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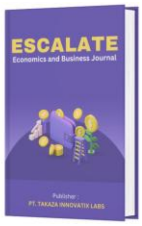

The Effect of Enterprise Risk Management on Firm Performance in International Contexts: A Systematic Literature Review

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Abstract: *This Systematic Literature Review (SLR) synthesizes empirical evidence on the influence of Enterprise Risk Management (ERM) on firm performance in an international context through the PRISMA protocol on 23 Scopus indexed articles (Q1-Q4). Using the lens of Agency Theory, this study shows that ERM serves as a crucial governance mechanism to mitigate information asymmetry and align managerial incentives with shareholder interests. The findings confirm the dominant positive correlation between ERM implementation and accounting and market performance metrics. However, its effectiveness is contingency and moderated by risk committee activities, internal maturity, digital transformation (Industry 4.0), and intellectual capital. This study concludes that the evolution of ERM from just a compliance instrument to a strategic asset is able to create a competitive advantage. The practical implications emphasize the need for the integration of governance and risk-aware culture to optimize corporate value in global markets.*

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Introduction

Firm performance is a fundamental indicator that reflects the effectiveness of an organization in managing resources to achieve its strategic goals. Globally, company performance is often measured through two main approaches: accounting-based accounting such as Return on Assets (ROA) and Return on Equity (ROE), and market-based such as Tobin's Q (Saeidi et al., 2021; Alsalami et al., 2023). In an era of high economic volatility, achieving sustainable performance is a major challenge for managers around the world, as stable performance not only determines the survival of a company, but also attracts the trust of investors and other stakeholders (Anugerah et al., 2023).

Although company performance is the main target in every managerial policy, there is significant variation in empirical research results regarding the factors that drive it. This inconsistency is seen in how risk and governance factors interact with performance; some studies found very positive results on certain financial metrics, while others showed a neutral or even negative impact on long-term financial stability (González et al., 2020). These inconsistencies in results show that a company's performance is not only influenced by a single factor, but is the result of a complex interaction between internal strategies and external environmental conditions (Horvey & Ankamah, 2020).

Current phenomena show that global shocks, such as the financial crisis, pandemics, and supply chain disruptions, have forced companies to redefine the way they measure success. In Indonesia and other emerging markets, many public companies have experienced a drastic decline in performance due to failure to anticipate non-financial risks (Anugerah et al., 2023). In addition, the emergence of digitalization trends and the demand for Corporate Social Responsibility (CSR) have created new pressures where performance is no longer measured only by profit figures, but also by the company's ability to adapt to technology and sustainability issues (Resende et al., 2024; Sakrabani & Teoh, 2020).

Enterprise Risk Management (ERM) is an integrative framework designed to manage risk holistically to protect and create value for the company. However, the literature that examines the influence of ERM on company performance still shows fragmented results. Most studies, such as those conducted by Saeidi et al. (2021) and Malik (2017), state that ERM strengthens performance through capital efficiency and better decision-making. On the other hand, González et al. (2020) argue that the adoption of ERM is often only a formality (symbolic) and does not have a real impact on the profitabilitas atau pengurangan risiko kebangkrutan. Perbedaan temuan ini sering kali disebabkan oleh adanya variabel moderasi atau mediasi seperti budaya risiko, modal intelektual, dan peran komite risiko yang belum sepenuhnya terpetakan (Kanu, 2022; Yahaya & Yakubu, 2022).

Based on this description, it is clear that there is a need to conduct a comprehensive evidence-based synthesis to map patterns and resolve the inconsistencies of existing research findings. Therefore, this study will conduct a Systematic Literature Review (SLR) to analyze, consolidate, and evaluate empirical evidence from previous studies on the influence of enterprise risk management on firm performance. The SLR method was chosen because it is able to provide a systematic, transparent, and replicable review (Page et al., 2021). The results of this SLR are expected to provide a clear picture of the direction and strength of the relationship between variables, identify moderators that influence inconsistencies, and provide recommendations for future research development.

Research Methods

This study applies the systematic literature review (SLR) methodology to identify, evaluate, and synthesize empirical findings regarding the effectiveness of digital transformation of tax administration. SLRs were chosen for their capacity to provide a

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comprehensive and unbiased synthesis of evidence, which is crucial for evidence-based decision-making (Snyder, 2019). The literature selection procedure follows the latest edition of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol to ensure transparency and accountability at every stage of the study (Page et al., 2021).

The process of searching for articles is carried out on leading electronic databases such as Scopus, Proquest, and Scholar. The keywords used were a combination of: "enterprise risk management" and "firm performance", The search was limited to articles published in highly reputable journals, namely Scopus Q1-Q4

The inclusion criteria applied are:

1. Empirical articles that discuss the relationship between capital intensity and/or company size and ETR;
2. The context of the research involves multinational companies or has implications for multinational tax planning;
3. Written in Indonesian or English; and
4. Published in the 2020-2025 time frame.

Figure 1 below visually illustrates the article selection process using the PRISMA flowchart, which starts from identification to the articles that are finally eligible for synthesis in this systematic literature review.

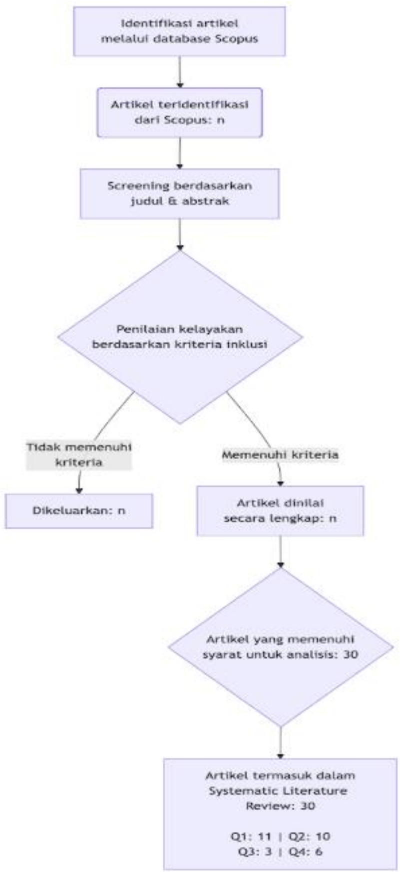

Figure 1. PRISMA Flowchart for Article Selection Process

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Based on the process in Figure 1, out of a total of 325 articles identified, through the screening and feasibility assessment process, 23 articles that met all inclusion criteria were finally obtained for further analysis. The composition of the journal quartile of the 30 final articles is presented in Table 2.

Table 2. Journal Articles

Quartile	Number of Articles	Presentase
Q1	7	30.43%
Q2	12	52.17%
Q3	3	13.04%
Q4	1	4.35%
Total	**23**	**100%**

Based on Table 2, the majority of articles in this study came from highly reputable journals, with 80% of publications indexed in quartiles 1 and 2. This composition shows that this literature review is based on high-quality and reliable literature. The dominance of Q1 (30.43%) and Q2 (52.17%) publications guarantees the validity of the findings that presented, while the existence of Q3 and Q4 publications (13.04% and 4.35% respectively) enriches the analytical perspective without sacrificing the overall credibility of the study.

Result and Discussion

Based on the synthesis of 23 scientific articles analyzed through the Systematic Literature Review (SLR) approach, this study succeeded in mapping the pattern of the relationship between enterprise risk management and firm performance. The general findings suggest that the majority of studies (80%) came from highly reputable journals (Q1 and Q2), providing a strong foundation for further analysis. The theoretical framework of agency theory dominates as the main analysis lens (34.78%), followed by resource based view (RBV) theory (26.09%) and contingency heory (21.74%), which reflects the complexity of the factors that affect the company's performance. The identified relationship patterns show empirical inconsistencies in both the influence of enterprise risk management on firm performance, which is strongly suspected to be influenced by contingency factors such as corporate governance characteristics, regulatory environment, and industry specifications.

Table 3. Theory

Theory	Quantity	Presentase
Agency Theory	8	34,78%
Resource Based View (RBV) Theory	6	26.09%
Contingency Theory	5	21.74%
Stakeholder Theory	2	8.70%
Signalling Theory	2	8.70%
Total	**23**	**100**

Based on Table 3, Agency Theory dominates the theoretical framework in the literature with a portion of 34.783%, indicating that agency conflicts between managers and

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shareholders are the main lens in analyzing company performance. resource based view (RBV) theory (26.09%) and contingency theory (21.74%) also menjadi fondasi theoretically significant, reflecting that Firm Performance is the result of the competitive advantage created by ERM's internal capabilities. Other theoretical diversity identified shows that the magnitude of ERM's impact on performance is highly dependent on the compatibility between risk strategies and environmental and technological factors of the company.

The Influence of Enterprise Risk Management on Firm Performance

Based on the synthesis of previous research, the influence of enterprise risk management on firm performance shows a theoretically positive relationship, although the empirical findings are not entirely consistent. Theoretically, this supports the resource-based view (RBV) that views ERM as a strategic internal capability. Studies from Saeidi et al. (2021) and Anugerah et al. (2023) prove that companies that are able to integrate risk management into all their business processes tend to have better operational efficiency and higher market value. In the international context, ERM serves as an instrument to reduce bankruptcy costs and information asymmetry, which is in line with agency theory. This is evident in the Islamic banking sector in the GCC Alsalami et al. (2023) and the insurance company in South Africa Horvey & Odei-Mensah. (2024), where the implementation of disciplined ERM is a positive signal for investors that management has acted in harmony with the interests of shareholders.

Although the majority of studies showed positive results, this study highlights the presence of crucial contradictory findings. Otero et al. (2020) in Spain found that the adoption of ERM does not have an instant impact on ROA or Tobin's Q. This phenomenon can be explained through Contingency Theory, where the effectiveness of ERM is highly dependent on the maturity of the organization's culture and the country's specific business environment. These inconsistencies show that ERM is not a "silver bullet" that guarantees success. Without support from an active risk committee or integration with Kanu's strategic planning (2022), the cost of implementing ERM can actually become an administrative burden that reduces short-term performance. This research shows that in developed countries (such as the UK and the European Union), the focus of ERM is more on disclosure and governance to maintain market trust. In contrast, in developing countries (such as Indonesia, Malaysia, and Nigeria), ERM is more focused on achieving operational stability and growth amid high economic volatility. These differences in implementation motivation are the reason why the impact of ERM on performance has different magnitudes in each geographic region.

Conclusion and Recommendation

This Systematic Literature Review (SLR) research confirms that the implementation of Enterprise Risk Management (ERM) on an international scale serves as a fundamental governance mechanism for the escalation of corporate performance. Through the lens of agency theory, ERM has proven to be a crucial instrument in mitigating agency problems triggered by information asymmetry between managers (agents) and shareholders (principals). The integration of the ERM framework forces transparency in risk profile reporting, effectively limiting opportunistic behavior and excessive risk-taking that has the potential to degrade the company's long-term value. A synthesis of 23 articles shows that the effectiveness of ERM in spurring firm performance is highly dependent on the quality of internal mechanisms, especially the activities of the risk committee and the supervision of the board of directors. In a theoretical perspective, this active involvement ensures that the actions of the agents are aligned with the principal's interests in order to maintain financial stability. Despite

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the dichotomy of focus where developed countries focus on risk disclosure while developing countries focus on operational efficiency—the common thread remains consistent: ERM reduces agency costs through strengthening the quality of reporting and internal controls. However, this positive impact is not automatic but contingent; Its success requires synergy with variables such as intellectual capital and the adoption of digital technology. Without strategic integration, ERM will simply be an administrative formality that fails to fulfill the control function and has no impact on profitability.

The theoretical implications of these findings reinforce the relevance of agency theory in modern risk management, where ERM is not just a technical tool, but a governance architecture that aligns managerial incentives with the protection of shareholder value. In practical terms, companies should prioritize the establishment of an independent and competent risk committee to ensure substantive oversight, not just compliance. For regulators, these results drive the need for stricter standardization of risk reporting to minimize information asymmetry in global markets. In addition, management needs to integrate ERM with digital transformation and human capital development so that the risk management system is able to dynamically adapt to market uncertainty, so that investments in ERM systems can be converted into competitive advantage and sustainable profit growth.

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