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The effect of operational risk management on the profitability of small and medium size enterprises of the hotel sector in Cameroon

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ABSTRACT: One of the most common types of risk faced by SMEs of the hotel sector in Cameroon is the operational risk as there exist uncertainty related to personnel, clients, processes and systems that motivated this study. Today, organizations are investing a lot on business activities which requires risk management practices to mitigate the negative outcomes of operational risks. In line with this, the study focuses on the effect of operational risk management on the profitability of Small and Medium Size Enterprises (SMEs) of the hotel sector in Cameroon. The data used was collected through questionnaires and limited to SMEs of the target sector, imputed through SPSS and analyzed by multiple correlations with ANOVA tables. The findings reveals that there exist strong positive relationship between operational risk management and profitability. Hence, By managing enterprise-wide risk, the management will develop a unified picture of risk for decision-making and improve the organization's ability to manage risk effectively which can enhance its profitability. This present research will give new insight to the researchers and will help them to consider the proposed model to implement and generalize in different settings.

KEYWORDS: Operational Risk Management, Profitability, SMEs.

1 INTRODUCTION

Small and medium sized enterprises (SMEs) are the bed rock of a country's economic development because they contribute to economic growth, increased exports, unemployment reduction, and innovation advancement (Nikolić et al., 2019).Ouma Mugabe et al. (2021) stated that most businesses worldwide are SMEs which are significant predictors of job creation and market economic growth. According to World Bank (2020) statistics, SMEs account for approximately 90 percent of all businesses and more than 50 percent of total productive economic activity. As GDP, well planned SMEs can contribute close to 40% of a country's gross domestic product as stated by Nimfa et al., (2021)

SMEs continuously face many operational risks and uncertainties in their daily operations, and these risks threaten to reduce productivity, turnover, affect their profit and increase cost. Businesses are required to compete in a global, volatile and dynamic market. Cheng and Kam (2008), stated that the increase in markets for products have created potentials for increase sales and profits for Businesses. Hence, a better management of operational risk may enhance these potential and improve their flexibility, quality standards and innovativeness. To achieve this, businesses need experienced and trained staff, reliable machines, efficient processes, good relationships with suppliers and customers, a supply of quality materials and services and other value-adding processes throughout the operations system. This is not easy to achieve as most small businesses, especially small and medium-sized enterprises (SMEs), face a number of business risks in their day-to-day operations that threaten to reduce productivity, increase costs and liabilities and reduce profits (as cited by Islam, 2012; Michalski 2009).

The sector of hospitability especially hotel is one of the biggest and diverse sector which offers a wide range of services such as meetings, conferences, incentive as well as events (Wadongo et al, 2010). A study was done to investigate whether hotel-related small and medium-sized enterprises (SMEs) perform better than non-hotel-related SMEs in the four main coastal

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tourist destinations in South Africa and revealed that hotel-related SMEs have higher profit and higher productivity than non-hotel-related SMEs.

Factors such as firm's capital assets, number of workers, sales revenue, level of human capital, and size positively affect SMEs' profit and productivity (ADB Institute, 2020). In particular, the small and medium-sized enterprises (SMEs) were worst-hit by Covid 19 given their size, scarce resources and limited cash flows. Sectors such as hotels and food services, retail, entertainment and manufacturing are characterized by SMEs that are susceptible to such social and economic restrictions (McKinsey and Company, 2020). Compared to other sectors, hospitality sector especially hotels are the most affected since both international and national travel declined due to obligatory lockdowns.

SMEs in general and those of the hotel sector in particular, are the most vulnerable to risk and crisis due to lack of provisions, limited cash and inability to raise sufficient funds strategically as stated by (Lu et al., (2020); Runyan (2006)). They continue to play a critical role in the development of the hotel sector in Cameroon with many entrepreneurs starting small hotels, guest houses and lodges in popular tourist destinations such as Yaounde, Douala, Limbe and Buea. These SMEs often offer more affordable and personalized accommodations than larger hotels, catering to a wide range of customers, including budget travellers, back packers and families as well as specific markets such as eco-tourism or cultural tourism. (Denis and Lenora, 2019; NIS, 2020).

PROBLEM STATEMENT

Banjo and Oloyede (2021) stated that, the management of firms must put in place an effective risk management practice so as to enhance performance by identifying, assessing and controlling risk on time. This will help to minimize its negative consequences. The research problem within the ambit of this study reads as follows: 'No structured approach to risk management exists for Cameroonian SMEs which affects their financial performance; Also, economic and financial crisis caused by Boko Haram insurgency in the northern regions as well as the political unrest in the two English speaking regions of the country, not leaving aside the Covid 19 pandemic which took SMEs by surprise and continues to impact on supply chains, shortage of energy supply and Ukraine invasion which caused price increases, which all strongly affect business continuity and returns. In addition, few studies exist on the effect of risk management in general on the financial performance of SMEs in Cameroon. It was based on the above observations that this study seek to examine the effect of operational risk management on the profitability of Small and Medium Size enterprises of the hotel sector in Cameroon, which leads us to the following questions.

RESEARCH QUESTIONS:

The main question of this study is:

- What is the effect of operational risk management on the profitability of SMEs of the hotel sector in Cameroon?

More specifically, the study seeks to answer the questions of:

- What is the effect of personnel risk on profitability of SMEs of the hotel sector in Cameroon?
- How does system risk affects profitability of SMEs of the hotel sector in Cameroon?
- What is the effect of process risk on profitability of SMEs of the hotel sector in Cameroon?

RESEARCH OBJECTIVES

The aim of this study is to answer the questions that have been asked in general and specific.

The main objective is:

- To know how operational risk management affects the profitability of SMEs of the hotel sector in Cameroon.

More precisely:

- To determine the effect of personnel risk on profitability of SMEs of the hotel sector in Cameroon.
- To assess the influence of system risk on profitability of SMEs of the hotel sector in Cameroon.
- To know the effect of process risk on profitability of SMEs of the hotel sector in Cameroon?

2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The study will review the concepts of operational risk management and profitability. It will be based on the background, context and conceptual frame of operational risk management.

Hotels assume a critical part in the most nations by giving offices to the exchange of business, for gatherings and meetings, for amusement and stimulation. At the beginning of inn keeping, explorers frequently needed to convey their own particular nourishment and refreshments to where they remained for the night. A bed for the night was the main item advertised. Be that as it may, soon most foundations stretched out their neighborliness to giving, at any rate, some sustenance, and refreshments. Today numerous flats, inns, and motels give their offices to dozing convenience, and furthermore sustenance and drink, and at times different offices and administrations, and make them accessible to its inhabitants as well as to non - occupant. Operational risk is not real, but simply a tagging of some old risks by regulators to improve the visibility of such risks and drive the culture of self-regulation of operations (as cited by: Hemrit & Arab, 2013; Suvita, M., 2016).

The notion of operational risk became prominent after the collapse of Barings Bank in 1995 and the 1998 Long-Term Capital Management crisis which upon investigation was found that, it was due to failure of operational risk management (as stated by: Peter, Gordon and Yueran 2018; Siminyu, Clive & Musiega, 2017). Prior to this period, less attention was paid to operational risk and was seen as a mere residual risk, that is, part of other risks type that falls outside the purview of market risks and credit risks.

Operational risk can be classified into two types; the risk that emerges from the blunder in the innovation that has been utilized by the organization that likewise incorporates the disappointment all the while and the hazard that emerges because of the office cost (as cited by: Jarrow 2008; Allen 2004). Khali (2017) an investigation on firms in the nourishment industry and used working net revenue proportion an estimation to show the effectiveness of the association's task by separating the working wage with add up to income.

2.1 BACKGROUND

The background of this study will contain the main variables in concept and context.

2.1.1 CONCEPT OF OPERATIONAL RISK

SMEs in the hotel sector in particular and tourism industry in general rely much on the risk management process as the case with other sectors. The process of risk management involves four steps that begin with identifying potential risk areas to implementing the risk management program of the company. As such, risk management is a human activity that involves recognition, assessment, strategizing and minimizing risk based on management resources. This helps in reducing risk exposure of firms and prepare their survival during and after any unexpected event (Kimball, 2000; kiochos, 1997).

Segal (2020), stated that, operational risk is the risk of loss or failure of business due to failure of internal process, errors by personnel, fraudulent or criminal acts as well as external events. This is because every activity of investment involves a certain degree of risk that the firm will not earn its expected return. For example, an error committed by an inexperienced personnel may be very costly to the firm which is contrary to the cost saving objectives. An external factors like Pandemics (e.g Covid 19) and political regulations and decisions imposed by the government which affect sales and customers. Also, if one employee is infected by a disease like Covid19, it may spread to others and lead to the closure of the business which can lead to great losses.

The effective management of operating risk by SMEs of the hotel sector in Cameroon is critical to their long term success and sustainability. SMEs of the hotel sector in Cameroon face several operating risk in their day to day operations such as personnel risk, financial risk and regulatory risk. To manage these risks, authors suggest that, SMEs of this sector must put in place effective risk management strategies. Hence, the effective management of these operation risk is necessary to their long term success and sustainability (Arjun Pandey 2020).

2.1.1.1 COMPONENTS OF OPERATIONAL RISK MANAGEMENT

According to Dufour, (2015), and Djekna, (2018), there exist three components of operating risk which are IT risks, legal risks and psychosocial risks. These operational risks include; overheads, personnel and external risk factors. While some authors like Djekna stated that there exist eight components. This study resumes by presenting five most common components of operating risk.

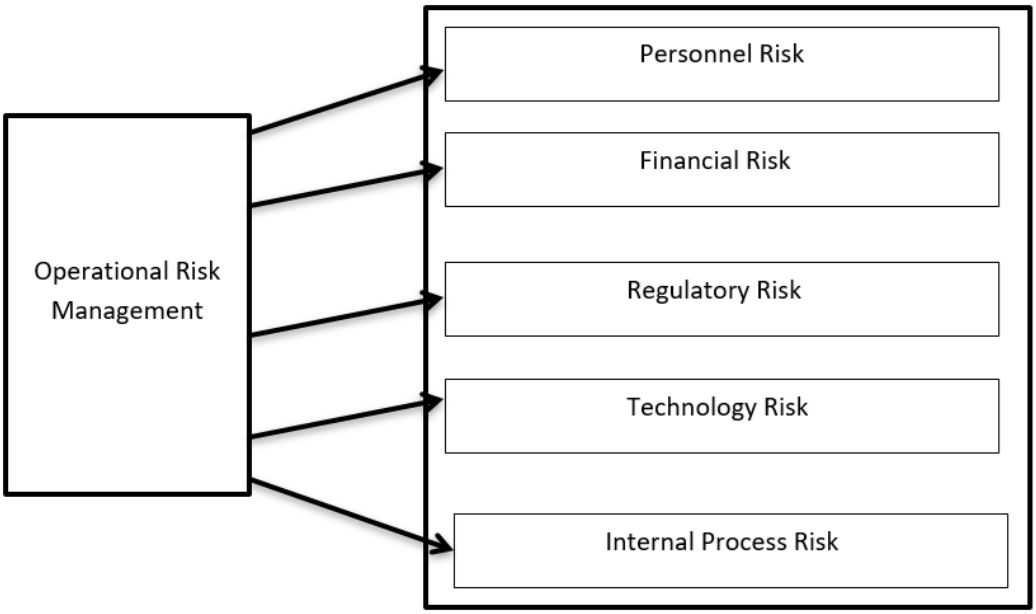

Fig. 1. Components of Operational risk management

Source: author (2022), adapted from (Djekna & Timba, 2018)

2.1.1.2 CAUSES OF OPERATIONAL LOSSES

The causes of operating risk intend to know the reason for the loss. Experts note that operational risk losses must be identified, assess and manage. Such loss is caused by; people, processes or external events (as stated by Ong 2011; Zengin, 2016; Chalupka, 2008).

- **People risk**

It is possible for a firm to make loss through personnel due to errors, criminal acts, inadequate training, poor control, lack of division of task, dishonesty and lack of dignity. All these constitute risk of individuals.

- **System risk**

Software and other IT systems constitute great risk to organizations in the sense that, it affects workflow, processes and policies. However, this risk is connected to other risk such as people, process etc. Some systemic risk activities include; malware, cyber attacks and other system weaknesses. Such risk are generally caused by; poor IT security, operational insufficiency, low quality equipment and insufficiency of data used.

- **Process risk**

Process or risk is the possibility of a loss of processes linked to errors during operations, accounting, recording, pricing, measurements. The risk covers the execution of transactions at all times and certain business administration elements, such as the risk for goods and services, inadequate monitoring mechanisms, and a shortage of protection or a high degree of protection.

- **External risk**

The risk of loss is external to the environment in which the bank operates due to changes in its environment. Changes in the law, politics, economy, and possibility of outside physical intervention are other main external risks.

2.1.2 BACKGROUND CONCEPT OF PROFITABILITY

This part of the study will review the background, context and concept of profitability.In an economy, there is an efficient resources' allocation process when the business environment is supportive and competitive. So, resources are often directed to the most productive investments and they generally lead to higher productivity and profitability. It is possible to measure a business organization performance by using financial and non-financial measures. The financial measures are made of profit before tax and turnover while the non-financial measures refer to issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover among other things. However, financial measures have the advantage of being objective since they give a broad picture of the overall performance of a business whereas the non-financial measures are mostly subjective.

2.1.2.1 THE CONTEXT OF PROFITABILITY OF SMES IN CAMEROON

Denis and Lenora, (2019), in a review published in 2019 found that Enterprises in Cameroon realized a total turnover of 10225 billion CFA francs. Of this, those in the cities of Douala and Yaounde contributed about 73.8% and 59.7% respectively and provide over 48.7% of permanent.

SMEs on their part, contributed only 15.4% of total turnover and provide over 48.7% of permanent jobs. They realized that, generally, SMEs make up 84.6% of total turnover and constituted 51.3% of labour. Hence, SMEs contribute greatly to the economic growth and development of Cameroon in terms of labour and income (as cited by Nkafu policy, 2019-Denis and Lenora).

Based on an enterprise census carried out by the World Bank in 2016, the profitability of SMEs in Cameroon is less than that in sub Saharan Africa in terms of growth in employment as it was estimated between 6.2% and 7.3% which implies that the private sector of Cameroon is less performant as compared to those of sub-Saharan Africa in terms of job provision though the annual employment growth in low middle-income group is 3.3% (as cited by World Bank group enterprise survey, 2016).

2.1.2.2 DETERMINANTS OF PROFITABILITY OF SMES IN THE HOTEL SECTOR IN CAMEROON

The need to spread risk by companies in general and SMEs in particular has expose firms to several risks, one of which is operational risk which has always existed but little or no concern has been placed to it. Past literature in economics and finance has developed interest in operating risk by characterizing it of disasters and financial crisis. Operational risk is seen as one of the most important factor that weaken SMEs profitability as stated by Giorgio B. and al., (2013).There are often some risk factors that affect the profitability of SMEs of the hotel sector, some of which include;

- **Informality**

Most SMEs in Cameroon that operate in the hotel sector are in the informal sector which deters government policy of taxation and makes it difficult to bring them out of the state so as to enable them benefit from some advantages enjoyed by large firms.Authors have stated that, the situation of informality hinders growth and profitability which prevents their inclusion in decision making. This is supported by the existence of power struggle and bureaucracy in the central government that prevent actions and plans to bring them to see the light of the day (as cited Nichter and Goldmark (2005); Ubels et al. (2010)).

- **Poor Governance**

The need to show proof of competence, accountability, transparency and legitimacy and create public trust and values, the government can take measures to enhance change in both internal and external environment of firms. Some authors believe that, to better serve clients, SMEs must adopt political neutrality. Therefore, e-governance is the only platform to serve cost and time effectively through effective communication. Besides not having a reliable E mail, there must be mutual corporation between client and principal as in the agency theory so as to establish capacity building programs. The ease to information can reduce information asymmetry related risk and open SMEs to investment opportunities and improve transaction cost (as cited by Haque, 2000; OECD, 2003).

- **Corruption**

SMEs corporate with tax officials so as to be exempted from tax audit. Authors have stated that, corruption increase cost of investment which deters home and foreign private investments. Through corruption, many firms or SMEs are created and

engage in informal activities. Hence, the promotion of SMEs is a multi-stakeholder task, in which they could be linked with other agencies whose activities affects their performance (as cited by Pellegrini, 2011).

- **Inadequate Human and Financial resource**

Many personnel lack knowledge and skills which can permit them to gain formal jobs and as such, they either open small business or take up unskilled informal jobs. This skills gap and lack of training requires much work to sustain as developed in business growth models. Based on pass studies on human resource and performance of hotel employees, staff recruitment, training and service quality are the main determinants of the productivity of firms in the hotel sector. This is in line with a study in Taiwan which found that, low quality human resource can lead to poor service quality and low efficiency (as cited by Kilic and Okumus (2005); Chang, Gong and Shum (2011); Wang, Shang and Hung (2006); Nichter and Goldmark (2005))

- **Innovation and Productivity**

It has been found that, innovativeness has a positive relationship with profitability of firms in the hospitality sector. Hence, to better compete in the market, firms must be innovative enough couple with external environmental factors. As such, an increase in technology can lead to growth in productivity. However, labour and capital has little effect on growth in productivity (as cited by Wang and al. (2012); Sandvik, and al. (2014); Chen and Soo (2007)).

- **Managerial Efficiency**

The efficient management of SMEs determines its performance. Hence, the management style, customer relation all act as catalyst to SMEs productivity in the hotel sector. It has been revealed that a focused strategy is more adaptable than diversifying because scale efficiency is more realizable than technical efficiency. As such large firms have higher efficiency that SMEs (as cited by Hwang and Chang, 2003; Neves and Lourenço (2009).

- **Geographic Location**

Another important determinant of the profitability of SMEs of the hotel sector is its geographical location. From the view point of some researchers, firms located in places where labour is occupationally distributed and whose distribution matches with demand for labour, it will achieve higher returns just as the case of SMEs. New entrants enjoy knowledge spillover benefits that old ones. Hence, factors like; agglomeration effects, public service, infrastructure, road and subway accessibility to tourist sites should be considered when siting SMEs of tourism sector so as to enhance their returns (as cited by Brown (2013); Yang, Wong and Wang (2010)).

- **Agglomeration**

Some researchers stated that, hotels prefer locations close to potential markets due to the desire for increase demand from potential guests and enhance their performance. Due to large demand in the center city, as a result of the center and business district, accessibility needs to other facilities of tourists, geographical distance constitute determinant factor in influencing returns (as cited by Barros (2005); Yokeno (1968); (Shoval, 2006); Weaver (1993)).

- **Externalities**

Externalities are factors that can affect the activity of an SME in the hotel sector which emanates from the environment like competitors, geographic location, agglomeration and external demand. Authors believe that, there exist positive relationship between externality and returns of firms (Chung and Kalnins (2001); Barros (2005)).

2.2 HYPOTHESIS DEVELOPMENT

SMEs that handle their operating risk better can have some advantages: It improves its prestige and the potential to draw broader clients; It increases their efficiency and profitability (Songling, Ishtiaq, and Anwar 2018). His study support the theoretical argument brought to light that risk management in an organization influence the organization profitability, through enhanced risk management practices.

Meshack and Mwaura (2016) revealed that some risk management practices do have a significant effect on profitability more than others i.e., the existence of a risk management policy and the integration of risk management in the setting of organizational objectives were considered to be the key risk management practices that had a direct effect on profitability.

The findings revealed by Issn and Fadun (2020) shows that sound operational risk management practices impact positively on the profitability of SMEs.

The study by Isoh and Nchang (2020) reveals that, financial efficiency has improved dramatically with the introduction of internal operative risk management techniques, revealed that internal risk management activities and risk control, as well as training and reporting, have an important positive effect on financial performance.

Also, the study Muriithi and Waweru (2017) found that operational risk management practices have an effect on the profitability of companies, hence affecting their financial performance. This means the SMEs can boost their performance through the implementation of good policy, process and personnel risk management, even if other determinants do not form a part of the analysis and integrating risk management in the process of setting achievable organizational objectives.

The study will make a brief relook of the objectives of this study so as to show how operational risk management and its measures affects profitability of SMEs of the hotel sector based on past research works.

This is in line with Jolly (1997) contribution that preventing losses through precautionary measures is a key element in reducing risks and consequently, a key driver of overall performance. The efficiency of risk management by insurance firms will generally influence their performance. Generally, company operations are prone to risks and if the risks are not managed the firm's performance will be at stake. Firms with efficient risk management structures outperform their peers as they are well prepared for periods after the occurrence of the related risks. Researchers like Jolly (1997) believe that, preventive measures will help to reduce risk and prevent losses which intend will enhance performance. This is because, the operations of companies, especially small firms of the hotel sectors are generally liable to risk, which if not well managed, will hamper the performance of firms. Better risk management plans gives competitive advantage to firms over their rivals since they would always be able to survive during periods after the occurrence of the related risk such as covid 19 and others which are the concern of this study.

According to Isoh and Nchang (2020), there exist some internal activities of risk management like risk control, training and reporting abilities of personnel which have significant positive effect on financial performance in general and profitability in particular.

Segal (2020), stated that, businesses can fail or incur losses due to some risky activities related to employees like fraud, errors or criminal acts. Also, the company can hire personnel that are not experienced and which is an anti-cost saving measure because they will make mistakes ignorantly and this will affects expected returns of the company. More over if an employee gets infected during crisis time, it could lead to the closure of the entire restaurant or hotel which leads to huge loss of money. This component of risk concerns both staff members and managers.

The above situations are evident in the case of hotel SMEs in Cameroon where by most at times, they employ non qualified staff on an employment policy which is sometimes exploitative, corrupt and tribalistic. This in the short run affects the returns of the company.

Failure of internal process can cause the business to fail or loss money. As such, business owners or managers can ask themself about the capabilities as well as lacking that the business have in terms process or procedure so as to match up with their rival as cited by segal (2020).The inability of hotels to adapt their internal processes to changing situations especially during crisis period leads many firms of this sector to loss much money. This was confirmed in a survey carried out in the US on restaurants and other firms of the food service industry where by, it was observed that, this industry lost about 120 billion dollars of sales revenue at the early age of Covid pandemic (McCarthy, 2020).

Past studies have revealed that, if SMEs adhere to organizational and financial procedures and policies, by putting in place an effective internal control and audit through constant review of transactions so as to ensure accuracy, compliance and completeness, it will not only help to curb fraud, but also improve on productivity and profitability. (as cited by Pandey (2010); (Okunbor and Obaretin, 2010); Njuguna et al. (2017)).

System risk, also called technological or IT risk result from high capital intensity and long periods of technological advancement couple with owner-managers that are conservative and less interested in innovative ideas like mergers and acquisitions. System operational risk are threats that arise as a result of inadequate IT assets, theft, improper modification of the system which may lead to the destruction of an organization's image and cause it to loss income.

SMEs need an effective information systems to support and convey information to different users. The systems must have technology that assist decision-making, and ensure proper link between users and computer technology, provides information for managers on the day-to-day operations of the enterprise".The system will serves as an intangible asset or product.

Therefore, the ability of SMEs to make profit, depends on how well the organization understands, evaluates synthesizes, interprets, and acquires information and how its channels of information support organizational processes. (as cited by Raykov and Marcoulides, 2012; Bayaga and Flowerday, 2016) Thus, the operational definition of this study includes the inadequate risk management of people, internal process and system risk.

Based on the above studies, we therefore, hypothesize that operational risk management has positive influence on profitability of SMEs of the Hotel sector in Cameroon. More specifically;

Hypothesis 1: People risk management has a significant positive effect on Profitability.

Hypothesis 2: System risk management has significant positive effect on Profitability.

Hypothesis 3: Process risk management has significant positive effect on Profitability.

3 RESEARCH METHOD OR METHODOLOGY

According to Rajasekar et al. (2013), research technique is an efficient method to take care of an issue. It is an exploration of concentrate how to look into is to be completed. Basically, the techniques by which specialists approach their work of depicting, clarifying and anticipating wonders are called inquire about a system. It is additionally characterized as techniques by which learning is picked up. It's expected to give the work design of research. In this study, operational risk management is measured by the types of operational risk.

3.1 RESEARCH MODEL OR DESIGN

In order to know how operating risk management affects the profitability of SMEs of the hotel sector, the study will use a quantitative research approach through questionnaires and the data will be analyzed by Pearson correlation analysis through ordinary least square technique. The technique that is utilized to gather information is Statistical Package for Social Science (SPSS).

Statistically we note the model: $Z = ß_1Y_1 + ß_2Y_2 + ß_3Y_3 + €$,

Where; ß is the parameter of each variable,

Y is the independent variable (Y_1, Y_2, Y_3), representing the measures of operational management;

Z is the dependent variable representing profitability;

To develop a better understanding of how SMEs of the hotel sector can mitigate the impact of business risks, we develop a model that corresponds to the hypothesis (Figure 2). This model attempts to link the risk drivers of operational risk to SMEs profitability, through the medium of organizational learning and strategic practices. Jarrow (2008) stated that operational risk can be partitioned into two kinds known as the risk emerges from the blunder in the innovation that has been utilized by the organization that likewise incorporates the disappointment all the while and exchange for the second sorts are the hazard emerges because of the office cost. An investigation that has been directed by (Allen, 2004) measures the execution of firms in a nourishment industry market to the progressions of the truck bearer by utilizing the working proportion, partitioning the aggregate working cost with the aggregate incomes. Results demonstrate that in the time of 8 years of study, the cost increment persistently. While in an investigation done by (Khalil, 2017) working net revenue proportion was utilized as an estimation to demonstrate the effectiveness of the association's task by separating the working wage with add up to income.

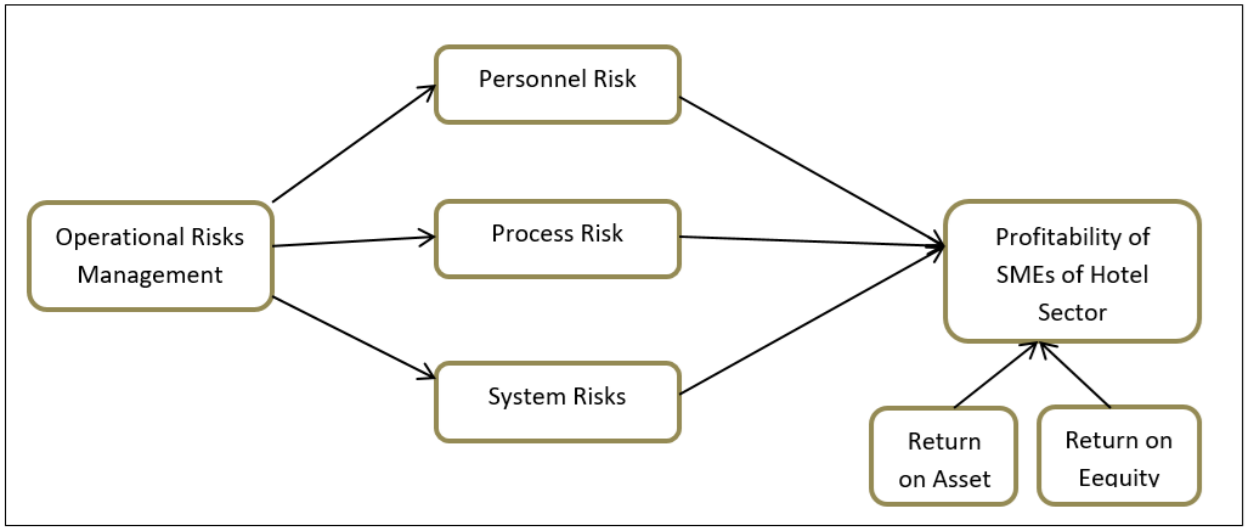

Fig. 2. Research Model

Source: Authors (2023)

The above model is derived from ideas and findings of various authors who believed that SMEs that handle their operating risk better can have some advantages: It improves its prestige and the potential to draw broader clients; It increases their efficiency and profitability (Songling, Ishtiaq, and Anwar 2018). His study support the theoretical argument brought to light that risk management in an organization influence the organization profitability, through enhanced risk management practices.

3.2 SAMPLE SELECTION OR DATA AND DESCRIPTION

The data used in this study was collected through questionnaires and external sources (National Institute of Statistics and Accounting (NIAS), The Ministry of Small and Medium size enterprises (MSMEs)).Saunders et al (2007) stated that, questionnaires are suitable to a situation where most of the questions are consistent and the researcher was confident that all respondents interpreted the questions in the same way. They are also stated that, questionnaires are the greatest tool to be adopted in descriptive studies where a researcher has undertaken some literature review and has understood the subject of research prior to data collection and extending further to draw conclusions from the data collected.

The targeted population of this study is hotels in Cameroon precisely in the main cities (Douala, Yaounde, Buea, Bamenda, Limbe, Bafoussam). Sampling is a process used to select study units from the population (Trochim 2005).According to Mugenda (2003), about 10% - 30% of the target population is enough representative of the sample. In this study, a sample of some 100 hotels were selected using the purposive sampling method.

3.3 DATA ANALYSIS AND INTERPRETATION

Data relating to the prospect and effect of operational risk management on profitability was imputed in the SPSS software and analyzed using the linear regression technique. The analysis will be done by testing the hypothesis set above in ANOVA tables. We set our hypothesis to be predicted answers to the research question. These hypotheses have been stated in two forms: the alternative hypothesis denoted by H_1 which is the hypothesis under verification or testing and the null hypothesis denoted by H_o which after conclusion based on a decision rule, we can either reject it or fail to reject it. These three null and alternative hypotheses were formulated as follows:

HYPOTHESIS 1

H1: Personnel risk has a significant positive effect on Profitability.

H0: Personnel risk has no significant positive effect on Profitability

The results were summarized below.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975[a]	.950	.949	.15668

a. Predictors: (Constant), effect of personnel risk management on Profitability
Source: Field work 2023

From the model summary table, R is 0.975 which reflects an average positive correlation between personnel risk management and Profitability. The result for R^2 (written R square) is 0.950. This value, which is also known as the coefficient of determination, indicates how much the total variation in Profitability can be explained by the factors of Personnel risk. In this case, 25.2% can be explained as in the ANOVA table below.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.056	1	20.056	817.000	.001[b]
	Residual	1.056	43	.025		
	Total	21.111	44			

a. Dependent Variable: Profitability
Source: Field work 2023

The ANOVA table shows that the P-value = 0.01 which is less than the alpha level of 0.05, and indicates that the overall regression model, personnel risk management statistically significantly predicts the outcome variable which is profitability, that is, the model fits the data well.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.078	.057		18.998	.000
	effect of personnel risk on profitability	.633	.022	.975	28.583	.001

a. Dependent Variable: Profitability
Source: Field work 2023

From the coefficient table, the P-value is equal to 0.01 which is less than the alpha level of 0.05. This implies that we reject the null hypothesis (H_o) and consider only the alternative hypothesis (H_1). The value of Beta is 0.633 and it signifies that a change in Personnel risk by 1 point will lead to a change in Profitability by 0.633 point. From the table, the equation of the regression line is given as $Z = 0.633y + 1.078$. From the equation, the positive sign of the regression coefficient signifies that an increase in the score of personnel risk (y) will lead to an improvement in profitability (Z).

HYPOTHESIS TWO

H1: System risk has significant positive effect on Profitability.

H0: System risk has no significant positive effect on Profitability.

The statistical instrument used here was the linear regression technique and the hypothesis was tested at an alpha level of 5%. Data from the questionnaire was imputed in SPSS and the results were summarized as follows:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	.805	.801	.30935

a. Predictors: (Constant), The role of system risk and measures in improving profitability
Source: Field work 2023

From table, R is 0.897 which signifies a high positive correlation between system risk and the profitability. The result for R square is 0.805. The R square determines how much of the total variation in the Profitability can be explained by the changes in system risk. A value of R square equal to 0.805 is therefore good as 80.5% of the variation in the data is being explained by the regression line, that is, the observed variable.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.996	1	16.996	177.606	.001[b]
	Residual	4.115	43	.096		
	Total	21.111	44			

a. Dependent Variable: Profitability
Source: Field work 2023

The ANOVA table shows that the P-value = 0.001, which is less than the alpha level of 0.05, indicated that the overall regression model statistically significantly predicts the outcome variable meaning that the model fits the data well.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.093	.119		9.176	.000
	The role of system risk on profitability	.645	.048	.897	13.327	.001

a. Dependent Variable: Profitability
Source: Field work 2023

From the coefficient table, the P-value is equal to 0.001 which is less than the alpha level of 0.05. This implies that we reject the null hypothesis (H_o) and consider only the alternative hypothesis. The value of Beta is 0.645 and it signifies that a change in the method of managing system risk by 1 point will lead to a change in profitability by 0.534 point. From the table, the equation of the regression line is given as Z = 0.645y + 1.093.

HYPOTHESIS THREE

H1: Process risk has significant positive effect on Profitability.

H0: Process risk has no significant positive effect on Profitability.

The data used in testing the hypothesis above were responses from the questionnaire concerned with the relationship between process risk and profitability. As the previous hypotheses, this hypothesis was tested at a 5% alpha level using the linear regression technique.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.255[a]	.065	.043	.67761

a. Predictors: (Constant), To assess the relationship between process risk and profitability.
Source: Field work 2023

From the above model summary table, R is 0.255 which reflects a low positive correlation between process risk and profitability. The result for R square is 0.065. This value indicates how much the total variation in profitability can be explained by the factors involving process risk.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.368	1	1.368	2.978	.045[b]
	Residual	19.744	43	.459		
	Total	21.111	44			

a. Dependent Variable: Profitability
Source: Field work 2023

The ANOVA table shows that the P-value = 0.045, which is less than the alpha level of 0.05, indicated that the overall regression model statistically significantly predicts the outcome variable meaning that the model fits the data well.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.026	.323		6.267	.000
	To assess the relationship between process risk and profitability	.256	.149	.255	1.726	.045

a. Dependent Variable: Profitability
Source: Field work 2023

From the coefficient table, the P-value is equal to 0.045 which is less than the alpha level of 0.05. This implies that we reject the null hypothesis (H_o) and consider only the alternative hypothesis. The value of Beta is 0.256 and it signifies that a change in process risk by 1 point will lead to a change in profitability by 0.534 point. From the table, the equation of the regression line is given as Z = 0.256x + 2.026. From the equation, the positive sign of the regression coefficient signifies that an increase in the score of process risk (y) will lead to an improvement in profitability (Z). From the tables above, the equation of a multiple linear regression can be given as follows:

Z = (0.633 + 0.645 + 0.256) y + 1.078 + 1.093 + 2.026

The values of the slope of the regression equation or regression coefficient are positive for each variable implying that a change in the different independent variables will lead either to an increase in the dependent variable. This explains further the positive correlation that exists between the independent variables and the dependent variable.

4 RESULTS AND DISCUSSIONS

The study will present the results of regression analysis and discuss the findings.

4.1 REGRESSION RESULTS

The above regression analysis was aimed to find out how each type of operational risk management can affect the profitability of SMEs of the hotel sector in Cameroon. The findings reveals that there is a significant positive relationship between operational risk management and profitability, just as in the works of (Singh, N. P., and Hong, P. C, 2020; Suvita M, 2016; Nusaibah, 2017).This is seen in the value of correlation of 0.975 for hypothesis 1 on personnel risk (strong positive correlation), 0.897 for hypothesis 2 on system risk (strong positive correlation) and 0.255 for hypothesis 3 on process risk (weak positive correlation). The findings further enhance our understanding of how operational risk management practices can empower SMEs, especially of the hotel sector and enabling them to better manage events that disrupt their businesses and attain positive financial outcomes.

4.2 DISCUSSION

Based on the findings, there is significant relationship between operational risk and profitability. Firms of the hotel sector need to know how to manage the monthly payment and debt repayment, systems and processes. If the company failed to manage their operational ratio, it will affect the company's productivity and profit. There are several ways to manage the operational risk. For example, view risk as an enterprise-wide challenge. By managing risk enterprise-wide, a company will develop a unified picture for decision-makers and improve the organization's ability to manage risk effectively which can enhance its profitability.

5 SUMMARY, LIMITATION AND CONCLUSION

5.1 SUMMARY

The findings further enhance our understanding of how operational risk management practices can empower SMEs, especially of the hotel sector and enabling them to better manage events that disrupt their businesses and attain positive financial outcomes.

5.2 LIMITATION AND FURTHER STUDIES

This study is limited to only hotel industry in Cameroon, precisely on SMEs of the sector. This study also cover only three years from 2021 until 2023. Thus, only limited amount of information can be collected due to the time constraint. In addition, it concentrates only on operational risk and its measurements whereas there exist other types of risk faced by SMEs of the hotel sector. Hence, further studies could be done on the effect of other types of risk management on financial performance, on growth and development of SMEs in Cameroon.

5.3 CONCLUSION

The objectives of this study were tested using a sample of 100 branch manager-employees of hotels in Cameroon's main cities to predict the effects of operational risk management on profitability. Data was analyzed at the 95% confidence interval using multiple regression model and results revealed that the various types of operational risk management have significant effects on profitability.

DISCLOSURE STATEMENT

The authors are not aware of any funding, that might be perceived as affecting the objectivity of this study

CONFLICTS OF INTEREST

The author (s) reports no conflicts of interest.

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