

RESEARCH ARTICLE

Enterprise risk management and firm performance: Perspectives and evidence from the SMEs in Bhutan

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ABSTRACT

The purpose of this research was to empirically determine the prominent risks faced by the production and manufacturing small-medium enterprises (SMEs) and how those risks impact firm performance in the SMEs in Bhutan. To achieve the objectives of the study, 15 SME owners/managers were interviewed using semi-structured interview method. With the help of R-based Qualitative Data Analysis (RQDA) package of R, the thematic analysis found five prominent risks being encountered by the SMEs. Corroborating with the extant literatures, this study found that almost all SMEs interviewed were doing well even during the unprecedented era of the COVID-19 pandemic and their owners possessed the personal entrepreneurial competencies, even though they lacked the enterprise risk management knowledge.

Keywords: enterprise risk management (ERM); small-medium enterprises (SME); qualitative; thematic analysis; Bhutan; personal entrepreneurial competencies (PEC) ; risk; performance; risk management; COVID-19

1. Introduction

The Small and Medium Enterprises (SMEs) are vital in every economy and without doubt they are the economic backbone of every country. Furthermore, SMEs are perceived to be more dynamic and faster at responding and adapting to the market force compared to bigger firms. As a result, SMEs can either innovate and become successful or endanger their existence by not adapting to the market force. Accordingly, the SMEs in the tiny Himalayan Kingdom of Bhutan have no exception in the globalised world.

In Bhutan, the SMEs are categorised into cottage (micro), small and medium enterprises. Any entity employing up to 100 employees and having an investment of not more than 100 million ngultrums (USD\$1 = 80 Ngultrums) are categorised as SMEs and over 95 percent of the industries are SMEs in Bhutan. Thus, to cater to the large number of SMEs and foster the development of SMEs, a separate department was established under the Ministry of Economic Affairs (MOEA) in July 2010 with the mission “to create an enabling environment to facilitate and support sustainable growth and development of Cottage & Small Industries (CSI) in the country for equitable income distribution, employment generation and balanced regional development”^[1].

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Although the industries in Bhutan are mostly service sector comprising 78.90 percent of the total SMEs, the production and manufacturing (P&M) sector comprising only 10.47 percent of the overall SMEs saw an impressive growth of 27 percent in a short span of time. The overwhelming growth of the P&M sector is because the Royal Government of Bhutan has been stressing on the development and promotion of SMEs for self-sufficiency and employment generation with the publication of the Cottage, Small and Medium Industry Policy, 2012. In order to foster the realisation of the noble vision of achieving Gross National Happiness (GNH), the Bhutan Vision 2020 and the Economic Development Policy 2010 identified SMEs as a priority sector^[2]. The government and other relevant organisations have initiated various activities and policy changes to foster entrepreneurship and encourage smaller businesses. The central bank, Royal Monetary Authority of Bhutan (RMA) also launched a lending guideline called Priority Sector Lending (PSL) guidelines for the financial institutions to improve access to finance and create opportunities for the youth employment^[3].

Given the importance placed by the government on the SMEs for the economy of Bhutan and the volatile life cycle of the SMEs, it is equally important to assess the status of the SMEs and their prospects as SMEs. In addition, a green finance infographic report published by GFA Consulting Group GmbH on Bhutan states “building SME’s financial and technical capacities” as one of the way forwards for the Bhutanese SMEs. However, the literature and academic research regarding the risk management as well as the status of the SMEs in Bhutan are scanty, even though it is vital for the entrepreneurs or the SME managers to know how to identify risks, design actions and mechanisms to minimize risks for a sustainable growth and survival in the highly competitive market. Thus, the priority of the government and the relevant stakeholders towards entrepreneurship and SME development, and the liability of the SMEs in the market begs a question on their feasibility and sustainability. This is because the paradigm has shifted from evaluating risks from an individual perspective to enterprise risk management^[4]. Hence, as deduced from the COSO framework and several prior studies, risk management in SMEs is vital.

Despite the importance of risk management, there are no published studies pertaining to it on the Bhutanese SMEs. Nonetheless, it is essential for the SMEs to adopt cautious strategies in the ever-changing complex business environment. Managing risk in the SMEs is of paramount importance because SMEs lack the resources to respond promptly to internal and external threats, leading to potentially huge losses even endangering their survival^[5]. As per Renault et al.^[6], SMEs could use theoretical risk management practices to succeed in their ventures, which is also comparable to the COSO’s international framework. Therefore, this study aims to determine the prominent risks, management of those risks and their impact on firm performance in the production and manufacturing SMEs in Bhutan.

2. Literature review

Starting from managing risk in silos, the most common risk management technique used today is the enterprise risk management (ERM) as it provides a holistic approach to risk management^[7]. The Institute of Risk Management (IRM) defines risk as the combination of the probability of an event and its consequences wherein the consequences could range from positive to negative. Deduced from the aforementioned meanings of risk, this study defines risk as an uncertainty that could have either positive or negative consequences on the objectives of the business entity.

Risk is inevitable in any business setting, thus, the importance of devising risk management strategies. Hopkin defines risk management as the set of activities within an organisation undertaken to deliver the most favorable outcome and reduce the volatility or variability of that outcome^[8]. One of the key steps in risk management is the ability to identify risk as risk identification has a positive impact on the perceived success

of the SMEs^[6]. The authors further suggest that the risk management practices, such as the awareness of the organisational environment, defining the project objective, assessing the resource requirements, risk identification, risk measurement, communication approach and evaluation, responding to risk, action planning and monitoring with continuous review improvement are vital for any SME's success. Thus, this study follows the concept of enterprise risk management (ERM), which evolved owing to the importance of risk management and discussed hereunder.

2.1. The enterprise risk management

The new paradigm of holistic risk management is called ERM and as recommended by Frame^[9], Moeller^[10] and the international agencies like the COSO, the IRM Institute, and the ISO31000 boils down to the following interrelated components or processes: internal environment, objective setting, risk identification, risk assessment, risk response, control activities, information and communication, and risk monitoring. Although the risk management guidelines and frameworks, such as the ERM are available, there are certain factors that determine the effectiveness of such risk management strategies.

Out of the many such factors, widely studied factors are the characteristics of the owner/manager^[11-16]. For example, Cabrer-Borrás and Rico Belda^[11] found significant relationship between education level of the proponents and business success. Further, Maliranta and Nurmi^[14] corroborate the findings by proving higher educational attainment to be strongly and positively related to firm productivity. However, according to Bird^[17], entrepreneurial competencies are observable behaviours that can influence firm performance as detailed in the following section.

2.2. Entrepreneurial competencies

Entrepreneurial competencies are “underlying characteristics, such as generic and specific knowledge, motives, traits, self-images, social roles, and skills which result in venture birth, survival, and/or growth”^[17]. A study by Sánchez^[18] confirmed that there is a positive relationship between entrepreneurial competence and firm performance. Furthermore, numerous studies assert that entrepreneurial competencies lead to better firm performances^[19-23].

Digging deeper, Putsom et al.^[24] mention that personal competencies can be divided into three different skill sets: decision-making; self-reinforcement and self-regulation skills. Furthermore, according to Tehseen et al.^[23], the entrepreneurial competencies vary across various sectors. Some of the entrepreneurial competencies stated by the authors are strategic, learning, ethical, familism, leadership, marketing, management, and relationship competencies. Although there are different entrepreneurial competencies, this study employs the 10 personal entrepreneurial competencies (PEC) as defined by the UNCTAD^[25] and applied by researchers such as Behling and Lenzi^[20]. The basis of the definition of personal entrepreneurial competencies by the UNCTAD is that everyone has an inner drive to improve and the 10 competencies are as detailed: opportunity-seeking and initiative; persistence; commitment; demand for efficiency and quality; taking calculated risk; goal setting; information seeking; systematic planning and monitoring; persuasion and networking; and independence and self-confidence. According to the existing literature, the ten personal entrepreneurial competencies determine if an individual possesses the entrepreneurial competencies and lead their ventures successfully. Thus, this validated whether the Bhutanese SME owners (entrepreneurs) and managers possessed these competencies as well.

2.3. The measure of enterprise performance

Although the performance can be measured both financially and nonfinancially, this study uses the nonfinancial measures as the study employs purely qualitative data. Most frequently, sales growth^[12,13] and ^{[26-}

^{31]}, employee growth^[13,14,32,33], asset growth^[13,34], research and development^[27,32], customer satisfaction^[30-36] and employee satisfaction^[16,31,32,36] are used as nonfinancial measures as they determine the performance and sustainability of the business entity.

It has been found in the prior studies that risks affects both the financial and nonfinancial performances. For instance, Das and Das^[37] looked at how various factors affect employee growth, which is a nonfinancial measure of SME growth. Similarly, several other studies also used nonfinancial measures, such as asset growth^[34] and sales growth^[12,26,27] as measure of SME performances. The importance of using nonfinancial measures as performance metrics has also been highlighted by Dobrovic et al.^[38] stating that the complex network of internal and external relations must be balanced carefully, referring to it as socio-economic system. Thus, this study also used nonfinancial measures as indicators of SME performance in the Bhutanese SMEs in accordance with the Administrative Theory by Henry Fayol^[39-41] and Penrose's Theory of Growth of the Firm^[42].

3. Methodology

3.1. Research approach

The aim of this research is to: validate the prominent risks in the production and manufacturing SMEs in Bhutan; corroborate the determinants of risk management strategies used; and ascertain the relationship between risk management and firm performance. To achieve the objective of the study, the interpretivist's approach is deemed most appropriate as this value laden approach not only allowed the exploration of theory but also helped obtain in-depth data from the participants. It also allowed for the contextualisation of the problem as it is related to the risk management of SMEs in Bhutan. The qualitative study used unstructured interview to gather data from the owners/managers of the production and manufacturing SMEs as qualitative questionnaires allow respondents to generate their own categories of meaning^[43]. Furthermore, according to Morse and Niehaus^[44], the information obtained from the unstructured interview is not only in-depth but also is targeted at a broader issue than those placed at the end of a questionnaire.

3.2. Sampling

Stratified purposive sampling, as recommended by Tashakkori and Teddlie^[43], is used to categorise and select the respondents of the study. The SMEs are stratified into micro (cottage), small and medium enterprises based on their definition by the Department of Cottage and Small Industries, Ministry of Economic Affairs of Bhutan. This resulted in three strata – micro (cottage), small and medium enterprises. Among the three strata, 5 firms representing each category are chosen based on the judgement and convenience of the research, hence using purposive sampling. As a result, a total of 15 firms are selected for the in-depth unstructured interview. After the stratification, the owner or someone in the top management is purposefully consented to be interviewed owing to their knowledge and information regarding the risk management practices in their respective businesses. The interviewees represented almost all types of businesses classified under the production and manufacturing sector. Except for a general manager from an essential oil and herbal tea producing company, all the other 14 respondents are the owners or co-owners of the SMEs. The interview lasted between half-an-hour to over two hours in some cases.

3.3. Data collection

A considerable amount of data in the form of audio recording and interview notes are collected during the in-depth interviews. Owing to the nature of data required, field notes, audio recordings and transcriptions, where deemed appropriate and with the necessary consent, are maintained. The semi-structured interview schedule was designed with the questions based on the enterprise risk management concepts, perceived

business performance and other attributes related to risk management. Interview appointments are sought after briefly explaining the broader scope of the study. The respondents are allowed to provide answers/explanations in their own words after the leading questions and provided opportunities to expand on their own statements and/or views provided.

The interviewer prompted the participants to provide more information or elaborate on their answers and perceptions. Every interview started with a brief overview of their business to set the motion and to understand better about their business for further questioning. The interviewer sought clarification and explanation whenever deemed necessary. The whole interview is recorded as audio file using an MP3 audio recording device which directly converted the file into MP3 files.

3.4. Data analysis

The first step in qualitative data analysis, after data collection, is to prepare the data for analysis and this means “transcribing text from interviews and observations into word processing files for analysis”^[45]. Verbatim (word-for-word) translation and transcription are done so that the essence of the interview is maintained. The audio files are played on VLC media player and transcribed on MS Word. The interviews are transcribed based on the interview questions/themes. Once the transcription is completed, the transcribed data are proof-read to minimise grammatical and spelling errors, which is also referred to as data exploration.

The transcribed data is imported into the RQDA package of R, which stands for R-based Qualitative Data Analysis (RQDA), is a package developed by Huang^[46] and provides standard Computer-Aided Qualitative Data Analysis (CAQDA) features. The RQDA package has a Graphical User Interface (GUI) unlike its command-based R platform, wherein the GUI offers clickable features to import plain text documents (.txt format) and then code and organise into categories as per codes or files. It is versatile and efficient as the core feature of qualitative data analysis is coding^[45] and the RQDA package can do it seamlessly.

The qualitative data analysis method employed for this study is thematic analysis. The six phases of thematic analysis^[47] are followed systematically to address the study objectives. The six phases are: 1. Getting familiar with data; 2. Generating initial codes; 3. Generating initial themes; 4. Reviewing themes; 5. Defining and naming themes; and 6. Producing the report.

3.5. Reliability and validation

In order to ensure consistency in the interview process, the same set of pre-set leading questions are posed to all the respondents. Cross-validation of some pertinent and interesting views are done especially pertaining to a common policy or regulation of the country. The qualitative analysis of the data is also supplemented with some other additional information to improve the reliability of the study. The subjects (participants) were the owners and top management of the SMEs which are thought to be adequate and provided reliable data. As all the respondents are operating SMEs, the owners have the first-hand information regarding their business and hence ensured the reliability of the data gathered.

4. Findings and discussion

Similar to any other SMEs across the globe and the SMEs in the extant literature, this study corroborates that the SMEs in Bhutan are exposed to the enterprise risks, and they are struggling to manage many of the risks they encounter. Nevertheless, the SMEs are trying to manage the risks as per their abilities and seeking assistance of greater forces like that of the government. The detailed findings are as discussed hereunder.

4.1. Prominent risks in the SMEs in Bhutan

Risks are innate but as Renault et al.^[6] mentioned, being able to identify and respond to risks has a positive impact on the perceived success of the SMEs. Thus, one of the objectives of this research was to explore the knowledge of SME owners/managers with regard to the enterprise risk and enterprise management (ERM) in the production and manufacturing (P&M) SMEs in Bhutan following a qualitative approach. The leading questions of the semi-structured are strategically formulated to check the respondents' knowledge and vocabulary pertaining to risks. The respondents are also questioned regarding their experiences with various types of risks upon their mention of certain risk terminologies.

Although almost all the SMEs indicated that they do not have established formal ERM processes, all the respondents mentioned of having informal settings which are almost identical to the ERM system. The most prominent risks encountered by the SMEs in Bhutan are human resource risks, operational risks, supply chain risks, competitor risks and financial risks. These risks are also similar to the six dimensions and 27 sub-dimensions of risks that could occur during the implementation of the Industry 4.0 found by Birkel et al.^[48] as well as the three key risks found by Hudáková and Dvorský^[49].

The human resource risk, specifically the attrition and getting skilled workers are the most common risks being experienced as well as felt by the SMEs with the small and medium SMEs mostly expressing their concerns. The SMEs expressed that owing to the shortage in the labor market, the employees have more options to choose and as a result, retention was a problem for them. The other problem was not getting technically capable employees which resulted in use of additional resources for training and development. The other risks faced by the SMEs are operational risks mainly posed by the current pandemic of COVID-19. The pandemic currently hampered the manufacturing businesses the most as they have to either import raw materials, spare parts or human resource. The travel restrictions, lockdowns and other inconveniences caused by the pandemic hampered their operations. However, some businesses recognized the opportunity to capitalize on the impacts of the pandemic. In addition to the aforementioned risks, the SMEs are also aware of other types of risks such as financial or cashflow risks, competitor risks, hazard risks as well as strategic risks.

From the findings it was evident that the respondents are aware of the various types of risks and the high magnitude risks that impact their cashflows but are beyond their potential to manage. As a result, there are mixed opinions being expressed regarding the government support and its intervention when it comes to the risk management of the SMEs. The SMEs are grateful to the government for granting tax holidays, duty free raw materials, electricity subsidies, and training and development of the key personnel. However, the SMEs expect more in terms of building technical capabilities as most of the SMEs must depend on skilled technicians beyond Bhutan as almost all the machineries are imported. Thus, similar to any other business, human resource risks remain the most prominent risk.

Coming to the enterprise risk management, the study found SME owners/managers interviewed lacked the technical vocabularies pertaining to risk management. For example, the interviewees mentioned "job hopping" instead of "attrition" and "machine breaking down" instead of "operational risks". Furthermore, many of the interviewees have not heard of the word ERM or enterprise risk management although they are found to be following most process of ERM. The reason could be similar to what Hiebl et al.^[29] found in Germany where they found that the family firms showed a lower adoption of ERM compared to others. The SMEs interviewed for this study were no different to family firms in their study since almost all the respondents own the SMEs. More importantly, the SMEs seemed to be managing the risks effectively and they are performing and surviving in the competitive market.

4.2. Determinants of the risk management strategies employed

The definitions of risk management show the importance of organisational characteristics and its culture in handling various types of risks. Thus, the characteristics of the proponent, personal entrepreneurial characteristics (PEC) in particular, are assumed to be crucial determinants of risk and risk management strategies in their businesses. Although there are numerous ways to determine the leadership style, risk taking propensity and personal characteristics, this study used the PEC framework to determine the characteristics of the owners or managers interviewed. Bird^[17] asserted that entrepreneurs' competencies have causal connection to venture initiation and "success" of the venture and also claimed that individuals who start a business and add value to it through opportunity identification and utilization of resources usually possess entrepreneurial competencies.

From the data collected, six attributes relating to PEC are uncovered as: being proactive; building trust; networking; opportunity seeking; positive attitude towards risk and having prior experiences (learning from past experiences). Though the PEC theory has ten competencies as discussed earlier, the qualitative data gathered only six distinct competencies. All the 15 respondents mentioned about "being proactive" as a part of their business. One of the participants mentioned, "our survival in the business is changing accordingly to the trend so we change according to the customers, not the customers changing according to us." In addition, keeping themselves abreast of the changing business environment, technological advancements, and anticipating customer demands are some contributing factors to manage risk better. According to the participants, being proactive also entails continuous learning, be it in new technologies or new trends of the market. Such altruistic behaviours are also in line with the global business leaders as almost all the world business leaders are ardent readers. Furthermore, this finding is also consistent with one of the PECs – *information seeking*.

The findings also demonstrated that the respondents needed to build trust in their business ecosystems, starting from their own employees to suppliers and customers, and at the same time build networks. These findings also corroborated the findings of Mersha and Sriram^[50] and consistent with the PEC attributes. Some of the respondents felt being mistrusted by the relevant stakeholders and mentioned, "when I show the prototype then only people realize that I can make this one". Such are the indications for the importance of building trust by mastering in their businesses. Building trust among customers, suppliers, regulators and employees are considered vital by almost all the respondents. All the respondents from the medium enterprises expressed that genuine care and concern about the employees and subordinates are important. They also reiterated the consequences of not keeping their employees happy and stressed on maintaining good relationships with the employees to build trust.

In addition, simultaneous networking with others is also considered equally important. One of the hurdles faced by the SMEs in Bhutan is the availability of raw materials and thus, according to them, networking has become crucial. The raw materials have to be either imported or produced within the country. Networking play crucial role in achieving and maintaining a continuous supply of raw material. For instance, one of the respondents mentioned about networking with the District Agriculture Officers to not only create awareness but also exchange cereal seeds to make them available for farming as that business is into making local cereal cookies. Networking also means building relationship and gaining trust of the potential clients. In order to achieve this, a respondent aptly put it as giving "pro bono" services and "voluntary contribution work" to not only network but also to reach a wider audience. Such actions are done to build networks and promote their businesses, and it corroborated with the entrepreneurial competency theory of how a successful entrepreneur should behave.

The analysis of data further revealed opportunity seeking, positive attitude towards risk and learning from prior experience are as some commendable attributes. Most successful business people are opportunity seekers since they are good at acting and grabbing business opportunities even in the most direful situations. Opportunity seeking also entails a person's ability to recognize and seize unusual opportunities to start a new business, obtain financials, equipment, land workspace or assistance^[51]. This means anticipating and doing things before being asked or forced by events. Almost all the SME owners interviewed started their businesses while they were seeking certain opportunities. A respondent saw opportunity in packaging business as other manufacturing and production SMEs were using rudimentary packaging and labels. Similarly, another respondent grabbed the opportunity of reducing e-waste by venturing into cartridge recycling. Despite its adverse effects, the COVID-19 pandemic has created opportunities as well. One of the respondents, "got a huge opportunity to provide our services and then show case to people in Bhutan starting from children as young as 3-5 years old to senior bureaucrats and senior citizens", when they got the offer to make online tutorial lessons and health and safety related announcements and advertisements, which they accepted without hesitation.

Usually, the entrepreneurs and business owners are opportunity seeking because they have a positive attitude towards risk. In the field of entrepreneurship and business management, risk-takers are usually the ones that succeed. Risk is inherent in any business and hence taking calculated risk is considered one of the 10 entrepreneurial competencies. Risk-taking means going out of one's comfort zone and doing something that might result in something unpleasant or dangerous. However, having a positive attitude towards risk or being able to take risk is a must have quality in business leaders. Although not spoken succinctly or exactly in the terms, the researcher was able to determine that certain words or phrases are related to positive attitude towards risk. For instance, a respondent mentioned about being resilient to the ups and downs of the business while respondent another respondent mentioned about investing and experimenting. Risk can come in any form and one that surprised many is the COVID-19 pandemic.

It is also found that prior experiences of the proponents are vital as it not only complements their current business but also enhances their confidence and competency. This study corroborated a study by Maliranta and Nurmi^[14] wherein they found that the previous experiences of entrepreneurs in high productivity organizations strongly correlated to the high productivity and probability of survival of their new firms. Similarly, many started the businesses owing to their prior experiences or the interests they developed owing to their prior experiences. Prior experiences also play an important role since it also determines one's future interest. For instance, a respondent worked in a woodcraft business before starting his own sawmill and furniture business. He not only got the experience of working and marking of wooden products but also got knowledge and hands-on skills for the operation of machineries. Another respondent started a packaging business as he had prior experience in designing while another one ventured into multimedia and marketing since he had the required prior experience and knowledge. Similarly, all the respondents have some relevant prior experience and this indicated that the respondents are persistent and possessed self-confidence in their endeavours.

4.3. Enterprise risk management in the SMEs and firm performance

The measure of SME performance can be based on both financial and nonfinancial performances. However, for the qualitative data, no financial aspect of the data was collected. Thus, only the nonfinancial performances are determined based on the responses from the SME owners/managers. Nonfinancial aspects, such as research and development^[27,32], customer satisfaction^[30-36], employee satisfaction^[16,31,32,36] and employee growth^[13,14,32,33] are coded from the interview transcripts. Based on the data, seven attributes are

linked to SME performance. However, in a nutshell, they can be summarized as: a) customers, b) employees, c) quality, and d) future scope.

Customers are vital to every business and the businesses strive to attract customers and meet the customer's demands. One of the most recurring topics from the data was the mention of customer attraction. Customer attraction can take the form of packaging, marketing, product differentiation and value addition. Two of the respondents mentioned about the importance of packaging to attract customers while the third respondent talked about the power of social media in customer attraction. However, several of the respondents stated the fact about difficulty in attracting customers as owing to marketing challenges. Another attribute that attracted customer is the quality of their products and the demand from the customers. Almost all the respondents felt that there is "no dearth of market" if they are able to produce quality products. Therefore, from the customer attraction and creating product demand, it can be concluded that the SMEs are performing well.

The other metric to gauge SME performance was through the perception of the respondents with regard to their employees as employees are vital element to a business ecosystem. One of the objectives as well as benefits of having many SMEs in a country's economy is their creation of employment. As long as the SMEs are able to create employment opportunities and maintain adequate number of employees, it can be used as an indicator for the performance. Almost all the SMEs interviewed have employed according to their categories. The medium-sized SMEs have the highest number of employees while the cottage (micro) industries have the least number of employees. It has also been observed that some SMEs are helping the disabled and poorer section of the economy by giving them priority in their businesses. Some focus more on the youth employment since youths are among the highest unemployed population in the country. This information can be used to infer that the SMEs are doing well in terms of employment creation and contributing to the overall economy of the country.

Finally, the interview questions regarding future scope of their ventures are posed to the respondents to which many of the respondents were affirmative about their future existence. One of the objectives of promoting production and manufacturing SMEs in Bhutan is for import substitution as Bhutan is an import driven economy. Thus, the SMEs will be politically, legally and financially safe (or less risky) as long as they are striving to achieve the goal of self-sufficiency and import substitution. Another dimension of future scope is based on the expansion plan of the SMEs as such plans would indicate their current performances. The analogy was that if the SMEs were doing well, they would have plans to expand. Almost all respondents had plans to expand and also diversify in the future. Some multimedia and production businesses wanted to compete at the global level in terms of film making and production. However, there were some SMEs who are uncertain about their future owing to the COVID-19 pandemic. They found it difficult to plan during an unprecedented pandemic.

5. Conclusions and recommendations

The literature reviewed asserted that the characteristics of entrepreneurs or business owners and managers determine the risk-taking propensity and thus, determine the business performance. Such assertions are true regardless of the size of business and SMEs are no exception. The literature also supported that risks are innate in any business setting and how such risks are managed depended on the characteristics of business owners/managers. The extant review of literatures further revealed that the firm performances are driven by the characteristics of the businesses and the owners or managers who are in the decision-making positions. Corroborating with the existing literatures, this study also found that almost all production and manufacturing SMEs interviewed were doing well even during the unprecedented era of the

COVID-19 pandemic and their owners possessed the personal entrepreneurial competencies. Prior studies and the current study both found that the SME owners have some inner drive to execute successful ventures. Out of the 10 entrepreneurial competencies, the SMEs interviewed lucidly exhibited at least six of the competencies. In addition, the study also found that the SMEs were performing well.

Although the SMEs were aware of various types of risk, the study found neither evidence of formal ERM nor the SME owners got any kind of risk management trainings. The study also found no evidences of ERM being implemented in the SMEs. However, the interviewees were aware of the various types of risks impacting their businesses and they use their own instincts and logics to contain the risks. This clearly indicated that there is a need to introduce and institutionalise ERM as it is proven to help businesses manage risk better and increase productivity and performance. The formal ERM is proven to help all types of businesses both in terms of internal control management and external risk management. Thus, the first recommendation is for the regulators and the government to train and implement ERM processes in the SMEs to maximise their profitability and achieve the goals of import substitution and employment creation.

During the course of the study, it was found that the SMEs neither had a formal ERM nor adopting and practicing international best practices in terms of risk management. On the contrary, the extant literatures evidenced that implementation of enterprise risk management positively impacts the firm performance in the other parts of the world, be it SMEs or bigger companies. Although not necessary, basic risk management practices such as objective setting, risk identification, risk response and financial management are vital for success. However, instead of implementing such risk management practices, even the basic bookkeeping or financial management were not observed in the Bhutanese SMEs. These are evident from the lack of knowledge about accounting terminologies such as revenue, income, investment and assets used in the questionnaire as well as observed during the course of the interview, especially with the cottage and small SMEs. In order to assess performance and set future goals, keeping proper records is vital.

Finally, across the globe, the SMEs are considered as the primary drivers of economy and thus, they are provided with many benefits in terms of procurement of raw materials, establishment of supply chain as well as trainings and developments. The SMEs also receive tremendous support from the government, especially in the production and manufacturing sector. However, during the course of this study, it was found that the SMEs were reluctant to share their financial information and many even reported of not maintaining such vital information. This could also be a reason for difficulty in securing financial supports since they do not have neither their credit information nor their financial status. Since most of the SMEs are funded by the government, MFIs, CSOs and banks, they should be obligated to maintain their financial status or certain databases that are accessible to regulators, policy makers and researchers. However, it was found that even the database of SMEs maintained by MoEA is highly unreliable since many of the SMEs were either untraceable or never established any businesses. Thus, the policy makers need to devise policies wherein only the accurate and true information are being recorded and kept for public use. This would also ensure fair taxation as well as help in determining SMEs true contribution to the economy of Bhutan. Such information disclosure would benefit both the SMEs and the relevant stakeholders. Therefore, similar to the mandatory requirement of publicly traded companies, an obligatory financial reporting by the SMEs should be initiated by the policy makers. This would also benefit the SMEs in terms of basic financial management skills and also help them realize their true financial potentials.

6. Limitations and scope for future research

Qualitative studies, while providing valuable insights, has several limitations that should be acknowledged. Firstly, the study was conducted with a relatively small sample size of 15 participants who

are owners or managers of SMEs. Although in-depth interviews ensured exploration of individual experiences, it may limit the generalisability of the findings to the entire SMEs in Bhutan and elsewhere. Similarly, the use of non-probability sampling method might have introduced selection biases. Thus, the findings may not be representative of all individuals within the target population.

Secondly, as with all qualitative research, the data analysis is subject to the researchers' interpretations even though measures were taken to ensure rigor, such as member checking and triangulation, some degrees of subjectivity may remain.

The findings of the current study is purely based on the 15 samples, which are existing and operational SMEs. Thus, a comprehensive study with larger samples including failed SMEs may be required to ascertain the impact of enterprise risk management on firm performance.

Conflict of interest

The authors declare no conflict of interest

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