RISK MANAGEMENT IS EVERY MANAGERS' RESPONSIBILITY: ARE HR PRACTICTIONERS READY FOR THE CHALLENGE

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Abstract

Risk and Enterprise Risk Management has become a strategic imperative in most organisations and government departments over the years. Most company boards and government entities in South Africa have adopted various corporate governance frameworks as a mechanism to direct and control the operations of their organisations. As a result, risk management and enterprise risk management has become every manager's responsibility. The key question that the study investigates is whether HR managers are aware of this strategic imperative and ready to be risk champions in their environment. Data was collected from forty eight (48) HR Managers and Practitioners from private companies and sixty eight (68) HR Managers and Practitioners from government departments and government companies in Durban, Kwazulu-Natal and Cape Town, Western Cape using both personal interviews and questionnaires which were distributed to one hundred and fifty (150) employees, of which one hundred and sixteen (116) questionnaires were completed (return rate 77.3%). The results of this paper indicate that, in general and across all sectors, HR practitioners' levels of understanding of corporate governance and risk management is limited.

Keywords: Risk Management, HR Managers as Risk Champions, Dual Labour Market System, South Africa

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1. Introduction

According to Coetzee et al, (2011), risk management is a relatively new addition to the wider concept of corporate government. This is both for the private and public sector.

For Coetzee et al, (2011), with the evolution of corporate governance in general and specifically risk management, formalised risk management frameworks have been recognised by many as an effective tool in assisting management with their responsibilities. They argued that in South Africa, this is supported by the fact that risk management is included in the leading corporate governance codes and in legislation, such as Public Finance Management Act, No1 of 1999 and the King Report on Governance, 2009.

2. Literature Review and Hypothesis Development

According to Rikhardson, et al, 2006 cited by Nsele (2011) on his research report, as business competitiveness becomes the way to survive for humankind, more cutting edge business innovations have been observed in the 19th and 20th century than ever before. The open market environment has been continuously changing at a macroeconomic level and subsequently at a microeconomic level. According to Rikhardson et al, (2006) cited by Nsele (2011), the activities of each economic participant contribute towards the direction of the economy as a whole. As the economic participants try different coping methods for survival, there lies an uncertainty to the business sustainability and outlook. For example, Rikhardson et al, (2006) cited by Nsele (2011), state that the advancement of computer technology has a continuous impact on the way business is done. Similarly, the risk of being heavily reliant on computer technology demands effective management of any ensuing profit or loss. All businesses operate in the uncertain environment, therefore nothing is guaranteed, and hence the need for effective management of potential risks is an imperative. Grant (2008:302) cited by Nsele (2011), identifies two main sources of uncertainty, namely, technological and market uncertainties. He states that technological uncertainty arises from unpredictable evolution and

complex dynamics of selecting technical standards and dominant designs. Market uncertainty relates to the size and growth rates of the markets for products.

3. Theoretical Framework

According to Mallin (2013), corporate governance has only recently come to prominence in the business world. The term 'corporate governance' and its everyday usage in the financial press is a new a relatively new phenomenon, with its growing usage in the last twenty years or so.

For Mallin (2013), the theory underlying the development of corporate governance, and the areas it encompasses, date from much earlier and are drawn from a variety of disciplines including finance, economic, accounting, law, management, and organisational behavior. For Mallin (2013), it must be remembered that the development of corporate governance is a global occurrence and, as such, is a complex area, including legal, cultural, ownership, and other structural differences.

Mallin (2013), argued that, therefore, some theories may be more appropriate and relevant to some countries than others, or more relevant at different times depending on what stage an individual country or group of countries is at. Nonetheless it is fair to say that corporate governance, as yet, does not have a single widely accepted theoretical base nor does it have a commonly accepted paradigm. The subject lacks a conceptual framework that adequately reflects the reality of corporate governance.

According to Wixley et al, (2010), while issues of corporate governance have become prominent only relatively recently, the origins of corporate governance go back thousands of years to when ownership and management enterprises were first separated. This means that owners had a need for mechanisms to monitor the performance of managers. This monitoring included development of various strategies and systems that enabled company boards and company owners to identify risk and develop mitigating controls.

According to Havenga (2006) cited by Nsele (2011), the later part of the 20th century has seen more and more emphasis on risk management. Entities have established functions that have risk management as their primary responsibility.

For Havenga (2008), with respect to the embedding of enterprise risk management in the South African environment, research has shown that risk management is now exiting the infancy stage. This gives a glimpse of hope that South Africa will continue to carry the torch for the African continent. At the same time this observation indicates that there is still more work to be done for South Africa to be at world class level in managing risks

According to Havenga (2008) cited by Nsele (2011), existing empirical academic research has focused more on the extent of the implementation of risk management practices by financial institutions, therefore remaining at a high strategic level. The operation of components of the risk management process has remained under studied.

According to Jackson (2012), in his article *Encouraging Excellence in Risk Management sector South Africa's risk management standards compared with the best of international best practice*, as demonstrated by this year's Institute of Risk Management SA (IrMSA) annual Awards. This optimistic assessment of the state of SA's risk management expertise comes from Gillian le Cordeur, CEO of IrMSA. For le Cordeur, there is a greater need for the better understanding of not only the current risks, but for greater research to be done on risks emerging. In the next five to ten years, he says that as the world continues to grow. This growth and complex risks will have consequential effects on one another and introduce greater systemic risk into the system. That requires a better and more detailed insight into the world around us, constant research and an imperative to understand that we need to lift the ethical game, while at the same time having a clearer risk-based picture of the world around us.

3.1 Corporate Governance and Risk Management in South Africa

As stated by Mallin (2013), in 1992 a Committee on Corporate Governance was established in South Africa. Chaired by Mervin King, the Committee produced the King Report on Corporate Governance (the King) late in 1994. The King report contained some of the most far-reaching recommendations at that time. Some eight years later, the King Report was published in 2002.

For Mallin (2013), between the dates of the two reports (1994-2002) there was extensive legislation and the King II report needed to take account of these developments. He argued that in common with its earlier version, the King II is one of the most comprehensive and most innovative reports published to date anywhere in the world. Its takes an inclusive approach, in other words, the company should not develop its strategies and carry out its operations without considering the wider community, including employees, customers, and suppliers.

An interesting culture is mentioned in the context of labour relations, and people management, which is the tradition of consultation practised by African chiefs. Clearly, consultation is part and parcel of the African psyche and so a company should take this into account in its relationship with employees and people generally (Mallin; 2013: 340).

According to Haw (2004), the second report on corporate governance placed the discipline of risk management squarely on the boardroom table. For Haw (2004), managers have been obliged to assume responsibility for overseeing the process within their units, leaving board members to focus on the more

significant risks that affect the organization business strategy. However, better informed, forward – thinking managers are exceeding expectations, says Kay Darbourn, President of the Institute of Risk Management SA and GM: Risk Management for Eskom cited by Haw (2004). They are managing risk and making the most of opportunities presented by the process. The risk management process, which involves risk identification, evaluation, control or mitigation and transfer, gives managers an additional tool which they can use to effectively direct decisions regarding specific constraints or opportunities that may result in the success or failure of initiatives. Darbourn believed that companies that have integrated risk into their daily process in many cases by using enterprise-wide risk management techniques are benefiting from a more proactive approach.

According to Castanheira et al, (2010) cited by Coetzee et al, (2011), in South Africa corporate governance, has developed considerably since the introduction of the second King report (IOD 2002) in 2002 and, in particular, since the third King report (IOD 2009) in 2009, which requires, among other things, an effective risk based internal audit. However, since the introduction of King III, according to Castanheira et al (2010) cited by Coetzee et al (2011), organisations and the internal audit profession have not adhered to all the elements of risk management and risk –based internal Audit.

Even though South Africa is making noticeable progress in corporate governance, according Wixley et al, (2010) South Africa experienced numerous corporate failures in the 1990's. Such failures have continued in South Africa in the 2000's, with cases such as Regal Treasury Private Bank (liquidated) Absa limited, at a cost of some R1.8 billion. What is particularly alarming is that several of these corporate collapses were financial institutions subject to external regulations (Wixley et al; 2010:7).

Clearly, for Wixley et al, (2010), the regulatory powers proved to be somewhat ineffectual in protecting the public, possible, good corporate governance by directors closer to the action might have prevented some of the collapses which occurred. The King II contains the Code of Corporate Practices and Conduct which contains principles in a number of areas such as Risk Management.

It has always been understood that these challenges of risk management and corporate governance are not unique to South Africa. For stance, in United States of America (USA), monitoring risk and controls is driven by section 404 of Sarbanes-Oxley Act of 2002. In light of corporate scandals that gave rise to the downfall of big corporate such Enron, the USA government put into law requirements to govern the quality of financial reporting by entities listed on their security exchange. Section 404 of this act requires entities to publish information in their financial reports regarding the scope and adequacy of their internal control structure and procedures for financial reporting. This information is required to be attested by a firm of independent auditors. Experience has shown that compliance with this regulatory requirement call for an ongoing review of internal controls and timely rectification of control weaknesses identified by management. This is followed by attestation by external auditors about the adequacy and effectiveness of control environment. The result of this is that a lot of effort goes into the monitoring of controls by management because information about quality of risk management is a share price sensitive matter. It must be noted that satisfaction by Sarbanes Oxley requirements, puts more emphasis on the management of risks relating to financial reporting which is does not necessarily cover risks relating to the operation of the business" (Nsele; 2011:21).

"Contrary to the USA, it is not a regulatory requirement for South African companies to report on quality of control environment. A review of recent annual reports of South African bank shows that all banks do make an effort to report on risk management, however there is no consistency on the structure and the content of the report. Some reports are extensive and some cover minimum comments about certain aspects of Basel 2. This information is not independently verified to the level of Sarbanes Oxley 404 requirement" (Nsele; 2011:21)

According to Sim Tshabalala, Deputy CEO of Standard Bank, cited by Sure Kambunga (2011) in his article *Risk Management still a work in progress* published by the University of the Free State, the recent crisis has definitely resulted in an increased awareness of risks and risk management within banks. The risk culture is more pronounced in the sense that staff at all levels within the various organisations better understand their role in the management of the risk.

The board is responsible for the overall risk management process, with management being accountable to the board for the actual day-to-day risk management. It is the board's responsibility to form an opinion on the effectiveness of the risk management process. It stands to reason that the board should identify areas where the business may be particularly vulnerable, and utilise accepted risk management controls and framework to ensure that such risks are appropriately monitored. The Code points out that risk management, rather than perhaps being viewed as only a negative process, may also give rise to opportunity to create competitive advantage. (Mallin; 2013:341-2)

While King III predecessor, King II was mandatory for JSE-listed companies, King III has a significantly further reach, as the code of good governance is now applicable to all legal business entities. Terry Booysen, CEO of CGF Research Institute, cited in an article by Enterprise Risk (2010) says: good intentions are no longer good enough where corporate governance is concerned. Executive

could find themselves in serious trouble if they do not ensure that their business conduct and operations meet the provisions of the likes of King III, the new Company Act, and many other legal and regulatory measures (http://reference. Sabinet.co.za).

According to Sanchia Temkin, in his article published by the University of Free State, the King III report takes a process-driven approach to risk management that emphasises the overall responsibility of a company's board, which should have a risk management policy and plan in place. However, Wixley (2010), a corporate governance analyst and co-author of the book Corporate Governance, cited by Sanchia Temkin, says the King III report has gone "overboard in engineering risk management". It tends to make risk management bureaucratic rather than part of the company (http://reference. Sabinet.co.za).

Wixley et al, (2010), argued that one of the dangers of implementing a complex risk management system is that the process of identifying and managing risk can become unwieldy. Care should be taken to ensure that line managers retain responsibility and that the risk system of management does not become a parallel system of management,

3.2 Risk Management and Enterprise Risk Management (ERM): What is it about?

If more entities, both in private and public sectors, are risk alert, this then raises questions such as; what is risk management and whether enterprise risk management is guaranteed against failures.

Wixley et al, (2010), argued that good corporate governance, and by extension Enterprise Risk Management (hereafter ERM), is not guaranteed against failures but it should ensure that there is adequate disclosure of the risks undertaken and that, where enterprises do run into difficulties, those are handled with wisdom and integrity, in the best interest of the enterprise and adequately communicated to stakeholders.

According to Fourie et al (2013), numerous changes to laws and to business conditions have increased the levels of accountability and responsibility for the entity's wellbeing required from the board of directors. According to Fourie et al (2013), this translates into pressure that extends from the board of directors to the audit committee and to management. Management is required to design, implement and maintain internal controls to manage the risks faced by the business, highlighting the importance of management's accountability role. Internal controls therefore play an important role in any organisation. For them, however, without a balancing authority, management's controls could be biased and weak, thus allowing personal gain and other non-business interests to take root. Internal Auditors play a key balancing role in this area, independently assessing the efficiency and effectiveness of the internal controls implemented by management.

According to Nsele (2011), Committee of Sponsoring Organisations (COSO (2004), defines Risk Management as a process that involves the identification, assessment and controlling of events that could happen and have a negative or positive impact on the organisation's pursuits of its business objectives.

An article from The University of Free State sourced in Financial Mail (2010), defines risk management as being about preparing for the unexpected and being able to cope when it happens, or to mitigate the impact. This is important in business, investments, politics and life in general.

Neneh et al (2002), define risk management as the identification, assessment and mitigation of risks involved in a project. With this definition, it is necessary to understand what risk entails, in order to better comprehend the definition of risk management. Following ISO standardised classification, risk is defined as "the effect of uncertainty on (achievement of) objectives" (ISO 2009), Neneh et al (2002).

According to Ranong et al (2009), cited by Nsele (2011), risk is a function of the likelihood of something happening and the extent of loss arising from that incident. "Risk can be classified into systematic and unsystematic risk" (Al-Tamimi and Al-Mazrooei, 2007) cited by Nsele (2011). Ranong et al (2009), cited by Nsele (2011), says systematic risk refers to a risk inherent to the entire system or entire market. It is sometimes called market risk, systemic risk or un-diversification. In other words; it is risk that cannot be avoided through diversification. Whereas, unsystematic risk is risk associated with individual assets and hence can be avoided through diversification. "It is also known as specific risk, residual risk or diversifiable risk", says Ranong et al (2009). For Simon van Wyk and Carin Joyce on their article: *Grappling with risk complexity: an insight into multi-scalar and multi-dimensional risk scenarios*, risk is an inherent part of any business. The fact of the matter is that risk cannot be viewed in a silo form. The silo effect typically applies to the more historical forms of assessing risk. Examples include disaster risk, financial risk, operational risk, fire risk and the list goes on.

According to Skeen (2012), the word "risk" itself carries negative connotations of accidents, hiccups and unexpected problems. In *Exploiting Future Uncertainty* (2010) David Hillson, cited by Skeen (2012), encourages the Risk-Opportunity dichotomy suggested by the Chinese pictogram for risk: *wei ji*. This includes two elements, one meaning "danger", whilst the other meaning "opportunity". The suggestion is that for every potential risk, there is an opportunity waiting to be discovered. Clearly not all risks include a positive element, but without risky endeavours, there would be no progress, innovation or

discovery, and the concept of positive risk or opportunity should not be neglected as part of the risk management process. In each case of an identified risk event, the potential benefits should be investigated, whether it be potential cost saving via value engineering, improved technical solutions which could be used in future to overcome similar problems, or simply an opportunity to learn from similar situations in the past. Once risks have been identified and assessed, they are tabulated and their likelihood and severity used to evaluate the impact of a potential risk event. Each risk is typically assigned to a responsible individual to monitor and act should the risk event occur.

According to Wixley, et al (2010), one of the biggest dangers in dealing with risk is the assumption that we can predict all or most eventualities and that risk management is simply a matter of dealing with potential problems that have already been identified and analysis. They argued that the lesson is that risk management strategies should never discount the likelihood and potential impact on highly improbable events. King III recognises that some risks are unpredictable. The main thrust of King III in relations to risk management is that the risk assessment process should be comprehensive, accurate, thorough and complete.

"The author of the *Black Swan* would argue that it is neither possible nor economically justifiable to anticipate every possible risk, improbable or not. In the view of the author, risk management can play an important role in assisting companies to avoid or reduce many of the risks that businesses face and that it provides a useful framework for ensuring sound and cost-effective systems if internal controls. However, it is essential to appreciate the inherent limitations of risks management system and to recognise the possibility of unpredictable events that may threaten a company's future." (Wixley et al, 2010, 84)

Van Wyk et al (2012), argued that risk management, in the true sense, encompasses a greater paradigm shift from reactive measures which underpin the notion that 'prevention is better than cure'. According to van Wyk et al (2012), when applying this philosophy to operational risk a few 'potential' solutions come to mind. A number of risk assessment methodologies are available on the global market. However, determining the correct and most appropriate methodology can become taxing on an organisation. A good place to start is the international standards for risk management, namely ISO 31000:2009 and ISO 31010:2009 which set out risk management principles and guidelines for addressing risk management in its broadest sense. Having said that; operational risk assessments, which for all intents and purposes, are elements of risk management, should be practical and centered on understanding an organisation's activities and associated risks. This can be achieved by using multiple methodologies that provide a robust and holistic understanding of the risks that an organisation may (Van Wyk et al; 2012).

According to Wixley et al (2010), cited from COSO (2004), enterprise risk management is a process, established by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of business objectives. Cited by Nsele (2011), Havenga (2006) traces the origins of Enterprise Risk Management (ERM) for early twentieth century. Havenga (2006) describes ERM as another phase of risk management. He states that, during twentieth century, risk management developed from a component of business goal setting, to more insurance based management action, to more enhanced component of financial risk management and then eventually the creation of a more integrated organisation-wide approach to risk management towards the latter part of the 1990's known as the origin of ERM. Lately, Chimbayambuya (2007) developed a risk management model that he calls Holistic Risk Management (HRM). The HRM model extends risk management beyond risk function of the enterprise and prescribes a risk based approach in conducting the business. This is also supported by Galloway et al, (2000) cited by Nsele (2011), who argued that the sources of enterprise risk solutions are many – from the qualitative world of audit and control, the actuarial world of insurance and risk management, the six sigma world of quality and engineering risk management, to the quantitative world of financial, market and credit risk management. Each set of solutions speaks a different risk management language. These multiple languages of risk all need to be translated to the one language that is relevant to management – the language of value.

Galloway et al (2000), cited by Nsele (2011), identified the opportunity to lower risk management costs and the need for competitive advantage in a rapid and evolving risk environment as the two drivers for the need for enterprise risk management. They further described four factors that characterise the risk environment of which they have their roots in value creation and preservation. They summarize these factors using an acronym 'FAST' which stands for 'Focused and Simple Transparent'. The focus of this study will be on ERM framework as developed by Committee of Sponsoring Organisations.

According to Havenga (2006), cited by Nsele (2011), ERM emerged in the beginning of the twenty first century as a new paradigm of risk management, instead of relying on a traditional, intra departmental strategy where each area of the organisation manages its own risk (Havenga, 2006). Following increasing realisation of the importance of risk management due to increasing uncertainty, COSO developed principles

known as Enterprise Risk Management Framework, which are now widely accepted as useful tools in managing risk across the enterprise.

According to Nsele (2011), in September 2004, COSO released a second addition of Enterprise Risk Management (ERM) Framework. According to this framework, enterprise risk management is the a process effected by the board of directors, management and other personnel of the entity, applied in the strategy setting of the enterprise, to identify potential events that may affect the entity and manage risk to be within the entity's risk appetite, to provide reasonable assurance with regards to the achievement of the entity objectives. According to Nsele (2011), Bowling and Rieger (2005), in their analysis, broke down COSO's definition of enterprise risk management as shown in Figure 1. ERM focuses on the causes and effects that keep companies from achieving their strategic business objectives.

Figure 1. Understanding Risk Enterprise Risk Management

To get a better understanding of the ERM framework, COSO's ERM Executive Summary suggests taking a closer look at the key words in the definition:

- **A process:** a means to an end
- **Effected by people:** in contrast to exclusive reliance on written policies, surveys or forms
- **Applied in a strategy setting:** take a big picture view
- **Across the enterprise:** take a portfolio (rather than narrow) view of risk
- **Identifying events:** consider in the context of the entity's appetite for risk
- **Reasonable assurance:** no absolute guarantees
- **Achievement of organisational objectives:** can occur in one or more overlapping categories

3.3 Risk Management in HR Environment

Human resource management practices (HRM) is defined as "a set of distinct but interrelated activities, functions and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources", according to Tocher and Rutherford (2009: 457), cited by Neneh et al, (2012)

According to Collins, Ericksen and Allen (2005), cited by Neneh et al, (2012), elucidate that HRM practices are primarily aimed at effectively managing people. They established a general process through which HRM practices impact on the performance of a firm as follows: effective employee management practices lead to positive employee outcomes.

Neneh et al, (2012), argued that when dealing with organisation risk, little or no focus is made to the human resources (HR) environment. The tendency seems to be more on what is termed "core" and "risky" environments like finance. The academic literature has little information on initiatives taken by companies and government entities to regulate or put control measures to mitigate against risks in HR environment. This is despite HR literature which suggests that a well-functioning HR environment may have benefits such as organizational performance.

According to Neneh et al (2012), various studies (Hoyt, Moore & Liebenberg 2006; Nocco & Stulz 2006) have shown that the use of risk management practices increases a firm's performance. Risk management practices include purchasing insurance, maintaining cash reserves, installing security systems, diversification, recruiting, safety, training, coaching, policy and procedure development, dealing effectively with employee complaints of harassment or discrimination, and uniform termination procedures. A study by Ow (2007) further emphasised that in order to enhance business performance, risk management practices should be simplified and embedded into normal business operations, planning and budgeting processes, and organisational culture (Neneh et al, 2012).

According to Butler (2010), cited by Marius et al (http//www.sajhrm.co.za) on the article: *Human Resources risk management: Governing people risks for improved performance*, against a backdrop of uneven and uncertain economic recovery, the worldwide economic recession has led to a renewed focus on managing risk. He continues to state that, at a local level, the King III Code on Governance in South Africa has been in effect from 01 March 2010. In response to King III, the South African Board for People Practices (SABPP) recently released an opinion paper on the human resource implications of King III (SABPP, 2009) (http//www.sajhrm.co.za).

Given the important role of HR directors in supporting King III, and the sound governance of South African organisations in particular, the Human Resource Research Initiative of SABPP identified the management of HR risk as one of the most important opportunities that HR practitioners have for adding value to the new governance dispensation in the country.

In fact, the 2009 Ernest and Young Business Risk Report highlighted the importance of HR risk management. Christopher Lipski, HR Risk Management Service Line Leader in the United States of America (USA), said that 'managing risk in the HR area has become an increasingly important issue for global executives (http//www.sajhrm.co.za).

"In his new book on successful South African entrepreneurs, Brian Joffe, Chief Executive Officer (CEO) of the Bidvest Group, states: 'A key risk in future – just like today – is people risk.' We live in a country with a dearth of skills. So a key test of entrepreneurship is how you develop people. One of the big lessons from Bidvest is that you grow by growing people and working together. You rarely find bad people in business. The problem is usually a bad fit. Give people the right opportunity, the right tools and training, and they will perform" (http//www.sajhrm.co.za).

This article gives a brief overview of the importance of managing risk from an HR risk management perspective. The point of departure is that, in addition to other factors in business, a lack of proper HR risk management contributes to poor governance because businesses often use a reactive approach to HR management with no or little regard for managing risk (http//www.sajhrm.co.za).

According to COSO (2004:83-4: IOD 2009:73), cited by Coetzee et al (2011), the majority of the parties involved in the business environment recognise that the responsibility for risk management lies with the board and senior management in private sector and with the Accounting Officer in the South African public sector (RSA 1999: S38 (1) (a) (i), RSA 2003: S62 (1) (c) (i)). To manage risk efficiently and effectively, management should have an understanding of the concept of risk in general and of the specific risks that threaten the organisation in particular, and should then establish a proper risk management framework to mitigate key risks (Coetze and Lubber, 2011: 30).

According to Gillingham (2007), in his article; *Weak areas in assessment of risk can create problems,* South Africa has made progress in its core understanding of risk management principles and is well developed in terms of property and hazard-related risks. However, Volker von Widden, Managing Director (MD) of Risk Consulting at Marsh SA, cited by Gillingham (2007), states that there are some issues on the application of broader risk-management principles in the current business environment. It is challenging to identify and access the appropriate risk-management expertise needed. According to Von Widdern cited by Gillingham (2007), in the South African situation, large numbers of new projects are being approved and capacity is stretched to the limit. People capacity risk management has become an integral part of companies overall risk management strategies as they realise the importance of optimising management and employees in their business strategies. For Pieter de Bruyn, cited by Gillingham (2007), who leads the people capacity solution team at Ovation, says over the past decade or so risk management has evolved from health and safety issues to insurable risk and thereafter integrated and managed risk. People are now being added to the mix as companies recognise that their competitive edge often lies in their people. De Bruyn identifies five main people risk – management themes, key individual, intellectual capital invested in individuals through the organisation, worker groupings such as trade unions, performance management, and optimising people potential According to De Bruyn, companies should review their processes so they are optimising their people and not only using technology to save the day.

This implies that companies should put their structures around people, rather than people around the structure. While people, rather than technology, are being seen increasingly as providing companies with competitive leverage, they are also being seen as consisting of a risk that needs to be managed, such as loss of key people through death and resignation or strike action, underperformance and inadequate recruitment.

He says top management s involved in people issues rather than abdicating them to human resources. As South Africa's employment environment has become so regulated, companies have to invest quality management time in minimising people return.

According to Marius Meyer, Gert Roodt and Michael Robbins in their article *Human Resources Risk Management: Governing people risks for improved performance* (http//www.sajhrm.co.za), Risk management, as an emerging management discipline, has gone from strength to strength over the last decade. Various universities have started to offer short academic courses in managing risk and companies employ risk managers to ensure that risk management receives the attention that it deserves.

The appointment of risk managers also had its downside because it meant that senior managers saw managing risk as a separate organisational function that risk managers controlled. Now, in the new governance regime that King III proposed, managing risk has been elevated to board level using the best practice guideline that companies should appoint a chief risk officer (CRO) to boards. In a similar vein, King III elevated and repositioned risk management at board level by referring to the 'governance of risk'. In fact, governing risk is now a whole chapter in King III (chapter 4) (http//www.sajhrm.co.za).

Managing risk should therefore form part of the strategic plan of an organisation. However, as Taleb (2007) warns, companies must be careful of becoming risk complacent when they assume that they can forecast the future accurately. Who could have predicted 9–11, the tsunami and the worldwide economic recession? All of these dramatic events had a major effect on business all over the world but risk managers and boards could not forecast any of these events. Thus, managing risk has indeed become an emerging field. However, businesses need a more integrated and proactive approach to ensure that they becomes resilient and develop capacity to handle risks and disasters (http//www.sajhrm.co.za).

Significantly, the King III Report specifically mentions HR as an important area for identifying and reducing risk. Boards should report annually on risks and sustainability issues, like social development, transformation, ethics, safety and the acquired immune deficiency syndrome (AIDS) (IOD, 2009). In fact, in high-risk environments, businesses may need more frequent management reports. Therefore, companies should assess people or HR risks as part of their overall management of risk (SABPP, 2009). German banks have taken the lead in developing strategies to manage HR risks (Paul & Mitlacher, 2008). In addition, Deloitte (2008) highlights the importance of managing HR risk in the modern business environment (http//www.sajhrm.co.za).

However, some risk management experts feel that King III does not address managing risks adequately. They feel that King III is not sufficiently aligned to the ISO risk management standard and is out of touch with typical modern risk management practices at leading organisations (http//www.sajhrm.co.za).

A study by Ernest and Young shows that reputation makes up as much as 50% of a company's share price. The Exxon Valdez oil spill cost the company $2 billion in the first two months and a further $10 billion to restore the environment. As if this was not enough, the United States (US) government fined it another $5 billion. From a risk management perspective, the most important question is what caused the tragedy. Was it bad environmental practice, poor management, a lack of control or negligence? It was probably all of these, but the root cause analysis showed a remarkable origin - a faulty HR policy. This resulted in under staffing and poor working conditions. In essence, the cause was aggressive cost cutting at the company (http//www.sajhrm.co.za).

A company needs to consider the value of its goodwill and intellectual property in its annual valuation, especially in the event of a sale. Often, companies feel that contractors are less of a risk. However, one can challenge this when the company sells intellectual property but does not actually own the property it intends selling or which it wants valued (http//www.sajhrm.co.za).

This has become evident in audits because companies felt that the absence of a long-term relationship reduces risk. However, they had not considered that:

- the top staff are not actually bound to the company or its policies and procedures
- the company and labour brokers are legally, jointly and severally liable, so contractors and labour brokers do not reduce risk as much as managers think they do.

A study by Beatty, Ewing and Sharp (2003), also showed that HR risk was associated with higher organisational risk. The very nature of global HR poses several risks, like political instability, fraud, terrorism, regulations, health and safety, human rights abuses and intellectual property issues (http//www.sajhrm.co.za).

Therefore, managing risk is the process by which a board, in consultation with managers, decides which risks to eliminate, accept, reduce or transfer (Naidoo, 2002). An HR risk is any people, culture or governance factor that causes uncertainty in the business environment that could adversely affect the company's operations (http//www.sajhrm.co.za).

4. Results and Discussion

This section presents the results and discusses the findings obtained from the questionnaire in this study. The data collected from the responses was analysed with SPSS version 20.0. The results will be presented in the form of graphs, cross tabulations and other figures.

The research findings from both public and private organisations identified for purposes of the study indicate that in general, the level of understanding of what corporate governance and risk management is, is limited among HR practitioners at all levels.

Table 1 below indicates that almost 19.0% of respondents in the public sector, across all categories of employment, strongly disagreed with a view that they have a very good understanding of what corporate governance is about, while 48.3% of respondents disagreed. About 8.6% of the respondents who disagreed with the statement were senior management, while 31.0% was middle management. Only 1.7% of respondents at senior management level have a very good understanding of what corporate governance is all about.

In the private sector, the picture is slightly different. The table below indicates that about 47.7% of respondents across all categories employment have a good understanding of what corporate governance is all about. In this figure, 25.0% of respondents are middle management while 11.4% is junior management.

Table 1. I have a very good understanding of what corporate governance is about * Category of employment Cross tabulation

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I have a very good understanding of what corporate governance is about	SD	0	0.0	0	0.0	0	0.0	0	0.0	2	3.4	5	8.6	4	6.9	0	0.0
	D	0	0.0	1	2.3	1	2.3	0	0.0	5	8.6	18	31.0	1	1.7	4	6.9
	N	0	0.0	0	0.0	0	0.0	0	0.0	1	1.7	3	5.2	4	6.9	2	3.4
	A	2	4.5	11	25.0	5	11.4	3	6.8	1	1.7	3	5.2	3	5.2	2	3.4
	SA	0	0.0	13	29.5	4	9.1	4	9.1	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.696 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.063 (no significant relationship)
Interpretation: Private: Fisher's Exact Test p-value = 0.696 (no significant relationship between "Category of employment" and "I have a very good understanding of what corporate governance is about")
Interpretation: Public: Fisher's Exact Test p-value = 0.063 (no significant relationship between "Category of employment" and "I have a very good understanding of what corporate governance is about")
NOTE: A non-significant result means that the column variables did not affect the way the row variables were scored, and vice versa.

Table 2. All managers in my company are aware of what corporate governance is about

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
All managers in my company are aware of what corporate governance is about	SD	0	0.0	1	2.3	0	0.0	0	0.0	1	1.7	5	8.5	1	1.7	2	3.4
	D	0	0.0	2	4.5	0	0.0	2	4.5	8	13.6	17	28.8	7	11.9	5	8.5
	N	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	4	6.8	4	6.8	1	1.7
	A	2	4.5	22	50.0	10	22.7	5	11.4	0	0.0	3	5.1	0	0.0	1	1.7
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.479 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.625 (no significant relationship)

Table 2 provides a very concerning trend, given the fact that the responsibility to operationalise corporate governance plans rest with management. What further complicates matters is that Table 2 below indicates that 62.7% of respondents in the public sector do not believe that all managers in their company are aware of what corporate governance is about. About 13.6% and 28.8% of the 62.7% is from senior management and middle management respectively. This, again, is contrary to the private sector where 88.6% of respondents agree with the view that all managers in their company are aware of what corporate governance is about. About 50.0% of respondents in middle management in the private sector agree that all managers in their company are aware of what corporate governance is about. This is a very strong indication that somehow private companies take corporate governance issues seriously in comparison with the public sector.

Table 3 below indicates that, in the private sector, those with higher academic qualifications have some understanding of what corporate governance is all about. The information reveals that about 25.0% of respondents agreed, whiles the other 25.0% strongly agree that they have a very good understanding of what corporate governance is about. The picture is different with the public sector. About 20.3% of respondents with B Degree disagreed that they have an understanding of what corporate governance is all about, while only 1.7% in the same category agreed.

Table 3. I have a very good understanding of what corporate governance is about

			I have a very good understanding of what corporate governance is about				
			SD	D	N	A	SA
Private	National Certificate	N	0	0	1	1	0
		%	0.0	0.0	2.5	2.5	0.0
	National Diploma	N	0	1	0	5	4
		%	0.0	2.5	0.0	12.5	10.0
	B. Tech	N	0	0	0	2	3
		%	0.0	0.0	0.0	5.0	7.5
	B. Degree	N	0	1	0	10	10
		%	0.0	2.5	0.0	25.0	25.0
	B. Degree (Hons)	N	0	0	0	2	0
		%	0.0	0.0	0.0	5.0	0.0
Public	National Certificate	N	0	3	2	2	0
		%	0.0	5.1	3.4	3.4	0.0
	National Diploma	N	1	2	4	3	0
		%	1.7	3.4	6.8	5.1	0.0
	B. Tech	N	3	5	0	1	0
		%	5.1	8.5	0.0	1.7	0.0
	M. Tech	N	0	0	1	1	0
		%	0.0	0.0	1.7	1.7	0.0
	B. Degree	N	3	12	4	1	0
		%	5.1	20.3	6.8	1.7	0.0
	B. Degree (Hons)	N	2	4	0	1	0
		%	3.4	6.8	0.0	1.7	0.0

Private: Fisher's Exact Test p-value = 0.427 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.152 (no significant relationship)

The table 4 below indicate statistical information on the number of respondents in the public sector that know what risk management is about. About 11.9% of senior management and 28.6% of middle management do not know what risk management is about, while 38.1% across all categories were neutral. The response from the public sector respondents is very different when compared to the respondents in the private sector. About 19.0% of middle management and 11.9% of junior management know what risk management is about. The table also indicates that, even at low levels of operations, respondents in private sector understand what risk management is about. About 9.5% of the respondents who understand what risk management is about, are HR practitioners.

Table 5 below reveals that in the public sector respondents who have worked between 5 to 10 years have little understanding or no understanding at all of what risk management is about. About 8.7% of respondents in the public sector who have worked less than 5 years and 19.6% of those respondents who have worked between 5 to 10 years do not know what risk management is about.

Table 4. I know what Risk Management is about

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N		N		N		N		N		N		N	
I know what Risk Management is about	SD	0	0.0	0	0.0	0	0.0	0	0.0	2	4.8	1	2.4	1	2.4	1	2.4
	D	0	0.0	3	7.1	2	4.8	1	2.4	5	11.9	12	28.6	3	7.1	1	2.4
	N	1	2.4	7	16.7	1	2.4	1	2.4	1	2.4	7	16.7	6	14.3	2	4.8
	A	0	0.0	8	19.0	5	11.9	4	9.5	0	0.0	0	0.0	0	0.0	0	0.0
	SA	1	2.4	7	16.7	0	0.0	1	2.4	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.840 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.199 (no significant relationship)

Table 5. I know what Risk Management is about

		Private												Public											
		How long have you been working? (in years)												How long have you been working? (in years)											
		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I know what Risk Management is about	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	2.2	1	2.2	2	4.3	1	2.2	0	0.0
	D	0	0.0	3	7.3	0	0.0	1	2.4	0	0.0	0	0.0	4	8.7	9	19.6	4	8.7	3	6.5	4	8.7	0	0.0
	N	0	0.0	5	12.2	4	9.8	1	2.4	0	0.0	0	0.0	3	6.5	4	8.7	3	6.5	4	8.7	3	6.5	0	0.0
	A	3	7.3	8	19.5	6	14.6	1	2.4	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	SA	2	4.9	2	4.9	4	9.8	1	2.4	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.528 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.918 (no significant relationship)

Furthermore, about 20.5% of respondents in the public sector who have been in the employment of the organisations identified for this research between 3 and 6 years and 9.1% in the employment between 7 and 9 years do not know what risk management is all about. About 50.0% of all categories do not know what risk management is all about. The information gathered from the public sector respondents differs significantly if compared to responses received from the private sector. About 15.0% of respondents employed between 3 and 6 years know what risk management is about, while 15.0% of the same category strongly agreed with the view that they understand what risk management is about. About 17.5% of respondents employed by participating companies for between 10 and12 years, know what risk management is about.

Table 6. I know what Risk Management is about

		Private								Public									
		Tenure								Tenure									
		3 - 6 years		7 - 9 years		10 - 12 years		13 - 15 years		Less than 3 years		3 - 6 years		7 - 9 years		10 - 12 years		13 - 15 years		More than 15 years	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I know what Management is about	SD	0	0.0	0	0.0	0	0.0	0	0.0	2	4.5	1	2.3	0	0.0	1	2.3	1	2.3	0	0.0
	D	0	0.0	1	2.5	2	5.0	1	2.5	2	4.5	9	20.5	4	9.1	3	6.8	2	4.5	2	4.5
	N	5	12.5	0	0.0	2	5.0	2	5.0	0	0.0	4	9.1	3	6.8	1	2.3	2	4.5	7	15.9
	A	6	15.0	4	10.0	7	17.5	1	2.5	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	SA	6	15.0	3	7.5	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.046 (there is a significant relationship)
Public: Fisher's Exact Test p-value = 0.106 (no significant relationship)

Table 7. I have been trained by my company on Risk Management

		Private				Public			
		Permanent		Temporary		Permanent		Temporary	
		N	%	N	%	N	%	N	%
I have been trained by my company on Risk Management	SD	0	0.0	0	0.0	0	0.0	0	0.0
	D	12	30.0	1	2.5	26	54.2	3	6.3
	N	8	20.0	1	2.5	8	16.7	1	2.1
	A	15	37.5	3	7.5	10	20.8	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.990 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.624 (no significant relationship)

Table 8. I have been trained by my company on Risk Management

		Private										Public					
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I have been trained by my company on Risk Management	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	D	1	2.3	6	14.0	2	4.7	3	7.0	5	9.1	20	36.4	6	10.9	3	5.5
	N	1	2.3	5	11.6	3	7.0	3	7.0	1	1.8	4	7.3	2	3.6	3	5.5
	A	0	0.0	14	32.6	4	9.3	1	2.3	2	3.6	4	7.3	3	5.5	2	3.6
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.336 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.605(no significant relationship)

The fact that some respondents have been in the employ of the selected companies and departments for a longer period did make them understand or get exposed to risk management practices. The table above indicates that about 20.5% of respondents in the public sector who have been employed between 3 and 9 years, and 6.8% of respondents who have been employed between 10 and 12 years do not know what risk management is about. In the private sector, 10.0% of respondents who have been employed between 7 to 9 years, and 17.5% of respondents employed between 10 to 12 years know what risk management is about. In both sectors, the more people are in the employ of the selected companies, the less they know what risk management is about. The assumption is that the more people are in the employ of the company, the more they will be exposed to risk management and internal controls practices and training.

Not much investment has been made by government departments to capacitate or train its employees across all levels on risk management. About 54.2% of respondents who are permanently employed were not trained on risk management, while only 20.8% were trained and 16.7% were neutral. In comparison, with the table below, participating companies appear to have invested in employees through training in dealing with risk management. The table below reveals that about 37.5% of respondents have been trained by their companies on risk management, while 30.0% disagreed.

Furthermore, about 61.8% of respondents across all categories of employment strongly disagreed with suggestions that they had been trained by their organisations on risk management. About 9.1% of the 61.8% in the public sector were senior management, while 36.4% was middle management. While 44.2% of respondents across all categories of employment have been trained by their companies on risk management. Of this 44.2%, 32.6% is from middle management in the private sector.

Despite long years of employment, about 8.8% of respondents who have been working between 16 and 20 years cannot identify risk in their environments. While 11.8% of the respondents who have been employed between 5 and 10 years have a similar challenge.

Even though the picture is not significantly different to that is the public sector, about 7.3% of respondents who have worked between 5 to 10 years and 10 to 15 years respectively, know how to identify risk in their environment.

The information gathered from the respondents in the public sector indicates that only 3.2% of middle management can be able to identify risk in their environment, while 6.4% of senior management, 19.4% of middle management and 11.3% of junior management cannot identify risk in their environments.

The information gathered from the respondents in the private sector indicates that only 16.7% of middle management can be able to identify risk in their environment, while 7.1% of junior management can be able identify risk in their environments. About 28.6% of middle management and 2.4% of senior management in the private sector do not know how to identify risk in their environments. There was no significant difference between the private and public sector's responses. About 6.5% of senior management and 19.4% of middle management in the public sector do not know how to identify risk in their environments.

Further to the above, about 55.0% of respondents in the public sector is of the view that risk management is for senior management. Of this 55.0 %, 31.7% is from middle management, while 6.7% is from senior management and junior management respectively. About 30.0% of middle management in the private sector agrees that risk management is for senior management. About 10.0% of respondents in the private sector were neutral, while 12.5% of junior management disagreed.

Ironically, about 11.7% of senior management do not see the relevance of risk management on their day-to day responsibilities. The table below further indicates that 25.0% of middle management in the public sector is also of the view that there is no relevance of risk management on their day to day responsibilities. Instead, in table below, about 33.9% of respondents in the public sector are of the view that risk management is for operational managers.

About 40.9% of middle management and 15.9% of junior management respondents strongly disagreed with the view that they do not see the relevance of risk management on their day-to-day responsibilities. This is very much contrary to the responses gathered from public sector respondents.

Further, the table 13 below also indicates that about 7.1% of senior management and 16.1% of middle management respondents in the public sector agreed with a view that risk management is for operational managers, while 2.3% of senior management and 18.6% of middle management in the private sector share the same sentiment. About 14.0% of junior management and 11.6% of HR practitioners in the private sector disagreed with the view that risk management is for operational managers. In the public sector, in the same categories, about 3.6% and 5.4% respectively disagreed with the statement.

Table 9. I know how to identify risk in my environment

		Private												Public											
		How long have you been working? (in years)												How long have you been working? (in years)											
		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I know how to identify risk in my environment	SD	1	2.4	3	7.3	0	0.0	0	0.0	0	0.0	0	0.0	2	2.9	5	7.4	4	5.9	3	4.4	1	1.5	0	0.0
	D	1	2.4	13	31.7	7	17.1	2	4.9	0	0.0	0	0.0	5	7.4	8	11.8	6	8.8	6	8.8	3	4.4	0	0.0
	N	1	2.4	3	7.3	2	4.9	0	0.0	0	0.0	0	0.0	2	2.9	7	10.3	3	4.4	6	8.8	5	7.4	0	0.0
	A	2	4.9	0	0.0	3	7.3	3	7.3	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	1.5	0	0.0	1	1.5	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.029 (there is a significant relationship)
Public: Fisher's Exact Test p-value = 0.966 (no significant relationship)

Table 10. I know how to identify risk in my environment

		Private								Public							
		Category of employment								Category of employment							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I know how to identify risk in my environment	SD	0	0.0	2	4.8	1	2.4	0	0.0	2	3.2	5	8.1	3	4.8	3	4.8
	D	1	2.4	12	28.6	4	9.5	5	11.9	4	6.5	12	19.4	7	11.3	4	6.5
	N	0	0.0	4	9.5	1	2.4	1	2.4	3	4.8	12	19.4	2	3.2	3	4.8
	A	0	0.0	7	16.7	3	7.1	1	2.4	0	0.0	0	0.0	0	0.0	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	2	3.2	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.986 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.895 (no significant relationship)

Table 11. Risk Management is for Senior Management

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N		N		N		N		N		N		N		N	
Risk Management is for Senior Management	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	D	1	2.5	5	12.5	5	12.5	3	7.5	1	1.7	5	8.3	1	1.7	0	0.0
	N	1	2.5	4	10.0	0	0.0	0	0.0	1	1.7	5	8.3	3	5.0	1	1.7
	A	0	0.0	12	30.0	3	7.5	4	10.0	4	6.7	19	31.7	4	6.7	6	10.0
	SA	0	0.0	2	5.0	0	0.0	0	0.0	3	5.0	2	3.3	3	5.0	2	3.3

Private: Fisher's Exact Test p-value = 0.311 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.438 (no significant relationship)

Table 12. I do not see the relevance of Risk Management on my day-to-day responsibilities

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
I do not see the relevance of Risk Management on my day-to-day responsibilities	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	D	1	2.3	18	40.9	7	15.9	3	6.8	1	1.7	5	8.3	3	5.0	1	1.7
	N	0	0.0	3	6.8	2	4.5	2	4.5	1	1.7	8	13.3	4	6.7	5	8.3
	A	1	2.3	5	11.4	0	0.0	2	4.5	7	11.7	15	25.0	5	8.3	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	2	3.3	0	0.0	3	5.0

Private: Fisher's Exact Test p-value = 0.332 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.024 (there is a significant relationship)

Table 13. Risk Management is for Operations Managers

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Risk Management is for Operations Managers	SD	0	0.0	2	4.7	1	2.3	0	0.0	1	1.8	2	3.6	0	0.0	0	0.0
	D	1	2.3	7	16.3	6	14.0	5	11.6	2	3.6	7	12.5	2	3.6	3	5.4
	N	0	0.0	7	16.3	0	0.0	1	2.3	0	0.0	6	10.7	2	3.6	3	5.4
	A	1	2.3	8	18.6	3	7.0	1	2.3	4	7.1	9	16.1	4	7.1	2	3.6
	SA	0	0.0	0	0.0	0	0.0	0	0.0	1	1.8	4	7.1	3	5.4	1	1.8

Private: Fisher's Exact Test p-value = 0.419 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.897 (no significant relationship)

Table 14. Risks Management is for Company Board

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Risks Management is for Company Board	SD	0	0.0	0	0.0	0	0.0	0	0.0	1	2.3	5	11.6	1	2.3	1	2.3
	D	1	2.2	10	22.2	5	11.1	1	2.2	4	9.3	7	16.3	5	11.6	3	7.0
	N	1	2.2	6	13.3	1	2.2	2	4.4	3	7.0	5	11.6	2	4.7	2	4.7
	A	0	0.0	10	22.2	4	8.9	4	8.9	0	0.0	3	7.0	0	0.0	1	2.3
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.606 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.944 (no significant relationship)

In Table 15 below, about 37.1% of respondents in the public sector across all categories of employment disagreed with the view that their job description includes risk management, while 35.5% strongly disagreed. Of the 37.1% disagreeing, 6.5% is from senior management, while 17.7% and 8.1% is from middle management and junior management respectively.

Further, the table indicates that, similar to responses received from respondents in the public sector; the job descriptions of a significant number of respondents in the private sector also do not include risk management. About 41.0% of the respondents in middle management disagreed with the fact that their job description includes Risk Management. About 12.8% of the same category strongly disagreed.

According to the table below, about 43.9% of respondents in the public sector disagreed with the notion that risk management issues are discussed in their HR Departmental meetings. Of the 43.9%, 10.6% are respondents who have worked between 5 to 10 years, while 12.1% are the respondents who have been working between 10 to 15 years. Only 6.1% and 3.0% in the same category agree that risk management issues are discussed in HR departmental meetings. The picture in the private sector is no different to that of the private sector respondents. About 18.2% of respondents who have been working between 50 to 10 years and 15.9% of respondents who have worked between 10 to 15 years disagreed that risk management issues are discussed in HR Departmental meeting.

Those who are expected to be leading in creating a culture of risk management by keeping risk management issues as standing agenda items in HR Departmental meetings do not do so. About 6.7% of senior management and 23.3% of middle management respondents in the public sector disagreed with the view that risk management issues are discussed in HR Departmental meetings. About 2.2 % and 22.2% in the same category in the private sector. About 13.3% of middle management in the private sector were neutral.

Only about 37.2% of respondents in middle management and 16.3% of respondents in junior management in the private sector disagreed with the views that in their environments there are strong internal controls mechanism. With only about 20.9% of the middle management agreeing with the statement. In the public sector, the picture was no different. About 20.0% of middle management respondents and 11.7% of junior management respondents disagreed with the statement. About 26.7% of middle management respondents were neutral.

Strong internal control mechanisms to manage risk seem not to be in place despite 17.8% of middle management and 2.2% respondents in the private sector agreeing with the view that, in their companies, there are company-wide risk management plans, while about 28.9% of middle management were neutral. The picture was no different in the public sector. About 14.8% of middle management and 3.3% of senior management agreed with the view that, in their companies, there are company-wide risk management plans, while about 21.3% of middle management was neutral.

The table 20 below indicates that about 22.5% and 12.5% of respondents who have worked between 5 to 10 years and 10 to 15 years respectively in the private sector, agree with the view that their companies have lost financially over the past two years due to none existence of a Risk Management Plan, while only about 7.5% and 10.0% in the same category disagreed. The picture is slightly different with the public sector. About 11.5% of respondents who have worked between 5and 10 years agreed with the view that their companies have lost financially over the past two years due to none existence of a Risk Management Plan. In the same category, about 11.5% strongly disagreed. A significant number of respondents in both sectors were neutral.

Generally, in both sectors, the respondents' overall rating of their companies' approach to risk management is poor. The table below indicates that about 17.2% of middle management and 6.9% of junior management in the private sector rate their companies' approach on risk management very poor. About 5.2% of senior management in the same sector rate their companies' approach as poor. In the public sector, about 30.9% of middle management and 10.9% of junior management rate their companies approach as poor, while about 3.6% of senior management in the same sector rate their companies approach as poor.

Table 15. My Job Description include Risk Management

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
My Job Description include Risk Management	SD	0	0.0	5	12.8	3	7.7	1	2.6	3	4.8	13	21.0	3	4.8	3	4.8
	D	1	2.6	16	41.0	6	15.4	3	7.7	4	6.5	11	17.7	5	8.1	3	4.8
	N	1	2.6	2	5.1	0	0.0	1	2.6	0	0.0	2	3.2	2	3.2	4	6.5
	A	0	0.0	0	0.0	0	0.0	0	0.0	2	3.2	5	8.1	2	3.2	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.495 (no significant relationship) Public: Fisher's Exact Test p-value = 0.376 (no significant relationship)

Table 16. Risk Management issues are discussed in our HR Department meetings * How long have you been working? (in years)

		Private												Public											
		How long have you been working? (in years)												How long have you been working? (in years)											
		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Risk Management issues are discussed in our HR Department meetings	SD	1	2.3	2	4.5	1	2.3	0	0.0	0	0.0	0	0.0	3	4.5	3	4.5	1	1.5	2	3.0	1	1.5	0	0.0
	D	4	9.1	8	18.2	7	15.9	0	0.0	0	0.0	0	0.0	5	7.6	7	10.6	8	12.1	5	7.6	4	6.1	0	0.0
	N	0	0.0	6	13.6	3	6.8	2	4.5	0	0.0	0	0.0	1	1.5	3	4.5	2	3.0	4	6.1	1	1.5	0	0.0
	A	0	0.0	4	9.1	3	6.8	1	2.3	0	0.0	0	0.0	0	0.0	4	6.1	2	3.0	1	1.5	0	0.0	0	0.0
	SA	0	0.0	0	0.0	0	0.0	2	4.5	0	0.0	0	0.0	0	0.0	4	6.1	0	0.0	3	4.5	2	3.0	0	0.0

Private: Fisher's Exact Test p-value = 0.114 (no significant relationship) Public: Fisher's Exact Test p-value = 0.673 (no significant relationship)

Table 17. Risk Management issues are discussed in our HR Department meetings

		Private								Public							
		Category of employment								Category of employment							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Risk Management issues are discussed in our HR Department meetings	SD	0	0.0	2	4.4	1	2.2	1	2.2	1	1.7	4	6.7	1	1.7	4	6.7
	D	1	2.2	10	22.2	4	8.9	3	6.7	4	6.7	14	23.3	6	10.0	1	1.7
	N	1	2.2	6	13.3	1	2.2	3	6.7	2	3.3	5	8.3	2	3.3	2	3.3
	A	0	0.0	7	15.6	3	6.7	0	0.0	2	3.3	3	5.0	1	1.7	0	0.0
	SA	0	0.0	1	2.2	1	2.2	0	0.0	0	0.0	4	6.7	2	3.3	2	3.3

Private: Fisher's Exact Test p-value = 0.809 (no significant relationship) Public: Fisher's Exact Test p-value = 0.496 (no significant relationship)

Table 18. My HR environment has strong internal control mechanisms to manage risk

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
My HR environment has strong internal control mechanisms to manage risk	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	1.7	0	0.0	0	0.0
	D	1	2.3	16	37.2	7	16.3	3	7.0	3	5.0	12	20.0	7	11.7	3	5.0
	N	0	0.0	0	0.0	0	0.0	0	0.0	6	10.0	16	26.7	2	3.3	3	5.0
	A	1	2.3	9	20.9	3	7.0	3	7.0	0	0.0	1	1.7	3	5.0	3	5.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.868 (no significant relationship) Public: Fisher's Exact Test p-value = 0.065 (no significant relationship)

Table 19. My Company has an a Companywide Risk Management Plan * Category of employment Cross tabulation

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practitioner		Senior Management		Middle Management		Junior Management		HR Practitioner	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
My Company has an a Companywide Risk Management Plan	SD	0	0.0	0	0.0	0	0.0	0	0.0	1	1.6	3	4.9	2	3.3	0	0.0
	D	0	0.0	1	2.2	2	4.4	1	2.2	1	1.6	6	9.8	1	1.6	1	1.6
	N	1	2.2	13	28.9	4	8.9	5	11.1	5	8.2	13	21.3	5	8.2	5	8.2
	A	1	2.2	8	17.8	2	4.4	0	0.0	2	3.3	9	14.8	4	6.6	3	4.9
	SA	0	0.0	4	8.9	2	4.4	1	2.2	0	0.0	0	0.0	0	0.0	0	0.0

Private: Fisher's Exact Test p-value = 0.557 (no significant relationship) Public: Fisher's Exact Test p-value = 0.983 (no significant relationship)

Table 20. My company has lost financially over the past two years due to none existence of Risk Management Plan * How long have you been working? (in years) Cross tabulation

		Private												Public											
		How long have you been working? (in years)												How long have you been working? (in years)											
		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25		Less than 5		5 - < 10		10 - 15		16 - 20		21 - 25		More than 25	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
My company has lost financially over the past two years due to none existence of Risk Management Plan	SD	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	7	11.5	3	4.9	4	6.6	3	4.9	0	0.0
	D	0	0.0	3	7.5	4	10.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	N	0	0.0	7	17.5	4	10.0	3	7.5	0	0.0	0	0.0	6	9.8	4	6.6	5	8.2	6	9.8	2	3.3	0	0.0
	A	3	7.5	9	22.5	5	12.5	2	5.0	0	0.0	0	0.0	1	1.6	7	11.5	2	3.3	2	3.3	2	3.3	0	0.0
	SA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	1.6	2	3.3	1	1.6	2	3.3	1	1.6	0	0.0

Private: Fisher's Exact Test p-value = 0.523 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.532 (no significant relationship)
Public: Fisher's Exact Test p-value = 0.555 (no significant relationship)

Table 22. Overall how would you rate your company's approach on Risk Management?

		Private								Public							
		Senior Management		Middle Management		Junior Management		HR Practition		Senior Management		Middle Management		Junior Management		HR Practition	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Overall how would you rate your company's approach on R Management?	Very Poor	0	0.0	10	17.2	4	6.9	2	3.4	0	0.0	0	0.0	0	0.0	0	0.0
	Poor	3	5.2	5	8.6	0	0.0	3	5.2	2	3.6	17	30.9	6	10.9	5	9.1
	Neutral	6	10.3	10	17.2	4	6.9	2	3.4	1	1.8	2	3.6	3	5.5	1	1.8
	Good	0	0.0	4	6.9	4	6.9	1	1.7	0	0.0	5	9.1	2	3.6	1	1.8
	Excellent	0	0.0	0	0.0	0	0.0	0	0.0	5	9.1	4	7.3	0	0.0	1	1.8

5. Conclusion

The study has revealed that HR practitioners have a limited understanding of corporate governance, in general, and risk management, in particular. The fact that, at senior management level and middle management, there was a significant number of respondents who could not appreciate the importance of putting controls in place in an HR environment is concerning. Based on the findings established through this study, risk management issues are not necessarily part of HR culture in both public and private sectors. This was consistent with both sectors' lack of commitment to invest in risk management trainings as part culture change programmes. What further complicates matters is the fact that some HR practitioners' job descriptions, at all levels, do not include risk management as one of key permanence areas. This is despite the fact some companies and government department have suffered financial losses due to weak controls. Clearly, this will require a major shift in attitude for HR practitioners.

According to Coetzee et al (2011), with regard to the organisational culture, leadership from senior management and the governing body to incorporate a risk mindset into the organisation's culture is a critical element in the drive to achieving an effective risk management framework. This change will also have to be driven by Audit Committees, through asking critical questions on HR practitioners' role in inculcating the culture of risk management and control. More investment is also required to effect such behavioral change**.** This will include training and capacity programmes at all levels.

5.1 Proposed Model

An analysis of the private sector results lends itself to a model, constructed from selected variables related to the research question. The ANOVA p-value (0.018) indicates that, collectively, the chosen predictors adequately predict the dependent variable.

Even though the public sector p-value is slightly greater than the level of significance (p = 0.093), the same variable is significant (Risk Management issues are discussed in our HR Department meetings). The equation that governs the model is summarised as follows:

My Company has an a Company-wide Risk Management Plan = 2.828 + {0.317 x Risk Management issues are discussed in our HR Department meetings} – {0.081 x Risk Management is for every manager's responsibility}

In effect, the model indicates that there is a direct link between an organisation having a company-wide risk management plan and the discussion of risk management issues in HR Department meetings. Company policy dictates that issues are discussed in meetings. A lack of policy would result in less discussions in meetings, and vice versa. This would probably impact on the levels of understanding that managers would have as a result.

The model is an initial attempt at identifying possible interactions that would affect manager knowledge levels regarding risk management due to the existence of policies. A more extensive study would need to selectively identify parameters that affect knowledge systems and applications relating to managers.

Table 23. Private Sector

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings[b]	.	Enter
a. Dependent Variable: My Company has an a Companywide Risk Management Plan			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.405[a]	.164	.127	.793
a. Predictors: (Constant), Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.534	2	2.767	4.404	.018[b]
	Residual	28.278	45	.628		
	Total	33.813	47			
a. Dependent Variable: My Company has an a Companywide Risk Management Plan						
b. Predictors: (Constant), Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings						

The F-value is 4.404. The p-value associated with this F value is 0.018. These values are used to answer the question "Do the independent variables reliably predict the dependent variable?" The p-value is compared to the alpha level (typically 0.05) and, if smaller, it can be concluded that the predictors can be

used to give a good indication of performance since the significance value is less than 0.05. In this case, since the p-value is smaller than 0.05, it can be stated that the independent variables predict the dependent variable.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.828	.491		5.756	.000
	Risk Management issues are discussed in our HR Department meetings	.317	.112	.386	2.821	.007
	Risk Management is for every manager's responsibility	-.081	.112	-.098	-.720	.475
a. Dependent Variable: My Company has an a Companywide Risk Management Plan						

This table shows the predictor variables. The first variable (**constant**) represents the constant, also referred to in textbooks as the Y intercept, the height of the regression line when it crosses the Y axis. In other words, this is the predicted value of **My Company has a Company-wide Risk Management Plan** when all other variables are 0.

The highlighted p-values imply that the coefficients for the variables are not zero, i.e. they do affect the model.

These are the values for the regression equation for predicting the dependent variable from the independent variable. These are called unstandardized coefficients because they are measured in their natural units. As such, the coefficients cannot be compared with one another to determine which one is more influential in the model, because they can be measured on different scales.

The regression equation can be presented as follows:

$Y_{predicted}$ = b0 + b1*x1 + b2*x2 (in general)

My Company has an a Companywide Risk Management Plan = 2.828 + {0.317 x Risk Management issues are discussed in our HR Department meetings} – {0.081 x Risk Management is for every manager's responsibility}

Table 24. Public Sector

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings[b]	.	Enter
a. Dependent Variable: My Company has an a Companywide Risk Management Plan			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.276[a]	.076	.045	.823
a. Predictors: (Constant), Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.342	2	1.671	2.466	.093[b]
	Residual	40.658	60	.678		
	Total	44.000	62			
a. Dependent Variable: My Company has an a Companywide Risk Management Plan						
b. Predictors: (Constant), Risk Management is for every manager's responsibility, Risk Management issues are discussed in our HR Department meetings						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.784	.317		8.797	.000
	Risk Management issues are discussed in our HR Department meetings	.186	.086	.281	2.169	.034
	Risk Management is for every manager's responsibility	-.119	.112	-.138	-1.068	.290
a. Dependent Variable: My Company has an a Companywide Risk Management Plan						

5.2 Recommendation

Further development and testing of a model can be done at a later stage for these results.

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