



Assessing internal risk communication in a financial service organisation

HP Moabi

 **orcid.org/0000-0001-8052-7213**

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

Supervisor: Mrs Z Mthiyane

Co-supervisor: Mr F Goede

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NOTES TO EXAMINERS

- The mini-dissertation should demonstrate that the student has the ability to:
 - do research;
 - constructively criticise own and others' research; and
 - report the research results clearly, accurately, and concisely with enough information to allow others to evaluate the research and perform a similar study should they wish to do so.
- This study represents the student's learning during a nine-month research project at master's degree level. It is, therefore, not necessary that the results represent a substantial contribution to the academic knowledge of the field.
- The mini-dissertation was written in article format and consists of three sections: research project overview, article, and reflection. The focus of the mini-dissertation is on the article written by the student.
- The research project overview section should provide a high-level introduction to the research project that adequately prepares the reader to understand the study.
- The reflection section should provide a critical evaluation of the study and allow the student to reflect on his/her personal learning during the project.
- The student should provide a study-specific summary of the literature related to the specific study in the article.
- The maximum word count for the article is 8 000 words. This maximum word count excludes words used in tables and figures, the article abstract, references, and appendices. The maximum word count for the abstract is 300 words.
- The additional information in the appendices should be considered when evaluating the content of the three main sections of the dissertation.
- The supervisors' role was to provide guidance and assistance on project conceptualisation, data analysis, interpretation, and writing skills. The student was, ultimately, responsible for conceptualising, setting up, executing, and writing up the research project.
- Turnitin was used to assist with plagiarism checking before the student was allowed to submit the mini-dissertation for examination.

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 supervisory team members contributed in an advisory and technical support capacity to the conception and design of the study, analysis and interpretation of data, and critical revision of the manuscript. The mini-dissertation was language-edited before submission for examination. However, the student is responsible for making these edits and for the grammatical correctness of the final document.

I declare that this mini-dissertation was done according to the NWU Guidelines on Responsible and Ethical Use of Artificial Intelligence (https://www.nwu.ac.za/sites/www.nwu.ac.za/files/files/i-governance-management/policy/2024/November-2024/2P_2.4.3.2_Policy-on-Academic-Integrity.pdf).

The primary study supervisor permitted the student to submit this mini-dissertation for examination.

ABSTRACT

Effective internal risk communication is critical for strengthening risk culture and ensuring consistent engagement with risk management processes across all levels of a financial institution. While frameworks and standards such as ISO 31000:2018 and the Basel Committee on Banking Supervision's (BCBS, 2021) Principles for Operational Resilience provide structural guidance, the internal flow of risk information remains underexplored, particularly within African financial services organisation. Most of the literature highlights external risk communication with regulators, investors, and other stakeholders, leaving internal communication dynamics inadequately examined. The study addressed this gap by assessing internal risk communication effectiveness within a South African financial services organisation. This explorative study employed a quantitative survey-based approach, using an adapted version of the Communication Satisfaction Questionnaire (CSQ) to measure employee perceptions across hierarchical levels: senior, middle, and operational staff. The instrument was refined to capture three factors central to internal risk communication: relations with supervisors, communication climate, and personal feedback.

A purposive sample of 67 employees was drawn from first and second line risk department functions. Data were analysed using Cronbach's alpha aimed at reliability, the Kruskal-Wallis H-test for group differences, and the Mann-Whitney U and Spearman rank correlation tests to assess associations between the lines of defence. The findings revealed high internal consistency across factors ($\alpha = 0.79$ to 0.92). There were no significant differences observed across hierarchical levels for the first and second lines of defence, suggesting consistent communication perceptions. However, a statistically significant difference ($U = 112.00$, $p = 0.044$) was found in personal feedback between the two lines, indicating a communication gap between risk ownership and oversight functions. The study concluded that while overall internal risk communication was cohesive, feedback mechanisms required strengthening to enhance operational resilience and risk awareness across defence lines.

Keywords: internal risk communication, risk management, communication climate, financial services, risk culture, Communication Satisfaction Questionnaire.

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RESEARCH PROJECT OVERVIEW

Risk communication is an integral part of risk analysis and a necessary mechanism to ensure consistent understanding and management of risks within organisations (Hardy et al., 2020; Størkersen et al., 2023). While substantial literature exists offering general guidance on risk communication, limited research focuses on internal strategic risk communication, especially from the perspective of employees in financial services organisations within the African context (Boholm, 2019). Most studies focus on external stakeholders or Western economies, leaving a gap in knowledge about how risk information is communicated, interpreted, and acted on internally in a financial services organisation.

This study investigated the effectiveness of internal risk communication within a leading financial services organisation. It specifically explored internal risk communication across hierarchical levels, including senior management, middle management, and operational staff, to identify barriers and enablers influencing the dissemination and reception of risk-related messages. The research was motivated by a desire to improve risk management practices by understanding how employees at various levels perceived and engaged with internal risk communications. Using a quantitative survey methodology adapted from the validated *Communication Satisfaction Questionnaire* (CSQ), the study gathered data from 67 employees across the first and second line of defence risk department. In the first line of defence, operational teams and management are responsible for owning and managing risks as part of their daily activities; this includes implementing controls and ensuring processes run effectively. The second line of defence consists of risk and compliance functions that provide oversight, develop frameworks, and support the first line by monitoring and guiding risk management practices. This approach allowed for systematic assessment of communication effectiveness, with attention to key factors such as relations with supervisors, communication climate, and personal feedback mechanisms.

Findings from this research provided valuable insights to enhance risk communication strategies, strengthen organisational risk culture, and support proactive risk management in the banking sector. The study provided a novel contribution to the limited body of knowledge on internal risk communication in African financial institutions.

The research was conducted as part of a mini-dissertation at North-West University (NWU) and aimed for possible publication in the *Journal of Risk Research*, a journal well suited to interdisciplinary research on risk communication and management in diverse organisational contexts. The journal is accessible at <https://www.tandfonline.com/loi/rjrr20>.

Table 1: Role players in the mini-dissertation study

#	Team member	Role
1	Researcher	Hendric Moabi
2	Supervisor	Zanele Mthiyane
	Co-supervisor	Fred Goede
3	Statistician (if relevant)	NWU SCS (Statistical Consultation Services)
4	Editor	Hendia Baker

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ARTICLE

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ABSTRACT

Effective internal risk communication is critical for strengthening risk culture and ensuring consistent engagement with risk management processes across all levels of a financial institution. While frameworks and standards such as ISO 31000:2018 and the Basel Committee on Banking Supervision's (BCBS, 2021) Principles for Operational Resilience provide structural guidance, the internal flow of risk information remains underexplored, particularly within African financial services organisation. Most of the literature highlights external risk communication with regulators, investors, and other stakeholders, leaving internal communication dynamics inadequately examined. The study addressed this gap by assessing internal risk communication effectiveness within a South African financial services organisation. This explorative study employed a quantitative survey-based approach, using an adapted version of the Communication Satisfaction Questionnaire (CSQ) to measure employee perceptions across hierarchical levels: senior, middle, and operational staff. The instrument was refined to capture three factors central to internal risk communication: relations with supervisors, communication climate, and personal feedback.

A purposive sample of 67 employees was drawn from first and second line risk department functions. Data were analysed using Cronbach's alpha aimed at reliability, the Kruskal-Wallis H-test for group differences, and the Mann-Whitney U and Spearman rank correlation tests to assess associations between the lines of defence. The findings revealed high internal consistency across factors ($\alpha = 0.79$ to 0.92). There were no significant differences observed across hierarchical levels for the first and second lines of defence, suggesting consistent communication perceptions. However, a statistically significant difference ($U = 112.00$, $p = 0.044$) was found in personal feedback between the two lines, indicating a communication gap between risk ownership and oversight functions. The study concluded that while overall internal risk communication was cohesive, feedback mechanisms required strengthening to enhance operational resilience and risk awareness across defence lines.

Keywords: internal risk communication, risk management, communication climate, financial services, risk culture, Communication Satisfaction Questionnaire.

1. INTRODUCTION

Risk communication, understood as the exchange of information about risks and uncertainties between organisations and their stakeholders (Khumalo, 2023; Lundgren & McMakin, 2018), is a vital component of organisational risk management. In financial services, internal risk communication, both top-down and bottom-up, is crucial for ensuring that employees at all levels understand, align with, and act on, risk information to support informed decision-making and organisational resilience (Power, 2016; Sheedy et al., 2017). Despite the existence of international frameworks and standards such as ISO 31000 and the Basel Committee on Banking Supervision's (BCBS, 2021) *Principles for Operational Resilience* that emphasise structured communication, financial services organisations often struggle with effective implementation due to hierarchical barriers, inconsistent messaging, and low employee engagement (Kabuye et al., 2019). Typically, senior management receives comprehensive risk reports, while front-line employees, who are responsible for operational decisions, receive filtered or minimal information, undermining their ability to manage risks effectively (Kabuye et al., 2019). Furthermore, misalignment of risk perceptions across the risk department, where different lines of defence interpret the same information differently, contributes to inconsistent responses and weakens organisational cohesion (Kabuye et al., 2019).

Traditionally, studies have prioritised external risk communication to regulators, investors, and customers or have focused on senior management perspectives, neglecting the experiences of mid-level and front-line employees (Covello, 2001; Fischhoff, 1995; Mikes, 2011). This omission is particularly pronounced in African financial services organisation contexts, where research on internal risk communication remains scarce (Chess, 2001; Kunz & Heitz, 2021). Yet, employees' perceptions and engagement with risk communication are integral to fostering a strong risk culture - a set of shared attitudes, values, and behaviours that underpin effective risk management (Hampel, 2006; Mikes, 2011). While technological advancements, such as risk dashboards and automated reporting, have improved information delivery, they do not ensure comprehension or engagement without being embedded in interactive and inclusive communication frameworks (Sheedy & Griffin, 2018; Sheedy et al., 2017). Accordingly, this study explored how employees across organisational levels at a financial services organisation experienced, interpreted, and acted on internal risk communication. By addressing gaps in the current literature and focusing on employees' experiences, this study aimed to identify barriers, enablers, and strategies for improvement. The findings will contribute to understanding the dynamics of internal risk communication, offer practical recommendations for enhancing internal practices, and support the development of a proactive risk-aware organisational culture that strengthens resilience and decision-making (Balog-Way et al., 2020). This study explored internal risk communication practices within a financial services organisation in South Africa, focusing on how risk-related information is disseminated, interpreted, and acted upon across hierarchical levels and within the risk department.

Effective risk communication is central to developing a robust risk culture and fostering organisational resilience, as outlined in global risk management standards such as ISO 31000 :2018 Risk management - Guidelines (ISO, 2018) and the Basel Committee on Banking Supervision (BCBS, 2015). Both frameworks emphasise the need for timely, clear, and accessible communication of risk information to support informed decision-making and proactive risk mitigation. In the South African context, internal governance principles such as the *King IV Report on Corporate Governance* (IoDSA, 2016) reinforce this expectation by embedding risk transparency and ethical culture as organisational imperatives. Despite these guidelines, research highlights that internal risk communication in financial services remains fragmented, inconsistent, and hindered by structural and cultural barriers (Boholm, 2019; Zaumane, 2017). The organisation studied in this research operates within a highly regulated environment, where compliance and risk oversight are critical. Participants were employees from the risk department who interact directly or indirectly with risk-related processes. Their responsibilities include risk identification, assessment, reporting, and mitigation at strategic, operational, and compliance levels. While these employees possess technical expertise in their respective domains, they are not necessarily trained communicators, and their ability to engage with risk information depends on how clearly and effectively it is communicated within the organisation.

By assessing their perceptions of communication with supervisors, the organisational communication climate, and departmental feedback processes, this study captured a lived experiences of internal risk communication in practice. The literature suggests that ineffective communication is one among many challenges facing financial services organisations, which also contend with structural silos, regulatory complexity, and competing priorities. However, several scholars emphasise the foundational role of risk communication in enabling awareness and aligning behaviours with organisational risk appetite. For example, (Bostrom et al., 2018) argue that effective internal risk communication supports education and motivates appropriate behaviour. This study therefore situates internal risk communication within the broader organisational context of a regulated financial services environment. It explores the barriers and enablers influencing how risk information flows between senior management, middle management, and operational staff; how the organisational climate supports or inhibits openness in risk discussions; and how departmental dynamics shape feedback processes. These insights are intended to inform improvements in communication strategies, strengthen the organisation's risk culture, and align internal practices with regulatory and governance expectations.

2. BACKGROUND

The literature on risk work and risk communication highlights key themes such as hierarchical barriers, organisational risk communication climate, departmental feedback loop, and regulatory-cultural factors, which collectively influence the effectiveness of internal risk communication in financial services organisations.

2.1 Hierarchical communication barriers

Hierarchical barriers significantly affect the effectiveness of internal risk communication within financial services organisations, particularly those with rigid organisational structures. In a nutshell, senior managers often overestimate the clarity and effectiveness of their communication compared to how front-line employees experience it. In a corporate communication study, Mazzei and Ravazzani (2015) found that senior managers overestimated communication clarity by approximately 22% relative to middle managers and front-line staff. This misalignment can lead to incomplete, misunderstood, or misinterpreted risk-related messages at the operational level, reducing the ability of the organisation to identify and respond proactively to risks. Furthermore, Lin et al. (2019) and Tourish (2013) critique transformational leadership practices common in high power-distance organisations, noting that such environments can discourage open, upward communication through implicit manipulation or fear of reprisal. Employees may, therefore, avoid raising risk concerns to protect themselves politically or due to a sense of futility. Such evidence can highlight gaps in leadership messaging and identify where targeted interventions are needed to improve downward and upward communication flows.

2.2 Risk communication climate

The risk communication climate of an organisation reflects employees' shared perceptions of the openness, adequacy, and effectiveness of risk-related communication within their working environment. According to Power (2016), risk communication is not merely a procedural function, but also a key component of the broader "risk climate", shaping how employees engage with risk information in daily practice. An open, supportive climate encourages employees to share and escalate risk information, whereas a closed or punitive environment can lead to information hoarding or underreporting. McNulty (2022) empirically validated items 19-27 of *Communication Satisfaction Questionnaire* (Appendix A), as reliable indicators of the communication climate within financial services organisations. McNulty's (2022) findings showed that a positive communication climate correlated with a healthier risk culture and greater employee willingness to report risks. However, regulatory pressures can moderate this climate; in highly regulated environments, strict compliance expectations sometimes create formalistic, risk-averse attitudes that discourage open dialogue.

2.3 Departmental feedback loops

Departmental feedback loops are critical for ensuring that risk information flows quickly and effectively across organisational silos. In practice, however, departmental silos and unclear responsibilities often impede timely communication. Kaplan and Mikes (2020) found that risk messages originating in non-risk departments took approximately 37% longer to escalate than those raised within risk-specific teams, highlighting the impact of poor cross-functional communication. Similarly, Aven and Krohn (2014) introduced the concept of “information viscosity”, which describes the degree of resistance to information flow created by organisational or cultural barriers. High viscosity suggests that risk information, while technically able to flow, is slowed or distorted by bureaucracy, competing agendas, or lack of trust. Quantitative studies can assess information viscosity indirectly by comparing communication satisfaction scores across departments with operational metrics such as service-level agreement (SLA) response times or escalation lag times. Analysing these feedback loops provides actionable insight into how effectively risk information is shared and whether departmental silos are undermining the ability of the organisation to identify and address emerging risks in a timely and coordinated manner.

2.5 Regulatory and cultural context in South Africa

The regulatory and cultural context in South Africa profoundly shapes how internal risk communication is practised in financial services organisations. Adding to that, regulatory frameworks such as the *King IV Report on Corporate Governance* (IoDSA, 2016) and Basel Committee on Banking Supervision’s (BCBS, 2015) *Principles for Operational Resilience* require transparency and effective communication as part of good governance. However, Gutshwa (2016) found that 68% of South African government entities exhibited weaknesses in internal reporting and communication, resulting in partial non-compliance with governance standards. This suggests a need to strengthen both formal mechanisms and informal norms of communication. Roy et al. (2024) underscore the importance of psychological safety in promoting transparent and honest risk reporting, showing that employees in organisations with strong ethical cultures and high psychological safety are more willing to engage in risk discussions and escalate concerns without fear of reprisal. In South African financial services organisations, hierarchical organisational cultures combined with strong compliance pressures may discourage openness and limit the effectiveness of communication. Regulatory literacy, which encompasses employees’ awareness and understanding of governance obligations, also influences employees’ willingness and ability to act on risk information.

3. METHOD

This method section presents the quantitative survey questionnaire process followed to collect and analyse data.

3.1 Research design

This study employed a quantitative research design using a structured *Communication Satisfaction Questionnaire* (CSQ) (Downs & Hazen, 1977) to assess employees' perceptions of internal risk communication within a South African financial services organisation context. The CSQ was selected for its validity as a proxy for communication effectiveness, given its strong association with message clarity, trust, and employee compliance key indicators of effective risk communication (Downs & Adrian, 2012; Lundgren & McMakin, 2018). The original 46-item CSQ, refined over decades, demonstrates strong psychometric properties, with Cronbach's alpha ranging between 0.70 and 0.92 across diverse sectors, confirming its reliability and construct validity (Clampitt & Downs, 1993; Meintjes & Steyn, 2006; Zwijze-Koning & De Jong, 2007). For this study, the CSQ was adapted to reflect internal risk communication by reducing it to 15 items across three factors: relations with supervisors -Hypothesis (H1), communication climate Hypothesis 2 (H2), and personal feedback Hypothesis 3 (H3). Furthermore, modification documented in Appendix B involved substituting general terms with "internal risk communication" and omitting items irrelevant to formal risk contexts, ensuring conceptual integrity and reliability. Data were collected via an anonymous online survey using a seven-point Likert scale. This design enabled standardised, systematic data collection and robust statistical testing of the hypotheses of the study.

3.2 Target study population and sample(s)

The study was conducted within a South African financial services organisation, selected for its complex hierarchical structure and well-established risk management systems. This context provided a robust environment to explore internal risk communication across multiple organisational levels. The target population consisted of permanent employees within first- and second-line risk functions who had a minimum of six months of service, were fluent in English, and could provide informed consent. Contract workers, interns, staff with less than six months of tenure, employees on extended leave, and those employees working in divisions unrelated to risk communication (e.g., security or facilities) were excluded from study. A stratified purposive sampling strategy was employed to ensure representation across the organisational hierarchy. To achieve a target sample size of approximately 40 responses deemed sufficient for descriptive statistical analysis and internal generalisation, a total of 67 survey invitations were electronically distributed by Human Capital department. This number was based on an anticipated 60% response rate, consistent with the higher

engagement typical of internal organisational surveys. The recruitment process yielded 47 raw responses. Following data collection, a quality screening was performed, which identified and removed eight null and void submissions due to non-completion. The final, usable sample for analysis comprised 39 participants, distributed as follows:

- Senior management: 11 participants.
- Middle management: 12 participants.
- Operational employees: 16 participants.

This final sample size of 39 valid responses fell within the accepted range of 30 to 50 for quantitative studies utilising descriptive statistics, providing adequate data to identify patterns and differences in risk communication effectiveness across the defined organisational strata.

Inclusion Criteria

Participants were eligible for the study if they:

- Were permanently employed by the selected bank.
- Occupied a position within First Line and Second Line Risk.
- Had at least six months of service within the financial services organisation (to ensure exposure to internal communication processes).
- Were fluent in English (the language used in the survey).
- Provided informed consent to participate voluntarily.

Exclusion Criteria

Participants were excluded from the study if they:

- Were contract workers, interns, or external consultants.
- Had been employed for less than six months.
- Were on extended leave during the data collection period.
- Worked in divisions with no exposure to risk-related communication (e.g., security, facilities management).

3.3 Data collection and analysis

Data for this study were collected using an anonymous online survey adapted from the *Communication Satisfaction Questionnaire* (CSQ) developed by Downs and Hazen (1977). The survey targeted employees across hierarchical levels within a financial services organisation, focusing on internal risk communication experiences. The instrument comprised two demographic

questions and 15 items designed to assess three dimensions: relations with supervisors, communication climate, and personal feedback. Responses were recorded on a seven-point Likert scale, ranging from 1 (*very satisfied*) to 7 (*very dissatisfied*). Data analysis included descriptive statistics such as means, standard deviations, and frequency distributions to summarise participant demographics and response patterns. Hypothesis testing was conducted using Excel to compare perceptions across hierarchical levels for relations with supervisors and communication climate, while an independent correlation test evaluated differences in personal feedback. Post hoc analyses were performed, where applicable. Results were interpreted in relation to research objectives and relevant literature to provide insights into improving internal risk communication in the financial services organisation.

3.4 Ethical considerations for the research study

The ethical foundation of this research was established through a formal process beginning with a letter co-signed by the researcher and her supervisor and submitted to the Head of People and Culture: Engagement and Culture Insights of the organisation. The letter explicitly requested permission to conduct the study and clearly detailed its purpose, while also guaranteeing the confidentiality and anonymity of all information, participants, and the reputation of the company. Formal approval was subsequently granted by the NWU Faculty of Economics and Management Science Research Ethics Committee (EMS-REC) under ethics number NWU-00803-25-A4. To ensure participant autonomy, the survey instrument itself included an explanatory cover page that outlined the objective of the study and served to gain informed consent. Participants were explicitly informed that the survey was anonymous, meaning that neither they nor the company could be identified in the research findings. Furthermore, data would be reported only in an aggregated format, individual responses would not be reported, and the organisation would remain unidentified in the final research report. Any potential publication of anonymised general results in an academic journal would be conditional on the prior permission of the company. Finally, the study emphasised that participation was voluntary, allowing individuals to withdraw at any stage without consequence; only those who provided informed consent were included in the final dataset.

4. RESULTS AND DISCUSSION

The purpose of this quantitative exploration research study was to assess internal risk communication across various hierarchical levels. The survey results and discussion are presented in this section, which covers the testing of the hypotheses. The results are presented in two categories, namely, demographic information and the response to the internal risk communication questions from the CSQ, including opportunities for improvement.

4.1 Demographic results

A total of 39 valid responses were analysed, representing a balanced distribution across senior management (11 participants (28.21%)), middle management (12 participants (30.77%)), and front-line/operational employees (16 participants (41.03%)). Departmentally, the majority of participants were from first-line risk (26 participants), followed by second-line risk (13 participants), ensuring representation of both direct and oversight risk functions. This distribution ensured a balanced representation of perspectives from both strategic and operational roles. Majority of respondents (66.67%) were affiliated with first-line risk, which is responsible for day-to-day risk management, while 33.33% represented second-line risk, which oversees and monitors risk practices.



Figure 1: Demographic representation acquired from participants of each department

4.2 Factor 1 – relations with supervisors

The construct *relations with supervisors* (Factor 1) measured communication effectiveness between employees and their direct supervisors. It included five CSQ items: 20, 22, 25, 29, and 34, focusing on supervisory communication quality and feedback.

4.2.1 Reliability analysis

To assess internal consistency, Cronbach's alpha was computed for the five items. The resulting value of 0.923, indicates excellent internal reliability (Hair, 2009; Tavakol & Dennick, 2011), as values above 0.9 suggest that items measure the same underlying construct (George & Mallery, 2024).

Table 2: Reliability statistics for Factor 1

Measure	Cronbach's alpha	N of items
Relations with supervisors	0.923	5

This high reliability supported the internal consistency of the measurement scale and validated its use for inferential testing.

4.2.2 Kruskal-Wallis test results

A Kruskal-Wallis H -test was conducted to determine whether employees' perception of Relations with Supervisor differed significantly across hierarchical levels (senior, middle, and operational) within the first-line and second-line risk functions. The Kruskal-Wallis test was selected due to the ordinal nature of the Likert-scale data and the non-normal distribution of scores (Field, 2024).

Table 3: Kruskal-Wallis test results for Factor 1

Risk line	H -statistic	Divisor for ties	Adjusted H	df	p -value
First-line risk	1.4885	0.9723	1.5309	2	0.4651
Second-line risk	0.0220	0.9945	0.0221	2	0.9890

In summary, both p -values exceeded 0.05, indicating no statistically significant difference in supervisory communication perceptions across hierarchical levels in either risk line. Therefore, Hypothesis 1, which suggested that there was a difference in views on relations with supervisors among senior, middle, and operational employees, was not supported.

4.3 Factor 2 - communication climate

The second construct, *communication climate* (Factor 2), measured employees' perceptions of the overall communication environment within the organisation. It captured openness, trust, and supportiveness among colleagues and management. Five items from the Communication Satisfaction Questionnaire CSQ: 19, 21, 23, 26, and 27 were used to measure this construct.

4.3.1 Reliability analysis

Reliability testing yielded a Cronbach's alpha of 0.862, indicating strong internal consistency. According to George and Mallery (2024), values above 0.8 are considered good, confirming that the items reliably measured the communication climate construct.

Table 4: Reliability statistics for Factor 2

Measure	Cronbach's alpha	N of items
Communication climate	0.862	5

The reliability coefficient confirmed that the items consistently captured employees' shared perceptions of organisational communication quality.

4.3.2 Kruskal-Wallis test results

A Kruskal-Wallis H -test was conducted to determine whether perceptions of *Communication Climate* differed across hierarchical levels (senior, middle, and operational) within the first-line and second-line risk functions. The Kruskal-Wallis test, a non-parametric alternative to one-way ANOVA, was selected due to the ordinal nature of the Likert-scale data and non-normal distribution (Field, 2024).

Table 5: Kruskal-Wallis test results for Factor 2

Risk line	H -statistic	Divisor for ties	Adjusted H	df	p -value
First-line risk	1.2077	0.9836	1.2279	2	0.5412
Second-line risk	1.4066	0.9890	1.4222	2	0.4911

Both p -values exceeded 0.05, indicating no statistically significant difference in perceived communication climate across hierarchical levels for either the first- or second-line risk functions. Consequently, H_2 , which suggested that senior managers would perceive a more positive communication climate than middle managers or front-line employees, was not supported.

4.4 Factor 3: personal feedback

This section presents the results of the statistical analyses conducted for Factor 3, *Personal Feedback*. The analysis includes an assessment of the reliability of the factor, an investigation into the relationship between hierarchical level and perceived communication barriers, and a comparison of these perceptions between the first and second lines of defence.

4.4.1 Reliability analysis

Factor 3 was composed of five items from the CSQ (Items 7, 8, 9, 14, and 18) that measured personal feedback and barriers to communication. The internal consistency of this factor was assessed using Cronbach's alpha. The result, $\alpha = 0.796$, as shown in Table 6, indicated an acceptable level of reliability for the scale, confirming its suitability for subsequent analysis (Tavakol & Dennick, 2011).

Table 6: Reliability statistics for Factor 3

Cronbach's alpha (α)	Number of items	Interpretation
0.796	5	Acceptable internal consistency

4.4.2 Correlation between hierarchical level and communication barriers

A Spearman's rank-order correlation was conducted to assess the relationship between employees' hierarchical level (coded as Senior, Middle, and Operational) and their scores on Factor 3. Preliminary analysis confirmed the relationship to be monotonic. As presented in Table 7, there was a statistically significant, moderate positive correlation between hierarchical level and Factor 3 scores: $r_s = 0.376$, $p = 0.009$ (one-tailed). This result indicated that higher-level managers (e.g., senior staff) tended to report fewer barriers to personal feedback, while operational employees report more.

Table 7: Spearman's correlation between hierarchical level and Factor 3 scores

Statistic	Spearman's ρ (r_s)	Sample size (n)	p -value (one-tailed)
Value	0.376	39	0.009

This finding is aligned with the work of Ruck and Welch (2012), who identified hierarchical distance as a significant influencer on the effectiveness of internal communication, particularly within structured risk management environments.

4.4.3 Comparison between first-line and second-line risk

To determine whether perceptions of communication barriers differed between the two lines of defence, a Mann-Whitney U -test was conducted. This non-parametric test was selected because Factor 3 scores were not normally distributed for either group, as assessed by visual inspection of Q-Q plots. Visual inspection also indicated that the distributions of Factor 3 scores for the first and second lines were not similar. The results, detailed in Table 8, showed a statistically significant

difference in Factor 3 scores between the first line ($n = 26$) and second line ($n = 13$), $U = 112$, $z = -1.691$, $p = 0.045$.

Table 8: Mann-Whitney U-test results for Factor 3 by line of defence

Statistic	Mann-Whitney U	z-score	p-value (two-tailed)	Sample size, first line (n_1)	Sample size, second line (n_2)
Value	112.00	-1.691	0.045	26	13

The median score for the first line of defence was significantly higher than that of the second line, indicating that employees in the first line perceived greater barriers to personal feedback and communication. This finding provided empirical support for Hypothesis 3 (H_3) and highlights how structural and functional separation within the risk management framework can impede communication flow. This pattern resonates with principles outlined in major risk management frameworks, which emphasize that clarity of responsibility and coordinated interaction between the lines of defence are critical for communication efficacy (COSO & Hub, 2017).

4.5 Summary of statistical analyses for the study

Factor	Cronbach's alpha	Main test	Key results	Interpretation
Factor 1- relations with supervisors	0.923	Kruskal-Wallis	$p = 0.465$ (first line), $p = 0.989$ (second line)	No significant difference among levels
Factor 2- communication climate	0.862	Kruskal-Wallis	$p = 0.541$ (first line), $p = 0.491$ (second line)	No significant difference among levels
Factor 3- personal feedback	0.796	Spearman and Mann-Whitney	$r_s = 0.376$ ($p = 0.009$); $U = 112$ ($p = 0.044$)	Moderate positive correlation; significant difference between first- and second-line risk

5. CONCLUSION

This section presents the conclusions and recommendations derived from the analysis of internal risk communication effectiveness across hierarchical levels and lines of defence within a financial services organisation. The study aimed to examine how internal risk communication differed among senior, middle, and operational staff in the first and second lines of defence. Three key factors central to internal risk communication, namely, *Relations with Supervisors*, *Communication Climate*, and *Personal Feedback* were analysed for reliability using Cronbach's Alpha, for group differences using the Kruskal-Wallis *H*-test and for relationships between the two lines of defence using the Mann-Whitney *U*- and Spearman rank correlation tests. This section integrates these results to provide a coherent conclusion, highlight the achievement of objectives, and propose recommendations for strengthening internal risk communication.

The findings indicated that all measurement constructs demonstrated satisfactory reliability, with Cronbach's alpha coefficients exceeding 0.79 for all three factors, confirming the internal consistency of the survey instrument (Hair, 2009). The Kruskal-Wallis results for Factors 1 and 2 indicated no statistically significant differences across hierarchical levels for both the first and second lines of defence. These results suggest that employees, regardless of their rank, held similar perceptions of supervisory relationships and the overall communication climate. Such consistency may reflect a standardised communication policy and integrated control over internal risk communication processes, which could be advantageous for reliability, but might limit adaptability and tailored engagement.

However, the analysis of Factor 3, which assessed personal feedback, indicated a statistically significant difference between the first and second lines of defence ($U = 112.00$, $p = 0.044$). The Spearman correlation ($r_s = 0.376$, $p = 0.009$) indicated a moderate positive relationship, suggesting that while the two lines of defence were moderately aligned, their internal risk communication effectiveness differed in practice. These findings highlighted that communication gaps might exist between risk ownership and risk oversight functions, where differences in role expectations, reporting structures, and decision-making authority could lead to inconsistent feedback loops. These results supported the view that internal risk communication effectiveness is determined not only by hierarchical levels but also by functional roles. The study therefore concludes that internal risk communication within the financial services organisation was strong and consistent across levels, but uneven across functional lines. The first and second lines of defence interpreted feedback processes differently, highlighting an opportunity for enhanced cross-functional collaboration. The findings further indicate that, while a consistent communication culture existed within the institution, variations in feedback and reporting practices might impede collective risk understanding and timely escalation of issues.

5.1 Recommendations

Based on the findings, several recommendations are proposed to improve internal risk communication and operational resilience within the financial services organisation. First, this financial service organisation should strengthen cross-functional communication channels between the first and second lines of defence. This can be achieved through regular joint risk forums, crossline workshops, and collaborative risk reviews that enhance mutual understanding of risk responsibilities. Secondly, the organisation should develop a tailored communication framework that recognises differences in role expectations and information needs across the lines of defence. Thirdly, leadership communication skills should be strengthened through structured training programmes focusing on risk dialogue, feedback facilitation, and conflict resolution. This approach is aligned with ISO 31000:2018, which underlines leadership commitment and communication as essential components of effective risk management. Finally, the financial services organisation should implement feedback tracking tools and key communication indicators within its governance, risk, and compliance systems to monitor progress and accountability in communication practices.

5.2 Achievement of the objectives of the study

The study achieved all its primary objectives. The first objective was to assess how internal risk communication effectiveness differed across hierarchical levels. This was addressed through the Kruskal-Wallis tests, which demonstrated no significant differences among senior, middle, and operational staff. The second objective was to evaluate the communication climate across lines of defence, which was met by analysing Factor 2, where the findings indicated a consistent perception of communication climate between the first and second lines of defence. Finally, the third objective was to examine the flow of feedback and information between the lines of defence; this was achieved through the Mann-Whitney *U*- and Spearman correlation analyses, which revealed statistically significant differences and moderate correlation levels. Collectively, these outcomes provided empirical evidence supporting the conclusion that communication effectiveness within the financial services organisation was consistent across levels, and functional lines, fulfilling the overall purpose of the study.

5.3 Recommendations for future research

Future research should expand the scope of this study by including multiple financial services across different tiers to enhance the generalisability of results. Longitudinal research designs could also be employed to examine how internal risk communication evolves over time, especially in response to regulatory or structural changes. Moreover, qualitative methods such as interviews or focus groups

could complement quantitative findings by providing deeper insights into communication barriers, organisational culture, and behavioural dynamics influencing communication within lines of defence. Researchers could, furthermore, explore the impact of digital transformation initiatives on communication effectiveness and risk culture maturity within financial institutions.

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REFLECTION

APPENDICES

Appendix A – Original questionnaire (Downs & Hazen, 1977)

Quantitative data

Few research activities are more routine than entering data in a computer and utilizing statistical packages to calculate means, standard deviations, and frequency counts. Assuming that this step has been completed, there are several approaches that can be used at this juncture: (1) categorize items into groups; (2) rank order items; (3) utilize factors scores; and (4) make data bank comparisons.

EXHIBIT 7.2 Communication Satisfaction Factor Key

Factor	Items				
Corporate Perspective	6	12	13	16	17
Personal Feedback	7	8	9	14	18
Organizational Integration	4	5	10	11	15
Relation with Supervisor	20	22	25	29	34
Communication Climate	19	21	23	26	27
Horizontal Communication	28	30	31	32	37
Media Quality	24	33	35	36	38
Relations with Subordinates	42	43	44	45	46

EXHIBIT 7.1 Communication Satisfaction Questionnaire

Cal W. Downs and Michael D. Hazen
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INTRODUCTION. Most of us assume that the quality and amount of communication in our jobs contribute to both our job satisfaction and our productivity. Through this study we hope to find out how satisfactory our communication practices are and what suggestions you have for improving them.

We appreciate your taking the time to complete the questionnaire. Hopefully, you should be able to complete it in 10-15 minutes.

Your answers are completely confidential, so be as frank as you wish. This is not a test—your opinion is the only right answer. Do not sign your name; we do not wish to know who you are. The answers will be combined into groups for reporting purposes.

1. How satisfied are you with your job? (Check 1)

☐ 1. Very dissatisfied ☐ 5. Somewhat satisfied
☐ 2. Dissatisfied ☐ 6. Satisfied
☐ 3. Somewhat dissatisfied ☐ 7. Very satisfied
☐ 4. Indifferent

2. In the past 6 months, what has happened to your level of satisfaction? (Check 1)

☐ 1. Stayed the same ☐ 2. Gone up ☐ 3. Gone down

3. If the communication associated with your job could be changed in any way to make you more satisfied, please indicate how.

- A. Listed below are several kinds of information often associated with a person's job. Please indicate how satisfied you are with the amount and/or quality of each kind of information by circling the appropriate number at the right.

	Very Satisfied	Satisfied	Slightly Satisfied	Indifferent	Slightly Dissatisfied	Dissatisfied	Very Dissatisfied
4. Information about my progress in my job.	1	2	3	4	5	6	7
5. Personnel news.	1	2	3	4	5	6	7
6. Information about company policies and goals.	1	2	3	4	5	6	7
7. Information about how my job compares with others.	1	2	3	4	5	6	7
8. Information about how I am being judged.	1	2	3	4	5	6	7
9. Recognition of my efforts.	1	2	3	4	5	6	7
10. Information about departmental policies and goals.	1	2	3	4	5	6	7

	Very Satisfied Satisfied Slightly Satisfied Indifferent Slightly Dissatisfied Dissatisfied Very Dissatisfied						
11. Information about the requirements of my job.	1	2	3	4	5	6	7
12. Information about government action affecting my company.	1	2	3	4	5	6	7
13. Information about relations with unions.	1	2	3	4	5	6	7
14. Reports on how problems in my job are being handled.	1	2	3	4	5	6	7
15. Information about employee benefits and pay.	1	2	3	4	5	6	7
16. Information about company profits and financial standing.	1	2	3	4	5	6	7
17. Information about accomplishments and/or failures of the company.	1	2	3	4	5	6	7

B. Please indicate how satisfied you are with the following. (Circle the appropriate number at the right.)

	Very Satisfied Satisfied Slightly Satisfied Indifferent Slightly Dissatisfied Dissatisfied Very Dissatisfied						
18. Extent to which my superiors know and understand the problems faced by subordinates	1	2	3	4	5	6	7
19. Extent to which company communication motivates and stimulates an enthusiasm for meeting its goals.	1	2	3	4	5	6	7
20. Extent to which my supervisor listens and pays attention to me.	1	2	3	4	5	6	7
21. Extent to which the people in my organization have great ability as communicators.	1	2	3	4	5	6	7
22. Extent to which my supervisor offers guidance for solving job related problems.	1	2	3	4	5	6	7
23. Extent to which the company's communication makes me identify with it or feel a vital part of it.	1	2	3	4	5	6	7
24. Extent to which the company's publications are interesting and helpful.	1	2	3	4	5	6	7
25. Extent to which my supervisor trusts me.	1	2	3	4	5	6	7
26. Extent to which I receive on time the information needed to do my job.	1	2	3	4	5	6	7

	Very Satisfied	Satisfied	Slightly Satisfied	Indifferent	Slightly Dissatisfied	Dissatisfied	Very Dissatisfied
27. Extent to which conflicts are handled appropriately through proper communication channels.	1	2	3	4	5	6	7
28. Extent to which the grapevine is active in our organization.	1	2	3	4	5	6	7
29. Extent to which my supervisor is open to ideas.	1	2	3	4	5	6	7
30. Extent to which horizontal communication with other employees is accurate and free-flowing.	1	2	3	4	5	6	7
31. Extent to which communication practices are adaptable to emergencies.	1	2	3	4	5	6	7
32. Extent to which my work group is compatible.	1	2	3	4	5	6	7
33. Extent to which our meetings are well organized.	1	2	3	4	5	6	7
34. Extent to which the amount of supervision given me is about right.	1	2	3	4	5	6	7
35. Extent to which written directives and reports are clear and concise.	1	2	3	4	5	6	7
36. Extent to which the attitudes toward communication in the company are basically healthy.	1	2	3	4	5	6	7
37. Extent to which informal communication is active and accurate.	1	2	3	4	5	6	7
38. Extent to which the amount of communication in the company is about right.	1	2	3	4	5	6	7

C. Please tell how you feel about your productivity on your job by answering the three questions below.

39. How would you rate your productivity in your job? (Check 1)

- | | |
|--|---|
| ☐ 1. Very low | ☐ 5. Slightly higher than most |
| ☐ 2. Low | ☐ 6. High |
| ☐ 3. Slightly lower than most | ☐ 7. Very high |
| ☐ 4. Average | |

40. In the last 6 months, what has happened to your productivity? (Check 1)

- | | | |
|---|-------------------------------------|---------------------------------------|
| ☐ 1. Stayed the same | ☐ 2. Gone up | ☐ 3. Gone down |
|---|-------------------------------------|---------------------------------------|

41. If the communication associated with your job could be changed in any way to make you more productive, please tell how. _____

D. Answer the following only if you are a manager or supervisor. Then indicate your satisfaction with the following.

	Very Satisfied	Satisfied	Slightly Satisfied	Indifferent	Slightly Dissatisfied	Dissatisfied	Very Dissatisfied
42. Extent to which my subordinates are responsive to downward directive communication.	1	2	3	4	5	6	7
43. Extent to which my subordinates anticipate my needs for information.	1	2	3	4	5	6	7
44. Extent to which I <i>do not</i> have a communication overload.	1	2	3	4	5	6	7
45. Extent to which my subordinates are receptive to evaluation, suggestions, and criticisms.	1	2	3	4	5	6	7
46. Extent to which my subordinates feel responsible for initiating accurate upward communication.	1	2	3	4	5	6	7

Two questions are open-ended and seek to determine what types of communication changes could be made that would increase employee satisfaction and productivity. The responses to these open-ended questions provide a useful check on the statistical data generated from the other questions. Frequently the problems highlighted in the open-ended responses serve to confirm the results of the other parts of the survey. In addition, when reporting the results to a company, a well-turned phrase can sometimes be more persuasive

Appendix B – Questionnaire

Section 1: Demographic Information

1. Select the level of your current role in the organisation:

- Senior Management
- Middle Management
- Frontline/ Operational Employee

2. What is the department you work in:

- 1st Line Risk
- 2nd Line Risk & Compliance

Section 2: Questionnaire

This questionnaire adapts items from the *Communication Satisfaction Questionnaire (CSQ)* developed by (Downs & Hazen, 1977), modified to assess internal risk-specific communication dynamics within a financial services organisation context.

Relations with Supervisors

Please indicate the extent to which you are satisfied with each statement below 1= very satisfied, 2= satisfied, 3= slightly satisfied, 4= indifferent, 5= slightly dissatisfied, 6= dissatisfied and 7=very dissatisfied)

3. Extent to which my supervisor listens and pays attention to me.

1	2	3	4	5	6	7

4. Extent to which my supervisor listens and pays attention to me.

1	2	3	4	5	6	7

5. Extent to which my supervisor offers guidance for solving job-related problems.

1	2	3	4	5	6	7

6. Extent to which my supervisor trusts me.

1	2	3	4	5	6	7

7. Extent to which my supervisor is open to ideas.

1	2	3	4	5	6	7

Communication Climate

Please indicate the extent to which you are satisfied with each statement below 1= very satisfied, 2= satisfied, 3= slightly satisfied, 4= indifferent, 5= slightly dissatisfied, 6= dissatisfied and 7=very dissatisfied).

8. Extent to which company communication motivates and stimulates enthusiasm for meeting its goals.

1	2	3	4	5	6	7

9. Extent to which the people in my organisation have great ability as internal risk communicators.

1	2	3	4	5	6	7

10. Extent to which the company's internal risk communication makes me identify with it or feel a vital part of it.

1	2	3	4	5	6	7

11. Extent to which I receive on time the internal risk communication information needed to do my job.

1	2	3	4	5	6	7

12. Extent to which conflicts are handled appropriately through proper internal risk communication channels.

1	2	3	4	5	6	7

Personal Feedback

Please indicate the extent to which you are satisfied with each statement below 1= very satisfied, 2= satisfied, 3= slightly satisfied, 4= indifferent, 5= slightly dissatisfied, 6= dissatisfied and 7=very dissatisfied).

13. Information about how my job compares with others.

1	2	3	4	5	6	7

14. Information about how I am being judged.

1	2	3	4	5	6		7

15. Recognition of my efforts.

1	2	3	4	5	6	7

16. Reports on how problems in my job are being handled.

1	2	3	4	5	6	7

17. Extent to which my superiors know and understand the problems faced by subordinates.

1	2	3	4	5	6	7