INTERNATIONAL JOURNAL OF
SCIENCE ARTS AND COMMERCE

# THE MODERATING EFFECT OF BUSINESS ETHICS ON THE RELATIONSHIP BETWEEN ENTERPRISE RISK MANAGEMENT AND PERFORMANCE OF CHRISTIAN-BASED HOSPITALITY BUSINESSES-EMPIRICAL OVERVIEW

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***Abstract:***
*The objective of the study was to establish the effect business ethics have on the relationship between enterprise risk management strategies and performance of Christian-based hospitality businesses in Kenya where enterprise risk management strategies was the independent predictor term; business ethics a predictor and moderation term between enterprise risk management strategies and performance. The study established the gaps to be addressed from both contextual and conceptual perspectives. Indicators of performance were both financial and non-financial and data was sought both from primary and secondary sources. The study adopted a positivistic philosophy using descriptive cross-sectional survey design on a population of 76 Christian-based hospitality businesses in Kenya which are unlisted with a response rate of 65.8%. A Null*

*Hypothesis was formulated for testing using a significance level p≤0.05. The Null Hypothesis was accepted and this concludes that Business Ethics individually does not have a moderating effect on the relationship between ERMS and performance of the Christian-based hospitality business. The implication is that Christian-based hospitality businesses must not just rely on business ethics but must adopt other factors that can work in collaboration with business ethics to impact performance.*

**Keywords:** Enterprise risk management strategies, business ethics, performance; Christian-based hospitality business.

## Introduction:

Enterprise risk management concept is an integrated process that encompasses not only insurance (Klein, 2013) but also many non-insurance processes while strategy on the other hand encompasses a set of actions undertaken according to some plan in order to realize an overall objective. It determines how, who, where, when and how the plans are to achieve the organizational goals and objectives (Thompson & Strickland, 2008).In its application, Enterprise Risk Management Strategy (ERMS) is to explain an arrangement of critical and managerial functions that aim at generating a positive reaction to in-built ambiguities in the management of multifaceted and intricate business and its resources. The role of Enterprise Risk Management Strategy (ERMS) is therefore to safeguard, preserve and maximize the owner's fortune or value (Kraus & Lehner, 2012). Strategy has diverse characterizations given by various authorities. This is because ideally strategy is multidimensional and multidisciplinary and it is expected to affect the condition of the organization through application of successful ERMS and business ethics in achievement of the desires of various stakeholders.

Business ethics are considered as a combination of behavioral standards that are relied upon to arrive at some understanding and make judgments, rightly or wrongly (Treviro, 2006). These are therefore strategically planned practices that enhance good governance and consequently adding to the organizational value. The old dictum is that the people in any establishment will dictate how good the establishment will be (Barret, 2006). Malfunctioning or collapse of business can be linked to the limitations in the control environment. From an ethical point of view, progressive control environment tends to minimize risks, while negative control environment, that is, non-compliance, does little to reduce it. Risk Management has developed over the years to include not only financial investments decisions and insurance, but to include pure or insurable and uninsurable risks and generally satisfactory organizational governance actions and practices. Enterprise risk management strategies (ERMS) are also expected to align organizational risk inclination and strategy, which can easily boost responses to decisions that can reduce any functional shocks and losses, while at the same time enabling identification and handling overall enterprise risks, and also timely seizing existing opportunities and being able to effectively improve the deployment of capital (COSO, 2011). An important element of Enterprise Risk Management is to conclusively determine and manage business ethics and how organizations can adapt to risk for purposes of ensuring a workable corporate body that leads to enhanced performance (Head, 2005). A connection can therefore be seen between ERMS, and ethics as both are expected to generate value for the stakeholders and hence improved performance that seizes development and change over time using appropriate indicators, financial and non-financial (Carneiro, 2005).

The level of economic growth or achievement of any organization may be regarded as performance and can be measured in terms of financial and non-financial parameters (Warren, 2008). Drury (2000) argues that there are two approaches of measuring firm performance: the traditional accounting or quantitative performance measures and contemporary and qualitative firm performance approaches. Another way to measure performance is through the balanced scorecard (BSC). In essence performance should show development and change over time mirroring different time scales and the need to attend to conflicting short-term and future alignments and amid financial and non-financial indicators (Carneiro, 2005).

The context of this study was the Christian-Based Hospitality Businesses in Kenya, hospitality here meaning friendly, cordial, worm treatment and reception of guests. Tourism is an industry encompassing many sectors. This involves tourists that visit a particular country and use and enjoy the facilities such as hotels, resorts, wildlife enclaves, resorts, conferences, sports, among others. It involves externally bound tourism that is going out of one's nation or region to other nations or regions or internally bound tourism where guests come into the nation or region from other nations and regions. Tourism can also be local, that is the citizens of a particular nation or region visit and enjoy for leisure available tourist services including hospitality facilities (BC Tourism Industry, 2017). On a global perspective, hospitality industry encompasses international hotels, resorts, fast service restaurant chains and travel, all related to the tourism industry as an important export for many nations. Faith based businesses have expanded exponentially and quite diverse in character to include real estate, schools and even financial institutions such as banks and insurance, while the most dominant business is the hospitality businesses. There are 76 (seventy six) identified Christian-based hospitality businesses operating in Kenya today (Registrar of Societies 2015). These carry out hospitality businesses (hotels, guest houses, apartments, restaurants and resorts, among other services) not necessarily for profit but for revenue generation for church and other socially related activities according to their calling

**Literature Review**

The aim and latitude of a business over a period of time should be to attain a competitive advantage in an ever changing environment and be able to organize or align various resources including skills and other competences in order to satisfy stakeholders' needs. This is the focus of any strategy (Johnson, Scholes & Whittington, 2008). Such a strategy must therefore lead to achieving organizational goals, Vaughan (2014) defines risk as the adversative divergence from the expected results and which is accompanied by a financial loss. He goes on to state that risk management, as a concept, deals with two broad ways of managing risks: risk control and risk financing.

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

Risk financing on the other hand deals with various mechanisms of risk transfer and risk retention which would require internal or external resources to finance the risks. Shifting a risk from self to a third party through some insurance arrangement is a strategy of minimizing the effects of such a risk on the insured person. In this respect when risk transfer is through insurance, the policyholder is safe and does not have to be anxious of possible loss (Banks, 2004). Other examples of risk transfer strategies include hold-harmless clauses in contracts, surety bonds in construction industry, outsourcing and hedging. Risk management process usually involves risk identification, measurement of its value, acceptance centered some criteria for risk apatite, implementation of selected techniques and monitoring and review governed by an organizational policy that is promulgated by the top management or the Board of Directors (BoD). Such policy must be cascaded down the organizational structure for the lower cadre staff to implement under the guidance of some risk officer.

Copeland, Weston and Shastri (2005) posit that risk management establishes the growth of regular dividend payments for the stated period as opposed to sheer capital gains. That is for the shareholder to benefit and feel satisfied from a risk management activity his wealth must be seen to be maximized by the growth in dividend receipts. On the other hand, Georges (2013) states that risk management is to do with the restructuring and reduction of organizational risks that leads to maximizing its value. Managers and organizations prefer stability other than volatility because stability provides an environment for utility for various stakeholders.

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

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

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

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

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

Some of the effective risk management determinants that may be used in support of an integrated approach include among others: internal audit effectiveness, that is the ability of the organization to monitor and pinpoint areas of weaknesses and being able to address these weaknesses; human resource competencies that assures proper understanding of the problems and ability to implement any strategies recommended; regulatory influence support that ensures compliance of not only the legal framework but also professional compliance; top management commitment to policy and to strategy implementation as illustrated in the three lines of defense theory (Nocco & Stulz, 2011; Gibbs, 2007). Effective ERM and traditional risk management (TRM) promote demonstrated commitment by managers and engagement into performance evaluation and providing incentives for success (McShane, Nair, & Rustambekov, 2011). It is important to note that enterprise risk management (ERM) strategies help to contribute to an organization wide culture of management which promotes strategic risk taking and prevents illogical risk aversion.

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

Certain benefits can be derived from proper systems management. They include among others **s**ystems compliance and identification of weaknesses, quick, accurate and effective decision making**.** As effective systems are used they can easily point out areas of weakness in the operations (Vasile and Ion, 2012).Therefore the success of any organization will depend on teamwork where different managers operate as a team and not individuals. This will bring on board diverse experiences and skills that may be used in different circumstances. Teamwork makes it possible for a successful implementation of risk management programme and achievement of organizational objectives. It also affords proper interdepartmental relationships the lack of which would produce a dysfunctional organization susceptible to failure or collapse.

Success of any organization will depend on teamwork where different managers operate as a team and not individuals. Teamwork may be defined as "the process of working collaboratively in a group of people in order to achieve a goal and it is a crucial part of business as people have to work together despite their backgrounds and providing constructive feedback despite any conflicting views". This will bring on board diverse experiences and skills that may be used in different circumstances. Teamwork makes it possible for a successful implementation of risk management programme. It also affords proper interdepartmental relationships. In their teamwork strategies, ***Team STEPPS*** **(**Team Strategies and Tools to Enhance Performance and Patient Safety) is a risk management evidence-based aimed at optimizing patient outcomes strategy used by healthcare providers in order to improve teamwork communication and skills among healthcare professionals (AHRQ,2015).

This strategy can easily be adopted by other organizations and professionals in improving communication and skills among various teams. Creation of knowledge (skills) and team members' behaviour and attitude can initialize innovation. While support from top management and board of directors and appropriate policy, communication and adequate risk management interventions will lead to good performance. This confirms the relevance of the upper echelon theory with team coherence. Some of Henri Fayo's 14 principles of management in 1916 specifically equity, order, discipline, initiative, flexibility, adaptation and most importantly the "Espirit De' Corps principle which generally means harmony in groups in the teams and mutual understanding amongst them would enhance a teamwork strategy that is likely to bring some positive change in the organization which is likely to improve managerial performance (https//managementinnovation.wordpress.com).

Culture of an organization which is the psychological attitudes, experiences, beliefs and values of that organization may have a far reaching impact on teamwork. These organizational ideals are collectively used by members to determine how they relate with one another including other external interest parties. Such ideals or culture will also determine its competitiveness and how it manages the effect in environmental and technological variations. It also instills in people identity, confidence in themselves and ability to undertake responsibilities and build relationships (Harris & Moran, 1989).

It can be concluded therefore that, any organization that places some premium on managing risk will easily handle or cope with the ever-growing organizational risks and in the process seizing any existing opportunities that enhance growth and profitability (Olavsrud, 2015). Such an organization is likely to be more competitive than if it did not embrace various technique of risk management.

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

Performance on the other hand is an organizational achievement or success which may be measured in various financial and non-financial parameters (Kaplan & Norton, 2008) which must result in innovative output clearly visible in performance. Given the exponential growth in the hospitality industry against the backdrop of challenges such as security advisories by foreign governments, rising operational costs, over-reliance on foreign tourists, poor infrastructure and ICT, effective ERMS, are some of the canons that Christian-based organizations need to adopt in order to enhance performance.

In an exploratory study to determine elements connected to the operationalization of Risk Management (RM) by US and international organizations Beasley, Clune and Hermanson, (2008) established that such implementation is positively related to the presence of chief risk officer. Similarly, using logistic regression framework, Liebenberg and Hoyt (2003) in their study of determinants of ERM implementation concluded that businesses whose capital is highly leveraged prefer a chief risk officer (CRO) in their employment.

A risk management strategic act may not be considered as ethical just for the sake of meeting certain fundamentals of the law. In order to satisfy the required threshold of ethical behavior, an enterprise risk management must include its activities that meet acceptable ethical behaviour that is beyond reproach, not shoddy, unacceptable, harmful to people or contributes to environmental harm. Top level managers who are ethically motivated tend to positively link strategy and ethics. As a matter of caution, risk management strategic actions essentially should match business internal and external environments or stakeholders taking into account the ethos, cultural and legal factors that may influence the business operations. This kind of strategy is expected to develop a sustainable advantage over other competitors and enhance organizational performance (Berman, Wicks, Kotha & Jones, 1999).

The crafting and effecting of a strategy (Thompson, Strickland III & Gamble, 2008) is important because “Good Strategy combined with Good Strategy Execution leads to Good Management”. They suggested strategies such as cheaper cost of supply actions, all-embracing differentiation, unsurpassed market cost and forward-looking (or market niche) among environmental strategies as some of the strategies to be adopted by managers. This linkage of ERMS, and business ethics is important in establishing how they may collaborate and have a significant effect on the organizational outlook and hence organizational performance. This reflection can be seen in studies that have been made in corporate social responsibilities.

Business ethics relates to acceptable or acknowledged social and even professional conduct and behaviour. This position is held by Treviro, Weaver and Reynolds, 2006. Therefore social and professional norms will dictate whether any action or behavior will be considered ethical or unethical. Unethical actions or behaviour may include among others unacceptable and unproductive actions at work place or relationship with other people, abnormal behaviours that considerably have a commonality with unethical conduct (Sackett & DeVore, 2001) which are likely to bring disrepute to an organization. Individuals in organizations in their decision making must address the ethical issue of moral force that is, the extent to which people see an issue touching on ethical matters which are likely to influence the extent of its effects, social consequences and general intensity of their effect, consecutive and imminence of the ethical issues.

Ethical decision making process is likely to undergo through four steps. First is to establish the ethical quandary that is deciding what is morally right and what is morally wrong. When this is done then views, choices and organizational goals will be determined and influenced in one way or the other. Secondly, correct ethical opinion on issues to be decided upon will be determined by the individual’s cogent moral development or cognitive moral development (CMD). Thirdly, a decision should be taken either to act ethically or unethically. This perhaps is one of the most difficult steps in ethical decision making because it may come with either positive or negative consequences. Lastly, the ethical or unethical act is undertaken with its aligned repercussions (Barnett & Valentine, 2004).

The Protestant Ethic concept by Max Weber arising from theological, sociological, economical and historical perspectives emphasizes that hard work discipline and frugality are a result of a person’s subscription to the values espoused by the protestant faith. It is a belief that work is blessed by God and is dignifying (McKinnon, 2010). This ethical position by most people practicing protestant faith makes the basis of business and economic practices by most developed economies in Europe, the Americas and even in developing economies of the world and forms part of the cultural practices.

Scandals and misbehavior are likely to cause harm to people, business and professions and make them dysfunctional and unable to achieve their intended performance (Ashforth, Giola, Robinson & Treviro, 2008; Murphy, 2003; Sackett & DeVore, 2001). These incidences or events are likely to exacerbate suspicion and disgrace among right thinking members of society concerning business managers (Anderson, 1996; Dean, Brandes & Dharwadkar, 1998). These events militate the desire for any leader to exhibit the required ethical or moral behaviour that provides the desired success (Brown & Treviño, 2006; Buckley et. al, 2001). Positive control environment tends to minimize risks, while negative control environment, does little in its reduction.

The most essential part of ERMS is to effectively deal with ethical and compliance risks in order to properly structure and enable a robust business ethos or philosophy which in turn enhances performance (Head, 2005). Minja (2009) advocates for the adoption of a systematic approach to dealing with unethical practices as opposed to legalistic approach and therefore the work of transformation begins with leaders who in turn mentor others to produce the desired behaviour.

On the other hand, Gichure (2005) advocates for non-monopolistic attitudes in order to achieve better business governance founded on fundamental moral social virtues. Therefore it requires that organizations such as faith-based to develop a chain of safeguards including compliance with audit requirements, separation of personal interest and organizational interests such as determination of salaries, employing external firms to oversee financial transactions. The lack of these can easily lead to financial malfeasance.

In carrying out a study using the meta-analysis methodology with a sample of thirty three thousand eight hundred seventy eight from fifty two studies undertaken, Orlitzky and Benjamin (2005), O'Fallon and Butterfield (2005) on Corporate Social Performance (CSP) concluded from the findings that organizational virtues (ethics) as Corporate Social Responsibility and to a smaller extent concern for the environment, are likely to succeed in attaining a better corporate performance. The study also showed that corporate social performance (CSP) showed to be more highly correlated with accounting measures of corporate financial performance (CFP) than are the other market indicators. It also concludes that, CSP reputation indices are more highly correlated with CFP than other indicators of CSP.

In his study Gill (1999) of Churchgoing and Christian Ethics showed that Christians generally are very distinct in their attitudes towards moral issues although they may change with time. This is because of the wide range of practices that may include faith, hope and charity that are not so obvious from non-Churchgoers. A survey by Mackenzie (2006) showed that believers show a high concern on gender and property transgression and personal dishonesty than non-religious people. These virtues may lead to acceptability of an organization by society.

Performance is a dependent variable that is regularly used in research. Firms go into commerce to prosper. The level of prosperity or success is measured in terms of business performance (Warren, 2008). Drury (2000) argues that there are two approaches of measuring firm performance: the traditional accounting or quantitative performance measures and contemporary and qualitative firm performance approaches. Awino (2013), states that accounting is the means by which economic activities are described and measured.

Drury (2000); Kaplan and Norton (2008); Carton and Hoffer (2006) among others argue that accounting measures comprise financial reports from which information regarding scales of revenue, cash flows, profitability, and other financial ratios such as return on assets, return on equity, return on investment (ROA, ROE, ROI) among other liquidity ratios may be obtained to reflect firms' performance. In the hospitality industry, performance may be based on: Average daily rate (ADR), Revenue per available room (RevPar) and Occupancy rate (OR), O'Connor and Murphy (2004). Critical issues arise in the use of this variable such as selection of indicators based on convenience and little on consideration of its dimensionality (Combs, Crook & Shook, 2005; Crook, Ketchen, Combs & Todd, 2008).

This point is stressed by Ray, Barney and Muhanna (2008) but cautions on the challenges arising from the cumulative use of performance to assess Resource-Based theory while advising the use of indicators linked to the resource being examined. Performance tends to be described in reference to a particular point in time. Ideally it should capture development and change over time reflecting different time scales and the need to attend to conflicting short-term and future alignments and amid financial and non-financial indicators (Carneiro, 2005). Balanced scorecard (BSC) is another technique of establishing performance by organizations.

There are various perspectives that embrace BSC which have gone through modification from Art Schneiderman in 1987 who propounded four aspects of financial, customer, internal processes and learning and growth to Kaplan and Norton in 1997 who are accredited with the development of BSC. Their contribution to BSC provides some functionality to the question of strategic objective achievement. That is, BSC must be connected to a closed-loop system which is applied to the strategy implementation management. This is where performance should be measured and its value compared to results envisioned and based on deviations of the remedial interventions. For BSC to make sense, specific data must be selected for measurement against the value that is expected and the ability to make any remedial interventions.

BSC helps to convert organizational vision into functional goals and being able to communicate the vision and link it to personal and overall performance. BSC should also help in organizational plans and setting parameters for reference and providing an avenue for response, learning and ability to make adjustments to the strategy when necessary. From a financial position BSC should measure lowered costs, increased revenue and hence returns on investments; from a customer's position it should be able to measure a reduced time of waiting for services and better customer relations; from internal systems it should measure enhanced efficiency and lowered cycle period; from organizational capabilities it should measure developed skills and technologies.

All these should lead to achieving the strategic objectives and be able to realize value addition (Kaplan & Norton, 2008). There is connectivity of a balanced scorecard (BSC) measures to vision and strategy. However Powell (2004) notes that the Performance Prism model goes beyond BSC model in the sense that it is based on managing all stakeholders from a holistic perspective.

Methods for measuring performance in non-profit organizations differ widely. Qualitative methods tend to be highly organizational specific, meaning issues like improved administrative practices or mission accomplishment or the softer performance such as member satisfaction or reputation within the organization. Quantitative measures like donation increases and programmes funding ratios have also been used to measure performance for these organizations. However, some of the financial performance measures undertaken by hospitality industry have also include among others: Revenue per available room (calculated by multiplying average room occupancy rate with average room charges), Return on Assets (ROA), and Return on Investment (ROI) among others. The cornerstone of Church performance is on mission of people growth that is saving of people's souls which is a by-product of any business the Church engages in.

**Research Problem**

Contextually, most studies have dwelt on formal businesses both in Kenya and internationally. Studies have been undertaken in enterprise risk management and its relationship to specific aspects of firm characteristics in various sectors but not in the Christian-based hospitality sector. Yegon, Gekara and Wanjau (2014) studied the effect of size on enterprise risk management (ERM) measured in relation to how listed firms in Kenya have performed financially and found that an increase in firm size leads to improvement in efficiency of enterprise risk management. Waweru and Kisaka (2012) studied how enterprise risk management implementation affects the value of firms listed on Kenya Stock Exchange, and established this relationship to be positive.

Mugenda, Momanyi and Naiberi, (2012) studied the direct effect of ERM on financial performance of Sugar Companies in Kenya and found an above average relationship between the two variables while Tahir and Razali (2011) in their study of the relationship between ERM and the value of publicly listed firms in Malaysia and found that ERM is positively related to firm value but is not significant. Abdulla and Page (2009), studied corporate performance of 350 listed firms in UK using a cross-sectional survey approach and found no relationship between governance structures and book value performance. Hoyt and Liebenberg (2011) studied the ERM relationship with firm value focusing on Chief Risk Officer of European countries using cross-sectional approach and found a positive relationship.

There being no evidence of any study having been undertaken to determine the moderating effect of business ethics on the relationship between enterprise risk management strategies (ERMS) and performance of Christian-based hospitality businesses in Kenya which are unlisted. This is because generally faith-based businesses must compete in the market place by effectively managing their risks, and since ethics is assumed to be important in Christian practices, it should be reflected in their business operations for them achieve a competitive advantage and acceptability

From the foregoing, there were conceptual and contextual gaps that existed which this study has addressed. Both non-financial and financial indicators were used to measure performance. The objective of the study was: To determine the effect business ethics have on the relationship between enterprise risk management strategies and performance of Christian-based hospitality businesses in Kenya

The study hypothesized that:

"There is no significant moderating effect of business ethics on the relationship between enterprise risk management strategies and composite performance of Christian-based hospitality businesses in Kenya"

## Data and Methods

Easterby-Smith, 1991; Amaratunga and Baldry, 2001 state that an understanding of the standing of any research will determine the design of the study and the philosophical underpinning will determine the methods, enquiry and findings of that study The most common social research philosophies are the positivism and the phenomenology and this study adopted the former. A descriptive research design was adopted and carried out on a population of 76 Christian-Based Hospitality Businesses (CBHB) in Kenya as at 2015. Data was collected from managers of the respective CBHB for the period 2011-2015 for both financial and non-financial data. Descriptive statistics were measured by means, SD,and CV. The regression model was given by:

**Ho:** $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (ERMS*BUS.ETH) + \varepsilon$

Where Y is composite values of performance, $\beta_0$ is a constant or intercept, $\beta_1$ regression coefficients for $\mathbf{H_o}$, $X_1$ are ERMS dimensions and $X_2$ are the variables of Business Ethics, $\varepsilon$ error term

Data on enterprise risk management and business ethics was analyzed using descriptive statistics of mean, standard deviation and coefficient of correlation as shown in the appendix. The moderating effect on the relationship between ERMS and performance was done through a linear regression.

## Results and Discussion

The study objective was to determine the effect of business ethics on the relationship between ERMS and performance of Christian-based hospitality businesses in Kenya. The Null Hypothesis states that "Business ethics as a moderating variable has no significant effect on the relationship between ERMS and performance of the Christian-based hospitality businesses in Kenya". Data was collected from 50 out of 76 CBHB giving a response rate of 65.8%.

**Table 1: Model Summary ANOVA and Coefficients for Ho**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df 1 | df 2 | Sig. F Change | |
| 1 | 0.247[a] | 0.061 | 0.003 | 3.484 | 0.061 | 1.043 | 1 | 16 | 0.322 | |
| 2 | 0.527[b] | 0.278 | 0.181 | 3.157 | 0.216 | 4.490 | 1 | 15 | 0.051 | |
| 3 | 0.565[c] | 0.319 | 0.173 | 3.171 | 0.042 | 0.859 | 1 | 14 | 0.370 | 2.046 |
| a. Predictors: (Constant), Enterprise risk management | | | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| b. Predictors: (Constant), Enterprise risk management, BusinessEthics_MV2 | | | | | |
| c. Predictors: (Constant), Enterprise risk management, BusinessEthics_MV2, Interact_ermsBE<br>d. Dependent Variable: Organizational performance | | | | | |
| **ANOVA[a]** | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 12.664 | 1 | 12.664 | 1.043 | 0.322[b] |
| | Residual | 194.199 | 16 | 12.137 | | |
| | Total | 206.863 | 17 | | | |
| 2 | Regression | 57.405 | 2 | 28.702 | 2.881 | 0.087[c] |
| | Residual | 149.458 | 15 | 9.964 | | |
| | Total | 206.863 | 17 | | | |
| 3 | Regression | 66.048 | 3 | 22.016 | 2.189 | 0.135[d] |
| | Residual | 140.815 | 14 | 10.058 | | |
| | Total | 206.863 | 17 | | | |
| a. Dependent Variable: Organizational performance | | | | | | |
| b. Predictors: (Constant), Enterprise risk management | | | | | | |
| c. Predictors: (Constant), Enterprise risk management, BusinessEthics_MV2 | | | | | | |
| d. Predictors: (Constant), Enterprise risk management, BusinessEthics_MV2, Interact_ermsBE | | | | | | |

| **Coefficients[a]** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 10.828 | 5.253 | | 2.061 | 0.056 | | |
| | Enterprise risk management | .320 | .313 | .247 | 1.021 | 0.322 | 1.000 | 1.000 |
| 2 | (Constant) | 5.771 | 5.325 | | 1.084 | 0.296 | | |
| | Enterprise risk management | .244 | .286 | .189 | .852 | 0.407 | 0.984 | 1.016 |
| | BusinessEthics_MV2 | .283 | .134 | .469 | 2.119 | 0.051 | 0.984 | 1.016 |
| 3 | (Constant) | -11.627 | 19.515 | | -.596 | 0.561 | | |
| | Enterprise risk management | 1.279 | 1.153 | .990 | 1.109 | 0.286 | 0.061 | 16.403 |
| | BusinessEthics_MV2 | 1.247 | 1.049 | 2.063 | 1.190 | 0.254 | 0.016 | 61.876 |
| | Interact_ermsBE | -.057 | .062 | -1.884 | -.927 | 0.370 | 0.012 | 84.929 |
| a. Dependent Variable: Organizational performance | | | | | | | | |

***Source:*** *Research findings 2017*

Table 1 shows the results of the moderating effect of business ethics on the relationship between ERMS and performance. From the model summary it shows R squared as 0.319, Adjusted R squared as 0.173, Standard Error as 3.171 and DW as 2.046. This result indicates that 31.9% of the variations in the variables can only be explained by factors in the study. An Adjusted R squared increases from 0.003 in module 1 to 0.188 in module 2 and slightly decrease to 0.173 in module 3. This implies a general improvement in the model and the effects of ERMS on performance. The DW of 2.046 shows that autocorrelation is normal as it falls between 1 and 3.

From the ANOVA table the results show that in Model 1 the significance is 0.322. Model 2 shows a significance of 0.087 and Model 3 shows a significance of 0.135. This result concludes that the moderating relationship ERMS*BE and performance is week. This position is supported by respective F values for the models 1 to 3 which are low (1.043, 2.881 and 2.189 respectively).

From the coefficient table it shows a significance of p-value = 0.370 which indicates that the Null Hypothesis is accepted. This means that business ethics has no significant moderating effect on the relationship between ERMS and performance. The possible explanation of this condition is that ethics in most cases is a perception of certain values and varying answers can be given on the subject. Most religious organizations have different values and hence not consistent with one another. This can be seen also in the VIF which is fairly large at 84.929 which shows inconsistencies in responses.

Business ethics can be complex depending on the prevailing cultures, values and the legal systems. For the Christian-based organizations, it may depend on their doctrinal practices and beliefs. A corporate social performance and positioning may be determined by its virtues (Orlitzky & Benjamin, 2005; O'Fallon & Butterfield, 2005). The study looked at various business ethics parameters which gave varying responses.

Compliance with regulations indicates fairness to all in the same industry and hence adherence to good business practices. Membership to a regulatory body may help in ensuring that standards and good business practices are maintained. The regulatory regime for the CBHB and compliance thereof is above average. This is a positive step that CBHB have taken in order to alleviate malpractices that may lead to claims against them or penalties levied by government against them. However, all CBHB must endeavour to comply with the law and the regulations that govern the sector to avoid penalties.

## Conclusion:

The result from the study has shown that business ethics moderating effect on the relationship between ERMS and performance is not significant. This therefore means that other variables may be considered in collaboration with business ethics in order to have a joint significant effect on performance. In order to promote integrity and honesty, staff must completely eliminate complaints from customers although this problem is minimal with less than 2 complaints made annually.

Among other ethical issues that come out from the study include information dissemination to various stakeholders. Good information dissemination should promote transparency irrespective of its minimal impact on performance. The study showed that the most used pricing mechanism by CBHB is operational costs. This may be absorption method or cost-plus method. However, other mechanisms are also used. Fairness in pricing is seen as one of the business ethics practices that is not punitive to customers. CBHB may be regarded in some quarters as not-for-profit organizations and therefore as long as their costs are covered they may only add a small charge as a profit that may be used to provide for their promotion of social products.

The constitution of the BOD for any organization is critical. Such a board must be seen to be well represented with all stakeholders taken into consideration. The study shows that CBHB have boards that are inclusive. However, there seems to be a bias towards male representation.

The Kenyan constitution (GoK, 2010) provides for one third gender rule which must be practiced by all. However, the representation of professionals on the boards is impressive and this is likely to ensure professionalism in the management of the businesses.

Despite the apparent good business practices by the CBHB, these practices on their own cannot translate into improved performance and from the ANOVA business ethics does not significantly moderate the relationship between ERMS and performance

The implication of this study is that despite the tremendous growth and contribution to the tourism industry and hence GDP, by the Christian-based hospitality business, other studies need to be undertaken to establish factors that can be used to impact the relationship between ERMS and performance of Christian-based hospitality business in such a competitive environment in Kenya. These organizations can no longer just rely on ethics alone, they bring in other variables such as innovation in order to be competitive.

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# Appendix

**Table 2: ERMS Contribution to Performance**

| ERMS | Mean | SD | CV |
|---|---|---|---|
| Extent to which new skills contributed to performance | 3.51 | 0.944 | 0.269 |
| Extent to which systems audits contributed to performance | 3.26 | 1.124 | 0.345 |
| Extent to which financial leveraging and diversification contributed to performance | 3.20 | 1.160 | 0.363 |
| Extent to which restructuring contributed to performance | 3.07 | 1.149 | 0.375 |
| Extent to which risk transfer contributed to performance | 2.91 | 1.208 | 0.415 |
| Extent to which social integration has contributed to performance | 2.87 | 0.980 | 0.342 |
| Extent to which risk management positioning contributed to performance | 2.56 | 1.140 | 0.446 |

***N=50, SD – standard deviation, CV – coefficient of variation***
***Source**: Research Data 2017*

Table 2 shows that new skills with a mean of 3.51 and CV of 0.269 are the highest contributor to performance

**Table 3: Compliance with Regulatory Requirements**

| Compliance with Regulator | Mean | SD |
|---|---|---|
| Extent of compliance to regulatory requirements | 3.231 | 0.931 |

***N=50, SD – standard deviation***
***Source:** Research Data 2017*

The results in Table 1 show that on a scale of 5, a mean of 3.231 response rate was obtained on compliance with the regulatory framework. A business ethics practice requires adherence to the regulations and the law for the business to be accepted or allowed to do business.

**Table 4: Fairness in Pricing**

| Base for Pricing | Mean | SD | CV |
|---|---|---|---|
| Extent to which operational costs are used to set prices | 3.67 | 1.243 | 0.339 |

| | | | |
|---|---|---|---|
| Extent to which industry parameters are used to set prices | 3.04 | 1.173 | 0.385 |
| Extent to which economic indicators are used to set prices | 2.98 | 1.242 | 0.417 |
| Extent to which profit motive is used to set prices | 2.76 | 1.177 | 0.426 |

***N= 50, SD –standard deviation; CV – coefficient of variation***
***Source:*** *Research findings 2017*

Table 3 shows the Basis upon which pricing decisions are based. The results shows that operational cost with a mean of 3.67 and CV of 0.339 is the most mechanism used to determine with profit motive as the least used.

**Table 5: Nature and Number of Complaints Received Annually**

| **Nature of complaints** | Sum | Average |
|---|---|---|
| Number of complaints regarding poor service delivery every year | 87.00 | 1.9 |
| Number of complaints about poor communication every year | 72.00 | 1.6 |
| Number of complaints about attitude problems every year | 69.00 | 1.5 |
| Number of complaints about inability to refund small change every year | 50.00 | 1.1 |
| Number of complaints about seeking favours from customers | 46.00 | 1.1 |

***N= 50***
***Source:*** *Research Data 2017*

Table 4 shows that less than 2 complaints are received from customers annually with poor service delivery at 1.9 and inability to refund small change and employees asking for favours at 1.1 each.

**Table 5: Dissemination of Information to Investors/Owners**

| **Dissemination of information** | **Mean** | **SD** | **CV** |
|---|---|---|---|
| Frequency for providing important information to owners | 3.188 | 1.197 | 0.375 |

***N=50, SD – standard deviation; CV – coefficient of variation***
***Source:*** *Research findings 2017*

Table 5 shows the frequency of dissemination of information to investors who are the owners. A mean of 3.188 shows the frequency

**Table 6: Fairness in Pricing**

| Base for Pricing | Mean | SD | CV |
|---|---|---|---|
| Extent to which operational costs are used to set prices | 3.667 | 1.243 | 0.339 |
| Extent to which industry parameters are used to set prices | 3.044 | 1.173 | 0.385 |
| Extent to which economic indicators are used to set prices | 2.979 | 1.242 | 0.417 |
| Extent to which profit motive is used to set prices | 2.761 | 1.177 | 0.426 |

***N =50; SD – standard deviation; CV – coefficient of variation***
***Source:*** *Research findings 2017*

Pricing mechanism being a business ethics issue is shown in table 6. The most used base for pricing is the operational cost with a mean of 3.667, while profit motive is the least with a mean of 1.177. It is implied in this results that CBHB are not quite market oriented as profitability is not the key interest. However, profitability is not the major measure of performance.

**Table 7: Board Diversity**

| Type of Representation | Mean | SD | CV |
|---|---|---|---|
| Representation by professionals on the BOD | 3.708 | 1.304 | 0.352 |
| Representation of males on the BOD | 3.667 | 1.018 | 0.278 |
| Representation of females on the BOD | 2.760 | 1.146 | 0.415 |
| Representation of regional dominance on the BOD | 2.325 | 1.526 | 0.656 |
| Representation of staff representatives on the BOD | 1.936 | 0.845 | 0.436 |
| Representation of non-professionals on the BOD | 1.737 | 1.057 | 0.609 |

***N=50; SD – standard deviation; CV – coefficient of variation***
***Source:*** *Research Data 2017*

Table 7 shows the diversity of Board of Directors representation for various categories of stakeholders. Professionals and men are most represented.