

Enterprise Risk Management: an Institutional Work Perspective

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Appendix C

C.1 Empirical examples of institutional work conducted to develop ERM

Category	Institutional work	Empirical examples
Disrupting	Disassociating moral foundations	Traditional risk management (TRM) is argued to be insufficient for addressing the company's risks due to the changes in the business and operating environments alongside exposure to significant and different types of risk.
	Undermining assumptions	The perceived costs and risks of developing and implementing the ERM framework is minimised by ensuring its ability to support the delivery of sound operations and long-term growth and hence achieve the company's vision and mission.
Creating	Advocacy	References were made in discussions and evaluations to ERM being a clear framework for risk management that adds value to the company by enhancing corporate governance and risk management to make ERM more attractive to the company's directors.
	Defining	The company's ERM framework and policies clearly communicated the main concepts and principles, common language, and clear guidance in terms of what and how to do in relation to risk management.
	Constructing identities	The risk department built their identity as ERM key leaders and remade themselves as supporters and supervisors of ERM development.
	Changing normative associations	With its organisational-wide representation, the risk committee was well positioned to promote ERM across the company.
	Constructing normative networks	The wide connections between the risk department and other departments provided a strong channel to embed and use ERM practices across the company.
	Mimicry	The company's ERM framework adopted similar components to the ones suggested by Solvency II.
	Theorizing	The risk department recognised the need for a high level of classification in the ERM framework, which facilitated ERM embedding across the company and particularly at lower organisational levels.
	Educating	The risk sponsors helped educate the staff about ERM through various general training programmes aimed at enhancing their knowledge on ERM as a system.

Creating- additional	Organisational restructuring	The separation between the Internal Control Department and the Risk Management Department.
Maintaining	Enabling	<p>The creation of the risk department and hence the appointment of risk management professionals.</p> <p>The creation of authorising risk department and committee, and the provision of ERM supporting tools (e.g., the capital model) and the redesign of the business model and data management systems provided a key vehicle to foster ERM practices.</p>
	Policing	The introduction of continuous ERM related tests, quizzes, and questionnaires to evaluate the level of ERM understanding and monitor the embedding of risk practices across the company provided an important vehicle to reinforce ERM practices.
	Valourizing/demonizing	Risk-based capital allocation was portrayed as advanced and useful in the face of the different risks that can have a negative effect on the capital. In addition, attention was brought to the complexity of risk-based capital allocation that will require a long time to be absorbed and will encompass the danger of continuously making mistakes and corrections along the way.
	Mythologizing	The risk team created an image of ERM at the company as the best way to help organisations navigate through serious and uncertain risks.
	Embedding and routinising	The risk department offered detailed documentation and continuous training/discussions/talks—explaining the logic behind the new practices and reengineering behaviours—to embed ERM in daily practice.
Maintaining- additional	Role reconfiguration	The shift of risk-based capital allocation responsibility from a solo responsibility to a shared responsibility among various professionals provided an important vehicle to foster ERM practices.
	Trust building	The trust created (intentionally or unintentionally) in ERM experts and tools was key in fostering ERM practices.

C.2 Supplementary quotations

Location in the text	Quotation	Argument supported and respective page number
Sub-section 5.1	...people of the company come and attend or don't. It was entirely up to them... But now [recently], we do the same course but it is compulsory. (CAc)	Non-compulsory training workshops/sessions, p. 16
Sub-section 5.2.1	...in just a couple of years 2004 and 2005 we started to develop real strong ERM activity... I was the Chief Risk Officer but without having a team... we started to develop a team from 2004-2005. (CRO)	Establishment of an Independent Risk Department, p. 17
	We try to make our documents as interesting as we can, but there is lot of information which is just very difficult. If you work in a different part of the business and are doing your general day-to-day job and then people are telling you have to read all of these documents as well, it can be hard to digest. I have sympathy for the staff members. (RM/1)	The burdensome documents provided to support staff work, p. 19
Sub-section 5.2.2	I would probably say, once a month in terms of interaction, and it can be a lot more especially during the time when we are doing our business planning. With the business planning thing, we actually end up having quite a lot of interaction with them because... they look at the results, does it fit our risk appetite, what is our risk profile, are we growing the right areas of business... On a monthly basis, I am more involved in terms of the internal reporting. (CA)	A stronger connection between the risk department and other departments, p. 20
	So risk function takes an independent view and helps either side [business development and operations] of these to understand what are all the facts, the performance imperatives in that area. (COO)	The support provided by the risk team facilitating staff job, p. 21
	The Risk Management Department and actuarial team within our department are helping me and my department to see and to monitor market risk and maybe credit risk. (CFO)	The risk team expertise and support, p. 21
Sub-section 5.2.3	On ad-hoc basis I am asked [by the CRO] to give my opinion about ERM related matters. So very closely we discuss how to improve our company's risk management. (CFO)	The further interaction of various professionals/roles, p. 22
Sub-section 5.2.4	ERM provides you with the 360 degree insights to your environment whatever level you choose to do that and it is easier if you are an accountant... to end up in a routine of procedure and thinking that loads of your work is covered by discipline and regulation and accepted practice when actually those are the very things that are going to consume your risk. (MA)	Management accountant view of ERM importance/value, p. 23
	And risk management does seem to be one of those things that no matter what you think you have done and how experienced you are, there is always another view that you can be made aware of. So I'm looking for those as well... [I] prefer to call accountants financial modelists now not financial accountants because they should be able to model the company in terms of its internal structure and how is manifested the finance in the world financially and legally and indeed in any way. So, I think ERM as a culture underpins that. (MA)	Management accountants' extended role, p. 23
	This new risk approach is a change in the company culture, and this definitely takes time, but it is not impossible if you get Board and management support. (CRO)	Creating a new culture, p. 23

	We are much more objective and much more business focused. The idea of... management is about measurement because if you measure things then you can take only informed decisions. Doesn't mean you get them right necessarily but you've got a better chance of getting them right. That is really what the culture is in my departments... the only way to run a business is to take a holistic view. (COO)	ERM supporting decision-making, p. 24
Sub-section 5.3.1	... it is for the managers of each of the functions to take the responsibility for those areas of risk [embedding] (COO)	Delegated responsibilities for ERM embedding, p. 24
	So, I am much more involved in risk management on a day-to-day basis than I probably was 3 years ago. Similarly our Chief Risk Officer and our Risk Management Department are probably now far more familiar with actuarial techniques and concepts than they were 3 years ago. (CAc)	Responsibilities for ERM embedding, p. 24
	I think the danger is that you create departments that employ a lot of people and a lot of cost and that needs to be much more clarity around exactly what the measurable benefits of doing that are. So OK we invest a lot and we have to provide a lot of information into that department and adhere to those frameworks, what about the direct benefit of doing so. (OM)	The tensions between the operations and risk management teams, p. 25
	... our department is about delivering change and engagement with the business to accept change. (OM)	The operations team's role in the change process, p. 26
	We also have each year, maybe every six months, we sit down as a department with the Risk Department and we have to go through each of the set of questions that we have designed that we have to look at. So maybe the risk of having the reserves wrong and how much money that might cost us, then how that would impact the capital that we hold and how that might cost us as company. (AA/1)	Further monitoring procedures, p. 26
	That is, as an underwriter, my instinct to define and evaluate risk is completely different from the instinct to evaluate risk in the ERM model process approach and that to me has been an eye opener. It has given me a new view on the world. As underwriters, we feel far more safe of what we know than if we don't know. (CUR)	ERM shaping perceptions, p. 26
	Also, it [ERM] is necessary. We have education on it like the Chief Actuary gives talks on the use of capital so they are aware of it and some of the underwriters are aware of the allocation of capital themselves. (AA/2)	Talks/presentations given by senior people to enhance ERM awareness/knowledge, p. 26
Sub-section 5.3.2	It [ERM] has giving it [capital allocation] more rigour as there is now a framework and governance around it. For instance, perhaps a few years ago it [capital allocation] was not seen as an important thing by senior management and the executives. But now it is definitely getting a higher profile. People want to improve the process; they put more resource into it and are spending more money to ensure it is as efficient as possible. There are regular meetings with the senior management and the executives are consistently thinking about it talking about and, as I said, trying to improve the whole process. (RM/1)	Integration of risk and capital management, p. 27
	So, the core work [capital allocation] was there between Chief Risk Officer and underwriter and Chief Actuary. (CAc)	Shared responsibility for capital allocation, p. 27

	We would not enter now any new line of business without considering the capital implications or the risks surrounding it. And not what the profit is, but what that profit means compared to the risk it brings into the company. (CAc)	Risk consideration in capital allocation decisions, p. 28
	But I think that, more recently, you discover that the division between risk management and actuarial work is becoming smaller and smaller. For a lot of companies... the Chief Actuary and the Chief Risk is actually the same person... I think everyone in the company whether they work in risk management or actuarial work are becoming far more risk focused. Sort of everybody is becoming kind of a mini risk manager. (CAc)	Boundaries within which different professionals act, p. 28
	... so we redesigned the whole of the business model and the data management systems which generate the reports which allow them [underwriters] to assess the results and take decisions. So they are very dependent upon the work which we've done in both operations and business process reengineering to the department where we defined all of these models, how data should be structured, and what data they have to collect for things like exposure management. (COO)	Additional and indirect efforts supporting the new capital allocation practices, p. 28
	...if we have got incomplete data that means we can't model out our CAT risk. If we can't model out our CAT risk then we are aware that this is a big deficiency and probably that means we have to hold more capital and the rate of return we need becomes lower. (EOO)	Responsibility for ensuring data completeness, accuracy and consistency, p. 28
	Because now the capital model is much more integrated part of the business. A lot of capital people now put it under the responsibility of the Chief Risk Officer... But the Chief Risk Officer then outsources the technical modelling to the Actuarial function (CAc)	Changes to reporting lines, p. 29
Sub-section 5.3.3	Some of the training is more tailored. We've got generic training to all staff members, but there are certain areas we are doing specific training for them such as the underwriters. We are trying to say that these are the risks which are probably in your areas and discuss this in order to get them to really understand. (RM/1)	Introduction of tailored/specific training, p. 30
	The ERM training is really trying to get them [staff] to understand what risk management is and understand more about Solvency II but also it is very much trying to get them to understand that everything they do has an impact [on the whole organisation]. (RM/1)	The training intent, p. 30
	And now the courses are compulsory. They are setting up a course for every single department, so they can focus not just on how you can affect the whole company, but how your own department can affect the whole company. So... I suppose, they can track risks much better. (AA/1)	Introduction of compulsory training, p. 30