measure and Analysis

Statements	Mean	Descriptive Equivalent	Interpretation
1. The key financial and non-financial information and data are selected, managed, and used to support the achievement of business goals and objectives.	4.2511	High	Much Observed
2. The information obtained from competitors, the environment, and technology is collected and analyzed to improve performance of activities.	4.2052	High	Much Observed
3. Employees know how to measure their performance, which becomes their guide for improvement.	4.2067	High	Much Observed
4. Appropriate performance measurement and analysis tools are employed.	4.2450	High	Much Observed
5. Employees know their job goal and objective and their contribution to the organizational strategies and objectives.	4.2940	Very High	Very Much Observed
Overall	4.2404	High	Much Observed

The indicator Measure and analysis was much observed with a mean rating of 4.2404. This implies that SMEs thoughtfully select, manage, and utilize important data, be it financial or non-financial, as well as information to achieve their objectives and goals. Findings strongly align with the perspective put forth by Omotayo (2015), which emphasizes that effective knowledge management serves as a crucial component for any organization aiming to sustain competitive advantage over the long term. By harnessing their knowledge assets, businesses can unlock substantial value and attain a strategic advantage over their rivals.

Table 14. Level of Perceived Organizational Performance among SMEs in Terms of Innovation and Learning

Statements	Mean	Descriptive Equivalent	Interpretation
1. The company invests in new product development.	4.2144	High	Much Observed
2. The company emphasizes employees' training and development.	4.3109	Very High	Very Much Observed
3. The organizational structure is regularly revisited.	4.1884	High	Much Observed
4. The organization system is continually improved based on environmental changes.	4.2374	High	Much Observed
5. The organization adapts and innovates based on new industry and market trends.	4.2297	High	Much Observed
Overall	4.2361	High	Much Observed

The innovation and learning indicator yielded a notably much observed result, highlighting a strong focus on product and service development, along with employee training and progression among the SMEs. This perspective aligns with the viewpoint of Jiménez-Jiménez *et al.* (2011), who assert that organizational learning is a foundational element in the achievement of competitive advantage which is sustainable enough such that it enhances the overall performance of the organization. Prioritizing a culture of continuous learning allows organizations to constantly evolve, innovate, and respond adeptly to market demands and changing customer preferences.

Table 15. Summary of Level of Perceived Organizational Performance among SMEs in Davao del Norte, Philippines

Statements	Overall Mean	Descriptive Equivalent	Interpretation
Capability	4.3556	Very High	Very Much Observed
Resource	4.3118	Very High	Very Much Observed
Environment	4.2144	High	Much Observed
Strategy	4.2548	High	Much Observed
Process	4.2055	High	Much Observed
Measure and Analysis	4.2404	High	Much Observed
Innovation and Learning	4.2361	High	Much Observed
Grand Mean	4.2598	High	Much Observed

Among the seven indicators of organizational performance, the highest overall mean of 4.3556, was gained by capability. It is slimly followed by resource with an overall mean of 4.3118, also a very high level. The lowest overall mean was attributed to the process which posted an overall mean score of 4.2055, which denotes a high level. The grand mean of 4.2598 illustrates that the indicators of organizational performance are much observed. Moreover, the high OP level suggests that the SMEs are remarkably responsive to customers' needs and the firms adopt a fitting managerial system that can adjust to changes observed within its resource and environments. The SMEs have a thorough and effective planning, structure, and organizational system.

3.4 Relationship between Age of Respondents and Enterprise Risk Management and Perceived Organizational Performance

Shown in Table 16 is the result of the test of relationship between age of respondents and

enterprise risk management and perceived organizational performance.

The age of respondents shows a weak positive relationship with perceived OP, suggesting that while age may not be a strong predictor, it still has a role in organizational performance. Moreover, ERM components governance and culture; strategy and objective setting; performance; and information, communication, and reporting have highly significant positive correlation with perceived OP. Results imply that better ERM practices translate into better organizational outcomes. As elucidated by Gallati (2003), integrating enterprise risk management into operational processes can enhance efficiency and effectiveness. By identifying and addressing potential risks, organizations can streamline operations, improve resource allocation, and reduce costs.

Table 16. Significance of the Relationship Between Age of Respondents and Enterprise Risk Management Components and Perceived Organizational Performance

	Perceived Organizational Performance
Age	.0187 (.6062)
Enterprise Risk Management	
Governance and Culture	.6419** (.0000)
Strategy and Objective-setting	.6634** (.0000)
Performance	.6861** (.0000)
Review and Revision	.5959 (.2579)
Information, Communication, and Reporting	.5866** (.0000)
Overall	.7463** (.0000)

**Significant at $\alpha=0.01$

3.5 Significant Predictors of Perceived Organizational Performance

Table 17 discloses the significant predictors of perceived Organizational Performance. The Adjusted R^2 of 0.5673 shows a moderate correlation between the combination of predictors (Governance and Culture; Strategy and Objective-setting; Performance; and Information, Communication, and Reporting) and overall Organizational Performance.

Table 17. Regression Analysis on the Age of Respondents and Components of Enterprise Risk Management that Significantly Predict Perceived Organizational Performance

	Perceived Organizational Performance		
	<i>B</i>	<i>t</i>	<i>Sig.</i>
Constant	1.3284	11.7859	0.0000
Age	0.0006	0.5157	0.6062
Governance and Culture	0.1526	4.5425	0.0000
Strategy and Objective-setting	0.1532	4.3249	0.0000
Performance	0.2248	6.6876	0.0000
Review and Revision	0.0326	1.1324	0.2579
Information, Communication, and Reporting	0.1283	4.5499	0.0000

Adjusted R ² =	0.5673
F =	143.44
P =	0.0000

The Adjusted R² value of 0.5673 suggests that approximately 57% of the variability in perceived Organizational Performance (OP) is explained by the combined variability of the Enterprise Risk Management (ERM) components. This highlights the significance of ERM practices in influencing organizational outcomes. The empirical model can be expressed as:

Organizational Performance = 1.3284 + 0.1526 (Governance and Culture) + 0.1532 (Strategy and Objective-setting) + 0.2248 (Performance) + 0.1283 (Information, Communication, and Reporting).

Results further show that the age of respondents is not a statistically significant predictor of OP, suggesting that although age may be somewhat relevant, it has no significant impact on performance in this context. In contrast, ERM components such as Governance and Culture; Strategy and Objective-setting; Performance; and Information, Communication, and Reporting are highly significant predictors of perceived OP. The lack of significance of age of respondents and ERM component Review and Revision as predictors of OP may be due to organizational complexity and the varying perceptions of risk management among employees of different ages.

The significant ERM components emerge as crucial drivers of organizational success; effectively managing and mitigating risks enhances efficiency, reduces waste, and optimizes resources. Shad *et al.* (2019) emphasize that understanding the business environment allows organizations to anticipate risks and seize opportunities, while Fraser *et al.* (2021) assert that ERM is an ongoing process involving all organizational levels in managing risks and achieving objectives.

4. SUMMARY, CONCLUSION, AND RECOMMENDATIONS

4.1 Summary

The research focused on examining the relationship between the age of respondents and Enterprise Risk Management (ERM) components on perceived Organizational Performance (OP) among Small and Medium Enterprises (SMEs) in Davao del Norte, Philippines. The study assessed how well the ERM components and OP indicators are observed and determined the significant predictors of perceived Organizational Performance. A total of 653 employees of SMEs in Davao del Norte, Philippines were randomly selected and surveyed.

ERM components assessed include: governance and culture; strategy and objective setting; performance; review and revision; and information, communication, and reporting. Among these five components, governance and culture recorded the highest mean, characterized as high, indicating that it is much observed. The lowest mean was observed for review and revision. The overall results indicate high level, demonstrating much observed adherence to enterprise risk management practices among the SMEs.

Additionally, the perceived OP of SMEs was assessed as to capability; resource; environment; strategy; process; measure and analysis; and innovation and learning. Results revealed that the indicator capability garnered the highest mean, characterized as very high; while process recorded the lowest mean, described as high. The overall mean for perceived OP has high descriptive equivalent, suggesting that the indicators of organizational performance of the SMEs is much observed or evident.

Findings also revealed that the age of respondents have a weak but positive relationship with perceived OP. Moreover, a highly significant correlation exists between ERM and perceived OP. The findings demonstrate a strong positive relationship between these variables. Finally, governance and culture; strategy and objective-setting; performance; and information, communication, and reporting are identified as ERM components that significantly predict organizational performance.

4.2 Conclusion

This study demonstrated that the age of respondents has a weak positive relationship with OP; while there is a statistically significant relationship between four components of ERM and overall OP. ERM components governance and culture; strategy and objective-setting; performance; and information, communication, and reporting are significant predictors of OP among SMEs in Davao del Norte, Philippines. These findings highlight the importance of robust risk management practices in identifying and mitigating potential risks that could negatively impact performance.

While the study is contextually focused on the Philippines, the implications of these results extend beyond national borders, suggesting that effective ERM practices are crucial for SMEs in diverse regions facing similar operational and market challenges. In both emerging and developed economies, where SMEs often operate with resource constraints, the significant predictors of OP identified in this study can be applied universally to enhance performance. Therefore, this study contributes not only to local insights but also to a broader understanding of how ERM can support SMEs in various international contexts.

4.3 Recommendations

Given the strong link between Enterprise Risk Management (ERM) and Organizational Performance (OP), SMEs may conduct thorough risk assessments that address potential risks from both internal and external sources, including compliance, financial, operational, and strategic risks. Involving experts and stakeholders in identifying these risks and crafting effective treatment plans is crucial. Continuous monitoring and review of these risks ensure that mitigation efforts remain effective.

Integrating risk management into strategic decision-making is also essential for enhancing business outcomes. Local governments and agencies may support SMEs by launching awareness campaigns, such as workshops and seminars, to highlight the benefits of ERM. Networking events and platforms that allow SMEs to share experiences can foster a community of best practices. Financial incentives, like grants or subsidies, can further encourage SMEs to adopt ERM systems. Future researchers may explore ERM's impact on various industries, develop accessible tools for SMEs, and engage with the SME community to promote the benefits of ERM. Additionally, considering the

perspectives of rank-and-file employees can provide a more comprehensive understanding of ERM's role in organizational performance.

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