

Enterprise Risk Management Adoption and Implementation Influence on Performance of Service Firms in Lagos State

Dr. Banjo, K. Adeola

Department of Insurance, School of Management and Business Studies

Lagos State Polytechnic, Ikorodu, Lagos State

peaceadeolabanjo@gmail.com

+2348033157501

Abstract: *This study examines enterprise risk management adoption and implementation influence on performance of service firms in Lagos state. This study used an exploratory research design. Multiple regression model was used for data analysis and test of hypotheses. This study revealed that ERM adoption challenges and implementation strategies significantly lead to good business decisions of selected service firms in Lagos State. The combine variables of ERM awareness, strategic business decision and business decision jointly lead to operational efficiency of the selected service firms. A unit increase in level of business decisions and operational efficiency following the implementation of ERM increase the performance of service firms while strategic risk management has nothing to do with firms' performance. Both business decisions and operational efficiency as a result of ERM implementation have significant impact on firms' performance while strategic risk management has impact on firms' performance though not significant This study recommended that management should pay adequate attention to ERM by employing competent staff to manage the risk of the organization; to overcome the challenges of ERM, business decision should be taking by professionals; ERM implementation should adequately be monitored because it also significantly accounted for business decision of selected service firms; to enhance operational efficiency and firms' performance, strategic risk management should be well planned for; and there is urgent need for management of Service firms to as a matter of urgency employed effective and workable ERM tool in order to lower the rate of risk and its chance of occurrence.*

Keywords: Enterprise Risk Management, Strategic Risk Management, Performance, Service Firms

INTRODUCTION

Every business manager must have the necessary assurance on the possible growth and survival of enterprises being embarked upon after all the risks must have been factored in and adequately evaluated (Inang & Ukpong, 2014, Aruwa, 2015, Azende, 2017). The setting up of a business enterprise in Nigeria calls for proper evaluation of the peculiarity of risks facing the country which can only be appreciated through the clear understanding of the structure of her country's economy (Agarwal, Priya & Bhuvaneshwari, 2017).

Over a decade ago, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued Internal Control – Integrated Framework to help businesses and other entities assess and enhance their internal control systems. That framework has since been incorporated into policy, rule, and regulation, and used by thousands of enterprises to better control their activities in moving toward achievement of their established objectives. Recent years have seen heightened concern and focus on risk management, and it became increasingly clear that a need exists for a robust framework to effectively identify, assess, and manage risk. In 2014, COSO initiated a project, and engaged PricewaterhouseCoopers, to develop a framework that would be readily usable by managements to evaluate and improve their organizations' enterprise risk management.

This framework extends the long-standing requirement for public companies to maintain systems of internal control, requiring management to certify and the independent auditor to attest to the effectiveness of those systems. Internal Control – Integrated Framework, which continues to stand the test of time, serves as the broadly accepted standard for satisfying those reporting requirements, which is otherwise refers to as Enterprise Risk Management framework

This Enterprise Risk Management – Integrated Framework expands on internal control, providing a more robust and extensive focus on the broader subject of enterprise risk management. While it is not intended to and does not replace the internal control framework, but rather incorporates the internal control framework within it, companies may decide to look to this enterprise risk management framework both to satisfy their internal control needs and to move toward a fuller risk management process. Enterprise risk management deals with risks and opportunities affecting value creation or preservation, defined as follows: Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

The failure of management of service firms to adequately manage risk accounts for continuous closure of many of the service firms. This study therefore is designed at emphasizing the need for business managers in Nigeria to take risk oversight initiative into consideration in the running and management of their enterprises in order to avert untimely collapse.

The main aim of this study is to investigate the extent in which ERM adoption and implementation influence performance of service firms in Lagos State. The specific objectives of the study are to:

- i. determine how ERM adoption challenge and its implementation affect business decision of service firms in Lagos State.
- ii. ascertain the effect of ERM awareness, strategic risk management and business decision on service firms' operational efficiency in Lagos State.
- iii. determine how ERM adoption challenge and its operational efficiency influence business decision of service firms in Lagos State.
- iv. ascertain the extent that strategic risk management, business decisions and operational efficiency influence the performance of service firms in Lagos State.

REVIEW OF RELATED LITERATURE

According to Duckert (2010), Enterprise Risk Management consists of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process. These components are: Internal Environment – The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate; Objective Setting – Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite; Event Identification – Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective-setting processes; Risk Assessment – Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis; Risk Response – Management selects risk responses – avoiding, accepting, reducing, or sharing risk – developing a set of actions to align risks with the entity's risk tolerances and risk appetite; Control Activities – Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out; Information and Communication – Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity; Monitoring – The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both. Enterprise risk management is not strictly a serial process, where one component affects only the next. It is a multidirectional, iterative process in which almost any component can and does influence another.

It is fundamental in this 21st century for every business organization to embrace an integrated approach to risk management in order to reduce or mitigate risk. This is based on the fact that risks increase as businesses evolve and promoters must be strategic in their approaches to leverage on the opportunities bring about by the risks for the benefits of their enterprises (Azende, 2017). According to Duckert (2010) Enterprise Risk Management (ERM) was coined in the mid-1990s to provide solution for business growth through effective risk management (Eslyn, 2017). The Enterprise Risk Management views risks as opportunity exemplified in the overall business strategy of an enterprise which must be identified, measured, responded to, prevented and monitored. This position is different from the traditional risk management which considers risk as a threat (Ezejiolor, Emmanuel, & Olise, 2014). The term risk can be described as the likelihood of an event impacting positively or otherwise on the realization of an organization's objectives (Manu, 2017). According to Ayinde, Omotesho and Adewunmi. (2008) risk is seen, to a large extent as, unavoidable and ubiquitous. It is therefore important for firms to consciously assess the risks peculiar to their businesses on regular basis (Shahzad, Al-Ohali & Abdullah, 2011). This position was equally maintained by Cofie (2017) where he reiterated that risks are embedded in every business venture and that their effective management will dictate the success of the business.

Enterprise Risk Management (ERM) deals with how risks and opportunities firms are being exposed to are identified, measured, evaluated, controlled, monitored, reviewed, handled and reported in order to ensure their continuity. It has to do with how business managers are able to manage the past and current risks and opportunities which may be internal or external to project the future of their enterprises for the benefits of the owners and all stakeholders (IRMSA, 2017). According to Jacobus (2010) ERM enables managers of small businesses to craft innovative business strategy that encapsulate quality operational planning: that will give birth to efficient and effective management of the firms free from all exceptions.

The benefit of ERM is further exemplified by its ability to guard against the crystallization of expected and unexpected losses thus providing solid platform for enduring healthy performance in an organization. The recent global financial meltdown which is still yet unabated in Nigeria has actually brought to light the managerial deficiency and poor risk management practices of business enterprises most especially the firms (Baker, 2011). The managers of firms ironically believe that risk management practices are meant for large corporations (Cofie, 2017). Likewise, Baker (2011) corroborates that ERM initiative is not being leveraged on by

firms which view it (ERM) as being complex and abstract in nature meant only for big corporation with expertise to manage. In Nigeria and other developing or emerging economies, the owners or managers of firms should be encouraged and motivated to embrace ERM concept in order to mitigate avoidable risks likely to bring their business enterprises to a halt or untimely death (Eslyn, 2007). The establishment of a good risk management system particularly, ERM, is fundamental to the success of any business enterprise and sustainability most especially in a recessionary economic period (Henschel, 2011). As postulated by Havenga (2017), the ERM as a good risk management system, provides the following benefits:

1. It ensures that all the necessary laws and regulations are strictly complied with.
2. It helps in the identification and management of various enterprise risks fundamental to the success of an enterprise.
3. It serves as barometer through which risks can be understood, recognized, measured and reported throughout an organization for those responsible to take appropriate actions.
4. It provides an avenue for business firms to reduce, minimize and or avoid outright financial losses.

The term ERM as proposed by COSO, (2015) is divided into eight interrelated modules which are expected to be integrated with the management process. The interrelated elements are as detailed and explained below:

Internal Environment – It comprises mainly the core philosophy of an enterprise which indicates the risk awareness of its staff and forms the basis upon which the enterprise risk management is measured. It spelt out the firm's values, culture and ethical issues. Internal environment therefore contains the management attitude to risk, its risk appetite, the responsibility of the board of directors, the allocation of responsibilities and the welfare and development of all the stakeholders within an organization.

Objective Setting – All organizations irrespective of their sizes or operational complexities are faced with various risks either from internal or external environment. Therefore, the establishment of clear objectives set at the strategic level is not a condition but a requirement for risks identification, assessment and response to risk for its efficient management. The objectives must state the goals and objectives of the organization's management of risks as it affects its operations, reporting, and compliance. Objectives state the firm's risk appetite and define its risk tolerance level within the organization.

Event Identification – It is the responsibility of the management to recognize the likely occurrence of events that are capable of affecting the operational efficiency of an organization. These events must be evaluated in order to appreciate its implication on the business strategy and accomplishment of the organizational goals. Any event with adverse effect possess a risk and require the management's assessment and response. On the other hand, events with positive impact which portend opportunity require the attention of the management to optimize its benefits.

Risk Assessment – Risk assessment is the ability of the management of an organization to measure the vulnerability of an event and the impact it would have on the accomplishment of its goals. Management evaluates events from two viewpoints - probability of occurrence and the effect it will create. It normally uses a combination of qualitative and quantitative methods for evaluation. Risks are measured on both an in-built and a residual basis. The positive and negative impacts of potential events should be scrutinized, on individual aspects and on group, and also across the organization.

Risk Response – The ability of a firm's management to evaluate risks affecting the success or otherwise of their enterprise determines its level of response to it. Responses may consist of risk evasion, risk minimization, risk sharing, and risk acceptance. Before finalizing its response, management evaluates the consequences of the response in terms of: probability and impact, costs-benefits analysis, possibility of crafting residual risk. Management also tries to identify any opportunity that might be existing, and formulates an organization-wide, opinion of risk, to decide whether overall residual risk is within the organization's risk appetite.

Control Activities – This represents the measures the management will take in order to ensure that adequate and effective risk responses are carried out. Control activities take place all over the organization, at all levels and in all functions. They include a wide range of activities as varied as approvals, sanctions, authentications, settlements, appraisals of operating performance, security of assets, and classification and allocation of duties and responsibilities.

Information and Communication – This is to ensure that timely and relevant information are sourced and made available within an organization in order to enable people, units and departments carry out their functions. Information system procures data both from the internal and external sources, makes available necessary information for managing risks and making informed decisions. Effective communication occurs only when there is free flow of information from top to bottom, from bottom to top and across all departments. It is necessary that all personnel understand their own role in enterprise risk management, and also how their functions within the organization affect others.

Monitoring – The gains of enterprise risk management can be improved upon through continuous monitoring and evaluations of risks and opportunities. Continuous monitoring is necessary in the day to day operation of an organization. The continuous monitoring processes and techniques guarantee the timely assessment of risks and its effectiveness. It must be noted that any deviation in the procedures could portend serious risk to the management which must be proactively reported to top management and the board of directors for immediate action.

The theories reviewed in this section is Risk Financing Theory:

Risk Financing Theory

Though no particular author could lay claim to the theory as the person who propounded the theory, several authorities has reviewed the theory over the years. The origin of risk financing theory is traceable to year 1927 in the United States where residential flood insurance was provided mainly by the federally-run National Flood Insurance Program (NFIP). The NFIP was developed due to the position by private insurance companies following the Mississippi floods of 1927, and maintained through the 1960s, that this peril was uninsurable, hence the need for risk financing by making funds available to take care of the risk, either by exploring internal or external sources of funding (OECD 2015). At this very point in time, National Flood Insurance Program (NFIP) were considered as the organisation that brought the theory of risk financing into light.

Risk financing involves the retention of risks combined with the adoption of an explicit financing strategy such as insurance to ensure that adequate funds are available to meet financial needs triggered by the occurrence of an unfavourable event. Such financing can be established internally through the accumulation of funds set aside for future use or obtained externally through pre-arranged credit facility. In relation to this study, risk financing theory becomes essentials because it explains the need for service industries to ensure their risks with insurance companies, and the insurance companies should also re-insure the risk. To achieve this, funds must be made available to take care of the risk, either by exploring internal or external sources of funding.

A number of studies have been conducted on risk management, economic growth and organisational performance. This section reviewed the empirical studies in line with this study. Previous study Barton, William and Paul (2018), they examined the implications of risk management and Enterprise Risk Management (ERM) on national development and growth in Nigeria. The findings revealed that enterprise risk management is an essential tool in tackling uncertainty associated with businesses in Nigeria. The benefits and advantages of implementing enterprise risk management (ERM) have direct positive implication on National Development of Nigeria in different ways. When resources, time, assets income, property and personnel of organizations are saved it help to improve the efficiency and enhance productivity of such organization thereby accelerating the rate of national development of the Nigerian economy. It was concluded that the understanding of ERM and International Standard Organisation Risk Management Model are necessary to facilitate widely adoption and implementation of ERM in business enterprises in Nigeria for sustained economic development. Recommendations were that there is need to adopt a holistic approach to managing risk by individuals, communities, organizations, government as well as international communities.

A study conducted by Sajiah (2020) on The Effects of Enterprise Risk Management Practice on SMEs Performance. The objective of the paper was to examines the impact of risk management and insurance of enterprises on the performance of Small and Medium Enterprises (SMEs) in Nigeria. This study revealed that Enterprise Risk Management Practice has significant impact on the performance of SMEs.

Cofie (2017) studied the effect of adoption of ERM principles on firms' long-term performance by examining how financial, asset and market characteristics change around the time of ERM adoption. Using a sample of 106 firms that announced the hiring of a CRO, they found that firms adopting ERM experience a reduction in stock price volatility. Similarly, firms hiring CROs when compared to similar, non-CRO appointing firms in their industry group, exhibit increased asset opacity, a decreased market-to-book ratio and decreased earnings volatility. In addition, these researchers found a negative relationship between the change in firms' market-to-book ratio and earnings volatility.

METHODOLOGY

This study used an exploratory research design. The purpose of using exploratory research design is to collect detailed and factual information that describes the research topic. The population for this study comprised all insurance companies that deals with nonlife business in Lagos State, which is sixteen (16), and having a staff strength of One Hundred and Thirty (130).

A purposive sampling technique was used to select the entire 16 nonlife insurance companies. A primary data such as questionnaire backup with interviews were sourced from marketing and underwriting departments of the selected insurance companies. The copies of questionnaire were distributed to staff members of the insurance companies.

Using Krejcie and Morgan sample size determination, A total of 97 respondents were determined, and copies of questionnaire were distributed to the 97 respondents of different insurance firms which were filled and returned and are valid for this study.

The following models were formulated based on specific and hypotheses of the study.

Joint impact of ERM adoption challenge and ERM implementation on business decision

$$BUSDECISN = \lambda_0 + ERMADPCH\lambda_1 + ERMIMP\lambda_2 + \varepsilon$$

BUSDECISN= Businessdecision

ERMADPCH= ERMadoptionchallenges

ERMIMP= ERMimplementation technique

and $\varepsilon = \text{error term}$

β_0 is the intercept; β_1 to β_2 represents coefficient of predictor of business decision

Impact of ERM awareness, strategic risk management and business decision on firms' operational efficiency

$$OPRNEFF = \lambda_0 + ERMANES\lambda_1 + STRISKMGTT_2 + BUSDECSISN\lambda_3 + \varepsilon$$

OPRNEFF= Operational efficiency

ERMANES= ERMAwareness

STRISKMGTT= Strategic risk management

BUSDECSISN= Businessdecision

and $\varepsilon = \text{error term}$

β_0 is the intercept; β_1 to β_3 represents coefficient of predictor of operational efficiency

Impact of ERM adoption challenges and operational efficiency on business decision

$$BUSDECISN = \lambda_0 + ERMADPCH\lambda_1 + OPRNEFF\lambda_2 + \varepsilon$$

BUSDECISN= Businessdecision

ERMADPCH= ERMadoptionchallenges

OPRNEFF= Operational efficiency

and $\varepsilon = \text{error term}$

β_0 is the intercept; β_1 to β_2 represents coefficient of predictor of business decision

Influence of strategic risk management, business decisions and operational efficiency on firms' performance

$$FRMPER = \lambda_0 + ERMANES\lambda_1 + STRISKMGTT_2 + BUSDECSISN\lambda_3 + \varepsilon$$

STRISKMGTT= Strategic risk management

BUSDECISN= Businessdecision

OPRNEFF= Operational efficiency

FRMPER= Firms' performance

and $\varepsilon = \text{error term}$

β_0 is the intercept; β_1 to β_3 represents coefficient of predictor of operational efficiency

The statistical tools used for the analysis of data collected include descriptive statistics and multiple regressions

DATA PRESENTATION AND ANALYSIS

This section contains the procedures employed in achieving the specific objectives of the study through the test of hypotheses.

Table 1: Relationship of ERM adoption challenge and implementation with business decisions

Model	R	R Square	Adjusted	Std.	Change Statistics	Durbin-
-------	---	----------	----------	------	-------------------	---------

			R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Watson
1	.651 ^a	.424	.413	.96694	.424	38.961	1	53	.000	
2	.798 ^b	.636	.622	.77558	.213	30.381	1	52	.000	2.057

Source: Author’s computation, 2020.

Table 1 shows the relationship of ERM adoption challenge and implementation with business decisions. In the table 1, Model 1 presents entry of ERM challenges’ adoption explained 42.4% of business decision of selected service firms and is significant by F Change test, (ERMADPCH: $R^2 = 0.424$, $F = 38.961$, $p < 0.000$). Entry of ERM implementation (Model 2) also significantly accounted for 21.3% business decision of selected service firms by F Change test, (ERMIMP: $R^2 = 0.424$; $F = 30.381$, $p < 0.000$) which suggests ERMIMP increases the explained variance from 42.4% to 63.6%. Invariably, both ERM adoption challenges and implementation explained 63.6% of business decisions of selected service firms in Lagos State.

Table 2: Impact of ERM adoption challenge and implementation on business decisions

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.870	.643		-1.354	.182
	ERMADPCH	.448	.119	.370	3.779	.000
	ERMIMP	.778	.141	.540	5.512	.000

a. Dependent Variable: BUSDECISN

Source: Author’s computation, 2020.

In Table 2, ERM adoption challenges (ERMADPCH: Beta = 0.448, $t = 3.779$, $p < 0.000$) has positive and significant impact on business decisions of selected service firms in Lagos State. Since the result is positive, it means that the selected service firms usually make good business decision in spite of the challenges in adopting ERM. Similarly, the inclusion of ERM implementation also yielded positive and significant impact on business decisions of selected service firms in Lagos State (Beta = 0.778, $t = 5.512$, $p < 0.000$). On the basis of these results, the null hypothesis is hereby rejected and we conclude that ERM adoption challenges and implementation strategies significantly lead to good business decisions in selected firms in Lagos State.

Table 3: Relationship of ERM awareness, strategic risk management and business decision with operation efficiency of service firms in Lagos State

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.711 ^a	.505	.496	.71171	.505	54.121	1	53	.000
2	.891 ^b	.794	.786	.46399	.288	72.698	1	52	.000
3	.924 ^c	.855	.846	.39331	.061	21.370	1	51	.000

Source: Author’s computation, 2020.

Table 3 reveals the relationship of ERM awareness, strategic risk management and business decision with operation efficiency of selected service firms in Lagos State. As can be seen, entry of ERM awareness explained 50.5% of service firms’ operational efficiency (ERMANES: $R^2 = 0.505$; $F = 54.121$, $p < 0.000$). This implies that out of many factors leading to the selected firms’ operational efficiency, ERM awareness contributed 50.5%. Also, the entry of strategic risk management contributed 28.8% to service firms’ operational efficiency (STRISKMG: $R^2 = 0.288$; $F = 72.698$, $p < 0.000$) thereby increasing the total explained factors from 50.5% to 79.4%. This means that combination of ERM awareness (ERMANES) and strategic risk management (STRISKMG) significantly accounted for 79.4% of efficient business operation among the service firms. Lastly, the inclusion of business decision increased the total operational efficiency to 85.5% from 79.4% of the selected service firms (BUSDECISN: $R^2 = 0.061$; $F = 21.370$, $p < 0.000$). These results indicate that the combine variables of ERM awareness, strategic business decision and business decision jointly lead to operational efficiency of the selected service firms.

Table 4 Impact of ERM awareness, strategic risk management and business decision on operation efficiency of service firms in Lagos State

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	.263	.296		.887	.379
	ERMANES	.191	.061	.218	3.136	.003
	STRISKMGMT	.524	.079	.496	6.600	.000
	BUSDECISN	.275	.059	.346	4.623	.000

a. Dependent Variable: OPRNEFF

Source: Author's computation, 2020.

In Table 4 the regression model with negative constant indicates that the selected service firms are operating at low efficiency following ERM awareness, strategic risk management and business decisions while positive results indicate operational. As it is evident, ERM awareness (ERMANES: Beta = 0.191, t = 3.136, p < 0.000), strategic risk management (STRISKMGMT: Beta = 0.524, t = 6.600, p < 0.000), and business decisions (BUSDECISN: Beta = 0.275, t = 4.623, p < 0.000) jointly have positive impact on operational efficiency of the selected service firms in Lagos State. On the basis of these results, the null hypothesis is hereby rejected and we conclude that ERM awareness, strategic business decision and business decision have significant impact on operational efficiency of the selected service firms.

Table 5 Model summary of relationship of ERM adoption challenge and operational efficiency with business decisions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.651 ^a	.424	.413	.96694	.424	38.961	1	53	.000	
2	.827 ^b	.684	.672	.72283	.260	42.844	1	52	.000	2.349

Source: Author's computation, 2020.

Table 5 shows the relationship of ERM adoption challenge and operational efficiency with business decision. In the table 5, the entry of ERM adoption challenge accounted for 42.4% of variance of business decision which is significant by F Change test, (ERMADPCH: $R^2 = 0.424$; F = 38.961, p < 0.000). Similarly, the entry of operational efficiency increased the explained variable from 42.4% to 68.4% of service firms' business decision which is also significant by F Change Test, (ERMADPCH: $R^2 = 0.260$; F = 42.844, p < 0.000). This means that firms' operational efficiency following the adoption of ERM contributes 26% to business decisions of the selected service firms in the study areas. Hence, the joint test of ERM adoption challenge and its operational efficient jointly contributed a total of 68.4% to business decisions of the selected service firms in Lagos State.

Table 6 Coefficient of ERM adoption challenge and operational efficiency on business decisions

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.544	.544		-1.000	.322
	ERMADPCH	.321	.118	.265	2.714	.009
	OPRNEFF	.805	.123	.640	6.546	.000

a. Dependent Variable: BUSDECISN

Source: Author's computation, 2020.

Considering the coefficient of Beta in Table 6 ERM adoption challenge (ERMADPCH: Beta = -1.980, t = 2.714, p < 0.000) and operational efficiency (OPRNEFF: Beta = 0.553, t = 3.795, p < 0.000) have negative and significant impact on firms' business decision. This means that positive coefficient associated with ERM challenge indicate effective handling of challenges that may be associated with adoption of ERM in selected firms. Based on these results, the null hypothesis is hereby rejected and we conclude that effective management of ERM challenge combined with operational efficiency significantly lead to good business decision in selected firms in Lagos State.

Table 7 Relationship of strategic risk management, business decisions and operational efficiency on firms' performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.745 ^a	.555	.547	.86264	.555	66.181	1	53	.000	
2	.830 ^b	.689	.677	.72816	.134	22.384	1	52	.000	
3	.863 ^c	.745	.730	.66645	.055	11.076	1	51	.002	2.173

Source: Author's computation, 2020.

Table 7 reveals the relationship of strategic risk management, business decisions and operational efficiency on firms' performance. As it can be seen, entry of strategic risk management significantly explained 55.5% of firms' performance ($R^2 = 0.555$; $F = 66.181$, $p < 0.000$). This implies that 55.5% of profitability of the selected firms are due to strategic risk management put in place by the selected firms. Also, the entry of business decisions accounted for 13.4% of firms' performance and is similarly significant ($R^2 = 0.134$; $F = 22.384$, $p < 0.000$) thereby bringing the explained variables from 55.5% to 68.9%. This means that combination of strategic risk management and business decisions both accounted 68.9% of firms' performance. Lastly the entry of operational efficiency accounted for 5.5% ($R^2 = 0.055$; $F = 11.076$, $p < 0.000$) of firms' performance and is significant thereby bringing the total explained variables to 73%. This means that 73% of profits recorded by service firms are due to strategic risk management, business decision and operational efficiency following the ERM awareness among the service firms. The remaining unexplained 28% is due to other factors not accounted for in this study.

Table 8 Influence of strategic risk management, business decisions and operational efficiency on firms' performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
3	(Constant)	-.766	.502		-1.526	.133
	STRISKMG	.136	.183	.101	.743	.461
	BUSDECISN	.251	.120	.247	2.093	.041
	OPRNEFF	.723	.217	.566	3.328	.002

a. Dependent Variable: FRMPERF

Source: Author's computation, 2020.

In Table 8 the regression output with negative constant indicates that the selected service firms are recording losses while positive results indicate the selected service firms are making profits in their respective business ventures. As it is evidenced in the table 8, strategic risk management (STRISKMG: Beta = 0.136, $t = .743$, $p > 0.05$) has no significant impact in firms' performance while business decisions (BUSDECISN: Beta = 0.251, $t = 2.093$, $p < 0.041$) and operational efficiency (INTRCONTR: Beta = 0.723, $t = 3.328$, $p < 0.000$) have significant impact on firms' performance. These results suggest a unit increase in level of business decisions and operational efficiency following the implementation of ERM increase the performance of service firms while strategic risk management has nothing to do with firms' performance. On the basis of these results, the null hypothesis is partly rejected and we conclude that both business decisions and operational efficiency as a result of ERM implementation have significant impact on firms' performance while strategic risk management does not have any significant effect on firms' performance.

DISCUSSION OF FINDINGS

This study revealed that ERM adoption challenges and implementation strategies significantly lead to good business decisions that accounted for at least 63.6% decisions of selected service firms in Lagos State. The combine variables of ERM awareness, strategic business decision and business decision jointly lead to operational efficiency of the selected service firms. This finding is in line with the study conducted by Aremu in 2015.

A unit increase in level of business decisions and operational efficiency following the implementation of ERM increase the performance of service firms while strategic risk management has nothing to do with firms' performance. Both business decisions and operational efficiency as a result of ERM implementation have significant impact on firms' performance while strategic risk

management has does not have any significant effect on firms' performance, these findings is in line with study conducted by Agarwal, Priya and Bhuvaneshwari in 2017.

CONCLUSION AND RECOMMENDATIONS

This study concluded that enterprise risk management adoption and implementation influence the performance of service firms in Lagos state

Arisen from the findings of the study, the following recommendations were made:

- (i) Management should pay adequate attention to ERM by employing competent staff to manage the risk of the organization.
- (ii) To overcome the challenges of ERM, business decision should be taking by professionals
- (iii) ERM implementation should adequately be monitored because it also significantly accounted for business decision of selected service firms
- (iv) To enhance operational efficiency and firms' performance, strategic risk management should be well planned for.
- (v) There is urgent need for management of Service firms to as a matter of urgency employed effective and workable ERM tool in order to lower the rate of risk and its chance of occurrence.

REFERENCES

- Agarwal, I., Priya, S., & Bhuvaneshwari, S. (2017). Contract farming venture in cotton: a case study in Tamilnadu. *Indian Journal of Agricultural Marketing*, 19(2), 153 - 161.
- Aremu, M. (2015). Firms: Panacea to poverty problem in Nigeria. *Journal of Enterprises Development, International Research and Development Institute*, 12(2), 1 - 5.
- Ayinde, O., Omotesho, O., & Adewumi, M. (2008). Risk attitudes and management strategies of small scale crop producer in Kwara state, Nigeria. *African Journal of Business Management*, 2(12), 217 - 221.
- Azende, T. (2017). Risk management and insurance of enterprises (SMEs) in Nigeria. *International Journal of Finance and Accounting*, 1(1), 8 - 17.
- Baker, N. (2011). *Managing the complexity of risk*. Chicago: Adevent Press.
- Barton, L., William, G., Shenkir, & Paul, L. (2018). *Making Enterprise Risk Management Pay Off*, Financial Executives Research Foundation, Upper Saddle River.
- Cofie, A. (2017). *The challenges of financing small medium enterprises (firms) in Ashanti region*. Kwame Nkrumah: Kwame Nkrumah University of Science and Technology Press.
- Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2014). *Enterprise Risk Management Integrated Framework: Application Techniques*, New York: AICPA.
- Duckert, G. H. (2010). *Practical enterprise risk management: A business process approach*. New York: Mcgraw Hill Press.
- Esllyn, I. (2017). *Role of support organizations for SMEs in a global environment: A Study from the Western Cape, South Africa*. Cape Town: Ind. Higher Education.
- Ezejiolor, R., Emmanuel, E., & Olise, M. (2014). The relevance of accounting records in small scale business: The Nigerian experience. *International Journal of Academic Research in Business and Social Sciences*, 4(12), 69 - 82.
- Havenga, A. (2017). *Value of Enterprise Risk Management in South African business environment*. Pretoria: UNISA.
- Henschel, T. (2011, November 26). *Assessing and Improving Risk Management Practices*. Retrieved from atrisk: <http://www.sme-atrisk.org/book.pdf>
- Inang, E., & Ukpong, G. (2014). A review of small-scale enterprises credit delivery strategies in Nigeria. *Economic and Financial Review*, 30(4), 91 - 101.
- IRMSA. (2017, October 10). *Enterprise risk management for Small medium and micro enterprises*. Retrieved from irmsa: www.irmsa.org.za/library
- Jacobus, D. (2010, April 10). *Enterprise risk management for small business*. Retrieved from International Risk Management Standard: <http://risklibrary.blogspot.com>
- Manu, C. (2017, July 12). *Risk management in the context of public sector reforms*. Retrieved from modernghana: <http://www.modernghana.com/news/116837/1>

Shahzad, B., Al-Ohali, Y., & Abdullah, A. (2011). Trivial model for mitigation of risks in software development life cycle. *International Journal of Psychology Sciences*, 6(8), 2072 - 2082.