

Risk challenge practice as indicator of risk culture in a South African life insurance 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: 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 to study conception and design, analysis and interpretation of data and critical revision of the manuscript. The mini-dissertation was language edited before submission. However, the student remains responsible for effecting the edits, and the grammatical correctness of the document before hand-in.

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

ABSTRACT

Regulated financial services organisations are required have in place risk functions that are not just gatekeepers but that also provide risk challenge when business decisions are made. This study explores the extent to which risk challenge is practised by operational risk managers in a South African life insurance organisation, with the purpose of assessing their experience of risk challenge and suggesting guidelines to improve the situation if necessary. A qualitative research approach was followed and a purposive sample of 13 participants was selected from the 35 risk practitioners employed by the organisation. Semi-structured interviews were conducted on the topic of risk challenge and its practice. During business decision-making, operational risk managers are required to have the courage to speak without the fear of being perceived as bringing too much challenge or being out of line with business objectives. Their experience depends on the maturity of the risk culture in an organisation, and in this case the extent to which raising issues of risk was not experienced as punitive. The results of this study clearly showed that the risk function, leadership and accountability, the consultation process, and information and communication in the organisation are necessary elements for maintaining or improving risk challenge practices. Inadequate ability by risk practitioners to deal with strong-minded leaders as well as lack of product knowledge in a complex environment may limit their application and practice of risk challenge, whereas strong regulatory guidance and ongoing review on their practices of risk challenge may assist them. This study is first in the insurance industry in South Africa to yield personal opinions of risk challenge among risk practitioners. The outcomes could be useful in the insurance field and also in other business environments where application of risk challenge appears to require review and improvement.

Key words

Risk challenge practice, risk culture, risk indicator, life insurance

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RESEARCH PROJECT OVERVIEW

One initiative implemented as part of a restructuring process in a South African life insurance organisation, in 2019, was the risk and compliance enhancement programme, which was intended to improve risk management practices and contribute towards a mature risk culture. This initiative presented an opportunity in 2020 to research how well risk culture is embedded in the organisation. Owing to the broad nature of risk culture, the current world-wide COVID-19 pandemic's effect on life insurance, and the realisation of the importance of risk challenge when business decisions are taken in this financial sector, the objective of the study was narrowed down to explore risk challenge practice as an indicator of risk culture. The Financial Stability Board's guidance on risk culture and the risk culture indicators of the risk-informed decision culture (RiDC) model by Zaiman et al. (In progress) were used as the basis for this study.

Due to the COVID-19 pandemic, the life insurance industry is currently dealing with challenges such as having to offer premium relief options to its customers, dealing with loss of value of customer investments, modelling mortality rates, and a higher claims ratio from deaths. In crisis situations like these, risk challenge is needed more than ever when decisions are taken by organisations (Goodell, 2020). Compared to the banking environment where I worked for many years, I found that in an insurance organisation operational risk management practices were less mature compared to a banking environment where for example, the collection of operational risk loss data is used to inform regulatory capital requirements, which is not the case for insurance organisations. A qualitative study was undertaken to obtain an in-depth view of risk challenge in the organisation. It involved interviews with nine operational risk managers, two compliance managers, and two enterprise wide risk managers.

Although numerous academic articles could be found on risk culture in the banking sector, there was limited literature on the topic of risk challenge in life insurance organisations and even less in the South African context. Therefore, the background study focused on risk culture, risk challenge and risk regulation as reported in the financial sector. The outcomes of the present research provide a basis for the organisation under study to enhance the way risk challenge is practised, and in so doing also its risk culture programme. Through an effective relationship of this kind between risk practitioners and business managers, risk-tolerant decisions can lead to improved business decision-making in the organisation. The outcomes of the study could also benefit and add value to the practice of risk challenge in other financial sectors, as well as to the body of risk culture knowledge more broadly.

The accredited *International Journal of Risk Assessment and Management* was chosen as a possible and suitable publication for the article. It accepts peer reviewed research articles from

academic and industry experts related to risk management. The wide-ranging experience of the European, American and Chinese editorial team provides possible integrated world views from different academic backgrounds. The examiners' feedback would be used to further polish the research study to prepare for its submission for possible publication in this journal www.inderscience.com.

ARTICLE

Risk challenge practice as indicator of risk culture in a South African life insurance organisation

Abstract

Regulated financial services organisations are required have in place risk functions that are not just gatekeepers but that also provide risk challenge when business decisions are made. This study explores the extent to which risk challenge is practised by operational risk managers in a South African life insurance organisation, with the purpose of assessing their experience of risk challenge and suggesting guidelines to improve the situation if necessary. A qualitative research approach was followed and a purposive sample of 13 participants was selected from the 35 risk practitioners employed by the organisation. Semi-structured interviews were conducted on the topic of risk challenge and its practice. During business decision-making, operational risk managers are required to have the courage to speak without the fear of being perceived as bringing too much challenge or being out of line with business objectives. Their experience depends on the maturity of the risk culture in an organisation, and in this case the extent to which raising issues of risk was not experienced as punitive. The results of this study clearly showed that the risk function, leadership and accountability, the consultation process, and information and communication in the organisation are necessary elements for maintaining or improving risk challenge practices. Inadequate ability by risk practitioners to deal with strong-minded leaders as well as lack of product knowledge in a complex environment may limit their application and practice of risk challenge, whereas strong regulatory guidance and ongoing review on their practices of risk challenge may assist them. This study is first in the insurance industry in South Africa to yield personal opinions of risk challenge among risk practitioners. The outcomes could be useful in the insurance field and also in other business environments where application of risk challenge appears to require review and improvement.

Key words

Risk challenge practice, risk culture, risk indicator, life insurance

Introduction

The risk management function as a specialised field in organisations has grown since the 2008 financial crisis, especially in the financial services industry (Dionne, 2013). Risk culture has been identified as a key contributor to the overall effectiveness of risk management (Gandz & Seijts, 2013; Power et al., 2013) and much is written about risk culture indicators, as identified by regulators (FSB, 2014) and other professional bodies (Zaaiman et al., In progress). Risk challenge, which refers to

critical discussions of risk and debates on risk-related decisions, includes actions such as testing current risk-related practices as well as creating an environment that is open to constructive discussion about business decisions that may otherwise increase the possibility of the organisation being exposed to unforeseen risks (Zaaiman et al., In progress). These decisions are made by management, which is described by the Institute of Internal Auditors (IIA (2013) as the first line of defence. Distinct from management, where business decisions are taken, is operational risk management, which forms part of the second line of defence in risk management (IIA, 2013). Among its roles is to challenge business decisions by revealing potential risks, and to play its part in ensuring that organisations are not exposed to undue risks. The role of risk challenge, therefore, is to caution in the face of possible difficult consequences of available options, and to help organisations in making proactive and informed business decisions after due consideration of potential risks. Key functions of operational risk management is to ensure adequate business continuity plans are in place and tested in preparation of a disaster or crisis event such as the COVID-19 pandemic. In addition, operational risk management is playing a key role in steering activities that take place in the crisis management committees set-up to manage issues related to such events.

Inadequate risk challenge is often cited as a contributing factor for risk management failures in insurance organisations (Roeschmann, 2014). Many such organisations have governance structures to support the work of operational risk managers, following the requirements of regulators such as the Basel Committee on Banking Supervision (BCBS, 2015) and of governance bodies such as King IV (King, 2016). The study by Roeschmann (2014), however, shows that insurers, compared to the banking sector, seem not to have sufficient understanding of the role played by operational risk in terms of risk challenge, nor how this feature contributes to a sound risk culture. Even in stable conditions, risk challenge has an important part to play in the life insurance industry, but even more so in the volatile context precipitated by the COVID-19 pandemic (Goodell, 2020). The present study attempts to answer the research question: How is risk challenge as an indicator of risk culture practised by operational risk practitioners in a South African life insurance organisation?

To strengthen risk management practices, the study by McCormack and Sheen (2013) on the impact of banking regulation post the 2008 financial crisis in Europe highlighted the role of operational risk amongst other risk types such as credit and market risk. The UK's Financial Stability Board (FSB) issued a framework for assessing risk culture (FSB, 2014). In essence, these regulations and guidelines affect not only the banking environment but also the related and massive insurance industry. The Basel Committee on Banking Supervision issued more stringent capital adequacy requirements under Basel 3 (BCBS, 2015), with equivalent regulation for insurance under Own Risk Self-Assessment (ORSA).

The whole world is currently dealing with the impact of the COVID-19 pandemic, most especially the life insurance industry, and decisions are needed to address some of the challenges, such as claims

related to the disease from policy holders (Goodell, 2020). Decisions taken by organisations need more than ever to include risk challenge. This practice, as an indicator of risk culture, and its role in assisting an organisation to avoid or minimise failures, is discussed in this article. A further reason for my study was that, unlike in the area of banking, there have been limited published studies on the combined role of operational risk management and risk challenge as an indicator of risk culture. The objective here was to explore to what extent the risk challenge indicator was applied and practised in a South African life insurance organisation when business decisions were made. This qualitative research was based on risk culture indicator guidelines issued by the regulatory body FSB (2014) and the risk-informed decision culture (RiDC) model by Zaaïman et al. (In progress).

Background

A review of current literature on risk culture in different parts of the world and its practice in South Africa's financial sector provide the context for this study. The assessment of a sound risk culture in financial services organisations is guided by regulatory bodies such as the international Financial Stability Board (FSB) and the Basel Committee of Banking Supervision as well as by the work of academic researchers (Zaaïman et al., In progress), in all of which a common theme is the reference to risk culture indicators (FSB, 2014). Ten such indicators are included in the RiDC model (Zaaïman et al. (In progress): group dynamics, risk accountability, risk-based incentives, risk communication, risk information, risk leadership: tone, risk management framework, risk role, risk understanding and risk challenge. The present study mainly focused on exploring the practice of risk challenge as an indicator of risk culture by operational risk practitioners in a South African life insurance organisation. Therefore, in the following sub-sections we will discuss risk culture, risk challenge as indicator of risk culture and risk regulations using the literature as a point of departure.

Risk culture

The International Organisation Standardisation (ISO, 2009) defines risk as an uncertain future event that may materialise. Minimising the uncertainty of a future event has been associated with the maturity of an organisation's risk culture, which, according to the Institute of International Finance (IIF, 2009) and further outlined in the RiDC model by Zaaïman et al. (In progress), refers to norms, beliefs and behaviours of individuals and groups in terms of how they understand, identify and act on risks taken by the organisation. In support, studies by Ring et al. (2016) in the UK and Taarup-Esbensen (2018) in Denmark describe risk culture as the ways in which an organisation sets its norms and beliefs about risk and makes sure that its people behave accordingly.

A European study by Gorzen-Mitka (2018) uses the concept of risk markers as indicators of the maturity of risk culture in an organisation. With these indicators in evidence and visibly sound,

organisations are better able proactively to make decisions in which risks are taken into consideration. In the same study, eight different risk markers are identified namely, risk leadership, responding to bad news, risk governance, risk transparency, risk resources, risk competence, risk decisions and rewarding appropriate risk taking, as contributing elements to a matured risk culture. For the present study, two specific risk markers are relevant, first, stronger transparency of risk information and, second, governance of the role of risk management and of those people accountable for managing risk in the organisation. For this research, the focus was on risk challenge and risk role in relation to risk managers, their accountability, and their relationship with business managers when decisions are made by management of the organisation (Gorzen-Mitka, 2018).

Poor risk culture has been blamed in the literature by Gautam (2018) as playing a key role in the 2008 financial crisis. Its consequences were massive; Gautam assessed the damage as being equivalent to “15% of US Gross Domestic Product or \$4.6 trillion excluding the political and social impact as a result of the financial crisis”. He argues that those who were taking business decisions prior to the financial crisis by offering unsecured lending had ignored key risks, thereby precipitating the crisis, and actions taken thereafter by federal government through bail-outs were seen as rewarding financial institutions for lack of risk management practices (Gautam, 2018). From the above example, it can be argued that the absence of discussions and debates on risk related to business decisions, prior and post the financial crisis, had negative consequences for parties internal and external to the organisation.

Risk challenge as indicator of risk culture

The UK Financial Stability Board (FSB) provides supervisory guidelines by highlighting four key indicators of risk culture: tone at the top, accountability, incentives, and communication and effective challenge (FSB, 2014). These indicators all play their part and have been acknowledged in previous studies, but the aspect of challenge is notably underexplored. Walker et al. (2015) in their risk culture report talk about elements of risk challenge but not its practice.

One definition of risk culture by Ring et al. (2016) adds a dimension related to norms and values influencing behaviour, citing the example of how a strong-minded director can impede the culture of risk challenge. Roeschmann (2014), on the other hand, refers to how organisations' risk culture determines the way risks are identified, understood, discussed and acted upon, which contributes to risk challenge. These concepts need to be viewed in a group context, as they would be applied and practised regularly by risk managers of an organisation who play a vital role in the application of risk challenge. The risk culture model of Ashby et al. (2012) (Centre for analysis of risk and regulation at The London School of Economics and Political Science regulation), includes competency of risk practitioners, amongst other things, as one of the necessary benefits that will enable risk challenge. The present study focused on the role of risk managers as practitioners, with emphasis on their

perceived ability to challenge how risks are considered and managed when business decisions are made in the organisation.

A Canadian study by Gandz and Seijts (2013) highlights the need for a sound risk culture in financial and non-financial sector entities. They compare examples of two food manufacturers, showing that a focus on risk culture, which includes risk challenge practices, can bring returns for all stakeholders in any organisation. The example quoted in their research reflects what happened to a well-known food manufacturing organisation in South Africa, where an outbreak of a listeriosis, a food-related disease, ended up killing 180 people in 2018, lost billions of rands in market capitalisation, suffered millions in lost revenue and is still facing litigation claims to this day. Ten years ago, Maple Leaf Foods in Canada was in a similar situation; they embarked on a risk culture programme which, according to results reported by Gandz and Seijts (2013), appears to have changed the company to good standing; by contrast, the South African company that had experienced the listeriosis outbreak never recovered (Mcunu, 2018), its share price that was R500 per share in 2018 before the outbreak, fell to under R220 per share in 2020.

Ruchi and Sanjay (2018), exploring best practices for improving risk culture and defining the role of actors in risk governance, brings a meaningful case in India where a company changed from having a compliance-based and defensive risk culture to a cognitive risk culture using the theoretical lens of systems thinking. The company embarked on a system of understanding the risk and resolving problems by addressing the root causes as opposed to resolving the problems through quick fixes. This example reveals how debates and discussions to identify and understand risks before business decisions are made can benefit an organisation and improve its risk culture

The risk culture of an organisational group should be outlined in its strategy, with clear risk-related programmes owned by most senior executives. Risk challenge on the other hand relates specifically to the space allowed for critical consideration of identified risks before business decisions are made, and to the active inclusion and encouragement of alternative 'devil's advocate' views. Evidence of a culture that is open to risk challenge is reflected in decision-making processes as well as in broader interactions and processes. Whereas the level of explicit inclusion of risk in decision-making represents the implicit, subjective value afforded to risk by the group (Zaaiman et al., In progress), such inclusion of risk in decision-making processes may not mean that risk managers are or feel free to raise concerns without fear of being viewed as 'negative' to organisational progress.

Risk regulation

After the 2008 global financial crisis, regulators increased the number of relevant regulations (BCBS, 2015) and issued further guidance notes (Power et al., 2013). First, the Basel Committee on Banking Supervision issued more stringent capital adequacy requirements under Basel 3 with equivalent regulation for insurance under ORSA BCBS (2015). In the US, the insurance industry is governed

by the National Association Insurance Commissions (NAIC) (Laws, 2006). Compared to the banking sector, conduct and culture are cited as issues for this industry. The study by the Financial Markets Supervisory Board in the UK (FMSB (2018) of 390 misconduct cases over a period of 100 years contributed to the current NAIC legislation in the US that governs insurance organisations.

The UK's Financial Stability Board (FSB) issued a framework for assessing risk culture (FSB, 2014). Its common implementation not only in different regions but in different countries may prove to be difficult, as highlight by Carretta et al. (2017). They claim that poor integration of risk culture by the European Union banking regulators highlights the challenges and complexities of implementing a common risk culture framework (Carretta et al., 2017). In essence, these regulations and guidelines affect not only the banking environment but also the related and massive insurance industry. South Africa, as a global player in the financial services industry, is not immune to risk culture and conduct issues.

As in the rest of the world, it became necessary in South Africa for banks and insurance regulatory bodies to cooperate with each other. This resulted in the formation of Twin Peaks legislation, regulated by the National Treasury of South Africa (Treasury, 2018). Under this regulation, the soundness and conduct of the financial services industry are governed by one regulatory framework instead of separate regulations for insurance and banks. The whole world is currently dealing with the impact of the COVID-19 pandemic and especially the life insurance industry (Goodell, 2020). The practice of risk challenge in this difficult operating environment becomes more than normally relevant for the life insurance industry, and particularly for risk managers, when financial business decisions are made related to the impact of the pandemic. This study contributes to research on the topic of risk challenge, in the life insurance industry, especially given the limited amount literature available in this field.

Method

Explanation and justification

For the purposes of this study, a qualitative research method was chosen. Qualitative research provides a way for exploring and understanding the meaning that individuals or groups ascribe to a social or human problem, whereas quantitative research focuses more on measuring characteristics, behaviours, or attitudes and the interpretation of statistics (Golafshani, 2003; Remler & Van Ryzin, 2015). As described by Robert (2004), "qualitative research is highly descriptive and often recounts who said what to whom as well as how and why". This process of research involves the following: emerging questions and procedures; data typically collected in the participant's setting (interviews);

data analysis inductively building from particular to general themes; and the researcher making interpretations of the meaning of the data (Creswell & Guetterman, 2019; Gill et al., 2008).

Qualitative research is often challenged for reliability and credibility of outcome, and at times is regarded as a collection of personal opinions (Noble, 2008). Trustworthiness and rigour was also reviewed in the study by Noble (2008) and Bailey (2017) confirms that the researcher must ensure that the results of a study have rigour as far as possible and can be trusted by other researchers. To ensure rigour and trustworthiness, my supervisor my supervisor attended one of the interviews, check all the transcriptions of the interviews, and assist with checking of codes.

Data collection

The study focused on interviewing individual risk managers by asking them questions related to how risk challenge was practised by operational risk managers when decisions were taken in the South African life insurance organisation under study. Thirty-five risk managers involved with risk challenge were employed by the organisation, of whom 18 were operational risk managers, the balance comprising compliance managers and four enterprise-wide risk managers. The purposive sample, described by Palinkas et al. (2015) as individuals who are knowledgeable about the organisation, consisted of 13 participants. Initially, one divisional executive in operational risk and eight operational risk managers were interviewed. To obtain more input from other risk managers, two additional enterprise-wide risk managers and two compliance managers were included in the sample. Ninety percent of the purposive sample comprised participants who had been working for the company for longer than 12 months, and they provided more meaningful input than those who had been in the organisation for less time.

The interview questions included general as well as specific ones. Interview questions were linked to the research objectives of the study which were to explore the extent to which risk challenge is practised by operational risk managers in a South African life insurance organisation with the purpose of assessing the situation and suggesting guidelines to improve the practice of risk challenge (Table 1). The interview guide with details of the protocol followed for interviews is provided in Appendix A.

Table 1: Interview questions

Question	General or specific question	Reason for the question and link to objectives of the study
1. Risk challenge usually refers to risk discussions and debates on risk-	General	To ascertain and confirm that there is the same level of understanding of the concept of risk challenge

related decisions and includes actions such as: a. allowing the testing of current practices, b. fostering positive constructive critical culture amongst employees, and c. creating an environment that is open for constructive engagement. 2. Do you have anything to add to this description of 'risk challenge'?		Note: Although Question 1 was a statement, it was reiterated to all participants and Question 2 was the follow-up question related to the statement. Question is related to understanding of risk challenge in the organisation.
3. Based on your understanding of the concept of 'risk challenge', do you believe there is a common practice of risk challenge across the organisation? If your answer is "No", please proceed to Question 4, if "Yes" please proceed to Question 5.	General	Question asked to explore the extent to which risk challenge is practised by operational risk managers.
4. In your opinion, what do you believe contributes to different levels of 'risk challenge' practices across the group?	Ideal position question	Purpose of question is to assess the situation and suggest guidelines to improve the practice of risk challenge
5. Based on your role as a risk professional, how well do you believe you practise 'risk challenge' in your organisation?	Specific to risk practitioners Opinion and value question	To identify any potential gaps in the way risk challenge is practised.
6. Please provide instances where you experienced difficulties when faced with business decisions that you challenged.	Specific to risk practitioners Experience and behaviour question	To identify any potential gaps in the application of risk challenge.
7. What are the recommendations that you believe will assist risk managers to improve the culture of 'risk challenge' in the organisation?	Specific Ideal position and knowledge question	Purpose of question is to assess the situation and suggest guidelines to improve the practice of risk challenge. Participants provided with the opportunity to contribute towards possible changes to how risk managers apply risk challenge.

Interviews were conducted with the aim of achieving thematic data saturation, described by Ando et al. (2014) as a process that involves analysing data from interview transcripts in a step-by-step manner. Learnings from the research by Dai et al. (2019) and Bailey (2017) were also considered for the number of interviews to conduct if data saturation was not reached. Interviews continued until no new codes emerged from the transcripts; data saturation was reached after twelve interviews had been concluded. One further interview was conducted to ensure that data saturation had indeed been reached.

The semi-structured interviews were conducted during office hours in line with permission received from my sponsor. Due to the COVID-19 pandemic and the impact of government lockdown and social distancing rules at the time, all interviews were conducted virtually, using the Microsoft Office Teams application, which enabled remote meetings and allowed them to be recorded. Interview sessions lasted on average thirty minutes per interview.

Data analysis

To transcribe the interview data, a speech-to-text application, Otter.ai, was used. Each interview resulted in an average of eight pages of transcribed data. In order to identify codes from transcripts, six large sheets were placed on the wall in the study area. The sheets were designed to code transcripts (Appendix B) according to the classification system, P1 to P13 (Table 2).

Table 2: Participant roles and allocated legend

Role	Participant allocated legend	Number of participants
Executive Operational Risk	P1	1
Heads Operational Risk	P2, P3	2
Senior Managers Operational Risk	P4 to P7	4
Managers Operational Risk	P8, P9	2
Executive Enterprise Risk Management (ERM)	P11	1
Senior Manager ERM	P10	1
Heads Compliance Risk Management	P12, P13	2

The responses were analysed thematically. A summary of answers to every interview question was extracted and coded from each participant's transcript and written on the wall. A codebook is a set of codes, definitions and examples used as a guide to help analyse interview data (DeCuir-Gunby et al., 2011). The codebook in this study was informed by the ten risk culture indicators from the RiDC model of Zaaiman et al. (In progress) (Figure 1). Only 8 of the 10 indicators were specifically highlighted by participants as important for this research. The themes of the RiDC codebook, aligned to the RiDC model indicators, were used to populate a customised codebook for the research (Appendix C).

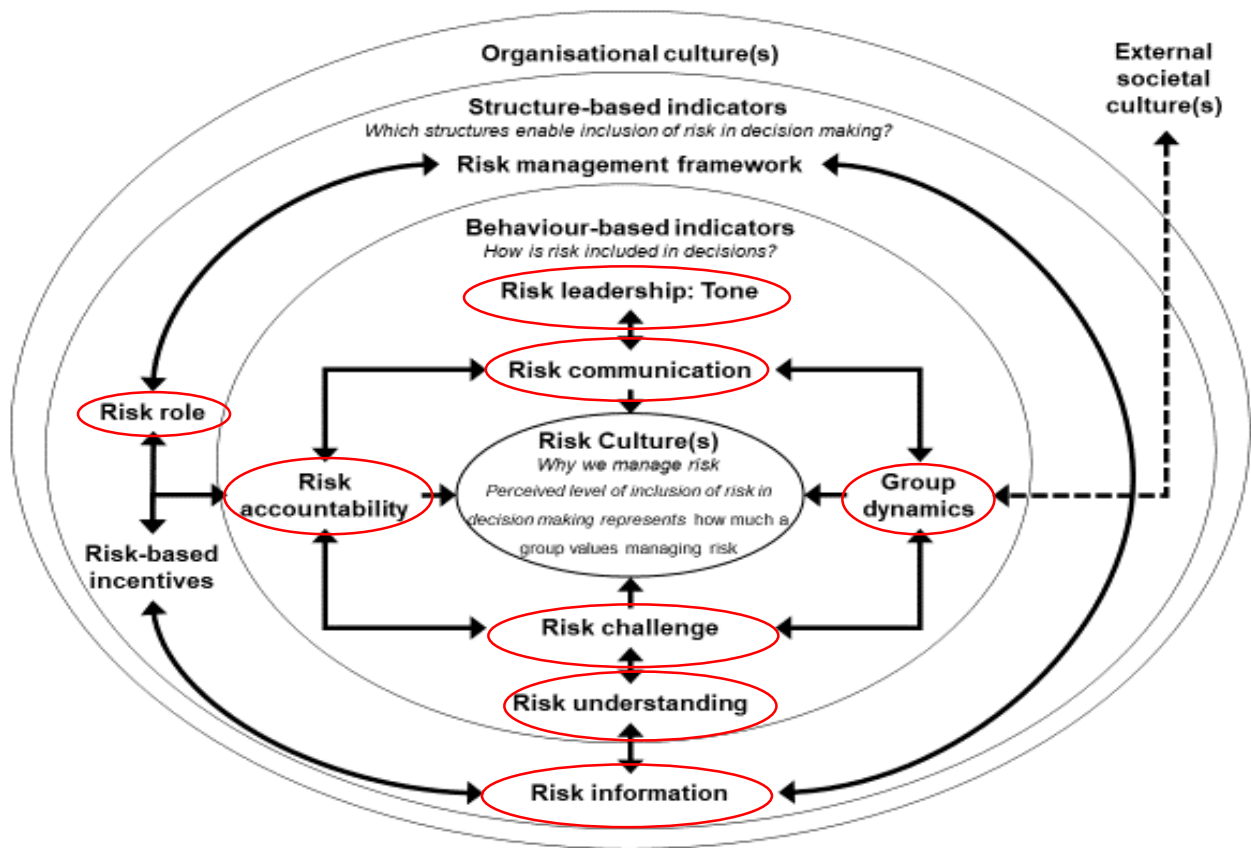


Figure 1: The risk-informed decision culture RiDC model (Zaaiman et al., in progress)

Results and Discussion

Overall analysis of transcripts revealed that current risk challenge practices do not happen in isolation but, as some participants pointed out, they happen when related enablers of risk challenge (Figure 1) are in place. Based on the eight encircled risk culture indicators of the RiDC model, the five themes of current risk culture practices, role of risk function, leadership and risk accountability, consultation process, and information and communication were constructed for the study.

Table 3 summarises the five themes that emerged from the interviews and shows how they were linked to the RiDC model.

Table 3: Summary codebook

Model Indicator match (Zaaiman et al.)	Theme constructed	Codes
Risk challenge	Current risk challenge practices	- Deemed equivalent experience levels of those posing challenge and those initiating decisions (P1, P2) - Courage to speak (P11) - Unquestionable credibility of those posing challenge (P1) - Depth of knowledge (P2)

		• Triggered by a recent actual experience (P9) • Nature of individual professional training (P3)
Risk role	Role of risk function	• Everyone understands their role (strong governance structure) (P2, P3) • Partnership between business and risk (P10) • Role of risk is clear and practised (P12) • Appropriate invitation around the seat at the table (P5) • Professional judgement (sceptical optimist) (P1) • Diplomacy and tone of judgement (P11) • Not being bold (P7)
Risk Leadership:Tone	Leadership and risk accountability	• Leadership style (P1) • Role of CEO (P7) • Executive buy-in (P3, P6) • Tone is set at the top (P8, P9, P11)
Group Dynamics	Consultation process	• Reason for seat at the table (P3, P4) • Substance over form (P1) • Scope of assessment (P2) • Approach and consultative process (P8, P13) • Timing allowed for risk challenge (P2) • Embedded practices (P6)
Risk information Risk communication	Information and communication	• Timing of information and agile practices (P1, P2, P11, P10) • Language used in the debates and discussions (P11) • Simplified communication (P11) • Transparency of information (P11)

The themes in Table 3 are discussed further, in order of most often cited codes.

Theme 1: Current risk challenge practices

When asked about whether they believed that risk challenge, as defined, was commonly practised, more than half of the participants answered “no”, and additional comments indicated factors that they saw as contributing to different levels of ‘risk challenge’ practice across the group.

Effective risk challenge was assisted, according to operational risk practitioners in the sample, when those of them posing the challenge were viewed as being as experienced as those initiating a decision or a point of view, and when their deemed credibility or level of seniority was high enough. Further enablers suggested by participants included their having both the courage to speak and in-depth knowledge of the issues of concern. Experience of past events, too, they suggested, could assist the practice of risk challenge, as was the nature of an individual’s professional training.

The codes relating to the practice of risk challenge were grouped to form Theme 1, as summarized in Table 4.

Table 4: Current risk challenge practices

Theme 1: Current risk challenge practices (a behaviour-based indicator of risk culture)		
Codes	Summary of participants' comments	Observations
Risk challenge practices are enabled when these are in place: • High experience levels of those posing challenge (P1, P2) • Deemed equivalent position of seniority of those involved with challenge (P1) • Courage to speak (P11) • Unquestionable credibility of those posing challenge (P1) • Depth of knowledge (P2) • Challenge is triggered by a recent actual experience (P9) • Nature of individual professional training (P3)	Risk challenge does not happen in isolation. Seniority, business level understanding, industry experience of risk practitioners and cross pollination of skills, rationale for challenge, board priorities, and acknowledgement of everyone around the table are necessary for effective practice of challenge to take place.	Most participants responded 'no' when asked if they believed that risk challenge was commonly practised across the organisation. They noted, however, that it is practised most at senior leadership levels in the organisation and that it is lacking at lower levels of the organisation.

Critical discussion and debate about risks related to decisions are enabled by risk practitioners who have credibility in terms of seniority as well as experience in the industry in which they operate, according to an operational risk executive:

Experience levels of those posing challenge and consistency when those levels of decisions are challenged by a deemed equivalent in the organisation are seen as a credible challenge. I think sometimes when the challenge comes from a more junior person to a senior person, there isn't necessarily that deemed credibility. (P1)

An executive ERM participant also cited fear as a feature that hinders risk challenge especially to someone who may be less senior. The courage to speak was an attribute that had previously been associated by Ring et al. (2016) with the ability to deal successfully with strong minded business directors who could impede the culture of risk challenge.

People are scared for their jobs. They are scared, they don't feel safe to speak up, especially when a decision is made by a person with a lot of power, like the CEO. (P11)

The courage to speak was an attribute that had previously been associated by Ring et al. (2016) with the ability to deal successfully with strong-minded business directors who could impede the culture of risk challenge.

A further point made was that risk practitioners themselves have to accept being on the receiving end of challenge:

Risk practitioners should accept that it is fine to be proven wrong by those you engage in debates and discussions. (P1)

Nevertheless, one head of operational risk understood the value of risk challenge, indicating that all challenge should be taken into account when decisions are made and not set aside, especially when the perspectives offered come from experts:

The depth of knowledge of individuals engaged in the discussions should also be taken into account when risk challenge happens in specialised environments such as cyber security or an assumption setting for an insurer on mortality rates due to COVID-19. As risk practitioners we technically think of worse case scenarios and no challenge from those involved in debates and discussion should be ignored. (P2)

The other head of operational risk advocated the value of actively learning lessons from the past:

In other instances, risk challenges happen because of previous experiences in the organisation. Since a cyber-attack incident experienced by the organisation in 2018 (widely published in the local media (Struweg, 2018)), risk debates and discussions were taking place more regularly compared with the past. (P3)

By way of illustration, after the Volkswagen emissions scandal in 2015 in Germany was exposed by the Environmental Protection Agency, a senior manager of operational risk described, from experience in previous employment in a bank, the danger of clashing values when profit and risk are in opposition:

... debates and discussion around funding of projects with negative environment impacts were dismissed citing impact of profitability. Whilst debates and discussion took place, the profit motive won the argument over a future funding model for organisations' negative impact on climate change. (P9)

Apart from a focus on profit, a head of operational risk saw training and development in the professions (that is, the types of qualification and understanding achieved) as a further factor shaping individuals' views of risk challenge:

Chartered accountants or chief financial officers, risk practitioners in general i.e. compliance practitioners, and legal practitioners turn to practise risk challenge because they have a better understanding of the importance of the type of risk involved in their field of practice compared to those risk practitioners driven by sales targets. (P3)

Overall, there was consensus among participants that risk challenge currently took place at board and committee levels, and that more needed to be done to promote risk challenge at lower levels in the organisation.

Theme 2: Role of risk practitioners

The role of risk practitioners as a theme received the second highest number of responses from participants. As defined in the RiDC model, all board members, as well as members of executive management and other staff members, must have a clear, shared view and understanding of their role in the management of risk in the organisation, including how and when risk should be included when decisions are made (Zaaiman et al., In progress). Risk role was documented in the risk management structure and framework of the organisation that formed part of this research. Although the 'role of a risk practitioner' was described there, it did not necessarily mean that risk challenge was practised. Participants commented on the importance of understanding the roles of the different people involved in risk challenge with specific reference to the roles of business management, referred to as having a first line role, and risk practitioners who played a second line role.

When asked whether they practised risk challenge, more than half of the participants answered 'yes' but felt that the way in which they practised risk challenge was affected by lack of understanding of their risk role by business managers. Seven codes linked to the role of risk function emerged from the transcripts. Being invited to a seat at the decision-making table was seen by participants as a demonstration that their risk roles were understood. The executive of operational risk suggested that risk practitioners should at times use their professional judgement in terms of expressing themselves as being sceptical but optimistic. Diplomacy and tone of challenge was identified by the executive ERM as useful contributors to the way in which risk practitioners should fulfil their risk role, the head of compliance added that tailoring one's approach during debates and discussions was also necessary. To enhance the quality of decisions taken during debates and discussions, one operational risk manager said that risk challenge should not be a one-sided activity from risk practitioners only, but should also come from business management's side.

The codes relating to the role of risk practitioners in risk challenge were grouped to form Theme 2, as summarised in Table 5.

Table 5: Role of risk practitioners

Theme 2: Role of risk practitioners (a structure-based indicator of risk culture)		
Codes	Summary of participants' comments	Observations
Inclusion of risk when decisions are made takes place when: - Everyone understands their role (strong governance structure) (P2, P3) - Partnership exists between business and risk (P10)	Analysis of interview data noted that good governance structures do not ensure risk practice, but how the risk practitioner presents the case enables risk challenge to take place.	The diverse nature of comments from participants provides a good perspective for risk practitioners. While risk role is a structural indicator, participant comments point more to behavioural aspects for consideration by any risk practitioner.

• Role of risk is clear and practised (P12) • Appropriate invitation is given for a seat at the table (P5) • Professional judgement is followed (sceptical optimism) (P1) • Diplomacy and tone of risk challenge (P11) • One's approach is tailored to the environment (P13)		
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According to the operational risk executive, the state of mind of being *sceptical but optimistic* is a necessary element when becoming involved in risk challenge. Such a state of mind was at times referred to as 'playing devil's advocate' during debates and discussions when business decisions were being made. Supported by a head of operational risk, he also emphasised that this state of mind can normally be practised only by someone with years of experience in the organisation(P1, P2).

The present organisational structure and risk management structure seemed to contribute to the lack of effectiveness of risk challenge by risk practitioners. This view was supported by the executive operational risk and senior manager ERM:

The lack of effectiveness of the role of risk practitioners challenging business decisions is based on the structure of the organisation. (P1)

A further comment on the risk management structure came from a senior manager in ERM on problems encountered before the organisational restructure prior the new CEO had joined the organisation in 2018:

... there was lack of clarity regarding the role of risk because the majority of the risk functions reported directly to first line management. Post the restructure in 2019 no risk function reported to the first line management any more, but all reported to the CRO, which is a second line function. (P10)

The same senior manager also noted how accountability for committee structure had changed for the better post the organisational structure in 2019. Whereas the risk committee was previously chaired by the CRO, it was now chaired by the CEO:

The CRO refused to chair it for the reason that he wants to challenge the management executives on how they are managing risk. (P10)

Another element mentioned by participants was clarity about the role of risk function, which, when it is understood by everyone, improves the culture of risk challenge. Ruchi and Sanjay (2018), in their

study, took multiple actions to advance the level of risk understanding by the senior management team and introduced several tools across management layers to bridge the gap in understanding the role of risk function. The importance of the role of risk function in the organisation was emphasised by Roeschmann (2014) as playing a large part in how risks are identified, understood, discussed and acted upon, all of which contributes to risk challenge.

When participants were asked if they had any recommendations to improve how risk challenge is practised, the heads of compliance and executive compliance, respectively, suggested:

Tailoring one's approach when dealing with first line function. (P13)

... be humble, be respectful and polite, be honest but respectful, honest in how you are being challenged and in how you're challenging. (P11)

At times risk practitioners should not wait to be invited to the decision-making table before they make themselves heard. While the organisational structure might define the role of the risk function, risk practitioners themselves need to be proactive. A head of compliance commented on how risk practitioners should be proactive by initiating talk, rather than waiting to be invited by business partners to provide risk input when business decisions are being made:

We just need to create awareness, let's make sure that we are present partners, we make sure we find a place at the table. (P12)

When afforded the opportunity we should make use of it by being engaged in the conversations. Investing time to understand the problem statement and context of those taking business decisions. (P2)

An operational manager warned against being over-cautious:

I find that at times we tend to skirt around the issues. We don't call a spade a spade so that we get to the crux of the issue. (P6)

Additional input provided by the executive ERM elaborated on the much-needed behavioural attribute of enquiry:

... you need to be able to use questions, a method of inquiry to clarify things, to pick up on points and dig deeper and inquire further. (P11)

Theme 3: Leadership and risk accountability

Post the organisational restructure in 2019 of the company under study, the newly appointed CEO introduced risk challenge related measures that were experienced by most participants as positive. He encouraged debates and discussions on risk and he challenged business executive on issues raised in the risk reports. He also moved accountability for risk to those who take the risks (first line management). This led to more accountability where business executives had to understand their obligations for including risk when taking business decisions.

Participants were asked to provide instances where they experienced difficulties when faced with business decisions that they challenged.

The codes grouped to form Theme 3 are reflected in Table 6, followed by a discussion of how the theme was constructed.

Table 6 Leadership and risk accountability

Theme 3: Leadership and risk accountability (behaviour-based indicators of risk culture)		
Codes	Summary of participants' comments	Observations
Type of leadership is seen as a driver which enables effective risk challenge to take place • Leadership style (P1) • Role of CEO (P7) • Executive buy-in (P3, P6) • Tone is set at the top (P8, P9, P11)	Most participants commented that, since the arrival of the new CEO, there had been an improvement in debates and discussions within the organisation. This is evidenced by the Risk and Compliance Enhancement Program (RCEP) that he initiated and sponsored as part of the organisational restructure in 2019.	Most participants noted how the new CEO, because of his previous role at one of the largest banks in South Africa, had changed the organisation by setting the right tone, clarifying accountability and promoting risk challenge.

The executive operational risk emphasised the role of leadership and its influence by sharing an experience he had had with the previous CEO and his management team, which had led him to feel that risk challenge was not taken as seriously in the past as under the current CEO:

Then I think the other thing is, again, seniority. You know, so obviously, that decision at the time was made at a CEO-level. I certainly felt that our challenge wasn't appreciated and wasn't taken seriously enough. (P1)

Tone at the top is noted one of the four indicators of a sound risk culture (FSB, 2014). The current CEO initiated a programme in 2019 to enhance the risk and control environment within the organisation. Owing to his direct involvement with the programme, accountability for risk was enhanced. The executive ERM commented how this programme assisted her in practising risk challenge, adding how the positive influence of leadership can contribute to such practice:

I mean, that was the programme sponsored from the top. So, I guess that ushered me in to be able to challenge people. (P11)

One of the operational risk managers included the importance of support from executive management:

If you don't have buy in from senior management, then it will be difficult to overcome those challenges, because as much as you go to a risk officer with ability, the ultimate decisions lie with those people at the top. (P9)

Theme 4: Consultation process

The value that organisations place on risk management is determined by internal consultative processes before and after risk debates and discussions have taken place. Having the right person at the decision-making table, timing of risk challenge, substance over form (meaning that risk challenge takes place without documentation of the debates and discussion), and embedded organisational practices are important enablers during the consultation process when business decisions are taken. These five elements constituted notable input provided by participants, and were therefore identified as codes and grouped into the theme of 'consultation process'. These participant views are supported by Zaaiman et al. (In progress) in the RiDC model, which identifies risk understanding as an indicator of risk culture.

The codes grouped to form Theme 4 are reflected in Table 7 and followed by a discussion of the theme construction.

Table 7: Consultation process

Theme 4: Consultation process (behaviour-based indicator of risk culture)		
Codes	Summary of participants' comments	Observations
The consultation process in the organisation determines the success or failure of risk challenge. • Reasons for a seat at the table (P3, P4) • Substance over form (P1) • Scope of assessment (P2) • Approach and consultative process (P8, P13) • Timing allowed for risk challenge (P2) • Embedded practices (P6)	Participants acknowledged the risk management framework, however, business- and risk practitioners' understanding the reason for having a seat at the table, scope of risk assessment, time afforded to risk practitioners to debate and discuss business decisions and embedded practices of how things are done in the organisation determine the real value of risk challenge in the organisation.	Governance structure alone does not lead to risk understanding and value of risk to the organisation. Scope of the risk assessment and time allowed for the assessment also determine value to the organisation

The manner in which the business is structured, including governance structures, allows for risk challenge to take place effectively. With governance structures in place and the risk practitioner presumably at the decision table for risk challenge or advice, it becomes easy for everyone, including those involved with business decisions, to understand the organisational objectives.

The operation risk executive provided an example of substance over form in referring to a pilot:

Understand the objectives by internalising those individuals making decisions. Use a pilot as an example. Their objective is to get from point a to point b within a specified time. However, there are certain checks that have to be performed which might be delaying his objective. Safety versus efficiency. (P1)

Roeschmann (2014) agrees when referring to how an organisation's risk culture determines the way risks are identified, understood, discussed and acted upon. When these elements are in place they contribute towards risk challenge.

Risk practitioners should have an understanding of the scope of what is required from them when approaching debates and discussions, and of the time required to complete a risk assessment. How to respond is determined by how the organisation's consultation processes are embedded

Theme 5: Information and communication

There were many business decisions happening across the organisation, and the existing number of risk practitioners was insufficient to keep up with the pace in order to practice risk challenge. Because so many business decisions were taking place, the timing in which information was made available to risk practitioners for providing their input in debates and discussions was crucial. Where business decisions are communicated without prior engagement of risk practitioners to challenge those decisions effectively, the way in which risk challenge is practised in the organisation is hampered. Traditionally, risk practitioners had enough time to debate and discuss possible risks associated with business decisions, but in an agile organisational environment the traditional way of thinking about risks and potential business challenges becomes a problem as business decisions are made at a faster pace.

The codes grouped to form Theme 5 are listed in Table 8, followed by a discussion of the theme construction.

Table 8: Information and communication

Theme 5: Information and communication (behaviour-based indicators of risk culture)		
Codes	Summary of participants' comments	Observations
Written communication and overall quality of information is necessary in risk debates and discussions. • Timing of information and agile practices (P1, P2, P11, P10) • Language used in the debates and discussions (P11) • Simplified communication (P11) • Transparency of information (P11)	Every element of decision-making (especially involving risk challenge) should be made available to risk practitioners in a timely and simplified manner that can be understood by everyone. Evidence to justify those decisions must be in place.	Timing of information flow to those involved with discussion and debates allows proper quality of decisions.

Availability of quality information, communicated in a timely fashion, enables quicker decision-making during risk challenge processes. A European study by Gorzen-Mitka (2018) uses the concept of risk markers as indicators of the maturity of risk culture in an organisation. A specific risk marker relevant to the present research is stronger transparency of risk information. When information is made available in good time, it makes it easier for risk practitioners to engage business management proactively before decisions are made. Group dynamics could either enable this process of communicating or complicate it when the environment is dynamic, as highlighted by a senior operational risk manager:

I think the bigger challenge is for business where generally the environments are quite dynamic, and discussions and decisions need to happen without too much consultation. Otherwise, too much consultation kind of stifles the process. (P4)

Assumptions that everyone has a similar understanding of what is required often leads to misunderstanding between risk practitioners and business management. The roll-out of the Risk and Compliance Enhancement Program (RCEP) discussed in Theme 3 followed a clear communication plan and awareness sessions to ensure that everyone in the organisation had clear understanding of the requirements for risk challenge:

So understanding of what it is that the business unit does, I think is also, for me, the most important thing. (P9)

Risk practitioners at times use vocabulary that is peculiar to the risk community. When communicating, a common language is needed that is understood by everyone involved. This discrepancy was noted by the ERM executive:

I think it is this dance between the two of speaking each other's language – risk practitioner speaking commercial language and executive manager speaking risk language. (P11)

Management practices and information structures are cited by Ashby et al. (2012) as the main issues that contribute to overall risk culture, thus also improving effectiveness of risk culture as argued in this theme of communication and information.

In summary, the themes of current risk culture practices, role of risk function, leadership and risk accountability, consultation process, and information and communication assisted in exploring and assessing how risk challenged is practised by operational risk practitioners in a life insurance organisation.

Conclusion

A restructuring process undertaken by the organisation under study presented an opportunity to explore the practice of risk challenge as an indicator of risk management in the organisation.

The literature reveals that risk culture is a broad concept, which has been researched extensively in the regulated financial services industry but with little information available on risk challenge practice in the financial sector of life insurance. To answer the question of how risk challenge as an indicator of risk culture is practised in one South African life insurance organisation, the literature on risk challenge culture was reviewed. Risk challenge practice is important when business decisions are made because it helps management to proactively consider risks that may impede them from meeting business objectives. A qualitative interview-based research method was used to obtain risk practitioners' perceptions of risk challenge practice in the organisation. This was achieved by asking questions of operational risk managers involved with the practice of risk challenge. For a more balanced view of this practice in the organisation, two compliance managers as well as two enterprise wide risk managers were included as part of the sample of 13 participants.

Most participants felt that risk challenge practices could be improved in the organisation and that decision-making processes could benefit from well-informed and justified risk challenge by risk practitioners. Moreover, they felt that risk challenge should not be seen as a "loose standing" action but needs to be supported by other risk management indicators such as role of risk function, leadership and accountability, the consultation process, and information and communication. These elements provide a valuable basis for operational risk managers that can enable them to practise risk challenge with confidence and in doing so contribute to informed and risk-tolerant decision-making in their organisations.

The study found that risk challenge should not be a threat to business managers; its purpose is rather to strengthen the relationship between the two parties and the decision-making process when buy-in comes from both sides. It offers direction for action. In addition, through the research study certain behavioural elements – such as credibility of risk practitioners involved with risk challenge, the courage to speak, tone from the top and group dynamics – were found to be necessary characteristics required of risk practitioners to improve the practice of risk challenge.

Through the literature review and empirical study to explore and assess how risk challenge is practised by operational risk managers in a life insurance organisation, it can be concluded that the study objectives were reached.

The results of this small-scale study on the broad topic of risk culture is not generalisable, but could nevertheless be used by the organisation's risk practitioners to learn more about behavioural characteristics that might help them to discharge their duties effectively. The study outcomes could

also be useful to risk industry bodies such as The Institute of Risk Management South Africa to assist with characteristics to look out for in a risk practitioner. While current literature (FSB, 2014; Zaaiman et al., In progress) provides guidance, the present study has provided additional behavioural characteristics required from risk practitioners that have not explicitly been specified in the existing literature.

The qualitative study reported here provides valuable insights on risk challenge from a risk practitioner's perspective. For future research, additional insights from business managers, who did not form part of this study but who are mainly involved with business, may be valuable. There is also an opportunity to conduct further research on risk challenge specifically in the context of other risk culture indicators relating to overall risk culture embeddedness within this and other organisations.

Number of words:

Abstract: 295

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REFLECTION

The objective of this study was to establish how risk challenge as an indicator of risk culture is practised in a South African insurance organisation. As the head of the operational function, our recently appointed chief risk officer in most instances talks about risk culture and makes reference to risk culture in his reporting to various committees, thus setting the tone from the top. He understands its importance and wants the organisation to have a mature risk culture. In order to gauge the level of risk culture embeddedness in the organisation post its restructure in 2019 this study afforded me the opportunity, as an employee and researcher, to explore risk challenge practices in the organisation and through doing that gain insight into the prevailing risk culture.

The process of risk challenge has its own difficulties as it may be perceived by business managers as inhibiting business decision-making, and risk practitioners might be hesitant to challenge business decisions or play devil's advocate. When its value is acknowledged by both sides, the relationship between business and risk management is strengthened and reassurance is provided when business decisions have to be made.

This study was based on a review of the literature on risk culture, risk management regulations, and the RiDC model of Zaaiman et al. (In progress).

As expected, the role of operational risk management and its involvement in the practice of risk challenge was confirmed through the outcomes of the study. However, finding out some of the characteristics of a good risk practitioner was found to be an additional and unexpected outcome.

The study, although limited in scale, afforded me the opportunity to contribute to the risk culture academic field and more specifically to the topic of risk challenge as an indicator of risk culture. The outcomes of the research may be used to add to the existing description of the indicator of risk challenge as explained in the RiDC model but my study will mostly be of value to the organisation that I work for. I expect that the CRO will be able to use the outcomes of the research (role of risk function, leadership and accountability, consultation process, information and communication flow) to improve the practice of risk challenge and consequently the risk culture in the organisation. By utilising the outcome of the study in terms of the characteristics of operational risk managers that it highlights, the Executive Operational Risk and my peers can structure appropriate human capital interventions to improve the profile of risk practitioners on whom this research focused.

APPENDICES

Appendix A: Interview Guide

MCom Applied Risk Management UARM873 Mini-dissertation study Interview Guide

Study title: Risk challenge practice as indicator of risk culture in a South African life insurance organisation

Student (also called 'the researcher' in this form): Malesela George Lamola

Study supervisor: Dr Sonja Gilliland

Supervisor contact details:

Document aim

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

Interview process

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

Thanks for agreeing to participate in this study. I appreciate your willingness to assist me with this research. Do you have any further questions or concerns on the informed consent form that you would like to discuss before we start the interview?

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

2. Interview:

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

Interview questions

<u>Question</u>	<u>General or specific question</u>	Reason for the question and link to objectives of the study

1. Risk challenge usually refers to risk discussions and debates on risk-related decisions and include actions such as: - allowing the testing of current practices, - fostering positive constructive critical culture amongst employees, and - creating an environment that is open for constructive engagement. 2. Do you have anything to add to this description of 'risk challenge'?	General	To ascertain and confirm that there is the same level of understanding of the concept of risk challenge Note: Although Question 1 was a statement, it was reiterated to all participants and Question 2 was the follow-up question related to the statement. Question is related to understanding of risk challenge in the organisation.
3. Based on your understanding of the concept of 'risk challenge', do you believe there is a common practice of risk challenge across the organisation? If your answer is "No", please proceed to Question 4, if "Yes" please proceed to Question 5.	General	Question asked to explore the extent to which risk challenge is practised by operational risk managers.
4. In your opinion, what do you believe contributes to different levels of 'risk challenge' practices across the group?	Ideal position question	Purpose of question is to assess the situation and suggest guidelines to improve the practice of risk challenge
5. Based on your role as a risk professional how well do you believe you practice 'risk challenge' in your organisation?	Specific to operational risk managers Opinion and value question	To identity any potential gaps in the way risk challenge is practised.
6. Please provide instances where you experienced difficulties when faced with business decisions that you challenged	Specific to operational risk managers Experience and behaviour question	To identify any potential gaps in the application of risk challenge.
7. What are the recommendations that you believe will assist risk managers to improve the culture of 'risk challenge' in the organisation?	Specific Ideal position and knowledge question	Purpose of question is to assess the situation and suggest guidelines to improve the practice of risk challenge. Participants provided with the opportunity to contribute towards possible changes to how risk managers apply risk challenge.

1. Risk challenge refers to risk discussions and debates on risk related decisions and includes
 - a. practises such as allowing testing of current practises,

- b. stimulates positive constructive critical culture amongst employees and
 - c. an environment which is open for constructive engagement.
 - 2. Do you have anything to add to this description?
 - 3. Based on your understanding of the above concepts, do you believe there is a common practice of these across the group? If no proceed to question 4 and, if yes proceed to question 5.
 - 4. What do you believe in your opinion contributes to different levels of risk challenge practises across the group?
 - 5. Based on your role as risk professional how well do you believe risk challenged in practised in your organisation when business decisions are made?
 - 6. Please provide instances where you experienced difficulties when faced with business decisions that you challenge
 - 7. Are there any recommendations you believe will assist the group to improve the culture of risk challenge?
- Facilitate the interviewee responses only when required by asking non-leading further questions:
 - Do not overdo probing questions to avoid influencing the interviewee responses.
 - Do not lead your respondent into providing information that you expect to be the answer to your research questions.
 - Pre-prepare non-leading probing questions for your interview. Example questions:
 - *When you say, what do you mean by that?*
 - *Tell me more about.... (referring to something the respondent said, not what you wanted him/her to say)*
 - *Please give me an example (concrete examples provide more information about the actual situation than general statements about a situation)*
 - *What does this look like in practice?*
 - *How does this happen? (note: ask 'how' rather than 'why' questions – see Harvard interview strategies document available on link listed at the end of the document)*
 - *How is this important to you?*
 - *How is this important to the organisation?*
 - *How is this important in the context of risk management (or insert a phrase related to your specific research objective) in the organisation?*
 - *If the person refers to how somebody else or a group feels about something, ask: How do you feel about this?*
 - *How does this information relate to the topic under discussion? (steer respondent back to topic when s/he digresses from the topic)*

3. Interpersonal aspects of interviews to keep in mind

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

- **Do:**
 - Keep the possible biases and limitations of interviews in mind when designing, executing and writing up your interviews – interview transcriptions will assist you and others to evaluate how your own expectations and natural biases may have influenced the interview data.
 - Understand the aims of your interview questions in the context of your research project.
 - Ask simple questions that will provide information related to your research objectives.

- Pilot and practice your interview before formal data gathering so that you can see what works and what doesn't work.
- Ask only one question at a time.
- Give the person time to think about the question – stay quiet during that time.
- Listen attentively to the interviewee.
- Ask clarifying questions where necessary for purposes of your research.
- Remain ethically sensitive as described in the Informed letter of consent – do not change the rules of engagement during the interview.
- Stay warm and empathetic (not sympathetic – see under 'Don't' below) during the interview – you do not have to suddenly become a 'cold fish' during the interview.
- Relax and enjoy the interview.
- At the end of the interview, state why you are grateful to the participant for her/his time and inputs to allow the respondent to feel appreciated for their efforts to contribute to your research question.
- **Don't:**
 - Interrupt your interviewee.
 - Convey any approval, sympathy, or disagreement, with your interviewee's comments through words or actions (e.g. avoid encouraging nods, frowns, verbal affirmations or disagreements) – the interview is about what the person thinks, and not about how you feel about what they think.
 - Answer the question for the interviewee.
 - Don't ask questions that can be answered with one word, such as 'yes' or 'no'.
- **What if the interviewee becomes frustrated or emotional during the interview?**
 - Stay calm.
 - Do not interrupt, try to defend, comfort the interviewee, or 'fix' the situation – say as little as possible and allow the person to calm down.
 - Turn the audio-recording off if the person requests this.
 - When the person has calmed down, ask a question that acknowledges the emotion, such as *What about the situation prompted these strong emotions?*

4. Feedback to participants

In conclusion to the interview:

- Thank participants for their time and goodwill
- Ask them if they have any questions
- Ask participants if they would prefer to see the transcripts of the interviews prior to its use as part of the dissertation
- Ask participants if they want to receive feedback on the outcome of the research project
- Keep promises and provide participants with the requested information.

5. Further preparation for the interviews

Use other useful interview advice available online to prepare yourself for the interviews, e.g.:

<https://msu.edu/user/mkennedy/digitaladvisor/Research/interviewing.htm>

https://sociology.fas.harvard.edu/files/sociology/files/interview_strategies.pdf

Appendix B:

Transcript data analysis sheets on the wall.



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Theme	Code description	Participant 1	Participant 2	Participant 3	Participant 4	Participant 5	Participant 6	Participant 7	Participant 8	Participant 9	Participant 10	Participant 11	Participant 12	Participant 13
Risk leadership: Tone	According to (Zaaiman et al., In progress)	1.8 Leadership Style	2.10 Organisational motive	3.12 Executive buy-in 3.13 Motive	4.11 Driver of culture and appropriate seat at the table		6.6 Buy-in Senior management	7.2 Role of CEO	8.3 Tone is set at the top	9.6 Executive set the tone		11.6 Support from the top		
Insert your risk leadership theme codes here - one per line, plus description in the description column		1.8 Then I think the other thing is, again, seniority. You know, so, obviously, that decision at the time was made at a CEO Q6	2.10 board is interested in growth profitability revenue. You know footprint expansion, it's about shareholder value by growing the profitability. But within boundaries driven by the board. Q5	3.12 one thing that has helped risk management for years, is having that executive buy in, when the executive takes less management seriously. board has mandated executives to run the company, their behalf in the figurative sense mandate and other people. So, it's a lot of mandates, but I think from a shareholder perspective, if we are still being driven by numbers and being driven by dividends, and then shareholders. I think we're still going to have a massive disconnect between risk management efforts, and how things actually manifest.	4.11 that at the top when we speak of the corporate culture and the tone at the top. So, I mean if it's like a Phil CRO and a David CEO. That kind of. I'll say kind of make it mandatory, but kind of drive the culture that was management needs to be involved. And in business, actively has to engage us because the reality is there's absolutely no way, we'll know what's happening in business, or the invited Have a seat at the table. If you don't know where when these discussions are happening. invited to have a seat at the table and discussions.		6.6 If you don't have buy in from senior management, then it will be difficult to overcome those challenges, because as much as you go to a risk officer with ability the ultimate decisions lies with those people at the, you know, us as risk office I can only provide, what do I see guidance or tell them this is how these two can really makes decision .Q5	7.2 There's certainly been, you know, positive progression in terms of the content of the discussions and you know, the challenge you know, specifically from I think Dave CEO, because previously I think GCROC, it was mostly like, you know, the second line presenting, you know, but then when they came on board, he sent it back to firstly challenging first line, in terms of you know, how they managing risk because they are the ones who own the risks, you know, they, they make decisions on a day to day basis in terms of you know, that risk based decisions. Q3	But I think our tone at the top is set, currently, and I think it just needs to. We just need to get people to read more into it and to get more buy in coming into it. So, I'll tone at the top is fine it's just the people on the ground. That needs to have a better grasp of it.	9.6 Even the executive, you know, allows for that she's constantly. You know she set up meetings to have those engagement. So, in that regard. When I look at ECM, that is the ideal space, because the executive is a way of risk management, even though she may not be extremely familiar with all the different concepts, but she's willing to have as I think you've mentioned in this first part of the definition. She wants to have those risk discussions. She wants to have a space where we are able to have constructive debates, based on the business environment Q3		11.6 I mean, that was the program sponsored from the top. So, I guess that ushered me in to be able to challenge people		
		1.9 I certainly felt that our challenge wasn't, it wasn't appreciated and it wasn't taken seriously enough Q6		3.13 board has mandated executives to run the company, their behalf in the figurative sense mandate and other people. So, it's a lot of mandates, but I think from a shareholder perspective, if we are still being driven by numbers and being driven by dividends, and then shareholders. I think we're still going to have a massive disconnect between risk management efforts, and how things actually manifest.										
		1.10 the CEO or whoever it is that senior enough will make a huge difference in terms of the		3.14 Incentives move to risk-based incentives code. Only one mention										

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		risk culture that you establish in the organisation. Q6												
		1.11 In fact, you know the position of the risk professionals, improve materially based on the support you get from the senior stakeholders in the organisation. And I think also I mean you know whilst you can go and report these things at the board level because you've obviously got that ability. Your primary spokesperson at the board level tends to be your CEO, so unless you get good support from the CEO to answer the questions and the challenge that you may have posed Q6												
Risk accountability (FSB)	Perceived and actual accountability for effectively taking risk into account when making decisions will directly affect the risk culture of the organisation.				5.2 Inadequate awareness leading to inconsistencies			7.5 Federated structure					12.2 Who drives risk culture	
Risk accountability themes	Themes that directly relate to the main RCI theme, in this case Risk accountability										More at senior executive level than at lower levels			
Insert your risk accountability theme codes here - one per line, plus description in the description column					5.2 It's the awareness around risk management, risk culture within the organization. certain individuals or employees within the organization don't necessarily think like any risk level like the they don't see they work all the functions, the daily functions, it's something that can impact like the overall objectives of the company. So, I think that's the reason like people are not aware of it, you know, what every action or decision that we make here, it has a higher impact and we always need to look at what is limited exposure when we do this particular task. Q4			7.5 So, you had business units, which he was like you know a federated structure, a business unit which had its own powers everything. So, in terms of accountability, it made accountability bit difficult, you know from a risk management perspective because each business unit was viewed as if it was a legal entity. You know, they were responsible for their own pal and those decisions. So, I think the only thing that was being measured was the bottom line if you were able to make your profits or your budget, didn't care, in terms of how so we still trying to move into this new structure, trying to gain businesses,			No awareness is lower levels		12.2 It's really a subject of Management Maturity Management Maturity because if management is maturing the understanding Q4	

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								confidence and trust. Q4						
If you have subcodes for the theme above Insert these in separate lines under the relevant RCI code line - one subcode per line, plus description in the description column											Failure to agree with business and compliance who should be accountable for KYC process			
Group dynamics	Group dynamic as in defined According to (Zaaiman et al., In progress)	1.12 Pro risk Executives vs other. Strong voice when making decisions	2.12 Timing if risk decision and business activities	3.6 Absence of formalised 2nd line risk function	4.5 Pace of activity and change	5.3 It's a daily activity	6.5 Hard times with business partners	7.13 Operational team in business.7.14 Operational in Silos	8.4 Organisational structure	9.3 Two extremes		11.4 Transition CRO to CEO		
Insert your group dynamics theme codes here - one per line, plus description in the description column		1.12 this the way in which the business is structured. It allows for challenge in various forms and, and in various forums. But I think, I think just the effectiveness of the challenge might be impacted, as it relates to tenure Q6	2.12 when the decision is made and it raised all of these additional risks, what you found was that there were communication risks that now sort of got surfaced in all those conduct to famous risks in relation to the end consumer that got surfaced. Q6	3.6 cause those lines of clear delineation between assisting management versus challenging management have been so blurred for years. Because of the absence of a formalized second line. Q3	4.5 They need to still appreciate what risk management can bring to those discussions. But I think the bigger challenge is for business is generally the environments are quite dynamic and discussions and decisions need to happen without too much consultation. Otherwise, too much consultation kind of stifles the process. And that then results in function like risk	5.3 Okay, you look at some of the things that we are called into you're called into, like at the last stage of a project or even with this robotics thing, build start the process and then later they remember Oh, we need to involve risk., the role and the role that everyone has around risk? It's not. It's not something that should be managed only at a senior level, we are all responsible to manage risks within our space within our daily activities, Q4	6.5 But you find that other risk officers really, they're having a hard time with the business partners. Yeah. But I can't really give examples as to like the same day that it happened, they, they had was challenges between yourself and your other business partners. Q4	7.13, from an outsider looking at how the operational risk team interacts with business like to think that that you know, those relationships are already there, right looking at how the ops risk team interacts with business. Act like to think that, that, you know, those relationships are already there. Right. So, in terms of whether we taking advantage of that. the from a group risk	8.4 previously, risk management was not seen as part so it was sort of divorced from the business itself, it was seen as a, as a unit on its own as a function of its own. It wasn't seen as you know that the two being going hand in hand. So, the business operations going hand in hand with risk management and it's I think it's not only a practice within our organization, it's not limited to our, our organization.	9.3 ECM and DFS. my top of mind for them. It's all about risk challenge is all about creating an environment that is conducive for them, and also being aware of the risks also being aware of the risk so that they can actually change that into opportunities, DFS but for some reason, they don't want be an open environment, they don't want	I think people know that I existed at least that's just one good thing. If I were to leave tomorrow. That's one good thing they would have known that compliance exist and what is compliance and not.	11.4 They would be a confrontational stance and people might resort to silence and not teaching what they what they want to say or they might resort to violence with the attack or blame. But the fact that the GCROC is chaired by the CEO, creates a conversation of challenge between the CEO and his own executives. So certainly, at governance committees it's happening at GRC the fact that we have independent board members who have lab		

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					management, not being invited to those discussions. Q4			perspective, I'd say this, there's still a bit of work that needs to happen to make sure that the group risk team as a whole is integrated that there's information sharing between, you know group, group ops team, and business conduct teamQ7	But as I said over the years, it's definitely improved. So that's what I mean by sort of old school way this people that sort of believe that this is a this is a line a separation between risk management and business practice. Whereas, in fact, business practice goes hand in hand with risk management	constructive engagements		director's liability ensures that they robustly they read in full number one and the robust challenge, management, again, the stance that you see has that they don't ask the risk team to answer on the reports submitted. They ask the CEO, or they ask the executive members that helps with a robust challenge. Q3		
		1.13 Timing of risk input after business decision is haunting us because we did not properly this brought due to pressure from the executives at the time. Q6	2.12 They was financially, what does that actually mean you know for what is the financial impact or exposure to Liberty, as it relates to, because we would have assumed that through just making this decision is probably in the best interest of the customer. We didn't know. You know, three months later, that we would have needed to actually adjust make a correction on this which would have cost, Liberty additional cash, Q6	3.6 lot of people that were not Typically in risk roles, anything happened on trust or been told that we're in risk ending up in business processes. So, what that means is that you've had a cross pollination of skills, if you will. And what that meant is that it affected the consistency of applying some of the principles and understandings when it comes to risk challenge. Q3				7.14 I think that the changes that were implemented in 2019, to make sure that the entire organization moves from being a federated organization to an integrated organization. It has worked at a business unit level, but then when we go into group risk. I think somehow. We still, we now operating in silos, as they teach that the ERM doesn't integrate itself with other teams						
Group dynamics sub-themes	Themes that directly relate to the theme relevant to your study (many subcode levels)										The view that because my salary is paid, I should do first line work, business is not able to understand the independence of the function. Link to risk accountability.			

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If you have subcodes for the theme above Insert these in separate lines under the relevant RCI code line - one subcode per line, plus description in the description column											How far and extend that executives prioritise profits to governance requirements. Profits often overshadow governance Q6			
Risk communication (FSB)	According to (Zaaiman et al., In progress)	1.4 Substance over form - Form			4.4 Rate of debates and discussions. 4.6 Information flow 4.10 Dimensions		6.6 Awareness 6.7 Transparency	7.8 Risk Enhancement program 7.11 Backward looking	8.7 Language			11.5 Simplified communication	12.5 Understanding each other management and risk practitioners	
communication theme codes here - one per line, plus description in the description column		1.4 Good balance between being able to challenge something in a practical sense, but then to also be able to theoretically document or academically, document that challenge, and to be able to put it out in the form of a risk assessment, or a risk review or something like that Q5			4.4 I think there's lots of business discussions and decisions taken on a very frequent basis. And I don't think we party to those discussions adequately. I mean certainly from my experience. Q3		6.6 But awareness really, I think it's what we need to do we need to build a strong risk culture	7.8 We still have, you know, some time to entrench those, you know, from a cultural perspective going forward, as you know, with our separate risk, control enhancement or risk and control enhancement program, we have put in place measures to try and improve the risk culture from a policy perspective making sure that policies that we have internally are sufficient, the readable, the not followed minus the short the principle based instead of being prescriptive from a risk, culture perspective, you start changing how employees engage with policies, rather than it becoming a tick box exercise. Q5	8.7 speaking risk management in business language. I mean, if we just speak for instance like the first second third line. I mean that's just jargon. For instance, and so we need to speak the language, or we need to speak risk management in business language, we need to make it as simple as possible. Q7		Need to create awareness around the role of risk and that of management through workshops sessions and awareness sessions	11.5 whatever commercial language they want, but they're still nervous around risk issues, they don't feel that they're competent. And unfortunately, the risk people from the centre themselves. I still learning the commercial language. And I think it is this dance between the two of speaking, each other's language risk speaking commercial language. Executive speaking risk language. Q3	12.5 risk practitioner and management. really need to spend time On each other's sphere of work example if we get the management team To come sit with the rest practitioner for maybe three days or four days and really understand the value of what the risk practitioner is trying to bring to the organization to help In, enable his business be more much more effective	

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		1.5 I think we are good at testing current practices but I think we're not necessarily strong at, let's say, documenting the testing of current practices Q5			4.6 And then it was decided we have too much risk representation, which can appreciate. But having said that, we still need meaningful flow of information emanating from those discussions so that we can execute Q4		6.7 Yeah, like transparency of stuff, you know, we need to communicate and be transparent of risks going on, because if you're not communicating those then, at the time, whereby you find out it will be late. You know, even if it's a smallest thing that you are unsure communicated so that people know that it's out the, you know, so they will panic materialize. then in case you known about it. Like just transparency. Oh yes. So, yeah.	7.11 So our combined assurance reporting is and maybe as well as our risk reporting is not forward looking. It's mainly we're reporting on history on incidents. So even when things have improved, it's difficult to be on the same page with business because we only using history say yeah, well, previous month we had so many incidents. we'd never get a chance to sort of get into one room as all three lines of defence, maybe mainly the two lines of defence, the first the second was the internal audit. It's also you know, in terms of history, the auditing things that have happened in the past. But we never get a chance to understand the context or discuss the context. Q6					12.6 We have a challenge but it's because it's a fight you You guys are just being picky about things and you just being funny about things and everything is a must for us. Yes, we know everything's for us, but understand our world understand where we coming from. Let us sit in your world there or understand your thought process around your decisions that you make. So that way we have Cross collaboration of our thinking. Q7	
					4.10 Having discussions is probably just one dimension but I'm sure there's a whole lot of activities we need to consciously define this is how we go about doing this, this and that, and then it'll give us a certain outcome that kind of fulfils a certain objective.						Leads to increased risk understanding			

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Risk challenge	According to (Zaaiman et al., In progress)	1.1 Deemed equivalent. 1.3 Men of value	2.1 Opposing view. 2.3 Levels of seniority. 2.5 Technical understanding. 2.7 Industry experience 2.11 Board challenge	3.1 Reason for risk challenge 3.6 Cross Pollinations of skills. 3.11 Rational for the challenge	4.7 On informal basis	5.1 Levels of management. 5.4 Acknowledgement of risk and benefits thereof	6.1 In place but not across the group.6.2 Constructive engagement	7.1 At committee level. 7.3 Operational level 7.10 Two-way thing	8.1 In principle because of Lines of Defence, Room for improvement	9.1 Work in progress varying levels 9.2 Artifacts 9.5 VW Scandal		11.2 We have something in the middle. 11.9 Professional affiliation 11.11 Courage	12.1 Management maturity 12.3 debates and discussions	13.1 In pockets within the group 13.5 Interpretation of legislation
Insert your risk challenge theme codes here - one per line, plus description in the description column		1.1 And I think, you know, consistency when those levels of decisions are challenged by a deemed equivalent in the organisation. And what I mean by that is, for example, I think yourself as a senior person in the division, or in the organisation. Challenging certain decisions by other senior people in the organisation is seen as a credible challenge. I think sometimes when the challenge comes from a more junior person to a senior person, there isn't necessarily that deemed credibility Q3	in different depth to it that that you may not necessarily think that you, I mean, as a challenger may not necessarily have thought about	3.1 Definition should consider why we go through the pain of challenge. How does this challenge contribute to overall organizational objectives and not risk objectives? Q2	4.7 Irrespective whether I am party to the engagements or not. With our business. Business units. I think this management is happening on a very informal basis. So, I do not discount the capability of the guys to kind of actively identify risks and challenges, during the discussions of whatever business decisions need to happen. But I don't think so it's happening in a very formalized way. Q5	5.1 Listening to, to that description and referring back to liberty. I think risk challenge happens more at the like higher senior level and I think it's something that needs to happen across the business whether at the high level or at the lowest level within the organization people need to have those conversations.	6.1 will say yes, there is a common practice. but across the entire group I'm not sure I can't really comment on that. Q3	7.1 various committees that we have within Liberty Group Risk Committee (GRC) being the highest as far as you know, risk management is concerned. So that's where I think that tone is shaped. You know, in terms of the challenges challenging for risk, and if we go a level below that GCROC, it certainly it is happening there as well. Although, I think, you know, over the years, how that happens, you know we have evolved if I compare the level of discussions as well as you know how those discussions are headed at that level compared to 2016 when I joined Liberty. Q3	8.1 In principle because there's always a discrepancy between first, second and third, and I think that sort of needs to be bedded down before we actually get a sort of a common understanding. Q3	9.1 with that it, it's, it's something that is work in progress. It's something that also depends basically on the, on the various business unit with some years you'd find that some areas are quite advanced within the organization. And then you find other areas, it's not so advanced. Q3	There is a bit of both	11.2 The model is good and it's intervened in the sense that there is, there isn't nothing, there isn't an absence of something. So I don't think we have a base at all I do think we are somewhere in the middle, on the journey. Long certainly at the governance committees, especially at GCROC, which is chaired by the CEO and the CRO refuses chair it for that reason that he wants to zero to challenge the management executives around how they are managing risk. So, the centre people will or will raise issues and highlight them on their reports, the same time in the risk function at the centre will raise things of their reports. But if the GCROC was chaired by the CRO. Q3	12.1 In my opinion, no. And that's to the varying levels of management maturity. I want to use the word Management Maturity, not risk maturity, because Management Maturity, you have some autocratic store management adaptations within the group. And you now still and you have some management That is very, very diplomatic, very willing to embrace change, stimulate culture, culture, different sorts of cultures within the environment Q3	13.1 Pockets of it happening but not consistent,

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		1.2 So, I think that we're really strong, on, on, risk challenge and I think it's, it's probably a function for men of the value that our chief executives' places on risk, and the role of risk. Because I think, you know, he's fairly clear that, you know what, we don't. what's the word...? operate outside of our boundaries. In terms of managing risk so I think they're, you know that plays a big role in making the risk challenge process effective Q5	2.3 probably doesn't happen and doesn't happen, consistently is probably at a at a first line level. But I think more at a, an operational or maybe like your first level of management or, you know, team leaders' managers, you know, sometimes it may sort of hit the heads of. But I think at that level. You know where the rubber hits the road where the you know the guys are putting the backs into it and actually doing the processes and unpacking Oh something's actually went wrong. You know you'll find that the conversation or risk. There's no risk challenging conversation is actually happening, what individuals do a small set of individuals do they try and solve it on their own	3.2 challenge component is also evolving in line with how the discipline is simple, it is evolving. Q3		5.4. So, business wanted to change the process way signatures now won't be used for certain claim forms because of the whole pandemic. So, we asked a lot of questions they and I felt, yeah, we got the right response and we got business to see things the way we saw it.	6.2 There's always those disagreements, especially when coming to arrest cause the other party would see it this way and then the other party will see the other way and pay for this always	7.3 So where I think the issue might be, you know, at a business unit level where I think, yeah, well, maybe the challenge is not at every level where it should be. And that's because I think, traditionally, risk has always been viewed as, you know, a policing function where, you know, we'll come in and tell people where they going wrong. Right and now what we've been trying to do is create that partnership with business, instead of, you know, coming after the fact sort of doing an audit type of function where we tell people where they went wrong. Q3	8.2 I'm in 8th yeah that you know there is still discrepancy between science and there is no call coherent practice across the organization. So I wouldn't say there's a total lack of, but I think we can definitely improve Q3	9.2 therefore would want to see certain things, which, for example certain risk being addressed. They're not because maybe the follow the RCC process, but because they understand that this is a risk to our area, and therefore we should make sure that we minimize it would mitigate it. Q3		11.9 I think the CEO or the CFO, or key or even the CFO, very clear I think it's, it's easy for the CEO CFO, because he's professional practice area. Challenges him to look after financial control. But it's not every person, every manager management person practice area that challenges them it for example have the IT COBIT framework, which challenges them to look after IT PROFESSIONAL BODIES risk, but I wouldn't say HR has that. And so, because the management runs the team from their own professional practice area.	12.3 Yes, I do believe that. And my reasoning for saying that is from the responses that I get. I want to say that the reciprocate of challenge that I get from business, because when I say this is x, Stewart will normally say no, I disagree with you, this is x plus y. Why didn't we think of x plus y and what's your reasoning for saying x? But sometimes the challenge is also difficult. They gain because of Management Maturity, the environment sometimes within liberty is very, no we need to portray just the best images and not and even if it's something bad, we must portray it as positive as possible and not just the way it is. We always tend to flower things up. Q5	13.2 Maturity levels differ, they need to be brought on board
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		1.3 In the same way that to say it's okay to make mistakes. You should in the same way be driving this thinking about, it's okay to be proven wrong by somebody in the risk profession. I guess, it's okay to be proven wrong and to learn from scepticism applied through the rest challenge process.	2.5 lack of the limited amount of technical understanding in relation to the challenge. Q4	3.11 There's not a lot of leeway or rule to manoeuvre in terms of insisting and challenging business. but when you start dealing with the risk issues, specifically where there is a bottom line, the bottom-line impact, or where there's a way there's little impact, or where there's a potential cyber threat will have an impact on customers, etc. that has a direct consequence				7.10 I guess from my perspective is it's a two way thing, because there's a risk challenge in terms of practices as well say from group risk, your business can come and challenge us and say, you know, the, we don't think you guys have provided us with sufficient tools and practices to assist us in managing risk from a day to day perspective. So, it needs to be a two-way thing rather than a one-way thing. So, but the business also needs to keep us honest and accountable, say. are you guys adding value or, you know, you're not, you know		9.5 VW scandal. Because we had to then method remember they had also done a paper on that. And from an EGC perspective we're actually working with her to make sure that this wouldn't happen within, within Nedbank space. But still I think by the by the time we still haven't had any buy in or, you know, traction on that particular matter. Q6		11.11 People are scared for their jobs. They are scared, they don't feel safe to speak up, especially when a decision is made by a person with a lot of power, like the CEO. So, I still don't know whether there was nice beauty and stupidity on my side, or, or really prefer. And I guess, to get, I guess that's something we should actually talk about this challenge goes with a lot of courage. It doesn't matter if you're a risk practitioner or not if you don't have courage. He was challenged doesn't work, especially when it relates to people on layers on top of you	12.4 Difficulties would be audit findings and resolution of audit findings or even losses that take losses for example because this is seen as something that's not positive or it's seen as a bad as a and I don't see it as a bad I see it as a positive because we know we have control environment Q6	13.5 Interpretation of legislation sometimes not clear because it becomes subjective.
			2.7 Industry experience is an enable for engagement and effectively challenge											
			2.11 So when the board starts challenging us in terms of those questions. We need to be sort of quite careful. There may have been prior warning We need to be quite careful in terms of how we put our viewpoints forward. Q5											
			2.12 I think technically we always take the worst that potentially can happen. But, worst case scenario, you know, impact versus likelihood, R50 or R100m. However, you need to appreciate that, from our organisation point of view, there's also your main factor that you've been ignoring. You're ignoring the fact that we are also people. The controls that you want to put in place, may have an impact on the individual. However, don't be a dictator Q6											
Risk understanding (FSB)	According to (Zaaiman et al., In progress)	1.6. Substance over form. 1.7 Understand the objectives by internalising those individuals making decisions	2.4 Level of staff. 2.6 Risk qualification and experience. Scope of assessment before decision. 2.13 Inadequate assessment risks	3.4 Understanding challenge. 3.5 Seat at the table CRO	4.1 Invited to the debates and discussions. 4.3 Purpose of the invite		6.3 Risk culture and purpose for risk management. 6.4Embdded practises	7.6 It's a daily practise 7.9 Operationalise risk challenge	8.6 Consultation process. Contribution both business and risk	9.6 Understanding the business		11. Risk management approach 11.7 Business SME we are not 11.10 Education 11.12 Business language	12.7 Time no excuse	13. 5 Risk types

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Insert your risk understanding theme codes here - one per line, plus description in the description column		1.6 There could be a lot of risk discussions and debates, there is lot substance but low substance. You should be high on bothQ6.1	Not happening at lower until something material go wrong junior staff only reacts. Q3	3.4 The challenge component has not been clearly defined Q3.	4.1 I think the challenge is first and foremost is for business to kind of understand the definition and the role we play in that discussion and debate. And then of course engage actively engage the risk management function to participate in those discussions and debate because I don't think currently on everybody to the sad thing currently there's a lot of things happening within the business. And we're not necessarily invited to those debates and discussions. So, I think first and foremost that's a challenge in that space. That's just my view. And, yeah, you can always come back to this but for now I think that's the key challenge. Q3		6.3 challenges are really the risk culture within organization, and how people, and stain is exactly what the risk is in how it's supposed to be main issue. I think there's just this lack of awareness within the organization. They call for risk awareness like they. I don't think we've got that strong risk culture within our organisation. I think really that's what's causing the challenges we have any of this culture. I would say risk because as we know everyone's supposed to escape it one needs to be aware of it, but I don't think as risk officers or as practitioners we clearly make that a difference to the rest of organization to really understand what we are about	7.6 we still have a long way to go in terms of making sure that it doesn't only happen on a quarterly basis, but it's something that is entrenched from a business process perspective. Q5	8.6 put out a market a product into the market and business requires that product to go out, they that they objective and they deliverable and going along the different hoops of risk management is sort of, you know, is seen as a delay. So, so there's always challenges for instance, in the new product approval process. So, I've experienced that, as well, where we highlighted the highlighted, and this this would be welcoming of it but it puts a hindrance on the live date, go to date. Go Live date, sorry. Huh. So, so there's always a hindrance. basically, business not understanding risk management, and not understanding that risk management is part of the business Q6	9.6 So understanding of what it is that the BU does I think is also, for me, the most important thing, because that is how you're able to then improve the business you didn't clearly understand what their objectives are you clearly understand the strategy. Q7		11.1 We have our two by two grids, of knowns and unknowns, no no known unknowns. It's things we do. Risk registers for unknown knowns things we are in denial about and known unknowns, which are the black swans. So, it risk challenge, especially when it comes bottom up. It can assist with identifying unknown emerging risks and other events that we are not top of mind, but will be important. q4	12.7 I don't have time for this. I don't have time for that. But I think time is has now become almost I can say as an excuse. We shouldn't look at time as the challenge, but rather look at it as the opportunity to say, the time and the effort that I'm spending on trying to bring in these numbers	13.5 Being compliance helps because legislation dictates
		1.7 Use a pilot as an example. Objective is to get from point a-b within a specified tome. However, there are certain checks that have to be performed which might be seen as delaying his objective. Safety versus efficiency Q6	2.6 my risk qualifications and I'm cool because I've just come out of Boston college and I know everything there is to know about risk, but I have no experience in real risk scenarios, whereas George is sort of a seasoned risk practitioner. He's been in the environment for a number of	3.5 and challenge will also be affected by organizational objectives and the buy in from the senior management in terms of, but what is this concept? Why is this person at the table and not at the table because sometimes challenge is seen as having a crow at the table of executive decisions have been made,	4.3 they actively invited me to this discussion I don't know it was happening. It was a workshop. I mean without them inviting me I wouldn't have known so they will most likely appreciate the view that we could bring, and then apart from inviting me to the workshop, they actively asked me for my		6.4 In Corporate, or Stanlib. Whenever there is a business decision that is to make a new product, or in it or any area. They know that they cannot go ahead without getting an opinion of a risk officer. Q4	7.9 BU exco meetings happen on a monthly basis. Right, so but then like I'm saying that I for for that to trickle down to the people who make the decisions. Let's take, for example at a operational level claim, claims advisor or I don't know, they call them people who process claims if we can get to bed	8.9 We also need to be involved with business we need to understand the business. So whatever business we are in, we need to understand the business. It doesn't mean that we are not part of that particular business. We don't need to understand what it is all about. So, for instance, if I have to say			11.7 I think we mustn't move away from the fact that we are not subject matter experts. Lot of social media as well there was a lot of pushback from the policy owner on social media. And when I engaged. She pulled the expert caught that this is how it's done. And I said, No, I'm not challenging the subject matter expertise Yeah, I'm challenging risk principles 4		

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			years in different industries on the line Q4	but the effectiveness of that person on that port is not always what you'd want it to be. Q3	opinion on certain matters. So that kind of tells me there's a change in the tone of how they view risk management and what input we could provide. Q3			level where, you know, if claims processor understands that whatever decisions that they make, you know, but they understand the risk implications that they're not see we've won that battle in terms of entrenching or changing the risk culture in the organizations. Q5	Client Adviser Experience (CAE), I need to understand what CAE does what is client advisory experience. What are the responsibilities, what are the outputs, how do they get there so that's how I need to provide a little bit better risk management, and also from a business perspective, I think business also needs to speak with risk managers,					
			2.13 We realised that there potentially was a flaw in the decision-making sort of principles and in relation to it because you know how this decision actually came about to move the evaluation period forward. No Foresight in decision-making.									11.10 So there is a lot of education that still needs to happen at a management executive level. And once that happens, everything else becomes easier once that management executive says this matter to me then becomes easier for the line managers under them to talk risk language and to be challenged on this language, and to give risk time on their work		
			2.14 We need to be attentive, and when I say attentive to, to the, to the conversation or attentive to the risks, there's actually, there's actually been raised. also listening with, with the view to, you know, to not just hear, but to actually pick up the key pointsQ7									11.2 Understanding business language		
			2.15 the know you need to understand the environment in which we should be operating. Yeah. You need to understand how it works											
			2.16 Understand the value chain. You know, from start to end.											
RMF themes	Themes that directly relate to the main RCI code, in this case RMF													
Insert your RMF theme codes here - one per line, plus description in			Different view that we take, we take a number of views. Before we can actually					7.7 To push those boundaries, for example with the team, now we have			Monthly risk forums allow for risk challenge			

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the description column			form. You know the overall sort of decision as to whether you know something is either material or whether something is warranted being reported on or something is warranted being escalated up you know to you know to the executives on the line. Q2					a group risk central team. Previously, I think we used to have bu risk teams which were reporting into the BU executive. So, in terms of knowing that then lines of defence were, you know, mixed up. So, you have a second line function reporting into first line. So, it makes that challenge a bit difficult because you're challenging someone that you will reporting to someone who so that independence what was not there. Q4 Now we have group risk, which is a reporting to the CRO and the CEO reporting to the chairman of the board, the GRC committee. Now with that dotted line, obviously, to the CEO. So, it makes independence easier accountability, easier.						
Risk role (DNB)	According to (Zaaiman et al., In progress)	y	2.8 Depth. 2.9 Funnel	3.3 Specialisation of risk type. 3.7 Agility 3.8 Change management 3.9 Tone of challenge. 3.10 Perceived Bureaucracy	4.2 Risk Role 4.8 Risk deployment model 4.9 Clarity of risk role 4.12 Internal Audit role	5.5 Invitation to the discussion and debates		7.4 Not being bold	8.5 I do practise it	9.4 Risk role 9.7 Self introspection	Lack of understanding risk role	11.1 Diplomacy - Building partnership 11.14 Being respectful		13.3 Try to everyday

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		1.14 Because of the way the organization is being been structured and the authority that is granted to different parts of the groups so for example your risk function versus your business functions, and other assurance providers. There is a fair amount of challenge that happens across the organisation, whether that level of challenge is consistent across the organisation is something for debate. Q3	2.8 I think the discussions actually happened, but it's probably not at the depth of actually challenging. We even looking at impact of Covid-19 -19 lots of conversation that actually happens because if you find that the mortality experience is actually tipping the other way, you know, get these now sort of doing that. And in relation to where we are from a COVID point of view. Its exponential compared to our assumptions	3.3 So previously, you would have had your typical credit markets and the creditors which were a bit more understood because they had a financial context to it, when we started moving into the non-financials and looking at some of the operational risks and other issues, and you'll find that even those disciplines are growing, because disciplines are structuring themselves. IT Risk is one big example for me definitely way when we started what we caught last minute went with IT Governance. And now we find in that it is more structured and we understand what we're trying to deal with a bit better. Q3	4.2 No, I don't think. certainly, at the levels, I'm involved in. I still feel that, yeah. It's not taking place. rigorously. No, I don't think. certainly, at the levels, I'm involved in. I still feel that, yeah. It's not taking place. rigorously.	5.5 Business but obviously work together with us like we need to collaborate, but I feel like we need to try with more from this side because even with things I don't need to go into an area and ask them Where's your risk counterpart you know, they should be the ones that need to contact us		7.4, I find that at times we tend to skirt around the issues. We don't call spade a spade so that we get to the crux of the issue or the trace it and try and come up with real actions that will address those specific issues. Q3	8.5 So I would say I practice it well and as or as I always mentioned there's always room for improvement. So, I'm not saying it's perfect. I'm not saying my practice is perfect, but I say my practices is very good. And as you know, as, as we go on, we always learn from our colleagues from situations. So, there's always learning that goes on every single day. But I would say it's good	9.5 Because everything that I am right now is always about asking, what could go wrong. And therefore, also asking how can we actually make sure that this risk doesn't materialize. So, I'm all about risk management, I think, given how are operated home. I'm always, And, yeah, so it will take quite a long time for me to actually move away from thinking like a risk manager. Q5	I think from our bit, we just need to create awareness, let's, let's make sure that we are present partners, we make sure we find place in the table unfortunately that's how it is. We shouldn't be waiting for an invite. We make ourselves to say they have you thought about me hey I'm here. Q7	11.8 But the key issue is that if you use risk principles, and especially if you keep your head on as the facilitator, then you don't set up a confrontational approach. I think the problem with risk challenge is if you set up a confrontational approach, then people. Pull the card of their subject matter expert they use such big words that they throw you off the set, so to speak, and they you are able you're unable to substantially challenge them. But what I'm saying is you don't need to be a subject matter expert in risk is playing possible, but you need to keep your head on, as the facilitator, and therefore you need to be able to use questions, a method of inquiry to clarify things to pick up on points and dig deeper and inquire further.Q4		13.3 Tailoring your approach to business environment, Q5
		1.15 you've got varying levels of people across the organisation that are making business decisions that that create risk for the organisation Q3	2.9 Using analogy of a funnel varying levels 80-90% Exco, and there's probably, you know, below 50% conversations is actually happening in the lower level.	3.7 Post restructuring program some people's roles changed appropriate function with clear separation between 1ts and 2nd line,	4.8 I think someone like Ravi. For example, in the space says that he operates in the fact that he also entire value chain and is engaged throughout the value chain like he sits on all these expose a whole lot of committees and IFC committees and the like. He's got an uninterrupted flow of information and appreciation of what's happening and what's not					9.7 also look probably internally to check you know doing introspection and say, am I actually the right kind of risk manager for this particular area. Q7	So, I think our goal is always to just remind people because people are never their priority to some extent, I understand their KPIs to make money, so they will not be thinking about risk or unless we are the ones making sure that our voices when we have the platform Q7	11.14 Be respectful be Oh, be respectful, these executives live and breathe, trying to make their business units work. Don't come here as a know it all. Be humble. Be respectful and polite be honest, but respectfully, honest in how you are being challenged in how you're challenging		

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					happening. And what needs to happen. Whereas, I think, with other structures it is not the case.									
		1.16 because of the hierarchical nature of most organisations, the credibility of the challenge is less effective. I think as Junior people start creating more credibility in the business that challenge becomes more consistent. Q3		3.8 So, the progression from first line to second line is definitely also affected the effectiveness of second line challenge, because the business expectations have remained the same. And the progression and the change management has not necessarily been robust enough, specifically within liberty to draw a clear distinction	4.9 So, so we will say things like we must practice. I mean, be engaged business units. We must add value. And there's a whole lot of statements we make around, practicing risk management. But I think we don't necessarily define how we must go about doing some of those things we kind of can kind of get away with doing yourself for example I've set up all those risk management engagements, for the entire year with all the stakeholders. But then when we make statements like, we must demonstrate add value to the guys, we don't necessarily know what that means how we must demonstrate it how much evidence it. We must do deep dives isn't defined standards processes as such as to how much cobalt doing these things. So, there's I think a fair amount of those, those aspirations, on what we need to do we understand perfectly what we need to do, but the How need some unpacking. Q7						especially at GCROC, which is chaired by the CEO and the CRO refuses chair it for that reason that he wants to zero to challenge the management executives around how they are managing risk. So, the centre people will or will raise issues and highlight them on their reports, the same time in the risk function at the centre will raise things of their reports			
		1.17Tenure in the organisation e.g. new employees trying to challenge practises that have been in place for many years. It's easier for people who have been in the organisation longer. Q7		3.9 When challenge is made without recognition of effort risk challenge turns to be rejected as its not much about content by messaging or packaging the message. Q6	4.12. I think if we were to look at our audit counterparts. We don't necessarily have an audit committee for example an audit committee chair and defined mandate that kind of says without trade, you're going to have this function, these are the responsibilities. This is what they're going to execute for the, not a very defined structure like ordered. Because that actually helps support the, the objectives. Now, we can move can move to a more formalized structure for risk management I think that would greatly help our cause.									
		1.18 this the way in which the business is structured. It allows for challenge in various forms and, and in various forums. But I think, I think just the effectiveness of the challenge		3.10 The length of time it takes him to the risk management review process that in its own as a whole, discipline, similar to how governance, actually takes long as bureaucracy management										

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		might be impacted, as it relates to tenure Q7		comments are also from a bureaucracy. Or Specialist risk types not taking to one other, legal, compliance, credit, market conduct or liquidityQ6										
		1.19 want to have the body of the skill set of a risk professional needs to behaving us a good balance between scepticism and at the same time being optimistic. Q7												
Risk-related information (DNB)	According to (Zaaiman et al., In progress)	1.22 Timing of information	2.2 Biases					7.12 Leading vs lagging. 7.17 Annual Top Risk process				11.12 Timing		
Insert your Risk-related information theme codes here - one per line, plus description in the description column		1.22 I think you need to make sure that you... to be relevant you're dealing with this thing at the right time. Q6	When discussions are held who put a good debate without been seen to overpower another. Q2					7.12 we monitor our KRI's mainly, lagging KRI's instead of, you know, but a mixture of lagging and leading so that we can see if there's a bit of improvement. Q6				Hoarding if information by certain individuals leading to risk practitioners less informed whilst business decisions are being made	11.12 it wasn't terrible that it was ignored at the time. The company had other priorities, and I think that is a challenge that risk has but sometimes the management has other priorities	
	7.14 we need to be deliberate about thank you from an era perspective, we've decided to change how and when those scenarios are being read. We think from next year, there will be a process that's going to include a bigger group from a risk perspective as well as from a business perspective. Okay, making sure that business is also involved in generating those scenarios, because the other ones who make decisions on a day to day basis and they are the ones who take risks, and they are the ones who understand the business way better than, you know, we understand it from a risk perspective													
Other codes	Other codes related to your study	1.20 Subject matter expertise 1.21 Consistency of application		3.14 Risk Management Professional Bodies	4.12 Internal Auditors									
Add themes and sub-themes related to your study here		1.20 I think the second place where challenge may potentially be seen consistent is when it comes to specific areas of subject matter expertise. And I think I would use examples like I key information security, third Party financial control. Q3		3.14 Risk Management Professional Bodies such as IIA used to sit on the side but what's the risk, you can have 20 badges and 20 badges from ISACA and other bodies but the organizations can sell for three two by not being receptive to your challenge	4.12 We don't necessarily have an audit committee for example an audit committee chair and defined mandate that kind of says without trade, you're going to have this function, these are the responsibilities.									
Tenure in the organisation	1.21 And I mean some of the other specialist risk areas. Now if you think about it, you know, you need to have some level of specialist knowledge to have an effective challenge conversation or discussion or whatever you want to call it. So, I think they is that inconsistency in the group when it comes to subject matter expertise and risk challenge. So, I think that sort of my view on terms of consistency of application of challenging in the organisation. Q3													