Collaboration to support implementation and embedment of evolving operational risk management practices

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ABSTRACT

Despite there being a vast array of literature available on operational risk management, literature on industry collaboration and communication to support the implementation and embedment of operational risk management practices is negligible. The banking industry's activities and risk profiles are becoming more diverse and complex due to deregulation and globalisation and banks therefore need to manage the change by continually evaluating their operational risk management practices to ensure that it remains relevant and aligned to evolving practices. This can be achieved through industry collaboration.

Purpose

The purpose of this research is to determine whether collaboration and communication within the South African banking industry can support the implementation and embedment of evolving operational risk management practices which include the Sound Practices principles.

Method

Exploratory research using quantitative techniques, a questionnaire, to collect data from a sample consisting of sixteen banks and analsyed using computer-aided quantitative data analysis software (CAQDAS); IBM SPSS Statistics version 23. The sample size was small and not sufficient to perform any statistical analysis but instead SPSS's descriptive statistics tool was used to determine frequency.

Finding

The literature reviewed and the quantitative study findings provided adequate evidence and answers to the four research questions confirming that collaboration can support the implementation and embedment of evolving operational risk management practices.

Keywords

Collaboration, knowledge sharing, implementation, evolving, operational risk

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1. Research Title

Collaboration to support implementation and embedment of evolving operational risk management practices

1.2. Introduction

The Basel Committee on Banking Supervision (hereinafter referred to as the Committee), the owner of the Sound Practices for the Management and Supervision of Operational Risk Framework (hereinafter referred to as the 'Sound Practices') monitors the implementation of the standards and guidance. During the first half of 2014, the Committee performed a review (hereinafter referred to as 'the review') on the progress of the framework implementation. The need for the review was exacerbated due to the significant number of operational risk-related losses occurring within the banking industry (Basel Committee on Banking Supervision, 2014).

The review highlighted a number of key findings and observations. One of the most concerning findings was that the banks globally did not implement all the principles to the full extent as originally introduced in 2003 and subsequently revised in 2011 (Basel Committee on Banking Supervision, 2014). The report highlighted, that of the 60 systemically important banks (SIB) reviewed, which included South African banks, there were still a few that were in the process of implementing some of the principles.

1.2.1. Operational risk management framework

The principles were developed post the Committee's 'Working Paper on the Regulatory Treatment of Operational Risk', which was published in September 2001 and which stated that banking supervisors and the banking industry recognised that operational risk had become a key contributing factor in defining the risk profiles of financial institutions. Prior to this, the Committee initiated work related to operational risk. They established that managing operational risk had become one of the key features of sound risk management practices with operational risks such as breakdowns in internal controls and corporate governance for example impacting the business environment of modern financial markets (Basel Committee on Banking Supervision, 1998). The consequences of these risks were that the banks could incur financial losses through error, fraud, or failure to perform in a timely manner for example which could also result in the bank's reputation being negatively impacted.

In addition to these risks, the banking industry, including the South African banking industry's activities and risk profiles were becoming more diverse and complex due to deregulation and globalisation (Basel Committee on Banking Supervision, 2001, p.1; Petria, N., & Petria, L., 2009). Other developments included the use of sophisticated automated financial technology, complicated financing techniques and banks becoming very large-volume service providers also contributed to the diversity and complexity. As a result, there were concerns that the industry's operational risk exposures would increase (Basel Committee on Banking Supervision, 2001). To address these concerns, the Risk Management Group (RMG) of the Committee proposed to develop a framework for operational risk management which included the following industry definition for operational risk: 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events' (Basel Committee on Banking Supervision, 2001, p.2). The framework was developed to provide guidance to all the Bank of International Settlements (hereinafter referred to BIS) members who include the central banks represented by various countries from around the world. The primary responsibility for management of operational risk however is the individual bank's business units or product owners which require them to ensure that appropriate operational risk control systems are in place (Basel Committee on Banking Supervision, 1998).

As a result of the proposal, the Committee drafted the Sound Practices which was published in February 2003 (Basel Committee on Banking Supervision, 2001). The Sound Practices framework contained the guiding principles (refer to Appendix 1) for supervisors and banking industries to follow. The Committee acknowledged that operational risk management would continue to evolve and in 2006, the Committee published a revised framework entitled, 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version' (commonly referred to as "Basel II") for implementation (Basel Committee on Banking Supervision, 2011, p.1). In light of the evolutionary nature of operational risk management, the framework, which could be considered a living document, needed to be reviewed and revised on a regular basis in order for it to remain current and relevant to support the diverse and complex developments occurring in the globalised banking industry. This was reiterated in the Committee's (2010) consultative document, 'Operational Risk – Supervisory Guidelines for the Advanced Measurement Approaches' which stated that a bank's integrated framework had to evolve and be regularly updated as it continuously gained more experience and developed new operational risk capabilities in managing operational risk. An integrated framework refers to the bank being able to communicate and validate how it integrated its operational risk management framework within the business.

In addition to the framework being updated, it also needed to be more embedded in executive decision-making as operational risk practices evolved. Atkinson (2013) stated that there was some degree of risk in everything an organisation does and that the organisation needed to deal with the issue of managing risks. With regard to the framework being embedded in decision-making, Atkinson (2013) stated that risk management was not considered to be a contributing factor in the decision making process. This highlighted a disconnect between regulatory requirements and guidelines and what was being implemented in practice.

1.2.2. Operational risk management fit for purpose

Banks, especially in the South African banking industry, may offer similar products and services but they are different in terms of structures, processes and procedures and therefore needed to design, implement and embed a framework suited to their business model and their interpretation and understanding of the Sound Practices as a guide. The International Standard Organisation (ISO) (2009) stated in its ISO/FDIS 31000 framework document, that the risk management framework was not drafted with the intention of prescribing a management system for organisations but rather a tool to guide organisations in integrating risk management into their overall management systems. The guidance document also stated that organisations should implement a framework that is fit for their business and strategic needs. This notion was further emphasised by the Committee (2015) in their guidance document titled “Corporate governance principles for banks”, which recognised that the countries that were implementing the Sound Practice principles, each had legislative and regulatory frameworks that were different from each other. The impact of this was that certain principles and provisions would not be applied as intended or at all. Realising this to be a potential issue for the countries in terms of implementing the principles, the Committee therefore stated that each jurisdiction should implement the principles or provisions in accordance or alignment to their national regulator’s requirements (Basel Committee on Banking Supervision, 2015, p.5).

The ISO 31000:2009, Risk management – Principles and guidelines is a set of principles, guidelines and processes for managing risk. It is a framework that can assist organisations achieve their objectives by enhancing their identification of risks, both positive and negative, and effectively analyse and mitigate these risks through the use of appropriate resources. It is an international benchmark for organisations to compare their risk management practices with and provides sound principles for effective management and corporate governance (International Organization for Standardization, 2015). As mentioned above, the ISO 31000 principles, although providing generic guidelines, was not intended to promote standardisation of risk management across organisations, instead organisations had to implement these principles in a manner suited to their specific business needs.

Despite there being a vast array of literature available on operational risk management, literature on industry collaboration and communication as a support mechanism to assist with implementing and embedding the Sound Practices principles or an appropriate operational risk management framework was negligible.

The first two paragraphs of this introductory section highlighted that some banks were experiencing implementation and embedment issues with regards to the Sound Practices. This had the potential of having a negative impact on their respective frameworks which may have been fit for purpose, at least in the short-term. Their frameworks may also have been in danger of lagging industry best practices or being incomplete due to the inputs not being reflective of the evolving operational risk management environment which included both internal and external factors.

1.3. Research Problem, Purpose and Motivation

1.3.1. Research problem

The literature on operational risk management stated that a framework containing the principles was designed for all member banks of BIS which needed to be implemented by the respective supervision departments responsible for operational risk in order to effectively evaluate and manage operational risk. It was the assumption of the researcher that only those principles that were perceived to be of significance and depending on the cost associated with implementing the principles relevant to the banks were implemented. Flores, Bonson-Ponte and Escobar-Rodrigues (2006) highlighted that due the costs associated with implementing Basel II, organisations will only fully implement it if they believed that the benefit derived from implementing it will improve their competitive advantage. The literature also mentioned that changes in the external business environment that contributed to an organisations operational risk should also be managed. Internal communications should include the coordination of reports from the various divisions within the bank including internal audit and external audit reports, otherwise known as the third line of defence, and these should be analysed to support the enhancement and implementation of existing risk management practices.

The literature provided guidance for banks to collaborate with supervisors and external auditors in order to enhance their operational risk management practices. There was however a negligible amount of reference to industry collaboration as a mechanism to ensure that the banks frameworks were current and considered all the relevant internal and external factors to ensure that the frameworks were reflective of evolving operational risk management practices (hereinafter referred to as 'evolving practices').

1.3.2. Research Purpose

The purpose of this research is to provide some insights into whether local banks should consider improving the way they collaborate and communicate among themselves to ensure that potential gaps in their respective frameworks can be identified and remediated or that available industry knowledge can be shared in order to enhance their respective operational risk management frameworks. In addition, the research also wants to determine whether banks could benefit from quick access to current and reliable industry or trending information on operational risk management practices instead of waiting on the Committee, supervisors or any other qualified external parties to draft or present revised standards, guidance or research documents to support the implementation and embedment of the principles and evolving practices where the lead time from these sources would be longer, resulting in a lag time with regard implementation.

For this research, the following objectives were identified;
Objective 1: to determine whether voluntary and transparent industry collaboration could support the support implementation and embedment of the Sound Practices and evolving operational risk management practices.
Objective 2: to determine whether industry collaboration as a mechanism or tool could provide input in addressing one of the Committee's 2014 review findings with regard to the lack of implementing the Sound Practices to the full extend.
Objective 3: to establish whether banks are prepared to collaborate in an open and transparent manner in order to create and foster a culture of knowledge sharing that supports the implementation of evolving practices.

1.3.3. Research Motivation

The motivation for the research was relevant in terms of trying to determine whether industry collaboration and communication could be used as a mechanism to ensure that the Sound Practices principles and evolving practices were implemented completely. It was based on the findings and observations of the review performed by the Committee on the implementation of its standards and guidance introduced in 2003 and subsequently revised in 2011. The review covered the 11 principles for 60 systemically important banks (SIB) across 20 jurisdictions which included South Africa. The review focused on the three lines of defence – line one which is the business line management, line two refers to an independent corporate operational risk management function (CORF) and line three which provides an independent review and challenge of the operational risk management framework and it implementation thereof, for example, internal or external audit functions.

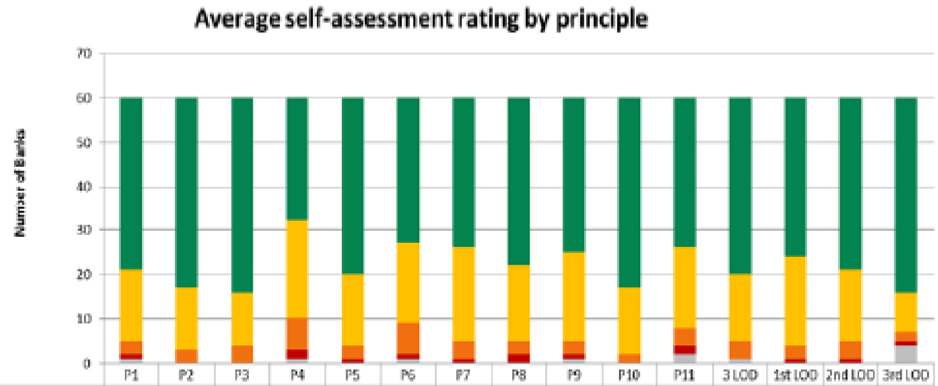
1.3.3.1. Basel Committee review findings and observations

As mentioned, the review confirmed that there was insufficient progress being made with regard to completely implementing the Sound Practices principles. One of the consequences mentioned was that the banks would not be able to identify potential operational risk exposures which could potentially and negatively impact the sustainability of any bank. Also as they would be unable to identify these exposures, the banks would not be in a position to manage and mitigate them (Basel Committee on Banking Supervision, 2014) effectively.

1.3.3.2. Analysis of the review

Figure 1 below, sourced from the 'Review of the Principles for Sound Management of Operational Risk' document provided a summary of the average self-assessment rating by principle and three lines of defence of the banks reviewed. What was evident from figure 1 was that the majority of the banks were materially compliant, either 'fully compliant' (rating 1) or 'largely compliant with' (rating 2) with the principles and lines of defence. An adaptation of the analysis was performed to determine what percentage of the sample was compliant with the principles and lines of defence. This is discussed in the following paragraph in relation to tables 1 and 2.

Figure 1: Average self-assessment rating by principle and lines of defence



	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	3 LOD	1st LOD	2nd LOD	3rd LOD
Fully complied with	39	43	44	28	40	33	34	38	35	43	34	40	36	39	44
Largely complied with	16	14	12	22	16	18	21	17	20	15	18	15	20	16	9
Materially not complied with	3	3	4	7	3	7	4	3	3	2	4	4	3	4	2
Not been implemented	1	0	0	2	1	1	1	2	1	0	2	0	1	1	1
Not applicable	1	0	0	1	0	1	0	0	1	0	2	1	0	0	4
Average	3.50	3.64	3.65	3.25	3.59	3.32	3.45	3.54	3.50	3.68	3.37	3.52	3.55	3.56	3.47

Source: Basel Committee of Banking Supervision, *Review of the Principles for the Sound Management of Operational Risk*, BCBS, Basel,2014, p2.

Table 1, an adaptation of figure 1, on the following page provides a breakdown of the percentage self-assessment rating for the principles and lines of defence for ratings 1 and 2 as indicated in figure 1. For rating 1, more than 50% of the sample for each of the principles was fully compliant. Principle 4 was the only exception where less than 50% of the sample was fully compliant. With regard to rating 2, principle 4 did however make up the difference in that it had the highest percentage. When the percentages for ratings 1 and 2 were combined, the materially compliant percentage rating ranged between 85% and 97% across all the principles and lines of defence. This indicated that only a small percentage of the sample reviewed was experiencing implementation issues.

Table 2, an adaptation of figure 1, on the following page provided a breakdown of the overall percentage self-assessment rating for the principles and lines of defence for ratings 1 and 2. The table confirmed that between the two categories, between 8% and 9% of the banks reviewed, these were the ones the Committee was referring to when it stated that insufficient progress was being made when implementing the principles. These banks were more at risk of not knowing what their operational risk exposures are and may not know how to manage them.

Table 1: Percentage self-assessment rating: Principle and Lines of defence for ratings 1 and 2

Rating	Sound Practice Principles											Lines of Defence			
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**3 LOD**	**1st**	**2nd**	**3rd**
1. Fully compliant with	39	43	44	28	40	33	34	38	35	43	34	40	36	39	44
2. Largely compliant with	16	14	12	22	16	18	21	17	20	15	18	15	20	16	9
Total Rating: 1 and 2	55	57	56	50	56	51	55	55	55	58	52	55	56	55	53
Total number of banks reviewed	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
1. Percentage of banks fully compliant	65%	72%	73%	47%	67%	55%	57%	63%	58%	72%	57%	67%	60%	65%	73%
2. Percentage of banks largely compliant	27%	23%	20%	37%	27%	30%	35%	28%	33%	25%	30%	25%	33%	27%	15%
Percentage of banks materially[1] compliant	92%	95%	93%	83%	93%	85%	92%	92%	92%	97%	87%	92%	93%	92%	88%

[1] Materially includes both 'Fully compliant' and 'Largely compliant with' ratings

Source: Adaptation of 'Average self-assessment rating by principle' chart, Basel Committee of Banking Supervision, Review of the Principles for the Sound Management of Operational Risk, page 2

Table 2: Overall percentage self-assessment rating: Principle and Lines of defence for ratings 1 and 2

Overall Average self-assessment rating	Principles	Lines of Defence
Average number of banks fully compliant	62%	67%
Average number of banks largely compliant	29%	25%
Average number of banks materially[1] compliant	91%	92%

[1] Materially includes both 'Fully compliant' and 'Largely compliant with' ratings

Source: Adaptation of 'Average self-assessment rating by principle' chart, Basel Committee of Banking Supervision, Review of the Principles for the Sound Management of Operational Risk, page 2

In addition to the above analysis, it was noted that those banks that did not fully implement and embed the principles, they could have been impacted by direct and material financial losses as well as suffered reputational damage. Should these banks have been exposed to these potential risks, it could have had systematic implications for the banking industry.

Banks should have considered the findings of the Committee's review as well as any other available guidance on operational risk management practices and should be engaging with one another in dialogue to discuss any comments or findings raised in order to establish where as banks or as an industry the gaps are so that the Sound Practice principles and operational risk management practices implemented and embedded are reflective of evolving practices as well as being in alignment to their national regulator's requirements. Discussions within the South African banking industry could have taken place but the researcher could not obtain any documentation, journals or research papers to support this. Discussing the Committees review document or any other similar documents or research, would not only assist banks in identifying potential gaps in their respective frameworks but it could have possibly also enhanced their operational risk identification and management practices which in turn could potentially reduce the likelihood of it incurring any direct and material financial losses or suffer reputational damage. Improved industry collaboration may not address all the implementation concerns but it should be considered as a starting point in getting banks to engage with each other in order to review and enhance their operational risk management frameworks so that it is aligned as far as possible to evolving practices and implemented as such..

1.4. Research Scope

The research study required participants to provide responses to multiple questions in order to address the four research questions in chapter 3 and to gain an understanding of and insight into whether industry collaboration could support the implementation and embedment of the Sound Practices and evolving practices. The interpretive paradigm, defined as the study of trying to understand what was happening to the actors or participants in their natural environment (Saunders & Lewis, 2012, p.6) was used to explore and understand what was happening within the South African banking industry with regard to implementing and embedding evolving operational risk management practices. The approach taken was deemed relevant for business and management research because operational risk management within the banking industry is continually evolving as highlighted by the Committee when they revised their framework in 2011.

To support this approach and to understand the relationship between collaboration and implementation of evolving practices, the researcher opted to use exploratory research which allowed the researcher to obtain information on the topic that the researcher needed clarity on. However, the researcher was mindful that the exploratory research only provided insight into the issue and was under no illusions that it would provide a definitive conclusion (Saunders & Lewis, 2012) that collaboration could support the implementation and embedment of operational risk management practices. To get the relevant data for the study, the researcher opted to use quantitative research which would allow the researcher to collect and interpret data received from multiple participants in order to compare and aggregate the data. Using deductive approach the researcher hoped to test a theoretical proposition, in this case, collaboration as an implementation tool, by analysing the data in order to deduce whether collaboration could support the implementation and embedment of evolving practices. The disadvantage of using quantitative analysis and deductive approach is that it did not allow the participants to communicate their thoughts and experiences nor did it allow for them to elaborate on their responses to the close ended questions (Yilmaz, 2013, p.313).

The population considered for the research included the banks within the South African banking industry but the sample selected consisted of the sixteen registered banks within the industry as at 31 December 2014 (refer to refer to Appendix 2). The target audience for these banks was all employees engaged in or performing in an operational risk management capacity, otherwise known as ORMPs. Probability sampling was selected as the researcher had a complete list of all the banks and was therefore able to select banks at random (Saunders & Lewis, 2012, p.133). As the sample size was relatively small there was no need to randomly select participants for the study and the researcher was therefore able to purposefully select the sixteen registered banks. Purposive sampling was ideal in this case as it assisted the researcher in trying to understand what was happening to the actors in their natural environment, i.e. the banks within the industry (Saunders & Lewis, 2012, p.1387). The size of the sample, while it appeared to be small, the researcher hoped that it would allow for the interpretation and valuable insight of the participants responses to complement the exploratory research.

Data collection and analysis entailed the use of appropriate data collecting methods to collect data and analytical tools to analyse the data collected in an attempt to understand the research problem and objectives. The researcher collected data through the use of a questionnaire (refer to Appendix 6). The questionnaire allowed for the same data to be collected in a cost-effective manner from a number of participants (Saunders & Lewis, 2012, p116). The questionnaire consisted of fourteen questions; the first twelve were closed ended questions and the last two questions were open ended to allow the respondents to communicate their thoughts and views on whether collaboration could be considered to be a mechanism to assist in implementing evolving practices.

The data from the completed and returned questionnaires was analysed using computer-aided quantitative data analysis software (CAQDAS), in this case, IBM SPSS Statistics version 23. Due to the size of sample, the data provided by the participants was not sufficient to perform any statistical analysis, for example, regression or correlation analysis. Thirteen of the sixteen banks identified for the study confirmed that they would participate in the study but only six banks provided feedback. The six banks produced responses from seventeen ORMP's. The responses were captured into SPSS and analysed using the descriptive statistics tool to determine the frequency in the number of 'Yes' or 'No' responses to questions 1 to 12. Question 13 and 14 were open ended questions and the responses were classified into themes and captured as such in SPSS. The analysis of the data is presented in chapter 5 and the interpretation of the data is discussed in chapter 6.

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1.5. Conclusion

The Committee performed a review of the Sound Practices principles during the first half of 2014 due to the significant number of operational risk-related losses occurring within the banking industry (Basel Committee on Banking Supervision, 2014). The review was performed on 60 systemically important banks (SIB) and highlighted that the banks globally did not completely implement all the principles as originally introduced in 2003, later revised in 2011 and that there were still a few that were in the process of implementing some of the principles. In addition, the Committee also established that operational risk management would continue to evolve which meant that the framework also needed to be reviewed and revised on a regularly basis in order for it to remain current and relevant to support the diverse and complex developments occurring in the globalised banking industry.

Based on the above and despite the vast array of literature available on operational risk management, there appeared to be a negligible amount of literature on industry collaboration and communication as a support mechanism to assist with implementing and embedding the Sound Practices principles or an appropriate operational risk management framework. This prompted the researcher to undertake a research study to determine whether the South African banks should consider enhancing collaboration and communication amongst themselves to create and foster a culture of knowledge sharing to support the implementation and embedment of evolving practices. Therefore, the motivation for the research was relevant in terms of trying to determine whether industry collaboration and communication could be used as a mechanism to ensure that the Sound Practices principles and evolving practices were implemented.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

In chapter 1, the researcher stated that the Sound Practices principles were developed in recognition that operational risk had become a key contributing factor in defining the risk profiles of financial institutions. The South African banking industry was no exception as the industry's activities and risk profiles were becoming more diverse and complex due to deregulation and globalisation (Basel Committee on Banking Supervision, 2001, p.1; Petria, N., & Petria, L., 2009). Other developments included the use of sophisticated automated financial technology, complicated financing techniques and banks becoming very large-volume service providers also contributed to the diversity and complexity. The Committee of Sponsoring Organisations of the Treadway Commission's (COSO) (2012), in its Internal Control, Integrated Framework report supported the views expressed above and the notion that the business environment had changed and that it become more complex, technologically driven and globalised. In order for the banks to manage the changing business landscape, they will need to continually evaluate their operational risk management practices especially their internal control environment to ensure that they remain relevant and aligned to evolving practices (COSO, 2012). Another alternative to how banks can adapt to the changing business landscape and evolving practices is by fostering multiparty collaboration (Fjeldstad, Snow, Miles and Lettl, 2012). This implies that banks need to collaborate and communicate with shareholders within and external to their respective organisations.

This section introduced the concepts of collaboration and operational risk management. It defined and described collaboration and how it could possibly have been used to foster a culture of knowledge sharing to support the implementation of the Sound Practices Principles and the enhancement of organisational operational risk management frameworks. The research problem alluded to a need for transparent collaboration between the banks to ensure compliance with the Sound Practices principles.

2.2. Definition and Relevance of Collaboration

2.2.1. Definition

Son and Rojas (2011) defined collaboration as a reciprocal process where two or more individuals or organisations form a partnership in order to achieve a common goal. By forming the partnership, each partner seeks to obtain more benefits by working together than working alone in exchange for sharing knowledge and resources.

This definition creates the impression that collaboration, when considering it in terms of forming a partnership, is something that will have a positive outcome. This impression may be created based on the notion that collaboration is necessary in order to solve a problem that cannot be solved by any one individual or organisation. However, to ensure completeness in terms of defining and describing collaboration, the research also considered the negative aspects of collaboration that could impact on partnership formation.

The ISO/FDIS 31000 framework defines communication and consultation as a process that is ongoing and iterative and requires organisations to provide, share or obtain information in order to collaborate with all relevant stakeholders regarding operational risk management (ISO, 2012, p4). The question that comes to mind is who or what is a stakeholder and how is it relevant to the research? To answer this question, the researcher will introduce the concept of stakeholder theory in the following section.

2.2.2. Stakeholder theory for operational risk

Pesqueux and Damak-Ayadi (2005, p.6) quoted E.R. Freeman (1984) who stated that stakeholders are a group or individuals that can impact or be impacted by the outcome of any strategy implemented by an organisation. Lopez and Esteves (2013) defined stakeholders as anyone who can directly influence or be influenced by the activities of an organisation both internal and external to the organisation. The difference in the two definitions is that Lopez and Esteves' definition mentioned that a stakeholder does not only refer to someone within an organisation but can be someone that can be impacted by or have an impact on an organisation from the outside. Stakeholders would be those groups or individuals who have a legitimate interest in the organisation. Pesqueux and Damak-Ayadi (2005, p.6) introduced two sets of stakeholders, namely, primary and secondary stakeholders. Primary stakeholders are those who have a direct and contractual relationship with the organisation. Secondary stakeholders on the other hand are those who have an indirect and non contractual relationship with the organisation.

Based on the above classification, the researcher is unclear as to which category of stakeholder the banks in the industry would fall into. In the researcher's opinion and examining it from an individual bank's perspective, each bank would be considered a secondary stakeholder as they would be indirectly impacted by other banks' activities despite not having any contractual relationship. However, from an industry perspective, the banks could be considered to be primary stakeholders because any activity that impacts the industry as a whole will have an impact on the individual banks. As this is merely the researcher's opinion, this might be a potential future research topic on categorising banks from a stakeholder's perspective and how their activities impact each other's sustainability in a competitive environment.

Primary and secondary stakeholders can be further classified into internal and external stakeholders and other external stakeholders who can influence matters (Pesqueux & Damak-Ayadi, 2005, p.6) within the context of operational risk management. The first two stakeholders, internal and external stakeholders, would be directly impacted and have a contractual relationship but the third stakeholder could possibly not be impacted or have a contractual relationship. The other external stakeholders, that is the respective banks, can influence industry operational risk management practices by engaging in discussions amongst each other with regard to new or enhanced regulatory requirements or emerging operational risk trends or risks. From a South African banking industry perspective, the researcher is aware that the 'other external stakeholder' already exists in the form of a Working Group on Operational Risk and that this working group in conjunction with the South African Bank Supervision Department (hereinafter referred to as the Department) for Operational Risk have the potential to influence operational risk management practices within the industry. The Working Group consists of operational risk management practitioners representing by a number of the South African banks who meet on a regular basis to discuss operational risk management related topics or trends from an industry perspective.

2.2.3. Collaborative partnerships

In terms of forming partnerships, the question would be what would be the ideal partnership in order to get the most benefit from the partnership. Temel, Mention and Torkkeli (2013) warned that managers had to take care when choosing a partner and had to ensure that the firm was ready for collaboration. They stated that choosing a local partner was more preferable and beneficial compared to an international one. From the Sound Practices perspective, this would make sense. The principles were developed for all banks but it would benefit local banks more, for example, banks within the South African industry, to collaborate amongst each other because they have better knowledge, insights and understanding of their industry. Also they have a common supervisor who monitors operational risk management within the industry and expect the banks to each review and update their respective frameworks so that it is aligned to evolving practices. As mentioned in the previous section, this collaborative partnership already appears to exist between the banks and the Department. Also mentioned was that this partnership has the ability to influence local operational risk management practices in terms of implementation, embedment and alignment to global evolving standards and practices. .

This partnership from a stakeholder perspective can support and contribute to banks working in a collaborative manner in order to foster industry homogeneity with regard to operational risk management and implementation thereof. This however would require dominant (tier 1 or 2) or mature banks, in terms of how advanced their operational risk management practices were, to shift their mindset from heterogeneity to homogeneity. This means that the heterogeneous banks will have to undergo transformational adaptation (Verbeke & Tung, 2012, p.529) and will need to think and act for the good of the broader community and no longer focus on its own interest. All stakeholders wishing to contribute to industry homogeneity will need to engage and communicate in a fair and reciprocal manner and that collaboration should involve an inclusive and cooperative approach for all stakeholders concerned (Gibson, 2012).

Broom (2011) challenged the local partnership view and preferred international partnerships to a local one, because the author believed that this type of partnership promoted reciprocal transfer of knowledge and was more valuable from a relationship perspective. Broom (2011, p.159) stated that local-global partnerships were able to combine local and global best practice solutions which could assist in solving any problem. Such a relationship would be beneficial especially in terms of knowledge sharing as international partners might or will have access to governing regulatory bodies, for example, the Basel Committee in Switzerland that a local partner in Europe might have immediate access to whereas a partner in South Africa might not due to distance constraints. The international partner can use this accessibility to their advantage in obtaining insight into the Committee's activities, attendance of global discussion forums, become aware of upcoming consultative and technical documents on new or revised standards, practices and guidance and can then share the outcomes of these initiatives with the local partner or banking industry who can then share this new knowledge and insights with all the banks within the industry.

Knowledge sharing as mentioned above is defined as an organisation being able to gain access to 'knowledge' from other organisations as well as within its own organisation (Connell, Kriz & Thorpe, 2014). The author's referred to knowledge sharing by an organisation as a learning process that requires engagement and communication on a continuous basis with customers, suppliers and competing organisations in order to be innovative, collaborative and creatively imitative. With regard to this research, it is interesting to note the definition refers to continuous engagement and communication to support and encourage collaboration. Applying this definition to operational risk management, the researcher interprets the definition to mean that for collaboration amongst the banks to succeed, the banks will need to see collaboration as a learning process where they can share knowledge and exchange ideas in order to ensure that their respective frameworks which are required to be reviewed on an ongoing basis contain current information on operational risk management trends so that it is aligned to evolving practices. However, for knowledge sharing to be effective, Connell, Kriz and Thorpe (2014, p.140) highlighted that 'trust' should be established first as it is an important prerequisite and fundamental characteristic for inter-organisational collaboration. Trust amongst the collective or participants will ensure that cooperation, collaboration and the exchange of quality information and knowledge is facilitated.

When considering knowledge sharing and collaboration between local and international banks, there are a few international partners the South African banking industry could consider leveraging off or partnering with, for example, the Financial Service Board's (FSB) Vulnerabilities Assessment Committee (VAC) and the Supervisory and Regulatory Cooperation Committee (RCC). The VAC's activities include identifying future risks to the global financial system, designing models to understand how systemic risks develop and assessing how regulation affects the banks. The RCC on the other hand, designs mechanism and protocols to mitigate these issues (Weber & Staiger, 2014, p.87). Weber and Staiger (2014, p.87) stated that these organisations foster a cooperative approach by engaging with market participants and the business community in order to understand potential implementation issues. Being associated with the abovementioned organisations or similar organisations, would be a good reason why the banking industry should consider fostering a collaborative approach to operational risk management practices and the implementation thereof. In this way, the banks will be able to import new external knowledge into their respective banks and integrate it with existing knowledge to ensure that the enhanced knowledge base contains complete and quality information (Lopez & Esteves, 2013, p.88). This has the potential to ensure that their operational risk management frameworks, when reviewed and updated contain current and relevant information and is aligned to evolving and best practices. However, as Temel, Mention and Torkkeli (2013) pointed out, in order for the local-global partnerships to be successful, organisations had to ensure that they were ready for collaboration and knowledge sharing.

2.2.4. Benefits to collaboration

As mentioned, the research considered both positive and negative aspects of collaboration. One of the benefits is that a collaborative culture contributes positively to the exchange of knowledge provided it is done through open communication (Lee, Kim & Kim, 2012). The authors also stated that through collaboration, an organisation is able to communicate and share knowledge about its business environment, both internally and externally. This however, is subject to ongoing communication and exchange of knowledge by individual organisations. This is similar to how Connell, Kriz and Thorpe (2014) defined knowledge sharing, that is, 'continuous engagement and communication'. Being aware of the trends in the external environment could ensure that a bank's framework remains sufficiently robust and aligned to current practices. Principle 4 of the Sound Practices Principle, stated that the board of directors had to review the appropriateness of the organisation's risk appetite and tolerance limits by being aware of changes that were taking place in the external environment and taking them into consideration (Basel Committee on Banking Supervision, 2011, p.5). Principle 6 stated that effective risk identification took both internal and external factors into consideration (Basel Committee on Banking Supervision, 2011, p.6).

Other benefits of collaboration include but are not limited to the following: the ability to withstand environmental shocks, improved economic performance and ensure sustainability, exposure to complementary resources, development of new skills, being aware of what is happening in the industry, especially with competitors and improving efficiencies (Temel, Mention & Torkkeli, 2013, p.56). With regard to developing new skills, Principle 1 on page seven of the "Principles for the Sound Management of Operational Risk" document published in June 2011 refers to the organisation's operational risk culture in which senior management is required to ensure that operational risk training is available throughout the organisation. The Review of the Sound Management of Operational Risk report (Basel Committee on Banking Supervision, 2014, p.8) recommended that for principle 1, the banks continue to review, enhance and implement their training and awareness campaigns around operational risk. Prior the review, Shenkir & Walker (2011), made reference to a report titled "2006 Oversight Systems, Financial Executive Report on Risk Management" which stated that one third of the executives surveyed at the time believed that their organisations had some sort of formal training for senior and line management. Based on the finding and the recommendation made by the Committee, the researcher is of the opinion that between the period 2006 and 2014, a minimum amount of progress has been made by senior management with regard to ensuring that their respective organisations have the appropriate level of operational risk training available at all levels

This said, and based on the requirements of Principle 1, South African banks should have an organisational training included in their respective frameworks. This training, if the researcher was to hypothesize, would have been developed internally by considering all available literature on operational risk management including that of the Committee, information on current operational risk management practices and possibly training material provided by external professional consulting organisations that have a department specialising in operational risk management. To ensure that the training is valid and fit for purpose, the banks would have also aligned it to their respective operational risk management frameworks. In terms of how often the training is provided or the training material is updated is not known to the researcher but it is the view of the researcher that regular review of the training material should be performed (at least annually) to ensure that the content remains relevant and it contains material relating to evolving practices, especially when training senior and line management. This view is supported by the Committee's recommendation that ongoing enhancement of banks training is required and the researcher is also of the opinion that industry collaboration, communication and knowledge sharing could ensure that the banks' training remains relevant and contains current material on operational risk management practice. Banks should also ensure that the training contains or makes reference to internal, external and industry information. Where significant regulatory or enhanced industry practices have been introduced which have been incorporated into the organisation's framework, then this too should be highlighted in the training material so that there is no confusion about which processes to follow when implementing the Sound Practices or enhanced operational risk management practices.

2.2.5. Negative aspects to collaboration

Unfortunately, collaboration also has negative aspects such as the phenomenon of social dilemma for example. This refers to a situation where an individuals' or organisation's interests and their collective objective outcomes are not aligned (Son & Rojas, 2011, p.620). This simply means that an individual or organisation could end up in a situation where the individual or the organisation stands to benefit or gain more from the partnership than any of the other partners involved. An example of this would be where one party acts in their own best interest whilst taking advantage of the shared capabilities and knowledge of the collective to enhance and implement an operational risk management framework that will improve their competitive advantage. This scenario highlights the concept of game theory, where individual players act strategically in order to gain the upper hand so as to benefit substantially from the outcome being pursued (Son & Rojas, 2011, p. 620). Lin, Xu and Makedon (2014, p.1536) explained that game theory is a theoretical framework that can be applied in economics and human behaviours, especially in situations where there are two or more participants. It is a game played by two participants and the game is in a matrix format played on a round robin basis where each participant has his or her own set of actions. There are multiple payoffs at the end of each round culminating in the ultimate payoff for one participant. As mentioned, each participant approaches the game in a strategic manner in order to obtain the most beneficial payoff. Where the strategies result in optimisation for each participant and their respective average payoffs cannot be further improved on irrespective if they unilaterally change their strategies, then the strategy is in Nash Equilibrium (Lin, Xu and Makedon, 2014, p1536).

With regard to knowledge sharing, Olander, Vanhala and Hurmelinna-Laukkanen (2014) stated that it came with its own set of risks for the partners involved, for example, individuals or organisations sharing their knowledge have to be mindful not to lose any of their core knowledge as a means of its competitive advantage to the collective. What this means for collaboration is that banks which are part of the collective might not be willing or able to share information with regard to their operational risk management practices that could potentially benefit the collective as a whole or a few of the participants if they believe that sharing the information could negatively impact their competitive advantage. Organisations do consider their operational risk management frameworks and practices to be a source of competitive advantage as highlighted by Beasley, Branson and Hancock (2015) who conducted a worldwide online survey of 1,378 business leaders and where less than 30% of them indicated that they considered their risk management processes to be a source of competitive advantage.

Competitive advantage may be beneficial to an organisation but it is temporary. Verbeke and Tung (2012, p.531) stated that competitive advantage cannot be sustained in the long term due to loss of bargaining power over time and a continually changing and complex business environment. Contextualising this from an operational risk management perspective, the bargaining power or competitive advantage a bank may consider it has at a certain point in time will disappear in the long run as the other banks gain more experience in terms of designing and implementing their operational risk management frameworks. Also, as the business environment and operational risk management practices continue to evolve and become more complex, what a bank deems to be a source of competitive advantage today might not be there the next day. Based on this, the statement by Olander, Vanhala and Hurmelinna-Laukkanen (2014), although a real threat to collaboration or similar initiatives, should not be the deciding factor for local banks which wish to engage with each other in order to collaborate over operational risk management or seek clarity on the interpretation of the Sound Practices in order to assist them with the implementation thereof.

2.3. Operational Risk Management

2.3.1. Background

The Committee's objective when developing the Basel II Framework was to enhance the soundness and stability of the globalised banking system while ensuring that it remained consistent and that the capital adequacy regulation remained a source of equal competition amongst internationally active banks (Basel Committee on Banking Supervision, 2010). An observation from the framework is that operational risk management practices should be current and that all material changes in the business environment, both internal and external, has to be taken into consideration. The King Report on Governance for South Africa (2009) (hereinafter referred to as King II), Chapter 4, Principle 4.8, reinforced the framework requirement in that organisations had to monitor changes in both the internal and external environment as part of its monitoring and review of the organisation's risk management plan.

Trends identified in the Committee's consultative document, 'Operational Risk – Supervisory Guidelines for the Advanced Measurement Approaches' published in December 2010 talked about outstanding implementation issues and consistent ways in addressing these issues across the various regions. Based on the comments, although not explicitly expressed, it appeared that the framework alluded to some form of collaboration amongst the banks in the industry, whether internationally or locally, to ensure that the framework had considered all the significant internal and external factors. These factors or industry trends can be obtained through industry enquiry or engagement. It also has to consider taking a consistent approach in addressing and implementing any remedial action to address the review findings.

2.3.2. Operational risk management implementation progress review

The Committee's 2014 review highlighted concerns around the lack of progress with regard to implementation of the principles (Basel Committee on Banking Supervision, 2014). Based on the findings, an inference could be made that for four years, the period between 2010 and 2014, the principles, despite being implemented, were undertaken in a manner not consistent to nor aligned to the Committee's 2010 recommendations. A question that comes to mind is, were banks implementing their respective frameworks based on their interpretation and understanding of the principles or whether it was specific to their organisations or their banking industry?

The Committee's consultative document on "Supervisory Guidelines for Advanced Measurement Approaches published in 2010 provided some indication that the banks were possibly implementing parts of the Sound Practices based on their interpretation and understanding of the requirements. The document also confirmed that some definitions which could have provided guidance in terms of interpretation were absent from the Basel II text. The examples provided included "gross loss" or "recoveries" where banks on the Advance Measurement Approach implemented various and different processes with regard to loss data collection. This resulted in the banks recording different loss amounts for the same type of loss event which has a further implication for the respective banks capital reserves calculation (Basel Committee on Banking Supervision, 2010, p.3). Capital reserves refers to minimum regulatory capital the banks are required hold and that acts as a cushion should the bank be exposed to any financial shocks resulting from significant or catastrophic risks materialising that could threaten the banks sustainability or lead to the banks closure. The capital reserves calculation is based on a formula that takes a bank's gross income and multiples it by predetermined industry factors (denoted beta) which then determines how much capital the bank should keep in reserve. It should be noted that this factor varies across the business activities of the bank which could include: Asset Management, Retail Banking and Retail Brokerage for example.

Another possible question to consider is: was there any collaboration amongst the banks in terms of engaging with one another, individually or collectively, to share their experience and challenges encountered during the implementation phases of their respective frameworks which ultimately could have had an impact on the embedment of their respective frameworks. Post the review, the Committee (2015) provided guidance with regard to jurisdictional differences. The guidance was based on the Committee recognising that there were legislative and regulatory framework differences across the countries implementing the Sound Practice principles. The guidance provided stated that each jurisdiction had to implement the principles or provisions in accordance or alignment to their national regulator's requirements (Basel Committee on Banking Supervision, 2015, p.5). From an industry perspective and as a way of enhancing industry collaboration and communication with regard to implementation and embedment of the Sound Practices principles, the point raised by the Committee about jurisdictional differences and implementing the Sound Practices could be an interesting research topic on how these banks then implemented and embedded their operational risk management frameworks.

In addition to the review and with reference to 'Game Theory" mentioned earlier, there was a speech by Mr. Stefan Ingves, Chairman of the Committee and Governor of Sveriges Riksbank, titled "Basel III implementation: Progress, pitfalls and prospects" made at the High-Level Meeting of Americas in Lima, 3 to 5 November 2014. The speech highlighted that the Basel standards were not legally binding and are therefore referred to as "soft law". "Soft law" refers to requirements, principles or guidance that are not legislated and therefore not enforceable by any state. "Hard law" on the other is binding and enforceable requirements (de Koker & Symington, 2014). Mr. Ingves highlighted a consequence of soft law, in addition to legislation and regulation, is drafted in such a manner that they are non-binding, is that it could tempt organisations to deviate or provide an opportunity for them to "game" the Basel standards that have been internationally agreed upon (Ingves, 2015). An individual bank might consider this behaviour to be beneficial in that they do not have implement or comply with the principles as they are not legislated or enforceable by law. Also, from a cost perspective, if implementing the Sound Practices does not improve the banks competitive advantage, they will either partially or not implement it at all (Flores, Bonson-Ponte & Escobar-Rodriguez, 2006). The downside to this is that a bank could end up failing or face bankruptcy as a result of poor risk management practices which could potentially have a negative impact on the banking industry, for example, reputational as well as financial exposure, depending on the financial strength of the industry and regulatory oversight.

With regard to the review, it was interesting to note that a year prior to the review being conducted, an article written by McCormack and Sheen (2013) highlighted that between 2000 and 2007, operational risk management received a great deal of attention which was as a result of a number of significant operational risk events occurring and being publicised during that period. This was about the same time the

Committee reported that banking supervisors and the banking industry recognised that operational risk was becoming a key contributing factor in defining the risk profiles of financial institutions. The significance of operational risk manage being a key factor was evident when the Committee drafted the 2003 Sound Practices.

McCormack and Sheen (2013) also mentioned that between 2007 and 2012, operational risk was no longer of importance as interest in it was waning. Coincidentally, this appeared to be around the same period, 2010 to 2014 that there were implementation issues being experienced with regard to the Sound Practices as referred to above. They also mentioned that banks were only focusing on certain elements of operational risk, for example, focusing more on the capital aspect and not enough on actual risk management. The Committee's review highlighted a similar finding in that banks were focusing more on implementing certain principles over others.

What is interesting to note, and based solely on the researcher's assumption, the difference between McCormick and Sheen's article and the Committee's review, is that the Committee's review with its recommendations, although being considered 'soft law' will be seen as improvement requirements which banks will need to fulfil in order to implement the Sound Practices to its full extent. In the researcher's opinion, the 2014 review would be considered by banking industries local supervisors across the different jurisdictions and used as a mechanism to monitor whether the banks were considering as well as implementing these recommendations. McCormack and Sheen's article on the other hand, and based on the researcher's opinion, did not or will not even be considered a valuable source of information in terms of what the issues and concerns are around the implementation of the Sound Practices or operational risk management practices. It is in all likelihood that the article was not interrogated or discussed but merely viewed as an article of interest and filed away without any industry action in terms of determining whether there were any lessons to be learnt from it.

This might be a hash assumption based on the fact that operational risk management is evolving, gaining experience and momentum as a risk discipline, banks now have to deal with vast amounts of data and information available on operational risk management, for example, newspaper articles, industry reports, white papers, regulatory reports, rating agencies reports, brokers' reports, etcetera. The increase in the amount of information and data by a wide range of sources is referred to as 'Big Data'. This data can assist banks with their understanding and implementation of evolving practices but because of the volume and variety available, banks probably find it difficult to decide on which set of data or information is relevant and appropriate in order to update their respective frameworks or consider using to address a possible issue they may be facing (Sukumar & Ferrell, 2013; Deloitte, 2014) On the other hand, The Department (2015), in their 2014 Annual Report, in a way validated the researchers assumption about the Committee's views or recommendation being taken more seriously, in terms of implementation, than any other papers or press releases on enhancing operational risk management practices. The report highlighted that during 2014 the Committee released various documents and reports containing guidance and requirements they believe will "materially impact on the regulation and supervision of banks and banking groups"(Banking Supervision Department, 2015, p.2)

2.3.3. Waning interest in operational risk management

With regard to McCormack and Sheen's (2013) comment around waning interest, there was unfortunately no evidence or reference in any of the literature reviewed as to why interest in operational risk management was waning. However, Deloitte's Global Risk Management Survey, eighth edition (O'Brien & Quilatan, 2013) highlighted that 55% of the 86 financial institutions from across the world that participated in the survey did not rate themselves high when asked how effective they were in managing operational risk management. The survey included 86 financial institutions and was conducted between 1 September 2012 and 31 December 2012. The report also highlighted that a similar percentage, 53 percent, also did not rate themselves high in a 2010 survey. O'Brien and Quilatan (2013) stated that the findings highlighted how complex the management and measurement of operational risk was. The authors also suggested that operational risk still required some work to be done in order to improve it. In order to improve operational risk management, it would be beneficial to first understand what factors are contributing to the complexity. Possible factors to consider are the increase in the volume and complexity of risks (Beasley et al., 2015). The authors conducted a worldwide online survey of 1,378 business leaders across four regions. Figure 2 below copied from the CGMA report (Beasley, Branson & Hancock, 2015) provides a breakdown of the business leaders surveyed by region.

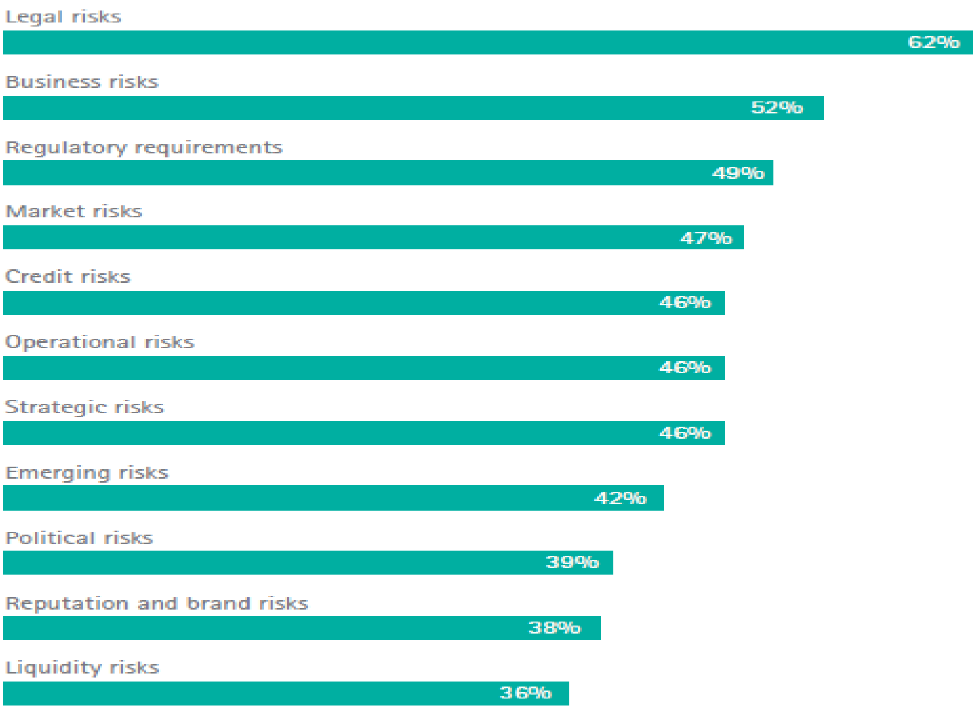
Figure 2: Business leaders surveyed by region

	Europe	Asia & Australasia	Africa & Middle East	U.S.	Total
Number of survey responses	231	100	70	977	1,378

Source: Chartered Global Management Accountant Report, Global State of Enterprise Risk Oversight, 2nd Edition, *Analysis of the challenges and opportunities for improvement,* CGMA®, 2015, p.4.

The report unfortunately did not specify the period for which the survey was conducted. It did, however, highlight that 60% of the respondents believed that there was an increase in the volume and complexity of risks. Two years prior, Accenture (2013) conducted a quantitative survey of executives from 446 organisations across the world who had already confirmed that the risk volumes would increase with legal risk being the top risk, increasing by 62% and operational risk by 46% over a two year period. See figure 3 below sourced from Accenture's 2013 Global Risk Management Study titled "Risk management for an era of greater uncertainty' highlighting the top risks that were expected to rise over a two year period from 2013. Data obtained was based on the following survey question, "How do you expect the following risks to change over the next 2 years?" and it is assumed that the respondents were provided with the list of risks to consider.

Figure 3: Projected Increase in risk volumes from 2013



Source: Accenture 2013 Global Risk Management Study, 3rd Edition, "*Risk management for an era of greater uncertainty,Accenture,* 2013, p.12.

The Beasley et al. (2015) study reaffirmed Accenture's earlier findings but also attributed the increase in volume and complexity to business globalisation where businesses are exposed and impacted by risks appearing in other parts of the world in which they do business or operate in.

The comments with regard to the increase in volume and the complexity of operational risk mentioned above, to some extent supports the researcher's view mentioned in section 1.4.3.2. 'Analysis of the review', paragraph five, where the researcher suggested that the banks consider enhancing their collaborative efforts to ensure that possible and potential gaps in their respective frameworks are identified and remediated and that their frameworks are reflective of current best practices in terms of operational risk management. The increase in volume and complexity of risks could also be contributing to the manner in which operational risk management practices are evolving and therefore requires banks to relook at and change the way they manage operational risk. In order to bring about change, banks will need to understand why and what change is needed to ensure that their operational risk management practices are aligned to evolving and current practices. Unfortunately, change is inevitable and brings with it its own set of problems. One of these problems is people. Not all people within an organisation are accepting of change and they would prefer the status quo to remain because that is what they know and what they are comfortable with.

2.4. Collaborative approach to dealing with change

In order for people or business to accept change to their operational risk management environment, the changes would need to be communicated in such manner that it is simple for people or business to understand or introduced in truncated portions to make it easier to understand and implement (Wilson, 2014). Wilson (2014) further suggested that once the business has accepted and almost signed off on the first step, it would then be safe to introduce the next step. This process will ensure that the business is not overwhelmed by the entire change that is required. The same principle can be applied from the South African banking industry perspective. The banks, when introduced or confronted with new operational risks or regulatory changes, can adopt a similar approach by collaborating amongst each other in trying to understand what the change is all about and what is required to implement the change. Should collaboration prove successful and the banks decide on the step by step approach, this can be communicated to the South African banking regulator in terms of the industry's interpretation of the change and what their plan of action is in terms of implementing the change. This collaborative approach should prove to be beneficial to both the banks and the Department which has to monitor the implementation of the change. By understanding the approach taken by the industry in terms of implementing new regulation or updating their frameworks, will assist the Department in knowing what to expect when onsite reviews are performed or industry discussions are taking place.

The banks could also use this approach in order to share their learnings with regard to the change and its implementation. This knowledge sharing would be beneficial from an industry perspective but more so to those banks that do not have mature operational risk management practices in place or access to some of the resources the mature or tier 1 or 2 banks have. This view is supported by Wilson (2014) in that the author stated that people or organisations that are uncertain about change will be more willing to consider the change based on their observation of organisations that have successfully implemented the change.

2.5. Industry perspective on collaboration and communication

The ISO's (2009) ISO/FDIS 31000 framework document on implementing risk management suggested that when organisations implement their frameworks and to ensure that their frameworks remain relevant, they should communicate and collaborate with their stakeholders in order for them to take all the risk management changes into consideration. This approach, if taken by the local banks, could ensure that their frameworks do in fact consider current practices and the views and opinions expressed by their stakeholders and are therefore aligned to evolving practices. Schwartz (2014, p.8) stated that having a well-designed framework implemented by qualified and skilled people with good intentions is not enough especially due the business conditions not remaining stable as a result of changes within the business environment. As a result, the author suggested that beyond design and performance activities, organisations need to review and modify their frameworks on an ongoing basis. This is particular relevant to the banking industry in that operational risk management is continuously evolving and therefore the local banks need to ensure that their respective frameworks are continually reviewed and updated so that the frameworks that have been implemented are aligned to current international and local industry practices and standards.

In one of the previous sections, it was mentioned that the increase in the volume and complexity of risks were possibly contributing factors to the complexity in managing operational risk. Shenkir and Walker (2011, p.14) provided a list of possible techniques available to organisations to assist them in identifying these risks. One of these techniques includes external sources with the following approaches:

- Comparison with other organisations
- Discussion with peers
- Benchmarking
- Risk consultants

The list of approaches listed above for the external sources technique, appear to provide a reasonable argument for the South African banks to consider engaging with each other in a more collaborative and communicative way in order to support the implementation and embedment of evolving practices within their respective organisations.

Figure 4 below sourced from the Institute of Management Accountants report on "Enterprise Risk Management: Frameworks, Elements, and Integration" highlights the other risk identification techniques available.

Figure 4: Risk Identification Techniques

EXHIBIT 6. RISK IDENTIFICATION TECHNIQUES

INTERNAL INTERVIEWING AND DISCUSSION:
- Interviews
- Questionnaires
- Brainstorming
- Self-assessment and other facilitated workshops
- SWOT analysis (strengths, weaknesses, opportunities, and threats)

EXTERNAL SOURCES:
- Comparison with other organizations
- Discussion with peers
- Benchmarking
- Risk consultants

TOOLS, DIAGNOSTICS, AND PROCESSES:
- Checklists
- Flowcharts
- Scenario analysis
- Business process analysis
- Systems engineering
- Process mapping

Source: American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA), *Managing Risk in the New Economy*, AICPA, New York, 2000, p. 9.

Source: Institute of Management Accountants, *Enterprise Risk Management: Frameworks, Elements, and Integration*, IMA, Montvale, 2011, p.14.

The list of techniques in figure 4 above could be used to assist the banks as an additional tool to enhance their existing risk identification techniques to identify complex risks mentioned previously in order to assess and manage their impact on the organisation. Engaging in one of more of these techniques can assist the banks to identify and focus on those risks that they consider to be critical or having a significant impact should they materialise. Shenkir and Walker (2011, p.14) did however state that in selecting one or more techniques, the banks would need to consider the application of the techniques selected and whether it will encourage open, fair and honest collaboration among the participants, especially with regard to the external resource technique. The authors did however warn that these techniques were not without their own short comings. One of those shortcomings is that they have the potential not to identify some risks which could pose a threat or missed opportunity for the banks or the industry as a whole in the long term. An example of a possible risk that could impact a bank as well the industry in operates in is systemic risk. Weber and Staiger (2014, p.83) quoted the Bank of International Settlements' definition of systemic risk as "a risk of disruption to financial services that is: (i) caused by an impairment of all or parts of the financial system; and (ii) has the potential to have serious negative consequences for the real economy".

Systemic risk is a concern for international bodies because they are aware of the consequences of how one bank's poorly managed risk environment can spread and impact other financial institutions in the same industry which could have a negative impact on the entire industry in the long run (Weber & Staiger, 2014). From a banking perspective, the authors elaborated that such risks are created by the activities of various banks but where the accumulation of risks associated with the activities are not adequately managed by one of the banks resulting in bankruptcy which could lead to severe disruption for the industry and thereby impacting on the other banks. An example that comes to mind in the South African context is African Bank Limited. On 10 August 2014, African Bank Limited was placed under curatorship. The Department, raised concerns around the bank's impairment and provisioning policy, quick credit growth rate and its strategic objectives and business model that needed to be reviewed. As a result of its business model, African Bank went bankrupt.

Fortunately the industry was able to withstand the shock of the bank's failure. Another example is the 2008 financial crisis, but in this instance there were a few banks that went bankrupt and closed their doors. Loser (2013) explained that the crisis was rooted in the subprime mortgage crisis which was a consequence of the subprime securities crisis. The crisis in the subprime mortgages had a knock on effect on the banking industry and this was due to their economic interdependencies. Due to the severity of the impact the crisis had on the industry and the economy, the banking and financial crisis developed. Loser (2012, p.130) stated that the banks with their weak structured mortgage products were responsible for the crisis. The author also stated that the banks failed to adhere to certain procedures, that is, they did not follow procedure in terms matching maturities, that is, the banks engaged in short-term borrowing whilst at the same time their investment strategies in terms of assets and loans was to invest in them over the long-term. This highlights that banks were pursuing their own agendas and not taking stock of what was happening in the market place in terms of all of them being exposed to a single risk that could impact them as a collective. It appears that these banks were short sighted in their pursuit of profits and lack of compliance to their operational risk management practices which is reflective of their respective frameworks.

Cook and Laubser (2014) stated that having an effective risk management framework, required that it contained and had access to a large amount of available and relevant information, 'big data'. This information should be considered as inputs into the process of managing risks and the source of the information could include historical data, forecasts and models, experience, stakeholder consultation, observation and expert opinion (Cook & Laubser, 2014, p.6). Interesting that the authors include experience as source of information considering that experience and lessons learnt are also inputs that need to be considered by the banks when they perform a review of their respective operational risk management frameworks. The reference to stakeholder consultation here, which was discussed in section 2.2.2., Stakeholder theory for operational risk, provides a reasonable argument for the local banks, who could be considered to be the other external stakeholders within the industry, to engage with one another in a collaborative manner to ensure the Sound Practices are implemented and also that their respective frameworks contain relevant and appropriate information that is reflective of evolving industry best practices. Also through collaboration, the banks together with the Department can ensure that the Sound Practices are implemented in a manner that is in accordance with the local jurisdiction's legislative and regulatory requirements. This collaboration can also foster a culture of knowledge sharing ensuring that interpretation of the Sound Practice and guidance notes are understood and consistently implemented by the banks within the industry.

2.6. Local banking industry perspective

As mentioned in the introduction to this research, the Committee developed and owns the Sound Practices for the Management and Supervision of the Operational Risk Framework. The Sound Practices were developed in consultation with supervisory departments from various banks that subscribe to Basel II, 2.5 and III. With regard to representation on the Committee, South Africa is represented by the Department. Representation ensures that views or opinions expressed by the committee members are considered and can influence the formulation of global regulatory standards (Banking Supervision Department, 2015, p.10). Participation ensures that the 'soft laws' the local banking industry is required to adhere to contain input provided by the Department. The Department also sits on some of the Committee's subcommittees but as stated by Department, this generally is by invitation. The Department can request to be invited but only when the Department deems a subject matter to be of significant importance to the local industry (Banking Supervision Department, 2015, p.11). This last comment is rather confusion. Not sure what 'significant importance' means but why would the Department want to wait for something significant to materialise before requesting to be invited to be part of any subcommittee meeting where operational risk management matters are being discussed or agreed upon that will impact the local industry.

This said, the researcher is of the view that the banks should be taking advantage of the Department's accessibility to the various subcommittees and use this as an opportunity to engage and collaborate amongst each other in order to raise issues or concerns around evolving practices or potential operational risks that could threaten the stability of the industry for example, so that the Department can raise these issues at the various subcommittees. In raising local industry issues at these subcommittees, the Department can leverage off its local-global partnerships in order to combine local and global best practice solutions to address or solve issues raised by local banks (Broom, 2011). Without being critical of the 'gained significant importance' approach as stated by the Department, it appears that this approach is reactive to evolving practices and could see the local industry playing catch up to global trends. The researcher has to be optimistic and believe that this is not the case. This however is a reasonable argument, at least in the researchers opinion, for the local banks to consider enhancing the way they currently collaborate and communicate with each other and use the Department's accessibility to the various subcommittees as a platform to proactively initiate discussions around current or evolving practices or new risks that poses a threat to the industry, in order for the Department to further influence the formulation or changes to global regulatory standards that the Department expects the local banks to adhere to.

As a result of the above, it would seem that the Department has been collaborating with other departments within the South African Reserve Bank as well as the industry through the Banking Association of South Africa (BASA). This collaboration resulted in the development of a framework for the Committed Liquidity Facility (CLF) which assists local banks to adhere to stricter requirements in terms of liquidity coverage ratios (LCR) (Banking Supervision Department, 2015, p.17). Obtaining input from the various stakeholders ensures that the framework contains the views of the relevant stakeholders to ensure that it is complete and able to support the LCR.

There is a drive by the Department for the industry to start collaborating with each other. The Department (2015, p.28) encouraged local banks to collaborate and communicate with each other on cybercrime which continues to receive attention by both local and international organisations due to the increasing number of incidents related to cybercrime. The banks were asked to collaborate and cooperate with each other in order for them to leverage off and share their knowledge in terms of minimising this threat to the industry. The Department (2015, p.28) highlighted that the international community was discussing how cyber security risk management could be managed and were developing guidance on this.

With regard to the local industry collaborating on cyber risk management, a review of some of the banks' annual financial reports (AFR) was performed. The review was performed to confirm whether the banks referred to or mentioned financial crime, specifically cybercrime. It was also done to identify what the banks were doing to address this threat to the industry, whether individually or collectively. Table 3 below provides a snap shot of the banks reviewed, which annual financial report was considered and a summary on the financial crime comment.

Table 3: Local Banks Annual Financial Reports on financial crime, for example; cyber crime.

Bank	Report	Report Comment	Page Reference
Barclays Africa Group Limited (BAGL)	2014 AFS	Cybercrime is continually increasing on a global scale and as a result, BAGL's risk management is receiving additional attention.	125
Nedbank Group Limited (Nedbank)	2014 Results Booklet	Highlighted cybercrime as one of the top and emerging operational risk themes for 2014 and that it would continue to be topic of discussion for 2015.	44c
Investec Plc (Investec)	2014 Annual Report	Indicated that Cybercrime (IT fraud) had increased significantly throughout the Organisation and that robust controls and appropriate solutions were in place to protect the group from increased threat levels.	93
FirstRand Group (FirstRand)	2014 Annual Report	For 2014, cybercrime was an area of focus and a significant threat in the global financial services sector. For the future sector globally. Risk and control environment is being reviewed to ensure that adequate and effective mitigating controls are in place.	250
Standard Bank of South Africa (Standard Bank)	Annual Integrated Report 2014	Highlighted that cybercrime and fraud is on the increase and it is the result of the increased use of technology in delivering services to customers	11
Capitec Bank Holdings Limited (Capitec)	2014 Annual Report	There is no specific reference to 'cybercrime'. There is however reference made to fraud and that the bank allocates resources to areas severely impacted by fraud risk to managed and mitigate the threat appropriately	87

Source: Adaptation of 2014 Annual Financial Reports for 6 of the 16 registered banks as per the Banks Supervision Department's Annual Report 2014, Appendix 2, page 44

With reference to the data in Table 3 above and other additional information in the various annual financial reports, it is evident that the banks are aware of and concerned about the threat cybercrime poses to the local and global industry. In their reports, the banks highlight their plan of action to mitigate and manage this risk. However, the researcher did not find any comment or statement in the respective reports that the banks were collaborating and cooperating with each other, as the Department suggested, in order for them to leverage off and share their knowledge to minimising the threat cybercrime poses to the industry. The only reference to cooperation and collaboration with government and industry was in Capitec's report but this was more related to successful apprehension and conviction of financial crime fraudsters and not about industry collaboration and knowledge sharing on how to manage this risk.

In light of the above scenario and the annual financial reports, which are possibly the only source of public information on the banks that is available to the external and other external stakeholders, it creates the impression that banks are not willing to collaborate with each other in order to enhance operational risk management within their respective organisations. The researcher cannot confirm that this is the case based solely on the above scenario. The scenario and proposal by the Department for the banks to collaborate and cooperate does introduce a new benefit that was not considered earlier and that is, that through collaboration and cooperation, risks or threats to individual banks or to the industry can be minimised when the bank's leverage off or share knowledge their knowledge. Also, as and when banks do collaborate with each other in order to enhance their respective operational risk management frameworks or ensure that they are implementing evolving and best practices with regard to operational risk management, they should disclose this as per Principle 11, 'Role of Disclosure'. Principle 11 states that, as part of their public disclosure, banks should communicate their approach to operational risk management in order for their stakeholders to assess it (Basel Committee on Banking, 2010, p.6). Not only will it provide the stakeholders with an opportunity to assess the banks operational risk management practices but disclosure on industry collaboration on current trends and implementing enhanced operational risk management practices that are aligned to evolving practices, will "promote stability of the banking system, market discipline effectiveness and sustain the social support of stakeholders" (Oliviera, Rodrigues, & Craig, 2011, p.284).

2.7. Conclusion

This section introduced the concept of operational risk management as a risk discipline as well as the need and development thereof. It highlighted the review performed by the Committee in 2014 with regard to the implementation of the Sound Practices where it identified that the Sound Practices were not being implemented to their full extent.

This section introduced the concept and definition of collaboration and how it could have been used to support the implementation of the Sound Practices principles and the enhancement of organisational operational risk management frameworks. The research problem alluded to a need for transparent collaboration between the banks to ensure compliance with the Sound Practices principles and implementation of evolving practices. The concepts of stakeholder theory and partnership were also introduced and elaborated on in order to support the argument that collaboration should be considered a mechanism to support evolving practices. Another tool that was also reviewed and discussed in order to provide input into the research problem and to be considered an effective tool in bridging the gap between collaboration and operational risk management was ‘knowledge sharing’ which was defined as an organisation being able to gain access to ‘knowledge’ from other organisations as well as within its own organisation (Connell, Kriz & Thorpe, 2014). However, for knowledge sharing to be an effective tool, ‘trust’ is a one of the key characteristics that is needed to be established amongst the banks. This would ensure a cooperative and collaborative environment where exchange of quality information and knowledge could take place.

Part of the literature reviewed also included highlighting the benefits and weaknesses of collaboration in order to support the argument that collaboration should be considered an implementation tool for evolving practices. As mentioned in the preceding paragraphs, one of the key benefits of collaboration was that it contributed positively to the exchange of knowledge but was subject to ongoing communication and exchange of knowledge by individual organisations. A key weakness was the phenomenon of social dilemma where an individuals’ or organsation’s interests and their collective objective outcomes are not aligned, meaning that an individual or organisation could end up in a situation where the individual or the organisation stands to benefit or gain more from the partnership than any of the other partners involved. This could be risky for the partners involved, for example, individuals or organisations sharing their knowledge have to be mindful not to lose any of their core knowledge as a means of its competitive advantage to the collective.

With regard to operational risk management, the literature reviewed also highlighted that there was a waning interest in operational risk management. Deloitte’s Global Risk Management Survey highlighted that 55% of the participating banks did not rate themselves high in terms their effectiveness in managing operational risk management. The survey findings highlighted the complexity in the management and measurement of operational risk. A recommendation from the survey was that operational risk still required work to be done in order to improve it. Work also needed to be performed because Accenture (2013) pointed out that risk volumes would increase when they conducted a quantitative survey of executives from 446 organisations across the world. This was later reaffirmed when a worldwide online survey of 1,378 business leaders across four regions was conducted by Beasley et al. in 2015 which highlight that 60% of the respondents believed that there was an increase in the volume and complexity of risks. The Beasley study also attributed the increase in volume and complexity to business globalisation.

The increase in volume and the complexity of operational risk, to some extent supported the need for the research study, that is, for the banks to consider enhancing their collaborative efforts to ensure the implementation of the Sound Practices and evolving practices. Also the increase in volume and complexity of risks could also be contributing to the manner in which operational risk management practices are evolving and therefore requires banks to relook at and change the way they manage operational risk. The previous sentence makes reference to change, the literature reviewed also looked at and included the definition of change and what was required in order for change to take place. As mentioned, for people or organisations to accept and implement change, the change would need to be communicated in a simple manner for people or the organisation to understand or introduced in a phased in approach to make it easier to understand and implement.

Based on the literature reviewed as well as the negligible literature on collaboration as an implementation tool to support the implementation and embedment of evolving practices, the researcher identified a need for an exploratory study in order to determine what the South African banks views were with regard to industry collaboration around operational risk management.

CHAPTER 3: RESEARCH PROBLEM, SCOPE AND QUESTIONS

3.1. Research Problem, Purpose and Motivation

The intention of the research questions proposed in this chapter was to gain access to operational risk management practitioners in order to obtain information that would allow the researcher to gain some insight into the research objective as stated in paragraph 1.4.2.of Chapter 1 above, i.e. whether collaboration and communication as a mechanism can support the ongoing implementation and embedment of evolving practices and the Sound Practices Principles within the South African banking industry. The questions were also intended to be answered as part of the research process (Saunders & Lewis, 2012, p18). In addition, the questions needed to be considered in terms whether they were relevant in terms of the literature reviewed in chapter 2 (Saunders & Lewis, 2012).

3.2. Research Scope

The scope contained possible benefits of why engaging in transparent industry (for purposes of this research, industry refers to the South African banking industry) collaboration and communication as a mechanism could possibly contribute to the progress of implementing the principles that seems not to have been implemented to the full extent as highlighted in the 2014 Review performed by the Committee and could ensure that the respective banks frameworks remain relevant and reflective of evolving practices.

3.3. Research Questions

3.3.1. Research question 1:

Is there effective communication and collaboration within the organisation and the banking industry with regard to the implementation and embedment of operational risk management practices which includes the Sound Practices principles?

3.3.2. Research question 2

Is transparent collaboration a key factor when forming partnerships in order for it to be a reciprocal process?

3.3.3. Research question 3:

Can collaboration succeed if knowledge sharing is done on a selective basis where contributions made only benefit a limited number of partners?

3.3.4. Research question 4:

Should local organisations create a culture of communication and collaboration within the local industry or should they consider international partnerships?

3.4. Conclusion

The purpose of this research is to gain insight into whether collaboration can be considered a mechanism to support the implementation and embedment of evolving practices. In trying to answer or get insight into the research question, the scope of the research considered the benefits of engaging in transparent industry collaboration and communication and to support the notion that collaboration and communication could be a mechanism for implementing the principles and ensuring that the banks frameworks remain relevant and are aligned of evolving practices. It is the hope that research methodology chosen and the findings from the data analysis will be able to provide some answers to four research questions mentioned above.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Methodology

4.1.1. Introduction

The research study asks multiple questions in order to gain an understanding of and insight into whether industry collaboration could be considered to be an effective supporting tool or mechanism for the implementation of the Sound Practices and evolving practices. To gain insight into the research topic, the researcher identified that the interpretivism research was the most relevant approach to consider. Saunders and Lewis (2012, p.6) defined interpretivism as the study of trying to understand what was happening to the actors or participants in their natural environment. The interpretive paradigm was used to explore what was happening within the South African banking industry with regard to implementing operational risk managing practices that where aligned to evolving practices. In order to gain an understanding of what was happening in the industry, the researcher had to get an understanding of the research subject's environment as well as the industry it operates in.

The approach taken by the researcher was relevant for business and management research because business situations are not only complex and unique but continually changing due to globalisation. This is especially relevant with regard to operational risk management within the banking industry, where operational risk management practices are continually evolving as highlighted by the Committee when they revised their framework in 2011. The Committee's revision of its global framework was an indicator that banks also needed to review and revise their respective frameworks and practices on a regular basis to ensure that it was aligned to evolving practices to support the diverse and complex business environment which is continually changing due to the globalisation of the banking industry. This was also confirmed in the Committee's (2010) consultative document, 'Operational Risk – Supervisory Guidelines for the Advanced Measurement Approaches' which stated that a bank's integrated framework had to evolve and be regularly updated as it continuously gained more experience and developed new operational risk capabilities in managing operational risk. Trying to understand the reasons why banks had not fully implemented all of the principles could be a complex issue but banks, who are responsible for ensuring that there is an implementation process in place, could provide valid and reasonable justification for not doing so. This however was not the objective of this research, rather the complexity surfaced when trying to establish whether collaboration as an implementation tool for banks could support and contribute to the enhancement of operational risk management for the banks and the industry as a whole.

4.1.2. Type of research

To support the approach taken and to understand the relationship between collaboration and implementation of evolving practices, the researcher considered an exploratory research methodology in order to get closer to the banks as well their support for the research study. Exploratory research allowed the researcher to obtain information on the topic that the researcher needed clarity on. As stated by Saunders and Lewis (2012, p.110), this method was particularly relevant in terms of providing insight into new phenomena and that it informed the research design to be pursued. Exploratory research is best suited for qualitative research which offers a focused view as if it were the lens of an automatic camera in trying to understand the question the study is trying to answer (Andriopoulos & Slater, 2013). In pursuing this type of research, the researcher was mindful that the exploratory method opted for would only provide insight into the issue and was under no illusions that it would provide a definitive conclusion (Saunders & Lewis, 2012) that collaboration could be considered an implementation tool for operational risk management practices. For a definitive conclusion, more detailed research would need to be performed.

4.1.2.1. Qualitative research defined

Qualitative research, as stated by Yilmaz (2013) is difficult to define due its multifaceted nature as a result of it being supported by different hypotheses. The author reviewed many different definitions written by various authors, for example, AL Strauss and J Corbin (1998), LR Gay and P Airasan (2000), JL Creswell (2007) and NK Denzin and YS Lincoln (1998) to name a few, but believed that the definitions by these authors did not do justice to the key characteristics of the term as it referenced quantitative concepts by defining it as research produced without the use of statistical procedures used for quantification purposes. Yilmaz (2013, p.312) defined qualitative research as “an emergent, inductive, interpretive and naturalistic approach to the study of people, cases, phenomena, social situations and processes in their natural settings in order to reveal in descriptive terms the meanings that people attach to their experiences of the world”. The researcher interpreted this definition to mean that in order to understand or gain insight into a current issue, the issue needed to be studied in its current natural environment by gathering information from the relevant participants in order to describe what was happening at a point in time and why it was happening. This definition did not make reference to any quantitative concepts but this does not mean that the concepts cannot be considered for qualitative research studies.

4.1.2.2. Qualitative research method selection

Qualitative research offered the researcher the following methods in order to explore and understand the issue; introductory interviews or telephone calls or email requests to allow the researcher access to the relevant operational risk management practitioners. The approach taken by the researcher was to telephonically contact senior management responsible for operational risk management within the sixteen registered banks as listed in Appendix 2 of the Bank Supervision Department's 2014 annual report (refer to Appendix 2). Where the researcher was unable to contact the individual telephonically, an email request was sent instead.

The reason for adopting this approach was to allow the researcher to contact the relevant senior management, for example, chief risk officer, chief financial officer or head of operational risk management, responsible for implementing and embedding the bank's operational risk management framework in order to inform them of the study and what the objective of the study was and to ascertain whether they would be willing assist in the research by sharing their knowledge of the industry, the practices in relation to operational risk management within their bank as well as their time. This approach also provided the researcher with insight into the number of banks that were willing to participate in the research and how their participation would impact the research from a data collection and analysis perspective.

This introductory approach proved useful as it allowed the researcher to engage with the heads of operational risk management of these banks in order to get their verbal undertaking to consider participating in the study. The advantage for the potential participating banks, was that it allowed the managers to ask questions, for example, get clarity on the purpose of the research, whether propriety information was required or if the research analysis would be shared and with who. This introductory method however did not provide the researcher with any useful data that could be used to answer the research questions. To get the relevant data, the researcher decided to pursue a quantitative research methodology in conjunction with the qualitative research approach. Quantitative research is explained below.

4.1.3. Quantitative research defined

Yilmaz (2013, p.312) explained the process of quantitative research as presenting and communicating unbiased research findings in order to explain common laws in social behaviours by applying quantitative concepts to currently reality. The researcher opted to pursue this research methodology because it allowed the researcher to collect and interpret data received from multiple participants in response to a limited number of questions in order to compare and aggregate the data. Collecting and interpreting the data meant little unless the researcher knew he wants to do with it. In this case, the researcher wanted to understand whether collaboration as an implementation tool or mechanism would support the implementation and embedment of evolving practices. Using a deductive approach, the researcher hoped to test a theoretical proposition, in this case, collaboration as an implementation tool, by analysing the data in order to deduce that collaboration can support the implementation and embedment of evolving practices. The disadvantage of using quantitative analysis and deductive approach is that it did not allow the participants to communicate their thoughts and experiences nor did it allow for them to elaborate on their responses to the close ended questions (Yilmaz, 2013, p.313). By not allowing any elaboration to responses, the researcher risked arriving at the wrong conclusion. In spite of this being a concern, the researcher proceeded anyway with the quantitative approach, knowing that the data from the close ended questions, when compared and aggregated, would either generate common or opposing thoughts based on the participants' responses which would allow the researcher to make informed deductive observations.

4.2. Population and Sample

4.2.1. Population

The population considered for the research included the banks within the South African banking industry. The target audience were the banks' employees who were engaged in or performing in an operational risk management capacity, otherwise known as operational risk management practitioners (ORMP)at both the first and/or second line of defence functions.. The potential participants included those employees who;

- were employed in an operational risk management capacity
- were responsible for the implementation and oversight of the operational risk management function within the bank
- engaged with operational risk management practitioners from other banks on a regular basis, and

- were involved or participated in operational risk management industry forums and discussions.

As mentioned earlier, the intention of the research was to include the banks from the South African banking industry, but their participation was subject to their willingness to contribute to the success of the research.

4.2.2. Sampling and size

Saunders and Lewis (2012, p.132) defined a sample as a subgroup of the total population. These were also a number of potential participants from the larger population that were considered for the study, . For purposes of this study, the sample considered consisted of the sixteen registered banks within the South African banking industry as at 31 December 2014 (refer to Appendix 2). These banks were listed in the South African Bank's Supervision Department's Annual Report 2014 (Appendix 2). The target audience for these banks was the same as mentioned above and that is, all employees engaged in or performing in an operational risk management capacity, otherwise known as ORMPs The sample was not broken down into different demographics for example, first and second line of defense, years of experience in operational risk management capacity, level of education with regard to operational risk management, business unit or product owner, size of the bank, number of ORMPs within the organisation or what approach the bank had implemented, that is, Basic Indicator Approach (BIA), The Standardised Approach (TSA) or Advanced Measurement Approach (AMA).

BIA, TSA and AMA are three operational risk measurement techniques to assist banks in calculating the capital they need to set aside for operational risk as proposed under the Basel II capital adequacy rules for banking institutions. The capital for BIA, the least complex technique, is calculated by taking the average positive annual gross income for three prior years and applying a fixed percentage of 15% to arrive at the operational risk capital. TSA, the next approach has some degree of complexity in calculating the operational risk capital. Under this approach, the banks activities are spilt into eight business lines where the capital is calculated per business line that has its own fixed percentage, refer to table 4 below depicting the business lines and percentage. The capital per business line is then aggregated to arrive at the total operational risk capital charge. The capital is also calculated using the average positive annual gross income for three prior years and is subject to regulatory approval.

Table 4: The Standardised Approach per business line and beta factor

Business Line	Beta Factor
Corporate finance	18%
Trading and sales	18%
Retail banking	12%
Commercial banking	15%
Payment and settlement	18%
Agency services	15%
Asset Management	12%
Retail Brokerage	12%

The AMA approach is the most complex approach and it allows those banks with mature operational risk practices and frameworks to calculate their own capital through the use of a quantitative model designed by the bank. Like the TSA, the AMA is also subject to approval by the banks local regulators.

The sample selection based on the fact that this was an exploratory study and the researcher wanted to gain insight into what the ORMPs views with regard to collaboration and the implementation and embedment of operational risk management within their respective organisations and the industry.

4.2.3. Reason for sample and size

The sample, as a subgroup of the total population, proved to be more practical in terms of collecting data from a small group rather than a large one. In addition, collecting data from the whole population, that is, all the banks would have been costly, time consuming and contacting the entire population would have been difficult (Saunders & Lewis, 2012, p.133). Selecting the sample also depended on whether the total size of the population was known and whether a full list, also known as the sample frame, of all the members could have been obtained. In this case, the total population was known by way of the South African Bank's Supervision Department's Annual Report 2014, refer to Appendix 2 to 5 of the report.

In deciding on which sample to consider, the researcher had to first establish which sampling technique would be best suited for the study, that is, probability or non-probability sampling. Probability sampling was the preferred choice considering that the researcher was able to obtain a complete list of all the banks from the Supervision's Department 2014 Annual Report and was therefore able to select banks at random from the list (Saunders & Lewis, 2012, p.133). Instead of randomly selecting banks, the researcher purposefully selected the sixteen registered banks. This type of sample selection was reflective of a non-probability sampling technique known as purposive sampling. Purposive sampling was ideal in this case as it assisted the researcher in trying to understand what was happening to the actors in their natural environment, i.e. the banks within the industry (Saunders & Lewis, 2012, p.137). The researcher was aware and mindful that non-probability sampling would not have guaranteed that any member of the population, the ORMP population that is, would have been be selected nor would it represent the ORMP population statistically (Saunders & Lewis, 2012, p.137). The size of the sample, while it appeared to be small, the researcher hoped that it would allow for the interpretation and valuable insight of the participants responses to the complement the exploratory research.

4.3. Data Type and Collection

4.3.1. Data Type

Data collection and analysis entailed the use of appropriate data collecting methods to collect data and analytical tools to analyse the data collected in an attempt to understand the research problem and objectives. Amsteus (2014) stated that selection, data collection and analysis needed to go through an iterative process to allow the researcher to arrive at the central theme that can explain variability in interactions.

4.3.2. Data Collection

4.3.2.1. Data collection methodology

There were various options in terms of collecting data to support the exploratory research methodology selected by the researcher and these included: searching academic literature, interviewing subject matter experts or conducting interviews (Saunders & Lewis, 2012, p.110). The type of research conducted also depended on the research strategy. The strategy was to provide answers to the research question as well as meet the research objectives (Saunders & Lewis, 2012, p.114). As this was exploratory research, the researcher opted to collect data through the use of a questionnaire (refer to Appendix 6). The questionnaire allowed for the same data to be collected in a cost-effective manner from a large number of participants (Saunders & Lewis, 2012, p116). It also allowed the participants to answer the same set of questions in chronological order.

In order for the survey to succeed, the researcher had to ensure that the sample size was representative of the population, the survey was well designed, did not contain too many questions, was tested for possible errors and had a good response rate. The questionnaire consisted of fourteen questions; the first twelve were closed ended questions of which 'Yes' or 'No' responses were required and the last two questions were open ended to allow the respondents to communicate their thoughts and views on whether collaboration could be considered to be a mechanism to assist in implementing evolving practices. The use of a questionnaire allowed for all potential participants to answer the same set of questions in chronological order.

4.3.2.2. Questionnaire pilot testing

Prior to distributing the questionnaire to the potential participants, the researcher pilot tested the questionnaire by requesting several individuals including the researcher's research study supervisor to review and complete the questionnaire and to provide the researcher with comments on any errors found and possible ways to improve the questionnaire. The feedback from the pilot was positive in that the testers confirmed that the questions were understandable and that concise 'yes' or 'no' answers to the questions could be provided. The testers also confirmed the questionnaire to be relevant and complete with nothing more to be added. There was however one request made with regard to the introductory paragraph of the questionnaire, The request was that a short explanation be provided on what the 'Sound Practices Principles' referred to. This comment was noted and the introductory paragraph to both the consent form and the questionnaire was updated with a short explanation. The researcher's supervisor confirmed that he was comfortable with the consent form and questionnaire and provided his support for the study to proceed. Refer to Appendix 8 for email feedback confirmation.

4.3.2.3. Data collection process

As indicated in the 4.2.2. 'Sampling and size', the target audience was the sixteen registered banks in South Africa. Of the sixteen banks, the researcher was able to contact thirteen banks, either the head of department directly or a personal assistant who then requested that an email be sent to the respective head of department. For both the telephonic and email engagement, the prospective participant was informed of the following;

- reason for the study and its purpose;
- what information would be requested to be provided and how;
- the cost implication for the participant, for example, time commitment on their part, and benefits of participating in the research;

- statement that participation would be voluntary and that the participant could withdraw at any time without penalty;
- reassurance that all data would be used for research purposes only and would be kept confidential, and
- contact details of researcher and supervisor if needed.

Of the thirteen banks contacted, twelve confirmed that they would consider the researchers request but that it would be subject to the questions posed in the questionnaire and whether they would require any proprietary information to be provided. Based on the above, the researcher emailed the potential participants the following documents (refer to Appendix 3):

- approval letter to proceed with the research from the Gordon Institute of Business Science (appendix 4);
- consent form for the organisation or participants to complete (appendix 5), and
- research questionnaire (appendix 6)

4.4. Unit of Analysis

The unit of analysis was whether the South African banks would consider collaboration as an implementation tool or mechanism to support the implementation of the Sound Practices principles and evolving practices. The researcher deemed the research design and methodology appropriate for the research topic and believed that the research objectives were achieved in order to address the research problem.

4.5. Data Analysis

Data collection occurred through the use of a questionnaire as it provided the relevant platform as a means of assessing information about the defined population and sample (Gilbert, 2011). The author also stated that in order to test or confirm the need for the study, the data collected needed to be analysed and the data analysis is suited for this purpose.

As an email questionnaire was considered to collect the data, the data was analysed using computer-aided quantitative data analysis software (CAQDAS), in this case, IBM SPSS Statistics version 23. Due to the size of sample, the data provided by the participants was not sufficient to perform any statistical analysis, for example, regression or correlation analysis. As mentioned, twelve of the thirteen banks identified for the study who confirmed that they would participate in the study but only six banks provided feedback, a response rate of forty six percentage. From the six banks, there was total of seventeen ORMP's that completed and returned the questionnaire. The responses were captured into SPSS and analysed using the descriptive statistics tool to determine the frequency in the number of 'Yes' or 'No' responses to questions 1 to 12. Question 13 and 14 were open ended questions and the responses were analyses to identify possible themes and captured as such in SPSS.

Prior to populating SPSS with the participants feedback, data was coded using excel (refer to Appendix 7). The coding was developed post the piloting of the questionnaire. It was the intention that the codes would assist in identifying key themes, if there were any and also to assist the researcher in identifying trends or commonalities in the data.

4.6. Current Limitations and Considerations

Limitations of the research methodology and scope included the following:

- The research was cross-sectional meaning that it was based at a point in time. Longitudinal research would have been better suited as it would have highlighted the progress made in terms of implementing the Sound Practices over time and also whether evolving practices were being implemented;
- Exploratory research was performed to gain insight into new phenomena and did not provide definitive conclusions;
- Exploratory research only gained insight into a situation which meant that more detailed statistical research (descriptive or explanatory) would be required to provide dependable results in terms of progress made in implementing evolving practices;
- Although the complete population was known, the size of the sample was small in that it only considered the sixteen registered banks in South Africa and also the number of participants from the sample selected was very small indicating that the analysis of the data may not be reflective of the entire population, and.
- Despite introductory contact being made and confirmation that the questionnaire email could be sent, there was no confirmation or guarantee that the email was received or that a response would be submitted.

4.7. Conclusion

The research design and methodology selected depended on whether or not it could provide a platform to collect and analyse data in order to arrive at an outcome that provided and complemented the research questions and objectives. Multiple questions were posed in order to gain an understanding of and insight into whether industry collaboration could be considered to be an effective supporting tool or mechanism for the implementation of the Sound Practices and evolving practices. Interpretivism research was the most relevant approach considered by the researcher to gain more insight into the research problem. Exploratory research was selected in order to gain insight and understand the relationship between collaboration and implementation of evolving practices, the research type allowed the researcher to collect and review information on the topic that the researcher needed clarity on. The research type only provided insight into the issue and did not provide a definitive conclusion that collaboration could be considered an implementation tool for operational risk management practices.

In order to gain insight into the research problem, the researcher contacted the heads of the operational risk management departments at various banks to explain the reason for the research study and to get their support. Quantitative research using a questionnaire was identified as the most appropriate tool to collect data from those participants who had confirmed to take part in the study. The population identified for the study consisted of the banks in the South African banking industry.

Because the population considered was too large for purposes for the study, a sample as a subgroup of the total population was selected. The sample selected consisted of the sixteen registered banks within the South African banking industry as at 31 December 2014 as listed in the South African Reserve Bank's Supervision Department's Annual Report 2014. The target audience for these banks was all employees engaged in or performing in an operational risk management capacity.

The sample proved to be more practical in terms of collecting data from a small group rather than a large one. Collecting data from the whole population, that is, all the banks would have been costly, time consuming and contacting the entire population making contact would have proven difficult. The sample was selected using a non probability sampling technique known as purposive sampling but this method did not guarantee that any member of the population would have been selected nor did it represent the population statistically. The sample size was small but the researcher hoped that it would allow for the interpretation and valuable insight of the participants responses to complement the exploratory research.

The type of research to be conducted was also depended on the research strategy which was to provide answers to the research question as well as meet the research objectives. Because this was an exploratory research study, the researcher opted to collect data through the use of a questionnaire. Reason for the questionnaire approach was that it allowed for the same data to be collected in a cost-effective manner from the participants and it allowed them to answer the same set of questions in chronological order.

As indicated, the target audience was the sixteen registered banks in South Africa and the researcher was able to contact thirteen of them either by telephone or email. Twelve of the thirteen banks contacted confirmed their participation in the study and were emailed the questionnaire for completion. Prior to distributing the questionnaire to the participants, the questionnaire was subjected to a pilot testing to ensure that the participants would understand the questions and would be able to respond appropriately.

The unit of analysis was whether the South African banks would were willing to consider collaboration as an implementation tool or mechanism to support the implementation of the Sound Practices and evolving practices.

As an email questionnaire was considered for the study, the data was analysed using computer-aided qualitative data analysis software (CAQDAS), in this case, SPSS version 23. Prior to populating SPSS with the participants feedback, data was coded using excel.

Limitations of the proposed research methodology and scope included the following:

- it was cross-sectional instead of longitudinal, which would have been more appropriate in order to highlight the progress made in terms of implementing the Sound Practices and also whether evolving practices were being implemented;
- exploratory research does not provide definitive conclusions;
- the size of the sample was small indicating that the analysis of the data may not be reflective of the entire population;
- non-probability sampling did not guarantee that everyone in the population would be selected, and

- despite introductory contact being made and confirmation that the questionnaire email could be sent, there was no confirmation or guarantee that the email was received or that a response would be submitted.

CHAPTER 5: RESULTS

5.1. Introduction

The results of the data are presented here in alignment with research objectives 1 to 3 as stated in the 'Research Purpose' in Chapter 1 and questions 1 to 4 proposed in the 'Research Questions' paragraph in Chapter 3. The analysis is presented by first discussing the sample, then highlighting what was analysed, thirdly whether there were any errors identified in the responses or completion of the questionnaire and finally the observations are discussed under each question of the questionnaire.

5.2. Sample

As mentioned in Chapter 4, the sample consisted of a subgroup of the total population which was all the banks in operation in the South African banking industry as at 31 December 2014. The subgroup or sample selected for the study was the sixteen registered banks within industry as at 31 December 2014, refer to Appendix 2. The intended participants of the sample were the respective banks' ORMPs because of their knowledge and experience with regard to implementing and embedding the Sound Practices as well as evolving practices, their interaction with ORMP's from other banks and their involvement and participation in industry forums and discussions. As indicated, the researcher was able to contact and discuss the reason for the study with thirteen banks, of which twelve had requested that the consent form and questionnaire be emailed to them for consideration. The size of the sample was small but the researcher was optimistic that the responses by the participants would provide valuable insight that could be aligned to the research objectives and questions and also to complement the exploratory research methodology selected by the researcher.

Responses from the twelve banks were slow and after numerous reminder communiqués with the respective banks, only six banks ended up participating in the study, a response rate of forty six percent. From the six banks, a total of seventeen questionnaires were received, minimum one completed questionnaire per bank and maximum nine completed questionnaires per bank. Table 5 below provides an indication of the number of banks and participants that completed and submitted a questionnaire as well as their percentage proportion of the total number of questionnaires received, for example, the 'Bank' column indicates which bank provided a response, 'Participation Frequency' column indicates the number of participants per bank that responded and 'Valid Percentage' column indicates the respective banks percentage proportion of the total questionnaires submitted.

Table 5: Frequency table highlighting number of bank and participant responses

Valid	Bank	Participant Frequency	Valid Percent	Cumulative Percent
	1	1	5.9	5.9
	4	1	5.9	11.8
	5	1	5.9	17.6
	7	1	5.9	23.5
	8	4	23.5	47.1
	13	9	52.9	100.0
Total	6	17	100.0	

The table above confirms the number of banks and participants per bank, for example, bank 13 provided nine responses, bank 8 provided four responses and the other banks each provided one response. It should however be noted that the sample consisted of both large and small banks and that the number of responses per bank could possibly be reflective of the size of the operational risk management function within these banks, meaning that larger banks may have a larger number of ORMPs compared to smaller banks with fewer ORMPs. This is however only an assumption being made by the researcher.

Regarding the sample, both the banks and the participants were allocated random respondent numbers (refer to Appendix 7.1). This was to ensure anonymity as stated in both the consent form and the questionnaire.

5.3. Data analysis

As mentioned, data was collected using a structured questionnaire consisting of twelve closed ended questions of which 'Yes' or 'No' responses were required and two open ended questions to allow the respondents to provide feedback in their own words on whether collaboration could support the implementation and embedment of evolving operational risk management practices.

In order to compare and explain the data as captured in the questionnaires by the participants, the multiple response options per question were coded, (refer to Appendix 7.2). The researcher was then able to populate SPSS with the coded data in order to generate output data by using SPSS's 'Analyze' function.

The data was analysed to allow the researcher to uncover new insights into the research topic and also to understand what was happening in the industry and to the banks with regard to the implementation and embedment of the evolving practices which includes the Sound Practices. The data was analysed to determine if there was any commonality or differences amongst the banks with regard to their observations on whether the industry was collaborating and communicating effectively when it came to implementing and embedding operational risk management frameworks and practices.

5.4. Questionnaire response errors

To ensure that the data extracted from the questionnaires would be fit for purpose, the questionnaires were checked for errors in terms of completeness, for example, were all the questions answered or were responses provided when none was required. Using Excel, the banks, participants and questions were coded and the coded responses per questionnaire were captured against the relevant participant, see Table 6, 'Bank, participant and questionnaire response coding'.

Table 6: Bank, participant and questionnaire response coding

			Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Row	BANK	Participant	ECC12	SECC12	CCIEE	RCC	CKSC	FCKSC	ECCTI	IEKSDM	TCKFR	KSSBF	ICCI	BICCKS	CCFLM	AAA
	1	8	1	1	3	1	2	1	3	1	1	1	2	2	1	1	1
	2	8	2	1	3	1	1	1	3	1	1	1	2	1	1	1	1
	3	8	3	1	3	1	1	1	3	1	1	1	2	1	1	1	1
	4	7	1	2	1	1	2	1	3	1	1	1	2	2	1	1	1
	5	1	1	1	3	1	2	1	3	1	1	1	1	1	1	1	1
	6	8	4	1	3	1	2	2	1	1	1	1	2	1	1	1	1
	7	4	1	1	3	1	2	1	3	1	1	1	2	2	1	1	1
1	8	5	1	1	3	1	2	1	3	1	1	2	2	2	2	1	1
	9	13	1	2	1	1	2	2	1	1	1	1	2	1	1	1	1
	10	13	2	1	3	1	2	1	3	1	1	1	1	1	1	1	1
	11	13	3	1	3	1	2	1	3	1	1	1	2	1	1	1	1
	12	13	4	1	3	1	2	1	3	1	1	1	2	1	1	2	2
	13	13	5	1	3	1	2	1	3	1	1	1	2	1	1	1	1
	14	13	6	1	3	1	2	1	3	1	1	1	2	1	1	1	1
	15	13	7	1	3	1	2	1	3	1	1	1	1	2	1	2	2
	16	13	8	**3**	**3**	**3**	2	1	**3**	1	**3**	1	2	1	1	2	2
	17	13	9	1	3	1	2	1	3	1	1	1	1	1	1	1	1
		Total Participnts	17														

In Table 6, row 1 starts with '8' in the third column, '1' in the fourth column and '1' in the fifth column with the heading 'ECC12, refers to Bank 8, Participant 1 and question 1, 'Do you consider there to be effective communication and collaboration between first line of defence (business line management) and second line of defence (independent corporate operational risk function (CORF)) with regard to the implementation and embedment of operational risk management practices?' to which the participant responded 'Yes' and the 'Yes' response was coded as '1'. Had the participant responded 'No' then the response code would have been '2' as it is in row 4. Where a participant failed to provide an answer, then the response code would have been ‘3’ as it is in row 16. The response code of 1, 2 and 3 was only applicable to questions 1 to 12 which allowed for three possible outcomes for each question and that is, ‘1’ is ‘Yes’, ‘2’ is ‘No’ and ‘3’ is ‘Not answered’. Question 13 and 14 were coded differently as these two questions required the participant to provide a response to the open ended questions which was coded ‘1’ and ‘2’ if no response was provided, see rows 13, 15 and 16 under questions 13 and 14. The coloured in areas in Table 6 provides a high level view of questionnaires with possible errors.

Table 7, below provides an overview of the questionnaires received and also highlights those questionnaires with potential errors. The dashboard is an aggregated view of table 6, for example, for question 1 there were 14 ‘Yes’ responses, 2 ‘No’ responses and 1 ‘Not answered’ totalling 17 which equates to the seventeen questionnaires submitted. . This continues right up to question 14 which confirms that the data captured in SPSS is correct in terms of the number of participants but at the same time highlights potential errors that should correspondent to errors in the SPSS data output.

Table 7: Dashboard view of questionnaire errors

2	Total Responses	1 = Yes	14	2	16	2	15	2	17	16	16	4	12	16	14	14
		2 = No	2	0	0	15	2	0	0	0	1	13	5	1	3	3
		3 = Not Answered	1	15	1	0	0	15	0	1	0	0	0	0	0	0
		Total	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**

Table 8below provides a snapshot of the questionnaires received as completed by the respective participants. It highlights those questionnaires that contain errors and in this case, the error relates to all the questions in the questionnaire not being answered. Looking at the dashboard, row 16 indicates that participant 8 from bank 13 submitted an incomplete questionnaire because response code ‘3’, ‘Not answered’ shows that five of the fourteen questions in the questionnaire had not be completed. The questionnaire was designed to allow for two of the fourteen questions not be to answered, questions 1 and 5 allowed questions 2 and 6 to be skipped provided the responses to 1 and 5 were ‘Yes’, (refer to Appendix 6).

Table 8: Questionnaire error identification dashboard

Row	BANK	Participant	1 = 'Yes'	2 = 'No'	3 = 'Not answered'	Total Questions	Data error on '3'
1	8	1	9	3	2	14	OKAY
2	8	2	11	1	2	14	OKAY
3	8	3	11	1	2	14	OKAY
4	7	1	9	4	1	14	OKAY
5	1	1	11	1	2	14	OKAY
6	8	4	10	3	1	14	OKAY
7	4	1	9	3	2	14	OKAY
8	5	1	7	5	2	14	OKAY
9	13	1	10	4	0	14	OKAY
10	13	2	11	1	2	14	OKAY
11	13	3	10	2	2	14	OKAY
12	13	4	8	4	2	14	OKAY
13	13	5	10	2	2	14	OKAY
14	13	6	10	2	2	14	OKAY
15	13	7	8	4	2	14	OKAY
16	13	8	5	4	5	14	ERROR
17	13	9	11	1	2	14	OKAY
	Total Participnts	**17**					

The error identified in Table 8 had an impact on the data analysis as it meant that one questionnaire had to be excluded from the analysis process. The excluded questionnaire did not impact the sample size but reduced the number of participants from seventeen to sixteen. The SPSS input data had to be amended so that the output data only provided analysis on sixteen participants.

5.5. Results

5.5.1. Introduction

This section presents the results of the data analysis process. The results are discussed per question as sequenced in the questionnaire.

5.5.2. Closed ended questions results: Questions 1 to 12

5.5.2.1. Questionnaire Question 1

Do you consider there to be effective communication and collaboration between first line of defence (business line management) and second line of defence (independent corporate operational risk function (CORF)) with regard to the implementation and embedment of operational risk management practices?

As reflected in Table 9 below, two out the sixteen participants did not believe that there was effective communication and collaboration between the first two lines of defence with regard to implementation and embedment of operational risk management practices whilst the remainder believed there was.

Table 9: Question 1 SPSS output

Question 1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**No**	**2**	12.5	12.5	12.5
	Yes	14	87.5	87.5	100.0
	Total	16	100.0	100.0	

The two participants who answered 'no' to question 1 are from different banks as indicated in table 10 below. Table 10 also highlighted that 1 out of the 8 participants from bank 13 answered 'no' whilst the remainder answered 'yes'.

Table 10: Question 1 response coding

	Questions	1
Bank	**Participant**	**ECC12**
1	1	1
4	1	1
5	1	1
7	1	**2**
8	1	1
8	2	1
8	3	1
8	4	1
13	1	**2**
13	2	1
13	3	1
13	4	1
13	5	1
13	6	1
13	7	1
13	9	1

5.5.2.2. Questionnaire Question 2

If no, do you believe there should be effective communication and collaboration in place with regard to the implementation and embedment of operational risk management practices?

Tables 11 and 12 below complements Table 9 in that the 2 participants who did not believe that there was effective communication and collaboration taking place, have now answered 'yes' indicating that there should be effective communication and collaboration in place to support the implementation and embedment of operational risk management practices. The responses of the remainder of the participants, fourteen them, are reflected as 'Blank' and is correct as they answered 'yes' to question 1 and therefore did not need to answer question 2.

Table 11: Question 2 SPSS output

Question 2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Yes**	**2**	12.5	12.5	12.5
	Blank	14	87.5	87.5	100.0
	Total	16	100.0	100.0	

Table 12: Question 1 and 2 response coding

	Questions	1	2
Bank	**Participant**	**ECC12**	**SECC12**
1	1	1	3
4	1	1	3
5	1	1	3
7	1	**2**	**1**
8	1	1	3
8	2	1	3
8	3	1	3
8	4	1	3
13	1	**2**	**1**
13	2	1	3
13	3	1	3
13	4	1	3
13	5	1	3
13	6	1	3
13	7	1	3
13	9	1	3

5.5.2.3. Questionnaire Question 3

Should the communication and collaboration refer to and include changes to the internal and external environment of the organisation that could impact implementation and embedment?

In Table 13 below, all 16 participants agreed that communication and collaboration with regard to implementation and embedment need to include information from within and outside of the organisation.

Table 13: Question 3 SPSS output

Question 3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	100.0	100.0	100.0

5.5.2.4. Questionnaire Question 4

In your experience and observation, is communication and collaboration on operational risk management practices restricted to operational risk management practitioners (ORMP) (employees) only or does it include all employees of the organisation?

As reflected in Table 14 below, two out the sixteen participants believe that communication and collaboration only takes place amongst the ORMPs of the organisation whilst the remainder believe that every employee in the organisation is included.

Table 14: Question 4 SPSS output

Question 4

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	2	12.5	12.5	12.5
	No	14	87.5	87.5	100.0
	Total	16	100.0	100.0	

5.5.2.5. Questionnaire Question 5

Is there a culture of knowledge sharing and collaboration within the organisation with regard to the interpretation of the operational risk management practices to ensure successful implementation?

In Table 15 below, two out of the sixteen participants believe that there is no knowledge sharing with regard to the interpretation of operational risk management practices whilst the remainder believe that there is.

Table 15: Question 5 SPSS output

Question 5

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	2	12.5	12.5	12.5
	Yes	14	87.5	87.5	100.0
	Total	16	100.0	100.0	

The two participants who answered 'no' to question 5 are from different banks as indicated in table 16 below, bank 8 and 13 respectively. Table 16 also shows that one out of the eight participants from bank 13 answered 'no' whilst the remainder answered 'yes'.

Table 16: Question 5 and 6 response coding

	Questions	5	6
Bank	**Participant**	**CKSC**	**FCKSC**
1	1	1	3
4	1	1	3
5	1	1	3
7	1	1	3
8	1	1	3
8	2	1	3
8	3	1	3
8	4	**2**	**1**
13	1	**2**	**1**
13	2	1	3
13	3	1	3
13	4	1	3
13	5	1	3
13	6	1	3
13	7	1	3
13	9	1	3

5.5.2.6. Questionnaire Question 6

If no, do you believe the organisation should foster a culture of knowledge sharing and collaboration around its operational risk management practices?

Tables 16 and 17 complement Table 15 in that the two participants who did not believe that there was a culture of knowledge sharing, have now answered 'yes' in support of fostering a culture of knowledge sharing with regard to operational risk management practices. The responses of the remainder of the participants are reflected as 'Blank' and is correct as they answered 'yes' to question 5 and did not need to answer question 6.

Table 17: Question 6 SPSS output

Question 6

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	2	12.5	12.5	12.5
	Blank	14	87.5	87.5	100.0
	Total	16	100.0	100.0	

5.5.2.7. Questionnaire Question 7

In your view, do you believe that effective communication and collaboration within the organisation can provide it with the necessary tools to ensure successful implementation of the Sound Practices Principles?

In Table 18 below, all sixteen participants believe that communication and collaboration can be an effective tool to support the implementation of the Sound Practices.

Table 18: Question 7 SPSS output

Question 7

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	100.0	100.0	100.0

5.5.2.8. Questionnaire Question 8

Can collaboration, both internal and external to the organisation, facilitate the sharing of operational risk management knowledge ensuring better decision-making with regard to implementation and embedment of evolving operational risk management practices which includes the Sound Practices Principles?

In Table 19 below, all sixteen participants agree that internal and external collaboration with regard to operational risk management practices is needed to foster a culture of knowledge sharing to ensure that well informed decisions are made with regard to implementing and embedding the Sound Practices as well as evolving practices.

Table 19: Question 8 SPSS output

Question 8

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	100.0	100.0	100.0

5.5.2.9. Questionnaire Question 9

Will transparent collaboration between banks be a key factor when sharing knowledge and experiences in order for it to be a reciprocal process?

Table 20 highlights that one out of the sixteen participants did not consider transparent collaboration to be a key factor in order for knowledge sharing to be reciprocal process amongst the banks whilst the majority of the participants believed that it was a key factor.

Table 20: Question 9 SPSS output

Question 9

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	1	6.3	6.3	6.3
	Yes	15	93.8	93.8	100.0
	Total	16	100.0	100.0	

5.5.2.10. Questionnaire Question 10

Can collaboration succeed if knowledge sharing between banks is done on a selective basis where contributions made benefit only a few participants and not all the participants within the industry?

In Table 21, four (25%) out of the sixteen participants believed that collaboration can succeed regardless whether it is done on a selective basis and where few individuals or banks stand to benefit more from the process than others. The remainder of the participants did not believe that this approach would promote successful collaboration. Table 21 also shows that of the four participants, three were from the same bank, bank 13.

Table 21: Question 10 SPSS output

Question 10

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	4	25.0	25.0	25.0
	No	12	75.0	75.0	100.0
	Total	16	100.0	100.0	

Table 22: Question 10 response coding

	Questions	10
Bank	Participant	KSSBF
1	1	1
4	1	2
5	1	2
7	1	2
8	1	2
8	2	2
8	3	2
8	4	2
13	1	2
13	2	1
13	3	2
13	4	2
13	5	2
13	6	2
13	7	1
13	9	1

5.5.2.11. Questionnaire Question 11

Is there a need to improve communication and collaboration with regard to operational risk management practices throughout the industry?

Reflected in Table 23, five out of the sixteen participants did not see a need to improve communication and collaboration throughout the industry while the remainder identified that there is a need for improved industry communication and collaboration on operational risk management practices. The five participants came from different banks, see Table 25.

Table 23: Question 11 SPSS output

Question 11

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	5	31.3	31.3	31.3
	Yes	11	68.8	68.8	100.0
	Total	16	100.0	100.0	

5.5.2.12. Questionnaire Question 12

Should the local banking industry create a culture of knowledge sharing through communication and collaboration to support the implementation and embedment of evolving operational risk management practices?

As reflected in Table 24, fifteen of the participants agreed that the local banking industry should consider communication and collaboration as a platform for the industry to create and foster a culture of knowledge sharing to support the implementation and embedment of evolving practices. Only one participant disagreed, see Table 25 below.

Table 24: Question 12 SPSS output

Question 12

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	1	6.3	6.3	6.3
	Yes	15	93.8	93.8	100.0
	Total	16	100.0	100.0	

Table 25: Question 11 and twelve response coding

	Questions	11	12
Bank	**Participant**	**ICCI**	**BICCKS**
1	1	1	1
4	1	**2**	1
5	1	**2**	**2**
7	1	**2**	1
8	1	**2**	1
8	2	1	1
8	3	1	1
8	4	1	1
13	1	1	1
13	2	1	1
13	3	1	1
13	4	1	1
13	5	1	1
13	6	1	1
13	7	**2**	1
13	9	1	1

5.5.3. Open ended questions results: Question 13 and 14

5.5.3.1. Introduction

As mentioned in sections 4.5 and 5.3., Data Analysis, the questionnaire contained two open ended questions; question 13 and 14. The reason these two questions were included in the questionnaire was to allow the respondents to provide feedback in their own words on whether collaboration could support the implementation and embedment of evolving operational risk management practices. The responses to these two questions were analysed to identify possible themes and to be loaded into SPSS according to the themes.

5.5.3.2. Question 13 and 14 coding

The responses to these questions were in the participants own words and the researcher analysed the responses to determine if there were any common themes across the responses. Tables 26 and 27 below represents how the responses to questions 13 and 14 were interpreted by the researcher and classified according to themes in order to determine whether there were any common themes. The columns headed 'Comment key point' is the points within each participant's response that the researcher deemed key and based on the researchers interpretation, classified it accordingly under the column headed 'Theme'.

Table 26: Question 13 coding with coding notes

Question 13 Coding				Response Coding					
Question 13 Theme Coding	Comment key point	Theme	Coding	Yes	No	Not applicable	Blank	No Reponse
Q13T1	Debate future scenarios	Scenarios	1	1	2	3	4	5
Q13T2	International input	Partnership	2	1	2	3	4	5
Q13T3	Skills required	Skill set	3	1	2	3	4	5
Q13T4	Multiple views, disciplines, experience	Best practice	4	1	2	3	4	5
Q13T5	Regulator input	Regulation	5	1	2	3	4	5
Q13T6	Organisational specific risk	Organisational	6	1	2	3	4	5
Q13T7	Audience identification	Audience identification	7	1	2	3	4	5
Q13T8	Message disruption	Communication	8	1	2	3	4	5
Q13T9	Common or similar risks	Knowledge Sharing	9	1	2	3	4	5
Q13T10	Proactive Approach	Predictive risk management	10	1	2	3	4	5

Code Notes	
Q13T1	Question 13 Theme 1
Q13T2	Question 13 Theme 2
Q13T3	Question 13 Theme 3
Q13T4	Question 13 Theme 4
Q13T5	Question 13 Theme 5
Q13T6	Question 13 Theme 6
Q13T7	Question 13 Theme 7
Q13T8	Question 13 Theme 8
Q13T9	Question 13 Theme 9
Q13T10	Question 13 Theme 10

Table 27: Question 14 coding with coding notes

Question 14 coding				Response Coding			
Question 14	Comment key point	Theme	Coding	Comment	No Comment	Not applicable	Blank
Q14T1	More regulator guidance	Regulator guidance	1	1	2	3	4
Q14T2	International particiption	Partnership	2	1	2	3	4
Q14T3	Understanding and support by management	Management support	3	1	2	3	4
Q14T4	Understand reason for change	Change management	4	1	2	3	4
Q14T5	Principles formulated with big banks in mind	Inequality	5	1	2	3	4
Q14T6	Industry research	Best practice	6	1	2	3	4
Q14T7	Technology support	Technology	7	1	2	3	4
Q14T8	Regulatory/Financial crime/Execution, delivery and process management	Loss event categorisation	8	1	2	3	4

Code Notes	
Q14T1	Question 14 Theme 1
Q14T2	Question 14 Theme 2
Q14T3	Question 14 Theme 3
Q14T4	Question 14 Theme 4
Q14T5	Question 14 Theme 5
Q14T6	Question 14 Theme 6
Q14T7	Question 14 Theme 7

5.5.3.3. Question 13 and 14 response error identification

As with the closed ended questions, questions 13 and 14 were also subjected to error identification review. In table 28 below, participant 4 from bank 13 responded 'yes' to question 13, but did not provide a reason for the answer as requested to do. Participants 7 and 8 from bank 13 did not answer the question at all.

Table 28: Question 13 response error

	BANK	Participant	Q13 Y*/N**	Q13T1	Q13T2	Q13T3	Q13T4	Q13T5	Q13T6	Q13T7	Q13T8	Q13T9	Q13T10
ERROR CHECK	8	1	Yes	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	8	2	Yes	N/A	THEME	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	8	3	Yes	N/A	N/A	N/A	THEME	N/A	N/A	N/A	N/A	N/A	N/A
	8	4	Yes	N/A	N/A	N/A	THEME	N/A	N/A	N/A	N/A	N/A	N/A
	5	1	No	N/A	N/A	N/A	N/A	THEME	N/A	N/A	N/A	N/A	N/A
	7	1	No	N/A	N/A	N/A	N/A	N/A	THEME	N/A	N/A	N/A	N/A
	1	1	Yes	N/A	N/A	N/A	N/A	N/A	N/A	THEME	THEME	N/A	N/A
	4	1	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	13	1	Yes	N/A	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	13	2	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME
	13	3	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	13	4	Yes	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	5	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	13	6	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	13	7	No Reponse	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	8	No Reponse	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	9	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	THEME Count			1	2	1	2	1	1	1	1	5	1

Error Checking Notes	
Yes	Participant provided a "Yes" Response
No	Participant provided a "No" Response
THEME	Participant provided comment/theme in response to "Yes" or "No" answered
N/A	Participant's comment is "Not Applicable" to a specific theme
Blank	Participant did not provide any comment
No Reponse	Participant did not provide any comment or answer the question

In table 29 below, participants 4, 7 and 8 from bank 13 did not provide a comment for question 14. Tables 30 and 31 confirm that for questions 13 and 14, three out of the seventeen participants did not provide any response to either question.

Table 29: Question 14 response error

	BANK	Participant	Q14 Y*/N**	Q14T1	Q14T2	Q14T3	Q14T4	Q14T5	Q14T6	Q14T7	Q14T8
ERROR CHECK	8	1	Comment	THEME	THEME	N/A	N/A	N/A	N/A	N/A	N/A
	8	2	Comment	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	8	3	Comment	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	8	4	Comment	N/A	N/A	THEME	THEME	N/A	N/A	N/A	N/A
	5	1	Comment	N/A	N/A	N/A	N/A	THEME	N/A	N/A	N/A
	7	1	Comment	N/A	N/A	THEME	N/A	N/A	THEME	N/A	N/A
	1	1	Comment	N/A	N/A	N/A	N/A	N/A	N/A	THEME	N/A
	4	1	Comment	N/A	N/A	N/A	N/A	N/A	THEME	N/A	N/A
	13	1	Comment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	THEME
	13	2	Comment	N/A	N/A	N/A	N/A	N/A	THEME	N/A	N/A
	13	3	Comment	N/A	N/A	N/A	N/A	N/A	THEME	N/A	N/A
	13	4	No Comment	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	5	Comment	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	13	6	Comment	THEME	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	13	7	No Comment	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	8	No Comment	Blank	Blank	Blank	Blank	Blank	Blank	Blank	Blank
	13	9	Comment	N/A	N/A	N/A	N/A	N/A	THEME	N/A	N/A
	THEME Count			5	1	2	1	1	5	1	1

Error Check Notes	
Comment	Participant provided a comment to the question
No Comment	Participant did not provide a comment to the question
Theme	Participant's comment categorised into a "theme"
N/A	Participant's comment is "Not Applicablae" to a specific theme
Blank	Response is 'Blank" because the participant did not provide a comment to the question

Table 30: Confirmation of comments/no comments provided for question 13

Question13: In your view, do you believe collaboration and communication around operational risk management practices can be used as a forward looking mechanism to identify or predict changes to current practices. Yes/No

Provide a reason for your response

		Value	Count	Percent
Standard Attributes	Position	15		
	Label	Question 13		
Valid Values	1	Comment provided	14	82.4%
	2	No comment provided	3	17.6%

Table 31: Confirmation of comments/no comments provided for question 13

Question 14: Which aspects should be receiving additional attention to support implementation and embedment of evolving operational risk management practices and why?

		Value	Count	Percent
Standard Attributes	Position	16		
	Label	Question 14		
Valid Values	1	Comment provided	14	82.4%
	2	No comment provided	3	17.6%

Due to these participants not having provided comments for question 13 and 14, the questionnaires were excluded from the analysis and the theme classification.

5.5.3.4. Question 13 and 14 theme categorisation and results

5.5.3.4.1. Question 13 and theme categorisation

In your view, do you believe collaboration and communication around operational risk management practices can be used as a forward looking mechanism to identify or predict changes to current practices? Provide a reason for your response

Table 32 provides a list of themes identified for questions 13 by the researcher based on his interpretation of the responses provided by the participants.

Table 32: Question 13 theme classification

Comment key point	Theme	Coding
Debate future scenarios	Scenarios	1
International input	Partnership	2
Skills required	Skill set	3
Multiple views, disciplines, experience	Best practice	4
Regulator input	Regulation	5
Organisational specific risk	Organisational	6
Audience identification	Audience identification	7
Message disruption	Communication	8
Common or similar risks	Knowledge Sharing	9
Proactive Approach	Predictive risk management	10

5.5.3.4.2. Question 13 result

Looking at the row headed 'Theme count' in table 28 above, the key themes for question 13 were theme 9; 'Knowledge sharing' of which five of the fourteen (37%) participants made reference to it in their responses; theme 4; 'Best practices', with two participants (14%) sharing the same view and theme 2; 'Partnership' with two participants (14%) also sharing this view. Knowledge sharing was a key theme for bank 13 as four out of the five participants (80%) came from this bank.

5.5.3.4.3. Question 14 and theme categorisation

Which aspects should be receiving additional attention to support implementation and embedment of evolving operational risk management practices and why?

Table 33 provides a list of themes for questions 14 as identified by the researcher based on his interpretation of the responses provided by the participants

Table 33: Question 14 theme classification

Comment key point	Theme	Coding
More regulator guidance	Regulator guidance	1
International participation	Partnership	2
Understanding and support by management	Management support	3
Understand reason for change	Change management	4
Principles formulated with big banks in mind	Inequality	5
Industry research	Best practice	6
Technology support	Technology	7
Regulatory/Financial crime/Execution, delivery and process management	Loss event categorisation	8

5.5.3.4.4. Question 14 result

Looking at the row headed 'Theme count' in table 29 above, the key themes for question 14 were theme 1; Regulator guidance and Theme 6; Best Practice. Both these themes had five participants each referring to them in their responses; 'Best practices', with two participants (14%) sharing the same view and 'Partnership' with two participants (14%) also sharing this view.

Interesting observation with regard to tables 30 and 31 is that there are three common themes appearing in both tables; Partnership (Q13T2 and Q14T2), Best Practices (Q13T4 and Q14T6) and Regulation (Q13T5 and Q14T1). These themes did not appear significant based on the responses received for each of the questions but proved to be significant with regard to the literature reviewed under chapter 2 as well as aligning them to the four research questions in chapter 3.

5.6. Conclusion

The sample selected for this study consisted of a subgroup of the total population, for example, all the banks in operation in the South African banking industry as at 31 December 2014 as per the South African Bank's Supervision Department's Annual Report 2014. The sample selected for the study consisted of the sixteen registered banks in the industry at 31 December 2014, (refer to Appendix 2). The ORMPs within the sample were identified relevant and suitable for the study because of their knowledge and experience with regard to implementing and embedding the Sound Practices as well as evolving practices. The participants from the sample ranged from one participant per bank to nine participants per bank.

The sample group was requested to complete a questionnaire which consisted of both closed ended and open ended questions. The submitted questionnaires were checked for errors and completeness. Those questionnaires where more than two questions were not answered were excluded from the analysis process. The responses to the questions were coded and in the case of questions 13 and 14, these were classified into themes in order to analyse them. The coded data was captured in SPSS and the outputs were presented in this chapter. The results will be discussed in Chapter 6.

CHAPTER 6: DISCUSSION OF RESULTS

6.1. Introduction

In this chapter, the results as presented in chapter 5 will be discussed and interpreted and the responses received from the questionnaires will be used to provide insight into the four research questions raised in chapter 3. The literature that was reviewed in chapter 2 will also be considered.

6.2. Sample concerns

As mentioned in chapter 4, the researcher was mindful that the sample size and number of responses received to the questionnaire was small and was concerned that the results as presented in chapter 5, although could be used to make inferences on the entire population, would be skewed. It would be skewed either in favour of collaboration being able to support the implementation and embedment of evolving practices or it would not be in favour of collaboration as an implementation tool.

Contributing factors for the sample size concern was that of the sixteen banks that were considered for the study, only thirteen could be contacted and who had verbally confirmed that their participation would be subject to the type of questions in the questionnaire and whether any proprietary information would be required. Of the thirteen banks, only six banks participated in the research study, a response rate of forty six percent. From the six banks, a total of seventeen questionnaires were received, however one had to be discarded as it was incomplete. Despite the sample size being small, the researcher was of the optimistic that the results from the data analysis, would prove insightful and complement the exploratory research as to whether collaboration can support the implementation and embedment of evolving practices.

6.3. Research questions

6.3.1. Research question 1:

Is there effective communication and collaboration within the organisation and the banking industry with regard to the implementation and embedment of operational risk management practices which includes the Sound Practices principles?

6.3.1.1. Analysis

The responses to questions 1 to 7 and 11 of the questionnaire as presented in chapter 5 was deemed relevant in gaining insight into research question 1 in trying to understand whether there was effective communication and collaboration to support the implementation and embedment of operational risk management practices.

6.3.1.2. Questionnaire Questions 1 and 2

Question 1 asked whether the participants considered there to be effective communication and collaboration with regard to the implementation and embedment of operational risk management practices. The data in table 8 highlighted that fourteen out of the sixteen participants believed that there was effective communication and collaboration to support the implementation and embedment of operational risk management practices whilst two participants did not believe this to be the case. The two participants, who represented about 13% of the sample, did not appear to be of concern but when one considers table 10 which highlights that the two participants were from different banks, this painted a different picture. In the first instance, one of the participants was from bank 7 who had only submitted one response, infers that that organisation did not consider there to be effective communication and collaboration with regard to operational risk management practices taking place in the bank. In the second instance and from an industry perspective, the two banks out of the six that participated in the study, 33% of the sample did not believe that there was effective communication and collaboration with regard to operational risk management practices occurring in the banks.

This was concerning in that it implied that operational risk management practices were being implemented without there being any communication and collaboration within the bank or the industry, further implying that implementation and embedment is taking place in isolation and that the banks are continually evaluating their operational risk management practices without ensuring that it remains relevant and aligned to the changing and evolving business environment which was becoming more complex, technologically driven and globalised as highlighted in COSO's Internal Control, Integrated Framework report (COSO, 2012).

However for question 2 and as reflected in tables 11 and 12, the two participants who responded 'No' to question 1, do however believe that there should be effective communication and collaboration in place to support the implementation and embedment of operational risk management practices. This is positive for the banks and the industry as it suggests that the banks would like to foster multiparty collaboration, for example, collaborating and communicating with shareholders within and external to their respective organisations in order to adapt to the changing business landscape and evolving practices (Fjeldstad, Snow, Miles and Lettl, 2012).

6.3.1.3. Questionnaire Question 11

Question 11 complements question 2 in that question 2 wants to know whether there should be effective communication and collaboration in place to support the implementation and embedment of operational risk management practices while question 11 asks whether there is a need to improve communication and collaboration with regard to operational risk management practices throughout the industry. Five of the sixteen participants do not believe that communication and collaboration needs improvement, refer to table 23. An interesting observation with regard to this question is that the five responses came from five different banks indicating that 84% of the sample agrees that communication and collaboration does not need to be improvement. Whether this observation is accurate will depend on question 4, 5 and 6's discussion since these questions provide insight into how and to whom operational risk management practices are communicated with and whether there is a culture of knowledge sharing which the response to this question seems to suggest.

6.3.1.4. Questionnaire Question 3

Question 3 asks whether communication and collaboration should include internal and external environmental changes that could impact implementation and embedment. As reflected in table 13, all sixteen participants agree that that should be the case which provides further support that the banks would like to foster multiparty collaboration as mentioned in the preceding paragraph. In addition to multiparty collaboration, it will also ensure that banks operational risk management practices remain relevant and aligned to the changing and evolving business environment as and when they evaluate their operational risk management practices. This is positive for research question 1 despite there not being 100% consensus that there was effective communication and collaboration with regard to the implementation and embedment of operational risk management practices. It indicates that the banks would like there to be better communication and collaboration to support the implementation and embedment of operational risk management practices. A consequence of the banks wanting to pursue multiparty collaboration to consider changes in the business environment is that the banks will indirectly be complying with Chapter 4, Principle 4.8 of King II which states that organisations had to monitor changes in both the internal and external environment as part of its monitoring and review of the organisation's risk management plan, (The King Committee, 2009).

6.3.1.5. Questionnaire Question 4

Question 4 asks whether communication and collaboration on operational risk management practices took place amongst ORMPs only or whether it included all employees within the organisation. As reflected in table 14, the majority of the participants believe that communication and collaboration does include all employees within the organisation whilst two participants, about 13% of the participants believe that it is takes place mainly amongst the ORMPs in the organisation. Despite the 13%, being two participants from the same bank, bank 8 (refer to table 6, question 4) needing to address the communication and collaboration gap, the remainder of the participants, that being about 83% of the sample, are adhering to the ISO/FDIS 31000 framework definition of collaboration which states that communication and consultation is an ongoing and iterative process that requires the banks to provide, share or obtain information in order to collaborate with all relevant stakeholders regarding operational risk management (ISO, 2012, p4). They also consider stakeholder theory in that these banks consider all the internal stakeholders that can impact or be impacted by the outcome of the operational risk management strategy implemented by the respective banks (Pesqueux, Damak-Ayadi, 2005, p.6). Also, these banks, by implication that they would like to foster multiparty collaboration, are also applying stakeholder theory as defined by Lopez and Esteves (2013) which extends stakeholders to include both internal and external stakeholders to the organisation.

6.3.1.6. Questionnaire Questions 5 and 6

Question 5 wants to know whether there was a culture of knowledge sharing and collaboration with regard to the interpretation of the operational risk management practices to ensure successful implementation. Of the participants who responded, 87% believe that there is knowledge sharing with regard to the interpretation of operational risk management practices taking place whilst 13% do not believe that this is the case, refer to table 15. This question was similar to question 1 in that the 13% did not appear to be of concern but as reflected in table 16, the participants making up the 13% represents two different banks, bank 8 and 13 respectively, which means that 33%, two out of six banks, of the sample do not believe that there is a culture of knowledge sharing and collaboration with regard to the interpretation of the operational risk management practices.

By implication, and making inferences with regard to the sample and the population, this means that 33% of all banks in the industry, and as part of their continual review and alignment of their operational risk management practices to evolving practices are doing so without providing the organisation with adequate guidance in terms of how to interpret operational risk management practices to ensure that it firstly is aligned to evolving practices and secondly that it is successfully implemented and embedded.

This also implies that the learning process that requires engagement and communication on a continuous basis (Connell, Kriz & Thorpe, 2014) for 33% of the banks is either performed on a minimum basis, for example, when and only when there is a need to share knowledge or that the process is adequately managed. This raises the following questions with regard to question 4 for example;

- if 33% of the banks are not sharing knowledge on interpretation, then what is being communicated or collaborated with the employees of the bank;
- is what is being communicated on a need to know basis, and
- without being given guidance on the interpretation of operational risk management practices, do the recipients of the information know and understand what to do with the information to ensure successful implementation and embedment of operational risk management practices.

However for question 6 and as reflected in tables 16 and 17, the two participants who responded ‘No’ to question 5, do however believe that the banks should foster a culture of knowledge sharing and collaboration with regard operational risk management practices. This is positive for the industry because the researcher is of the opinion that if every employee, especially ORMPs, know and understand how to interpret not only the Sound Practices, but also evolving practices, this will potentially improve the progress at which the Sound Practices are being implemented. Knowledge sharing through the local operational risk management forum also fosters a culture of knowledge sharing or exchange of ideas similar to activities of the VAC and the RCC which include identifying future risks to the global financial system, designing models to understand how systemic risks develop, assessing how regulation affects the banks and designing mechanisms and protocols to mitigate these issues (Weber & Staiger, 2014, p.87). As Weber and Staiger (2014, p.87) pointed out, it can also foster a cooperative approach by enabling banks to engage with market participants and the business community in order to understand potential implementation issues.

In addition to the above, Sound Practice principle 1, provides guidance to banks with regard to them continuing to review, enhance and implement their training and awareness campaigns around operational risk (Basel Committee on Banking Supervision, 2014, p.8). This principle, if fully implemented, embedded and reviewed as part of the continuous review and alignment of the banks operational risk management practices to evolving practices should provide the banks with the necessary tools to foster a culture of knowledge sharing and collaboration with regard to the interpretation of the operational risk management practices to ensure successful implementation. This training, as an organisational educational instrument should also assist in closing the gap between those employees employed in an operational risk management capacity and those who have limited exposure or interaction with regard to operational risk management practices so that both groups of people can work in a collaborative manner to support implementation and embedment of evolving operational risk management practices.

6.3.1.7. Questionnaire Question 7

The research study title 'Collaboration to support implementation and embedment of evolving operational risk management practices' and question 7 asks whether effective communication and collaboration can provide banks with the necessary tools to ensure successful implementation of the Sound Practices Principles. The outcome of the analysis confirmed that all the participants believe that collaboration can support the implementation and embedment of evolving operational risk management practices which include the Sound Practices, refer to table 18 in Chapter 5.

In addition to supporting the implementation and embedment of evolving operational risk management practices, collaboration has other benefits for banks, which includes a collaborative culture that contributes positively to the exchange of knowledge and that banks are able to communicate and share knowledge about their business environment, both internally and externally (Lee, Kim & Kim, 2012). However, for collaboration to continue to support the implementation and embedment of evolving operational risk management practices, there has to be ongoing communication and exchange of knowledge by individuals and organisations and should not be treated as a once off or as and when required exercise.

The analysis of questions 1 to 7 does indicate that there is communication and collaboration taking place within banks albeit on a limited scale and whether it is effective enough to support the implementation and embedment of evolving operational risk management practices. Based on the analysis performed, the researcher is of the opinion that communication and collaboration within the banks and the industry as a whole needs to be enhanced in order for it to be considered an effective tool that can support the implementation and embedment of evolving operational risk management practices which includes the Sound Practices.

6.3.2. Research question 2

Is transparent collaboration a key factor when forming partnerships in order for it to be a reciprocal process?

6.3.2.1. Analysis

The responses to question 9 of the questionnaire and as presented in chapter 5 is relevant in exploring research question 2 by trying to determine whether transparent collaboration is a key factor for forming partnerships that is reciprocal in nature.

6.3.2.2. Questionnaire Question 9

Question 9 asks whether the participants considered transparent collaboration between banks to be a key factor in order for the banks to share their knowledge and experiences with each other in order for it to be a reciprocal process amongst the banks. It is interesting to note that one out of sixteen participants, about 6%, does not consider transparent collaboration to be a key factor, see table 20. This is interesting considering that Connell, Kriz and Thorpe (2014, p.140) stated that ‘trust’ being an important and fundamental characteristic of collaboration, is needed to be first established in order for organisational collaboration to take place. The authors also state that trust amongst the collective or participants will ensure that cooperation, collaboration and the exchange of quality information and knowledge will be facilitated.

The exchange of quality information can prove to be of significance in terms of reliability and accuracy especially when the bank is reviewing its operational risk management practices and considering complementing its internal data with external data with regard to the changing business environment as well as evolving practices. It will also need to be of good quality to ensure that the data can be interpreted and understood in order for it to be communicated to the relevant stakeholders to facilitate the successful implementation and embedment of evolving practices.

With regard to transparent collaboration needed for it to be a reciprocal process, Son and Rojas (2011) defined collaboration as a reciprocal process where two or more individuals or organisations form a partnership in order to achieve a common goal. The partnership provides each partner with an opportunity to learn from each other by working together in order to exchange and share knowledge, experiences and resources. However, the authors also warn that the partners should be mindful of a phenomenon referred to as social dilemma. Social dilemma refers to a situation where an individual's or organisation's interests and their collective objective outcomes are not aligned (Son & Rojas, 2011, p.620). This simply means that an individual or organisation could end up in a situation where the individual or the organisation stands to benefit or gains more from the partnership than any of the other partners involved. An example of this would be where one party acts in their own best interest whilst taking advantage of the shared capabilities and knowledge of the collective to enhance and implement an operational risk management framework that will improve their competitive advantage.

Should any participant find themselves in this situation, they should be mindful not to disclose or share their core knowledge as a means of their competitive advantage to the collective, (Olander, Vanhala & Hurmelinna-Laukkanen, 2014). Simply stated, participants need to know where to draw the line when being transparent and willing to share knowledge and also to understand who the participants to the collective are and what they hope to gain from being part of the collective. As Beasley, Branson and Hancock (2015) pointed out; organisations do consider their operational risk management frameworks and practices to be a source of competitive advantage and therefore need to maintain it as such.

Based on the above, the researcher is of the opinion that the one bank that did not consider transparent collaboration to be a key factor, could possibly find itself in the collaboration wilderness as the other participants might be hesitant to share their knowledge and experiences if they are aware that this particular bank is subscribing to social dilemma phenomenon. The bank also appears to display symptoms of heterogeneity indicating that the bank would rather act in its own best before considering the interest of others. What is needed is for this bank to have a complete mind-set shift and to undergo transformational adaptation (Verbeke & Tung, 2012, p.529) in order to consider and act in a manner that is beneficial to the broader community instead of focusing on its own interest first. The end result of this transformational adaptation and mindset shift is known as homogeneity.

However the researcher is mindful that the questionnaire approach has it disadvantages especially when it did not allow the participant to elaborate on the response provided which in this case allowed the researcher to form an opinion that lacked concrete evidence to support it. This said and based on the responses by the majority of the participants, transparent collaboration between banks is a key factor in order for them to share their knowledge and experiences with each other and therefore making it a reciprocal process amongst the banks.

6.3.3. Research question 3:

Can collaboration succeed if knowledge sharing is done on a selective basis where contributions made only benefit a limited number of partners?

6.3.3.1. Analysis

The responses provided for question 10 by the participants and the analysis presented in chapter 5 is considered relevant and appropriate in gaining insight into whether the banks believed that collaboration could succeed when knowledge sharing was done on a selective basis and where contributions made to the collective were only benefiting a few of the participants

6.3.3.2. Questionnaire Question 10

Question 10 attempts to ascertain whether collaboration can succeed when knowledge sharing between banks is done on a selective basis and where contributions to the collective benefits only a few participants and not all the participants within the industry or as part of the collective. The outcome of the analysis highlights that four (25%) out the sixteen participants believe that collaboration can succeed regardless whether it is done on a selective basis and whether it benefits only a few participants. The remainder, 75% of the participants do not believe that this approach would promote successful collaboration, refer to table 21.

The analysis of question 9 introduced the concept of ‘trust’ and that it is an important and fundamental characteristic required in order for banks to collaborate in a transparent manner amongst each other. It was also established that trust facilitated cooperation, collaboration and the exchange of quality information and knowledge. However, the responses by the four participants who believed that collaboration can succeed regardless whether it is done on a selective basis and whether it benefits only a few participants, does raise questions about transparent collaboration and how it is carried out. Does it mean that transparent collaboration can take place between two banks that have similar goals and interest whilst disregarding other banks that have different goals and interests. A scenario that comes to mind is that of tier 1 banks whose operational risk management frameworks and practices might be at a mature stage and who would find it beneficial to collaborate on evolving practices related to their respective frameworks and practices with banks similar to them, for example banks on AMA would benefit more by collaborating with other AMA banks instead of banks on the BIA whose operational risk management's framework are less advanced. The same can be applied to banks that have implemented Basel II or 2.5 versus banks that are still on Basel I.

The above example might provide individual banks with an excuse not to collaborate with other banks that do not have similar goals or interest but this has potentially negative consequences for the industry as a whole. It could hamper the creation of a culture of knowledge sharing amongst the banks within the industry, for example, banks on TSA who are unwilling to share their knowledge and experience with BIA banks who wish to migrate to TSA. For the BIA bank, this means that their migration process will be slow and painful as they will need to learn from their mistakes as their go through the process. Solution to this situation would therefore support the 25% in that they would not need to collaborate with all the banks but rather with those banks on TSA or migrating to it in order to benefit from the collaboration. .

McCormack and Sheen (2013) stated that banks were focusing on and implementing certain elements of the operational risk management which further supports the views of the four participants in that collaboration can still succeed regardless whether it is done on a selective basis and whether it benefits only a few participants. In this case, banks would collaborate with other banks on the elements of operational risk management that they are focusing on, for example, banks focusing on the capital aspect of operational risk management will collaborate and benefit more from it instead of collaborating with a bank whose focus is on continually trying to enhance its framework and practices to be aligned to evolving practices. This does not mean that the other 75% of responses is not relevant. On the contrary, their relevance comes into play when there is an industry issue that requires collaboration across all the banks as the outcome of a potential situation could have an impact on the entire industry, for example, the management of fraud related risks and incidents which are on the increase.

In light of the above, it is evident that collaboration can succeed irrespective whether it is done on a selective basis or whether it only benefits a limited number of participants. This point also highlights that collaboration will be more beneficial and effective when the participants have the same goal and interests in mind.

6.3.4. Research question 4:

Should local organisations create a culture of communication and collaboration within the local industry or should they consider international partnerships?

6.3.4.1. Analysis

The responses to questions 13 and 14 provided by the participants and the analysis as presented in chapter 5 is deemed relevant and appropriate in gaining insight into whether the local banks should create a culture of communication and collaboration within the local industry or whether they should pursue international partnerships.

6.3.4.2. Questionnaire Questions 13 and 14

Question 13 asked the participants whether they believed that collaboration and communication around operational risk management practices could be used as a forward looking mechanism in order to identify or predict changes to current practices. Question 14 on the other hand, wanted to know from the participants which aspects with regard to implementing and embedding of evolving operational risk management practices needed additional attention.

The responses provided by the participants and as indicated in chapter 5, when classified into themes, provided three common themes across both questions and they were; Partnership, Best Practices and Regulation, see copies of tables 32 and 33 below.

Figure 5: Tables 32 and 33 as presented in chapter 5

Table 32: Question 13 theme classification

Comment key point	Theme	Coding
Debate future scenarios	Scenarios	1
International input	Partnership	2
Skills required	Skill set	3
Multiple views, disciplines, experience	Best practice	4
Regulator input	Regulation	5
Organisational specific risk	Organisational	6
Audience identification	Audience identification	7
Message disruption	Communication	8
Common or similar risks	Knowledge Sharing	9
Proactive Approach	Predictive risk management	10

Table 33: Question 14 theme classification

Comment key point	Theme	Coding
More regulator guidance	Regulator guidance	1
International participation	Partnership	2
Understanding and support by management	Management support	3
Understand reason for change	Change management	4
Principles formulated with big banks in mind	Inequality	5
Industry research	Best practice	6
Technology support	Technology	7
Regulatory/Financial crime/Execution, delivery and process management	Loss event categorisation	8

The responses provided with regard to the themes were limited and as a result, the researcher did not pay much attention to them at the time of analysing the data. This perception soon altered when the researcher considered that the responses are relevant for providing insight into research question 4 which asks about partnerships. The analysis as presented in chapter 5 is also aligned to the literature reviewed in chapter 2 in order to provide support for the argument to either pursue local or international partnerships. The discussion thus far with regard to the first three research questions confirmed that communication and collaboration is taking place within each bank albeit limited and that it needs improving in order to be an effective tool in supporting the implementation and embedment of evolving operational risk management practices.

6.3.4.3. Choice of partnership

Chapter 2, paragraph 2.2.3. Collaborative partnerships, introduced the concept of partnerships by posing the question, ‘what would be the ideal partnership in order to get the most benefit from the partnership’

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Temel, Mention and Torkkeli (2013) warned that managers had to take care when choosing a partner and had to make sure that the bank was ready for collaboration. The authors advocated for local partnerships which they deemed to be more preferable and beneficial when compared to international ones. This viewpoint was challenged by Broom (2011) who preferred international partnerships to local ones. The author believed that this type of partnership promoted reciprocal transfer of knowledge and was more valuable from a relationship perspective. The author also advocated that local-global partnerships, a combination of local and global partnerships, provided best practice solutions which could assist in solving any problem. Such a relationship would be beneficial especially in terms of knowledge sharing as international partners have access to other international organisations and banks.

6.3.4.4. Participants responses

In providing insight into the identification of the ‘Partnership’ theme, the researcher discusses the responses that contributed to the theme. Three out of the fourteen participants provided feedback to the open ended questions 13 and 14.

Question 13 asks whether collaboration and communication could be used as a forward looking mechanism in order to identify or predict changes to current operational risk management practices. Two participants provided the following responses;

- bank 8, participant 2 responded by stating that there were pockets of excellence in some organisations which needed to be shared with other banks, and
- bank 13, participant 1 responded by stating that the local industry need more input from international organisations.

Question 14 wants to know which aspects with regard to implementation and embedment of evolving operational risk management practices needed additional attention. One participant provided the following response;

- bank 8, participant 1 responded that international participation in local industry discussions was required.

Analysing the responses, the researcher established that the participants appear to be addressing Temel, Mention and Torkkeli's (2013) concern with regard to managers taking care when choosing a partner and being ready for collaboration. The responses by all three participants clearly indicate that the local banks are ready and want to collaborate with both local and international partners. Participant 2 from bank 8 hinted at pockets of excellence in the local industry that needed to be shared. The local Working Group on Operational Risk in conjunction with the Department for Operational Risk mentioned in chapter 2 provides the appropriate platform for these pockets of excellence to share their knowledge and experience. This platform could also be beneficial and suitable for creating and fostering a culture of knowledge sharing and collaboration within the industry. This however would be subject to the following changes required which was already highlighted in research questions 1 to 3;

- change in mindset from heterogeneity to homogeneity;
- establishment of trust to ensure transparent collaboration amongst the collective or forum, and
- selective collaboration to be done where similar interests and goals are being pursued but not when the industry is confronted with an issue that has systemic consequences, for example, fraud or cybercrime. .

Participant 1 from bank 8 and participant 1 from bank 13 hinted that the local industry needed more international participation in local discussions or forums like the local Working Group on Operational Risk. With regard to forming local-global partnerships, chapter 2 alluded to some international organisations the local industry can partner with; the FSB, VAC and RCC whose activities include identifying future risks to the global financial system, designing models to understand how systemic risks develop, assessing how regulation affects the banks and designing mechanisms and protocols to mitigate these issues (Weber & Staiger, 2014, p.87).

Despite the number of responses being limited to three, the researcher is of the opinion that the responses proved adequate in addressing research question 3 in that the local industry should create and foster a culture of communication and collaboration by forming partnerships with either local or international partners or both. Should the local industry opt for both, they can then form local-local-global partnerships. This is simply an extension of local-global partnerships which can be beneficial in terms of understanding trends and evolving practices occurring in both the local and international industry.

6.4. Conclusion

The responses provided by the sample participants in conjunction with the literature reviewed under chapter 2 were aligned to address the research questions raised in chapter 3. In spite of the sample size being a concern in terms of making any inferences to the entire population, the researcher in analysing the data was able to provide both positive and negative arguments in addressing the research questions.

6.4.1. Research question 1:

This question asked whether there was effective communication and collaboration within the organisation and the banking industry with regard to the implementation and embedment of operational risk management practices which includes the Sound Practices principles.

The analysis of questions 1 to 7 and 11 provided the following insights;

- there is effective communication and collaboration in place to support the implementation and embedment of operational risk management practices;
- there is a view that that communication and collaboration throughout the industry is adequate and does not need improving but there is also contradictory views that believe that communication and collaboration need to be improved;
- majority of banks are communicating and collaboration with all employees within their respective organisation with regard to operational risk management practices;
- majority of the participants believed that the banks are fostering a culture of knowledge sharing and collaboration with regard operational risk management practices and those who believe there is no knowledge sharing, did confirm that it should be in place;
- all the participants confirmed that effective communication and collaboration can provide banks with the necessary tools to ensure successful implementation of the Sound Practices Principles.

6.4.2. Research question 2

This question enquired whether transparent collaboration is a key factor when forming partnerships in order for it to be a reciprocal process.

The analysis for question 9 asked the participants to consider whether transparent collaboration between banks was a key factor in order for the banks to share their knowledge and experiences in order for it to be a reciprocal process. Fifteen out of the sixteen participants agree that transparent collaboration is a key factor but this is subject to 'trust' being first established amongst the collective. The collective also has to be mindful of the social dilemma phenomenon which refers to a situation where an individual's or organisation's interests and their collective objective outcomes are not aligned. Transparent collaboration also requires that banks undergo a shift in their mind-set from heterogeneity to homogeneity in order to consider and act for the good of the broader community and not putting their needs and interest first.

6.4.3. Research question 3:

The research question wanted to know whether collaboration could succeed when knowledge sharing was done on a selective basis and only benefited a few within the collective.

The analysis of question 10 provided insight into this research question. The outcome highlighted that 25% of the participants believe that collaboration can succeed regardless whether it is done on a selective basis or whether it benefits only a few participants while 75% of the participants do not believe that this approach will promote successful collaboration. The response from the 25% does not pose a concern as these banks can collaborate with other banks provided they had the similar goals or interests. However, this is a concern from an industry perspective in that when the industry is faced with an industry wide risk or threat, selective collaboration will not be beneficial in terms of addressing the issue. Collaboration can succeed irrespective whether it is done on a selective or collective basis and it will depend on whatever situation is presented and whether the participants have the same goal and interests in mind.

6.4.4. Research question 4:

This question wanted to understand whether local organisations should create a culture of communication and collaboration within the local industry or consider international partnerships.

The responses to questions 13 and 14 of the questionnaire was analysed and classified into themes. One of the themes that emerged is 'Partnership'. The analysis in conjunction with the literature reviewed in chapter 2 provides reasonable support in favour of banks pursuing either local or international partnerships. Literature by Temel, Mention and Torkkeli (2013) advocate local partnerships while Broom (2011) argued in favour of international partnerships.

The responses provided by the participants indicate a need for organisations with pockets of excellence to share their knowledge and experiences with other banks in the local industry while other responses indicated that the local industry needed more international organisation engagement in local industry discussion. The responses by the participants confirm that the local industry is ready for collaboration and wants to create and foster a culture of communication and collaboration with local and international partners by forming local-local-global partnerships that will be beneficial in terms of understanding trends and evolving practices occurring in both the local and international industry.

CHAPTER 7: CONCLUSION

7.1. Introduction

The research set out to explore whether collaboration can support the implementation and embedment of evolving operational risk management practices within the South African banking industry. It did this by obtaining insight through the analysis of the data as presented in chapter 5 in response to the four research questions in chapter 3. The research study focused on the operational risk management function within the banking industry. The sample selected for the research consisted of the sixteen registered banks as listed in the Bank Supervision Department's 2014 annual report. Twelve of the sixteen banks conditional accepted to participate in the research study but only six banks participated in the research study.

The data extracted from the completed questionnaires was analysed and it can be concluded that there is communication and collaboration taking place to support the implementation and embedment of operational risk management practices. This however does need enhancing through more transparent collaboration, the creation and fostering of knowledge sharing and the formation of relevant and appropriate partnerships, both with local and international partners in order to achieve common goals (Son & Rojas, 2011).

7.2. Principal findings (which are theoretical in nature)

The findings of the research questions will briefly be discussed.

7.2.1. Research Question 1

Is there effective communication and collaboration within the organisation and the banking industry with regard to the implementation and embedment of operational risk management practices which includes the Sound Practices principles?

The majority of the participants believed that there is effective communication and collaboration to support the implementation and embedment of operational risk management practices. The minority who disagreed with the majority did however indicate that there should be effective communication and collaboration to support the implementation and embedment of operational risk management practices. This bodes well for the industry as it suggests that the banks want to engage in multiparty collaboration, for example, collaborating and communicating with shareholders within and external to their respective organisations in order to adapt to the changing business landscape and evolving practices (Fjeldstad, Snow, Miles and Lettl, 2012). This said and in order for multiparty collaboration to succeed in supporting the implementation and embedment of operational risk management practices, the majority of the participants believe that communication and collaboration needs improvement.

Another indication that banks want to foster multiparty collaboration is that all the participants indicated that communication and collaboration should include all stakeholders who can directly influence or be influenced by the implementation and embedment process both internal and external to the bank (Lopez & Esteves, (2013). By engaging both internal and external stakeholders, the banks operational risk management practices, when evaluated will be relevant and aligned to the changing business environment. A benefit of pursuing multiparty collaboration is that the banks will indirectly be complying with Chapter 4, Principle 4.8 of King II which states that organisations have to monitor changes in both the internal and external environment as part of its monitoring and review of the organisation's risk management plan (The King Committee, 2009).

The participants were also asked to answer a question on whether there was a culture of knowledge sharing and collaboration with regard to the interpretation of the operational risk management practices to ensure successful implementation. The majority, 87%, of the participants responded 'yes' whilst 13% responded 'no'. The 13%, in response to a follow up question did however indicate that the banks should foster a culture of knowledge sharing and collaboration with regard operational risk management practices. The researcher is of the opinion that knowledge sharing and collaboration with regard to the interpretation of the operational risk management practices will improve the progress at which the Sound Practices and evolving practices are being implemented. Collaboration will also foster a culture of knowledge sharing and exchange of ideas similar to the activities of the VAC and the RCC for example, which include identifying future risks to the global financial system, designing models to understand how systemic risks develop, assessing how regulation affects the banks and designing mechanisms and protocols to mitigate these issues (Weber & Staiger, 2014, p.87). Finally, the participants were asked whether effective communication and collaboration can be considered to be an relevant tool for implementing the Sound Practices principles and all the participants responded 'yes'.

In summary, there is effective communication and collaboration with regard to implementing and embedding operational risk management practices taking place but it does require some enhancement and improvement in order to foster knowledge sharing for the creation of multiparty collaboration to support the implementation and embedment of operational risk management practices which includes the Sound Practices principles.

7.2.2. Research Question 2

Is transparent collaboration a key factor when forming partnerships in order for it to be a reciprocal process?

The majority, 94%, of the participants consider transparent collaboration to be a key factor for reciprocal collaboration and that ‘trust’, an important and fundamental characteristic for transparent collaboration is required in order for organisational collaboration to take place (Connell, Kriz & Thorpe, 2014, p.140). Trust amongst the collective or participants will ensure that cooperation, collaboration and the exchange of quality information and knowledge will be facilitated (Connell, Kriz & Thorpe, 2014, p.140).

For transparent collaboration to be a reciprocal process, Son and Rojas (2011) defined collaboration as a reciprocal process where two or more individuals or organisations form a partnership in order to achieve a common goal. The partnership provides each partner with an opportunity to learn from each other by working together in order to exchange and share knowledge, experiences and resources. The authors, however warns that the partners should be mindful of social dilemma phenomenon which refers to a situation where an individual’s or organisation’s interests and their collective objective outcomes are not aligned (Son & Rojas, 2011, p.620). Simply stated, the goals of the collective might be the same but an individual or organisation may end up benefitting or gaining more from the partnership than any of the other partners.

Son and Rojas (2011, p620) also warn that should any participant find themselves in this situation, they should be mindful not to disclose or share their core knowledge as it is a means of their competitive advantage over the collective (Olander, Vanhala & Hurmelinna-Laukkanen, 2014). This means that participants need to know when to stop being transparent in terms of sharing core knowledge with the collective.

Also, for collaboration to be transparent, banks will need to change their mind-set and undergo transformational adaptation (Verbeke & Tung, 2012, p.529) meaning that banks who want to engage in reciprocal collaboration, will need to transform from heterogeneity to homogeneity tendencies. In other words, those banks who would rather act in their own best interest before considering others will need to transform and now act in the good of the broader community and put the community's interest first.

7.2.3. Research Question 3

Can collaboration succeed if knowledge sharing is done on a selective basis where contributions made only benefit a limited number of partners?

Twenty five percent (4) of the participants indicated that collaboration can succeed regardless whether it was done on a selective basis or whether it benefits only a few participants. The remainder, 75%, of the participants do not believe that this approach will promote successful collaboration. The responses by the four participants, does raise questions about whether collaboration should be transparent and or whether it should benefit all. Does it mean that transparent collaboration can take place between two banks provided they have similar goals and interests and disregard other banks that have different goals and interests for example, banks with mature operational risk management frameworks would find it more beneficial to collaborate on evolving practices with banks who have similar frameworks in place instead of engaging with banks whose frameworks are less mature.

This might create a gap in the sense that banks might not want to collaborate with other banks that do not have similar goals or interests. Should this practice be pursued, it could potentially have negative consequences for the industry as a whole as it could hamper the creation of a knowledge sharing environment resulting in limited cooperation, collaboration and exchange of quality information.

McCormack and Sheen (2013) appear to provide support for the four banks as they stated that banks were focusing on and implementing certain elements and aspects of operational risk management. This means that banks can collaborate with other banks on a selective basis provided they have similar goals and interests they wish to achieve. In this case, banks could collaborate with other banks on those elements of operational risk management that they are currently focusing on, for example, banks focusing on the capital aspect of operational risk management will collaborate and benefit more from it instead of collaborating with banks whose focus is on implementing the Sound Practices.

On the other hand, the responses by the 75% who indicated that collaboration cannot succeed if done on a selective basis and where only a few participants benefit are also relevant. Collaboration cannot take place on a selective basis especially when there is an industry wide risk or threat that requires collaboration across all the banks as the outcome of a potential situation would have an impact on the entire industry, for example, the management of fraud related risks and incidents which appear to be on the increase.

In light of the above, it is evident that collaboration can succeed irrespective whether it is done on a selective basis or whether it only benefits a limited number of participants. This point also highlights that collaboration will be more beneficial and effective when the participants have the same goal and interests in mind.

7.2.4. Research Question 4

Should local organisations create a culture of communication and collaboration within the local industry or should they consider international partnerships?

The participants responses to question 13 and 14 which were open ended questions, were classified into themes and produced three common themes for both questions; Partnership, Best Practices and Regulation. The analysis of these themes as presented in chapter 5 was also aligned to the literature reviewed in chapter 2 in order to provide support in favour of the argument to either pursue local or international partnerships. In chapter 2, the concept of partnership was defined as a situation where two or more individuals or organisations form a partnership in order to achieve a common goal and where each partner seeks to obtain more benefits by working together than working alone in exchange for sharing knowledge and resources.

With regard to partnerships, Temel, Mention and Torkkeli (2013) warn that managers need to take care when choosing a partner and to make sure that the bank is ready for collaboration. The authors also advocate for local partnerships because they deem them to be more preferable and beneficial when compared to international ones. This viewpoint is challenged by Broom (2011) who prefers international partnerships to local ones. The author believes that this type of partnership promotes reciprocal transfer of knowledge and is more valuable from a relationship perspective. The author also advocates that local-global partnerships, a combination of local and global partnerships, provide best practice solutions which can assist in solving any problem.

Such a relationship will be beneficial especially in terms of knowledge sharing as international partners have access to other international organisations and banks.

The responses by the participants addresses Temel, Mention and Torkkeli's (2013) concerns with regard to managers taking care when choosing a partner and being ready for collaboration. The responses provided by the participants indicate that the local banks are ready and want to collaborate with both local and international partners. Participants hinted that local pockets of excellence need to be shared and that the local industry need more international participation in local discussions or forums like the local Working Group on Operational Risk for example.

Despite the number of responses being limited to three, the researcher in of the opinion that the responses proved adequate in addressing research question 4 in that the local industry should create and foster a culture of communication and collaboration by forming partnerships with either local or international partners or both. Should the local industry opt for both, they can then form local-local-global partnerships. This is simply an extension of local-global partnerships which can be beneficial in terms of understanding trends and evolving practices occurring in both the local and international industry.

7.3. Implications for management

COSO (2012), stated that the business environment is changing, becoming more complex, technologically driven and globalised and that banks need to manage the change by continually evaluating their operational risk management practices especially their internal control environment to ensure that it remains relevant and aligned to evolving practices. Another alternative to banks managing the changing business landscape and evolving practices is by fostering multiparty collaboration (Fjeldstad, Snow, Miles and Lettl, 2012).

Senior managers need to;

- consider putting processes in place to ensure that there is ongoing collaboration and communication taking place with all shareholders, internal and external to organisation;
- identify whether there are gaps in the way they collaborate and communicate with all stakeholders with regard to operational risk and ensure that these gaps are closed to allow for evolving practices which include the Sound Practices to be implemented to the full extent;

- undergo transformational adaptation from heterogeneity to homogeneity tendencies by putting the needs and interest of the broader community first should they wish to engage in and benefit from industry collaboration and discussions, and
- consider forming local or local-global partnerships in order to benefit from some of the activities these partners may be involved in such as the identification of future risks to the global financial system, designing models to understand how systemic risks develop, assessing how regulation affects the banks designs mechanism and protocols to mitigate these issues.

7.4. Limitations of the research

Some limitation of the research was already highlighted in chapter 4, paragraph 4.6. Additional limitations being considered include the following:

- The research was cross sectional and would have been better suited for a longitudinal study in terms of understanding the progress made with regard to implementing and embedding operational risk management practices which includes the Sound Practices, pre financial crises, 2008 and as it is today in 2015;
- The size of the sample was small in that it only considered the sixteen registered banks in South Africa and also the number of participants from the sample selected was small too indicating that the analysis of the data may not be reflective of the entire population;
- The study was constrained to the South African banking industry which will limit the generaliability to other jurisdictions of similar size and maturity;
- The use of a closed ended questionnaire leaves the participants responses open to interpretation without having insight into the participants thoughts or views, and
- Exploratory research only gained insight into a situation which meant that more detailed statistical research (descriptive or explanatory) would be required to provide dependable results in terms of progress made in implementing evolving practices. .

7.5. Suggestions for future research

Future studies for consideration include the following;

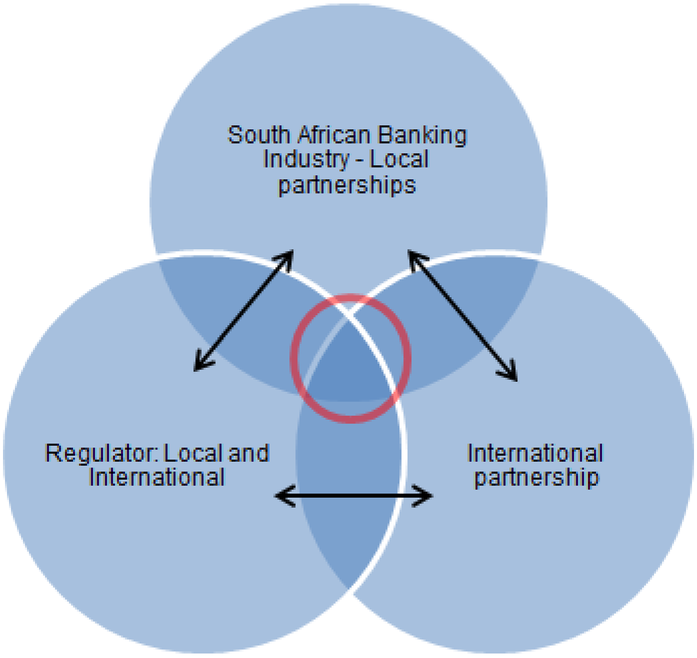
- Perform both longitudinal qualitative and quantitative research. Qualitative research to determine whether banks thought there was transparent collaboration taking place within the industry to support the implementation and embedment of evolving practices, Quantitative research to confirm whether transparent collaboration was taking place;

- Increase the sample size to include other industries to ensure that the findings may be reflective of the entire population;
- Broaden the scope of the study to include other jurisdictions so that the findings can be generalised to other jurisdictions or globally;
- Include request for demographic data in the questionnaires for example, first and second line of defense, years of experience in operational risk management capacity, operational risk management level of education, size of the organisation and the approach the bank had implemented, and
- Include one or two more specific open ended questions about how collaboration can support the implementation and embedment of evolving practices and what is needed to make it an effective implementation tool.

7.6. Research results model

In addition to supporting the implementation and embedment of evolving operational risk management practices, collaboration has other benefits for banks, which includes a collaborative culture that contributes positively to the exchange of knowledge and that banks are able to communicate and share knowledge about their business environment, both internally and externally (Lee, Kim & Kim, 2012). However, for collaboration to continue to support the implementation and embedment of evolving operational risk management practices, there has to be ongoing communication and exchange of knowledge by individuals and organisations. To take advantage of the benefits that collaboration and communication can offer, banks will need to consider forming partnerships with local and international organisations or banks and engage in transparent collaboration. Figure 6 below attempts to graphically represent the analysis of the responses to the research questions and to demonstrate local-local-global partnerships and the flow of knowledge and experience.

Figure 6: Operational Risk Collaboration Trinity



7.7. Conclusion

This research study set out to explore whether collaboration can support the implementation and embedment of evolving operational risk management practices. The sample selected from the South African banking industry provided responses to a questionnaire used to collect the data. The data was analysed and addressed the four research questions by confirming that;

- there is effective communication and collaboration with regard to the implementation and embedment of operational risk management practices which includes the Sound Practices principles;
- transparent collaboration is a key factor when forming partnerships in order for it to be a reciprocal process;
- collaboration can succeed irrespective whether knowledge sharing takes place on a selective basis where contributions made only benefit a limited number of participants to the collective, and
- local organisations should create a culture of communication and collaboration by forming partnerships with other banks locally or internationally.

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Appendices

Appendix 1: Fundamental principle of operational risk management

Principle 1: The board of directors should take the lead in establishing the "tone at the top" which promotes a strong risk management culture. The board of directors and senior management should establish a corporate culture that is guided by strong risk management and that supports and provides appropriate standards and incentives for professional and responsible behaviour. In this regard, it is the responsibility of the board of directors to ensure that a strong operational risk management culture exists throughout the whole business.

Principle 2: Banks should develop, implement and maintain a Framework that is fully integrated into the bank's overall risk management processes. The Framework for operational risk management chosen by an individual bank will depend on a range of factors, including its nature, size, complexity and risk profile.

Governance

The Board of Directors

Principle 3: The board of directors should establish, approve and periodically review the Framework. The board of directors should oversee senior management to ensure that the policies, processes and systems are implemented effectively at all decision levels.

Principle 4: The board of directors should approve and review a risk appetite and tolerance statement for operational risk that articulates the nature, types, and levels of operational risk that the bank is willing to assume.

Senior Management

Principle 5: Senior management should develop for approval by the board of directors a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility. Senior management is responsible for consistently implementing and maintaining throughout the organisation policies, processes and systems for managing operational risk in all of the bank's material products, services and activities, consistent with the risk appetite and tolerance.

Risk Management Environment

Identification and Assessment

Principle 6: Senior management should ensure the identification and assessment of the operational risk inherent in all material products, activities, processes and systems to ensure the inherent risks and incentives are well understood.

Principle 7: Senior management should ensure that there is an approval process for all new products, activities, processes and systems that fully assesses operational risk.

Monitoring and Reporting

Principle 8: Senior management should implement a process to regularly monitor operational risk profiles and material exposures to losses. Appropriate reporting mechanisms should be in place at the board, senior management, and business line levels that support proactive management of operational risk.

Control and Mitigation

Principle 9: Banks should have a strong control environment that utilises: policies, processes and systems; appropriate internal controls; and appropriate risk mitigation and/or transfer strategies.

Business Resiliency and Continuity

Principle 10: Banks should have business resiliency and continuity plans in place to ensure an ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

Role of Disclosure

Principle 11: A bank's public disclosures should allow market participants to assess its approach to operational risk management.

Appendix 2: South African Bank's Supervision Department's Annual Report 2014, Appendix 2: Registered banks

Appendix 2

Registered banks, mutual banks and local branches of foreign banks as at 31 December 2014

Registered banks

	Institution	Address	Total assets at 31 December 2013 (R millions)	Total assets at 31 December 2014 (R millions)	Annual growth (per cent)
1	Absa Bank Limited	P O Box 7735, Johannesburg, 2000	777 881	807 118	3,76
2	African Bank Limited	Private Bag X170, Midrand, 1685	69 952	51 341	-26,61
3	Albaraka Bank Limited	P O Box 4395, Durban, 4000	4 402	4 792	8,87
4	Bidvest Bank Limited	P O Box 185, Johannesburg, 2000	4 732	4 722	-0,21
5	Capitec Bank Limited	P O Box 12451, Die Boord, Stellenbosch, 7613	44 481	51 877	16,63
6	FirstRand Bank Limited	P O Box 650149, Benmore, 2010	785 371	856 911	9,11
7	Grindrod Bank Limited	P O Box 3211, Durban, 4000	9 365	9 280	-0,91
8	Habib Overseas Bank Limited	P O Box 62369, Marshalltown, 2107	1 058	1 206	14,01
9	HBZ Bank Limited	P O Box 1536, Wandsbeck, 3631	3 566	3 848	7,92
10	Investec Bank Limited	P O Box 785700, Sandton, 2146	274 173	310 142	13,12
11	Mercantile Bank Limited	P O Box 782699, Sandton, 2146	7 571	8 384	10,74
12	Nedbank Limited	P O Box 1144, Johannesburg, 2000	661 945	714 408	7,93
13	Sasfin Bank Limited	P O Box 95104, Grant Park, 2051	4 058	4 732	16,60
14	The South African Bank of Athens Limited	P O Box 7781, Johannesburg, 2000	2 215	2 296	3,65
15	The Standard Bank of South Africa Limited	P O Box 7725, Johannesburg, 2000	979 895	1 099 503	12,21
16	Ubank Limited (formerly known as Teba Bank Limited)	Private Bag X101, Sunninghill, 2157	4 366	4 250	-2,66

Appendix 3: Study participation email request

Thank you for taking my call this morning and allowing me to introduce myself. As mentioned, I am a 2015 MBA student at the Gordon Institute of Business Science (GIBS), the Business School of the University of Pretoria. In order to fulfil the MBA requirements, I am required to complete a research project. My research involves performing exploratory research into whether there is any value in considering industry collaboration (both internal and external to the business) as an implementation tool to support and contribute to evolving operational risk management practices and in the process, if possible, contribute to the creation of a culture of knowledge sharing to support the implementation of the Sound Practices for the Management and Supervision of Operational Risk within the South African banking industry.

Participation in the research is voluntary and withdrawal can take place at any time without penalty. The data to be collected is purely for research purposes and will be kept confidential.

I have attached the following documents to support my request;

- an approval letter to proceed with the research from the Gordon Institute of Business Science
- a consent form for the organisation or participants to complete
- the research questionnaire being considered to collect the relevant data which is to be completed by members of the organisation's operational risk management community and to be returned to Wayne Cannel at 444923@mygibs.co.za and if possible by Friday, 11 September 2015.

Once again, thank you for considering my request for assistance. Should you have any questions or concerns, please do not hesitate to contact me on 082 572 0399 or 011 846 3995 or my research supervisor, Professor Len Konar on 082 572 0399, Office no: 010 590 7977 or Email: lenkon@icon.co.za.

Appendix 4: Research study approval confirmation

Gordon Institute
of Business Science
University of Pretoria

Dear Wayne Cannel

Protocol Number: **Temp2015-01338**

Title: **Collaboration to support implementation and embedment of evolving operational risk management practices**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker

Appendix 5: Consent form

Research Title:

Collaboration to support implementation and embedment of evolving operational risk management practices

Researcher's name: Wayne Cannel, Final year Master of Business Administration student at Gordon Institute of Business Science

Introduction

Exploratory research into whether collaboration as an implementation tool for the South African banking industry can contribute to evolving operational risk management practices and in the process, if possible, contribute to the creation of a culture of knowledge sharing to support the implementation of the Sound Practices for the Management and Supervision of Operational Risk. The Sound Practices is a framework consisting of eleven operational risk management principles and guidelines for the management of operational risk that are consistent with sound industry practice. To that end, you are requested to confirm whether you and/or your organisation will or will not be willing to participate in the research in order to provide insight into whether there is any value in considering industry collaboration (refers to both the internal business and industry environment) as an implementation tool for successfully implementing the Sound Practices Principles. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. If you have any concerns, please contact my supervisor or me. Our details are provided below.

	Please initial box
1. I confirm that I understand what the research is about and have had the opportunity to ask questions.	
2. I understand that my participation is voluntary and that I can withdraw at any time without giving a reason or penalty.	
3. I agree to take part in the research.	

Researcher name : Wayne Cannel

Research Supervisor Signature:

Email : 444923@mygibs.co.za

Phone : 082 572 0399

Email : lenkon@icon.co.za

Phone : 010 590 7977

Appendix 6: Questionnaire template

Research Title:

Collaboration to support implementation and embedment of evolving operational risk management practices

Introduction

Exploratory research into whether collaboration as an implementation tool for the South African banking industry can contribute to evolving operational risk management practices and in the process, if possible, contribute to the creation of a culture of knowledge sharing to support the implementation of the Sound Practices for the Management and Supervision of Operational Risk. The Sound Practices is a framework consisting of eleven operational risk management principles and guidelines for the management of operational risk that are consistent with sound industry practice. To that end, you are asked to complete the questionnaire which will assist in understanding whether there is any value in considering industry (refers to both the internal business and industry environment) collaboration as an implementation tool for successfully implementing the Sound Practices Principles. The questionnaire should take no more than 15 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. All data will be treated with the highest confidentiality and is to be used solely for the purpose of research. By completing the questionnaire, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name :	Wayne Cannel	Research Supervisor Signature:	
Email :	444923@mygibs.co.za	Email :	lenkon@icon.co.za
Phone :	082 572 0399	Phone :	010 590 7977

Questions

1.	Do you consider there to be effective communication and collaboration between first line of defence (business line management) and second line of defence (independent corporate operational risk function (CORF)) with regard to the implementation and embedment of operational risk management practices? (*If yes, go to question 3*)	Yes No	
2.	If no, do you believe there should be effective communication and collaboration in place with regard to the implementation and embedment of operational risk management practices?	Yes No	
3.	Should the communication and collaboration refer to and include changes to the internal and external environment of the organisation that could impact implementation and embedment?	Yes No	
4.	In your experience and observation, is communication and collaboration on operational risk management practices restricted to operational risk management practitioners (ORMP) (employees) only or does it include all employees of the organisation?	ORMP only All employees	
5.	Is there a culture of knowledge sharing and collaboration within the organisation with regard to the interpretation of the operational risk management practices to ensure successful implementation?	Yes	

No

(*If yes, go to question 7*)

6. If no, do you believe the organisation should foster a culture of knowledge sharing and collaboration around its operational risk management practices?

Yes

No

7. In your view, do you believe that effective communication and collaboration within the organisation can provide it with the necessary tools to ensure successful implementation of the Sound Practices Principles?

Yes

No

8. Can collaboration, both internal and external to the organisation, facilitate the sharing of operational risk management knowledge ensuring better decision-making with regard to implementation and embedment of evolving operational risk management practices which includes the Sound Practices Principles?

Yes

No

9. Will transparent collaboration between banks be a key factor when sharing knowledge and experiences in order for it to be a reciprocal process?

Yes

No

10. Can collaboration succeed if knowledge sharing between

	banks is done on a selective basis where contributions made benefit only a few participants and not all the participants within the industry?	Yes No
11.	Is there a need to improve communication and collaboration with regard to operational risk management practices throughout the industry?	Yes No
12.	Should the local banking industry create a culture of knowledge sharing through communication and collaboration to support the implementation and embedment of evolving operational risk management practices?	Yes No
13.	In your view, do you believe collaboration and communication around operational risk management practices can be used as a forward looking mechanism to identify or predict changes to current practices. Provide a reason for your response Comment/Response:	
14.	Which aspects should be receiving additional attention to support implementation and embedment of evolving operational risk management practices and why Comment/Response:	

Appendix 7: Participant and data coding

Appendix 7.1.: Participating bank coding

BANK ALLOCATION TEMPLATE									
BANK	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent
Bank 1	Respondent 1	-	-	-	-	-	-	-	-
Bank 2	-	-	-	-	-	-	-	-	-
Bank 3	-	-	-	-	-	-	-	-	-
Bank 4	Respondent 1	-	-	-	-	-	-	-	-
Bank 5	Respondent 1	-	-	-	-	-	-	-	-
Bank 6	-	-	-	-	-	-	-	-	-
Bank 7	Respondent 1	-	-	-	-	-	-	-	-
Bank 8	Respondent 1	Respondent 2	Respondent 3	Respondent 4	-	-	-	-	-
Bank 9	-	-	-	-	-	-	-	-	-
Bank 10	-	-	-	-	-	-	-	-	-
Bank 11	-	-	-	-	-	-	-	-	-
Bank 12	-	-	-	-	-	-	-	-	-
Bank 13	Respondent 1	Respondent 2	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9

Appendix 7.2. : Questionnaire response coding with error identification

QUESTIONNAIRE TEMPLATE					
Question No.	Question	Question Code	Response	Response Code	Response Type
1	Do you consider there to be effective communication and collaboration between first line of defence (business line management) and second line of defence (independent corporate operational risk function (CORF)) with regard to the implementation and embedment of operational risk management practices?	ECC12	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
	(*If yes, go to question 3*)				
2	If no, do you believe there should be effective communication and collaboration in place with regard to the implementation and embedment of operational risk management	SECC12	Yes	1	Okay

	practices?				
			No	2	Okay
			Blank	3	Error
3	Should the communication and collaboration refer to and include changes to the internal and external environment of the organisation that could impact implementation and embedment?	CCIEE	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
4	In your experience and observation, is communication and collaboration on operational risk management practices restricted to operational risk management practitioners (ORMP) (employees) only or does it include all employees of the organisation?	RCC	ORMP	1	Okay
			All Employees	2	Okay
5	Is there a culture of knowledge sharing and collaboration within the organisation with regard to the interpretation of the operational risk management practices to ensure successful implementation?	CKSC	Yes	1	Okay
			No	2	Okay

			Blank	3	Error
	(*If yes, go to question 7*)				
6	If no, do you believe the organisation should foster a culture of knowledge sharing and collaboration around its operational risk management practices?	FCKSC	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
7	In your view, do you believe that effective communication and collaboration within the organisation can provide it with the necessary tools to ensure successful implementation of the Sound Practices Principles?	ECCTI	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
8	Can collaboration, both internal and external to the organisation, facilitate the sharing of operational risk management knowledge ensuring better decision-making with regard to implementation and embedment of evolving operational risk management practices which includes the Sound Practices Principles?	IEKSDM	Yes	1	Okay
			No	2	Okay

9	Will transparent collaboration between banks be a key factor when sharing knowledge and experiences in order for it to be a reciprocal process?	TCKFR	Yes	1	Okay
			No	2	Okay
10	Can collaboration succeed if knowledge sharing between banks is done on a selective basis where contributions made benefit only a few participants and not all the participants within the industry?	KSSBF	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
11	Is there a need to improve communication and collaboration with regard to operational risk management practices throughout the industry?	ICCI	Yes	1	Okay
			No	2	Okay
			Blank	3	Error
12	Should the local banking industry create a culture of knowledge sharing through communication and collaboration to support the implementation and embedment of evolving operational risk management practices?	BICCKS	Yes	1	Okay
			No	2	Okay

			Blank	3	Error
13	In your view, do you believe collaboration and communication around operational risk management practices can be used as a forward looking mechanism to identify or predict changes to current practices. Provide a reason for your response	CCFLM			
	Comment/Response:		Comment	1	Okay
			No Comment	2	Error
14	Which aspects should be receiving additional attention to support implementation and embedment of evolving operational risk management practices and why	AAA	Comment	1	Okay
	Comment/Response:		No Comment	2	Error

Appendix 8: Questionnaire pilot testing email feedback

The folders below contain feedback from several individuals with regard to pilot testing the research study questionnaire.

01. Piloting questionaire for MBA

From: Jagjiwan, Yatish: Absa
Sent: Wed 22/07/2015 10:15
To: Wayne Cannel
Cc:
Subject: FW: Piloting questionaire for MBA research report
Attachments: MBA Research Questionnaire Design.docx

Hi Wayne

Please see some comments on the questionnaire. Most of it is just semantic (different wording). The questions itself are fine.

Will come and chat to you.

Regards
Yatish

From: Wayne Cannel
Sent: 21 July 2015 14:59
To: Jagjiwan, Yatish: Absa
Subject: FW: Piloting questionaire for MBA research report

Hi Yatish

As mentioned to you, I need to test/pilot my questionnaire for my MBA research report. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

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02. Piloting questionaire for MBA

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From: Pungan, Malin: Absa
Sent: Wed 22/07/2015 13:16
To: Wayne Cannel
Cc:
Subject: RE: Piloting questionaire for MBA research report

Hi Wayne,

Yes one will be able to provide concise yes or no answers to the questions. Just my though question 13 and 14 is it not similar in nature to what the answers will be received.

Regards

Malin

From: Wayne Cannel
Sent: 21 July 2015 14:58
To: Pungan, Malin: Absa
Subject: FW: Piloting questionaire for MBA research report

Hi Malin

As mentioned to you, I need to test/pilot my questionnaire for my MBA research report. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

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03. Piloting questionaire for MBA

From: de Jong, Joke: Absa
To: Wayne Cannel
Cc:
Subject: FW: Piloting questionaire for MBA research report
Attachments: MBA Research Questionnaire Design.docx
Sent: Wed 22/07/2015 12:45

Hi Wayne,

I was unsure whether I was required to review the document for completeness and relevance, or whether I was required to complete the questionnaire itself, so I did both.

I found the Questionnaire very relevant and complete, there is nothing that I think should be added in addition to what you've got. The only thing that I would have liked is a short explanation of what the 'Sound Practices Principles' referred to are. All questions are very clear as to what is required and the language used is professional and correct. I could not add anything in addition, I think you've done a thorough and good job.

I've answered the questionnaire as well if that was what you required from me.

Please let me know if this is sufficient, or if there was anything else you would need.

Kind regards, and good luck with the studies!
Joke

From: Wayne Cannel
Sent: 21 July 2015 14:45
To: de Jong, Joke: Absa
Subject: Piloting questionaire for MBA research report

Hi Joke

As discussed yesterday, I need to test/pilot my questionnaire for my MBA research report. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

04. Piloting questionaire for MBA

From: Harris, Santie: Absa
To: Wayne Cannel
Cc:
Subject: RE: Piloting questionnaire for MBA research report
Attachments: MBA Research Questionnaire Design (SH).docx
Sent: Wed 22/07/2015 14:10

Hi Wayne

Hope this is ok ☺

Regards

Santie Harris | Governance and Control | Barclays Africa Finance Control
Tel: +27 (0)11 350 4343 | Fax: +27 (0) 86 584 8653 | Email: santieh@absa.co.za
6th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001
absa.co.za

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From: Wayne Cannel
Sent: 21 July 2015 14:46
To: Harris, Santie: Absa
Subject: FW: Piloting questionaire for MBA research report

Hi Santie

As discussed yesterday, I need to test/pilot my questionnaire for my MBA research report. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

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05. Piloting questionaire for MBA

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From: Martin, Kyle: Absa
To: Wayne Cannel
Cc:
Subject: RE: Piloting questionaire for MBA research report
Sent: Thu 23/07/2015 07:09

Done! Printed it

Kind regards

Kyle Martin I Vice President I Regional Financial Control I Barclays Africa Regional Office
Tel: +27 (0)11 846 9597 I Mobile: +27 (0)76 403 2311 I Email: kyle.martin@absa.co.za
Barclays, 6th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001
Barclaysafrica.com

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From: Wayne Cannel
Sent: 22 July 2015 14:18
To: Martin, Kyle: Absa
Subject: Piloting questionaire for MBA research report

Kyle

As reminded by you, attached is the questionaire I would like you test for me. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

06. Piloting questionaire for MBA

From: Isakow, Russell: Absa
To: Wayne Cannel
Cc:
Subject: RE: Piloting questionaire for MBA research report
Attachments: MBA Research Questionnaire Design.docx
Sent: Tue 28/07/2015 10:54

Hi Wayne,

Please find attached the completed questionnaire.

Kind regards,

Russell Isakow | Governance Financial Control | Barclays Africa Group
Office: + 27 11 846 6729 | Mobile: +27 83 271 2564 | E-mail: Russell.Isakow@absa.co.za
Barclays Africa Group, 6thFloor | Barclays Towers West, 15 Troye Street, Johannesburg, 2001
Absa.co.za
Barclays.com

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From: Wayne Cannel
Sent: 21 July 2015 14:47
To: Isakow, Russell: Absa
Subject: FW: Piloting questionaire for MBA research report

Hi Russell

As discussed with you previously, I need to test/pilot my questionnaire for my MBA research report. Thank you for agreeing to test the document and I look forward to receiving your feedback. If possible, can I have your feedback by this Thursday. Let me know if you have any questions.

Regards

Wayne Cannel | Governance Financial Control | Absa Group Finance & Barclays Africa
Tel: +27 (0)11 846 3995 | Fax: +27 (0) 86 584 8653 | Email: Wayne.Cannel@absa.co.za
Absa, 6th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001

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07. Piloting questionaire for MBA

From: Dr Len Konar <lenkon@icon.co.za>
To: Wayne Cannel
Cc:
Subject: RE: Questionnaire pilot testing
Attachments: SB554e GT G15080309320.pdf

Sent: Mon 03/08/2015 09:38

Dear Mr Cannel,

Thank you for your submission.

I am comfortable with your submission as presented.

You may proceed.

Best wishes,
Len Konar

From: Wayne Cannel [mailto:Wayne.Cannel@absa.co.za]
Sent: 29 July 2015 08:34 AM
To: Dr Len Konar <lenkon@icon.co.za>
Cc: Wayne Cannel@Gibs <444923@mygibs.co.za>; MBAresearch2015@gibs.co.za
Subject: Questionnaire pilot testing

Morning Professor Konar

I can confirm that I have received approval from the Ethics Committee that I can proceed with my research. With regard to my email earlier in the week, I wish to advise that pilot testing of the questionnaire is now complete. I documented the participants feedback and attach same for you to review. Of the seven people approached to assist with the piloting, six actually tested and provided feedback. Also attached are copies of the consent form and questionnaire with the proposed relevant changes as suggested by the testers. The changes suggested do not affect any of the questions that were submitted for ethical clearance but merely require elaboration on some of the words used in the introductory paragraph, e.g.;

- first paragraph, third row, replace 'if possibly' with 'if possible'
- second paragraph, second row, 'industry collaboration', testers queried whether the questions were focused on industry collaboration only or whether it was both internal and industry focused as the first few of questions related to internal collaboration

At our last meeting, you advised that you would also take another look at the questions to ensure that the questions and responses will be able to address the research question. Please advise whether you have any additional comments or changes bearing in mind that if we change any or add new questions we would need to resubmit for ethical clearance with the final Ethical Clearance sitting taking place on 3 August 2015.

Regards

Wayne Cannel
Tel (W): +27 (0)11 846 3995 | Tel (C): 082 572 0399 | Email: 444923@mygibs.co.za