

Enterprise risk management for employees performance through organizational culture within ADNOC in UAE: A proposed framework

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Abstract

Today's world is becoming increasingly uncertain, which can be a threat to any business, but also an opportunity to leverage and create new opportunities. By identifying opportunities and threats, enterprise risk management (ERM) recognises that current decisions and actions have the potential to influence the future. To address the rising cost of production, risk, environmental concerns, and a desire to perform, oil and gas companies implemented an operational excellence strategy. In recent years, incidents involving safety and health, the cost of exploration, and risks associated with ageing facilities have increased in the UAE's oil and gas industry. If the situation is not corrected, oil production, revenue, and economic performance will continue to decline, and the country's ambition to become a regional economic force and one of the world's best economies will become unrealistic. As a result of this development, this study sought to create a new framework for enterprise risk management focusing on employee performance at Abu Dhabi National Oil Company (ADNOC) in the United Arab Emirates. The study's findings demonstrate the critical role of enterprise risk management in achieving excellence in the oil and gas sector. Additionally, the research revealed a theoretical contribution to the body of knowledge regarding the implementation of enterprise risk management. Additionally, it demonstrated a tangible improvement in the oil and gas sector's operations in terms of risk management and performance in the UAE's oil and gas sector, specifically at ADNOC National Petroleum Corporation.

Keywords: Enterprise risk management, employee performance, organizational culture, ADNOC.

1. Introduction

In addition to being one of the world's leading oil producers, the United Arab Emirates (UAE) is a member of OPEC and the Gas Exporting Countries Forum (GECF) (EIA, 2017). The United Arab Emirates (UAE) is actively pursuing a more environmentally friendly future. More than a third of the United Arab Emirates' energy needs will be met by clean and nuclear energy by 2050. The government's goal is to have internet access for 10% of the population by the year 2019. There are, however, some obstacles to the development of sustainable energy. An important systemic barrier preventing the rapid development of new technologies within the

UAE's petroleum industry is the nature of sustainable energy innovation, namely the high level of technological and financial risk and the intense commercial competition from established, low-cost products (ENR, 2019). When it came to dealing with the creative approach to risk management and its typical methods in the previous decade, practitioners and academics expressed significant concern. This accomplishment may be reflected in the performance of the UAE government as measured by the RM success factor (UAE). O&G companies in the UAE should conduct a thorough examination of their risk management process, as well as their system for determining success criteria (Humaid et al., 2020).

Retail and wholesale transportation fuels in the United Arab Emirates are dominated by ADNOC. The company specialises in the sale and distribution of gasoline and forecourt convenience stores. ADNOC's risk management method reduces uncertainty while increasing opportunity by identifying, understanding, and managing risks in accordance with defined risk management policies and procedures (ADNOC Distribution Annual Report, 2020).

Note that the goal of enterprise risk management isn't just to keep businesses safe; it's also to improve them, allowing them to maximise their potential, lower their costs, eliminate redundancies, and create strategies for taking advantage of new business opportunities (Tasmin, R., & Muazu, 2017). A well-coordinated effort to implement these activities could improve employee performance and value. ERM reduces production costs and stock price volatility, improves capital efficiency, and creates synergies between various risk management activities when it is implemented (Zou et al., 2019). ERM is credited with improving operational and strategic decision-making by increasing risk awareness. ERM helps companies better understand the total risk associated with their various business activities (Bohnert et al., 2019). According to them, this gives companies a more objective basis for allocating resources, thereby improving capital efficiency and return on equity.

There are a number of steps involved in implementing ERM. These activities, according to Taylor (2005), are at the core of the ERM procedure. They consist of the following steps: risk identification, risk analysis and evaluation, risk management, and risk surveillance (Elhoush & Kulatunga, 2019). Indicators of an organization's ERM implementation can be found in these components, or rather, actions. A firm's risk perception and appetite profile also have an effect on the intensity with which ERM is implemented. Today, enterprise risk management implementation is critical for many businesses. For the time being, ERM remains a novel concept in many parts of Asia (Soltanizadeh & Quoquab, 2019). The majority of previous studies in the UAE focused on ERM implementation in general. Faccia et al. (2019),

for example, discussed how ERM implementation affects organisational performance. They discussed the relationship between risk management in the enterprise, business performance, and cost of capital. Shad et al. (2019) classified companies as ERM adopters or non-adopters in order to ascertain the factors influencing ERM adoption. Because ERM is still a relatively new concept in the UAE, little is known about the extent to which different industries have implemented ERM (Soltanizadeh & Quoquab, 2019). Finally, enterprise risk management is an integral part of the oil and gas industry's routine business activities.

Organizational culture and employee performance are the outcomes that organisations strive for, but which one is more important to the organisation? The majority of researchers, such as Mwai (2018), identified organisational culture as a predictor of employee performance; however, in other studies, organisational culture is viewed as the ultimate goal of competitive advantage. As a result, it is critical to investigate the factors affecting oil and gas business continuity in order to ensure the industry's sustainability. An empirical study is conducted to determine the combined effect of ERM and organisational culture on employee performance because they are critical components of any organisation.

2. Theoretical literature and hypothesis development

The Balanced Scorecard (BSC) was developed by Kaplan and Norton (1996) to help businesses improve performance and gain a competitive advantage over their rivals. ERM practises and organisational culture are critical internal factors for any organisation because they enable businesses to measure their employees' performance more accurately (Elhoush & Kulatunga, 2019; Mwai, 2018).

2.1 Employee performance

An employee's performance can be measured by looking at how much work is completed in a timely manner, how well they show up and how well they behave on the job (Ramakrishnan, & Arokiasamy, 2019). Employee performance is the successful completion of tasks assigned and measured by a supervisor or organisation by a selected individual or individuals to pre-defined

acceptable standards while efficiently and effectively utilising available resources in a changing environment. An organization's actual performance must be compared to the standard or objective. The only way to accurately assess a worker's efficiency is to look at their work output and see if it matches their projected output (Hrovatin et al., 2016). Performance standards must be established, communicated to employees, and the difference between actual and standard performances analysed to achieve the optimum level of work productivity. Worker performance and job aids, such as supervisor support, promotion opportunities, feedback on performance, goal setting and coaching, as well as the physical work environment are linked in Tarcan et al. (2017)'s study. Additionally, Iqbal et al. (2018) assert that an employee-friendly work environment helps reduce absenteeism and thus improves employee performance. Agbozo et al. (2017) established a strong relationship between workplace environmental factors and job performance. Inadequate work environments can trigger physiological and psychological responses that can have a long-term effect on job performance (Goswami, 2015). Employers in a highly competitive business environment, such as the oil and gas sector, must be aware of the potential impact of workplace environmental factors on worker performance, according to research findings.

2.2 Enterprise risk management

Enterprise risk management (ERM) is a process that is carried out by an organization's board of directors, management, and other employees, and is used in the development of the company's strategy and throughout the enterprise (Oscar Akotey, & Abor, 2019). If an event that could affect the entity occurs, the entity's risk appetite will be taken into consideration, and it will be possible to provide reasonable assurance of the entity's objectives. Businesses, particularly financial institutions, are evaluated on their risk levels using ERM, particularly by rating agencies like Standard and Poor's (S&P).

Few studies have examined how risk managers influence organisational decision-making processes in the context of enterprise risk management (ERM). According to previous studies, the differences in risk managers' influence within an organisation can

be explained in part by the integration of other management control systems (Lueg & Radlach, 2016), the development of tools and interpersonal connections, the control of risk information flow (Giovannoni, & Riccaboni, 2016), and calculative cultures. These studies, on the other hand, haven't explained how risk managers influence organisational decision-making in the context of these studies.

An important part of risk management, ERM has grown in popularity across a wide range of businesses around the globe in recent years. More than ever before, during the global financial crisis of 2007–2009, companies (both financial and non-financial), financial regulators, shareholders, rating agencies and other sector stakeholders attempted to understand the systemic damage suffered by institutions that should have had best ERM practises and thus be least vulnerable to a major risk management failure, the global financial crisis (Yang et al., 2018). Experts in the insurance industry believe that advanced ERM is a valuable tool that can help insurers create cutting-edge services. ERM, according to Lam (2020), improves organisational efficiency, enhances risk reporting quality, and facilitates business performance. By assisting insurance companies in both avoiding and actively taking on acceptable risks, it gives them a competitive edge (Oscar & Abor, 2019).

According to Iqbal et al. (2019), business performance is frequently a central concept and the primary concern of strategic management. It is reasonable to expect management to ensure that no significant negative events occur as a result of effective control in order to increase the likelihood of organisational success (Irefin & Mechanic, 2018) and employee performance. Stewart (2019) defined firm performance as the ability of a business to achieve its financial and non-financial goals and objectives. According to a literature review on ERM implementation and firm performance, most studies indicate that properly implemented ERM adds value to the organisation and improves its performance (Shad et al., 2019). (Shad et al., (2019) demonstrated that successful ERM implementation results in increased shareholder value through lower capital costs and improved business performance.

Cross-cultural management and multinational partnerships are also indicators of the organisational culture's importance in industries such as UAE oil and gas. Employees who have a better grasp of their organization's culture will be better equipped to solve problems and improve the organization's performance. While Kotter & Heskett (2011) concur, they argue that a thorough understanding and awareness of culture should improve one's ability to analyse organisational behavior, resulting in effective management. Together with the current empirical evidence, this theoretical discussion and debate leads to the following hypothesis:

H1. Enterprise risk management has a significant effect on employees' performance.

H2. Enterprise risk management has a significant effect on organizational culture.

2.3 Organizational culture

Organizational culture refers to a set of values, beliefs, principles, and behaviours that are unique to each organisation (Stewart & Brown, 2017). There are at least five organisational indicators of a safety culture: organisational commitment, management involvement, employee empowerment, reward or accountability system and reporting system. Organizational culture is becoming increasingly important in an era of increasing organisational success (Mwai, 2018). All of these factors have contributed to the prominence of organisational culture. Researchers are increasingly interested in how workplace culture influences employee behaviour because of the success and performance of companies with well-defined workplace cultures.. Starting with the internal culture of an organisation is an effective strategy for increasing productivity in today's rapidly changing and highly volatile business environment. When it comes to driving business success and actively supporting outcomes, nothing beats a company's culture (Stewart, 2019). Organizational culture has become even more critical in today's workplace as a result of the proliferation of office locations and the globalisation of business. It's been shown that a company's culture affects important outcomes like performance, happiness, and health of its employees (Irefin & Mechanic, 2018). It is the culture of an

organisation that has the greatest impact on its day-to-day operations.

Culture contributes in the process of understanding. Employees benefit from this because it enables them to communicate more effectively, leading to a mutually beneficial relationship (Nikpour, 2017). This is due to the fact that employees have a shared understanding of reality, which leads to better results. Cultural factors may be linked to organisational performance because of the pervasiveness of culture in the workplace. Scholars disagree on the precise nature of the link between organisational culture and job performance, despite its apparent importance. Organizational culture and employee performance do not appear to have a direct correlation. Research on the impact of organisational culture on job performance has thus far been inconclusive and at times contradictory (Kotter & Heskett, 2011). Previous research indicates that firms that incorporate employee performance into their management strategy will have higher employee performance. This study will examine the following hypothesis statement considering this claim.

H3: Organizational culture has a significant effect on employees' performance.

2.4 Mediating role of organizational culture

Organizational culture is more critical than ever in today's changing business environment, as risks frequently disrupt long-term operations, lowering an organization's performance. However, these risks can be mitigated through the integration of risk management practises into organisational culture, resulting in increased organisational performance (Quinn., 2018). ERM is frequently carried out in unpredictable supply conditions and a high degree of uncertainty, thereby increasing the risk to the organisational culture (Nikpour, 2017). As a result, organisational culture may act as a buffer between ERM and employee performance within an institution. Thus, according to the following hypothesis statement, the relationship between risk management and employee performance is hypothesised to be mediated.

H4: OC mediates the relationship between ERM and employee's performance.

2.5 Theoretical Gap

Theoretically, scholars have examined the Balanced Scorecard theory in a variety of ways (BSC). While a review of the literature indicates that BSC's adoption in the oil and gas sector is limited (Lyu et al., 2016; Al-Qubaisi & Ajmal, 2018), other scholars have expressed reservations about the role of BSC on employee performance and are attempting to establish a more direct link between BSC and organisational performance (Aminaimu & Yudi, 2019), while there is a dearth of empirical studies supporting the theoretical assertion of BSC on organisational culture. Thus, this study established a link between BSC and organisational culture in oil and gas companies, as well as the difficulties encountered in implementing the Balanced Scorecard at ADNOC. Thus, the objective is to close this gap and expand knowledge about BSC in the oil and gas industry by elucidating the relationship between BSC and employee performance.

Numerous researchers, however, argued that an ERM framework should be used in the oil and gas industry. These are the critical variables that an effective ERM framework should incorporate, as recommended by (Gatzert et al., 2019 & Khan et al., 2016). This is where my research came in; it came to fill in this enormous gap, as the ERM framework used in the oil and gas industry should be extremely robust, given the industry's abundant risk.

3. The proposed framework for the research

The conceptual research model depicted in Figure 1 was developed with the assistance of prior literature. It depicts enterprise risk management on the left and employee performance on the right. Both extremes have been connected with arrows that indicate the dimension of the relationship between the variables via organisational culture as a mediator.

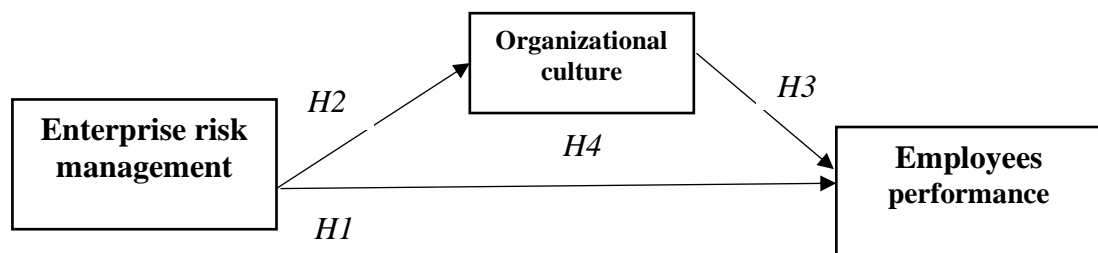


Figure 1. Research Framework

4. Discussion

Proposed frameworks are analytical tools that integrate multiple variations in order to arrive at the best explanation for the subject at hand (Kumar and Rao, 2015). Implementing enterprise risk management (ERM) and employee performance are two of the least studied areas (Shad et al, 2019). ERM implementation and organisational culture, and the regulatory requirements for organisations to adhere to ERM and organisational culture, make it critical to design a framework that can provide direction and guidelines for organisations to not only meet the increasing expectations of their stakeholders, but also to improve overall performance. This research's theoretical arguments are based on the value creation concept of enterprise risk management and organisational culture, which assert that an enterprise's implementation of these concepts can generate value.

These findings corroborate previous research indicating a positive and significant relationship between these variables (Lam 2020; Ramakrishnan, & Arokiasamy, 2019; Agbozo, et al, 2017; Stewart, 2019). Likewise, Shad et al (2019), ERP was found to have a significant positive effect on organisational excellence and performance. Additionally, it was discovered that organisational culture has a positive effect on organisational performance. This finding is consistent with a previous study in the same field of study (Mwai, 2018). Additionally, the findings indicated the critical role of organisational culture as a mediator in the relationships between ERM and organisational excellence, which is consistent with previous research (Shad et al, 2019; Mwai, 2018). The role of organisational performance is not solely as a means to an end, as the majority of research indicates, but as a practise and strategy for improving employee

performance. Researchers in this study propose a theoretical framework for investigating the impact of corporate risk management and organisational culture on the productivity of oil and gas industry employees. The study's proposed research model is formed by integrating previous research on ERM and organisational culture. Independent, mediating, and dependent variables comprise the framework, as shown in Figure 1.

5. Conclusion and Recommendations

Both regulators and international organisations have endorsed ERM as a method for addressing risk management within businesses. The primary concern, however, appears to be increasing economic value. The implementation of ERM is not an easy task for an organisation because of the numerous conflicting guidelines. Empirical risk management research is hampered by a lack of consensus on what constitutes an ERM framework.

This study examined and proposed a unified ERM definition and the integration of multiple ERM definitions based on prior literature. It also reviewed and proposed. It can be concluded that previous studies on ERM and employee performance were not of sufficient quality to draw conclusions about the nature of the relationship between ERM and employee performance. The components of effective ERM were identified and proposed using various frameworks and prior literature. A hole in the field's knowledge will be filled by this study's quantification of ERM. As a result, organisational culture is used to explain the relationships between ERM and employee performance in this study. As a result, organisational culture can serve as the ultimate goal for achieving rewards and recognition, as well as a method and technique for evaluating employee performance (Tasmin, R., & Muazu, 2017).

Thus, this study recommends that ERM be continued in order to improve employee performance in the UAE's oil and gas sector.

Additionally, the study recommends that management in the oil and gas sector conduct a review of risk pricing and supplier evaluation mechanisms with the goal of developing mechanisms to mitigate political interference in risk pricing and to improve the

accuracy of data collected during the supplier evaluation process. These would contribute to further cost and lead time reductions in procurement. This, in turn, will help the government achieve its goal of transforming the UAE into an advanced economy by 2030. In addition, Financial analysts, risk managers, rating agencies, and industry practitioners interested in implementing ERM can all benefit from this research. Additionally, the researcher asserts that the findings and policy recommendations will be critical for the oil company's stakeholders in general, both in the UAE and globally.

Acknowledgement

The authors would like to thank Universiti Teknikal Malaysia Melaka UTeM for their direct and indirect contributions.

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