

Management's Attitude Towards Risk Management is the Moderating Variable Between Management's Support and Risk Management Performance

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Abstract—The purpose of this study is to know whether management attitudes can moderate the relationship between management support and risk management performance. Respondents from 112 companies were taken. They were the top rank risk management personal in those companies. Questionnaire was designed in collecting the data. The validity and reliability of the questionnaire has been tested. Multiple regression analysis techniques were used to test the null hypothesis that attitude is the moderating variable between management support and risk management performance. The null hypothesis was accepted indicating that attitude toward risk management was not a moderating variable in the relationship between management support and risk management performance. However further analysis with the use of path analysis found that management support instead was the mediating variable between attitudes and performance of risk management. Therefore, when top management has positive attitude toward risk management will increase the risk management performance of the organization.

Keywords—risk management, attitude, management support, risk management performance

I. INTRODUCTION

In present days, risk is not always about financial aspect avoiding company from go into liquidation, but also from non-financial aspect that can increase the value of a company. Previous research shows a well-run risk management program will enhance company valuation [1,2]. Company performance can be exposed to risk. Studies conducted by CRMS (Centre for Risk Management Studies 2017) found out risk for company reputation is the most threatening risk to company's sustainability, followed by the HR planning failure. In the same survey, leadership and commitment from senior managers was the biggest obstacle when implementing risk management, 69% of the responder choose it to be.

Positive correlation can be connected between management's (CEO and CFO) support and implementation of Enterprise Risk Management /ERM [3]. There have been many studies proving the success of a job or company program is determined by management support [3-6]. While attitude towards something can determine if it is strengthening or weaken the support, also attitude can be influenced by behaviour. In general case, when people did not understand something, that person will act, conclude his/her attitude at the

end, while looking at the situation whether it is favourable or unfavourable.

There is no research has been conducted to study the correlation between 'attitude management towards risk management', management support, and the performance of risk management. Thus there is a knowledge gap for the research to be done. Purpose of this study is to determine if the attitude is able to be moderating variable between management support and risk management performance.

II. METHOD

This study is a basic research using survey's techniques which use questionnaire as data collection tool. Based on the time of data collection, this study is a cross sectional study. Unit of analysis in this study are companies in which the questionnaire is filled out by management who have obtained risk management certification from the Professional Risk Management Certification Institute in Indonesia. Convenience sampling method is used to conduct the survey.

Surveys were carried out with support from Indonesian Risk Management Professional Certification Institute. Questionnaires were distributed to the CRMP level and CRGP level where certification participants at that level were management at the unit manager level, risk specialist staff and senior management levels (directors and president directors) at companies in Indonesia. This survey contained questions about respondents' perceptions for management attitudes, management support and risk management performance in the company they are working.

Validity testing was carried out to eliminate the questions that not pass the test. There were total thirty questions for the surveys, consists of ten questions for the management's attitude section (variable B), ten questions for the management's support (variable C) and ten questions for the risk management performance (variable D). Reliability test was carried out to prove the consistency of respondent's answer. The reliability test results from this study are the overall values in section B (attitude), section C (support) and section D (risk management performance), all of which produce Cronbach's Alpha > 0.6 which means the answer were reliable enough.

There were two hypotheses. The first hypothesis is that management support correlated with the performance of risk

management. This hypothesis is solved by the simple regression method with the equation:

$$Y = a_1 + b_1X_1 + e$$

The second hypothesis is management's attitude able to moderate the relationship between management's support and risk management performance. To prove this hypothesis, equation can be formed as follows:

- $Y = a_1 + b_1X_1 + e$ (without moderator variable)
- $Y = a_2 + b_1X_1 + b_2X_2 + e$ (include moderator variable)
- $Y = a_3 + b_1X_1 + b_2X_2 + b_3X_1X_2 + e$ (include moderator variable and interaction between variable).

III. RESULTS

Verification on first hypothesis concludes that management support affecting performance of risk management. The next step is to verify the effect of attitude as moderating variables. Linear regression is used to predict risk management performance based on management attitude factors, management support and the interaction between attitude and support. No significant regression equation was found for management attitudes, management support, and interactions between attitude and support. All three are not significant predictors of risk management performance when combined. This put an end to the regression calculation.

New conceptual framework is built upon existing theories about support management as mediating variable between management's attitude and risk management performance. Methods to prove the role of mediator proposed by Baron and Kenny is used in this research [7]. The results outcome is management's support able to mediate the correlation between attitude and risk management performance.

When improving risk management performance, attitude will develop into management's support to increase risk management performance. Due to the effect of attitude on risk management performance decreases to near zero after adding support into the regression equation (or not significant), perfect mediation is the final outcome.

IV. CONCLUSION

The results obtained from these main objectives are that attitudes apparently cannot moderate support for risk management performance. Another outcome found by the authors based on existing theories is support able to be the mediator variable between attitudes and performance of risk management.

Based on outcome of this research, company who wants to improve performance of risk management program must strive to improve attitude and support from management towards risk management. The performance can be effectively increase by cultivating positive attitude towards risk management. Regular meeting can be held to exchange ideas related to issues at work or guidance to junior employee. Positive attitude will increase support, and improving risk management performance. It can also be done by introducing and further training about risk management programs.

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