

Determinants of Effective Financial Risk Management in Malaysian Companies

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Abstract: This study was intended to create a theoretical framework of factors affecting the efficiency of financial risk management, including leadership, culture and communication. Literature searches were conducted utilizing library databases and an analysis was made of previous studies related to these topics. Foreign exposure is the major risk faced by information technology companies. The main reason for this is the substantial part of their income comes from foreign countries in foreign currencies. It is important to know here if Malaysian I.T. companies are suffering from loss due to foreign exchange movements, what measures they are taking to minimize risk, how much serious impact is suffered on its profitability. Also reviewed were models published by other authors in this field which were found most helpful in identifying how financial risk management can assist Root-square Technologies, the most rapidly growing, innovative I.T. Services & Enterprise I.T. company operated in Malaysia.

Keywords: accounting theory, financial risk management, root-square technologies

1. Introduction

Risk is a part of business. It's in the fabric of life itself, and it's required to ensure growth. Therefore, organizations need to learn how to recognize and manage risk, so that they can deal with this aspect. Financial risk management plays the central role and promotes the possibility of a firm's survival, but it is not well-adapted in Malaysia. The current accounting knowledge is not sufficient for management practices that often have not been effectively implemented, so this paper aims to investigate the general relationship between accounting theory and financial risk. From a theoretical point of view, the gap has been studied with research methods to show how this gap applies and why it exists. Using qualitative methods, we further seek to define both gaps simultaneously by making an attempt to understand what makes these gaps significant or not significant based on future opportunities for research purposes in order to help business planners and public policy makers evaluate their strategies in the area. Bolden in 2007 studied risk management in Malaysian I.T. companies to investigate the factors that influence its adoption or non-adoption. He concludes that even though effective risk management can improve organizational performance, companies are still not well prepared to implement enterprise-wide risk management. He suggests that a major shift in risk perception is needed to create a risk culture and encourage the adoption of risk management in business sectors. Therefore, this paper will explore how financial risk management can be fully utilized for Root-square Technologies using the proposed framework. Thus, there is a

need to study effective financial risk management in Root-square Technologies so that these business owners would have better performance during their early stage of establishment [1].

1.1. Significant of Study

I.T. company owners in Malaysia are facing financial problems. The government will be handling the key issues for owners. The government does not have proper programs and policies to help I.T. companies for a prosperous income, meanwhile other countries have already implemented them. In order to increase I.T. companies' survival rate, we need a comprehensive framework that assists the small owners pertaining financial matters.

1.2. Research Objective

This research seeks to identify the various factors that impact effective financial risk management.

2. Literature Review

In Malaysia, I.T. companies are prevalent and contribute to a large percentage of the Gross Domestic Product (GDP). Therefore, it is imperative that policymakers understand the uniqueness and distinctiveness of Root-square Technologies, especially in financial management. Financial risk management is one of the most important areas for an understanding of I.T. companies. In addition, there has been insufficient literature on this problem area as it is not widely researched by academics or practitioners in Malaysia. Therefore, a need to further explore how Root-square Technologies manage their financial risks arises to foster more informed decision making especially by policymakers who are charged with decision-making towards sustaining I.T. companies' survival and performance. Despite their limitations, companies have many benefits that make them attractive for developing countries. The first step in improving the management and financial issues is to look through these key issues: First, it should be able to develop its services business. Second, it should become an Internet-based enterprise by using online shopping. Third, it must improve its sales strategy by increasing overseas market share and becoming innovative in product development.

The loss of employee creativity with the goal of information sharing and risk management is also more important than discussing I.T. controls and standards. Therefore, using plain language to ensure business profitability is one of the first fundamental steps that risk management takes. Calculating high to medium to low risk is one of the next steps to ensure stakeholders can understand the risk of data loss using hypothetical scenarios. The type of results of risk management is based on significant statistics and follows the medium-level objectives. Being in business, especially small ones, is not often seen as a family's primary source of income. Although the claim about I.T. being at a disadvantage due to the systemic issue of financial limitations and poor receivables collection may not be wholly false, it is insufficient. The establishment of company divisions, poor receivables collection, being unable to keep up with technology advancements, and significant personnel turnover is some of the concerns addressed for I.T. Research done by Fard in 2016, financial limitations, high company taxes, a lack of government backing and succession planning for categorization are claimed as frequent issues encountered by Root-square Technologies. Apart from that, structural limitations in I.T. are mostly related to the adoption of technology, activities and a lack of management skills that have constrained their ability to grow [2].

Financial risk management is the process of protecting against the loss of an organization's assets. Companies typically employ financial risk managers to perform risk assessment, identify risks and manage those risks in accordance with guidelines set by the federal government or a regulatory agency. The amount of risk that Malaysian companies face differs slightly from that of large

corporations or banks because they are less diversified. This means there is a greater chance for one company to fail than another company doing the same thing for example, Root-square Technologies might lose all its money if it fails to pay its employees and customers on time because it has no personal credit standing. In the context of business operations, operational risk refers to risks that are associated with the doing of a specific business activity [3].

3. Theoretical Framework

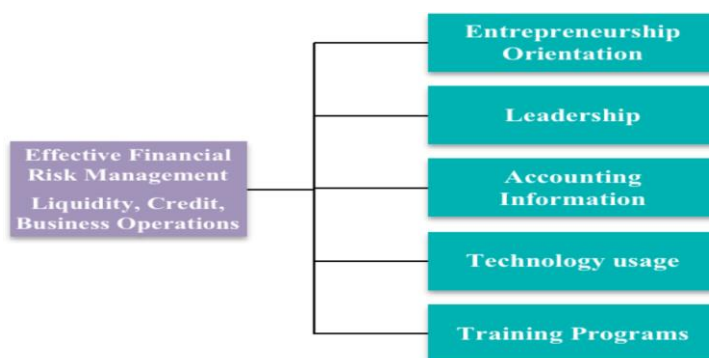


Figure 1: Theoretical tree chart of effective financial risk management.

This essay examines the significance of the developmental years for entrepreneurs and lists the institutions and organizations that can best support them in becoming successful businesspeople once they gain enough of knowledge and skills in their full-time education. Entrepreneurship education provides learners with a wide variety of business skills, skills include understanding how to collaborate with others, how to solve complex problems by diving problems into small tasks and how to be self-motivated and minimize risk in financial management. The research question is stated, and the context for evaluating this question is outlined. The study begins with an analysis of basic concepts such as entrepreneurship, turnover, and concludes by outlining some general recommendations for policy makers in transition economies. This indicates that certain people have an urge to succeed, which makes them to choose tough activities of intermediate complexity as well as regular or really difficult work [4].

By having a good training, the entrepreneurs are expected to be well equipped in term of knowledge and skills necessary for them in effectively managing business and which subsequently result to their business success. It starts from establishing goals which refers to the threat of risk and it's Leadership Training. Use of Technology Entrepreneurship Orientation Accounting Information 90 environment, identify, analyze the identified risks, assess or evaluate the risks, manage the risks, monitor the risk and its environment regularly and lastly to continuously communicate the risk strategies. It is viewed as a medium for Malaysian IT companies owners to learn and apply knowledge on how to act on risks besides find solution to grow potential of risk to become an opportunity to grow.

Entrepreneurs can expect to graduate from a quality training programme with the information and abilities needed to successfully run their company. This will result in a successful firm. Setting goals that address risk risks and preparing their leadership are the first steps. the application of accounting information technology 90 Having an entrepreneurial mind-set Assessing or evaluating risks, managing risks, routinely keeping an eye on those risks and their surroundings, and transferring risks are all steps in the risk management process. It is designed to be a tool for small company owners to learn about managing risk, put that information into practice, and come up with ways to increase risk potential and transform it into growth possibilities [5].

Only 30% of Malaysian, according to the Malaysian Association, have a company website and rely only on information technology on a daily basis. Small and medium-sized businesses in developed countries have begun to use e-commerce in their operations, whether for marketing, communication or formal business purposes, while Malaysian companies and other developments in developing countries are hesitant to use it. This is in contrast to the era of globalization and the availability of information at your fingertips such as online commerce or information technology is used for company activities. An audit of companies' records is a practical, cost-effective way for government to conduct its quality function. Based on the evidence we have, it appears that do not maintain records, particularly digital records. However, some comply with key reporting obligations by way of their accounting systems like maintaining financial statements and annual reports.

It has been suggested that entrepreneurial orientation should be comprised of three key traits: creativity, risk-taking and responsiveness. For companies to increase their market share and performance, having an entrepreneurial spirit is crucial to maintaining success. This study proposes that Root-square Technologies owner and managers with high entrepreneurial orientation tend to be more creative and risk-taking than those with low entrepreneurial orientation. Additionally, Chong noted that recent empirical data points to the possibility that successful financial management would soon contribute to corporate success. Research shows that the importance of owners' input in decision-making should be included when assessing how well a corporation manages its financial resources.

4. Conclusion

The complete framework provided, which addresses the aspects that influence successful financial risk management, meets the essay aim. Additionally, Malaysian research on financial risk management is still in its infancy, particularly for Root-square Technologies as it is on the way of growing bigger. Due to its significance and potential impact, company owners are likely to implement effective financial risk management for their organizations. It will undoubtedly lift small firms to new heights of effective operation and prosperous outcomes. The significance of financial risk management for Root-square Technologies cannot be explained by theory alone. A theoretical framework should be tested in many contexts, such as in various nations and big businesses.

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