UNIVERSITI TEKNOLOGI MARA

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

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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.
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