

UNIVERSITI TEKNOLOGI MARA

**ENTERPRISE-WIDE RISK MANAGEMENT
(EWRM) IMPLEMENTATION, COMPLIANCE
AND VALUE CREATION AMONG PUBLIC
LISTED COMPANIES (PLCs) IN MALAYSIA**

NORLIDA ABDUL MANAB

Thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy

Faculty of Business Management

August 2009

ABSTRACT

The Enterprise-Wide Risk Management (EWRM) concept seems to be gaining ground worldwide. Although this concept is still new in many parts of Asia, and Malaysia in particular, there are positive indications that EWRM is beginning to receive much attention, and that this topic is being widely discussed on an industry-wide basis. Numerous studies on this concept have been done by the practitioners, consultant firms, and professional bodies, rather than by academicians. The emergence of EWRM is cited to be driven most by corporate governance, and its effective implementation is claimed to contribute toward value creation. However, there is still lack of evidence of EWRM practices and their relationships with value creation.

This study investigated the extent of the effectiveness of EWRM in enhancing shareholder values. The study adopted a triangulation approach, which was a combination of a survey and a case study, as the research methodology. The questionnaires were sent to 85 public listed companies (PLCs) in the service sector. While, four (4) companies were selected and interviewed as case studies. The survey offered empirical evidence on EWRM practices from the companies' perspectives, which were derived from their knowledge and experience in the area. Therefore, the case study provided in-depth investigation of EWRM implementation in a real-practice context.

The risk management concept and its efforts were found to become a growing concern among PLCs in Malaysia. The results of stepwise and hierarchical multiple regressions analyses showed that the framework criteria, risk management base, organisational culture and leadership support affected shareholder value. There was an interaction effect of leadership commitment between organisational culture and shareholder value. Nonetheless, the coefficients of determination of the analyses were small, although they were significant, which indicated that the EWRM was not the main factor that led to value creation. Indeed, the findings from the case study analysis showed that by only having the EWRM framework was not sufficient for companies to effectively implement EWRM and achieve the objective of increasing shareholder value. As a matter of fact, the success of EWRM also depended on other factors, such as EWRM drivers, department and right person in charge of the EWRM programme, and extension of EWRM approach. The extension of EWRM was referred to the risks that were categorised into specific types and possessed the right tools and methodologies, which performed by expert staff.

ACKNOWLEDGEMENTS

My research could not have been completed without assistance and support from other parties throughout the production of this dissertation. First and foremost, all praise and thanks are to the God Almighty, Most Gracious and Most Merciful, who has given me the opportunity, knowledge, patience, and strength to undertake and complete this research work. Without His blessing, kindness and assistance, I could not have reached this academic stage of life.

I wish to thank Universiti Utara Malaysia (UUM) and the Malaysian Public Service Department for the scholarship awarded to me for the pursuit of my PhD at Universiti Teknologi MARA (UiTM), Shah Alam, Selangor.

I would like to express my sincere thanks to my supervisors for their willingness to have me as their candidate. Special thanks and deepest gratitude go to Associate Professor Dr. Hj. Mohd Rasid Hussin, the main supervisor from Faculty of Business Management, UiTM for his guidance, invaluable input and immeasurable support throughout the period of my study. I would like to extend my innermost thanks and appreciation to Associate Professor Dr. Isahak Kassim, the co-supervisor from Faculty of Information Technology and Quantitative Sciences, UiTM for his compassion, valuable direction, constructive knowledge, and instructive supervision, which helped improved my research interests, analysis, and writing.

My gratitude is also due to Associate Professor Dr. Maznah Ghazali, who has given me tremendous help and support. Special recognition also goes to Associate Professor Dr. Hayati Mohd Dahan and Associate Professor Dr. Mohamed Dahlan Ibrahim for their thoughtful feedback and constructive comments that helped my research growth. Also, many thanks and appreciations to those who participated in my study.

Special gratitude goes to Dr. Siti Norezam Othman from UUM for her motivation, guidance and contribution of significant inputs into the research from the beginning up until the end of my research. Also, I would like to acknowledge all my friends at UUM and UiTM for their continuous support and encouragement.

My special and sincere appreciation and thanks go to my family, to whom I owe so much. Firstly, my dedication goes to my beloved husband, Shuib Wahab, for his sacrifice and encouragement during this hard time of my life doing the PhD. I would like to show my deepest love and appreciation to my lovely daughter, Nur Dini, and my wonderful sons, Mohd Nur Affan and Mohd Zarif, for their love and understanding, which made my life meaningful and unforgettable. Finally, from the bottom of my heart, I thank my late mother, Hajah Sepiah, and late father, Haji Abd Manab, for being great models and parents; they are always in my memories.

TABLE OF CONTENTS

	Page
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	xii
LIST OF TABLES	xiv
LIST OF ABBREVIATIONS	xvii
CHAPTER 1: INTRODUCTION	
1.0 Overview of Risk Management and Enterprise-Wide Risk Management	1
1.1 Corporate Governance Compliance and EWRM Initiative	5
1.2 Problem Statement	5
1.2.1 Practical Justification	6
1.2.2 Theoretical Justification	9
1.3 Research Objectives	10
1.4 Research Questions	11
1.5 Research Hypotheses	12
1.6 Significance of the Study	13
1.7 Scope of the Study	14
1.8 Limitations of the Study	14
1.9 Outline of the Thesis	15
1.10 Definitions	17
1.11 Conclusion	19

CHAPTER 2: LITERATURE REVIEW

2.0	Introduction	20
2.1	The Risk and Risk management Development	21
2.1.1	Risk Concepts	21
2.1.2	Risk Management Development	23
2.2	Enterprise-Wide Risk Management (EWRM)	27
2.2.1	Differences between Traditional Risk Management (TRM) and Enterprise-Wide Risk Management (EWRM)	34
2.2.2	EWRM Drivers	38
2.2.2.1	Corporate Governance	40
2.2.2.2	Shareholders Value	43
2.2.3	EWRM Adoption and Implementation	45
2.2.4	EWRM Benefits	47
2.3	The Key of EWRM Success Factors	49
2.3.1	The Leadership Factors	49
2.3.1.1	Chief Risk Officer (CRO)	52
2.3.1.2	Internal Audit Functions in EWRM	54
2.3.1.3	The Leadership Functions and Reporting	58
2.3.2	EWRM Framework	62
2.3.3	Critical Success Factors	66
2.3.3.1	Cross Functional Staff	67
2.3.3.2	Compliances	69
2.3.3.3	Organisational Culture	70
2.3.3.4	Resources	72
2.3.3.5	Risk Management Base	72
2.4	The Impact of EWRM Implementation	73
2.5	Conclusion	77