UNIVERSITI TEKNOLOGI MARA

ENTERPRISE RISK MANAGEMENT AND FIRM PERFORMANCE: AN EMPIRICAL STUDY AMONG MALAYSIAN PUBLIC LISTED COMPANIES

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ABSTRACT

Risk are impossible to be avoided and eliminated and without risk management, firms may be threatened in many ways. Enterprise Risk Management (ERM) has emerged from the “silo” approach as portfolio for firms in managing risks. The significant growth of ERM implementation among Malaysian Public Listed Companies across the year questioned how does the implementation provide benefit to the company especially in measuring its performance. Despite the rising literature and studies conducted for ERM, the extend of ERM implementation and firm performance are still vague, especially when the measurement for ERM implementation always vary. Conflicting views on how ERM affect the firm performance requires research to provide on whether ERM does really affect firm performance or not. This study look in details on how the adoption of ERM is associated with firm performance based on basic risk management components, extracted from COSO (2004) integrated frameworks based on its strategic objectives. The study also extends in determining which components that significantly influences the firm performance. This study measures ERM implementation based on the public companies that are listed under Bursa Malaysia Main Market. A total of 137 public companies that are listed under Main Market has participated in this study. Based on the data, the study finds that the extent of ERM implementation does not significantly affect firm performance. The researcher also found that there is no relationship between ERM and firm performance but one of the ERM components; risk monitoring and reporting do significantly influences firm performance.

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TABLE OF CONTENTS

CHAPTER ONE
INTRODUCTION

1.1 PREAMBLE

This chapter will provide the outline and research structure of the study. The outline will start with the background of the study and will be followed by problem statement, research questions, research objectives, the scope of the study, the significance of the study and definition of terms, terminology and concepts which will be used throughout this paper.

1.2 BACKGROUND OF THE STUDY

Risks are uncertain and it is hardly possible to be eliminated, thus the need for the risk to be managed wisely are very important and crucial especially to a firm or organization. Most firms and organizations that do not take risks management seriously will likely have to suffer the consequences later. Among notable cases that have caught worldwide attention includes Enron, Tyco, Worldcom, and others. Risks may threat a firm in many forms and ways either nature calls, economic climate, coping up with technology and many other forms. Different risks threats different firms in different industries. Risks may vary but the impact threat may leave for a firm might last for a long time and worse, might be the reason for firm's failure and not being able to sustain in the business. In order to make a profit in today's economy, a certain level of risk need to maintained wisely as it has become one of the key strategy (Wu and Olson,2010). In order to maintained that certain level of risk is where risk management played its role. Through risk management, the risk may be controlled and left at the level that the firm desire to minimize the impact and threats. Nelson and Kisaka (2013) added that firm will have to let go the opportunity of gaining profit in order to avoid being affected by risk thus the importance of managing the risk in a good way in order to be competitive. There are many other reasons why risks need to be managed including identifying what is the possible risk that may affect the firm's future thus enabling a new strategy to be implemented in order to minimize the impact that it can give to firms. The continuous incident of corporate failures, scandals, and fraud has added strong stance for firms to