Organizational Culture, Board of Management Commitment, and Effectiveness of Enterprise Risk Management: A Case Study of Commercial Banks in the Southeast of Vietnam

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Abstract: *Enterprise Risk Management (ERM) is a comprehensive risk management (RM) approach for organizations. To date, ERM has quickly become the best practice of high-risk institutions like banks. The objective of this study was to develop the knowledge base and empirically examine the impact of organizational culture (ORC) on the effectiveness of ERM through the mediating role of management board commitment (MCO). The research model is a higher order model. The measurement model of the concept of ORC is a reflective-reflective model. Measurement model of ERM effectiveness is a reflective-formative model. Data were collected using a survey questionnaire. Subjects surveyed are managers and employees at functional departments related to ERM in joint-stock commercial banks in the South East region, Vietnam (SEV). The research results show that the factors affecting ORC are leadership (LDS), organizational structure (OST), the nature of the business (IND), the human resource management (HRM) practices, and customers and partners (PRT) have a direct and indirect impact through the commitment of MCO to the effectiveness of ERM.*

Keywords: Enterprise Risk Management, Organisational Culture, Commitment of Management Board

1. Introduction

Since COSO issued the "Enterprise Risk Management - Integrated Framework" and ISO introduced the ISO31000:2009 standard, risk management has been proposed with a holistic approach. This approach requires the organization to integrate different units and at the level of an entire organization. This integrated risk management approach is called Enterprise Risk Management (ERM) (Arena et al., 2010). These ideas of risk management techniques were quickly accepted (Arena et al., 2014).

To date, many ERM frameworks have been developed. However, these RM frameworks place little emphasis on ORC factors concurrently with the MCO. Many studies on ERM mainly focus on the application of ERM (Khan et al., 2016; Paape & Spekle, 2012) such as the impact of ERM on the value of the business (McShane, 2018), the impact of ERM practices on the organization performance (Arnaboldi & Lapsley, 2014; Rasid et al., 2014) and internal audit participation in ERM (Roslan & Dahan, 2013; Zwaan et al., 2011). Several other studies have focused on the effectiveness of ERM (Liebenberg & Hoyt, 2003) but most of these studies were conducted in Western countries (Al-Amri & Davydov, 2016; Nair et al., 2014). Studies done in Asian countries are still very few. A similar study on the impact of ORC and MCO on ERM was carried out (Togok, 2016). However, this work investigates factors such as the participation, structure, business systems and strategic roles of ERM as well as the effectiveness of ERM.

In general, most of the studies on ERM do not consider ORC factors and the MCO to the effectiveness of ERM.

Therefore, one of the focuses of this study is to develop basic knowledge and empirically examine the relationships between components of ORC and effectiveness of ERM. In addition, according to ISO 31000:2018, management commitment is a central element of the ERM framework. Without a management board (BOM) commitment, the implementation of ERM will be unfavorably affected. In this study, test and measure the impact of MCO on ERM effectiveness. Finally, banking is a sensitive sector with a wide range of risks, and most banks have effective ERM frameworks (Jalal et al., 2011), the study is carried out for banking industry, therefore. In addition, the Southeast, Vietnam is a key economic region and the largest financial center in Vietnam with a capital mobilization and credit balance of about 35% of the country (SBV, 2023). Therefore, this study was conducted for joint stock commercial banks in the Southeast, Vietnam.

2. Objective of the paper

The overall objective of present study is to examine the impact of business ORC on effectiveness of ERM along with the testing of MCO as a mediation in the relationship between ORC and the effectiveness of ERM of commercial banks in SEV as well as to provide managerial implications to improve effectiveness of ERM.

The following specific objectives are pursued: (i) Identifying relationship between ORC,MCO and effectiveness of ERM of commercial banks in SEV and testing of MCO as a mediation in the relationship between ORC and the efectiveness of ERM of commercial banks in SEV; (ii) Determining the components of latent constructs of ORC

and ERM; (iii) Examining the impacts of demographic variables on the relationships between the concepts in the research model; (v) Suggesting the managerial implications to increase effectiveness of ERM towards commercial banks in SEV.

The research questions are: (i) whether the influence of bank ORC and MCO on the effectiveness of ERM of commercial banks in SEV? (ii) What are the determinants of bank ORC of commercial banks in SEV? (iii) Is there an impact of demographic variables on the relationships between the concepts in the research model? (iv) What managerial implications to increase effectiveness of ERMof commercial banks in SEV should be suggested?

Structure of the paper
The study consists of 4 parts, namely: (i) Introduction; (ii) Literature review and hypotheses development; (iii) Results and discussions, and (iv) Conclusions.

3. Literature Review

Systems theory of management
Bertalanffy (1968) argued that any organization is a single system consisting of interrelated subsystems. The theory supposes that the parts of a business must work in harmony for the business to survive. Synergy and the alignment of parts are key to this theory.

Resource-based theory
The basic premise of resource-based theory (RBV) is that an organization is different from others because each organization possesses a "unique" set of resources that it has the capacity to exploit (Pearce et al. al. 2013). According to the RBV theory, an organization's competitive advantage, superior performance and effectiveness are explained by differences in organizational capabilities (Johnson et al. 2008). The RBV model suggests that the resources possessed by a business are the key determinants of an organization's performance and success, and that these resources contribute to a business's sustainable competitive advantage (Kariuki et al., 2016). In ERM, the resources of the organization determine the success of the implementation of the ERM framework and the effectiveness of RM.

Resource dependency theory
Resource dependency theory describes how an organization's external resources influence its behavior (Pearce and Robinson, 2013). Therefore, businesses must find ways to reduce reliance on the environment as a means to maintain control over critical resources and minimize uncertainty. The theory emphasizes that businesses should seek to obtain only the most important and scarce things.

Enterprise risk management
According to COSO, ERM is "the culture, capabilities and practices integrated with strategy-setting and its performance, that organisations rely on to manage risk in creating, preserving and realize value." (COSO, 2017, p.10). COSO's concept of ERM emphasizes the strategy and goals of the business and is closely related with value. Meanwhile, Lam (2000) defines ERM as an integrated framework for

credit risk management, market risk, operational risk, economic capital and risk transfer to maximize business value. Makomaski (2008) states that ERM is "a decision-making principle that deals with change in business goals". With the application of ERM, businesses can identify all potential problems that may affect the business as well as exactly know the risk appetite and risk tolerance of the business (Walker et al., 2003).

Previously, RM was not integrated with strategic planning and performance. Currently, ERM is an approach with effective risk management practices and processes (Yazid et al., 2012; Arena & Azzone, 2010). Processes include all parts and units at all levels within an entity. ERM can increase shareholder value and will provide a critical source of competitive advantage (Bowen et al., 2006; Stoh, 2005).

The effectiveness of enterprise risk management
The effectiveness of ERM is related to the process of risk reduction through RM planning, risk identification, qualitative and quantitative risk analysis, risk response planning and monitoring, and risk control. An effective ERM approach is aligned with strategy, processes, people, technology, and knowledge (Hafizah et al., 2019). According to Mikes (2005), ERM is a systematic approach to RM. By effective RM, organizations can achieve their goals and ultimately create stakeholder value. In other words, an effective ERM program will significantly improve the business's performance, resilience, opportunity, performance, and stakeholder value.

The Institute of Internal Auditors (IIA, 2005) has provided a basis for determining the effectiveness of ERM. First, the existence of an ERM framework to ensure a consistent approach. Second, the BOM must commit to and support RM. Third, the extent to which ERM integrates into formal governance processes must be assessed. Fourth, a culture of risk and awareness among members of the organization must be promoted and inculcated. Fifth, risk should be determined by considering both internal and external factors. Sixth, risk reduction should include repeated, iterative assessment of different options. In addition, all personnel should be empowered to make recommendations regarding the risks they are facing. Finally, the level of people's participation in ERM activities should be assessed.

Goal Setting
According to COSO (2017) and ISO 31000:2018, goal/objective setting is one of the key components of COSO's ERM framework. ERM and goal setting work together in the strategic planning process. The risk appetite is established and consistent with the enterprise's goals and serves as the basis for identifying, assessing and responding to risks. Risk tolerance must be matched to risk appetite. Goal setting is required to support the organization's mission and core values. There are four types of goals included in ERM: strategic, operational, reporting, and compliance goals (COSO, 2004). The COSO framework notes that these goals should be aligned with the organization's risk tolerance. The organization considers risk while setting goals at different levels that align and support the strategy.

Goal setting should be an important first step leading to risk identification, risk assessment and response, which are the remaining elements of the ERM framework. The significant relationship between these structures will determine the effectiveness of ERM.

Risk identification

Risk identification is a deliberate and systematic attempt to identify and document the key factors of an organization's risks. The goal of identification is to understand what is "at risk" in relation to the organization's explicit and implicit goals and to create a comprehensive risk profile based on threats and events that may prevent, impair, delay, or enhance the achievement of the goals. Risk identification allows businesses to prepare for potentially harmful events and mitigate their impact before they occur. This requires the development of risk identification guidelines to ensure that organizations manage risk effectively and efficiently.

The effectiveness of ERM is determined by its activities and processes. An essential element of the decision-making process is a process that can identify valuable risks and opportunities that can be identified (American Society for Healthcare Risk Management of the American Hospital Association, 2016). According to COSO and ISO, risk identification is a crucial element of ERM.

Risk assessment

Risk assessment includes risk analysis and risk evaluation. Risk analysis is the establishment of the probability that a risky event may occur and the potential outcome of each event. Risk evaluation is the comparison of the magnitude of each risk and ranking them according to importance and consequences. Once identified risks must be carefully analyzed from cross-departmental perspectives during the risk assessment step. Risks are assessed on an inherent and residual basis.

Risk assessment is itself a detailed process. According to COSO it can be divided into four main components: developing risk assessment criteria, assessing risks, assessing risk interactions, and finally prioritizing those risks.

Risk response

Risk response is the action taken by management to counteract the potential effects of an identified risk. The purpose of risk response is to ensure that all identified risks are addressed in the form of effective controls that help the organization prevent potential losses related to strategy, operations, reporting and compliance (COSO, 2004).Management selects appropriate actions to align risks with risk tolerance and risk appetite. Responding to risk can be viewed in terms of four main responses – mitigating, accepting, transferring, or avoiding.

Monitoring and communication

Risk monitoring is a step of the risk management process in which businesses must measure the success of strategies to improve them. Organizations must first understand risk, implement a risk strategy, but also monitor its results to adjust it, if necessary. Most businesses rely on key risk indicators (KRIs) to monitor risks and measure the success of their risk strategies. Risk communication is the exchange of information between experts or leaders and those who face risks or threats to their organization. The purpose of risk communication is to help those at risk make informed decisions to mitigate the impact of the threats and implement protective and preventive measures.

Organizational culture

Schein (1992) defines organizational culture (ORC) as a pattern of fundamental assumptions developed by a group of people and problem-solving abilities from external adaptation and internal integration. Daft (2012) argues that ORC is a set of core values, assumptions, understandings, and norms shared by members of an organization. While there are many definitions of ORC, there is consensus on the fact that it includes shared values and underlying assumptions and is embodied in the 'practices' of the organization. These practices include symbols, rituals, rules, norms of behavior, heroes, stories, language, habits, and power structures among others (Hofstede, 1980; Mullins, 2005).

Research by Belias and Koustelios (2013) shows that hierarchical culture is typical of banks. Banking institutions are considered formal institutions, characterized by efficiency and stability. In addition, credibility is so important that formal rules and policies are essential for the operation and survival of the organization. The application of formal rules and policies in banking governance is very important because accordingly, the risks of confusion are minimized. As a result, the rights and responsibilities of each employee are clearly defined, a certain hierarchy of authority is established, and strict policies are in place. These also are the key features of hierarchical cultures (Cameron and Quin 2006). In addition, research by Togok (2016) shows that there is a significant relationship between culture and effectiveness of an organization's ERM. From there, the research hypothesis is formulated as follows:

Hypothesis H1: Organisational culture has a positive impact on the effectiveness of enterprise risk management.

Management board commitment

The commitment of the entity's management board to ERM is an important factor because it is one of the conditions for an organisation's performance of ERM. BOM must ensure that ERM is integrated into all organizational activities and BOM commitment to implementing all components of the RM framework, issuing a statement or policy; establishing an approach, planning, or programming of action; ensuring the allocation of necessary resources; delegating authority, duties, and responsibilities at appropriate levels within the organisation. This will help the organization align RM with its goals, strategy, and culture (ISO, 2017).

Research by Fasilat (2015) shows that the BOM commitment is very important to the success of the implementation of risk management. At the same time, Shenkir & Walker (2006) proposes that effective implementation of ERM requires the context of the business or organization including strong BOM commitment, risk management philosophy and risk appetite, ethical values, and integrity, as well as the scope and infrastructure for ERM. In addition, Galorath (2006) studies the importance of

risk management and evaluates the process required to effectively implement RM in small and medium businesses. Research results show that the BOM commitment is considered a success factor for ERM implementation. The research results of Kaven and Ian also show that the BOM commitment has a direct or significant influence on the success of the activities of the organizational system (Selamat & Ibrahim, 2018). Berenbien (2004) also found that management is required to take responsibility for and administer ERM throughout the organization. Without the BOM commitment the ERM program would not be completely successful (Brian, 2006). Shenkir & Walker (2006) also states that according to COSO, the ERM model requires the BOM commitment to strictly implement ERM. This suggests that key corporate executives should commit to ERM because they are ultimately responsible for the overall protection, creation, and enhancement of shareholder value.

In summary, full commitment from the BOM is required to achieve the success of the organizational strategy and the implementation of ERM. This is agreed by Barton et al. (2002), Walker et al. (2002) and PriceWaterhouse Coopers (2004). On that basis, the research hypothesis is articulated as follows:

Hypothesis H2: Management board commitment has a positive impact on the effectiveness of enterprise risk management.
Culture is learned and handed down in society by its members. It provides rules of behavior in organizations. Culture educates people what to do and what not to do. Research by Yafang Tsai (2011) shows that ORC has a positive influence on leadership behavior and research by Hassan & Yazid (2019) also shows that ORC has a positive influence on the BOM commitment. On that basis, the research hypothesis is formulated the as follows:

Hypothesis H3: Organizational culture has a positive effect on management board commitment.

Leadership
Hellriegel & Slocum (1992) defines leadership as the ability to influence, motivate, and guide other members of an organization to achieve intended goals. Davis (1972) defined leadership as a process involving what a leader does and that a leader is someone who defines the purpose of a group, influencing group members to conform to those goals. this and guide them into action.

Leadership and culture researchers have argued that leader's behavior helps culture grow and change (Schein, 1992; Kotter, 1996). Leaders control the mechanisms through which they influence culture (Schein, 1992). Leadership can shape culture through the development of competencies such as forging relationships of trust and building personal competencies of trust (Becker et al. 2001; Brockbank et al. 2002).

In short, leaders influence organizational culture by setting goals and expectations, by selecting people, by measuring different things, by their behaviors, by how they react, communicate, through how they recognize and evaluate

performance, reward, and punishment, and how leaders finance various activities. Thus, a hypothesis is formulated as follows:

Hyphothesis H3.1: Leadership will positively affect organisational culture.

Organizational structure
Organizational structure is a system used to define the hierarchy of authority within an organization. It defines each job, function, and reporting system in the organization. This structure is developed to establish how an organization operates and helps the organization achieve its goals for growth. The OST allows for the assignment of responsibilities for different functions and processes to different actors.

Since an organization is composed of people, organizations also tend to create different informal structures or environments within the organization. This leads to different attitudes, perceptions, behaviors, and characteristics with different types of competencies. When employees work together on a mission within the constraints of a formal OST to achieve a certain goal, there are certain ways to relate and interact. This affects the formation of a ORC. In other words, OST is a framework for culture to be implemented and developed.

OST's models, as a specific configuration of aspects, guide and shape the way in which members of an organization perform their tasks in the process of achieving organizational goals. Thus, it can be assumed that the OST model influences ORC (Nebojša, 2013). Therefore, a hypothesis is articulated as:

Hyphothesis H3.2: Leadership will positively affect organisational culture.

The nature of business
The nature of business (IND) describes the type of business and what the overall goals of the business are. It describes the legal structure, industry, product or service, and any activities the business does to achieve its goals. It describes the business' problem and the focus of its services. In addition to the mission and vision statement of the business, providing insight into the IND, there are other aspects that define the IND. An organization's purposes, markets, and operations have an impact on employee behavior. The market or industry in which an organization operates affects its ORC. Enterprises operating in the field of innovation, their activities revolve around innovation and creativity; enterprises operating in the financial - banking industry will focus on RM; an accounting firm will have different standards and expectations than an art business; a business operating in the fashion industry often must focus on its pro-market culture.

While some ethical and social responsibility concerns may be common, the nuances within each industry will vary. These differences shape different cultures within organizations. Research by Chatman & Jehn (1994), Christensen & Gordon (1999) and Torgaloz (2021) show that the IND and the characteristics of the industry influence

the formation and development of the ORC. Therefore, a hypothesis is developed as follows:

Hyphothesis H3.3: The nature of business will positively affect organisational culture.

Human resource management practices

A human resource management (HRM) system consists of two main components, HRM practices and HRM power. HRM practices represent the organization's policies and procedures. It is a strategy that aligns with organizational goals and reinforces the behaviors, skills, and attitudes of the organization's workforce (Bowen & Ostroff, 2004; Ribeiro et al., 2011). HRM strength refers to how HRM practices are communicated to employees and implemented (Pereira & Gomes, 2012; Ribeiro et al., 2011). This component includes the distinct, consistent, and consensus attributes of HRM.

Gupt & Singhal (1993) explains how HRM practices affect the performance and stability of an organization. These practices have the potential to influence employee behavior and create values that develop ORC. According to Jackson & Schuler (1995), formal culture and HRM practice are inseparable. ORC is partly managed through HRM operations (Evans, 1986) and culture has a persuasive

impact on HRM (Adler, 1997). Thus, a hypothesis is stated as follows:

Hyphothesis H3.4: Human resource management practices will positively affect organisational culture.

Customers and Partners

Business relationships have a major impact on employee behavior and culture in an organization (UKEssays, 2018). PRT are key stakeholders that influence an ORC, as its workforce serves their needs and interacts directly with them (Quain, 2018). Satisfied customers and partners will positively impact employee attitudes and behaviors and will ultimately affect their engagement and satisfaction. In addition, when relationships are stable with customers and business partners, the company's employees can be influenced by different types of cultures of PRT. This can lead to cultural changes. Therefore, a hypothesis is stated as follows:

Hyphothesis H3.5: Customers and partners will positively affect organisational culture.
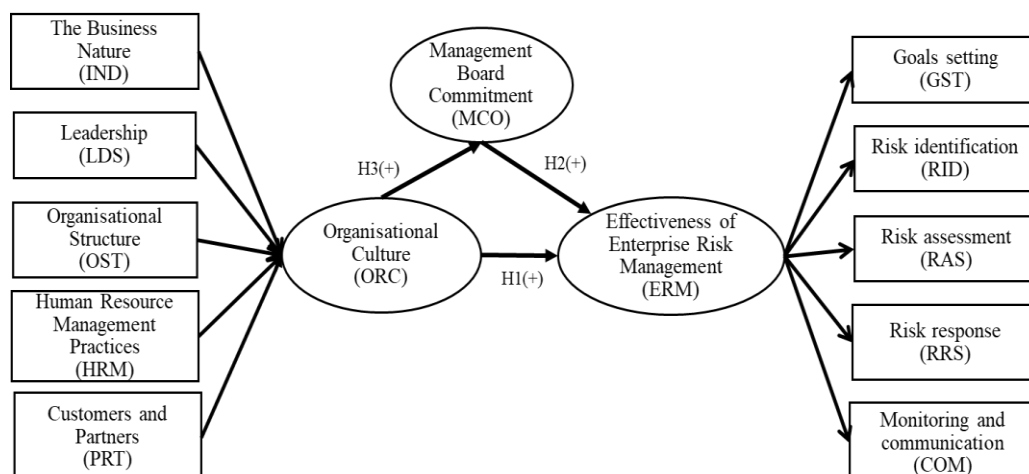
Proposed research model

Figure 1: The Proposed Research Model
Source: The authors

4. Research Method

Qualitative research

To re-evaluate the proposed research model (Figure 1) and the suitability of the scale with the research context, the method of interviewing experts using a structured questionnaire was implemented. Experts interviewed include 7 people, who are knowledgeable about RM in the banking sector, including members of the bank's board of management, lecturers, and researchers from universities. Before the interview, the contents of the research topic were sent to the experts. At the end of the interview process, the authors summarize the qualitative research results and use these results for the next research steps.

Quantitative research

Research using direct interview technique by questionnaire with 5-level Likert scale sent to managers and staff working

in ERM-related positions at their offices in commercial banks in SEV. Convenience sampling method combined with snowball method was used.

Theoretical documents were selected for review from Google scholar, Directory of open access journals (DOAJ), JSTOR, EBSCO, Scopus… The experimental data were collected by survey questionnaire. The respondents are customers who have had transactions with commercial banks in HCMC for at least 1 year. Questionnaires are sent directly to customers at transaction points/points of sale of banks. 450 questionnaires were distributed, 415 questionnaires were collected, and 400 valid questionnaires were used. SmartPLS 4 software is used to process the data.

Measurement scales

Based on the reviewed literature, the authors build scales to measure the influence of ORC and BOM commitment on the

effectiveness of ERM including 43 observed variables (see Table 1).

Table 1: Measurement scales

Constructs	Encoded scales	Quantity of observables	References
Nature of the business	IND	4	Gordon (1991), Loureville (2014)
Leadership	LDS	4	Cemal Zehir et al. (2011)
Organizational Structure	OST	4	Yousef Aleisa's scale (2018)
Human Resource Management Practices	HRM	5	Gillespie et al. (2018), Hassan & Yazid (2019) and Amin et al. (2013)
Customers and partners	PRT	3	Nanivipour (2018) and Bentum (2005)
Commitment of the Management Board	MCO	4	Hamdan Al-Farsi (2019), Sax & Torp (2015) and Hassan & Yazid (2019)
Goal Setting	GST	3	Hafizah et al. (2019) and Togok et al. (2014)
Risk Identification	RID	4	Hafizah et al. (2019) and Togok et al. (2014)
Risk Assessment	RAS	4	Hafizah et al. (2019) and Togok et al. (2014)
Risk response	RRS	4	Hafizah et al. (2019); Togok et al. (2014) and CGMA (2012)
Monitoring and Communication	COM	4	Hafizah et al. (2019) and Togok et al. (2014)

Source: Own study

Methods and tests
The PLS-SEM method was performed to extend an existing structural theory and explain the relationship between many variables simultaneously. Evaluation of the lower order construct (LOC) reflective measurement model was performed by testing outer loadings, construct reliability and validity by means of Cronbach's alpha, composite reliability (CR) and convergence (AVE), and discriminant validity was tested by HTMT, Fornell-Larcker coefficients as well as cross loadings. For the formative HOC model, evaluating the degree of convergence is performed by redundant analysis, evaluating the degree of external multicollinearity (Outer VIF), and testing the statistical significance level of the weights (Outer weights) are carried out. Structural model evaluation is done by multicollinearity test, R^2, f^2, q^2 evaluation, path coefficients as well as direct and indirect effects assessment, MGA also is performed.

5. Results and Discussion

Descriptive statistics
The research sample was made with 400 observations. In which, banks with state equity accounted for 28.5% and banks without state equity accounted for 71.5%. Working organisation: Head office accounts for 31%, branches - 53.5% and transaction offices - 15.5%. Banks with total assets (TTS) below 250 trillion VND, accounting for 16.8%, from 250,000 to less than 350 trillion VND - 25.5%, from 350 to less than 450 trillion VND - 30% and from 450 trillion dong or more accounted for 27.8%.

Validating measurement model for lower order constructs (LOC)

Validating reflective indicators
The results of the evaluation of the measurement reflective model at lower order of the scales of ORC, MCO and the effectiveness of ERM show that the outer loadings of the indicators are all greater 0.7, except those of IND3 which is 0.670 and OST1 which is 0.688. However, the extracted variance (AVE) values of these variables greater than 0.5, therefore these variables should be accepted (see Figure 2 and Table 2).
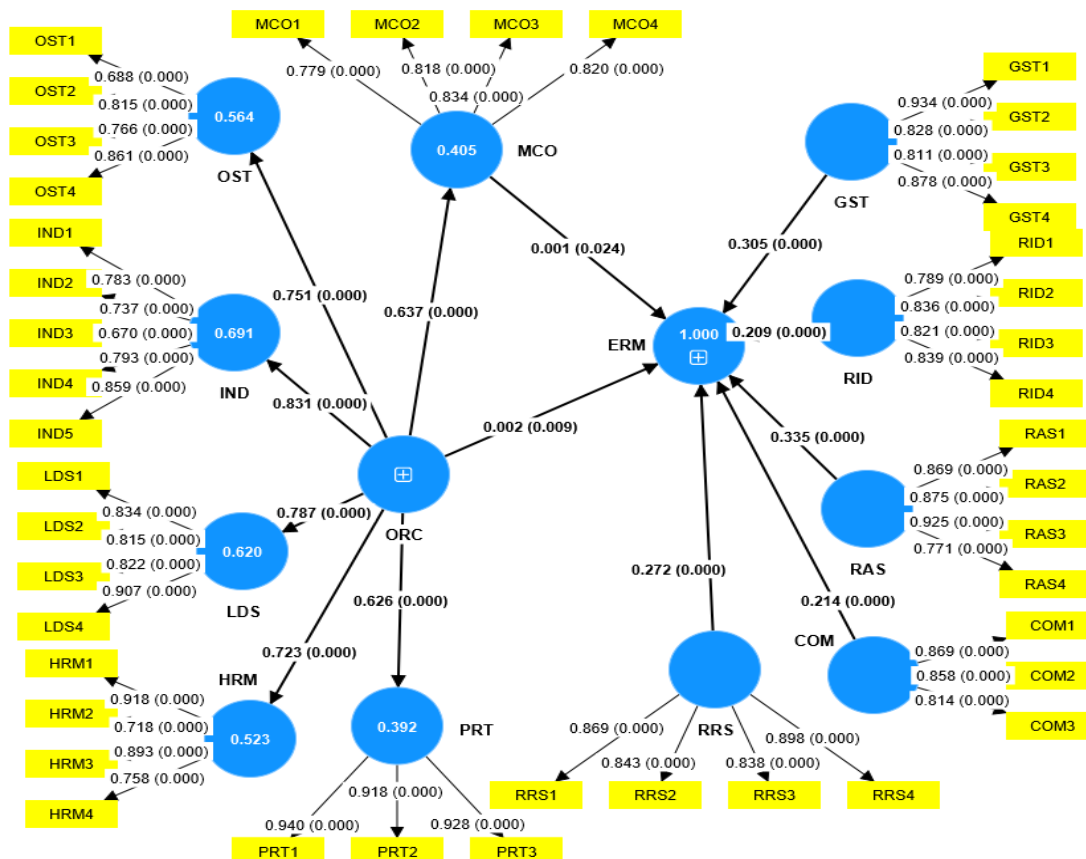
Figure 2: Path coefficients of measurement model of lower order construct
Source: Results of data processing

Construct reliability and validity
The composite confidence (CR) is equal to or greater than or equal to 0.832. This means that the scales have an internally consistent level of confidence. In addition, the extracted variance (AVE) values of all scales satisfy the condition greater than 0.594. This proves that the scales are all convergent (see Table 2).

Table 2: Construct Reliability and validity

Constructs	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
COM	0.808	0.838	0.884	0.719
GST	0.886	0.895	0.922	0.747
HRM	0.841	0.860	0.895	0.683
IND	0.827	0.830	0.879	0.594
LDS	0.866	0.868	0.909	0.715
MCO	0.829	0.832	0.886	0.661
OST	0.791	0.792	0.865	0.617
PRT	0.920	0.922	0.950	0.862
RAS	0.883	0.898	0.920	0.743
RID	0.841	0.851	0.892	0.675
RRS	0.885	0.888	0.921	0.744

Source: Results of data processing

Discriminant validity
The results of evaluating discrimination validity show that the coefficient of HTMT of all constructsis less than 0.85, except for MCO-COM and MCO-RAS which is less than 0.9 (see Table 3). The discriminant validity test according to Fornell and Larcker (1981) shows that the square root of AVE (from 0.786 to 0.929) is larger than the coefficients in the same column. The multicollinearity statistics of the outer model all have a value (VIF) less than 5 (see Table 5). In addition, the cross loadings of any observed variable in the parent factor are larger than the number of cross-loads of that observed variable with other factors in the model. The bootstrap test to evaluate the HTMT shows that the confidence intervals of HTMT coefficients do not contain the value of one. This shows that all the scales have discriminant values.

Table 3: Discriminant validity (HTMT)

Construct	COM	GST	HRM	IND	LDS	MCO	OST	PRT	RAS	RID	RRS
COM											
GST	0.470										
HRM	0.411	0.553									
IND	0.449	0.555	0.498								
LDS	0.374	0.544	0.492	0.825							
MCO	0.868	0.671	0.602	0.545	0.464						
OST	0.548	0.622	0.606	0.662	0.433	0.758					
PRT	0.285	0.471	0.410	0.380	0.411	0.456	0.455				
RAS	0.786	0.621	0.525	0.495	0.434	0.887	0.695	0.373			
RID	0.344	0.388	0.364	0.422	0.255	0.473	0.436	0.284	0.415		
RRS	0.323	0.508	0.443	0.437	0.428	0.560	0.503	0.814	0.444	0.470	

Source: Results of data processing

Table 4: Discriminant validity (Fornell - Larcker)

Construct	COM	GST	HRM	IND	LDS	MCO	OST	PRT	RAS	RID	RRS
COM	0.848										
GST	0.422	0.864									
HRM	0.358	0.492	0.872								
IND	0.402	0.485	0.405	0.849							
LDS	0.324	0.481	0.420	0.749	0.846						
MCO	0.727	0.577	0.518	0.473	0.395	0.813					
OST	0.474	0.537	0.523	0.558	0.372	0.628	0.786				
PRT	0.254	0.438	0.384	0.375	0.367	0.400	0.399	0.929			
RAS	0.717	0.567	0.492	0.459	0.412	0.788	0.629	0.378	0.906		
RID	0.347	0.368	0.349	0.389	0.259	0.457	0.405	0.297	0.420	0.861	
RRS	0.309	0.463	0.431	0.417	0.389	0.503	0.453	0.755	0.460	0.457	0.890

Source: Results of data processing

Validating measurement model for higher order constructs (HOC)

Evaluation of the formative measurement model of the higher order construct ERM was performed by the Embedded two stage method. The multicollinearity evaluation results between the indicators of the structural and reflective models show that VIF values of the indicators are all less than 3 (see Table 5). The results of testing the statistical significance of the outer weights by bootstrapping with the sample size is 5000, showing that the measurement indicators for the structural model are all significant at p value <0.05. Evaluation of reflective model of latent construct ORC showed that observed variables with outer loadings are all greater 0.7, with p<0.05. Therefore, the observed variables are all significant in the model. The bootstrapping results show that the outer weights of the relationship between the lower order construct and the higher order construct (between HRM, LDS, OST, PRT and IND with ORC) have p value <0.05. Thus, the lower order constructs are significant in the model. The path diagram is shown in Figure 2.

The test results of multicollinearity (VIF) between the higher order construct and among the variables in the structural model show that the VIF values are all less than 3 (see Table 5). The results of the reliability assessment show that Cronbach'salpha is valid. Cronbach's Alpha is both greater 0.80 and AVE is greater 0.56. In addition, the HTMT coefficient of the latent constructs is lower 0.8 and the Fornell-Larcker test shows that all square roots of AVE are larger than the coefficients in the same column. The results of the impact assessment show that the outer weights of the path coefficients in the structural model are statistically significant with p < 0.05 (see Table 1). This shows that the higher-order model satisfies all the conditions (see Figure 2).

Table 5: Test results of higher order construct model (HOC)

HOC	LOC	Outer Weights	P value	T statistics	Outer loadings	VIF
ORC	OST	0.327	0.000	20.177	0.795	1.827
	IND	0.260	0.000	24.114	0.813	2.880
	LDS	0.226	0.000	18.462	0.746	2.475
	HRM	0.272	0.000	17.898	0.736	1.546
	PRT	0.243	0.000	16.009	0.658	1.310
ERM	GST	0.249	0.000	6.309	0.749	1.611
	RID	0.087	0.000	3.090	0.565	1.382
	RAS	0.407	0.000	7.629	0,903	2.672
	RRS	0.265	0.000	7.034	0.691	1.511
	COM	0.273	0.000	6.889	0.782	2.078
MCO	MCO1	0.281	0,000	21.886	0.781	1.643
	MCO2	0.316	0.000	23.100	0.818	1.774
	MCO3	0.320	0.000	24.112	0.833	1.867
	MCO4	0.312	0.000	22.453	0.819	1.788

Source: Result of data processing

Assessment of structural model

Collinearity statistics
Analysis for the outer model shows that the VIF coefficients of latent constructs and other variables in the higher order model are all less than 5. With the inner model, the values of VIF are all less than 3 (see Table 5). Thus, the models of each component have met the requirements of multicollinearity.

Bootstrapping
To evaluate the statistical significance and impact of the regression coefficients, bootstrapping technique with sample number N=5000 was used. The results of direct impact, indirect impact and total impact estimation are shown in Table 6.

Table 6: Path coefficients of structural model

Paths	Original sample	Sample mean	Standard deviation	T statistics	P values
MCO -> ERM	0.588	0.588	0.041	14.453	0.000
ORC -> ERM	0.372	0.373	0.042	8.865	0.000
ORC -> MCO	0.654	0.655	0.029	22.516	0.000

Source: Results of data processing

Graphical output
The results of structural model assessment showed that the path coefficients in the structural model were statistically significant, with p value < 0.05 (see Table 2). The diagram of the paths of the structural model is shown in Figure 3.
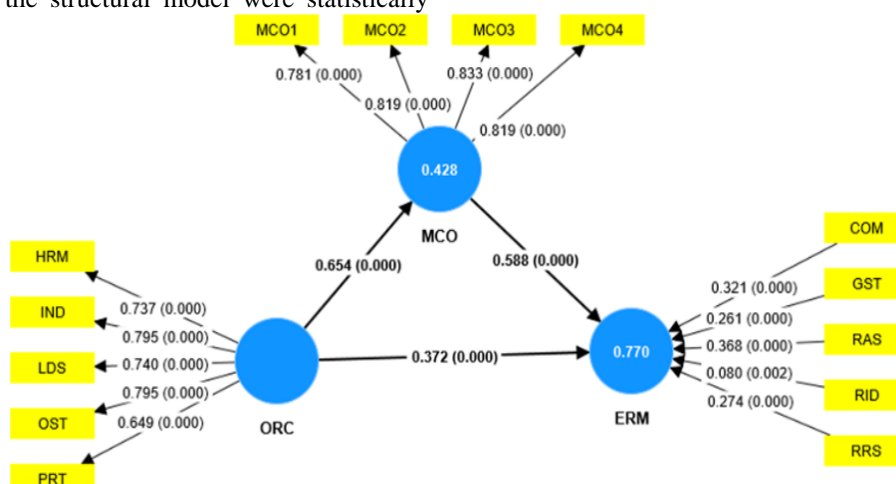

Figure 3: Path coefficients of structural model
Source: Results of data processing

Coefficient of determination (R^2)
Checking the level of explanation of the independent variables on the dependent variable shows that the standardized R^2 and adjusted R^2 values as shown in Table 7 are as follows:

Table 7: R^2 and adjusted R^2 coefficient

Construct	R-square			Adjusted R-square			Description by Hair *et al* (2013)
	Original sample	P value	T value	Original sample	P value	T value	
ERM	0,770	0,000	36,780	0,769	0,000	35,547	Substantial
MCO	0,428	0,000	11,303	0,426	0,000	11,237	Moderate

Source: Results of data processing

The results in Table 7 show that the structural model with the dependent variable ERM has an R2 of 0.770, which is assessed as having a substantial determination, and the independent variables can explain 77% of variation of the dependent variable. The structural model with the dependent variable MCO has an R^2 of 0.428. Thus, the independent variables explain 42,8% of the variation of the dependent variable, which is assessed as having a moderate determination.

Effect size of independent variables on dependent variables
Assessing the importance of the independent variables f^2 shows that the level (scale) of the impact of MCO on ERM,

ORC on MCO and ORC on ERM is at a high level (f2>0.35) (see Table 8).

Table 8: The value of f2

Paths	Original sample	Sample mean	P values	t value	Effect size
MCO -> ERM	0,862	0,885	0,000	5,271	High
ORC -> ERM	0,345	0,357	0,000	4,107	High
ORC -> MCO	0,748	0,760	0,000	6,375	High

Source: Results of data processing

The results of testing the predictive capacity index q^2 of each component model in the structural model show that the model has a high predictive level for the ERM, with $q^2 =$

0.391 and the moderate predictive level for the MCO, where q^2 is 0.265<0.35. The model has no predictive power for the ORC, with $q^2 = 0$ (see Table 9).

Table 9: The value of q2

	SSO	SSE	q² (=1-SSE/SSO)	Predictive relevance
ERM	249.034	151.603	0.391	High
MCO	232.802	171.160	0.265	Moderate
ORC	327.019	327.019	0.000	No relevance

Source: Results of data processing

Thus, according to the research results explained in the above sections, all hypotheses from H1 to H3 are accepted.

Mediating role test

Specific indirect effects

Table 10: Specific indirect effects

Paths	Original sample	Sample mean	T statistics	P values
ORC ->MCO ->ERM	0,385	0,385	11,568	0,000

Source: Results of data processing

Total effects

Table 11: Total effects

Paths	Original sample	Sample mean	T statistics	P values
MCO ->ERM	0,588	0,588	14,453	0,000
ORC ->ERM	0,757	0,758	33,880	0,000
ORC ->MCO	0,654	0,655	22,518	0,000

Source: Results of data processing

Testing the mediating role of variables in the structural model shows that the total indirect effects for the indirect relationships in the model is statistically significant, with p value < 0.05. This shows that there exists an indirect relationship of MCO in the model (seeTable 12).

Table 12: Direct, Indirect, and Total Effects

Independent variable / Dependent variable	Type of effects	MCO	ERM
ORC	Direct	0.654	0.372
	Indirect	0;000	0.385
	Total	**0.654**	**0.757**
MCO	Direct	0.000	0.588
	Indirect	0.000	0.000
	Total	**0.000**	**0.588**

Source: Results of data processing

Mediating role of TRU

The data in Table 11 show that MCO ->ERM, ORC ->ERM and ORC ->MCO are all statistically significant. Thus, MCO has a partial and complementary effect.

Multigroup analysis

The multigroup analysis (MGA) performed with MICOM technique showed that the path coefficient of ORC->MCO is different under the influence of the head offices and transaction offices and of branch and transaction office of the banks (see Table 13). The path coefficient of ORC->MCO for transaction offices of banks is higher than that of the head offices of banks.

Table 13: Results of MGA

Paths	Head office – Transaction office			Branch – Transaction office		
	Head office	Transaction office	Difference	Branch	Transaction office	Difference
ORC->MCO	0.589	0.765	-0.177	0.577	0.765	-0.188

Source: Results of data processing

6. Discussion

Research results show that the effectiveness of ERM is influenced by ORC and MCO. The results are consistent with the study of Hassan and Yazid (2019). The determinants of ERM are GST, RID, RAS, RRS, and COM.That are consistent with (COSO, 2004; 2017 and ISO 31000:2009; 2018). At the same time, the research results also show that ORC is positively influenced by LDS, OST, IND, HRM practices, and PRT of banks in the Southeast, VN. Thus, all research hypotheses are accepted. Specifically:

ORC has a positive impact on the effectiveness of ERM with the regression coefficient β = 0.757, which is directly with β = 0.372 and indirectly with β = 0.385. This shows that the organization has a strong and appropriate culture will help increase the effectiveness of ERM.

ORC is influenced by LDS with the standardized regression coefficient β = 0.787, the OST with the standardized regression coefficient β = 0.751, the IND with the standardized regression coefficient β = 0.831 of HRM practices with standardized regression coefficient β = 0.723 and PRT with β = 0.626.

MCO has a direct and positive impact on the effectiveness of ERM with a regression coefficient β = 0.582. This shows that if management maintains the organization's commitment to goals, decentralization, and responsibilities as well as resource allocation will help increase the effectiveness of ERM.

MCO plays a mediating role in the relationship of ORC and effectiveness of ERM of joint-stock commercial banks in the Southeast, Vietnam with the eta coefficient of the total effects is β = 0.757, where the direct effect is β = 0.372 and the indirect effect is β = 0.385.

The results of multi-group analysis (MGA) with the measurement of invariance technique (MICOM) show that there is a difference in the path coefficient under the moderating of the bank's organization between the head office and the transaction office and between branch and transaction office. In general, transaction office has higher path coefficients than head office and branch. There is no difference in the path coefficient under the moderating of capital structure between state-owned and non-state-owned banks or in terms of bank sizes.

7. Conclusion

The effectiveness of ERM is influenced by the ORC and MCO of joint stock commercial banks in the Southeast, Vietnam. The determinants of ERM are GST, RID, RAS, RRS, and COM. At the same time, ORC is affected by LDS, OST, IND, HRM practices and PRT. In addition, there are differences in the path coefficients under the banks' organisations. Thus, all the research hypotheses are accepted, and the specific objectives of the research are achieved.

ORC positively affects the effectiveness of ERM. To improve the effectiveness of ERM, banks need to pay attention to developing a healthy and strong positive culture. Banks should create a working environment as part of a team; people in different departments still share the same view and see failure as an opportunity to learn and improve. Banks should develop a clear and consistent set of values to guide how they do business.

The MCO is also a crucial factor affecting the effectiveness of ERM. Therefore, banks' BOM must commit to developing ERM systems to address key risks across the bank and enhance risk discussions at the strategic level. The BOM of the bank should accept the risk appetite of the bank as a component of the strategy. The MCO must ensure that close monitoring of risks is always maintained. In addition, banks must establish a risk management committee at different levels to measure the MCO.

For RM to be effective, ERM must be carried out according to the COSO's integrated framework and ISO's risk management process, including the basic elements of goal setting, risk identification, risk assessment, and response to risks, and communication and monitoring.

Finally, according to COSO, ERM is implemented at different organizational levels of the entity (entity-level, divisions, business unit, subsidiary). However, the banks should pay attention to factors of bank's ORC that affect MCO towards the employees at transaction offices because of ERM effectiveness.

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