

# The Factors Influencing The Enterprise Risk Management Practices and Firm Performance in Jordan and Malaysia



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*Abstract Future of uncertainty and risks in firm businesses and country-based economics remains continuous processes that need to be managed effectively and efficiently. Risks taking is a routine activity in all firms. Enterprise Risk Management (ERM) has now become an ultimate concern and a robust risk management approach in all financial and non-financial industries and other sectors throughout the globe. Firms are adopting ERM as a holistic strategy by putting its core components in practice to effectively manage all risks to protect the organizations and stakeholder value. The process of putting ERM into practice is only effective and efficient through identifying the factors that influence its practice in order to improve the firm performance. As a result of this reason, various factors influencing ERM were examined by different investigators as an indirect factor or as a parameter. However, only a few scholars studied it as a major factor or main objective, despite the risks remain a major issue influencing the goals of enterprises in all firm types in both Jordan and Malaysia. In order to fully consolidate the influencing factors on ERM practices, a comparative review of the available literature in Jordan and Malaysia were carried out to excavate the key influencing factors for direct identification in order to improve the firm performance. The factors identified were categorized into three groups; the management-based, firm-based, and ERM-performance-measurement-based factors. Each group of factors was found to influence the success of ERM strategies and practices in both Jordan and Malaysia. Jordan (Middle-East) and Malaysia (South-East Asia) shared a common characteristic of ERM adoptions and practices with regard to firm composition and risk management. Both countries are now pacing up to meet up with ERM practice challenges. Although, ERM still is a relatively new concept in several parts of Middle-East and South-East Asia.*

*Though, Malaysia proved to have more improved and established ERM success factors and researches as compared to Jordan. Additionally, Malaysia was found to have more appeared ERM terms in the Board of Bursa Malaysia (BBM) Guidelines as well as ERM practices under different sectors from 2008 to 2018 compared to Jordanian Amman Stock Exchange (ASE). Thus, it appears that Malaysia has more robust ERM research works, adoptions, practices, and compliance system in place compared to what is obtainable in Jordan. In conclusion, firm managers in Jordan and Malaysia are highly recommended to use these ERM factors identified as strategic and to improve ERM practices in their organizations.*

**Keywords:** ERM, Factors, Firm, Jordan, Malaysia, Performance

## I. INTRODUCTION

Enterprise Risk Management (ERM) is still relatively new to the Middle-East and South-East Asia countries being the regions classified among others as the developing regions of the world (Alshatti, 2015; Maruhun et al., 2018; Meyliana & Agustina, 2018). Jordan as a country in the Middle-East and Malaysia as a country in South-East Asia both shared a common characteristic in term of ERM adoptions and practices under common community composition and country risk management (Razali et al., 2011; Bromiley et al., 2015; Khasawneh & Dasouqi, 2017; Warrad, 2017). Both countries are pacing up to meet up with ERM practice challenges. This is coming as ERM sharp becoming a major issue in all industrial and non-industrial sectors (Liu et al., 2018). ERM is a holistic approach use by managers to ascertain risks encountering their firms and choosing appropriate responses consistent with enterprise's risk appetite (COSO, 2004; Allan et al., 2013; Anderson, 2017). It is implemented as a strategic tool designed to aid corporate managers or directors to respond to imminent risks and manage uncertainties by applying an integrated and broad approach (McShane, 2018). It is associated with corporate governance with the aim of assisting the firm to better comprehend the corporate risks encountering it in order to reduce or halt their impact (Ghazali & Norlida, 2013).

In both Jordan and Malaysia, the studies focus mostly on ERM adoption and measurements in general (Razali et al., 2011). Since ERM is relatively new in Jordan and Malaysia, various factors influencing its practice were examined by different investigators as indirect factor or as a parameter

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(Razali et al., 2011; Manab & Kassim, 2012; Soltanizadeh et al., 2014; Abdullatif & Kawuq, 2015; Aziz et al., 2016; Bakar et al., 2016; Yang et al., 2018). However, only a few studies examined it as a major factor or main objective (Yusuwan et al., 2009; Daud et al., 2010; Liu et al., 2018). In spite, risks remain a major problem in all firm whether small or big in these two countries.

The risks have become the most significant factors influencing the goal of enterprises in Jordan and Malaysia (Liu, 2012; Ahmad et al., 2015; Abu-Hussein et al., 2016; Hamgin Putra et al., 2018; Selamat & Ibrahim, 2018a).

The goal of any enterprise is to enhance performance, which is the ability of a firm to make profits under the uncertain environment in which the firm operates.

This may result in several codependent consequences either positive or negative. Thus, how to understand the characteristics of risks or how to control those risks have become firms' utmost priority (Allan et al., 2013). As a well-known fact, firms are established to generate maximum value for their stakeholders, and all dealings linking with wealth generation are open to risks, consequently, firms are persistently confronting with uncertainties. Certain risks are inevitably faced with the intention of taking the advantage of strategic opportunities whereas risks that halt success must be abated (Manab & Kassim, 2012; Ring et al., 2016). Further, Lundqvist & Vilhelmsson (2018) postulates that continues consideration is being directed toward the risk management. Hence, uncertainties have unsurprisingly shifted firms' focus towards a new paradigm from a silo based standpoint to a more holistic risk management, thus, the evolution of ERM (Connair, 2013; Yilmaz et al., 2017). However, factors influence the ERM to appropriately manage the risks remain an area that is yet to be explored. There are many factors that have an influence on the ERM and firm performance in Jordan and Malaysia.

Some studies have established a positive and significant relationship between these factors (Ahmad et al., 2015; Mohd-Sanusi et al., 2017). The empirical analysis displays the significant influence of using ERM factors in improving the ERM adoption success by the factor of firm performance (Shad & Lai, 2015; Ahmed & Manab, 2016; Alalwan et al., 2018). Many studies showed that several firms have Risk Management Committee (RMC), Chief Risk Officer (CRO), Audit Committee (AC), and executive directors with financial expertise and satisfactory board of directors which are among factors that influence ERM framework and practice (Lam, 2000; Aabo et al., 2005; De La Rosa, 2007; Daud et al., 2010; Abed et al., 2014). Some studies have shown that few companies succeed in actual application ERM (Yaraghi and Langhe, 2011), due to these influencing factors on ERM practice and firm performance. The Annual Reports of Jordanian and Malaysian Firms Listed on the ASE and BBM respectively play an important role in ERM researches and guidelines (Almajali et al., 2012; Al-Daoud et al., 2016; Momani, 2016; Khasawneh & Staytieh, 2017; Masoud & Halaseh, 2017). The ASE and BBM mentioned several of these factors as a component of these guidelines for different risk management in firms within Jordan and Malaysia. So, the appearance of these factors in both ASE and BBM indicates a serious level of considerations, acceptability, adoptions, and practices of ERM on firm

performance (Togok et al., 2016). Though, till date, there is still very limited studies on the appearance of these ERM factors in ASE and BBM on firm performance. Empirical studies are yet to directly establish consistent positive or negative effects of ERM factors and firm performance. In the context of Jordan and Malaysia, there is still inadequate direct studies on crucial factors that influence ERM operations and firm performance (Golshan & Rasid, 2012; Abdullatif & Kawuq, 2015).

Most of the studies examine the factors as indirect factors or parameters in their different works (Yusuwan, et al., 2009; Daud, et al., 2010; Aziz et al., 2016; Bakar et al., 2016; Liu et al., 2018; Yang et al., 2018). It is not clear whether the factors influencing ERM and firm performance vary from place to place, or a country-specific, or a firm-specific. Despite, the moderating effect of ERM on the relationship between board structures and corporate performance reported by Shatnawi et al. (2019), this problem remains a challenging issue to be completely resolved. Until now, there is little or no obtainable research about ERM as a moderating variable, particularly in Jordan. There is no review work on factors influencing ERM practice. Therefore, the main purpose of this study is to comparative review the factors influencing the ERM practices and firm performances in Jordan and Malaysia. This is because these two countries have a robust form of ERM adoptions in these regions as well as largest and most rapid emergent markets in the regions (Aldehayyat et al., 2017; Khasawneh & Staytieh, 2017; Setiyono & Tarazi, 2018). Evidence has displayed a trend towards ERM adoption but with limited reported practices among Jordanian and Malaysian firms (Yusuwan, et al., 2009; Daud, et al., 2010; Mohd-Sanusi et al., 2017; Yang et al., 2018). Also, this review integrates some main ERM success factors (i.e. risk culture, compliance, leadership, and employee skills) to focus highlights the influencing factors risk management structures. The review will also incorporate whether the presence of CRO and Board of Directors (BOD) can influence the ERM practice and firm performance in different public sectors in Jordan and Malaysia. The finding of this review will be helpful to ASE, BBM, and Security Commissions as well as to the public listed companies, industries, governments, stakeholders, decision-makers, and academics to better understand the factors influencing ERM practices and firm performances in the two countries.

## II. DESCRIPTION

ERM is a fairly new model of paradigm that enhances the capability of predicting the set of risk encounter by firms (Beasley et al., 2005; Bromiley et al., 2015; Braumann, 2018). ERM can be the term the cutting-edge name for an inclusive risk management process to the business risks. Furthermore, ERM is the key practice and efforts taken by firms to organize uncertainty, which 'busted' in the 1990s (Dickinson, 2001).

In line with this, Lam (2000) described ERM as an integrated framework for managing credit risk, operational risk, market risk, economic capital risk, and risk transfer to maximize constant firm value. Casualty Actuarial Society (2003) described ERM as a field that allows an organization to control, assess, finance, exploit, and monitor risks from all sources with the aim of increasing stakeholder value. Likewise, the Committee of Sponsoring Organizations (COSO, 2004) of the Tread-way Commission describes ERM as:

“... a procedure affected by an entity’s board of directors, management and other personnel, applied in a strategy setting and across the enterprise,

designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity goal.”

This description is absolutely comprehensive. It captures main elementary concepts of how firms and other corporates manage risks, offering a foundation for implementation across corporations, industries, and sectors. It concentrates directly on the realization of goals established by a specific entity and offers a base for describing ERM efficacy.

Enterprise value is boosted when management sets approach and goals to strike the optimum balance between progress and profit goals as well as interrelated risks, and effectively and proficiently deploys resources in quest of the entity’s goals (Lundqvist, 2014; Luskova et al., 2015). ERM involves:

- *Linking risk appetite and approach:* Board to cogitates the entity’s risk appetite in assessing strategic substitutes, aligning related goals, and developing instruments to manage those related risks.

- *Improving risk response judgment;* ERM offers the objectivity to ascertain and choice among alternative risk responses such as risk reduction, prevention, sharing, and agreement.

- *Decreasing operational shocks and losses;* Entities achieve improved ability to recognize potential events and create responses, lessening shocks and related losses or costs (portfolio outlook of risks)

- *Ascertaining and managing complex and cross-enterprise risks:* Each enterprise encounters numerous risks affecting different parts of the firm, and ERM accelerates efficient response to the associated influences and incorporated responses to various risks.

- *Grabbing opportunities:* The management is put in place to recognize and actively grasp opportunities by including a full range of potential events.

- *Enhancing the deployment of investment:* Gaining robust risk details permits management to efficiently measure complete capital requirements and improve capital distribution.

These above descriptions further emphasis the concept of a holistic approach to risk concern in organizations. The employee has vital role in the entire ERM process enforcement (practices) and adoption have been stressed by Togok et al. (2014). ERM is understood as a top-down strategy which comprises pinpointing, evaluating, and responding to purposeful, financial, and operational risks so as to realize four goals: (1) approach - high level objectives

that line up with firm mission, (2) operations - efficient and effective use of capitals, (3) reporting - reliable documenting and reportage, and (4) compliance - conformity with appropriate rules and regulations (Harner, 2010; Soltanizadeh et al., 2014; Olson & Wu, 2015; Berry-Stölzle & Xu, 2018).

ERM is an approach that goes far beyond the silo-based assessment of risk (Gordon et al., 2009). It is a holistic process in detecting potential risks that a corporate face and picking applicable responses that in consistent with risk appetite of the enterprise. Operating ERM can improve risk awareness in a corporate and consequently improves the decision-making process resulting in firm value maximization (Razali et al., 2011; Braumann, 2018). Even with these advantages of ERM adoption, several firms have yet to adopt it (Beasley et al., 2005; Soltanizadeh et al., 2014). ERM is a moderately novel term that is rapidly regarded as the ultimate strategy to risk management. It is invented to increase the managers, boards, and high-ranking management’s capability to supervise the portfolio of risks combatting the firm (Yatim, 2010; Setiyono & Tarazi, 2018). ERM provides an important basis of competitive advantage for those firms who can exhibit a strong ERM ability and strength (Ghazali & Manab, 2013; Ping & Muthuveloo, 2015).

### III. THE RECENT ECONOMIC SITUATION IN JORDAN AND MALAYSIA WITH REGARDS TO RISK MANAGEMENT

According to Jordan Securities Commission proclamation 127 firms declared profit in 2017 out of the 228 ASE-listed firms (JSC, 2018). The profit attained by the reported firms is around JD1.2 billion, with 5 % growth when compared to 2016 (JSC Chairman Mohammad Saleh Hourani). The sixty profiting firms distributed different rates of cash dividends and free shares. Such findings were reflected by an increasing trend of the ASE indicator, since the commencement of 2018. The top ten firms, according to the financial figures, showed generated profit accounted for 70 % or JD859.9 million of the total profit realized, with the Arab Bank topping the list at JD377.3 million (JSC, 2018).

On the other hand, the first ten firms that recorded losses accounted for JD136.1 million of the total losses with the Jordan Phosphate Mines Co. topping the list. Additional one hundred and one of listed firms in ASE posted losses, with a lump sum of JD185.4 million. According to the ASE CEO (Nader Azar), the ASE was still receiving the annual reports of the period that ended on December 31, 2017, from all firms listed at the Amman bourse market. ASE-listed firms must submit their annual reports that are audited by firm auditors within three months after the end of their fiscal year, in accordance with the ASE directives (JSC, 2018).

The executive function is performed by ASE and the Securities Deposit Centre (SDC), while JSC played the supervisory and legislative function (ASE, 2007). The ASE was founded on March 11, 1999, as a result of the privatization policy.

ASE is considered to be a private sector, non-profit organization with legal and non-financial independence with electronic trading begun on March 26, 2000 (ASE, 2007). The change from traditional to electronic trading has increased efficiency and speed the trading thereby improving risk management (Abuhommous & Mashoka, 2018). The ASE is one of the largest and most rapid emergent markets in the region. In 2000, the 73.1 % market capitalization to Gross Domestic Product (GDP) ratio is one of the highest in the region, above those of Egypt, Israel, Morocco, and Saudi Arabia (ASE, 2007). The ERM is not well studied and reported in Jordan as compared to the situation in Malaysia.

Despite, ERM’s moderating effect on the relation between audit committee and corporate performance reported by Shatnawi et al. (2019), this problem remains a challenging issue to be completely resolved. Until now, there is little or no obtainable research about ERM as a moderating variable, particularly in Jordan.

Malaysia is the third fastest growing economy by GDP among South East Asian countries and 28th in the world with 5.9 % GDP growth (Ying, 2018). Main key Malaysian firms were severely affected during the financial crisis due to poor risk management in 1997. Malaysia financial crisis had caused the country more than RM45 billion drops in the total assets (Malaysia, 2010). Though, the recent global financial crisis of 2008 has highlighted the significance of risk management implementations by firms (Quon et al., 2012; Baxter et al., 2013; Jomo, 2016), though studies have displayed trend about ERM adoption but with limited reports on practices among Malaysian firms (Daud et al., 2010; Razali et al., 2011). Conglomerates firms are severely affected by intolerance of mismanagement of risks in the organization (Razali et al., 2011). Several firms are looking forward to adopting the ERM strategy in their different organizations in Malaysia. The Malaysian Code (BBM) only recommend ERM adoption by firms listed on the Malaysian Bursa (Golshan & Rasid, 2012; Lai, 2012; Soltanizadeh et al., 2014; Maruhun et al., 2018).

**IV. THE FACTORS INFLUENCING ERM**

The firms with an in-house unit or committee for ERM in their organizations have a better opportunity of identifying risk factors and goal of ERM practice (Ahmed & Manab, 2016). The influence of risks confronting particular firms must be identified, because the information is very useful to the shareholders and stakeholders for them to consider the prospect of their investments in firms, in the context of Jordan and Malaysia (Abdullah et al., 2015; Togok et al., 2016; Kannan, 2018).

There are three identified significant factors that affect the success of ERM strategies based on available literature, these factors include: Firstly, the management-based factors influencing ERM emanating from management level, this include role play by the RMC, AC, and CRO (Knapp, 1991; Daud et al., 2010; Yatim, 2010; Pagach & Warr, 2011; Hamdan et al., 2013; Maruhun et al., 2018). Recent studies disclose an increase in ERM practices and adoption by appointment of RMC, AC, and CRO among firms in different industries (Yusuwan et al., 2009; Subramaniam et

al., 2011; Abed, et al., 2014; Eldomiaty et al., 2016; Liem, 2018). When these factors (i.e. RMC, AC, and CRO) are viewed from the angle of their appearance in the ASE and BBM, the factors are better understood on how relevant they are to the firms in these two countries as regards ERM adoptions and practices. Table 1 depicts these factors and some others pertaining to their appearances in ASE and BBM.

**Table- I: Amount of Information Acknowledgment on ERM in the Annual Reports of Jordanian and Malaysian Firms that are Listed in the Main Amman Stock Exchange (ASE) and the Board of Bursa Malaysia (BBM), respectively.**

| JORDAN <sup>1</sup>  |                    |       |
|--|--------------------|-------|
| Factors  | No. of appearances | %     |
| Risk Management Committee  | 1,050              | 63.71 |
| Enterprise Risk Management   | 216                | 13.11 |
| Risk Committee   | 194                | 11.77 |
| Chief Risk Officer   | 68                 | 4.09  |
| Corporate Risk Management  | 76                 | 4.24  |
| Integrated Risk Management   | 19                 | 1.15  |
| Others *   | 32                 | 1.94  |
| Total  | 1,648              | 100   |
| MALAYSIA <sup>2</sup>  |                    |       |
|  | No. of appearances | %     |
| Risk Management Committee  | 1,769              | 71.00 |
| Enterprise Risk Management   | 309                | 12.00 |
| Risk Committee   | 262                | 11.00 |
| Chief Risk Officer   | 41                 | 2.00  |
| Corporate Risk Management  | 47                 | 2.00  |
| Integrated Risk Management   | 34                 | 1.00  |
| Others *   | 21                 | 1.00  |
| Total  | 2,483              | 100   |
| *Others include Holistic Risk Management, Group Risk Management Department, Group-Wide Risk Management, and Strategic Risk Management. |                    |       |
| <sup>1</sup> Prepared by the author considering the relevant related literature in Jordan using Togok et al. (2016) method             |                    |       |
| <sup>2</sup> Togok et al. (2016)   |                    |       |

The Annual Reports of Jordanian and Malaysian Firms Listed on ASE and BBM respectively play an important role in ERM practices (Almajali et al., 2012; Al-Daoud et al., 2016; Momani, 2016; Khasawneh & Staytieh, 2017; Masoud & Halaseh, 2017). The ASE and BBM mentioned several of these factors as a component of these regulations for different risk management in these two countries.



So, the appearance of these factors in both ASE and BBM indicates a serious level of considerations, and acceptability of ERM thereby define firm performance (Togok et al., 2016). Though, till date, there is still very limited studies on the appearance of these ERM factors on firm performance.

Generally, the appearances of all ERM factors in Jordanian ASE are lower than that of BBM.

As depicted in Table 1, the term “risk management committee” accounted for 63.71 % of the total number of times the key terms appeared in ASE compared to 71 % in BBM. Subsequently, the term “enterprise risk management” appeared 13.11 % of the total number of ERM terms appearances in ASE compared to 12 % in BBM. This manifestation suggests that both the concepts, “risk management committee” and “enterprise risk management” are amongst the most known terms that are used to define this current new strategy in managing risks when contrasted with other terms such as “risk committee”, “chief risk officer”, “corporate risk management”, and “integrated risk management” in both ASE and BBM. The findings also indicate a low usage of terms such as “group-wide risk management”, “group risk management department”, “holistic risk management”, “integrated risk management”, and “strategic risk management”. Moreover, the term “consolidated risk management” was not utilized at all in expressing risk management practices in Malaysian listed firms in BBM compared to it is used in ASE. Furthermore, the appearance of chief risk officer is lower, indicated lack of its existence in Malaysian listed firms. Precisely, the term “chief risk officer” only occurred 68 times in ASE and 41 times in BBM, representing 4.09 % and 2 % respectively of the total terms used. On the other hand, the identification of ERM practice through the employment of ERM common terms in annual reports, allows the clash of constituent over practice, especially when the use of common terms in the disclosure does not reflect the real practice.

Secondly, the firm-based factors influencing ERM are emanating from firms’ characteristics and compositions including firm size, industry type, sales growth rate, leverage, board of directors’ independence, big audit firms, board size, board meetings, leadership structure, and board of directors’ ownership among other factors (Table 2). These factors and others have been commonly examined continuously by different researchers, in which their effect on ERM have been shown to be either positive, or negative, or no significant effects. Many of these factors have a direct

influence on the appointments and functions of CRO, RMC, and AC in a firm. These influences were particularly reported in many studies (Table 2) conducted with regards to Malaysia as compared to Jordan. For effective ERM practices in firms, the existence and independence of CRO, RMC, and AC are unnegotiable in firms. The existence of the ERM department or division facilitates ERM adoptions and practices according to the stipulated country-specific guideline (ASE or BBM). Although, the appointment of CRO in non-financial services firm is not made compulsory (Naser, 1998; Liebenberg & Hoyt, 2003; Pagach & Warr, 2011). This is because of the likelihood of the CRO task being contracted out to external consultants by non-financial sectors. Alternatively, the CRO job can be supported by another function within the organization such as the chief financial officer or chief internal audit (De La Rosa, 2007; Baker, 2013; Togok et al., 2016). However, when the role of CRO performs by another role within the organization, the ERM practices can be significantly affected since professionalism has a positive effect on new program adoption and practice (Daud & Yazid, 2009; Daud et al., 2010). The presence of a CRO is positively associated with the ERM practice. It is reported that having a CRO will make a firm more inclined towards ERM implementation and practice as a result of expertise and possibility of CRO fit-well within the organizational structure. Besides the existence of CRO, a higher percentage of independent board members can also result in a higher likelihood of the firm practicing ERM (Ballou & Heitger, 2005; Setiyono et al., 2018). Nevertheless, the performance measurements such as ROA, ROE, ROS, and Tobin’s Q employed to assess these factors are most consistently used throughout different studies except in a few instances (Table 2). These firm-based factors have been demonstrated repeatedly to have different levels of influence on ERM practices among firms in both Jordan and Malaysia. As indicated by relevant literature presented in Table 2. These factors affect the ERM practices from adoption level, since factors such as firm size, industry type, sales growth rate, leverage, board of directors’ independence, big audit firms, board size, board meetings, leadership structure, and board of directors’ ownership can strongly influence the ERM practices at any level in any sector.

**Table- II: The Common Factors Influencing ERM and Firm Performance in Jordan and Malaysia**

| S/N    | Country and Sample size                       | Performance Measurement | Influencing Factors (Firm-based)     | The Effect on ERM | Author (s) & Date        |
|--------|---|-------------------------|--------------------------------------|-------------------|--------------------------|
| JORDAN |   |                         |                                      |                   |                          |
| 1.     | Jordan, 66 out of 69 firms (95.6%; 2008-2012) | Tobin’s Q, & ROA        | Company size, Board size, & Leverage | Positive,         | Aldehayyat et al. (2017) |

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|          |  |  |  |  |                            |
|----------|--|--|--|--|----------------------------|
| 2.       | MENA countries (Jordan, Egypt, Bahrain, Qatar, Kuwait, Tunisia, UAE, Morocco, and Oman), total of 252 MENA firms for 2014. | Tobin's Q, ROA and ROE   | Firm size, Industry type, Sales growth rate, Leverage, and Risk  | Negative                                   | Ahmed & Hadi (2017)        |
| 3.       | MENA regions (Jordan, Tunisia, Egypt, Libya, Oman, Bahrain, Syria, and Yemen), 912 firms (2008–2014).                      | Tobin's Q, ROA and ROE   | Firm-level; firm size, firm age, financial leverage, and firm performance. Industry-level; the financial group (FIN), the manufacturing group (MIN), and the service group (SEV). Country-level; rule of law (ROL) index and ownership protection in ownership concentration | Positive, Negative, no significant effects | Al-Awfi & Vergos (2017)    |
| 4.       | Jordan, 253 listed companies in Amman stock Exchange   |  | Environmental turbulence (Technological Turbulence, Market Turbulence), Internal Control System  | Positive                                   | Ershaid et al. (2017)      |
| 5.       | Jordan, 125 firms of all listed Jordanian firms in Amman Stock Exchange from 2005-2013.                                    | ROA, ROE and ROS and Tobin's Q   | Services Firms, Industrial Firms, International and Domestic Firms   | Negative                                   | Khasawneh & Dasouqi (2017) |
| 6.       | Jordan, 120 non-financial firms listed on Amman Stock Exchange (2009 to 2013)  | ROA and Tobin's Q  | Board of directors' independence, board size, Board meetings, Leadership Structure and Board of directors' ownership.  | Positive, Negative (LS)                    | Makhlouf et al. (2017)     |
| 7.       | Jordan, 107 companies listed on ASE during the 10-years (2002-2011)  | ROA, ROE, ROS, ROCE, CSR, P/R, EPS, P/V, and Tobins Q ratios   | Company size, Company age, Leverage, & Systematic risk,  | Positive, Negative (ROS & CSR)             | Masoud & Halaseh (2017)    |
| 8.       | Jordan, 118 all listed Jordanian Islamic Banks (2010 to 2015)  | liabilities to equity (LTE), return on investment (ROI), cash to deposit (CTD),  |  | Positive,                                  | Warrad (2017)              |
| 9.       | Jordan, 118 firms listed on the Amman Stock Exchange from industry and service sectors (2009-2013)                         | Tobin's Q, & ROA   | Board size (BSIZE), Industry (IND), Leverage, Big audit firms (BIG four)   | Positive, Negative (Lev)                   | Al-Daoud et al. (2016)     |
| 10.      | Jordan, 26 Jordanian firms listed on the ASE (79%) for 2006 to 2010.   | Tobin's Q, CSR   | (1) environmental, (2) human resources, (3) community, and (4) products  | Positive, Negative                         | Omar & Zallom (2016)       |
| MALAYSIA |  |  |  |  |                            |
| 1.       | Malaysia, Malaysian Shariah firms. Based on firm-level data from Bursa Malaysia from 2007–2013                             | Tobin's Q, ROA & ROE, Return,  | $D^{Shariah}$ , $D^{MuslimCEO}$ , $D^{MuslimOwner}$ , $D^{MuslimChairman}$ , $D^{MuslimBoard}$ , and Ownership   | Positive                                   | Hooy & Ali (2017)          |
| 2.       | Malaysia, covers six financial years between 2009 and 2014   | Tobin's Q, ROA & ROE   | Firm size, capital investment, and leverage  | Positive                                   | Gyan (2017)                |
| 3.       | Malaysia, 76 nonfinancial firms and use 336 observations for the estimation process  | LEVER (total debt over total assets), ROA (return on assets), SIZE (logarithm of the book value of the total assets of the firm) | Number of women on the board of directors, BLAU (Blau index of diversity), SHANNON (Shannon index of diversity)  | Positive                                   | Yap Lee-Kuen et al (2017)  |
| 4.       | Malaysia, 379 listed family and 151 non-family firms for the period 2007 to 2009   | Tobin's Q, ROA & ROE   | Ownership Concentration, Relationship between related party transactions and firm value  | Positive                                   | Yoong et al (2015)         |

|   |  |   |   |          |                                |
|---|--|---|---|----------|--------------------------------|
| 5.  | Malaysia, all GLCs listed on the Main Board of the Bursa Malaysia between 2004 and 2008                          | Tobin's Q, ROA & ROE  | Size, Liquidity, Leverage, BOD size, BOD meeting, BOD INED  | Positive | Muhamed et al. (2014)          |
| 6.  | Malaysia, 290 companies from 1999 to 2005  | Tobin's Q, ROA & ROE  | Board independent, Board size, CEO duality  | Positive | Ibrahim and Abdul Samad (2011) |
| 7.  | Malaysia, 520 companies listed on Bursa Malaysia   | ROA & Tobin's Q   | Non- executive directors, board leadership, multiple directorships, managerial ownership, board meeting and board size.                     | Positive | Kamardin (2011)                |
| 8.  | Malaysia & Singapore, 30 industrial companies listed on the main stock exchanges in both Malaysia and Singapore. | ROA & OCF   | Board size, CEO duality and audit committee size  | Positive | Nahar Abdullah (2010)          |
| 9.  | Asia, 47 firms from Hong Kong, 58 firms from Malaysia, 32 firms from Singapore, and 48 firms from Taiwan.        | Tobin's Q, ROA, ROE, Leverage (LEV), one-year sales growth (GROWTH), Cash rights, and WEDGE | Board size, Board independence, Committee monitoring, Audit committee, nomination committee, chairman/CEO split, and remuneration committee | Positive | Chen & Nowland (2010)          |
| 10.   | Malaysia, 75 companies listed on Bursa Malaysia.   | Value-Added efficiency  | Board composition, directors' ownership, CEO duality, and board size.   | Positive | Zubaidah et al. (2009)         |
| 11.   | Malaysia, 51 companies listed on Bursa Malaysia  | ROA & OCF   | Board size, board independence, CEO duality and audit committee size  | Positive | Albeera (2009)                 |
| 12.   | Malaysia, 347 listed companies in the Kuala Lumpur Stock Exchange (KLSE)   | Tobin's Q & ROA   | Board size, directors' shareholdings, board composition   | Positive | Haniffa and Hudaib (2006)      |
| 13.   | Malaysia, all companies listed on Bursa Malaysia.  | ROA, ROE, EPS & profit margin   | Board composition and CEO   | Positive | Nahar Abdullah (2004)          |
| 14.   | Malaysia, 202 blockholding companies listed on the Kuala Lumpur Stock Exchange (KLSE)                            | ROA& ROE  | Board size, number of NonExecutive Directors, Director, ownership, and duality.   | Positive | Omar (2003)                    |
| Source: It is prepared by the author considering the relevant related literature. |  |   |   |          |                                |

Thirdly, the ERM-performance-measurement-based factors influencing ERM emanating from firm performance measurements such as Return on Assets, Return on Equity, Return on Sales, Return on Capital Employed, Company Size, Company Age, and Leverage (Chow et al., 2006; Ramdani et al., 2010; Kopia et al., 2017; Matar, 2017; Yap Lee-Kuen et al., 2017). These factors have been reported by studies to have a strong influence on ERM adoption, practice, success, and firm performance. Since the ERM practice can be the view from firm performance, without firm performance it will be difficult to conclude on the set of risks affecting or facing an organization. For instance, a firm with poor performance has poor ERM structure within it is fold. The company size and age influence ERM in such a way that large financial and old firms have bigger ERM units equipped with expertise as CRO, RMC, and AC to manage any potential risks encountering the firms (Mikes & Kaplan, 2015). Also, the risks may confront the firms from Return on Assets, Return on Equity, Return on Sales, Return on Capital Employed, and earnings (Table II) in the measurement process, since risks can emanate from any

angle whether prepared or unprepared as well as during or after assessments. However, prepared firms with an adequate system of ERM in place and competent CRO, RMC, and AC can manage the risks efficiently and effectively. The measurements as factors are believed to influence ERM, especially when the ERM practice depends on performance measurements (Allan et al., 2013; Liu et al., 2018; Yang et al., 2018).

The firm ERM practice can be divided into three categories based on different sectors/industries: complete practice, partial practice, and no ERM practice (Table III). ERM practice differs among industries or sectors (Razali et al., 2011; Soltanizadeh et al., 2014). Furthermore, Ahmed & Manab (2016) established that ERM practice is more common in some industries e.g. financial and insurance. Table III is prepared from available relevant literature with 22 articles used in Malaysia.

**Table- III. The ERM practices under different sectors from 2008 to 2018 in Malaysia**

according to relevant published literature

| Level of ERM Practice in Malaysia  |        |        |        |      |
|--|--------|--------|--------|------|
| Consumer Products  | 69.45% | 26.25% | 4.30%  | 100% |
| Manufacturing  | 49.40% | 45.35% | 4.35%  | 100% |
| Construction   | 56.10% | 35.10% | 4.80%  | 100% |
| Trading/Service/Insurance  | 50.69% | 47.30% | 2.01%  | 100% |
| Infrastructure   | 47.00% | 50.00% | 3.00%  | 100% |
| Finance/ Banking   | 75.94% | 24.06% | 0.00%  | 100% |
| Technology   | 59.67% | 39.73% | 0.50%  | 100% |
| Hotels/ Guesthouses  | 69.67% | 24.33% | 1.00%  | 100% |
| Properties/ Estate   | 52.88% | 43.79% | 3.38%  | 100% |
| Plantation   | 48.59% | 42.31% | 10.10% | 100% |
| Government   | 70.00% | 30.00% | 0.00%  | 100% |
| *Prepared by the author considering the relevant related literature (22 articles were used in Malaysia, with at least 2 articles per each industry/sector) |        |        |        |      |

However, the situation in Malaysia appeared to be reporting higher complete ERM practices than Jordan. The scholars reported higher complete ERM practices in different sectors such as Finance/Banks (75.94%), Government (70%), Hotels/ Guesthouses (69.67%), Consumer Products (69.45%), Technology (59.67%), and Construction (56.10%). Lower studies were reported in other sectors.

There was a considerable higher level of ERM practices among Malaysian firms compared to Jordanian firms, indicating that Bursa Malaysia Guidelines took more effect on Malaysian firms compared to those of the Amman Stock Exchange Guidelines on Jordanian firms. This is demonstrated by risk factors influencing ERM practices which have a strong impact on Malaysian firms (Daud et al., 2010; Razali et al., 2011).

The investigators have previously indicated that Risk Officers and Risk Committees were more dedicated to risk management in Malaysia because of requests from industrial regulators and security institutions (Rehman & Hashim, 2018). It is believed that there is a link between firm size and the presence of Risk Officers and Risk Committees in these different sectors in Malaysia, in which the two factors work hand-in-hand to encourage ERM practices. Additionally, in both countries, the sectors/industries that have the capacity to cause huge rupture in the nations' economies, such as Finance/Banking, were found to be advance in complete ERM framework and practices due to the integral risks that stakeholders, auditors, and managers perceived after the numerous corporate scandals previously occurred (Baxter et al., 2013). As the industries grow, the capability to manage risks become must and grow with them, managers must bear in mind the need to enhance the ERM within the firms (Beasley et al., 2005; Ballou & Heitger, 2005).

**A. Internal Control as a Factor Influencing ERM**

The internal control for risk appraisal and management practices are considered as the crucial factors for ERM to add to the effective corporate governance in an enterprise (Elahi, 2013). The firm structure and accountability dealings are major factors in the internal control. The internal control has a persistent influence on all the decisions and activities of a firm especially the ERM practices and risk controls (Tseng, 2007). A positive internal control is a basis for all other standards by providing right specialty (e.g. CRO, AC,

RMC, etc.), firm structure, risk management reliability, and accountability goal success (Kaya, 2018). Risk management showed that these factors epitomize an average significance to the Jordanian and Malaysian firms (Yatim, 2010; Mahadeen et al., 2016; Mohd-Sanusi et al., 2017).

There is a need to give strategic focus to this risk management factor (internal control) if management is sensitive on goal attainment (Elahi, 2013). According to Dionne (2013), firms can use internal and market activities to safeguard the enterprises from risks. Moreover, the most prevalent internal control activities (as it influences ERM) are an evasion of financial risks and accidents (self-protection) as well as lessening the financial effects of accidents (including firm insurance, risk retention, liquidity reserves) on the firm enterprise. While the market insurance is a kind of security for losses associated with pure risks that cannot be covered by the firm. Derivatives are further tools that protect firms from unexpected financial losses (Dionne, 2013). Effective internal control mechanisms have not been well reported in both Jordan and Malaysia. Few studies have shown that firms in these two countries used some internal control but not at the advance level to manage the risks confronting their enterprises (Mahadeen et al., 2016; Mohd-Sanusi et al., 2017).

**B. ERM Success as Influencing Factors**

The critical success factors have been described by Rochart (1979) these are the performance factors that must be properly acquired by organizations and need to be considered by the board of company and executive management to continue competitive and effective. What is certain about the future is uncertainty and risk (Drucker, 1979). Per se risks taking is the major heart of economic activity and dealings which generate higher economic performance via more substantial change (Shad & Lai, 2015; Eldomiaty et al., 2016; Jomo, 2016). Thereafter, the purpose of risk management turned out to be a primary concern for businesses to determine, analyze and governor the roots and impacts of ambiguity and risk in the firm (Ciocoiuand Dobrea, 2010; Mahadeen et al., 2016).

Currently, companies believe that the minimum risk in the event of interaction with

the surrounding events may cause significant losses for companies (Ciocoiu and Dobra,

2010). Due to this reason, firms adopt ERM to holistic manage risks effectively.

The board of directors as a factor (as earlier mentioned) have a significant role in influencing the practice of ERM because management is the major driver behind the actual adoption and practice of ERM within a firm. Without direction and support of the management, ERM practice cannot be successful in an organization (Bowling & Rieger, 2005; Kannan, 2018). Studies have clearly indicated appeals of the CEO and CFO for internal audit participation and contribution in ERM (Rochart, 1979; Abed et al., 2014; Teoh et al., 2017; Ali, 2018). This resuscitates question about the relevance of external auditors and their influence on ERM practice (Al-Sukker et al., 2018). ERM implementation is positively correlated to the presence of CRO, board independence, the presence of Big Four auditor, entity size, support of CEO, and CFO (Beasley et al., 2005; Olson & Wu, 2015; Viscelli et al., 2016).

In order ensure robust ERM practice in Jordan and Malaysia, The researchers called for identifying factors that accelerate effective corporate risk management practice in companies (Paape & Spekle, 2012; Hohan et al., 2015), and thus the issue of critical success factors for ERM practice. Basically, companies must have an effective way to identify critical areas, or indicators that require constant consideration and caution from management to achieve higher company performance (Ram and Corkindale, 2014). The influence of ERM success factors on firm performance has been reported by studies (Anthropopoulou, 2005; Yaraghi & Langhe, 2011; Manab & Kassim, 2012).

Precisely, firms must identify the crucial areas where they must get it correct for the corporate to grow. ERM practice involves the incorporation of some critical factors that increase its success (Salinah, 2016). The following

subheading will highlight these factors with regards to studies in Jordan and Malaysia.

▪ Firm Compliance with Guidelines and Standards

Firm compliance with guidelines and corporate norms is an integral risk management factor that defines its success (Shimpi, 2005). It has been revealed by Roth (2006) that compliance is a critical factor that influences ERM, in such a way that a successful ERM adoption requires a considerable support of the compliance system in place. As stated by Grubb & Burke (2008), compliance is linked with both efficiency assessments (internal) and regulatory monitoring (external). In both Jordan and Malaysia, the regulators urge firms to enhance the risk management enterprises and risk reporting practices (Collier et al., 2007; English & Hammond, 2014). It is observed based on this review that Malaysia has a robust compliance system in place compared to what is obtained in Jordan. The Malaysia Regulatory body (Corporate Compliance, Suruhanjaya Syarikat Malaysia, SSM) are well equipped with compliance officers monitoring compliance of the firms to ERM practice and other corporate functions. According to Muhammad bin Ibrahim (Governor, Bank Negara Malaysia as cited by English & Hammond, 2018), the industry invested extensively in their own compliances function. It is projected that some businesses may spend up to 10% of their incomes on compliance in the few following years, which is a significant amount. Figure 1 depicts the compliance level for ERM practice in Malaysia, which is a comparative report between 2017 and 2018. There was no significant different between 2017 and 2018 for ERM practices in Malaysia, indicating that firms are complying with rules in Malaysia. However, no such system exists in Jordan with regards to ERM practice compliance. Though, some compliance functions are being regulated by the Jordan Securities Commission (JSC, 2018) and the private bodies, which may have considerable influence on ERM adoptions and practices.

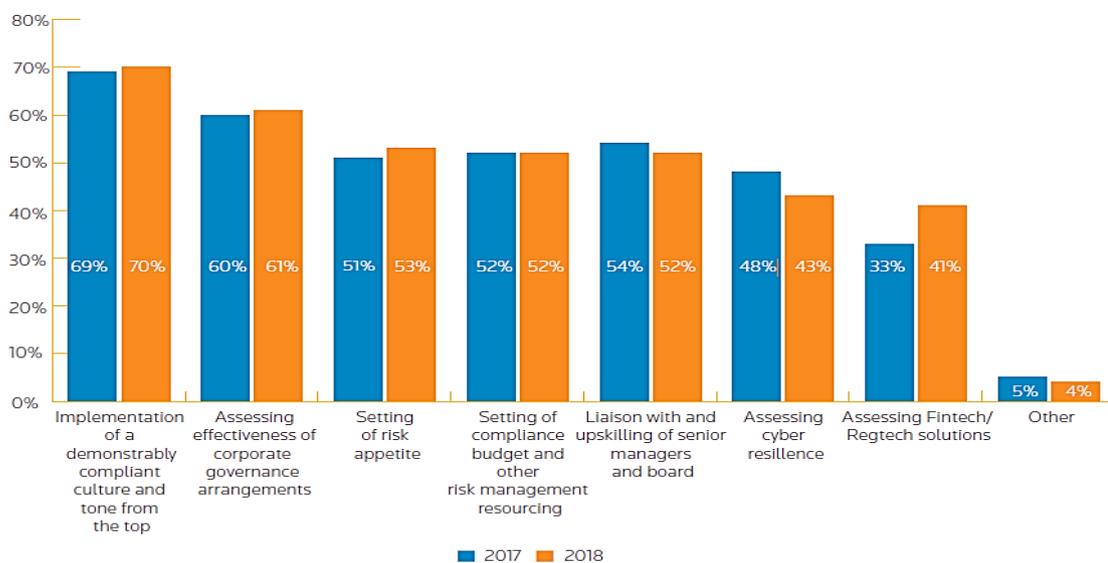


Fig. 1. The Compliance Level for ERM practice in Malaysia, A Comparative Report between 2017 and 2018 (English & Hammond, 2018).

Most of these requirements relate to listed companies and require companies to support a comprehensive risk management framework within their organizations. These rules normally urge the firm to adopt a complete risk management practices (Grubb & Burke, 2008; Psica, 2008). In fact, some researchers argue that companies are adopting enterprise risk management to protect themselves from regulatory pressures (Paape and Spekle, 2012). It is crucial to have positive connections between risk management, compliance, and corporate governance in order to realize organizational goals, improve stakeholder value and firm performance (Grubb & Burke, 2008). Therefore, compliance is regarded as an indispensable component of ERM practice to attain firm performance.

### ▪ Risk Cultures within the Firms

Risk cultures (RC) plays a substantial role in influencing the collective attitudes of the personal towards the success of ERM within a firm (Aris & Jalil, 2016). It is relevant to the organizational success (Ai et al., 2018). Managers and corporate executives should carefully study the RC Agreement to understand and study dynamics of ERM practices

(Arena et al., 2010; Ring et al., 2016; Wood & Lewis, 2018). Firms that lack culture may peg itself against its policies (Fraser & Simkins, 2007; IRM, 2012). The influence of firm culture on ERM practice is reported in Malaysia but limited (Selamat & Ibrahim, 2018a), while in the Jordanian context, there is no obtainable study on RC. Moreover, Selamat & Ibrahim (2018a) examine the moderating effect of risk culture on the relationship between governance mechanism and ERM implementation in Malaysia. The author reported the positive influence of RC on ERM adoption and practice. In spite, RC offers a chance for a company to sustain competitive advantage, and advanced performance (Ring et al., 2016). Most of the challenges affecting the financial sectors in Jordan and Malaysia are in a way associated with RC.

### ▪ Competence of the Risk Officers

Competence of the risk officers is another factor influencing ERM practices. The competence of CRO, RMC, AC, internal audit, and financial expertise on the board have significant positive influence on the team decision obligation about ERM adoption and practices within the organizations (Aabo et al., 2005; Daud et al., 2010; Hamdan et al., 2013; Abed et al., 2014; Wan-Mohammad et al., 2016). For risk management to be efficient in a firm, the risk officers' needs to be adequately qualified to accomplish certain vital risk management responsibilities (Sweeting, 2011). The efficiency of the risk team is an important success factor that requires management consideration (Chich-Jen & Wang, 2010; Sweeting, 2011; Chapman, 2012). Firms are required to give more concentration to employee (especially the ERM team) competency development in order to adapt to a speedily varying and highly unstable situation (Hase, 2000). For a company progressively and achieve a competitive advantage, personal efficiency is critical (Mohamad, 2016). In order to the influence of competence for continuous firm existence through satisfactory ERM practice, it has been noted that

risk managers need to determine the dynamics and operational efficiency of their employees (Risk and Insurance Management Society, 2007).

The need to constitute the competence staffs or personals to effectively manage ERM implementation and practice in Malaysian firms have been indicated (Yusof et al., 2017). The staff competence has been regarded as an aspect of internal audit functions in Malaysia (Haron et al., 2014). It has been studied under federal and state statutory body in Malaysian public sector organizations, in which positive effect was reported on ERM practice (Yusof et al., 2017). The competences of boards of directors considerable influence the ERM practice (Ahmed & Manab, 2016; Mohamad, 2016). The competence is a key quality that only pivots enterprise success but influencing ERM practices in Malaysian small, medium, and firm for their successful performances (Angeline & Teng, 2016; Koh et al., 2016; ).

In Jordan, Mahadeen et al. (2016) examine the effect of the organization's internal control system on organizational effectiveness. The authors reported the influence of internal control competence on ERM practice in Jordan. A study also reported a competence effect on ERM practice in Jordan (Alfandi, 2016). Therefore, comparatively, the studies in Malaysia are more robust on the competence as a factor influencing ERM practice compared to studies in Jordan. This is further highlighting the broad established ERM practice for optimal firm performance in Malaysia compared to Jordan.

### ▪ Leadership Influence

Leadership "is described as a procedure in which a person encourages other individuals to act according to values and beliefs" (Burns, 1978). Leadership is linked to a process whereby employees in the position of authority in a company influence the behavior of other employees to achieve a set of company objectives (Aladwan & Forrester, 2016), which protect the firm against risks. Firm leaders constitute the rules in which the firm operates effectively (Aladwan & Forrester, 2016). High efficient leadership has been considered as a crucial factor for ERM practices (Fraser & Simkins, 2016), which permits firms to realize their goals. An effective upper leadership is supportive in getting appropriate resources, motivation, and commitment for ERM adoptions and practices in a firms (Frigo and Anderson, 2011; Fraser & Simkins, 2016). In order to have all-inclusive risk management systems, firm need an effective leadership to guarantee the success of ERM practice. Kleffner, et al. (2003) maintained that, an effective board, leadership, has the fundamental responsibility to introduce ERM and to enforce its practice. Masadeh et al. (2014) emphasized that strong devotion of the top management and board of directors is crucial to the effective ERM, practices.

In a Malaysian context, adequate leadership factors supported the connection between ERM implementation and the achievement of ERM practices objectives (Manab and Kassim, 2012).

Moreover, the effect of risk culture in the relationship between leadership and ERM adoption has also been reported in Malaysia (Selamat & Ibrahim, 2018). In investigating the color of risk as a factor in Malaysia, Orenstein (2015) revealed that ERM is an important strategic framework requires skilled and tactical execution of its principles through appropriate leadership. Through effective leadership, the risks in the realm of ERM can easily be identified (Carroll, 2016). Studies have also indicated risk management practices in the Malaysian public sector (Bakar et al., 2016; Salinah, 2016; Rasid et al., 2017). Similarly, in the context of Jordan, the criterion of leadership has been indicated in finding a solution to challenges in pursuing excellence in the Jordanian public sector (Aladwan & Forrester, 2016). Risk management has also been examined with regards to knowledge management competence for successful enterprises (Migdadi et al., 2016). The role play by the women leadership on the board of directors has been showed to influence risk management in firms in Jordan (Al-Rahahleh, 2017). The leadership studies as a factor influencing ERM in Malaysia are comparative with what is obtainable in Jordan.

## V. FACTORS INFLUENCING FIRM PERFORMANCE

Most of the firm performance factors that influence ERM have been indicated and discussed along with other factors on the earlier headings in this work. To further elucidate other factors that influence ERM through firm performance or vice versa, this section is created. Firm performance is a concept that highlights the degree to which a corporate realizes its objectives (Klassen & McLaughlin, 1996; Hamdan, 2018). Stable performance is a clear guide that helps companies to evaluate and measure the achievement of companies' objectives and to achieve the satisfaction of beneficiaries and stakeholders (Ramdani & Witteloostuijn, 2010). Additionally, firm performance signifies firm capability to realize its objective through the use of existing resources in an effective and efficient way (Asat et al., 2015). For a more comprehensive assessment, companies have used financial and non-financial performance measures. Ahmed & Manab (2016) have employed both financial and non-financial indicators to measure firm performance. Non-financial performance measures adoption has a significant positive influence on corporates' competitive advantage and sustainability (Naser, 1998; Welch, 2018). Some researchers have argued that non-financial measures better predict the company's long-term performance (Ghazali & Manab, 2013).

Studies have pointed to the importance of enterprise risk management practices among industries (Eckles et al. 2014; Yilmaz and Flouris 2017). ERM has a positive influence on firm performance (Callahan and Soileau 2017). ERM practices let companies to reduce various types of costs related to companies' operational and non-operational activities (Khan et al. 2016). Berry-Stölzle & Xu (2018) showed that ERM is not limited to cost reduction, still it is associated with many strategic positions for companies that might directly or indirectly affect company results also. Soltanzadeh et al. (2016) say that it plays a central role for

both cost strategy and company performance, still it does not mediate the relation between differentiation strategy and company performance. Additionally, ERM boosts business performance regarding the capital cost, profitability, and stakeholders' value; thus it is considered as a strategic tool for firm's success (Shimpi, 2005; Annamalah et al., 2018; Berry-Stölzle & Xu, 2018). Adding to that, it has been assured that the relationship between ERM and corporate performance could be affected by some intra-factors (Khan and Ali. 2017). Chang et al. (2015) established that ERM practices do not always have a direct effect on firm standards, but certain internal factors such as managers use different earning management activities to participated in equity financing activities.

On the contrary, weak ERM practices can result in systemic inappropriate strategies to earn control mechanism which intern might influence firms' value on the longer term (Yang et al., 2018). It can be said that ERM have a significant part in competitive advantage and a moderating role of financial literacy (Yang et al., 2018).

Malaysia reports positive impact of ERM on firm performance according to Ping & Muthuveloo (2015). Risks through disclosure can be effectively managed by the comprehensive adoption of ERM in Malaysia (Togok et al., 2016). when investigating board independence and CEO duality impact on firm's performance in some countries such as Malaysia, Indonesia, South Korea and Thailand, Ramdani et al. (2010) demonstrated the impact such factors on firms' performance and ERM in Malaysia. Teoh et al. (2017) postulated the role of ERM, strategic agility, and internal audit quality function on firm's performance. The writers reported enhancement in firm's performance through appropriate ERM practice from within the organization. However, in Jordan, Ahmed & Hadi (2017) has demonstrated the impact of ownership structure on firm performance. While Al-Daoud et al. (2016) and Makhlof et al. (2017) argued that board's meeting can play a positive impact on firm's performance. The internal control system has a moderating effect on the relation between environmental turbulence and firm performance in Jordanian listed companies (Ershaid et al. (2017). Both the board meetings and internal control system, in the previous sections, have been assured to have significant impact on ERM practices. Hamdan (2018) differentiated between accounting-based and market-based performance to assess intellectual capital and firm's performance. In Jordanian firms it was more evident to impact firm's performance than Malaysia. This indicates that Jordanian firms' focus firm's performance is attributed to the economics of the country and the region when compared with Malaysian firms.

## VI. CONCLUSION

Jordan (Middle East) and Malaysia (South-East Asia) have a considerable part in the world economy, as such regions are characterized by having the largest and most rapid emerging markets.

Countries have a general trend towards adopting ERM, but with limited practices among firms due to the fact of lacking compliance to the countries' Guidelines and standards. It is clear in this review that Malaysia has more robust ERM research works, adoptions, practices, and compliance system in place when compared to Jordan. There are several factors that can be identified from the literature, that directly influence ERM practices in Jordan and Malaysia. Most of these factors were not only country-specific or firm-specific but common factors existing in Jordan and Malaysia. These factors can be categorized into three sectors: management-based, firm-based, and ERM-performance-measurement-based factors. Each group of factors was found to touch the success of ERM strategies in both Jordan and Malaysia. Though, Malaysia proved to have more improved and established ERM success factors when compared to Jordan. Consistent with the literature, managements of listed firms from the two countries are a task with the responsibility of performing and monitoring the process of ERM within their firms by integrating it into their daily activities. With regulatory and compliance (especially Malaysia) bodies as external, the entire ERM adoptions and practices in the firm can be managed. Having the CRO, RMC, AC, and financial expertise on the board present enhance ERM adoption and practices in a firm. The literature also establishes a significant relationship between ERM, CRO, RMC, AC, and firm performance the thing that indicates that such factors have a strong effect on risk management systems in both Jordan and Malaysia. Therefore, it is recommended that Jordan should establish a central compliance system to monitor the ERM practices. This would include creating a specialized division in the structure with a capacity of constructing a risk profile encompassing all internal and external risks. This division should also review all risk profile intermittently and form contingency strategies to ensure ERM practice and continuity. Moreover, firm managers in Jordan and Malaysia are highly recommended to use these factors as strategic factors and effort to reinforce ERM in practices.

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