The role of *roles* in risk management change: the case of an Italian bank

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Abstract

This paper explores the role of *roles* (i.e. groups of actors characterised by the same functional tasks within an organization), and of their interactions, within processes of change in risk management. By combining insights from the literature on risk management and from institutional studies, this paper suggests that change in risk management can be interpreted as a process that involves both enabling and precipitating dynamics [Greenwood, R. & Hinings, C. R. (1996). Understanding Radical Organizational Change: Bringing Together the Old and the New Institutionalism. *The Academy of Management Review*, 21(4), pp. 1022-1054] between different roles. Aiming to address these dynamics empirically, we rely on a longitudinal case study of an Italian bank. The study shows that the interactions between roles were dependent on their respective specific interests, the different institutional templates they supported, and the shifts in power for control over relevant information. These dynamics both affected and were affected by the change in the template-in-use within the bank and allowed a sort of risk management *ideal* (i.e. the search for *more* risk management) to persist over evolving templates.

Keywords: risk management, change, roles, Italian bank

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1. Introduction

The Cadbury Code (1992) and the COSO report (1992) are two building blocks that have given rise to a lively debate on corporate governance and risk worldwide (Miller, Kurunmäki, & O'Leary, 2008). Since the 1990s, this debate has been further fuelled by subsequent regulations (see the Turnbull report, 1999; the Sarbanes-Oxley Act, 2002; the Combined Code, 2003), as well as by various episodes of corporate failure and managerial misconduct (such as Enron and WorldCom), which have 'ensured the centrality of risk management to corporate governance debates probably for decades to come' (Miller et al., 2008, p. 943).

In this context, the past twenty years have seen a shift in the understanding of risk management, moving from a narrow financially-focused perspective to a broad 'managerial concept' (Power, 2007, p. 3). Indeed, risk management has been defined as a set of processes and techniques that are both explicitly aligned with mechanisms of internal control for accountability (Spira & Page, 2003) and fully integrated with operational activities and corporate strategies (e.g. Collier & Berry, 2002; Beasley & Frigo, 2010). This enterprise-wide concept of risk management encompasses 'ideas of *holistic*, *integrated* and *business* risk management' (Power, 2007, p. 67) and has become widely shared across different sectors. A number of models for measuring risks (Kaplan, 2009) and for linking risk with performance (Beasley, Chen, Nunez, & Wright, 2006) and risk with strategy (Beasley & Frigo, 2007) have been proposed, along with new roles and organizational structures to manage risk (Mikes, 2008). Hence the international debate and practice on risk management have increasingly concentrated on prescriptions regarding how to design *effective* risk management (Paape & Speklé, 2012), thus allowing companies to be publicly acknowledged as 'good organizations' (Scheytt, Soin, Sahlin-Andersson, & Power, 2006, p. 1335).

However, as demonstrated by the global financial crisis of 2007-2009, the proliferation of risk management regulations, prescriptions and recommendations has not necessarily resulted in successful risk management at an organizational level. In many cases, the prevailing 'legitimacy-driven style of risk management' (Power, 2009, p. 854), as well as the overreliance on quantitative models (see Rebonato, 2007), have prevented companies from adopting risk management beyond the mere search for legitimacy, and from fully embedding risk information into strategic decision-making processes (Magnan & Markarian, 2011). Also, as effectively stated by Huber and Scheytt (2013, p. 89), 'the rhetoric of risk management lured the public into a false sense of security with regard to the actual risks being taken'.

Nevertheless, risk management recommendations and prescriptions are still core concerns of companies, regulators and standard setters, who are reacting to the apparent failure of these prescriptions by seemingly searching for 'more of the same' (Huber & Scheytt, 2013, p. 89). Although worldwide episodes of risk management dysfunction continue to take place, 'yet the ideal of risk management has survived' (Mikes, 2011, p. 226). This apparent contradiction calls for more research inside organizations in order to grasp the evolving internal (intra-organizational) dynamics, that can affect the day to day practice of risk management.

Recent studies have explored the actual processes through which risk management prescriptions are put in place in specific organizational settings (see Mikes, 2009; 2011; Woods, 2009; 2011; Arena, Arnaboldi, & Azzone, 2010; Mikes, Hall, & Millo, 2013). Although some of these studies have searched for the different calculative cultures (Mikes, 2009) and rationales (Arena et al., 2010) to explain the heterogeneity of risk management across organizations, the overall process of risk management change deserves further investigation. More specifically, recent research has explored how different actors deal with risk within organizations (see Power, 2005b; 2007; Mikes, 2008; Arena et al., 2010), but the role of *roles* (here defined as the groups of actors characterised by the same functional tasks inside the organization) during processes of risk management change has been overlooked by the literature.

This paper aims to fill this gap by exploring risk management change inside organizations, as well as the role of roles within this process. In so doing, we interpret risk management change as resulting from the ongoing interplay between external pressures and intra-organizational dynamics, and we investigate whether and how the patterns of interaction between different roles (such as management accountants, risk experts, top managers, and directors) influence and are influenced by risk management change.

To achieve this goal, we rely upon a case study in the banking sector, which provides an ideal setting for the purpose of our study for several reasons. Firstly, although norms and frameworks for corporate governance and risk management have recently affected all sectors, banks have struggled with the challenges involved in complying with these norms for longer (Euske & Riccaboni, 1999; Soin & Scheytt, 2008; Wahlström, 2009). Therefore, the banking sector allows us to explore processes of risk management change over an extended period of time. Moreover, risk management within banks has been strongly affected by the evolution of external regulations, thus allowing us to clearly identify some of the main external pressures for change and their development over time. Finally, risk within banks is acknowledged as being an integral part of their core business (Deloitte, 2011), and hence is more likely to become embedded into internal dynamics of change.

Using a longitudinal case study approach (Pettigrew, 1990; Scapens, 2004), we collected data from an Italian bank, namely Banca Valle[1], which is one of the major banks in Italy in terms of market share and number of branches. To interpret the process of change in risk management within the bank, we drew on insights from institutional studies (see Greenwood, Oliver, Sahlin, & Suddaby, 2008), and in particular on the framework proposed

[1] Banca Valle is a pseudonym used for reasons of confidentiality.

by Greenwood and Hinings (1993; 1996), as well as on recent literature concerning risk management. In so doing, we did not attempt to test institutional theory, but rather insights from this theory were adopted to support our interpretation of risk management change within the case study. Although our results concern a single organization, and therefore are not meant to be generalizable, our analysis nonetheless shows that risk management change can be understood by exploring how external pressures towards 'institutional templates' (i.e. structures and systems that embody ideas and assumptions originated in the broader institutional context – see Greenwood and Hinings, 1996) are filtered through intra-organizational dynamics between roles within organizations.

By combining theoretical with empirical insights, this paper offers a twofold contribution. Firstly, whereas various studies have explored the intra-organizational dynamics of risk management (Mikes, 2009; Arena et al., 2010; Woods, 2011), there is still a lack of research into how these dynamics actually evolve over time. Our paper adds to the existing literature by shedding light on long-term processes of risk management change. Secondly, we contribute to the understanding of the apparent contradiction between the shortcomings of risk management *in practice* and the growing interest in and aspiration towards *more* risk management (Huber & Scheytt, 2013). In this respect, we show how organizations respond to new external prescriptions beyond (and despite) the apparent failure of these prescriptions. In particular, our evidence suggests that intra-organizational dynamics between roles may boost awareness of risk management and may help this awareness to permeate strategic planning processes within and across different institutional templates at work inside an organization. These intra-organizational dynamics may let a sort of risk management *ideal* (i.e. the search for *more* risk management – see Mikes, 2011) to persist over evolving risk management structures and systems at the micro-level of organizations.

The remainder of the paper is structured as follows. In section two we present the theoretical constructs of the study derived from institutional theory, and in particular from the insights offered by the Greenwood and Hinings' (1993; 1996) framework, as well as from the literature on risk management. In section three we describe the research methodology. Section four discusses the process of risk management change within Banca Valle, in the light of the theoretical constructs depicted in section two. Finally, section five summarizes the main findings and concludes by acknowledging the contributions made and the study limitations, as well as offering suggestions for future research.

2. Exploring risk management change: an institutional approach

In previous decades, institutional theories have strongly influenced management and accounting research into organizational change (for a review see Moll, Burns, & Major, 2006). In an attempt to offer a comprehensive view with which to interpret the interplay between external forces and intra-organizational dynamics of change, Greenwood and Hinings (1993; 1996) proposed an overarching framework to depict organizational change. In this framework, organizational change is interpreted in terms of shifts between different institutionalised 'templates' or 'archetypes', defined as 'structures and systems that consistently embody a single interpretive scheme, made up of ideas, beliefs and values' (Greenwood & Hinings, 1993, p. 1055). These templates originate from the external environment, and external pressures towards certain templates are filtered through 'precipitating' and 'enabling' intra-organizational dynamics within organizations.

Precipitating dynamics include 'interest dissatisfaction' and 'value commitments', and represent potential pressures for change. For example, a 'radical change' (i.e. the movement from one template-in-use to another) may happen if a group of actors is dissatisfied about how its interests are realized and recognizes the possibility of an alternative template, which could improve its level of satisfaction. In this situation, 'competitive commitment' (i.e. a pattern of value commitment within which some groups adhere to a template that differs from the template-in-use) is likely to lead to organizational change as the group of actors who is dissatisfied begins to question the 'organizational assumptions of how things are done' (Greenwood & Hinings, 1996, p. 1036).

Enabling dynamics comprise 'power dependencies' and 'capacity for action', and constitute the dynamics that can effectively facilitate or constrain change. The prevailing template in an organization may give power (i.e. in terms of 'access to and control over key decision processes' – Greenwood & Hinings, 1996, p. 1038) to some groups and not to others: when this is recognized, the less satisfied groups will try to promote an alternative template to gain more power. However, power dependencies do not necessarily imply a situation of conflict. Indeed, the presence of potential conflicts will depend on how the templates are introduced and accepted within the organization. For change to take place, the shift in the distribution of power should be combined with the capacity of a particular group to act (i.e. the capacity for action, defined as the 'ability to manage the transition process from one template to another' - Greenwood & Hinings, 1996, p. 1039). This capacity is linked to both the availability and mobilization of technical and managerial capabilities on the part of the different actors.

The theoretical approach described above may be useful to understand processes of risk management change in the banking sector, within which intra-organizational dynamics have been found to be the main cause of heterogeneity in risk management between banks (Mikes, 2009; 2011). The insights offered by Greenwood and Hinings (1996) also allow us to capture and interpret both internal dynamics and external pressures during processes of risk management change.

2.1 Risk management templates

According to Mikes (2009), in their attempts to respond to changing external pressures and requirements, banks have been converging towards four risk management 'ideal types'. More specifically, 'risk silo management' and 'integrated risk management' originated from the pressures exerted by international regulations on bank capital adequacy and by the rating agency community. These ideal types give prominence to a number of techniques (e.g. *value-at-risk*) aimed at quantifying and controlling different risk categories or *silos* (e.g. market risk, credit risk, operational risk), which can be aggregated into a total value of risk within the *economic capital* framework. In this context, the Basel rules and the reform of banking supervision have called for a more refined measurement of risks, asking banks to further develop their measurement systems and to use their own internal risk models (Wahlström, 2009).

In contrast, the 'risk-based management' ideal type implies a broader approach to risk-based performance measurement and embeds the assumptions of the so called 'shareholder value imperative' (see Mikes, 2009). In fact, starting in the 1990s, the deregulation of financial services and growth of the global market (Euske & Riccaboni, 1999; Soin & Scheytt, 2008) increased attention to efficiency and profitability within the banking sector. Pressures for a shareholder value conception promoted the idea of a joint consideration of risk and returns, which characterised value based management systems (Arnold & Davies, 2000). Techniques and metrics such as 'shareholder value-added' and 'risk-adjusted return on capital' offer examples of how calculative technologies became institutionalized (Power, 2005a) and made 'the relationship between shareholder value and risk management newly thinkable and actionable' (Power, 2007, p. 75).

Finally, the 'holistic risk management' ideal type incorporates strategic decision-making processes and patterns of accountability towards stakeholders, within a wider 'risk-based internal control imperative' (Mikes, 2009). As stated by Power (2004), risk-based internal control has become 'an untouchable principle' (p. 49), enhanced by developments in corporate governance. In this context, risk management prescriptions have gradually come to involve processes and tools capable of capturing all non-quantifiable risks of relevance for the achievement of strategic objectives.

In this paper we argue that the ideal types described above can be relied upon to identify four different 'risk management templates' at work within banks. These templates represent different structures and systems, which embody different ideas and assumptions (e.g. the shareholder value imperative and the risk-based internal control imperative) that originate from the external environment and may engage with different roles inside banks.

2.2 Risk management and roles

Previous research has acknowledged the growing relevance of risk experts within organizations[2]. As claimed by Power (2005b), in response to external pressures and to the call for more holistic risk management, risk experts have been pushed to look outside their 'back-office cage' (p. 134) towards a more strategic function. This shift has implied major changes and restructuring within companies' risk management departments, with risk experts being asked to play the twin function of 'compliance champions' and 'business partners' (Mikes, 2008), also displaying alternative styles of risk management, such as 'risk measurement' or 'risk envisionment'[3] (Mikes, 2011). Mikes et al. (2013) highlighted the relevance of risk

[2] Below, we will generally use the label of *risk experts* to identify the organizational roles with the specific functional tasks of measuring, controlling and managing risks inside the organization. Mikes (2009) provides a taxonomy of risk experts, distinguishing between: 'risk management specialists', who deal with the measurement and assessment of different types of risk, as well as with the quantification of the overall risk profile of the company; and 'senior risk officers', who participate in top management-level decision making, supporting and enhancing the management of risk (see also Power, 2005b; Arena et al., 2010).

[3] Mikes (2011) uses the notion of 'risk envisionment' to describe risk management practices based on risk experts' experience and intuition rather than on risk measurement. In this perspective, 'soft instrumentation' (i.e. decision making methods that favour mental models, experience, beliefs and values) enters the domain of risk management.

experts' capacity to design and adopt effective *tools* in order to gain top level visibility and become more influential.

As argued by Arena et al. (2010), risk experts' actions could be enhanced or constrained depending on the 'space they are able to find and create within the organization' (p. 14), where they compete with other roles. Indeed, the more strategic function aspired to by risk experts has raised a number of critical issues in terms of overlapping tasks and responsibilities with other roles, such as management accountants, top managers, and directors (Power, 2005b; Collier, Berry, & Burke, 2007; Soin & Scheytt, 2008). Next, we will analyse internal (enabling and precipitating) dynamics between different roles in the case of Banca Valle. First, we will explain our research methodology.

3. Research methodology

The potential of case studies to illustrate and explain accounting *in practice* has been widely acknowledged by the literature (see, for instance, Eisenhardt, 1989; Ryan, Scapens, & Theobald, 2002). In particular, there have been recent calls for a deeper understanding of how risk and control processes occur and change inside organizations (Berry, Coad, Harris, Otley, & Stringer, 2009; Bhimani, 2009; Van der Stede, 2011). Within risk management research, there is a particular need for more longitudinal studies to investigate the dynamics of risk management and identify the drivers that affect its implementation over time (Mikes, 2009, 2011; Woods, 2011). Moreover, there is a shortage of case studies on the nature and functioning of risk management within banks (Mikes, 2009; Van der Stede, 2011).

With the aim of exploring risk management change *in situ*, we rely on a longitudinal exploratory case study (Scapens, 2004). This approach provides an opportunity to study change from both 'vertical' (i.e. considering interdependencies between different levels of analysis of phenomena) and 'horizontal' (i.e. by exploring sequential interconnectedness among phenomena in the past, present and future) perspectives (Pettigrew, 1990, p. 269). It is therefore particularly suited to the purpose of our work as it allows us to explore risk management change by looking at the interplay between external pressures and intra-organizational dynamics of change (vertical perspective) and how this interplay evolves over time (horizontal perspective).

The case material was collected using different sources of data (Yin, 2009). Semi-structured interviews constituted the primary source of data. Documentary research into publically available documents (e.g. annual reports, public risk reports) and internal documents (e.g. budgets, internal risk and control reports, presentations at internal meetings) was also conducted in order to reconstruct the process of change. The period under investigation is 2000-2012. 2000 was chosen as the starting year for the analysis because Banca Valle set up a formal risk management unit in that year. The first interview was conducted in 2001 with the then Head of the Planning & Control area. Subsequent interviews were undertaken during two periods: 2001-2004 and 2009-2012 (see Table 1 in the Appendix).

As argued by Blazejewski (2011, p. 256), in longitudinal studies 'case time' and 'research time' may coincide only at certain intervals. If this occurs, the research process must also be based on retrospective data produced at a distance from particular events. In our case, for the period 2004-2009 (in which we did not observe the process of change as it was developing), we used multiple data sources to collect information (Yin, 2009). Most of the informants, who were interviewed during the period 2009-2012, were already working for the bank in the years 2004-2009 and offered information about this period. Importantly, to overcome the limitations of using retrospective data to reconstruct the past (Golden, 1992), we triangulated the data collected from the interviews with different informants and verified most of the subjective interpretations through documentary and archive data, which strengthened the credibility of the analysis (Flick, 2009).

Throughout the whole research period, the interviews were conducted at the headquarters of the bank. The informants represented different roles (e.g. risk experts, management accountants, members of the Organization and Internal Auditing areas, top management), and were typically selected for their key positions in the change process (Pettigrew, 1990) or for the effects that the change process had on their work. In most cases, each informant was interviewed more than once. They were asked very similar questions on three main research topics (company background, changes in risk management, role of roles) in order to acquire different perspectives on the same issues (Cardinal, Sitkin, & Long, 2004), which they were encouraged to discuss freely (McKinnon, 1988). Most of the interviews – typically lasting two hours – were recorded and transcribed onto electronic files[4].

Analysis of the collected data started with the identification of the different phases that characterized the evolution of risk management in Banca Valle from early 2000. The aim was to build up a chronological picture in order to identify the main elements of risk management change in the bank. Our analysis of the interview transcripts and documentary research allowed us to distinguish three main periods of time (i.e. 2000-2006; 2006-2009; 2009-2012) in which different risk management templates and different internal dynamics between roles were identifiable.

During the process of data analysis, we followed a coding approach (O'Dwyer, 2004), grouping all the transcript evidence according to the informants, the period of time, and the main elements of the theoretical framework described in section 2. Thus, we identified precipitating dynamics (interest dissatisfaction and value commitments) and enabling dynamics (capacity for action and power dependencies). Evidence concerning external pressures and risk management templates (in particular, the risk-based management template

[4] The initial interviews with the former Head of the Planning & Control area were not recorded to ensure that the informant would talk freely about the various issues (without being put off by the presence of the recorder) and to give him the necessary time to gain confidence with the research methodology. Once we believed that this confidence had been gained, we started to record the interviews with the informant's permission.

and the holistic template) was derived from analysis of the changing regulations on risk management, as well as from internal documents and from background information provided by the informants. Finally, we combined the analysis of internal dynamics, risk management templates and external pressures to interpret the role of roles during risk management change in Banca Valle. The following section describes the empirical evidence in detail.

4. The evolution of risk management in Banca Valle

Next, we analyse and discuss risk management change within Banca Valle by distinguishing three main phases (2000-2006; 2006-2009; 2009-2012) within which two particular risk management templates and evolving intra-organizational dynamics were identifiable.

4.1 2000-2006. The risk-based management template

During the Nineties, the Italian banking sector underwent a significant deregulation process, which exposed banks to increasing competition and stimulated processes of privatization, acquisition, concentration and growth in the subsequent years (Angelini & Cetorelli, 2003; Soin & Scheytt, 2008)[5]. Thus, many Italian banks experienced pressures to re-define their strategies, structures and systems in order to ensure more effective performance measurement and management (Euske & Riccaboni, 1999). In this context, the need for more effective risk measurement acquired prominence, according to the risk-return relationship underlying the concept of shareholder value (Power, 2005a). Moreover, the emphasis on risk measurement was fostered by the developments in risk quantification and aggregation that followed the provision of an international bank regulatory framework by the Basel rules (Mikes, 2009).

As in other banks, within Banca Valle the external pressures described above stimulated changes in the bank's internal structures and systems, in line with the risk-based

[5] During the 1990s European legislation attempted to liberalize the banking sector, as well as to stimulate greater competition. In Italy, a new banking law (Amato Law, 1990) gave all banks the authority to operate in any financial sector and initiated a strong process of privatization. Also, a new regulation on banking groups stimulated processes of acquisitions, concentration and growth in the sector (Decree Law no. 385, 1993).

management template. More specifically, shareholder value creation became a priority for the new Board of Banca Valle, which was appointed after the bank was listed on the stock exchange and which stressed the importance of a much stronger performance-based orientation. This priority was emphasised within an internal document which described shareholder value creation as the first in a list of the bank's ten guiding principles ("managers win only when shareholders win was our slogan", recalled the Chief Financial Officer).

In this context, Banca Valle decided to design and adopt a new value based management (VBM) system in 2001. This decision was aimed at improving performance management and capital allocation techniques through a more structured integration of risk information within the bank's planning and budgetary system. As argued by a management accountant (MA1) at Banca Valle:

> *"setting the rules and the objectives* [of business units] *according to the risk taken by each business unit allows the bank to create value optimizing risk-adjusted profitability."*

Risk-adjusted performance metrics were progressively integrated within both the bank's budgeting system and its strategic planning process. Internal capital allocations via the allocation of economic capital were gradually pushed down to the lowest business unit level for performance measurement. Also, a new internal reporting system was introduced and coordinated by management accountants in the Planning & Control area. The new reporting system entailed the production of a monthly 'Tableau de Bord', which included profit and loss accounts for individual business areas, the main risk-adjusted performance indicators, and capital allocations across the bank. The content of this report was discussed during monthly *ad hoc* meetings (called 'VBM meetings') between top managers and business unit managers, assisted by management accountants. These meetings were an integral part of the bank's strategic planning process, as managers discussed both short term and long term objectives. Moreover, the information provided by the VBM system was presented to the Board by the Head of the Planning & Control area (a management accountant) during the quarterly meetings for the approval of the budget.

As we will see in more detail below, management accountants' control over the VBM system and their interactions with the Board were crucial to the move towards the risk-based management template within the bank. While regulative and market pressures led to the introduction of new structures and systems in Banca Valle, in the form of the VBM system and risk-adjusted performance metrics, it was intra-organizational dynamics between roles that helped the spread of the ideas and assumptions underpinning the risk-based management template inside the bank.

4.1.1. Risk experts, management accountants and enabling dynamics

Prior to the 2000s, no formal risk management unit existed within the bank. However, the Internal Control unit and the Credit unit were in charge of defining the overall risk policies, while risk silo quantification was left to the specific line functions. At that time, the Finance area comprised a group of experts on market risk, while credit risk was managed by a specific management team within the Credit area.

Following the pressures of the shareholder value imperative, the Chairman of the Board of Directors (CBD) and the General Manager (GM) prompted a thorough reorganization of the bank's risk management activities. To this end they asked the management accountants (in the Planning & Control area) to attend a series of *ad hoc* seminars on risk management. These seminars were held by an external consultant with strong expertise and a high level of competence in risk management.

Whereas the initial idea of both the CBD and the GM was to train management accountants to fulfil risk management tasks, after the seminars they decided to create an *ad hoc* risk management group, which was distinct from the group of management accountants.

To this end, in 2000 qualified risk experts were selected by the bank to be part of a new formal Risk Management unit, and the consultant who held the seminars was hired by the bank to be in charge of the new unit. The Risk Management unit was placed within the Planning & Control area, together with the management accountants, and reported to the Head of that area. Within one year, the members of the unit increased to 15 and it was formally re-named the 'Risk Management (RM) service'. Moreover, the Planning & Control area was re-named 'Planning, Control, Administration & RM' (PCA&RM) to acknowledge the key role of the RM service. Until 2006, this area was under the responsibility of one of the three Deputy General Managers of the bank reporting to the GM.

The new RM service became responsible for defining the guidelines and methodologies for the measurement and control of all risk factors affecting the bank's economic capital. Thus, the new Head of the RM service, together with the newly selected risk experts, offered their expertise in value-at-risk techniques to develop measurements of both market and credit risks. Moreover, in 2001 the RM service presided over the kick-off of a new project on the quantification of operational risks. As a result of advances in risk modelling and quantification, the risk experts began to perceive their importance within the bank. This perception was also evident in the way they talked about their role. For example, the newly appointed Head of the RM service (HRM1) proudly affirmed:

> *"I had to invent an engaging way to attract managers' attention to risk. We started to experiment with new risk* [measurement] *models, which ended up being recognized as the cutting edge."*

Within the PCA&RM area, risk experts and management accountants had two distinct roles. The management accountants were in charge of producing all performance reports and measures for VBM and managing all the bank's planning and budgetary activities. They also controlled the VBM information flows towards the top management, by participating in the

VBM meetings and providing the Board with the risk-adjusted performance measures necessary to discuss the approval of the budget. In contrast, the risk experts performed all tasks concerning the production and development of risk quantifications and economic capital measures to be reported to the management accountants in order for them to calculate risk-adjusted performance measures within the VBM system. These measures could then be used by top managers (supported by the management accountants) to negotiate objectives for the business units and plan capital allocations. As a result, the transfer of risk quantifications from the risk experts to the management accountants was the main contact between the two groups, which managed their tasks separately. Management accountants did not therefore feel threatened by the role of risk experts. As stated by a management accountant (MA2):

> *"the inclusion of risk experts within the Planning & Control area was not so dramatic* […] *we had different tasks really, like two parallel worlds".*

In addition to the risk quantifications for VBM, the risk experts were also required to report on a monthly basis to a risk committee, which was in charge of defining adequate risk management policies for all the bank's business units, evaluating its overall risk profile, as well as verifying respect for the risk limits (see Figure 1).

----------- Insert Figure 1 about here ------------

The risk committee was chaired by the GM and the Head of the RM service, and was composed of the Heads of Banca Valle's main business units. The reports produced by the risk experts for the risk committee were very technical. Within these reports, complete risk exposure lists and their impact on the economic capital were analysed in detail. The activity of the risk committee was central to risk management at the business unit level, since it dealt with all matters concerning quantifiable risk issues. Nonetheless, risk information was communicated monthly by the risk committee to the CBD (and every three months to the Board) only in the form of the short minutes of the risk committee meetings. The minutes were kept in the Board secretary's office, where the directors could find and read the documents without any direct interaction with, or direct explanation from, the risk committee. Moreover, the minutes usually contained only a brief (2-3 page) description of the key points discussed by the Head of the RM service and the business unit managers during the meetings.

In contrast, risk quantifications became important for the directors primarily when they were related to profitability and shareholder value creation within the VBM system. It was through the integration of risk information with the formal planning and performance measurement system that risk issues gained regular attention from the top managers and the Board. In this context, although the risk experts had highly specialized tasks in producing risk quantifications and definitions of capital allocations, it was the management accountants who had control over the relevant VBM information flows ("*during the VBM meetings we were sitting side by side with senior managers, with the VBM metrics in front of us*" – argued a management accountant, MA1). Such control gave the management accountants the capacity to mobilize their skills to report and explain all risk-adjusted performance information concerning VBM to the top management and directors. As argued by the former Head of the PCA&RM area (HPCRM):

> *"it was easier for us to explain, and for the directors to understand, risk-adjusted performance metrics rather than complex risk quantifications."*

Overall, the diffusion of the underlying ideas and assumptions of the risk-based management template (Figure 3, arrow d) was stimulated by two enabling dynamics (Figure 3, arrow a). First, the management accountants showed the capacity for action necessary to allow risk information and knowledge to reach the Board and top managers for strategic planning through the VBM system (Figure 3, arrow b). Second, the risk information reached the Board and top managers thanks to the power dependencies of the risk experts in relation to the management accountants (Figure 3, arrow c). Outside the VBM and risk-return metrics, where the mediation of management accountants was not present (as in the case of the information provided by the risk committee), risk information did not actually enter the Board's strategic discussions.

However, as we will see in the following phase, evolving external pressures prepared the ground for change by stimulating growing dissatisfaction among risk experts.

4.2 2006-2009. Precipitating dynamics and the emergence of the holistic template

In the early years of the 2000s, following financial scandals worldwide and episodes of corporate failures in various sectors, the pressures of corporate governance and risk regulations became more compelling (Power, 2004; Soin & Scheytt, 2008). In Italy, as in other countries, new norms were adopted by national governments with the aim of re-regulating internal patterns of accountability within companies (see among others Fiori & Tiscini, 2005)[6]. This fostered the rise of what has been referred to as the 'risk-based internal control imperative' (Mikes, 2009).

Accordingly, a number of international standards and guidelines stimulated companies to develop their risk management practices following a more *holistic* approach (Woods, 2011). In this context, the term *holistic* was used to refer to a process-based view of risk management that should permeate organizations' strategy and enable them to consider the potential impact of all types of risks on the achievement of their objectives (COSO, 2004). This definition also encompasses non-quantifiable risks, which are not strictly related to financial risk management or to risk-adjusted profitability. All significant risks that could affect organizations' strategic objectives should enter corporate-level discussions and be systematically managed (ISO, 2009). According to the holistic template, in addition to

[6] Following the self-regulatory code for Italian listed companies of 1999, in the early years of the millennium new versions of this code have increasingly incorporated risk management guidelines and prescriptions within internal control systems according to international best practices (see the revised edition of the Corporate Governance Code, December 2011). Moreover, other regulations were promulgated in Italy during the same period with the aim of preserving the banking sector (see for instance, Law no. 262, 2005).

producing traditional risk metrics, the risk expert should also be 'the author of a wider organizational *narrative* of risk which sits above formal control systems' (Power, 2004, p. 51).

Whereas the risk-based management template was still dominant within Banca Valle in 2006, the rise of the risk-based internal control imperative brought with it pressures for change, in conjunction with internal precipitating dynamics (Figure 3, arrow e). These pressures started in 2006 when the bank hired a new Head of the RM service. Within a short time, the RM service was separated from the PCA&RM area (which was simply re-named the 'Planning & Control' area) in order to ensure the risk experts' independence from the line management as prescribed by external recommendations. However, within the bank's new organizational structure both the RM service and the Planning & Control area were still under the responsibility of the recently appointed Chief Financial Officer (CFO), who reported to the GM. The new Head of the RM service (HRM2) was formerly a consultant and perfectly aware of the emerging risk-based internal control imperative. As he recalled:

> *"risk managers need to take part in the discussion of corporate strategies* [...] *that should be my task* [...] *going in front of directors and telling them 'if these are your objectives, you should do this to achieve them' or 'it is extremely dangerous to achieve your objectives, if you act this way'."*

The new Head of the RM service was extremely confident about the strategic role of risk experts. He felt that their role could move beyond the production of risk-adjusted performance measures and expand outside the domain of risk measurement. Within a few months his vision was embraced by the members of the RM service and interest dissatisfaction started to arise among the risk experts (Figure 3, arrow f). As highlighted by a risk expert (RE1) belonging to the RM service's credit risk team:

"we felt that our tasks were constrained and limited. I am not sure that the directors really read the risk committee's reports".

These perceptions, shared by other risk experts, also led to the emergence of a pattern of competitive value commitment (Figure 3, arrow g). In fact, while the management accountants supported the template-in-use (i.e. the risk-based management template), as they had a key role in the provision of risk-return information within the VBM system and in relation to the wider shareholder value imperative, the risk experts recognized that the new alternative template (i.e. the holistic risk management template) could enhance their strategic role and allow them to gain a more influential position vis-à-vis the Board's decision-making process.

In this context, the financial crisis of 2007-2009 also had a broad influence on the bank's internal dynamics. As in other financial institutions, the crisis demanded more accurate cost management within Banca Valle. In the first months of 2009, the bank had to revise business units' budgets, significantly reducing their economic targets. Whereas the crisis has been often associated with poor risk management, and particularly with excessive trust in risk modelling (Rebonato, 2007), Banca Valle's risk experts did not criticize risk models and quantifications. Instead, they questioned the Board's capacity to interpret these models and anticipate the worst-case scenarios during strategic decision-making, from which the risk experts had actually been excluded. As claimed by one such expert (RE2):

"the crisis had effects we had never seen before and we had to work hard... We [risk experts] *measured and provided correct risk information as we were supposed to, but risk changes continuously. Quantitative models are necessary but they are only simplistic descriptions of reality, which need to be interpreted. I am not sure they* [the directors] *actually did it".*

Consistently with the findings of Mikes (2011) from one of her field studies, within Banca Valle the risk experts defended themselves against the apparent failure of risk management by contending their absence from the discussion of non-measurable strategic issues. In the meantime, pressures from the crisis helped strengthen the risk experts' awareness of their potentially strategic role within the bank, thus increasing their level of interest dissatisfaction in relation to the current situation and their desire for change towards a different template. This dissatisfaction and desire were further encouraged by external prescriptions from regulators and professional bodies following the financial crisis. These prescriptions recommended that risk experts should provide the top management and Board with more forward-looking information regarding a wide range of risk issues (Kirkpatrick, 2009; Deloitte, 2011), and that the Board should properly oversee the risk management process (RIMS, 2009).

Overall, in the period 2006-2009 the external pressures towards a risk-based internal control imperative enhanced the emergence of the precipitating dynamics (interest dissatisfaction and competitive value commitment) described above, which generated strong pressures for change (Figure 3, arrow h). As we will see next, these pressures pushed risk experts out of the back-office cage (Power, 2005b) and beyond the domain of mere risk measurement (Mikes, 2009; 2011) through the development of internal enabling dynamics (Figure 3, arrow i).

4.3 2009-2012. The holistic risk management template within Banca Valle: internal (enabling) dynamics

Within Banca Valle, the pressures for change described in the above sub-section enhanced the need for direct interaction between the Board and risk experts. This need was also reinforced by international recommendations on risk management (IIF, 2008; CEBS, 2010; OECD, 2010), as well as national recommendations on the independence of the risk management function and its direct accountability to the Board[7]. Following these pressures, a new independent RM area was created at the beginning of 2009. The new RM area was still headed by the same manager appointed in 2006, who reported directly to the GM and the Board within the new organizational structure. The creation of the new RM area, together with external pressures, reinforced direct relations between the risk experts and the Board and stimulated two enabling dynamics. Firstly, risk experts acquired the capacity for action necessary to change the template-in-use into the bank and, secondly, the patterns of power dependencies between roles changed. Let us see how.

In Banca Valle, the Head of the RM area began to work closely with a member of the CBD's staff to find a way of ensuring the RM area's visibility vis-à-vis the Board. They decided together to design and submit to the Board a new risk report (labelled the 'monthly risk report'). Although the need for this report mainly derived from the new patterns of reporting between the RM area and the Board, the introduction of the monthly risk report was perceived by the Head of the RM area as a way of helping risk experts acquire a more significant role in high-level strategic decision-making processes.

> *"We had to find a way to enhance communication with the directors, by offering them the most desirable dish we had on our menu!"* (Head of the RM area, HRM2).
>
> *"The basic idea was to think about the Board's key strategic risk concerns. What would they* [the directors] *like to read in the monthly risk report to support them in planning the right strategy?"* (member of the CBD's staff, SCBD).

[7] See the Circular No. 263, 2006 issued by the Bank of Italy and the Regulation jointly issued by the Bank of Italy and Consob in 2007 and their updates.

In contrast to the short minutes of the risk committee, the new monthly report had a more comprehensive structure, with standardized sections. The initial sections contained traditional information on the bank's risk exposure. The following sections contained the analysis of all the different risk silos. Then, in an *ad hoc* section, the economic capital was quantified and calculations were explained. In addition to the risk quantifications, qualitative information, explanations and appealing charts were included, with the aim of providing the directors with concise and comprehensible information on the bank's overall risk profile and trend. Moreover, the monthly risk report did not contain many metrics. Very specific technical language was avoided, a glossary of the main terms was provided at the end of the report, and the risk information could be easily interpreted by the directors. In this way, consistently with the findings of Mikes et al. (2013), the risk experts were able to establish a new communication process with the directors. As claimed by a risk expert (RE3) belonging to the RM area's risk reporting team:

> *"the information we provide is simpler than the information provided by the risk committee, but in any case it is in-depth enough to allow the Board to understand the different dimensions of risk* […] *the report is a tool to grab their attention and support them during their strategic discussions"*.

Since 2009, the risk report has been presented directly to the Board by the Head of the RM area every three months, and monthly to a committee composed of the CBD, the GM and the Chairman of the Internal Auditing Committee (CIAC). The presentation of the monthly risk report takes place during *ad hoc* meetings which offer important opportunities for discussion and interaction between the Head of the RM area and the Board (see Figure 2).

------------------------- Insert Figure 2 about here -------------------------

During these meetings the Head of the RM area provides direct face-to-face explanations concerning the monthly risk report to the Board. Thus, the new reporting process started to change the ways in which risk information and knowledge entered the Board's discussions, and gave prominence to the role and skills of the Head of the RM area As the latter (HRM2) recalled:

> *"the Board's attitude has completely changed.* […] *They* [the directors] *ask a lot of questions and, increasingly often, ask us to elaborate on specific risk issues for ad hoc decision-making purposes".*

The monthly risk report therefore became a flexible tool in which new *ad hoc* sections were added upon the request of the Board, or according to key areas identified by the risk experts.

> *"Very often during our meetings* [with the CBD, the GM and the CIAC] *I have been asked to hold presentations on special risk topics, such as an analysis of the liquidity risk or the potential scenarios for the bank after an interest rate hike. Last month I had to report directly to the Board on the impact of a political crisis in an Asian country on our financial portfolio"* (Head of the RM area, HRM2).

The Board and the top management showed great interest in these discussions, giving risk experts a new visibility in strategic decision-making. Specifically, the new reporting system provided risk experts with the capacity for action necessary to claim direct access to strategic discussions and create their own new *space* within the bank (Figure 3, arrow l). This space expanded beyond the mere risk measurement function for risk-adjusted performance and capital allocations and involved a different approach to risk management (i.e. a sort of 'risk envisionment' in Mikes' terms – see Mikes, 2011), based on the risk experts' experience and intuitions. Thus, the risk experts participated in the move towards the holistic risk management template. As stated by the Head of the RM area (HRM2),

> *"our discussions* [with the directors] *start from market and economic trends and end by developing hypotheses on the potential impacts of these dynamics. The 'numbers' are no longer at the top of the list for them"*.

Furthermore, the need to produce the monthly risk report changed the patterns of power dependencies between the new RM area and the management accountants (Figure 3, arrow m). In particular, the risk experts became autonomous in relation to the mediation of management accountants, interacting with the Board for strategic decision-making beyond the VBM system ("*now I can directly reach 'the top level' whenever necessary"*, argued the Head of the RM area, HRM2). Despite the changes in the patterns of power dependencies between roles, the management accountants did not show a competitive attitude towards the new role of risk experts and the holistic template. As stated by the Head of the P&C area (HPC),

> *"our tasks are completely different, but both are crucial to strategy analysis. There is a sort of balance of powers in which we plan how to achieve business strategies and they contribute to limiting excessive risk-taking."*

Overall, the new patterns of power dependencies and the risk experts' capacity for action (enabling dynamics) allowed a broader view of risk (i.e. a view that went beyond mere risk quantifications) to permeate decision-making processes (Figure 3, arrow n). Thus, enabling dynamics favoured a 'radical' change (Greenwood & Hinings, 1996) from risk-based management towards a new holistic risk management template within Banca Valle.

4.4 Risk management change in Banca Valle

As shown in the previous sub-sections, the process of change in risk management within Banca Valle has resulted from an ongoing interplay between external pressures and intra-organizational dynamics. While external pressures stimulated changes in the template-in-use, enabling and precipitating dynamics between roles influenced the ways in which these templates were interpreted and developed throughout the organization.

In this respect, numerous studies (Power, 2009; Magnan & Markarian, 2011) have emphasised a widespread failure of risk management prescriptions to provide organizations with effective tools to anticipate and manage the difficulties and uncertainties encountered during the global financial crisis of the years 2007-2009. Despite their apparent failure and shortcomings, risk management prescriptions from regulators and professional bodies have proliferated hugely, in a seemingly counterintuitive search for 'more of the same' (Huber & Scheytt, 2013, p. 89). As demonstrated by recent literature (Mikes, 2009; 2011; Arena et al., 2010; Woods, 2011), organizations responded to growing prescriptions in a variety of ways and, through their responses, the 'ideal of risk management has survived' beyond its apparent failures (Mikes, 2011, p. 226).

The case of Banca Valle shows that the apparent contradiction between the widespread failure of risk management prescriptions (especially in relation to the global financial crisis) and the ongoing search for 'more of the same' can be explained at the micro level of the organization by considering the internal dynamics that aided the change of the risk management templates. Within Banca Valle, the evolving nature of enabling and precipitating dynamics between roles allowed a changing awareness of risk management to develop, shifting from an awareness of risk-return metrics to a broader conception of strategic risk beyond *numbers*. This change extended through different risk management structures and systems, regardless of the apparent failures of external prescriptions. Thus, the search for *more* risk management in Banca Valle persisted at the organization level.

More specifically, in the years 2000-2006 risk-return information entered strategic decision-making at the Board level in Banca Valle through a quantitative language of risk-adjusted performance metrics. This language developed among risk experts, management accountants, and top management through the VBM reports and the Tableau de Bord. Information and knowledge about risk-adjusted performance reached the Board mainly through the capacity for action of the management accountants. This capacity also reinforced the power dependencies of risk experts, who were aware of their dependence upon management accountants (as their mediation was necessary for risk information and knowledge to reach the Board). Through these internal enabling dynamics, a risk-return awareness (based on the basic assumptions of the risk-based management template within the shareholder value imperative) entered strategic decision-making within Banca Valle. This awareness was strictly dependent upon advances in risk-return quantification within the VBM system. In this context, risk measurement was perceived by the risk experts as the prevailing ‘risk management style’ (Mikes, 2011) capable of providing them with a role (albeit mediated by management accountants) within strategic decision-making processes [*‘I had to invent an engaging way to attract managers’ attention to risk. We started to experiment with new risk models...’* – Head of the RM service quoted above].

After the risk-based management template entered the organization, precipitating dynamics were stimulated in the second phase (2006-2009) by external pressures towards the holistic template. Within these dynamics, the risk experts started to perceive their role as constrained, and a pattern of competitive value commitment arose between them and the management accountants. In this context, the risk experts pursued an alternative template (the holistic template) as a way of realizing their interests and aspirations. However, while Mikes (2011) in her field study highlighted that a culture of quantitative enthusiasm was helpful for risk experts to ‘displace blame and protect their autonomy’ (p. 241), in the case of Banca Valle external pressures after the crisis helped increase risk experts’ demand for a greater involvement in the strategic arena beyond mere risk quantifications.

Nevertheless, it was only with the new risk reporting system that the patterns of risk experts' power dependencies in relation to management accountants changed. Also, following external pressures for change and the adoption of a new organizational structure for the RM area, the risk experts acquired the capacity for action necessary to move towards the new holistic template within the bank. Through these new internal dynamics (and despite the apparent failure of risk management prescriptions within the broader institutional context), the prevailing assumptions of the holistic template spread inside the bank, allowing for a more holistic risk awareness (beyond the mere quantification of risk) to enter strategic discussions at the Board level [*'that should be my task* […] *going in front of directors and telling them "if these are your objectives, you should do this to achieve them" …'* – Head of the RM service, quoted above].

The move towards the holistic template within the bank was also facilitated by the way in which the risk experts mobilized their skills and constructed the new monthly risk report, combining risk quantification with broader qualitative information and face-to-face explanations and communications with the Board. The experience and intuition of the risk experts, and particularly of the Head of the RM area, were thus crucial to the shift from a risk measurement approach to what Mikes (2011) defined as a 'risk envisionment' style.

Overall, the case of Banca Valle shows that external risk management prescriptions did have an impact within the bank through internal dynamics between roles, which allowed an evolving awareness and a broader (holistic) conception of risk to enter decision-making processes at the Board level. In so doing, the aspiration towards a sort of risk management *ideal* persisted over time and over evolving templates within the bank.

----------------- Insert here Figure 3 -------------------

5. Conclusions

This paper sheds light on the role of roles during processes of risk management change. In particular, it suggests that changes in risk management within organizations, and especially the role of roles within these processes, can be explored through the lens of an institutional perspective.

Although recent studies have investigated risk management practices in specific organizational settings (see among others Mikes, 2009; 2011), to the best of our knowledge they have not probed the dynamics of risk management change over an extended period of time. Relying upon the longitudinal study of Banca Valle (in the years 2000-2012), this paper represents one of the few studies to explore the ongoing interplay between external pressures and intra-organizational dynamics during processes of risk management change within a bank.

In this respect, our research provides various contributions. Firstly, it shows that changes in risk management within organizations do not occur swiftly and only as a result of external recommendations or prescriptions. Instead, the way in which risk management evolves over time is influenced by both external pressures and intra-organizational dynamics, which gradually affect the patterns of interaction between roles at the micro level of the organization. To investigate risk management change, we relied upon the theoretical insights offered by Greenwood and Hinings (1993; 1996). Whereas Greenwood and Hinings' (1993; 1996) framework has been used recently in accounting literature to explain different patterns of accounting change within organizations (Liguori & Steccolini, 2012), to the best of our knowledge it has never been adopted to specifically explore risk management change. By drawing upon Greenwood and Hinings' (1996) definitions of institutional templates and intra-organizational dynamics, we showed that within Banca Valle external pressures towards different risk management templates were filtered through different and evolving intra-organizational dynamics (i.e. interest dissatisfaction, competitive value commitment, power dependencies, capacity for action) over different periods of time.

Secondly, in exploring risk management change, the case of Banca Valle provides evidence on the role of roles in influencing the way in which risk management templates are interpreted and develop inside banks. In particular, we focused on the role of risk experts and management accountants and on their interactions with top executives (e.g., in our case, top management and directors). In this context, our paper shows how certain roles are able to actively contribute to the diffusion of ideas and assumptions about risk management that originated in the external environment throughout the organization. In our case, in the first phase (2000-2006) the assumptions of the risk-based management template spread inside the bank through the risk experts' power dependencies in relation to the management accountants, as well as through the management accountants' capacity for action. In the second phase (2006-2009) both the competitive value commitment between the risk experts and management accountants and risk experts' growing interest dissatisfaction prepared the ground for change towards the holistic template. This change occurred in the third phase (2009-2012), through new patterns of power dependencies and the risk experts' capacity for action. Thus, our study adds to the recent literature on the role of risk experts (e.g. Mikes, 2011; Mikes et al., 2013), suggesting that their actual function inside organizations depends on their specific interests, the different templates they support, and the shifts in power for control over key information.

Thirdly, our research highlights the relevance of reporting systems in influencing dynamics between roles within the process of risk management change. Importantly, we showed that the roles that control the main information flows within the reporting systems influence the prevailing assumptions about risk management within the organization. In our case, changes towards the risk-based management and the holistic templates were supported respectively by the management accountants when they controlled the system of VBM reporting to the top managers, and the risk experts when they controlled the new risk reporting system (based on the monthly risk report) for the Board. In our case the mobilization of risk experts' technical and managerial capabilities to construct the new monthly risk report allowed them to claim more *space* within strategic decision-making, thus enabling the process of risk management change. As a result, we corroborate recent claims (see Mikes et al., 2013) about the importance of the *tools* used by risk experts in allowing them to gain influence at the top organizational levels.

Finally, we shed light on the apparent contradiction between the supposed failure of risk management *in practice* and the ongoing and expanding quest for (and interest in) a 'risk management ideal' (Mikes, 2011) and risk management prescriptions (Huber & Scheytt, 2013). In particular, we show that this contradiction may be explained at a micro (organizational) level by looking at the intra-organizational dynamics that help introduce and develop the assumptions underlying risk management templates inside organizations. Within Banca Valle, the evolving nature of the enabling and precipitating dynamics between roles allowed a changing awareness of risk management (from a risk-return awareness to a broader strategic concept of risk beyond *numbers*) to develop in relation to risk management structures and systems, reflecting different templates and moving beyond the apparent failures of external prescriptions. Whereas risk awareness per se is not enough to ensure the actual use of risk information within strategic decision-making processes, in our case it sustained the search for *more* risk management, stimulating its ongoing evolution inside the bank. Thus, we extend Mikes (2011) by providing evidence of how the shift from a risk measurement approach to what she referred to as a 'risk envisionment' approach can be dependent upon the interplay between external pressures and intra-organizational dynamics, within a process of change that occurs over an extended period of time.

In offering these contributions, this paper is not without its limitations. Being a longitudinal case study referring to an extended period of time, the informants' interpretations of risk management change (which in some cases provided retrospective information on the role of roles) may have been affected by their overall knowledge of the entire *story* of risk management change within the bank, as well as by their own subjective perceptions. Moreover, as some of the informants offered information about their own role, they may have attempted to make their role appear more *strategic* than it actually was. Although our data triangulation with internal documents (and between different informants) attempted to limit these kinds of bias, some distortions may still remain. Nonetheless, understanding individuals' subjective perceptions was important to us in clarifying the internal dynamics between roles. Moreover, we focused our analysis on the roles whose participation in the process of risk management change was more evident (e.g. risk experts, management accountants, top managers, directors), but we acknowledge that other roles (such as business lines and operational staff) could be affected by processes of change.

As our findings are limited to a single case, further longitudinal studies are necessary to explore processes of risk management change. In particular, more research is needed to understand the degree (and actual significance and implications) of *success* and *failure* of risk management structures and systems within different organizational settings, as well as the influence of individuals' perceptions about *who they are* in relation to processes of change. Future studies could also explore the more subtle (and *invisible*) consequences of risk management change. Indeed, researching risk management at the micro-level of organizations is important to understand the actual functioning and *practice* of risk management in the context in which it develops.

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Table 1 – Interviews schedule

Role of the informant	Code	Years in charge for the role	N. of interviews from 2001 to 2004	N. of interviews from 2009 to 2012
Chief Financial Officer	CFO	2010-2012		1
Head of the RM service (1)	HRM1	2000-2006		1
Head of the RM service (2) *(RM area from 2009)*	HRM2	2006-2011		3
Risk expert in the RM service (1) *(RM area from 2009)*	RE1	2002-2008	1	1
Risk expert in the RM service (2) *(RM area from 2009)*	RE2	2006-2012		1
Risk expert in the RM service (3) *(RM area from 2009)*	RE3	2009-2012		1
Head of the PCA&RM area (*P&C area from 2006)*	HPCRM	2001-2009	5	3
Management accountant in the PCA&RM area (1) (*P&C area from 2006)*	MA1	2002-2010	1	1
Management accountant in the PCA&RM area (2) (*P&C area from 2006)*	MA2	2005-2009		1
Head of the P&C area	HPC	2010-2012		3
Head of the Organization area	HO	2010-2012		2
Member of the Organization area (1)	O1	2002-2010	1	
Member of the Organization area (2)	O2	2001-2006	1	
Member of the CBD's staff	SCBD	2008-2011		2
Head of the Internal Auditing area	HIA	2005-2010		1
Member of the Internal Auditing area	IA	2001-2006	1	
			10	**21**

Figure 1 – Information flows between the PCA&RM area and the top management of the bank

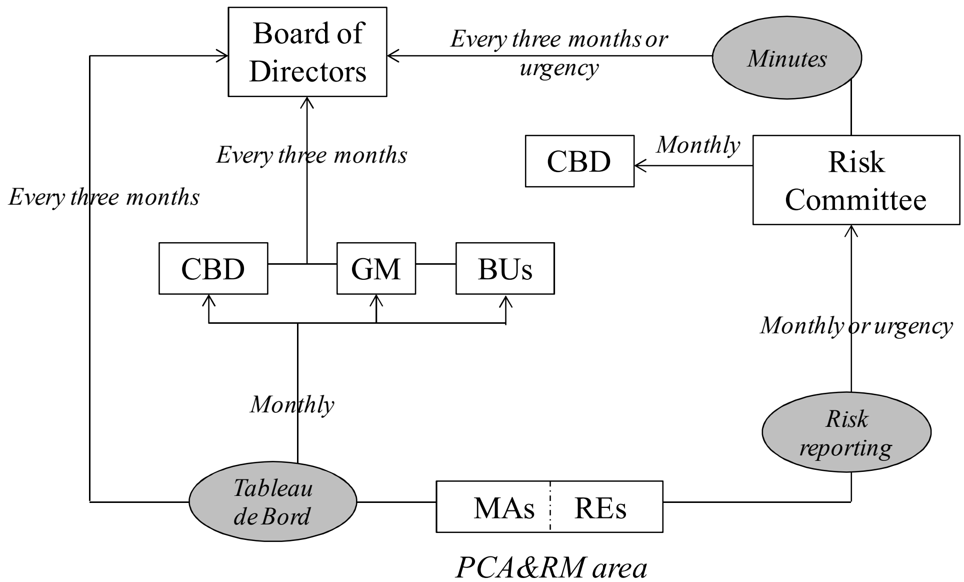


Figure 2 – Information flows between the RM area and the top management of the bank

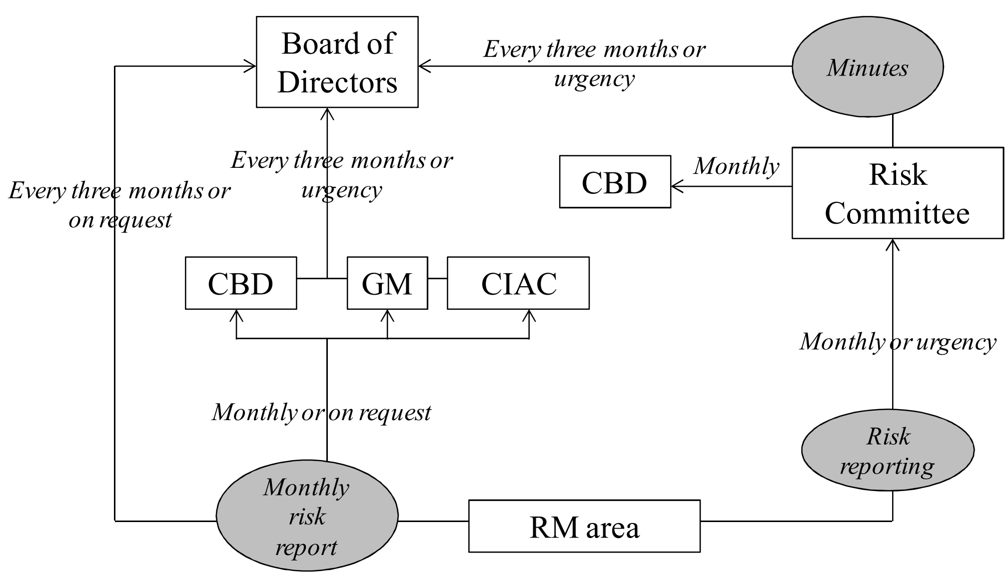
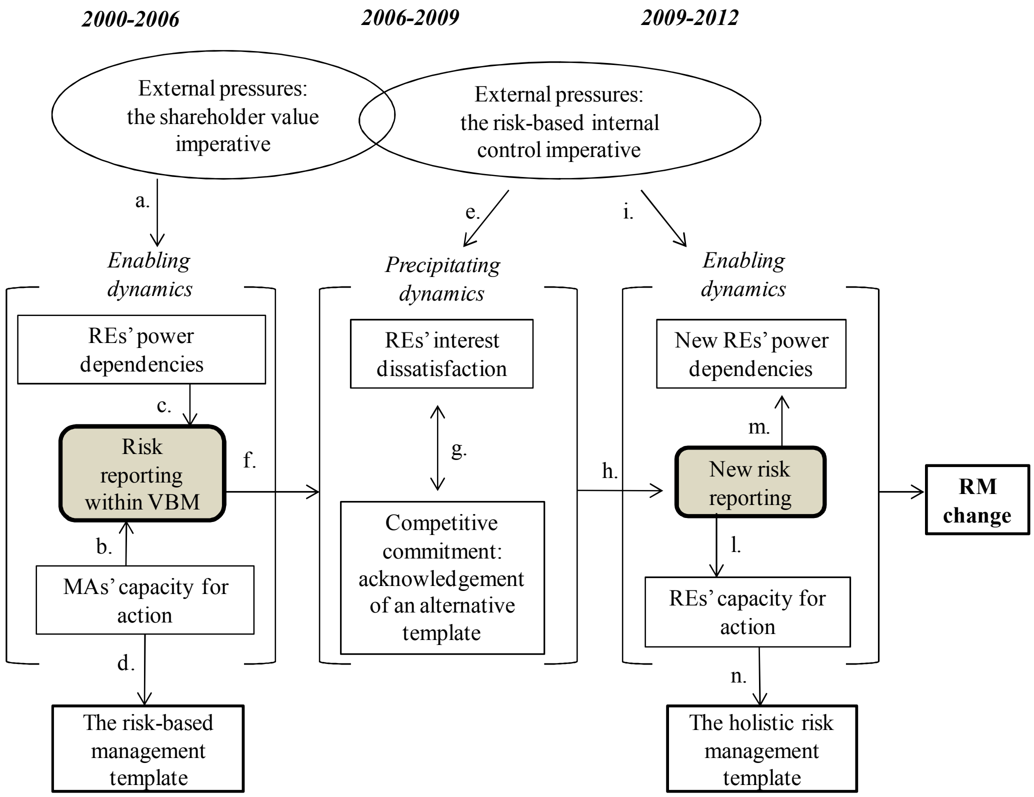


Figure 3 – RM change within Banca Valle



INTERVIEW PROTOCOL

1. Interview strategy

The main purpose of the interviews was to collect information on risk management change within the selected bank, as well as on the changes in the internal dynamics between roles. In particular, interviews were conducted with those organizational roles that were more involved in the process of risk management change.

Hence, interviews were firstly conducted with the Chief Financial Officer (CFO), the former and the current Heads of the Planning & Control area, the former and the current Heads of the Risk Management area, members of the Chairman's staff, of the Risk Management area and of the Planning & Control area. The aim was to collect data on the main changes occurred in risk management practices and the related changes in organizational roles and their interactions.

Secondly, interviews were conducted also with the Head and members of the Organization area and of the Internal auditing area in order to understand the changes in the organizational structure, as well as the pressures for change coming from external regulations.

Our meetings with the key informants were based on semi-structured interviews. In particular, we adopted an interview guide to ask the main questions to the informants. These questions concerned the main research themes: background to the company, changes in risk management, role of roles. To avoid possible bias, we let informants talk freely about the main points that were asked, allowing new issues to come out from the interviews, and thus new questions were eventually asked as a result of what the informants were saying.

Typically, the same basic set of questions was made to those respondents sharing similar organizational roles. Hence, we adopted four different interview guide samples (reported below) to frame questions for: risk experts, management accountants, top managers, and other roles.

Additionally, some informants were interviewed more than once during the research period in order to verify the preliminary findings and keep track of any major change occurred in the meantime.

Most of the interviews were recorded and transcribed into electronic files. The initial interviews with the ex-Head of the P&C area were not recorded to ensure that the informant would talk freely about the various issues (without being put off by the presence of the recorder) and to give him the necessary time to gain confidence in the research methodology. Once we believed that this confidence was achieved, we started to record the interviews with the informant's permission.

2. Interview guide samples

Following, three samples of interview guides will be presented referring, respectively, to the group of risk experts (as we labeled the members of the Risk Management area), the group of management accountants (as we labeled the members of the Planning & Control area), the top management (e.g. CFO, members of the Chairman's staff), and other roles.

<u>Interview guide sample for the group of risk experts</u>

A. Background information of the interviewee (e.g. name, position, main tasks and responsibilities, career pattern in the bank, etc.) and of the bank (e.g. history, mission, major events in the last years, etc.)

B. General questions relating to changes in risk management practices over the years:

(1) Can you describe the main features of the current risk management practices in the bank? How do you characterize these practices?
(2) Are you satisfied with how the top management of the bank deals with risk management?
(3) Which are the main changes in risk management the bank faced in the last years?
(4) Why do you think such changes happened?
(5) From where did the main pressures for change come?
(6) What do you think about this process of change? Which elements did it mainly involve?

C. General questions relating to changing organizational roles:

(1) How do you consider the role of risk managers? Has it changed in the last years? Why?
(2) What do you believe are the major changes in this role in the bank?
(3) Which are the main interactions between the Risk Management area and top management/Board of Directors? How did they change?
(4) Which are the main interactions between the Risk Management area and the Planning & Control area? How did they change?
(5) Which are the main processes and tools for the exchange of the information flows between the Risk Management area and top management/Board of Directors? How did they change?
(6) Which are the main processes and tools for the exchange of the information flows between the Risk Management area and the Planning & Control area? How did they change?

<u>Interview guide sample for the group of management accountants</u>

A. Background information of the interviewee (e.g. name, position, main tasks and responsibilities, career pattern in the bank, etc.) and of the bank (e.g. history, mission, major events in the last years, etc.)

B. General questions relating to changes in risk management and management accounting practices over the years:

(1) Can you describe the main features of the current management accounting practices in the bank? How do you characterize these practices?
(2) How is the planning and control activity developed?
(3) How are risk management and management accounting practices related to each other in terms of processes and tools?
(4) Are you satisfied with how the top management of the bank deals with the planning and control activities?
(5) Which are the main changes in management accounting practices the bank faced in the last years? Why do you think such changes happened?
(6) What do you believe are the main relations between these changes and the evolution of risk management?

C. General questions relating to changing organizational roles:

(1) How do you consider the role of management accountants? Has it changed in the last years? Why?

(2) How do you consider the role of risk managers? Has it changed in the last years? Why?
(3) What do you believe are the major changes in these two roles in the bank?
(4) Which are the main interactions between the Planning & Control area and top management/Board of Directors? How did they change?
(5) Which are the main interactions between the Planning & Control area and the Risk Management area? How did they change?
(6) Which are the main processes and tools for the exchange of the information flows between the Planning & Control area and top management/Board of Directors? How did they change?
(7) Which are the main processes and tools for the exchange of the information flows between the Planning & Control area Risk Management area? How did they change?

Interview guide sample for the top management

A. Background information of the interviewee (e.g. name, position, main tasks and responsibilities, career pattern in the bank, etc.) and of the bank (e.g. history, mission, major events in the last years, etc.)

B. General questions relating to changes occurred in the bank over the years:
(1) Can you describe the main changes occurred in the bank over the years? What did they entail in terms of organizational strategies?
(2) What do you believe are the main effects of new regulations and external pressures on the activity of the bank?
(3) How do you think the attitude of the Board towards risk management changed in the last years?
(4) How is risk information considered during strategic decision-making processes?

C. General questions relating to changing organizational roles:
(1) How do you consider the role of risk managers? Has it changed in the last years? Why?
(2) What do you believe are the major changes in the role of risk managers in the bank?
(3) Which are the main interactions between the top management and the Planning & Control area? How did they change?
(4) Which are the main interactions between the top management and the Risk Management area? How did they change?
(5) Which are the main processes and tools for the exchange of the information flows between the Planning & Control area and top management? How did they change?
(6) Which are the main processes and tools for the exchange of the information flows between the Risk Management area and the top management? How did they change?

Interview guide sample for other roles

A. Background information of the interviewee (e.g. name, position, main tasks and responsibilities, career pattern in the bank, etc.) and of the bank (e.g. history, mission, major events in the last years, etc.)

B. General questions relating to changes occurred in the bank and in risk management practices:

(1) Can you describe the main changes occurred in the bank over the years? What did they entail in terms of organizational strategies?
(2) Which are the main changes in risk management the bank faced in the last years?
(3) What do you believe are the main effects of new regulations and external pressures on the activity of the bank?
(4) What do you believe are the main effects of new regulations and external pressures on risk management practices within the bank?

C. General questions relating to changing organizational roles:

(1) How do you consider the role of risk managers? Has it changed in the last years? Why?
(2) What do you believe are the major changes in the role of risk managers in the bank?
(3) Which are the main changes in the relation between the Risk Management area and your organizational function?
(4) Do you think that changes in risk management practices have affected the activity of your function? In which ways?

3. Data coding procedures

Most of the interviews – typically lasting two hours – were recorded and transcribed into electronic files (Word documents). When recording was not possible (e.g. in case of some off-recording comments), notes were immediately taken and then reported at the bottom of the related transcription.

After the transcriptions, each interview was read in-depth and this (combined with the documentary research) allowed us to identify three main phases of time (i.e. 2000-2006; 2006-2009; 2009-2012) into which changes in risk management practices were observable inside the bank.

During this process of analysis, we coded all the transcript evidence according to the informants, the phase of time, and the elements of our theoretical framework (precipitating dynamics - interests dissatisfaction and value commitments; enabling dynamics - power dependencies and capacity for action).

Following, we report the main criteria for data coding.

Informants	**Code**
Head of the RM service (1)	HRM1
Risk expert in the RM service (1)	RE1
Head of the PCA&RM area	HPCRM
Management accountant in the PCA&RM area (1)	MA1
Member of the CBD's staff	SCBD
Etc.	....

Dynamics		
precipitating	interests dissatisfaction	PID
	value commitments	PVC
enabling	power dependencies	EPD
	capacity for action	ECFA

Below, we report an extract from the table we built in a Microsoft Excel file to analyze the main evidence according to our theoretical framework and identify specific patterns emerging from the interviews.
Numbers in boxes refer to the specific Word file of the transcription, and the specific pages, in which evidence of the various elements of the framework (for each phase) was found. In so doing, we could identify all transcript evidence concerning each dynamic, for each period and key informant, to support the case analysis and the discussion of each element of the framework.

	2000-2006				*2006-2009*				*2009-2012*			
Informant code	**PID**	**PVC**	**EPD**	**ECFA**	**PID**	**PVC**	**EPD**	**ECFA**	**PID**	**PVC**	**EPD**	**ECFA**
HRM1			*F.1, p. 3*		*F.2, p. 4*	*F.1, p. 5,10*					*F.3, p. 7*	
RE1						*F.6, p. 3,5,9*					*F.6, p. 3, 5, 11*	*F.6, p. 3*
HPCRM			*F.5, p. 5,6*		*F.5, p. 2, 3*	*F.5, p. 4,6*					*F.7, p. 1, 8, 9*	*F.7, p. 8*
MA1				*F.4, p.5,7*								*F.4, p. 5, 7, 9*
SCBD			*F.8, p. 8,9*									*F.9, p. 2, 4, 5*
Etc.	…	…	….	…	…	…	…	…	…	…	…	…