

RISK MANAGEMENT IMPLEMENTATION AND BUSINESS CONTINUITY IN PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

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**RISK MANAGEMENT IMPLEMENTATION AND BUSINESS
CONTINUITY IN PRIVATE HIGHER EDUCATIONAL INSTITUTIONS**

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Fulfilment of the Requirements for the
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ABSTRACT

This study is looking into the aspect of risk management implementation and business continuity in private higher education institutions. Private higher education in Malaysia has been growing rapidly since late 80's and it has provided an alternative for students to pursue their tertiary study of choice. Every year new private higher education institutions are established; competition gets keener and the challenge to continue existing is becoming greater. The ever-challenging private higher education business environment challenges private higher education institution to stay afloat like any other business, but the decision to cease operation of a private higher education institution is having serious and detrimental effect on various stake holders unlike other business. It is known fact that any untoward happenings to private higher education institution will have direct impact to students and their future. The fluctuating number of private higher education institution in operation year after year is having wholesome impact to the nation as well. The readiness of private higher education institution in facing business uncertainty and continue to exist is critical. This study adopts a qualitative method approach supported with analysis from data collected through quantitative method as well. Top executives of selected private higher education institutions were interviewed, and a survey questionnaire was distributed to selected private higher education employees for related data gathering. The study revealed private higher education institution agrees and knows the importance of risk management; risk and risk management knowledge are lacking among the process owners in private higher education institutions; organizational culture plays crucial role in effective implementation of risk management; risk management and business continuity have a real and inevitable link; having a sector specific risk management framework will further strengthen and benefit the private higher education institutions in managing risks faced in their higher education business. There are several limitations in this study which are; only private higher education institutions located in Klang Valley were included, these institutions should have been operating more than ten years with more than 300 students and it must be a homegrown private higher education institution.

Keywords : Risk, risk management, organizational culture, business continuity, private higher education institution

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the Degree of Doctor of Philosophy.

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Chairman, Examination Committee

(12 November 2024)

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Mani Maaran A/L Krishnan

A handwritten signature in black ink, appearing to read "Mani Maaran".

Signature of Student:

Date: 12 November 2024

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LIST OF ABBREVIATION

COSO	Committee of Sponsoring Organizations of the Treadway Commission
EBRMF	Education Business Risk Management Framework
ERM	Enterprise-Wide Risk Management / Enterprise Risk Management
HE	Higher Education
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
MOE	Ministry of Education
MOHE	Ministry of Higher Education
ORM	Operational Risk Management
PHEI	Private Higher Education Institution
RBT	Risk Based Thinking
RM	Risk Management

CHAPTER 1

INTRODUCTION

1.0 Background of Study

Business is all about growth, expansion, and progression if it is managed well. As businesses are facing rapid changes of many factors, it is a challenge at the current moment and in the future for businesses to stay afloat and or even to expand. There might be a moment of regression had been faced or will be faced by business entities in their business journey due to the unkind business environment that is ever present. The business environment volatility is becoming unprecedeted and unpredictable. Business organizations need to equip themselves with knowledge and expertise to ensure their business continuity and survival. It should be reminded there are many business entities still standing for decades despite myriad challenges faced. These resilient business entities certainly have their withstand ability that many are unaware. Many business entities out there able to withhold any sudden drastic economic storm that would cause businesses to collapse and disappear. Organizations should be able to manage uncertainties being faced and if possible, convert them into business opportunities. There is no level of readiness that will totally prepare a business entity or an individual to face the many kinds of uncertainties they will encounter, for many people this condition of uncertainty provides excitement and thrill in the form of business challenges. They will experience the much-needed adrenalin rush when they are able to control and manage these challenges and handle the onslaught of uncertainties. However, many out there might succumb and be overwhelmed by these business challenges. Following plenty of untoward events and disaster happening, organizations are taking greater interest in risk and risk management. The survival of

mankind has always been closely related to the development of a continuous and instinctive desire to protect oneself against risk, which is inherent since mankind existence (Przetacznik, 2022; Kloman, 2010). Many understood and started to accepting an explicit and structured management of risks bring benefits. With proper planning, control and management, uncertainties which emerge can be surmounted with more confidence and better preparedness. The uncertainties actually constitute risks that are encountered in the running of business. Hence managing these uncertainties actually pertain to the field of risk management. Eichholz et al (2024) found a positive association between risk management orientation and focus on planning. In this context, it is imperative that a business organization includes Risk Management (RM) as a key integral aspect in their business especially during their strategic planning. Doing so will enable the business leaders to minimize and effectively manage the risks might be encountered and therefore ensuring their businesses are well managed, protected and sustained. In order to ensure the success of risk management, it is necessary to develop and maintain a comprehensive risk management framework. The framework will enable and facilitate the business to anticipate and overcome the challenges posed by myriad risks that exist. As what Peter Bernstein (1998) argues “Our faith on risk management encourages us to take risks we would not otherwise take”, this itself is a risk to a business. These reinforce the idea that risk management can be an important factor in developing organizational resilience in times of crisis and the successful integration of risk into management control can achieve increased resilience in an organization (Martin, 2024). The outcome of resilience is reflected as business continuity of an organization.

Everyone face risks in daily lives, risk arise from activities we are engaging, be it personal or for business needs. ISO 31000:2018 standard defines risk as effect of uncertainty on objectives. One of the leading experts in risk management, Paul Hopkin (2018), defines risk as ‘an event with the ability to impact (inhibit, enhance or cause doubt about) the effectiveness and efficiency of the core processes of an organization’. There are various types of risks that exist in our daily life and business such as financial risk, operational risk, reputation risk, health risk, environmental risk, technology risk, investment risk, process risk and the list continue. To manage and handle risks effectively, numerous research has been conducted and it is still ongoing. Various risk tools are being identified and tested. These research findings are made known to business entities and giving expectation that risks can be managed, and it is possible also to convert it to an opportunity, with the right intervention, for continual improvement. There are mundane risks arising from daily routine and also extreme and critical risks arising from ever challenging environment.

Determining relevant risk, assessing the impact of the risk and identifying the range of risk responses available and deciding the most appropriate action for each risk is at the heart of risk management. It is commonly known different organization and individual as well are having different attitude towards risks. These differences if not well determined and managed will certainly cause major stumbling block to an effective and reliable risk management practices.

Private higher education institutions (PHEI) have often perceived themselves as substantially different from other for-profit and not-for-profit entities, and how the other businesses have historically viewed and treated them as such. Today, in addition to an increased focus on private higher education business, in which PHEIs are being

accountable for competent and qualified workforce creation, upholding national reputation (lead to higher influx of foreign student), ensuring student safety while at PHEI premise and their welfare are taken care, funds from parent company (if any) diligently utilized and having close scrutiny by regulation body.

It must be accepted PHEIs also do face many of the same pressures and exposures to risk as those in the corporate world, namely; a dynamic business environment, an unforgiving stock market, industry mandates on corporate governance, and changes in regulatory and accounting requirements apart from what mentioned earlier.

PHEIs must realize it is no longer acceptable to find themselves in a position whereby unexpected events cause financial loss, disruption to normal operations, damage to reputation and loss of market presence due to the wider understanding of the risk management and its potential benefits. Many private higher education institutions in Malaysia which are implementing quality management system and certified as ISO 9001:2015 and ISO 21001:2018 standards implementer have been exposed to risk due to the presence of risk as part of planning requirement in these standards itself. This compulsory requirement had kick started the knowing of risk and approach of risk-based thinking (RBT) into the certified private higher education institutions. It should be noted not all PHEIs in Malaysia are ISO certified institution and it is not an obligation to have an ISO system in place for these PHEIs.

As for public universities in Malaysia, the Ministry of Higher Education introduces University Good Governance Index (UGGI) in 2011, which requiring public universities to implement an organized risk management.

1.0.1 Risk Management

The process of identifying risk and managing it gave birth to what is known as a Risk Management Framework at present moment, which started since 17th century, focusing on financial related risk management, in 1970s combined approach to risk financing and risk control were developed in Europe, whereby concept of total risk emerged (Clabaugh, 2004). One of the early developments in risk management emerged in United States in 1950s due to the cost of insurance becoming prohibitive and the extent of coverage becoming more limited (Hopkin, 2018). Risk management is about trying to know, identifying, and understanding the possible uncertainties, planning steps to manage and control it. Many of these uncertainties can be classified, studied and analyzed to establish a workable framework to handle risk when it appears. The planning and preparedness to face these uncertainties from the perspective of a business entity or an individual is easier said than done. In a nutshell, risk management is all about preparedness, it is a way of creating a culture of being proactive and infusing anticipatory mindset when embarking on a project, venturing into a new business, walking into unknown territory or even when establishing a relationship. We cannot run away from risk, not only in business but also in our daily life. Risk is inherent and it is for real. We must look into ways and means of understanding and managing risk. Cynically speaking, the only way not to face risk is by not doing business or by not living. This shows risk is ever present in many businesses' contexts and in varying forms.

We are exposed to various types and degrees of risk at all times. There are measurements for likelihood and impact of risks which need to be well addressed and handled. This is only possible by knowing in depth of anything and everything related

to the business or work to be carried out. It is only by getting involved, having firsthand information of the processes and its intricacies, can the risks be identified, assessed and controlled accordingly. Apart from having a comprehensive and ideal risk management framework in place it is of utmost importance to ensure that the risk management framework is workable and reliable in the context of its function and fulfilling its requirements. The Enterprise-Wide Risk Management (ERM) in which the management of risks is integrated and coordinated across the entire organization is gaining momentum and being adopted by many business organizations. It is ought to be noted at present moment enterprise risk management is interchangeably addressed as risk management in many organizations. There are challenges in adopting and implementing risk management and the obvious challenge will certainly be the unseen and unrealized invisible return of investment and the various sceptics surrounding it, i.e., the delay in realizing the outcome, the additional cost and manpower allocation.

ISO Guide 73 defines risks management as coordinated activities to direct and control an organization with regard to risk, while Institute of Risk Management (IRM) stating it as a process which aims to help organizations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

Meanwhile the renowned London School of Economics stating is as selection of those risks a business should take and those which should be avoided or mitigated, followed by action to avoid or reduce risk. Risk management is the set of activities within an organization undertaken to deliver the most favourable outcome and reduce the volatility or variability of that outcome. (Paul Hopkin, 2018). Historically, the term risk management has been used to describe an approach that was applied only to hazard

risks. Committee of Sponsoring Organization of the Treadway Commission's (COSO) ERM framework offers the following definition, "Enterprise risk management is a process, affected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks which are to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives". This definition entails the entire aspects of risk management and provides a better understanding for organization whom plans to adopt the COSO ERM framework.

1.0.2 Business Continuity

The resilience of an organization, where its ability to anticipate, resist, absorb, respond to, adapt to, or recover from a disturbance, disruptions and glitches is strongly linked to its business continuity ability. Business continuity as described in ISO 22301 standard is the capability of an organization to continue the delivery of its products and services within acceptable time frames at predefined capacity during a disruption (ISO 22300: 2018).

Business continuity of an organization depends on dependencies and interdependencies that have the potential to act as risk multipliers, exposing an organization to indirect vulnerabilities and increasing the potential for cascading and escalating impacts to the organization (Petit et al, 2017). Logical interdependencies encompass the interconnected "human" influences, decision making processes, and effects of choices between organizations that operate in related geographic areas, infrastructure sectors, or business spheres. They further addressed the need for organizations to move on developing risk management and business continuity plans

that consider regional resilience management capabilities and integrate elements that may be outside of one organization's control.

Company business models are vulnerable to various contingencies in the business environment that may unexpectedly render their business logic ineffective. It was argued that in order for business continuity approaches to become holistic and strategic, business models need to become a part of the business considerations, entailing an expansion of the scope of business continuity from value preservation to value creation (Marko Niemimaa et al, 2019). This finding reflects the important role of business continuity in current business environment. Business entity should be sensitive about the economic vulnerability and the extent uncertainty and unpredictability might affect the existence and continuation of any business.

Sawalha (2020), highlighted in her research there is an increased awareness about the use of business continuity management across different sectors including the industrial, service, banking and insurance and that the current use of business continuity management is irrespective of a number of organizational characteristics in the Middle East. Business continuity management is a framework for the continuity of critical business functions during the occurrence of different sorts of disruptive incidents to a business entity. It was found that the intensity of business continuity elements decreased following the implementation phases. Leadership and strategy had the highest mean score, while maintenance had the lowest. Preceding phases had significant positive effects on succeeding phases. The direct impact of leadership on maintenance was much weaker than its indirect impact through strategy, planning and application (Vanichchinchai, 2023). The discontinuation of the intensity will certainly impact any business, to ensure minimal impact of loss of intensity and better focus, a

business organization should be working on establishing a supportive culture that will assure persistency and continuity of a process introduced.

Jedynak and Bak (2021) highlighted when risk management is firmly embedded with other management domains, it should ensure business continuity maintained and a competitive advantage is built or maintained even in crisis. Over time, a business that did not manage risks effectively will not prosper and perhaps fail as what happened to many banking institutions such as Barings in 1995 that collapsed after more than 250 years in business and Societe Generale in 2008 that encounter losses up to 4.9 billion Euro (Edward, 2014). Coordination of risk management and running a business has usually been weak or non-existent, and identification of emerging risks have been sluggish in many business entities. Przeracznik (2022), noted many organizations still follow the traditional silo approach to risk management, focusing only on certain function within an organization and on few basic types of risk. Risk varies for each business and the environment it is in, be it local or international and the impact also differs accordingly. Mostly organizations most often apply risk management measures in the areas of strategic management, operational management and financial management (Sylwia, 2022). As for private higher education business, the risks it is facing is unique and peculiar to its nature of business. Businesses will face serious challenge if risks are not managed promptly and tactfully because it will affect thousands of future workforces, their paymaster and other stakeholders as well. With this in mind, PHEI should not take lightly the possibilities of their business failing and how it might impact everyone linked to it, the economy and country as well. The uncertainties associated with private higher education business are many, some pertinent issues are related to stringent regulations imposed by regulatory bodies, change of private higher education related policies, ever

demanding students and their parents need, competitive market and many more. The open market i.e., globalization and advancement of technology have further contributed to uncertainties confronting PHEIs. As changes in the private higher education business operating landscape heighten risk elements considerably, private higher education institutions shall now increasingly look towards enhancing and improving their internal capabilities and resources to better manage risks being faced by education business (Kameel, 2007). PHEI face an increasingly challenging and complex environment in their business and activities they undertake. It is within this increasingly uncertain environment that PHEIs are required to deliver higher stakeholders' expectation, whilst fulfilling greater corporate governance requirements in relation to ethical and social responsibility.

Research carried out in Romania published in Procedia Economics & Finance identified twenty-five types of risks faced by Romanian higher education institutions and the study also found risk management practices in academic institutions appear to be significantly less developed than in much of the corporate world (Toma, 2014). When comparing the many researches done in Western countries, there appears to be a dearth of such research in this part of the world pertaining to importance and awareness of risk management in the business of education and its sustainability. Helsloot and W.Jong (2006), showed higher education institution do not regularly or routinely have an integrated policy on safety, security and crisis management. They also discovered institutions, staff and students have limited awareness about the range of risks to which they and their environment is exposed too. Seeing, realizing and knowing the importance of risk management practices in higher education institutions, Association of Governing Boards of Universities & Colleges based in Washington DC found in the survey they carried out in 2009, 60% of respondents who are members of