

Web Disclosure of Risk Management Practices in Malaysian Public Universities

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DOI: 10.6007/IJARBSS/v6-i11/2409 URL: <http://dx.doi.org/10.6007/IJARBSS/v6-i11/2409>

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 risk management implementation 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. This study examines the existence of a formal risk management structure or framework in the Malaysian public universities. This is a preliminary investigation using websites as indicators, on the state of enterprise risk management implementation in Malaysian public universities. Based on the data gathered from a total of 20 public universities, this study found that most of them do have a formal risk management structure in place and some of them have even appointed a specific person (risk officer) specializing in handling the ERM activities of the universities. This paper would provide the foundation for more advanced research in the ERM implementation in non-profit organizations.

Keywords: Risk Management, Public Universities, Websites

INTRODUCTION

Enterprise risk management has gain importance in the corporate world especially in the financial industry. This is due to the failure of several corporate entities such as Enron, Barings Bank, WorldCom, Fannie Mae & Freddie Mac and others. The failure has caused public confidence in the public companies diminishing and has a put a strain on corporates' access to capital. Just like its counterpart in the private sector, public organizations also are not spared from the effect of bad risk management. Case like Orange County in the United States is an example of when proper risk management is not practiced.

Non-profit organizations (public entities) are also exposed to risks and most public entities received their funds from the government. As the public is their main stakeholders, the way these public entities manage and spend the allocated funds will always be under scrutiny by the public. Wastage of funds due to mismanagement and misappropriation will always be the major concerns of the stakeholders. The advancement of technology has impacted on the way the public gets the information which is readily available in the web,

fast and abundance. Therefore, public organizations must be managed prudently, effectively and efficiently. In order to do that, they would have to manage their risk in the same way. Public organizations cannot run away from ensuring proper governance is in place. A study by Kleffner, Lee, & McGannon (2003) states that the use of enterprise risk management has strongly influenced the effectiveness of organizations corporate governance.

Public universities also cannot avoid in managing their risk and the increase of public universities demands for autonomous governance especially in terms of financial and resource decision making have also made it clear that they must also be made accountable to freedom that has been given to them. Therefore, a comprehensive risk management framework has been made as one of the requirement in the award of autonomous status for public universities. Willson, Negoj, & Bhatnagar (2010) has stated that a university must ensure that its everyday operations are well managed and monitored in overcoming risks that will impact the survival of the university.

Universities are increasingly being scrutinized in the matters of spending and investments, conflicts of interest, copyright infringements, academic integrity, IT security and others. Its stakeholders (students, faculty members, staff, funders and government) are very much interested on universities' activities (Willson et al., 2010). Popescu (2012) states the importance for universities to develop and maintain a holistic risk management program in ensuring the achievement of strategic goals and survival for the benefit of the stakeholders. Sustainable ERM which is embedded in the management of the university will ensure that evolving risks are assessed, improved and monitored to the benefit of the university. Since the launch of the Malaysian Higher Education Blueprint 2013-2025 in 2013, 6 public universities have been awarded the autonomous status. The remaining 14 public universities are still in the process of completing the requirements for autonomous status. The revised Malaysian Higher Education Blueprint 2015-2025, has also proposes for greater autonomy for the public universities.

As evidence of a comprehensive risk management framework is a requirement in the awarding process, it is worth to study the state of risk management implementation by public universities. It is actually difficult to determine whether organizations really implement ERM from publicly accessible information as they would rarely publish such information. Therefore, it is difficult to determine whether the organization is implementing ERM or not. Sometimes the information published does not indicate whether ERM is implemented in an integrated manner or separately.

This study aims to investigate whether the public universities are doing their part in communicating to the public that they are also implementing risk framework in assuring the public funds are best managed. This study can also (in a limited setting) explore the implementation of risk management framework in the management of the public universities.

ENTERPRISE RISK MANAGEMENT

This study uses some proxies that would be readily available information in the relevant organizations' websites to determine whether ERM is practiced or not.

Existence of risk policy and/or framework

Ineffective communication of risk (policy and framework) would lead to ineffective implementation of risk management (Rudhumbu, 2014). A good risk management practice is that has to be communicated to every stakeholder of the public universities. What better way to communicate, then to make it available in their website for easy access by the relevant stakeholders. Therefore, the availability of the risk policy and/or framework published in the website has been selected as one of the proxy for risk management practice.

Risk Policy – A statement indicates the extent and kind of risks that the organization is willing to accept in accordance to its organizational objectives.

Risk Management Framework – Basis of the risk management system implemented which relates to the process of managing risks. Among the popular types of framework used are ISO31000:2009, COSO and AS/NZS 4360:2004.

Existence of a formal structure to handle risk (Risk Manager/Committee)

Studies by Liebenberg & Hoyt (2003) and Beasley, Clune, & Hermanson (2005) agrees that an organization that adopts ERM must have a specific person or a group of persons responsible for the implementation of ERM and communicate the activities to the board. This can be in the form of a Risk Management Committee or a specialized person as Risk Manager.

Risk Management Committee – a group of strategic persons that is responsible to developing and overseeing the implementation of ERM whether at the executive level or board level or both.

Risk Manager– a specialized person tasked to assess and mitigate risks across the organization.

The announcement of appointment of Risk Manager will indicate the level of ERM implementation of the organization (Liebenberg & Hoyt, 2003; Darwish, 2015). Different risk management structure might be used among different organizations. Some organizations might appoint a risk manager, whilst others might appoint a risk management committee. The existence of a Risk Manager or at least, a Risk Management Committee has been selected as another proxy for the evidence of risk management practices in the public universities.

DATA AND METHODOLOGY

Public universities in Malaysia are selected to represent non-profit organizations. As a preliminary study, a web search was done on all 20 public universities in Malaysia. The public universities are listed in the Ministry of Higher Education's website and the list of the universities and their website are shown in the Appendix 1. Method of analysis used is

content analysis where the contents of the relevant public universities websites were scrutinized in order to find the relevant information or data. Keyword search was done on risk management in the public universities' websites. Information regarding risk management policy, frameworks and risk management structure is used for the purpose of the study. These proxies have been selected as they would be information readily available in the public universities relevant websites.

FINDINGS

Table 1 shows that from the total of 20 public universities only 10% (2 universities) published their risk policy in their website. The other 90% (18 universities) does not publish any information on the risk policy, framework or structure in their website. While 15% (3 universities) has stated that their risk management framework is based on ISO31000:2009. Other 85% (17 universities) did not indicate the type of risk management framework anywhere in their website. Interestingly is that these public universities are those that have been awarded the autonomous status. These top public universities have adopted the ISO31000:2009 as basis of their risk management framework. Nevertheless, other public universities have not made known on their basis of risk management framework. Therefore, it would not be conclusive to propose that other universities did not use the ISO standard. However, it can be expected that the ISO standard will also be used by other universities as it is the latest global standard on risk management framework.

Table 1 also shows that 11 public universities have risk managers or at least a formal structure to manage the risks. From these 11 universities, 10 of them have appointed a risk manager to oversee the risk management activities, whilst only 1 of them uses a risk committee. 10 out of 13 public universities that have attained the autonomous status, have a formal risk management structure in place either a specific person or a committee to coordinate the risk management activities of the universities. This is expected as having a comprehensive risk management framework in place is one of the criteria for the appointment of autonomy by the Ministry of Education. This shows that regulation requirement is an important determinant for ERM implementation for public universities.

Table 1

Public Universities ERM Implementation (Observation as at 22 April 2015)

No	University	Autonomy Status	Risk Policy Published	Framework	Risk Officer
1	UTEM	Yes	NA	NA	Risk Manager
2	UiTM	Yes	NA	NA	Risk Manager
3	UMT	Yes	NA	NA	Risk Manager
4	UKM	Yes	Yes	ISO31000:2009	Risk Manager
5	UPM	Yes	NA	NA	Risk Manager
6	USIM	Yes	NA	NA	Risk Manager
7	USM	Yes	NA	NA	Risk Manager
8	UTM	Yes	Yes	ISO 31000: 2009	Risk Committee and Risk Manager
9	UUM	Yes	NA	ISO 31000: 2009	Risk Committee
10	UIA	Yes	NA	NA	Risk Manager
11	UM	Yes	NA	NA	NA
12	UNIMAS	Yes	NA	NA	NA
13	UMP	Yes	NA	NA	NA
14	UPNM	No	NA	NA	Risk Manager
15	UPSI	No	NA	NA	NA
16	UNIMAP	No	NA	NA	NA
17	UTHM	No	NA	NA	NA
18	UMS	No	NA	NA	NA
19	UMK	No	NA	NA	NA
20	UNISZA	No	NA	NA	NA

CONCLUSION

Most of public universities have demonstrated to have practiced risk management formally as shown in their websites. Having a formal structure in dealing with risk management issues of the universities is a major step in formalizing risk management activities. Regulation imposed by the authorities is an important factor in determining the level of risk management implementation by the public universities. This study is not short of limitations. There might be some information that is not available in the website due to the nature of the information accorded by the relevant universities. Therefore, the results are limited where the data might also be insufficient due to information needed was disseminated to the relevant stakeholders through other means and not through the websites. Nonetheless, this study has shown that there should be a standardized format of

risk management information disclosure, as this would give assurance to the public that the universities' funds are well managed. This study is believed to provide a good foundation for future research. The next step would be to investigate the extent or level of implementation, the effectiveness, and the challenges or barriers of the risk management by the universities. It is also believed that more studies in this area would give an impact to the public policy with regards to the effective governance of public universities.

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APPENDIX

- International Islamic University Malaysia <http://www.iiu.edu.my/>
Universiti Teknologi MARA <http://www.uitm.edu.my/index.php/en/>
Universiti Kebangsaan Malaysia <http://www.ukm.my/v6/>
Universiti Malaya <http://www.um.edu.my/>
Universiti Malaysia Kelantan <http://www.umk.edu.my/index.php/en/>
Universiti Malaysia Pahang <http://www.ump.edu.my/>

Universiti Malaysia Sabah <http://www.ums.edu.my/v5/>
Universiti Malaysia Terengganu <http://www.umt.edu.my/>
Universiti Malaysia Pahang <http://www.unimap.edu.my/index.php/my/>
Universiti Malaysia Sarawak <http://www.unimas.my/en/>
Universiti Sultan Zainal Abidin <https://www.unisza.edu.my/index.php?lang=en>
Universiti Putra Malaysia <http://www.upm.edu.my/>
Universiti Pertahanan Malaysia <http://www.upnm.edu.my/>
Univeriti Perguruan Sultan Idris <http://www.upsi.edu.my/>
Universiti Sains Malaysia <http://www.usm.my/index.php/ms/>
Universiti Sains Islam Malaysia <http://www.usim.edu.my/>
Universiti Teknologi Malaysia <http://www.utm.my/>
Universiti Teknikal Malaysia Melaka <http://www.utm.edu.my/portal/>
Universiti Tun Hussein Onn Malaysia <http://www.uthm.edu.my/v2/>
Universiti Utara Malaysia <http://www.uum.edu.my/index.php/en/>

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