

Risk reporting and risk-informed decision making in a South African bank

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

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Graduation: May 2020

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PREFACE

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

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

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

ABSTRACT

To maintain financial stability, banks have to take risks to achieve their strategic objectives. Hence, senior managers are expected to optimise the risk culture of the bank by having a shared risk understanding, challenging risk information, effectively communicating about risks, challenging the inclusion of risk when decisions are made, based on quality risk-related information and risk management framework. Such a risk culture enables risk management by allowing managers to make risk-informed decisions. Although articles have been published on external public-disclosure-related risk reporting, no academic articles were found that investigated the nexus between internal risk reporting and decision making in banks. The objective of this qualitative interview-based study, therefore, was to explore the perceived contribution of internal risk reporting to risk-informed decision making by senior managers. Risk culture and risk reporting supervisory documents were used to identify study-related themes that were then used to code the interview data. Thematic categories of 'what', 'how' and 'contribution' was identified to explore the contribution of risk reporting to risk-informed decision making. The findings indicate that senior managers had a positive view of the internal risk reporting risk culture, in that they appreciated the value of risk-informed decision making. Common themes that emerged from the interview data is that the report is too voluminous and is not structured in a way to may it simple to use for decision making. The information was also perceived to be backward-looking and thus is not as useful for decision making. Reports must not be too high level or too much detail. A gap was identified for further research on 'why' internal risk reporting is critical in decision making. Notwithstanding, the limitations identified in this study there is further opportunity to expand and contribute to the academic body of knowledge on internal risk reporting for risk-informed decision making.

Keywords: bank, financial sector, decision making, risk culture, internal reporting, risk reporting, interviews.

ACKNOWLEDGEMENTS

I would like to thank:

- My supervisor, Prof. Hermien Zaaiman, for her guidance, great insights, and unconditional support during the proposal stage and writing of this mini-dissertation;
- To my employer for the support and time given to attend lectures and prepare for the mini-dissertation;
- Dr Elisabeth Lickindorf for reviewing and editing my dissertation;
- My fellow colleagues for their perseverance and encouragement;
- Finally, my husband, Dr Shanil Batohi, and my sons, Shaur and Ribhu for their support over the last two years.

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CHAPTER 1: INTRODUCTION (RESEARCH PROJECT OVERVIEW)

The 2008/2009 financial crisis was attributed to risk culture issues as distinct from specific deficiencies in formal risk management frameworks (Carretta, Farina, & Schwizer, 2017). Although academic articles have been published regarding problems around risk culture, risk reporting and decision making (Ntim, Lindop, & Thomas, 2013; Palermo, Power, & Ashby, 2017; Power, 2004; Sheedy & Griffin, 2018), I could find no articles in the academic literature that specifically investigated the link between risk culture, risk reporting and decision making in the banking industry.

Risk reporting is a key component in risk management practices. Research by practitioners, international standard setters and academics indicates that current risk reporting practices are unhelpful. Decision making by senior management may be impacted when reported risk information does not convey real meaning, for example when it misrepresents a situation, or when relevant risk information is excluded (Abraham & Shrives, 2014). One of the possible consequences of poor-quality risk information reporting is that inappropriate risk decisions are taken by senior management, which may in turn prevent an institution, including a bank, from achieving its strategic objectives. It is therefore vitally important for correct reports to reach the appropriate management levels for decision making purposes. If this does not occur, it could indicate ineffective risk management practices within the institution.

This topic fascinated me when we studied risk reporting and risk culture in the first year of the UARM MCom Applied Risk Management programme. There has been an increase in regulation related to risk reporting of financial and non-financial information since the global financial crisis, especially in the banking sector (Wagenhofer, 2016). These multiple regulatory requirements have led to risk reporting becoming onerous for banks. This has resulted in risk professionals, such as myself, spending an inordinate amount of time on risk reporting in addition to executing our other risk deliverables. I found little academic literature on internal reporting in banking and decided to embark on this study to better understand the situation in the bank in which I work, to add to the body of reporting knowledge, and to contribute business value to banks when decisions are made at senior management or board levels.

The target audiences for this article are academics, bank executives, senior managers and regulators interested in enhancing their knowledge of risk reporting and decision making.

The research report will be confidential and will not be publicly released by the university, unless permission is obtained from the bank to publish a suitably anonymised article, post examination of the study. The journal selected for possible submission for publication is the Journal of Risk Research. This international peer-reviewed journal aims to publish the latest research that contributes to enhancing understanding about the communication, regulation, and management of

risk. This journal was selected for this research article as it publishes papers related to risk decision making, regulation and policy issues, promotes better risk management practices, and has published articles on risk culture. It also publishes qualitative studies and is not focused only on quantitative work. More information on the journal can be found at: <https://www.tandfonline.com/loi/rjrr20>.

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CHAPTER 2: ARTICLE

Risk reporting and risk-informed decision making in a South African bank

Abstract

To maintain financial stability, banks have to take risks to achieve their strategic objectives. Hence, senior managers are expected to optimise the risk culture of the bank by having a shared risk understanding, challenging risk information, effectively communicating about risks, challenging the inclusion of risk when decisions are made, based on quality risk-related information and risk management framework. Such a risk culture enables risk management by allowing managers to make risk-informed decisions. Although articles have been published on external public-disclosure-related risk reporting, no academic articles were found that investigated the nexus between internal risk reporting and decision making in banks. The objective of this qualitative interview-based study, therefore, was to explore the perceived contribution of internal risk reporting to risk-informed decision making by senior managers. Risk culture and risk reporting supervisory documents were used to identify study-related themes that were then used to code the interview data. Thematic categories of 'what', 'how' and 'contribution' was identified to explore the contribution of risk reporting to risk-informed decision making. The findings indicate that senior managers had a positive view of the internal risk reporting risk culture, in that they appreciated the value of risk-informed decision making. Common themes that emerged from the interview data is that the report is too voluminous and is not structured in a way to may it simple to use for decision making. The information was also perceived to be backward-looking and thus is not as useful for decision making. Reports must not be too high level or too much detail. A gap was identified for further research on 'why' internal risk reporting is critical in decision making. Notwithstanding, the limitations identified in this study there is further opportunity to expand and contribute to the academic body of knowledge on internal risk reporting for risk-informed decision making.

Keywords: bank, financial sector, decision making, risk culture, internal reporting, risk reporting, interviews.

Introduction

Banks take risks to leverage opportunities for reaching their strategic objectives. This means that senior managers require reliable and accurate risk information to be able to make appropriate risk-informed decisions to meet these objectives. A bank's internal risk reports are therefore expected to provide precise and applicable content that informs senior management about risk when taking strategic-objective-related risk decisions (BCBS, 2013). In addition, an increasingly regulated banking environment has made risk reporting a critical occupation, requiring substantial dedicated resources. Further to satisfying supervisory requirements, these significant reporting investments are designed to add business value to the bank. However, it is unclear how well the resulting internal risk reports contribute to the inclusion of risk by senior managers when they make decisions.

To date, published academic articles on risk reporting have dealt mainly with external public disclosure reports rather than those prepared for internal use (Elshandidy, Fraser, & Hussainey, 2015; Mazumder & Hossain, 2018; Ntim et al., 2013). In their review of published research on corporate risk reporting (CRR), Mazumder and Hossain (2018) identified gaps in the literature; for instance, most published CRR studies have been conducted in developed countries, with few in developing parts of the world; and researchers mainly follow quantitative analytical approaches to what is essentially qualitative information. Mazumder and Hossain (2018) also identified a lack of sector in-depth, as distinct from sector-specific holistic, studies as a research gap. Furthermore, they found that CRR research focuses on what is disclosed, rather than how it is disclosed, thereby suggesting opportunities for more meaning-orientated 'how'-based research. According to (Elliott & Timulak, 2005, p. 149), interpretative 'why', 'how' and 'what' questions are suitable for exploratory studies where little is known of the research area.

No academic articles were found that specifically investigated the link between internal risk reporting and decision making in the banking industry. To address this gap, the present exploratory study focused on investigating the 'what' and 'how' of the contribution of internal risk reporting to decision making in a South African bank, leaving the 'why' for future research projects. The aim of this qualitative interview-based study was therefore to explore the perceived contribution of risk reporting to risk-informed decision making by senior managers. The corresponding research question was: 'How does risk reporting contribute to risk-informed decision making at senior management level in a South African bank?'. The study was executed as part of the Risk Culture Indicator (RCI) Model project (Zaaiman et al., In progress), as this model provides a risk culture structure against which to analyse financial industry supervision-based data.

Even though South Africa is a developing economy, it has a sophisticated banking system, backed by a sound regulatory framework aimed to ensure economic stability (Botha & Makina, 2011). This means that the research findings are also expected to be of interest to senior managers in

international banks, as well as financial regulators and academic researchers in developed and developing countries. The study findings are expected to offer opportunities for banks to keep improving the ways in which they leverage their internal risk-reporting investments, thereby raising the quality of risk-informed decision making at senior management level.

Background

This section explains the basic concepts required to explore and understand the perceived contribution of risk reporting to risk-informed decision making at senior management level, starting with definitions of terms applicable to this study. Next, the indicators used to analyse the study data are explained, concluding with the codebook used in this analysis.

Definitions of terms

Risk

The Committee of Sponsoring Organisations of the Treadway (COSO, 2017) defines risk as ‘the possibility that events will occur and affect the achievement of strategy and business objectives’.

Risk culture

In their guidance for assessing risk culture, the Financial Stability Board (FSB) (FSB, 2014) states that culture ‘plays an important role in influencing the actions and decisions taken by individuals within organisations’. The Basel Committee on Banking Supervision (BCBS) (BCBS, 2015) used the FSB’s views on risk culture to define risk culture as ‘a bank’s norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Risk culture influences the decisions of management and employees during their day-to-day activities and has an impact on the risks they assume’ (BCBS, 2015). This banking-related definition of risk culture specifically includes decision making as an indicator of risk culture. Similarly, the Zaaiman, Van der Flier and Born (In progress) definition of risk culture also focuses on the link between risk management and decision making: ‘The risk culture of an organisational group is manifested by the importance given to considering risk when the group makes decisions. The level of explicit inclusion of risk in decision making represents the implicit, subjective value afforded to risk by the group’.

Risk reporting

The Institute of Risk Management South Africa (IRMSA) defines risk reporting as ‘communication intended to inform particular internal or external stakeholders by providing information regarding the current state of risk and its management’ (IRMSA, 2014). According to COSO (2004) ‘risk reporting includes the reporting of: (i) aggregate exposures against targets/strategies; (ii) key issues for the key issues control log; (iii) compliance with limit system; (iv) key risk indicators; and (v) review findings’.

Furthermore, the BCBS states that to allow senior management to include risk when they make decisions, reports should be easy to understand and comprehensive, providing a meaningful balance of qualitative and quantitative risk data. According to the BCBS (2013), risk reporting practices require 'accurate, complete and timely data as a foundation for effective risk management'. To be able to include risk when making decisions, senior managers should be able to trust and understand the data. Furthermore, information for meaningful reports should be tailored to decision-maker needs. Such reporting practices are expected to enhance risk reporting capabilities in the organisation and better inform senior managers about decision making risks.

Internal risk reporting

In this study I focused on formal internal risk reporting as distinct from external risk disclosure. Internal risk reporting refers to the sharing of risk information within an organisation between employees and management about risk identification, measurement, monitoring and management of risk issues (Lajili & Zéghal, 2005). The risk culture- and risk reporting-supervisory guidance documents issued by the FSB (2014) and BCBS (2013) were the main sources of information in the development of the codebook. Both documents are used in the studied organisation as sources for business and risk management planning, as well as to guide risk decision making.

Leadership decision making

Risk-informed decision making refers to the inclusion of risk when decisions are made within an organisation. Ejimabo (2015) defines decision making as commitment to an action by considering the supporting information, advantages and disadvantages about it when challenged with a risk issue. The internal report used in the present study contains the supporting risk information used by senior managers when they make organisational decisions. These senior managers represent the leaders of the studied organisation. Leaders must outline and execute the future strategy of the organisation, and work with other managers and employees to attain organisational strategic goals and objectives (Ejimabo, 2015). To be able to do this, senior managers consider risk in strategic planning and operational decision making, informed by internal risk reports.

Risk Culture Indicator (RCI) Model

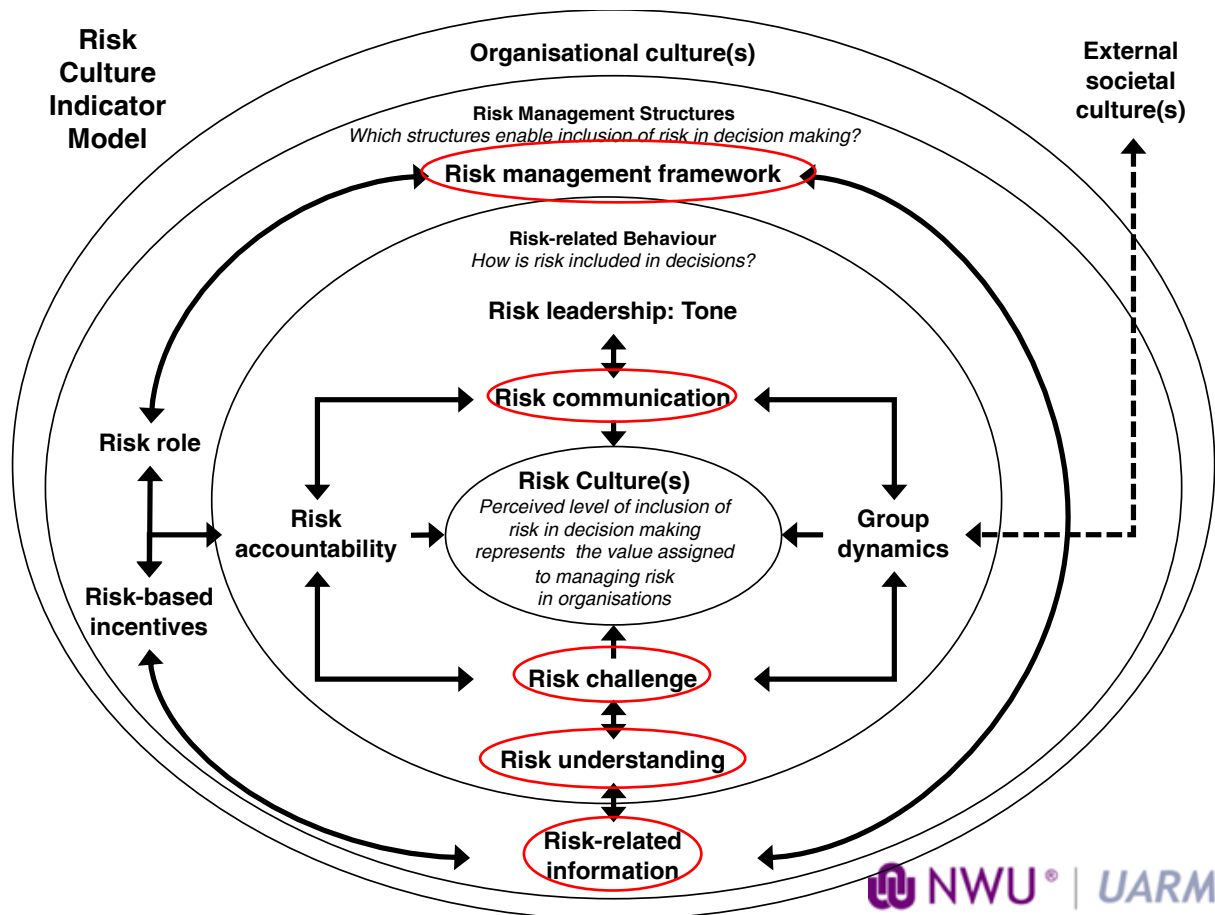


Figure 1: Risk Culture Indicator (RCI) Model used as framework for coding the research data (Zaaiman et al., In progress)

Zaaiman et al.'s RCI Model provided an integrated foundational structure on which to base the indicators for this study. The model is based on their definition of risk culture and uses the inclusion of risk in decision making as a proxy for risk culture. The interlinked indicators fall into behavioural and structural groups. According to Hofstede, Hofstede, and Minkov (2010, pp. 7-10), organisational behaviours more closely represent actual risk culture than do formal risk management structures in organisations. Five indicators were found to be most relevant to this project. Of these, Risk management framework and Risk-related information are structural indicators. The behavioural indicators relevant to this study are Risk communication, Risk challenge, and Risk understanding. These indicators represent components of decision making, as specified in the definition by Zaaiman et al. (In progress) of the term risk culture.

The (FSB, 2014) risk culture- and BCBS (2013) risk reporting-supervisory guidance documents were used to create this study's sub-codes with the aim of answering the research question. These documents are relevant to the banking sector and are used as sources for guidance on risk reporting and risk-informed decision making. The codebook for this study was developed to explore the 'what'

and 'how' of risk reporting to inform decision making at senior management level, based on the interview questions. I also obtained data on how each risk culture indicator 'contributes to the inclusion of risk when making decisions in the organisation'. Table 1 contains the final list of study codes created from the BCBS and FSB supervisory guideline documents using the RCI Model as coding structure.

Table 1: Codebook – Risk reporting and risk-informed decision making

Theme	Description	Source
Risk challenge	Refers to critical discussion and debate on risks, related to decisions. Evidence of challenge is reflected in decision making processes as well as broader interactions.	RCI codebook (Zaaiman et al., In progress)
What: Challenge-risk-related information	Processes are in place for alternate views and debates on inclusion of reported risk-related information when decisions are made; risk assessments are also challenged.	FSB (2014)
How: Challenge is evident in the decision-making processes	Openness to risk-related-information-based challenge is evident in the quality of the risk decisions and broader decision-related interactions and processes.	FSB (2014)
Contribution: Risk challenge strengthens risk-related decisions	A culture of open communication and collaboration is constantly promoted to strengthen risk challenge in decisions and to ensure that all views are appreciated.	FSB (2014)
Risk communication	Risk communication refers to providing and receiving verbal, written and non-verbal risk-related information.	RCI codebook (Zaaiman et al., In progress)
What: Risk reporting outcomes	Risk reports should reliably reflect and communicate risks according to their actual status.	BCBS (2013)
How: Effective reporting of risk	Allows for current and emerging risks to be identified, managed and reported to make risk-informed decisions in their totality.	FSB (2014)
Contribution: Risk reporting in decision making	Transparent and open risk-related communication information aids decision making by senior managers to achieve strategic objectives.	FSB (2014)
Risk understanding	Effective risk management and challenge require participants to have shared understanding of risk, of the value of risk to the organisation, and of the risk management framework of the organisation, to make risk-informed decisions.	RCI codebook (Zaaiman et al., In progress)
What: Understanding risk to make decisions	Shared understanding of the organisation's risk frameworks is embedded in decision making in the organisation.	FSB (2014)
How: Oversight by senior management	Oversight by senior management to assist embedding the understanding of risk in the organisation.	FSB (2014)
Contribution: Alignment of strategies	Shared risk understanding enhances decision making at senior management level by aligning the organisation's risk and business strategies.	FSB (2014)
Risk management framework (RMF)	The Risk Management Framework (RMF) contains the organisation's risk strategy, risk appetite framework, processes, data, and functions intended to support the execution of the organisation's business strategy. The RMF provides formal structures within which risk management is done by providing tools, resources and information to do risk management.	RCI codebook (Zaaiman et al., In progress)

Theme	Description	Source
What: RMFs enable risk management	RMFs strengthen effective risk management.	FSB (2014)
How: RMFs contain risk tools and risk information that allowing risk-related challenge to decisions	Senior managers must have access to the appropriate risk tools and information to challenge decisions on the grounds of risk-related issues and opportunities.	FSB (2014)
Contribution: Effective RMF to meet objectives	The RMF must provide the necessary structures to enable the organisation to meet its objectives.	FSB (2014)
Risk-related information	Quality of risk information used in decision making is one of the determining factors of decision quality.	RCI codebook (Zaaiman et al., In progress)
What: Characteristics of risk reports	Adherence to precise, complete and meaningful information are some characteristics of risk reports that will assist decision making capabilities.	BCBS (2013)
How: Quality of risk-related information	Risk reports should be accurate, complete, comprehensive, clear and useful for decision making.	BCBS (2013)
Contribution: Positive and negative aspects	The quality risk-related information contained in risk reports impacts senior management decision making to manage risks and achieve strategic objectives.	BCBS (2013)

Method

Approach to study

An exploratory, interpretive, interview-based research approach was used to investigate the research question in this qualitative study. In applying the interpretive approach, common themes were iteratively identified and integrated from the supervisory and interview data in the working codebook. The RCI Model Zaiman et al. (In progress) was used as a framework to define the study-specific indicators for this study.

In a qualitative study, the researcher needs to demonstrate that the study has been conducted in a credible, transferable and trustworthy manner (Golafshani, 2003). Peer checking, which assists the researcher to reduce data interpretation bias was applied as a qualitative reliability test through consultation with my study supervisor (Rolfe, 2006). Appendix D contains my reflective- and peer-checking journal entries, which illustrate my insights, descriptions and actions during the drafting and finalisation of the codebook. In addition, reasonable study rigour was achieved through the training of the student prior to executing each research step (Alshenqeeti, 2014; Young et al., 2018).

Use of an internal risk report

In this study a bank's internal Enterprise Risk Report (referred to as 'the report') was used as an example of senior management level reports. The report format is standardised throughout the organisation and includes several sections. The report includes the risk profile that encapsulates all risks regulated in the Banks Act No. 90 of 1990 (SARB, 2012), and are rated according to the risk status in the business. Each section contains risk-related information, for example, key risk indicators, risk control self-assessments, and compliance reports. Senior managers use the information in the report in fulfilling their management roles, as well as in the decision-making processes during the enterprise risk meetings held three times a year. Business unit risks deemed significant are escalated to the relevant board committees, based on decisions within and outside this meeting. Therefore, by using this report as the basis for the interviews, I obtained suitable data from the participants to explore the perceived contribution of risk reporting to senior management for decision making.

Target population and sample

A purposive sampling approach was used to identify the participants for this study, based on their seniority and experience in the organisation. Level of seniority was based on participant job titles (Guest, Bunce, & Johnson, 2006). Because tone for risk is set at the top of an organisation (King IV, 2014), senior managers were targeted.

The sample comprised 18 senior managers with more than five years' experience in their role, some of which were senior business unit managers and others were senior risk practitioners. The participants were chosen from different business units; this allowed for a representative sample of senior managers who used the internal risk report as part of their management roles to, amongst other things, give strategic direction and ensure achievement of the bank's strategic objectives in its operations. As this was an exploratory qualitative study, I did not distinguish between participant responses on the basis of role, because of the small sample size.

Data collection

Semi-structured, one-on-one interviews were conducted to collect the data. The interview questions were:

1. For which decisions do you use the report?
2. How do you use the report in decision making?
3. What about the report facilitates inclusion of risk when you make decisions?
4. What makes it difficult for you to use the report when you make risk-related decisions?
5. How could the report add more value when senior management make decisions?

The researcher conducted two pilot interviews to test interview length and language suitability before scheduling the interviews (Young et al., 2018). Prospective participants were contacted prior to the interviews to contextualise the purpose of the study and interview. All participants signed the interview informed consent form (see Appendix A). The interviews followed the interview protocol provided in Appendix B. Participants could decline to answer questions or stop participating in the interview at any time during this process, as advised by Alshenqeeti (2014) and Guest et al. (2006). If a response was unclear, the interviewer requested clarity or further elaboration. The interviews were audio-recorded and transcribed verbatim (Shauver & Chung, 2010) by a professional transcriber, who signed the University's Confidentiality Agreement (provided in Appendix C). At the end of the study, the recordings were destroyed; electronic transcripts will be stored in a safe for three years.

Data analysis

The FSB (FSB, 2014) risk-culture- and BCBS (2013) risk-reporting-supervisory guidance documents were used to develop the study-specific codes using the thematic categories of 'what', 'how' and 'contribution' to explore the contribution of risk reporting to risk-informed decision making. Using thematic analysis codes belonging to recurring themes were identified (Stoffelen, 2018). This process allowed study-specific codes to be added to the high-level RCI Model codebook to create a

study-specific view of the codebook. Thereafter, the study codebook was used for thematic analysis of the interview data as each interview was coded against the predefined themes.

The correctness of the transcriptions was first verified after which a directed, deductive coding process was followed to code the interview data against the codebook. This included adding relevant interview quotations to the codebook. Interesting statements and phrases were highlighted to develop themes (DeCuir-Gunby, Marshall, & McCulloch, 2010).

The aim of the coding was to provide information on participants' perceptions of the contribution of risk reporting to risk-informed decision making by senior management. The original code list comprised 98 codes. An iterative analysis process was followed to reduce and re-organise the codes within the thematic categories and to consolidate and link thematic categories related to the study context. Codes of little value were discarded, as suggested by Braun and Clarke (2006).

On completion of the coding, a further iterative process was followed to translate the data into study-specific findings. Care was maintained at the post-coding phase to prevent selecting expected information, which could lead to preconceived ideas and results (Stoffelen, 2018).

Ethical considerations

Consent for the study and to conduct the interviews was obtained both from the studied organisation and the university at which the study was done. It was agreed that the interview information be used only for this dissertation and not made public by the researcher, transcriber or the university. Confidentiality was assured to all participants and to the studied organisation and maintained throughout the research process; the interview data remains confidential and participant information remains anonymous.

Results and Discussion

The study results, obtained from the analysis of the transcribed interview data against the supervisory-document-based codebook, are presented per RCI Model indicator and study-specific thematic categories and codes. In this section, the main research question is answered based on themes derived from the interviews.

Table 2: Quoted examples from the interviews

Table 2 provides quoted examples that illustrate information related to the study-specific codes found in the interviews and provides an overview of study-related interview information. The data below depicts a small subset of the available interview data.

Thematic category	Code	Quotations
Risk challenge		
What	Challenge-risk-related information	'The report, lots of challenge happens in decisions and can be contentious. We say, this happened, this was the loss, this is how we fixed it' – sometimes we do a tactical fix ... it is a critical fix from a technology perspective, we track the IT solution'.
How	Challenge is evident in the decision-making processes	'The quality of decision making would depend on quality of information. If the information is not good that could lead to an incorrect decision'. 'Example, key risk indicators, loss tolerance thresholds and risk appetite. ... different conversations to challenge the different risk areas, the item is not a risk. ... is it such a severe risk item that should be downgraded, deliberations happen'.
Contribution	Risk challenge strengthens risk-related decisions	'National Credit Amendment Bill, we went through the process of collaboration, we were again challenged on it, this was the outcome and we believe it was the correct outcome and that is why we took the decisions and highlight it. ... this process served a purpose; we did get business value'.
Risk communication		
What	Risk reporting outcomes	'All risks are reported, what the business is doing, where the business is failing and succeeding. ... risks faced by the business – future-looking as well'. '... major reputational issues that are about to hit the Sunday Times, should be on the key issues control log. If they go red on the dashboard that is a warning sign, example cyber risk'.

Thematic category	Code	Quotations
How	Effective reporting of risk Risk reporting in decision-making	‘Look at the totality of the risk report ... some issues are for discussion and decision making. Some issues are for feedback, based on some questions. We had evacuations we could not get our cars out of the basement, that leads to a decision on how to deal with this situation’.
Contribution		‘Identify which risk will hinder the executive from achieving the strategic objectives’; ‘... if senior management is aware of key risks which may materialise, based on escalation matrix, they will then escalate to the next level’. ‘Looking at the business risk profile, top of mind issues and addressing risk, preventing us from landing in trouble with the regulator which would lead to fines and reputational damage, it is also achieving your strategic objectives. Put forward the decision to have the robust discussion of the risk, also for decisions that are forward looking’.
Risk understanding		
What	Understanding risk to make decisions	‘Balance between the risks that are being reported or are faced by business ...the associated risks, the risk appetite, and opportunities to assist the adequacy of controls. Look at the strategies, the latest strategy of our organisation and business’. ‘The report is used to gain business intelligence, what are the key risks or issues ... report needs to tell me those things. The contents and level at which risks are reported needs to be relevant. ... must link to the key risk indicators, must link to the operational plans and strategic objectives of the business, and highlight what the strategic execution risks are in their business’.
How	Oversight by senior management	‘Many different risk specialists in the room, there is an opportunity for all of the risk types to bring their issues onto the table, and there is inclusion of all the different risk types in the report. ... it also brings in the executives that are actually managing the risk’. ‘By the time the reports get at the risk meeting it would have gone through other iterations. It is relevant for the purpose for which information is there ... all the information is comprehensive. If information is missing, interactions between the different business units and different risk areas happens. Nothing goes in there for the first time – ... probably the risks would have come up at board meetings by the time it gets to the risk meeting’.
Contribution	Alignment of strategies	‘The enterprise risk meeting sets your risk thresholds as well as your risk strategy. ... first place where it gets approved and discussed. ‘It is information, which is reliable and trusted, which informs pace of the organisation and as well as direction changes’. ‘Risk must link to the strategic objectives. Both from top ten risks and key risks, need to identify which risks in the business will either limit or prohibit reaching business and strategic objectives’.
Risk management framework (RMF)		
What	RMFs enables risk management	‘We look at the risk profile and through a structured process it helps to identify key critical risk areas and decisions we make depends on the risks raised and we become aware of. We track our risks formally in the report, and if we break certain thresholds, we implement actions’. ‘The bank is in a good position, very clear risk management frameworks, risk policies to assist and guide business. If you haven’t got that, not going to have an effective risk meeting to assist in decision making’.
How	RMFs contains risk tools and risk information allow for risk-related	‘Compliance risk in business ... management is informed about it immediately’; ‘... would be helpful for business to see a snapshot view of the risks in one area – compliance, operational and credit risks - issues that have been picked up that are in the business. ... there is a dashboard’. ‘You have an overall view of the risks; in the risk profile, and of those risks which are significant. We ensure that controls are put in place, so that those risks are not arising, that is where you pick up trends’.

Thematic category	Code	Quotations
Contribution	challenge on decisions Effective RMF to meet objectives	'RMF, use it with loss tolerance thresholds, within the desired risk appetite, within strategic drivers and achieving your strategic objectives'. '... decisions, example we got measurement tools, which are key risk indicators, key performance indicators, or key control indicators. These are key components of the risk report. We are able to see the direction of our risk, our control performance. ... we can make decisions to add more controls or relax controls where appropriate'.
Risk-related information indicator		
What	Characteristics of risk reports	'Senior management decisions are influenced by the information they get, has to be precise, detailed, accurate and can be used for decision making'.
How	Quality of risk-related information	'Quality of information that comes through the risk meetings. ... things like the accuracy of data, ... things like the trends that the data is showing, use the operational risk data to give an indicator of losses of fines and penalties, there is aggregation in that'. 'An end to end view of the risk profile. The report gives the ability to justify those risk categories which might/might not fall within the environment. The report is adequate. ... drives a good discussion around the risks in the business, from a risk profile perspective'. 'The report pulls together all risk types and forces people to think about the risk exposure and give the risks some sort of rating'. 'Reporting should be concise; it should be effective ... it needs to be comprehensive'; 'it gives a snapshot of what risks are end to end in business'. 'Reporting should be concise, effective ... should be able to have information that is real time, or near real time, and made readily available to all stakeholders, that is useful reporting'.
Contribution	Positive aspects	'The report is a very good summarised document. Very complete, good quality reports, what's the next forward-looking trend we are looking at. Frequency of meetings are adequate. Report starts with an executive summary'. '... use the report for strategic planning to identify a bigger problem'. 'We have three meetings a year, it should be 12 – that is how important the enterprise risk meeting is'. 'It is an excellent tool, where all your risks, your issues, your incidents, your events come together, and then proactively make decisions and manage your portfolio. We use the report to assist business and facilitate the risk management process in terms of negative trends or where risks are not dealt with properly through remediation actions, controls and how do we prevent it from reoccurring'.
	Negative aspects	'... don't use the report for decisions because it happens quarterly ... to make risk related decisions, we have project, risk meetings, operational meetings'. 'If you have a report which is too high level, you lose the ability to make decisions, because everything is too bland. ... then on the other side when it is too granular you can't look at trends. And, get mixed in the detail' 'If the report is not properly structured, not clear from the outset and each section is not specific to the point and dealing the issues in a pack of 300 to 400 pages, you lose it. And it's voluminous because it's quarterly'. 'Submissions are too detailed. Need an executive summary top of mind to focus on key issues. ... I think more condensed version in terms of reporting would assist in making more informed decisions'.

Thematic category	Code	Quotations
		'It's a long report to read and to use it effectively, you have to read the whole report. It takes a lot of time to extract information; there is no summary of all risks set out in one place that the business has had to deal with'. 'Need to revisit perhaps the agendas or the objectives – shorten the report a bit if we look at the reports, it is a substantial amount of work and effort that goes into that'. 'what makes it difficult for me is information is normally old and backward looking. But what I want is information that is forward looking, that is predictive in measure to be able to help the business to make informed decisions'. 'The report could add more value by getting reduced, so the pack sizes are small, they are crisp on what is stated'.

Table 3: Coding results: interviews in which the codes occurred

Participants' numbers		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Thematic category	Code																		
Risk challenge			×		×	×		×			×	×	×	×		×	×	×	
What	Challenge-risk-related information					×					×		×						×
How	Challenge is evident in the decision-making processes				×			×				×		×		×			
Contribution	Risk challenge strengthens risk-related decisions		×										×				×	×	
Risk communication		×	×		×			×	×	×		×		×	×	×	×	×	×
What	Risk reporting outcomes		×					×		×		×		×	×	×	×	×	×
How	Reporting of risk effectively	×														×	×	×	

Contribution	Risk reporting in decision making	x			x			x						x	x	x		
Risk understanding		x		x		x		x	x		x	x	x	x	x		x	
What	Understanding risk to make decisions			x		x							x		x		x	
How	Oversight by senior management	x									x	x	x					
Contribution	Alignment of strategies	x						x	x			x	x	x				
Risk management framework (RMF)		x	x	x	x	x			x		x	x	x	x	x		x	x
What	RMFs enables risk management	x	x	x	x	x			x									
How	RMFs contain risk tools and risk information allowing for risk-related challenge to decisions	x		x		x		x	x		x			x			x	
Contribution	Effective RMF to meet objectives					x					x	x	x		x		x	x
Risk-related information		x	x	x	x	x		x	x	x	x	x	x	x	x	x		x
What	Characteristics of risk reports			x	x					x							x	
How	Quality of risk-related information	x		x	x	x		x	x			x	x		x	x		x

Contribution	Positive and negative aspects	x	x	x	x	x		x	x	x	x	x		x	x	x	x		x
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Risk challenge

Table 3 shows that features of challenge in the context of reporting and decision making were raised by 11 of the 18 participants. Risk challenge themes from the interview data are now discussed.

What – challenge risk-related information

The interview data indicate that senior managers challenge internal reported risk-related information to make decisions. Robust challenge of this kind enables risk assessments and alternative views, as in the example of a technology incident (see Table 2). This finding links to the FSB guideline that encourages effective challenge by allowing alternative senior management views in risk-informed decision and reporting processes (FSB, 2014).

How - Challenge is evident in the decision-making processes

The interview data indicate that the quality of information is reflected in the quality of decisions made. Decision challenge depends on the quality of the information; for example, inadequate information can be expected to lead to incorrect decisions (see interview example in Table 2). The interview data also shows that senior managers in the bank felt empowered to challenge risk decisions on risk appetite, loss tolerance thresholds and key risk indicators. The different risk stakeholders challenged the other risk functions on the severity of the risk item by bringing alternative views. Risk-informed decisions were then made after deliberation. This information reflects a sound risk culture as it relates to the FSB guideline that evidence of a culture open to challenge is reflected in the decision making processes and broader interactions between risk stakeholders. (FSB, 2014).

Contribution – risk-challenge strengthens risk-related decisions

There is business benefit in challenging stakeholders on reported risk information, as shown in the Table 2 example, where a positive outcome was achieved after senior managers followed a rigorous process of challenge and collaboration by the different risk specialist functions in the organisation. Risk-related decisions were strengthened through the opportunity for stakeholders to raise questions or differing views around the National Credit Amendment Bill. Had this process not been followed, incorrect decisions could have been made to the detriment of the organisation. This example also demonstrates a strong risk culture in the organisation. This finding relates to the FSB guideline that risk-related decisions and collaboration are encouraged when stakeholders are allowed to bring differing views or questions related to risk decisions (FSB, 2014).

In summary, senior managers in the study were perceived to challenge internally reported risk-related information by bringing alternative views and debates when taking decisions. Risk challenge forms part of a sound risk culture and tends to bring about better risk-related decisions.

Risk communication

As shown in Table 3, facets of communication in the context of reporting were raised by 13 of the 18 participants, and Table 2 provides quoted interview-based examples per thematic category. Risk communication themes from the interview data are now discussed.

What – risk reporting outcomes

The interview data show that all risk reports did communicate risk reliably to enable senior managers to make risk-informed decisions. This is illustrated in the cyber-risk-related example in Table 2. This finding conforms to the BCBS guideline that risk reports should reflect risks in a reliable way to meet reporting expectations for decision making (BCBS, 2013).

How – effective reporting of risk

The interview data indicate that all reported risks have to be considered as a whole to allow for effective risk decisions by senior management and that issues are reported for feedback and clarity from senior management. As shown in the operational-risk-related example in Table 2, senior managers had to identify and manage by making risk-informed decisions. This finding echoes the FSB guidelines indicating that current and emerging risks have to be identified, managed and reported for senior management to make risk-informed decisions (FSB, 2014).

Contribution – risk reporting in decision making

The interview data show that transparent and open communication affects the achievement of strategic objectives in the organisation through internal risk-related reporting that informs decision making and strategic risk escalation by senior managers when necessary (see the examples quoted in Table 2). Strategic objectives in the bank are assessed annually and the objectives that will not be met must be escalated for board-level decisions. Robust risk-based discussions and open communication take place at the enterprise risk meeting by senior managers and often include forward-looking views as, for example, relating to compliance issues that could attract penalties. This example also demonstrates a strong risk management culture in the bank. It echoes the FSB guideline that transparency and open communication promoted in risk identification and escalation of risk issues to the appropriate levels of management assists in the achievement of the organisation's strategic objectives (FSB, 2014). Jones, Melis, Gaia, and Aresu (2018) found that there has been calls for greater quality of transparency in risk reporting in the banking sector as banks are risk-taking institutions.

In summary senior managers were perceived to transparently and reliably communicate all reported risk-related information to the Board for risk-informed decision making, to enable the link between the risk strategy and meeting the organisational strategic objectives.

Risk understanding

The concept of risk understanding in the context of reporting was raised by 11 of the 18 participants in Table 3. Table 2 provides quoted interview examples per risk understanding code category. Risk understanding themes from the interview data are now discussed.

What – understanding risk to make decisions

The interview data suggest that senior managers need a shared understanding of the risk frameworks embedded in the operations of the organisation. Including risk in decision making enables senior managers to understand the risks and make risk decisions that are reported and experienced in the business, examples: key risk issues, key risk indicators and risk appetite. Reporting risks may indicate that senior management understand and are able to manage their own risks (Rodríguez Domínguez & Noguera Gámez, 2014). Business intelligence and relevant risk information need to be available to inform the creation and execution of strategic objectives through decision making. Risk understanding assists senior managers to integrate risk and business strategies as indicated by the interview example in Table 2. This finding links to the FSB document that the risk strategy and business strategy should be understood and entrenched in decision making through appropriate mechanisms to ensure the bank's risk appetite, risk management strategy, and business strategy are effectively aligned and embedded in decision making and operations at all appropriate levels of the institution (FSB, 2014).

How – oversight by senior management

When the internal risk-related report is tabled at the risk meeting, senior managers perceived themselves as having a shared understanding and oversight of all risks, as evidenced by the first interview quotation in Table 2. Senior managers believe that they understand the structure of the report, as it is aligned to the bank's risk management frameworks. The second interview quotation in Table 2 indicates that the risk-related information contained in the report is comprehensive and understood by the senior managers as the risks will have gone through several iterations and have been tabled at applicable board committees. This iterative process allows understanding and oversight of all reported risks, enabling agreed decisions and management actions based on dynamic interaction among the business and risk senior managers. This finding is linked to the FSB guideline requirements that the risks tabled in the report are included in other board committee reports. (FSB, 2014).

Contribution – alignment of strategies

There is business benefit in shared understanding of risk information with stakeholders in the organisation. The example in Table 2 refers to the fact that information needs to be reliable and trustworthy thereby informing the pace, as well as changes of direction taken by the organisation.

One of the participants stated that ‘your risk must link to your strategic objectives’, which demonstrates a sound risk culture in the organisation, where there is alignment of the risk and business strategic objectives against which performance is measured. Senior managers need a shared understanding of risks to identify significant risks that could inhibit the achievement of strategic objectives.

In summary, the participants believed in a shared understanding of all significant risks and the risk framework in the organisation and felt empowered to facilitate alignment of the bank’s business and risk strategies.

Risk management framework (RMF)

Table 3 shows that an aspect of the bank’s risk management framework in the context of reporting was raised by 13 of the 18 participants. Risk management framework themes from the interview data are now discussed.

What – RMFs enable risk management

The interview data indicate that there is a robust approach to risk management in the bank, as illustrated by a statement from one of the participants that the bank has clear risk management frameworks and risk policies to guide and assist business (Table 2). Structured meeting processes allow for different views to be heard, allowing senior managers to identify critical risks. Such frameworks and processes can be expected to strengthen and organisation’s risk culture. However, the perceived risk culture maturity level needs to be tested with a more representative sample in the bank. This finding links to the FSB guideline that expects integrity and a sound approach to risk management to support alternative views that may result in better decisions (FSB, 2014).

How – RMFs contain risk tools and risk information allowing for risk-related challenge to decisions

The interview data illustrate that senior managers were suitably equipped with risk information and risk tools to challenge reported risks and make decisions. With reference to the interview example in Table 2, senior managers felt enabled to challenge risk decisions as they had a snapshot view, in the form of a dashboard, of the risks reported and rated. The bank’s risk profile is also presented as a snapshot dashboard view of all impacted risks in the business unit. Thus, senior managers are able to challenge decisions to avoid a repeat of the same risks. In having both dashboards, senior managers can determine significant risks and conduct trend analyses. This finding relates to the FSB guideline that senior managers must have the appropriate risk tools and risk information to conduct their risk challenge of risk information (FSB, 2014).

Contribution – effective risk management to meet objectives

The risk management framework components are used to achieve the strategic objectives for decision making as shown in the related interview example in Table 2. Decisions are made by using outcomes of the measurement tools in the risk framework, namely, key risk indicators, key performance indicators, and key control indicators. Risk reports enable risk tracking and influence decisions. In practice, the main benefit of the risk management framework is that it enables senior management to assess significant risks and determine whether the strategic objectives will be achieved or not. This finding is linked to the FSB requirement for risk management mechanisms to be manifested in decision making practices and broader interactions (FSB, 2014).

In summary senior managers were perceived to have appropriately considered risk in decision making, which in turn is strengthened by an effective risk culture. According to Li, Griffin, Yue, and Zhao (2013), a sound risk culture will ensure that risk is considered during all business decisions in the bank. Effective risk management structures are perceived to assist with decision making, risk information, and the achievement of strategic objectives.

Risk-related information

Table 3 shows that aspects of risk-related information in the context of reporting were raised by 16 of the 18 participants. Table 2 provides information-related examples per code category. Risk-related information themes from the interview data are now discussed.

What – characteristics of risk reports

The interview data show that senior managers are aware of the characteristics of reported information, as these are key elements in risk reports. With reference to the interview example in Table 2, precise, detailed and useful information has to be presented to senior management. This finding links to the BCBS risk reporting guideline that states that accurate, precise and useful data are a foundation for effective risk management (BCBS, 2013).

How – quality of risk-related information

The interview data provided in Table 2 indicate that the quality of risk information is critical for making risk-informed decisions as reports should be accurate, complete, comprehensive, clear and useful. Risk data should be validated to ensure the correctness of information for decision making, for example loss data related to fines and penalties. Accurate risk information should be communicated to the appropriate management level to make timeous business decisions (31000, 2009). This finding links to the BCBS guideline that risk reports should be accurate and validated for decision making. The study participants believed that quality of risk information was sufficiently complete to enable them to make risk decisions to monitor the completeness of the reported risk data by senior

managers, as shown by the corresponding example in Table 2. This finding links to the BCBS guideline that risk reports should be complete to monitor the completeness of the risk data (BCBS, 2013).

The interview data demonstrate that the study participants believe that the risk information reported is comprehensive. The organisation's reported risk profile includes all risks in the business for senior managers to make risk decisions, as shown by the example in Table 2 that the risk profile covers all risk types. The risk profile is a strategic document as it furnishes a snapshot view of all impacted risks to the business unit. This finding links to the BCBS guideline that risk reports should be comprehensive to cover all material risks for decision making by senior managers. The interview data indicate that risk information needs to be concisely reported in a way that is useful for effective decision making. The information also needs to be meaningful and easy to understand to facilitate risk informed decision making. This is supported by the quoted example in Table 2 that the information should be easily available and understood to allow for a risk decision at an operational level. This finding links to the BCBS guideline that risk reports should be clear, concise and useful to be meaningful enough for decision making by senior managers (BCBS, 2013).

Contribution – positive and negative aspects of reporting

The participants discussed positive and negative aspects about the report, as indicated in the quoted examples in Table 2. The positive quotations in Table 2 show that the report is used for decision making and strategic planning and adds business value. However, the negative quoted examples in Table 2 indicate that risk reporting was also viewed as unhelpful because the report is often too long due to the enterprise risk meetings happening only quarterly and the information is historical. Decision making at a senior management level is negatively impacted when relevant risk information is not included, or not communicated clearly as described by Aven (2016). This finding is linked to the BCBS requirements that to optimise the decision making process in the bank, there has to be an improvement in the reporting of key information, the speed with which information becomes available, and management information, especially risk-related information that is used by the board and senior management to identify, monitor and manage risks and for the quality of the organisation's strategic planning and achievement of objectives to be maintained (BCBS, 2013).

In summary, senior managers were perceived to include risk when making risk related decisions, by focussing on the quality of the reported information. This is further validated by referring to the positive and negative quality of information examples quoted in Table 2.

CONCLUSION

The objective of this qualitative interview-based study was to explore the perceived contribution of risk reporting to risk-informed decision making by senior managers, in a risk-culture context. The findings indicate that the interviewed senior managers had a largely positive view of the internal risk reporting risk culture of the studied bank, in that they appreciated the value added to risk-informed decision making by the report considered in this study. However, the study also indicated areas where the report may be improved. Common themes that emerged from the interview data is that the report is too voluminous and is not structured in a way to make it simple to use for decision making. The information was also perceived to be backward-looking and thus is not as useful for decision making. Lastly there must be a balance in reporting, between a report being too high level and too much detail with little or no value for senior management decision making.

The study provides an example of how reporting-related views can be investigated at senior management level in banks, with the aim of raising the quality of risk-informed decision making at senior management level. This study contributes to the academic body of knowledge by including the 'how' of internal reporting, as recommended by (Mazumder & Hossain, 2018). In addition, the RCI Model codebook provided an invaluable basis for organising and analysing the study information in the context of a theory-based view of risk culture.

The objectives of this study were successfully achieved, notwithstanding the study's limitations:

- Time limitation: In the short time available to design, execute, and write up the project, only about three months were available to conduct the interviews and transcribe the data. The study execution process was time consuming and extensive and took longer than expected to finalise.
- Participant demographics: The sample group used in this study consisted only of senior managers in one bank, even though the banking sector is large in South Africa. However, useful indicative insights and data were obtained, which may be useful to other banks as they, too, investigate their risk reporting cultures.
- Limited academic material: The limited published research on the topic of risk culture as it connects with internal risk reporting, meant that this was largely blank slate research. Notably, finding the Mazumder and Hossain (2018) literature review article on corporate risk reporting, provided useful research information to justify and design this study. This limitation provided an opportunity to produce a study that is novel, innovative and useful research on this topic.
- This small-scale exploratory study was too limited to be generalisable but could form that basis for further similar studies at middle and junior management levels in the studied bank, as well as comparative studies in other banks in the sector. As population size increases, so a quantitative survey-based approach may become appropriate for such a study.

- There is an opportunity to conduct further research on 'why' internal risk reporting is important in decision making.

Number of words:

Abstract: 299

Article: 7893

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CHAPTER 3: REFLECTION

As a risk practitioner I have always been enthused by the topic of risk reporting, since it is such a fundamental component of the risk management frameworks and the time and effort that is spent on preparing risk reports. My interest was further engaged when we did the risk reporting module in this master's programme. It was then that I realised there is little academic literature available on internal risk reporting, especially in the banking sector.

Following the 2007–2008 financial crisis, a considerable number of risk reporting regulations have been promulgated demanding greater quality of risk-related information to provide a useful basis for decision making and to enable boards and senior management to identify causes of risk. The quality of risk information may be influenced by the risk culture of an organisation (Elshandidy, Shrives, Bamber, & Abraham, 2018). When risks are reported incorrectly or in inadequate detail, such risk reports become unsuitable for decision making and therefore do not add value to senior management.

Although a reporting-related MCom Applied Risk Management mini-dissertation study had been completed in the studied organisation earlier, it had targeted a different population in the bank. My approach to the present study differed from the previous study in that it had been completed on employees in only one area of the bank. The current study targets a population of senior business managers and risk practitioners from multiple areas in the bank. My study was therefore quite different from the previous study, both in approach and coverage.

My biggest learnings from this study were in choosing a research topic, as I should have undertaken more pre-research prior to making my decision. What I have learnt in choosing a topic is to allow my interest in and passion for a subject to be the main driver, irrespective of the challenges and lack of research material. My motto was perseverance and a can-do attitude throughout this journey. The interviews allowed me to network with the participants, who provided very interesting insights before and after the interview process. Their most admirable characteristic was that, although most of them are exceptionally busy, they made time and accommodated the interview. I am grateful to them because without them this study would not have been possible.

In hindsight, the one thing that I would have done differently in preparing for the study interviews was to reduce the number of number of questions. I have gathered rich primary data that could not be used in my research project even though they were analysed, as the information was not directly relevant to my research question. One has to execute a project in order to gather this kind of learning, as research is by definition a process of learning what one did not know before.

The knowledge and learnings over the last two years of this master's degree have been invaluable. The academic staff support and guidance I received, the structure of the coursework, and the

approach used in teaching this programme proved immensely enjoyable and rewarding. The risk management skills and expertise that I have developed in this programme have most certainly enhanced my thinking and my work as a risk practitioner. Appendix G contains a picture of me proudly displaying my study codebook.

APPENDICES

Appendix A

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

Study title: Risk reporting and risk-informed decision making in a South African bank

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Study supervisor: Prof. Hermien Zaaiman

Student contact details: 0837780079/ronbatohi@outlook.com

Supervisor contact details: hermien.zaaiman@nwu.ac.za

Document aim

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

Why this interview?

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

Informed consent process

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

Permission to do this study

To insert company name has provided formal permission for this study to be conducted.

This study has been approved by the North-West University Faculty of Economic and Management Sciences Research Ethics Committee (EMS-REC) under ethics number: (NWU-00763-19-A4)

Study aims

Research problem

To date, published academic articles on risk reporting have dealt mainly with external public disclosure reports rather than those prepared for internal use (Elshandidy et al., 2015; Mazumder & Hossain, 2018; Ntim et al., 2013). In their review article, Mazumder and Hossain (2018) identified gaps in the literature; for instance, most studies on corporate risk reporting have been conducted in developed countries but few in developing parts of the world. They found, furthermore, that risk reporting in practice tends to be descriptive; that guidelines are lacking and that researchers mainly follow quantitative analytical approaches to what is available essentially

as qualitative information. They indicated that more meaningful discourse-based analysis is needed. Given, the importance of reliable risk related data I could not find academic articles that specifically investigated the link between risk reporting and decision making, in either the banking industry or in relation to developing countries.

Research question

To address these gaps, the aim of this qualitative interview-based study was to explore the perceived contribution of risk reporting to risk-informed decision making at senior management level.

The research question is: How does risk reporting contribute to risk-informed decision making at senior management level in a South African bank?

Study: Focus on the use of the Enterprise Risk Report

Why have you been invited to take part?

The demographic population comprises of senior managers, who are risk practitioners and business managers in my organisation. I plan to do 10 interviews in each category, with a total of 20 interviews. The actual number of interviews will depend on when thematic data saturation is reached. Furthermore, a comparison of the codes will be analysed from the interviewee responses between the business managers and risk practitioners.

The participants have been asked to take part in this study because it is a study that is important to all risk practitioners and staff in general in the organisation. This study will assist in enhancing their knowledge on the connection between risk reporting culture and decision making. Risk culture is becoming more prevalent as a topic in new regulations being promulgated, examples are Conduct of Financial Institutions Bill and Financial Sector Regulation Act.

Prior to embarking on the interviews, the participants will be contacted, and an explanation will be furnished to them for the purpose of this study. Prior to the interviews, the interview informed consent form containing the interview questions will be forwarded to each potential participant. This will allow them to consider the interview questions before consenting to do the interview. The informed consent form must be signed before the interviews are set up and held with each of the participants.

The participants will be requested to answer the interview questions contained below. At the onset of the interview a participant will be given an option to decline question/s that they are not comfortable answering or even decline to continue with the interview at the scheduled time.

The scheduled interview will last 20 minutes. I may request more information from you post interview if necessary, for clarifying study data. However, I shall endeavour to keep post-interview follow-up questions to a minimum.

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

The reason for including the interview questions in the informed consent is to enable the participants to prepare prior to the interviews. This may result in quality data and to successfully achieve the objectives for this study

to be undertaken. Another reason for including the interview questions is to allow the prospective participant to decline the interview if s/he would prefer not to answer these questions.

The participants will be requested to answer the following interview questions:

1. Which of these two best describe your role?
 - i. Senior risk practitioner
 - ii. Senior business manager.
2. For which decisions do you use the Enterprise Risk report?
3. How do you use the Enterprise Risk report in decision making?
4. What about the Enterprise Risk report facilitates inclusion of risk when you make decisions?
5. What makes it difficult for you to use the Enterprise Risk report when you make risk-related decisions?
6. How could the Enterprise Risk report add more value when senior management make decisions?

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

Study data management

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

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

Publication of the study results

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

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

To reduce any potential data risks, the researcher will ensure all the recordings from the interviews will be deleted after transcribing the data. The researcher will store the transcriptions on a disk in a safe which is protected and limited access to allow for confidentiality of organisation-specific information. The transcriptions will be stored for a period of three years and thereafter the disk will be destroyed.

Should you have any other concerns about taking part in this study, please contact the researcher or study supervisor to discuss your concerns.

Potential benefits to you in taking part in this study

Risk reporting is a key component of risk management and in participating in this study you will contribute your voice to this issue from an organisational perspective.

Should you have concerns on this study

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

Informed consent

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

Initial each page and sign

Participant name:

Signature:

MCom Applied Risk Management

UARM873 Mini-dissertation study

Interview Guide

Study title: Risk reporting and risk-informed decision making in a South African bank

Student: Ronica Batohi

Study supervisor: Prof. Hermien Zaaiman

Student contact details: 0837780079/ronbatohi@outlook.com

Document aim

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

Interview process

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

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

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

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

2. Interview:

- What is your role in the bank? The reason for the question is to ascertain the participants seniority in the bank.
- Pose the interview questions in the pre-defined sequence:
The participants will be requested to answer the following interview questions:
 1. Which of these two best describe your role?
 - i. Senior risk practitioner
 - ii. Senior business manager.
 2. For which decisions do you use the Enterprise Risk report?
 3. How do you use the Enterprise Risk report in decision making?
 4. What about the Enterprise Risk report facilitates inclusion of risk when you make decisions?
 5. What makes it difficult for you to use the Enterprise Risk report when you make risk-related decisions?
 6. How could the Enterprise Risk report add more value when senior management make decisions?
- 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. 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 C

Transcriber confidentiality Undertaking



CONFIDENTIALITY UNDERTAKING

entered into between:

I, the undersigned

Ms. Julie Rathbone

Address: 10 Ivy Street, Port Elizabeth

hereby undertake in favor of the **NORTH-WEST UNIVERSITY**, a public higher education institution established in terms of the Higher Education Act No. 101 of 1997

Address: Office of the Institutional Registrar, Building C1, 53 Borchard Street, Potchefstroom, 2520

(hereinafter the "NWU")

1 Interpretation and definitions

1.1 In this undertaking, unless inconsistent with, or otherwise indicated by the context:

1.1.1 "Confidential Information" shall include all information that is confidential in its nature or marked as confidential and shall include any existing and new information obtained by me after the Commencement Date, including but not be limited in its interpretation to, research data, information concerning research participants, all secret knowledge, technical information and specifications, manufacturing techniques, designs, diagrams, instruction manuals, blueprints, electronic artwork, samples, devices, demonstrations, formulae, know-how, intellectual property, information concerning materials, marketing and business information generally, financial information that may include remuneration detail, pay slips, information relating to human capital and employment contract, employment conditions, ledgers, income and expenditures and other materials of whatever description in which the NWU has an interest in being kept confidential; and

1.1.2 "Commencement Date" means the date of signature of this undertaking by myself.

1.2 The headings of clauses are intended for convenience only and shall not affect the interpretation of this undertaking.

2 Preamble

2.1 In performing certain duties requested by the NWU, I will have access to certain Confidential Information provided by the NWU in order to perform the said duties and I agree that it must be kept confidential.

2.2 The NWU has agreed to disclose certain of this Confidential Information and other information to me subject to me agreeing to the terms of confidentiality set out herein.

3 Title to the Confidential Information

I hereby acknowledge that all right, title and interest in and to the Confidential Information vests in the NWU and that I will have no claim of any nature in and to the Confidential Information.

4 Period of confidentiality

The provisions of this undertaking shall begin on the Commencement Date and remain in force indefinitely.

5 Non-disclosure and undertakings

I undertake:

5.1 to maintain the confidentiality of any Confidential Information to which I shall be allowed access by the NWU, whether before or after the Commencement Date of this undertaking. I will not divulge or permit to be divulged to any person any aspect of such Confidential Information otherwise than may be allowed in terms of this undertaking;

5.2 to take all such steps as may be necessary to prevent the Confidential Information falling into the hands of an unauthorised third party;

5.3 not to make use of any of the Confidential Information in the development, manufacture, marketing and/or sale of any goods;

5.4 not to use any research data for publication purposes;

5.5 not to use or disclose or attempt to use or disclose the Confidential Information for any purpose other than performing research purposes only and includes questionnaires, interviews with participants, data gathering, data analysis and personal information of participants/research subjects;

5.6 not to use or attempt to use the Confidential Information in any manner which will cause or be likely to cause injury or loss to a research participant or the NWU; and

5.7 that all documentation furnished to me by the NWU pursuant to this undertaking will remain the property of the NWU and upon the request of the NWU will be returned to the NWU. I shall not make copies of any such documentation without the prior written consent of the NWU.

6 Exception

The above undertakings by myself shall not apply to Confidential Information which I am compelled to disclose in terms of a court order.

7 Jurisdiction

This undertaking shall be governed by South African law be subject to the jurisdiction of South African courts in respect of any dispute flowing from this undertaking.

8 Whole agreement

8.1 This document constitutes the whole of this undertaking to the exclusion of all else.

8.2 No amendment, alteration, addition, variation or consensual cancellation of this undertaking will be valid unless in writing and signed by me and the NWU.

Dated at __Port Elizabeth__ this __8th day of August__
20__19__

Witnesses:

1 George
2 C. Watson
(Signatures of witnesses)

Rathone
(Signature)

Appendix D

Reflective Journal and Peer checking review with my Supervisor

Reflective Journal		
Date	Insight	Action
2019/08/22	Reduce information to develop the codebook. Delete all academic references in the codebook.	Use two key sources FSB and BCBS.
2019/09/08	Starting coding the raw interview data, which took about 3 hours. Coded the interview data in great detail which was not necessary.	Coding the data according to themes and amended my process.
2019/09/12	Supervisor and I agreed on the content of the abridged codebook.	Resulted in time reduction to code the raw interview data.
2019/09/12	More focused coding as per code book data and interview data. Re-categorised two items in the codebook.	Re-viewed coded information in the codebook for five interviews.
2019/09/12	Part of the review process of the coded information, I decided that information will be added in to assist in writing up the results and discussion section in answering the research question and objectives of the study.	Continue, while coding the information in the codebook, add information in the description column of the codebook, to assist in the writing of the results and discussion of this study.
2019/09/13	With a fresh mind and break, reviewed the four interviews that were coded. Re-analysed the coded information.	Made two changes and re-allocated information to the thematic categories, due to better fit in context of study.
2019/09/18	Coding the interview data took longer than expected. Will be sad as the data is rich in information and most of it will not be used.	Completed coding all interview data. Big milestone as part of this research.
2019/09/18	Completed the first draft of the codebook for the background section, which was six pages long.	First draft, codebook for the background section
2019/09/19	Managed to trim the thematic category codebook to three pages.	Draft version for discussion with Supervisor.
2019/09/21	Had to reduce the font size and printed the codebook at the printers.	Printed codebook on A0 paper, which resulted in 3 pages. Stuck all 3 pages onto a cupboard door. Took photos with copies and forwarded to Supervisor.
2019/09/21	Codebook going through another iterative process for the background.	Further amendment to the background codebook to align with discussion with Supervisor.
2019/09/22	Consolidated thematic categories and deleted themes that were less important.	Had to rationalise the codebook as there were too many themes.
2019/09/23	Codebook went through a further iterative process.	Further amended the codebook to make it into a more useable format and colour coded the different thematic categories.

Peer checking

Date	Description	Action
2019/09/12	Discussion with Supervisor on thematic category 'contribution' based on interview raw data.	Include applicable to organisation.
2019/09/12	Discussion with Supervisor on 'decision' in interview 13.	Include in shared understanding.
2019/09/13	Discussed with supervisor the description column, re-comments to be used in the results and discussion section.	Proceed with the codebook as discussed.
2019/09/20	Meeting with Supervisor discussed the amended codebook in background in great details. Include the descriptions of the RCI into the updated version.	Agreed on an updated version of the codebook, with merging the RCI information in Table 1 from the background.
2019/09/20	Supervisor requested print the detailed codebook.	Agreed to print the detailed codebook, at the printers.
2019/09/21	Sent evidence to Supervisor, of codebook.	Printed codebook on A0 paper, which resulted in 3 pages. Took photos with copies and forwarded to Supervisor.
2019/09/28	Met with Supervisor today and discussed few quotes in the codebook and further amendments to the results and discussion section.	Make further amendments to the results and discussion section.
2019/10/11	Met with Supervisor today, post her review of background codebook. Had to redefine the theme codes and descriptions.	Made further amendments to the background codebook, results and discussion section.

Appendix E

Accountability – detailed quotes

Quotes from interviews		
Thematic category	Code	Quotes
Risk accountability		
What	Risk decisions	"... executive is accountable for the risk sitting in that area". "... areas are doing it perfectly, where business actually talk through their risk". (I 1) "... pose a big risk.... when you move the scope and you are not going to do something, you want the members, senior management of the meeting to be aware of it ...to approve it...". "... it has to follow the governance process and in that there is decision making". (I 16) "... covers all 17 risks in the risk universe ... enable business and specifically senior management to actually then take a view and make decisions". (I 9) "Example there could be a loss that you have suffered from a suspense account, and now the decision is to review the controls of that". (I 15)
How	Ownership of risk-decisions	"the business ... taking accountability of the risk...". (I 1) "in terms of risk ownership ... business owns the risk. And they need to manage and put controls ... in place...". "...more for shared responsibility, where they depended a lot on compliance". (I 14) "You need to come ... to my meeting we have just raised the risk report and take ownership ... tell me how you are going to fix it. Making sure that the people that are responsible are there". (I 7) "...risk is allocated to first line business owners, not to risk and compliance ... with the appropriate input, oversight and happiness with the action items (I 8) "In terms of decision making anyway, business is always accountable" ... "it can never be compliance". "the roles and responsibilities its always very clear". (I 6) "business generally want the risk practitioners to be the ones to highlight the key risks in the business". "first line roles and responsibilities, as functional heads, and that includes reporting, ... we tell them what it is and then we also assist them with the tools to make that happen". (I 3) "Risk in an organisation is not owned by risk, it's by business. So that ownership". (I 9)
How	Risk related actions	"... aware of key risk which may materialise, based on escalation matrix ... escalate those ... will the make a call as to whether it should be taken to the next level". (I 1) "provides us insights ...we can see limited resourcing, or we can see the risk it causes ... example your monitoring plan might not be executed in the year. ...motivate for head count to address issues such as resourcing". (I 14) "alignment with our strategy, we can use what business presents in their risk reports ... aligning the strategy and where it is not obviously aligning, we need to sort of deep dive those issues and then make decisions around that". "the universe might change and that might require decisions. ... from a compliance point of view significant issues that would be raised through key issues being submitted during the preparation of the reports and going forward ... how we oversee or manage risk in business, how issues are escalated timeously to cluster and upward towards group as well". (I 14) "... senior management are aware of the risks ... predominantly the compliance risks. ... highlight to them the key risks that we have identified. ... also use it as an information sharing platform". (I 4) "... come through strongly in the reports that they put together for their functional areas, is what their key risks are". (I 3)

		"... second line assurance ... is coverage not to be achieved ... from a compliance perspective ...you can also call it change in coverage plan has to be approved at the enterprise risk meeting". "It is definitely decision making as far as that is concerned because the output of that decision would flow into ... board". (I 16)
Contribution	Inclusion of risk decisions	"The report adds value where the business-people take accountability of the risk in their area. ...we see it as a risk committee, and it should actually be a business committee discussing risk in their area". (I 1) "... compliance I mean the report is an important forum ... output of your compliance activities ... whether that is profiling, coming up with the reports and the monitoring activities – are put forward there, and what that does is it gives management the view from a control perspective of how the cluster is tracking against either coverage ... which are your strategic objectives". (I 16) "... look at what is happening in the industry, and if certain risks are highlighted we will then discuss and debate, and then if it is a specific risk for the business we might even make decisions not to pursue specific business opportunities as a direct result of the risk that is involved in that". (I 17) "So for prioritisation mainly. ... risks in the business, so we tend to look at the highest risks that we have, the one that poses the biggest challenge ... that is what I use the report for". (I 6) "...is that one sort of report, because it covers all 17 risks in the risk universe – management to make decisions. ... through that risk universe – and it does get escalated – ... is required for our group risk management committee. We need to submit our risk profiles and what are our key risks, and through that senior management escalate your senior execs, your board can use that as a tool to make risk-informed decisions and trend analysis". (I 9) "so we can't exist without the others ... some risk topics as a discussion across multiple functional lines in order to get an agreement of the way forward or to make decisions – how are we going to do it, who's primary, whose secondary accountable, etc". (I 13)

Appendix F

Risk reporting and risk-informed decision making in a South African bank

Sample on accountability had to be removed due to the restricted word count

Background

Table 1: Codebook – Risk reporting and risk-informed decision making

Theme	Description	Source
Risk accountability	Perceived and actual accountability for taking risk into account when making decisions.	RCI codebook (Zaaiman et al., In progress)
What: Risk decisions	Accountability for including risk information in decision making.	FSB (2014)
How: Ownership of risk decisions	Senior managers take ownership for including risk-related information provided in internal reports when making decisions.	FSB (2014)
Contribution: Inclusion of risk into decision making	Explicit accountability forces senior managers to include internal report risk-related information in decision making intended to achieve the bank's strategic goals.	FSB (2014)

Results and Discussion

Table 2: Quoted examples from the interviews

Thematic category	Code	Quotations
Risk accountability		
What	Risk decisions	'The report covers all 17 risks which enables business and specifically senior management to make decisions'. 'There could be a loss that you suffered from a suspense account ... the decision is to review the controls'.

Thematic category	Code	Quotations
How	Ownership of risk decisions	'Risk in an organisation is not owned by risk, it's by business. So that's ownership'. 'You need to come to my risk meeting ... we have just raised the risk and take ownership ... tell me how you are going to fix it ... people that are responsible are there'.
Contribution	Inclusion of risk in decision making	'We need to submit our risk profiles and what are our key risks, and through that senior management escalate ... your board can use that as a tool to make risk-informed decisions and trend analysis'.

Table 3: Coding results – interviews in which the codes occurred

Participants' numbers		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Thematic category	Code																		
Risk accountability		×		×	×		×	×	×	×				×	×	×	×	×	
What	Risk decisions	×								×						×	×		
How	Ownership of risk decisions	×		×	×		×	×	×	×					×		×		
Contribution	Inclusion of risk into decision making	×					×			×				×			×	×	

Risk accountability

As evident in Table 3, accountability in the context of reporting was raised by 12 of the 18 participants. Accountability themes from the interview data are now discussed.

What – risk decisions

The interview data show senior managers taking accountability for risk and for including risk in decision making. The risk profile in the report for each business unit reflects all the risks for which that business unit's senior managers are accountable, which allows them to make risk-informed decisions

(Yacov, 2009). With reference to related Table 2 interview quotations, a loss may impact more than one type of risk in the risk profile. Senior managers must therefore consider all risk ratings of applicable risks to decide whether to escalate risks to the board for decisions about appropriate risk mitigation. This finding echoes the FSB risk culture guideline that accountability of risk covers all aspects of risk management, including monitoring, identification, mitigation, and escalation of emerging risks, to enable risk-informed decisions to be made about unexpected risk issues (FSB, 2014).

How – ownership of risk decisions

Senior managers take ownership for including risk-related information when making decisions based on in the report. In addition, the interviews indicated that business takes ownership and accountability for managing risks, although business responsibility may be shared with risks specialists in cases such as compliance with implementation of controls. Although business is held accountable for reported risk issues and decisions, risk specialists at times are consulted or collaborated to resolve issues. Senior managers must own risks and implement controls as they are responsible for the operations of the business. This finding supports the FSB guideline that senior managers need to be aware of the consequences of not owning or managing their risks. Sheedy and Lubojanski (2018) report consensus among risk practitioners that all staff members, not just senior management and risk specialists, should be accountable for risk management.

Contribution – inclusion of risk in decision making

Business benefits from including risk-related information in the report to support strategic-goal-related decisions. This finding relates to the FSB guideline that senior managers' acceptance of risk-related goals and values is essential to achieve strategic objectives (FSB, 2014). Thus, senior managers are explicitly accountable for managing and owning risks in the business. The example quoted in Table 2, for instance, cited escalation of business key risks to the bank's board of directors for risk-informed decisions to be made on the basis of trend analysis data, as these could influence achievement of organisational strategic goals.

In summary, the senior management of the studied bank was perceived to take accountability for including risk-related information from the internal report when making decisions, and for ownership of risk-related actions required to achieve the bank's strategic objectives.

Appendix G

Expanded Codebook - Size A0 paper x 3

