CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In this chapter, it will provide the overview of risk management on the information system (IT) in an organisation and discuss about the problem background of the study and the objectives of the research. The problem statement of a good risk management brings a better performance to the organization will be carry out in this chapter. This chapter will propose the research questions, scope of study, significance of study, expected result and operational definition.

1.2 PROBLEM BACKGROUND

Nowadays, risk management has become more importance in many organizations from different industries. Most of the organizations have set up risk management department to overcome the risks or plan the alternative ways to manage the risk that might be exposed to. Managing the risks has become one of the primary objectives of the organizations. Risk has been defined in many ways. Its definition is depends on the situational contexts. Basically, risk can be concluded as potential loss or failure; it will bring the negative impact to the organizations. However, risk can be concluded as a kind of opportunity for the improvement. The higher the chance of loss or profit, the higher the risk involved. In the research of Williams (2004), Van Scoy (1992) cited that risk in itself is not bad; risk is essential to progress, and failure is often a key part of learning. We have to neutralise between the negative impact and the potential benefits of the risks. The project will be success if there is successful risk
management in the project because it helps the project manager to have a better control over the project future and able to achieve project objectives (Gary & Larson, 2008).

In this digital era, IT is one of the industries that can generate income in our country. IT industry is recognised as a crucial player in supporting local’s sustainable development. This is because IT system is used to process all the information in an organization for a better support. As we know, IT system allowed the workers to operate the company efficiently by providing the complete information. All the records of the company’s routine activities and financial document can be stored in the IT system. With the guidance of the system, the top management can streamline the operation of the company for finding the causes of the problems and taking the alternative way to solve the problems. Therefore, organization will try to protect their information assets by implementing risk management.

All organizations are exposed to risks which may bring the negative impact to the organizations. The risks which may bring negative impact to organization must be able to overcome in order to support the organization. In the IT security perspective, risk management is the process of understanding and responding to the causes that may lead to failure in the confidentiality, integrity or availability of an information system (Elky, 2006). IT system risk can be concluded as harm to an organization’s operating process or a negative impact to the related information in the organization.

An impressive risk management process is a key element of a successful organization especially in the IT system. The primary objective of the risk management in an organization is to ensure the organization able to prevent or control the risk that brings harm to the organization and achieve the organization’s mission and vision but not only just for the IT assets. Thus, the risk management would not only carry out by the IT department who operate and manage the IT system, but as an indispensable component in an organization.
1.3  PROBLEM STATEMENT

Risk is the potential harm that may arise from some current process or from some future event (Elky, 2006). The importance of managing the risk in the organization is to protect the organization’s assets. Therefore, it is important to manage risk in systems. Understanding risk is very important because it allow the system owner to protect the security of information system. Due to the limited resources in the organization, the risk can never be reduced to zero. However, to minimum the risk in the organization, the risk management process have to apply in the organization. Hence, it can bring a better performance in the organization. Therefore, in this study, there is needed to understand the type of risks in IT system and the impacts of the risk management in the organization. Besides, it also studies about the influence of the risk management to the performance of the organizations.

1.4  RESEARCH OBJECTIVES

The objectives of this research are as following:

i. To identify the risks in IT system that influence the performance of the organization.

ii. To determine the impacts of risk management in IT system to the organization.

1.5  RESEARCH QUESTIONS

i. What are the risks in IT system that will influence the performance of the organization?

ii. What are the impacts of the risk management in IT system to the organization?

1.6  SCOPE OF STUDY

The scope of study is to determine the type of risks in the IT system that may influence the performance of the organization and the impact of the risks to the organizations. So, in this study, it will be focus on the organizations which use the IT system to operate their daily activities. The research will carry in the industry area in