

# The Role of KM on the Relationship Between ERM and CA

Matias Andika Yuwono<sup>1\*</sup>, Lena Ellitan<sup>2</sup>

Widya Mandala Catholic University, Surabaya, Indonesia<sup>1,2</sup>

[andika.yuwono@gmail.com](mailto:andika.yuwono@gmail.com)<sup>1\*</sup>, [lena@ukwms.ac.id](mailto:lena@ukwms.ac.id)<sup>2</sup>



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## Abstract

**Purpose:** This study explores the critical role of Knowledge Management (KM) in mediating and moderating the relationship between Enterprise Risk Management (ERM) and Competitive Advantage (CA).

**Methodology:** This paper synthesizes existing research through a literature review of studies focusing on KM, ERM, and CA.

**Result:** The research reveals that KM strengthens ERM's ability to manage risk by improving decision-making processes and enhancing organizational responsiveness to risks.

**Conclusions:** Knowledge Management (KM) strengthens Enterprise Risk Management (ERM) and supports Corporate Advantage (CA) by improving decision-making, fostering innovation, and enhancing adaptability. KM acts as both a moderator and mediator, aligning risk strategies with business goals. As key intangible assets, KM and ERM help firms stay competitive. In high-risk sectors, integrated KM-ERM boosts responsiveness and performance, though challenges like silos and staff gaps require better communication and systems.

**Limitations:** The study's limitation lies in its review nature, relying on secondary data from existing literature.

**Contribution:** This study contributes to knowledge management, risk management, and strategic management by providing insights into how organizations can leverage KM to enhance risk management practices and gain a competitive edge. It provides practical recommendations for organizations aiming to integrate KM within their ERM strategies for better decision making and risk handling.

**Keywords:** *Competitive Advantage, Decision-Making, Enterprise Risk Management, Knowledge Management, Strategic Management.*

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## 1. Introduction

In the era of globalization and increasingly intense business competition, knowledge management (KM) has emerged as a key factor that can influence various aspects of organizations, including enterprise risk management (ERM) and competitive advantage (CA). KM enables organizations to manage and utilize existing knowledge to achieve competitive advantage and enhance managerial capabilities (Handijono & Suhatman, 2021). With the growing complexity of the business environment and market uncertainty, it is crucial for companies to have an effective system for managing knowledge and risks.

Changes in market dynamics, technology, and product innovation require an integrated approach to risk management and knowledge utilization. KM functions to transform tacit knowledge into explicit knowledge that can be used to identify, analyze, and respond to risks more effectively (Plessis, 2019). By using knowledge management systems, organizations can continuously access risk data and conduct risk assessments collaboratively, which in turn strengthens the risk management culture and improves decision-making processes (Abaoud, 2019).

Moreover, the relationship between KM and ERM plays an important role in achieving competitive advantage. KM supports the innovation process by enabling organizations to leverage existing knowledge and integrate internal and external information (Plessis, 2019). In the context of ERM, KM helps organizations to better identify and manage risks through access to and sharing of relevant knowledge. This, in turn, facilitates the achievement of competitive advantage by reducing costs, improving operational efficiency, and enhancing responsiveness to market changes (Garba et al., 2022).

The use of KM in ERM can also enhance transparency in the risk management process, which is critical for addressing challenges arising from a dynamic and risk-laden business environment (Abaoud, 2019).. The success of KM and ERM implementation often depends on senior management commitment and an organizational culture that supports knowledge sharing and team collaboration (Mårtensson, 2000). Therefore, it is important to understand how KM can influence the relationship between ERM and CA, as well as the factors that affect the effectiveness of KM in this context (Garba et al., 2022; Handijono & Suhatman, 2021; Togok et al., 2014).

### ***1.1 KM as a Moderating and Mediating Variable***

Context of the relationship between KM, ERM, and CA, KM can function as both a moderating and mediating variable. As a moderating variable, KM can influence the strength or direction of the relationship between ERM and CA. In this case, KM can strengthen the relationship between ERM and CA by providing relevant knowledge for more effective risk management, ultimately enhancing the company's competitive advantage (Neef, 2005). Thus, KM not only plays a role in the managerial process but also enhances the impact of ERM on organizational advantage by improving the quality of decision-making.

As a mediating variable, KM can bridge the relationship between ERM and CA by influencing how risk management is integrated and managed within the organization. KM enables better knowledge management that supports the ERM process by increasing the organization's ability to understand and respond to risks, which in turn contributes to competitive advantage (Arfiansyah, 2021). In this sense, KM acts as an intermediary, connecting ERM effectiveness with the outcomes achieved in terms of competitive advantage, facilitating the use of knowledge to optimize strategies and operations.

Therefore, whether as a moderating or mediating variable, KM plays a significant role in linking and strengthening the relationship between ERM and CA. Further studies are needed to explore how KM can be optimized in both capacities and how this variable can influence organizational outcomes in a complex and rapidly changing business environment (Abaoud, 2019; Arfiansyah, 2021; L. Lam et al., 2021).

### ***1.2 Comparison of Research Findings and Weaknesses of Previous Studies***

Effort to understand the role of KM in the relationship between ERM and CA, it is essential to compare the existing research findings and identify the weaknesses in previous studies. The following table provides an overview of the comparison of findings from 14 reviewed articles, as well as the weaknesses identified in those studies. This table aims to offer deeper insights into each study's contribution to the topic and highlight areas that may require further research.

Table 1. Comparison of Research Findings and Weaknesses of Previous Research Articles

Author	Research Findings	Weaknesses
Togok et al., 2014	KM can improve competitive advantage by supporting risk management.	Focuses only on the technological aspects of KM, neglecting the impact of organizational culture.
Rodriguez & Steven Edwards, 2009	KM plays a role in storing and transferring knowledge for innovation and risk management.	Limited to specific case studies, no generalization for various industries.

Author	Research Findings	Weaknesses
Saeidi et al., 2023	KM implementation increases operational efficiency and risk responsiveness.	Data used is qualitative and subjective, lacks quantitative data.
Sumiati, Wijayanti, et al., 2020	KM can improve internal and external integration in risk management.	Lack of analysis on how KM affects risk management decisions.
Handijono & Suhatman, 2021	KM supports risk management by enhancing access to critical information.	Does not consider variation in KM practices across different organizations.
Arfiansyah, 2021	KM enhances the organization's ability to adapt to market changes.	The study does not cover the long-term impact of KM implementation.
Garba et al., 2022	KM strengthens the relationship between risk management and company advantage.	No in-depth analysis of KM's moderating and mediating role.
Manab & Aziz, 2019	KM contributes to innovation that supports competitive advantage and risk management.	Study is based on limited data from a single industrial sector.
Rodriguez & Edwards, 2014	KM implementation increases transparency in the risk management process.	Lack of research on the influence of organizational culture on KM.
Chan, 2014	KM acts as a link between ERM and achieving competitive advantage.	Case studies may not be representative for different sizes and types of organizations.
Neef, 2005	KM improves decision quality related to risk management and innovation.	Limitations in data and methods used in the study.
Abaoud, 2019	KM enables organizations to manage risks more effectively and efficiently.	Does not consider the impact of information technology in KM management.
Plessis, 2019	KM plays a role in converting tacit knowledge into explicit knowledge, supporting innovation and risk management.	Lacks deep consideration of KM's moderating and mediating variables.
Mårtensson, 2000	KM is important for transposing tacit to explicit knowledge, improving risk management.	Focuses too much on KM definitions and theory, lacks practical application.
Purnama & Puspitowati, 2024	Positive Influence of KM on Competitive Advantage: KM has a positive and significant effect on Competitive Advantage for coffee shops in South Tangerang. Product Innovation mediates the relationship between KM and Competitive Advantage, suggesting that KM indirectly boosts Competitive Advantage via its impact on Product Innovation.	The study was conducted with a relatively small sample (70 coffee shop owners/managers), which may limit the generalizability of the findings. This study focuses only on coffee shops in South Tangerang, meaning that the findings might not apply to other locations or industries.
Cahyani Pangestuti et al., 2024	ERM positively affects performance. ERM allows companies to address risks proactively. KM moderates the ERM-performance link, especially enhancing ERM's role under competitive pressure.	Limited scope in Southeast Asia mining sector; findings may not generalize to other industries and regions. Study lacks empirical depth in KM metrics, which could more clearly define KM's influence on ERM and performance.

Author	Research Findings	Weaknesses
Aryista Dewi et al., 2024	Economic sustainability performance does not directly impact short-term competitive advantage but is significant over the long term. ESG performance (environment, social, and governance) contributes positively to competitive advantage in both short and long terms. Effective ERM strengthens the impact of ESG performance on competitive advantage.	Limited observations due to voluntary disclosure of economic sustainability and ESG data in Indonesia, lack of a standardized ERM disclosure framework complicates the evaluation of ERM practices., findings are specific to Indonesia's non-financial sector and may not generalize to other sectors or regions.

The table illustrates the key findings from research conducted in the field of KM and its relationship with ERM and CA, while also highlighting the weaknesses found in each study. By understanding this comparison, we can better identify areas that require further exploration and develop a more comprehensive framework for future research.

### 1.3 Comparison of the Role of KM as a Moderator in the Relationship between ERM and CA

Context of research on the role of KM in the relationship between ERM and CA, it is crucial to evaluate whether KM functions as a moderating (moderator) or mediating variable in this relationship. The following table presents a comparison based on the reviewed articles to identify the role of KM in the context of moderation or mediation.

Table 2. The Role of Knowledge Management (KM) as a Moderator or Mediator in the Relationship between Enterprise Risk Management (ERM) and Competitive Advantage (CA)

Author	KM as Mediation	KM as Moderator	Explanation
Togok et al., 2014		√	KM enhances ERM effectiveness by providing necessary information for risk mitigation and better strategic decision-making. By moderating this relationship, KM helps optimize how risks are identified and managed, contributing to competitive advantage through faster and more accurate responses to business challenges.
Rodriguez & Steven Edwards, 2009	√		KM acts as a mediator in the relationship between ERM and CA by managing and disseminating critical knowledge for strategy development and innovation. It ensures that relevant and tacit knowledge is converted into explicit knowledge, supporting more effective ERM strategies and ultimately enhancing competitive advantage.
Saeidi et al., 2023		√	KM moderates the relationship between ERM and CA by improving knowledge-based decision-making and reducing uncertainty in risk management. By providing a platform for better knowledge access, KM helps organizations manage risk more efficiently and enhances competitiveness.
Sumiati, Wijayanti, et al., 2020	√		KM serves as a mediator by integrating internal and external knowledge that supports the ERM process. This helps build organizational capabilities for innovation and adaptation, directly influencing the company's competitive advantage.

Author	KM as Mediation	KM as Moderator	Explanation
Handijono & Suhatman, 2021		√	KM enhances ERM effectiveness by moderating how risk-related information is managed and disseminated within the organization. This contributes to better and timelier decision-making, supporting the achievement of competitive advantage.
Arfiansyah, 2021	√		KM mediates the relationship between ERM and CA by providing a system that allows organizations to convert tacit knowledge into explicit knowledge. This ensures that knowledge required for risk management and innovation is available across the organization, supporting competitive advantage strategies.
Garba et al., 2022		√	KM moderates the relationship between ERM and CA by improving access to and distribution of knowledge necessary for effective risk management. By facilitating information dissemination, KM helps in better risk assessment and mitigation, supporting competitive advantage.
Manab & Aziz, 2019	√		KM acts as a mediator by supporting the integration of knowledge needed for ERM strategies and innovation. It ensures that relevant knowledge is available for the development and implementation of strategies that enhance the company's advantage.
Rodriguez & Edwards, 2014		√	KM moderates the relationship between ERM and CA by improving knowledge management systems and enhancing decision-making effectiveness. By providing better access to knowledge, KM helps organizations manage risks and improve competitive advantage.
Chan, 2014	√		KM mediates the relationship between ERM and CA by managing the knowledge required for risk mitigation and innovation. It ensures that both tacit and explicit knowledge are effectively used to improve performance and competitiveness.
Neef, 2005		√	KM functions as a moderator in the relationship between ERM and CA by facilitating the sharing of knowledge and information crucial for risk management. By improving access to knowledge, KM helps organizations make better decisions and strengthen competitive advantage.
Abaoud, 2019	√		KM mediates the relationship between ERM and CA by providing systems that enable the storage and distribution of knowledge relevant to risk management. This supports more effective strategy creation and innovation, enhancing the company's competitive advantage.
Plessis, 2019		√	KM moderates the relationship between ERM and CA by managing tacit and explicit knowledge that supports risk management and innovation. This ensures that relevant knowledge is available for better ERM strategies, supporting competitive advantage.

Author	KM as Mediation	KM as Moderator	Explanation
Mårtensson, 2000	√		KM acts as a mediator by converting tacit knowledge into explicit knowledge and ensuring the dissemination of information necessary for risk management. This supports the development of better strategies and enhances the company's competitiveness through effective knowledge utilization.
Purnama & Puspitowati, 2024	√		KM connects the influence of Product Innovation on Competitive Advantage, suggesting that effective KM helps translate innovations into a sustainable competitive advantage by improving internal processes and fostering a culture of knowledge sharing
Cahyani Pangestuti et al., 2024		√	KM strengthens or weakens the impact of ERM on CA, rather than serving as a mediator, which would imply it directly transfers the effect of ERM to CA. Through KM, firms can enhance ERM practices by improving information flow, risk identification, and knowledge sharing, thus potentially amplifying CA.
Aryista Dewi et al., 2024	√		It facilitates the integration and utilization of information, allowing companies to leverage ERM insights for improved ESG performance, which enhances competitive advantage. By bridging ERM and company advantage, KM ensures strategic knowledge flow for decision-making.

#### ***1.4 Explanation of the Role of KM as a Moderating or Mediating Variable***

Study of KM's role in the relationship between ERM and CA, KM can function as either a moderating or mediating variable. Understanding this role is essential for formulating effective strategies for KM implementation. Based on a review of 17 articles, the following explains why KM can serve in both roles:

- a) **KM as a Moderating Variable** KM can act as a moderating variable by strengthening or weakening the relationship between ERM and CA. This is because KM influences how organizations manage and utilize information and knowledge in decision-making processes related to risk (Fallahi et al., 2022). Some reasons why KM serves as a moderating variable include:
  - **KM's impact on risk management:** KM can enhance the relationship between ERM and CA by facilitating access to and distribution of relevant knowledge throughout the organization. As a moderator, KM optimizes how risk information is received and acted upon across various levels within the organization (Handijono & Suhatman, 2021; Togok et al., 2014). Effective KM allows better integration of knowledge into ERM processes, thereby boosting an organization's competitive advantage.
  - **Enhancing organizational capabilities:** KM helps enhance the organization's ability to manage risk by providing better access to both tacit and explicit knowledge. This strengthens the relationship between ERM and CA, as the organization can make more informed and responsive decisions regarding the risks it faces (Garba et al., 2022; Rodriguez & Edwards, 2014). In other words, KM amplifies ERM's impact on achieving a competitive edge.
  - **Understanding and adapting to change:** KM as a moderator helps organizations adapt to market changes and new risks by providing tools and systems that support a better understanding of external and internal dynamics (King et al., 2020). This reinforces the relationship between ERM and CA by making the organization more adaptive and innovative (Neef, 2005; Plessis, 2019).

- b) **KM as a Mediating Variable** KM also functions as a mediating variable by facilitating the process through which ERM impacts CA. As a mediator, KM influences how knowledge and information are managed and used in the ERM process, ultimately affecting the company's competitive advantage. The following explains why KM can serve as a mediator:
- **Transposing tacit knowledge into explicit knowledge:** KM aids in converting tacit knowledge into explicit knowledge, which can be utilized in the ERM process. This enhances risk understanding and management, ultimately contributing to the achievement of competitive advantage. By transforming tacit knowledge into a more structured and accessible format, KM mediates the process of risk management and competitive success (Chan, 2014).
  - **Improving decision-making processes:** KM functions as a mediator by enhancing the quality of decision-making in ERM processes. KM provides relevant and up-to-date information that supports better risk analysis and strategic decision-making. This strengthens the relationship between ERM and CA by ensuring that decisions are based on integrated and current knowledge (Arfiansyah, 2021; Mårtensson, 2000).
  - **Creating and maintaining innovation capabilities:** KM also plays a mediating role in innovation processes that support corporate advantage. By facilitating the sharing of knowledge and experiences, KM helps organizations create innovation capabilities that improve responses to risks and new opportunities (Rodriguez & Steven Edwards, 2009; Sumiati et al., 2020). This illustrates how KM mediates the relationship between risk management and the achievement of competitive advantage.

Understand KM's role as a moderating or mediating variable, it is important to consider how KM can influence the relationship between ERM and CA through deep and integrative managerial processes. Further research is needed to specifically identify the mechanisms involved in KM's moderating or mediating function in this context.

## **2. Theoretical Framework**

### **2.1 Knowledge Management (KM)**

KM refers to the practices and systems used to manage knowledge within organizations to enhance performance and competitive advantage. KM aims to capture, manage, and utilize the knowledge possessed by the organization to support better decision-making and processes (Plessis, 2019; Saeidi et al., 2023). It involves various activities, including the collection, storage, and distribution of both tacit and explicit knowledge across the organization (Togok et al., 2014). KM plays a crucial role in helping organizations navigate the complexity of business environments by improving their ability to manage and leverage knowledge (Garba et al., 2022). This includes the capability to convert tacit knowledge into explicit knowledge that can be more broadly applied within the organization (Mårtensson, 2000). Therefore, KM contributes to the development of competitive advantage through innovation and process improvement (Plessis, 2019).

### **2.2 Enterprise Risk Management (ERM)**

ERM is a holistic approach to identifying, assessing, and managing risks across the organization with the aim of maximizing value and achieving strategic goals (Arfiansyah, 2021; Neef, 2005). ERM involves integrating risk management into core business processes and strategic decision-making (Ahmed & Rozario, 2024). ERM helps organizations manage risks more effectively by embedding risk management into their strategy and operational processes (Manab & Aziz, 2019). This requires a comprehensive identification of risks and responsiveness to environmental changes that may affect the achievement of organizational goals.

### **2.3 Competitive Advantage (CA)**

Competitive advantage refers to an organization's ability to achieve superior performance compared to its competitors through the utilization of unique resources and capabilities. This can include advantages in innovation, efficiency, and responsiveness to the market (Abaoud, 2019; Handijono & Suhatman, 2021). Factors that determine a company's competitive edge include product innovation, operational efficiency, and the ability to adapt to market changes (Chan, 2014; Rodriguez & Edwards, 2014).

Organizations that successfully leverage KM and ERM can achieve competitive advantage by minimizing risks and capitalizing on new opportunities optimally (Rodriguez & Edwards, 2014).

#### **2.4 The Role of KM in the Relationship between ERM and CA**

KM plays a role in the relationship between ERM and CA by facilitating the risk management process and supporting the achievement of competitive advantage. KM functions as a moderating or mediating variable that influences how ERM impacts CA. KM as a Moderating Variable: KM can strengthen the relationship between ERM and CA by enhancing access to and distribution of relevant knowledge throughout the organization, thereby enabling better decision-making and responsiveness to risks (Manab & Aziz, 2019; Saeidi et al., 2023). Effective KM increases an organization's capability to manage risks and utilize information to achieve competitive advantage (Garba et al., 2022). KM as a Mediating Variable: KM also serves as a mediator in the relationship between ERM and CA by facilitating the transformation of tacit knowledge into explicit knowledge, supporting strategic decision-making processes (Mårtensson, 2000). By providing relevant and up-to-date information, KM enhances an organization's ability to innovate and manage risks more effectively, which in turn contributes to achieving competitive advantage (Arfiansyah, 2021; Plessis, 2019).

### **3. Research Method**

The methodology used in this research is the review study method. This method aims to identify, evaluate, and synthesize existing research related to the relationship between KM, ERM, and CA. The review study method was chosen as it allows the researcher to explore a deeper understanding of how KM plays a role in the relationship between ERM and CA through the analysis of various previous studies.

The design of this review study involves several stages, namely the identification of articles, selection of relevant articles, critical analysis, and synthesis of research findings. The articles used in this review were obtained from various credible academic sources, such as indexed international journals and leading scientific publications in the fields of knowledge management, risk management, and competitive advantage. Inclusion and exclusion criteria were applied to ensure that only relevant and high-quality articles were included in the analysis.

Data analysis in this review study was conducted using a thematic approach. Articles that met the selection criteria were analyzed to identify key themes related to the role of KM in ERM and CA. This analysis included an evaluation of the methods used, research findings, as well as the weaknesses and limitations of each study. The findings from these articles were then compared to identify patterns, differences, and gaps in the existing literature.

### **4. Result and Discussion**

In discussing the relationship between Knowledge Management (KM), Enterprise Risk Management (ERM), and Corporate Advantage (CA), it is important to identify relevant KM indicators. These indicators help clarify how KM influences the effectiveness of ERM and its contribution to CA.

#### **4.1 Knowledge Management Indicators in the Context of ERM and CA:**

##### **a) Knowledge Management Systems (KMS)**

KMS are technological platforms that support the collection, storage, and distribution of knowledge across the organization. KMS facilitates quick and easy access to critical information that supports decision-making processes in ERM (Garba et al., 2022). By having KMS, organizations can reduce risk uncertainty through accurate and integrated data and information (Arfiansyah, 2021; Manab & Aziz, 2019).

##### **b) Management of Tacit and Explicit Knowledge**

Tacit knowledge is personal and difficult to articulate, while explicit knowledge is documented and can be widely shared. KM functions to convert tacit knowledge into explicit knowledge, enabling its use in ERM for data-driven decision-making and better risk mitigation strategies (Plessis, 2019).



This process enhances the organization's ability to mitigate risks and adapt to environmental changes (Mårtensson, 2000).

c) Knowledge Sharing Culture

An organizational culture that supports knowledge sharing is a key indicator of effective KM. Handijono and Suhatman (2021) emphasize that a knowledge-sharing culture can increase collaboration and innovation, contributing to the organization's ability to respond to risks and create competitive advantages. Organizations with a knowledge-sharing culture are quicker to identify and address risks and are better positioned to capitalize on new opportunities.

d) Processes and Tools for Innovation

KM plays a role in providing tools and processes that support innovation, such as brainstorming systems, idea development workshops, and collaboration platforms (Rodriguez & Edwards, 2014). Innovation driven by KM can enhance the efficiency and effectiveness of ERM strategies, which in turn supports the achievement of corporate advantage.

e) KM Performance Measurement and Evaluation

Measuring the effectiveness of KM through metrics such as system adoption rates, usage frequency, and impact on organizational performance outcomes provides insights into how well KM supports ERM and CA (Saeidi et al., 2023). This evaluation helps identify areas for improvement and ensures that KM contributes optimally to risk management and the attainment of competitive advantage.

#### ***4.2 Discussion of the Relationship Between KM, ERM, and CA***

KM functions as both a moderating and mediating variable in the relationship between ERM and CA. As a moderating variable, KM strengthens the relationship between ERM and CA by providing the necessary context and information for better decision-making in risk management. An effective Knowledge Management System (KMS) enables organizations to access relevant and timely information, allowing them to respond to risks more efficiently and reduce the impact of risks on their strategic objectives (Arfiansyah, 2021; Garba et al., 2022).

As a mediating variable, KM supports ERM by managing and disseminating the knowledge needed for risk mitigation. By converting tacit knowledge into explicit knowledge, KM facilitates the development of better strategies and more informed decisions (Plessis, 2019). This enables organizations to optimize innovation processes and address knowledge gaps, contributing to competitive advantage (Mårtensson, 2000; Rodriguez & Edwards, 2014).

KM plays a crucial role in enhancing a company's competitive edge and strengthening the implementation of ERM. In this context, KM serves as a significant moderator in the relationship between ERM and corporate outcomes. Specifically, KM allows companies to leverage intangible resources that are difficult for competitors to replicate, such as organizational knowledge and information-sharing procedures across all levels of the organization. By effectively utilizing KM, companies can create a sustainable competitive advantage. The integration of KM and ERM helps organizations manage risks more comprehensively and efficiently, which ultimately has a positive impact on long-term corporate performance (J. S. L. Lam & Zhang, 2014).

From the perspective of the Resource-Based View (RBV) theory, a company's competence in using and applying its resources, including knowledge, information, and data, becomes a valuable resource that can enhance the organization's effectiveness and efficiency (Nwankpa & Datta, 2017; Wu, 2006). KM and ERM, as complementary intangible resources, contribute to achieving the company's strategic objectives. Both are difficult for competitors to imitate, making them key elements in maintaining the company's competitive advantage.

Furthermore, the application of ERM, supported by KM, enables companies to better identify and manage risks compared to those that do not implement ERM comprehensively. In practice, employee awareness and understanding of opportunities and risks, as well as their involvement in corporate strategies, are essential for supporting the risk management process (Romanosky & Petrun Sayers, 2023, 2024). Therefore, managers can use KM as a tool to enhance the effectiveness of ERM in achieving positive outcomes for the company (Heckmann et al., 2015; Huemer, 2012).

KM also plays an important role in enhancing ERM and providing competitive advantage, especially in the financial services sector. This research identifies eight KM constructs related to knowledge sharing, including human factors, processes, and technology, and two risk management constructs related to the perceived quality and value of ERM implementation (Firman & Khudri, 2025; Ongkosongo & Wijayanti, 2025). The analysis shows that effective KM, particularly in risk communication and knowledge sharing, can significantly improve the perceived quality of risk control. This improvement in risk control contributes to better decision-making and increased responsiveness, which are critical for maintaining a competitive advantage in the industry (Garba et al., 2022; Permatasari, 2020).

However, there are still some challenges and limitations in aligning KM with ERM, such as organizational silos and varying levels of experience among risk management (RM) staff. These factors can hinder the perceived value of ERM implementation, as staff may not fully appreciate the broader benefits of ERM due to a localized focus and a lack of holistic perspectives (Yuwono & Ellitan, 2024). Addressing these issues through better communication, improved information systems, and more effective risk knowledge sharing can help organizations overcome these barriers, thereby optimizing their ERM processes and gaining a competitive edge in the market (Alazzabi et al., 2023; Arfiansyah, 2021).

This article concludes that aligning KM and RM processes not only improves risk control but also strengthens the overall ERM framework (Wong, 2020). For financial institutions, which operate as risk- and knowledge-based organizations, effective KM practices such as enhanced individual communication, improved functionality of risk management information systems, and the functionality of web channels are essential. These KM initiatives support better interpretation and management of RM information, which is crucial for making sound decisions and maintaining a competitive edge in the dynamic financial services sector (Bandaly et al., 2013; Davies & Snyder, 2014).

Overall, KM plays a crucial role in linking risk management with corporate advantage. By providing a platform for sharing and using knowledge effectively, KM helps organizations enhance ERM performance and strengthen their competitive advantage (Yuwono & Rachmawati, 2023). Therefore, KM not only supports risk management but also contributes to achieving and maintaining competitive advantage in a competitive business environment (Handijono & Suhatman, 2021; Manab & Aziz, 2019).

## **5. Conclusion**

The relationship between Knowledge Management (KM), Enterprise Risk Management (ERM), and Corporate Advantage (CA) highlights the critical role KM plays in enhancing risk management and fostering competitive advantage. KM indicators, such as Knowledge Management Systems (KMS), tacit and explicit knowledge management, a knowledge-sharing culture, and innovation tools, are pivotal in supporting ERM. KMS provides platforms for collecting, storing, and distributing knowledge, enabling better decision-making and reducing uncertainty in risk management. Similarly, converting tacit knowledge into explicit forms ensures that organizations can adapt to risks effectively. A culture of knowledge sharing fosters collaboration and innovation, empowering organizations to respond to risks and capitalize on opportunities more efficiently.

KM functions as both a moderating and mediating variable in the relationship between ERM and CA. As a moderator, KM strengthens the connection by providing timely and relevant information for risk-related decisions. As a mediator, KM bridges gaps in knowledge sharing and facilitates innovation, ensuring that ERM strategies align with corporate objectives. From the Resource-Based View (RBV) perspective, KM and ERM serve as intangible resources that are difficult for competitors to replicate, making them essential for sustaining competitive advantage. The integration of KM with ERM enables organizations to manage risks comprehensively while aligning with strategic goals. In sectors like financial services, where risk is inherent, effective KM practices such as improved risk communication and knowledge sharing significantly enhance ERM quality. These practices lead to better decision-making, increased responsiveness, and a stronger competitive edge. However, challenges such as

organizational silos and varying levels of staff experience can hinder the alignment of KM with ERM. Addressing these challenges through enhanced communication, robust information systems, and effective knowledge-sharing mechanisms is crucial. KM not only supports risk management but also contributes to achieving corporate advantage by fostering innovation, improving decision-making processes, and enhancing organizational adaptability. Aligning KM with ERM strengthens the overall risk management framework while enabling organizations to maintain a competitive position in dynamic business environments.

## **Recommendations**

Based on the analysis of the relationship between Knowledge Management (KM), Enterprise Risk Management (ERM), and Corporate Advantage (CA), several recommendations can be made to enhance organizational performance and competitiveness.

- a) Organizations should prioritize the development and implementation of robust Knowledge Management Systems (KMS) to facilitate the collection, storage, and distribution of critical information. These systems enable quick access to accurate and integrated data, reducing uncertainty in risk management processes. It is also essential to foster a knowledge-sharing culture within the organization, as this encourages collaboration and innovation, allowing teams to respond more effectively to risks and opportunities. Strategies for converting tacit knowledge into explicit knowledge should be employed, ensuring that valuable insights are accessible for decision-making and risk mitigation (Garba et al., 2022; Plessis, 2019).
- b) The integration of KM with ERM must be emphasized to comprehensively address risks while aligning with strategic objectives. KM-driven innovation tools, such as brainstorming platforms and idea development workshops, can improve the efficiency of ERM strategies while fostering creativity and adaptability. Measuring KM performance through metrics like system adoption rates and impact on organizational outcomes is crucial for identifying areas for improvement and ensuring optimal support for ERM processes. Addressing challenges such as organizational silos and varying levels of staff expertise is also critical; this can be achieved through improved communication channels, enhanced training programs, and user-friendly information systems (Handijono & Suhatman, 2021; Manab & Aziz, 2019).
- c) Sector-specific strategies should be adopted, particularly in industries like financial services where risk management is vital. Effective KM practices such as improved risk communication and knowledge sharing tailored to the sector's dynamic nature can significantly enhance ERM quality (Arfiansyah, 2021; Rodriguez & Edwards, 2014).
- d) Organizations should leverage KM and ERM as complementary intangible resources that are difficult for competitors to replicate, thereby sustaining long-term competitive advantage. From the Resource-Based View (RBV) perspective, KM enables companies to utilize their resources effectively, enhancing organizational efficiency and achieving strategic objectives (Saeidi et al., 2023).
- e) Employee engagement should be prioritized by involving staff in corporate strategies and providing continuous training on KM tools and ERM practices. This builds expertise across all levels of the organization while fostering a sense of ownership in risk management processes. By implementing these recommendations, organizations can optimize KM practices, strengthen ERM frameworks, and achieve sustainable competitive advantages in dynamic business environments (Mårtensson, 2000; Rodriguez & Edwards, 2014).

By implementing these recommendations, organizations are expected to enhance their capacity to effectively manage risks and achieve sustainable competitive advantage in a dynamic and competitive business environment.

## Referensi

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