

DETERMINRE THE ENTERPRISE RISK MANAGEMENT FACTORS EFFECTS ON THE MALAYSIAN MTUN UNIVERSITIES PERFORMANCE

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ABSTRACT

Enterprise risk management (ERM) has been the centre of focus for many private organizations especially financial institutions. Like their counterparts, non-profit organizations are not safe from risk exposures and it is more crucial when their funding originated from the public. There is little work done on the enterprise risk management factors in the public organizations and research is needed to find out whether these organizations are serious in managing their risk and do they have a formal structure and framework to handle that. therefore, this study intended to develop enterprise risk management model (ERMM) that can be used to improve MTUN universities performance. Also, data will be collected from academicians at Malaysian Technical University Network (MTUN) which bring together four technology-based universities in Malaysia (the University Malaysia Perlis (UNMAP), Technical University of Malaysia Malacca (UTEM), the University of Tun Hussein Onn Malaysia (UTHM) and University of Malaysia Pahang (UMP). The outcome of the study will be encouraging, as it indicated that ERM factors of this study would have varying levels of influence on university performance. The contribution of the current study would be the improvement of the operations management (performance) and risk management practices by producing high quality publications, get good quality of international students, get high ranking and good reputation. It would assist top management in make the right decision that lead to improve the university performance in control the risk in the university.

Keywords: *Enterprise Risk Management, ERM Factors, Malaysian MTUN and Performance*

1. Introduction of Study

Enterprise risk management in higher education is viewed as a comprehensive process of managing risks across universities that may affect the achievement of the university's objectives as it relates to its core activities in Teaching & Learning, research and service (Abraham, Baird, & Neugebauer, 2013; Association of Governing Boards of Universities & Colleges & United Educators, 2014 and Cameron, 2017). Because of this, Cameron, (2017) explains that there are five distinguishing features of ERM in higher education in comparison with traditional perspectives of risk and risk management. In the first instance, there is a dual perspective of risk in higher education. Risks are considered opportunities (positives) and threats or hazards (negatives) to the HEI (Clyde-Smith, 2014). In this instance, Cameron, (2017) argues that ERM involves managing the opportunities and

minimizing the risks. The second instance is what Cameron, (2017) refer to as a holistic perspective on risk. This instance represents risks across the university which can impede the university's ability to attain its set objectives (Cameron, 2017; Tufano, 2011).

ERM's perspective in higher education is its strategic focus on risk management. Tufano, (2011) explains that risk management is mission-centered and linked to institutional governance aligned with the goals and objectives of the university. Furthermore, ERM in Higher education entails the shared responsibility of all part of the university in risk management. Finally, it involves the integration of its unique approaches to traditional risk management within the institutional framework(Sum & Saad, 2017)

Besides, enterprise risk management has become an emerging trend in higher education because of its perceived benefits and opportunities in attenuating risk, however much of ERM adoption, implementation, and integration into Higher education risk management practices are still not known. Also ERM is viewed today as one of the major features of successful organizations which allow them to view all associated risk such organization may be prone to through some form of plan. As an organizations' strategy is key to its success, so also is ERM implementation becoming crucial and indispensable to higher education institutions. Olayinka, & Ame, (2017) posits that enterprise risk management is that process by which the organization identifies and analyses threats, examines alternatives, and accepts or mitigates those threats. These threats commonly understood as risks are often viewed by different people in varying dimensions; some view it as an opportunity while the majority views it as a negative influence on the operations of the organization leading to negative outcomes. These negative outcomes may be avoided in higher education with enterprise risk management because ERM is a value-adding approach that is aimed at realizing institutional objectives by taking a cognizance view of all risky activities, thereby formulating recovery plans and ensuring constant monitoring of the day-to-day operations of the institution (Lukianchuk, 2015).

2. Problem Statement

Empirical research regarding the implementation of ERM in higher education institutions is limited, and there is also limited academic literature on the practices of ERM within HEIs risk management practices (Dharampal, Cameron, Dixon, Ghali, & Quan, 2016 and Lundquist, 2015). However, most of the ERM programs reported in the limited academic literature on the subject adopts ERM practices from corporations (Lundquist, 2015). Nonetheless, not many studies have focused on ERM in higher education, its processes, and determinants as well as how it can manage the risk and improve the performance in university. However, many organizations have adopted the mission and principles of ERM, we know little of how enterprise risk management works in action (Lundquist, 2015). So this gap must be filled.

Empirical evidence on the effect of ERM drivers on university performance in the academic domains scanty, most of the studies on ERM concentrated on the impact or effect of ERM on firm performance rather than education sector (the financial or non-financial performance). Furthermore, a survey conducted on Malaysian public quoted industries by Soltanizadeh et al., (2014) shows that 32.2% of these firms fully implement ERM, 47.2% have a partial ERM framework, 13.1% have no formal ERM framework in place but plan to implement one in the future, 4% were still trying to figure out the need for ERM and 3% have no plans to integrate ERM at all. The study further indicates that firms from industries such as infrastructure, hotel, and technology implemented more ERM in their risk management practices that is why firms in these industries were thriving more economically than firms in other industries. Furthermore, Ping & Muthuveloo, (2017) reported that the implementation of ERM is considered at an infancy stage in Malaysia.

In the Malaysian higher education institutions, Sum & Saad, (2017) reports that the implementation of the University Good Governance Index (UGGC) required public universities to incorporate an organized risk management framework alongside other stringent criteria to be awarded autonomous status. Five research universities have since been awarded the autonomous status and Ariff et al., (2015) explain that this has brought unprecedented opportunities for these universities as well as multidimensional risk. The risk involved entails "the uncertainty around future government spending, increased number of postgraduate students, pursuing high ranking in world university rankings, increased competition in getting quality international students, as well as competing globally in terms of research, and teaching and learning" (Sum & Saad, 2017).

Based on the recommendation of the previous studies which were done by (Setapa, & Said et al, 2018 and Sum et al, 2017) they reported that The future study has to investigate how to embed risk management processes into the basic management cycles of a university and develop a risk management framework that can suit a university setting. Besides that there is insufficient clear empirical evidence proves that the value of ERM and the effectiveness of ERM, less of future government funding, a decrease of the number of post-graduate students, getting down the university ranking in world university ranking, lack of research, intense competition in getting quality of international students, and global competition and then the reputational loss of the university, Therefore, the aim of this study to develop the ERM model for MTUN university's performance in Malaysia.

3. Research Objectives

1. To identify the ERM Factors affecting Malaysian MTUN universities performance
2. To determine the relationship between ERM factors and Malaysian MTUN universities performance
3. To develop an enterprise risk management model (ERMM) to improve MTUN universities performance

4. Research Methodology

Research methodology has been defined by Rajasekar et al. (2013) as “a systematic way to solve a problem. In other words, research methodology is a design of process for gathering the data from the respondents. The study will be intending to investigate the issue using quantitative method because it is suitable when the research targets to create models that predict some sort of events, phenomena, behaviour or attitude based on observable characteristics. Furthermore, data will be collected from academicians at Malaysian Technical University Network (MTUN) which bring together four technology-based universities in Malaysia (the University Malaysia Perlis (UNMAP), Technical University of Malaysia Malacca (UTEM), the University of Tun Hussein Onn Malaysia (UTHM) and University of Malaysia Pahang (UMP). Self-administrative, researcher friends, and utilizing survey Google form. Furthermore, together with Analysis of Moment Structures (AMOS) in Structural Equation Modelling (SEM) confirmatory factor analysis (measurement model) and structural measurement model will be analysed.

5 Conceptual Framework of the study

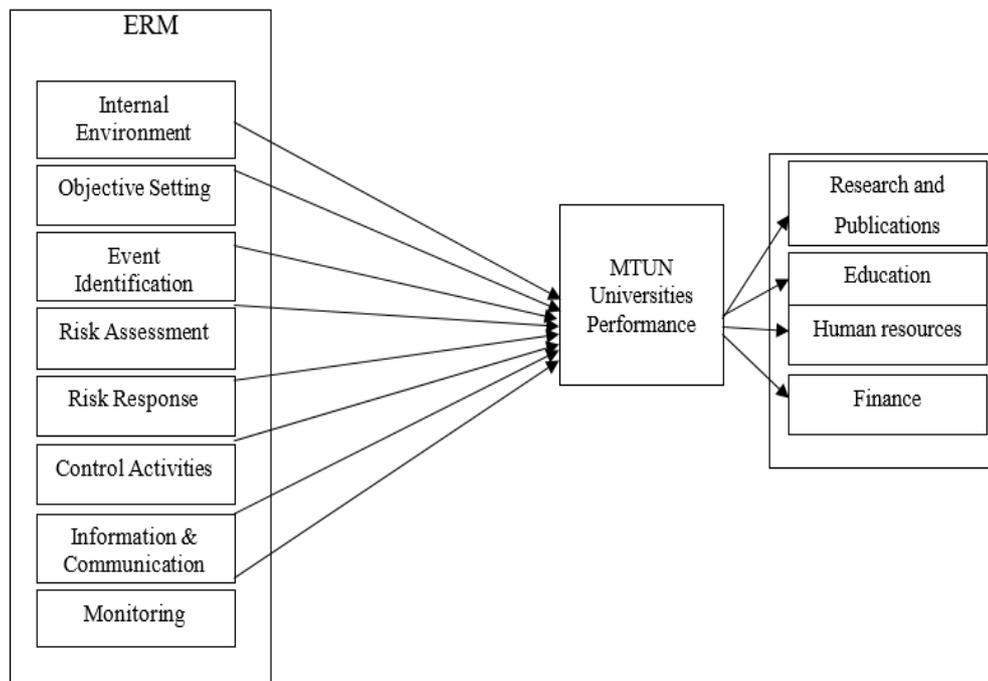


Figure 1: Conceptual Framework of the Study

6. Discussion

The conceptual framework of the study provides a map or schema for the inquiry. It provides a structure to obtain evidence to support or reject a hypothesis in a study. The conceptual framework of this study is based on a synthesis of several frameworks which will be discussed in details in chapter two of this thesis report. Several frameworks for Enterprise Risk Management and Organizational performance in higher education settings have been proposed.

The COSO framework proposed eight management processes constituting ERM, these include (1) internal environment (2) objective setting (3) event identification (4) risk assessment (5) risk response (6) control activities (7) information and Communication and (8) Monitoring. These eight processes arguably help organizations to reduce risks and maximize opportunities for the success of the organization, the eight components adopted from the previous studies done by (Setapa, & Said et al, 2018).

It can be seen that that the conceptual map reflects the purpose of the study. The committee of sponsoring organization recognizes that an organization needs to implement eight functions that are vital for effective implementation of a sound ERM system. Accordingly, to which MTUN universities in Malaysia implement risk management practices that are reflective of the eight key ERM processes. The researcher would develop new model for the MTUN universities to reduce the risk management. Furthermore, ERM (independent variable) in the context of this study is operationalized in terms of the internal environment, objective setting, event identification, risk assessment, risk response, control activities, information & communication and monitoring. On the other hand, measures of MTUN Universities performance (dependent variable) was adopted from the Performance Measure (PM) framework for universities proposed by (Wang, 2010). Wang, (2010) PM framework for universities is based on the Balance score card. Hence, Wang, (2010) proposed that performance in universities should constitute two main aspects of academic and management. The academic dimensions constitute research and education while the management dimension constitutes finance and human resource. Therefore, the indicators reflecting these dimensions will be selected added to them patent and publications since this two are important for measuring university performance.

8. Conclusion

The lack of a unified definition of an ERM framework provides daunting challenges to those who are conducting empirical research on risk management. Furthermore, ERM in higher education is relatively new (Lundquist, 2015), and despite efforts from various groups and organizations such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Institute of Internal Auditors (IIA), the International Organization for Standardization (ISO), the Open Compliance Executive Group (OCEG), the Federation of European Risk Management Associations (FERMA), the British Standards Institution (BSI) and others to standardize ERM elements and processes, its adoption, implementation, and integration are still varied across HEIs. Similarly, in light of addressing the concerns of an effective risk management framework for HEIs especially among research universities, that a starting point could be to explore the relationship between risk management Practices and Organizational Performance. The extent to which Malaysian universities, particularly MTUN universities, implement a risk management policy is not exactly known. Similarly, where there is a risk management policy, it is not known if these policies are reflective of enterprise risk management practices and principles as well as the extent to which these ERM principles if present impact upon the organizational performance of MTUN universities. Therefore, it is important to establish empirical evidence supporting the status of ERM practices among MTUN universities as well as contribute a framework for ERM for the organizational performance of MTUN universities in Malaysia. This study will hence attempt to fill this gap.

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Biographies

Saleh Nasser Abdullah Al-Subari is from IBB state and was born in 1987 at IBB state of Yemen. He attended Al Wahda Primary School, then to Kuwait High School. He did his bachelor's degree at University Tun Hussein Onn Malaysia (UTHM) from the faculty of Technology of Management and Business in 2015. He started working and thereafter, he applied and later gains admission for master's degree in Technology Management at University Tun Hussein Onn Malaysia (UTHM). He finished his master's degree in June 2017 and after which he immediately starts his PhD in the same university at the same faculty. The author published 2 papers.

Rumaizah Ruslan did her PhD in University Tun Hussein Onn Malaysia in 2018, her area of research interest includes occupational health and safety, OSH Risk Assessment & Management, Environmental Health and OSH Training & Education. She is the author of many journals and attended many international and local conferences.

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