

Enterprise Risk Management, Human Capital and Organizational Performance: Insights from Public Listed Companies

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Abstract : In today's challenging global economy, which is driven by information and knowledge, risk management is undergoing a great change, as organizations shift from traditional and compartmental risk management to an enterprise-wide approach. Enterprise risk management (ERM), which aims at increasing the sustainability of an organization and achieving competitive advantage, is gaining global attention and fast becoming an essential concern in all industries. Furthermore, in order to be effective, ERM should be managed by managers with high-level skills and knowledge. Despite the importance of the knowledge embedded in, there remains a paucity of evidence concerning how human capital could influence the organization's ERM. Responses from 116 public listed companies (PLCs) on the main market of Bursa Malaysia were analyzed using Structural Equation Modelling (SEM). This study found that there is a significant association between ERM and organizational performance. The results also indicate that human capital has a positive moderating effect on the relationship between ERM and performance. The study contributes to the ERM literature by providing empirical evidence on the relationship between ERM, human capital, and organizational performance. Findings from this study also provide guidelines for managers, policy makers, and the regulatory bodies, to evaluate the ERM practices in PLCs.

Keywords : enterprise risk management, human capital, organizational performance, Malaysian public listed companies

Conference Title : ICAIHE 2018 : International Conference on Academic Identities and Higher Education

Conference Location : Copenhagen, Denmark

Conference Dates : June 11-12, 2018