

A STUDY ON ISO 31000:  
MANAGING RISK MANAGEMENT SYSTEM  
IMPLEMENTATION TO IMPROVE THE  
ORGANIZATION PERFORMANCE: THE CASE OF  
MALAYSIAN AIRLINE SYSTEM BERHAD

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A STUDY ON ISO 31000: MANAGING RISK MANAGEMENT SYSTEM  
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This thesis submitted  
in fulfillment of the requirements for the Bachelor's Degree in Technology Management  
(Innovation Technology) with Honours

FACULTY OF TECHNOLOGY MANAGEMENT AND TECHNOPRENEURSHIP

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

JUNE 2015

## DECLARATION

I hereby, declared this report entitled “A Study on ISO 31000: Managing Risk Management System Implementation to Improve the Organizational Performance: The Case of Malaysian Airlines System Berhad (MAS)” is the results of my own research except as cited in the references.

Signature : .....

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## **DEDICATION**

To my beloved father, Mohd Hanapi Bin Jusoh and  
my beloved mother, Nur Asikin Binti Awang

## ACKNOWLEDGEMENT

In the name of Allah, the Most Merciful and the Most Beneficent. It is with the deepest senses gratitude of the almighty that gives strength and ability to complete the project for this semester based on the project planning.

First of all, I would like to dedicate my special thanks to my supervisor, Dr. Syaiful Rizal bin Abdul Hamid for allowing me to do this project under his supervision. Thanks again for giving me all the valuable information, ideas and always guide me to complete this project and how to perform this project.

Last but not least, thanks to the continuous support and encouragement from my family and all of my friends in Universiti Teknikal Malaysia Melaka, Faculty of Technology Management and Technopreneuership and the others who somehow involve whether directly or indirectly in the completion of this project. Their help and guidance really mean a lot.

## ABSTRAK

*Pengurusan risiko adalah sangat penting bagi mana-mana industri untuk mengurangkan risiko atau ancaman di mana-mana jabatan atau aktiviti untuk syarikat. Menguruskan risiko adalah pelan cabaran bagi syarikat itu, yang harus menghadapi ancaman yang semakin kompleks dan pelbagai untuk mengurangkan ancaman di syarikat itu. Pada tahun 2009, memperkenalkan standard Pertubuhan Standardisasi Antarabangsa (ISO) 31000 adalah bertujuan untuk membantu organisasi untuk menguruskan sistem pengurusan risiko. Dalam kajian ini, kajian mengenai ISO 31000 yang menguruskan pelaksanaan sistem pengurusan risiko untuk meningkatkan prestasi organisasi pada Malaysian Airlines System Berhad (MAS). Tujuan utama kajian ini adalah untuk menyiasat tahap ISO 31000 dan pelaksanaan ISO 31000 dalam pengurusan risiko yang terpakai pada Malaysian Airlines System Berhad (MAS). Di samping itu, tumpuan penyelidikan ini pada ISO 31000: 2009, AS / NZS 4360: 2004 dan OHSAS 18000: 2007 menunjukkan peningkatan prestasi organisasi melalui sistem pengurusan risiko bersepadu. Kajian ini menggunakan kaedah kualitatif bagi mencapai objektif. Satu siri temubual telah dijalankan untuk mengumpul jawapan responden, manakala maklumat yang diperolehi dianalisis secara kualitatif. Penyelidik telah menjalankan satu mesyuarat ringkas dengan kakitangan syarikat sebagai responden. Selain itu, penyelidik juga menggunakan data sekunder, seperti buku, jurnal, internet dan sumber-sumber lain yang berkaitan dengan kajian ini. Kajian yang dilakukan di Malaysian Airlines System Berhad (MAS) untuk mengumpul data dan membuat analisis terhadap data yang telah dikumpul. Kesimpulannya, sistem pengurusan risiko yang bersepadu dapat meningkatkan prestasi organisasi Malaysian Airlines System Berhad*

*(MAS). Oleh itu, sistem pengurusan risiko boleh membantu organisasi untuk berjaya dan meningkatkan prestasi mereka tanpa risiko atau ancaman untuk syarikat.*



## ABSTRACT

Risk management is very important for any industry to reduce risk or threat at any department or activities for company. Managing risk is a plan of challenge for the company, which must face threats increasingly complex and diverse to reduce the threats in the company. In 2009, introduced the standard of the International Organization for Standardization (ISO) 31000 is intended to help organizations to manage risk management systems. In this research, study on ISO 31000 that managing risk management system implementation to improve the organization performance on Malaysian Airlines Industry. The main purpose of this research is to investigate the level of ISO 31000 and the implementation of ISO 31000 in risk management that applies on Malaysian Airlines System Berhad (MAS). In addition, this research focus on ISO 31000:2009, AS/NZS 4360:2004 and OHSAS 18000:2007 to show the improvement of organizational performance through the integrated risk management system. This research used qualitative method to achieve the objectives. A series of interview was conducted to collect respondent's answers, while data collected were analyzed qualitatively. The researcher conducted a simple meeting with the staff of company as respondents. Besides that, the researcher also used secondary data, such as books, journals, internet and other sources related to this research. The study conducted at Malaysian Airlines System Berhad (MAS) in order to collect the data and make an analysis on the data that has been collected. As a conclusion, an integrated risk management system can improve organizational performance of the Malaysian Airlines System Berhad (MAS). Therefore, the risk management system can help an organization to successfully and improve their performance without the risk or threats for company.

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## **CHAPTER ONE**

### **INTRODUCTION**

Every business decision takes us into a future of opportunity and danger, so to move forward, as an entrepreneur, the confidence level is very important and take a risk to do anything in business or company. In business everyone is a decision maker, and every decision maker takes a risk. Risk is the effect of uncertainty on the ability of an organization to meet its objective and risk management is the range of plan or activities that an organization intentionally undertakes to understand and reduce effects to make sure all the plans or activities have a backup plan or activities, in case have an accident. Actually risk management in the organization can make sure level of safety is good.

Risk is an integral part of virtually every decision that make. In a modern portfolio theory framework, risk and return are two required inputs to maximize returns at a given level of risk. Risk management is very important to make sure the organization has a backup plan in any decision.

Gerald Corrigan, former president of the New York Federal Reserve Bank, described risk management as getting the right information to the right people at the right time. In risk management, ISO (International Organization for Standardization) 31000 is related to this. ISO 31000 in Risk Management refers to risks influence the organizations can have consequences in terms of economic performance and professional reputation, as well as environmental, safety and societal outcomes.

Managing risk is a plan of challenge for the company, which must face threats increasingly complex and diverse to reduce the threats in the company. In 2009, introduced the ISO 31000 standard is intended to help organizations to manage risk management systems. Lastly, managing risk effectively helps organizations to perform well in an environment full of uncertainty.

## **1.1 Background of Study**

In this research have a five chapter to complete this research and this research takes a short of period for final year student to complete the five chapters. Chapter one about introduction, chapter two is the explanation of literature review, chapter three is about research methodology that use to conduct this research, chapter four is the result and discussion, and the last chapter will make a conclusion and future work about this research. In appendix 1 show the Gantt chart to complete this research.

This research focuses on International Organization for Standardization (ISO) 31000, managing Risk Management System Implementation on Malaysia Airlines System Berhad (MAS). For example, the researcher wants to investigate the risk management in latest issues that happen to Malaysian Airline System Berhad (MAS) about Malaysia Airlines Flight MH17 heading to Kuala Lumpur from Amsterdam, it was shot out of the sky over an area of Ukraine.

The aim of this research is study on ISO 31000 in risk management because this study to investigate the level of the International Organization for Standardization (ISO) 31000 and the implementation of the International Organization for Standardization (ISO) 31000 in Risk Management that apply on Malaysia Airline System Berhad (MAS) and also to identify the risk management system that influences the improvement of organizational performance in the Malaysian Airline System Berhad (MAS). Through this research, it also to study the risk management system influence the improvement of

organizational performance in the Malaysian Airline System Berhad (MAS) and to identify the recommendations to improve the implementation of risk management system. The main aim of this research is the improvement of organizational performance through the integrated risk management system.

Organization performance or reputation of a company is very important and mostly related to risk management because if the risk management does not apply to a company, it is can be the big issues with the company to manage the business performance and reputation when the company in problem. Actually managing risk can be defined from ISO 31000:2009, AS/NZS 4360:2004 and OHSAS 18000, these researches want to analyse the perspective on how it has been done, how to manage it and how the flow for improvement of business performance through the integrated risk management system.

## **1.2 Problem Statement**

The airline industry is important for travel to another destination or place and it must make sure the safety of flight after the flight landed. In all industries have a problem, in airline industry any accident will effects on their business performance, financial, and reputation of the company. For example, on 8<sup>th</sup> March 2014, the big accident happens to Malaysian Airline System Berhad (MAS), missing of Malaysia Airlines Flight MH370 from Kuala Lumpur to Beijing. Another incident happens in Malaysian Airline System Berhad (MAS) is Malaysia Airlines Flight MH17 heading to Kuala Lumpur from Amsterdam, it was shot out of the sky over an area of Ukraine. It is effected on their financial (loss of profit), the reputation of the company, business performance or organizational performance, satisfaction and confident level of customer when travel with Malaysian Airline System Berhad (MAS).

Risk Management is important in the Airlines Industry to make sure all the accident like to happen on MH370 and MH17 will not happen again. Risk management must have in all organizations for safety in the workplace and all the decision has a backup plan.

The main question is, if Malaysian Airlines had applied risk management, they must have a backup way for their Flight, for example for Flight MH17, Malaysian Airline System Berhad (MAS) may have the backup plan because all the people know that way in Ukraine is danger why their flight didn't go to another way? Or Malaysia Airline doesn't have 'plan B' in risk management of their company.

More specifics on this research, the researcher must focus to answer the following questions:

1. What is the risk management system that influences the improvement of organizational performance in the Malaysian Airline System Berhad (MAS)?
2. How to manage the risk management system from a quality perspective in the Malaysian Airline System Berhad (MAS)?
3. What is the recommendation to improve organizational performance in the implementation of risk management system?

### **1.3 Research Objective**

There are objectives that need to be achieved to complete this research which are:

1. To identify the risk management system that influences the improvement of organizational performance in the Malaysian Airline System Berhad (MAS).
2. To study on how the Malaysian Airline System Berhad (MAS) manages the risk management system from a quality perspective.
3. To suggest the improvement of organizational performance in the implementation of risk management system.

### **1.4 Scope of Research**

The scope of this research is focused on the International Organization for Standardization (ISO) 31000 in managing Risk Management System implementation to improve the organization performance. The research focuses on how the organization performance will improve through the implementation of risk management system and risk management processes. This research will define the improvement of organizational performance that has brought by Organization for Standardization (ISO) 31000 in Risk Management System. Then the researcher will know what the risk management processes and risk management system that influence the improvement of organizational performance to achieve the objectives of this research. This research also study on International Organization for Standardization (ISO) 31000, AS/NZS 4360 and OHSAS 18000 in a Risk Management system. This research implements for Malaysian Airline System Berhad (MAS) only in order to obtain the result. This research will carry out on one of organization in a Malaysia Airlines Industry that still actively until now. For the information, Malaysia Airlines in Malaysia has seven Airlines, such as Malaysia Airlines, Air Asia, Air Asia X, Berjaya Air, Firefly, Malindo Air and MASwings.

## **1.5 Limitation of Research**

This research is unlimited data because this research, conducts by interview for respondent, so it is open data and close data. The researcher can get all data directly from respondent. In this research have a several limitations. Firstly, study of the International Organization for Standardization (ISO) 31000 managing risk management system implementation, and this research will conduct a few of the interviews. Secondly, this research only does a research on Malaysian Airlines System Berhad (MAS). This research also focuses on International Organization for Standardization (ISO) 31000, managing risk management system implementation because can see the improvement of organizational performance through the integrated risk management system.

## **1.6 Significance of Research**

This research focuses on ISO 31000 to managing risk management system implementation in order to achieve the objective of this project. The aim of this research is study on ISO 31000 in risk management because this study to investigate the level of the International Organization for Standardization (ISO) 31000 and the implementation of the International Organization for Standardization (ISO) 31000 in Risk Management that apply on Malaysian Airline System Berhad (MAS) and also to identify the risk management processes and risk management system that influences the improvement of organizational performance in the Malaysian Airline System Berhad (MAS).

Through this research, it also to study the risk management processes and risk management system influence the improvement of organizational performance in the Malaysian Airline System Berhad (MAS) and to identify the recommendations to improve the implementation of risk management processes and risk management system. The main aim of this research is the improvement of organizational performance through the integrated risk management system, so this research will examine the

organizational performance of the company through the integrate risk management system to know that organization performance of the company improves or not.

## **1.7 Summary**

As a summary of this research, firstly explanation about the risk management processes and risk management system that influence the improvement of organizational performance in the Malaysian Airline System Berhad (MAS). Then the quality management system (QMS) that relate to risk management, like ISO 31000:2009, AS/NZS 4360:2004 and OHSAS 18000 after completing the literature review. The ISO 31000 is defined and all the importance of Risk Management that will be used in the airline industry. The risk management is guided and analysed by using the ISO 310000.

This chapter is introduced about the current issues in Airline Industry that related with risk management system. In this chapter, clear explanation about the objective of the research, the scope of the research and the limitation of the research that explain about unlimited data that use to complete this research.

In the next chapter, the variables used in this research will be explained briefly along with the supported evidences from previous studies that being conducted in the same field as this research. It also consists of the explanation of the each variable being used in the research, the relationship between the variables and the issues that arise from it. Aside from that, in the sub chapter, the conceptual framework will be developed to make the connection clear between independent variables and dependent variables.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter shows a literature review of the Quality Management System (QMS), Risk Management Overview and International Organization for Standardization (ISO) 31000. In addition, this chapter presents about AS/NZS 4360 and OHSAS 18000 that related to Risk Management. In this chapter also include in a successful on organizational of performance.

Furthermore, this chapter will discuss and explain more about ISO 31000, AS/NZS 4360 and OHSAS 18000 on the process, rules and so on. Finally researcher will present own theoretical framework based on literature review, it is that quality management system (QMS) in managing the risk management system to improve the performance of the organization.