Risk culture in a South African outdoor advertising organisation

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PREFACE

This mini-dissertation is the final deliverable for the Master of Commerce (MCom) 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

In the South African context, the outdoor advertising industry is exposed, amongst other things, to operational, legal and compliance risks in terms of the various by-laws issued by different municipalities. This exposure requires outdoor advertising organisations to have robust risk management systems or practices supported by a sound risk culture. However, the risk culture literature lacks studies in this industry, as well as in unlisted organisations without formal risk management structures. In the present study, using the UARM Risk Culture Scale 2019 questionnaire, risk culture perceptions were compared between management (n = 35) and non-management (n = 83) groups in an unlisted outdoor advertising company that has a relatively flat organisational structure and that does not have a formal risk management department. The overall response rate was 79% (118/150). The management and non-management groups' perceived levels of risk culture were compared using non-parametric (Mann-Whitney U) tests. The management group's level of perceived risk culture was significantly higher than that of the non-management group. The results also indicated areas for improvement in the organisation under study. This study provides a starting point for further work in the broader outdoor advertising industry. It also offers opportunities for risk culture research in companies that do not have formal risk management structures.

Keywords: *Risk Management; Culture; Organisational Culture; Risk Culture, Outdoor Advertising*

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I also thank the outdoor advertising organisation's management and staff for allowing me to do research within their entity and for taking time to fill in my online questionnaire. Last, I thank all the academic researchers, risk management practitioners and my fellow colleagues in the programme for increasing my knowledge on risk culture and in risk management acquired during this programme.

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CHAPTER 1: INTRODUCTION (RESEARCH PROJECT OVERVIEW)

In South Africa, companies or businesses that are not listed on a stock exchange are not required by legislation to have formal risk management structures or to report on risk management (IoDSA, 2016). However, risk is an inherent element of any business that should be managed. Therefore, a risk culture exists in every organisation whether the organisation is formally aware of it or not. This study focuses on risk culture in an outdoor advertising organisation that is not listed on a stock exchange and that does not have a formal risk management department.

There is no standard national regulatory framework for the outdoor advertising industry in South Africa. Each municipality has its own by-laws to which outdoor advertising organisations have to adhere. Therefore, South African outdoor advertising organisations have to adhere to by-laws issued by different municipalities. A violation of any of the by-laws could lead to contract termination. Further to the by-laws, South African outdoor advertising organisations have the option to join their Out of Home Media trade association, membership of which provides them with benefits, as well as obliging them to comply with the association's code of conduct. Non-compliance could lead to termination of membership and loss of associated benefits. It is important therefore for outdoor advertising organisations to manage these and other risks effectively and to understand and enhance their risk culture.

The academic literature on risk culture has mainly focused on financial institutions that are listed on a stock exchange and that therefore have formal risk management structures. There is seemingly a lack of risk culture literature on unlisted organisations internationally and in South Africa in general, and on the outdoor advertising industry in particular.

Thus, the objectives of this study were to (1) investigate the risk culture of an outdoor advertising organisation that does not have a formal risk management department; (2) compare perceptions of risk culture between management and non-management employees of this organisation; and (3) provide recommendations to enhance the risk culture of this organisation.

This study is intended for academic risk culture researchers, risk management practitioners, consulting house firms and the outdoor advertising industry.

Journal selection

The journal selected for this study is the *Journal of Business Research*. It has a high impact factor of 4.028, which means that the journal is highly cited. The journal can therefore be considered credible. The journal is peer-reviewed, implying that every study submitted to this journal for publication is assessed for scientific quality prior to approval. Hence, the studies published in this journal can be regarded as being of high quality. The journal has an excellent reputation because of

the type of studies it publishes as well as its editorial processes. A wide range of studies are published in this journal. This wide range presents an opportunity for me to submit my article here, since there is seemingly little or no risk culture research focusing on the outdoor advertising industry. The website for the journal is:

https://www.elsevier.com/journals/journal-of-business-research/0148-2963/guide-for-authors

This journal uses the APA 6th referencing method and therefore corresponds to the referencing style used in this study.

CHAPTER 2: ARTICLE

Risk culture in a South African outdoor advertising organisation

Abstract

In the South African context, the outdoor advertising industry is exposed, amongst other things, to operational, legal and compliance risks in terms of the various by-laws issued by different municipalities. This exposure requires outdoor advertising organisations to have robust risk management systems or practices supported by a sound risk culture. However, the risk culture literature lacks studies in this industry, as well as in unlisted organisations without formal risk management structures. In the present study, using the UARM Risk Culture Scale 2019 questionnaire, risk culture perceptions were compared between management (n = 35) and non-management (n = 83) groups in an unlisted outdoor advertising company that has a relatively flat organisational structure and that does not have a formal risk management department. The overall response rate was 79% (118/150). The management and non-management groups' perceived levels of risk culture were compared using non-parametric (Mann-Whitney U) tests. The management group's level of perceived risk culture was significantly higher than that of the non-management group. The results also indicated areas for improvement in the organisation under study. This study provides a starting point for further work in the broader outdoor advertising industry. It also offers opportunities for risk culture research in companies that do not have formal risk management structures.

Keywords: *Risk Management; Culture; Organisational Culture; Risk Culture, Outdoor Advertising*

Introduction

The demand for advertising products has increased in South Africa and internationally because businesses everywhere are looking for effective ways to sell their products and increase their profits (Liebenberg, 2012). The growth of the advertising industry has led to stiff competition among service providers, leading to a demand for more sophisticated marketing (Drumwright & Murphy, 2009). Businesses advertise their products and services on different platforms including but not limited to television, radio, magazines, newspapers, and online, as well as outdoor advertising platforms such as street furniture, transit displays, sports arena displays and billboards. The diversity of these platforms could carry risks, compelling advertising businesses to consider ensuring that they develop and maintain a sound risk culture.

Risk culture came under the spotlight after the 2008 global financial crisis (Bui, Fang, & Lin, 2018; Gontarek, 2016; Ring, Bryce, McKinney, & Webb, 2016). A review of existing published studies on risk culture shows that their focus has mainly been on listed companies in the financial services

sector. No literature was found dealing with risk culture in companies that are unlisted and do not have formal risk management structures. Furthermore, I could not find published studies on risk culture in the outdoor advertising industry in South Africa or elsewhere. To address these gaps, the present study sought to determine and compare the perceptions of risk culture between management and non-management employees in an organisation with a relatively flat organisational structure that does not have a formal risk management department and that operates in the South African outdoor advertising industry.

Therefore, the objectives of this study were to (1) understand risk culture in an outdoor advertising company that is not listed on a stock exchange; (2) investigate and compare the risk culture perceptions between management and non-management employees in an organisation that does not have a formal risk management structure; and (3) make recommendations to enhance risk culture in the organisation under study.

Background

Risk culture

This research project examined risk culture in a South African outdoor advertising organisation. Culture is a term that refers to the way in which groups of people behave, and includes their belief systems and values (Schein, 2004). Organisational culture has an institutional context and involves basic assumptions that different groups of people share as they work and solve problems together. The solutions become sufficiently valid to be shared and taught to new members as the way in which that group perceives, thinks and feels about certain issues (Schein, 2010), including issues relating to risk. The Institute of Risk Management defines risk culture as “the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation or of teams or groups within an organisation” (IRM, 2012). The present study uses the decision-orientated UARM definition, which states that “the risk culture of an organisational group is manifested by the importance given to considering 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” (UARM, 2019). Risk culture – a subset of organisational culture (Figure 1) – can be assessed by examining people’s perceptions of how things are done in their group. Perceptions, defined by Gallagher (2008) as ways in which people regard, understand or interpret something, provide the data for assessing the perceived risk culture of the group.

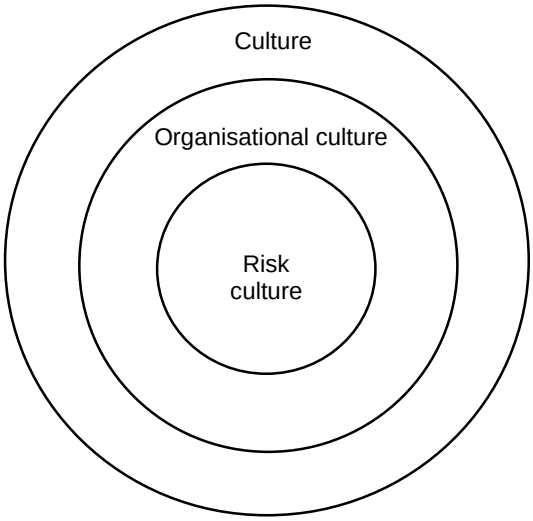


Figure 1: The relationships of culture, organisational culture and risk culture.
(Own diagram based on Hofstede, Hofstede, and Minkov (2010, p. 303))

South African outdoor advertising context

Outdoor advertising refers to any form of advertising that promotes customer products in public areas on, for example, billboards and street poles, or in sports arenas and shopping mall displays (Lichtenthal, Yadav, & Donthu, 2006). Outdoor advertising companies provide marketing opportunities to small, medium and large enterprises (Liebenberg, 2012). The growth of the outdoor advertising industry is driven by its ability to reach people in areas that are inaccessible to other types of media such as television and radio (Liebenberg, 2012). One of the advantages of using outdoor advertising platforms is that the advertisements are available twenty-four hours a day over specified periods of time.

All organisations face risks (Kimbrough & Componation, 2009). The way an organisation manages its risk forms part of its risk culture (Bozeman & Kingsley, 1998). In South Africa, outdoor advertising companies have to adhere to specific municipal by-laws governing each jurisdiction in which they operate as there is no regulatory framework that covers an entire province or the country as a whole (Liebenberg, 2012; SADEA, 2010). For example, different sets of municipal by-laws govern content to ensure that the advertisements do not include hate speech or discrimination (SADEA, 2010). The advertisements displayed must also comply with local by-laws that stipulate the legal requirements regarding signage placements, safety procedures to follow when installing the signs, the size of the signs, the type of signs allowed, the display of signs, and the penalties for non-compliance (Liebenberg, 2012; SADEA, 2010). If the by-laws are not adhered to, outdoor advertising companies are exposed to potentially serious legal and compliance risks, as well as operational and safety ones.

Outdoor advertising organisations are eligible for voluntary membership with Out of Home Media South Africa (OHMSA). This trade association aims to promote and protect the interests of outdoor

advertising companies through co-operation both among its members and with affiliated associations, government and local authorities. However, for member organisations to benefit from OHMSA, they have to adhere to its code of conduct and constitution. Failure to do so can cause withdrawal of an organisation's membership and result in loss of the benefits derived from being a member organisation.

The organisation under study

The outdoor advertising organisation selected for this study was founded in 1998. At the time of this investigation in 2019, it had branches in five of the nine South African provinces. It was managed by a chief executive officer who reported to a board of directors, and it had eight departmental structures: finance, operations, human resources, printing, systems, warehouse, information technology, and sales and marketing. It did not, however, have a dedicated risk management department. It had 150 employees (in management and non-management roles), and risk was incorporated in each staff member's job description. The organisation had outdoor advertising lease agreements with different municipalities in the provinces in which it operated. Each agreement ran for a specified period and, upon expiry, the municipality had the option to renew the lease or put it out to tender. The organisation paid fixed monthly municipal fees, or fees based on an agreed percentage of sales in the area.

Risk management in listed and unlisted organisations

Listed organisations are companies that trade on a stock exchange, for example the Johannesburg Stock Exchange, whereas unlisted organisations, such as the one in this study, do not trade on a stock exchange. South African listed organisations are required to have formal risk management structures in place while unlisted organisations are not (IoDSA, 2016). The outdoor advertising organisation selected for this study does not have a formal risk management structure in place. Nevertheless, all organisations face risks and every organisation has a risk culture whether it is formally acknowledged or not (Bozeman & Kingsley, 1998). Because an organisation's risk culture determines the outcomes of risk taking, it can either enhance or dampen the company's growth (Li, Griffin, Yue, & Zhao, 2013) and affect its success.

Having a sound risk culture is different from having a formal risk management structure, but making sure that risk-related systems and processes are in place is a first step towards developing the right attitudes and behaviours in an organisation (Power, Ashby, & Palermo, 2013). Roslan and Dahan (2013) showed that there is a positive relationship between risk culture, a formal risk management system and organisational performance, and that for an organisation to successfully embed a sound risk culture, there has to be risk awareness in the entire organisation. For this reason, it can be

argued that having a formal risk management structure in place can benefit a company, even if its unlisted status does not make such a structure mandatory.

The benefits of a sound risk culture

Steinberg (2012) believes that organisations should embrace risk culture, not only to stay out of trouble but to form a foundation on which to build their business value and success, and that the risk culture of an organisation determines what actually happens there, and which rules are obeyed, bent or ignored. According to Pan, Siegel, and Wang (2017), risk culture also influences the decisions taken by management. In the absence of a sound risk culture in an organisation, activities that are inconsistent with policies and procedures could become acceptable. Businesses in the outdoor advertising industry are no exception. The outdoor advertising organisation in this study has policies and specifies roles and responsibilities of the board, management and non-management employees. This process potentially promotes a desired risk culture. However, greater in-depth understanding of its risk culture could be fundamental to the company's ongoing success and long-term survival. Thus, embedding a sound risk culture could yield benefits for the organisation as well as the industry more broadly. Table 1 summarises the benefits of a sound risk culture.

Table 1:

Potential benefits of a sound risk culture

Benefit	**Description**	**Source**
Improvement in decision making.	A sound risk culture ensures consideration of risk when making decisions.	(IRM, 2012)
Improvement in organisational processes.	A sound risk culture ensures that a process of identifying, assessing, managing and monitoring risks across the organisation is implemented effectively.	(IRM, 2012)
Proactive management of risks and good behaviour.	A sound risk culture ensures that everyone in the organisation understands what they need to do. The attitude towards risk changes as everyone understands that their behaviour affects the organisation negatively or positively.	(FSB, 2014)
Risk ownership.	A sound risk culture ensures that the ownership of risk is understood in the organisation.	(IRM, 2012)

Method

This study followed a quantitative approach and employed the UARM Risk Culture Scale 2019 (UARM RCS 2019) (Zaaiman, Pretorius, Van der Flier, & Born, In progress).

Research Instrument

The UARM RCS is used for UARM masters' mini-dissertation studies under the umbrella ethics clearance approval certificate ECONIT-2016-011. The 42-item five-point Likert scale instrument has been refined and piloted over three years (2016—2018). The scale is considered mature and thus was regarded as valid for this study. It has worked well in 13 studies across sectors, functions and management levels showing content validity. The 2019 version of the scale also showed a high Cronbach's alpha (α) reliability coefficient of 0.97 revealing internal consistency. An overview of the UARM RCS 2019 is provided as Appendix 1.

Samples and participants

The total population was 150 employees. The study had a response rate was 79% (118/150). Table 2 shows the composition of the study sample, including the responses per level as a percentage of total responses and showing the response rate as a proportion of the total number of employees per level.

Table 2:

Composition of the study population and responses per level as a % of total responses

Employment level	Total number of employees*	Number of responses received	Response rate as a % of total responses	Response rate as a % of total employees per level
Management	37	35	30	95 (35/37)
Non-management	113	83	70	74 (83/113)
Total	**150**	**118**	**100**	**100**

*Source: Company employee register.

Of the 118 participants who responded to the survey, 35 (30%) were employed at management level and 83 (70%) at non-management level. As a proportion of the number of employees per level in the two groups, this represents 95% (35/37) and 74% (83/113) of management and non-management employees respectively. Nearly all management employees participated in the study, which shows that management took the study seriously. A response rate of 74% for non-management employees was also good, indicating a general willingness to participate in the study. This willingness could enhance the quality of results of the study. The high response rate meant that the sample was representative of the population and that the results could be generalised.

Table 3 provides the participant's age group frequency distribution while Table 4 provides educational levels.

Table 3:

Participants' age group frequency distribution

Age (years)	Frequency	%	Cumulative %
60 or older	5	4	4
50—59	7	6	10
40—49	26	22	32
30—39	42	35	67
20—29	36	31	98
18—19	2	2	100

Table 3 shows that 67% were aged 30 years or older, indicating a high level of maturity that increased the researchers' confidence in the results of the study. The assumption was that the older the participant, the greater would be his or her work experience.

Table 4:

Partcipants' education levels

Education	Frequency	%	Cumulative %
University postgraduate degree	10	8	8
University bachelor's degree	75	64	72
College	27	23	95
High school	6	5	100

Table 4 shows that 72% of participants had university-level qualifications. This high proportion further supported the researchers' confidence in the quality of the results obtained, based on the assumption that the more educated the participants, the better their reasoning, and that there would be no difference in how the groups perceived their risk culture.

Research hypotheses

The UARM RCS 2019 yields two factors, namely, the perceived level of integration of risk in decision making, and the perceived comfort with own risk management role. The outdoor advertising organisation under study is relatively small (150 employees), has a flat organisational structure and a high literacy rate (72% of its employees possess university degrees). Given this argument, as well as the objectives of this study, one would expect little or no difference in the perceived level of risk

integration in the decision-making processes and comfort with own risk management roles between management and non-management employees. Therefore, I postulated the hypotheses shown in Table 5. $H_{1,0}$ and $H_{2,0}$ and $H_{1,1}$ and $H_{2,1}$ are null and alternate hypothesis respectively.

Table 5:

Hypotheses of this study

$H_{1,0}$	There is no difference in the perceived level of integration of risk in decision-making between management and non-management employees in the organisation under study.
$H_{1,1}$	There is a difference in the perceived level of integration of risk in decision-making between management and non-management employees in the organisation under study.
$H_{2,0}$	There is no difference in the perceived level of comfort with own risk management role between management and non-management employees in the organisation under study.
$H_{2,1}$	There is a difference in the perceived level of comfort with own risk management role between management and non-management employees in the organisation under study.

Data collection

Because of the relatively small size of the organisation, data for this study were gathered by sending the questionnaire to the total population (n = 150). This ensured that every employee had an opportunity to express their opinion. The online questionnaire was tested prior to distribution to ensure that it worked well. Data collection was executed through an online questionnaire delivered via Research.net (SurveyMonkey's professional plan). The questionnaire was sent from a dedicated email address. It was left open for a period of two weeks with one reminder during this period. Data gathering was done by UARM and the data sets were housed and analysed by the UARM statistician.

Online questionnaires are a cost-efficient way of collecting primary data from a large number of participants in an anonymised manner, and a further advantage is that they can reach geographically dispersed participants. However, they can provide inaccurate information if answers provided are not honest or incomplete (Evans Joel, 2005).

Interpretation of risk culture maturity factor scores

The two UARM RCS 2019 risk culture maturity factor scores were as follows:

a) Factor 1 assessed the perceived level of integration of risk in decision-making processes in the organisation and had a total of 24 items.
b) Factor 2 assessed the perceived level of comfort with own risk management role and had 18 items.

The interpretation of these risk culture maturity factor scores was extracted from the UARM RCS 2019 (Zaaiman et al., In progress). This interpretation is summarised in Table 6.

Table 6:

Interpretation of risk culture maturity factor scores

	Scale					
Factor	0.0 ≤ FS* < 0.5	0.5 ≤ FS < 1.5	1.5 ≤ FS < 2.5	2.5 ≤ FS < 3.5	3.5 ≤ FS < 4.5	4.5 ≤ FS ≤ 5.0
Factor 1	Unaware level	Very low level of perceived integration of risk in organisation	Low level of perceived integration of risk in organisation	Medium level of perceived integration of risk in organisation	High level of perceived integration of risk in organisation	Very high level of perceived integration of risk in organisation
Factor 2	Unaware level	Very low level of comfort	Low level of comfort	Medium level of comfort	High level of comfort	Very high level of comfort

Source: UARM RCS 2019 (Zaaiman et al., In progress)

Data analysis

SAS® was employed to produce descriptive and inferential statistics. Descriptive statistics are used to describe what is (Thompson, 2009). In this study, descriptive statistics were used to explain the demographic information, diagnostic items, and in the calculation of the factor scores.

Inferential statistics are used to predict a hypothesis from a data set (Shaver, 1993). In this study, inferential statistics were used to determine the non-parametric Mann-Whitney U test, which was used to determine whether there was a difference between the distributions of management and non-management groups. The non-parametric test was used since the assumption of normality did not hold for the data. The Wilcoxon mean scores were used to obtain the chi-square test statistic.

The hypotheses were analysed at the 95% confidence level (5% level of significance). The decision rule was:

If $p > \alpha = 0.05$; Do not reject H_0. No significant difference between distributions of the groups.

If $p < \alpha = 0.05$; Reject H_0. Significant difference between distributions of the groups.

Ethical considerations

The study was executed only after approval from the North-West University's Optentia Scientific Committee and the Faculty of Economic and Management Sciences Research Ethics Committee

(EMS-REC). Permission to conduct the research was also requested from the outdoor advertising organisation under study. Participation in the study was voluntary and each questionnaire was set up for anonymous data capturing, which ensured that the study participants could not be identified.

Results and Discussion

Table 7 shows the risk culture maturity factor scores for the outdoor advertising organisation under study. These scores were obtained by calculating the mean of items per factor.

Table 7:

Risk culture maturity factor scores for the outdoor advertising organisation

Level or role	Factor 1	Factor 2
Management	3.7	4.1
Non-management	3.2	3.6
All participants (weighted average)	3.3	3.7

For Factor 1, a risk culture maturity factor score between 2.5 and 3.5 indicates a medium level of perceived integration of risk in the organisation and a score between 3.5 and 4.5 indicates a high level of perceived integration of risk in the organisation. Therefore, the results show that management employees in this outdoor advertising entity had a high perceived level of risk integration in the organisation whereas non-management employees had a medium perceived level of risk integration in the organisation. The difference in perceptions could be because management employees may be involved more in decision making in this organisation than non-management employees. The absence of a formal risk management structure within this outdoor advertising organisation could also be a contributor to the lower perceptions by non-management employees.

For Factor 2, a risk culture maturity factor score between 3.5 and 4.5 indicates a high level of comfort with participant's own risk management roles. Table 7 shows that both management (4.1) and non-management (3.6) employees reported a high level of comfort with their own risk management roles in the organisation. It should be noted that the high risk culture maturity factor scores for Factor 2 could be influenced by self enhancement bias, a tendency in which people describe themselves more positively than a normative criterion would predict (Krueger, 1998). This tendency is further supported by Tellis and Chandrasekaran (2010) who found that participants may not respond truthfully to questionnaires but may provide responses that make them look good. However, the information obtained from the survey provides a good basis from which decisions about risk can be made in this organisation.

Management employees showed a high level of maturity for both factors, whereas non-management employees showed a medium level of maturity for Factor 1 and a high level maturity for Factor 2. In this organisation as a whole (all participants combined), the scores for Factor 1 (3.3) and Factor 2 (3.7), place the organisation, all other things being equal, at risk culture maturity levels equivalent to some organisations that have formal risk management structures as shown in some risk culture assessment studies conducted in the financial services sector (Sheedy, Griffin, & Barbour, 2017).

Differences in risk culture perceptions between management and non-management employees

Table 8 shows the results of the non-parametric (Mann-Whitney U) tests for Factor 1 and Factor 2.

Table 8:

Risk culture maturity factor score level analysis: Mann-Whitney U test

Factor 1: Perceived level of risk intergration in organisation

Role level	n	Wilcoxon Mean Score	Chisquare test statistic	p-value	Significant difference at α = 0.05
Management	35	73	8.15	0.004	Yes
Non-management	83	54			
Factor 2: Perceived comfort with own risk management role					
Management	35	76	11.54	0.001	Yes
Non-management	83	53			

The level of perceived integration of risk in the organisation by management employees was significantly different from that of non-management employees. The null hypothesis that the factor distribution of the two groups is the same was rejected for this sample. The results show that there is a significant difference between management and non-management employees for Factor 1 and Factor 2. Factor 1 shows that management employees were more satisfied with the integration of risk in decision making in the organisation than non-management employees. This could be because management employees were optimistic about the future. Their involvement in making organisational decisions and setting objectives put management in a better position to understand the risks. Non-management employees also have to make decisions in their daily tasks, and as such should be expected to have a high perceived level of risk integration. However, the lack of a formal risk management department could be a contributory factor to these differences.

Other notable observations of the study

Figures 2 and 3 show two other notable observations of the study. Employees were asked to (1) choose the organisational characteristic that assists them most to consider risk when making

decisions and (2) what area they thought needed to improve in order to facilitate the inclusion of risk in decision making at this outdoor advertising organisation.

Organisational characteristic that assists management and non-management employees to include risk when making decisions?

The information in Figure 2 was extracted from Appendix 2 and shows the comparison of what management and non-management employees believe should change in order to assist the organisation to include risk in decision-making.

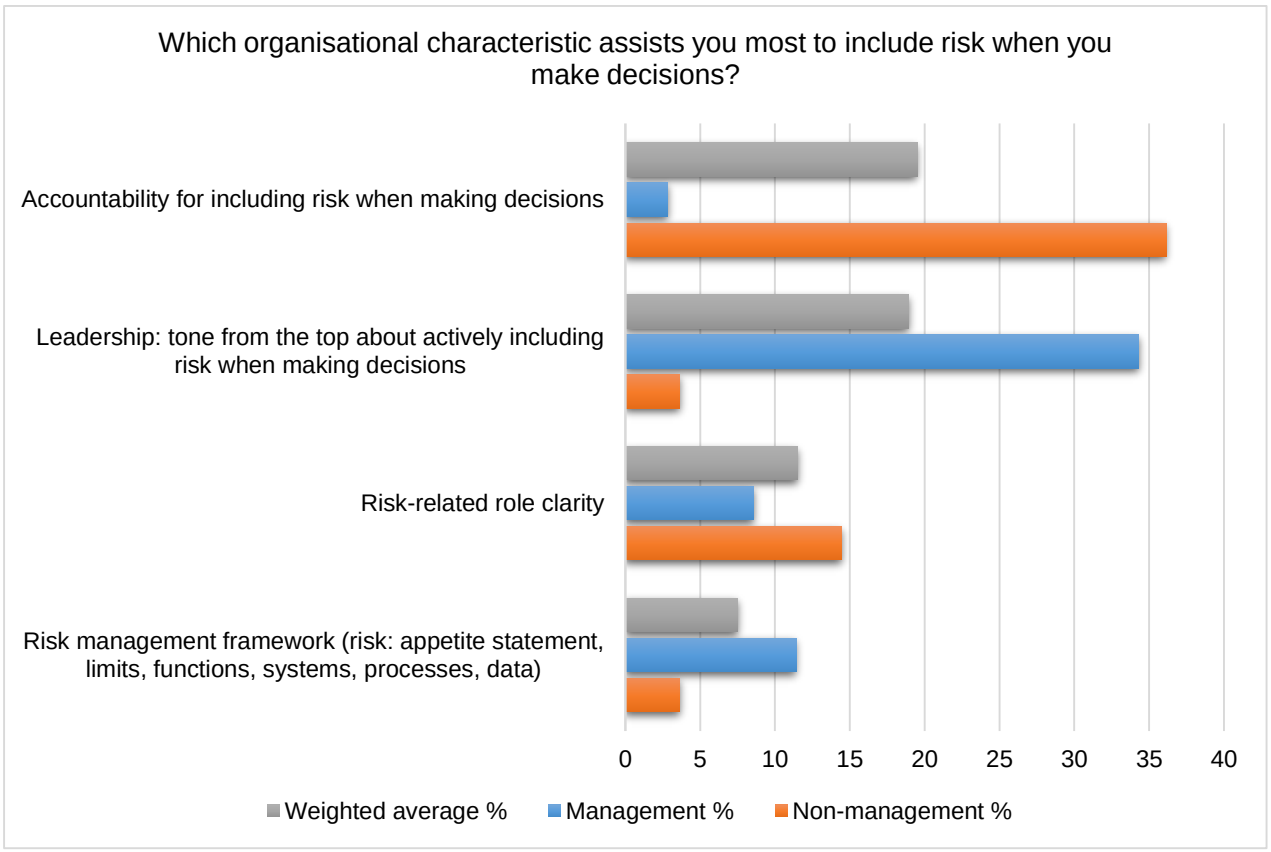


Figure 2: Which organisational characteristic aids in the inclusion of risk in decision making.

Figure 2 shows that 36% of non-management employees believed that accountability for including risk when making decisions assisted in the inclusion of risk when decisions are made. Surprisingly, only 3% of management employees agreed with the non-management employees. The weighted average for this characteristic was 20%. One would expect more management employees to advocate for accountability than non-management employees. A total of 34% of management employees believed that it is the leadership tone from the top about active inclusion of risk when making decisions that will assist in the inclusion of risk in decision making and 4% of non-management employees agreed. The weighted average for this characteristic was 19%. The need for accountability when making risk decisions and leadership tone from the top shows that management employees may be further removed from non-management employees.

Risk role clarity had 14% and 12% buy-in from non-management and management employees, respectively, with a weighted average of 9%. The need for risk roles to be clarified could stem from the fact that the outdoor advertising organisation does not have a formal risk management structure. This is also seen as both groups advocated for a risk management framework as shown by 11% and 4% management and non-management employees, respectively, with a weighted average of 8%. The outdoor advertising organisation could use these results as diagnostics to improve its risk culture by creating a risk awareness culture in the organisation.

What area should improve?

Participants were also asked to indicate what they thought should change first in order to improve the inclusion of risk in decision making in the organisation. Figure 3 shows the perceptions by both groups (management and non-management employees).

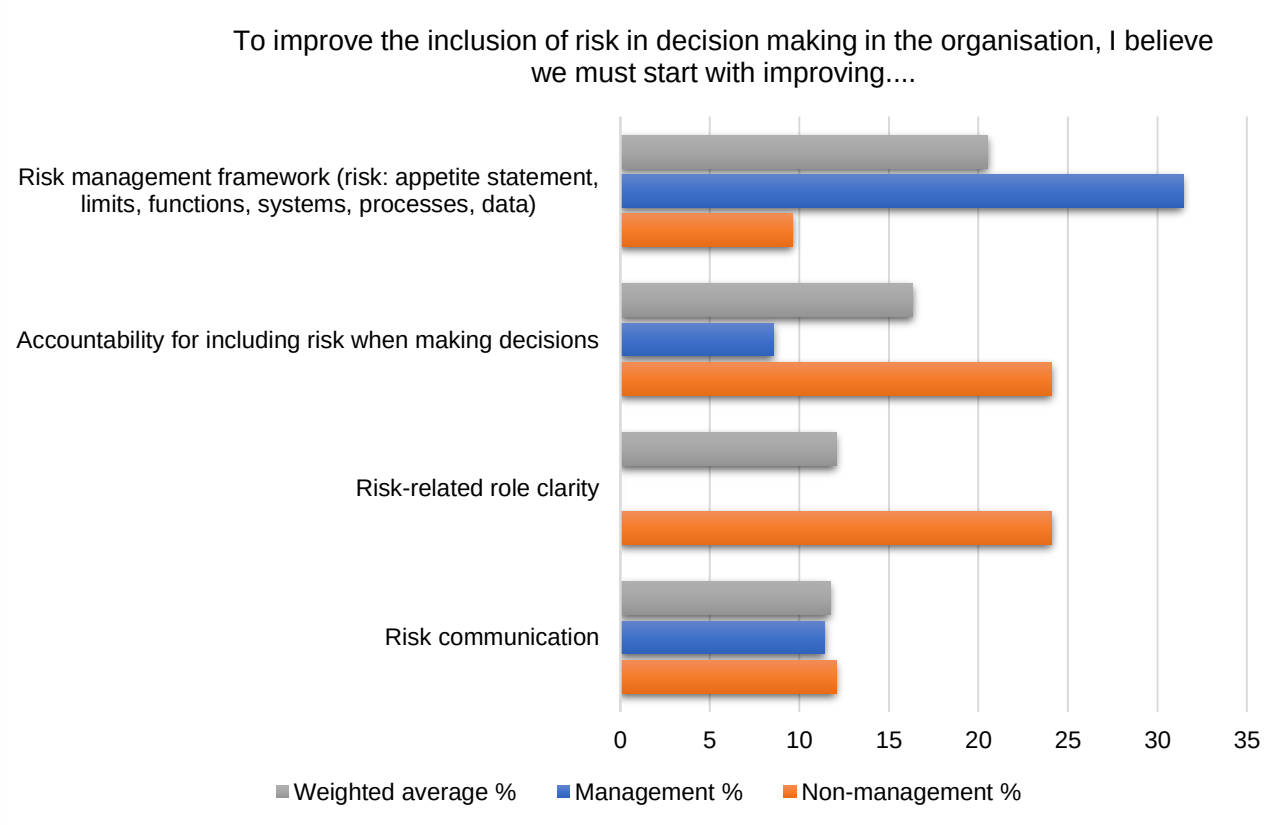


Figure 3: Perception of what should improve in order to enhance risk management.

Figure 3 shows that 31% of management and 10% of non-management employees (weighted average of 21%) believed that, in order to improve the inclusion of risk in decision making in the organisation, the risk management framework (risk: appetite statement, limits, functions, systems, processes and data) must improve first. One would expect this characteristic to feature at the top from both groups since this organisation did not yet have a risk management structure. Accountability for including risk when making decisions and risk role clarity had 24% each from non-management

employees. Again, accountability for including risk in decision making was seen to be one of the top characteristics between the two groups. This could be a sign that people in this organisation felt that people are not held accountable for decisions they make. Surprisingly, 16% of management employees agreed with non-management employees that accountability must improve first and none agreed that risk role clarity needs to improve first. I expected management employees to advocate for more accountability and clarity of risk roles.

Management of this organisation could start holding employees accountable for the decisions they make in order to improve the organisation's risk culture. The need for clarity in risk roles by non-management employees indicates that the employees could have been wanting specific details on what was required from them in terms of risk management beyond it being incorporated in their job descriptions. The need for improvement in risk communication had a total of 12% and 11% from non-management and management employees, respectively, with a weighted average of 12%. These results indicate that, even if the outdoor advertising organisation were considered small, management of risks in an integrated manner could be one of the first steps towards implementation of a sound risk culture in this organisation.

The "I do not know" option

One of the items that had the highest number of the "I do not know option" was item 34 (Figure 4), which required participants to indicate if the organisation's risk training initiatives had prepared them to manage risks connected to their roles. A graphical illustration of the items with the "I do not know option" is provided in Appendix 4.



Figure 4: Organisations' risk training initiatives.

Figure 4 shows that 86% (30/35) of management and 83% (69/83) of non-management employees indicated that they had not received formal risk training in this organisation. The high number could be attributed to the fact that this organisation did not have a risk management department. This is further diagnostic information that could assist the organisation to enhance its risk culture.

Conclusions

This study investigated the risk culture of an outdoor advertising organisation that did not have a formal risk management department. The results show that the majority of management and non-management employees at the outdoor advertising organisation believed that risk culture could be enhanced at the organisation by ensuring sound leadership tone from the top, having a risk management framework in place, including risk in decision making, holding people accountable for the decisions they make, and clarifying employees' risk roles and responsibilities.

Limitations

There is a lack of risk culture literature in the outdoor advertising industry as well as in organisations that do not have formal risk management structures. This means that the results of this study could not be compared to other studies in similar organisations. This may be the first study in this unexplored area and thus provides a basis for future research.

Recommendations

Based on the study results, I would like to recommend that management of the organisation under study should:

- Consider establishing a formal risk management department that will be tasked with the management of risks in an integrated manner.
- Provide risk training initiatives to employees in order to raise risk awareness in the entire organisation.
- Clarify risk roles and responsibilities for every employee.
- Be consistent in holding people accountable for risk taking, whether by, rewarding good risk behaviour; or punishing bad behaviour; this would communicate a strong message to everyone in the organisation.
- Lead by example (tone from the top) when making decisions.

This was a preliminary study in an area in which risk culture data have not been reported in the academic literature. I expect this study to provide a useful foundation for further research in similar organisations in the outdoor advertising industry more broadly.

Number of words: 5 086

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CHAPTER 3: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS (REFLECTION)

This study focused on risk culture in an outdoor advertising organisation that does not have a formal risk management structure. Previous literature on risk culture has mainly focused on financial institutions that have formal risk management structures mainly because there are required to report on risk management and are therefore obliged to have formal risk management structures. The study provided notable experiences as discussed below.

What went well?

The support received from the outdoor advertising organisation contributed to the proper execution of the study. Having a study sponsor who was a director of the organisation encouraged everyone to participate in the survey. It was an exciting topic for the organisation as the results from the study would provide management and non-management employees with an opportunity to see where their organisation was in terms of risk culture.

The support received from the UARM lecturers in general, the study supervisor and the statistician in particular, also contributed to the study success. Having the language editors ensured the smooth flow of the research. Importantly, my determination and hard work also ensured that the study was a success.

Areas of improvement

Given my experience in the programme and looking back to reflect on my journey, I would have worked on my research proposal and came up with a title prior to the University title submission month of March in order to avoid undue pressure. This would have improved the project experience and provided more time to work on the research. I would also advise students to allow more time with supervisors and language editors.

Lessons learnt from this project

During the study, one of my challenges was time. Writing a mini-dissertation while working and looking after my children required a balance which I had to achieve through good time management. In the midst of my research study, I took up new employment in a pressured environment. This change of employment put me under tremendous pressure. Based on this experience, it may not be advisable to change employment in the midst of one's studies.

I learnt a lot in this two-year master's programme. The programme was designed in such a way that the taught modules expanded my knowledge of risk and risk management and introduced a new

concept of risk that I had never learnt from my previous studies – the concept of risk culture. The taught modules prepared me for research writing because all the assignments on the programme were research based. This enhanced my skills in reviewing literature and academic writing. These skills proved valuable in the mini-dissertation.

What I would differently

Given an opportunity to embark on another study, I would prioritise my time management skills, ensure that I have an idea of a study topic and conduct the literature review well ahead of time. I would also ensure that I gather as much literature as possible in order to create a wider pool of resources as some of the literature may not even be used for the study. On the whole, the study was worth the investment of time and financial resources.

APPENDICES

Appendix 1

UARM Risk Culture Scale (UARM RCS-2019)

An Overview

Hermien Zaaiman and Hedré Pretorius

Aims

This document provides a summary of the North-West University (NWU)'s Centre of Applied Risk Management (UARM) Risk Culture Scale (UARM RCS). Current approaches to risk culture tend to be qualitative, using a general view of what risk culture is. Where risk culture questionnaires are applied, it is important to ascertain the validity and reliability of the resulting information against the broad construct of risk culture. The UARM Risk Culture Scale (UARM RCS) was developed to meet the need for an academically validated instrument to measure the risk culture in organisations.

Approach

Multiple definitions of risk culture exist in regulatory papers and risk standards. One of the more comprehensive definitions is that of the Basel Committee on Banking Supervision (BCBS) defining risk culture as: "A bank's norms, attitudes and behaviors related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume" (BCBS, 2015, p. 2).

However, applying such broad definitions to evaluate and improve the risk cultures of organisations is complex. This process requires the development of instruments to assess and measure specific aspects of risk culture. The UARM RCS was developed using our decision-focused view of risk culture as basis for the development and testing of its items:

'The risk culture of an organisational group is manifested by the importance given to considering 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.'

The scale items were therefore developed to represent aspects of the integration of items in risk culture based on our Risk Culture Indicator (RCI) model, described by Zaaiman in the Appendix: 'Risk Culture Indicator Model – An Overview'.

Status

The UARM RCS provides three sets of results that can be used to assess the:

1) Two risk-culture-related factors

The 42-item five-point Likert scale has been developed and piloted over 3 years (2016-2018). The scale is now mature and can be regarded as valid, as the scale items map to the RCI model and has been shown in 13 studies to work well across sectors, functions and management levels (content validity). The scale also shows a high Cronbach α reliability coefficient of 0.97 (internal consistency). This mini-dissertation study forms part of further testing of the scale.

The scale measures two risk-culture-related factors:

- Perceived level of integration of risk in decision-making processes (24 items)
  Note: Although the items cover the indicators in the RCI Model, only one factor is found in the answer data. This can be ascribed to the interlinked nature of the indicators and provides an indication of the validity of the scale for the study of this focused view of risk culture.
- Comfort with own risk management role (18 items)

The factor scores are calculated as the average of the responses over the items making up the factor. This translates to the following scale for the decision-based view of risk culture used in this study.

		UARM RCS-2019 (FS = Factor Score)					
		0.0 ≤ FS* < 0.5	0.5 ≤ FS < 1.5	1.5 ≤ FS < 2.5	2.5 ≤ FS < 3.5	3.5 ≤ FS < 4.5	4.5 ≤ FS ≤ 5.0
	Item response options related to the level provide an indication of the group perception associated with the level	Unaware level	Very low level: Never and not at all	Low level: Infrequently and Not well	Medium level: Sometimes and moderately well	High level: Well and usually	Very high level: Always and perfectly
Factor 1	Perceived level of integration of risk in decision-making process	Unaware level	Very low level of perceived integration	Low level of perceived integration	Medium level of perceived integration	High level of perceived integration	Very high level of perceived integration
Factor 2	Comfort with own risk management role	Unaware level	Very low level of comfort	Low level of comfort	Medium level of comfort	High level of comfort	Very high level of comfort

2) The I-do-not-know/I-do-not-understand-the-statement answer option

Item response options include an ‘I do not know’ or “I do not understand the statement” option to mitigate possible spurious effects of respondents who truly do not know the answer to an item. The

I-do-not-know answers were not included in the scale's factor analysis, and only participants with fewer than 30% of I-do-not-know answers (per factor) are included in the calculation of the factor scores. This means that the participant has to have answered at least 16 of the items in factor 1 and 12 items in factor 2 to be included in the calculation of the factor score.

In addition, the full set of the study's I-do-not-know answers is analysed separately, thereby providing possibly valuable information on the levels of uncertainty about risk-culture-related aspects in the study sample(s) that could be indicative of possible risk-related knowledge in the study population(s).

3) Two further diagnostic questions

The scale also contains two further RCI model-based diagnostic questions:

'Which organisational characteristic assists you most to include risk when you make decisions?'

'To improve the inclusion of risk in decision-making in the organisation, I believe that we must start with improving....'

The options to these responses correspond to the risk culture indicators in the UARM risk culture indicator model. These options are presented in alphabetical order.

Evaluating the responses to these questions allow for suggestions on the way forward on improving the risk culture of the organisation.

Scale application

This is an online scale housed on Research.net (SurveyMonkey's professional (Premier) plan). Data gathering is done by UARM and the data sets are housed and analysed by us. Each instance of the scale is set up for anonymous data capturing, meaning that the respondents cannot be identified. After formal permission to apply the scale has been obtained from the organisation and NWU ethics clearance for the study, a suitable project sponsor in the studied organisation sends out the weblink to the scale (not the student doing the study). The scale is closed after a maximum of two reminders to complete the survey. Study-relevant data results are provided to the student (and organisational project sponsor, if requested) in analysed, aggregated format.

Interpretation of results

Scale results have to be interpreted in the context of the study for which the results were obtained.

To keep in mind when analysing and interpreting the scale results:

1) In a scale like this, only the group response makes sense and the individual's factor score cannot be used as an indication of the individual's 'risk culture' as culture is always a group concept.

2) Levels of the measured factor could be inflated by response biases (e.g. positive response bias and social desirability influence).

3) The results of the scale are valid at factor level. A scale-based factor is based on the coherence for the group of items that make up the factor. These items were designed based on the measurement aims of the scale but do not contain every possible item that could have been used. Other items that refer to the construct may have shown the same result, implying that focusing on differences at item level could divert the user's attention to inadequately tested aspects of the underlying construct, while not considering the validated construct. The scale may be used to provide indications of where risk culture-related issues lie in the organisation, but was not designed to identify micro-level issues. Other scales and research methods are required to do detailed follow-up investigations.

For more information on the UARM RCS, please contact: Hermien Zaaiman at hermien.zaaiman@nwu.ac.za

http://commerce.nwu.ac.za/uarm

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Appendix 2

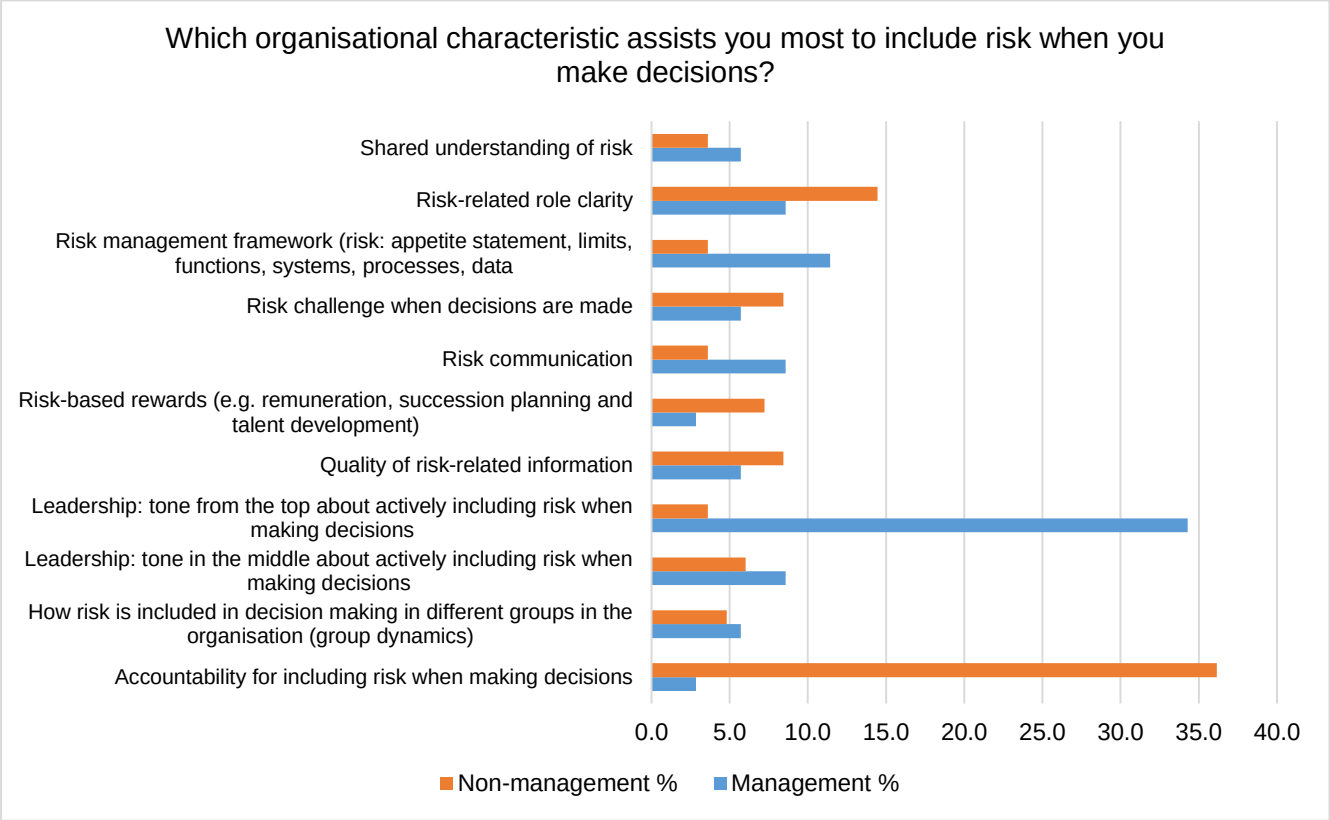


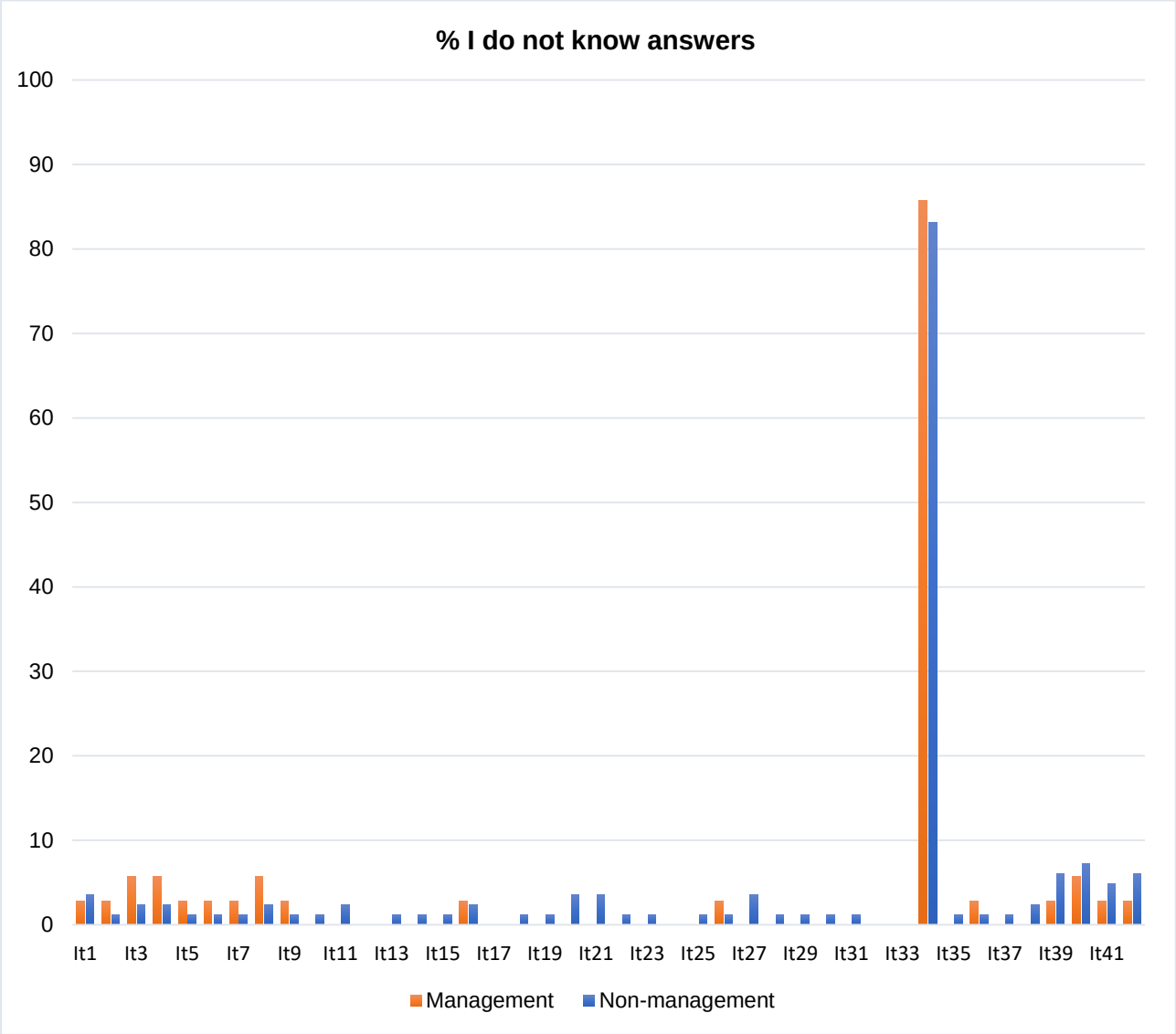
Figure 2: Perception of what organisational characteristic aids in decision making.

Appendix 3



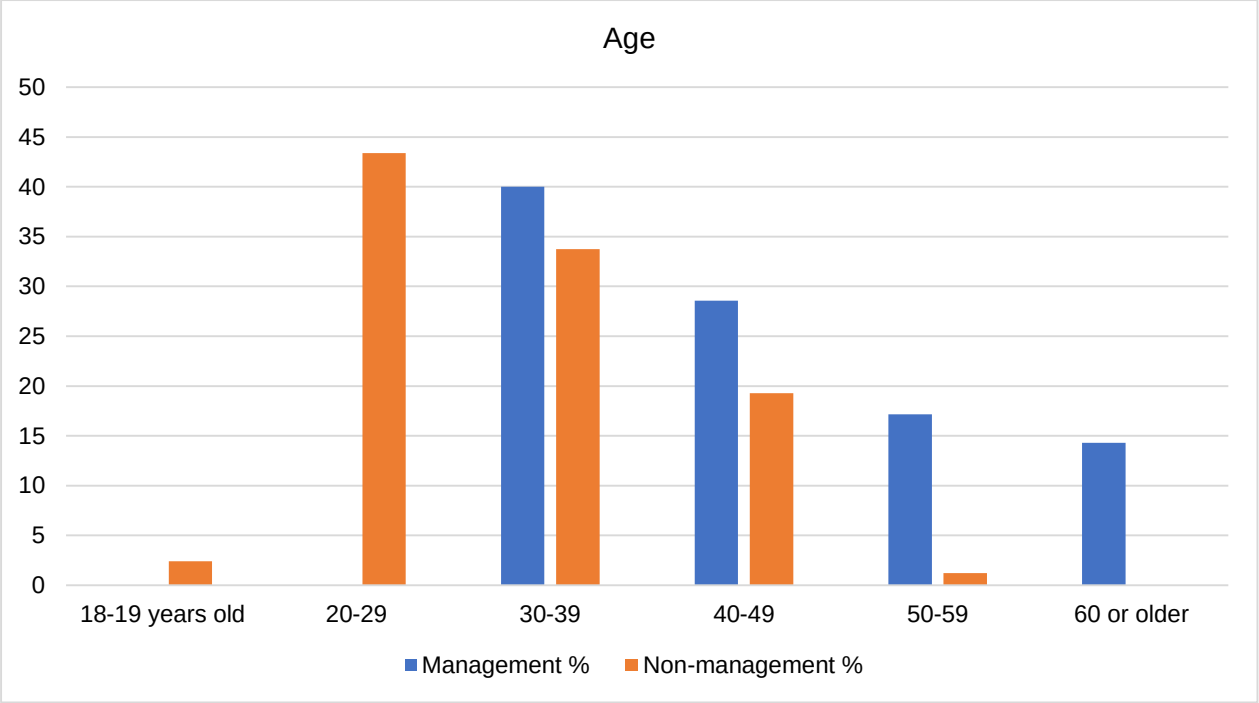
Figure 3: Perception of what should improve in order to enhance risk management.

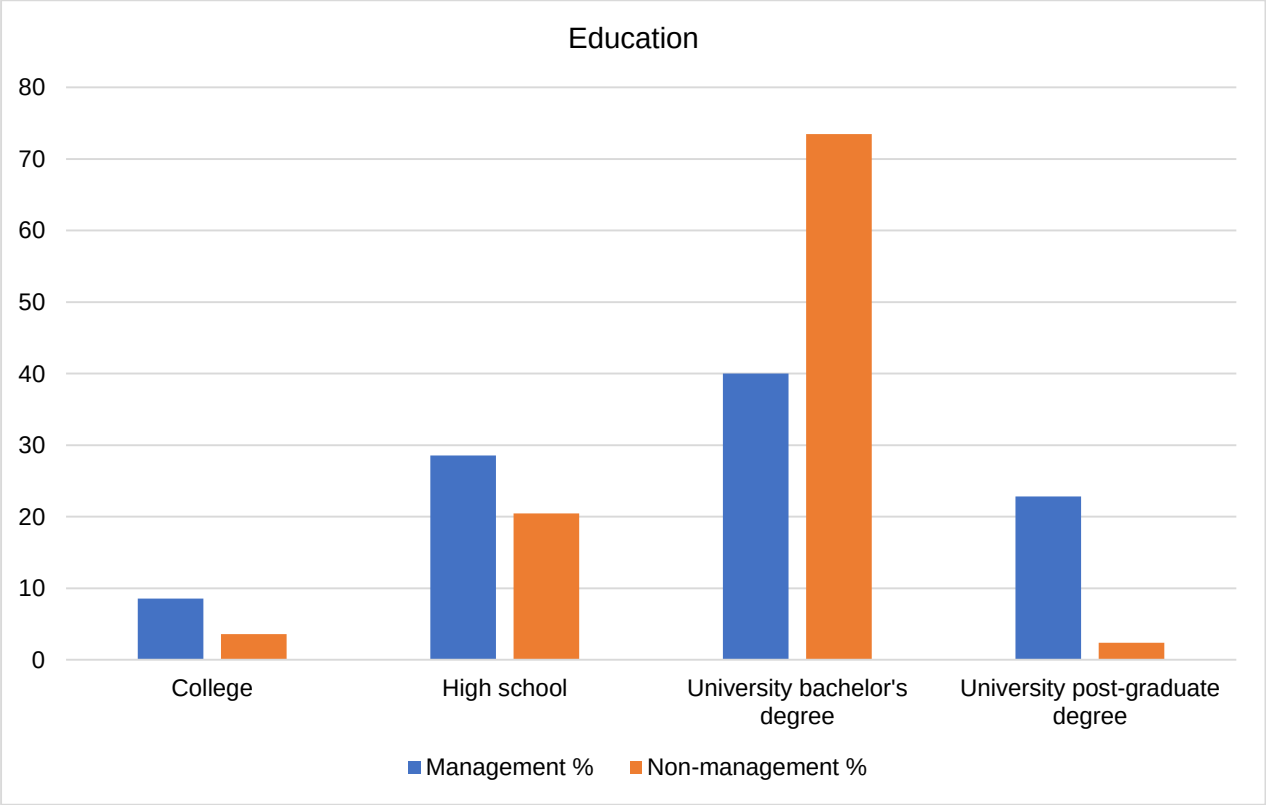
Appendix 4

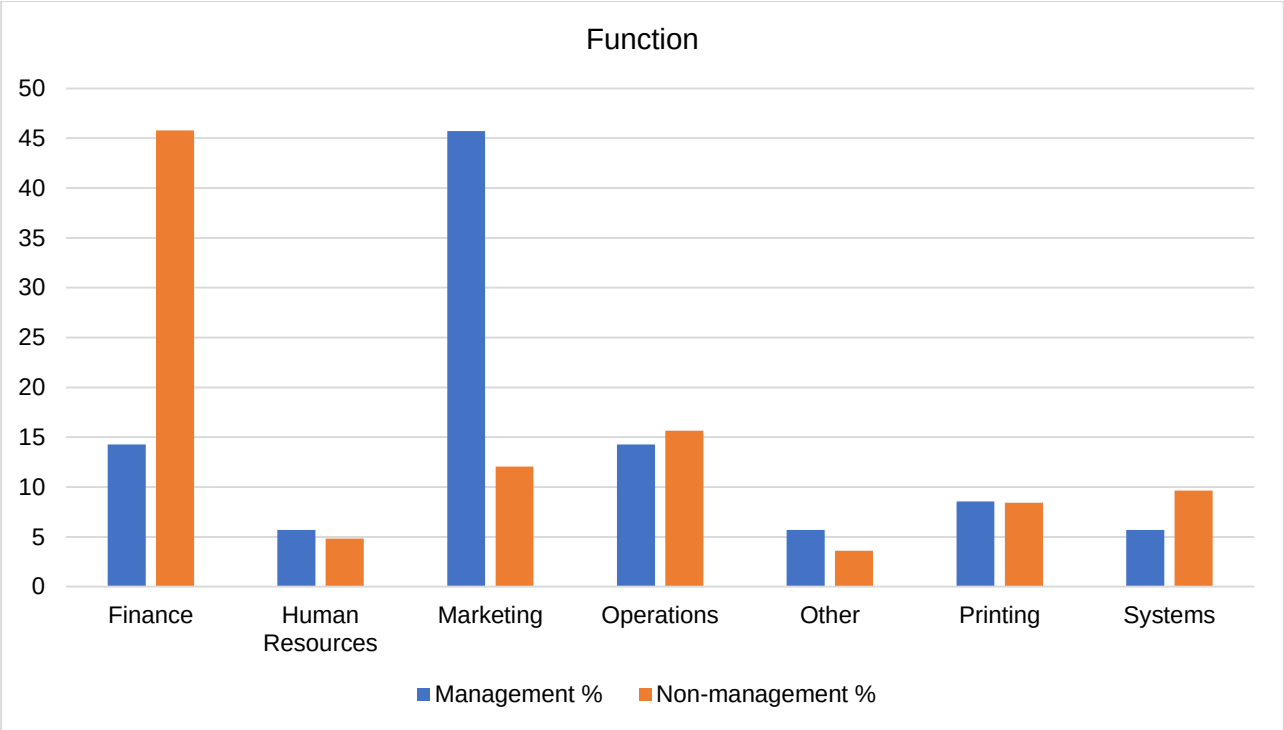

% I do not know answers
100
90
80
70
60
50
40
30
20
10
0
It1
It3
It5
It7
It9
It11
It13
It15
It17
It19
It21
It23
It25
It27
It29
It31
It33
It35
It37
It39
It41
Management
Non-management

Appendix 5

Demographic information by role level






Function
50
45
40
35
30
25
20
15
10
5
0
Finance
Human Resources
Marketing
Operations
Other
Printing
Systems
Management %
Non-management %