



# Managers' perceptions of risk culture in a public skills development funding organisation

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Mini-dissertation accepted in partial fulfilment of the requirements for the degree *Master of Commerce in Applied Risk Management* at the North-West University

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Graduation ceremony: June 2021

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## **PREFACE**

This mini-dissertation is the final deliverable for the Master of Commerce in Applied Risk Management. The mini-dissertation was written in article format and consists of three sections: Chapter 1: Introduction (Research project overview); Chapter 2: Article; and Chapter 3: Conclusions, limitations and recommendations (Reflection).

This mini-dissertation is the student's work. The student was responsible for the final concept, set up, execution of the research project and writing of the mini-dissertation. The members of the supervisory team contributed in an advisory and technical support capacity to study conception and design, analysis and interpretation of data and critical revision of the manuscript. The mini-dissertation was language edited before submission.

The main study supervisor gave the student permission to submit this mini-dissertation for examination.

## **ABSTRACT**

This study sought to understand the perceptions of management about risk culture in a public skills funding organisation. A qualitative interview-based research method was followed, with thematic analysis applied to determine the views of eight executive and senior managers in the organisation about four elements of risk management, namely, the legislative framework, risk culture, risk understanding and the role of risk management. It was discovered that the legislative risk framework was well understood by senior management, although not implemented as required. However, there was no uniform risk culture in the organisation. The immature risk culture may result in weak risk management controls in the organisation and vulnerability of the organisation to risks that could have been mitigated. Questions related to the understanding of risk yielded differing views from the participants – although risk analysis was done it is not thorough enough and the top risks mentioned differed between participants and from the risk register. The role of risk management was well defined and understood to belong to everyone in the organisation. Going forward, participants felt that risk should be a standing item on the relevant executive committee agendas and that more risk awareness training and workshops would be required. Valuable recommendations were obtained from participants to improve risk culture in the organisation, including the need for clarity on roles beyond management.

**Keywords:** Risk information, Legislation, Risk analysis, Public sector, Risk management, Organisational culture, Risk culture

## ACKNOWLEDGEMENTS

I would like to thank God for his protection and guidance throughout my life.

My family has been very supportive in this journey especially my mother, Ms Tulile Magwentshu, whom I promised years ago at the age of ten that one day I'd be more educated than her. With this Master's degree I have not yet delivered my promise but it has brought me a step closer to that promise. Once again thank you mom for your continued support. To my father, Mr Lindile Ntshikilana, thank you for always encouraging me to be an independent thinker and constantly inspiring me to follow my dreams. I would also like to acknowledge and appreciate my late great-grandmother, Ms Ella Novarile Magwentshu, who shaped my thinking and attitude towards education. She would always say "Imfundo ayigugelwa kwaye ayina lishwa" which can be loosely translated to "You are never too old to learn and education does not have a bad omen, with education possibilities are unlimited". Ndiyabulela Hlanga.

My grandmother, Ms Agnes Nikiwe Magwentshu, has played a big role in ensuring that I get a good education and good grades. Her continued love, support and sacrifices are highly appreciated. The immaculate support I have received from my siblings is immeasurable; Nokuthula, Nkululo, Olona, Phindile, Sifundo, Yamkela, Ndimpiwe, Chulumanco, Liyabona and my late brother Khonco.

To all my teachers and university lecturers, I know the trouble I have put you through over the years but this study is a result of all your hard work, resilience and teaching. I would like to make a special mention of Mr Rhabe, who was my school principal at Excelsior Comprehensive School, as he made my high school years memorable. He bestowed many of life's greatest lessons upon me. Professor Mzikayise Binza planted a seed of knowledge acquisition and, ploughing back in me, it greatly shaped who I have become over the years. His emphasis on ensuring that we plough back to our community can never be forgotten, as he would say "Clever people realise and acknowledge the fact that they are going to die one day, hence they decide to invest in the future of others." He further advised me to register for this programme. Ndiyabulela Msuthu, Gumbi Swalala. I would also like to extend my heartfelt appreciation to UARM team as led by Prof Hermien Zaaiman with a special mention of my supervisor Mr Fred Goede, who has held my hand throughout this journey.

My colleagues and managers, at the Department of Higher Education and Training and also at the National Skills Fund, have played a huge role in the completion of this study as they took time off and sat through interviews for this study. I would like to make a special mention of Mr Andile Mnyaka, Ms Zakho Bhontsa, Mr Zukile Mvalo, who all motivated me to continue with my studies. I would also like to make a special mention of Mr Lubabalo Lokwe and Mr Mvuyisi Macikama for finding time to listen and advise on my research topic.

A big thank you to all my fellow students of the 2019/2020 master's degree class. Thank you for being friendly and willing to share your knowledge with me. I began this journey alone but now I have a host of people that I can call friends and connections in the risk management space whom I can contact when I need risk management expert advice. I would like to make a special mention of Ms Sinovuyo Kolweni, who continued to support me even during the times I felt like giving it all up, and Mr Godfrey Thekiso for his continued support and advice on how to approach this study.

To all my friends who at times did not get much time to be with me because I had to commit more time to my studies, with special mention of Ms Phoofolo Lebenya and Mr Sanele Cawe, who I believe played a key role in laying the foundation for my academic career, as well as Ms Nombulelo Nikiwe, who has been a great support and a voice of reason as she acted my soundboard at times.

Last, I would like to thank Mr Lungisa Tunzi for holding my hand in finding funding for my studies. I would also like to extend my sincerest gratitude to the NSF and Fasset for funding my studies.

It really takes a village to raise a child!!

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## RESEARCH PROJECT OVERVIEW

### **Research problem statement: How does this study fit into the field of risk management?**

For the enactment of the Public Finance Management Act (PFMA, 1999), an organisation should have an effective, efficient and transparent risk management system. Government departments and public entities in South Africa have practised risk management on an ad hoc basis. The public sector over the years has struggled to enforce and practise effective and efficient risk management processes; some organisations in the public sector, such as the public skills development funding organisation, have established basic processes for the management of risks. (Bozeman, 1998) believes that, in comparison to the private sector managers, public managers are afraid to take risks; this notion can be attributed to bureaucratic structures found in the public sector and or risk culture in the public sector. Bozeman (1998) further states that public sector managers' risk averse tendency results in their ineffectiveness and inefficiency. This study investigated the perceptions of managers in the public skills development funding organisation about risk culture. The theoretical framework in the background section provides the ideal state of risk management and risk culture in an organisation. This study assessed the risk culture in the public skills funding organisation by focusing the investigation on the perceptions of the executive and senior managers. The theoretical framework in the background section further provided the researcher with the key elements of risk management, risk culture and their characteristics.

#### **• Why did the student decide to study this specific topic?**

The decision for choosing this specific topic for this study was made to assess the extent to which the public skills funding organisation lived up to the notion of an ideal risk culture as described in the literature and according to the required risk management standards in the PFMA, insofar as this adherence related to whether there was enough information on risk in the organisation's decision-making process, the nature of its risk culture, and the role that risk management played.

These are the questions that guided the study:

- What were the perceptions of the executive and senior managers in the public skills funding organisation about risk management and risk culture?
  - Was there any understanding of legislative frameworks to guide risk management?
  - What was the culture relating to risk management and what was the risk culture in the public skills funding organisation?
  - Was risk information in the organisation sufficient for sound risk-based decision making?
  - Who was responsible for risk management in the organisation?

- **Who are the intended audiences for the article?**

The focus of this study was to investigate risk culture in a public skills funding organisation and for a comprehensive report in this regard the executive and the senior management of the organisation were interviewed. This study can be of value to the management and the employees of the organisation, as they implement policies and procedures and are accountable for organisational performance that can be improved by a healthy risk culture in the organisation. This study can also be of value to those who would like to conduct a research on risk management and risk culture in the public sector.

- **Journal selection**

The Academia research journal has been chosen for the purposes of this study, because it shares articles and research papers with a widespread readership both domestic and globally. These articles are easily accessible to the viewers that are targeted. Academia publishes articles/research papers on different topics that are risk and risk culture related in both the public and the private sector. This research paper will benefit its viewers and add value in the data base of the journal.

Link: <https://www.academia.edu/>

## ARTICLE

### **Managers' perceptions of risk culture in a public skills development funding organisation**

#### **1. Abstract**

This study sought to understand the perceptions of management about risk culture in a public skills funding organisation. A qualitative interview-based research method was followed, with thematic analysis applied to determine the views of eight executive and senior managers in the organisation about four elements of risk management, namely, the legislative framework, risk culture, risk understanding and the role of risk management. It was discovered that the legislative risk framework was well understood by senior management, although not implemented as required. However, there was no uniform risk culture in the organisation. The immature risk culture may result in weak risk management controls in the organisation and vulnerability of the organisation to risks that could have been mitigated. Questions related to the understanding of risk yielded differing views from the participants – although risk analysis was done it is not thorough enough and the top risks mentioned differed between participants and from the risk register. The role of risk management was well defined and understood to belong to everyone in the organisation. Going forward, participants felt that risk should be a standing item on the relevant executive committee agendas and that more risk awareness training and workshops would be required. Valuable recommendations were obtained from participants to improve risk culture in the organisation, including the need for clarity on roles beyond management.

**Keywords:** Risk information, Legislation, Risk analysis, Public sector, Risk management, Organisational culture, Risk culture

## 2. INTRODUCTION

According to the Director-General's foreword of the 2018/19 annual report of the National Skills Fund (NSF, 2019), "In the first six years as a national public entity under Schedule 3A of the Public Finance Management Act PFMA (1999), the National Skills Fund (NSF) achieved an unqualified audit, although concerns have been raised on both reporting on predetermined objectives and non-compliance with legislation". In the 2018/19 financial year, however, this public skills funding organisation received a qualified audit from the Auditor-General. In *Business Day*, Kahn (2019) reported that, although the total revenue of the NSF for 2018/19 was R4 billion, a net surplus of as much as R1.5 billion was reported for the year. This could lead to the National Treasury allocating less in future to the National Skills Fund, which could hinder service delivery in the public skills funding organisation going forward.

The challenges of underspending and concerns about non-compliance with legislation suggest that the improvement of controls in the areas of risk management and risk culture, in the organisation as well as in the country's public service in general, could offer useful opportunities to address these issues and thereby to assist with attaining the organisational goals. The NSF is a public skills funding organisation mandated to fund skills development projects in South Africa in order to close the gap in the shortage of skills in the country. As an entity of the Department of Higher Education and Training (DHET), it is required to deliver on its mandate with caution in order to ensure value for money and it also has the responsibility to adhere to legislative requirements of the Public Finance Management Act 1 of 1999 (PFMA, 1999). These legislative requirements necessitate public entities such as the NSF to ensure efficient, effective and transparent risk management systems.

Public sector managers, as reported by Bozeman (1998), are characterized, in general, as risk-averse and, in some/many cases over-cautious. Public sector management is acknowledged in the literature as being traditionally risk-averse (Bozeman, 1998). Although separate from the DHET, the NSF applies the risk management policy of the department as a whole; the efficiency and effectiveness of this adherence may need to be probed, in case there is misalignment on the part of the current risk management approach at the NSF.

According to Asenova (2015), there has been a growing tendency in the past decade or so for risk management to have to be responsible for more than mere regulatory 'box-checking' compliance. This can be challenging without an embedded risk culture, as Cooper (2013) notes. Due to the nature of the public service as a highly-regulated and compliance-driven space, there is a supposition that senior managers have an appreciation of risk management and that its practice would be meticulous (Cooper, 2013). However, Coetzee (2013) suggests that the public sector in South Africa is a clear example of an environment that has risk regulations in place which, however, are not applied appropriately.

In exploring the suggestion that risk management and risk culture may be worth consideration in the context of addressing the challenges facing the NSF, this study investigated the perceptions of its executive and senior managers about risk management and the prevailing risk culture in the organisation. It also sought to determine the extent to which risk information was used in decision-making.

Because this public skills funding organisation provides funding for projects that promote skills development, its task includes, among other things, ensuring the viability of the projects that it funds in a manner that promotes the effective and efficient use of public funds. Its risk management practices should therefore be central in its decision-making processes in order to protect against wasteful and fruitless expenditure, as is required of all public entities by the PFMA (1999). Yihui et al. (2017) established a view that organisational culture, and by extension risk culture, is the culmination of the shared values of senior managers in an organisation.

The literature on risk management and, more specifically, on risk culture, provides adequate guidelines to organisations to help create a culture that is conducive for the implementation of effective, efficient and transparent risk management systems as prescribed by legislation such as the PFMA. This Act formalised the practice and implementation of risk management in the public sector. The NSF, as a public skills funding organization, had followed the basic requirements of risk management processes (i.e. by establishing its risk management unit) as prescribed by the PFMA. The present research, therefore, sought to assess the risk culture in this public skills funding organisation in terms of the literature on an acceptable risk culture on the one hand, and the understanding of risk culture by the organisation's executive and senior management on the other.

The importance of risk management, particularly to senior management and executives in the organisation, was highlighted in this study. Furthermore, the study provided insights into the characteristics that define an effective risk culture for a public skills funding organisation. It informs the readers about the mechanisms of risk management processes and their relationship with such an organisation's risk culture in contributing to the attainment of its objectives in general and the fulfilment of its mandate.

This study used a qualitative research method for exploring the risk culture in the public skills funding organisation. It was designed to uncover any problems or obstacles standing in the way of an effective risk culture in the organisation in overcoming its reported challenges. Semi-structured interviews were conducted with the executives and senior managers as its key decision-makers; the material was transcribed and coded in preparation for thematic analysis, followed by conclusions and recommendations.

### **3. Background**

This section provides a brief background to this study, to organisational risk management and to its relation to risk culture. It discusses risk, risk management, risk assessment, and risk culture and further discusses how risk culture relates to risk management and the importance of culture and risk culture in an organisation.

#### **3.1. Risk**

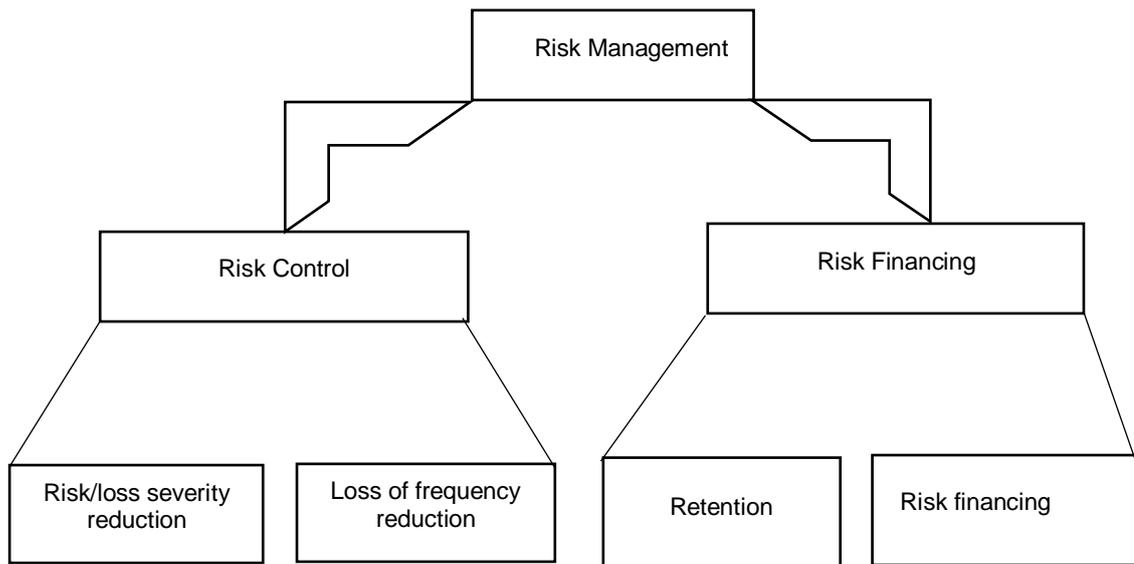
According to Ferguson (2019) risk is about the uncertainty of events including the likelihood of those events taking place and the effects of risks to the achievement of the organisation's objectives. Risk also involves circumstances where uncertain events with potentially positive effects on the organisation (i.e. opportunities) are not captured or materialised by the organisation.

Ferguson (2019) further states that the accounting authority and the executive management of an organisation are tasked with identifying risks for the organisation. The executive management has to ensure that risks are mitigated in the organisation in a manner that does not impede organisational growth. The senior management and management of the organisation are also tasked with ensuring good governance in a regulated manner that allows risk control measures which complement the objectives of the organisation. The accounting authority has to quantify levels of risk tolerance, bearing in mind the limitations of the extent to which an organisation can pursue risks. The consideration of risk should be included for external and internal impact reduction.

For the purposes of the skills development funding organisation studied here, legislative risk is important. In the 2018/19 annual report of the NSF (2019), the Director-General as an accounting authority identified non-compliance with the PFMA as among the issues that were raised by the Auditor General. Non-compliance to the legislative framework poses a risk to the organisation.

#### **3.2. Risk management**

Risk management is widely described as a process that is systematic, with organisational controls that enhance the achievement of organisational goals, no harm done to the interests of the public, safety of the human resources, and compliance and adherence to the rule of law. In risk, management communication plays a key role (Marinos, 2006). ISO31000 (2018), which is a guiding document for all organisations, describes risk as "the effect of uncertainty on objectives". Risk is described in context because the risk is ascertained by consequences, and it does not take place in a vacuum. The management of risk takes place in the context of the attainment of the organisational goals. Valsamakis (2010) defines risk management as a "Managerial function aimed at protecting the organisation and its people, assets and profits against the physical and financial consequences of risk". See Figure 1 for the key risk management functions referred to by Valsamakis (2010). The accounting authority should ensure that, management executes risk strategy in accordance to the organisational goals policy and plans (KingIV, 2016).



**Figure 1:** Risk Management functions according to Valsamakis (2010)

### 3.3. Risk assessment

Choo Bennie and Goh Jenson (2015) state that organisations should establish measures for risk assessment to detect the impact of risks and their root causes. For a comprehensive risk report with a list of risks in the organisation, risk assessment has to be conducted. For any risk assessment process, risk identification is a critical stage to determine whether the risk is under control or not; this stage should also consider a wider range of apparent consequences even if the source of the risk is not evident. The organisation should use risk identification techniques and tools suitable for the organisational objectives and capabilities. Risk assessment is a process that should be conducted in a systematic way, drawing insight from all stakeholders of the organisation, utilising the available information and supplemented by further investigation. Choo Bennie and Goh Jenson (2015) state that a successful risk assessment is born out of sound risk culture in the organisation. Risk assessment is understood as a multi-layered process which includes:

- Identification of risks;
- Risk analysis; and
- Risk evaluation.

Next, we consider the literature about risk culture that underpins good risk assessment and management. Organisations are tasked with this exercise of risk assessment, and, like others, the public skills funding organisation under study had to identify potential risks, analyse those risks, evaluate and report on them.

### 3.4. Risk culture

Roeschmann (2014) states that the term 'risk culture' gained further prominence after the 2008 global financial crisis and corporate scandals that emerged, perpetuated by unethical behaviours in the corporate world. These corporate scandals came with financial losses, which resulted in economic instabilities worldwide. Poor risk culture and non-recognition of risk management frameworks were blamed, amongst others, for the crises.

Risk culture is a term that has evolved. It was described as the risk appetite of management by Bozeman (1998), who associated the definition of risk culture with managerial perceptions about risk-taking. Agarwal and Kallapur (2018) define risk culture as the "tone at the top" and how this filters down to the rest of the organisation and stakeholders. The "tone at the top" refers to the risk attitude of the governing body of the organisation, including the establishment of a risk committee and the development of a risk management policy framework for the organisation.

Kpodo (2015) wrote that risk culture encompasses a set of individual and organisational principles, behaviour attitudes and competencies that prevail in an organisational approach to risk management. Individual members of a group, through their repeated behaviour, develop a culture. The principles, knowledge and beliefs relating to the understanding of risk, which are common and shared by the group with shared interests in the organisation, can be summed up as risk culture. Mcconnell (2012 ) indicates that, with strong managerial efforts, culture can be improved and changed positively. This means that culture, and indeed risk culture, is not static – it can be created and directed through a conscious effort. Culture can be changed. This implies that certain activities can be undertaken, and processes can be put in place to create the desired culture. Risk culture, therefore, refers to the approach of individuals in the organisation towards risk, and any changes to such a culture must address the formalised structure of rules, regulations and processes.

In creating an effective risk culture, Mcconnell (2012 ) cautions against the following impediments:

- i. Over-confidence as a result of a false sense of risk immunity;
- ii. Blind spots resulting from undue comfort;
- iii. Fear of bad news that can arise from restraining contrary viewpoints;
- iv. Passivity and indifference as a result;
- v. Denial of facts;
- vi. Failure to correct bad behaviour; and
- vii. Frequent breaches of procedure.

Another factor that contributes to an ineffective risk culture is the failure by personnel to understand assessment of the likelihood of risk exposure and its impact, together with the fact that culture is often not seen as an organisational priority (Althonayan, 2012).

Risk governance can fail because of reduced assimilation of risk in strategy, poor risk culture and lack of clarity in roles and risk reporting. It has further been noted that reliance on structures with an ineffective risk culture is a futile exercise because poor risk culture can undermine the structures in an organisation (Agarwal & Kallapur, 2018).

Althonayan (2012) emphasises that, in addition to protecting organisations from "the impact of negative risks" and to "uncover opportunities for calculated risk-taking and enhance the perception of stakeholders", an organisation can derive sustainable value from creating a positive and effective risk culture. A culture of enterprise risk management is the outcome of shared principles and behaviours that are based on certainty and reliability in the risk management process (Althonayan, 2012). This requires collaboration throughout the organisation in a concerted effort to manage risks and achieve strategic objectives, since a positive risk culture is not characterised by working in silos. To determine its risk culture, an organisation must therefore confront the following questions according to (Althonayan, 2012).

- i. What are the shared values, beliefs and behaviours related to risk management in the organisation?
- ii. How are the organisation's policies regarding risk management considered in decision making?
- iii. How is the organisation's risk tolerance or risk portfolio considered in decision making?
- iv. How are employees rewarded for demonstrating organisational risk awareness?
- v. How are the board of directors, executives and managers engaged in the risk management of the organisation?
- vi. How open is the information sharing and communication between departments and teams in the organisation? and
- vii. Is there a learning environment for employees to apply risk management in their day-to-day jobs?

Some of these questions will be addressed in the present study to better understand the prevailing risk culture.

### 3.4.1. How does risk culture relate to risk management?

According to Banks (2012), successful risk management is born out of proper management of risk exposure. In pursuit of proper risk management, an organisation has to put in place a sound organisational structure which allows the proper management of risk exposure regardless of type or quantity of risk. This exercise can be enabled by a risk culture that is conducive to appropriate risk behaviour. An organisation has to build a robust risk culture, even though it is understood that the adoption of risk culture is an organic process that has to be accepted by the leadership of the organisation and its employees. Banks (2012) further notes that the awareness of risk in an organisation is reflected by risk culture and that all employees in an organisation should be risk aware regardless of their roles in the organisation. Characteristics of risk culture are linked to governance managerial functions which incorporate risk management, as follows.

- **The tone at the top sets the stage for risk culture:** The organisational leadership should be aware of risks and risk issues in the organisation and put in place the resources, time and effort they deserve. This exercise compels all stakeholders in the organisation to follow the lead.
- **Governance:** The governing body of the organisation should make certain that the organisation has a sound risk culture that ensures the reduction of tedious controls which overturn creativity and result in undue expenditure. The governing body should ensure the alignment of risk culture and risk management with the realities of the organisational set-up.
- **Communication and information-sharing:** The leadership and management of the organisation are responsible for giving policy direction in the organisation. The risk management policy and plan is no exception as it should be developed and communicated throughout the organisation. A risk culture that is sound encourages understanding of risks and risk management, which results in the suitable application of risk controls in the organisation.
- **Training and awareness:** Risk culture and its impact and influence on strategic risk decision making cannot be underestimated, as it has a great influence on the attainment of organisational goals of the organisation. The organisation should ensure that employees have the desired skills and values to handle risks and ensure proper risk management. The management of the organisation should organise information sharing sessions and workshops on risk management and risk culture.
- **Accountability:** In an organisation that has a strong risk culture, the employees in its bureaucratic structure are encouraged to make their contribution to the risk management processes. Threats and apprehensions are addressed instantly and efficiently by the employees and communicated accordingly to raise awareness.

According to Bozeman (1998), the perception and awareness of managers in the organisation create culture, and that supersedes any documented decisions taken by management. The employees'

perception of managers provides signals for acceptable behaviour in the organisation. Bozeman (1998) further established that there are no direct linkages between risk culture and the sector in which the organisation operates, be it private or public.

### 3.4.2. The importance of culture and risk culture in an organisation

The importance of positive culture in an organisation's risk processes cannot be downplayed. According to Cooper (2013), culture in an organisation is a set of beliefs, principles and behaviours that influence the environmental setting in an organisation. The culture in an organisation has a major influence on business processes, decision making and stakeholder engagement and behaviour. A study by Roslan (2013) suggests that there is a correlation between organisational culture and risk management, Roslan (2013) further notes that an established culture in an organisation can place risk management in a better position. Organisational culture should go through an evaluation process and must be redefined to ensure better sustenance of risk management in the organisation.

According to Deloitte (2012) culture is one of the factors that make compliance standards strong in risk management. An organisation should find means of improving risk culture and measure progress over time. For many organisations, the 2008 financial crisis was a turning point in restructuring risk culture. The most important lesson from this period was that, in all levels of the organisation, risk culture should be visible. In building a strong organisational culture and risk culture, Deloitte (2012) suggests the practice of the following attributes:

- **Common purpose, principles, values and ethics:** The alignment of employees' singular interests, principles and ethics to organisational risk strategy, appetite, tolerance and approach is of utmost importance.
- **Collective agreement and presentation:** Risk should be considered in all activities (i.e. planning of strategy and daily operations) in all organisational levels.
- **An organization that learns:** The collective management of organisational risks should be done effectively and there should be continuous improvement.
- **Immediate, authentic and transparent communication:** Open and transparent discussion about risk promotes common understanding of risks in the organisation.
- **Timely, transparent and honest communications:** In communication processes, people should be comfortable about talking openly and honestly about risk, using a common risk vocabulary that promotes shared understanding.

The improvement process of organisational culture and risk culture is dependent on three stages, according to Deloitte (2012): cultural awareness, cultural change, and refinement.

### 3.4.3. Risk culture maturity and its mechanisms

The maturity of risk culture in an organisation can be seen through the presence of effective risk management, a reasonable level of risk-taking, transparency, and the effectiveness of internal controls. Roeschmann (2014) suggests that a mature risk culture enables effective and efficient risk management processes. In a mature risk culture, an organisation uses risks to achieve its organisational goals. Domańska-Szaruga (2020) suggests that effective risk management is established by a precise and consistent risk culture. Appropriate legislative frameworks and regulations should structure risk culture in an organisation. Regulations and procedures should be specific about the desired outcomes and attitudes towards risk culture (i.e. through structures that are motivational, with multiple focus on a number of key elements such as finance, means of communication, and training and development of employees in risk related duties). Through these mechanisms, a desirable and mature risk culture can be attained.

According to Roeschmann (2014), most organisations associate the 2007 and 2008 financial crisis with poor risk culture in the financial sector, and the unfortunate global economic consequences led many organisations to strive towards the attainment of a strong and mature risk culture.

### 3.5. Concluding remarks on literature review

The sources reviewed above suggest that risk culture is based on norms, principles, values and beliefs. With regard to the above, it can be concluded that the concept of positive and effective risk culture in an organisation is founded on a conscious effort by the organisation to have the appropriate processes, systems and procedures in place to instil such a culture. This implies that all stakeholders in the organisation have a part to play in creating such a culture.

## 4. Method

**Study setting:** The focus of this study was to investigate risk culture in a South African public skills funding organisation. The literature review included document analysis, which Bowen (2009) describes as a procedural system used in reviewing and assessing documents, both electronic and in print. For the present report relating to this organisation, the senior management were interviewed. The mandate given to the public skills funding organisation was to fund skills development in the country, focusing on previously disadvantaged communities and rural communities. The organisation was listed as schedule 3A according to the PFMA. This Act identified the main sources of revenue for the public skills funding organisation as the following:

- Skills development levies;

- Interest earned from the Public Invest Corporation's investments and the surplus from the SETAs in terms of SETA grant regulation 3(12).

Among the major risks identified in such an organisation are underspending on the budget, fraud, and corruption (Kahn, 2019).

**Research approach:** This was a qualitative study using one-on-one interviews with the executives and senior managers to gather information about the prevailing risk culture in the organisation. This type of research was useful and appropriate for obtaining perceptions of the executives and the senior managers on risk culture; according to Leedy (2016), this type of study is employed to scrutinise various degrees and difficulties of a certain phenomenon and involves the study of phenomena that cannot be completely reduced to statistical values. This method is explained by Vaismoradi et al. (2013) as an approach that is used to give more understanding and better interpretation of a phenomenon.

This leaning towards a qualitative analysis of risk culture is supported by Wood and Lewis (2018) who stated that quantitative analysis of risk culture presents a challenge due to the difficulty of quantifying corporate culture. The research method selected was useful and appropriate for exploring the perceptions of managers about risk culture because, as noted by Leedy (2016), it assists in the examining and verifying certain assumptions on risk management and in uncovering key problems, obstacles in the creation of effective risk culture in the public skills funding organisation.

**Participants:** The public skills funding organisation had four executive members and twelve senior managers. For the purpose of this study three executive members and five senior managers were to be interviewed (here referred to as participants, P) as they were considered as one group senior managers because they oversaw business units in the organisation. To address the objectives of this study, purposive sampling was exercised. As justified by Omona (2013) purposive non-random sampling is a tool used on a certain phenomenon to gain insight from the selected settings, individuals and groups.

**Data collection:** Semi-structured interviews were used, which, according to Leedy (2016), are an appropriate research method. The following open-ended interview questions were posed in a pre-defined sequence:

*Risk management framework:*

1. To what extent are you aware of any legislative requirements on risk management, such as the PFMA and Treasury Regulations?

*Risk culture:*

2. What are the key characteristics used to create an effective risk culture in your organisation?

*Risk understanding:*

3. Does risk analysis matter in the decision-making process? If yes, how? If not, why?

4. What are the top five risks in the organisation?

*Risk role:*

5. What kind of support would you like from your subordinates when it comes to decision making and risk management?

In the light of Covid-19 conditions the interviews were conducted remotely using MS Teams, and the researcher was able to follow-up on responses and ask further questions of clarity. Interviews were scheduled to last 25 minutes. The interviews were audiotaped, with approval from participants, to allow the interviewer to transcribe and analyse the interview responses after the interview.

**Data analysis:** The audio recorded interviews were transcribed, which entailed turning spoken words into writing, and coding was done. Coding is described by Elliott (2018) as an acceptable process in analysing in qualitative research that assists researchers in the breakdown of data. The coding process was followed to find data that might be new. For the purpose of this study, thematic content analysis was applied through analysis, organisation and the description of themes found. According to Nowell et al. (2017), thematic analysis is a tool used to examine perspectives of different participants in a study highlighting the differences and similarities found, generating knowledge.

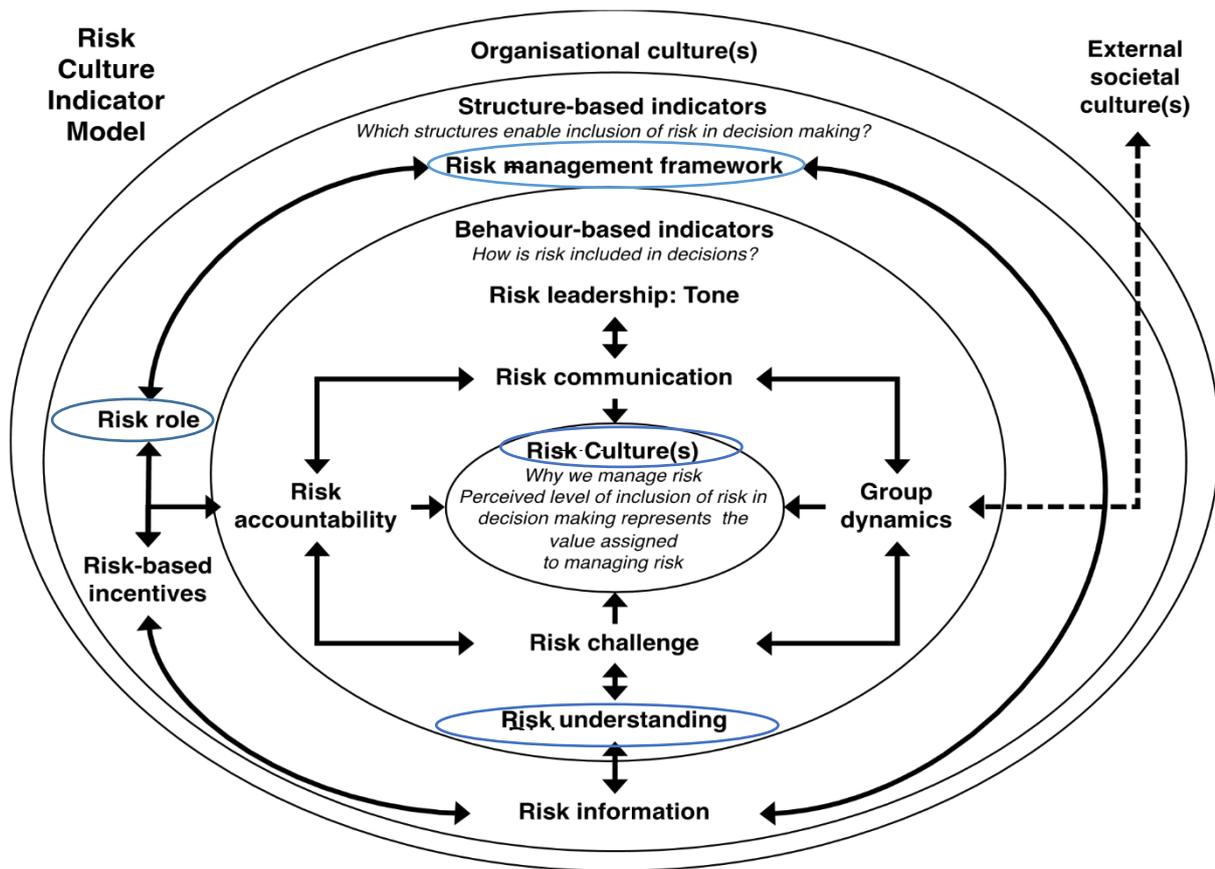
**Ethical considerations:** The interviewer obtained written consent from participants before setting up the interviews. The written consent involved their completing and signing an informed consent form (Appendix A). The public skills funding organisation provided formal permission for this study to be conducted (Appendix C). This study was also approved by the North-West University Faculty of Economic and Management Sciences Research Ethics Committee and the Ethics Approval number is NWU-00788-20-A4.

This process followed a similar process to that outlined by Arifin (2018) that participants should take part freely and voluntarily in the study. Participants in the study should understand the subject matter and what is expected of them, and they should be competent enough to give consent. Arifin (2018) states that participants in a research study should be well informed about the study, have good understanding of all the relevant information, and take part on the study in their own accord.

### **Risk-informed decision culture (RiDC) model**

The Risk-informed Decision Culture (RiDC) model was a useful instrument in analysing the literature, designing the study, and coding the interviews. The RiDC model puts into context the risk culture within the wider organisational culture, and provides supplementary structures that can be used to embed risk culture in an organisation. Zaïman (in progress) The RiDC model showed the elements include risk management framework, risk culture, risk understanding and risk role. The literature reviewed in the background section noted the key characteristics that have relevance in the advancement of risk culture in organisations and are consistent with the RiDC model (i.e. risk

management framework, risk information, risk culture and risk role). The literature reviewed in the background section noted the key characteristics that have relevance in the advancement of risk culture in organisations and are consistent with the RiDC model (i.e. risk management framework, risk information, risk culture and risk role). See Figure 2 for more detail on the RiDC model, where the circled themes denote the focus of my study. See Figure 2 for more detail on the RiDC model, where the circled themes denote the focus of my study.



**Figure 2** Risk-informed decision culture (RiDC) model

## 5. Results

The results section presents the perceptions of managers about risk culture in the public skills funding organisation, leading to the assessment of the understanding, by managers, of the legislative frameworks that guide risk management, the perception of risk culture by the management, the understanding of risk in decision making, and the role of risk management. The results are summarised in themes in Table 1, with commentary and responses quoted from participants to highlight the executive and senior manager’s perceptions. Table 1 presents the summary of themes of managers’ perceptions, and Table 2 gives an overall summary of managers’ perceptions about risk framework, culture, understanding and their roles, in the organisation.

**Table 1:** Summarised codebook of categories and themes for the analysis of managers’ perceptions

RCI Category	Theme	Participant No	Description of the theme/research commentary	Examples/ responses
<b>1.1 Risk Management Framework</b>	Awareness of legislation (PFMA, National Treasury regulations)	P8	The PFMA and the National Treasury regulations provide understanding and appreciation of the legislative framework that guide risk management in the public sector and also assist in finding mitigating solutions for risks incurred.	“There is a National Treasury framework that guides Public Finance Management Act risk management in the public sector”
		P6		“They make provisions for monitoring how management responds to risks at hand”
		P7		“The legislative frameworks and prescripts assist in finding mitigation factors for risks found in the public sector”
			Overall, based on the responses, there is an appreciation and understanding of the PFMA and other risk related legislative requirements on risk management in the	

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public skills funding  
organization.

**1.2 Risk Culture**

Effectiveness  
and  
characteristics of  
risk culture

“As is”

Ideal state

P1

The participants indicated the characteristics of current practice in the organisation, together with the activities which should form part of creating an effective risk culture in the organisation. The difference between what the participants indicated as current practice and what should be done is significant. The awareness needed through workshops and performance reports could help risk culture. There is a perception that risk culture is still immature.

“Within the NSF risk culture is still very immature, it still needs to grow. Awareness workshops and regular updates on risks are some of the key characteristics that could be used”

P5

“Ideally the management team must share all its performance reports with the rest of the organisation to create awareness on risks that have emerged in the organization”

P4

“The exercise of monitoring and evaluation across the organisation is an ideal characteristic of a future risk culture”

Overall, the results indicate that the risk culture in the public skills funding organisation is still at an elementary stage, and there are a number of interventions that should be put in place, as indicated above by

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			the participants, to ensure that an effective risk culture is created in the organization.	
<b>1.3 Risk understanding</b>	Use of risk analysis	P1	The participants further demonstrated an awareness of risk management processes such as risk analysis and how these processes can be used to enhance decision-making in the public skills funding organisation in the interest of service delivery.	“Risk analysis is very important on any decision that is being made because decision making on its own is a risk. So risk analysis assists in making informed decisions”
		P5		“Risk analysis matters in the decision-making process especially with the public skills funding organisation because the decision-makers have to ensure that public funds are spent on matters of social and economic development. A lot of risk analysis has to take place to ensure that public funds are not spent in vain.”
	Understanding of top risks	P4	Most of the risks identified are not found in the risk register. This could imply a number of things. First, that there is no consensus among the managers in the organisation on what are the key risks in the organisation. Second, this implies that risks are not addressed at a strategic level; as remarked by one of the participants, risk management is not a standing item on the executive committee and senior management meeting agendas.	“I am not sure about the top 5 risks but I have a number of risks that I can think of like the Reputational risk, ICT on cybersecurity, political interference and economic factors”
		P3		“Please refer to the risk register and other official documents “ organisation that can be accessible on the intranet”

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			Overall, the majority of the participants deemed risk analysis to be an essential part of decision-making. However, it was discovered that there is no consensus among the managers on what are the key risks in the organization; this implies that risks are not addressed sufficiently at a strategic level.	
<b>1.4 Risk role</b>	Role of subordinates	P5	The participants identified risk management and analysis as a responsibility of all officials in the organisation and also as a process that should be undertaken by all officials.	“In terms of the subordinates, it would be appreciated if they can write clear and concise documents that do not require much editing, because editorial work is also a risk on its own as it requires time and that has got an impact on the turn-around time of service delivery.”
		P2		“All officials should play an active role in risk identification and reporting in their specific roles within the organization”
		P3		“Openness and transparency on the background of a particular risk should be practised”
			Overall, managers in the public skills funding organisation perceived risk management to be a role that should be played by all officials in the organisation and that it is not only a managerial function.	

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**Table 2:** Overall summary of findings: managers' perceptions on risk framework, culture, risk understanding and the risk roles in the public skills funding organisation

Theme	P1	P2	P3	P4	P5	P6	P7	P8	Average outcome
1.Risk management framework	+	+	+	+	+	+	+	+	+
2.Risk culture	-	-	+	-	-	+	+	-	-
3.Risk understanding	+	+	+ -	+ -	+	+ -	+ -	+ -	+ -
4.Risk role	+	+	+	-	+	-	-	+	+

Legend: Positive = +; Negative = -; Uncertain = + -

Table 2 shows that senior management had an overall positive view and understanding about the risk management legislative framework and the ownership of risk roles in the organisation. However, risk culture was perceived to be negative and far from mature, requiring significant further efforts. The understanding of risk left participants uncertain; although risk analysis is done, it is perhaps not thorough enough and the top risks mentioned varied from participant to participant.

## 6. Discussion

### 6.1. Understanding and adherence to the regulatory frameworks of risk management

Managers comprised of both the executive and the senior managers in the public skills funding organisation in this study indicated their basic understanding of the regulatory frameworks that guide the risk management in the public sector (see Appendix C), even though the organisation had put into place basic risk management measures (i.e. the establishment of the Legal, Governance, Risk and Compliance unit and the use of the risk register). According to Moloï (2016) the Treasury's regulations and the PFMA require public institutions to implement risk management plans, risk communication, training and awareness, these had not been visible in the public skills funding organisation. The embedding of risk management processes had not been rooted as required by the regulatory framework. The managers of the organisation unanimously stated that risk management was not a permanent item on the agenda of the senior management meetings or of the executive committee meetings. The different business units in the organisation also did not have their own risk and mitigation plans. According to one respondent, the exercise for risk recording took place only when the Legal, Governance, Risk and Compliance unit made requests for different business units to populate the risk register with risk information. The majority of the interviewees identified reliance

of the organisation to the mother department in terms of some policies and business functions as a risk, which included the use of the risk management policy of the parent department.

The participants indicated some awareness of the requirement to conduct risk management as prescribed in the PFMA and King IV. One of them remarked that these legislative prescriptions were not implemented. It was indicated that there was a Compliance Committee in the organisation, which had to ensure that control measures were in place and that compliance and risk management were conducted. Another participant highlighted the importance of the Audit Committee, as a legislated body, in providing oversight on risk, risk management, monitoring of the risk register and how management was responding to risks. A further one indicated that the public skills funding organisation provided quarterly risk and compliance management reports to National Treasury. One respondent (R 5) noted that the PFMA seeks to ensure value for money in the course of delivering on the organisation’s mandate, and that measures should be put in place to achieve this.

Based on these responses, it was clear there was some appreciation and awareness of the PFMA and related National Treasury requirements on risk management, which was encouraging. However, the risk culture appeared not to be ideal in the implementation of practices, as suggested by the issues of potential non-compliance that had been raised in the annual report of 2018/19 and that remained a concern.

## 6.2. Analysis of risk culture in the public skills funding organisation

The participants were requested to indicate what they deemed to be the key characteristics of risk culture in the public skills funding organisation. They indicated the characteristics that were currently practised in the organisation together with activities that should form part of creating an effective risk culture in the organisation (see Table 3).

**Table 3:** Key characteristics of risk culture vs activities which should form part of creating an effective risk culture in the organisation, according to participants

<b>Key characteristics of risk culture in the organisation (current)</b>	<b>Activities which should form part of creating an effective risk culture in the organisation (ideal)</b>
<ul style="list-style-type: none"> <li>• Annual risk management workshops.</li> <li>• Timely update of the organisational risk register.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication.</li> <li>• Monitoring and evaluation.</li> <li>• Embedding risk management in business functions as a core deliverable.</li> <li>• Proactive management of risks.</li> </ul>

<ul style="list-style-type: none"> <li>• Risk management as a standing item on the audit and compliance committee agendas.</li> <li>• One participant indicated that project risks are discussed in the monthly business unit meetings but not as standing item on the agenda the unit risk register has not yet been developed, and open discussions of risk occur between meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of a common understanding of organisational risks and the correct behaviour towards them.</li> <li>• Featuring risk management commonly in management meetings.</li> <li>• Sharing of risk management reports throughout the organisation to create awareness about risks that have emerged.</li> <li>• Understanding of the value of risk management and how to do it.</li> </ul>
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The difference between what the participants indicated as *current practice* and what *should* be done is satisfactory. This may indicate that the risk culture in the public skills funding organisation was still at an elementary stage, and that a number of interventions needed to be put in place, as indicated by the participants (see Table 3), to ensure the creation of an effective risk culture in the organisation.

**6.3. Risk understanding in the public skills funding organisation**

**6.3.1. The importance of risk analysis in decision making and the attainment of organisational goals**

Seven of the participants deemed the importance of risk analysis in decision-making and in the attainment of organisational goals. One of the participants stated that risk management is still an “immature” process in the organisation. Some of the key findings were as follows:

- i. In the risk management process, it is important to have an appreciation of the internal and external environment in which the organisation that all relevant stakeholder are part of;
- ii. Risk identification, risk analysis and risk mitigation/management were identified as processes that should be undertaken to ensure that decisions taken do not negatively affect the organisation’s ability to deliver services as per its mandate;
- iii. Two (2) participants remarked that decisions in themselves have an inherent risk; this ought to be managed appropriately and risk management can be used to make informed decisions.

One of the research objectives was to determine whether risk management was part of decision-making in the public skills funding organisation. The responses summarised above indicate that there

was a general sense of awareness by executives and senior managers in the organisation of the importance of risk management in decision-making. The participants further demonstrated an awareness of risk management processes such as risk analysis and risk mitigation/management, and how these processes can be used to enhance decision-making in the organisation in the interests of service delivery. The importance of risk analysis in decision making cannot be overlooked, especially in a public entity in charge of the disbursement of public funds. The decisions made in an entity such as this one, furthermore, have an impact on the development of the South African economy, on the creation of a skilled labour force, and on the potential reduction of unemployment. Therefore, risk analysis in decision making is key for such an organisation to achieve its goals.

### **6.3.2. Observations on top risk in the public skills funding organisation and inferences on risk understanding**

In assessing risk understanding in the organisation, the researcher asked the participants what they thought were the top risks for the organisation. The following were noted:

1. Most of the risks identified by the participants were not found in the organisation's risk register. This could imply a number of things. First, it could imply that there was no consensus among the managers in the organisation about what the key risks in the organisation were; second, it implies that risks may not be addressed at a strategic level. One of the participants remarked that risk management was not a standing item on the executive committee and senior management meetings' agendas.
2. The participants, as heads of their respective business units, indicated that their units did not have risk registers the only risk register in the organisation was for the whole organisation. This could be an indication of poor risk management practice, which could reflect poor risk culture being passed down from top management of the organisation.
3. The following risks, however, were commonly identified by the participants as top risks:
  - High dependency on the parent organisation; and
  - Corruption.

### **6.4. Risk role in the public skills funding organisation**

In assessing the understanding of the role of risk in the public skills funding organisation, five participants indicated a fair understanding of the risk role and three were uncertain about the kind of support they would need from their own subordinates when it came to decision making and risk management. Views were held by the majority of participants, where they indicated that risk management is not only a managerial function but a role that should be played by all officials in the organisation, by contrast to assertions held by Valsamakis (2010), for whom risk management is a managerial function aimed at protecting the organisation and its people, assets and profits against the physical and financial consequences of risk.

## 7. Conclusion

The objective of this study was to determine the perception of senior managers of aspects of risk management in a South African public skills funding organisation. The investigation included the extent to which the organisation lived up to the notion of an ideal risk culture as described in the literature and in the requirements embedded in the PFMA and the National Treasury regulatory framework. This study also aimed at making recommendations about how a mature risk culture can be embedded in a public skills funding organisation. The objectives of this study were reached, but with some limitations; this research project was limited only to the public skills funding organisation in which I work, and did not move into South Africa's broader post-school education and training system or other funding organisations. The inclusion of other organisations could have steered this study into further different directions. To this end, the perceptions of managers about risk culture in the organisation were assessed, mainly in four (ISO31000, 2018) areas that are also reflected in the RiDC model (Zaaiman, in progress):

- i. The understanding of the regulatory frameworks that guide risk management;
- ii. The key characteristics of risk culture;
- iii. The importance of risk analysis in the decision making process and the attainment of organisational goals; and
- iv. Management's risk role perceptions.

The results showed that managers in the public skills organisation:

- Had some appreciation and understanding of the PFMA requirements on risk management in the public sphere and in the National Treasury regulations. However, the risk culture appeared to be less than ideal, given the potential non-compliance concerns that had been raised;
- Understood the current practice (characteristics) of risk culture (or its inadequacies) in the organisation and what should be done to create a more effective and mature risk culture. This may indicate that the risk culture in the public skills funding organisation was still at an elementary stage, but that, according to the participants, there were a number of interventions that could be put in place to ensure that an effective risk culture was created in the organisation;
- Were aware of risk management processes such as risk analysis, risk mitigation/management, and how these processes could be used to enhance decision-making in the

organisation in the interests of service delivery. The identified five risks by one of participants were not found in the organisational risk register:

- On the risk role managers in the public skills funding organisation perceive risk management to be a role that should be played by all officials in the organisation and that it is not only a managerial function.

The public skills funding organisation had put in place basic risk management processes, including the establishment of the unit Legal, Governance, Risk and Compliance unit and the use of the organisational risk register, so awareness of the legislative framework was high (positive) even though the implementation of the requirements were still a concern.

According to Bozeman (1998), risk management is a managerial function, which makes management partially responsible if there are gaps in risk management in an organisation and if risk culture needs improvement. The FSB (2014) noted that the management of an organisation should be accountable for risk management and consequently risk culture. The recommendations from participants in the present study were that the accounting authority – which, according to the PFMA (1999) is responsible for the delegation of powers to officials in the organisation – should consider the following:

- ensure that the executive committee and the senior management have risk management as a standing item on their meeting agendas for discussion of the organisation's risk life cycle (i.e. risks identified, risk descriptions, and mitigation plans);
- encourage each business unit to have its own risk register and to have it updated regularly;
- draft and approve own risk management plan, mandate and risk management policy;
- have risk management targets in employee key performance areas in order to improve risk management processes;
- conduct more risk awareness workshops, risk communication, and training in risk management processes; and
- make the accounting authority/officer responsible for implementing appropriate risk management controls and assessment tools, as indicated by the risk management legislative frameworks.

This study had its own limitations, but the research conducted in this gives basis for future research to studies pertaining risk culture and risk management in public entities and government departments. A future research in this regard can be conducted in investigating the impact of an immature risk culture in an organisation. A future research can also be conducted on how can organisational processes or controls like risk management and risk culture improve service delivery in the public sector.

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## REFLECTION

This study investigated the perceptions about risk culture of managers in a public skills development funding organisation. The theoretical framework in the background section provided information about an ideal state of risk management and risk culture in an organisation. The existing literature was used to provide a definition of risk culture and other related concepts (including risk management, risk, risk assessment).

A qualitative research method was applied with the use of one-on-one interviews with a specific group of managers in the organisation (i.e. the executive and senior managers); these interviews were held remotely (on Microsoft teams) and recorded. The responses were later transcribed, coded and themes were identified that were summarised in the results section. This research journey has introduced me to different forms of data collection and academic writing.

In investigating perceptions of managers about risk culture in the organisation, four themes were identified: (i) risk management framework, (ii) risk culture, (iii) risk understanding, and (iv) risk role, using the risk-informed decision culture (RiDC) model. The themes identified and the responses of participants contextualised risk culture, which enabled the overall findings to be summarised for each theme.

In conducting this research, I experienced interesting times that were challenging in harnessing my research skills, academic writing skills, and report writing. Through this work-situated study, however, I learnt a lot about my organisation that I may have overlooked in the past.

I owe thanks to my supervisor, Mr Fred Goede, for the lessons and guidance he shared with me about the academic research processes. My knowledge and insight about risk management have certainly grown through this study, my daily activities at work have improved, and I believe that the lessons learnt will be beneficial to me and my employer.

The objectives of this study were reached, but with some limitations; this research project was limited only to the public skills funding organisation in which I work, and did not move into South Africa's broader post-school education and training system or other funding organisations. The inclusion of other organisations could have steered this study into further different directions. Due to the busy schedules of the participants, securing interviews was a challenge. Future investigations can be conducted into the barriers to an effective risk culture in public skills funding organisations.

# APPENDICES

## Appendix A



### MCom Applied Risk Management UARM873 Mini-dissertation study Interview Informed Consent Form

**Study title:** The perceptions of managers on risk culture in a public skills development funding organisation

**Student** (also called 'the researcher' in this form): Pilasande Magwentshu

**Study supervisor:** Mr Fred Goede 082-909 7981

**Supervisor contact details:** Fred.Goede@nwu.ac.za

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#### Document aim

The aim of this document is to provide potential interview study participants the opportunity to provide formal informed consent to participate in this study.

#### Why this interview?

This is an academic study at master's degree level, which provides the student the opportunity to learn how to do an interview-based study, while obtaining data expected to be useful for your organisation.

#### Informed consent process

The interviewer will obtain written consent from participants before setting up the interviews. Written consent is given by completing and signing this form.

#### Permission to do this study

Your organisation has provided formal permission for this study to be conducted.

This study has been approved by the North-West University Faculty of Economic and Management Sciences Research Ethics Committee (EMS-REC.) NWU-00788-20-A4.

#### Study aim

This study is aimed at:

- Assessing the extent to which the public skills funding organisation lives up to the notion of an ideal risk culture as described in literature and the required risk management standards in the PFMA, insofar as this relates to:
  - Whether there is enough information on risk in the decision making process;

- The nature of risk culture in public skills development funding organisation by assessing the following:
  - Key characteristics required to create an effective risk culture in the organisation;
  - Investigating the understanding of risk culture by the executive and senior management.

### **Why have you been invited to take part?**

You have been selected to participate in the survey to determine the senior and executive management views on risk culture and risk management in the organisation. We will be conducting interviews until we reach data saturation.

### **Interview process – what to expect from the interview**

The scheduled interview will last 25 minutes. I may request more information from you post interview if necessary for clarifying study data. However, I shall endeavour to keep post-interview follow-up questions to a minimum.

The interviews will be run in a semi-structured manner, meaning that I shall ask a set of open-ended questions and may ask additional questions to clarify my understanding of your response.

I need to audio-tape your interview to allow me to transcribe and analyse your responses post-interview. This will allow me to give full attention to your responses during the interview and not get side-tracked by multiple note-taking. I therefore kindly request that you consent to such audio-taping based on the requirement that the recordings be deleted after transcribing (see Study data management).

### **Study data management**

The audio-recordings will be deleted after the information was transcribed by the researcher or transcriber. If a separate (i.e. not the study researcher) transcriber is used, s/he will sign a confidentiality clause before transcribing (i.e. the transcriber may not talk to anybody about the study data). Neither the company, nor the interviewee will be identified in the study transcriptions. The transcriptions constitute the raw data for this study, which will be stored safely by the researcher for three years. The interview content will be analysed and reported on anonymously. Responsible members of the North-West University may be given access to the anonymised data for supervision and/or audit of the research.

The researcher may wish to directly quote some of your responses in the study report, without identifying you. You will be asked to give permission for each such quote to be used.

### **Publication of the study results**

The study will be written up as a confidential study report in the researcher's mini-dissertation. The report will be made available to the organisation in which the study was done. Post examination, the study may be published as an academic article if formal permission to do so has been received by the organisation.

### **Potential risks to you and the organisation in taking part in this study**

Transcripts of the interview will be kept confidential and destroyed after use. Should you have any other concerns about taking part in this study, please contact the researcher or study supervisor to discuss your concerns.

### **Potential benefits to you in taking part in this study**

A deeper understanding of the risk culture and risk management perceptions of management will assist in more responsible risk decision making in the organisation.

### **Should you have concerns on this study**

The interviewer has been trained to do the interview in an ethical and academically sound manner. Should you have any concerns about the interview that cannot be allayed by the researcher, either before or after the interview, you are welcome to contact the student's supervisor (contact details above) to discuss these concerns. Should you wish to further escalate your concerns, please contact the module leader, prof Hermien Zaaiman at [hermien.zaaiman@nwu.ac.za](mailto:hermien.zaaiman@nwu.ac.za) (082 921 0463).

Informed consent	yes/no
I have read and understood this consent form.	
I have had a chance to ask the researcher questions on the study.	
These questions have been adequately answered for me to be able to provide informed consent to participate in this study.	
I understand that taking part in this study is voluntary.	
I have not been pressurised to take part in this study.	
I understand that I may exit the study at any time without being penalised or prejudiced against in any way.	
I hereby provide consent to contribute to this study under the conditions explained in this form.	

Initial each page and sign

Participant name:

Signature:

Date:



## MCom Applied Risk Management

### *UARM873 Mini-dissertation study*

### *Interview Guide*

**Study title:** The perceptions of managers on risk culture in a public skills development funding organisation

**Student** (also called 'the researcher' in this form): Pilasande Magwentshu

**Study supervisor:** Mr Fred Goede

**Supervisor contact details:** [Fred.Goede@nwu.ac.za](mailto:Fred.Goede@nwu.ac.za); 082 909 7981

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#### **Document aim**

The aim of this document is to provide as a guide to the student on how s/he will be conducting the interview after obtaining informed consent from the interviewee (see MARM Interview Consent Form for this study for information provided to the interviewee before the interview).

#### **Interview process**

##### **1. Clarification of understanding of informed consent form at start of the interview process:**

Thanks for agreeing to participate in this study. I appreciate your willingness to assist me with this research.

Do you have any further questions or concerns on the informed consent form that you would like to discuss before we start the interview?

- If the interviewee has questions/concerns, discuss the questions before continuing with the interview. Remind the interviewee that s/he is allowed to leave the interview at any time during the interview.
- If the interviewee does not have questions or concerns, continue with the interview.

## 2. Interview:

The focus of this study is to investigate risk culture in a public skills funding organisation and for a comprehensive report in this regard the senior management of the organisation will be interviewed. The organisation has twelve (12) senior managers and 150 non-management employees. For the purposes of this study, management (four executive members and six senior managers) will be interviewed, or as many as are required to obtain data saturation.

- Pose the interview questions in the pre-defined sequence:

### Risk management framework:

1. To what extent are you aware of any legislative requirements on risk management, such as the PFMA and Treasury Regulations?

### Risk culture:

2. What are the key characteristics used to create an effective risk culture in the organisation?

### Risk understanding:

3. Does risk analysis matter in the decision-making process? If yes, how? If not, why?
4. What are the top 5 risks in the organisation?

### Risk role:

5. What kind of support would you like from your subordinates when it comes to decision making and risk management?

Facilitate the interviewee responses only when required by asking non-leading further questions:

- Do not overdo probing questions to avoid influencing the interviewee responses.
- Do not lead your respondent into providing information that you expect to be the answer to your research questions.
- Pre-prepare non-leading probing questions for your interview. Example questions:
  - *When you say ....., what do you mean by that?*
  - *Tell me more about.... (referring to something the respondent said, not what you wanted him/her to say)*
  - *Please give me an example (concrete examples provide more information about the actual situation than general statements about a situation)*
  - *What does this look like in practice?*
  - *How does this happen? (note: ask 'how' rather than 'why' questions – see Harvard interview strategies document available on link listed at the end of the document)*
  - *How is this important to you?*
  - *How is this important to the organisation?*
  - *How is this important in the context of risk management (or insert a phrase related to your specific research objective) in the organisation?*
  - *If the person refers to how somebody else or a group feels about something, ask: How do you feel about this?*
  - *How does this information relate to the topic under discussion? (steer respondent back to topic when s/he digresses from the topic)*

## 6. Interpersonal aspects of interviews to keep in mind

Your behaviour during the interview will influence the interviewee's responses.

- **Do:**

- Keep the possible biases and limitations of interviews in mind when designing, executing and writing up your interviews – interview transcriptions will assist you and others to evaluate how your own expectations and natural biases may have influenced the interview data.
- Understand the aims of your interview questions in the context of your research project.
- Ask simple questions that will provide information related to your research objectives.
- Pilot and practice your interview before formal data gathering so that you can see what works and what doesn't work.
- Ask only one question at a time.
- Give the person time to think about the question – stay quiet during that time.
- Listen attentively to the interviewee.
- Ask clarifying questions where necessary for purposes of your research.
- Remain ethically sensitive as described in the Informed letter of consent – do not change the rules of engagement during the interview.
- Stay warm and empathetic (not sympathetic – see under 'Don't' below) during the interview – you do not have to suddenly become a 'cold fish' during the interview.
- Relax and enjoy the interview.
- At the end of the interview, state why you are grateful to the participant for her/his time and inputs to allow the respondent to feel appreciated for their efforts to contribute to your research question.

- **Don't:**

- Interrupt your interviewee.
- Convey any approval, sympathy, or disagreement, with your interviewee's comments through words or actions (e.g. avoid encouraging nods, frowns, verbal affirmations or disagreements) – the interview is about what the person thinks, and not about how you feel about what they think.
- Answer the question for the interviewee.
- Don't ask questions that can be answered with one word, such as 'yes' or 'no'.
- **What if the interviewee becomes frustrated or emotional during the interview?**
- Stay calm.
- Do not interrupt, try to defend, comfort the interviewee, or 'fix' the situation – say as little as possible and allow the person to calm down.
- Turn the audio-recording off if the person requests this.
- When the person has calmed down, ask a question that acknowledges the emotion, such as *What about the situation prompted these strong emotions?*

## Appendix C

### The requirements of the PFMA and Treasury regulations on risk and risk management

<p>The Public Finance Management Act No.1 of 1999, PFMA (1999) regulates the management of government funds in the national government and provincial governments together with their entities. To ensure efficiency and effectiveness in the management of revenue government assets, liabilities and expenses. The act also makes provisions for responsibilities of the accounting authority and make provision for matters related to the following:</p>		
<b>PFMA</b>	<b>Requirement</b>	<b>Application /comment</b>
Section 44 (a)	The delegation of authority by the Accounting authority.	The Accounting authority has delegated in writing risk matters to director Legal, Governance, Risk and Compliance unit.
Section 38 (a)(i)	The organization has an effective and transparent risk management system.	The organization does not have an effective and transparent risk management system.
Section 38 (a)(ii)	The internal audit or risk management committee, should oversee the governance of risk in an organization in compliance with the prescribed regulations.	In the public skills funding organization the internal audit is responsible for risk governance.

<p>The issuing of the Treasury Regulation was in accordance of the Public Finance Management Act (No 1 of 1999) PFMA (1999), the following are the prescripts of the treasury regulations:</p>		
<b>Section on the Treasury Regulation</b>	<b>Requirement</b>	<b>Application /comment</b>
TR 3.1.10(c)	The audit committee has to review risk areas in an organization's operation space within the scope of internal audits.	The Audit Committee reviews risk areas.
TR 3.2.1	The accounting officer has to ensure that there are regular risk assessments done, for the identification of emerging risks.	Risk assessments take place annually.

TR 3.2.1	The risk management strategy should be used to give direction to internal audit efforts.	Internal Audit uses risk profile to develop its plan.
TR 3.2.1	The risk management strategy should be clearly communicated internally to incorporate the strategy of risk management into the culture of the organization.	Risk management is communicated through awareness programmes, induction and when doing risk assessments.

<p>The requirements of the of the Public Finance Management Act of 1999 (PFMA, 1999) led to the development of the Public Sector Risk Management Framework (PSRMF) for public institutions to practice the implementation and maintenance of an effective, efficient and transparent system of managing risks .</p>	
<b>PSRMF</b>	<b>Requirement</b>
Chapter 3 7(ISO31000, 2018)	The organisation has to operate within the risk management policy that is approved by the Accounting Authority.
Chapter 3 7(ISO31000, 2018)	The risk management policy has to be communicated to all stakeholders within the organisation.
Chapter 3 10(ISO31000, 2018)	Adequate human resource has to be put into place by the accounting authority to ensure the implementation risk management strategy.
Chapter 9 20(2)	Monitoring has to be effected throughout the organisation on an ongoing basis and continuous evaluation activities should take places across the organisation to establish whether risk management is adequately practised in all spheres of the organisation and in line with the risk management policy, plan and strategy.

Chapter 11 22(2)(c)	The accounting officer should hold the management of the organisation accountable for the execution, integration and the designing of risk management into their daily activities.
Chapter 11 22(2)(d)	The accounting officer should hold statures that are internal accountable i.e. management, task teams and oversight committees for risk management performance.
Chapter 22 33(ISO31000, 2018)	The organisation has to continuously evaluate the value added by risk management with the measurement of outputs and the performance indicators which are linked to the organisation goals.
Chapter 22 34(4)	The accounting officer should assess the performance of the risk management committee utilising the following indicators: <ul style="list-style-type: none"> <li>a) The risk management maturity trend;</li> <li>b) Comparison of risk management successes of a year to year outcomes.</li> </ul>

## Appendix D



(Note:

**TO:** Prof Hermien Zaaiman, Centre for Applied Risk Management (UARM)  
**CC:** Mr Pilasande Magwentshu  
**FROM:** Mr Mvuyisi Macikama  
**DATE:** [As applicable]  
**SUBJECT:** Permission to conduct a risk-culture-related study within [National Skills Fund and Senior Management]

Permission is hereby granted to [Pilasande Magwentshu, 8806185583087] to conduct a risk-culture-related study within the Risk Management of the National Skills Fund. The study will form the basis of the mini-dissertation in his masters degree (MCom in Applied Risk Management). The study will be executed as described in the attached research proposal. In addition to the permission I/we declare that we understand and accept the following:

1. The organisation and participants will not be identified in the research report.
2. The organisation is aware that staff members and other stakeholders will be asked to participate in the study according to the study approach described in the study proposal.
3. For the UARM Risk Culture Indicator Model qualitative studies: The raw interview data belongs to the organisation and will be kept safely by the researcher. Only data summaries and anonymised quotes, for which permission have been obtained, will be used in the research report. Where data is collected during office hours, the organisation has consented to this, without penalty to the researcher or study participant.
4. The organisation may be requested to recommend possible suitable internal examiners when the University has not already identified someone suitable. Such a person should have at least a master's degree and have sufficient exposure to the study area without being actively involved, so as to understand the area covered and be able to examine the dissertation in an impartial manner.
5. The mini-dissertation could be classified as confidential within the university's classification system, implying that the mini-dissertation will not be made public for two years. If classified as confidential, the examiners will be notified that the report is confidential and will not receive a copy of the post-examination final report.

Confidential classification is a risk mitigation action that allows the organisation to decide whether further classification is required based on the contents of the research report after the research has been completed. However, classification is usually not necessary as the organisation and participants are not identified in the research results and the results are presented in an organisation agnostic manner.) We require this mini-dissertation to be classified as confidential for two years: Yes / No (select one) Kind regards

\_\_\_\_\_ Signature Mr MV Macikama (Executive Officer)

Note: For more information and clarification on the need for classification or not, please feel free to contact prof. Hermien Zaaiman at hermien.zaaiman@nwu.ac.za or 082 921 0463.