



**Enterprise risk management impact on performance of short-term insurance companies
in Zimbabwe.**

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ABSTRACT

Corporate failures that occurred in the mid-1990s, followed by the global financial crisis that began in the United States of America in 2007 and the 2008 hyperinflation period in Zimbabwe underscored the necessity for financial service providers in Zimbabwe to implement sound risk management practises and controls. Zimbabwe financial landscape, including the insurance sector was crippled as this affected the indemnification of policyholders. Regardless of the industry diversities, ERM is a significant factor to protect and increase shareholder value. Short term insurance companies are inherently more important in the financial services industry.

Given that information, it was essential for the researcher to examine the impact of enterprise risk management in enhancing financial performance in the short-term insurance sector in a developing country like Zimbabwe. The review highlighted that Enterprise Risk Management (ERM) literature in the short- term insurance sector was mainly focused on developed countries, neglecting dynamic and developing countries like Zimbabwe. The study also revealed that Insurers in Africa are clustered with many risks that reduce their potential to thrive and increase capacity due to low penetration rates. Consequently, this study had to fill in this research gap and address enterprise risk management impact on performance in developing countries.

Through following the quantitative approach, collecting, and analysing data through multiple regression model. Findings from the multiple regression analysis, established that financial performance in STIs' is embedded in the effectiveness of enterprise risk management, firm size and leverage which were statistically significant with a p-value of 0.042, 0.015 and 0.034 respectively. The study suggested that the regulator must reinforce the capital requirements for insures and desist the one-size-fits all strategy to a risk-based approach as insurers underwrite different risks and industries. It is apparent that senior management must implement a holistic enterprise risk management program which can drive its financial performance in the market and lessen the possibility of failures.

Key words: Short term insurance companies, financial performance, Enterprise risk management, Zimbabwe.

DECLARATION

I, Tendai Mahwe declare that the study on enterprise risk management impact on financial performance of short-term insurers in Zimbabwe is my own work. This study has not been submitted for examination or any degree in any other university. It is submitted for fulfilment of the requirements for the award of the Master of Management Degree at the Wits Business School, University of Witwatersrand, Johannesburg, South Africa. I further declare that I have properly acknowledged all sources of information used in the study.

Tendai Mahwe

Signed  atCenturion

On the09.....day of ...February.....2024

DEDICATION

This dissertation is dedicated in loving memory of my dearest Father.

Zuva Adam Mahwe ‘Mwendamberi’

Zvichaita chete

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TABLE OF ABBREVIATIONS

BCM	Business continuity management
COSO	Committee of Sponsoring Organisations
CRO	Chief Risk Officer
ERM	Enterprise Risk Management
FRC	Financial Reporting Council
GDP	Growth Development Product
GPW	Gross premium written
HREC	Human Research Ethics Committee
IPEC	Insurance and Pensions Commission
KPI	Key performance indicators
ROA	Return on assets
ROE	Return on equity
SD	Standard deviation
SPSS	Statistical Package for the Social Sciences
STI	Short term insurance
TRM	Traditional risk management
UK	United Kingdom
ZICARP	Zimbabwe Integrated Capital and Risk Project

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CHAPTER ONE

Introduction.

1.0. Introduction

The value of risk management has grown significantly over the last years. Enterprise Risk Management (ERM) has been an interest to many corporate managers since the 1990s after many corporates faced several shocks in dynamic environment (Arena et al. 2010). Despite the concerns to adopt ERM with the objective to enhance performance, there is little empirical evidence in the developing economies (Anton, 2018). The research investigated the impact of enterprise risk management to short term insurance companies in Zimbabwe.

1.1. Background of Study

Zimbabwean economy has suffered stagnation and distress, experiencing hyperinflation periods resulting in the adoption of a multi-currency regime (Buigut, 2015). As consequence to this crisis, losses were recorded, and the insurance sector was absolutely challenged with failure to adequately indemnify policyholders in time (Mazviona, 2014). The global financial crisis of 2008 and insurance failures like American Insurance Group underscored the need for insurance companies worldwide to move away from traditional ways (silo approach) of managing risk to enterprise risk management. This was a wake-up call to management and board of directors in different industries and subsequently triggered interests in enterprise risk management. Mudzingiri (2014) posits that, the global financial crisis, which began, in the United States of America, had far-reaching ripple effects across the globe, with differing repercussions from country to country. Zimbabwe is a developing economy that has faced financial challenges over the years. Almost every industry that supported the economy had very low-capacity utilisation during the peak of global financial crisis. Production patterns, on the other hand, imply that the financial crisis slowed development in agriculture, manufacturing, insurance and banking, with mining sector suffering the most (Mudzingiri, 2014). Poor economic policies prevailed during the economic crisis, exacerbating the situation (Clemens & Moss, 2005). Although it is difficult to quantify the degree of impact of the financial crisis to Zimbabwe since it occurred concurrently with the peak of economic instability in Zimbabwe. It is significant to note that, existence of sound risk management can

assist an organization to be well geared should such events prevail again, even though ERM solely doesn't guarantee success or insolvency.

The figure 1, below illustrates that during the period when there was a negative growth to the mining, agriculture, insurance and banking.

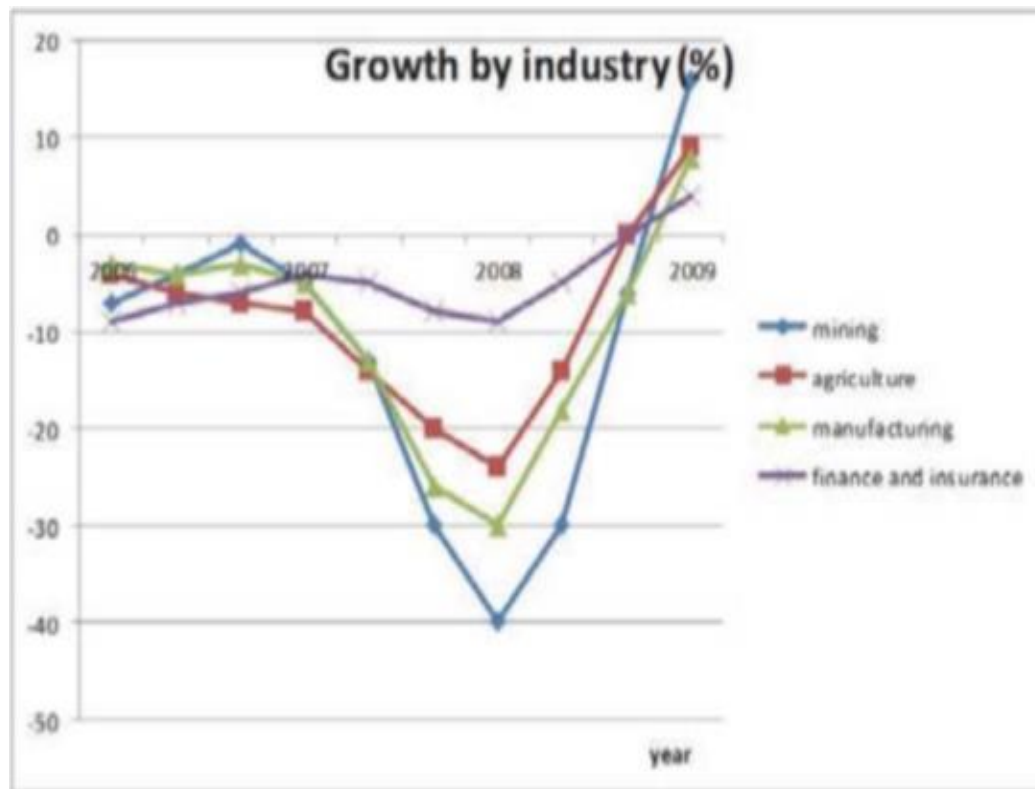


Figure 1: RBZ Statistical Bulletin (2009)

Lundqvist (2015) state that one of the major contributing factors to the global financial crisis has been poor risk management by both financial and non-financial organizations. As OECD asserts “Perhaps one of the greatest shocks from the financial crisis has been widespread failure of risk management. In many cases risk was not managed on an enterprise basis” (OECD, 2009, p.31). The activities of insurers are high-risk, and their ability for growth and thrive depends on how effectively they manage risk and implement it (Akotey & Abor, 2013). In mitigating risk, insurance supports both organisations and the public and is essential to the economic growth of a country (Liedtke, 2007). However, several obstacles stand in the way of the insurance sector's growth and development in Africa. Some of these difficulties are described in PwC's (2018) study as underinsurance, high firm concentration, and flaws with risk management. They also show that fresh potential to expand the insurance business are

presented by urbanisation, technical advancements, innovations, and the fortification of the risk management system.

Following the financial crisis, some insurance regulators have developed regulatory frameworks like Solvency II regime, for the European markets and emphasised these risk management practises must be integral in insurers operations and obliged insurers to embed corporate governance guidelines to enhance effectiveness in their operations. Despite the above, the insurers in Zimbabwe have not fully implemented the enterprise risk management frameworks to be integral in their operations. Risk management failures has captured headlines in the recent years. Managing risk is an essential concern in today's turbulent environment (Berinato, 2004). Olson & Wu (2010) provided evidence to back up this claim, stating that in the current climate, increasing performance and profitability requires the establishment of acceptable levels of risk. Over the past ten years, there has been a rise in interest in risk management, and expectations from stakeholders in terms of risk management have been increasing quickly (Gephart et al., 2009; Paape & Speklé, 2012; Power, 2007). According to Ai et al. (2018), Saedi et al. (2019), financial service providers were among the first organizations implementing ERM. Several papers have documented the significance of financial service providers to economic growth (Chen et al., 2019; Khafagy, 2019). Failures in the financial sector can cause considerable negative repercussions to the whole economy. The demise of a single financial organization can cause severe distress to the entire industry and spread to other industries (Talwar, 2011). Enterprise Risk Management is a holistic approach to risk management that emphasises collaboration across all functions to manage the organization's broad spectrum of risks. Its purpose is to establish an all-encompassing corporate risk strategy, and it demands organizations to examine not just each risk individually, but also the correlations between them (Chartered Enterprise Risk Actuary, 2013).

The ISO 31000 risk management standard demands an organization to include risk management into all its activities (ISO 31000, 2009). Furthermore, several corporate managers have emphasised the need for all organizations to be risk aware. The utility of insurance companies' current risk management duties appears to be significantly impacted by alleged developments in the global insurance business. Global changes, which are not limited to the

insurance industry, are being felt as a method of dealing with a variety of uncontrolled forces. As a result of the scenario, a requirement for a solid regulatory and supervisory structure to safeguard policyholders of the industry (Masciandaro, 2011). By introducing a risk-based approach, Solvency II aimed to reduce the risks faced by the industry, a risk-based system for determining an organization's capital requirements in a systematic, predetermined way. Like its predecessor, Basel III, emphasises the need of transparency capital requirements that are in line with the risks to which the company is exposed. Masciandaro (2011) provides insurance fundamental concepts, standards, procedures, and assessment technique to benefit primarily insurance supervisors in order to ensure acceptable risk management principles within the insurance business.

Zimbabwe short term insurance is characterized by a very competitive market with eighteen players registered with the (IPEC, 2021) and the numbers have reduced over the years with players like Excellence, Heritage, Global being deregistered due to failures in corporate governance and capital requirements (IPEC, 2016). The Insurance and Pensions Commission is a statutory body that was created through the Act of Parliament, IPEC Act (Chapter 24:21) to regulate the insurance and pensions industry in Zimbabwe. There are eighteen (18) short-term insurers within the Zimbabwean market that are compliant with the minimum capital requirement of ZWL\$37 500 000 (IPEC, 2021). The minimum capital requirement that each player must be compliant with, does not consider the risk profile of each insurer's portfolio. IPEC should slowly assist insurance companies in incorporate sound enterprise risk management frameworks in their operations and consider a risk-based supervisory model to promote effective management of risks. Insurance companies are risk carriers for policyholders spanning from individual to corporate clients and there is need of enterprise risk management to better perform in the market. Poor risk management and operating in a dynamic environment like Zimbabwe, can be detrimental to insurance companies as they might be insolvent and hence affecting the economic growth and penetration levels of the economy. Underwriting risks within the insurance industry has increased since there is stiff competition, hence need for sound ERM. New or existing insureds risks must be identified, assessed at inception/renewal for better performance of the underwriting book and avoid catastrophic losses or failure to fully cover/advice the client, resulting in professional indemnity claims against the insurance company. An effective ERM framework governed by a sound risk strategy promotes a strong risk culture at all departments within an organization, approves risk appetite and tolerance levels (Wood & Lewis, 2018).

Kodi (2003), states that most insurers provide cover to parastatals who do not implement proper risk control measures. These parastatals do not have sound enterprise risk reduction controls that can mitigate the extent of severity should they be an event, which affects the underwriting book. This is a common practise in Zimbabwe where most municipalities and parastatals who bring enormous premiums to insurers books, but they don't implement proper risk control measures. The claims that are paid out, following unforeseen events are usually catastrophic and affecting the insurance company performance and reducing the underwriting profit, hence the need for sound risk management. Standard & Poor's (2013), comment that insurance companies being risk carriers are susceptible to failure, should they have no risk managements controls implemented. Magezi (2003), state that poor risk management practises by insurance companies have contributed to major losses to its stakeholders. The failures have led to poor financial performances that have resulted in regulatory compliance issues and led to closure from operation. To better prevent the above occurring, organizations must implement sound risk management models that can alleviate them minimise the risk exposures and exploit the opportunities.

1.2. Research Problem

The research investigated the impact of enterprise risk management on performance of insurance companies. The concentration was on the short-term insurance companies registered and regulated by Insurance and Pensions Commission (IPEC). Insurance industry contributes extensively to Zimbabwe financial sector and the benefits derived cannot be underestimated. Insurance follows the fortunes of the economy and economic growth is driven by several industries in a country. IPEC (2020) reported that, the insurance penetration rate for Zimbabwe was 4%, which is very low and insurance companies are encouraged to increase their contribution towards Growth Development Product (GDP). Following the multi-currency regime, the annual financial reports of insurance companies presented evidence that some insurers have thrived while others are struggling (IPEC 2021). Developing economies like Zimbabwe, will require significant insurance contribution towards GDP and insurers should employ enterprise risk management strategies to drive performance.

The question about how ERM impact performance, is prominent and well researched in developed economies and not enough evidence in the developing countries. Identifying the

impact of ERM is particularly important so that in future crises, these aspects may be adequately managed to sustain organisations' viability. In recent decades, maintaining organisational performance has been an important priority for most insurers in Zimbabwe. Most insurers are incurring underwriting losses while others are unable to sustain their operations, resulting in the collapse. Therefore, it is vital to identify some of these critical areas to ensure that the implementation of ERM is successful in these areas (Zhao et al., 2013)

Several scholars have researched and gave insights on how ERM impacts firm's performance and protect shareholder's value (Hoyt & Liebenberg, 2008; Yow & Sherris, 2008; Hoyt & Miller, 2014; Nocco & Stulz, 2006; Zou & Hassan, 2017). However, these empirical studies concentrated on developed economies, and little has been researched on developing and unstable economies like Zimbabwe. In the insurance industry, ERM is still very narrow regardless of its positive impact on stakeholder's value (Acharyya 2008). In the past decade, we have evidenced a drop in the number of STIs players and decrease in gross premiums written (IPEC, 2020). The operating environment has extensively changed over the years and the STIs, have slowly responded to the changes, hence lowering the performance levels. Mazviona (2014) study, recommends that short term insurers in Zimbabwe should consider a paradigm shift from traditional risk management (TRM) to holistic approach like ERM. IPEC (2016) reported that insurance companies in Zimbabwe should gain and maintain an aggregated view of the risk profile of an insurer at an enterprise-wide level.

There exists a knowledge gap in investigating the impact of enterprise risk management to short term insurance company performance in developing economies like Zimbabwe, thus the study aims to address the gap.

1.3. Research Purpose

This study aims to investigate how ERM impacts STIs' insurance companies' performance in Zimbabwe. The study specifically looks on how, in the context of Zimbabwe, insurance businesses' financial performance metrics are affected by the implementation of ERM techniques.

1.4. Research Questions

To investigate the enterprise risk management impact on performance to short-term insurance companies. It is significant to answer the following questions:

- How does enterprise risk management impact performance of STIs in Zimbabwe?
- What are the current risk management practises of STIs in Zimbabwe?
- How can STIs move from traditional risk management to enterprise risk management?

1.5. Significance of the Study

Insurance companies globally are recognised as pivotal players in the growth of developed and developing countries. The study will contribute to the financial sector of the economy, looking specifically at enterprise risk management impact on performance in Zimbabwe. There is still inadequate amount of empirical literature, particularly in the African context, despite the research projects that have been done. In addition, empirical studies encountered calculating challenges, with many researchers relying on measuring ERM using a binary approach. This paper presents a thorough assessment of ERM that aims to document its operational, governance, and oversight systems. As a result, a better understanding of the quality of relationships based on the advantages that the short-term insurance companies will derive from ERM (Hoyt & Liebenberg, 2011).

Positive impact on performance of insurance companies will increase financial positions and adds values to investments and market share growth in the industry. Shareholders will benefit from this study, as enterprise risk management creates and protects value (Hutchins, 2018). According to the objectives of this study the research was to examine the current risk management practises employed in the insurance industry. The complexity of underwriting risks amongst other risks have influenced many firms to consider a holistic approach on risk management. Short term insurance companies in Zimbabwe have experienced stunted growth, due to the ever-changing economic policies in the country. The stagnation in the short-term insurance performance has prompted the motivation behind this study. This could assist other organisations and industries who must cope with the new risk management standards.

On a theoretical level, the study adds to the body of knowledge by addressing a knowledge gap in respect to areas of enterprise risk management that can help short-term insurers in Zimbabwe perform better, as well as making recommendations for future research in this sector and on risk maturity levels. On a practical level, the study can help insurers by giving empirical evidence that can help them improve the risk governance and achieve their objectives for better

success. The report provides IPEC with the knowledge they need to create a favourable climate for short-term insurers and consider a risk-based capital requirement.

1.6. Delimitation of the Study

The research concentrated on the short-term insurance industry, however, focusing mainly on the selected number of short-term insurance companies. It excluded the reinsurance players, brokers, agents and reinsurance brokers. The focus is on three insurance companies in the market which are Nicoz Diamond, Cell insurance and Champions insurance company.

1.7. Conclusion

The context of the study, which examined the overall impact of enterprise risk management strategies on the performance of STIs in Zimbabwe, was covered in the first chapter. The researcher went on to emphasise the issue that made the investigation necessary. In this chapter, the main issue, conceptual framework, research aims, significance of the study, delimitations, and limits were also described. The next chapter examines current and historical literature to provide a comprehensive knowledge of the impact of enterprise risk management methods on insurer performance.

CHAPTER TWO.

Literature review

2.0. Introduction

This chapter provides literature review on ERM impact on performance to short-term insurers companies. In reviewing the existing literature, key constructs are defined, applicable theories are explored and development of hypothesis. This chapter will be structured as follows, background discussion, frameworks, risk and performance, measuring performance and lastly conceptual framework.

2.1. Conceptual /Theoretical Definitions of Terms

Breckenridge et al. (2014) defined **short term insurers** as the underwriting of insurance policies by providing cover to policyholders against any damages/losses to insured risk. The insurance policy is intended to furnish the insureds a peace of mind by putting them in the same position they were prior an unforeseen event.

Enterprise risk management is defined as 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 (COSO, 2004).

Risk is the effect of uncertainty on objectives (ISO31000, 2009).

Traditional risk management refers to the core practises of risk identification, quantification, and management that involve little to no interaction, communication, or coordination between risk managers (Connair, 2013).

2.2. Literature Background

This section provides the existing literature in relation to the insurance sector in Zimbabwe.

2.2.1. Short Term Insurance in Zimbabwe

Short-term insurance is a contract with an insurance company in which a monthly premium or contribution is paid for policy benefits that insure you should an event occur – this is called a risk. The policy benefit is intended to place the insured in the same position they were prior the loss event. Insurance is a way of managing risks. Insurance companies invest the funds securely, so they can grow, and pay out when there is a claim. The short-term insurance players in Zimbabwe are regulated by IPEC. The Insurance and Pensions Commission is a statutory body that created through the Act of Parliament, IPEC Act (Chapter 24:21) to regulate the insurance and pensions industry in Zimbabwe.

There are eighteen (18) short-term insurers within the Zimbabwean market that are compliant with the minimum capital requirement of ZWL\$37 500 000 (IPEC, 2021). The minimum capital requirement that each player must be compliant with, does not consider the risk profile of each insurer's portfolio. The market is characterized by high competition for a relatively small slice of cake. The industry average return on assets (ROA) and return on equity (ROE) was 31.18% and 66.14% for the period ending September 2021, compared to 56.02% and 110.20% respectively for the nine months ended September 2020 (IPEC, 2021). The above two ratios are key measures on how efficient a company generate profit. There are four big players dominating the market. Market leaders in terms of gross premium written (GPW) are Cell, Nicoz Diamond, Old Mutual, Zimnat with a combined market share of 60% as reflected in the below chart.

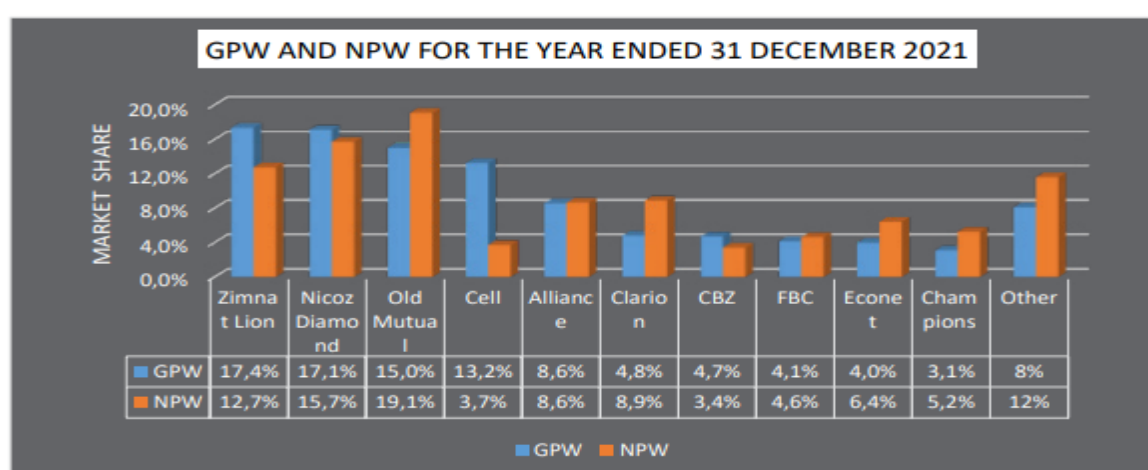


Figure 1: STIs Market Share in Zimbabwe

Source: Adapted from IPEC Report 2021.

2.2.2. Enterprise Risk Management

ERM has been considered as a strategic way to manage risks faced by business entities in a holistic manner as compared to the traditional silo-based risk management. Developed countries like, the United Kingdom (UK), Walker (2009) report and Financial Reporting Council (FRC) guidelines (FRC, 2014) suggested that UK listed entities must adopt the enterprise risk management holistic approach. The guidelines further recommend that UK listed firms should implement a holistic approach to risk identification, evaluation, and consider all risks that will negatively impact the objectives of the organization.

The COSO (2004) framework places an emphasis on integrating the organization's goals and the ERM objective together and included bold perspectives like "risk appetite," "risk reporting," and "strategic risk management." Two major points can be pointed according to the definitions elaborated above. Firstly, is the ERM role, as it integrates all types of risks across the organizational structure and coordinates the respective departments, hence risks are not managed in silos. All risks must be combined, prioritized and managed in an integrated approach. The second point is by implementing ERM, entities are able to identify potential events that may negatively impact the organization and determine if these risks fall within the risk appetite or tolerance levels. Walker et al., (2003) state that, if the risk-appetite is defined, any decision taken by the organization to curb risks may be parallel with the firm's objectives.

Entities with ERM program implemented are perceived could have sustained their competitive advantages than entities that manage and monitor risks in silos as ERM alleviates in strengthening the firm's ability to perform its strategic plan (Nocco & Stulz, 2006). Some of the main authors that have significantly contributed towards the understanding of enterprise risk management and performance (COSO, 2004; Gordon et al., 2009; Lai, 2011; Hoyt & Liebenberg, 2011; Lai, 2010)

An effective ERM framework governed by a sound risk strategy promotes a strong risk culture at all departments within an organization, approves risk appetite and tolerance levels. However, Deighton et al., (2009) argues that many UK insurance companies use the 'three line of defence' model to monitor risks and activities. First line is the line managers involved in risk management and internal controls; second, is the central risk function, with the compliance personnel and the risk committee that will assist coordinate the risk function; and thirdly, independent assurance by internal audit which reports straight to the board. Fraser & Henry (2007) further argue that ERM looks excellent in principle, however, there are potential

downfalls, when there are challenges in analysing certain risks and when line managers treat risks on a silo-based approach conflicting the organization objectives (Deighton et al., 2009). Therefore, this research encompasses the ERM concept has been accepted worldwide, it is always implemented and interpreted in local ways (Tekathen & Dechow, 2013).

Hoyt and Liebenberg (2009) focused their research on the value of ERM to United States of America insurers and they focused on ERM implementation programs. Increasing number of entities have built or are exploring ERM programs, consulting companies have created specific ERM divisions, and rating agencies have started to take ERM into account when assigning ratings. In contrary to traditional risk management, most academics and industry commentators (Miccolis & Shah, 2000; Meulbroek, 2002; Cumming & Hirtle, 2001; Beasley et al., 2008), argued that ERM alleviate organizations by accelerating capital efficiency, decreasing earnings and sensitivity of stock price, reducing debt, and promoting linkages between various risk management practises. Additionally, it is said that ERM encourages greater risk awareness, which promotes better tactical and informed decision-making. Therefore, these are the same features in this study, were managing risks in silo creates inefficiencies because there is lack of coordination between several departments, hence insurance companies must consider a holistic approach to enhance performance. Muelbroek (2002) states that organization with a variety of investment options are better placed to benefit from ERM system from being able to opt for risk adjusted rate when investing than, contrary to when they employed traditional risk management.

Akotey & Abor (2011) noted that underwriters within insurance companies should assist an organization to adopt good risk management practises or quality methods to manage different types of risks. Furthermore, they provided comments that Ghanaian insurance companies should embrace the risk management practises and adding literature to developing economies as this study has been mainly researched in developed economies. Lack of risk management according to Santomero & Babbel (1997) can result in rate undercutting, non-compliance with the regulators. Any insurance company that neglects risk management practises is bound to severe financial distress (Akotey & Abor, 2011).

The impact of ERM on performance has gained enormous attention from researchers in past years (Shukeri et al., 2012). The well-established thought that, including the ERM practises in objective setting has been the focus in the recent years. ERM analyse and promotes the effectiveness of risk management, in which it provides confidence to stakeholders the

capabilities of management and board of directors in governing risk (Beasley et al., 2006). ERM benefits firms by reducing the payouts and sensitivity of stock price, increasing capital efficiency and promoting linkages between several risk management practises (Hoyt & Liebenberg, 2011; Pagach & Warr 2011; Miccolis & Shah, 2000). In addition, ERM increases risk awareness which promotes improved operational and strategic decision making. However, despite a strong convergence on quality remarks about ERM impact on performance in theoretical literature, the empirical results in the insurance markets are still minimum and many insurance companies have not reached the most favourable level of risk management practises (Jabbour, 2011).

Failure of Zimbabwean insurers to develop and implement effective risk management practises may result in poor performance, inability to comply with capital requirements and destabilize the financial environment (Mazviona, 2014). However, research stipulate that regardless of ERM being a concept that has been accepted worldwide, it is always implemented and interpreted in local ways (Tekathen & Dechow, 2013). Short term insurers in the developing countries have a low penetration rate compared to short-term insurers in developed countries (Ngwu et al., 2018). Duru, (2013) posited that, in of the dynamic movement of regulatory and government policies changes on the industry's environment, the requirement for a structured and regular assessment of the efficiency and effectiveness of the company's internal controls and ERM policy must be done, hence, the need of ERM framework.

From literature, it is transparent that the enterprise risk management impacts performance (Callahan & Soileau, 2017; Zou & Hassan, 2017; Florio & Leoni, 2017). This chapter intends to picture that when addressing short term insurance companies' performance, enterprise risk management is significant. It is paramount for short term insurers to implement ERM practises as part of their operations.

The following sections explores various theories that determined a suitable theory that underpins this research.

2.3. Theoretical Foundation

There framework defines the underpinnings of enterprise risk management elements, converse key ERM perceptions and philosophies, propose a global enterprise risk management language, and furnish a direction for ERM.

2.3.1. COSO Framework

COSO is an acronym for the Committee of Sponsoring Organizations. The committee is a joint initiative of private sector companies which was established in the United States of America (USA) with an enterprise risk management objective and business ethics (COSO, 2004). In 1992, the Committee of Sponsoring Organizations created the internal control framework that had been accepted worldwide and forming the integral part of corporate accountability. COSO (2004) framework is rooted on four internal control objectives which are strategic, operations, reporting and compliance. Operations objectives, is aimed at attaining performance goals, combatting organizations from fraud, thriving on efficiency and effectiveness on business operations. Reporting objectives, incorporates both external and internal financial reporting as well as non-financial reporting, relate to transparency and reliability of the organizations reporting timelines. Compliance objectives are internal control obligations around complying with industry and government regulations. Strategic objectives include the risk strategy and aligning all risks with the defined objectives. The objectives defined by the COSO framework enhance performance of an STIs and provides a competitive advantage amongst other players in the market. IPEC (2021) notes that STIs have a mandate to submit their quarterly financials and the regulator constantly monitors if the STIs are still complying with the minimum capital requirement. However, the COSO framework developed in 2004 was further reviewed in 2017 and a new approach to risk was developed: aligning risk with strategy and performance.

According to COSO (2017) new objectives were structured to reinforce the internal controls and match the dynamic changes in the globe. Aligning risk with strategy and performance developed the below objectives:

- enhancing alignment between performance and ERM
- accommodate expectation for oversight and governance
- recognise globalization and need to apply common albeit tailored approach
- present ways to view risk and achieving objectives
- expanding reporting to address greater transparency and accommodate evolving technology

The five objectives mentioned above align with what the research seeks to achieve in a dynamic and developing economy like Zimbabwe. The below diagram illustrates the COSO framework: Enterprise Risk Management – Aligning Risk with Strategy and Performance



Figure 2: Enterprise risk management: Aligning risk with strategy and performance.

Source: Adapted from COSO, 2017

The ERM framework presents similar features of this study as diagram above depicts a way of transforming inputs into outputs. Simkins & Ramirez, (2008) state that ERM should be viewed as a process that directs the accomplishments of an organization's objectives. COSO (2017) postulated that the goal, vision, and basic values of any type of organization are deeply ingrained in the ERM perspective. This viewpoint typically originates from the senior management, supported by good resource management both in human and material and enhancing good performance. STIs should embrace the ERM activities and align them to their objectives to enhance value (Bohnert et al, 2019), risk communication and reporting should inform all relevant stakeholders about the risks that are negatively affecting the operations (COSO, 2017).

2.3.2. ISO 31000 Framework

Many organizations opt to use the ISO 31000 risk management framework as it is simpler to implement. It is recommended that senior management in the field of risk management shift from an approach primarily centred on formal strategic planning (strategy as something an organization formally has) to an approach more focused on reflexive strategic praxis (strategy as something an organization really do) and this is in line with Boholm (2010), Corvellec (2010), Gherardi and Nicolini (2000), Jarzabkowski and Spee (2009); Whittington (2006). These are similar features presented in this study on building risk culture in an organization's

operations. The way in which risks are managed by STIs follow a systematic flow like what the ISO 31000 presented. The figure 2 below, depicts the flow of risk management process.

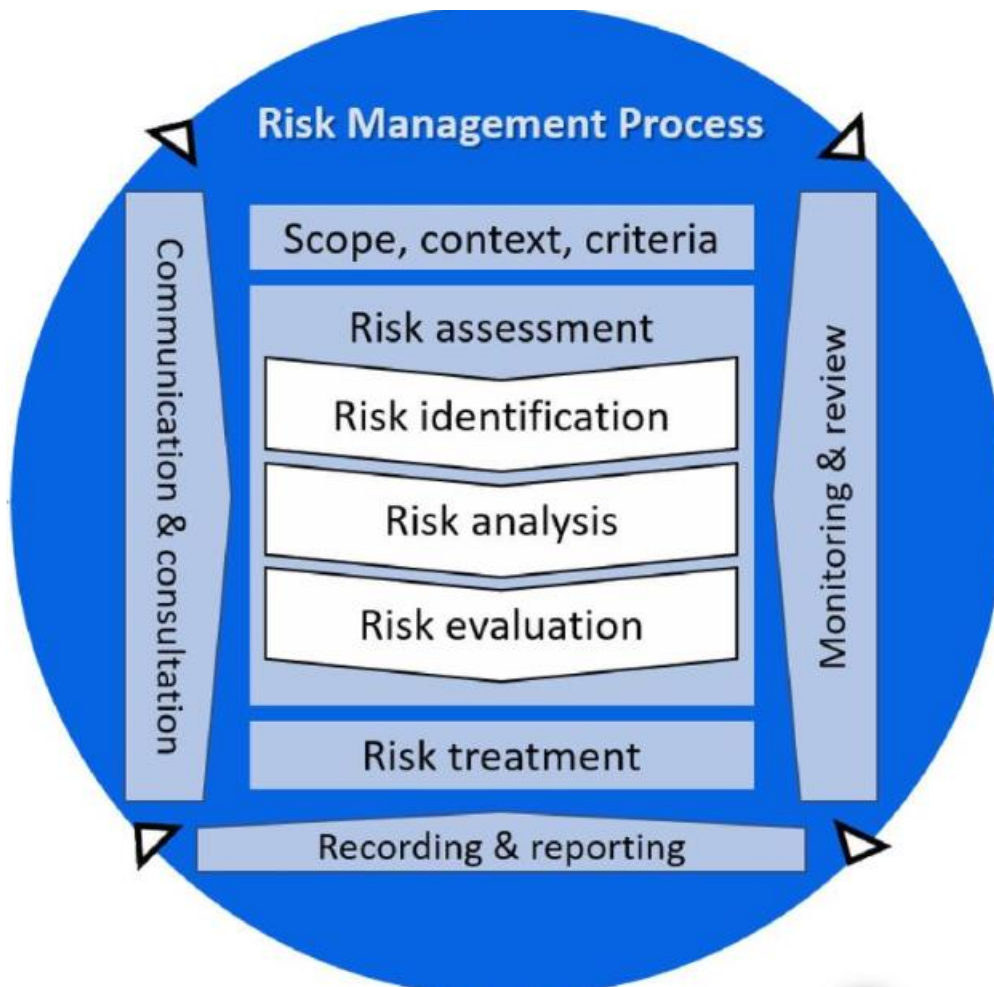


Figure 3: ISO 31000 Risk Management Process

Source: ISO 31000 (2018)

2.3.3. Resource Based Theory

An entity with distinctive resources, both tangible and intangible, becomes competitive and performs better than other companies with limited resources and capabilities (Barney 1991). Studies concur (Porter, 1980) that the primary approach for gaining a competitive advantage in a volatile market is competitive strategy, where a company can cut costs and provide clients with distinctive products (Anwar, 2018; Lechner & Gudmundsson, 2014). Zimbabwe is fairly an economy that has been volatile for the past decades and operating in such a dynamic

environment STIs are required to utilise the limited resources and gain market share. ERM practises must be aligned with utilisation of resources to attain dominance in the market.

To increase the company's value, the study suggests that ERM practises are the internal capabilities that may be used to minimise various expenses connected to materials, operations, supply, and marketing. The same notion has evolved in RBV theory, where organizations work to gain higher profitability and competitive advantage through cost containment. ERM methods, however, do not always automatically result in better performance; some internal managerial skills are also necessary. From this viewpoint, Standard & Poor's (2008) created an ERM framework that indicates how ERM processes are closely related to managers' routine decision-making activities. Managers attitudes and actions when faced with uncertainty in volatile markets have an impact on ERM processes (Arena et al. 2010). This environmental uncertainty in Zimbabwe is pivotal to determine how will STIs improve performance and the IPEC (2021) depicts that only four players (STIs) out of eighteen dominate with 60% market share.

2.4. Factors affecting adoption of Enterprise Risk Management

There are several factors that affect organizations in adopting enterprise risk management and this as of the business (internal) and regulatory (external) environments which have been dynamic.

2.4.1. Size of the STI

According to the Deloitte (2006), the size and complexity of the large entities make ERM more significant; on the contrary, their large size and complexity create a difficulty position to attain an enterprise -wide view of risk. Hoyt and Liebenberg (2008) remarks that larger firms are like to engage in ERM because high complexity, the fact several types of risk affect them, and their institutional size allows them to bear the costs of ERM adoption. Furthermore, the two researchers in their paper recommended that there was a positive relationship between size and ERM adoption. Beasley et al., (2005) writes that larger entities are better positioned to allocate resources for implementing ERM. Colquitt et al., (1999) suggests that larger firms are to a larger extent better placed to implement integrated risk management activities than smaller entities. Financial distress and volatile cash flows affect mostly larger organizations; hence they are mostly likely to adopt ERM practises. COSO (2004), mentioned that it is paramount to consider the firm size when determining whether to implement ERM in an entity.

2.4.2. Independence of Board of Directors

Enterprise risk management is mostly adopted by organizations that have independent board of directors. There is always a conflict between the management objectives and those of the board as mentioned by Malik & Holt (2013), management roles include resource allocation, developing strategies, risk reporting timelines and business plans that conform with the boards risk-taking approach and the board steers the organization management. Beasley et al., (2005) denoted that the board of directors' independence positively influence the entity to adopt ERM as they will facilitate the establishment of a risk management committee and appoint a Chief Risk Officer (CRO) and implement ERM. Board is responsible for risk governance, determine the corporate risk tolerance, risk appetite, and ensures corporate governance whereas the management develops sets financial targets, manages the operations, link between objectives and risk management policy (Malik & Holt 2013). Standard operating procedures designed by management directs the organization in effectively implementing risk management policy.

2.4.3. Risk governance structure

Kanhai and Ganesh (2014) advocated that risk governance structure is paramount in adoption of ERM as it illustrates how risk management practises will be organized within an entity. Risk governance entails the principles in which the risks will be managed, and this also incorporates how the ERM roles and responsibilities are defined among departments and individuals. Risk governance structure is significant in ERM adoption as it illustrates how the risk management structure should function and reported (Aksel, 2009; Mehta, 2010). Kanhai & Ganesh (2014) reported that there is common relationship between realising the importance of risk management and level of expertise/education within the top management, as this benefits the organization in establishment of responsible departments like risk committee that will oversee the risk management practises. Waweru & Kisaka (2012), argues that regardless the small entities appreciating the benefits and impact of ERM, they don't have adequate financial resources to establish a dedicated risk management department.

2.4.4. Firm Industries

Financial services industry is mostly regulated and kept under the watch by the regulators, because of their effect and impact on the economic growth of a country. Entities that operate under these regulated industries are at the forefront in adopting ERM and they have been

spearheading implementation of enterprise risk management frameworks. Basel II and Solvency II directives hold evidence that most regulated industries will consider adoption of ERM (Pagach & Warr; 2011), within the financial service industry. Beasley et al., (2005) in their study of impact of ERM on organizational performance, they realised that entities in insurance and banking have engaged in the ERM practises. Entities in financial service industries in developed economies have implemented ERM practises in their operations (Hoyt & Liebenberg, 2003; Pagach & Warr, 2011). Therefore, the literature above suggests, regulated industries have higher probability of adopting ERM framework, hence they have managed to outweigh unregulated industries in terms of performance. Enterprise risk management framework has a positive relationship to performance.

2.4.5. Risk Culture

Organizational risk culture that incorporates risk management is significant component of enterprise risk management adoption (Cendrowski and Mair, 2009). Organization culture and successful ERM implementation holds a positive correlation, as all employees and management are aware of how risk is managed and reported. According to Keeler (2008) creating a risk culture is pivotal in implementing a successful ERM framework. Levy et al., (2010) defined risk culture as the norms and customs of behaviour of groups and individuals within an entity that ascertain ways of identifying, understand, explain and risk responses procedures the organization takes. Risk awareness across the organizational structure seem to be pivotal factor for implementation of ERM framework. Kleffner et al., (2003) suggested that ERM adoption is unlikely to be a success should the risk management notion fails to become a rooted part of the corporate culture.

2.5. From traditional risk management (TRM) to ERM

Globally, leading insurers are revamping the risk function from the standard incident reporting and compliance to a pivotal system in advancing the corporate strategy. ERM has been viewed worldwide as a holistic way to manage risk in contrary to the TRM silo-based approach. Shukeri et al., (2012) posits that ERM impact on entity performance has gained great interest in the recent years. It is evident from the definition of ERM that it has some characteristics that elevate it above traditional risk management. Instead of approaching risk management as an event, ERM takes a holistic approach and views it as a process (Krstic & Dordevic, 2012). The

board develops risk policies, and if necessary, the board may assign that task to a risk committee or a CRO.

A CRO is recruited to establish risk control objectives, a risk framework, and mechanisms to measure risk, and an effective management structure is put in place to manage risk. A risk culture has been established and risks are integrated in business management. Therefore, risk management is included in the corporate training program (Dun & Bradstreet, 2007; Krstic & Dordevic, 2012). This level of risk management when risk is not only considered as having a negative implication meaning loss or damage, however, also as a chance to explore and achieve objectives in an entity (Krstic & Dordevic, 2012). Globally it has been viewed and accepted as new paradigm of risk management (Simkins & Ramirez, 2008). To distinguish the two approaches, Olso & Wu (2007) provided a comparison between traditional risk management and ERM. The below table summarizes the ideas raised in the preceding paragraph by drawing comparisons between traditional risk management and ERM.

Table 2.1 Traditional Risk Management vs ERM

Traditional Risk Management	Enterprise Risk Management
Risk Identification	Risk portfolio development
Risk viewed as individual hazards	Risk viewed in context of entity strategy
Discrete risks	Critical risks
Risk mitigation	Risk Optimization
Limits of risk	Risk strategy
No risk owners	Defined roles and responsibilities
Risk is not my responsibility	Risk is everyone responsibility
Haphazard risk	Monitoring & reporting of risk

Source: Olson & Wu (2007)

2.6. How Enterprise Risk Management impacts STI's performance

Enterprise risk management creates and protects value through its impact on firms at both organizational level and departments level. Damodaran, (2012) stated that ERM at organizational level creates balance by allowing management to evaluate and treat the risk-return trade off faced by the organization. Beasley et al., (2005) suggested that ERM assist the organization to maintain access to capital markets and other suitable resources to execute its methodology and business plan. At departmental level, ERM turns into a lifestyle or norm for

supervisors and subordinates at all levels of the organization (Beasley et al., 2005). Albeit the fact Beasley et al., (2005) concentrated essentially on an organizational level merit of ERM, the departmental level merits are also significant in practice.

Advanced ERM is viewed by industry experts as a value-added tool that holds potential to enable an insurer to create cutting edge services. According to Lam (2003), ERM promotes organizational effectiveness, enhances quality risk reporting and monitoring and facilitates company performance. It creates competitive advantage by aiding short term insurance companies not only on risk avoidance of unacceptable risks, however, exploit opportunities and actively take acceptable risks (Cater et al., 2009). Wang & Faber, (2006) reported that ERM focus is not only to preserve value, but to creating value.

COSO, (2004) reported that enterprise risk management furnish upgraded approach in aligning risk appetite and strategy, or at least, the level of risk an organization is willing to accept in quest for its objectives. Beasley et al., (2005) concluded that large companies are better placed to allocate (human & financial) resources for ERM implementation, hence managing risks in a holistically way. Large companies also have diverse operations and overall picture regarding identification of risk and can employ ERM across multiple business departments (Gordon et al., 2009; Brustbauer, 2016). Large STIs companies maintain high retentions/limits that are set by board of directors and if any one occurrence in underwriting there is a risk above retention, it will be ceded to the reinsurers. IPEC (2021) reported that the industry average retention ratio spiked from 45.43% for the nine months ended 30 September 2020 to 55.46% for the nine months ended 30 September 2021, depicting an increase in the risk appetite by the short-term insurance companies. However, large organizations must have a healthy leverage in their attempt to increase equity through acquiring debt (Pagach & Warr, 2011). Leverage is important to organization under study as they have high market share in the market (IPEC, 2021), however, excessive leverage is unacceptable as it will drive the probability of financial distress, leading to liquidation and bankruptcy (Myers, 1977).

Board of directors considers the organizations risk appetite (limits of indemnity in STIs) in assessing strategic alternatives like reinsurance, then in creating objectives aligned with the chosen risk strategy and in creating frameworks to mitigate related risks. Board of directors expertise is crucial in ERM, as their professional experience is paramount and germane to the performance of an entity (Rose & Rose, 2008). It assists in mediating the relationship between the ERM and STI performance. However, some scholars argued that, board expertise and firm

performance hold a negative relationship, when they examined a study board composition and corporate performance (Van Ness et al., 2010).

Risk appetite is defined as the amount and type of risk an organization is ready to take or pursue (ISO 31000, 2009). Kanhai and Gashen (2014) also support COSO (2004) and concludes that ERM empowers an organization to interface growth risk and return. Moeller (2013), further proposes that organizations accept risk as a component of value creation and protection and in such manner, both anticipate return conforming the risk taken. Enterprise risk management provides an enhanced capacity to identify and assess risks and establish acceptable levels of risk relative to growth and return objectives. Risk Committee is significant in managing the risk appetite of an organization, facilitating the implementation of ERM, defining the roles and responsibilities of the risk owners (ISO31000, 2009). Some scholars suggested that risk committee has a significant influence on performance (Fadun, 2013; Liebenberg & Hoyt, 2003)

Enterprise risk management promotes risk response decisions and such adopting and ERM practises gives rigor to identify and choose among elective risk responses, acceptance levels, and ERM provides strategies and procedures for making these informed decisions which in turn reduce operational shocks (Moeller, 2013). Beasley et al., (2005) further comments that organizations that utilise ERM frameworks have upgraded capability to identify potential events, assess risk and establish responses, subsequently mitigating the losses and related costs and improving performance. Kanhai & Ganesh (2014) reported that, ERM is not an event, however a process. It cannot function in separation from an organization, however a critical component to the management process. ERM is intertwined with corporate governance by furnishing information to board of directors on how risks are being managed and interconnects with performance management by providing risk mitigating procedures with internal controls.

Golshan and Rashid (2012), argued, enterprise risk management assist management and directors attain the organizational obligations and no matter how well designed and operated, it doesn't guarantee the organizational success. Organization aim to achieve its objectives is affected by external context in all processes, for instance, external environment like regulatory changes and governmental policies which is beyond management control. ERM to significantly impact performance of an entity it must be supported by other moderating/mediating elements that include risk committee, board of directors expertise, leverage and firm size.

2.7. Measuring STI's performance

Short term insurance companies' performance may be measured by using key performance indicators (KPIs) like, ROA, ROE (Damodaran, 2012). There are several dimensions of performance and they can't be utilised interchangeably as they show various extremes of entity performance. The regulator (IPEC) publishes a quarterly and annual report that shows how all players in the insurance market have performed and comment on the external environment as it has an impact on performance to the players. Statements of comprehensive income, financial position and key performance indicators are reported for the period under review.

2.7.1. Financial measures

Financial measures of performance are obtained from the entity profit and loss statement or from the account financials of a firm or the income statements (Kellen, 2003). The financial measures are objective measures with the reason that, they can be measured and verified against set objectives. Financial measures of performance are defined as the outcomes of an entity operations in monetary terms.

Business Written

Short term insurance companies' financial performance is mainly determined by the underwriting book. There are several classes of insurance that an insurer can underwrite, however these are subject to risk management policy set by organization board of directors. The insurer will not carry risks that are outside their appetite. IPEC (2021) reported, the total GPW by the short-term insurers to have increased from ZW\$4.63 billion in September 2020 to ZW\$14.14 billion, during the comparative period in 2021. However, the significant nominal growth in the GPW was mainly attributed to insurance premiums closely tracking inflation. Figure 4 below illustrate the trend in the volume of the business generated by short term insurance companies from 2017 to 2021.

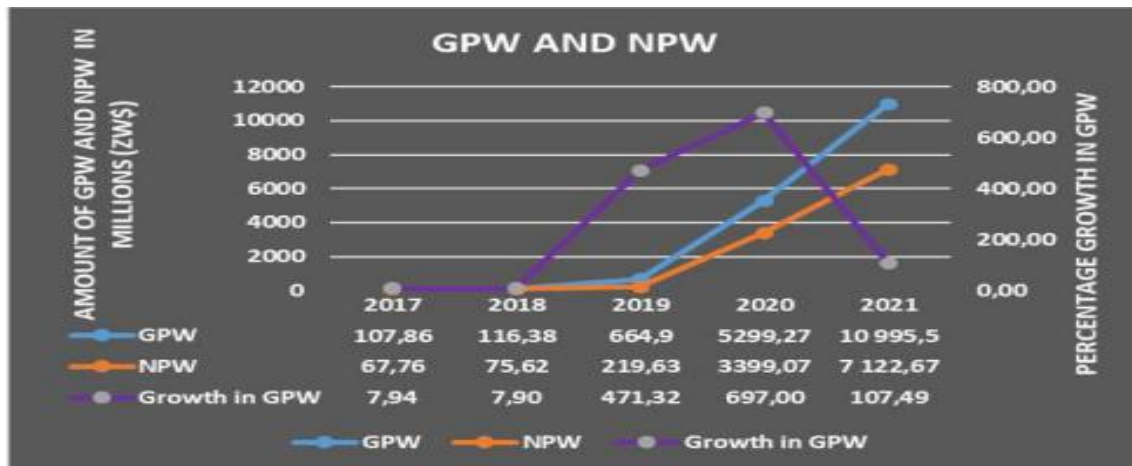


Figure 4: STIs Growth in premium trend 2017- 2021

Source: Adapted from IPEC 2021

The figure 4 above depict the trend in the short-term insurance written business (Sept 2017 – Sept 2021). The notable jump in the nominal volume of business written in the period represented above was on account of premiums tracking inflation and exchange rate volatility. The drop in the GPW growth is partly on account of the Covid 19 pandemic as economic activities slowed down (IPEC, 2021).

Return on equity (ROE)

Return on equity are standard measures that are used to measure the financial performance of an entity. Watson (2007) stated that ROE is the foundation for any systematic assessment of firm performance. To calculate ROE this formula is applied $ROE = \text{Net Income} / \text{shareholders equity}$. Short term insurers must have a higher ROE, to enable investors check if their capitals are used effectively and correctly.

ROA

ROA is used an essential measure of an entity profitability (Cooke & Uchida, 2004). Return on equity furnishes information of how much profit is obtained in relation to the assets of the organization (Petersen & Schoeman, 2008). To calculate ROA this formula is applied, $ROA = \text{Net Income} / \text{Average total Assets}$.

Short term insurance companies have a compliance regulation to submit their financials to the regulatory body IPEC every quarter. Their financial performance is then reviewed and reported, the industry average ROA and ROE was 31.18% and 66.14% for the period ending September 2021, compared to 56.02% and 110.20% respectively for the nine months ended

September 2020 (IPEC, 2021). For this study, the performance yardstick will be ROA because it shows how companies are able to generate revenue from the investment of assets. In contrast to ROE, ROA considers both equity and debt along with the entire assets of the company, including both earning and non-earning assets Shima et al., (2013)

2.7.2. Non-financial measures

The non-financial measures are at times known as subjective measures of performance. The non-financial performance measure is complementary to the financial measures and provides information on progress to stakeholders and other non-financial obligations that are paramount in achieving profitability. Linkert scaling questions are utilised for subjective performance measure to benchmark the entity performance from management perspective (Marimuthu et al., 2009). Non-financial measures can issue quantitative indicators of an entity intangible assets that includes customer satisfaction, intellectual capital and loyalty which are success drivers (Ittner & Larcker, 2003).

Employee growth

An increase in the number of employees will demonstrate an expansion in performance while a decrease in employees will demonstrate a diminishing firm performance. Employee growth is an expansion in the number of employees who are working in an entity and addresses a non-financial measure of performance.

Customer satisfaction

Kotler & Keller (2012) defines customer satisfaction as client's sensation of pleasure or frustration resulting from contrasting products or services performance to the customers own assumptions. Customer satisfaction is a significant non-financial measure of performance as satisfied customers are probably going to return for repeat purchases, furthermore, spread positive remarks publicity for a company. As a result of customer satisfaction, several customers will become loyal customers and the firm will gain positive profit margins and referrals, that's increasing market share. Short term insurance companies usually attain this variable of non-financial performance through speedy and equal claims handlings/pay-out, which will distinguish a company from others in the market, hence increase in referrals.

Satisfaction with performance compared to competitors

Another variable of non-financial performance that can be utilised to measure STI's performance is satisfaction with the performance of a company compared to other competitors in the market. IPEC publishes reports quarterly and annually to reflect how the STIs are performing in the market and this allows a company to review their underwriting book and check where can they improve to match other players in the market.

2.8. Evidence of ERM practises

Once an organization adopts and implements the ERM framework in their operations there should be visible evidence of this (Standard & Poor's, 2007). ERM components includes several practises which are risk appetite, risk tolerance, risk assessment tools, risk management policy, risk management framework, presence of risk committee, clearly defined roles and responsibilities, risk reporting and monitoring (Protiviti, 2006). Research shows that the above practises are significant for better performance of an entity and STIs should implement these practises.

2.8.1. Risk management framework

Risk management framework is defined in (ISO 31000, 2009) as a collection of components that offer the foundations and organizational arrangements for implementing, designing, monitoring, reviewing, and continuously improving risk management throughout the organization. The COSO ERM framework (COSO, 2004), the International Standard for Risk Management (ISO 31000, 2009), the Casualty Actuarial Society framework (CAS, 2003), and the Standard and Poor's rating (S&P's ERM rating) are a few of the definitions and frameworks for ERM. All these frameworks attempt to offer standard principles and recommendations for improving risk management.

Although organizations base their risk management processes on international standards like CAS, ISO 31000, COSO each entity may have its own unique way of doing so that must consider the differing needs of the company's unique obligation, context, processes, functions, structure, services, assets, products, and particular activities employed (ISO 31000, 2009). Before creating the ERM framework, managers must be aware of both the internal and external contexts, according to (Shortreed 2010). Old Mutual Annual Report (2021) comments that the organization has a sound risk management framework, that assist in aligning the strategy, people, process, technology and knowledge in order to analyse uncertainties and explore opportunities. The context will identify the associated risk that the company is exposed to,

validate the advantages of risk management, help with resource planning, and highlight the necessity of various ERM framework components as well as risk management processes.

2.8.2. Risk Management Policy

An organization risk culture can be established with the help of a risk management policy. Moeller, (2007) stated that, it is a standard principle with precise guidelines that apply to all facets of risk management. To ensure that all employees understand the policy uniformly and implement it deliberately and consistently throughout the whole organization, it should be created and distributed to all staff members (COSO, 2004). This study aims to improve the ways in which short term insurance managers view risks and assist them develop risk management policies that will increase risk culture within the organization. The risk management philosophy of an organization, which forms the cornerstone of efficient risk management, is included in the risk management policy. It gives the organization a solid foundation for its values, attitudes, risk awareness culture and common beliefs. This culture informs how the organization analyses risk in all aspects of its operations, from strategy development to operational activities.

This study supports that even if risk management policy has been defined and the procedures are understood, it nonetheless need to be accepted by its workforce and supported by management. Since organization's processes have an impact on the company's policy, the policy is not only implemented in written form but also in daily operations (COSO, 2004). According to ISO 31000 (2009), the organization objectives, accountabilities, roles and responsibilities, as well as the structure of risk management philosophy, should be stated in the risk management policy.

Some studies argue that for an effective ERM implementation, board of directors must fully support (Hopkin, 2018; Protiviti, 2006; Fraser and Simkins, 2016). Since risk management policy is a mandate of the executive leadership to structure, its objective with those of the organization and they each department must acknowledge the system.

2.8.3. Risk Appetite

Risk appetite is defined as the amount of risk, on a general level, an entity is willing to accept in pursuit of value (COSO, 2004). In order to achieve the organization objective, high levels of risks must be taken. To ensure that it has potential to attain its objective, each company must identify its risk appetite and what constitutes an acceptable risk inside the organization (Shortreed, 2010). Organizations risk appetites differ across industries and markets (Beasley &

Frigo, 2010). Management and board of directors determine the thresholds for risk appetite, they will be communicated and applied throughout the organization.

STIs have risk retentions in their operations, which determines the levels of risks and types of risks they must accept, should the risks exceed their threshold they share it with reinsurers. For STIs, risk appetite notion is at the epicentre of their concern, as their activities are structured around that. When determining the risk appetite, management must also consider the external environments like regulatory constraints by the supervisory authorities.

2.8.4. Business Continuity Plan

In a time of uncertainty, when the organization may be exposed to various unplanned operational risks, unexpected occurrences may occur. ISO 31000 (2009) comments on depth of different ways to respond to risk that are available and acceptable to handle hazardous risks. Blueprint of disaster recovery should be written by the organization and regular testing of supporting good risk management should be implemented includes the risk architecture plan and protocol for the company. In addition, the idea of business continuity management (BCM) is present. This is created by considering both effective loss minimisation and prevention. Compared to crisis management, which primarily concentrates on recovery during disaster recovery periods, it is a broader concept (Weaver, 2005). BCM is a methodical process that incorporates impact analysis, continuing risk management, and the contingency plan to guarantee that the company is secure and that there won't be a severe disruption of their core business operations.

2.8.5. Operational view of risk

Beasley et al., (2005) stated that, enterprise risk management has evolved as a recent strategy for management and directors to effectively minimise the risks faced by organizations. The organizational level is where risk must be considered from an entity level, it's a key idea in ERM (S&P, 2013; COSO, 2004; ISO 31000). A risk assessment must be created for each business unit, department, function, process, or activity by the management or person in charge of that area, and it must be managed within that area's risk tolerance. Departments are required to create high level view of risk that they will independently mitigate and control for a specific department. Both quantitative and qualitative assessment techniques are available. The management is responsible for combining the whole risk portfolio and identifying any chances

that might have a probability of being profitable by accumulating risk at each level down to the entity level.

This study supports the above scholars as the departments will develop a risk culture in all their operations and making the ERM a success. Furthermore, critical risk assessments within departments assists management to determine if the risk appetites are being maintained. In periods where the risk portfolio is within the STIs risk appetite, usually management recommends the underwriters to write more of that business to increase growth and underwriting profit.

2.9. Development of a Conceptual Framework

The conceptual model illustrates the relationship between the variables of enterprise risk management and performance within the operations of a short-term insurance company. The conceptualization of the variables in framework is guided by the Committee of Sponsoring Organization framework (Hoyt & Liebenberg 2011; Beasley et al., 2005; Nicco & Stulz 2006; Kleffner et al., 2003; Hoyt & Liebenberg 2008).

2.9.1. ERM

Generally, it is anticipated that companies in the financial service industries will be more likely to implement ERM (Beasley et al., 2005; Pagach & Warr 2011) and subsequently increase corporate governance and allocative efficiency as a result of massive oversight of managerial risk taking (Beasley et al., 2008; Hoyt & Liebenberg 2011). However, it is still unclear how exactly ERM and firm value relate to one another. For instance, whereas Hoyt and Liebenberg (2011) propose a link between ERM and company value (defined from the perspective of enhancements to business efficiency), other researchers, like Beasley et al. (2008), only discovered such associations to exist in firms engaged in the financial services industry. However, the researcher wants to explore the relationship in developing and volatile economies like Zimbabwe.

H₁: ERM has a positive relationship with STIs performance

2.9.2. Firm Size

Hoyt & Liebenberg (2008) researched on the enterprise risk management value and recommends that implementation of ERM is holds a significant relationship with the size of

the organization. Larger organizations have several departments, complex operations and this results in a lot of risks that require proper management. Beasley et al., (2005) concludes that large companies are better positioned to allocate financial & human resources for implementing ERM and manage risk holistically. Kleffner et al., (2003) states that large organization have a higher probability to adopt and implement ERM because it provides a holistic approach to risk management. Furthermore, the size of the short-term insurance company provides competitive advantage through ERM and hence performance. COSO (2004) also reports the significance of the organization size when structuring and designing an ERM framework. The above literature suggests that there is a positive relationship between size of the company and ERM.

H₂: Firm size has a significant influence on the relationship between ERM and STIs performance

2.9.3. Board of Directors Oversight

Board of directors is accountable for risk governance, sets the risk appetite, risk tolerance levels and ensures corporate governance functions are sound whereas the management develop roles and responsibilities, manages operations, link objectives and risk management objectives (Malik & Holt, 2013). Professional experience of board members has grown to be quite important and relevant to an organization's effectiveness (Rose & Rose, 2008). According to Xie et al., (2003), directors who lack sufficient accounting knowledge will be less able to make informed decisions, which could increase agency costs. Sound corporate governance drives performance of an organization and the benefits derived through ERM existence gives an entity competitive advantage in the market. A board that possesses proficiency in risk assessment, financial management, and governance is destined to make informed decisions concerning reserve sufficiency and guarantee that the organization holds adequate reserves.

H₃: Board of director's oversight has a significant influence on the relationship of ERM and STIs performance

2.9.4. Risk Committee

The risk committee play an essential role in implementing the ERM and directing the organization to better results. Hoyt & Liebenberg (2003) researched on determinants of ERM as supported by a CRO and they concluded appointment of a CRO is pivotal in assisting the organization attain its objectives. The CRO will lead the risk committee and they will report

directly to the board on the enterprise risk management activities and how aligned are they to the objectives of the organization. This will in return provide a competitive edge especially in insurance they will assist with the risk-tech and underwriting risk reports to ensure adequate covers are provided to the insureds. Beasley et al., (2005), again assessed surely the risk committee presence/ CRO is positively associated with ERM and performance. The study concluded that the presence of a risk committee significantly increases performance and monitoring of the ERM frameworks. The risk committee will assist cultivate the risk culture and awareness.

H₄: Risk committee has a significant influence on the relationship between ERM and STIs performance.

2.9.5. Leverage

Another significant company variable is leverage, which is the amount of debt taken on in order to purchase new assets (Cheng et al., 2010; Pagach & Warr 2011). Organizations utilise debt to finance their operations because it can prevent managers from investing free cash flow in unproductive ventures that serve their own interests (Jensen, 1986). Additionally, debt can reduce a company's tax liability (MacKie-Mason, 1990). In other words, financial leverage can improve a business's equity. Additionally, when firm leverage increases, lenders may become more inclined to demand that businesses establish ERM (as well as corporate governance) to assist lower the risk of their investments. When a company's debt exceeds its assets by a significant amount, lenders are likely to become very anxious. An organizations financial success is greatly impacted by the proper amount of debt it uses to create an optimal capital structure (Akhtar et al., 2021). The fourth assertion is made in this study, which uses book value of liability divided by book value of equity as a proxy for leverage (Hoyt & Liebenberg 2011; Tahir & Razali 2011).

H₅: Leverage has significant influence on the relationship between ERM and STIs performance.

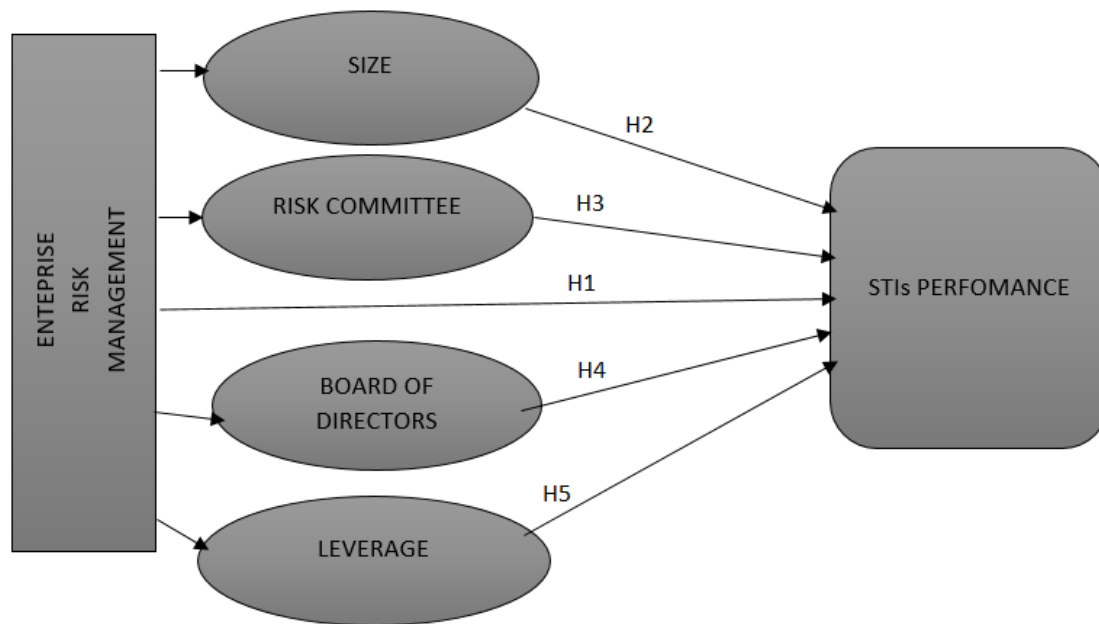


Figure 5: Conceptual Framework of Enterprise Risk Management to STI's in Zimbabwe.

Source: Researcher's compilation

Figure 5 is made up of a framework illustrating the ERM independent variables, how they will impact on performance (dependent variable) of an insurance company: size of the organization, board of director expertise, risk committee, leverage.

2.10. Conclusion of Literature Review

The literature review commenced with the background of enterprise risk management, the short-term insurance market in Zimbabwe. It went on to explore the theoretical frameworks on which the research is based on. The study had to examine the how enterprise risk management impacts performance and reviewed the factors as well that facilitate ERM. The relationship of the enterprise risk management variables and the output variable (performance). The direct relationship between the independent variables and STI performance are depicted on figure 5 which illustrates the conceptual framework of the study, and the below hypothesis were stated:

H₁: There is a positive relationship between ERM and STIs performance.

H₂: Firm size has a significant positive influence on the relationship between ERM and STIs performance.

H₃: Board of director's oversight has a significant positive influence on the relationship between ERM and STIs performance.

H4: Risk committee has a significant positive influence on the relationship between ERM and STIs performance.

H5: Leverage has a significant positive influence on the relationship between ERM and STIs performance.

In summary enterprise risk management create and protects value of an entity. It enhances a holistic approach in managing risks and resulting in short-term insurance companies insuring the policyholder's liabilities within the set risk retentions.

CHAPTER 3:

Research Methodology

3.0. Introduction

This chapter outlined the research methodology in addressing the research questions. The population, sampling methods, data collection instruments and data analysis procedures are explained in this chapter.

3.1. Research Paradigm

Positivist epistemological position was relevant for this research based on the obligation it recommends the researcher. Positivism as a research paradigm, seeks to resolve practical problems, search for law-like generalisations and find precise casual relationships through statistical analysis (Kim, 2003). A positivist paradigm was essential and relevant for this study as it allowed deductive reasoning (Hyde, 2000). According to Saunders et al., (2009) stipulated positive researchers are oriented towards knowledge generation that is reliable and constitutes scientific methods and quantification to enhance the accuracy of the explanation of parameters and relationships among them. Johnson & Gill (2010) state that research undertaken in the positivist paradigm relies heavily on highly structured methodology leading towards statistical analysis and hypothesis testing that also aids replication. The method employed in this study is a quantitative approach which supports the credibility of positivist approach. This method was employed accordingly to address the research questions relating to relationship between ERM and short- term insurers performance.

3.2. Research Design

Research design provides a review of the research methodology and procedures to be employed in the collection and analysis of data (Weaver & Olson, 2006). The research is an ex-post-facto research design since the data is an existing set, it is a challenge for the researcher to directly influence its outcome. Quantitative research highlights on the measuring and evaluation of the causal relationship between two variables (Cooper & Schindler, 2014), hence the researcher selected the quantitative approach.

Cooper and Schindler (2014) noted that, quantitative study test theories on existing concepts (Gall & Olson, 2012), including the ERM impact on STI performance. This method was employed to address the questions of ERM, firm size, BDO, risk committee, leverage, as

independent and moderating variables, short-term insurers financial performance as a dependent variable. Primary data and secondary data were used in this research. Surveys have the advantages of ability to collect primary data within a short space of time, in this case, from Zimbabwe short-term insurers. The questionnaires were utilised to collect data for ERM, risk committee, board of directors' oversight. There are a few demerits on questionnaires, such as common method and involves a lot of bias as some respondents lack in-depth knowledge about the constructs under study and the researcher is required to guard. In addition, this study employed secondary data, by collecting data from IPEC reports that will reflect the STIs performance for period between 2018-2022. IPEC reports will be utilised for data collection for the two variables leverage and size of the STIs and in measuring performance, as return on assets (ROA) will be utilized as a proxy. Measurement of the stated variables will be more accurate when the data is collected through IPEC reports and its difficulty to measure financial performance metrics using a survey, hence the researcher opted for combined primary and secondary data. The benefits of secondary data are that it's less expensive and easily accessible, however, at times it cannot be reliable as some information will be removed to derive what is required.

This is an explanatory study to determine the impact and effect of enterprise risk management and short-term insurance performance. Grey (2014) states that the explanatory studies seek to ask 'why and how' questions. Explanatory research search for reasons or causes and provides evidence to support or refute a prediction or explanation, hence the research chose this research design as it will explore the reasons of how ERM impacts short-term insurance (STI) in Zimbabwe.

As explained in the previous sections, the objective of this research is to investigate the ERM impact performance to STI. To attain this obligation, it draws quantitative, statistical results and moreover seeks to furnish justifications on the established relationship.

3.3. Research Population and Sampling Methods

This section shows the research population and sampling techniques employed in the study.

3.3.1. Research Population

The sample was drawn from the employees working at registered short-term insurance companies in Zimbabwe. All short-term insurance companies head offices are in Harare and it's the main hub of insurance, in turn it will be beneficial as it will make the survey cost effective and less time consuming. Purposive sampling was employed to select the three

players in the market as they have integrated level risk maturity and risk management structures in their operations. These three selected STIs were willing to participate in the study and also provided letters of authority to the researcher to conduct the study. In selecting the respondents within the chosen three insurance players, simple random sampling will be employed in choosing the respondents (internal audit, underwriters, claims specialist, senior management, risk committee, chief risk officers) and the secondary data will be collected from the same three insurance players. The simple random sampling method represents the purest form of probability sampling as it ensures each element of the total population has a known and equal chance of selection (De Vaus, 2002). The researcher will employ simple random sampling in selecting the respondents as it ensured an equal chance of selection.

Tabachnik & Fidell (2001), proposed an equation to determine the sample size for a research. The researcher implemented the following equation to determine the sample size,

$$\begin{aligned}
 N &= 50 + 8m \text{ (where } m \text{ is the number of independent variable)} \\
 &= 50 + 8(5) \\
 &= 50 + 40 \\
 &= 90
 \end{aligned}$$

The sample size to be used for this research will be 90, based on the Tabachnik & Fidell (2001) equation. To determine the desirable number of respondents per organisation, 90 respondents were distributed between the 3 short term insurance companies by average and the response rate was 60 and thus becoming the sample size.

Table 1.1 Determination of the sample

Calculating Average	Respondents per company	Response Rate
= 90/3	30	19
= 90/3	30	23
= 90/3	30	18

Source: Researcher's compilation

3.4. Research Instruments

The research instrument used in this study was self-administered questionnaire. Self-administered questionnaire promotes confidentiality, objectivity and reduces social desirability compared to when the researcher interviews directly. Cooper and Schindler (2011) denoted that the questionnaires are quick, efficient and reach a wider geographical network. The research instrument was suitable for this sample as it provided better results and for similar studies (Ping & Muthuveloo, 2009, Asamoah & Arkoh, 2019). The questionnaire had a multi-item scale type of questions which is popular and had previously been developed for variable measurement under investigation in this study, those scales will be used for collection of data, contrary to new scales.

In addition, to questionnaires the study utilised IPEC quarterly reports to measure performance of STIs, leverage and size of the STI's. The data on IPEC reports is readily available, easily accessible and this data will be significant as it has been used in similar studies for (Asamoah & Arkoh, 2019), the researcher used data from 2018 to 2022.

3.5.Data Collection

The research motive was to measure the ERM impact on short-term insurance companies' performance. The questionnaires and IPEC reports were utilised to collect data. In field research, questionnaires are the most used tool for gathering data (Field, 2009) and the data from IPEC reports were readily available and had better metrics for some variables, easily accessible and this data is significant as it has been used in similar studies for (Asamoah & Arkoh, 2019), the researcher will use information from 2018 to 2022. Data was extracted from questionnaires and from the IPEC websites where all quarterly submitted reports are kept by the regulator. The researcher screened the data and only considered information that constituted the variables that are under study. These calculations were done to simplify the data for analysis. Data collection includes obtaining facts that don't lead to the conclusion on their own, however, provide the framework of forming a conclusion (Raiyani, 2012).

3.6. Validity and Reliability of the Research

It was crucial to assess for construct, scale, and instrument validity and reliability because this study used a questionnaire with multiple-item scales to measure the various components. Public

reports are frequently used as means of data collection for research purposes in a variety of disciplines, such as accounting, business studies, and finance. In scientific research, reliability and validity serve as the benchmark by which the proficiency and accuracy of measurement techniques are assessed (Bhattacharjee, 2012). The degree to which an instrument assesses the intended variables is referred to as its validity (Cooper & Schindler, 2014). A research instrument that has proven its validity (internal and external) is able to deliver precise outcome and measure the intended variables. External validity and internal validity are the two types of validity.

3.6.1. Internal Validity

Cooper & Schindler (2014) defines internal validity as the capability of a research instrument to measure what is planned. The researcher will ensure that the statements in the questionnaires logically relate to the topics under study (Kumar et al., 1999) to accelerate the validity of the responses. Since this is not a completely new instrument, it should also positively affect internal validity. Internal validity in the context of utilising IPEC reports is concerned with the precision and dependability of the information gathered from these reports while staying inside the parameters of the research project. Bruggemann et al. (2013) reported that it is essential to standardize the procedures and careful extraction of data from annual reports to maintain internal validity in studies that utilise reports. IPEC reports are the best tool to extract data from when researching on financial performance of an entity and Beattie et al. (2011) emphasised on the importance of ensuring the accuracy and reliability of financial statements within annual reports, which enhances internal validity.

3.6.2. External Validity

External validity refers to the extent to which the data can be generalised (Cooper & Schindler, 2014). Pohl and Tolles (2010) explained the necessity for external validity in ERM studies within the insurance sector by emphasising the need of examining aspects such as firm size, organizational structure, and risk culture. They argued that considering the potential impact these variables may have on the implementation and efficacy of ERM procedures, researchers should take them into account before generalising study findings. The sampling criteria of the STIs to be included on the study may raise some questions on external validity. Only three (3) STIs were utilised as they have normalised risk management in their practises and keen on participating in the study. Albeit, the sample may limit the generalizability of the findings, the

study's legitimacy is increased because valid measures were utilised to measure the construct (Slavec & Drnovsek, 2012).

3.6.3. Reliability

According to Cooper & Schindler (2014), an instrument's reliability is its capacity to deliver consistent results. Lam (2003) addresses the reliability of use of public reports within insurance companies when conducting ERM research. Furthermore, questionnaires provided an guideline on respondents perceptions on ERM and highlights the significance of risk disclosures, risk management procedures, and accurate and transparent financial reporting. Lam (2003) argued that accurate reports are essential to comprehending and evaluating the performance of ERM practises in insurance organizations.

3.7. Data Analysis

After data collection and evaluation for accuracy, consistency space, consistency (Singh, 2006), data analysis begins. Raiyani (2012) state that, to draw conclusion from the research, this can be done with the help of statistical methods. It was considered appropriate to use multivariate statistical procedures because this study aimed to address research questions relating to the significance of the relationship of multiple independent variables to STIs performance (dependent variable), to build a regression model with the most predictive power, (Tabachnick & Fidell, 2003). The data collected was checked for accuracy before being coded and captured using Ms Excel. The statistical approaches used to analyse the quantitative data were conducted using the IBM Statistical Package for the Social Sciences (SPSS).

The dependent variable (performance) was calculated as the ROE. The study employed ROE as a performance yardstick because it allows a better comparison between organizations in the same or across industry. Palepu et al. (2013) discussed the significance of ROE as a financial performance measure, they emphasised on its ability to evaluate how an organization generate returns for shareholders, assess management effectiveness and comparing performance amongst companies, hence the researcher opted ROE as the proxy. It is one of the most popular and possibly the most generally utilised overall measures of business financial performance.

ERM proxy in this research was loss ratio of the selected STIs. Insurers loss ratio is an essential financial metric as it serves as a key indicator for risk management practises in an organization. Cummins & Lewis, (2003) in their study, they utilised loss ratio as a key indicator to assess risk management in insurance companies. The researcher used this proxy as well in this study.

ERM alone may not produce adequate results that impact performance; therefore, the moderating variables will be employed to assist in measuring performance. The regression equation that the researcher will use to measure is as below:

$$ROE_i = \beta_0 + \beta_1 ERM_i + \beta_2 SIZE_i + \beta_3 BDO_i + \beta_4 RMC_i + \beta_5 LEV_i + \epsilon_i$$

Where:

- ROE represents the dependent variable, proxy for STIs performance.
- ERM is the independent variable. Proxy is loss ratio.
- SIZE is the logarithm of total assets, investments and other earning assets.
- BDO is the measure of board of director's oversight. Proxy is Board composition.
- RMC is the measure of risk management committee. Proxy is size of the committee
- LEV is leverage (total liability divided by equity).
- ϵ is the error item.

3.7.1. Descriptive Statistics

The researcher also generalised the responses using descriptive statistics by using the mean and standard deviation. The sum of the data values divided by the number of valid responses for the variable yields the mean, which is the average of the distribution of responses for that variable (Gall & Olson, 2012). The average variance from the mean among the responses is described by the standard deviation (Field, 2009). The closer the responses tend to be near the mean, the lower the standard deviation, and vice versa (Gall & Olson, 2012)

3.7.2. Correlation Analysis

Establishing if the variables under investigation have a linear connection is crucial before doing regression analysis (Grande, 2015). The procedure of checking the relationship between variables is called correlation analysis (Field, 2009). Correlation analysis's output is a comprehension of the intensity of the relationship between the parties, as well as the direction variables. The strength of a link is gauged by the Pearson correlation coefficient. it is used for variables that are typically associated with each other spread (Field, 2009).

Statistical analysis methods were used in the correlation analysis. Correlation coefficients from statistical tests might vary depending on whether they are parametric or non-parametric. The Pearson's correlation coefficient (r), when applied to parametric approaches, ranges in value

from -1 to 1. When two variables increase or decrease simultaneously, there is a positive correlation; however, when there is a negative correlation, one variable increases as the other falls (Field, 2009).

3.7.3. Multiple Regression

Multiple regression was used to investigate the relationship between the independent variables and the dependent variable. A model summary with the Pearson correlation coefficient is the result of regression analysis (R). A value closer to one denotes a strong relationship, whereas a value of zero denotes no relationship, and this coefficient shows the strength of the relationship.

This analysis determined if there is a relationship of enterprise risk management and STIs performance. Hair et al., (2010) proposed that the minimum required sample size to perform a regression analysis is 50 and the researcher has a sample size of 60.

3.8. Ethical Considerations

The researcher utilised the questionnaires for data collection for this study and IPEC reports. IPEC reports spanned from 2018 to 2022. This study ensured that data was collected in an ethical manner by obtaining the respondents informed consent and further, ensured that the respondent understood their role in completing the questionnaires. However, where there is sensitive information to be used, the researcher will protect the organization information and maintain confidentiality of the data by aggregating the data collected from the three STIs. The researcher obtained an ethics clearance before carrying out the research. The ethics clearance was granted by Human Research Ethics Committee (HREC), reference number: H22/11/27.

CHAPTER FOUR:

Results presentation and interpretation

4.0.Introduction

This chapter's objective is to present, summarize and interpret the findings of the study analysis. It provides descriptive statistics, including mean, minimum (Min) standard deviation (SD) and maximum (Max) of the variables. This chapter will further explain the results from correlation analysis of data which discusses the linear association in between variables through a Pearson correlation. Moreover, to investigate the hypotheses of this study, the chapter presents results from ordinal regression analysis.

4.1. Descriptive Statistics

A total of 60 respondents from the selected short term insurance companies participated in this study. The demographic characteristics of the respondents were collected, tabulated, analysed, and presented in Table 4.1. It was essential to collect the demographic information to enable the researcher to have a picture of which departments do these respondents operate and how many years of experience. This is significant as respondents who are in underwriting & claims are involved in implementing and promoting the ERM culture in the organisation. Furthermore, respondents in this category they monitor the risk appetites set by the senior management and should they be any risks that is above threshold, management is notified, and reinsurance is arranged. Low respondents in the senior management and risk committee as they are main responsible for the risk governance, structuring of the risk policies, appetite, and toleration levels.

Sample characteristics shows that the majority of the respondents were male (62%) and females constituted 38% of the overall sample. The age distribution of the respondents shows that the majority (35%) of the respondents that participated in the study were aged between 30 – 39years, followed by the 40-49 age group which constituted 22% of the participants. Respondents who were above 60 years and in the 20-29years age group had the least contribution with 8% and 18% respectively. The literacy levels of the respondents were found to be very high with more concentration on Master and Honour degree employees with 35% and 52% respectively. Furthermore, most of the respondent were employees in the claims and

underwriting department with 70%, followed by respondent in risk management committee and senior management with 17%. The industry experience of the respondents was high (30%) among the 8-10years group, followed by the 5-8 year's group with 23%. Respondents with less than 2years experience and above 10years experience had the least contribution in the study with 8% and 17% respectively.

Table 4.1 Demographic profile of respondents

	Variable	Frequency (n=60)	Percentage (%)
Gender	Male	37	62
	Female	23	38
Age	20-29yrs	11	18
	30-39yrs	21	35
	40-49yrs	13	22
	50-59yrs	10	17
	60yrs – above	5	8
Industry Experience	<2yrs	5	8
	2-5yrs	13	22
	5-8yrs	14	23
	8-10yrs	18	30
	>10	10	17
Departments	Underwriting & Claims	42	70
	Internal Audit	8	13
	Risk Committee & Snr Management	10	17
	Secondary School	1	2
	Diploma	5	8

Education	Honours Degree	31	52
	Master Degree	21	35
	Doctorate/PHD	2	3

The table 4.2 below provides descriptive statistics for the study's main variables, including SD, minimum (Min) and maximum (Max) values for the entire sample. The independent variable of ERM indicates the practises employed by the STIs to achieve financial performance. A minimum of -0.514 and a maximum of 1.356 for the full sample ERM score demonstrates how insurance companies in Zimbabwe monitor their ERM program very effectively to achieve efficiency in their strategy, operations, reporting, and compliance as specified by COSO (2004). ERM has a mean of 0.45 represents presence of ERM entailing high engagements of insurance companies in risk management practises to curb losses within the organization and increasing profitability. It suggests that, on average, the adoption of ERM techniques has a favourable impact on insurers' financial performance, as represented by a lower loss ratio, with a mean of 0.45. It is crucial to remember that this mean value does not, by itself, provide a full picture of the distribution or importance of the impact. Effective implementation of ERM in all operations means that the insurer is managing risks effectively and suffering few losses/events, which translates to greater financial performance. ERM presents a skewness of 0.995 indicating that there is a significant concentration of data points towards the higher end of the ERM impact on financial performance. This means that majority of the observations have positive impacts on financial performance as a result of implementing ERM practises.

Table 4.2 Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
ERM	60	1.6311	.2011	1.8323	.677084	.3502249	1.899	.309
Firm Size	60	4.92421593	5.00012871	9.92434463	7.8940162366	1.235983	-.247	.309
BDO	60	29.21710	-9.60880	19.60830	6.6521795	4.577778	.275	.309
Risk Committee	60	.8992	.0924	.9916	.502344	.2546925	.248	.309
Leverage	60	4.15410388	-.92468329	3.22942059	1.3221959268	.9069773	-.162	.309
ROE	60	2.28707785	-.50154401	1.78553383	.35608554208	.4451975	1.258	.309
Valid N (listwise)	60							

The ROE which is the dependent variable has a mean value of 0.356 which means that for every Z\$ of shareholder equity invested in the three insurance companies, any of the companies generates 35 cents on profit. These are moderate profits and reflect on the efficiency of the company to generate profits from money invested by shareholders. It reveals that, on average, insurers that have adopted ERM processes likely to enjoy a positive impact on their ROE with a mean of 0.356. This indicates that ERM could alleviate STIs become more profitable and efficient, if fully implemented.

Table 4.2 above presents a ROE minimum of -0.5015 and a maximum of 1.7855, the minimum value of -0.5015 which is one of the lowest observed in the dataset. This suggests that some STI's may have experienced negative returns on their equity, potentially indicating financial losses or underperformance. It highlights the potential risks and challenges that ERM seeks to mitigate or address. The maximum value of 1.7855 indicates the highest level of profitability and efficiency achieved by STIs under study, implementing ERM practises. It highlights the low positive impact of ERM on financial performance, demonstrating the value of effective risk management. A skewness of 1.258 suggests that the distribution of ROE values in the study is moderately positively skewed.

Table 4.2 presents results on company size descriptive and from the data set it presented a minimum and maximum of 5.00 and 9.924 respectively. A minimum value of 5.00 provides a highlight that companies of varying sizes, including smaller ones, have been included in the analysis of ERM's impact on financial performance. A maximum of 9.92 implies that there is bigger companies included in the study sample. It means that different-sized businesses, even bigger ones, have been considered while analysing the impact between ERM and financial performance. IPEC (2021) states that Nicoz Diamond holds 17.1% market share, Cell insurance company holds 13.2% and Champions has 3.2% market share based on GPW. It entails that larger and small insurers were considered to reveal if the risk management is practised by companies of different size to achieve financial performance. A skewness of -0.247 suggests that the distribution of company sizes in the study is moderately negatively skewed. This suggests that there may be a proportion of smaller insurers in the study and it further supported by a low SD of 1.23.

Leverage presented a minimum value (-0.9247) and a maximum of (3.22). A negative leverage ratio suggests that the company's liabilities exceed its assets, resulting in negative equity and there is at least one company with a negative leverage from the study. A maximum value

(3.229) indicates that at least one STI had a relatively higher leverage. These STIs may have a higher proportion of debt in their capital structure compared to equity. The mean of (1.322) value provides an estimate of the central tendency of leverage ratios in the study. In this study, the mean of 1.322 suggests that, on average, STIs included in the study have a moderate level of debt compared to their equity. When examining the impact of ERM on financial performance on STI's, leverage is an important variable to consider. High leverage ratios may indicate higher financial risk, as companies with high debt levels can be more vulnerable to economic downturns. Adams and Buckle (2003) supports the above, as they provided evidence that insurance companies with leverage have better operational performance than STIs with low leverage. However, the researcher argue that higher leverage must be geared by capital injected by internal sources and not external funding as the STIs are already carrying a risk of liability of policyholder.

Risk Committee on table 4.2 above presented a minimum of (.924). The minimum value suggests there is at least one STI with low levels of risk committee inclusion in their practises. The maximum value of (.9916) represents the largest observed level of risk committee involvement. It suggests the presence of at least one/two STIs with high levels of risk committee involvement in the study. This entails that these companies have established dedicated risk committees or structures to oversee and manage enterprise risks. The mean (0.5023) value suggests that, on average, the companies included in the study have a moderate level of risk committee involvement in managing enterprise risks. The degree of risk committee involvement is a crucial factor to consider when analysing how ERM affects financial performance. A stronger emphasis on risk management procedures and governance procedures may be indicated by a higher level of risk committee involvement, which could potentially improve financial performance by cushioning the organization to engage with clients and improve fire risks, hence, minimising catastrophic losses affecting their underwriting profits.

Board of Directors oversight on table 4.2 above, had a maximum value (19.608) entails the presence of companies with high levels of expertise and oversight within their board of directors. This shows that these companies have directors with significant experience and knowledge relevant to the industry and reflects the responsibility of BDO in ensuring reserves adequacy to cover potential liabilities. The mean (7.89) value provides the average level of oversight and knowledge possessed by the board members in managing the company's risks and making informed decisions related to ERM.

4.2. Correlation Analysis

The correlation matrix was generated, prior to regression analysis and the outcomes of each variable were examined. According to Cooper & Schindler (2014), correlations are methods for assessing the strength of linear connections between variables. According to Cohen (1998), negative correlations occur when a rise in one measure causes a decrease in the other. The strength of good relationships, on the other hand, is governed by how close they are to one another (Cooper & Schindler, 2014). Correlations above 0.80 signify a stronger relationship, while those closer to zero signify a tenuous relationship or none. The dependent variable for STI's performance is ROE.

The positive correlation between ERM and ROE ($r = .205$) suggests that there is a tendency for ERM to have a positive impact on ROE in developing countries like Zimbabwe. However, the weak strength of the correlation indicates that the relationship is not particularly strong. The hypothesis in the conceptual framework that ERM has a positive relationship to STI performance is true in terms of correlation. Zimbabwe being a volatile and dynamic economic where insurance companies in the financial service industry are not fully employing the ERM practises. The low relationship depicts that instead the claims ratio is driving out the performance of each insurer in the market hence low performance. Kaplan & Mikes (2012) argue that traditional ERM tend to focus on risk reduction and compliance, which can hinder innovation and value creation. The authors suggested that ERM should be integrated into an organization's strategic decision-making processes to enhance performance. In addition to the above, external factors such as changes in market conditions, industry dynamics, regulatory environment, and economic fluctuations can impact financial performance. It becomes difficult to isolate the specific influence of ERM on performance when these external factors are simultaneously at play. Zimbabwe insurance industry has faced external factors as stipulated above and hence we have the relationship to be very low and positive. The economy of Zimbabwe is ever changing, and the inflation rates are constantly rising.

Table 4.3 Correlation Matrix

	ERM	FIRM SIZE	BDO	RISK COMMITTEE	LEVERAGE	ROE
ERM	1					
FIRM SIZE	.080	1				
BDO	.202	-.052	1			
RISK COMMITTEE	.135	.201	.023	1		
LEVERAGE	.102	.473**	.034	.018	1	
ROE	.205	.442**	-.136	.019	.408**	1

Notes: *. Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation coefficient was calculated to assess the relationship between the company size and dependent variable ROE. The correlation coefficient obtained was ($r = 0.442$; $p < 0.001$), indicating a statistically significant and a moderate positive correlation. The correlation coefficient of 0.442, indicates that the relationship between the variables can be considered moderate. It indicates a positive correlation, meaning that as one variable increases, the other tends to increase as well, despite the positive relationship being moderate. Deakin & Sarkisyan, (2014) they argue that while company size has some influence on insurers' performance, its impact is relatively moderate compared to other factors such as investment income, underwriting performance, and market conditions. In addition, Cummins et al. (2016) further argued that exploring various financial indicators of insurer insolvency risk, including company size. The authors realised that company size alone is not a robust predictor of insolvency risk, suggesting a weak to moderate correlation between size and financial stability.

The table 4.3 presents the Pearson correlation coefficient that was calculated to assess the relationship between the leverage and ROE. The correlation coefficient obtained was ($r = 0.408$; $p < 0.001$), indicating a statistically significant positive correlation. Correlation coefficient value of 0.408, indicates a moderate positive relationship between the ROE and leverage. According to previous research, several scholars have reported a weak positive relationship between leverage and ROE in insurance companies. For instance, Cummins & Zi (1998) found that, while there is a positive relationship between leverage and ROE, the strength of the association is relatively weak to moderate and varies across insurers. Similarly, (Shaik & Sharma, 2021) conducted a study on the Chinese insurance industry and identified a weak positive relationship between leverage and ROE, indicating that higher debt levels do not necessarily lead to significantly higher returns for insurers. Developing economies like Zimbabwe often face challenges such as limited access to external financing and higher borrowing costs. These financial constraints can restrict the ability of firms to optimize their capital structure and attain higher ROE through leverage (Fisman & Love, 2002; Huang & Song, 2015).

The table 4.3 above presents the Pearson correlation coefficient that was calculated to assess the relationship between the BDO and ROE. The correlation coefficient obtained was $r = -.136$, negative correlation coefficient suggesting that there is a tendency for a lower presence or effectiveness of the Board of Directors to be associated with a higher level of ERM implementation or maturity. However, the weak strength of the correlation indicates that the

relationship is not particularly strong and the p-value of 0.300 indicates that there is a 30% chance of observing such a correlation by random chance alone. This indicates that the observed correlation between BDO and ROE may not be statistically significant. Recent studies have reported a weak positive relationship between the Board of Directors oversight and ROE in insurance companies. For instance, Di Biase & Onorato (2021) examined the impact of board composition and oversight on financial performance in the insurance sector. Their findings indicated a modest positive association between the level of oversight and expertise possessed by board members and ROE, suggesting that a higher degree of specialized knowledge and experience among directors is required for improved profitability.

Similarly, Rashid et al. (2010) conducted a study specifically focusing on insurance companies and investigated the relationship between Board of Directors' expertise and financial performance. Their results indicated that a board with diverse expertise and industry-specific knowledge can have a marginal impact on ROE.

Table 4.3 presented results between the risk committee and return on equity variable's, the Pearson correlation coefficient was performed. The results of the analysis showed that the variables had a low positive relationship, with a correlation value of $r = 0.19$). Recent studies have found a weak positive correlation between the Risk Committee and ROE in insurance businesses. For instance, Magee et al. (2014) investigated how risk governance practises affected the financial performance of the insurance sector. Their research found a minor positive correlation between ROE and the presence of a risk committee, indicating that a productive risk committee may help to modestly increase profitability.

Additionally, Kallamu (2015) carried out a comparable analysis with a particular focus on insurance firms in emerging nations. Additionally, their research revealed a weak positive correlation between the Risk Committee and ROE, indicating that good risk supervision procedures may have a little effect on profitability.

4.3. Multiple Regression

Regression analysis can be conducted meaningfully when there is a linear relationship between two variables. To investigate the impact of ERM on financial performance to STIs in Zimbabwe, and as a result five hypotheses were developed and tested. The regression analysis's findings are displayed in Tables 4.4, and each hypothesis' interpretation is provided below.

4.3.1. Model Summary

Table 4.4 shows the goodness of fit model summary.

Table 4.4 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.565 ^a	.320	.257	.383824685248	1.840

Source: Secondary data

Table 4.4 summarizes the model's goodness of fit overall. It implies that the model's predictors account for about 56.5% of the variation to return on equity. The coefficient of determination R^2 represents the proportion of variance in the outcome variable that can be explained by the predictors. In this case, R^2 is 0.32, meaning that approximately 32% of the variance on STIs financial performance in Zimbabwe is accounted for by the predictors. The adjusted R Square provides a more conservative estimate of the percentage of variance explained by considering the number of predictors in the study. The correlation between the expected values and return on equity is represented by the coefficient of multiple correlation (R). The moderately positive correlation between the predictors and the return on equity in this table, R, is 0.565. This model is significant according to the ANOVA table 4.14 as explained below.

4.3.2. ANOVA

Table 4.5. shows the results of ANOVA analysis.

Table 4.5 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	3.738	5	.748	5.075	<.001 ^b
	Residual	7.955	54	.147		
	Total	11.694	59			

Source: Secondary data

Table 4.5 demonstrates that the model is statistically significant. Accordingly, this means that the probability of obtaining the observed F-value by pure chance is indicated by the significance level (p-value) associated with it. The p-value in this instance is $p < 0.01$, which is below the significance level of 0.05. This shows that the regression model is statistically

significant when taken as a whole. In other words, this regression model supports the fact that, there is positive influence of enterprise risk management on STI's financial performance. The regression model's F-value of 5.075 indicates that there is evidence to support the hypothesis that ERM impacts STIs financial performance in a statistically significant way.

4.3.3. Regression Coefficients

Table 4.6 shows that the model is statistically significant for hypothesis 1,2 and 5. This relates that enterprise risk management, company size and leverage have a positive influence on financial performance (ROE) of short-term insurers in Zimbabwe. Thus, the data is in support of hypothesis 1,2 and 5. The coefficients below in table 4.6 depicts results showing the coefficients that were significant in predicting financial performance of STIs.

Table 4.6 – Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.485	.354		-1.37	.176	-1.194	.224
	ERM	.307	.148	.242	-2.08	.042	-.604	-.011
	Firm Size	.118	.047	.328	2.51	.015	.024	.213
	BDO	-.008	.011	-.079	-.689	.494	-.030	.015
	Risk Committee	-.030	.203	-.017	-.149	.882	-.437	.377
	Leverage	.138	.063	.280	2.181	.034	.011	.264

Source: Secondary Data

Table 4.6 shows that the model utilised presents coefficients estimates that have a positive impact to the dependent variable (ROE). The coefficient estimate for the ERM predictor is 0.307, indicating that a one-unit increase in ERM is associated with a 0.307 increase in the ROE. The standardized coefficient of 0.242 suggests that the ERM has a moderate positive impact on the ROE. The coefficient estimate for company size is 0.118, indicating that a one-unit increase in company size is associated with a 0.118 increase in the ROE. The standardized coefficient of 0.328 suggests that company size has a relatively stronger positive impact on the ROE. The coefficient estimate for leverage is 1.38, indicating that a one-unit increase in leverage is associated with a 1.38 increase in the ROE. The standardized coefficient of 0.280 suggests that leverage has a low positive impact on the ROE.

4.4. Hypothesis Results

4.4.1. Hypothesis 1: There is a positive relationship between ERM and STIs performance.

The results on table 4.6 presented that enterprise risk management had a positive relationship with STIs financial performance and is statistically significant with ($B=0.307$; $p<0.05$). Enterprise risk management was important to the STI's performance which is at 30% which can be classified as a moderate influence in this study and statistically significant at a p value of 0.042.

4.4.2. Hypothesis 2: Company size has a significant positive influence on the relationship between ERM and STI's performance.

It is evident from the table 4.6 above that company size significantly influences STI's performance with ($B=0.118$; $p<0.05$). The positive sign of the coefficient suggests a positive relationship that company size drives between ERM and financial performance, although it is not large, but 11.8% and its statistically significant at a p value of 0.015.

4.4.3. Hypothesis 3: Risk committee has a significant negative influence on the relationship between ERM and STI's performance.

The results on table 4.6 showed that risk committee has a negative influence on STI's performance with ($B=-0.030$; $p>0.05$). The negative sign indicated the negative relationship that risk committee had on the relationship between ERM and financial performance of STI's and in addition, the high significance level suggests that the coefficient for the risk committee is not statistically significant at the conventional threshold of 0.05.

4.4.4. Hypothesis 4: Board of Directors oversight has a significant negative influence on the relationship between ERM and STI's performance.

It is evident that board of director's oversight has a negative influence on STI's performance with ($B=-0.08$; $p>0.05$). The negative sign indicated the negative relationship that board of directors' oversight had on the relationship between ERM and financial performance of STI's and in addition, the high significance level suggests that the coefficient for the BDO is not statistically significant at the conventional threshold of 0.05.

4.4.5. Hypothesis 5: Leverage has a significant positive influence on the relationship between ERM and STI's performance.

The results showed that leverage significantly influences STI's performance with ($B=0.138$; $p<0.05$). The positive sign of the coefficient suggests a positive relationship that company size drives between ERM and financial performance, although it is not large, but 13.8% and its statistically significant at a p value of 0.034.

4.5. Summary of Results

In this chapter, the results of data collected from the questionnaires and IPEC reports spanning from 2018-2022 of three short term insurance companies. The companies selected have risk management practises in most of their business operations and the market share for Nicos Diamond is at 17.2%, Cell Insurance at 13.2% thereby noted as part of the market leaders in the insurance industry in terms of GPW.

Correlation analysis and multiple regression was conducted. Correlation analysis revealed by providing the information about the form and degree on various relationships that exist. The researcher was able to quantify the relationships' direction, strength, size and significance as a result. When the relationships between the dependent and independent variables were quantified, it became clear that, in comparison, company size, enterprise risk management and leverage have the strongest relationship with STI's financial performance. However, risk committee and board of directors' expertise had a low positive relationship and a negative relationship respectively.

Multiple regression provided an analysis to finally determine if the hypothesis fit the model and they supported. Moreover, to determine if the independent variables are statistically significant and the relationship is positive or negative. The summary of hypothesis being supported is shown below on table 4.7.

4.5.1. Summary of hypothesis testing outcomes

Table 4.7 Summary of Hypothesis

	Hypothesis	Testing Outcome
H₁	There is a positive relationship between ERM and STIs performance	Supported and significant
H₂	Company size has a significant influence on the relationship between ERM and STI's performance	Supported and significant
H₃	Risk committee has a significant influence on the relationship between ERM and STI's performance	Not supported
H₄	Board of Directors oversight has a significant influence on the relationship between ERM and STI's performance	Not supported
H₅	Leverage has a significant influence on the relationship between ERM and STI's performance	Supported and significant

4.6 Conclusion

The data analysis has concluded and confirmed that three hypotheses to be true, a positive relationship exists between enterprise risk management, firm size, leverage and performance (H₁, H₂, H₅). A negative relationship exists between risk committee and board of directors' oversight (H₃, H₄). Through the regression analysis to test the statistical significance of variables, enterprise risk management resulted with a strong intensity on its relationship to performance.

CHAPTER FIVE

Discussion of results

5.0. Introduction

This chapter discusses the findings of this research, following the results presented in Chapter 4. The findings of the study are integrated with the literature to ascertain sound insights in response to the problem, examining enterprise risk management impact on performance of short-term insurance companies in Zimbabwe. The discussion in this chapter covers the profile of the insurance companies under study, followed by discussing and reviewing the outcomes of the hypothesis testing.

5.1. To what extent does enterprise risk impacts performance?

The results are consistent with the studies by Pagach & Warr (2011), moreover, the researcher suggests that due to the massive impact of enterprise risk management to generate performance of STIs, it is imperative that the regulator (IPEC) constantly enforce policies to the insurers in the market to implement the holistic approach when managing risks apart from their traditional silo-based approach.

There is evidence, as highlighted by Beasley et al. (2008), when they postulated that ERM improves performance of firms in the financial service industry. From the study, it is evident that the insurance companies selected operate in the financial service industry and with the implementation of ERM, performance is improved. ERM do improve the competitiveness of the STIs, this is evident from the market share that they hold in the industry (IPEC, 2021). ERM implementation provides a positive reputational risk for an organization and in return gaining more clientele base, shareholders dividends due to increased underwriting profits.

STIs are pinning their risk appetites in the market and making use of the reinsurance facility for all risks that are above their thresholds. These risk management practises are evident in the market and line to what other insurance markets are currently doing. Cole et al., (2011) supported the notion of insurance companies must purchase reinsurance as a risk transfer mechanism. However, despite the benefit derived from this risk transfer arrangement, the costs to purchase this facility is expensive (Lin, 2012).

5.1.1. Discussion pertaining to Hypothesis 1

H₁: ERM has a positive significant relationship performance.

The hypothesis states that enhancing effective enterprise risk management impacts financial performance of STI's. Literature has confirmed that organizations in the financial service industry must implement ERM to enhance firm performance (Cater et al., 2009; Leiria et al., 2021). It promotes a competitive advantage by assisting STIs not only on risk avoidance of unacceptable risks, however, to exploit opportunities as ERM promotes and creates value. The conclusion is that STIs in dynamic economic landscapes like Zimbabwe need increase the attention in ERM to enhance performance. According to the findings of the study, the moderate positive relationship is confirmed, and it was expected as the economic volatility and intense competitive market can impact on how ERM practises translate into financial performance outcomes.

5.1.2. Firm Size and Performance

H₂: Firm size has a significant influence on the relationship between ERM and STI's performance.

Firm size importance has been noted by several scholars on its contribution towards a positive influence between ERM and financial performance. Hoyt & Liebenberg (2008) reported that, ERM implementation to attain performance is driven by the firm size. Large organizations have adequate resources (financial, human and technological) at their disposal to allow the ERM activities to be practised and improving their financial performance.

Size of the organization improves stakeholders' expectations including shareholders and policyholders. This study sample size included some large organizations, and it is evident that ERM is a contributory factor based on how they are performing in the insurance industry. Beasley et al. (2005) and Hoyt & Liebenberg (2009) discovered a favourable correlation between firm size and the implementation of an ERM system. ERM plays a pivotal role by addressing these expectations through a pro-active approach when it comes to risk management activities. Large organizations are better off compared to smaller organizations, as they hold a higher probability to implement ERM in managing risks (Kleffner et al. 2003), in a competitive environment like Zimbabwe short-term insurance market. Therefore, the findings support's the current literature that has been reviewed and discussed.

5.1.3. Board of Directors Oversight and Performance

H₃: Board of directors' oversight has a significant influence on the relationship between ERM and STIs performance.

The study explored the board of directors' oversight, and it was noted that there is no influence of this variable to the relationship between ERM and performance. The above negative relationship depicts that the board of directors' oversight in sample selected are not fully integrating risk management practises in their organizations. IPEC (2018) reported that Regal Insurance Company license was cancelled and declined uptake of new business or underwriting risks in their portfolio. The researcher concludes that it suggested corporate failures are mostly contributed by failures of board of directors' oversights and if directors don't harness their efforts in fully implementing ERM, the demise of an STI in the industry is certain. Moreover, the non-significant finding might be because of different metrics use to measure board of director's oversight. In this study BDO was measured with reserve adequacy ratio. Board of directors is an element harbouring variables like composition of the board, size of the board, knowledge and skill and previous authors (Larcker et al., 2007) employed board of directors' size as the unit of analysis hence the inconsistency.

5.1.4. Risk Committee and Performance

H₄: Risk committee has a significant influence on the relationship between ERM and STIs performance.

The research discovered that risk committee does not influence the relationship between ERM and performance of STIs. There are scholars that supports this negative relationship (Fali et al. 2020) evaluated the effect of risk management committee on financial performance of listed companies in Nigeria and it was evident from their study risk committee doesn't influence financial performance. Chukwujekwu et al. (2020) reported that risk committee size had a negative relationship and had no significant effect on financial performance. Literature has indicated that risk committee doesn't significantly influence ERM and STIs performance. Beasley (2006) indicated that to achieve better financial performance through risk committee, organizations should collaborate the efforts of both audit committee and risk committee. Together, these efforts can result in a more effective framework for risk management and lower

the probability of events that could negatively impact STIs performance. The negative relationship discovered on this study is aligned to some previous scholars mentioned above and also risk committee thriving in an organization requires support from the top management, to enable recruitment of CRO that assist in risk management implementation.

5.1.5. Leverage and Performance

H₅: Leverage has a significant influence on the relationship between ERM and STIs performance.

Leverage investigates the use of borrowed funds/debts to finance investments or operations. This finding suggests that STIs with a higher leverage ratio have a higher possibility to have an increased ROE (financial performance). Literature indicated, a company's financial success is greatly impacted by the proper amount of debt it uses to create an optimal capital structure (Akhtar et al., 2021). Additionally, while using debt, financial performance is improved, the existing capital structure encourages companies to use it up to a specific limit. Furthermore, employing debt exposes an organization to a substantial amount of peril since defaulting on debt transfers ownership from shareholders to bondholders or creditors (Sahminan, 2021). The researcher concludes that, it's not advisable for STIs to have a higher leverage promoted through debt as they already have carried policyholder liabilities.

5.2 Conclusion

Beasley et al., (2008) suggested that enterprise risk management improves the financial performance of an organization (supported by H₁), the findings of this study support the above notion as the relationship between enterprise risk management and performance was the strongest on all hypotheses tested. In practice, the implication of these findings means that larger STIs in firm size have access to adequate resources (human & finance) to thrive in dynamic economies and implement ERM practises to achieve performance (supported by H₂). Short term insurance companies have more debt in boosting their equity base and this has promoted adequate funds for ERM systems implementation, hence improved performance (supported by H₅). STIs need to ensure that board of directors' oversight fully include the risk management practises at risk governance level (H₃) and risk committees in organizations are well supported in their efforts to ensure ERM is practised (H₄).

CHAPTER SIX

CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.0. Introduction

The study's conclusion is covered in this chapter, which is supported by the empirical evidence in chapters 4 and 5. The chapter includes a summary of the hypothesis and the research paper's overall contribution to the body of knowledge about enterprise risk management and STIs performance. The chapter will also include the study's recommendations, limitations and implications. Finally, recommendations for additional research are presented.

6.1. Conclusions of the study

The aim of the study was to investigate enterprise risk management impact on performance of short-term insurance companies. This study collected data from three short-term insurance companies. The study evaluated the following constructs enterprise risk management, firm size, board of directors' oversights, risk committee and leverage. The above variables consider an overview of short-term insurance companies operating in the dynamic and hyperinflationary country like Zimbabwe. It provided insights and reviewed literature on STIs utilising enterprise risk management approach to exploit opportunities and not just focus on the downside risk of events, thereby enhancing performance. The study used ROE as a financial metric to measure performance. The hypotheses explore a relationship between each variable and the STIs performance.

The findings have indicated that there is a statistical significant relationship between some variables (ERM, firm size and leverage) and performance, while other variables were statistically insignificant (risk committee and board of directors' oversight). After confirming the above findings through correlation analysis and multiple regression, the strongest positive relationship was on enterprise risk management and STIs performance and the rest were weak to negative.

6.2. Implications and Recommendations

The study has implications on policy, practise and theory.

6.2.1. Practical Implications for Policy Makers

As discussed in chapter 2, IPEC (2018) reported that some short-term insurance companies have left the market due to failures in meeting the capital requirements. Short term insurance companies follow the fortunes of the economy and with the dynamic operating environment in Zimbabwe, STIs have different risk appetites, however, they are not adequately guided on underwriting large corporate risks. STIs are financial service providers that require adequate support from their reinsurers and captive providers. IPEC is an important stakeholder in the insurance industry ecosystem. It is very important to develop sound policy frameworks that assist STIs with an edge to operate in the dynamic environments like Zimbabwe. The regulator is required to start considering developing policies that encourages holistic risk management frameworks (Malik et al., 2020).

Through the initiative of Zimbabwe Integrated Capital and Risk Project (ZICARP) which aims to replace the one-size-fits-all strategy with more scientifically defined capital to increase policyholder protection, safety and soundness of insurance companies. It is expected to capacitate insurers to have capital matched to the risk they carry, as it is anticipating enabling insurers to withstand any danger they are exposed to. According to KPMG (2021), they further reported that, International Financial Reporting Standard 17 (IFRS 17) is being adopted by the insurance industry in Zimbabwe, just like the rest of the world, to standardize insurance accounting and enhance comparability. The standard also improves transparency since it allows account users to comprehend the insurer's performance and exposures in a meaningful way.

The changes in regulatory policies have also presented difficulties for the sector and the economy. KPMG (2021) reported that the business community is receiving mixed signals from the recent gazetting of Statutory Instrument 127 of 2021, which penalizes enterprises for charging premiums in USD while most of STIs are unable to acquire foreign currency on the official foreign currency auction. This is likely to further erode sector trust.

This study recommends that the regulator (IPEC) should start to modernise the risk and solvency assessments to be aligned with international standards like the European directive (Solvency II). Development of the risk and solvency assessments can ensure that insurers keep adequate reserves to settle any liabilities and risks. This will support the insurance industry's financial stability by establishing suitable solvency standards. Strong capital sufficiency puts

insurers in a stronger position to withstand unforeseen events and economic shocks, which improves their resilience and overall performance.

6.2.2. Practical Implications for Practitioners

Enterprise risk management activities in insurance firms are relevant as they promote firm value (Bohnert et al. 2019). Failure to adequately manage risks by STIs have led to some insurers downfall and exiting the insurance industry.

Underwriters, actuaries and claims adjusters put extensive emphasis on acquiring new business in the competitive environment, structuring risk transfer mechanisms (reinsurance), determining sound risk appetite. Despite these factors being essential and significant in an organization, they are not strong predictors to STIs success and cannot be analysed in isolation. It is imperative that underwrites of the risk consider variables that are significant to attain underwriting profit. This research confirmed that enterprise risk management, firm size and leverage are most important variables that can impact performance positively.

The study discovered that a larger firm size promotes a concrete platform to establish sound risk management frameworks that are ideal to drive performance. Integrating ERM into strategic decision-making (COSO, 2017) should be considered when developing growth strategies and objectives. Underwriters and actuaries can proactively identify and manage risks by including risk factors into strategic decisions, which lowers the possibility of unfavourable performance outcomes.

Practitioners are recommended to:

- To implement an enterprise risk management framework that fosters a holistic approach
- Integrating ERM with strategy and performance
- To underwrite each risk with its own merits and avoid the, one size fits all approach.

6.2.3. Practical Implications for Researchers.

The study offered the opportunity to investigate theoretical methods for analysing enterprise risk management impact on performance to short term insurance companies in Zimbabwe. The study's research findings will serve as the foundation for additional research on ERM. The study has closed the identified knowledge gap in the arears of ERM impact on performance of short-term insurance companies in developing countries like Zimbabwe.

6.3. Limitations of the study

As previously noted in the preceding chapters, this study had certain limitations even though it significantly adds to the theoretical and practical literature on short-term insurance companies in Zimbabwe.

The number of insurance companies operating in Zimbabwe limited the study's sample size. A small sample size may limit the generalizability of the study findings to the entire population of insurers in Zimbabwe. Furthermore, the chosen sample may not accurately reflect the diversity of insurance companies regarding business models and risks portfolio.

The study utilised questionnaires to collect data, however, due to low response rate and some incomplete questionnaires, the researcher opted to rather substantiate the data from IPEC reports that are readily available using the same guidelines. This negatively affected progress on my research.

There were difficulties in attaining letters of authority from the selected insurance companies. Some general managers were refusing to share the signed letters of authority until, the researcher submitted a motivation on the purpose of the study.

6.4. Suggestion for further research

The findings from this study can be used as a foundation to broaden the scope and development of sound enterprise risk management frameworks that improve financial performance to STIs in Zimbabwe. It will be exciting and favourable if future research could consider the following:

- Increasing the sample size and including other players in the insurance industry, namely, brokers, reinsurers, life insurance companies and reinsurance brokers. These players can benefit more since insurance industry players have an interdependency on other companies in transferring risk.
- The study investigated a trend of 5 years from 2018 to 2022. Conducting a long-term study to investigate how the performance of Zimbabwe's short-term insurance companies are affected over the long run by implementing ERM. It would be beneficial to repeat the study with considerable amount of time (10 years) to spot trends, patterns, and the durability of performance gains brought about by the implementation of ERM.
- Conduct a comparative study comparing short-term insurance providers who have not adopted ERM practises and those who have. To evaluate the effect of ERM on their

performance, compare their financial performance, underwriting profitability, claims management effectiveness.

- This was a quantitative study and use qualitative research methods, such as focus groups, interviews, to learn more about the advantages, challenges, and experiences that Zimbabwe's short-term insurance businesses had while implementing ERM. Examine the organizational and cultural elements that affect how well ERM methods work and how they affect performance.
- The study population included only enterprise risk management impact on performance short-term insurance companies; it will be interesting to research on ERM impact on Small Medium Enterprises performance as they contribute extensively to the economy.
- Future researchers can conduct a study on assessments of enterprise risk management maturity level of the insurance industry in Zimbabwe.
- Future researchers conducting a study that tests relationship of variables should consider making use of the Structural Equation Modelling (PLS-SEM). This will help provide deeper insights into the relationships between variables.

6.5 Conclusions

The study provides empirical evidence that is aligned with the existing theories in the current literature about the ERM impact on performance. The study considers other variables to support ERM impact on performance since organisations differ in their operational sizes, board of directors' oversight, leverage, and risk committees.

The objective of this study was to investigate the ERM impact on performance of STIs in the Zimbabwean insurance industry. There was a positive relationship on the impact of ERM to financial performance of STIs and this was evidence by the statistical significance result after conducting a multiple regression analysis. Further two variables (size of the firm and leverage) were statistically significant and had a positive impact to performance as compared to two variables (board of directors' oversight and risk committee) which had a negative relationship to performance.

The researcher can conclude and note that STIs that have integrated risk management practises not only enhance their risk profiles but also achieve improved underwriting profits. This

strategic alignment fosters a more resilient and profitable insurance operation, ultimately benefiting stakeholders and the broader market.

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Appendix A: Ethics Clearance



Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Mahwe

CLEARANCE CERTIFICATE

PROTOCOL NUMBER: H22/11/17

PROJECT TITLE

Enterprise risk management impact on performance to short term insurance companies in Zimbabwe

INVESTIGATOR(S)

Mr T Mahwe

SCHOOL/DEPARTMENT

Wits Business School/

DATE CONSIDERED

18 November 2022

DECISION OF THE COMMITTEE

Approved
Risk Level: Minimal

EXPIRY DATE

30 January 2026

DATE

31 January 2023

CHAIRPERSON


(Professor J Watermeyer)

cc: Supervisor : Dr M Murimbika

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **A SIGNED COPY** returned to the Secretary electronically. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. I/we agree to completion of a regular progress report. For Minimal and Low Risk studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.


Signature

31 / Jan / 2023
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

Appendix B: Research Instrument

Research Instrument

I am Tendai Mahwe (student Number: 1814777) a Master of Management by Research student at Wits Business School. I would like you to share your knowledge on enterprise risk management as employees (underwriting/claims technician/ internal audit/ risk management committee) within short term insurance companies in Zimbabwe. This will form part of my master's research project titled: **Enterprise risk management impact on performance of short term insurance companies in Zimbabwe.**

Your participation

I am requesting for 10-15minutes of your time to complete a survey. Kindly note that your participation is voluntary, data collected will be treated as anonymous and the organization data will be disclosed on the research paper as aggregated figures.

Consent

I hereby agree to participate in the research on enterprise risk management impact on performance to short term insurance companies in Zimbabwe. I understand that I am participating voluntarily and that should I wish to stop participation at any point I will not be prejudiced.

I understand that my participation and contribution will remain confidential.

I consent ☐

Section A: General Information

Please complete the following eight questions to tell me more about yourself. Your answers will be kept completely confidential and anonymous.

Q1. Please specify your gender

- ☐ Male [1]
- ☐ Female [2]
- ☐ Prefer not to say [3]

Q2. Please specify your age

- ☐ 20-29 years old [1]
- ☐ 30-39 years old [2]
- ☐ 40-49 years old [3]
- ☐ 50-59 years old [4]
- ☐ 60-69 years old [5]
- ☐ 70 years old and above [6]

Q3. Please indicate how long have you been employed by the insurance company

- ☐ < 2 years [1]
- ☐ 2-5 years [2]
- ☐ 5-8 years [3]
- ☐ 8-10 years [4]
- ☐ > 10 years [5]

Q4. Please select the option that best describes your occupation:

- ☐ Operations (Underwriting and Claims Technician) [1]
- ☐ Internal audit [2]
- ☐ Risk Committee (Risk Officer, Senior Management) [3]

Q5. Please indicate your highest qualification:

- ☐ Advanced Level [1]
- ☐ Professional Certification [2]
- ☐ Diploma [3]
- ☐ Bachelor's Degree [4]

- ☐ Honour's Degree [5]
- ☐ Master's Degree/ MBA [6]
- ☐ Doctorate/ PHD [7]

Section B: Enterprise Risk Management

Enterprise Risk Management – a process effected by an entity board of directors, management, and other personnel, designed to provide reasonable assurance regarding achievement of objectives.

Kindly indicate your level of agreement regarding risk management dimensions used by your organization for the period from 2018 - 2022.

Key: 1- Strongly Disagree, 2- Disagree, 3- Somewhat Disagree, 4- Neutral, 5- Somewhat Agree, 6- Agree, 7- Strongly Agree

Enterprise Risk Management (ERM)	1	2	3	4	5	6	7
The organization has an ERM program in place							
The risks levels faced by the organization have reduced							
The risk retention on all policies is known							
Catastrophic events that affected the organisations							
Overall risk appetites of the organization are known							
Roles and responsibilities to risk owners are clearly defined							
Risk Management is fully integrated across all departments							
The risk management framework is subject to an audit							
The status of each risk is monitored regularly							

Section C: Risk Committee and Board of Directors Expertise

Risk Management committee is a significant team in the implementing and management of risk, and board of director's oversight will be overseeing the operations.

Kindly indicate your level of agreement regarding risk management dimensions used by your organization for the period 2018-2022.

Key: 1- Strongly Disagree, 2- Disagree, 3- Somewhat Disagree, 4- Neutral, 5- Somewhat Agree, 6- Agree, 7- Strongly Agree

Risk Committee	1	2	3	4	5	6	7
There is a risk committee that oversees the risk function							
There is a Chief Risk Officer in the organization							
Regular risk audits are conducted							
Risk management practices have aided the entity comply with regulations							
Risk reports are submitted to the board at least annually							
There is a formal process of reporting, monitoring and analyzing risk							
The risk committee meets regularly							
Board of Directors Oversight							
The board is composed of balanced skilled directors in finance and risk management							
Management involved in risk management have qualifications in finance / risk management.							
The board has a sound risk management policy in place							
Risk management is a strategic objective of the company							
Risk disclosures are suboptimal							
There is a business continuity plan in place							

The board monitors if the organization is operating within the risk tolerance levels							
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Appendix B: Consistency Matrix

Research Problem: Enterprise risk management impact on performance of short-term insurance companies in Zimbabwe					
Aim	Literature Review	Hypotheses or Propositions	Source of data	Type of data	Analysis
Evaluate the impact of ERM of performance	Hoyt & Liebenberg (2011) COSO (2017)	H1: There is positive relationship between ERM and performance	Questionnaires	Ordinal	Correlation Analysis Descriptive Analysis Regression Analysis
Evaluate the impact of STIs size on performance.	Hoyt & Liebenberg (2008), Beasley et al., (2005) Kleffner et al., (2003)	H2: Firm size has a significant influence on the relationship between ERM and performance	IPEC reports	Continuous	Correlation Analysis Descriptive Analysis Regression Analysis
Evaluate the impact of board of director's oversight on performance	Malik & Holt, (2013) Beasley et al., (2005) COSO (2004)	H3: Board of director's oversight has a significant influence on the relationship between ERM and performance	Questionnaires	Ordinal	Correlation Analysis Descriptive Analysis Regression Analysis
Evaluate the impact of risk committees on STIs performance	Hoyt & Liebenberg (2003) Beasley et al., (2005)	H4: Risk committee has a significant influence on the relationship between ERM and performance	Questionnaires	Ordinal	Correlation Analysis Descriptive Analysis Regression Analysis
Evaluate the impact of leverage on STIs performance	Pagach & Warr (2011) Cheng et al., (2010)	H5: Leverage has a significant influence on the relationship between ERM and performance.	IPEC reports	Continuous	Correlation Analysis Descriptive Analysis Regression Analysis