EVALUATING THE ENTERPRISE RISK MANAGEMENT (ERM) PROCESSES AT BOTHO COLLEGE.

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A Research Presented to North West University (South Africa) in partial fulfillment of the requirements for the degree of **MBA**

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Dedication

For my late mother Maria Takaidza and late sister Rumbidzai Takavarasha

Declaration

I declare that this dissertation, submitted to the North West University in partial fulfillment of the requirements for the degree of Master of Business Administration, is my own work and has not been previously submitted for a degree nor has it been submitted as part of the requirements for a degree as fully acknowledged within the text.

Norman Rudhumbu

October 2012

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Abstract

The world over, the issue of handling risk using a holistic instead of a piece-meal approach has become so topical that most business corporations have started to invest a lot of time, money and other resources to ensure that their companies are adequately protected against any lurking enterprise risk. The ability of organisations to react and more importantly to anticipate and proactively plan accordingly against any enterprise risk is seen as the cornerstone of sustainability in higher education. This is especially true for Botho College which depends almost entirely on government sponsored students as their market. Any negative shift in government sponsorship policy can devastate and cause sudden collapse of the college. While literature shows that most higher education institutions spend a lot of their shareholder wealth in meticulously putting up plans to mitigate enterprise risks, further research has also shown that the major problems most of these institutions face is in the implementation as well as the management of the implementation process of enterprise risk management plans. While most higher education institutions can boast of well-crafted and resourced enterprise risk management plans, this research has shown that the problem in these institutions especially at Botho College, is that of failure to properly implement these plans. Evidence from this research shows that Botho College continues to use outdated, centralized and traditional approaches to managing enterprise risk. For institutions like Botho College to successfully manage enterprise risk, they therefore need to be more open, flexible, creative and willing to radically adjust their enterprise risk management strategies to make them more inclusive and holistic. The main objective of this research therefore was to evaluate the extent to which Botho College is implementing the ERM process against the dictates of authoritative literature.

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CAS – Casualty Actuarial Society

CEO – Chief Executive Officer

COSO - Committee of Sponsoring Organizations

CRO – Chief Risk Officer

DHS – United States Department of Home Security

ERM – Enterprise Risk Management

HM – H&M Revenue and Customs

IT – Information technology

KPMG – Klynveld Peat Marwick Goerdeler (accounting firm).

NBIMC – New Brunswick Investment Management Corporation

PMBOK – Project Management Body of Knowledge

Chapter 1: Introduction

In every business enterprise, be it large or small, public or private, risk (internal and external uncertainties) is a reality of doing budiness. While in some cases and according to Thornton (2009) risk (exposure to loss or gain) may be necessary for long term operational success, failure to effectively manage it can more often than not, lead to serious concequences to a business such as damaged reputation, loss of profits, disruption of productivity or at worst, business shutdown. This therefore means that as higher education leaders develop business strategies for the 21st century it should be important for them to recognise and continuously examine the market forces that are changing not only our society but also the economy and the business environment as we know them (Unks, 2003; Krapfl, 2011). Higher education institutions are no longer insulated against the realities and challenges of constant change as globalisation, advances in technology, and the increasing financial sophistication are all in their own unique ways contributing to the growing number and complexity of enterprise risks in higher education (Unks, 2003; Lam, 2000, Lam, 2003; Micollis and Shah, 2000; Davenport and Bradley, 2001; Rosen and Zenios, 2001).

Traditionally, business, universities and colleges used to identify and manage enterprise risk individually and transactionally (VCU Staff, 2012). This created a silo approach to enterprise risk management that lacked coordination resulting in risks such as information technology breaches or failures, legal issues and even business shutdowns. Problems such as these as well as the realisation that insurance alone will not adequately resolve the enterprise risks currently facing higher education institutions, necessited a management paradigm shift towards ERM in higher education.

Ferkolj (2010) also posited that as organisations including higher education institutions are now facing an increasing number and an even greater variety of risks, there is now a growing recognition that risk must be managed with the total organisation in mind, i.e., by taking a holistic approach, which is the essence of enterprise risk management (ERM) process. This is supported by Lam (2000) who intimated that the current increased thinking and focus by higher education institutions on ERM is being driven by external developments, internal demand as well as advances in risk management methodology. COSO (2004) also extended the above argument by saying that the complexities of business transactions, advances in technology, speed of product cycles and the overall pace of change continue to increase the volume, variety and complexity of risks facing higher education today. More specifically, research according to Unks(2003) and also VCU Staff (2012) has shown that the following are the major drivers of enterprise risk in higher education:

- Fierce competition for faculty, students, staff and financial resources;
- Pressure for increased productivity, responsiveness, and accountability in higher education while reducing costs;
- Increased external scrutiny from governement, the public, governng boards, media and rights groups;
- Powerful new technologies that render current technologies obsolute and require huge invetsments of both financial and human capital;
- Rapidly increasing entrepreneurial ventures beyond the traditional educational avenues of generating revenue are creating further stresses and strains on traditional administrative and financial infrastructures;
- Increased competition in the higher education marketplace is creating greater business risks; and
- Increased level of litigation in higher education in general has come with higher and higher levels of financial concequences for institutions.

The comprehensive approach to risk management as offered by ERM, as well as the fact that ERM can be aplied effectively at any institution regardless of size and type has therefore increased calls for the implementation of ERM in higher education institutions (Dickerson, 2004). By taking a holistic and multi-dimensional perspective to risk management, ERM according to Dickerson (2004) is able to look at and deal with the entire risk spectrum (strategic, financial, compliance, operational and reputational risks) in any higher education institution. This is supported by PricewaterCoopers (2012) who noted that the multiplicity and complexity of risks facing higher education today, has helped make ERM take on a variety of forms and maturity levels which include the following:

- Multifunctional responsibility for the identification and mitigation of risk conditions;
- Ability to evaluate and assess the potential impact and likelihood of a wide range of risk conditions;
- Ability to understand risk conditions and to set organisational tolerance levels (accept, mitigate, reduce or share); and
- Improved execute level sponsorship and invlovement in enterprise risk management processes.

To conclude therefore, properly managed ERM can reduce risks in higher education institutions. This is because according to Manab et al (2007) and also Yazid and Muda (2006), properly and adequately managed ERM does not only reduce or minimise enterprise risks in higher education institutions but in some cases, can help prevent the risks. This according to KPMG (2001) is the reason why as business leaders currently seek to build shareholder value, they are beginning to think and focus more on new and creative approaches to manage enterprise risk in ways that are tied to value creation. Across industries and institutions, most of the managers now recognise that enterprise risks are no longer merely hazards to be avoided but in many cases, are opportunities to be embraced (KPMG, 2001).

1.1 Background and Context

For the last few years, enterprise-wide risk management (ERM) has been a buzz saw ripping through corporate America and the world at large (Irwin, 2007). While risk may mean different things to different people, there has been consensus across the divide that without proper risk management practices and processes in organisations, modern day business as we know it will not survive. This realisation is in fact one reason why boards of directors in institutions such as Botho College have become increasingly more preoccupied with and sensitive to the need to address all associated enterprise risks (Bierc, 2003). This much attention being given to risk and risk management is further evidenced by why according to Doherty (2000) directors of boards in organisations have even become more thorough in their planning for and assessment of enterprise risk especially when viewed against the directors' current attempts to find ways to inculcate or institutionalise a more coordinated, dedicated and comprehensive process of managing risks in organisations. Treating or managing all the potential risk exposures faced by a company in an enterprise-wide approach can never be over emphasized as time and time again in the business world, it has been shown that risks cannot be managed in a 'silo' or using a 'stovepipe' approach but using a systems or holistic approach (Beasley & Frigo, 2007).

According to PricewaterCoopers (2012), research has shown that current trends in higher education enterprise risk management show the following encouraging features:

- There is increased recognition from a wide array of stakeholders (heads of institutions, boards of directors, and employees) of the importance of ERM;
- Regulators and stakeholders have now taken notice of the topic of ERM in their strategic discussions and the expectations continue to grow;
- There is noticeable movement towards formalizing and/or expanding existing compliance and other risk management activities;
- Internal audit objectives are generally in alignment with risk management principles and therefore, in unique position to help contribute towards effective ERM; and
- ERM programs are being strengthened by being built upon the foundation of other compliance programs and existing risk management activities.

The above achievements on ERM in higher education are noticeably on a theoretical or planning level. The challenge with higher education as already alluded to is on the implementation. According to the research carried out by the Association of Governing Board (2009), higher education institutions face challenges in implementing ERM programs. Results of the research revealed the following:

- When compared to other industries, higher education lags behind in the fiduciary responsibility of effectively implementing ERM;
- 60% of higher education institutions do not use comprehensive strategic risk assessment to identify major risks to mission success;
- Less than 50% of higher education directors and other senior management engage in discussions regarding institutional risks;
- Less than 25% of board members and other senior management monitor institutional and other external activities to determine the effectiveness of their institutions' risk management efforts;

- Financial risk receives the most attention at the expense of other more threatening risks; and
- Legal/compliance is the second highest in getting attention in higher education.

Research according to UAC (2006) has also shown that the levels of institutional approach to ERM by higher education institutions can be categorized into five levels as shown in table 1, with level I representing the poorest and level V the best approach.

Table 1: Levels of Insitutional Approach to ERM in Higher

Level	**Description**
I	See little value in proactive ERM.
II	General awareness about ERM and some conceptual appreciation for its value.
III	Aware of ERM and have set up mechanisms to monitor risks.
IV	Have created a risk management position to review "hot" spots, assist in risk assessment within business units and keep score of the risks.
V	ERM has fully evolved from a back office function to a CEO-level concern and is embedded in every part of the institution. Each business unit/department designs its own risk mitigation plan, tracks progress and establishes training programs.

Source: UAC (2006)

Botho College is one of the higher education institutions in Gaborone, Botswana. It is a private higher education institution whose mandate is to train post high school students in Information Technology courses from Certificate level to Masters Degree level, Accounting courses which include AAT, ACCA, BICA and CIMA, and Business courses which include certificate up to Degree level. The institution started operating in 1997 as a registered higher education institution. Currently it boasts of a student enrollment of close to 5000 students and a staff complement of 360 professional and support staff. In terms of top management, the institution has a Board of Directors, School Advisory Council, Executive management, Asociate Directors and Deans. The executive management at Botho College is headed by a CEO or MD who is supported by executive directors.

1.2 Problem Statement

The recent global economic meltdown helped to amplify the challenges in higher education in Botswana and at Botho College in particular hence the need for effective ERM programs in this industry. Such challenges as referred to above, included a general and progressive decline in government spending in higher education manifesting itself in the reduction of the number of tertiary students the government was now willing to sponsor. Compounding the above challenge is the fact that the education industry in Botswana is volatile, risky, uncertain and rapidly evolving (Ram, 2009). Loosely translated the above statement then means that it is very risky to invest in tertiary education in Botswana and those who do invest, should have water-tight ERM programs to mitigate against the sometimes unavoidable business risks associated with the industry. It is indeed more so a bigger challenge for institutions like Botho College who mostly depend on government sponsored students for their business especially bearing in mind that the Botswana government policy on sponsorship as it currently stands and also as we look into the future, is clearly uncertain. The mushrooming of more tertiary education institutions in Botswana tertiary education, a number of which are satellite institutions of more established regional and international tertiary institutions, places even a lot more pressure on institutions like Botho College as competition for scarce resources (government-sponsored students) and quality teaching staff becomes more of survival of the fittest. Taken from a rather different dimension, Botho College is an owner managed institution and being so, there is potential for the owner-managers to confuse family talk for business decisions ending up causing serious harm to the business and this is indeed a challenge to risk management in the organisation. All executive directors are owner-managers of the institution who either personalise issues or simply make decisions without consulting other relevant stakeholders. In fact my observations have shown that these owner-managers fail to separate family from business and as a result a number of decisions they have made on a number of occassions have proved to be half-backed and over-a-drink decisions that have in some occassions not only caused embarasment but also caused a lot of financial stress to the organisation. The sum total of the challenges enumerated above therefore means that institutions like Botho College need to be continuously and consistently vigilant and prepared for the uncertainties in this higher education industry in Botswana by crafting effective ERM programs and processes. As things stand, ERM programs are a must have for institutions such as Botho College and how effectively such programs are managed then becomes an issue of emphasis from one institution to another. The main purpose of this research therefore is to evaluate the extent to which, against the background of the articulated challenges in higher education, Botho College is implementing enterprise risk management

1.3 Research Objectives:The research wishes to:

i. Evaluate the extent to which Botho College is implementing the ERM process (assessment, responding and monitoring of risk) against dictates of authoritative literature.

ii. Identify the drivers of enterprise risk in Higher Education with particular reference to Botho College.

iii. Identify drivers of effective ERM implementation in higher education with special reference to Botho College.

iv. Critically interrogate literature to determine best practices of ERM implementation at a higher education institution like Botho College.

v. Recommend strategies for the improvement in the imlementation of ERM process at Botho College.

1.4 Research Questions

The following are the research questions:

- What is the extent to which Botho College is implementing the ERM process against the dictates of authoritative literature?
- What are the drivers of enterprise risk in higher education with special reference to Botho College?
- What are the drivers of effective ERM implementation in Higher Education with special reference to Botho College?
- What are the best practices of enterprise risk management implementation in higher education with special reference to Botho College?
- What strategies can be recommended to improve the implementation of the ERM process at Botho College?

1.5 Importance/Significance of the Study

This research will contribute to

(1) the enrichment of the body of knowledge on enterprise risk management; and

(2) the improvement of the planning and management of enterprise risk management programs at Botho College and at similar organisations.

1.6 Scope of the study

This research will focus primarily on enterprise risk management processes at Botho College. Botho College is a private tertiary education institution training government-sponsored students in courses ranging from Certificate to masters degree in Information Technology (IT). It is an institution that is now 15 years old in the higher education industry in Botswana and has a student compliment of 5000 students and staff compliment of 360 professional and support staff. The main goal of this research will be to evaluate whether Botho College effectively manages its ERM processes.

1.7 Project Layout:

After the introduction of the background, research problem, research purpose and research goals as part of the inroduction in chapter one, the rest of the research is organised as folows: Chapter two interrogates the concept enterprise risk management (ERM) in detail, reviewing relevant literature on the subject as well as explaing the major theoretical underpinnings on the application of ERM in organisations. Chapter three explains the methodological perspective of the research in terms of the type of research design to be used, sampling procedures and how much attention will be paid to ethical considerations before, during and after the study. Limitations of the study will also be highlighted in this chapter. Based on the literature reviewed and research questions posed, chapter four will present and analyse research findings. Chapter five will show a comprehensive discussion and interpretation of the research findings as presented in chapter four. Chapter six will present the conclusions drawn from the research as well as provide recommendations for improvement on effective application of ERM processes at Botho College. Finally chapter seven will show the annexture.

Chapter summary

The purpose of this chapter was to introduce the research. It started by positioning the resaerch through a detailed background and then went on to discuss the general purpose of the research (problem statement, research objectives and research questions). This chapter also managed also to capture the delimitation of the study.

Chapter 2: Literature Review

Introduction

This chapter contains the main literature review which will assist in providing important theoretical underpinnings related to the implementation of enterprise risk management in higher education. In doing so this chapter will identify the main drivers of enterprise risk as well as best practices for ERM implementation in higher education institutions. Research according to Rolfsen (2007) has shown that in many organisations such as higher education institutions, ERM programs and efforts are still in their infancy or work in progress and as such a number of these institutions face many constraints in their business processes. This inertia is despite the fact that ERM has become an important subject among business and industry throughout the world due to the fact that risks are constantly evolving as organizations strive to find more effective means of achieving their objectives, creating a high demand for robust risk management methodologies. Also perhaps another reason why so much importance is now being placed on the criticality of ERM as a management practice in the effective mitigation of enterprise risk is that market developments in recent times have shown that volatility is no longer something organisations should just associate with interest rates, currency or equity security risk anymore since change is no longer linear, but exponential as the life cycles of organisational business models compress (Rolfsen, 2007). Besides the 2008-2009 financial crisis which rendered the business environment even more volatile, greater risks in organisations such as higher education institutions are also coming from the fact that new technologies are rendering old ones obsolete, competitors are engaging in aggressive campaigns, media coverage is quickly altering consumer preferences, subcontractors are failing, and subcomponents of large series of released finished goods show to be defect (example being the 2009 massive Toyota cars call-back), and frauds are taking place with alarming regularity. What is then surprising according to Rolfsen (2007) is that despite the multiplicity and complexity of the emerging risks, businesses over the years have not been taking ERM programs seriously.

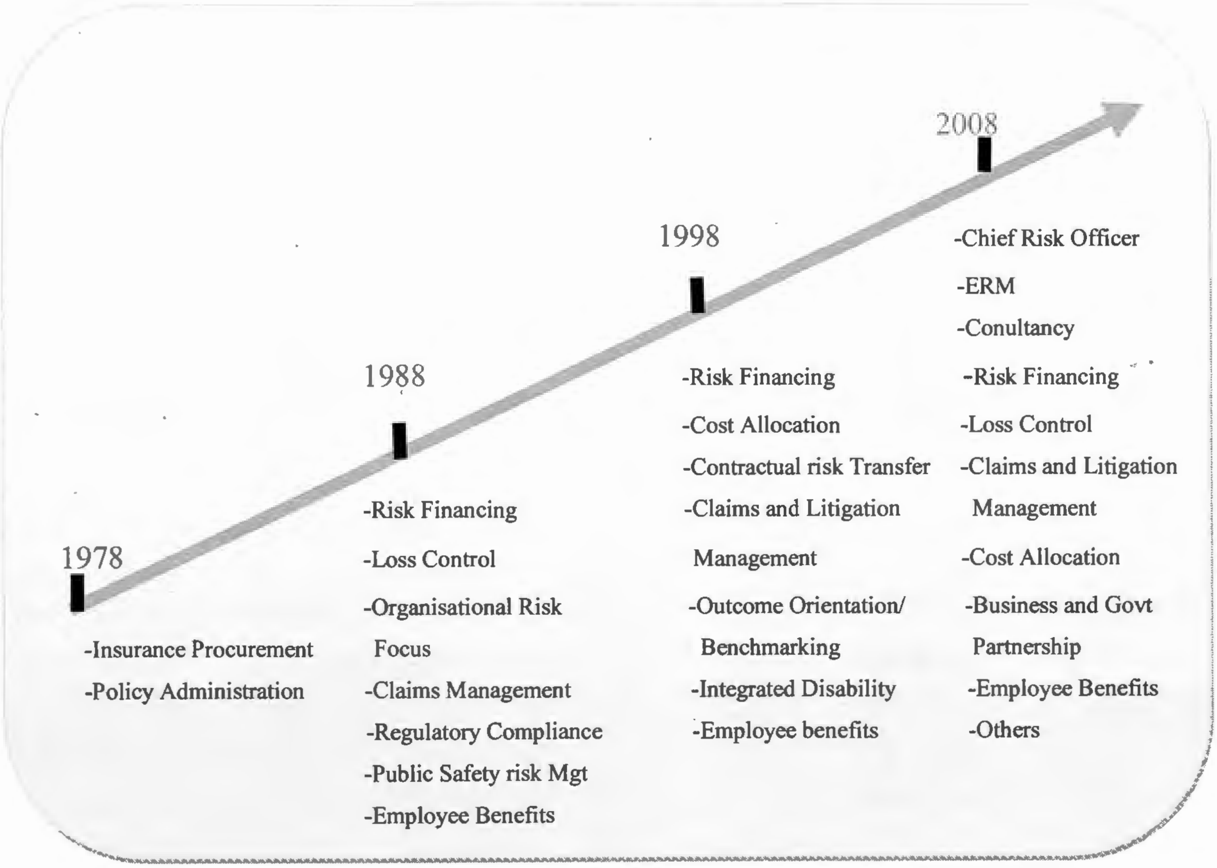
2.1. The evolution of enterprise risk management

The practice of enterprise risk management in higher education has been changing steadily over the last twenty years and especially over the last five years. According to the National

Association of Colleges and Universities Business Officers (NACUBO, 2007), enterprise risk management evolved from insurance buying when methods other than insurance buying began to be used to treat enterprise risk exposures. Originally, the scope of enterprise risk management was narrowly defined to only include accidents and loss control but according to NACUBO (2007), as sophisticated enterprise risk financing became an important alternative to insurance, enterprise risk management in higher education expanded to include other risk transfer and control activities. Also the new thinking on enterprise risk management expanded from traditional risk management (focusing on insurance and loss control) to strategic (enterprise) risk management.

The evolution of enterprise risk management has four stages but can be summarised into three stages as shown in illustration1 and 2 respectively.

Illustration 1:4-stage evolution of ERM



Ref: Unks (2003)

Illustration 2: 3-stage evolution of ERM

Traditional risk Management (TRM):

- Risk identification
- Loss Control
- Claims analysis
- Insurance and Risk Transfer Methods
- Risk management is ad hoc and reactive

Progressive Risk Management (PRM):

TRM+

- Alternative Risk financing
- Business Continuity
- Total cost of risk
- Education and Communication (enterprise-wide risk awareness)

Strategic risk management (SRM):

TRM+PRM+

- Enterprise Risk Management
- Indexing Risks
- Use of Technology
- Risks as opportunities
- Integrates risk into organisational strategic discussions.

Ref: Risk and Insurance Management society (2009)

2.2. Defining risk.

Risk is any issue, circumstance or factor that impacts an institution's ability to meet its objectives (COSO, 2004; UAC, 2006; NIST, 2004; NACUBO, 2000). NBIMC (2011) also defines risk as the potential for loss caused by an event or series of events that can adversely affect the achievement of a company's business objectives. The current thinking on risk therefore is that it is any issue that has a potential to affect the achievement of an institution's mission. Enetrprise risk can be classified into two categories namely systemic and unsystemic risk. Systemic risk also referred to as systematic or undiversification risk in risk that is inherent in the entire system or institution (Al-Tamimi and Al-Mazrooei, 2007). It is called undiversification risk because even if an institution diversifies, this risk can not be avoided. Unsystematic risk is risk associated with individual assets of an institution and can be avoided through diversification (Al-Tamimi and Al-Mazrooei, 2007).

2.3. Drivers of Enterprise risk in Higher education

The University Audit Compliance (UAC, 2006) identified a number of drivers of enterprise risk as well as relevant stakeholders as shown in table 2.

Table 2: Risk drivers in Higher Education

Risk Driver	*Stakeholders*
Emerging delivery systems	Students, faculty, Staff
Inability of governance processes to support strategic objectives	Board of directors, Executive management
Quality of academic programmes	Students, faculty
Increasing customer expectations	Students, parents
New technologies	Executive management, staff
Unionisation	HR, Staff, faculty
Increased regulatory scrutiny and accountability	Government, public, media, internal audit
HRM	Unions, Staff
Security, Internet access and Electronic Records	Students, staff, faculty
Students behaviour and the community	Alumni, parents, students, faculty
Contracting and related processes	Attorneys, Executive management

Adapted from University Audit Compliance (2006)

2.4. Typology of enterprise risk in Higher education

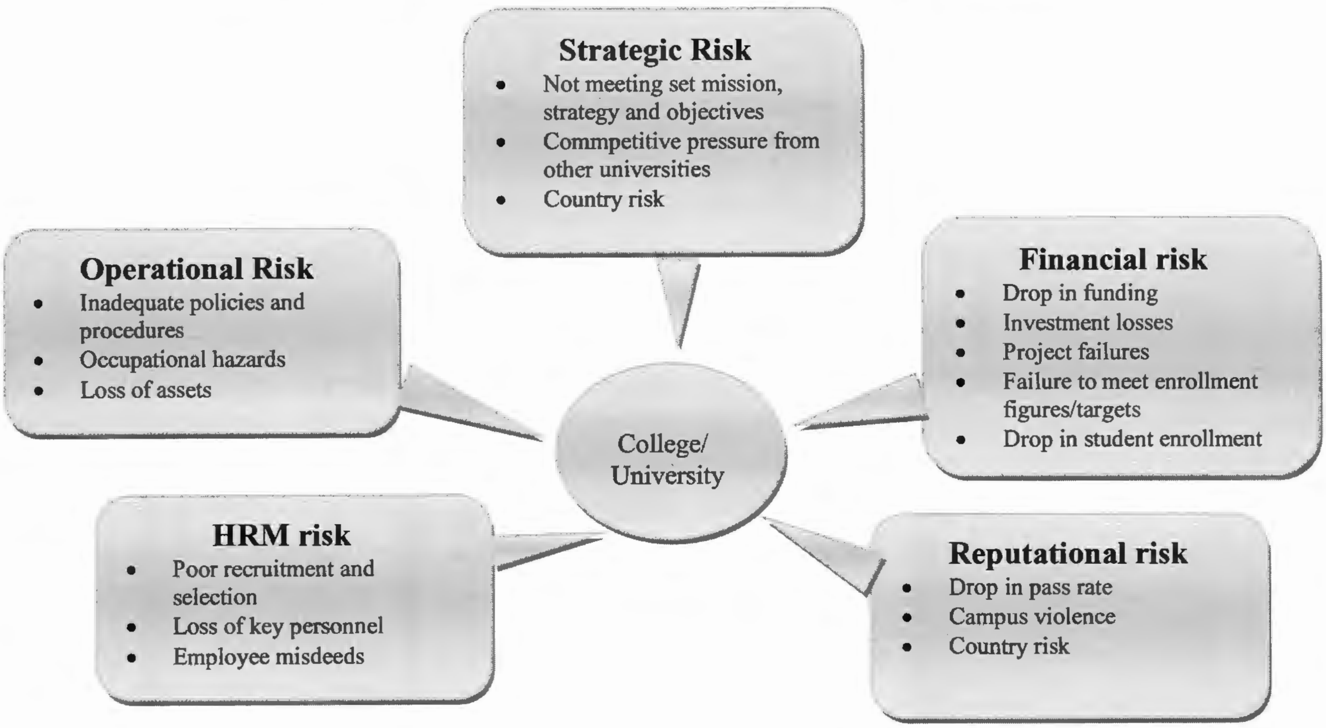
The multiplicity of challenges facing higher education has resulted in a variety of complex risks for the institutions (Halim, 2007). Among some of the risks facing higher education are the following (Halim, 2007; University of Vermont, 2012; UAC, 2006; Unks, 2003):

- Failure to meet established missions and objectives;
- Drop in passrate standings;
- Competitive pressure from other colleges and universities in terms of course offerings, facilities, tuition, students and qualified staff;
- Failure to sustain previous levels of fundings;
- Failure to meet enrolment targets or drop in student enrollment;

- Investment losses;
- Loss of key staff;
- Occupational hazards, injuries, etc;
- Inadequate policies and approved procedures to manage academic and non-academic processes;
- Employee misdeeds such as fraud, vandalising assets, etc;
- Demonstrations by students and staff;
- IT failure
- Project failures;
- Government/regulatory change affecting the industry; and
- Country risk.

The above risks fall into five categories of risk namely strategic risk, financial risk, human resources risk, operational risk and reputational risk (Halim, 2007). Illustration 3 shows the five different categories of enterprise risk.

Illustration 3: Categories of enterprise risk in Higher Education



Adapted from (Halim, 2007)

2.5. Defining Enterprise Risk Management

Enterprise risk management (ERM) is an approach for managing and optimising risks, enabling a company/business to determine how much uncertainty and risk are acceptable to an organisation (Thornton, 2009; PRMIA, 2008; Anderson and Terp, 2006; SBP, 2003; CAS, 2003). Lam (2003) also defined ERM as an integrated framework for managing credit risk, market risk, operational risk, economic capital, and risk transfer in order to maximize firm value. ERM is further defined as a process effected by an entity's board of directors, management and other personnel, that is applied in strategy setting and across the enterprise and designed to identify and manage risk to be within its risk appetite (COSO, 2004; Lam, 2000; Makomaski, 2008; Alviunessen and Jankensgard, 2009; Best, 2008). Risk appetite is defined by Tavan (2004) as the level of aggregate risk at which the institution can successfully manage its business for an extended period of time, and can provide reasonable assurance regarding the institution's achievement of its business objectives. A more comprehensive definition of enterprise risk management is given by Texas A&M University (2009) who defined it as one that consists of the following sets of activities:

- Identifying major organizational activities, processes, and functions after reviewing missions, goals, and objectives, ie, categorizing and prioritizing the major activities.
- Identifying and assessing risks and building risks portfolios, ie, receiving input from representatives within the University then prioritizing and ranking those risks identified as to potential impact and probability of occurrence while considering the day-to-day activities to control risk.
- Identifying risk mitigation strategies. This includes reviewing mitigating activities performed for all risks focusing on how to deal with those risks ranked highest as well as reviewing mitigation where two or more parties (groups) are identified as responsible. This further involves evaluating the effectiveness of current mitigation and identify any gaps and also whether resources and mitigating strategies are appropriately allocated based on the level of risk and desired level of effectiveness.
- Review the monitoring and executive management reporting. This involves identifying who is responsible for monitoring that the mitigating activity is effectively managing the risk and being performed as planned.
- Performing status/follow-up reviews. This involves reviewing of executive management reporting and communication as well as assessing the efficiency and effectiveness of mitigation, monitoring, and communication.

From all the above definitions therefore, ERM is a process that emphasises a comprehensive view of looking at risk as well as a holistic approach to dealing with identified or perceived risks. Since enterprise risk management (ERM) includes both the methods and processes used by institutions to manage risks, it therefore works as a necessary and very powerful framework for risk management, which typically involves identifying particular events or circumstances relevant to the institution's potential risks profiles, assessing them in terms of likelihood and magnitude of risk impact, determining a response strategy, and also coming up with progress monitoring mechanisms (James, 2003). By identifying and proactively addressing risks and opportunities, higher education institutions protect and create value for their stakeholders (owners, employees, customers, regulators, and society at large). In fact Davenport and Bradley (2000) are of the view that higher education institutions that have a better understanding of risks and apply effective risk management techniques, always operate at a more competitive position than their rivalries because they are able to leverage risk to a competitive advantage. This is also more so according to Davenport and Bradley (2000) because greater knowledge of risks has a potential to deliver to an institution the ability to manage risks in a way that surpasses what competitors are able to do especially when it comes to managing risk in a cost effective way.

The implications of the above definitions of ERM according to Davenport and Bradley (2000) are therefore that:

- ERM is a process and not an event;
- ERM integrates and coordinates all types of risks across the entire institution;
- ERM is both value-creating and risk mitigating in its intention;
- ERM enables an institution to understand its risk appetite so as to be able to align institutional decisions with mitigation actions;
- ERM views all stakeholders of an institution as important players in the risk management process; and
- The overarching principle of ERM therefore is to produce value for an organisation by enhancing positive risks and reducing the net effect of negative risk.

2.6. Multi-directionality of ERM

ERM is viewed by Tillinghast Monograph (2002) as a multi-directional iterative process with eight components that influence one another synergistically forming part of the enterprise risk management matrix. As a dynamic construct, ERM according to Tillinghast Monograph (2002), recognises the inter-relationships between these components in the success of a higher education institution in achieving its strategic objectives and categorises these components as follows:

Internal Environment: This is the context within which the enterprise functions and includes the institution's reporting structure, assignment of authority, development of personnel, risk appetite, management style and ethical values as key elements of this environment. According to NACUBO (2007) internal environment defines the culture and values, i.e. the ecosystem of an institution in which all risk management activities happen.

Objectives Setting: A mission or vision is developed through the objectives set by the institution's management. Since objectives are the focal point of risk strategy, ERM requires that objectives are set that result in the realization of the mission or vision in a manner consistent with the institution's risk appetite.

Risk Identification: Since both external and internal risks are considered in terms of their impact on the realization of institutional objectives, the identification of potential risks and distinguishing between those representing loss, opportunity or a combination of both, enables the categorization of risks into a common risk language, and further creates a basis from which a portfolio instead of a segmented view of risk can be formulated. Risk identification therefore relates to the identification of internal and external events and activities that could affect an institution's ability to achieve its objectives (COSO, 2003; Tufano, 2011).

Risk Assessment: Identified risk events should be evaluated in terms of their likelihood to occur and their possible impact on the institution so that management can prepare contingency measures. According to NACUBO (2007), risk assessment relates to the assessment of the impact of risk and the prioritization of those risks.

Risk response: It relates to how management of higher education institutions respond to enterprise risks and such responses to risk events must align with the institution's objectives and risk appetite. A silo instead of a portfolio approach of managing enterprise risk only leads to ineffective enterprise risk management. This is supported by Beasley and Frigo (2007) who said that risks cannot be managed using a silo or stovepipe approach but in an enterprise-wide approach. According to COSO (2004), risk response options to an institution, depending on the business context, include the following:

- Avoidance: Exit the activity that causes the risk;
- Acceptance: Do nothing to alter either the likelihood or the impact of risk;
- Reduction: Reduce the likelihood and/or impact of risk often through everyday business decisions and processes; and
- Sharing: Mitigate the impact and/or likelihood of risks by hedging or outsourcing risky activities among other strategies.

Control Activities: Risk responses should be established and executed in line with the institution's policies and procedures that comprise the control activities.

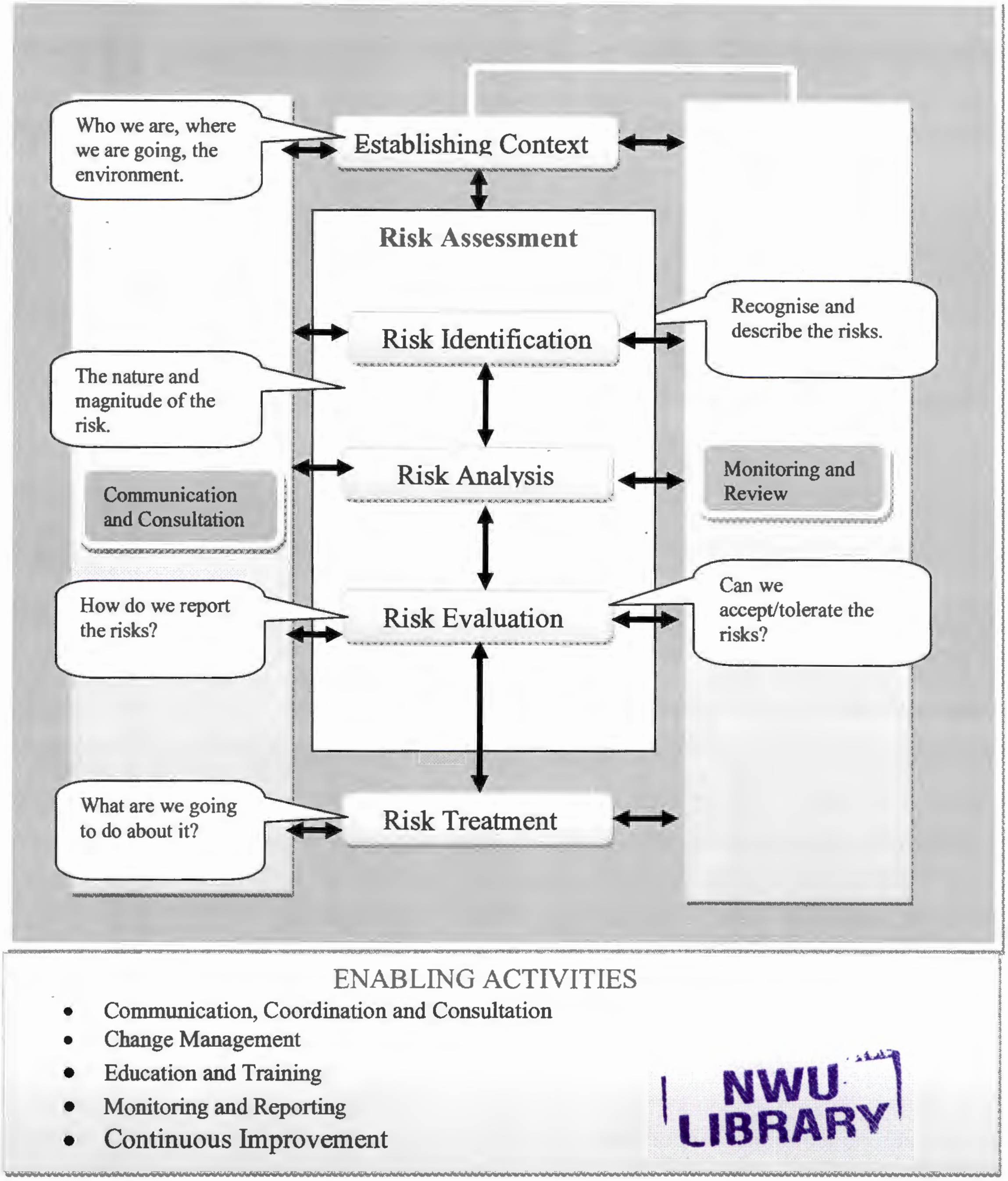
Information and communication: By communicating all risk policy across the organisation, management can make all employees understand their roles and responsibilities within the institution. Further allowing for a two-way communication between management and employees allows employees to also provide insight into their respective areas regarding the effectiveness of risk policy and also raises awareness of risk events that may not have been addressed/adequately addressed.

Monitoring: The ERM program must be dynamic enough to be able to effectively respond to ongoing risk assessment by management as well as respond to independent audit results by ensuring that monitoring is complemented by corrective action.

According to NACUBO (2007) therefore, for the ERM process to be successful in a higher educational institution, risks must be managed across the four objectives (strategic, financial, operational and compliance), eight critical ERM components and at each level of the institution (functional unit, department, faculty and institution as a whole).

The above eight critical ERM components are amply illustrated in the ERM framework as shown on illustration 4.

Illustration 4: Critical ERM Activities



Adapted from URMIA (2012)

2.7. Importance of ERM to Higher education institutions.

Since ERM is in general a process by which organisations systematically identify, measure and manage various types of risk inherent within organisational operations, the Institute of

Internal Auditors (2004) identifies four important roles ERM plays in organisations such as higher education institutions as the following:

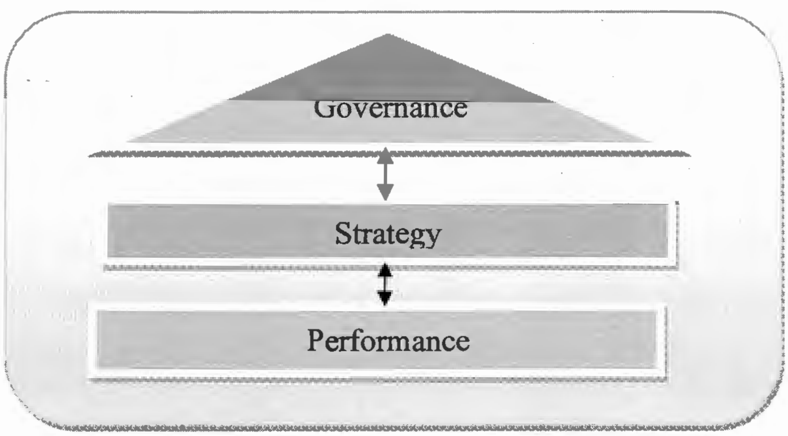
i. Helping institutions to identify strategic risk opportunities that if undertaken, can facilitate the achievement of institutional goals.
ii. Providing senior management with the most up-to-date information about risk that may be used in the decision-making process.
iii. Can be used as a tool to align annual performance with risk identification and management.
iv. Can be used as a tool to encourage and reward upstream reporting of business risk opportunities and challenges.

2.8. Drivers of ERM in higher education

KPMG (2010) identifies three important drivers of ERM in higher education institutions as governance, strategy and performance as shown on illustration 5 below:

i. *Governance:* It relates to the monitoring and reporting by the management and the board of key risks and actions for managing risk.
ii. *Strategy:* It relates to the realignment of business strategies by maneuvering through choices via analysis of key risks and their potential financial, operational, compliance, security impacts among others.
iii. *Performance:* Relates to effective utilisation of key risk indicators and insights provided by risk intelligence as a means to assist decision making and improve business performance.

Illustration 5: ERM Drivers



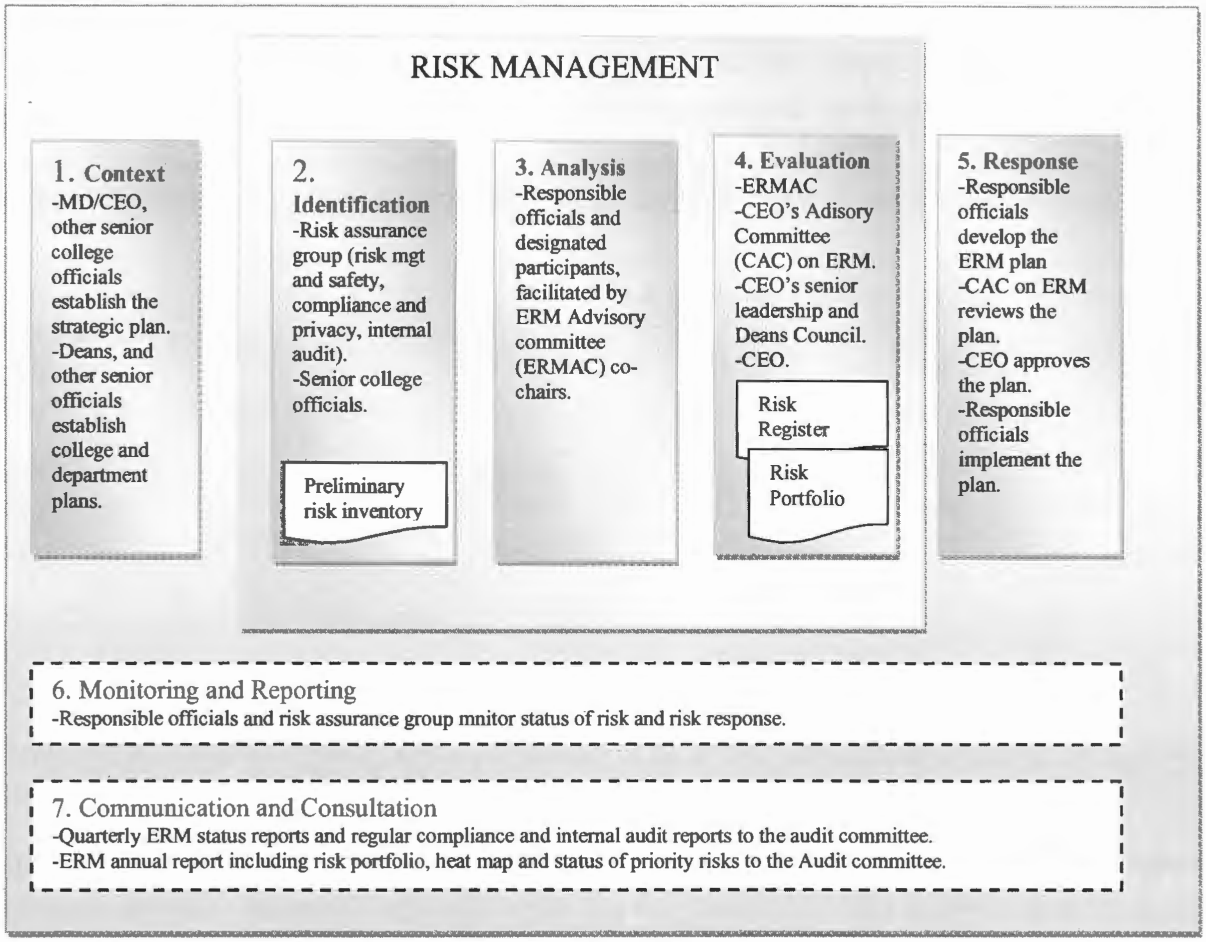
KPMG (2010)

2.9. Guiding principles for a successful ERM implementation

According to Crawford and Justina (2006), higher education institutions need to design and implement specific guidelines for effective implementation of ERM. Such guidelines according should include the following (Crawford and Justina, 2006; PWC, 2012; PCW, 2007):

- Fostering an institution-wide perspective on risk. To achive this, management of institions should focus all their insitutional managers on major institution-wide risks; encourage problem-solving and collaboration across units; develop a common risk language, culture and philosophy; create an early-warning system for emerging risks; and manage risks with facts and data.
- Ensuring that regulatory management is consistent with best practices. This to be achieved by benchmarking with progressive peer colleges and universities and addressing root causes of recent and earlier problems.
- Encouraging and protecting the institution's decentralised, collaborative and entrepreneurial culture. This to be achieved by building on strengths of the current internal audit, compliance and risk management programmes; and keeping the ERM programme simple, easy to understand and effective.
- The ERM process should be sponsored/supported by top management (executive management and the board).
- Roles, responsibilities and activities should be clearly and carefully articulated, delineated and formalised.
- Periodic and thorough risk assessment to evaluate issues specific to higher education should be done.
- Periodic follow-ups of risk events, mitigation strategies and actions should be done as shown in illustration 6.

Illustration 6: ERM guiding principles in Higher Education



Adapted from UVM (2008)

2.10. ERM Strategies for managing enterprise risks in higher education

Strategy is the *direction* and *scope* of a higher education institution over the *long-term* which achieves *advantage* for the institution through its configuration of *resources* within a challenging *environment*, to meet the needs of *markets* and to fulfill *stakeholder* expectations (Johnson and Scholes, 2006). The above definition therefore means that strategy is a plan of action designed to achieve a vision. Goldman and Nieuwenhizen (2006) also define strategy as a mindset and a thinking issue where a strategy could be creative, responsive, innovative, forward or backward looking or even conservative. More specifically therefore and according to Johnson and Scholes (2006), strategy is about:

- Where is the institution trying to get to in the long-term (**direction);**
- Which markets should an institution compete in and what kind of activities are involved in such markets? (**markets**; **scope**);

- How can the institution perform better than the competition in those markets? (**advantage**);
- What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (**resources**);
- What internal and external environmental factors affect the institution's ability to compete? (**environment**); and
- What are the values and expectations of those who have power in and around the institution? **(stakeholders).**

A number of authorities have identified and discussed in depth a number of ERM strategies that organisations can use to manage risk. The strategies are as shown in table 3.

Table 3: ERM Strategies

Common Strategy Classification	***Nieman and Nieuwenhuizen (2009)***	***HM Treasury (2004)***	***Gary and Larson (2006)***	***PMBOK (2000)***
Accepting risk	Retention	Tolerate	Retain	Accept
Mitigating risk	Reduction	Treat	Mitigate	Mitigate
Avoiding risk	Avoidance	Terminate	Avoid	Avoid
Transferring risk	Transfer	Transfer	Transfer	Transfer
Sharing risk			Share	

(HM Treasury, 2004; Nieman & Nieuwenhuizen, 2009; PMBOK, 2000)

2.10.1. Risk Acceptance/retention Strategy

As explained by Lam (2003), sometimes it is prudent for a higher educaation institution to just bear or accept risk as part of its business especially where the potential for loss is minimal to worth the effort, when the costs of transferring risk to a third party are too high or when the risk has a very low chance of recurring. This is a why-bother scenario. Using this strategy, contingency planning that includes allowances for time, money and other resource needs to be put in place in case the risk actually occurs negatively impacting the institution, can be done. This contingency planning is also known as funded risk (Valsamakis et al, 2004).

The following circumstances according to Nieman and Nieuwenhuizen (2009) need to be taken into consideration when deciding to use the risk retention strategy:

i. There is no practical means of risk avoidance;
ii. The risk is unknown;
iii. The consequences of the risk are not serious;
iv. The consequences of avoiding the risk are unacceptable; and
v. Risk is actively desired.

2.10.2. Risk Mitigating/ treating strategy

Goldman and Nieuwenhuizen (2006) explain that risk can be mitigated or treated by the following measures:

i. Reducing the likelihood of the risk event occurring; and
ii. Reducing the impact of the risk to the organisation should the risk occur by either revising the business plan, implementing management controls or implementing safety programs. In this case and according to PMBOK (2000), mitigation will then result in a new course of action.

2.10.3. Risk avoidance strategy

Where there is a running business there is always potential for risk and using the principle of risk and return, it is always remembered in business that the higher the risk, the higher the return (Nieman and Nieuwenhuizen, 2009). While this may be so, it is important that when analyzing a business venture and finding that accepting the chances of loss are too high, the best strategy then will be to avoid the risk by changing the business plan to eliminate the risk or condition creating the potential risk (PMBOK, 2000). Any risk that a company takes should be one that brings returns and if a risk proves to be only treatable and/or containable to a point of acceptable level, it should be terminated especially when it becomes clear that the cost/benefit relationship is negative (HM Treasury, 2004).

2.10.4. Risk Transfer Strategy

The strategy implies transferring risk to insurance or through a method of paying a third party to take the risk (Goldman and Nieuwenhuizen , 2006). While certain risks such as reputation risk are not transferrable, transferring all other risks to insurance companies is regarded as the main method of risk management in operation at the moment (Nieman and

Nieuwenhuizen, 2009). Higher education institutions therefore are encouraged to buy insurance or make contractual arrangements with third parties in order to transfer risk.

2.10.5. Sharing risk strategy

This strategy applies when components of risk are allocated to different parties, e.g., to partners or associates (Lam, 2000). The difference between risk transfer and risk sharing is that in risk transfer all risk is transferred to a third party while in risk sharing, only part of the risk is transferred.

2.11. Risk Management Frameworks

There are a number of frameworks that can be used in the management of risk in business enterprises. Chief among them are the COSO framework and the Casualty Acturial Society framework. This research has therefore identified both the COSO framework and the Casuaty Acturial Society frameworks as the most preferred frameworks in the management of enterprise-wide risk in higher education institutions such as Botho College.

2.11.1. COSO Framework for managing risk

The COSO framework according to Irwin (2007) is a practical way of managing enterprise risk by taking advantage of what is currently being done in organizations and moving forward while managing costs from the beginning by leveraging the successes gained from internal control improvement programs of the past. The COSO framework is as shown in illustration 7.

Illustration 7: COSO Framework

COSO (2004)

Management of enterprise risk in an organisation using the COSO framework (Irwin, 2007), demonstrates a multi-stage risk management process that has eight stages as shown on illustration 8.

Stage one: Identification of enterprise risk appetite and risk management strategy

According to Irwin (2007), this begins with the reviewing of risk-related activities the organization has already put into place. This is done by identifying and prioritizing currently known risk gaps, to allow for the achievement of significant progress on developing and operating an effective and efficient ERM program.

Stage two: Reviewing identified risks

This review according to Irwin (2007) is meant to determine if the identified risks are or can be avoided, reduced, shared, or accepted. Important review questions to ask at this stage include the following: Is there a methodology to determine which risk response decision can used in a particular given risk situation? Who makes that decision and how often is that strategy reviewed?

Stage three: Reducing surprises and losses

It relates to the development of a proactive process to continuously scan the organization's operating horizon for new and/or dormant risk threats and is very critical in effectively managing risk and the associated costs (Irwin, 2007).

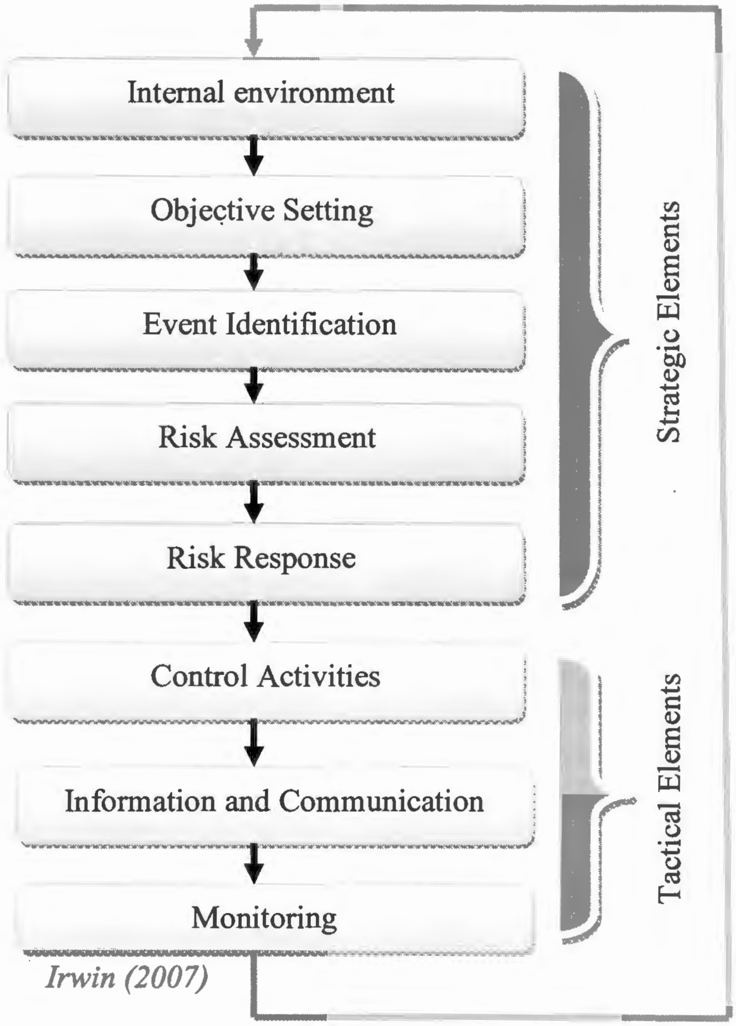
Stage four: using organizational synergies to manage multiple and cross-enterprise risks

To avoid managing enterprise risks in a haphazard and fragmented manner as happens in many organizations, using a holistic view linking risk management activities to their business Strategies is of paramount importance in effectively managing enterprise risk. This holistic approach helps organisations like Botho College to also avoid cases where only some risks are identified and managed, with limited or no coordination with some key risks not being put on the risk management radar screen. The consequences of such a tunnel vision approach can be unnecessary write-offs, poor financial performance and even business collapse.

Stage five: Turning potential risks into opportunities

By considering the full range of potential risky events and, an organisation, when possible, can turn potential risks into opportunities (Irwin, 2007). Again, this can
Only be done if the organization has an attitude and culture of looking forward and acting proactively.

Illustration 8: Stages of risk management



Irwin (2007)

Stage six: Improving control and monitoring activities

According to Irwin (2007), by improving current control activities, information and communication channels, and active management monitoring techniques, an organisation can ensure that (a) strategic decisions are carried out, (b) successes and failures on risk management are communicated so adjustments to the process are made timely, and (c) management is proactive in managing operations.

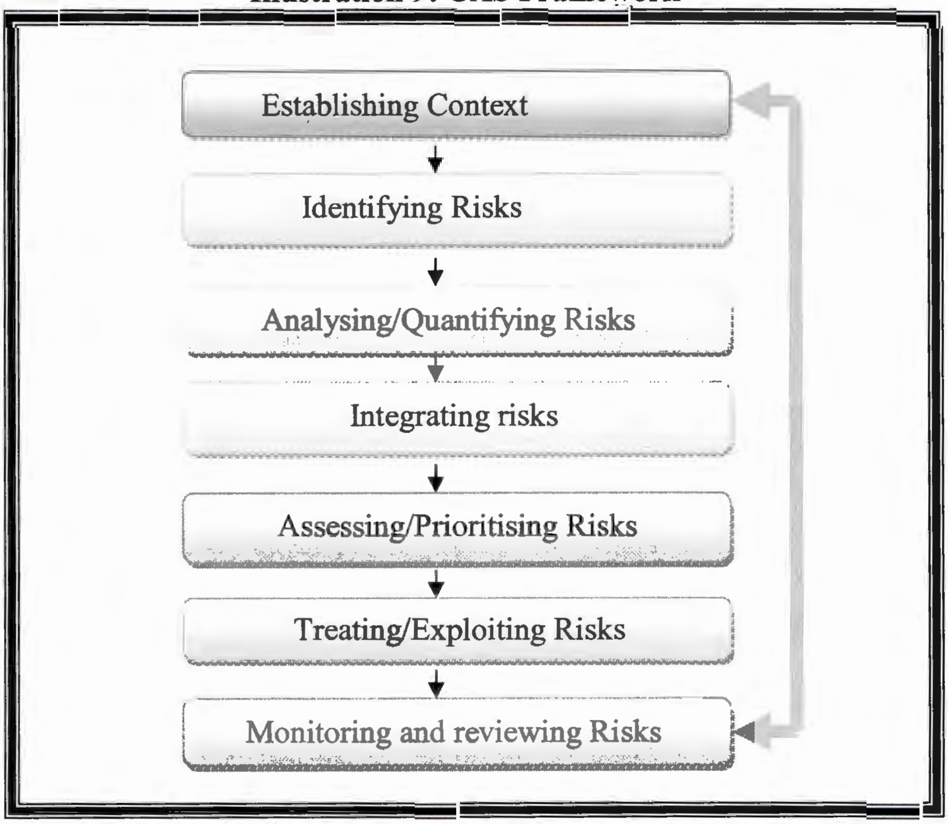
Stage seven: Going back to stage one and starting all over again

ERM is a process that does not end, it is cyclic (Irwin, 2007). Higher education institutions like Botho College should never fall into the trap of making ERM an event.

2.11.2. The Casualty Actuarial Society (CAS) Framework

The Casualty Actuarial Society (CAS, 2003) defines ERM as the discipline by which an organization in any industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organization's short- and long-term value to its stakeholders (CAS, 2003). CAS (2003) conceptualized ERM as proceeding across the two dimensions of *risk type* and *risk management processes* (Enterprise Risk Management Committee, 2003). The risk types and examples which this framework addresses according to include: Hazard risk (liability torts, property damage, natural catastrophe), financial risk (pricing risk, asset risk, currency risk, liquidity risk), operational risk (customer satisfaction, product failure, integrity, reputational risk) and strategic risks (competition, social trends changes, capital availability). The processes involved in this framework are as shown in illustration 9.

Illustration 9: CAS Framework



Enterprise Risk Management Committee (2003)

Enterprise Risk Management Committee (2003) explains the CAS framework risk management process as one that involves:

Establishing Context: This includes having an understanding of the current conditions in which the organization operates on an internal or external risk as well as the current risk management context.

Identifying Risks: This process ranges from the documentation of the material threats to the organization's achievement of its objectives and the representation of areas that the organization may exploit for competitive advantage.

Analyzing/Quantifying Risks: This includes the calibration and, if possible, creation of probability distributions of outcomes for each material risk.

Integrating Risks: This includes the aggregation of all risk distributions, reflecting correlations and portfolio effects, and the formulation of the results in terms of impact on the organization's key performance metrics.

Assessing/Prioritizing Risks: Is the determination of the contribution of each risk to the aggregate risk profile, and appropriate prioritization.

Treating/Exploiting Risks: Is the development of strategies for controlling and exploiting the various risks.

Monitoring and Reviewing: This includes the continual measurement and monitoring of the risk environment and the performance of the risk management strategies.

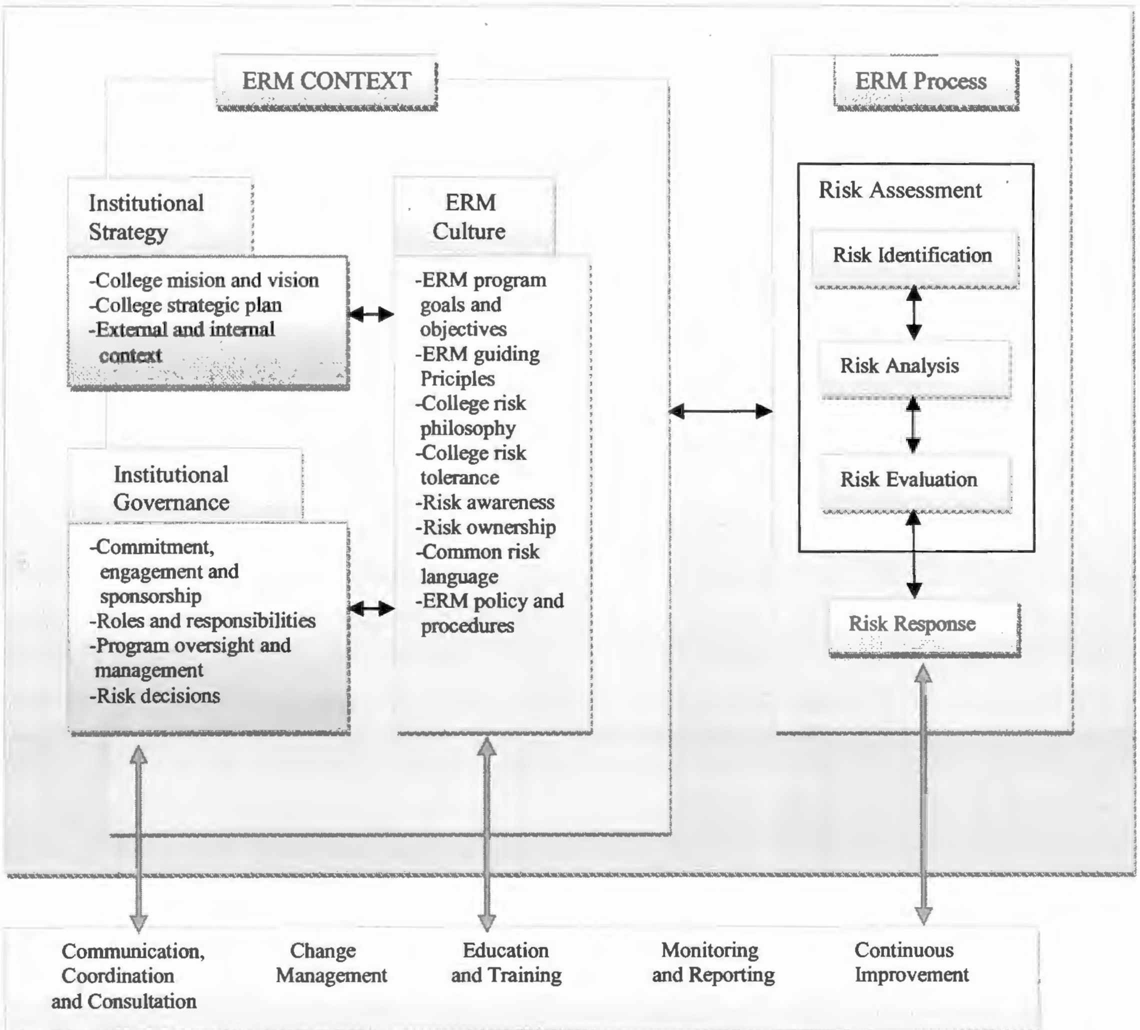
2.12. Best practice in higher education ERM processes

There are a number of best practices or actions for effective management of enterprise risks in higher education which authorities who include NACUBO (2000), Bekaert and Holland (2009), Crawford and Justina (2006) as well as DeLoach (2000) have proposed. The proposed best practices as shown on illustration 11 include the following:

i. *Adopt a common language (communication enabler):*

   According to DeLoach (2000), the first stage in the successful implementation of ERM is effective communication on risk and risk management to all members of the institution. This communication will ensure that every member of the institution understands their responsibility in terms of risk management and also it helps to clear communication barriers between team members. Once a clear articulation of what needs to be done to manage risk is achieved and everybody understands the need and intention, the second stage will follow. Obtaining commitment, full engagement and support of top management and governing board is critical at this point (UVM, 2008, Tufano, 2011). At this point also NUCUBO (2007) says that the use of cross-functional groups to create buy-in, awareness, engagement and to provide a broad perspective necessary for effective risk identification and assessment is critical.

Illustration 10: ERM best practices summary



Adapted from UVM framework (2012)

ii. *Designate a risk management owner:*

A Chief risk officer (CRO) or a senior member of the institution must be designated for an appropriate period of time to implement the risk management program (NACUBO, 2007). The CRO should work with each business unit, leveraging its knowledge and that of its operating line individuals.

iii. *Establish goals, objectives and oversight (strategy enabler):*

Establishment of goals and objectives enables the ERM process to be effective and consistent with the overall institutional strategy (NACUBO, 2007; DeLoach, 2000; Bekaert and Holland, 2009; Tufano, 2011). This stage is meant to ensure the strategy is manageable and measurable as well as to incentivise the institution to work towards the fulfillment of the formulated strategy.

iv. *Assess risk and develop operational strategies:*

Ensuring that the assessment and management of enterprise risk is comprehensive, well controlled, consistent and effective is important at this stage (DeLoach, 2000). Empahsis at this stage should be on the need for tools to effectively identify, quantify and manage individual risks across the entire institution.

v. *Design/implement capabilities:*

This stage operationalises risk management activities in the institution through the design of infrastructure and performance monitoring mechanisms. Thse infrastructure and performance monitoring mechanisms which are also referred to by DeLoach (2000) as the six capabilities or six infrastructure components include processes, people, reports, methodologies and technology. NACUBO (2007) also adds training as the seventh capability. Training to be used as a tool to mobilise staff. The seamless interaction of these capabilities would then make for an effective ERM.

vi. *Continuously seek to improve:*

The starting point towards continuous improvement in the ERM process is acknowledgement by all in the institution that the ERM process can be improved (DeLoach, 2000; Crawford and Justina, 2006). This acknowledgement will then incentivise improvement of the six capabilities leading eventually to an improved ERM process.

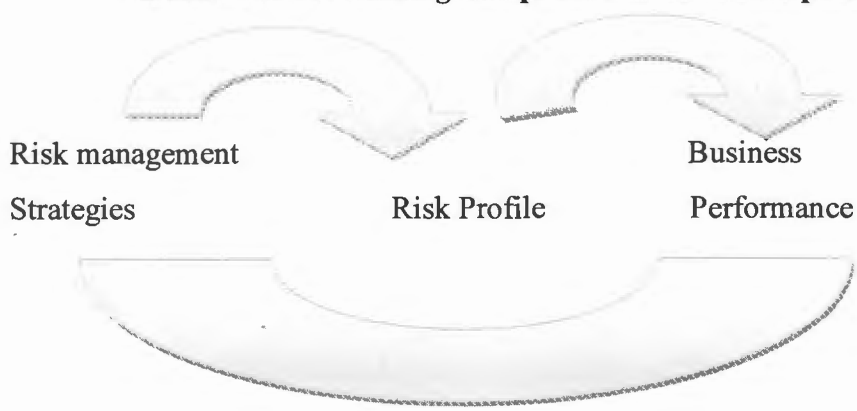
vii. Aggregate multiple risk measures:

In terms of the ERM, risks must be viewed holistically and then aggregated making it possible to control them by setting tolerances under which the institution's level of risk exposure must be (Lennon, 2007).

viii. Link to enterprise performance:

A successful ERM should result in the reduction of unacceptable risks and strategic errors, more timely corrective actions and better management of the risk profile (DeLoach, 2000; NACUBO, 2007). The link between risk management strategies and business performance should be measured by considering how changes in risk profile affect business performance as shown in illustration 10.

Illustration 10: Linking risk profile and business performance



Ref (Lennon, 2007)

ix. Formulate enterprise-wide risk management strategy:

The purpose of this stage is to manage enterprise risks holistically (Bekaert and Holland, 2009, DeLoach, 2000). The strategy formed at this stage will form the basis for more effective resource allocation (Lennon, 2007).

x. Monitoring and internal audit:

The role of internal audit is crucial in the risk management agenda, especially with regards to improving risk assessment and management practices (NACUBO, 2007; DeLoach, 2000).

xi. *Reinforcement through HR mechanisms:*

According to NACUBO (2007), HR mechanisms must be developed and deployed to establish accountability and to reward effective risk management behaviour. The use of the balanced scorecard is important as a means of compansating staff who display the right mix of risk management behaviour (NACUBO, 2007; Lennon, 2007).

2.13. Determinants of ERM Implementation in Organisations

As mentioned in the introduction to this chapter, while it has become very important for higher education institutions to implement ERM programs, this is not so in a number of cases. Razali (2012) believes that failure to implement ERM programs could be traced to failure by managements and boards to correctly position in their planning as well as manage during implementation phase, factors that enhance effective ERM implementation. Lam (2000) identifies these implementation factors (determinants of ERM implementation) and effectively shows how they influence effective implementation of ERM programs in higher education institutions and any other organisations. The factors include Chief Risk Officer (CRO), leverage, profitability, institutional ownership, size, and turnover as shown in illustration 12.

Chief Risk Officer

According to Lam (2000) the role of the CRO is paramount to effective ERM implementation. A CRO should be a person responsible for the development of an integrated approach to risk management in the institution, development of risk management policies which include the quantification of management risk appetite through specific risk limits, implementation of risk metrics and reports including losses, accidents and other key risk exposures, allocate the economic capital to business activities based on risk exposure, as well as improvement of an institution's risk readiness among others.

Leverage

Leverage concerns itself with borrowing and reflects on the capital structure of an institution (Keown, Martin and Petty, 2010). Leverage is important and useful for an institution's future growth though institutions need to be careful not to be over borrowed (higher leverage) as this could lead to financial distress especially during economic downturn periods like the 2008-2009. Pagach and Warr (2007) further explain the relationship between leverage and ERM by saying that organisations with higher leverage have higher chances of getting bankrupt and hence need to be more involved in ERM.

Profitability

One of the main objectives of a business organisation such as a private higher education institution like Botho College is to increase shareholder value (Decker and Galer, 2010). However, profitability requires adequate resources to be achieved and with adequate resources such as staff and funding, higher education institutions are then able to successfully implement ERM programs.

Majority shareholder

Ownership has two dimensions namely the identity and concentration of ownership and secondly the legal status of the contract which regulates the ownership (Thomsen and Pederson, 2000). Also shared ownership has two dimensions namely minority ownership (less than 50%) and majority ownership (more than 50%). Yazid, Hussin and Razali (2009) paint the picture of the relationship between ERM implementation and ownership dimensions by saying that the decision to implement or not to implement ERM in organisation is influenced by majority shareholders.

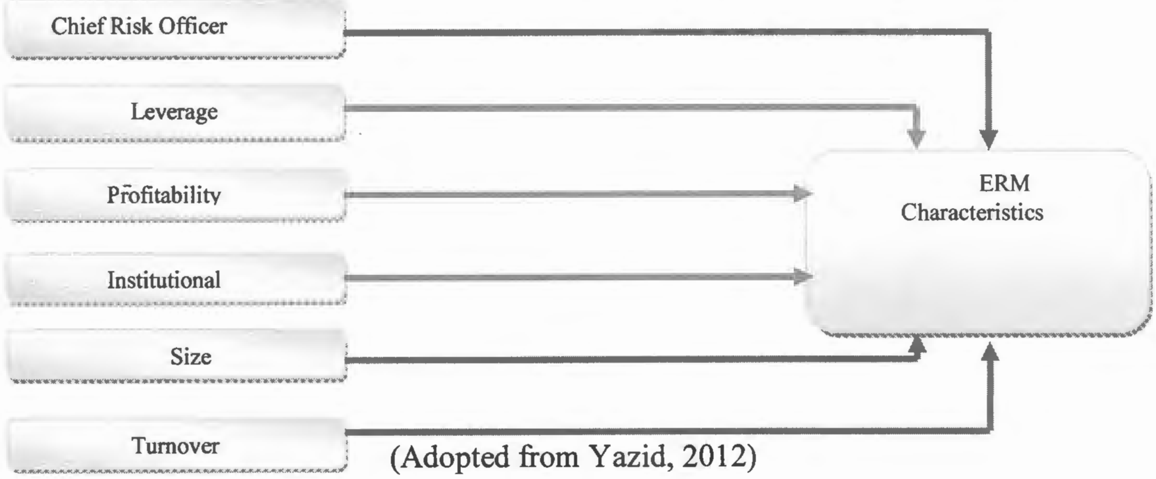
Size

The size of an institution is normally reflected in its assets and assets represent the economic resources of the company (Yazid, 2011). Resources include the tangible (buildings, inventories, equipment) and the intangible (copyrights, franchises, trademarks) and these assets need to be managed effectively to avoid risk of loss. Research according to Yazid et al (2011) has shown that the bigger the institution, the larger assets base and the bigger the exposure to asset/financial risk.

Turnover

This is the ratio that shows how often an asset is replaced and indicates business activity. It is also referred by Keown et al (2008) as annual sales. For higher education instutitons, turnover is the amount of business they conduct within a cycle period or academic year and is derived in most cases from the institution's accounts receivable and its inventory turnover where high inventory turnover translates into the institution having good business and good management too (Keown, et al, 2008; Benston and Evan, 2006).

Illustration 11: determinants of ERM implementation in higher education



(Adopted from Yazid, 2012)

Summary of chapter

This chapter has been broadly about concept clarification. A number of tachnical issues concerning the implementation of enterprise risk management (ERM) in organisations have been discussed. This issues include drivers of ERM, risk intelligence, strategies of mitigating business risk, frameworks that can be used in the management of business risk in organisations among others. According to authoritative sources cited in this chapter, it is possible to tolerate risk in a business, in fact it is possible to accpet risk. What is however important after accepting the risk are the mechanisms to be put in place to ensure that that risk does not mutate into something not manageable ending up causing earthquate type shocks and problems an organisation will not be able to manage. All in all this chapter has managed to show that with effective ERM programs, business can survive even the most brutal of enterprise risks, of course depending on management commitment to deal with processes such as risk planning, identification, assessing and monitoring.

Chapter 3: Research Methodology

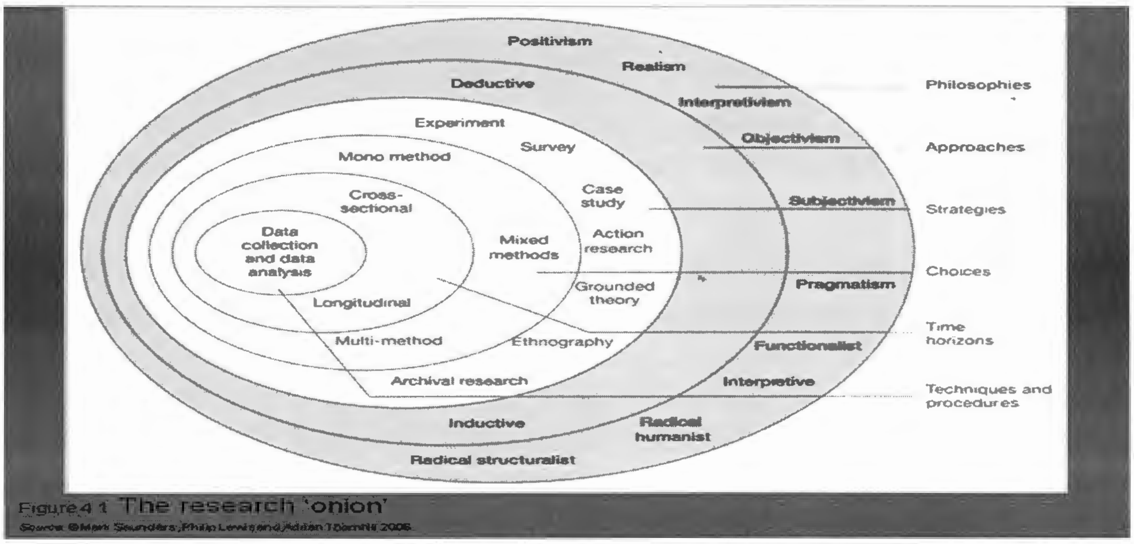
Introduction

This chapter will discuss methods of data collection. It will first focus on the research philosophy that will guide selection of the research strategies and methods.

3.1. Research design

This research uses Saunders et al (2003)'s research onion to inform and guide the research processes. According to Yates (2004), research approaches in the different layers of the research onion have dependences that help to inform the research process. Articulation of the research design shall develop from top to bottom, starting with the outside layer (research philosophy) and then peeling away each layer until the fifth layer (data collection methods) as shown on the diagram below:

Illustration 12: The research onion



Saunders et al (2003)

3.1.1. Research philosophy

The positivist philosophy was used in to guide the research process. The positivist philosophy according to Remenyi et al (2000) aims at the derivation of laws or law-like generalizations similar to those in the physical and natural sciences. This philosophy was meant to guide and familiarize the researcher on the conduct of quantitative research, the emphasis as given by Bogdan and Biklen (1988) being to interrogate facts and causes of behaviour. Guided by this philosophy, and as suggested by Charles (1995), information is collected in terms of numbers and summarized using appropriate statistical tools.

3.1.2. Research approach

The deductive approach was used in this research. According to Saunders et al (2003), the deductive approach works on the premise that the researcher starts by thinking about generalizations, then proceeds towards specifics of how to prove or implement the generalizations. Remenyi et al (2000) posit that this approach is most applicable where agreed facts and established theories are available. One noted important aspect about this approach according to Saunders et al (2003) is that it is highly structured, applies research controls as well as ensures researcher independence of what is being researched to ensure validity of data collected.

3.1.3. Research strategy and instrument

There are many research strategies that can be used for data collection according to Saunders et al (2003). This research used the survey strategy that uses a questionnaire as a research instrument. A questionnaire is defined as a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Given, 2008). The major advantages of a questionnaire over some other types of surveys are that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data (Gillham, 2008). However, questionnaires are also sharply limited by the fact that respondents must be able to read the questions and respond to them, thus for some demographic groups conducting a survey by questionnaire may not be practical. Also another limitation of questionnaires is that as a type of survey, questionnaires also have many of the same problems relating to question construction and wording that exist in other types of opinion polls (Mellenbergh, 2008). The design of the questionnaire for this study was be based on the components of the COSO model for ERM implementation and used the 5-point Likert scale. This study also used content analysis to interrogate relevant literature and theoretical underpinnings on best practice in the application of ERM programs in higher education. According to McMillan and Schumacher (1993), when using surveys, a research can be designed so that information about a large group of people (population) can be inferred from the responses obtained from a smaller group of subjects (sample).

3.2. Sampling

Purposive sampling also known as convenience or judgemental sampling was used to select members of Botho College to participate in this research. A purposive sample is a sample selected in a deliberative and non-random fashion to achieve a certain goal (Black, 1999). Purposive sampling is defined by McMillan and Schumacher (1993) as a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. As further explained by Given (2008), judgemental sampling or purposive sampling is where the researcher chooses the sample based on who they think would be appropriate for the study and is used primarily when there is a limited number of people that have expertise in the area being researched (Given, 2008). In this study a specific type of purposive sampling called expert sampling was used. Such a selection strategy allows for preferential recruitment of subjects who are assumed to have the best knowledge and experience in the research area. Its major advantage is that as part of its sample, it focuses only on respondents who have knowledge of the area under research. The major disadvantages though is that it over-assumes that all selected members possess adequate requisite knowledge of the area under research (which may not be true), hence makes it difficult to make strong quantitative inferences from such a sample.

All the members who are in the Botho College Board, School Advisory Council and the all the Executive Deans were selected on the basis that as members who exert different levels of control over the strategic direction at Botho College, they should possess adequate knowledge of management issues (polices, strategies, objectives, vision, and mission) of Botho College. Botho College has 10 Board members who include directors (5 of whom are executive directors) and the Chairman. It has also 2 Associate Directors, 10 members of the Advisory Council (2 of whom are the Board Chairman and the Director of Quality who also happen to be members of the board as well), and 5 Executive Deans. The sample therefore comprises 25 participants. Using convenience sampling, all these will be used as respondents in the questionnaires.

3.3. Data Presentation and Analysis

Data analysis was done using the SPSS software. Since convirience sampling was used to select respondents in this research, the follwoing statistical tools that include tables, bar graphs and pie charts were used for data presentation. According to Bjorn and Fagerhaug (2000) pictorial presentations help to create a more vivid visual of reserch findings.

3.4. Pilot testing

A pilot test was conducted to detect areas of weaknesses in the design and instrumentation as well as to provide the basis for the selection of the research sample. A pilot test positions the research to correctly capture its subjects from the target population as well as to guide the selection of procedures and instrumentation that have been designed for data collection and analysis (Schindler and Cooper, 2003).

3.5. Time horizons

This study used a cross-sectional time horizon as it was done over a limited time frame.

3.6. Validity and reliability

It is difficult in this research to guarantee both reliability and validity as the research strategy used the convenient sampling technique.

3.7. Ethics

3.7.1. All information received form respondents was be treated with strictest confidence.

3.7.2. The researcher abided by all the rules and regulations as given in the North West University's research policies and guidelines.

3.7.3. The research was conducted to serve only the purpose for which it was planned.

Chapter 4: Data Presentation and Analysis

Introduction

This chapter deals with data presentation and analysis. Immediately after the questionnaire was completed, the raw scores were captured in a Microsoft EXCELL spreadsheet for statistical analysis. The captured data was then coded using an SPSS spreadsheet using the following coding system: Strongly Agree (SA)-5, Agree (A)-4, Neutral (N)-3, Disagree (DA)-2, Strongly Disagree (SDA)-1. For ease of analysis, SA+A = A, SDA+DA = DA. All the coded data was then presented using bar graphs and pie charts for analysis. Analysis of findings is thematic. There are nine broad themes that have been used to give direction and focus to this study. This chapter ends with a summary.

4.1. Governance, Policy and Oversight

Figure 1: Independent Risk Function

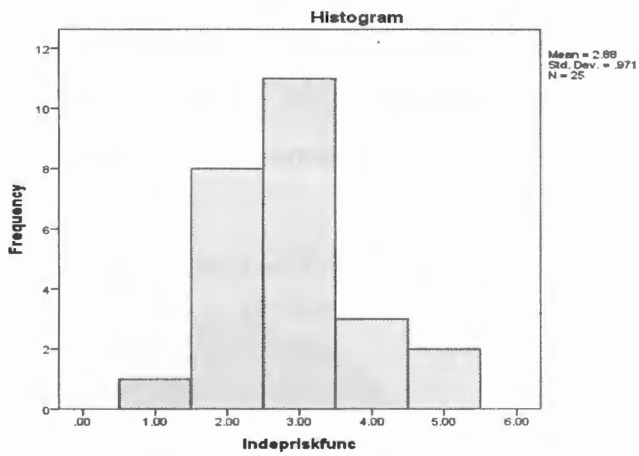
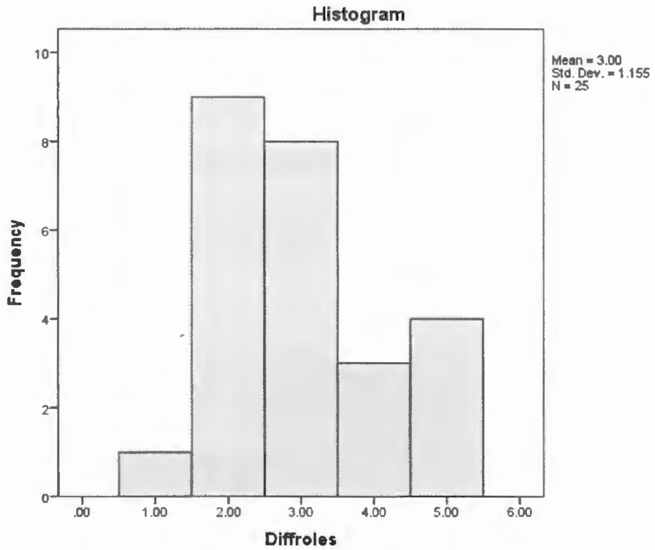


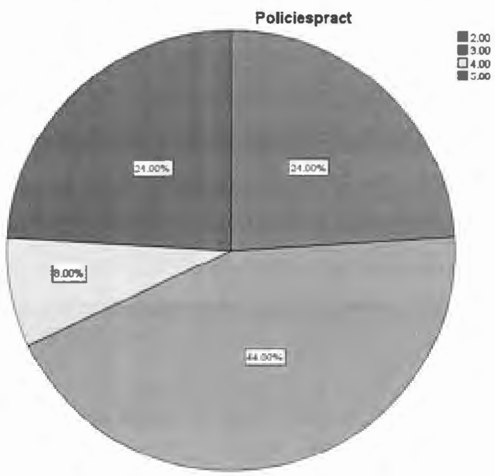
Figure 1 above indicates that 20 % of the respondents believed that Botho College has an independent risk function while 36% of the respondents did not think so. 44% chose to remain neutral. What can be gleaned from the above figures (20% who said it does not have the independent risk function and the 44% who chose to be non-committal) is that Botho College either has not adequately communicated or involved all members of the organisation in independent risk function of the institution.

Figure 2: Different Roles



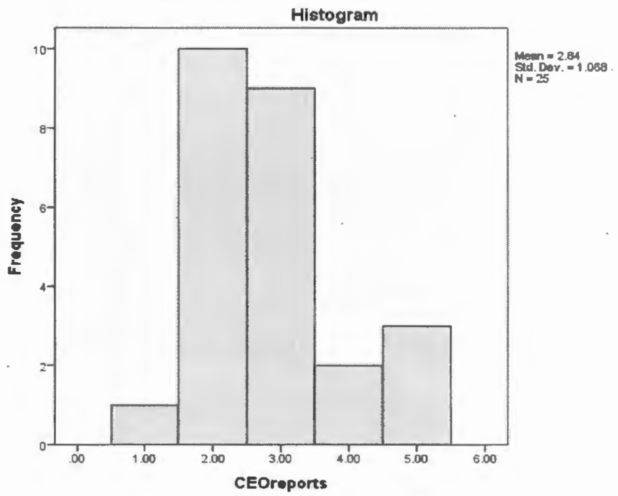
Results in figure 2 indicate that within the members of the Botho College Board of directors, deans and members of the school advisory council, 28% were of the view that roles of, advisory council and the CEO are clearly delineated. 40% of these members were of a view that there is no clear delineation between the roles of the three groups. 32% remained neutral. The above responses suggest that Botho College does not have clearly delineated roles and responsibilities for the three top management groups.

Figure 3: Policies and Practices



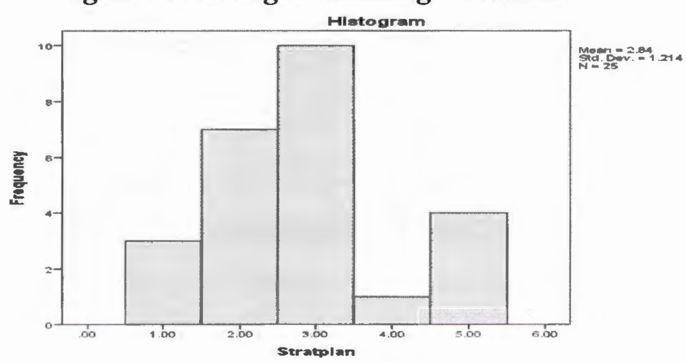
It is shown in figure 3 that 32% of the respondents felt that the Botho CEO has in place policies and practices at the organisation that help in clearly defining the roles of the school advisory council while 24% did not feel such policies and practices exist at the institution. 44% remained non-committal. The general impression created by the above statistics is indicative of the fact while positive attempts are being made by the institution to come up with practices and policies to deal with enterprise risk, more still needs to be done as the majority of respondents feel the efforts are inadequate to put the organisation on a position where it can effectively handle enterprise risk.

Figure 4: CEO Reports



Responses shown in figure 4 indicate that 20% of the respondents agreed that the Botho College CEO reports in a systematic manner to the board of directors while 44% were of the belief that she does not. 36% were non-committal. Information flow between the CEO and board members clearly leaves a lot to be desired as the majority of the members feel that they are not being communicated to more effectively to be able to get an appreciation of how the college is being run in general and what plans are in place to mitigate enterprise risk in particular. As a result of inadequacies in the reporting system by the CEO, it can be seen that statistics also show that a big percentage (36%) chose to remain non-committal on whether the CEO reports in a systematic manner or not to the board.

Figure 5: strategic Planning Processes



Results shown in figure 5 indicate that 20% of the respondents believed that the identification of business risk as well as its mitigation are an integral part of the strategic planning process at Botho College. 40% of the respondents disagreed with the fact that Botho College integrates the identification of business risk and its mitigation into its strategic planning process. 40% remained neutral. From the above statistics, it can be concluded that Botho College may be having problems of integrating the identification of business risk and its mitigation into its strategic planning process.

Figure 6: Risk Planning Process

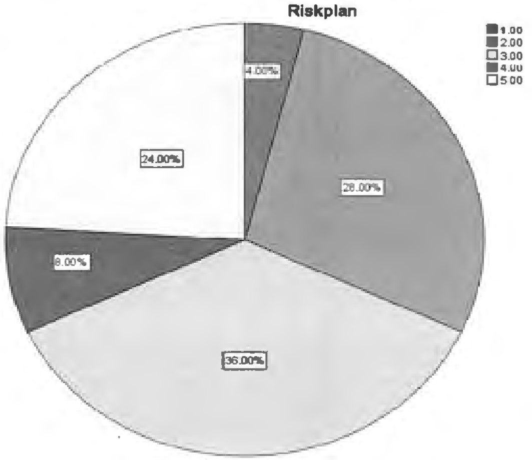
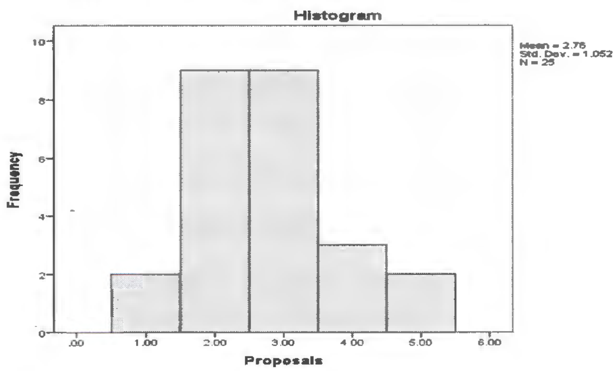


Figure 6 shows that 32% of the respondents believed that that Botho College integrates the identification of business risk and its mitigation into the institution's risk planning process while 32% felt that there is no integration. 36% remained non-committal. From the above statistics, there is therefore very little evidence to indicate that Botho College is effectively integrating the identification of business risk and its mitigation into the institution's risk planning process.

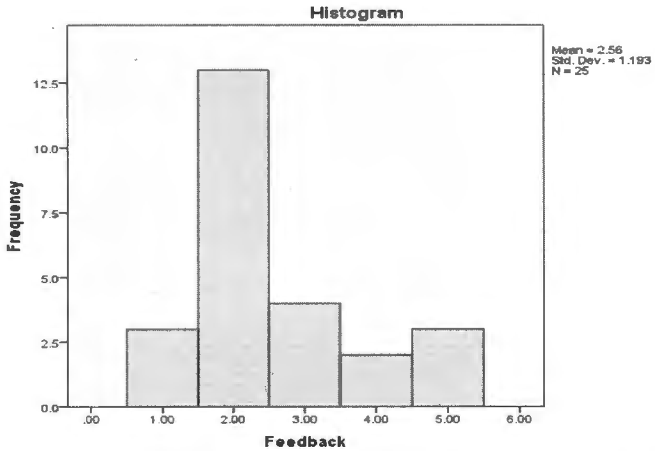
4.2. Internal Environment

Figure 7: Activity Plan Proposals



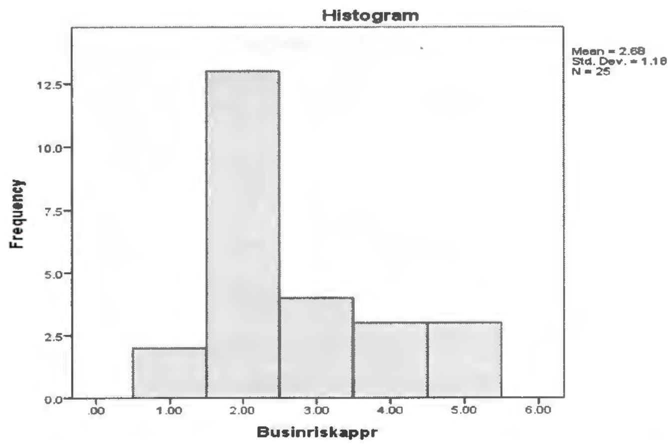
Results shown in figure 7 indicate that 20% of the respondents believed that the Botho College CEO accepts and acts timeously on the activity plan proposals from line managers while 44% disagreed. 36% remained non-committal. Form the above statistics, it can be clearly noted that there seems to be centralized decision making at Botho College as the majority of respondents perceived the Botho College CEO as one who does not always readily accept constructive contributions from other people meaning that communication at Botho College is generally top-down.

Figure 8: Feedback Reports



Results shown in figure 8 indicate that 20% of the respondents agreed that the Botho College CEO gives and takes feedback from line managers while 64% felt she does neither. 16% remained neutral. The fact that almost 80% of the respondents do not agree or remain non-committal on the fact that the Botho College CEO gives to and takes feedback from line managers seems adequate confirmation to the fact that there is one-way communication between senior management and the lower ranks and this does not auger well for effective enterprise risk management.

Figure 9: Business Risk Approach



Results shown in figure 9 above clearly show that 24% of the respondents believe that the Botho College CEO has up to now clearly defined and communicated the institution's general business risk approach including tolerances where possible and practical, to all members of the institution. 60% believe that the CEO has not done so. 16% remained neutral. Again communication between senior management and subordinates seems to be the major problem affecting information flow at Botho College.

Figure 10: Acceptable Code of Conduct

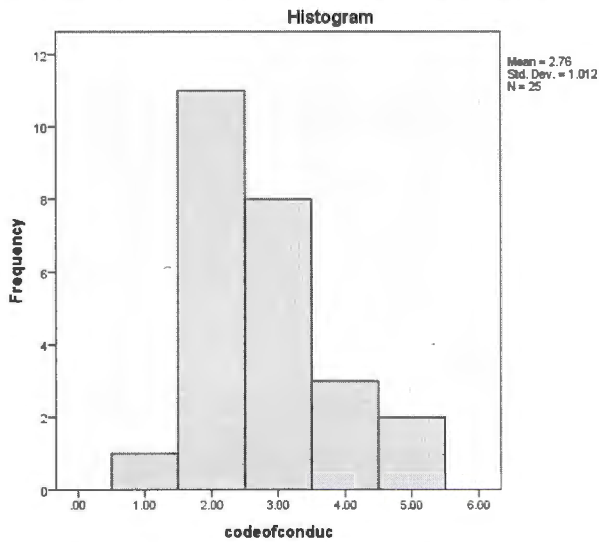
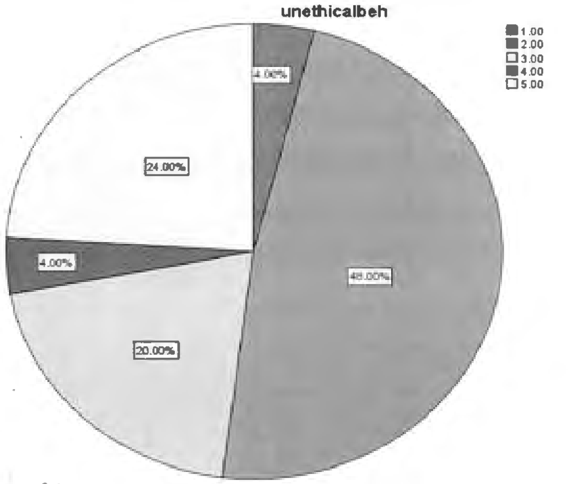


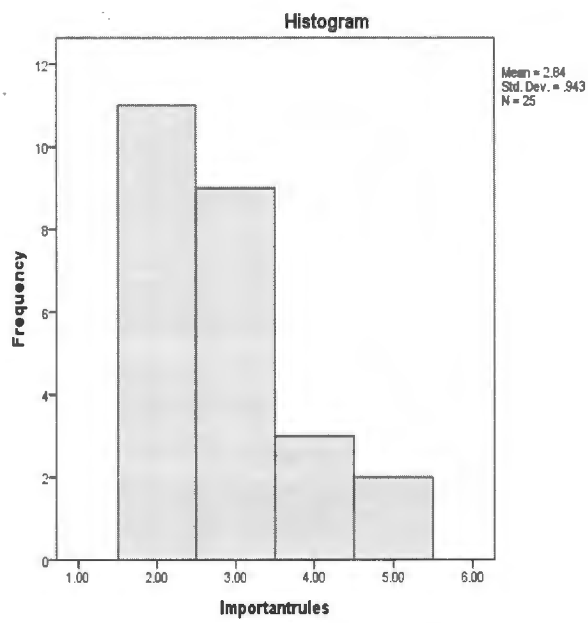
Figure 10 show that 20% of the respondents agreed that Botho College communicates an acceptable code of conduct to all organisation members and links this code to all business planning and decision making. 48% disagreed that Botho College communicates such a code to all members of the organisation. 22% of the respondents remained neutral. While there is a code of conduct at Botho College, it can be noticed that it has not being adequately communicated to all members of the organisation as almost 70% of respondents either doubt or do not agree that the institution indeed does communicate the code of conduct to all organisation members.

Figure 11: Unethical Behaviour



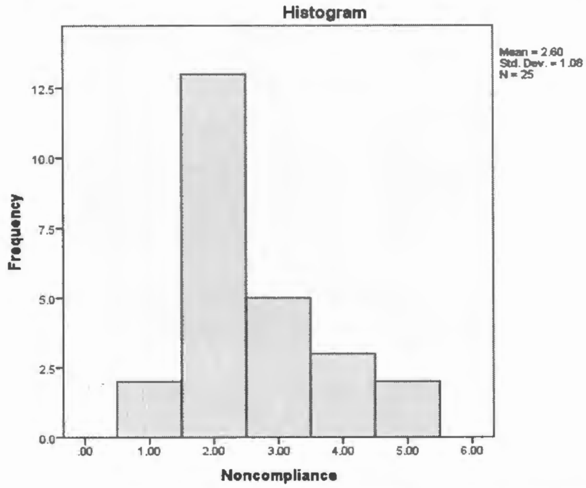
Results shown in figure 11 indicate that 28% of the respondents agreed that Botho College acts timeously on unethical behaviour by any member of the organisation while 52% believe that the organisation does not act timeously on unethical behaviour by members of the organisation. 20% remained neutral.

Figure 12: Communicating Important Rules



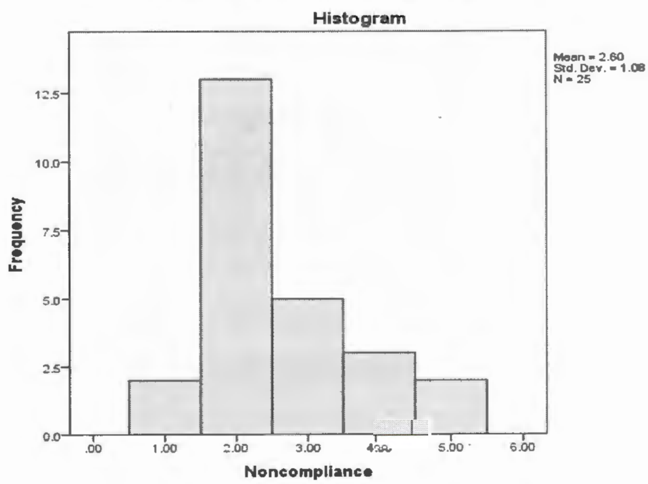
Results in figure 12 indicate that 20% of the respondents agreed that Botho College has a systematic and consistent way of communicating important rules to employees. 44% were however of the view that there is no systematic and consistent way of communicating important rules to employees at Botho college. 36% could neither agree nor disagree. While the institution is endowed with modern technology such as internet and e-mail, this research has shown that the organisation is not taking advantage of this technology and other communication means such as meetings and announcements to adequately communicate important rules to employees.

Figure 13: Non-compliance with Rules and Regulations



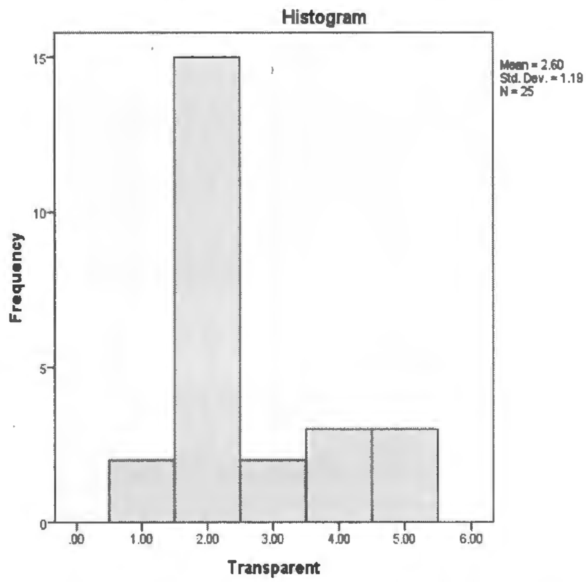
Results in figure 13 reveal that 20% of the respondents believe that Botho College has effective and fair procedures of dealing with non-compliance with school rules and regulations by any member of the organisation. On the other hand 60% of the respondents feel that there are no fair and effective procedures of dealing with non-compliance by employees with institutional rules and regulations at Botho College. 20% were non-committal. These results are indicative of the fact that dealing with non-compliance with rules and regulations at Botho college is random and unsystematic.

Figure 14: Business Culture



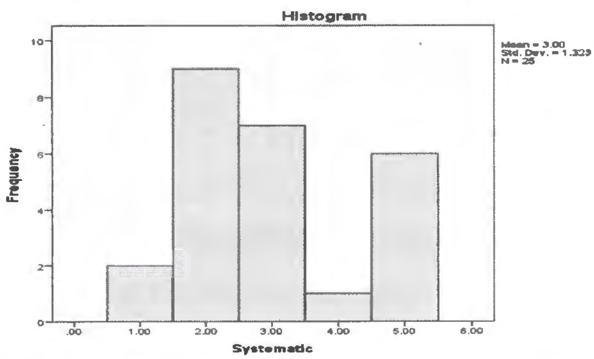
Results in figure 14 clearly indicate that 24% of respondents felt that the Botho college business culture allows for open discussion and constructive criticism. 44% believed that the business culture at Botho College is too restrictive and closed to constructive criticism.. These results therefore shows that the business culture at Botho College does not permit for openness which lends it to being more of authoritarian where people are just told what to do.

Figure 15: Transparent Incentive System



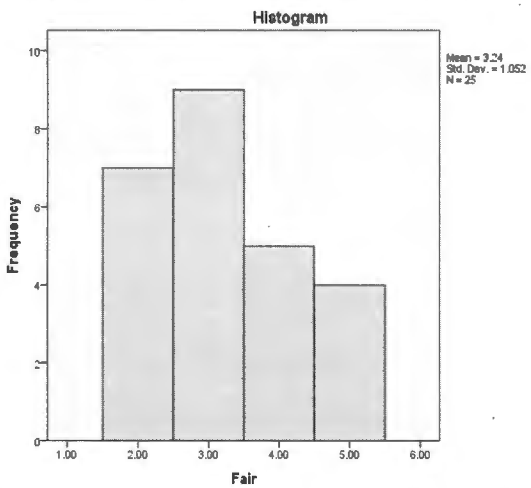
Results in figure 15 indicate that 24% of respondents were of the belief that Botho College has a transparent incentive system while 68% believed that it does not have a transparent incentive system. 8% of the respondents were neutral. This research therefore shows that there is a serious need for Botho College especially the HR department to improve its incentive system as the majority of respondents are of the view that the system is not transparent. Authoritative literature in fact point to the fact that a transparent reward system is important in incentivizing staff commitment to the organisation's mission.

Figure 16: Systematic Incentives



28% of the respondents according to results shown in figure 16 indicated that Botho College has a systematic incentive system while 44% indicated that it does not have a systematic incentive system. 28% chose to be non-committal. Just as the incentive system at Botho College is viewed by the respondents as not being transparent, it is also not systematic according to the majority of respondents. These results again confirm serious shortcomings in the Botho College HR department in terms of the system of reward and incentives and this could be a serious source of low morale and lack of commitment in the implementation of the ERM process at the institution.

Figure 17: Fair Incentive System



Results in figure 17 above indicate that 36% of the respondents believed that Botho College has a fair incentive system while 28% believe that the system is unfair. 36% of the respondents were neutral. Again it can be noticed that overall below 50% of the respondents feel that the incentive system at Botho College is fair while the rest either disagree or cannot commit.

Figure 18: Organisational Culture

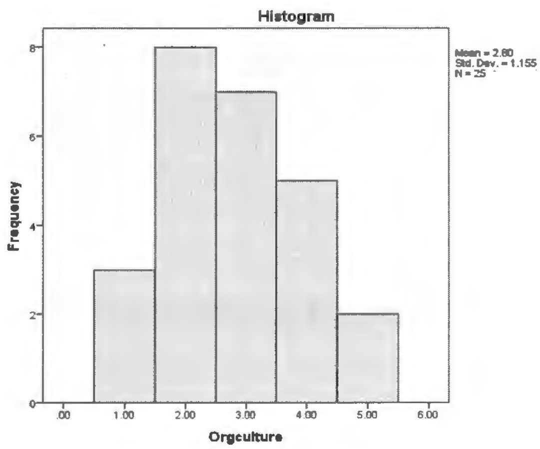
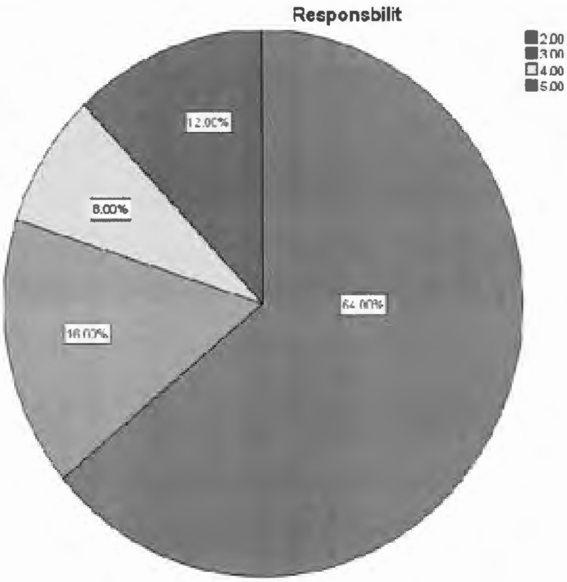


Figure 18 indicate that 28% of the respondents agreed that the Botho college organisational culture is supportive of efficient operations while 44% felt that it is not supportive. 28% remained neutral. The overall picture shown by the results is therefore that the Botho College business culture is not supportive of efficient operations perhaps because as indicated by other results above there are problems of low morale and poor communication at the institution.

Figure 19: Responsibilities, Tasks and Authority



20% of respondents according to results in figure 19 agreed that responsibilities, tasks and authority at Botho College are clearly defined and communicated to all employees while 64% of the respondents disagreed. 16% could neither agree nor disagree. These results therefore show that there is clearly a lack of clearly defined responsibilities, tasks and authority at the institution.

Figure 20: Resource Needs

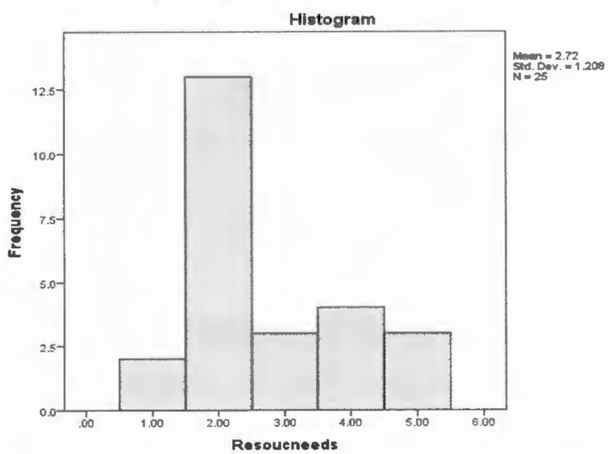
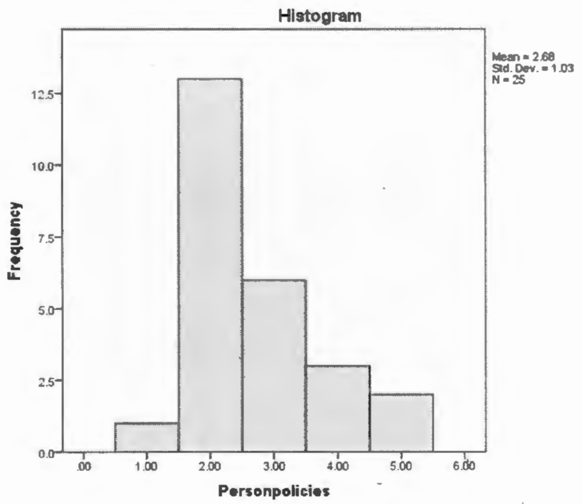


Figure 20 indicates that 28% of the respondents believed that Botho College always keeps documented and updated knowledge and resource needs while 60% believed it does not keep such records. 12% of the respondents chose to be neutral. Despite being endowed with modern technology, results of this research indicate that records management at the institution is poor.

Figure 21: Personnel Policies



Results shown on figure 21 indicate that 20% of the respondents agreed that personnel policies at Botho College are communicated to all employees while 56% of the respondents felt that this is not so. 24% of the respondents remained non-committal. These results are yet again another confirmation of management problems in the HR department as the majority of the respondents are of the feeling that is failing in coming up with effective personnel policies.

Figure 22: Knowledge Development

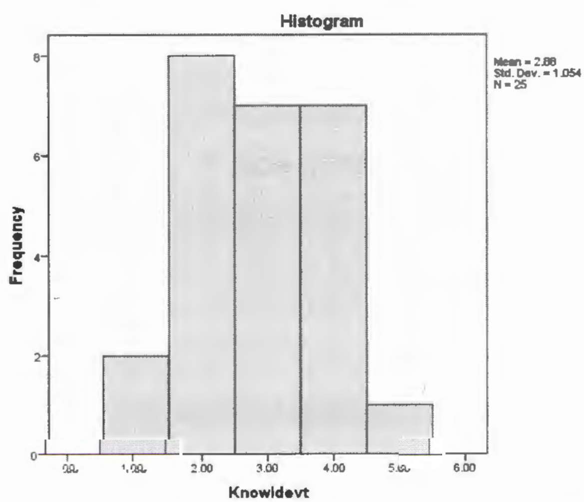


Figure 22 shows that 32% of the respondents agreed that the Botho College knowledge management development is linked to the organisation's operational needs while 40%

believed that there is no link between knowledge developments at operational needs at Botho College. 28% of the respondents remained neutral.

Figure 23: Information Technology

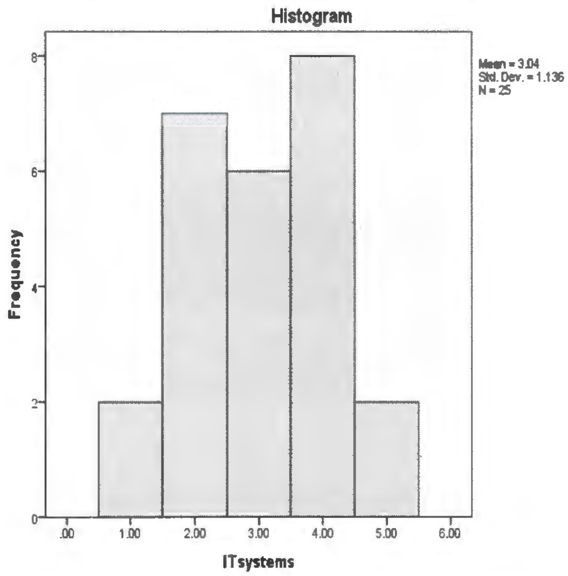
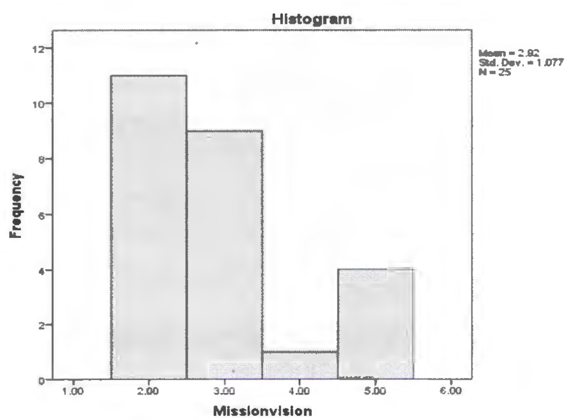


Figure 23 show that 40% of the respondents believed that information technology (IT) systems that support Botho College's operations are reliable while 36% felt that the systems are not reliable. 24% of the respondents remained neutral. More than 50% of respondents therefore seem to believe that more needs to be done for Botho College to be able to effectively support its operations using its IT systems.

4.3. Business Objectives Settings

Figure 24: Mission and Vision



20% of the respondent as shown in figure 24 believed that Botho College has a clear mission and vision that form the basis of all risk planning. 44% do not think that Botho College has a clear mission and vision. 36% of the respondents chose to remain neutral.

According to these results, Botho College needs to more clearly articulate its vision and mission.

Figure 25: business Strategy

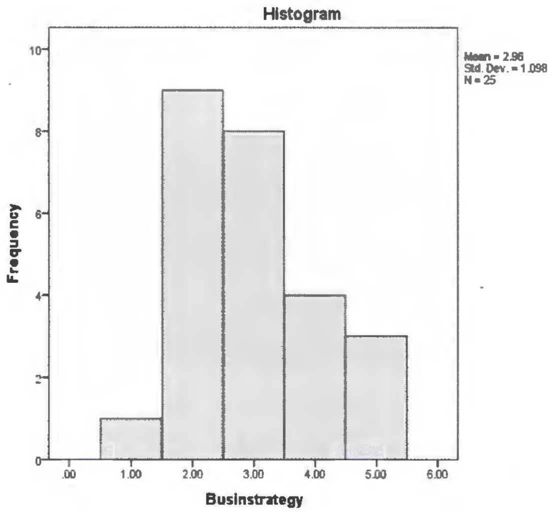
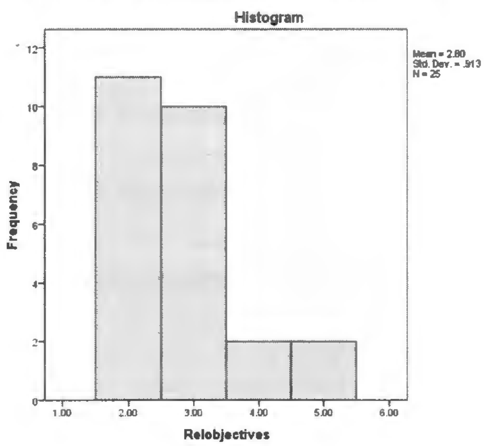


Figure 25 indicates that 28% of the respondents agreed that the Botho College business strategy is clear and is well known by everybody in the organisation while 40% disagreed that the Botho College business strategy is clear and well known by everybody in the organisation. 32% chose to remain neutral.

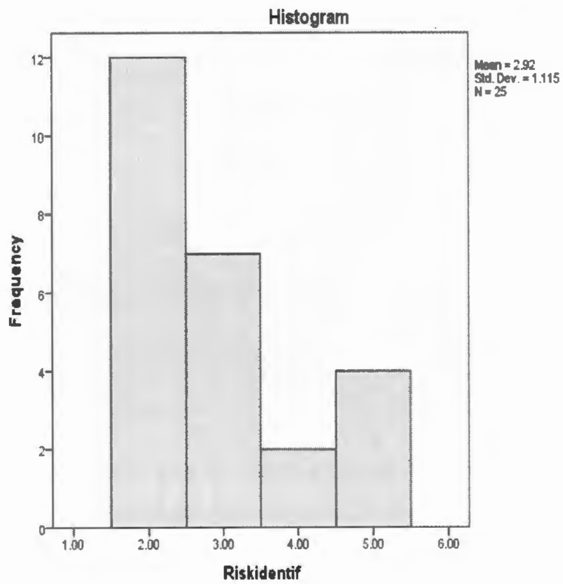
Figure 26: Relevant Objectivies



Results in figure 26 indicate that 16% of the respondents agreed that Botho College has effectively communicated clear and relevant objectives for efficiency, reporting and compliance while 44% felt that the institution has not effectively communicated clear objectives for efficiency, reporting and compliance. 40% of the respondents remained neutral. The overall picture being painted by these results is that Botho College has not been able to effectively communicate to the college community the objectives for efficiency, reporting and compliance. This is against the dictates of authoritative literature which says that the objectives and approach of an institution to risk management must be adequately communicated to all members of the organisation to ensure people pull together towards the same direction.

4.4. Risk Identification

Figure 27: Risk Identification



Results shown in figure 27 show that 24% of the respondents agreed that risk identification at Botho College is clear, systematic and ongoing while 48% of the respondents disagreed that there is a clear, systematic and ongoing risk identification process at Botho College. 28% of the respondents chose to remain neutral. These results therefore show that there is failure at Botho College in coming up with a solid, clear, systematic and ongoing risk identification process for effective management of enterprise risk. This is so because more than 70% of the respondents either disagree or doubt whether Botho College has a clear, systematic and ongoing risk identification process.

Figure 28: Enterprise-wide

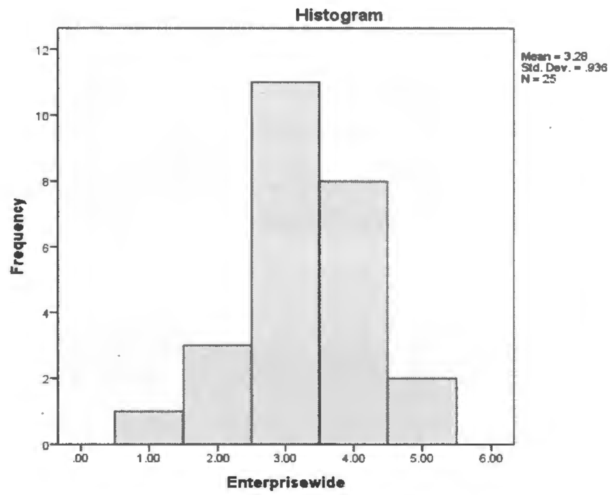


Figure 28 shows that 40% of the respondents agreed that risk identification at Botho College is enterprise-wide while 16% felt it is not enterprise-wide. 44% of the respondents chose to remain neutral. These results therefore show that there is a fairly good attempt by Botho College to ensure that its risk identification processes are enterprise-wide (40% of respondents) though clearly considering the devastating nature of some of the risks, this clearly is not enough because any gaps in risk identification can subject an organisation like Botho College to serious risky situations that may even cripple or lead to business shut down.

Figure 29: Business Objectivies

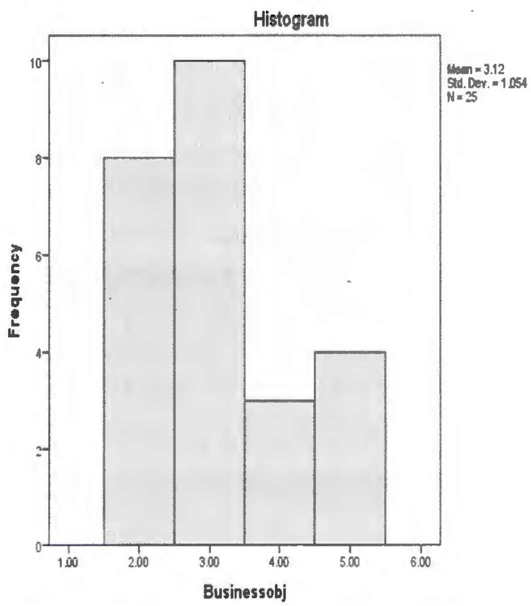
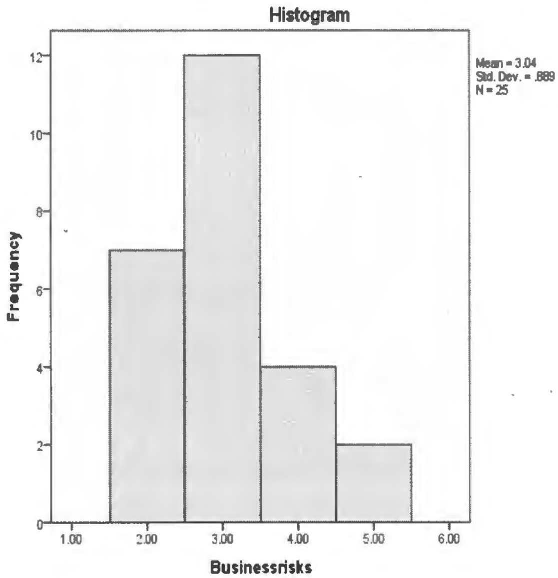


Figure 29 shows that 28% of the respondents agreed that risk identification at Botho College covers all types of business objectives namely strategic, operational, compliance and reporting objectives. 32% disagreed that risk identification covers all the mentioned objectives. 40% of the respondents remained non-committal. The above results tally very well with the implications of the results in figure 28 above in that without a water-tight and ongoing risk identification process, there will always be gaps which will result in the organisation failing to capture all the threats to the business. This is so because only 28% of the respondents believe that Botho College is able to capture all business threats while over 70% either disagreed or remained neutral.

Figure 30: Business Risks



24% of the respondents according to figure 30, agreed that business risks are always linked to objectives at Botho College while 28% of the respondents disagreed. 48% of the respondents chose to remain neutral.

4.5. Risk Assessment

Figure 31: Material risks

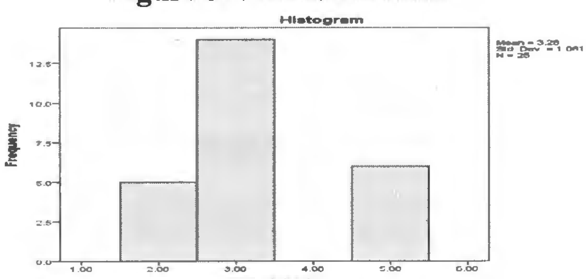


Figure 30 shows that 24% of the respondents agreed that risk assessments at Botho College are prioritized with material risks analysed extensively. 20% of the respondents disagreed while 56% of the respondents chose to remain neutral. It is therefore clear in this research that not many people at Botho College are sure whether Botho College prioritises risk assessments and such a scenario creates a situation where organisation members either are casual on their approach to issues concerning enterprise risk or do not care because of a lack of emphasis on the part of management. Where emphasis is there, every member of the organisation would surely know whether the organisation is seriously doing something to mitigate business risk or not.

Figure 32: Immediately Reported

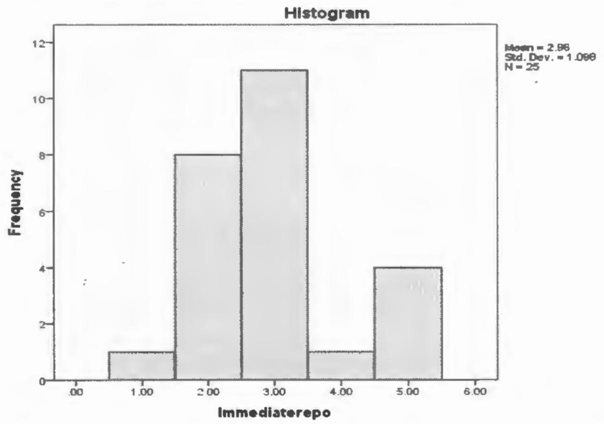
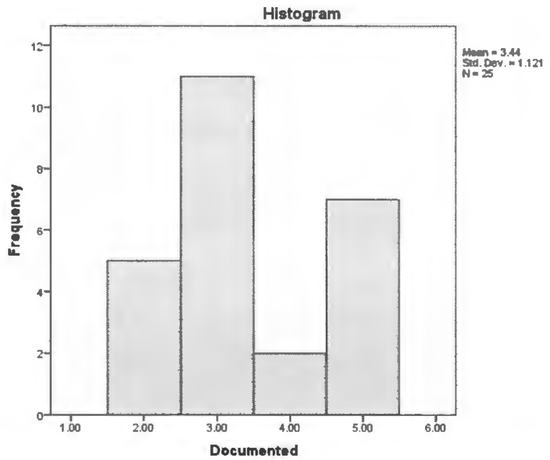


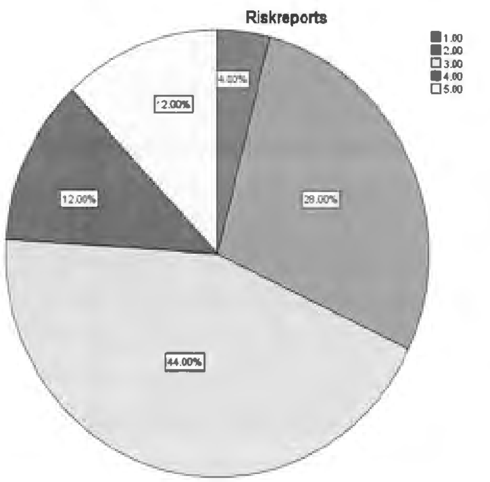
Figure 32 shows that 20% of the respondents agreed that at Botho College, material risks are always immediately reported to management while 36% disagreed. 44% chose to remain neutral. Results of this section tie closely with the problems and inadequacies of communication systems at Botho College as mentioned in the above responses. Added to the fact that the organisational culture at Botho College does not allow for open discussion and constructive criticism, it becomes clear why only 20% of the respondents agreed that material risks at Botho College are immediately reported by lower level staff to management.

Figure 33: Documented



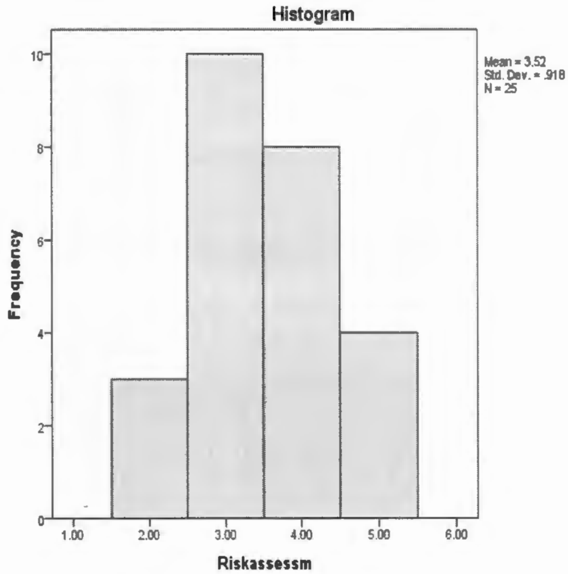
Results in figure 33 indicate that 36% of the respondents agreed that at Botho College, reported risks are always documented while 20% disagreed that reported risks are always documented. 44% of the respondents remained non-committal.

Figure 34: Risk Reports



24% of the respondents in figure 34 above agreed that risk reports and assessments are not simply received but are either endorsed, modified or rejected by Botho College management while 32% of the respondents disagreed. 44% of the respondents chose to remain neutral.

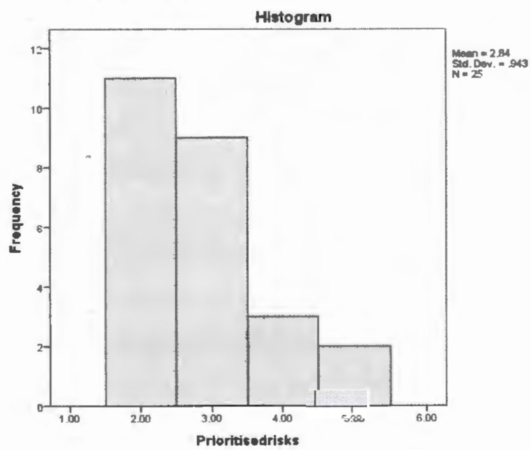
Figure 35: Risk Assessments



Results in figure 35 indicate that 48% of the respondents agreed that final risk assessments at Botho College are subject to senior management approval while 12% disagreed. 40% chose to remain neutral. Results in this section indicate that in terms of approving risk assessments, management at Botho College is doing a fairly good job though more needs to be done.

4.6. Risk response

Figure 36: Prioritised Risk



According to results shown in figure 36 above, 20% of the respondents agreed that prioritised risks are controlled by the Botho College management through avoiding, reducing, sharing or acceptance while 44% disagreed. 34% of the respondents chose to remain neutral.

Figure 37: Risk Response

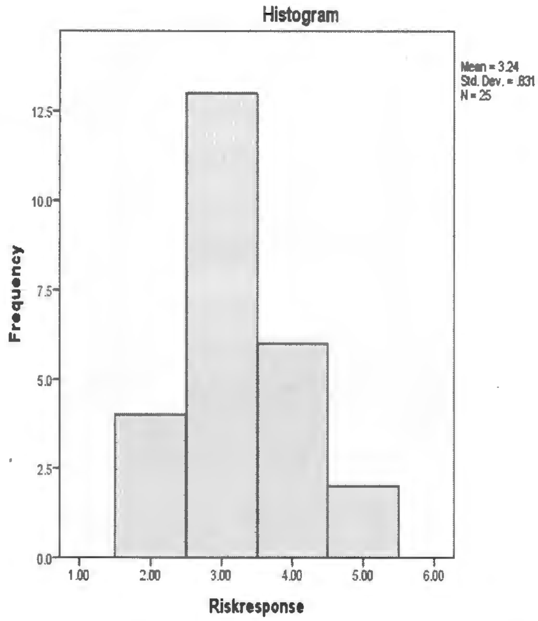


Figure 37 indicates that 32% agreed that at Botho College the costs of risk response are always compared with the benefits of reduced risk or avoided risk before any risk response action could be taken. 16% of the respondents disagreed that there is any comparison. 52% of the respondents were non-committal.

4.7. Control Activities

Figure 38: Financial Compliance

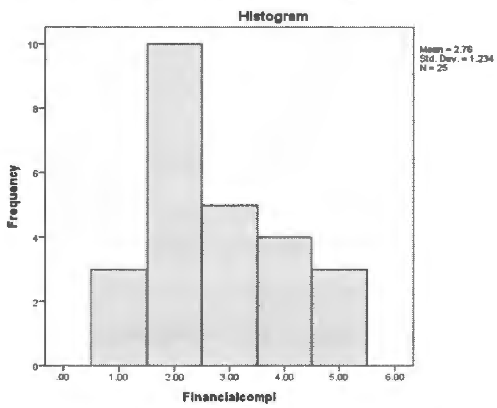
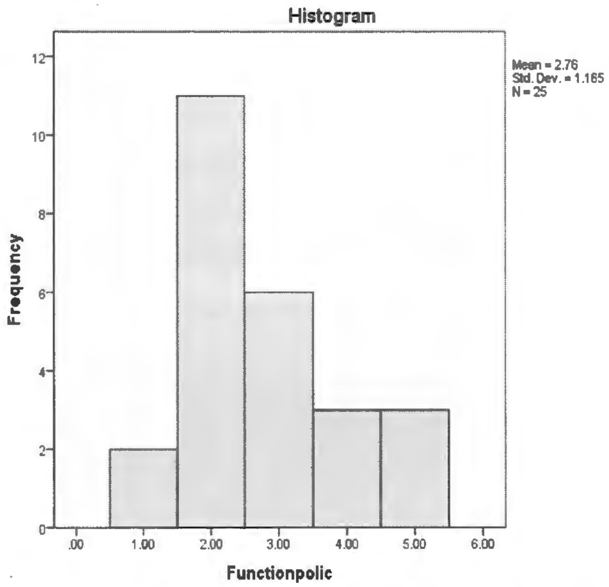


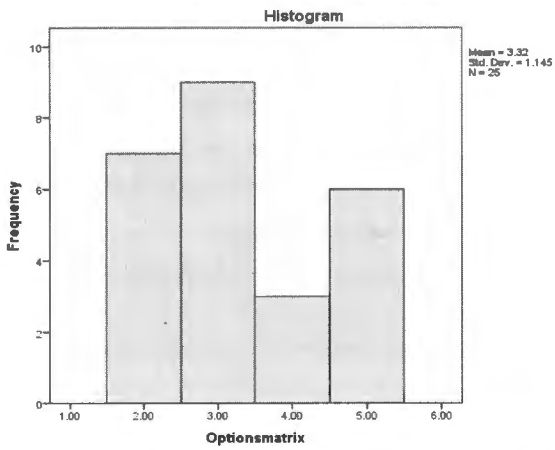
Figure 38 shows that 28% of the respondents agreed that Botho College keeps updated business process documentation on controls over operational and financial compliance, operations efficiency, safeguarding of assets, internal and external reporting while 52% disagreed. 20% of the respondents chose to remain non-committal.

Figure 39: Functional Policies



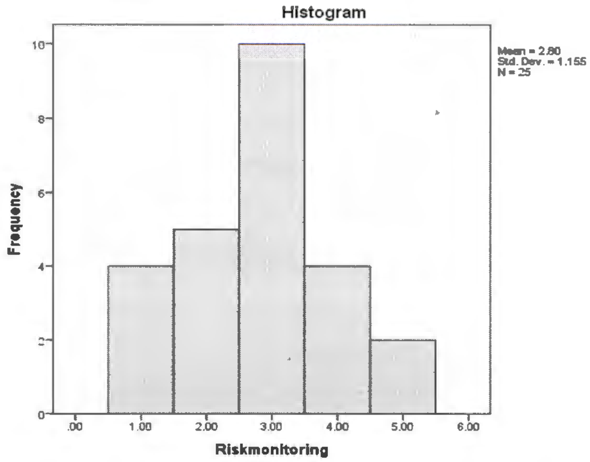
According to figure 39 above, 24% of the respondents felt that Botho College has well-functioning policies on separation of duties, asset registers, physical security, data security and irregularity reporting while 52% disagreed. 24% of the respondents remained neutral. These results show that asset management at Botho College needs serious steps to be taken to ensure important assets especially related to operations process data, reports, asset registers and others are given greater attention and protection to avoid huge costs to business as a result of for example issues like data loss or poor reporting systems.

Figure 40: Options Matrix



Results in figure 40 indicate that 36% of the respondents agreed that Botho College has an updated and documented contingency plan as part of its options matrix to mitigate business risk. 28% of the respondents disagreed that such an options matrix exists at Botho College. 36% remained neutral.

Figure 41: risk Monitoring



According to figure 41 above, 24% of the respondents agreed that risk monitoring and management controls at Botho College are integrated into the organisation's management processes while 36% disagreed. 40% of the respondents chose to remain neutral. Embedding risk monitoring and management controls into the Botho College management processes is sees as lacking according to the above results where over 70% of respondents either disagreed or chose to remain neutral to the fact that risk monitoring and management controls at the organisation are integrated into management processes. The fact that only 20% of the respondents agreed is quite worrying and does not lend credence to effective risk monitoring and management control efforts at Botho College.

Figure 42: Coordinated Units

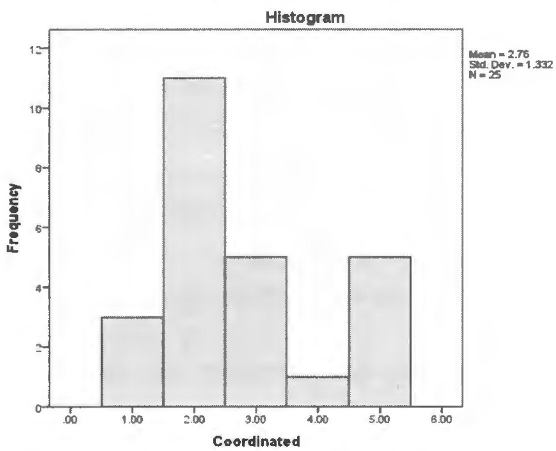
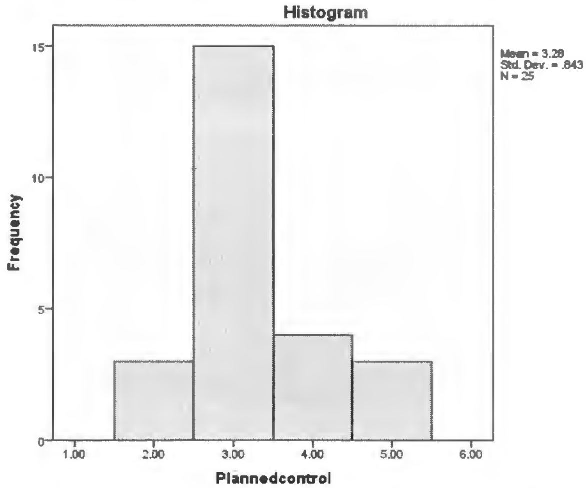


Figure 42 shows that 24% of the respondents agreed that controls of risks affecting organisational units are coordinated at Botho College while 56% felt that there is no coordination at all. 20% of the respondents remained neutral. While risk identification has been found in this research to be fairly enterprise-wide, results above also show that on the other hand, risk controls are fragmented pausing greater risk to the organisation. This is so because more than 70% of the respondents believe that risks controls at the organisation are perilously uncoordinated.

Figure 43: Planned Control



According to results shown in figure 43 above, 28% of the respondents agreed that Botho College management monitors the efficiency of planned controls using risk reporting. 12% of the respondents felt that there is no monitoring by Botho College of the efficiency of planned controls using risk reporting. 60% of the respondents remained non-committal. The overall picture painted by the above results is that there is very little monitoring by the Botho College management of the efficiency of planned controls using risk reporting. In fact the above risks reflect a weak and effective risk reporting system at the organisation.

Figure 44: Regularly Evaluates

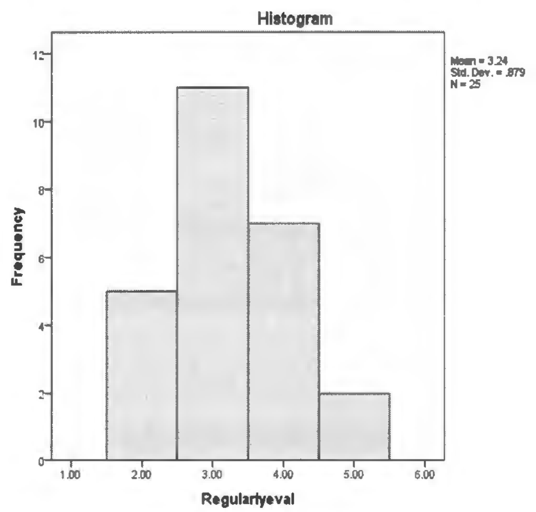
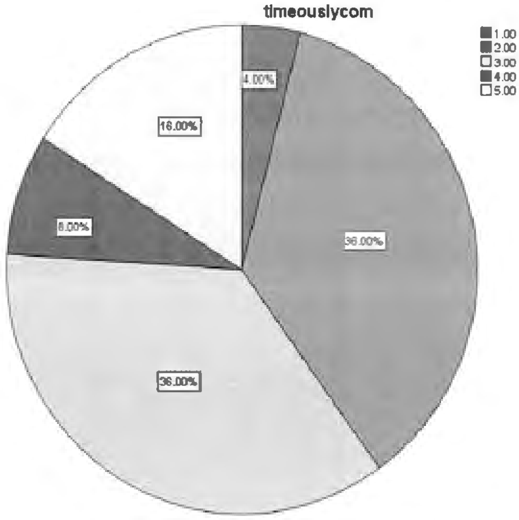


Figure 44 indicates that 36% of the respondents felt that Botho College regularly evaluates and updates processes and controls attached to the different business risks that affect the organisation while 20% disagreed. 44% chose to remain neutral.

Figure 45: Timeously Communicates



Results in figure 45 indicate that 24% of the respondents agreed that Botho College timeously communicates results of business risk evaluations to personnel and steering bodies while 40% of the respondents disagreed.36% of the respondents chose to remain non-committal. Again communications remains a big issue at Botho College as evidence from this study shows that not much communication of risk evaluations is done to employees and steering bodies.

4.8. Information and Communication

Figure 46: Information Flow

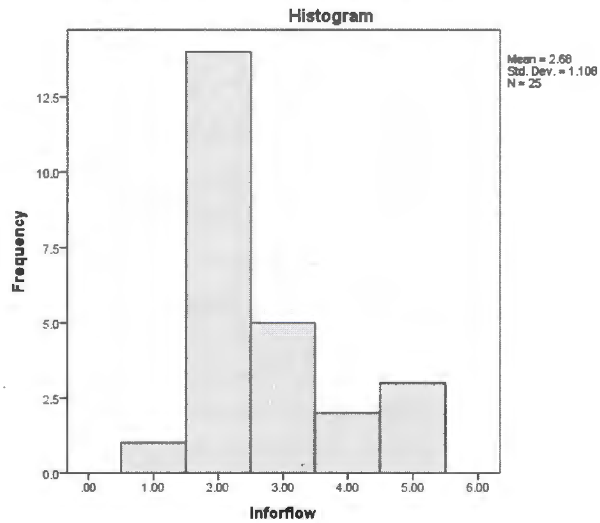


Figure 46 above shows that 20% of the respondents agreed that Botho College has adequate means of information flow and communication while 60% of the respondents said the information flow and communication methods are inadequate. 20% of the respondents were non-committal.

Figure 47: Emergency Situation

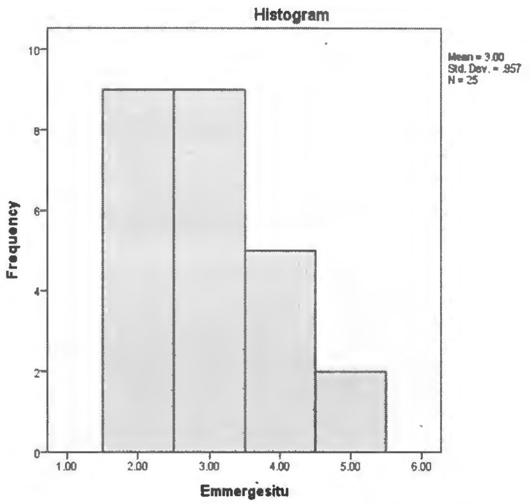
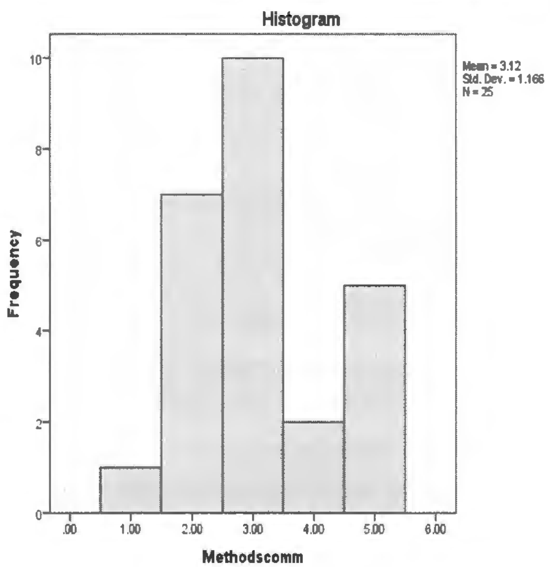


Figure 47 above shows that 28% of the respondents agreed that Botho College has quick, efficient and clear communication methods for emergency situations while 36% said the communication methods in case of emergency situation is inefficient, slow and unclear. 36% of the respondents were non-committal.

Figure 48: Methods of Communication



According to figure 48 above, 28% of the respondents were of the view that Botho College has clear methods of communicating employee and stakeholder suggestions and grievances to management. 32% disagreed that the methods of communicating employee and shareholder grievances to management are clear. 40% of the respondents chose to remain neutral.

Figure 49: College Procedures

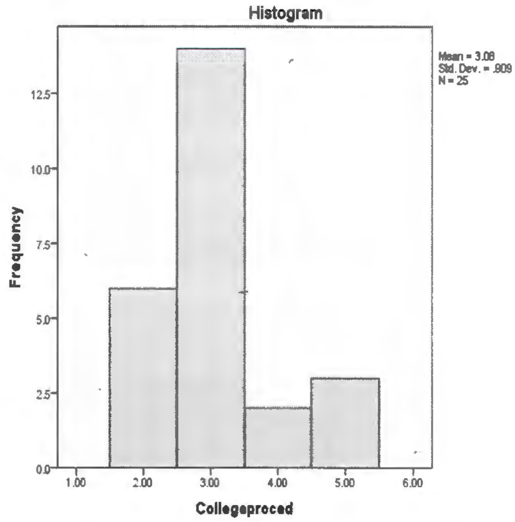


Figure 49 shows that 20% of the respondents felt that Botho College produces true and adequate information for crafting its annual budgets to meet the required institutional expenditures while 24% disagreed. 56% of the respondents chose to remain neutral.

Figure 50: Risk Dependence

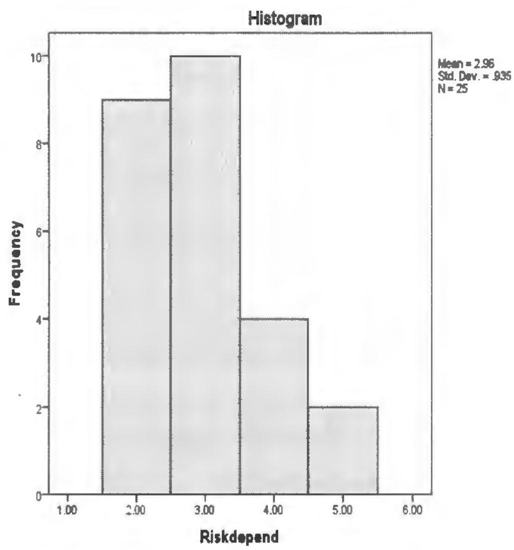
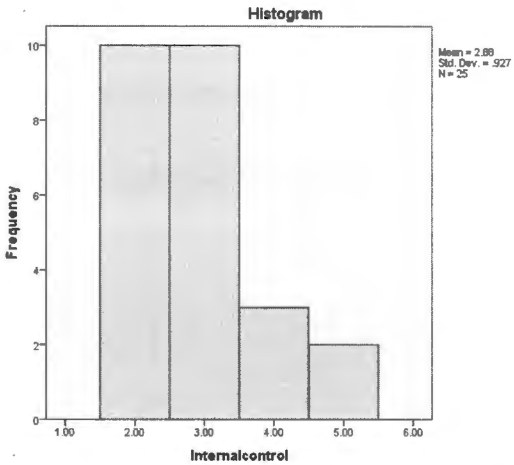


Figure 50 show that 24% of the respondents were of the view that Botho College has a risk-dependence relationship with third party providers or suppliers as means are established to effectively communicate and mitigate business risks on an ongoing basis. 36% disagreed that there is such a risk-dependence relationship between Botho College and third party providers and suppliers. 40% of the respondents chose to remain neutral.

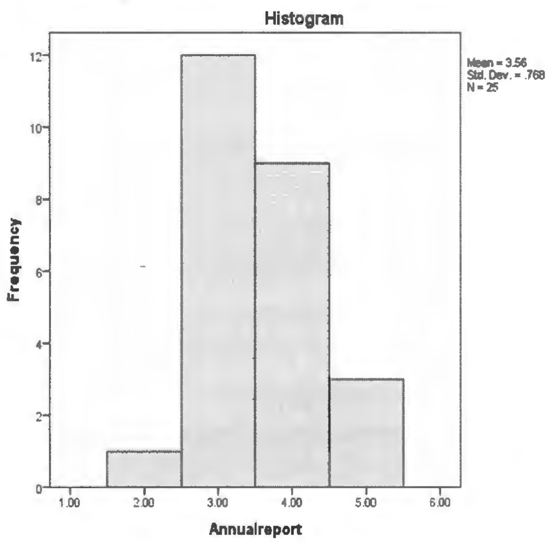
4.9. Monitoring

Figure 51: Internal Controls



Results shown in figure 51 indicate that 20% of the respondents were of the view that at Botho College, reporting on internal controls is embedded to the operational processes while 40% of the respondents disagreed that there is any such embedding of internal controls reporting to the operational processes at Botho College. 40% of the respondents were non-committal.

Figure 52: Annual Report



According to figure 52 above, 48% of the respondents agreed that on an annual basis Botho College evaluates the status of its internal controls and gives an assessment in its annual report while 4% disagreed that no internal controls evaluation is done. 48% of the respondents remained non-committal.

Figure 53: Internal Audit reports

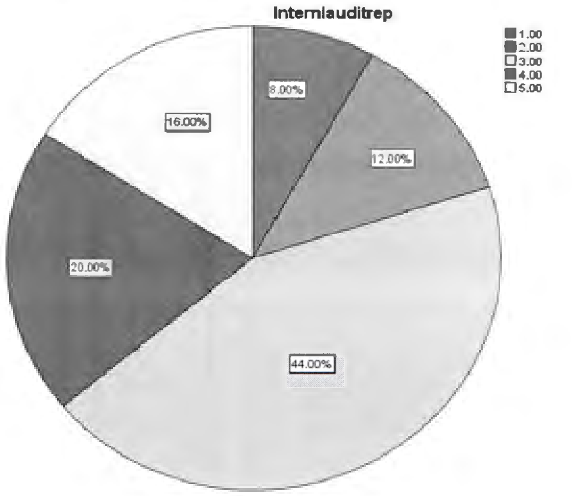
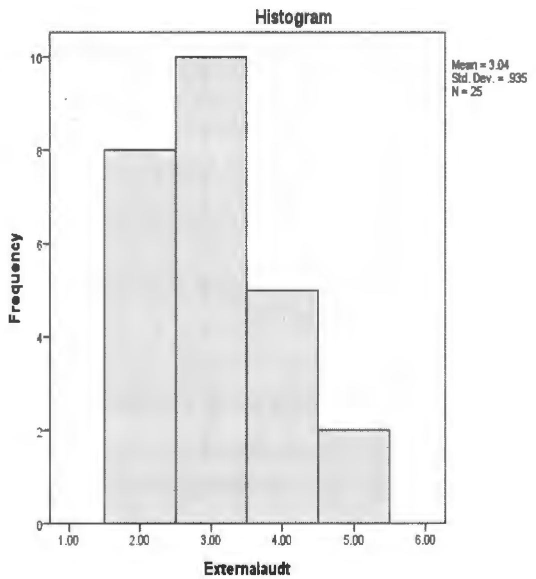


Figure 53 shows that 36% of the respondents agreed that at Botho College, internal audit reports are handled and business decisions are made based on these reports while 20% disagreed that business decisions are made on the basis of internal audit reports.

Figure 54: External Auditors



Results shown in figure 54indicate that 28% of the respondents agreed that Botho College evaluates annually, reports from external auditors and makes necessary action plans while 32% of the respondents disagreed that Botho College annually evaluates audit reports from external auditors and then makes action plans based on these reports. 40% of the respondents chose to remain neutral.

Chapter summary

The main purpose of chapter four was to present and analyse research findings. Three statistical tools were primarily used to present the research findings and these were the histogram, pie-chart and the table of results. A lot of interesting features came out of the presented data where it was discovered that a significant number of respondents chose either to disagree or to remain neutral on a number of crucial risk management issues. In some cases close to 50% of the respondents chose to be non-committal which might mean that such people may not be adequately involved in crucial decision making in the board or the advisory council and if this is so then it may be inferred that certain decision may then be made somewhere outside the perimeters of the board or the advisory council since Botho College is an owner-managed and owner-directed organisation.

Chapter 5: Data discussion and interpretation.

Introduction

The purpose of this chapter is to discuss and interpret the research findings as presented in chapter four. After presenting and analysing the results in chapter four, chapter five now discusses the implications of the results in the light of the reviewed literature. Such implications as will be discussed in this chapter will then help in the crafting of conclusions and recommendations in chapter six. Discussion and interpretation of the research findings will follow a thematic approach to ensure robust and exhaustive discussion and interpretation of results.

5.1. Theme-based discussion and interpretation of results

5.1.1. Governance, policy and oversight.

This study revealed that while Botho College has made strides in ensuring that there is an enterprise risk management policy at the institution, it is clear that its efforts are not bearing fruit because there is a dearth of good corporate governance. This is so because on the issue of governance, policy and oversight, results have shown that at Botho College, there is an apparent lack of an independent risk management committee; roles of the board, advisory council and CEO are not clearly articulated and delineated. This short coming has the potential of either duplication of responsibilities or in having some strategic responsibilities not being carried out at all because everyone thinks it is the other's responsibility. Also the research has shown that the identification of business risk and mitigation measures are not clearly integrated into the institution's strategic planning process. According to literature, without a strong governance system, risk management in organisations cannot be successfully managed. DeLoach (2000) also says that as a best practice, roles and responsibilities of each of the stakeholders in terms of risk management must be clearly defined and articulated to all the organisational members. DeLoach (2000) and also NACUBO (2007) express the need for clearly delineated roles and responsibilities of all stakeholders by saying that such a situation will help ensure that communication barriers between stakeholders and between team members are avoided. Unclear governance structures and monitoring, as well as weak reporting of key risks and actions for managing risk by the management and the board are causative to poor/weak governance and oversight at institutions (KPMG, 2010; Crawford, and Justina, 2006). Another issue that exemplifies lack of good corporate governance at Botho College is the absence of among others, a Chief risk officer (CRO) and an independent ERM Advisory Committee. Best practice according to Crawford and Justina (2006) requires that an institution designates a chief risk officer as the owner of the risk identification process, a director of audit who will head the Compliance Committee and will be responsible for the coordinating of all compliance issues, as well as the creation of an ERM Advisory Committee to be responsible for overseeing and focusing attention towards improving the institution's culture of integrity and compliance. Such good corporate governance at institutions such as Botho College according to Lam (2000), would ensure effective identification, assessment and monitoring of risk in the institution.

5.1.2. Internal environment

Since the internal environment according to Tillinghast Monograph (2002) defines the context within which the enterprise functions and includes the organisation's reporting structure, assignment of authority, development of personnel, risk appetite, management style and ethical values as key elements of this environment, i.e., defines the whole ethos of the institution, this research has revealed that Botho College has weaknesses and serious shortfalls especially with regards to communicating important rules, regulations and procedures. COSO (2004) assets that such a situation could be dangerous to the organisation as with poor communication, certain risks that may need to be urgently reported and resolved may be reported late or may not be reported at all jeopardising the whole organisation. Coupled with poor communication practices at Botho College is the issue of the organisation's business culture being too restrictive to robust and constructive discussion and criticism. Such a state of affairs lead to frustration and low morale among staff that can result in serious operational risks at the institution. An internal environment culture that is restrictive and closed to open discussion (negative risk management culture) as practiced by Botho College can result in serious failure in the reporting and a collapse of the entire enterprise risk management processes (NACUBO, 2007). COSO (2004) further posits that creating a positive risk management culture allows management across organisations to communicate risk effectively across business units and to understand the institution's risk tolerance. Lamarre et al (2010) who defined internal risk culture as the norms of behaviour for individuals and groups within an organisation that determine the collective willingness to accept or take risk and the ability to identify, understand, discuss and act on the organisation's risk, claimed that the failures in risk culture in organisations are the main causes of serious risky situations in organisations just as they were the main reasons for the credit crisis of 2008.

Results of this research have also shown that an internal environment that is not conducive to employee support and motivation especially where issues such as incentives, tasks and responsibilities, and general personnel policies are not clearly and adequately addressed as is the case of Botho College is a recipe for serious operational risks. This is supported by Basel II, (2006) who after defining operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, posited that for organisations to get value from the human resource component of the organisation, employee morale must be considered as a priority. Storkey (2011) also concurred with BaselI (2006) by saying that operational risk is risk is affected by ongoing management processes in organisations. Authoritative literature on best practice has also shown that as a starting point to ensuring a conducive internal environment for effective risk management, top management should set the tone by establishing a common risk management language where a clear articulation of the institution's approach to risk is adequately communicated to all organisation members (UVM, 2012; Lennon, 2007; NACUBO, 2007). The above approach is also supported by Crawford and Justina (2006) who posited that ensuring that everyone is aware of the institution's approach to risk management creates buy-in and a spirit of engagement by all members and also provides for a broad perspective on approach to risk necessary for effective enterprise risk management.

5.1.3. Business objectives setting

There is overwhelming evidence in this research that the Botho College mission and vision are not clear in as far as articulating where the organisation wants to see itself in future especially with regards to enterprise risk management. Worse, the organisation's strategy has not been adequately communicated to all members of the organisation which means buy-in of the strategy by the internal market (employees and line managers) is very difficult to achieve at the organisation. Besides failing to adequately communicate its business strategy to its internal stakeholders as shown by the results of thie research, the top management of Botho College has also failed according to this research, to effectively and adequately communicate clear and relevant objectives for efficiency to the Botho college community. Without a clearly articulated vision, mission and risk management strategy, Botho College has a really big chance of failing in its risk management approaches. Tillinghast Monograph (2002) writes that for organisations such as Botho College to minimise the impact of risk in their operations, they should have a mission or vision developed through the objectives set by the institution's management since objectives are the focal point of risk strategy. According to DeLoach (2000), the establishment of clear goals and objectives enables the ERM process to be effective, efficient and consistent with the overall institutional strategy on enterprise risk. Clearly articulated goals and objectives make the risk management strategy manageable, measurable and incentivise the whole institution to work towards the fulfillment of the formulated risk management strategy (Anthony and Govindarajan, 2007). DeLoach (2007) also says that clearly articulated goals and objectives result in the realisation of the mission or vision in a manner consistent with the institution's risk appetite.

5.1.4. Risk Identification

Research findings reveal that while Botho College's approach to risk management is fairly enterprise-wide. A strong approach is curtailed by the college's inability to be more systematic as well as its failure to link its business objectives with its business risk management approach. Also failure in being systematic on risk identification as revealed by the research, decreases Botho College's chances of adequately responding to certain risks. This is supported by Tillinghast Monograph (2002) which stated that both external and internal risks should be considered as part of the overall ERM process in terms of their impact on the realization of organizational objectives. Furthermore, for effective identification of potential risks as well as to be able to distinguish between those representing loss, opportunity or a combination of both, Lennon (2007) posits that institutions should be able to categorise the risks into a common risk language as a basis from which a portfolio instead of a segmented view of risk can be formulated.

5.1.5. Risk Assessment

It has been revealed in the research findings that Botho College is fairly effective in its risk assessment as risk assessments are endorsed by senior management and also that there is some attempt by the top management to document identified risks. However the organisation's main flaw in its enterprise risk assessment approach is as a result of its failure to prioritise material risks as well as its poor risk reporting system. Failure to report risk on time, as pre-mentioned, can cause irreparable damage to the institution as some risks may not be managed at all because they are reported late. Research has shown that time is of essence especially where resources need to be sourced and deployed to effectively manage the risk. KPMG (2010) states that identified risk events should always be reported and evaluated quickly in terms of their likelihood to occur and their possible impact on the institution to enable top management or any other responsible persons to prepare contingency measures.

5.1.6. Risk response

Results of this research also revealed that there is poor risk prioritisation and hence ineffective risk response at Botho College and this may have a very negative impact on the organisation's ability to effectively and adequately respond to identified risks. It has further been revealed in this research that at Botho College the costs of risk response are not always linked to the benefits of accepted reduced or avoided risk before any risk response action is taken. But according to authoritative sources in the field of enterprise risk management who include DeLoach (2000), Lennon (2007) and NANCUBO (2007), response to risk events must always align with an organisation's objectives and risk appetite. A silo approach of responding to one risk in isolation of others as happens at Botho College has been seen to result in ineffective enterprise risk management (DeLoach, 2000). This is supported by Beasley and Frigo (2007) who said that risks cannot be managed using a silo or stovepipe approach but using an enterprise-wide or portfolio approach which links costs of risk response to the type and benefit of a risk response based on the context of the risk event.

5.1.7. Control Activities

Research findings have revealed that documentation is one problem that clearly affects Botho College's risk management effort. Evidence in this research has shown that the college does not keep updated process documentation on controls over operational and financial compliance, operational efficiency, safeguarding of asserts and internal as well as external reporting. It has further been shown by this research that there is a lot of complacency on the part of the organisation on integrating risk monitoring and management controls with the organisation's management process. Without adequate and proper risk monitoring and management controls, Botho College's ability to perform effective enterprise risk management is compromised. Since risk controls means ensuring adherence to policies and procedures that reduce risk such as getting authorisations or approvals before performing an activity, they should be prioritised in an institution (NACUBO, 2007). The use of reports as a risk control activity has been mentioned by a number of authorities who include Tufano (2011) and Crawford and Justina (2006) as critical to effective risk control, monitoring and management. Reports according to NACUBO (2007) enable institutions to effectively monitor and make timely follow-ups on any identified and/or perceived risks. To this effect, Tufano (2011) posits that an effective risk management process should always be supported by updated audit and compliance reports produced quarterly and annually. Such reports will enable an accurate stock of enterprise risk, effective prioritisation of identified risks as well as allow for a more proactive and robust method of controlling such risks (DeLoach, 2000; Crawford and Justina, 2006; Tufano, 2011).

There is certainly an urgent need according to results of this research for Botho College to work at improving its risk monitoring and management mechanisms if it is to manage business risk more effectively. This is supported by Irwin (2007) who said that by improving current control activities, information and communication channels, and active management monitoring techniques, an organisation can ensure that (a) strategic decisions are carried out, (b) successes and failures on risk management are communicated so adjustments to the process are made timely, and (c) management is proactive in managing operations. It is certainly clear from the results of this research that Botho College needs to improve risk controls for it to be able to accurately and effectively identify, monitor, limit, avoid, offset or even transfer risks (James, 2003). The basic objective of such risk controls at Botho College for example, will be to maintain the business risks that are consistent with the organisation's risk appetite and plans that the institution is willing to retain at all levels of the institution.

5.1.8. Information and Communication

Information flow and communication at Botho College is a major challenge as there are no clear methods of communicating employee and other stakeholder suggestions regarding enterprise risk to management according to research findings. It seems as if enterprise risk management has been defined as a preserve of top management only at Botho College. According to the research findings, there are no efficient and clear communication methods for emergency situations as they pertain to enterprise risks at the organisation.

The above failures by Botho College certainly go against best practice as suggested by Beasley and Frigo (2007) who posited that by effectively and efficiently communicating all risk policy across the organisation, management can make all employees understand their roles and responsibilities within the organisation making the implementation of ERM achievable in the institution. Furthermore, allowing for a two-way communication between management and employees allows employees to also provide insight into their respective areas regarding the risk exposures and effectiveness of risk policies and procedures (DeLoach, 2000), thus enhancing enterprise risk management efforts at the institution. Effective communication according to Tufano (2011) is also important for raising the awareness levels of all institution members with regards to risk events that may not have been addressed adequately or effectively. Also according to NACUBO (2007), correct information communicated to the right people at the right time creates an important vehicle for an effective ERM process.

5.1.9. Monitoring

An unsystematically approach to enterprise risk management at Botho College is making the monitoring of risks at the organisation a tenous activity. Research results show that internal risk controls are not adequately embedded into the operational processes and also further evidence from the research findings indicate that a number of business decisions are made without due regard to internal and external audit reports. One is forced to conclude that since Botho College is owner-managed, the business philosophy of these owners if that, “It is our business and we will run it the way we want.” Ineffective risk monitoring mechanisms by management at the organisation is a serious cause for concern especially in the light of the fact that according to Irwin (2007) risk monitoring is the life blood of all risk management processes in an organisation. This is also echoed by Beasley and Frigo (2007) who posited that effective ERM in organisations such as Botho College must be dynamic enough to be able to effectively respond to ongoing risk assessment by management as well as respond to independent audit results.

Summary

Chapter five was a discussion and interpretation of research findings. Research findings revealed that there are a number of crucial enterprise risk management protocols that Botho College is not fulfilling in its attempt to effectively manage enterprise risk. Among a number of failures in the management of enterprise risk by Botho College as revealed by the research findings, are poor communication procedures, poor or inadequate risk reporting procedures, negative internal environment culture, inadequate to poor risk monitoring mechanisms among others.

Chapter 6: Conclusions and recommendations

Introduction

In this chapter conclusions will be given as answers to the research questions. A number of recommendations to improve enterprise risk management processes at Botho College will also be given to try and address issues of failure by the institution in effectively assessing, identifying, controlling and monitoring enterprise risk at the organisation. The questions that have been answered by this study are the following:

- What is the extent to which Botho College is implementing the ERM process against the dictates of authoritative literature?
- What are the drivers of enterprise risk in higher education with special reference to Botho College?
- What are the drivers of effective ERM implementation in Higher Education with special reference to Botho College?
- What are the best practices of enterprise risk management implementation in higher education with special reference to Botho College?
- What strategies can be recommended to improve the implementation of the ERM process at Botho College?

6.1. Conclusions

From the empirical results of this study, the following conclusions can be made to support the overall conclusion that ERM processes at Botho College are ineffective:

- There are no clearly and adequately articulated and communicated risk management policy and strategy at Botho College.
- There is an absence of systematic risk identification procedures at Botho College.
- There is a fragmented approach to the risk management process at the college.
- There is an absence of integrated, systematic and comprehensive risk management process that is managed and coordinated by top management at the institution.

- There is an absence of involvement of all employees at all levels to ensure that everybody in the institution can perceive risk management as part of each and every person's responsibility.

Also factors such as the institution's inability to create a conducive working environment that is open and encourages constructive criticism and allows the giving and taking of feedback on crucial risk related issues as well as the centralisation of decision making, poor and ineffective communication of important rules and regulations at the organisation are other dimensions in the management style at Botho College that are affecting the institution's ability to successfully implement enterprise risk management.

Other factors in this study that support the conclusion that enterprise risk management processes at Botho College are ineffective include the institution's failure to clearly and adequately delineate responsibilities between the board, advisory council and the CEO; unsystematic reporting and documenting of identified risks, leaving the organisation in danger of being attacked by unreported or unanticipated risks.

Another factor that also supports the conclusion that enterprise risk management processes at Botho College is ineffective is that there are no clear structures to manage enterprise risks at the institution. Results showed that a number of board members, members of the advisory council and deans of faculties strongly disagreed on a number of occasions with issues raised in the questionnaire they are under normal circumstances expected to agree with in terms of policy and strategy issues at Botho College. This is indicative of the fact that the institution has a fragmented approach to the implementation of ERM at the institution as some top managers seem to know and other do not know much about the institution's policy and strategic direction with regards to ERM.

Further supporting the conclusion that Botho College's enterprise risk management practices is also the fact that risk monitoring and control procedures at the organisation are very ineffective and leave a lot to be desired. In fact there is a casual approach to managing risk at Botho College. This is so because evidence shows that very little if any is being done by the organisation to keep updated business process documentation on risk assessments and controls. Also as mentioned above, the managers and directors of Botho College are full owners of the organisation and being so, it will be fair to conclude that problems of accountability could be emanating from the failure by these owners to separate family issues from purely business issues resulting in ineffective enterprise risk management processes at the institution. This conclusion is further supported by the fact that the majority of respondents felt that at Botho College, internal audit reports are not handled more professionally and also business decisions are not made based on these reports but seemingly based on, 'It is our own business,' mentality of the owner-managers.

6.2. Recommendations

There is an urgent and serious need to improve enterprise risk management processes at Botho College according to results of this study. The following recommendations are proposed to assist Botho College:

6.2.1. Separation of management duties

There should be an immediate separation between management of a business entity and managing a family entity. To this end it is recommended that the owners of the organisation should assume positions of just being shareholders of the organisation and allow professional managers, CEO and directors to run the business. That way, even difficult decisions for the good of the organisation not for the personal good of individuals will be able to be taken to protect the organisation from any threats. Such difficult decisions could be could firing even the CEO for incompetence but as the situation prevails at Botho College a family member can be allowed to get away with serious flaws in responsibilities that even threaten the viability of the business.

6.2.2. Updated documentation

The second recommendation is on keeping updated documentation. Documents are a very important reminder of what was agreed on, what was done and what is still to be done because everything is in black and white. Without proper and updated documentation of all business process, identified and anticipated risks, Botho College certainly will be a sitting duck to operational, financial, market and all other risks that may cripple the operations at the organisation.

6.2.3. Independent risk function

Another important recommendation to Botho College is that it must seriously consider having an independent risk management function at the organisation for checks and balances on the risk management programs and processes of the institution.

6.2.4. Information and Communication

Information and communication are the lifeblood of any organisation, Botho College included. Without proper and clear communication channels, important information will be lost or will never be able to come out. It is therefore very important for Botho College to put in place unfettered, efficient and transparent communication procedures that are neither restrictive nor meant to favour certain groups with certain information at the expense of others.

6.2.5. Internal controls

Internal controls at Botho College need to be tightened by ensuring that audit reports from both external and internal auditors are always acted upon and whatever risk management decision are made should be aligned with recommendations in these reports.

6.2.6. Involving everybody

Finally and most importantly, Botho College needs to involve all stakeholders in the enterprise risk management process instead of making risk management the preserve of the top management. This involvement will make everyone at Botho College have a sense of ownership of the ERM process and ensure enterprise risk processes satisfy the following three conditions at the institution:

i. Everyone at Botho College (not only top management) is responsible and accountable for managing the risks in their work;
ii. Risk management at Botho College is everyone's business; and
iii. Risk management is part of business as usual at Botho College.

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