Risk culture: risk reporting versus risk management

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PREFACE

This mini-dissertation is the final deliverable in the Centre for Applied Risk Management (UARM)'s taught master’s degree programme. The mini-dissertation was written in article format and consists of three sections: Research project overview, Article and 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 on 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

Note: Article abstract will be inserted here in the final post-examination version of the mini-dissertation. See abstract in article for examination purposes.

ACKNOWLEDGEMENTS

"In the long run, we shape our lives, and we shape ourselves. The process never ends until we die. And the choices we make are ultimately our responsibility." ~ *Eleanor Roosevelt*

For me, 2017 will definitely be a year associated with God's Grace.

Although a challenging year, I attribute my seeing it through to the people I am blessed to have around me.

First and foremost, to the pillars that I have been blessed with in this lifetime, my sisters, Angeliki and Ariadne Albanis – thank you! They say the only constant is change – but that only partially applies to me, because my other constant is the two of you.

As much as I had my own cheerleading team in the comfort of my own home, the completion of this mini-dissertation would not have been possible without the persistence from my supervisor, Sonja Gilliland, and co-supervisor, Hermien Zaaiman.

Last, I would like to extend gratitude to my employer, Sheralee Morland, and IRMSA for not only providing me with the opportunity to realise that risk management is indeed one of my passions, but for instilling the confidence in me to take on a challenge such as this.

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RESEARCH PROJECT OVERVIEW

1. Overview

There is considerable focus on risk reporting in the financial sector because of the extensive regulation that is being enforced (Laughlin, 2015; Turner, 2009). Although risk reporting is only one component of the entire risk management process, it is important to understand the effect of the increase in internal and external expectations of this risk reporting component on the execution of the full risk management process and on the risk culture of the organisation. An organisation could use understanding of the impact of risk reporting on the risk management process to develop a risk management strategy that positively influences the organisation's risk culture.

A qualitative research study in a South African financial services institution was conducted to determine how the approach that such an institution, in this case a bank, takes to comply with the risk reporting requirements that affect the organisation's risk management process and, ultimately, its risk culture. The primary research objective of this study was to suggest criteria for the diagnosis of risk culture issues in relation to risk reporting. The secondary objectives were to:

- Investigate the purpose of risk reporting;
- Assess whether the organisation's approach to risk reporting enables the integration of risk management into decision-making;
- Assess the impact of the organisation's approach to risk reporting on the overall risk culture of the organisation.

2. How does this study fit into the field of risk management?

Organisations are continuously faced with challenges to respond to rapidly changing and pervasive risks. In order to optimise a risk-return trade-off, risk reporting should enable decision-making on a strategic, financial and operational level. An organisation's approach to risk reporting has implications for the risk management process in its entirety, which can serve either to enable or to disable good decision-making. Since the effectiveness of decision-making is indicative of the nature of an organisation's risk culture, understanding the implications of the approach to risk reporting is critical to identifying weaknesses in the risk culture.

In this study, the risk reporting component of risk management is analysed to determine its integration into organisational decision-making and to demonstrate its effect on the organisation's risk culture.

3. Why did the researcher decide to study this specific topic?

This specific topic is of particular interest to the researcher as she works in a risk management role, responsible for risk reporting. Through the execution of her roles and responsibilities, the burden of risk reporting requirements has become strenuous not only in her role, but also in the role of other risk managers who either coordinate their own risk reports or contribute to risk reports. In researching the possible impact of risk reporting on an organisation's risk culture, it has become apparent that a link between risk reporting and risk culture has not been made in the academic literature. The researcher aims not only to fill this gap in the literature, but also to provide risk management professionals with criteria to diagnose reporting-related risk culture issues. This work is also expected to give them insight into the impact that their approach to risk reporting may have on the overall risk culture of the organisation.

4. Who are the intended audiences for the article?

Academic scholars are the main target audience for this research article. Risk practitioners, compliance practitioners and all decision-makers within an organisation are also expected to derive value from the work described here.

5. Explain which journal was selected for the article and why.

The journal selected for this article is the *Journal of Risk Research*. This is an international peer-reviewed journal that publishes research papers that contribute to enhancing the understanding of risk management. This journal is suitable for this research article as it publishes papers related to decision-making, regulation and policy issues.

Link to the writing guidelines: click here.

ARTICLE

Risk culture: risk reporting versus risk management

1. Abstract

In recent years regulatory authorities have intensified their focus on ensuring that financial services institutions (FSIs) build and maintain an appropriate risk culture. Risk managers are therefore faced with the challenge to comply with reporting required by regulatory bodies, as well as by their own organisation, as part of their risk management processes. No academic studies were found that focused on the possible effects that complex (regulatory and internal) reporting requirements could have on risk management and therefore on the risk culture of organisations. The purpose of this qualitative study was to investigate the effect of a South African banking institution's risk reporting approach on the integration of risk management into decision-making. Semi-structured interviews were conducted with 10 full-time risk management employees whose roles included making contributions to their organisation's quarterly strategic risk reports. The key finding overall was that the risk managers felt that they were spending too much time on risk reporting procedures thereby impeding the effective execution of the risk management process. This hinders the organisation's ability to make appropriate decisions and ultimately weakens the organisation's risk culture. The present study highlights the importance of recognising the potentially significant impact of reporting, as part of the risk management process, on an organisation's risk culture and suggests criteria for the diagnosis of risk culture issues in relation to risk reporting.

Keywords: risk reporting, risk management, risk culture, decision-making, integration, risk governance, financial services institutions.

2. Introduction

The regulatory model by which financial services institutions (FSIs) are governed is a response to the 2008 global financial crisis (Ashby, 2010, 2011; Nelson & Katzenstein, 2014; Turner, 2009). Numerous new regulations have been introduced since the crisis that relate to fundamental aspects of the financial sector, including a focus on ensuring that FSIs develop and institutionalise an appropriate risk culture, as weakness in this area is viewed as one of the primary root causes of the collapse of financial markets (Ring, Bryce, McKinney, & Webb, 2016).

Decision-making based on risk information facilitates appropriate responses to risks (IFC, 2015). A strategic approach to risk reporting therefore increases the effectiveness of risk management, strengthening the organisation's risk culture (IRM, 2012). Risk culture is a key driver of decisions that govern an organisation's strategy and it influences daily operations. Because decision-making is not limited to risk managers, it is important to ensure that risk is integrated into decision-making and understood across the organisation (Barrett & Baret, 2013; Douglas, Cromie, Leva, & Balfe, 2014). To instil the appropriate risk culture across an organisation, and to supply relevant risk information to decision-makers, many banking regulations based on corporate governance principles aim to make business operations and organisational conduct transparent and accountable to all internal and external stakeholders. Regulators therefore hold the board and senior management, as key decision-makers of an organisation, responsible for establishing, maintaining and communicating their risk culture. Appropriate risk reports are necessary to give these decision-makers a holistic view of the operating environment and to influence the risk culture of the organisation. Timely information sharing, rapid escalation of information about emerging risks, and the interrogation of information provided, are key elements of a strong risk culture and also fundamental to risk reporting regulation (Brooks, Fraser, & Simkins, 2010; EY, 2014; IRM, 2012; Ring et al., 2016).

Although regulation has bolstered the South African financial services system to a level that compares positively with that of developed countries, increasing regulation and its challenging expectations are adversely affecting FSIs (BASA, 2014). Operational challenges, extending to the management of existing and new risks, are magnified by attempts to comply with and embed the many new regulatory requirements. Coupled with these external requirements, FSIs often have their own internal approaches to risk management practices and reporting methods, adding further complexity to the integration of these requirements to bring them in line with the desired risk culture.

Academic studies to date have focused on the importance of risk reporting for making appropriate decisions (ACCA, 2014; Branson, 2015; Douglas et al., 2014; Van Greuning & Brajovic-Bratanovic, 2009; Woods, 2010), and on operational challenges in complying with the complex regulatory environment (Adams & Gramlich, 2016; Adar, Shermister, & Nisani, 2017; Ayadi, Naceur, Casu, & Quinn, 2016; Sadiq & Governatori, 2015). No studies were found, however, that focused on the possible effects that complex reporting requirements could have on effective risk management and, by implication, on risk culture.

A qualitative research study in an FSI in South Africa (SA) was therefore performed to explore how its approach to risk reporting requirements affected its risk management process, its decision-making, and its risk culture. Two data sources were used to answer these questions: a background literature study on risk management, risk reporting, and risk culture; and semi-structured interviews with a group of risk management professionals within an FSI. The research questions that guided this study were:

- What is the purpose of risk reporting?
- How does the organisation's approach to risk reporting enable the integration of risk management into decision-making?
- How does the organisation's approach to integrating risk reporting requirements (internal and external) affect the risk management process?

3. Background

In this section, insight into the three fundamental concepts (risk reporting, risk management, and risk culture), which underpin the research study, is provided. This summarises the context needed to understand the role of risk reporting in an organisation. A graphical representation depicting the key themes in the present study has been provided in Figure 1 to contextualise the links among the themes in the research reported here.

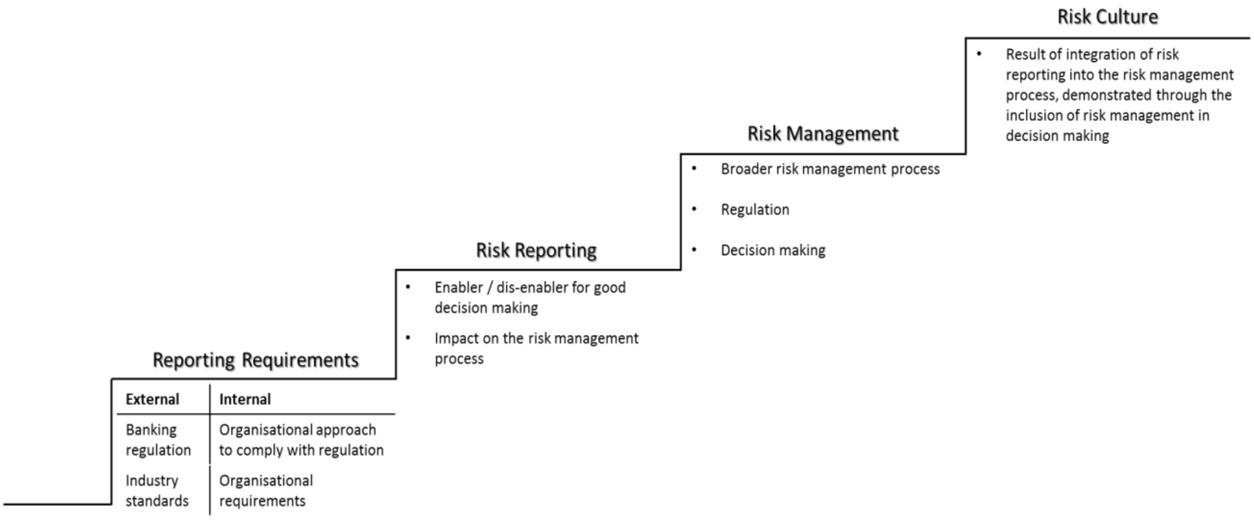

Figure 1: Key themes in the research study

3.1 Risk management

All organisations face some level of uncertainty caused by internal factors, external factors, or both, which influence the ability of the institution to achieve its objectives successfully. ISO (2009) describes the effect of this uncertainty on organisational objectives as ‘risk’. ‘Risk management’ is formally described as a set of coordinated actions to direct an organisation through uncertainty and to control the impact of the risks it faces on the organisation’s ability to reach its objectives (COSO, 2009; ISO, 2009). Risk management is therefore not an ad hoc exercise, as its value is truly derived only when integrated with the organisation’s strategy and decision-making processes (Conrow, 2003; Lam, 2014).

Based on the COSO (2004) definitions, the FSI selected for the present study defined *risk management* as:

> a structured and disciplined approach aligning strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the opportunities, uncertainties and threats the organisation faces as it creates value. It involves integrating risk management effectively, across the organisation’s risk universe, business units and operating divisions, geographical locations and legal entities.

The continuous increase in the scale and complexity of FSIs now demands a more sophisticated and integrated approach to risk management in order to respond to the rapidly changing risk exposures (Bessis, 2011). Considering the sheer volume, pace and complexity of transactions made by large SA FSIs today, effective internal structures (policies, procedures, controls, etc.) that underpin the risk management processes are an absolute necessity (IODSA, 2016).

3.2 Risk reporting

The main aims of risk communication, as an integral element of the risk management process, are that the information about risks be adequately reported and used as a foundation for the decision-making process across the various work levels of an organisation (Kolomiyets, 2017; Woods, 2010). A risk report should serve as a demonstration of progress, and as evidence that an organisation’s approach to risk management is effective and enables the attainment of its objectives (Branson, 2015).

The pervasive extent of regulatory change expands the expectations of what risk managers have to do. Although the intention of each internal and regulatory requirement imposed on an FSI is to strengthen its risk governance and its risk management, the cumulative requirements place tremendous pressure on risk managers who are required to implement them, thus complicating compliance with these requirements. The overlapping regulatory requirements and operational impacts create complexities in daily operations, and in such an environment a rules-based, 'tick-the-box' approach is inadequate (Neyapti & Dincer, 2014). The approach to compliance selected by an organisation is essential to the success of the risk management function and to the organisation as a whole (Barth, Lin, Ma, Seade, & Song, 2013). It should be possible for risk reporting to give an FSI competitive advantage when it is approached from a risk-based perspective instead of limited to a focus on regulatory compliance, thereby adding value to decision-making processes and, ultimately, to the risk culture of the organisation (Simonova, 2011).

Based on the COSO (2004) definitions, the FSI selected for the present study defined *risk reporting* as:

> a form of communication intended to inform particular internal or external stakeholders by providing information regarding the current state of risk and its management. Risk reporting includes at least the reporting of: (i) aggregate exposures against targets/strategies; (ii) key issues for the key issues control log; (iii) compliance with limit system; (iv) key risk indicators; and (v) review findings.

3.3 Risk culture

Risk management and an organisation's approach to risk reporting underpin decision-making and, as such, affect the risk culture of an organisation (Alter, 2013; Beach, 2014). For this reason, risk culture is included as an area of focus by regulators who are intent on seeing risk management integrated into organisational decision-making. Considering the influx of new risk-related requirements, particularly on risk reporting and communication, the risk management processes of FSIs will need to integrate them appropriately into a 'new normal' process. EY (2014) have identified 11 "risk culture hotspots" to enable decision-makers and risk managers to remain aware of the effects that requirement-related process changes may have on risk culture. Three of these hotspots are highlighted for the purpose of this study:

- Lack of transparency in risk-taking and reporting (particularly at board level);
- Decision-making process that do not consider the organisation's risk appetite;
- Compliance-focused behaviour as distinct from a risk-based approach, creating vulnerabilities.

Based on the COSO (2004) definitions, the FSI selected for the present study defined *risk culture* as:

> the norms of behaviour for individuals and groups that determine the collective ability to identify, understand, openly discuss and act on the organisation's current and future risk.

A further A further definition of risk culture that focuses on the level of integration of risk in organisational decisions has been used for the purpose of this study (2017 updated UARM definition of risk culture):

> The risk culture of an organisational group is manifested by the importance given to consideration of risk when the group makes decisions. The level of explicit inclusion of risk in decision-making represents the implicit, subjective value afforded to risk by the group.

4. Method

The present two-part qualitative study comprised a literature review and an empirical investigation. Qualitative research is typically used to determine the attitudes and experiences of a group of people. Its value is demonstrated by the insights gained from participants about their understanding of real-life situations. This form of research is particularly useful when only a limited amount of information is available on a topic (for example, on a new or complex phenomenon), particularly when in-depth understanding is required (Johnson & Onwuegbuzie, 2004). Using this research design allows the researcher the opportunity to answer the 'why', 'what' or 'how' questions of a phenomenon, rather than the 'how many' or 'how much' questions that are the focus of a quantitative study (Kothari, 2004).

More specifically, this research project followed an inductive approach, commonly used to identify patterns from data gathered, from which explanations and theories can be developed or suggested (Ritchie, Lewis, Nicholls, & Ormston, 2013).

In the present study, the phenomenon investigated was the increased focus on compliance with internal and regulatory reporting requirements, and whether or not this had unintended effects that could hinder the attainment of the full potential value that formal risk management can offer an FSI. This study also examined the effect on the integration of risk management into decision-making of the selected institution's current risk reporting approach, and the effect of risk reporting on its risk culture. The research was conducted in a South African bank and data were gathered by means of semi-structured interviews.

4.1 Sample

In qualitative research, the sample size is not always certain at the beginning of the research. Typically, the sampling should continue until data saturation occurs – that is, when a high enough level of redundancy is reached (O'Reilly & Parker, 2013). Therefore, the richness of information, the focus of the study, and the resources available will determine the number of participants required (Gaskell, 2000; Kuzel, 1992). Morse and Field (1995) summarise these principles as "appropriateness and adequacy", two key considerations that guided the sampling size deemed sufficient for the kind of research described in this dissertation.

The target population comprised full-time employees in a risk management role and who contributed to the organisation's quarterly strategic risk reports.

From this initial sample frame, non-probability judgment sampling was used to narrow the sampling frame to the organisation's Group Risk Division. This type of sampling requires the participants to be selected on the basis of the criteria related to the research question (Coyne, 1997). The Group Risk Division was selected because it employed the key contributors in a risk management job function that requires them to contribute to the organisation's quarterly strategic risk report. A preliminary sample size of 10 full-time risk management employees was selected.

To manage the redundancy of data collected, the data collection process and analysis occurred simultaneously. This enabled the researcher to easily determine when the point of saturation was reached; that is, when the level of information gathered reached a point where no new information was being obtained. This level is identified when new codes ceased to arise (O'Reilly & Parker, 2013).

4.2 Data collection

The purpose of a research interview is to investigate a topic on both a factual and a relatable level (Bryman & Bell, 2014). Through semi-structured interviews, the interviewer can pursue in-depth information on a topic, and elicit answers to predetermined questions. This approach provides the flexibility needed for the interviewer to prompt for the appropriate answers and for explanatory evidence when the initial answers to the predetermined questions are too lean (Ritchie et al., 2013). The present study utilised one-on-one semi-structured interviews to gather the required data. The interview questions are provided in Appendix A.

Prior to the interviews, individual email notifications contextualising the purpose of the research were sent to each of the participants. Ten interviews were scheduled, designed to assess risk managers' overall views of the effectiveness of the current approach to risk reporting in their organisation. During the interviews, participant perceptions of the effect that this approach was having on the integration of risk management into business and decision-making were also assessed.

4.3 Data analysis

In qualitative studies, critical thinking skills play a significant role in the analysis of the data (Henning, Van Rensburg, & Smit, 2004). Raw interview data is non-quantifiable and therefore needs to be coded. Effective coding is obtained through determining key words or short phrases that represent a theme or an idea in the data collected, e.g. events, behaviours, or activities (Marshall & Rossman, 2014). These codes are used when analysing the identified themes, patterns and relationships (Dullien, Kotte, Márquez, & Priewe, 2010). Coding serves as the initial phase of data analysis, preparing the data for further, more rigorous analysis.

All 10 semi-structured interviews were voice-recorded and then transcribed. In conjunction with the recording, notes were taken during the interviews. The transcribed recordings of the interviews were analysed to highlight key themes relating to the main objectives of the study.

The steps taken by the researcher were as follows (Theron, 2015).

- Preparing the data: For completeness, a verbatim transcription of the interview data was made. While doing this, the researcher commenced with some pre-coding by highlighting significant words or sentences.

- Coding: To split the data compiled, ‘in vivo coding’ was used during the initial phase of coding. In this method, participants’ exact words or phrases are used as codes. In the second phase of coding, the data were reassembled into key themes and categories through a process of focused coding.

- Participant check: To support the quality and credibility of the study, the researcher provided participants with the option to review the transcribed interview data to confirm whether the researcher had accurately portrayed what the participant conveyed.

- Finding analysis: Comparisons and contrasts were drawn within and among categories to interpret the findings and draw meaning from them. Here, it was beneficial to use the information found in the literature study to explain certain patterns in the data.

The following constraints in the research design could influence the interpretation and generalisation of the findings.

- Sampling frame: The scope of the research was limited to a single financial services institution (FSI) in South Africa. Broader research would be required to understand the impact on the industry as a whole and to collect data that are more representative.

- Data collection method: The researcher was involved in the research and work in the field being researched. This means acknowledging the possibility of subjective questioning and interpretation that confirms what the researcher expected to find. Care was taken to remain cognisant of being directive or judgemental when probing for further insight. The formal coding methods used should also have allowed for increased objectivity in the data interpretation.

- Data analysis method: The transcribing process was time-consuming. It was followed by the coding of the data with the aim to reach data saturation. Data saturation is deemed to have been reached when the same codes tend to re-appear as new interviews are coded and new codes are not found. A limitation is that the process of selecting codes is intuitive and interpretive in nature (Elo et al., 2014). The time available to complete the study was a further limitation in reaching data saturation. This meant that the researcher had to stop at the predetermined number of 10 interviews – thus negatively impacting data saturation. Although the main codes relating to the research questions were identified, there was a possibility that additional codes could have been found in further interviews. The study findings should therefore be seen as indicative; they could be confirmed in further survey-based research.

4.4 Ethical considerations

The research study complied with all the ethical standards required of academic research, and ensured the protection of the identities and interests of the participants. In addition, the information provided by the participants was handled confidentially at all times. Participation in the interviews was strictly voluntary.

5. Results and Discussion

The primary research objective of this study was to suggest criteria for the diagnosis of reporting-related risk culture issues. To achieve this objective, the following questions were asked:

- What is the purpose of risk reporting?
- How does the organisation's approach to risk reporting enable the integration of risk management into decision-making?
- How does the organisation's approach to integrate risk reporting requirements (internal and external) affect the risk management process?

In this section, the term 'the organisation' refers to the organisation selected for this study. Examples of the transcribed answers to questions have been listed in Appendix B and key phrases have been underlined to show the codes. The coded data were combined into meaningful themes. The background literature study was used to compare, interpret and validate themes. Where necessary, the academic literature is used to explain and support the results of the study. A summary of the link between the interview questions and research objectives, as well as a high-level view of the research findings and the corresponding links to the literature, are provided in Section 5.7.

The first step in research should be to set the context, without which the scope of discussions may become too broad, resulting in a possible misunderstanding between the researcher and participants and affecting the outcome of the findings. In the light of this, the researcher was presented with a need to gauge the participants' level of understanding of risk reporting. The first question asked, therefore, was about their understanding of the term 'risk reporting', followed by questions to determine which regulatory and internal requirements influenced reporting in their own working environments (Sections 5.1, 5.2 and 5.3). The effect of the organisation's approach to risk reporting on the integration of risk management into decision-making is discussed in Section 5.4. In Section 5.5 results on how the risk management process impacted the risk culture of the organisation, are presented. In Section 5.6, participants' views on how to improve the organisation's current approach to risk reporting in order to bring about a positive influence on the integration of risk management into decision-making, is discussed.

5.1 Understanding risk reporting

An efficient practice to ensure that the employees of an organisation have a common understanding of the terms that they use throughout the risk management process, is to incorporate a guide to such terms. Thus a risk taxonomy needs to be established as it is critical to the effective communication between parties (Brooks et al., 2010; IFC, 2015). In the field of risk management, it is common for related terms to be poorly understood. Consistent understanding of the term 'risk reporting' may be indicative of how well the organisations culture of reporting has been embedded (Lam, 2014). In addition to the fact that a common risk language enforces a shared understanding, a common culture of risk awareness is created (Carter, 2015; Pritchard & PMP, 2014).

In the present study, none of the 10 participants were aware of the formal definition that their organisation had set for risk reporting. Although participants' definitions varied in depth and scope, a few common elements such as audience-appropriateness, risk appetite, and controls, were referred to throughout the participants' interpretations of the term. Risk reports are rarely created in isolation. Considering that employees have different ideas of what risk reporting is, the dissimilarity of the context in which a risk report is created can be expected to affect the measuring and monitoring of risks, and even the defining and prioritising of risks could become a challenge.

Davidson, Mackenzie, Wilkinson, and Asselin-Miller (2012) suggest that the way an organisation identifies, understands, discusses and responds to the risks it faces determines its risk culture. Reflecting on the finding that none of the participants were aware of the organisation's definition of risk reporting raises concern, particularly because one of their key responsibilities included risk reporting. To truly determine the variance in understanding of the term, one would need to establish how each participant defines the elements (i.e. audience appropriateness and risk appetite) that contribute to their understanding of 'risk reporting'.

5.2 Risk reporting regulations

The external reporting regulations and the internal reporting requirements should influence the outcome of a report. While the risks that organisations face are becoming progressively complex, the financial services industry is also encountering an onslaught of increasingly complex regulations (Adams & Gramlich, 2016). The present study identified a number of risk reporting regulations with which participants are expected to comply, i.e. the Banks Act, Companies Act and Basel standards. Dependent on the type of risk for which the risk manager is responsible, more specific regulations were identified, such as Regulation 39/40, FICA, RDR, PreCA, POCA, FRTB and CCAR. In addition to existing regulation, there was also mention of regulation, relating to increased risk governance, which is expected to shift risk managers focus further, including Basel IV, Twin Peaks, CoFI, IFRS 9, and the POPI Act. Many of the new regulations consider risk culture as a driver in their requirements. The FSB (2013b) stated that a "strong risk culture in firms is essential to their safety and soundness and to financial stability", and as a result risk culture is at the forefront of the global regulatory agenda.

5.3 Internal risk requirements

To guide the organisation through the increased regulations, some of the participants made mention of a bank-wide regulatory change programme that had been implemented across the organisation to manage the competing requirements of compliance. Although this programme seemed to streamline the significant areas of compliance, the participants were not confident that the reporting expectations of the various regulations were being adequately addressed, if at all.

Upon discussing the risk reporting requirements from an internal perspective, the participants felt confident in their enterprise-wide risk management framework (ERMF), i.e. the governance setting around the reporting and escalation of risks and matters requiring a decision from the necessary stakeholders. The CRO Council (2014) reminds us that it was through the global financial crisis that FSIs realised that effective risk governance mechanisms cannot exist without being supplemented by a strong risk culture, and vice versa. The research study indicated the participants' great sense of comfort in their robust ERMF. Confidence in the overall structure through which key stakeholders, such as the board and senior management, make decisions and establish the organisation's risk approach and strategy, indicates a positive risk culture.

5.4 Approach to risk reporting and integration of risk management into decision-making

Risk reporting is a valuable component of the risk management process of any organisation, regardless of size or industry. The information in quantitative and qualitative risk reports is used to inform decision-makers on how to manage or direct the organisation to achieve its operational and strategic objectives. As with most processes, there are elements that work and also those that impede effectiveness. By dissecting the risk reporting process into what serves the organisation and what does not, the researcher was able to better understand the organisation's true risk culture.

To report the findings in a consolidated manner, the results of the interview questions *What works well?* and *What enables integration?* were combined; the same was done with the results of *What doesn't work well?* and *What hinders integration?*

5.4.1 What works well and enables integration

The key areas identified as those that work well and enable the integration of risk management into decision-making were risk governance, communication, interrogation of data, and the physical demonstration of integration.

5.4.1.1 Risk governance structure

The organisation's risk governance structure is highly regarded and seen to be quite sound by all the participants. As described by Gaughan and CFA Aon Strategic Advisors (2015) and IFC (2015), risk governance refers to the roles, responsibilities and structures of an organisation to aid it in managing risk matters adequately. According to the literature, a strong risk governance structure is underpinned by formalised policies and processes, identifying where authority should be exercised and decisions made and implemented. Risk governance applies the general principles of good governance to the identification, assessment, management and communication of risks. The interview data indicated that the clear reporting governance structures that were in place in the organisation made it easy for the participants preparing reports to know what information needed to be reported to which committee for noting or decision. The risk structure of the organisation was also underpinned by solid frameworks, policies and processes that guided risk managers on the organisation's risk management process.

5.4.1.2 Communication

COSO (2004) advocates communicating risks throughout an organisation to strengthen its internal control environment by embedding risk awareness. Often, effective risk communication occurs only in a time of crisis, whereas it should be an ongoing process, encouraging continuous discussions among stakeholders (Chibayambuya, 2007). Although the participants indicated that the organisation's guidance in terms of expectations of risk reports was not always clear, they believed that the quality of information eventually submitted was of a high standard and had been said to generate conversation among the users of the reports.

5.4.1.3 Nature of reporting

Particularly with risk related information, key stakeholders need to understand the risk at a level deeper than face value. The literature indicates that the technique of root cause analysis has proved efficient in interrogating risk data (Andersen & Fagerhaug, 2006) Through the interviews, a risk reporting approach of "so what?" was identified in the participants preparing risk reports. Information that had not been interrogated – "data dumps", i.e. heaps of undecipherable data – could no longer be submitted in a risk report; analysis and interpretation of the data had become essential. Root cause analysis has been a key technique in providing more informative reports that enable decision-making.

5.4.1.4 Physical demonstration of integration

Participants felt that the report itself serves as a demonstration of the risk manager's efforts to execute the risk management process. The literature supports this thinking; Adams and Gramlich (2016) state that reporting serves to summarise the execution of the work conducted to date and, ultimately, to integrate risk management into business and decision-making.

5.4.2 What does not work well and disables integration

The elements found to be the key contributors that hindered the integration of risk management into decision-making included reporting effort versus risk management benefit; risk governance; reporting requirements; execution; feedback; the nature of reporting; rating scales; and an ineffective review process. Many participants used the phrases "reporting paralysis", "reporting fatigue" and "reporting for the sake of reporting" when they discussed the hindrances to integration.

5.4.2.1 Reporting effort versus risk management benefit

Murcko (2017) proposes that perhaps we have been approaching our tasks the wrong way: the focus should be on the process, rather than on the outcome. Adapting this thinking to risk reporting where there are numerous requirements, both internal and external, a risk manager could certainly benefit from a streamlined process. The interview data indicated that if attention remains on the outcome, reporting efforts will continue to increase to meet the various expectations, which is the reason the risk management process is impacted negatively.

5.4.2.2 Risk governance

An important perspective to consider is that although the organisation's governance process is well embedded, one participant felt that it only served the organisation well because it had created a sense of uniformity about risk reporting expectations. This does not imply that the process in place was necessarily adequate. In addition, the interview data highlighted the participants' view that the current governance structure was hindering risk managers from actually taking action in time to manage the risk identified.

5.4.2.3 Reporting requirements

Communicating unclear requirements to employees creates the potential for frustration and inefficiencies. The participants felt that, as a preventative measure, expectations must be clearly defined and understood by those expected to execute on a task. Although the governance structure of the organisation was well embedded in terms of risk escalation, the specific risk reporting requirements per level (i.e. in a specific committee) had not been well defined and expectations seemed unclear. The literature supports the notion that, particularly with risk reporting, it is important that the users of the reports describe what information they need so as to be able to make adequate decisions (Starovic, Cooper, & Davis, 2004). Frustration expressed in the interviews for the lack of a streamlined, efficient risk reporting system is believed to be a contributing factor for the skewed degree of time and effort on reporting as distinct from actually identifying and managing the risks.

5.4.2.4 Feedback

The participants emphasised that the feedback from the various risk management committee meetings was an area of weakness. The literature advises that this leaves risk managers in the dark for two reasons: first, not knowing if what was reported was sufficient for the audience, and, second, not knowing the detail around the discussions and decisions on the way forward to manage particular risks (Airmic, 2010). The interview data indicated that 'it's all about timing': identifying the risk at the right time, and executing at the right time. A risk manager cannot execute effective management actions on a risk that has already happened.

5.4.2.5 Nature of information

The data from the interviews highlighted the participants' view that 'back-ward-looking' information and 'good news reporting' were two characteristics of the information included in risk reports that do not work well.

Backward-looking: Participants claimed that many of the risk reports still seem too focused on issues instead of emerging risks. Pre-mortem can be implemented as a technique to combat the backward-looking risk/issue identification; this approach will position an organisation more competitively, as it provides key stakeholders with the opportunity to understand the environment in which they are operating and allows them to safeguard against possible risks (Ross, Klein, Thunholm, Schmitt, & Baxter, 2004) .

Good news reporting: Considering that a report is a 'showcase' of a risk manager's or risk team's efforts, it was evident from participants' answers that there were areas where things are not working well and were not reported, or were reported but with a subdued tone so as not to raise alarm. This poses a significant risk for the organisation, while also undermining efforts to cultivate a strong risk culture (Basel Committee, 2013b). The approach of ‘good news reporting’ that seemed to exist in the organisation carries the danger of cultivating a weak risk culture, in which staff feel too afraid to generate alarm because it could create the impression that they are not doing their job properly.

5.4.2.6 Rating scales

Jobst (2007) states that in order to determine the optimal ‘risk-taking zone’, an adequate risk assessment, using appropriate risk measurement tools, must be conducted. To report on the organisation's risk, a risk manager must be equipped to consistently measure, assess and prioritise the risk identified. This requires consistency across rating scales and their defined tolerance thresholds. The interview data indicated that inconsistencies existed in the selected organisation’s rating scales and templates – that is, the escalation thresholds and control ratings were not all the same. This posed a challenge in terms of escalations, as well as articulation of the risks, thus providing decision-makers with inaccurate or poor information, which in turn affected the decisions made and the management of the organisations risks.

5.4.2.7 Review process

Supporting the inconsistencies of templates and reporting requirements, the participants identified the review process as one of the areas that did not work well. A participant described it as “pretty chaotic”. A large degree of anxiety seemed to precede the submission of a report for review.

5.5 The effect of the risk management process on the organisation’s risk culture

The dynamic environment in which organisations currently operate is increasingly challenging risk managers to “conceptualise their role more broadly” (Roth, ARM, & Ruggieri, 2013). The IODSA (2016) definition of risk reporting states that risk reports serve as a summary of the risks, opportunities and trade-offs facing the organisation, supported by an up-to-date status of the management actions appropriate to the frequency and severity of risks. Simply put, a risk report is the main mechanism used to communicate existing risks to key stakeholders. To ensure that reliable information is reported, the initial risk management process needs to be executed appropriately.

Of all the participants interviewed, none of their roles and responsibilities were solely focused on risk reporting. The participants fulfilled risk manager job functions that required them to execute the full risk management process, of which risk reporting is only one component. Nine out of the ten participants suggested that the time and effort spent on risk reporting was negatively skewed. On average, the ratio of time spent on risk reporting to that spent on the remainder of their responsibilities was 60:40. This demonstrates significantly disproportionate attention paid to risk reporting – just one element of the risk management process. All the participants felt that this ratio should be inverted and that time spent on risk reporting should be decreased. This finding raises apprehension about the robustness of the organisation’s risk culture because of its prioritisation of one component of the risk management process over the others. Some participants expressed concern that they were not attending to parts of their responsibilities adequately enough.

5.6 The impact of the approach to integrate risk reporting requirements on the risk management process

Key stakeholders are demanding information that enables them to make strategic and operational decisions that will serve the organisation’s strategic direction (Alter, 2013). The reporting of financial information has advanced significantly over the years. However, this information alone does not satisfy the requirement to make a sound and comprehensive decision (IIF, 2009). The interview data revealed that risk officers were required to gather additional and more relevant information on the organisation’s strategy and governance, human resources, and broader issues. To gather this information, the participants recognised that the integration of risk management throughout the organisation was critical. A deeper level of understanding of the organisation and its processes was required, which could only be achieved through collaboration with the business.

To conclude the discussion, participants were asked what they felt would improve their organisation’s current approach to risk reporting in order to exert a positive influence on the integration of risk management into decision-making. Their responses are summarised under the following themes.

5.6.1 Automation

BCBS 239 advocates risk architecture to enable effective, timely and reliable reporting (Basel Committee, 2013b). The participants felt that ‘smart’, ‘clean’, reliable and instant data would serve as an advantage when preparing risk reports. Having confidence that the data available in the organisation was accurate and reflective of its current environment enabled them to spend less time gathering, confirming and consolidating data to create a risk report, and also freed up the capacity necessary to attend to ‘actual’ risk management. The participants would prefer to use their time to interpret and contextualise the data available in order to report quality information that would enable better and more competitive decisions.

5.6.2 Frequency of meetings (part of risk governance)

The participants questioned the necessity and effectiveness of the number of meetings held by each committee, let alone the number of meetings for sub-committees and forums. The interview data indicated that the number of committees a risk manager was expected to report to intensified the burden of reporting. Many risk managers felt that they too often reported 'for the sake of reporting' and that the information reported to one committee was also required in reports to numerous others from a slightly different perspective. To reduce the reporting administration and bureaucracy before a decision was made would require the revaluation of the number of committees/forums held and the frequency of their meetings. According to the literature, the frequency of meetings needs to be proportionate to the degree of risk being managed (Al-Najjar, 2014).

5.6.3 Coordinated assurance (part of risk governance)

According to the literature, the coordinated assurance model was created to encourage assurance providers to work more closely together to ensure that a risk is comprehensively managed (Prinsloo, Walker, Botha, Bruwer, & Smit, 2015; Zhou, Simnett, & Hoang, 2016). This approach, by its nature, encourages collaboration and reliable integrated reporting. The participants indicated a need to ensure that such a model is well embedded in the organisation and that input from all key stakeholders is considered on decisions and concerns so as to provide a comprehensive view of the risk being assessed.

5.6.4 Reporting requirements

Consistency, conciseness, commitment and compactness is achieved through a standardised and effective template. A standardised template provides the risk report writer with guidance on the type of information the committee is expecting to receive. The participants felt that if all contributors reported in a similar fashion, it would enable them to consolidate the report in a manner that allows easier identification of trends, gaps and areas needing attention. This suggestion, it was believed, would benefit both the contributors to a risk report and the consolidators of the reports.

5.6.5 Feedback

The interview data indicated that a consistent and insightful feedback process from discussions held in committee meetings was required to help the risk managers to understand the bigger context of the discussions held and to provide risk reports that included the appropriate type and level of information. In addition, feedback from these discussions was required, to let the risk managers know whether or not the management actions put in place were adequate.

5.6.6 Nature of reporting

The participants recognised the need for risk managers to start reporting on emerging risks rather than reporting only on the management of existing risks and issues. The financial services environment is highly dynamic and systemic – it is therefore imperative to generate new discussion on current, topical matters. Dumay (2016) advises that transparent risk reporting through both a current and future lens is the type of information required for effective decision-making.

5.7 *Linking research objectives, findings and academic literature*

A link was made between the research objectives and interview questions to demonstrate how the research findings address the objectives. To complete the parallel drawn between the objectives and findings, an indication of the literature that supports the findings is also provided. For ease of reference, this consolidated view is summarised in Table 1.

Table 1: Linking of research objectives, findings and academic literature

<table>
<tr><th>#</th><th>RESEARCH OBJECTIVE</th><th>INTERVIEW QUESTION</th><th colspan="2">RESEARCH FINDINGS</th><th>LITERATURE</th></tr>
<tr><td rowspan="3">1</td><td rowspan="3">Determine the purpose of risk reporting.</td><td rowspan="3">Question 1: Understanding risk reporting
a) How is the term ‘risk reporting’ defined and understood in this organisation?
b) What internal and regulatory reporting requirements affect your risk report?
Question 2: Describe your involvement in risk reporting.</td><td colspan="2">No common understanding</td><td>(ACCA, 2014; Basel Committee, 2013a; Carter, 2015; COSO, 2004, 2009; Epstein & Rejc, 2006; IODSA, 2016; ISO, 2009)</td></tr>
<tr><td colspan="2">Various regulations identified</td><td>(Falkena, Bamber, Llewellyn, & Store, 2001; FSB, 2013a; Klomp & de Haan, 2014; KPMG, 2015; Neyapti & Dincer, 2014)</td></tr>
<tr><td colspan="2">Internal requirements – and ERMF is embedded</td><td>(Brooks et al., 2010; COSO, 2004, 2009; Hopkin, 2017; Roth et al., 2013)</td></tr>
<tr><td rowspan="9">2</td><td rowspan="9">Assess whether the organisation’s approach to risk reporting enables the integration of risk management into decision-making.</td><td rowspan="9">Question 3: Tell me about your experience with the current approach to risk reporting. In your opinion –
a) What works well?
b) What does not work well?
c) How is the current ‘risk reporting’ approach fully enabling a risk manager to integrate risk management into business?
d) How do you feel about the current ‘risk reporting’ approach hindering a risk manager to integrate risk management into business?</td><td rowspan="4">a) & d)</td><td>Risk governance structure</td><td>(CRO Council, 2014; Gaughan & CFA Aon Strategic Advisors, 2015; IFC, 2015; IODSA, 2016; Laughlin, 2015)</td></tr>
<tr><td>Communication</td><td>(Beasley, Branson, & Hancock, 2011; Brooks et al., 2010; Bugalla, Kallman, Lindo, & Narvaez, 2012; COSO, 2004)</td></tr>
<tr><td>Nature of information</td><td>(Basel Committee, 2013a, 2014; Woods, 2010)</td></tr>
<tr><td>Physical demonstration of integration.</td><td>(Adams & Gramlich, 2016; Branson, 2015)</td></tr>
<tr><td rowspan="5">b) & c)</td><td>Reporting effort versus risk management benefit</td><td>(Murcko, 2017)</td></tr>
<tr><td>Risk governance</td><td>(CRO Council, 2014; Gaughan & CFA Aon Strategic Advisors, 2015; IFC, 2015; IODSA, 2016; Laughlin, 2015)</td></tr>
<tr><td>Reporting requirements</td><td>(Branson, 2015; Kanter, 2003; Starovic et al., 2004)</td></tr>
<tr><td>Feedback</td><td>(Airmic, 2010; IODSA, 2016)</td></tr>
<tr><td>Nature of reporting</td><td>(Ross et al., 2004)</td></tr>
</table>

#	RESEARCH OBJECTIVE	INTERVIEW QUESTION	RESEARCH FINDINGS	LITERATURE
			Rating scales	(Hernandez et al., 2010; Saunders & Cornett, 2003)
			Review process	(IODSA, 2016)
3	Assess the impact of the organisation's approach to risk reporting on the overall risk culture of the organisation.	Question 4: With reference to your organisation, what do you think could assist with the improvement of the approach to risk reporting that will have a positive effect of the integration of risk management into business?	Automation	(Basel Committee, 2013b; Popovič, Hackney, Coelho, & Jaklič, 2012)
			Frequency of meetings (part of risk governance)	(Al-Najjar, 2014)
			Coordinated assurance (part of risk governance)	(Prinsloo et al., 2015; Zhou et al., 2016)
			Reporting requirements	(Branson, 2015; Kanter, 2003; Starovic et al., 2004)
			Feedback	(Airmic, 2010; IODSA, 2016)
			Nature of reporting	(Ross et al., 2004)

5.8 Criteria for diagnosing reporting-related risk culture issues

At an enterprise-wide level, various kinds of pressure influence risk-management activities. These can span from compliance or regulatory changes to the adequacy of existing internal risk-management approaches. For an organisation to develop its risk-management capabilities proactively into a competitive advantage, a conscious effort to strengthen its risk culture is required. Although a good risk culture results in better decision-making, the opposite is also true: a strengthened risk culture can be achieved within an organisation by improving its decision-making capabilities, making risk culture and good decision-making interrelated.

Based on the findings of this study, criteria are proposed for diagnosing reporting-related risk culture issues, thus achieving the main objective of this study. These criteria were determined by considering the most frequent themes found in the study in the context of the supporting literature on the importance of each. The criteria have been identified as follows.

(i) **Risk governance (including frequency of meetings)**: Determining whether adequate organisational structures and reporting lines are embedded throughout the organisation, supported by clear descriptions of roles and responsibilities for individuals and business units. In addition, determining how many reports need to be written and submitted to different committees before a decision can be made stifles the rate of innovation or the rate of response required to manage a risk. Also, determining whether the frequency of meetings is appropriate for their function without creating reporting fatigue – this would include determining the flexibility of meetings (i.e. the extent to which, when there are no significant risks or opportunities to report, the governance structure allows for a meeting to be cancelled or shortened, to prevent reporting for the sake of reporting).

(ii) **Reporting effort versus risk management benefit (including automation)**: Determining the amount of time spent preparing a risk report compared with the amount of time a risk manager spends attending to other risk management responsibilities.

(iii) **Feedback:** Determining to what degree feedback is shared with the report writers and risk managers after a meeting – feedback about the matters put forward, as well as about the general matters arising in the discussion.

(iv) **Nature of reporting**: Determining the degree of risks reported versus issues – indicative of the risk awareness of the organisation. In addition, determining whether the data reported has been adequately interrogated and understood (i.e. has root cause analysis been conducted, and has the risk manager worked with the risk owners/affected stakeholders to truly understand the risk?). And, last, determining the extent of good-news reporting through understanding the stress and anxiety of submitting reports that do not reflect that the control is as effective as expected.

(v) **Reporting requirements**: Determining whether risk managers are comfortable with the risk reporting mandate and whether a standardised reporting template has been formalised.

In reality, every employee in an organisation is a risk manager of sorts, and understanding how these diagnostics affect the mind-set and behaviour of the employees within an organisation plays a crucial role in its risk culture, which ultimately affects the execution of its risk management strategy.

6. Conclusion

Risk reporting is a key component of the risk management process. As such, raising internal and external expectations of this component will affect the full risk management process and, by extension, the risk culture of the organisation. The main research objective of this study was to suggest criteria for the diagnosis of issues in an organisation's risk culture in relation to risk reporting. The secondary objectives were to investigate the purpose of risk reporting; assess whether the organisation's approach to risk reporting enables the integration of risk management into decision-making; and assess the impact of the organisation's approach to risk reporting on the overall risk culture of the organisation.

In order to achieve the required objectives, a qualitative research approached was followed; interviews were conducted in a South African FSI to determine and assess reporting-related risk culture issues. This study afforded the researcher an opportunity to obtain deeper insight into participants' views on the topic of risk reporting. The study suggests that an organisation's approach to risk reporting has an effect on its risk culture. Reporting is only one component of the risk management cycle and should not overshadow the entire risk management process. Considering the organisation's current governance structure and the disproportionate amount of time the participants in this study spent on risk reporting, the execution of the risk management process was negatively affected, hindering the integration of risk management into decision-making.

A more comprehensive assessment of an organisation's risk culture can be effected when its approach to risk reporting is considered. Based on the findings of this study, and to answer its main objective, the researcher suggests the assessment of the following risk culture criteria, specifically with reference to risk reporting:

- risk governance (including frequency of meetings);

- reporting effort versus risk management benefit (including automation);
- feedback;
- nature of reporting; and
- reporting requirements.

Through understanding an organisation's risk culture and the elements – in this case, risk reporting – that shape it, risk managers should be able to improve on the identification and management of risk, thereby improving the quality of decisions made. Supported by the idea in the BCBS "Principles for effective risk data aggregation and risk reporting", risk reports should ideally enable agile, innovative and strategic decisions resulting in in a strengthened risk culture due to the integration of risk management in the decision-making process (Basel Committee, 2013b).

Although the research objectives of the study were successfully achieved, a few limitations were apparent. First, the research was required to be conducted and concluded within a period of a year, with strict constraints on the time available to conduct the research. Second, the population was too small to be generalisable, with only 10 risk managers, from one FSI, who were involved in one of the organisation's many risk reports. This sample might not represent the majority of risk managers' views. Last, the interview questions designed to determine the effect of risk reporting on risk culture might give useful information about the risk integration enablers and disablers; it seems not to provide enough evidence of the participants' individual interpretations of each enabler and disabler identified.

Recommendations for further studies with a larger population sample include a detailed investigation into each of the enablers and hindrances of integration of risk management into decision-making, and an examination of the organisation's risk reports from various committees, with suggestions for practical solutions to streamline risk reporting in ways that will contribute to a stronger risk culture.

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(The journal selected sets the word limit for articles at 8 000 words.)

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REFLECTION

The journey of writing my master's mini-dissertation in the field of risk management has been quite an experience. Having realised that I had a keen interest in the field of risk management, acquiring a master's degree in the field was a no-brainer. At the beginning of the year, when it came to selecting a research topic, I was overwhelmed. How does on choose one, narrow area of focus from the broad field of risk management? There is so much to research, expand on and develop! Deciding on a specific, focused topic was my first challenge – almost like telling a child in a candy store to choose only one sweet from a specific aisle, and no more. Likening this dilemma to risk management, more specifically to the concepts of risk appetite and tolerance, I feel that many students have an appetite to research the biggest and boldest topics, but the lecturers expertly remind you of the realistic tolerance levels a student has.

Taking some time to decide on a topic that was a good fit with risk culture, as well as one that could serve my organisation in practical ways, and the like, I decided to look into the concept of 'risk reporting' – an overlooked pain-point for many risk managers. Although the risk management process is intricate, with each step being just as important as the next – from identification all the way through to the monitoring of the risks – my experience in the field had shown me that many people underestimate the time and effort that goes into risk reporting. Without understanding the purpose or requirements of the risk reports, risk managers are at risk of either not fulfilling the expectations of the reports or adjusting their risk management process to suit the reporting requirements. These two possibilities should seemingly have some effect on the organisation's risk culture – and understanding this was certainly of interest to me.

For me, the most significant learning resulted from the interviews and from engaging with risk professionals to understand better their points of view on this particular topic in which both I, as the researcher, and they as the participants, had an interest. At first, on setting up the interviews, I noticed a sense of eagerness from the participants to have this conversation, which led me to feel that there were definitely going to be material elements to discuss following the research findings. Subsequently, 90% of the participants advised that they felt they were spending too much time on reporting, highlighting the burdensome amount of risk reporting requirements expected to be adhered to. Equally, this is perhaps due to the organisation's selected approach of focusing on compliance with the various requirements, resulting in significant breakdowns in the risk management process. This may demonstrate weakness in the risk culture within an organisation, because risk managers are more focused on the administration of reporting than on the management of risks.

Having analysed the challenges risk managers are faced with in regard to risk reporting, I now question the challenges faced relating to each of the other steps in the risk management process, and whether these, too, impact the organisation's risk culture. Most important, I have learned that an organisation's risk culture is fluid and that there are many elements that influence it. However, I have not sufficiently developed my understanding of these elements, which makes me feel that there is still a lot that I, as a risk manager, must become aware of to ensure I positively contribute and influence my organisation's risk culture, wherever possible. This knowledge will be useful to me as a practitioner because, through my role as a facilitator of risk management in an enterprise-wide risk management function, I can play a part in identifying pitfalls that may potentially weaken the organisation's risk culture. Since I did not investigate all the reports within my organisation, I believe, as a next step, an exercise should be conducted to dissect and compare various reports to truly understand all the requirements and to streamline efforts in a manner that will enable a more effective execution of the risk management process – resulting in information that will equip decision-makers to make appropriate decisions that will keep the organisation competitive.

As a personal experience, it was phenomenal to realise how building rapport with your working community can aid you in research. I believe that learning to conduct a good interview is a skill that a student can translate back into the working environment to facilitate discussions and workshops. The most challenging aspect of the study was certainly the transcription and coding. Academic research is often described as mundane and repetitive. Although the research itself was a repetitive process, the transcription certainly takes the cake. I would strongly suggest that a researcher budget for the costs of professional assistance as not only will it save a tremendous amount of time, but will also spare them some torture.

A sincere concern of mine regarding academic research is that passionate students and their supervisors commit significant amount of time and resources to progress their field with valuable research, information and ideas. Yet research articles are typically filed away in an academic library and occasions where they are discussed are predominantly at academic conferences. As much as the academic field benefits from the research, I feel strongly that the true value is only derived when applied or considered in practice. I feel that a considerable incentive for master's and PhD studies would arise when a closer collaboration between academics and industry professionals is attained.

APPENDICES

Appendix A: Approved interview questions

Question 1:
Understanding risk reporting: a) How is the term 'risk reporting' defined and understood in this organisation? b) What regulatory reporting requirements affect your risk report for the GRCMC?
Question 2:
Describe your involvement in risk reporting (how are you involved in risk reporting?).
Question 3:
Tell me about your experience with the current approach to risk reporting. In your opinion: a) What works well? b) What does not work well? c) How is the current 'risk reporting' approach fully enabling a risk manager to integrate risk management into business? d) How do feel about the current 'risk reporting' approach hindering a risk manager to integrate risk management into business?
Question 4:
With reference to your organisation, what do you think could assist with the improvement of the approach to risk reporting that will have a positive effect of the integration of risk management into business?

Appendix B: Examples of the transcribed answers to questions to support research findings

Understanding risk reporting (c/ref 5.1)

"…risk reporting is if you look at what are the financial and strategic implications of what risks are within your organisation, within your business, within your environment".

"…reporting is done appropriately to the necessary level of committee, the audience, and what is the required outcome from the reporting when measured against audience and level of committee".

"…risk reporting is if you look at what are the financial and strategic implications of what risks are within your organisation, within your business, within your environment".

"…reporting is done appropriately to the necessary level of committee, the audience, and what is the required outcome from the reporting when measured against audience and level of committee".

"…should really be at all levels of our organisation where you actually bring together all those key material issues into a single view".

"…it's about getting to our audience what's happening now. How is that in our current environment? Is it over what we want it; is it below what we want it? And how much room do we have in terms of our tolerance, or our appetite? And then also forward-looking: what's the outlook? Where is this heading?"

"…it should aid decision-making".

"outcomes of the risk management system in our organisation which culminates in those matters which we believe need to be reported to the audience it's intended".

"…communicating the risk experience and also the outcome of the risk mitigation – your controls, your management – in context to the risk appetite and your tolerance level; and then be a bit more forward-looking in terms of impact, expectations, in context to your bench-marking for as-is but also potential emerging risks that could influence your emerging risk profile".

Internal risk requirements (c/ref 5.3)

"…has got a very strong governance framework in terms of the various committees, various structures, what goes where. And that, once again, just puts structure into it".

"I think our 'so what' philosophy that has made its way into our governance pack is awesome! Because that is, for me, at the heart of what risk reporting should be about".

"…does have a good governing structure, and it's because of enterprise wide risk management".

"…enterprise wide risk management framework and a process within the organisation that allows the organisation to give effect to a proper, well-functioning risk management process, risk management system. The reporting is an outcome of achieving that."

What works well and integration enablers **(c/ref 5.4.1)**

Risk governance (c/ref 5.4.1.1)

"well-embedded reporting and escalation process."

"the fact that we do have very clear reporting governance structures in place. That in itself makes it quite easy in terms of what goes where, and at what level you must report. So if you haven't got that understanding organisation, if you sit at the group level you must consolidate, you're going to have a problem."

"I think the other one …that helps us a lot around reporting is the fact that we've got very solid frameworks, policies, processes in place that guide us in terms of what needs to be reported. I think the fact that we've got Enterprise Risk Committees, is a very good source of information from a risk reporting point of view."

Communication (c/ref 5.4.1.2)

"I would definitely say it forces you to have conversation."

"That knowledge that risk reporting gives you is a material strength, and you can always use it to add value in your business. I always say risk is change agents; we are changing people's behaviour. And we always need to make sure that we're relevant."

“reporting is a very good tool, provided that you have conversations widely in that business that you service and that you actually have the ability to then report the key risks to that head.”

“And even taking the quantitative statistics, you need to dig a bit deeper, you need to ask questions, you need to have conversations. And it will be very evident in a report if a risk manager hasn’t had a conversation.”

Nature of reporting (c/ref 5.4.1.3)

“This whole thing around strength analysis, root-cause analysis, and also emerging risks. I mean those three items for me, once again, formalise in the reporting and get it into the report and go have a conversation with that business unit head.”

“And I think also looking at a qualitative and quantitative picture or elements… You could pull reports, statistics; but unless you dig beneath those statistics, it’s not going to tell you the picture. So you could pull… reports. All of that is information. But you also need to look at it qualitatively: What is the culture of the environment? What is the leadership style and tone? Because that sets the scene for, perhaps, even bigger people risk than just looking at the quantitative side. And even taking the quantitative statistics, you need to dig a bit deeper, you need to ask questions, you need to have conversations. And it will be very evident in a report if a risk manager hasn’t had a conversation. This is where I have found the benefit of the requirement to report on a deeper level – on the root causes of risks.”

Physical demonstration of integration (c/ref 5.4.1.4)

“A good tool that I would use if I was in a business, to say, ‘use your risk reporting to position yourself, demonstrate value added, and give that knowledge and highlight key risks that’s facing that business.”

“So I think if a risk manager is producing a risk report, effective integration of the business operation should be evident in that report. In other words, when you’re looking at, let’s say, people risk and you’re producing a people risk report; how have you looked at all the elements that could affect people risk, to culminate in that report? That would be evidence that you’ve integrated risk fully into business. But if you’re looking at a report that only has one indicator of what could potentially cause a people risk exposure, you’re looking at a skewed picture.“

What does not work well and integration disablers (c/ref 5.4.2)

Reporting effort versus risk management benefit (c/ref 5.4.2.1)

"We are, in my opinion, actually moving backwards… firstly we are overburdening individuals, time-wise, spending around 70% of our time on reporting. Just the amount of time and effort that goes into this because of our processes, because of the pressures, because of the faulty review process, it just becomes ridiculous. It's a document that is the focus of everything in this organisation. And that document, in my opinion, does not give the accurate story because of all of these failures; because we want to fit things into particular boxes, literally; and because we – in my opinion – don't have sight of the bigger picture. And that's making money for the bank."

Risk governance (c/ref 5.4.2.2)

"I think the only thing that works well is processes that are repeated for a number of years. They work well in the sense that they do what they've been needing to do… And that works well in terms of 'it's known that this is the process'. But that's not a plus for me. If we are not… If we are doing things the same all the time, there's something wrong. There's something wrong: We're not looking at everything, or we're too stretched, or something is not right if we are doing things exactly the same as we have been doing them all along."

"we're getting to the risk reporting but this risk management process of what's actually happening, we're not getting to. So, we wait until we do the risk reporting, and we kind of try do the entire process here, instead of having this part done."

"So execution is a big thing. I don't think we are executing on the risk that we are identifying in time. I mean, at the end of the day it's all about timing: identifying the risk at the right time, and executing at the right time. I mean, you can't execute on a risk that has already happened."

"And also 'what have we learned from our previous risks?' I mean, I don't think we take enough of lessons from what's happened in the past and say 'okay, guys, this is what happened; how do we take the learnings out of this to ensure that this type of risk doesn't happen again?'"

"Because I mean it's not about report. Report is the end goal. Report is the storybook in my mind. I mean it needs to be a real, live, ongoing beast on its own and a platform somewhere where people can identify stuff. I mean the report is the end point. It's not the starting point."

Reporting requirements (c/ref 5.4.2.3)

"From a risk reporting approach we don't have a streamlined, efficient system from risk reporting. How I would envision a risk reporting structure would be basically you would have your system or platform to have a look at 'okay fine, this is how we're going to report risk; these are the indicators in this system to report risk' and then ultimately the tools would be the ultimate report that comes out at the end."

"…we are not clear on those requirements, we get resistance, we get push-back, we get half-hearted attempts at reports, or we get people not paying attention at all. So, we get very little information and it's a poor attempt at reporting to the levels that we know we are responsible for – and the highest levels. So, if we are not clear and the instruction is not clear, it won't work well. It's when it is clear that it does work well."

Feedback (c/ref 5.4.2.4)

"I think we can definitely enhance that. I think that feedback loop, specifically if you're not in the meeting… And, you know, currently that structure is that your CRO sits there and they're busy; you can't always go and have a post-mortem …"

"I think it dies there, and that's a problem. I understand confidentiality - I understand all of those things – but, there should be that continuous loop. And without that continuous loop, we're not going to know what the Board members and the execs want, so we're not going to be able to deliver to them what they want."

Nature of reporting (c/ref 5.4.2.5)

"So forward-looking approach as opposed to 'okay, this has happened, let's manage it'."

"So forward-looking approach as opposed to 'okay, this has happened, let's manage it'. So, kind of anticipating what's to come."

"the way we're currently reporting doesn't really make it easy to make decisions on what's reported. There's too much good stuff, and also too much 'stuff'.

"I think it would be timing and culture around risk reporting. I mean, do we actually understand what we're reporting? Do we even understand risk to start with? Because as the CRO always says, the business of banking is about risk and how you manage risk."

"I don't think the way we're reporting hinders the risk manager necessarily, it hinders more a committee looking at that report. Because they're not seeing what they should be seeing. And maybe they're not asking what they should be asking either".

"The good news kind of report; trying to hide the bad news in data dumps."

Rating scales (c/ref 5.4.2.6)

"our escalation thresholds, our "colour coding", it's not all the same. And I think it does give business a bit of a challenge in terms of escalations, as well as articulation, and also actually rate your risk."

"I mean, do we actually understand what we're reporting? Our rating scale across clusters are different. So do we even understand risk to start with?"

"So, what does not work well: I think it's little bit of enhancements in terms of standardisation, a bit of framework alignment, escalation thresholds, the colour-coding that we use, all those types of things… Just get it the same throughout the organisation."

Ineffective review process (c/ref 5.4.2.7)

"It's just administratively burdensome."

"what does not work well is the entire review process."

"What doesn't work well is the amount of anxiety, stress, preparing for the review, and really people being pushed out of depth by themselves or by the requirements or by them not being able to understand or whatever it is.

"As soon as you start getting into that sort of environment, whereby people are under pressure, they don't apply their minds. For me, you have to apply your mind; you have to step back and then sit down and say, 'Okay, what is it?'"

The effect the risk management process has on the organisation's risk culture (c/ref 5.5)

"We are, in my opinion, actually moving backwards …firstly we are overburdening individuals, time-wise, spending around 70% of our time on reporting. Just the amount of time and effort that goes into this because of our processes, because of the pressures, because of the faulty review process, it just becomes ridiculous…"

"…my efficiencies going around 50-65% going into reporting… So reporting is a needed evil in risk management, and it's also a mechanism we utilise to drive the resolve of risk… So for me an acceptable percentage of my function would be 33%; a third of my requirements. I think I'm 10% above it, 20-30% above…"

"Our focus is too much on reporting. This is how far down the month? I finished my last governance report yesterday. I will now start looking at the month data, which is June's data, to see what the micro-trends are and what are the movements in crime; because I only now get to my day job. And this isn't about roles, it's for everyone. We're so busy reporting… When do we manage the risks? The last thing we want is to have our risk reporting to become a compliance issue where we just have to get packs out; and we just have to put something in there but we don't have time to manage the risks, so we don't really have outcomes of our risk actions that we've taken based on the last time because they're just too quick, on top of each other. It's report on report, and I think that's one of the problems..."

"I think we have a bit of a skewed perspective right now where it's more about the quality of reports rather than the quality of the strategic risk management."

The impact of the approach to integrate risk reporting requirements on the risk management process (c/ref 5.6)

Automation (c/ref 5.6.1)

"So, almost like a live dashboard that says 'this is what's happening right now, this is our key focuses, this is what we're doing about it'. So by the time risk reporting comes, you can just pull that and report on it."

"MIS and systems and sometimes availability of automated information definitely needs some work. I think we are still battling with that, and there are sometimes some challenges to get an automated report, so, it does result in a lot of manual work being done. That's something I think will impact the wider risk reporting realm."

Frequency of meetings (c/ref 5.6.2)

"big challenge is the timing of the different packs. That's the key thing. Because in the ideal world, it would be your operational stuff happening in a month; then your more focusing stuff happening on a bi-monthly basis; that then feeds nicely into a four month cycle for like a Financial Crime Committee; and maybe have a GRCMC twice a year – then it would have just escalated all perfectly. We don't have that. We have a completely out of sync schedule."

"I think when we talk about the reporting, perhaps that's the one thing is, we don't actually have time to manage it very well. But, secondly, it's also just the timing. And I don't have an answer as to how best to fix that, but it is something that will make the reporting more structured in terms of it being integrated in action."

"Less reporting and more collaboration with clusters to look at how as an organisation, we improve reporting as a whole. Less time to report, more time to be strategic."

Coordinated assurance (c/ref 5.6.3)

"The first one is this whole new coordinated assurance. I think that will have quite a big positive, if it's positioned correctly and reported correctly. So I think coordinated assurance is definitely going to be that new big thing that's going to change the way that we look at stuff. That for me is quite key critical.

"… new way of looking at lines of defence. I think that model has made it quite clear in terms of this whole issue of what you do and where you sit. In the past there's been a lot of uncertainty around that… who the facilitators are; and who does what. And that in itself impacts, and will have an impact, in terms of risk reporting. You're on certain terms on where you are and what the model is that the bank uses in terms of reporting."

Reporting requirements (c/ref 5.6.4)

"You know if you look at our last board risk reporting, I don't think that worked well. Instructions came down very late during the process. It was seen as an ERM disabler to business rather than positioning where the request came from and why, and what it needed to solve for. So if a template is produced, you can't make an assumption that everyone knows what should go in the headings, why is the information important. They just think it's another repeat of another exercise, so they tick the box."

"I think the challenges we've got with consolidation and I see it in my own environment: If we haven't got standardised templates, it's very difficult to consolidate. If we don't report all on the same things; or where you do have a difference in business, where you can highlight that, it makes it very difficult to consolidate.

"…in hindsight (because that always gives you perfect vision), we should have perhaps facilitated that process ourselves, collaborated with the heads of risk, come up with a template together –so it's not pushed down to them, it's more they've committed to buy in because you've connected with them. The way we deal business now is purely through the heads. So we have a vision, we follow requests, we bend over backwards to meet very senior-people's needs, and we fail to see how we're impacting negatively on the people we need to build relationships with. So if we don't connect with them through compassion, empathy, understanding, and taking their views into account then I don't think we're on the right track."

Feedback (c/ref 5.6.5)

"I think we can definitely enhance that. I think that feedback loop, specifically if you're not in the meeting… And, you know, currently that structure is that your CRO sits there and they're busy; you can't always go and have a post-mortem..."

Nature of reporting (c/ref 5.6.6)

"I do think we should pay more attention to root-cause analysis because we do see the same events, or similar events, recurring time after time. And I think looking at the opportunity, loo/king at the forwards, the backwards, and really challenging each one of those reports and saying 'is it giving the committee the full view of that risk?'"

"So, I think the report needs to be a concise report, it needs to almost… I mean, have a look at this month for example, GRCMC – it's like a 200 page document and yes, we do report all the risks in that report but I think we almost, again, need a dashboard in front to say 'guys, this is the 15 or 16 risks we've identified, this is the implication from a qualitative perspective, this is the implication from a quantitative perspective; are we within or not within our risk limit?' And almost like a green, yellow, blue, whatever status and where we are on the specific risks. That's how we'd see. So with the current risk, forward-looking risk, and maybe with a 'what have you learned' section at the bottom. And just use that as a thing to run, you know, just the reporting portion. I mean, not just like volumes of stuff where we get the stuff in there that's exceptionally good and the detail is awesome, but I mean you get lost in a 250-page document. It needs to be up front. In my mind, I need to be able to see this on maybe one big A3 sheet."

"Root-cause analysis – another process that's been implemented just recently – allows us a greater degree of assurance that we're fixing the right thing. That kind of reporting, too, allows a different dimension of decision-making. And I think that's what the evolution of risk management is: It's never done."
