

HOW ENTERPRISE RISK MANAGEMENT (ERM) IS PERCEIVED BY COMPANIES WITHIN MALAYSIA: A CASE STUDY ON THE SMALL AND MEDIUM ENTERPRISE (SMEs) IN MALAYSIA

Prepared by: Sangeet Kaur A/p Haridner Singh

ABSTRACT

With the phenomenal growth of traditional risk management within organizations, emerges Enterprise Risk Management (ERM). Accepting and managing risk is the fundamental objective of a business operation and the main concern of enterprise management, as the nature of the business world today is rapidly changing and becoming tremendously compound, it is essential that organizations pay more focus towards all risks that can create an impact on their business in order it maintain their position in the market (Tesionline.com, 2000-2009). ERM surfaced as the role of traditional risk management has expanded to accommodate extensive, origination wide programs (Reference for Business, 2010). The purpose of this research project is to address the issue of ERM and its related matters and thereafter conduct a case study on a range of Small and Medium Enterprise (SMEs) in Malaysia. According to various sources, the author has identified several ERM frameworks. However the author believes that organization as all are diversified in their own ways thus having different criteria's and characteristics. Over the years, risk management has grown and evolved. In spite of being around for several decades, many fill to embrace the concept of ERM as they do not realize its importance. The execution of ERM framework, benefits those from strategic to operative level. And from top management to employees as it supports and enhances the risk knowledge (Society of Actuaries, 2008). The objective of this project is to spread the awareness of ERM enabling organizations to be more risk friendly and sustainable. It is important that organizations integrate and actively adjust with the change in the internal and external environment as ERM is viewed as a continuous process (Society of Actuaries, 2008). Hence it is crucial that organizations constantly monitor to change. To accomplish the objective, a detailed study has been presented to enable better understanding and conceptualization, there are various benefits to be gained through this holistic approach, however many are still cocooned within the traditional risk management approach, causing businesses to limit their capabilities and under perform. Therefore various kinds of ERM models are highlighted in this project. Besides that, the author has discussed issues such as identifying the various decisions available and methods to solve risk related problems as organizations are unable to ascertain the problems faced, which leads to poor resolving methods that affects the direct and indirect stakeholders. Ne models that best suit the needs and specifications of these SMEs are recommended, allowing them to compete in a business environment that s financially, economically, socially, legally and politically inclines. By cultivating ERM, the several parties that benefit from it are; shareholders, managers, staff and customers. The advantages that derive form it are significant, therefore it is crucial that all organizations t irrespective of size, location, maker share and nature of business should implement ERM for a more secure and profitable future.