Developing Risk Management as New Concept to Manage Risks in Higher Educational Institutions

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ABSTRACT

Generally, higher educational institutions and students have been significantly increased year after year, which is instrumental in meeting the needs of global labor and making the national economy of the country better, stronger, and more stable. Meanwhile, these institutions also carry out teaching, research, community service, and commercial activities. Such varied activities create more diverse and complex risks as well as a wealth of good chances for the institutions. A considered solution is implementing the risk management as a new concept to understand and manage the risks associated with those activities and grab new opportunities. This is very challenging and critical to preserving and protecting the resources and reputation of institutions. This article discusses the importance of the role of risk management and its implementation in higher education institutions that have high expectations as a world-class educational institution. Also, the implementation will be more optimal if supported by a good communication between all leaders of an organization and their staffs.

KEYWORDS
Concept, Develop, Higher Education, Implement, Institutions, Manage, Organization

INTRODUCTION

Higher educational institutions undertake teaching, research and commercial activities across a broad spectrum of multi-disciplines, fields and environments. This wide variety of activities creates diverse and complex risks as well as a wealth of opportunities for the institutions. Understanding and managing the risks associated with these activities and environments and finding the newest opportunities are challenging and critical to preserving and protecting the reputation and resources of the institutions so that they can stand in the local, national and international level. The University of Adelaide in its risk management handbook recognizes that risk management is an integral part of good governance and the best management practice for an organization having charge of the advancement of learning and knowledge in higher educational institutions.

It seems impossible for enterprise managers to be successful without risk management in addressing risks their company face. Successful risk management allows for more secure business operations in terms of assets, activities and financial protection, as well as the improvement of services offered (Ruzic-Dimitrijevic & Dakic, 2014). As mentioned by the Department of Education, Training, and Employment, risk management plays an important role in helping organizations to understand impacts and manage risks associated with their ultimate organizational goals. This helps
them determine the appropriate control environment and balance of strategies to address the risks so that they can use their resources efficiently and effectively, and build an organizational culture that supports awareness, openness and responsiveness to changes (Queensland Government, 2016).

Current challenges of globalization are deemed essential for a country to prepare a better quality for higher educational institutions in national and international level (Pausits & Pellert, 2009). In fact, higher educational institutions have been rapidly increasing in number from 2,566 higher educational institutions in 2005 (Ministry of Education and Culture, 2012) to 4.327 institutions with 5,454,688 students in 2015 (Directorate General of Higher Education, 2015). Such rapid growth in the number of educational institutions and the number of students, however, potentially entails greater risks of the institutions’ educational resources and reputation. This increasing risk may come from inside and outside parts of the institution such as the demands and challenges to be able to meet the demands in domestic and global markets, even to continue to flourish as world-class educational institution (Universities UK, 2012).

Implementation of risk management is recommended in facing and reducing the increased risks at higher education (Tufano, 2011). URMIA (2007) explained that the risk management can be directly applied to institutions of higher education as an organization, for all division of them, including staffs and leaders, may be potentially at risks. On account of this situation, the institutions can implement risk management and make it the new culture of their environment in order to cut and make up for their losses and maximize their competitive advantages.

However, Tufano (2011) mentioned that their risk management practices in higher education are significantly less developed than those in the business world, because they do not understand risk management in institutions. Yudianti and Suryandari (2015) also explained that the risk management is not very well understood by some of the higher educational institution’s leaders in Indonesia. Currently, Indonesian higher educational institutions have also faced complex risks, and their method to reduce the risks seems less optimal. This leads to a crucial question as to how to overcome risks in universities to press home advantages and outweigh disadvantages of present and future risks. The main purpose of this article is to describe the implementation of a risk management program as a new concept to understand and manage the risks associated with certain activities and have new great opportunities arise, which helps preserve and protect reputation and resources of higher educational institutions in Indonesia.

THE IMPORTANCE OF RISK MANAGEMENT TO MANAGE RISKS IN HIGHER EDUCATIONAL INSTITUTIONS

Risk management is highly crucial in helping leaders of an institution understand the impacts and manage the risks associated with their top priorities (Queensland Government, 2016). Risk management is a process of identifying an organization’s risks, assessing their significance, and preparing for and initiating decisive action to treat them professionally. It enables organizations to cope with uncertainty by taking steps to protect their vital assets and resources (Head & Herman, 2002). It helps them determine an appropriate control environment and balance of their strategies to address the risks so that they can tap their abundant resources efficiently and effectively.

Before risks can be effectively managed, an organization must comprehend a common definition of risk as understood clearly by the board, leaders, and staff (Non Risk Management Center, 2016). Holton (2004) mentioned that higher educational institutions must explore two things: the subjective probability and operational problems. HM Treasury (2004) defined the risk as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The risk has to be assessed in respect of the combination of the likelihood of something happening and its possible impact if it does actually happen.