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The Impact of Enterprise Risk Management and Competitive Advantage on Firm Performance: Future Research

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ABSTRACT

Enterprise Risk Management (ERM) has emerged as a key point in academic and professional spheres. While it is gradually being recognized to have potential benefits, there still exists a significant gap related to what exactly the relationship ERM and firm performance intensively means. This ongoing research endeavors to fill this void by exploring the influence of ERM and aligning its dimensions with concepts of competitive advantage. This paper aims to present a comprehensive overview of ERM, utilizing the Resource Based View (RBV) and Contingency theoriesas a lens to examine its effects on the performance of non-financial firms, where competitive advantage serves as a mediating factor. Building upon existing research, this study contributes novel insights, particularly in the intersection of strategy and ERM. The findings of this research not only dissect the pivotal components of ERM and their ramifications on firm performance but also provide practical insights. These insights can function as a roadmap, bridging the expectations of managers concerning ERM with its actual implementation within the context of competitive advantage strategies. This study thus seeks to enhance the understanding of ERM's strategic implications and offers actionable recommendations for effective integration into organisational frameworks.

Keywords: *Enterprise Risk Management, Competitive Advantage, RBV theory, firm performance*

1. Introduction

Enterprise Risk Management (ERM) plays a pivotal role in modern corporate governance by providing a comprehensive framework to identify, assess, and mitigate risks that could impact an organization's objectives (Otekunrin, Eluyela., Nwanji, Faye, Howell, & Tolu-Bolaji, 2021). However, organizations nowadays need to evaluate and assess the firm from a wider angle and perspective that can reflect the firm's goals and strategy. They must observe emerging market challenges and assess the risks they are exposed to from various directions. These risks can significantly impact their operations, financial health, and reputation, such as market risks, credit and debt risks, economic downturns, lawsuits, and litigation (Saeidi et al., 2021).

Firm performance is the most significant way to measure the effectiveness and efficiency of business organizations (Pang & Lu, 2018). It is a multifaceted concept encompassing various dimensions, from financial and non-financial metrics to operational efficiency. Non-financial factors have emerged as critical measurements for firm performance assessment and evaluation (Amar et al., 2022). It becomes equally importantas indicators that play a significant role in objectively evaluating a firm's financial performance. Non-financial indicators emphasizeeverything that significantly impacts financial outcomesin the organization without analyzing the financial statements (Turgaeva, 2021).

On the other hand, the increase in the competitive environment has emphasized the urgent requirement for additional influential techniques for firms to enhance their performance and achieve competitive advantage (Rahman & Anwar, 2019). Competitive advantage is a cornerstone of strategic management, representing the unique strengths and capabilities that allow a firm to outperform its competitors (Rao, 2018). Several strategies, such as adopting modern technologies, inventingnew products, and updating existing products, are among the methods adopted to sustain businesses and organizations' success. Such techniques are critical since companies these days are exposed to extraordinary risks which can reduce the performance of organizations (Khan et al., 2021).

In the context of Gulf countries and particularly in Oman's business landscape, the economic environment, influenced by factors such as oil prices, global economic trends, and regional geopolitics, plays a significant role in shaping how businesses manage risks and pursue competitive advantages (Alabdullah, 2021). Regulatory frameworks specific to Oman further influence the strategic decisions made by organizations. Understanding the intricacies of the Omani context is crucial for businesses aiming to align their risk management and competitive advantage strategies with the broader economic and regulatory landscape (Wardhani et al., 2021).

Furthermore, like other international markets, businesses in Oman attempt to establish and uphold competitive advantages to guarantee long-term sustainability. Differentiation, cost leadership, and innovation stand out as the strategies Omani enterprises adopt to attain a competitive edge. Businesses seeking long-term success in the Omani market, where market dynamics and economic conditions are always changing, must comprehend the dynamics of competitive advantage. (Alabdullah, 2021).

The adoption of ERM reflects an ongoing commitment to navigate the complexities of the global business environment (Shatnawi & Eldaia, 2020). Historically, ERM has evolved in response to increased volatility and uncertainty, with organizationsrecognizing the need for a systematic approach to managing risks that extends beyond traditional silos. Critical components of ERM include event identification, risk assessment, and risk performance, collectively contributing to a more resilient and adaptive business model (Malik, Zaman & Buckby, 2020).

Appropriate risk management practices in the Omani business environment may ensure a more stable and predictable financial performance and mitigate uncertainties. It shall go beyond the financial indicators and dimensions in assessing firm performance. The unique Omani business landscape, which is characterised by its unique economic conditions and regulatory environment, has made non-financial indicators, such as customer satisfaction, operational efficiency and market share, equally important as financial indicators. With the companies in Oman now competing to gain an advantage through their unique capabilities and resources to outperform their competitors, success in achieving non-financial indicators is critical. Therefore, appropriate risk management practices and a solid competitive advantage have created a strong connection within the Omani business organization to enhance its non-financial performance.

Hence, this conceptual paper strives to enrich the academic dialogue on ERM by presenting a framework emphasizing the role of competitive advantage as a mediator to maximize its impact on firm performance, specifically non-financial performance. This studyfulfils prior recommendations by academics for future research on ERM and its ramifications on firms' performance (Liu, Dutta, & Park, 2021). It highlighted

the distinctive aspect of the framework, whichis the innovative integration of competitive advantage as a mediator in the relationship between ERM and organizational performance. This study shall present a noteworthy resolution for academic consideration and practical application in the Sultanate of Oman.

2. The concept of ERM, Competitive Advantage and Firm Performance

Gaining a basic understanding of ERM, competitive advantage, and firm performance concepts is essential before exploring the more complex aspects of their dimensions. ERM operates as a strategic framework corporations use to holistically identify, assess, and handle risks. Competitive advantage is directed to the different strengths and capabilities that empower an organization to exceed its market competitors. Firm performance contains a variety of metrics and indicators that demonstrate an organization's overall success and efficiency in achieving its goals. Through a profound understanding of these fundamental concepts, this research investigates how their interaction influences the direction and results of enterprises in the current dynamic environment. The subsequent section will offer detailed insights into the aspects of each variable;

2.1 Firm performance

Firm performance holds significant relevance in global strategic economics, management, finance, and accounting research (Aifuwa, 2020). Additionally, despite its importance, there is no integrated consensus regarding the definition, dimensionality or measurement of organizational performance, which limits the research's advances (Bailey, 2022). Therefore, the current section will provide an overview of the firm performance in terms of its importance and measurement in the business environment.

Performance is the most significant metricused to measure the effectiveness and efficiency of business organizations. The need to determine thegoalsand objectives and achieve the organizations' performance, how to enhance and develop the overall firms' performance, is undoubtedly a vital goal for most organizations(Pang & Lu, 2018).Defining or measuring firm performance is a difficult challenge for researchers because the firms have several conflicting goals (Chow, Heaver & Henriksson, 1994). Harper and Vilkinas (2005) revealed that performance is usually used to measure and reflect the general situation of the firm and its policies.

Thus, firm performance is deemed crucial and essential in determining the success or failure of business organizations. Assessing company performance enables organizations to pinpoint key problem areas and make necessary improvements. Investigating organizational performance is considered critical, particularly in identifying the primary financial or non-financial factors contributing to the organization's success or failure (Ling & Hung, 2010). The increasingly competitive environment underscores the urgent need for organizations to adopt additional effective strategies to enhance their performance and gain competitive advantage (Rahman & Anwar, 2019). Various strategies are employed to sustain business and organizational success. Presently, organizations face exposure to diverse risks that could potentially hamper firm performance (Khan et al., 2021). In the upcoming subtitles, discuss the dimensions of firm performance financial and non-financial.

Firm performance dimensions

Measuring firm performance can provide essential and invaluable information for management, facilitating the monitoring of performance, reporting progress, enhancing communication, motivation, and problem identification (Charles, Muo & Sei Benson Ochieng, 2023). Therefore, it is advantageous for firms to assess their performance. However, this issue is characterized by a lack of consistency in firm performance assessment (Alateyah, 2018). Firm performance can be measured through both financial and non-financial metrics (Aifuwa, 2020). Venkatraman & Ramanujam (1986) examine three indicators for managing firm performance: financial performance (e.g., return on investment and earnings per share), operational performance (e.g., market share and product quality), and organizational effectiveness (e.g., employee morale and work environment). Nkomo (1987) investigated the association between human resources planning and organizational performance, identifying six financial factors as primary indicators of firm performance: turnover growth rate, profitability, earnings per share, return on assets, profitability, and the proportion of firm assets per employee. Consequently, many organizations supplement financial indicators with non-financial indicators that reflect their core activities for value creation (Kaplan, Robert, Kaplan, & Norton, 2001). However, there remains a lack of evidence in the literature regarding how non-financial indicators contribute to performance improvement (Aifuwa, 2020).

FinancialPerformance

Evaluating a firm financial performance involves using a variety of quantitative metrics to determine its overall health and effectiveness.Multiple types of financial reports can be analysed, such as income statements, profit margins, return on investment (ROI), earnings per share (EPS), and cash flow. These are standard financial metrics used in this ratio. Equity turnover ratios signaling a company's economic stability represent ratios critical in evaluating its profitability, liquidity, and solvency (Bychkova et al., 2021).

Non-Financial

In contrast, non-financial performance refers to assessing other factors not directly measured in monetary terms but which are essential for the continual success and survival of a business. Those factors are related to the description for customer satisfaction, employee engagement with performance effectiveness and efficiency, innovation capacity as well reputation of brand business leaders in terms of environmental sustainability or CSR committed initiatives and operational ways (Pham 2020). Non-financial performance indicators offer a broader perspective on organizational performance beyond purely financial metrics. They are frequently used to evaluate a company's contribution to its social and environmental context, stakeholder expectations and strategic goals (Bychkova et al., 2021).

2.2 Enterprise Risk Management (ERM)

The concept of risk traditionally revolves around scenarios encompassing consequences and the probabilities of their occurrence (Kaplan & Garrick, 1981). A common thread among various approaches is "the distinction between reality and possibility" (Glowka, Kallmünzer & Zehrer, 2021). However, a broader perspective of risk also exists. For instance, Brühwiler (2011) suggests defining risk as a threat capable of deviating from future goals. This reflects the contemporary shift in risk research towards considering uncertainty over probabilities, incorporating more insecurity, and defining risks more broadly (Shortridge, Aven & Guikema, 2017). Naseem, Shahzad, Asim, Rehman and Nawaz, (2020). For example, background knowledge should be included in their risk descriptions within the risk assessment process. In this expanded understanding of risk, ERM has emerged as a management approach to assess various types of risks within businesses (Chen, Chuang, Huang & Shih, 2019; Malik, et al., 2021; Yang, Ishtiaq & Anwar, 2018).

In general, higher levels of risk-taking are positively correlated with performance, as indicated by management and entrepreneurship literature (Horvey & Ankamah, 2020). However, it's crucial to note that success isn't merely a result of offensive risk-taking but rather stems from the ability to recognise innovative opportunities and actively pursue them with a willingness to take risks (Chen, Chuang et al., 2019). Thus, risk identification, monitoring, and assessment are central to the entrepreneurial process (Brühwiler, 2011). When risks are properly identified and understood, they can potentially transform into opportunities, thus enhancing the potential for risk-taking and innovation (Eshima and Anderson, 2017). Consequently, implementing a formalised ERM system, as defined earlier, not only reduces risks but also facilitates better risk-taking (Stulz, 2015).

Thus, Anton and Nucu (2020) advocate for future research to prioritise assessing the effectiveness of all components of ERM, aligning with the recommendations of the Committee of Sponsoring Organizations (COSO). These components encompass the internal environment, objective setting, event identification, risk assessment, risk performance, control and monitoring, and information and communication. Previous studies, jointly and separately, have extensively utilised these dimensions, particularly in quantitative and conceptual research (Al-Farsi, 2020; Kinyar, 2020; Saeidi et al., 2021). Consequently, this study will apply risk identification, risk assessment, and risk performance dimensions to examine their relationship with firm performance.

Risk Identification

Identification of risks is a systematic process that involves the recognition of potential strategic risks that have the ability to impede the achievement of organizational goals and objectives (Jaber, 2020). The consideration encompasses both internal and external risks spanning a multitude of dimensions within the entity, including strategic, financial, operational, compliance, and reputational risks. The process of identifying risks entails the performance of risk evaluations, collaborative thinking sessions, scenario evaluation, examination of historical data, and leveraging perspectives from key stakeholders for the purpose of pinpointing potential risks (Stulz, 2015).

Risk Assessment

Once the risks are identified, the following phase of ERM involves evaluating the probable probability and the consequence. Risk assessment plays a vital role in this, as it affects assessing the seriousness of probable consequences linked with each specified risk and determining the likelihood of these risks materializing (Saeidi et al., 2021). This procedure is instrumental in prioritizing risks based on their importance and enables organizations to efficiently allocate resources to handle and help the most essential risks. Risk assessment commonly incorporates quantitative and qualitative analyses, risk scoring, risk matrices, and risk heat maps to evaluate and prioritize risks (Eshima & Anderson, 2017).

Risk performance

In order to reduce identified risks, risk management strategies and controls must be monitored, and their efficacy assessed. This is known as the dimension of risk performance (Malik et al., 2020). It involves the surveillance of essential performance indicators (KPIs) and measures associated with risk management endeavors to gauge their efficacy in achieving set goals. The evaluation of risk performance enables organizations to scrutinize the productivity and efficiency of their risk management endeavors, pinpoint areas in need of enhancement, and make well-informed choices to bolster risk resilience. This aspect also entails the periodic reevaluation and scrutiny of risks, demonstrating the flexibility of risk management in response to evolving internal and external circumstances (Saeidi et al., 2021).

2.3 Competitive Advantage

Competitive advantage represents a foundational concept within business strategy, denoting the unique proficiencies and capacities that empower a firm to surpass its industry rivals (Kiragu, 2014). This attribute serves to distinguish a business entity while facilitating the provision of enhanced value to customers, consequently fortifying its market stance and attaining enduring profitability. The notion of competitive advantage (CA) can be delineated as "the tactical advantages held by an entity in relation to its competitors within the marketplace, leading to superior performance" (Porter, 1980). Porter (1980) outlined four primary competitive strategies, namely differentiation, cost leadership, differentiation focus, and cost focus strategies. Differentiation and cost leadership approaches are deemed as strategic cornerstones and are acknowledged as fundamental components in the pursuit of competitive advantage.
However, it is widely accepted that firms implementing unique strategies leading to competitive advantage can achieve superior performance. Consequently, it becomes imperative for a firm to attain a high level of competitive advantage to enhance its performance significantly. Numerous prior studies have demonstrated a strong positive correlation between competitive advantage and firm performance (Lechner & Gudmundsson, 2014; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015).
The concept of competitive advantage (CA) in today's dynamic economy has become increasingly relevant for organisations as it has the potential to enhance their overall performance (Batista., Lisboa, Augusto & Almeida, 2016). Porter (1980) contended that companies implementing differentiation strategies could establish a competitive edge over their competitors, potentially leading to a monopoly position in the market. It is emphasised that a substantial level of competitive advantage contributes to improved organisational performance within the business environment. Conversely, a low level of competitive advantage can result in diminished performance and eventual failure for firms operating in the business environment (Kakati & Dhar, 2002).
Hence, achieving competitive advantage involves adopting a multifaceted approach, as elucidated by Porter (1980), who outlined four essential competitive strategies: differentiation, cost leadership, differentiation focus, and cost focus. Besides, another approach emphasises leveraging service quality, corporate image, and human capital to gain a competitive edge (Edvarsson, 2005; Hartline and Jones, 1996; Upamannyu, Bhakar & Gupta, 2015; Al Maskari, 2019). Service quality has emerged as a critical factor in today's business markets for creating competitive advantage. While maintaining quality may require significant investments initially, poor quality can escalate service costs by increasing the need for frequent and intensive service interventions (Hartline and Jones, 1996). Firms that prioritise continuous improvement in service quality tend to excel in retaining repeat customers and cross-selling products and services (Rao and Kelkar, 1997). Moreover, Özkan, Süer, Keser and Kocakoç, (2020) contend that corporate image serves as a common marketing benchmark for gaining a competitive edge and enhancing firm performance, defined as the mental picture of the corporation held by various segments of society (Upamannyu, etal., 2015). Furthermore, the notion that human capital can supplant tangible assets as the primary source of competitive advantage is widely acknowledged across management, economic, and accounting literature.

Consequently, managing human capital has become a significant focus for management aiming to enhance organisational performance (Al Maskari, 2019). Human capital is widely recognised as a key driver of firm competitiveness and value creation in the knowledge economy (Xu & Liu, 2020). Through the integration of these elements, a robust foundation for sustained success and differentiation in the marketplace is established. Therefore, this study relies on three key components: service quality, corporate image, and human capital to measure competitive advantage.
Competitive advantage represents a foundational concept within business strategy, denoting the unique proficiencies and capacities that empower a firm to surpass its industry rivals (Kiragu, 2014). This attribute serves to distinguish a business entity while facilitating the provision of enhanced value to customers, consequently fortifying its market stance and attaining enduring profitability. The notion of competitive advantage (CA) can be delineated as "the tactical advantages held by an entity in relation to its competitors within the marketplace, leading to superior performance" (Porter, 1980). Porter (1980) outlined four primary competitive strategies, namely differentiation, cost leadership, differentiation focus, and cost focus strategies. Differentiation and cost leadership approaches are deemed as strategic cornerstones and are acknowledged as fundamental components in the pursuit of competitive advantage.

2-4 The relationship between Enterprise Risk Management, Competitive Advantage and Firm Performance in The Previous Research

The following table summarizes much of the existing empirical work that has studied these interrelationships between ERM, competitive advantage, and firm performance. In particular, they address the question of how ERM practices are implemented and what kind of strategic approaches are pursued to achieve a competitive advantage, and the effect of these elements on various dimensions of firm performance. The table classifies the literature on the basis of key variables that put forth an in-depth understanding of how ERM contributes to risk mitigation and stability, how competitive advantage is achieved, and how all these factors collectively influence financial, market, and operational performance. Indeed, this is a rich source of information to understand trends, gaps, and future research opportunities:

Author (Year)	Variables	Objective	Conclusions
Jalal-Karim (2013)	IV: Identifying risks, Estimating risks, Treating risks, Monitoring, Communication, DV: Competitive Business Advantage.	Investigate the relationship between ERM factors and competitive business advantage.	A significant relationship found between ERM factors and boosting competitive business advantage. ERM is crucial for enhancing the business plan.
Saeidi et al. (2015)	IV: CSR, Mediating: Competitive Advantage, Reputation, Customer satisfaction, DV: Firm Performance	Explore the mediating roles of competitive advantage, reputation, and customer satisfaction in CSR-firm performance	CSR positively influences firm performance through competitive advantage and reputation, with competitive advantage being a significant mediator.
Soltanizadeh et al. (2016)	IVs: ERM adoption, Business strategy, Mediating: ERM, DV: Organizational performance	Assess the mediation effect of ERM on the relationship between business strategy and organizational performance	ERM implementation positively impacts organizational performance, particularly for cost leadership strategies. ERM is a partial mediator in this context.
Yang et al. (2018)	IV: ERM practices, Mediator: Competitive Advantage, Moderator: Financial literacy, DV: Firm Performance	Examine the mediating role of competitive advantage between ERM practices and firm performance	ERM practices significantly influence competitive advantage and SME performance. Competitive advantage partially mediates this relationship, with financial literacy moderating the ERM-competitive advantage link.
Saeidi et al. (2019)	IV: ERM, Moderating: Information technology, DV: Competitive Advantage	Examine the influence of ERM on Competitive Advantage, with IT as a moderator	ERM positively affects competitive advantage. IT strategy and structure enhance this relationship, improving competitive advantage.
Saeidi et al. (2020)	IV: ERM, Moderator: Intellectual Capital, DV: Financial and non-financial firm performance	To explore the effect of ERM on financial and non-financial firm performance, with intellectual capital as a moderator	ERM positively affects firm performance. Intellectual capital moderates the relationship between ERM and financial performance.

Jaber (2020)	IV: Risk mitigation, risk identification, risk assessment, risk control, implementation of risk management, DV: Organizational performance	To study the impact of risk management practices on organizational performance	Risk management practices positively impact performance, with risk mitigation having the most influence.
Al-Harbi & Rasheed (2021)	IV: ERM, Moderator: Competitive Advantage, DV: Non-financial performance	To assess the moderating effect of competitive advantage on the ERM-non-financial performance relationship	ERM positively impacts non-financial performance, with competitive advantage as a significant moderator enhancing the effect.
Mukherjee et al. (2024)	IV: ERM, DV: Firm reputation and customer loyalty	To assess the influence of ERM practices on firm reputation and customer loyalty in Indian retail firms	ERM significantly improves firm reputation, which enhances customer loyalty. Effective risk management builds trust and strengthens customer relationships.

3. Theoretical Foundation and Research Hypothesis

This study proposed the research framework depicted in Figure 1, which draws on the resource-based view (RBV)and Contingency theory literature. RBV asserts that the intricate characteristics of ERM, encompassing Risk Identification, Risk Assessment, and Risk Performance, significantly impact organisational outcomes. ERM is a strategic framework for identifying, assessing, and managing organisational risks, facilitating proactive risk mitigation to align with strategic objectives (Barney, 1991). This process involves identifyingessential resources and capabilities, risk assessment, integration with resource management, strategic resource allocation, and continuous monitoring and adaptation, enabling firms to develop competitive advantage and market creation competencies (Barney, 1991). While, Contingency theory provides a nuanced understanding of organizational dynamics, emphasizing that effective management and leadership are contingent upon various situational factors (Chenhall, 2003). By recognizing the importance of context, leaders can better align their strategies and styles to meet the unique challenges posed by their organizational environments. The study will discuss the two theories in detail below:

1-Resource Based View Theory (RBV)

According to the Resource-Based View (RBV) theory, by holding and continuously using and acquisition of strategic assets, the organization could achieve superior performance and competitive advantage (Wernerfelt, 1984). An effective ERM system, therefore, can be seen as a strategic asset for any firm in this regard. Previous studies have pointed out the concept of utilizing the firm's internal resources to gain a competitive advantage, which is then known as the Resource Based View Theory. RBV holds the belief that organizational resources are the main factor influencing organizational performance. Conner, (1991) generally shows that each firm or organization has different performances. The RBV theory postulates that firms will have different performances based on the variation in the possession of internal resources. Moreover, RBV further argued that competitive advantages are an outcome of internal sources. This argument contrasts with the industrial organization theory, which introduces that the competitive advantage for any firm or organization is determined by external business factors. Moreover, RBV perceives that the firms are competing with each other using their own resources and capabilities. Actually, further, Khotimah, (2014), highlighted the fact that RBV views firms as a group of resources and capabilities owned by the firms. Precisely, RBV theory focuses on the capability of the firm to maintain the combination of resources which is not owned or built in the same way by other competitors. It is in this way that the differences in the firm's resources and capabilities, as compared to other competitors, will create a competitive advantage for the firm. It then gradually improves the performance of the firms. Therefore, the emphasis of RBV theory is on creating a competitive advantage through the use of all their available internal resources to drive better firm performance than others.

Furthermore, one of the internal resources that has been a focal discussion in recent years is ERM. ERM refers to a company strategy that has been used to manage risks in comprehensive ways. Various businesses are facing different risks which firms need to face. Firms have their strategies developed to manage those risks. The strategy of risk management is the firm's ability to integrate existing firm resources. The risk management strategies implemented by a firm cannot be easily imitated or developed in the same manner by other firms. This coincides with RBV theory. Under RBV theory, firms are considered as a bundle of resources and capabilities owned by the firms. The theory focuses on the firm's ability to maintain a combination of resources that are not owned, or built in a similar way, by competitors (Khotimah, 2014). In fact, ERM is firm-specific, and its implementation and practical strategy differ from one firm to another (Beasley, Pagach & Warr, 2008). In addition, the firm might operate in different industries that lead to quite different risk exposures across different industries. Therefore, ERM, in terms of internal resources of the firm, is able to manage these risks in effective ways and subsequently contribute to a better firm performance. This is consistent with Elahi, (2013), who argued that a firm's ability in risk management can be leveraged to create a firm competitive advantage.

In this paper, ERM becomes very instrumental in attaining competitive advantage and superior firm performance via the Resource-Based View theory. It posits that firms gain a sustainable competitive advantage by utilizing unique resources and capabilities in a superior manner. In this context, precise identification and evaluation of the risks, together with the adoption of suitable risk management mechanisms, is possible only in the presence of such valuable, rare, inimitable, non-substitutable resources: skilled personnel, advanced technology, and robust information systems. An organization can thus better forecast and prioritize its threats, best manage resources, and most efficiently respond to a

newly emerging threat to remain resilient and operationally safe. The integration of ERM with RBV principles protects firms not only from huge potential losses but also from decisional, operational, and stakeholders' confidence boosts for long-term success and a competitive edge. This synergistic relationship of ERM as a strategic tool positions it to safeguard the firm while placing it ahead of the competition. Based on the above discussion, this study aims to examine the relationship between ERM practice and firm performance. In contrast to existing literature which focus on the effect of ERM as a whole, this study provides different mechanism in explaining the effect of each element of ERM prescribed under the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) towards SMEs performance. Perhaps, each element of ERM might offer different competitive advantage and different effect towards the firms.

2- Contingency Theory:

Other theories that influence Enterprise Risk Management (ERM) processes, including risk identification, risk assessment, and risk performance, are crucial for achieving competitive advantage and enhancing firm performance, particularly when viewed through the lens of Contingency Theory (Roslan, 2016). Mikes and Kaplan (2014) developed the contingency theory of ERM, which hypothesizes that the practice of strategic risk management can be effectively operationalized by creating a 'fit' between the adoption of ERM and organization specific factors. This theory says that there exists no theory and management technique applicable to the organization; the effectiveness of any practice of management is determined by the proper fit between the internal and external environment of the organization(Mikes & Kaplan, 2014). According to this theory, the value of risk management practices in the ERM setting will be determined by the degree of tailoring to the risks, strategic goals, and operational context of the firm (Chenhall, 2003). For example, a firm whose line of business lies in a highly unpredictable market will need dynamic frameworks of assessment for evaluation and response strategies to adapt to these potential sources of uncertainty. The firm is, therefore, made more resilient, responsive, efficient, and hence has a competitive edge. In addition, through the tailoring of ERM practices to unique environmental contingencies, better decision-making, protection from disruption, and optimization of resources result in improved performance. ERM, through Contingency Theory, thus becomes a strategic approach aimed at risk mitigation while being aligned with the broader strategic context of the firm, enhancing sustainable competitive advantage and superior firm performance(Reid & Smith, 2000).

Thus, the integration of Enterprise Risk Management and Contingency Theory enhances competitive advantage and firm performance. This is by synchronizing risk management strategies to suit an organization's situational factors(Mikes & Kaplan, 2014; Fisher, 1995). ERM provides a holistic view of potential risks faced by organizations and aids in prioritizing resources for use, hence making informed decisions on resource allocation (Saeidi et al., 2021). Contingency Theory, emphasizing flexibility and adaptability, ensures strategies developed take into account specific conditions an organization may be experiencing at any time, whether internal or external(Donaldson, 2006).They provide jointly for resilience and adaptability, preparing the organization to respond to disruptions and engage in continuous improvement and innovation. This interaction identifies not only risks but enables the organization to grasp opportunities for sustained competitive advantage and improved overall performance (Otley, 1980; Chenhall, 2003, 2006).

This study contends that unlocking the potential value of ERM relies on the continuous and dynamic process of identifying, assessing, and managing risks across the organisation (Hamzah, Maelah & Saleh, 2022; Amar, Putri, Fathorrahman, Wahyuni, Kusuma & Aina, 2022). Moreover, ERM, which includes identifying, assessing, and supervising risks, plays an essential role in influencing a firm's non-financial results. By methodically identifying and appraising risks across various operating aspects, ERM improves operational efficiency, sustains stakeholder trust, guarantees compliance with regulations, enables a safe and healthful work conditions, encourages environmental sustainability, and stimulates innovation and strategic initiatives. As a result of effective risk management, organizations are positioned for enduring success and resilience in these volatile times, protecting their brand equity, reputation, and overall non-financial performance. Within this context, the study presents the following hypotheses:

- **H1:** Enterprise risk management (ERM) affects firm performance
- **H2:** Enterprise risk management (ERM) affects competitive advantage
- **H3:** Competitive advantage affects firm performance
- **H4:** Competitive advantage mediates the relationship between Enterprise risk management (ERM) and firm performance.

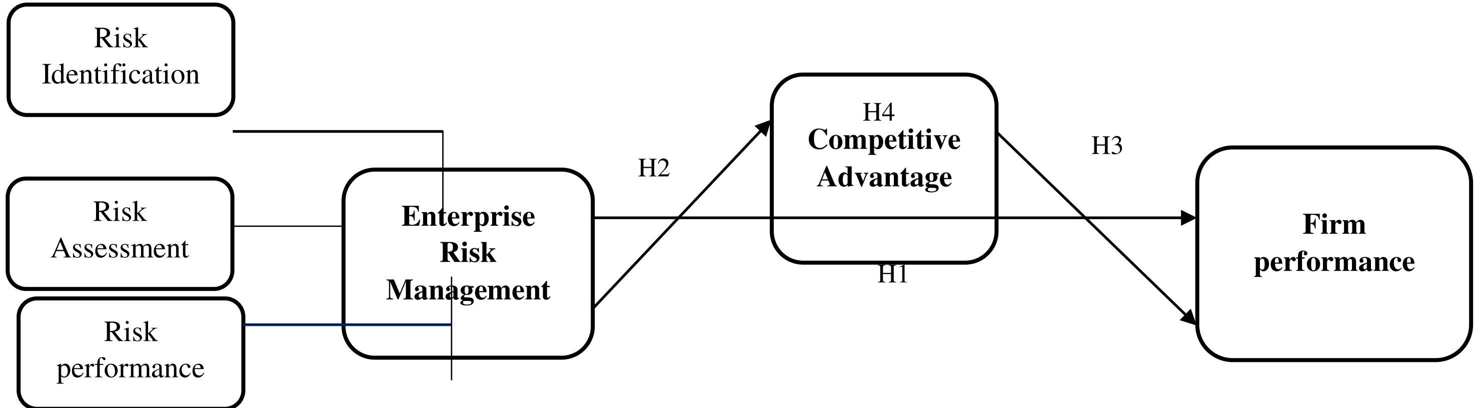

Figure 1:Conceptual Framework

4. Methodology

To test the research hypothesis, this study will employ the survey to collect data from business managers who have applied the ERM process. This study has designed survey items to ensure relevance and readability for the respondents. Furthermore, the pilottesting will focus on validity in the context of ERM and firm performance. The questionnaire will be modifiedbefore sending it tothe sample group. The questionnaire contains several existing valid instruments thatwere adapted to the current study. The main goal of this survey is to investigate the relationship betweenERM dimensions and firm performance using the following constructs: Risk Identification, Risk Assessment, Risk performance, Competitive advantage and non-financial firm performance.

To help the respondents answer the ERM questions more effectively, the definitions of ERM and its dimensions are provided at the beginning of the survey to ensure a common understanding of the research among the respondents. A five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5) will be used as a measurement in the questionnaire. This study will use the SPSS and Smart PLS software for data analysis.

5. Expected Outcomes

The purpose of this study is to examine and investigate the impact of ERM on firm performance. ERM involves identifying, assessing and managing risks to create opportunities to take advantage of the competition. This study seeks to examine the relationship between enterprise risk management (ERM) and firm performance with a specific focus on the mediating role of competitive advantage. Moreover, ERM is positioned as a strategic mechanism for risk identification assessment and management within an organization that aligns with RBV and Contingency theories by emphasizing the internal resources and capabilities as a source of competitive advantage. This study shows the dimensions of ERM in terms of those that represent organizational capability (ability to outperform competitors or peers) and capacity (ability to create long-run superior realizable value, firm valuation). In addition, this study suggests that organizations with a robust ERM system can more efficiently utilize their resources and competencies, making them shine brighter than their industry competitors. This study also provides a broad view of ERM, using the RBV as a theory to examine its effect on firm performance and the mediating role played by competitive advantage.

ABS (2007), The research model states that ERM impacts competitive advantage, improving firm performance. It implies a mediating process such that ERM enables building and exploiting valuable resources and capabilities to realize superior performance gains. More specifically, the study investigates how ERM enables firms to anticipate better and manage risk exposure due to centralizing risk management, reduce costs synergies through increased operational efficiency with identified risks specific mitigation strategies as well help in sustaining stakeholder trust which should reflect improve non-financial performance, financials health (higher growth potential by controlling NFR) & market duplicate.

By highlighting the mediator effect of competitive advantage, this research provides further evidence of ERM's impact on the firm's performance in RBV. These findings reinforce the significant strategic value ERM can contribute to an organization, unlocking long-term value creation and maintaining a competitive advantage in today's increasingly fluid business environment. As such, the study recognizes possible limitations, such as the dynamic state of ERM, and encourages further empirical validation of this proposed framework. Further, difficulties in the process of data collection and sample accessibility may create limitations for conducting this study which must be taken into account when designing future research agendas.

According to contingency theory, there is no 'best' way of implementing risk management in general. In this regard, ERM practices would have to be tailored to the Omani insurance sector according to certain environmental, regulatory, and market conditions. For instance, various risk management strategies that can be formulated by firms under conditions of market volatility, regulatory requirements, and customer preference.

The theory posits that the level of environmental uncertainty is an influential factor on organizational structures and strategies. For Oman companies as an example, it would mean that high levels of uncertainty, say, due to economic fluctuations, changes in regulatory requirements, or even natural disasters, are laden with many a potential risk if not equipped with more robust and adaptive ERM frameworks to instill stability and reliability.

Contingency Theory applied to ERM suggests that the effectiveness of risk management practices in enhancing firm performance is theoretically predicated on appropriate alignment of the ERM strategies with organizational and environmental contexts. It would be expected that firms that align the strategies of ERM more closely with these factors would obtain better results in terms of performance.

In practically, companies in Oman will most likely emulate varied ERM strategies based on company size, market position, and customer demographics. For example, whereas the smaller firms may focus on certain niche markets and specialized products possessing certain risk factors, large firms may establish more comprehensive and standardized risk management procedures.

In those instances, where conditions prevail that perfectly fit an Omani firm's ERM strategy, competitive advantage may well be expected to build from and be driven by such. This would be manifested in terms of deeper customer trust, speed in settling claims, better financial stability, and hence a stronger position in the market.

6. Expected Contributions

This study offers fresh perspectives and contributions, first of all, this study contributes to the theory of the Resource-Based View (RBV), this contribution is multifaceted and significant. By integrating insights from Enterprise Risk Management (ERM) into the RBV framework, the study enriches the understanding of how organizations can leverage their internal resources and capabilities to achieve and sustain competitive advantage.

Furthermore, this study contributes particularly at the crossroads of strategic management and Enterprise Risk Management (ERM). The research breaks down the critical elements of ERM (risk identification, risk assessment, and risk performance) and examines their effect on a firm's performance, providing practical guidance. These insights serve as a roadmap, helping directors and managers align their expectations of ERM with its real-world implementation, especially within the context of competitive advantage strategies. By doing so, this study seeks to deepen the understanding of the strategic role of ERM and present actionable recommendations for its effective integration into organizational structures.

The integration of Contingency Theory with ERM frameworks provides granularity regarding the impact of different contextual factors industry characteristics, market dynamics, and organizational structures on the practice of risk management and its outcomes within Contingency Theory. This provides an enriching function to the academic literature in this field by underlining the fact that ERM approaches must be individualized according to certain contingencies, rather than applying blanket approaches.

Theoretical exploration of the connections between ERM, competitive advantage, and firm performance through the lens of Contingency Theory can deepen the understanding of the mechanisms through which risk management influences these outcomes. It can elucidate the conditions under which ERM contributes to sustainable competitive advantage and improved firm performance, offering a more comprehensive explanation of these relationships.

Finally, this study not only contributes to the academic discourse on ERM and strategic management but also provides valuable, practical guidance for practitioners. It underscores the importance of ERM in

achieving sustainable competitive advantages and offers a roadmap for its effective adoption and integration into organizational strategies.

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