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**TESIS DOCTORAL/DOCTORAL
DISSERTATION**

**LÓGICAS INSTITUCIONALES Y PRÁCTICAS DE
GESTIÓN DE RIESGOS EN LAS ENTIDADES
GUBERNAMENTALES:
ANÁLISIS DEL CASO DE ARABIA SAUDÍ**

**INSTITUTIONAL LOGICS AND RISK MANAGEMENT
PRACTICES IN GOVERNMENT ENTITIES:
EVIDENCE FROM SAUDI ARABIA**

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**Lógicas institucionales y prácticas de gestión de
riesgos en las entidades gubernamentales: análisis
del caso de Arabia Saudí**

**Institutional logics and risk management practices
in government entities: evidence from Saudi Arabia**

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ABSTRACT

This study examines the adoption, implementation, and consequences of Risk Management (RM) practices by government entities in Saudi Arabia, a non-western, developing, and Islamic-theocratic country. It investigates the dynamics behind the decision to change how government entities deal with risk and how this decision is put into practice in a dramatically different institutional context from those examined in prior research (e.g., Palermo, 2014). The study builds on the literature on institutional logics (Friedland and Alford, 1991; Lounsbury, 2008; Thornton and Ocasio, 2008; Thornton *et al.*, 2012; Friedland, 2012). It adopts the cross-level model of institutional logics by Thornton *et al.* (2012) to clarify the interaction of potentially conflicting institutional logics. The institutional logics perspective provides a multi-level framework to examine the relationship between micro-processes at the individual level and a field's institutional logics (Lounsbury, 2008). It represents a “general model of cultural heterogeneity unbiased toward the western world” (Thornton *et al.*, 2012, p. 18) for understanding the adoption of practices.

The empirical analysis is based on a longitudinal case study of a RM project implemented by a government entity of Saudi Arabia. Data were obtained from interviews, observations, and documentary evidence.

Our findings show that the adoption and implementation of RM were rooted in a *traditional logic*, even though the catalyst of the government for adopting a RM culture across government entities was framed within a modernization reform program (*modernization logic*). The RM project led to an unstable situation; while the project used

manifestations of a *modernization logic*, the actors' actions were embedded in a *traditional logic*. The study provides novel evidence of the adoption and implementation of RM in governmental entities in a developing, non-western country, which enriches accounts of drivers and barriers of RM, enhances knowledge about how managers struggle with competing institutional logics, and addresses calls for a deeper understanding of the interplay between institutional logics and managerial practices.

Keywords: Risk Management, Government Entities, Institutional Logics, Saudi Arabia

RESUMEN

El presente estudio examina la adopción, la aplicación y las consecuencias de las prácticas de gestión de riesgos (GR) por parte de las entidades gubernamentales de Arabia Saudí, un país no occidental, en desarrollo y de corte teocrático-islámico. Investiga la dinámica que subyace a la decisión de cambiar la forma en que las entidades gubernamentales afrontan el riesgo y cómo esta decisión se aplica en un contexto institucional radicalmente distinto al examinado en investigaciones anteriores (por ejemplo, Palermo, 2014). El estudio se basa en la literatura sobre lógica institucional (Friedland y Alford, 1991; Lounsbury, 2008; Thornton y Ocasio, 2008; Thornton *et al.*, 2012; Friedland, 2012). En concreto, se adopta el modelo de lógicas institucionales de Thornton *et al.* (2012) para examinar la interacción de lógicas institucionales potencialmente conflictivas. La perspectiva de las lógicas institucionales proporciona un marco multinivel para examinar la relación entre los procesos a escala individual y las lógicas institucionales de un campo (Lounsbury, 2008). Este enfoque se caracteriza por representar un “modelo general de heterogeneidad cultural no sesgado hacia el mundo occidental” (Thornton *et al.*, 2012, p. 18) que es útil para comprender la adopción de prácticas.

El análisis empírico se basa en un estudio de caso longitudinal de un proyecto de GR ejecutado por una entidad gubernamental del Arabia Saudí. Los datos se obtuvieron a partir de entrevistas, observaciones y pruebas documentales.

Los resultados sugieren que la adopción y la aplicación de la GR estaban arraigadas en una *lógica tradicional*, aunque el catalizador del gobierno para adoptar una

cultura de GR en todas las entidades gubernamentales se enmarcaba en un programa de reformas modernizadoras (*lógica de modernización*). El proyecto de GR condujo a una situación inestable; si bien el proyecto utilizó manifestaciones de una *lógica de modernización*, las acciones de los actores se enmarcaron en la *lógica tradicional*. El estudio aporta evidencia novedosa sobre la adopción y la aplicación de la GR en las entidades gubernamentales de un país en desarrollo y no occidental, lo que enriquece nuestro conocimiento sobre los estímulos y las barreras para la adopción de sistemas de GR y sobre la forma en que los gestores afrontan lógicas institucionales que compiten entre sí, y responde a la necesidad de más investigación sobre la interacción entre las lógicas institucionales y las prácticas de gestión.

Palabras clave: Gestión de riesgos, entidades gubernamentales, lógica institucional, Arabia Saudí

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Capital Market Authority
COSO	Committee of Sponsoring Organizations
CRO	Chief Risk Officer
ERM	Enterprise Risk Management
GARP	Global Association of Risk Professionals
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HE	His Excellency
ILP	Institutional Logics Perspective
IRM	Institute of Risk Management
ISO	International Standard Organization
KPI	Key performance indicator
KSA	Kingdom of Saudi Arabia
MENA	Middle East and North Africa
NPM	New Public Management
NRU	National Risk Unit
NTP	National Transformation Program
OECD	Organization for Economic Cooperation
OPEC	Organization of the Petroleum Exporting Countries
RM	Risk Management
SOE	State Owned Enterprise
UK	United Kingdom
UN	United Nations
USA	United States of America

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CHAPTER 1 – INTRODUCTION

1.1 Overview – Context of the Study

The global financial crisis of 2008 and the COVID-19 pandemic have placed the concept of risk at the center of the agenda of public and private sector entities across the world (OECD, 2014; Rana *et al.*, 2019a; Mahama *et al.*, 2020; Forbes, 2020; UN, 2021). Interest in the management of risk is not a new phenomenon. In Western, developed economies, Risk Management (RM) have been at the heart of “everything” for decades (Power, 2004), with experts describing the rise of RM practices as an “explosion” (Power, 2004) or a “social phenomenon” (Mikes, 2009). In these countries, RM practices operated initially in the context of financial risks of private companies, spreading overtime towards operational and strategic risks of both private companies and public sector entities (Mikes, 2006; Palermo, 2014; Hinna *et al.*, 2018). However, the recent crises have raised questions about the effectiveness of RM practices (OECD, 2014; Bromiley *et al.*, 2015; Forbes, 2020). For example, the adoption of Enterprise Risk Management (ERM) by financial institutions in developed countries such as the United Kingdom (UK) or the United States of America (US) (Mikes, 2009) did not help prevent the global financial crisis of 2008, which had its roots in the financial systems of these economies. Despite the criticism of RM practices (e.g., Asher and Wilcox, 2021), institutions such as the United Nations (UN) and the World Bank encourage governments in developing countries to invest resources in RM as part of the process of transforming their public sector on the grounds that RM “can be a powerful instrument for development” (World Bank, 2014, p. 3).

RM systems and frameworks have been used to solve organizational problems, including the modernization of public sector organizations by introducing private sector logics and instruments (Fone and Young, 2000; Hood and Rothstein, 2000; Woods, 2009; Palermo, 2014). In most jurisdictions, the adoption of RM practices by government entities is part of broader reforms of the public sector inspired by New Public Management (NPM) ideas (Lapsley, 2009). The different NPM initiatives worldwide suggest that institutions play an instrumental role in the adoption and implementation of reforms in general, and more social specifically, in adopting RM practices (Schedler and Proeller, 2007; Brinkerhoff and Brinkerhoff, 2015).

Furthermore, the experience shows that reforms are challenging to implement in environments characterized by political, and cultural inertia (Sarker, 2006; Khodr and Reiche, 2010; Bygautane *et al.*, 2016). This is particularly true in developing countries, where the prevalent institutional logics of governmental agencies are likely to clash with the logics embedded in market-based reforms inspired by NPM. Research exploring the adoption and implementation of RM practices in the public sector is limited (Bracci *et al.*, 2021). Furthermore, little is known about RM practices in institutional settings where traditional norms, values, and belief systems diverge from developed, Western economies. This is the case of the Kingdom of Saudi Arabia (KSA), a developing country ruled by an absolute monarchy.

In Saudi Arabia, the social institutions of family and religion dramatically influence the behavior of individuals and the social construction of government entities. Since 2014 the KSA has been experiencing a period of economic crisis and political transition, with a new government, appointed in 2015 after the passing of King Abdullah. In response to the economic and social challenges, the new government

launched an ambitious strategic plan called “Vision 2030”, which is expected to affect many areas of Saudi society, including the functioning and managing of public sector entities. The spirit of strategic plan “Vision 2030”, inspired by market-based Western ideas and practices such as NPM (Biygautane *et al.*, 2016), embeds values and beliefs that differ notably from those ingrained in the *traditional* Saudi public sector. Overall, the characteristics of Saudi Arabia as a developing economy and the transformation process the country is undergoing provide an interesting natural laboratory to explore the adoption, implementation, and consequences of RM practices in governmental entities.

This chapter is structured in six sections. The following section provides background on the concept of risk and RM specifically in the public sector, highlighting the scarcity of research in this area of knowledge. Section 1.3. describes the motivations for and contributions of this research. Next, Section 1.4. introduces the research objectives and research questions and Section 1.5. describes the theoretical framework and methodological approach. The last section presents the structure of the different chapters of the thesis.

1.2 Background

1.2.1 Risk and risk management

The concept of risk as currently understood has been discussed by both academics and practitioners since the famous distinction between risk and uncertainty of Knight (1921). This study follows the definition proposed by the Committee of Sponsoring Organizations (COSO), which defines risk as “the possibility that an event

will occur and adversely affect the achievement of objectives”¹. This definition recognizes that in any entity’s attempt to achieve its objectives, there is always a chance that things will not go according to plan. Every decision or action has an element of risk that needs to be managed and, every outcome is uncertain.

The modern concept of “risk management” (RM) appears to have come into use in the early 1950s in the US (Crockford, 1982). After World War II, many large companies developed self-insurance and self-protection activities to mitigate the financial consequences of adverse events (Dionne, 2013). Such activities, which were alternatives to market insurance, continued growing during the 1960s and 1970s, with an expansion of RM awareness in both the US and Europe and corporate and academic institutions (Crockford, 1982). The early practices tended to focus on physical risks (e.g., damage to plants and machinery), which could cause financial losses (Harrington and Niehaus, 1999; Drennan, 2004). One of the difficulties encountered by practitioners and academics working in the field was to find a satisfactory definition of the concept of RM (Crockford, 1982, p. 170).² In the first book written on the subject, Mehr and Hedges (1963) defined RM as “the management of those risks for which the organization, principles, and techniques appropriate to insurance management are useful” (Mehr and Hedges, 1963, as quoted in Crockford, 1982). This definition highlights the link between RM and insurance, dominant in that period. Other definitions, however, aimed at describing RM as a broader concept. For example, considering risk as a function of change, Crockford (1976, p. 10) defined RM “as a technique for coping with the effects of change. It is a technique which has been

¹ See COSO (2004). For a summary see <https://erm.ncsu.edu/library/article/coso-erm-framework> (accessed May 9, 2022).

² Crockford (1982) provides an interesting review of the studies published on RM in the period 1956 to 1980.

formalized only in recent years, although many of its constituent activities have been practiced to some extent for a much longer time". In this period, practitioners emphasized the management of financial risks and from an insurance perspective. Interestingly, the different risks were managed in a fragmented way, with different organization functions handling different kinds of risk separately (Bromiley *et al.*, 2015). In these first years of RM, academics and practitioners alike focused on:

Its application to the solution of specific insurance-related problems, and in establishing the best form of organizational structure to reflect the change of emphasis from the straightforward purchase of insurance to a risk management approach where insurance becomes not the automatic response to a static risk problem, but a technique of financing to be resorted to when other methods of avoidance, control and financing are impossible or inappropriate (Crockford, 1982, p. 176).

During the 1980s, companies continued developing financial RM, particularly with the increasing use of derivatives as instruments to manage all kinds of risks. In 1987, Merrill Lynch created the first RM department in a bank (Dionne, 2013, p. 151). The governance of RM became essential, and the concept of "integrated RM" and the position of Chief Risk Officer (CRO) was first introduced (Dionne, 2013). In this period, RM practices were adopted for the first time in the public sector as part of the modernization process under policies inspired by the NPM (Lapsely, 2009; Bracci *et al.*, 2021). More details about the evolution of RM in the public sector are provided in the next section. The US savings and loan crisis in the US and the financial scandals that happened in the US and UK private sector during this period and early 1990s (e.g., Polly Peck, BCCI, and Barings Bank) led to the development of several codes

on corporate governance (e.g., Cadbury Report, 1992; Turnbull Report, 1999) which acted as a driver for RM (Drennan *et al.*, 2000; Drennan, 2004; Spira and Page, 2003).³

In this period, the concepts of operational RM and liquidity RM emerged (Dionne, 2013; Sing and Hong, 2020), and companies started to adopt a more holistic approach to RM, with risk managers “applying their skills to the more business-oriented risks” (Drennan, 2004, p. 258). The concept of risk became central to corporate governance and linked to the idea of internal control (e.g., Turnbull Report, 1999; see Spira and Page, 2003, p. 641; also Power, 2004). These developments in the business world were linked to broader changes in society such as the increasing globalization of risks and the new configuration of social order generating a new kind of society known as “*the society of risk*” (Beck, 1992), where risk affects all layers of the social structure.

As explained by Brennan (2004, p. 258), in the 2000s the focus was on an “enterprise-wide, holistic approach to managing all of the threats to which the business may be exposed.” The push for a more holistic approach to RM was further reinforced by a wave of financial scandals in various countries at the beginning of the 2000s (e.g., Enron and WorldCom in the US or Parmalat in Italy). These scandals led to a new regulation, such as the Sarbanes-Oxley Act (SOX) in the US, which added RM governance rules for listed companies (Dionne, 2013). The SOX and rules and regulations alike passed in other countries “in practice only served to exacerbate a

³ For additional information about the history of RM regulation for financial institutions, see Dionne (2013).

“process-obsessed risk management of everything” (Power, 2004)” (Arena *et al.*, 2010, p. 661).

As far as “enterprise risk management” (ERM) is concerned, it was mentioned for the first time in an academic study (Dickinson, 2001) at the beginning of the 2000s (Bromiley *et al.*, 2015). Specifically, Dickinson (2001) explains that ERM emerged as a concept and management function in the mid-1990s. He defines ERM as “a systematic and integrated approach to managing the total risks that a company faces” (Dickinson, 2001, p. 360).

In this study, the definition of ERM provided by COSO in the *Enterprise Risk Management – Integrated Framework* published in 2004 is adopted. Specifically, ERM is defined as follows:

Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. (COSO, 2004, p. 2).

Despite its limitations (e.g., failure to prevent the subprime crisis of 2008) and the questions about its effectiveness and efficacy (Lapsley, 2009; Mikes and Kaplan, 2014; Palermo, 2014), the popularity of RM and ERM keeps increasing. Recent surveys on ERM in the public sector suggest that “ERM is a growing priority in the Government” (AFERM-PwC, 2015, p. 5). In the last 20 years, ERM has become part of the corporate governance agenda and an important strategic planning process in corporations worldwide (Arena *et al.*, 2010; Bromiley *et al.*, 2015). Furthermore, its

influence has spread to public sector organizations (e.g., KPMG, 2019; Bui *et al.*, 2019; Mahama *et al.*, 2020). Next, we describe the evolution of RM in the public sector.

1.2.2 Risk management in public sector entities

The public sector worldwide has changed dramatically over the past 40 years. These changes are primarily related to the “group of ideas” known as New Public Management (NPM) (Hood, 1991, p. 3). The term NPM became popular in the 1980s when the public sector of developed countries such as the US and UK began “implementing private sector principles to reduce costs and increase measurable outputs” (Antoun, 2020, p. 143). The origins of NPM have been described as a “marriage” (Hood, 1991, p. 5) of two different streams of research. The *new institutional economics*, which helped to generate reforms built on the ideas of “transparency”, “user choice” or “incentives structure”, and the *business-type managerialism* in the public sector, which helped to generate a set of reforms based on ideas such as “professional management” or “discretionary power” (Hood, 1991, pp. 5-6). The fundamental principle of the NPM is to make public sector organizations more “*businesslike*”. The use of management tools and practices borrowed from the private sector (e.g., promotion on merit or bosses’ judgment or through business methods) helps to improve efficiency (Barzelay, 2002; McLaughlin *et al.*, 2002). Countries such as Australia, Canada, Japan, New Zealand, and other Western European countries followed the example of the UK and US. The concept of NPM became globalized and applied worldwide, including transitional and developing economies (Antoun, 2020). In the US, for example, Esenberg (1992) commented that “public sector risk management is among the fastest-growing segments of the

profession". The public sector reforms have driven a focus on RM for efficiency, effectiveness, and accountability (Palermo, 2014; Mahama *et al.*, 2021).

The NPM initiatives forced public sector managers to manage risk (e.g., Woods, 2009; Barrett, 2014b). Risks in the public sector emanate from the broad spectrum of public services, such as education, public security, transportation, or infrastructure, among many others (Gephart *et al.*, 2009; Hood and Miller, 2009; Mahama *et al.*, 2021). From the beginning, the emphasis of RM in public sector entities in most developed countries was on the concepts of accountability and control. The management of risk and the factors affecting RM in the public sector may differ notably from those in the private sector (Vincent, 1996; Braig *et al.*, 2011). It is not surprising, given the different responsibilities and characteristics of managers in the public sector compared to those in the private sector⁴, the differences in accountability and authority layout, the specific attributes of services and activities performed by public sector agencies, and the wide variety of interests and influences affecting these institutions. Generally, public sector entities operate in complex and political environments where it can be particularly hard to operationalize RM (Paape and Spefle, 2012).

During the 1990s and 2000s, formal RM processes and techniques continued expanding in the public sector of developed economies (Drennan and McConnell, 2007; Collier, 2009). In most countries, such developments were fostered by central governments (e.g., in the UK entities such as the HM Treasury (HM Treasury, 2004) and practicing organizations such as the *Chartered Institute of Public Finance and Accountancy* (CIPFA, 2001)). According to the *Federation of European Risk Management Association* (FERMA, 2002), the implementation of RM should help

⁴ For example, managers in public sector entities are traditionally more risk adverse than managers in the private sector (Mahama *et al.*, 2021).

government entities in strengthening internal controls, identifying and treating risks, enhancing corporate governance and decision making, and leading to a more effective allocation of resources while improving the efficiency of operations. Institutions such as COSO, the *Organization for Economic Cooperation and Development* (OECD) (Boin and Lodge, 2016) or the *World Bank* also played an important role in producing valuable guidance (e.g., COSO, 2004) and mobilize interest in RM in the public sector (Bracci *et al.*, 2021).

The RM developments in the public sector in the last twenty years have been described as “generic and abstracted from specific circumstances” (Palermo, 2014, p. 324; see also Power, 2007), and it is integrated and holistic (COSO, 2004; Palermo, 2014). As for the first characteristic, it is suggested that RM processes can be seen as managerial techniques applicable in any organization (Palermo, 2014), or, as suggested by Hood and Miller (2009, p. 3), “go-anywhere frameworks that aim to standardize and formalize organizational processes”. Regarding the second point, it highlights the need to achieve a “shared corporate approach to identifying and managing risk across the organization” (Palermo, 2014, p. 324) where everyone has some responsibility (COSO, 2004). Researchers see RM as a main pillar of good governance and accountability in both the public and private sectors (Hood and Rothstein, 2000; Arena *et al.*, 2010; Frigo and Anderson, 2011) and as a “must” for modern management control (Bhimani, 2009; Woods, 2009). As Arena *et al.* (2010) pointed out, from this perspective the concept of risk becomes broader and more systemic in aspiration.

Back in 2005, and in reference to the case of the UK, Black argues that “risk” became “the central organizing principle in regulation and public service delivery and

central government in the United Kingdom is currently awash with initiatives to promote risk management” (Black, 2005, p. 510). This tendency has continued in most developed countries, with an increased role for RM and ERM in public sector entities despite the questions regarding its efficacy (Kaplan and Mikes, 2016; Palermo, 2014).

Recent events like the global financial crisis and the COVID-19 pandemic have increased RM’s interest and centrality in the public sector (Bracci *et al.*, 2021). This increased emphasis on RM is happening even when the hegemony of the NPM as the dominant approach to public reform has weakened (Brinkerhoff and Brinkerhoff, 2015, p. 222). Other approaches such as Post-NPM public sector reforms (Brinkerhoff and Brinkerhoff, 2015; Antoun, 2020) or “*a whole-of-government approach*” (Robinson, 2015) are arising (Lapsley, 2009). While the adoption and implementation of RM frameworks and practices are substantial in developed countries such as Australia, Canada, Italy, New Zealand, Sweden, and the UK (Barret, 2014; Bui *et al.*, 2019; Carlsson-Wall *et al.*, 2019; Hinna *et al.*, 2018; Rana *et al.*, 2019b; Woods, 2009), the diffusion of such practices in developing countries is not so significant despite the efforts (Claessens, 1993; Brown *et al.*, 2013). Thus, global institutions such as the UN and the World Bank urge governments in developing countries to invest resources in RM practices to foster economic and social development (World Bank, 2014). As stated in the report *World Development Report 2014 (WDR 2014): Risk and Opportunity -Managing Risk for Development* (World Bank, 2014):

Managing risks responsibly and effectively has the potential to bring about security and a means of progress for people in developing countries and beyond (...)

The WDR 2014 argues that risk management can be a powerful instrument for development—not only by building people’s resilience and thus reducing the effects of adverse events but also by allowing them to take advantage of opportunities for improvement. The WDR 2014 is not devoted to a detailed analysis of specific risks. Its framework, however, can be implemented to address particular, relevant sets of risks in given regions and countries. Focusing on the process of risk management allows the WDR 2014 to consider the synergies, trade-offs, and priorities involved in addressing different risks in different contexts, with the single motivation of boosting development. (World Bank, 2014, p. 3)

1.2.3 Shortcomings of prior research in risk management in the public sector

As highlighted by Bracci *et al.* (2021) and Paape and Spekle (2012, p. 559), research exploring the adoption and implementation of RM practices in the public sector is limited, and further theoretical and empirical research is needed to gain a deeper understanding of RM in the public sector. Furthermore, most studies on RM in public sectors have been conducted in countries such as Australia, Canada, New Zealand, UK, and the US. These studies provide valuable evidence about the dynamics of RM in the public sector of Western, developed economies. Still, little is known about the adoption and implementation of RM frameworks and practices in institutional settings where traditional norms, values, and belief systems diverge from developed, Western economies.

The different initiatives for public sector reforms across the world suggest that institutions play an instrumental role in adopting and implementing reforms (Brinkerhoff

and Brinkerhoff, 2015; Rana *et al.*, 2019a; Schedler and Proeller, 2007). Furthermore, the experience shows that reforms are difficult to implement in settings where there is political, social, and cultural inertia (Biygautane *et al.*, 2016; Khodr and Reiche, 2010; Sarker, 2006). It is particularly true in developing countries, where the prevalent institutional logics of governmental entities are likely to clash with the logics embedded in market-based reforms inspired by NPM. With their unique contextual factors and complex webs of actors and institutions, public sector agencies in these countries may struggle to implement formal processes and generic RM frameworks imported from Western, developed economies (Sarker, 2006). As argued by Biygautane *et al.* (2016, p. 98), “the transfer of Western management techniques to non-Western countries is “not impossible, but difficult” (Khodr and Reiche, 2010, p. 164)”. This study aims to enhance our knowledge about the process of adoption, implementation, and consequences of RM processes and practices in developing countries by examining the case of public sector agencies in Saudi Arabia.

1.2.4 Motivation and contribution of the research

The interest in RM has been growing over time (Power, 2004), with a great number of research studies published in the last years (e.g., Hood and Rothstein, 2000; Dionne, 2013; Rana *et al.*, 2019a). Despite the accumulated knowledge, further research on the adoption and impact of RM practices, the dynamics of RM in organizations, and the infrastructure surrounding the implementation of RM is warranted (e.g., Mikes, 2009; Arena *et al.*, 2017).

More specifically, the scarce research studies investigating RM in the public sector (e.g., Palermo, 2014; Thomsen and Skærbæk, 2018; Carlsson-Wall *et al.*, 2019)

agree in that there are specific challenges. These challenges need to be identified to get the best design parameters for RM in the context of government entities (see also Collier and Woods, 2011). While RM offers considerable potential to managers in government entities, managing risks in these organizations presents challenges that require further investigation (Palermo, 2014). Bracci *et al.* (2021) also point out the need for further studies examining the adoption of RM practices and their cultural implications, as they would enhance our understanding of the diffusion of RM in the public sector, particularly in those contexts (e.g., developing countries) where integration of RM frameworks with institutionalized processes and systems may be particularly challenging (Rana *et al.*, 2019a). Importantly, prior studies highlight that future research on RM in the public sector needs to be “more theorized in order to provide findings that are more solidly grounded” (Bracci *et al.*, 2021, p. 213; see also Rana *et al.*, 2019a). Thus, the puzzle is how the generic frameworks and processes of RM and ERM derived from the private sector and then adopted by public sector entities of developed economies can be adopted and implemented in settings radically different from those of developing countries with traditional values notably different from the market-based values.

This empirical study was conducted in the Kingdom of Saudi Arabia (KSA), a developing country included in the Middle East and North Africa (MENA region). The country is currently going through important economic, social, and cultural changes influencing different aspects of Saudi society. These broad institutional changes are certainly important for the field of public sector entities in the country. More specifically, the launch of an ambitious strategic plan called “Vision 2030”, inspired by market-based Western ideas (Biyygautane *et al.*, 2016), embeds values and beliefs that differ notably from those ingrained in the traditional Saudi public sector. This setting

represents an interesting natural laboratory to explore the adoption and implementation of RM practices in a non-Western, developing country.

This research contributes to the existing literature in the following ways: First, from an empirical point of view, this thesis contributes to research on RM by providing novel evidence of the process of adoption, implementation, and outcomes of RM by public sector entities⁵ in a developing, non-Western country. The analysis of governmental entities in the Gulf countries provides a relevant dimension to prior research, as these economies depend significantly on the public sector. Furthermore, this setting is under-explored in the literature despite its economic significance. This study, therefore, addresses calls for empirical and theoretical studies exploring contexts where managers “may struggle to find ways of integrating RM with existing systems and processes that are unquestionably institutionalized” (Rana *et al.*, 2019a: p. 150). As argued by Thomsen and Skærbæk (2018, p. 31), the implementation of RM is a “complex, paradoxical and uncertain process” and “more studies should pursue this line of inquiry.” Furthermore, by providing evidence from a context neglected in prior studies, the study enriches current accounts of key drivers and barriers of RM and what we know about how reforms create a culture of RM (e.g., Rana *et al.*, 2019b, p. 44).

Second, from a theoretical perspective, this thesis is among the first studies to use the Institutional Logics Perspective (ILP) in the context of RM in public sector entities. The insights provided by institutional theorists have proven to help explain why certain managerial practices and innovations become adopted by organizations and

⁵ In this study, the terms “government entity” and “public sector entity” are used interchangeably. A “public sector entity” is defined as “a permanent or semi-permanent organization in the machinery of government that is responsible for the oversight and administration of specific functions” (<https://www.definitions.net/definition/government+agency>, accessed August, 31, 2022).

how they are diffused across organizations regardless of whether they improve organizational efficiency or effectiveness (Suddaby, 2013, p. 379). Rana *et al.* (2019b, p. 44) argue that “the development of performance and risk management systems needs to be looked at through the lens of new institutional and logic of practice perspectives where macro institutional arrangements interact with micro individual practices”. This study fully agrees with this claim and contends that an ILP can be a useful framework to explore the interaction of societal logics (macro-level of analysis), organizational actions (meso-level of analysis), and individual behaviours (micro-level of analysis) and to understand the dynamics of adoption and implementation of RM, clarifying how individuals handle competing institutional logics. As suggested by Greenwood *et al.* (2011, p. 523), we need to understand better how non-market institutions and logics (e.g., the state, the family, and the religion) might influence organizations. Greenwood *et al.* (2011) also call for further research into the dynamic patterns of complexity arising from the multiplicity of (incompatible) logics. The study of a government entity located in a non-Western, developing country provides an opportunity to understand better how a dominant institutional logic in the field competes with an emerging logic inspired by the Western ideas of the NPM. Saudi Arabia offers a unique institutional setting to explore the potential influence of the institutional orders of the state, the family, and the religion.

Furthermore, this study develops two “ideal types” of logics that could be applied in future studies examining the public sector of Saudi Arabia and developing countries alike. In doing so, the study responds to calls for a deeper understanding of where institutional logics and new practices come from and how they relate to each other (Lounsbury, 2008). Overall, by adopting the ILP to examine the dynamics of RM in the public sector of a developing country, this research aims to answer calls for more

theorization in studies adopting the adoption, implementation, and diffusion of RM practices (Bracci *et al.*, 2021).

Finally, this study contributes to the practical field of RM by providing some recommendations. The results are expected to be beneficial for RM consultants and managers of governmental organizations in developing economies. Consultants usually rely on international guidelines such as COSO and ISO (Hood and Miller, 2009), and they may have access to experiences and lessons primarily from the Western context. This research can benefit consultants by shaping their methods in scoping and delivering RM services to the public sector of non-Western settings such as Saudi Arabia. Considering the social and wider landscape of the public sector in Saudi Arabia, this study aims to enhance the tailoring of approaches to the real needs and suggest better steps toward overcoming the challenges of RM implementation in these settings. While, for management in the government entities of developing countries, this study can enhance their perception of RM and the requirements for implementing the practice. The study makes several practical recommendations for public sector managers.

1.3 Research Objectives and Research Questions

The general objective of this study is to investigate the dynamics of RM in Saudi public entities using the lens of the Institutional Logics Perspective (ILP) (Friedland and Alford, 1991; Thornton and Ocasio, 2008; Thornton *et al.*, 2012). This broad objective can be divided into the following three sets of specific research objectives:

RO 1: To understand the reasons for and the process of adoption of RM practices by governmental entities in KSA.

To meet this specific research objective, the study investigates: (a) what were the main reasons for the government and governmental entities to adopt RM and (b) to what extent the institutional logic(s) in the field influenced the decision to adopt RM practices. To answer these questions, we explore to what extent the adoption of RM by government entities was dependent not only on economic pressures but also on social pressures for conformity and legitimacy. The study links the macro, meso, and micro levels of analysis. Specifically, it develops a framework to examine the interplay between the institutional logics that coexist in the social field of Saudi public sector entities and the specific management practice under investigation (RM).

RO 2: To understand the implementation of RM by public sector entities in KSA

To meet this specific objective, this research aims to understand: (a) the role of the different groups of actors (e.g., managers, consultants) in implementing RM at Saudi public sector entities in general, and in the entity under investigation in particular; (b) the main challenges and changes experienced by public sector entities in this process; and (c) to what extent the institutional logics in the field of Saudi public entities influenced the process of implementation. The ILP is used to explore the dynamics between the different groups during the process, shedding light on how individuals handle the competing institutional logics coexisting in the field of Saudi public sector entities.

RO 3: To understand the implications and consequences of implementing RM practices by public sector entities in KSA

To meet this research objective, this study examines (a) what was the result of the implementation process and where the project's outcomes stand; (b) the perception of the different groups involved about the outcomes of the RM project; and (c) the "lessons learned" from this experience. To answer these questions, we combine micro-level and meso-level analysis, using the responses of the different actors involved in the process and the documentation about the entity's status regarding the RM framework and practices. The study also explores the outcome at a macro-level, taking into consideration the institutional logics of the field.

1.4 Theoretical Framework and Methods

As mentioned above, this study draws on the Institutional Logics Perspective (ILP) (Friedland and Alford, 1991; Thornton and Ocasio, 2008; Thornton *et al.*, 2012). The ILP helps us understand the interrelations between institutions, organizations, and individuals in a social field (Thornton *et al.*, 2012). Institutions shape individuals and organizations' heterogeneity, stability, and change through their underlying logics of actions (Thornton and Ocasio, 2008, p. 103). Institutional logics can be defined as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence organize time and space and provide meaning to their social reality" (Thornton and Ocasio, 1999, p. 804). They help link the socially constructed institutional practices in the macro-level and the individual entity (meso-level) and shape organizational practices and individual behaviour (micro-level) by different

means, such as collective identities and identification with specific groups (Thornton and Ocasio, 2008; Smets *et al.*, 2012). In any society, there are multiple institutional orders with unique organizing principles (Thornton *et al.*, 2012). As argued by Thornton *et al.* (2012), these principles prescribe what means, and goals are legitimate according to a certain logic (e.g., a *market logic*, a *state logic*, a *family logic*, or a *religion logic*).

This theoretical framework is appropriate to our study for several reasons. First, it requires examining the behaviour of individuals and organizations within their social and institutional context, and “this institutional context both regularizes behaviour and provides opportunity for agency and change” (Thornton and Ocasio, 2008, p. 102). Second, it highlights the role of the cultural dimensions of institutions in enabling and constraining social action (Thornton and Ocasio, 2008), which is particularly relevant for our objective of exploring RM in public sector entities located in a non-Western, developing, and Islamic-theocratic country. Finally, the sparse studies examining RM in the private sector demonstrate that the ILP is a relevant and powerful framework to examine the adoption and development of RM within organizations (e.g., Arena *et al.*, 2010; Palermo *et al.*, 2017). To our knowledge no prior studies have studied RM frameworks in governmental agencies using the lens of ILP.

This study adopts an empirical case study approach, which is particularly suited to explore the adoption, implementation, and dynamics of RM practices. This method is the “preferred research strategy when “how” and “why” questions are the focus of the investigation” (Major *et al.*, 2018, p. 507). A case study approach allows to live the entire process from decision making of adopting RM to the implementation process using a real live example. As highlighted by Cooper and Morgan (2008), practitioners

find it particularly relevant because it converts private information into publicly available knowledge. It is a common methodological approach for studies related to RM in public sector organizations (e.g., Mikes, 2007; Rocher, 2011; Palermo, 2014).

The research is based on Entity Y, a large Saudi government entity with more than 10,000 employees and geographically spread in all cities of the KSA. For reasons of confidentiality, the name and location of the entity are not identified. Entity Y was selected for two reasons: first, it is illustrative of large government entities in Saudi Arabia; second, because the researcher was involved in the RM project adopted by Entity Y, it was possible to have access to multiple data sources, including internal documents and ethnographic observations. As a consultant working in the project, the researcher had the role of a “complete participant” during the project (Smith, 2017) and the opportunity to interview top executives of Entity Y, several RM consultants working for a big consultancy firm and several Chief Risk Officers (CROs) from other government entities.

1.5 Thesis Structure

The thesis is divided into nine chapters, including the current one. Chapter 2 introduces the concept of RM and provides a review of the literature. Chapter 3 presents the theoretical framework and the research questions. Chapter 4 focuses on the institutional setting. Chapter 5 provides information about the methodological approach. The next three chapters present the analysis and findings of the study. Specifically, they explain the analysis and findings related to the adoption (Chapter 6), implementation (Chapter 7), and consequences of RM projects in Saudi public sector

entities (Chapter 8). Finally, Chapter 9 highlights the main findings of the study and its implications. A summary of the different chapters is provided below:

- Chapter 2 introduces the concept of RM and the different related frameworks. It examines previous research on the drivers of the adoption of RM practices, the implementation of RM practices, and the consequences of implementing RM practices. The review focuses on RM practices in public sector organizations.
- Chapter 3 introduces the theoretical perspective and the research questions. It provides information about the antecedents and the fundamentals of the ILP. It also justifies the adoption of this framework in this study. This chapter explains the aims and the research questions of the study.

Chapter 4 provides information about the field of public sector entities in the Kingdom of Saudi Arabia. It describes the context, shedding light on the changes that took place in the Saudi public sector from 1970 until today.

- Chapter 5 provides information about the methodological approach, the research methodology, and the data collection process. The use of the case study method is justified, and details about the different types of data considered in the study are provided.
- Chapter 6 is the first analysis and findings chapter. It presents the analysis of the adoption of RM practices in Saudi government entities, including a description of the different drivers for adopting a RM practice in the entity under study. It links

the events at the micro-level with the macro-level institutional logics prevalent in the Saudi public sector when adopting the RM practices.

- Chapter 7 is the second chapter of analysis and findings, and it focuses on the challenges of the implementation process of RM practices. Implementing new practices was associated with novel institutional complexity, a sense of urgency, and complex social interactions, which represented a challenge for all actors involved in the process. Other challenges (e.g., lack of resources) were identified.
- Chapter 8 is the final chapter of analysis and findings. It presents an analysis of the consequences and results of the adoption and implementation process of the RM project at Entity Y. It discusses the influence of RM at the organizational level and the emergence of hybrid practices.
- Chapter 9 presents and discusses the findings of the study, its implications, its contributions, and its limitations. It also provides some suggestions for future research.

[TRANSLATION CHAPTER 1] CAPÍTULO 1 – INTRODUCCIÓN

1.1 Resumen - Contexto del estudio

La crisis financiera mundial de 2008 y la pandemia del COVID-19 han situado el concepto de riesgo en el centro de la agenda de las entidades del sector público y privado de todo el mundo (OECD, 2014; Rana *et al.*, 2019a; Mahama *et al.*, 2020; Forbes, 2020; UN, 2021). El interés por la gestión del riesgo no es un fenómeno nuevo. En las economías occidentales desarrolladas, la gestión de riesgos (GR) lleva décadas en el centro de “todo” (Power, 2004), tanto que los expertos describen el aumento de las prácticas de GR como una “explosión” (Power, 2004) o un “fenómeno social” (Mikes, 2009). En estos países, las prácticas de GR operaron inicialmente en el contexto de los riesgos financieros de las empresas privadas, extendiéndose con el tiempo hacia los riesgos operativos y estratégicos tanto de las empresas privadas como de las entidades del sector público (Mikes, 2006; Palermo, 2014; Hinna *et al.*, 2018). Sin embargo, las recientes crisis han planteado dudas sobre la eficacia de las prácticas de GR (OECD, 2014; Bromiley *et al.*, 2015; Forbes, 2020). Por ejemplo, la adopción de la gestión del riesgo empresarial (GRE) por parte de las instituciones financieras de países desarrollados como el Reino Unido o Estados Unidos (EE. UU.) (Mikes, 2009) no ayudó a prevenir la crisis financiera mundial de 2008, que tuvo sus raíces en los sistemas financieros de estas economías. A pesar de las críticas a las prácticas de GR (por ejemplo, Asher y Wilcox, 2021), instituciones como la Organización de las Naciones Unidas (ONU) y el Banco Mundial animan a los gobiernos de los países en desarrollo a invertir recursos en GR como parte del proceso de transformación de su sector público con el argumento de que la GR “puede ser un poderoso instrumento para el desarrollo” (World Bank, 2014, p. 3).

Los sistemas y marcos de GR se han utilizado para resolver problemas organizativos, incluida la modernización de las organizaciones del sector público mediante la introducción de lógicas e instrumentos del sector privado (Fone y Young, 2000; Hood y Rothstein, 2000; Woods, 2009; Palermo, 2014). En la mayoría de las jurisdicciones, la adopción de prácticas de GR por parte de las entidades gubernamentales forma parte de reformas más amplias del sector público inspiradas en las ideas de la Nueva Gestión Pública (NGP) (Lapsley, 2009). Las diferentes iniciativas de la NGP en todo el mundo sugieren que las instituciones desempeñan un papel instrumental en la adopción e implementación de las reformas en general, y más específicamente en la adopción de prácticas de GR (Schedler y Proeller, 2007; Brinkerhoff y Brinkerhoff, 2015).

Además, la experiencia demuestra que las reformas son difíciles de aplicar en entornos caracterizados por una inercia política y cultural (Sarker, 2006; Khodr y Reiche, 2010; Bygautane *et al.*, 2016). Esto es especialmente cierto en los países en desarrollo, donde es probable que las lógicas institucionales predominantes de los organismos gubernamentales choquen con las lógicas integradas en las reformas basadas en el mercado inspiradas en la NGP. La investigación que explora la adopción e implementación de las prácticas de GR en el sector público es limitada (Bracci *et al.*, 2021). Además, se sabe poco sobre las prácticas de GR en entornos institucionales en los que las normas, los valores y los sistemas de creencias tradicionales difieren de las economías occidentales desarrolladas. Este es el caso del Reino de Arabia Saudí (RAS), un país en desarrollo gobernado por una monarquía absoluta.

En Arabia Saudí, las instituciones sociales de la familia y la religión influyen drásticamente en el comportamiento de los individuos y en la construcción social de las entidades gubernamentales. Desde 2014, el Reino de Arabia Saudí atraviesa un periodo de crisis económica y de transición política, con un nuevo gobierno, nombrado en 2015 tras el fallecimiento del rey Abdullah. En respuesta a los desafíos económicos y sociales, el nuevo gobierno lanzó un ambicioso plan estratégico llamado “Visión 2030”, que se espera que afecte a muchos ámbitos de la sociedad saudí, incluido el funcionamiento y la gestión de las entidades del sector público. El espíritu del plan estratégico “Visión 2030”, inspirado en ideas y prácticas occidentales basadas en el mercado, como la NGP (Biyygautane *et al.*, 2016), incorpora valores y creencias que difieren notablemente de los arraigados en el sector público saudí *tradicional*. En general, las características de Arabia Saudí como economía en desarrollo y el proceso de transformación que está experimentando el país ofrecen un interesante laboratorio natural para explorar la adopción, la implementación y las consecuencias de las prácticas de GR en las entidades gubernamentales.

Este capítulo está estructurado en seis secciones. La siguiente sección proporciona antecedentes sobre el concepto de riesgo y GR específicamente en el sector público, destacando la escasez de investigación en esta área de conocimiento. La sección 1.3. describe las motivaciones y aportaciones de esta investigación. A continuación, la sección 1.4. presenta los objetivos y las preguntas de la investigación y la sección 1.5. describe el marco teórico y el enfoque metodológico. La última sección presenta la estructura de los distintos capítulos de la tesis.

1.2 Antecedentes

1.2.1 Riesgo y gestión del riesgo

El concepto de riesgo, tal y como se entiende actualmente, ha sido objeto de análisis para académicos y profesionales por igual desde la famosa distinción entre riesgo e incertidumbre de Knight (1921). Este estudio sigue la definición propuesta por el Comité de Organizaciones Patrocinadoras (COSO, por sus siglas en inglés), que define el riesgo como “la posibilidad de que se produzca un acontecimiento que afecte negativamente a la consecución de los objetivos”.⁶ Esta definición reconoce que, en el intento de cualquier entidad por alcanzar sus objetivos, siempre existe la posibilidad de que las cosas no salgan según lo previsto. Toda decisión o acción tiene un elemento de riesgo que debe ser gestionado y, todo resultado es incierto.

El concepto moderno de “gestión de riesgos” (GR) parece haber comenzado a utilizarse a principios de la década de 1950 en EE. UU. (Crockford, 1982). Tras la Segunda Guerra Mundial, muchas grandes empresas desarrollaron actividades de autoseguro y autoprotección para mitigar las consecuencias financieras de acontecimientos adversos (Dionne, 2013). Dichas actividades, que eran alternativas a los seguros de mercado, siguieron creciendo durante las décadas de 1960 y 1970, con una creciente conciencia de la GR tanto en EE. UU. como en Europa y en las instituciones corporativas y académicas (Crockford, 1982). Las primeras prácticas tendían a centrarse en los riesgos físicos (por ejemplo, los daños en planta y la maquinaria), que podían ocasionar pérdidas financieras (Harrington y Niehaus, 1999; Drennan, 2004). Una de las dificultades con las que se encontraron los profesionales

⁶ Véase COSO (2004). Para un resumen, véase <https://erm.ncsu.edu/library/article/coso-erm-framework> (consultado el 9 de mayo de 2022).

y académicos que trabajan en este campo fue la de encontrar una definición satisfactoria del concepto de GR (Crockford, 1982, p. 170).⁷ En el primer libro escrito sobre el tema, Mehr y Hedges (1963) definieron la GR como “la gestión de aquellos riesgos para los que son útiles la organización, los principios y las técnicas propias de la gestión de seguros” (Mehr y Hedges, 1963, citado en Crockford, 1982). Esta definición pone de manifiesto el vínculo entre la GR y los seguros, dominante en aquella época. Otras definiciones, sin embargo, pretendían describir la GR como un concepto más amplio. Por ejemplo, considerando el riesgo como una función del cambio, Crockford (1976, p. 10) definió la GR “como una técnica para hacer frente a los efectos del cambio. Es una técnica que sólo se ha formalizado en los últimos años, aunque muchas de sus actividades constitutivas se han practicado en cierta medida durante mucho más tiempo”. En este periodo, los profesionales hicieron hincapié en la gestión de los riesgos financieros y desde la perspectiva de los seguros. Curiosamente, los diferentes riesgos se gestionaban de forma fragmentada, con diferentes funciones de la organización manejando distintos tipos de riesgo por separado (Bromiley *et al.*, 2015). En estos primeros años de GR, tanto los académicos como los profesionales se centraron en:

Su aplicación a la solución de problemas específicos relacionados con los seguros, y en el establecimiento de la mejor forma de estructura organizativa para reflejar el cambio de énfasis de la compra directa de seguros a un enfoque de gestión de riesgos en el que el seguro se convierte no en la respuesta automática a un problema de riesgo estático, sino en una técnica

⁷ Crockford (1982) ofrece una interesante revisión de los estudios publicados sobre la GR en el periodo comprendido entre 1956 y 1980.

de financiación a la que se recurre cuando otros métodos de evitación, control y financiación son imposibles o inapropiados (Crockford, 1982, p. 176).

Durante la década de 1980, las empresas siguieron desarrollando la GR financiera, especialmente con el creciente uso de los derivados como instrumentos para gestionar todo tipo de riesgos. En 1987, Merrill Lynch creó el primer departamento de GR en un banco (Dionne, 2013, p. 151). La gobernanza de la GR se convirtió en algo esencial, y se introdujo por primera vez el concepto de “GR integrada” y el cargo de Director de Riesgos (CRO, por sus siglas en inglés) (Dionne, 2013). En este periodo, el sector público adoptó las prácticas de GR por vez primera como parte del proceso de modernización bajo políticas inspiradas en la NGP (Lapsely, 2009; Bracci *et al.*, 2021). En la siguiente sección se ofrecen más detalles sobre la evolución de la GR en el sector público. La crisis de ahorros y préstamos en EE. UU. y los escándalos financieros que se produjeron en el sector privado de EE. UU. y del Reino Unido durante este periodo y a principios de la década de 1990 (por ejemplo, Polly Peck, BCCI y Barings Bank) propiciaron el desarrollo de varios códigos de gobierno corporativo (por ejemplo, el Informe Cadbury, 1992; el Informe Turnbull, 1999) que impulsaron la GR (Drennan *et al.*, 2000; Drennan, 2004; Spira y Page, 2003).⁸

En este período, surgieron los conceptos de GR operacional y GR de liquidez (Dionne, 2013; Sing y Hong, 2020), y las empresas empezaron a adoptar un enfoque más holístico de la GR, con los gestores de riesgos “aplicando sus habilidades a los riesgos más orientados al negocio” (Drennan, 2004, p. 258). El concepto de riesgo se convirtió en un elemento central de la gobernanza empresarial y se vinculó a la idea

⁸ Para obtener información adicional sobre la historia de la regulación de la GR para las instituciones financieras, véase Dionne (2013).

de control interno (por ejemplo, Informe Turnbull, 1999; véase Spira y Page, 2003, p. 641; también Power, 2004). Estos desarrollos en el mundo empresarial estaban vinculados a cambios más amplios en la sociedad, como la creciente globalización de los riesgos y la nueva configuración del orden social que genera un nuevo tipo de sociedad conocida como “*la sociedad del riesgo*” (Beck, 1992), en la que el riesgo afecta a todos los estratos de la estructura social.

Tal como explica Brennan (2004, p. 258), en la década de 2000 la atención se centró en un “enfoque holístico, a escala de toda la empresa, para gestionar todas las amenazas a las que puede estar expuesto el negocio”. La exigencia de un enfoque más holístico de la GR se vio reforzada por una oleada de escándalos financieros en varios países a principios de la década de 2000 (por ejemplo, Enron y WorldCom en EE. UU. o Parmalat en Italia). Estos escándalos condujeron a una nueva normativa, como la Ley Sarbanes-Oxley (SOX) en EE. UU., que añadió normas de gobernanza de GR para las empresas que cotizan en bolsa (Dionne, 2013). La SOX y otras normas y reglamentos similares aprobados en otros países “en la práctica sólo sirvieron para exacerbar una ‘gestión de riesgos aplicada a todo y obsesionada con los procesos’ (Power, 2004)” (Arena *et al.*, 2010, p. 661).

En cuanto a la “gestión del riesgo empresarial” (GRE), se mencionó por primera vez en un estudio académico (Dickinson, 2001) a principios de la década de 2000 (Bromiley *et al.*, 2015). En concreto, Dickinson (2001) explica que la GRE surgió como concepto y función de gestión a mediados de la década de 1990. Define la GRE como “un enfoque sistemático e integrado para gestionar el conjunto de riesgos a los que se enfrenta una empresa” (Dickinson, 2001, p. 360).

En este estudio, se adopta la definición de GRE proporcionada por COSO en el *Enterprise Risk Management - Integrated Framework* (Gestión de riesgos empresariales - Un marco integrado) publicado en 2004. Concretamente, la GRE se define como sigue:

La gestión del riesgo empresarial es un proceso, acometido por el consejo de administración de una entidad, la dirección y otro personal, aplicado en el establecimiento de la estrategia y en toda la empresa, diseñado para identificar los acontecimientos potenciales que pueden afectar a la entidad, y gestionar el riesgo para que se mantenga en los límites de su apetito de riesgo, con el fin de proporcionar una garantía razonable respecto al logro de los objetivos de la entidad. (COSO, 2004, p. 2).

A pesar de sus limitaciones (por ejemplo, el fracaso en la prevención de la crisis de las hipotecas subprime de 2008) y de los interrogantes sobre su efectividad y eficacia (Lapsley, 2009; Mikes y Kaplan, 2014; Palermo, 2014), la popularidad de la GR y la GRE sigue aumentando. Encuestas recientes sobre GRE en el sector público indican que la “GRE es una prioridad creciente en el Gobierno” (AFERM-PwC, 2015, p. 5). En los últimos 20 años, la GRE se ha convertido en parte de la agenda de gobierno corporativo y en un importante proceso de planificación estratégica en las empresas de todo el mundo (Arena *et al.*, 2010; Bromiley *et al.*, 2015). Además, su influencia se ha extendido a las organizaciones del sector público (por ejemplo, KPMG, 2019; Bui *et al.*, 2019; Mahama *et al.*, 2020). A continuación, describimos la evolución de la GR en el sector público.

1.2.2 La gestión de riesgos en las entidades del sector público

El sector público ha cambiado drásticamente a escala global en los últimos 40 años. Estos cambios están asociados principalmente al “grupo de ideas” conocido como Nueva Gestión Pública (NGP) (Hood, 1991, p. 3). El término NGP se popularizó en la década de 1980, cuando el sector público de los países desarrollados, como EE. UU. y el Reino Unido, comenzó a “aplicar los principios del sector privado para reducir los costes y aumentar los resultados medibles” (Antoun, 2020, p. 143). Los orígenes de la NGP se han descrito como un “matrimonio” (Hood, 1991, p. 5) entre dos corrientes de investigación diferentes. La *nueva economía institucional*, que contribuyó a generar reformas basadas en las ideas de “transparencia”, “elección del usuario” o “estructura de incentivos”, y el *gerencialismo de tipo empresarial* en el sector público, que contribuyó a generar un conjunto de reformas basadas en ideas como “gestión profesional” o “poder discrecional” (Hood, 1991, págs. 5-6). El principio fundamental de la NGP es dar una perspectiva más “*empresarial*” a las organizaciones del sector público. El uso de herramientas y prácticas de gestión procedentes del sector privado (por ejemplo, la promoción por méritos o a juicio de los jefes o mediante métodos empresariales) contribuye a mejorar la eficacia (Barzelay, 2002; McLaughlin *et al.*, 2002). Países como Australia, Canadá, Japón, Nueva Zelanda y otros países de Europa Occidental siguieron el ejemplo del Reino Unido y EE. UU. El concepto de NGP se globalizó y se aplicó en todo el mundo, incluidas las economías en transición y en desarrollo (Antoun, 2020). En EE. UU., por ejemplo, Esenberg (1992) comentó que “la gestión de riesgos en el sector público es uno de los segmentos de la profesión que más rápido está creciendo”. Las reformas del sector público han puesto en el foco la GR a efectos de la eficiencia, la eficacia y la responsabilidad (Palermo, 2014; Mahama *et al.*, 2021).

Las iniciativas de la NGP obligaron a los gestores del sector público a gestionar los riesgos (por ejemplo, Woods, 2009; Barrett, 2014b). Los riesgos en el sector público se derivan del amplio espectro de los servicios públicos que ofrece, como la educación, la seguridad pública, el transporte o las infraestructuras, entre muchos otros (Gephart *et al.*, 2009; Hood y Miller, 2009; Mahama *et al.*, 2021). Desde el principio, en la mayoría de los países desarrollados el énfasis de la GR en las entidades del sector público se puso en los conceptos de responsabilidad y control. La gestión del riesgo y los factores que afectan a la GR en el sector público pueden diferir notablemente de los del sector privado (Vincent, 1996; Braig *et al.*, 2011). No es de extrañar, dadas las diferentes responsabilidades y características de los directivos del sector público en comparación con los del sector privado,⁹ las diferentes formas en que se manifiestan la responsabilidad y la autoridad, los atributos específicos de los servicios y las actividades que realizan los organismos del sector público y la gran variedad de intereses e influencias que afectan a estas instituciones. Por regla general, las entidades del sector público operan en entornos complejos y políticos en los que puede ser especialmente difícil hacer operativa la GR (Paape y Spefle, 2012).

Durante las décadas de 1990 y 2000, los procesos y técnicas formales de GR siguieron expandiéndose en el sector público de las economías desarrolladas (Drennan y McConnell, 2007; Collier, 2009). En la mayoría de los países, fueron los gobiernos centrales quienes fomentaron estos desarrollos (por ejemplo, en el Reino Unido entidades como el HM Treasury Treasury (el departamento gubernamental responsable de las políticas fiscal y económica del gobierno) (HM Treasury, 2004) y

⁹ Por ejemplo, los directivos de las entidades del sector público son tradicionalmente más adversos al riesgo que los del sector privado (Mahama *et al.*, 2021).

organizaciones en ejercicio como el *Instituto Colegiado de Finanzas Públicas y Contabilidad* (CIPFA, por sus siglas en inglés, 2001). Según la *Federación de Asociaciones Europeas de Gestión de Riesgos* (FERMA, por sus siglas en inglés, 2002), la aplicación de la GR debería ayudar a las entidades gubernamentales a reforzar los controles internos, a identificar y abordar los riesgos, a mejorar la gobernanza corporativa y la toma de decisiones, y a conducir a una asignación más eficaz de los recursos al tiempo que se mejora la eficiencia de las operaciones. Instituciones como COSO, la *Organización para la Cooperación y el Desarrollo Económico* (OCDE) (Boin y Lodge, 2016) o el *Banco Mundial* también han desempeñado un papel importante a la hora de ofrecer una valiosa guía (por ejemplo, COSO, 2004) y avivar el interés por la GR en el sector público (Bracci *et al.*, 2021).

La evolución de la GR en el sector público en los últimos veinte años se ha descrito como “genérica y abstraída de circunstancias específicas” (Palermo, 2014, p. 324; véase también Power, 2007), y es integrada y holística (COSO, 2004; Palermo, 2014). En cuanto a la primera característica, se plantea que los procesos de GR pueden ser vistos como técnicas de gestión aplicables en cualquier organización (Palermo, 2014), o, como sugieren Hood y Miller (2009, p. 3), como “marcos de trabajo que encajan en cualquier parte y que pretenden estandarizar y formalizar los procesos organizativos”. En cuanto al segundo punto, destaca la necesidad de lograr un “enfoque corporativo compartido para identificar y gestionar el riesgo en toda la organización” (Palermo, 2014, p. 324) en el que todos ostenten alguna responsabilidad (COSO, 2004). Los investigadores consideran que la GR es un pilar fundamental de la buena gobernanza y la rendición de cuentas tanto en el sector público como en el privado (Hood y Rothstein, 2000; Arena *et al.*, 2010; Frigo y Anderson, 2011) y que es una “obligación” para el control de gestión moderno

(Bhimani, 2009; Woods, 2009). Como señalaron Arena *et al.* (2010), desde esta perspectiva el concepto de riesgo se vuelve más amplio y de aspiración más sistémica.

Ya en 2005, y en referencia al caso del Reino Unido, Black argumenta que el “riesgo” se convirtió en “el principio organizativo central en la regulación y la prestación de servicios públicos y el gobierno central del Reino Unido está repleto hoy día de iniciativas para promover la gestión de riesgos” (Black, 2005, p. 510). Esta tendencia ha continuado en la mayoría de los países desarrollados, con un papel cada vez más importante para la GR y la GRE en las entidades del sector público, a pesar de las dudas sobre su eficacia (Kaplan y Mikes, 2016; Palermo, 2014).

Acontecimientos recientes como la crisis financiera mundial y la pandemia del COVID-19 han aumentado el interés y la centralidad de la GR en el sector público (Bracci *et al.*, 2021). Este mayor énfasis en la GR se produce incluso cuando la hegemonía de la NGP como enfoque dominante de la reforma pública se ha debilitado (Brinkerhoff y Brinkerhoff, 2015, p. 222). Están surgiendo otros enfoques como las reformas del sector público posteriores a la NGP (Brinkerhoff y Brinkerhoff, 2015; Antoun, 2020) o “un criterio de gobierno integral” (*whole-government approach* en inglés) (Lapsey, 2009; Robinson, 2015). Aunque la adopción y la aplicación de marcos y prácticas de GR son sustanciales en países desarrollados como Australia, Canadá, Italia, Nueva Zelanda, Suecia y el Reino Unido (Barret, 2014; Bui *et al.*, 2019; Carlsson-Wall *et al.*, 2019; Hinna *et al.*, 2018; Rana *et al.*, 2019b; Woods, 2009), la difusión de estas prácticas en los países en desarrollo no es tan significativa a pesar de los esfuerzos (Claessens, 1993; Brown *et al.*, 2013). Por ello, instituciones mundiales como la ONU y el Banco Mundial instan a los gobiernos de los países en

desarrollo a invertir recursos en prácticas de GR para fomentar el desarrollo económico y social (World Bank, 2014; UN, 2020). Como se indica en el *World Development Report (WDR 2014): Risk and Opportunity -Managing Risk for Development* (Informe sobre el Desarrollo Mundial: Riesgo y oportunidad - Gestión del riesgo para el desarrollo, World Bank, 2014):

Gestionar los riesgos de forma responsable y eficaz tiene el potencial de aportar seguridad y una vía de progreso a la población de los países en desarrollo y (...)

El WDR 2014 sostiene que la gestión de los riesgos puede ser un poderoso instrumento para el desarrollo, no sólo porque aumenta la capacidad de recuperación de las personas y reduce así los efectos de los acontecimientos adversos, sino también porque les permite aprovechar las oportunidades de mejora. El WDR 2014 no se dedica a un análisis detallado de los riesgos específicos. Sin embargo, su marco puede aplicarse para abordar conjuntos de riesgos concretos y relevantes en determinadas regiones y países. El hecho de centrarse en el proceso de gestión de riesgos permite al WDR 2014 considerar las sinergias, las contrapartidas y las prioridades que implica abordar diferentes riesgos en distintos contextos, con la única motivación de impulsar el desarrollo (World Bank, 2014, p. 3).

1.2.3 Las limitaciones de la investigación previa sobre gestión de riesgos en el sector público

Como destacan Bracci *et al.* (2021) y Paape y Spekle (2012, p. 559), la investigación que explora la adopción e implementación de las prácticas de GR en el

sector público es limitada, y se necesita más investigación teórica y empírica para alcanzar una comprensión más profunda de la GR en el sector público. Además, la mayoría de los estudios sobre GR en el sector público se han realizado en países como Australia, Canadá, Nueva Zelanda, Reino Unido y EE. UU. Tales estudios aportan evidencia valiosa sobre la dinámica de la GR en el sector público de las economías occidentales desarrolladas. Sin embargo, poco se sabe sobre la adopción e implementación de herramientas y prácticas de GR en entornos institucionales en los que las normas, los valores y los sistemas de creencias tradicionales difieren de las economías desarrolladas y occidentales.

Las diferentes iniciativas de reformas del sector público en todo el mundo sugieren que las instituciones desempeñan un papel instrumental en la adopción y aplicación de las reformas (Brinkerhoff y Brinkerhoff, 2015; Rana *et al.*, 2019a; Schedler y Proeller, 2007). Además, la experiencia demuestra que las reformas son difíciles de aplicar en entornos en los que existe inercia política, social y cultural (Biygautane *et al.*, 2016; Khodr y Reiche, 2010; Sarker, 2006). Esto es especialmente cierto en los países en desarrollo, donde es probable que las lógicas institucionales predominantes de las entidades gubernamentales choquen con las lógicas subyacentes de las reformas orientadas al mercado que se inspiran en la NGP. Con sus factores contextuales únicos y sus complejas redes de actores e instituciones, los organismos del sector público de estos países pueden tener dificultades para aplicar procesos formales y marcos genéricos de GR importados de las economías occidentales desarrolladas (Sarker, 2006). Tal como sostienen Biygautane *et al.* (2016, p. 98), “la transferencia de las técnicas de gestión occidentales a los países no occidentales “no es imposible, pero sí difícil” (Khodr y Reiche, 2010, p. 164)”. Este estudio pretende mejorar nuestro conocimiento sobre el proceso de adopción, la

implementación y las consecuencias de los procesos y prácticas de GR en los países en desarrollo, examinando el caso de los organismos del sector público de Arabia Saudí.

1.2.4 Motivación y contribución de la investigación

El interés por la GR ha ido creciendo con el tiempo (Power, 2004), con un gran número de estudios de investigación publicados en los últimos años (por ejemplo, Hood y Rothstein, 2000; Dionne, 2013; Rana *et al.*, 2019a). A pesar del conocimiento acumulado, se justifica una mayor investigación sobre la adopción y el impacto de las prácticas de GR, la dinámica de la GR en las organizaciones y la infraestructura que rodea la implementación de la GR (por ejemplo, Mikes, 2009; Arena *et al.*, 2017).

Más concretamente, los escasos estudios que investigan la GR en el sector público (por ejemplo, Palermo, 2014; Themsen y Skærbæk, 2018; Carlsson-Wall *et al.*, 2019) coinciden en que existen retos específicos. Es necesario identificar estos retos para obtener los mejores parámetros de diseño para la GR en el contexto de las entidades gubernamentales (véase también Collier y Woods, 2011). Si bien la GR ofrece un potencial considerable a los gestores de las entidades gubernamentales, la gestión de los riesgos en estas organizaciones presenta retos que requieren una mayor investigación (Palermo, 2014). Bracci *et al.* (2021) también señalan la necesidad de realizar más estudios que examinen la adopción de las prácticas de GR y sus implicaciones culturales, ya que mejorarían nuestra comprensión de la difusión de la GR en el sector público, especialmente en aquellos contextos (por ejemplo, los países en desarrollo) en los que la integración de los marcos de GR con los procesos y sistemas institucionalizados puede ser especialmente difícil (Rana *et al.*, 2019a). Es

importante destacar que los estudios anteriores subrayan que la futura investigación sobre GR en el sector público debe ser “más teórica para proporcionar conclusiones que estén más sólidamente fundamentadas” (Bracci *et al.*, 2021, p. 213; véase también Rana *et al.*, 2019a). Por tanto, el rompecabezas es cómo los marcos y procesos genéricos de GR y GRE derivados del sector privado y luego adoptados por las entidades del sector público de las economías desarrolladas pueden ser adoptados e implementados en entornos radicalmente diferentes a los de los países en desarrollo con valores tradicionales marcadamente distintos de los valores basados en el mercado.

Este estudio empírico se realizó en el Reino de Arabia Saudí (RAS), un país en desarrollo incluido en la región de Oriente Medio y Norte de África (OMNA). El país atraviesa actualmente importantes cambios económicos, sociales y culturales que influyen en diferentes aspectos de la sociedad saudí. Estos amplios cambios institucionales son, sin duda, importantes para el ámbito de las entidades del sector público del país. Más concretamente, el lanzamiento de un ambicioso plan estratégico denominado “Visión 2030”, inspirado en las ideas occidentales basadas en el mercado (Biygautane *et al.*, 2016), incorpora valores y creencias que difieren notablemente de los arraigados en el sector público saudí tradicional. Este escenario representa un interesante laboratorio natural para explorar la adopción y la aplicación de las prácticas de GR en un país en desarrollo no occidental.

Esta investigación contribuye a la literatura existente de las siguientes maneras: en primer lugar, desde un punto de vista empírico, esta tesis contribuye a la investigación sobre GR al proporcionar evidencias novedosas del proceso de adopción, implementación y resultados de la GR por parte de las entidades del sector

público¹⁰ en un país en desarrollo y no occidental. El análisis de las entidades gubernamentales de los países del Golfo aporta una dimensión relevante a la investigación anterior, ya que estas economías dependen en gran medida del sector público. Además, este entorno está poco explorado en la literatura a pesar de su importancia económica. El presente estudio, pues, responde a la exigencia de estudios empíricos y teóricos que exploren contextos en los que los directivos “pueden tener dificultades para integrar la GR con sistemas y procesos existentes que están incuestionablemente institucionalizados” (Rana *et al.*, 2019a: p. 150). Como argumentan Themsen y Skærbæk (2018, p. 31), la implementación de la GR es un “proceso complejo, paradójico e incierto” y “más estudios deberían seguir esta línea de investigación”. Además, al aportar pruebas de un contexto desatendido en estudios anteriores, el estudio enriquece lo que actualmente sabemos sobre los principales impulsores y obstáculos de la GR y sobre cómo las reformas crean una cultura de la GR (por ejemplo, Rana *et al.*, 2019b, p. 44).

En segundo lugar, desde una perspectiva teórica, esta tesis se encuentra entre los primeros estudios que utilizan la Perspectiva de la Lógica Institucional (PLI) en el contexto de la GR en las entidades del sector público. Se ha comprobado que las ideas proporcionadas por los teóricos institucionales contribuyen a explicar por qué las organizaciones adoptan ciertas prácticas e innovaciones de gestión y cómo estas se difunden a través de ellas con independencia de que mejoren la eficiencia o la eficacia de la organización (Suddaby, 2013, p. 379). Rana *et al.* (2019b, p. 44) sostienen que “el desarrollo de los sistemas de gestión del rendimiento y del riesgo

¹⁰ En este estudio, los términos “entidad gubernamental” y “entidad del sector público” se utilizan indistintamente. Una “entidad del sector público” se define como “una organización permanente o semipermanente en la maquinaria del gobierno que es responsable de la supervisión y administración de funciones específicas” (<https://www.definitions.net/definition/government+agency>, consultado el 31 de agosto de 2022).

debe examinarse a través de la lente de las nuevas perspectivas institucionales y de la lógica de la práctica, en las que las disposiciones macroinstitucionales interactúan con las microprácticas individuales”. El presente estudio suscribe esa afirmación por entero y sostiene que una PLI puede ser un marco útil para explorar la interacción de las lógicas sociales (nivel macro de análisis), las acciones organizativas (nivel meso de análisis) y los comportamientos individuales (nivel micro de análisis) y para comprender la dinámica de adopción e implementación de la GR, aportando luz sobre cómo los individuos manejan las lógicas institucionales que compiten entre ellas. Tal como sugieren Greenwood *et al.* (2011, p. 523), es necesario comprender mejor cómo las instituciones y las lógicas no mercantiles (por ejemplo, el Estado, la familia y la religión) pueden influir en las organizaciones. Greenwood *et al.* (2011) también reclaman que se investiguen más los patrones dinámicos de complejidad que brotan de la multiplicidad de lógicas (incompatibles). El estudio de una entidad gubernamental situada en un país no occidental y en vías de desarrollo ofrece la oportunidad de comprender mejor cómo compiten una lógica institucional dominante en el sector con una lógica emergente inspirada en las ideas occidentales de la NGP. Arabia Saudí ofrece un escenario institucional único para explorar la influencia potencial de los órdenes institucionales del Estado, la familia y la religión.

Además, el presente estudio desarrolla dos “tipos ideales” de lógicas que podrían aplicarse en futuros estudios que examinen el sector público de Arabia Saudí y de los países en desarrollo. Al hacerlo, el estudio responde a la exigencia de una comprensión más profunda del origen de las lógicas institucionales y las nuevas prácticas, y cómo se relacionan entre sí (Lounsbury, 2008). En líneas generales, al adoptar la PLI para examinar la dinámica de la GR en el sector público de un país en vías de desarrollo, esta investigación pretende responder a la exigencia de una mayor

teorización en los estudios que abordan la adopción, la implementación y la difusión de las prácticas de GR (Bracci *et al.*, 2021).

Por último, este estudio contribuye al campo práctico de la GR proporcionando algunas recomendaciones. Se espera que los resultados sean beneficiosos para los consultores de GR y los gestores de las organizaciones gubernamentales de las economías en desarrollo. Los consultores suelen basarse en directrices internacionales como COSO e ISO (Hood y Miller, 2009), y pueden tener acceso a experiencias y lecciones procedentes primordialmente del contexto occidental. Esta investigación puede beneficiar a los consultores al presentar evidencia sobre cómo éstos adaptan sus servicios y el alcance de los mismos a entornos no occidentales, como el de Arabia Saudí. Si se toma en consideración el amplio entorno social del sector público en Arabia Saudí, el presente estudio pretende mejorar la adaptación de los enfoques a las necesidades reales y sugerir pasos encaminados a superar los retos de la implementación de la GR en estos entornos. Por otro lado, para los directivos de las entidades gubernamentales de los países en vías de desarrollo, el presente estudio puede mejorar su percepción de la GR y los requisitos para ponerla en práctica. El estudio ofrece varias recomendaciones prácticas para los gestores del sector público.

1.3 Objetivos de la investigación y preguntas de investigación

El objetivo general del presente estudio es investigar la dinámica de la GR en las entidades públicas saudíes desde la Perspectiva de la Lógica Institucional (PLI) (Friedland y Alford, 1991; Thornton y Ocasio, 2008; Thornton *et al.*, 2012). Este

objetivo general puede dividirse en los siguientes tres conjuntos de objetivos de investigación específicos:

OI 1: Comprender las razones y el proceso de adopción de las prácticas de GR por parte de las entidades gubernamentales en RAS

Para cumplir este objetivo de investigación específico, el estudio investiga: (a) cuáles fueron las principales razones para que el gobierno y las entidades gubernamentales adoptaran la GR y (b) hasta qué punto la(s) lógica(s) institucional(es) en el campo influyeron en la decisión de adoptar las prácticas de GR. Al objeto de responder a estas preguntas, exploramos hasta qué punto la adopción de la GR por parte de las entidades gubernamentales dependió no sólo de las presiones económicas, sino también de las presiones sociales de conformidad y legitimidad. El estudio vincula los niveles de análisis macro, meso y micro. En concreto, desarrolla un marco para examinar la interacción entre las lógicas institucionales que coexisten en el ámbito social de las entidades del sector público saudí y la práctica específica de gestión investigada (la GR).

OI 2: Comprender el proceso de implementación de la GR por parte de las entidades del sector público en RAS

Para cumplir este objetivo específico, esta investigación pretende comprender: (a) el papel de los diferentes grupos de actores (por ejemplo, los directivos, los consultores) en la implementación de la GR en las entidades del sector público saudí en general, y en la entidad investigada en particular; (b) los principales retos y cambios

experimentados por las entidades del sector público en este proceso; y (c) hasta qué punto las lógicas institucionales en el ámbito de las entidades públicas saudíes influyeron en el proceso de implementación. La PLI se utiliza para explorar la dinámica entre los diferentes grupos durante el proceso, arrojando luz sobre cómo los individuos manejan las lógicas institucionales en competencia que coexisten en el ámbito de las entidades del sector público saudí.

OI 3: Comprender las implicaciones y consecuencias de la aplicación de las prácticas de GR por parte de las entidades del sector público en RAS

Para cumplir este objetivo de investigación, este estudio examina (a) cuál fue el resultado del proceso de implementación y en qué punto se encuentran los resultados del proyecto; (b) la percepción de los diferentes grupos implicados sobre los resultados del proyecto de GR; y (c) las “lecciones aprendidas” de esta experiencia. Para responder a estas preguntas, combinamos el análisis a nivel micro y meso, utilizando las respuestas de los diferentes actores implicados en el proceso y la documentación sobre el estado de la entidad en relación con el marco y las prácticas de GR. El estudio también explora el resultado a nivel macro, teniendo en cuenta las lógicas institucionales del campo.

1.4 Marco teórico y métodos

Tal como se ha mencionado, este estudio se basa en la Perspectiva de la Lógica Institucional (PLI) (Friedland y Alford, 1991; Thornton y Ocasio, 2008; Thornton *et al.*, 2012). La PLI nos ayuda a comprender las interrelaciones entre las instituciones,

las organizaciones y los individuos en un campo social (Thornton *et al.*, 2012). Las instituciones conforman la heterogeneidad, la estabilidad y el cambio de los individuos y las organizaciones a través de sus lógicas de actuación subyacentes (Thornton y Ocasio, 2008, p. 103). Las lógicas institucionales pueden definirse como “los patrones históricos, socialmente contruidos, de las prácticas materiales, los supuestos, los valores, las creencias y las reglas mediante los cuales los individuos producen y reproducen su subsistencia material, organizan el tiempo y el espacio y dotan de significado a su realidad social” (Thornton y Ocasio, 1999, p. 804). Ayudan a vincular las prácticas institucionales contruidas socialmente en el nivel macro y la entidad individual (nivel meso) y dan forma a las prácticas organizativas y al comportamiento individual (nivel micro) por diferentes medios, como las identidades colectivas y la identificación con grupos específicos (Thornton y Ocasio, 2008; Smets *et al.*, 2012). En cualquier sociedad, existen múltiples órdenes institucionales con principios organizativos únicos (Thornton *et al.*, 2012). Tal como argumentan Thornton *et al.* (2012), estos principios prescriben qué medios y objetivos son legítimos según una determinada lógica (por ejemplo, una lógica de mercado, una lógica de Estado, una lógica familiar o una lógica religiosa).

Este marco teórico es apropiado para nuestro estudio por varias razones. En primer lugar, requiere examinar el comportamiento de los individuos y las organizaciones dentro de su contexto social e institucional, y “este contexto institucional regulariza el comportamiento y a la vez ofrece la oportunidad de actuar y cambiar” (Thornton y Ocasio, 2008, p. 102). En segundo lugar, destaca el papel de las dimensiones culturales de las instituciones a la hora de posibilitar y restringir la acción social (Thornton y Ocasio, 2008), lo cual es especialmente relevante para nuestro objetivo de explorar la GR en entidades del sector público situadas en un país no

occidental, en vías de desarrollo y teocrático-islámico. Por último, los escasos estudios que examinan la GR en el sector privado demuestran que la PLI es un marco relevante y robusto para examinar la adopción y el desarrollo de la GR en las organizaciones (por ejemplo, Arena *et al.*, 2010; Palermo *et al.*, 2017). Por lo que sabemos, ningún estudio anterior ha estudiado la GR en organismos gubernamentales desde la PLI.

Este trabajo adopta un enfoque empírico de estudio de casos, que es especialmente adecuado para explorar la adopción, la implementación y la dinámica de las prácticas de GR. Este método es la “estrategia de investigación preferida cuando las preguntas ‘cómo’ y ‘por qué’ son el centro de la investigación” (Major *et al.*, 2018, p. 507). Un enfoque de estudio de casos permite vivir todo el proceso, desde la toma de decisión de adoptar la GR hasta el proceso de implementación, utilizando un ejemplo real. Tal como destacan Cooper y Morgan (2008), los profesionales lo consideran especialmente relevante porque convierte la información privada en conocimiento disponible públicamente. Es un enfoque metodológico habitual para los estudios relacionados con la GR en las organizaciones del sector público (por ejemplo, Mikes, 2007; Rocher, 2011; Palermo, 2014).

La investigación se basa en la Entidad Y, un gran organismo gubernamental saudí con más de 10.000 empleados y distribuida geográficamente por todas las ciudades de RAS. Por razones de confidencialidad, el nombre y la ubicación de la entidad no se identifican. La Entidad Y se seleccionó por dos razones: en primer lugar, es representativa de las grandes entidades gubernamentales de Arabia Saudí; en segundo lugar, dado que el investigador participó en el proyecto de GR adoptado por la Entidad Y, fue posible tener acceso a múltiples fuentes de datos, incluidos documentos internos y observaciones etnográficas. Como consultor involucrado en el

proyecto, el investigador tuvo el papel de “participante completo” (Smith, 2017) durante el proyecto y la oportunidad de entrevistar a altos ejecutivos de la Entidad Y, a varios consultores de GR que trabajan para una gran firma de consultoría y a varios directores de riesgos (CRO, por sus siglas en inglés) de otras entidades gubernamentales.

1.5 Estructura de la tesis

La tesis se divide en nueve capítulos, incluido el presente. El capítulo 2 introduce el concepto de GR y ofrece una revisión de la literatura. El capítulo 3 presenta el marco teórico y las preguntas de investigación. El capítulo 4 se centra en el entorno institucional. El capítulo 5 ofrece información sobre el enfoque metodológico. Los tres capítulos siguientes presentan el análisis y las conclusiones del estudio. En concreto, explican el análisis y las conclusiones relacionadas con la adopción (capítulo 6), la aplicación (capítulo 7) y las consecuencias de los proyectos de GR en las entidades del sector público saudí (capítulo 8). Por último, el capítulo 9 destaca las principales conclusiones del estudio y sus implicaciones. A continuación, se ofrece un resumen de los distintos capítulos:

- El capítulo 2 introduce el concepto de GR y los diferentes marcos relacionados. Examina las investigaciones anteriores sobre los factores que impulsan la adopción de prácticas de GR, la aplicación de prácticas de GR y las consecuencias de la aplicación de prácticas de GR. La revisión se centra en las prácticas de GR en las organizaciones del sector público.

- El capítulo 3 presenta la perspectiva teórica y las preguntas de investigación. Proporciona información sobre los antecedentes y los fundamentos de la PLI. También justifica la adopción de este marco en este estudio. Este capítulo explica los objetivos y las preguntas de investigación del estudio.
- El capítulo 4 ofrece información sobre el ámbito de las entidades del sector público en el Reino de Arabia Saudí. Describe el contexto, arrojando luz sobre los cambios que se han producido en el sector público saudí desde 1970 hasta la actualidad.
- El capítulo 5 ofrece información sobre el enfoque metodológico, la metodología de investigación y el proceso de recogida de datos. Se justifica el uso del método de estudio de casos y se ofrecen detalles sobre los diferentes tipos de datos considerados en el estudio.
- El capítulo 6 es el primer capítulo de análisis y resultados. Presenta el análisis de la adopción de las prácticas de GR en las entidades gubernamentales saudíes, incluyendo una descripción de los diferentes impulsores de la adopción de una práctica de GR en la entidad objeto de estudio. Relaciona los acontecimientos a nivel micro con las lógicas institucionales a nivel macro predominantes en el sector público saudí a la hora de adoptar las prácticas de GR.
- El capítulo 7 es el segundo capítulo de análisis y resultados y se centra en los retos del proceso de implementación de las prácticas de GR. La implementación

de nuevas prácticas se asoció a una novedosa complejidad institucional, a un sentido de urgencia y a complejas interacciones sociales, lo que representó un reto para todos los actores implicados en el proceso. Se identificaron otros retos (por ejemplo, la falta de recursos).

- El capítulo 8 es el último capítulo de análisis y resultados. Presenta un análisis de las consecuencias y los resultados del proceso de adopción e implementación del proyecto de GR en la Entidad Y. Analiza la influencia de la GR a nivel organizativo y la aparición de prácticas híbridas.
- En el capítulo 9 se presentan y discuten las conclusiones del estudio, sus implicaciones, sus aportaciones y sus limitaciones. También ofrece algunas sugerencias para futuras investigaciones

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

The research interest in RM has increased significantly in the last decades, with scholars examining the integration of RM practice both in public and private entities (e.g., Hood and Rothstein, 2000; Mikes, 2006; Andreeva *et al.*, 2014; Mahama *et al.*, 2020). This chapter introduces the concept of “risk” and defines the concept of RM. It provides an overview of previous studies on the adoption, implementation, and results of RM frameworks in the context of public sector entities. In particular, it highlights the similarities and differences of the results of prior studies and determines the research gap(s) which motivated this study.

2.2 The Concept of Risk Management

2.2.1 *Risk in organizations*

Risk is part of every human endeavour. We face risks at any moment, and risk has been part of everyday life for as long as humans have been on this earth (Vasvári, 2015). Since the famous distinction between risk and uncertainty of Knight (1921)¹¹, researchers have provided multiple definitions of “risk”.

¹¹ Knight (1921, pp. 19-20) stated that “[u]ncertainty must be taken in a sense radically distinct from the familiar notion of Risk, from which it has never been properly separated. The term “risk”, as loosely used in everyday speech and in economic discussion, really covers two things which, functionally at least, in their causal relations to the phenomena of economic organization, are categorically different. (...). The essential fact is that “risk” means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomena depending on which of the two is really present and operating. There are other ambiguities in the term “risk” as well, which will be pointed out; but this is the most important. It will appear that a measurable uncertainty, or “risk” proper, as we shall use the term,

Although there is no generally accepted definition of risk in the literature (Aven and Renn, 2009), most researchers agree on some common features. Risk is considered a synonym to expected loss (Willis, 2007), expected disutility (Campbell, 2005), a probability of an adverse result (Graham *et al.*, 1995), a measure of the probability and severity of adverse effects (Lowrance, 1976) or a set of scenarios, each of which has a probability and a consequence (Kaplan, 1991). Boholm (1998, p. 135) argues that “actions and understandings about risks would be learned by socially and culturally structured conceptions and evaluations of the world”. Consequently, these variances could be based on diverse information, interests, or acuties about reality and how we come to perceive it.

Studying risk is fascinating when we understand that risk can be sought voluntarily. Furthermore, it can be argued that every major advance in human civilization has been made likely because someone was ready to take a risk. As explained by Power (2004):

It has been famously suggested that we live in a ‘risk society’ ... Although, it is debatable whether the world is ‘more risky’ or more objectively dangerous now than in the past, more possible outcomes in the world are now regarded as amenable to human decision and intervention... As part of a politics of uncertainty, publics of varying kinds of demand decisions and the right to hold decision-makers to account (Power, 2004, p. 13).

Hardy (2010) highlights that there are multiple definitions of risk, which are acknowledged in different sectors and industries, but risk in most of these settings is

is so far different from an unmeasurable one that it is not in effect an uncertainty at all. We shall accordingly restrict the term “uncertainty” to cases of “non-quantitative type”.

linked to the idea of the “uncertainty of outcomes” (p. 10). Hardy (2010, p. 11) defines risk as “an event that has a potentially negative impact and the possibility that such an event will occur and adversely affect an entity’s assets, activities, and operations.”

This research adopts the definition of risk provided by the *International Organization for Standardization*¹² (ISO) in the *ISO 31000 Risk Management Guidelines*¹³. According to ISO 31000 risk is “*the effect of uncertainty on objectives*”, where an effect is a positive or negative deviation from what is expected (Praxiom ISO 31000, 2018). This definition recognizes that any entity works toward achieving its objectives and there is always a chance that things will not go according to plan. Every decision or action has an element of risk that needs to be managed and every outcome is to a certain extent uncertain (Praxiom ISO 31000, 2018). Importantly for the purpose of this study, this definition is similar to the one proposed by the Ministry of Finance in Saudi Arabia (MOF RM Guideline, 2021). In 2021, the Ministry of Finance issued a document whose main purpose is to provide general guidance on RM for government entities in alignment with international standards (MOF RM Guideline, 2021 p. 3). In the document, RM is defined as “[a] structured and integrated approach that identifies and assesses risks to the entity that may hinder achieving its objectives, taking the necessary measures to prevent them and reduce their effects and the likelihood of their occurrence” (MoF RM Guideline, 2021, p. 4)

¹² ISO “is an independent, non-governmental international organization with a membership of 165 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant international standards that support innovation and offer solutions to global challenges” (available at <https://www.iso.org/about-us.html>, accessed May 9, 2022).

¹³ The *ISO 31000 Risk Management Guidelines* were first issued in 2009. They provide principles for practitioners and companies employing RM practices. An amendment was issued in 2018 providing more strategic guidance and give more emphasis on the involvement of senior management and the integration of RM into the organization. These recommendations can be customized to any organization.

2.2.2 Risk management as an organizational function

This research is interested in the “management of risk”. Spira and Page (2003, p. 642) notice that the “historical progression of the notion of risk and its management can be traced back to the pre-modern area”. However, the concept of “risk management” as understood today was absent (Spira and Page, 2003). They argue that the development of rationalism in the 17th century and the subsequent developments in science and technology (e.g., appearance of techniques and tools for the prediction and calculation of risk¹⁴) offered protection against some risks while creating new ones. These developments gave rise “to demands for effective risk management processes to deal with an increasingly complex “risk calculus” at an individual, organizational and societal levels” (Spira and Page, 2003, p. 642).

As explained in Chapter 1, the concept of RM as currently understood emerged after the Second World War, although in its origins was mainly a practice using insurance to manage risk (Dionne, 2013). For 20 years, from the 1950s to the 1970s, RM was mainly linked to insurance provision (Harrington and Niehaus, 1999). In the 1970s and 1980s, companies, particularly financial institutions and banks, began to consider alternative forms of protection from various risks (e.g., market and credit risks) (Crockford, 1982). Banks developed internal RM models to “protect themselves from unanticipated risks and reduce regulatory capital” (Dionne, 2013, p. 148). At that point in time, the governance of RM became an important subject, and the function of RM was established mainly in financial institutions (Dionne, 2013). The financial scandals of the late 1980s and beginning of the 1990s and the regulatory response to

¹⁴ For a description of the history of risk “measurement”, see McGoun (1995).

those scandals (e.g., issue of codes of corporate governance in the UK such as the Cadbury Report (1992)) acted as drivers for RM (Drennan *et al.*, 2000; Drennan, 2004; Spira and Page, 2003). Thus, in the late 1990s, RM became a corporate affair, with the board of directors of large corporations taking the major RM decisions and the audit committee monitoring those decisions. The position of Chief Risk Officer (CRO) first appeared in some organizations (Dionne, 2013).

During the 2000s, RM started to become regulated and mandatory, mainly in the financial sector and listed companies. The financial scandals of the beginning of the 2000s in the US (e.g., Enron and WorldCom) and in other countries (e.g., Parmalat in Italy, Gescartera in Spain), further intensified this tendency and pushed organizations and regulators for a more holistic (enterprise-wide) approach of RM beyond the financial compass (Arena *et al.*, 2010; Brennan, 2004). In this context, the term “enterprise risk management” (ERM) appears for the first time (Bromiley *et al.*, 2015).

As explained in Section 1.2.2, these developments in the private sector expanded to the public sector. Since the mid-1980s, RM practices were adopted by the public sector in developed countries such as the UK and the US as part of the modernization process under policies inspired by the New Public Management (NPM) (Lapsely, 2009; Bracci *et al.*, 2021). Formal RM processes and techniques continued to expand notably in the public sector of developed economies in the last thirty years (Drennan and McConnell, 2007; Collier, 2009; Rana *et al.*, 2019a).

Today, RM is seen as one of the main pillars of good governance and accountability in both the public and private sectors (Hood and Rothstein, 2000; Arena *et al.*, 2010; Frigo and Anderson, 2011) and as a “must” for the modern management

control (Bhimani, 2009; Woods, 2009). As Arena *et al.* (2010) pointed out, from this perspective the concept of risk becomes broader and more systemic in aspiration.

According to the framework proposed by the *Institute of Risk Management* (IRM), RM is “*the process whereby organizations methodically address the risks attached to their activities to achieve sustained benefit within each activity and across the portfolio of all activities*” (IRM, 2002, p. 2). From the IRM’s perspective, the final goal of RM is to establish a reference framework that allows organizations to handle risk and uncertainty (IRM, 2002). Thus, RM is an integrated approach to managing risk across an organization and its extended networks (ISO 31000, 2009).

As explained in Chapter 1, the initial concept of RM has progressed towards becoming *Enterprise Risk Management* (ERM). While there are multiple definitions of ERM –for a summary of the different definitions, see Bromiley *et al.*, (2015)– there is consensus about the core elements of ERM: i) managing the risk of a corporation as a whole is more efficient than managing the risks of the different parts and/or activities of the corporation; ii) risks include “traditional risks” (e.g., accidents) and strategic risks (e.g., competitors’ actions); and iii) managing risks is not just about mitigating problems; it is also about looking for opportunities (Bromiley *et al.*, 2015, p. 268). This study adopts the definition of ERM provided by COSO in the *Enterprise Risk Management – Integrated Framework* published in 2004: “the possibility that an event will occur and adversely affect the achievement of objectives”.¹⁵

Today ERM is perceived as an integrated and holistic practice, as it helps in achieving a shared approach that “aligns strategy, processes, people, technology, and knowledge” (Spikin, 2013, p. 102) to identify and manage risk across the organization,

¹⁵ Available at <https://erm.ncsu.edu/library/article/coso-erm-framework> (accessed May 9, 2022).

where “*everyone in an entity has some responsibility for enterprise risk management*” (COSO, 2004). Depending on the organization’s structure and governance needs, it can follow a centralized, decentralized, or even a hybrid approach. Under this perspective, the RM function within the entity is responsible for the management of the RM policy of the entity. As stated by COSO,

All entities face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholders’ value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value (COSO, 2004, p. 2).

As an organizational “function”, RM is led by a CRO who manages a team of risk professionals. The RM function operates through a framework comprising a clear mandate and defined policies and procedures. The RM team executes the work using specific tools (e.g., information technology systems) and techniques (e.g., data analytics) –for more details, see Ramamoorti and *Weidenmier* (2006). The function must coordinate with all the operational and business areas of the entity, which would be ultimately responsible for the implementation of RM. Risk managers are responsible for protecting the organization through identifying risks and facilitating the development of risk mitigation plans (Power, 2007). Thus, an important element of risk is “the existence of a decision-making situation, i.e., the ability to “cope with” and “undertake risk” (Vasvári, 2015, p. 43). This perspective of RM assumes that risks need to be managed in “an integrated fashion, encompassing potential threats in each level of the entire organization” (Spikin, 2013, p. 102; see also Drennan and McConnell, 2007). In alignment with ISO 31000 (ISO_31000, 2009), the RM process or cycle could be summarized in five main steps in alignment:

- determining the objectives;
- identifying the risks;
- evaluating the risks;
- determining the risk treatment or mitigation plan;
- implementing and reviewing or reporting step.

Consultants who are experts in RM play an important role in implementing RM practices (Mikes, 2006). As a result of the increasing importance of RM in entities, the number of RM practitioners worldwide has grown significantly, with the leading professional association, *the Global Association of Risk Professionals* (GARP), having more than 150,000 members in 190 countries and territories (GARP, 2018).

2.3 Risk Management Adoption, Implementation, and its Consequences

Prior empirical work has examined RM practices and their proliferation into different domains and types of organizations, such as large non-financial companies (Arena *et al.*, 2010; Arena *et al.*, 2017), banks (Mikes, 2006, 2009, 2011), higher education institutions (Power *et al.*, 2009), local governments (Woods, 2009; Rocher, 2011; Vinnari and Skærbæk, 2014), large public sector entities (e.g., Palermo, 2014) and large public projects (Themsen and Skærbæk, 2018). This section provides a literature review of studies examining RM in public sector entities, even though given their relevance, there are some references to contributions related to RM in private entities. For a structured literature review on RM in the public sector, see Bracci *et al.* (2021). Appendix 2.6 at the end of this chapter presents a summary of the most relevant empirical contributions on RM in public sector entities.

2.3.1 Heterogeneity – a key challenge when studying Risk Management

Regulatory and professional initiatives for the public sector emphasize the “generic approach” followed by RM frameworks and the idea that RM helps standardize and formalize organizational processes irrespective of the type of organization (Hood and Rothstein, 2000). Researchers, however, have discussed the important challenges that “generic” RM frameworks face when applied to public services (e.g., Hood and Rothstein, 2000; Andreeva *et al.*, 2014; Vergotine and Thomas, 2016). Specifically, these studies show that RM is far from being a homogeneous concept: depending on the sector and area of application, it comes with different definitions, practices, and techniques. For example, Hood and Miller (2009) argue that while RM in the private sector typically has a hierarchical emphasis, decisions in the public sector involve multiple organizations via partnership arrangements. Moreover, as pointed out by Palermo (2014, pp. 322-323), “rising expectations of public accountability incentivizes the use of RM for defensive management and blame-avoidance.” Mikes (2006) considers that this is one of the challenges faced by researchers exploring RM practices.

Mikes (2006) also points out the second challenge of research on RM: the variety of disciplines that explore RM issues from sociological research to accounting and finance literature (e.g., Hunter and Smith, 2002). The heterogeneity of approaches to examine the phenomenon adds complexity to the research process. This study focuses on prior studies in the field of management control and accounting and based on sociological and organizational perspectives which have proved to be beneficial in explaining the role of RM both in private and public entities (e.g., Mikes, 2006; Bhimani, 2009; Power, 2009). Other approaches are possible, such as examining RM from an

operational or strategic perspective (Araz *et al.*, 2020; Singh and Hong, 2020; Lima *et al.*, 2020).

2.3.2 Drivers for the adoption of risk management frameworks

Research exploring RM projects and practices has found multiple drivers for RM adoption, from environmental pressures to intra-organizational dynamics and a combination of both (Palermo, 2014). Some of the drivers identified by prior studies examining public and private sector entities are, but are not limited to, regulatory influences (e.g., Power *et al.*, 2009; Paape and Speklé, 2012; Palermo, 2014), external communication of effectiveness of management's actions and people perception (e.g., Bhimani, 2009; Malik and Holt, 2013), efficiency concerns (e.g., Liebenberg and Hoyt, 2003), the appointment of Big Four audit firms (e.g., Beasley *et al.*, 2005), firm size, and industry-related characteristics as well the business complexity (e.g., Gordon *et al.*, 2009; Paape and Speklé, 2012), and corporate governance characteristics (e.g., board of directors empowerment; the presence of an audit committee) (e.g., Kleffner *et al.*, 2003; Paape and Speklé, 2012).

As far as the adoption of RM in public sector entities is concerned, research has found that normative and coercive pressures (e.g., Collier and Woods, 2011; Rana *et al.*, 2019b; Woods, 2009), legitimacy, and reputational concerns (e.g., Power *et al.*, 2009; Collier and Woods, 2011), corporate governance demands (e.g., Crawford and Stein, 2004; Collier *et al.*, 2007; Collier and Woods, 2011), and certain organizational characteristics, such as size and technology (e.g., Woods, 2009), are key drivers for the decision to adopt RM.

Most organizations have seen RM primarily as an issue of compliance with statutory or regulatory requirements (e.g., Collier and Woods, 2011; Hood and Smith, 2013; Palermo, 2014; Rana *et al.*, 2019b). In England, for example, the development of RM in local government “was largely driven by compliance with the external control requirements” (Hood and Smith, 2013, p. 309). Regarding local authorities in the UK and the adoption of RM, it is worth mentioning the contribution of Crawford and Stein (2004). With a focus on the RM aspects of corporate governance, Crawford and Stein (2004) review the guidance documents followed by UK local authorities and analyse the RM structures and procedures in five entities finding weaknesses in both the guidance and the policies adopted (e.g., the need for more focused guidance; the need for a change of culture). Their findings also suggest that RM became part of an increasingly standardized and formalized set of good practice governance arrangements.

Further evidence on the public sector in the UK is provided by Woods (2009). The study explores a RM system at the Birmingham City Council and demonstrates that RM systems are contingent upon central government policies, communication technology, and organizational size. The results suggest that the normative pressures emanated by existing professional standards influenced the central government’s expectations about RM in local authorities. Those normative influences happened as well through the personnel, as some individuals were undertaking examinations for professional associations such as the Institute of Risk Management.

Collier and Woods (2011) provide evidence from Australia and the UK showing that compliance with international standards recommended by the national authorities and the local inspection regimes played a key role in adopting RM. As in prior research

(e.g., Collier *et al.*, 2007), they find that compliance with legislation and demands for improved corporate governance and expectations of external stakeholders were the main drivers for the adoption of RM. In their view, the role of the board of directors should not be underestimated. More generally, Collier and Woods (2011) provide evidence of the existence of mimetic, normative, and coercive pressures affecting the decision to adopt RM systems across different countries. Coercive pressures lead to the adoption of widely accepted RM systems; mimetic pressures lead to the adoption of practices that apparently have been successful internationally; and normative pressures arise from multiple sources, including the experience, education, and personnel movements, and led to similar processes adopted by large and small public sector entities in both Australia and the UK. But they also found that the motivating factors were country-specific: the degree of influence of state governments is very different in Australia and the UK, and the reputational consequences were also different in the two settings. These findings underscore the importance of the institutional context for any study exploring the adoption and implementation of RM systems. Finally, the financial incentives also had an impact on one of the entities analysed.

Rana *et al.* (2019b) provide insights into the process of transformation of the Australian public sector. Their evidence suggests that the adoption of RM approaches was associated with managing “reputation and political risk” and/or the “blame game” (Hood, 2010; Power, 2004). In other words, making sure that if something had gone wrong, they were not to blame” (Rana *et al.*, 2019b, p. 42). In their view, the dominant source of RM and management control systems in the Australian public sector was legislation.

The importance of legitimacy as a key driver in the adoption of standardized RM systems is examined in detail by Power *et al.* (2009). This study discusses the emergence of “reputational risk”, a core aspect of current discourses of RM becoming a logic of organizing that permeates the management process. In their view, this concept has become a pervasive logic of organizing as a symptom of the importance of organizational and individual concerns with appearances and the performative role of RM systems in shaping managerial behavior. Using the example of English universities, they suggest that the adoption and implementation of standardized RM tools have become crucial to being a “legitimate organization”.

Intra-organizational dynamics could also act as drivers for the adoption of RM tools. Carlsson-Wall *et al.* (2019), in a study exploring the role of *vernacular* RM systems -these are informal RM systems “developed and used by local managers in relevant daily activities” (p. 4) - demonstrated that an important part of the current form of the RM system in a large Swedish public sector entity was established through a *vernacular* component and not due to external pressures. The strong commitment of the local managers and the development of *vernacular* RM systems played an important role.

Finally, as Palermo (2014) suggested, there is not a clear-cut distinction between external pressures and intra-organizational dynamics affecting the adoption of RM systems. In the study of Palermo (2014, p. 323), the case study organization itself became a reference model, “a model that others sought to use in developing their own RM processes”.

Table 1 summarizes the main drivers of the adoption of RM in the public sector identified in prior empirical studies:

Table 1: Drivers of the adoption of RM frameworks in public sector entities identified by prior research

Drivers – Categories	Studies
Concerns about legitimacy and reputation (e.g., reputational risk)	Collier and Woods (2011) Power <i>et al.</i> (2009)
Cognitive and normative factors (e.g., best practices; professional standards)	Crawford and Stein (2004) Palermo (2014) Woods (2009)
Constraints on financial resources (e.g., due to competitive pressures)	Collier and Woods (2011) Palermo (2014) Rana <i>et al.</i> (2019a) Rocher (2011)
Regulative factors (e.g., regulations, reforms, new rules)	Collier and Woods (2011) Palermo (2014) Rana <i>et al.</i> (2019b)
Intra-organizational dynamics (e.g., leadership style; vernacular systems)	Carlsson-Wall <i>et al.</i> (2019) Palermo (2014)

Source: Prepared by the author.

2.3.3 Challenges in the implementation of risk management frameworks

Accounting scholars examining RM as a social and institutional practice have confronted the feasibility of the application of generic RM processes and frameworks into real life organizational contexts. Mikes (2012) argues that RM frameworks embrace an unrealistic view of entities, given that in practice RM is subject to conflicting demands.

Research has paid attention to the challenges in the implementation process. Studies examining private entities have found that corporate culture can be a significant challenge (e.g., Palermo *et al.*, 2017). Generally, the results suggest that

increasing the awareness of RM within any organization is essential to develop a risk culture. Creating a culture of risk helps spreading awareness among employees, which then are more likely to engage in the process of implementation of RM tools and take responsibility for the risks specific to their field of competence (Malik and Holt, 2013). For example, Mikes (2009, p. 20), in a study based on the empirical evidence from two large banking organizations, shows that “calculative cultures shape managerial predilections towards RM practices and serve as important constituents of the fit between risk control systems and organizational contexts”. Arena *et al.* (2010), Mikes (2006, 2009, and 2011) and Power *et al.* (2009) refer to the concept of “fluidity” of RM pointing out how it can vary in its calculative practices, cultural significance, and level of embeddedness.

Research has also showed that engaging the stakeholders is a must (e.g., Beasley *et al.*, 2005). The actors involved in the process (CROs, management accountants, internal auditors, and risk specialists) are key in the shaping the “RM fluidity” and the lack of competence and education about RM act as a significant barrier in RM implementation. For example, Beasley *et al.* (2005) confirmed that RM implementation is positively correlated to organizational characteristics such as the presence of a CRO, board of directors’ independence, CEO and CFO support, and presence of Big Four auditor.

The infrastructure also matters. Arena *et al.* (2017) combine research on ERM with research on boundary objects to examine how a “mix of tools, processes and networks of actors can give rise to something that, even if only temporarily, becomes a apparently stable and coherent working ensemble” (Arena *et al.*, 2017, p. 65), they demonstrate the importance of infrastructure to explain “how vague policy objects become tractable across different organizational sites and institutional arenas” and

highlight its role as both an engine and a barrier to RM practices. Using an institutional perspective, Arena *et al.* (2010) provide an interesting study of how RM in three companies is translated and alters the behavior and mindset of the actors who participate in managing uncertainty. Their findings suggest that there is an ongoing and evolving interaction between RM and management practices pre-existing before the implementation of RM.

The findings based on public sector entities provide similar insights. The key role of organizational culture in the implementation of RM systems in the public sector is highlighted by Crawford and Stein (2004), Rana *et al.* (2019a) and Hinna *et al.* (2018) among others. As explained by Mikes (2009), RM tools and techniques tend to be data driven and highly analytical. Thus, they may be difficult to adapt to the dominant culture and management style of public sector organizations (Paape and Spekle, 2012, p. 541). Barrett (2014), in reference to new legislation in Australia, explicitly states that cultural changes within public entities are needed to promote effective RM.

The role of knowledge and experience of the actors involved in the process of implementation of RM systems cannot be underestimated. Palermo (2014) studied the implementation by a large public-sector entity of RM tools designed for the private sector. Using an institutional perspective, the results show that elements such as the relational skills, knowledge of business activities and professional experience play a critical role in the implementation of private-sector-derived practice. One of these practices is the Risk Analysis Method (RAM). The implementation of RAM in a French local government is analysed by Rocher (2011) using the sociology of translation (Latour, 2005). The study shows how a RM practice changes and is redefined when adopted by “others”, in line with the concept of “fluidity” introduced by Mikes (2009)

and Power *et al.* (2009). Rocher (2011) also finds that the acceptance of certain management devices depends upon a complex web of interrelations in which technologies and actors are intertwined. In line with Palermo (2014), the study also highlights the critical role of users and users' interventions. Hinna *et al.* (2018) emphasizes the process of "knowledge sharing" that took place during the implementation of a RM system in the Italian Institute of Statistics (ISTAT). In their view,

[d]espite the different perceptions of actors involved, the experience in ISTAT shows that a series of meetings and interviews had the dual advantage of improving the participants' knowledge on RM and also served to illustrate how this method could be used to facilitate a collective continual learning process.
(Hinna *et al.*, 2018, p. 28).

As these authors point out, these findings are in line with the idea of RM as an instrument of organizational learning (Power, 2004).

Previous studies have shown that communication is key in the implementation of RM systems (e.g., Hinna *et al.*, 2018; Thomsen and Skærbæk, 2018). Thomsen and Skærbæk (2018) adopt the sociology of translation together with the performativity thesis to investigate the long-term dynamics of RM frameworks and technologies in the context of a Danish mega-project. The study provides an analysis of the interaction between managers and consultants. One of their key findings is that the implementation of RM is a complex and inconsistent process which requires the right expertise, knowledge, and implementation approach (Thomsen and Skærbæk, 2018).

The performativity thesis in the context of RM practices is also explored by Vinnari and Skærbæk (2014) in a study about the implementation of RM practices as

a tool for internal audit services in a local government. They provide evidence that RM itself continuously creates different types of uncertainties related to legal aspects, uncertainties related to the definition and operationalization of RM and uncertainties related to the resources available for expanding RM. These uncertainties have clear implications for the different actors involved in the process as well as an impact on the organization, destabilizing and disrupting existing practices of RM.

Bracci *et al.* (2020), drawing on the concepts of boundary objects and boundary work, examine the integration of RM and performance management systems in an Italian municipality. They show that the integration process depends on the development of a “shared” context. Key actors (e.g., risk experts) and their boundary work play an important role in managing boundary objects (e.g., internal processes map) and in creating this shared/divided context.

Rana *et al.* (2019b) explore the implications of NPM reforms in Australia for micro-level practice. In particular, they examine the effects of embedding RM within the management control system. Bui *et al.* (2019), in a study of two New Zealand local authorities, focus on the change of RM practices suggesting that fundamental and sustainable changes require both the implementation of RM tools and changes in the “general understandings”¹⁶ of RM practices.

To conclude this section, it is worth mentioning two studies which propose general frameworks for an effective implementation of RM in public sector entities (Andreeva *et al.*, 2014; Mahama *et al.*, 2021). Andreeva *et al.* (2014) provides a framework for understanding the different actors involved in the governance of public

¹⁶ They apply Schatzki’s theory, which defines “general understandings” as “senses of the worth, value, nature, or place of things, which infuse and are expressed in people’s doing and sayings” (cited in Bui *et al.*, 2019, p. 22).

risk and identify four key characteristics to consider: a) the coordinating role of government, b) the shared responsibility, c) interdependence and d) authority versus accountability. They highlight the importance of identifying the precise network of actors and stakeholders involved in the governance of public risk, defined as “anything likely to have an impact on the public” (Andreeva *et al.*, 2014, p. 343). Mahama *et al.* (2021) propose a framework for effective RM in public sector organizations based on main enablers of RM, namely business intelligence and analytics, management control systems. These enablers help identifying and evaluating by identifying impact and likelihood through analysis of frequencies, the risks facing the organizations.

Table 2 summarizes the main categories of challenges in the implementation of RM identified in prior empirical studies examining public sector entities.

Table 2: Challenges in the implementation of risk management in public sector entities identified in prior research

Challenges – Categories	Studies
Organizational culture	Crawford and Stein (2004) Hinna <i>et al.</i> (2018) Rana <i>et al.</i> (2019a) Vinnari and Skærbæk (2014) Wood (2009)
Engagement (or lack of) of actors involved in the process	Bui <i>et al.</i> (2019) Barrett (2014) Crawford and Stein (2004) Hinna <i>et al.</i> (2018) Palermo (2014) Rocher (2011) Wood (2009)
Experience and knowledge of the actors involved in the process	Palermo (2014) Rocher (2011) Themsen and Skærbæk (2018) Vinnari and Skærbæk (2014)
Communication among actors (e.g., knowledge sharing; manipulation of information)	Bui <i>et al.</i> (2019) Hinna <i>et al.</i> (2018) Palermo (2014) Rocher (2011) Woods (2009)
Infrastructure (e.g., information technology; communication technology)	Hinna <i>et al.</i> (2018) Themsen and Skærbæk (2018) Vinnari and Skærbæk (2014) Woods (2009)

Source: Prepared by the author.

2.3.4 The outcome of the implementation of risk management frameworks

A carefully designed RM program should enable the identification and evaluation of risks at all levels whether at the wide company “macro” level or departmental, functional “micro” level and that would have a positive long-term outcome as the company would be able to face all types of risks at different levels. (Nocco and Stulz, 2006). In practice, however, the results of the process can be very different. As highlighted by Stulz (2008), RM can fail when

choosing the wrong risk metrics and otherwise mismeasuring risks, risk managers can fail to communicate their risk assessments and otherwise provide effective guidance to top management and boards. Once top management has used that information to determine the firm’s risk appetite and strategy, risk management can also fail to monitor risks appropriately and maintain the firm’s targeted risk positions (Stulz, 2008, p. 47).

If not properly managed RM systems may be “formal” tools that facilitate the continuation of the status quo and favour opportunistic behaviours (Hinna *et al.*, 2018). Importantly, “RM systems can produce organizational procedures and rules to avoid blame when things go wrong” (Hinna *et al.*, 2008, p. 1).

Studies examining the outcomes of the RM frameworks both in public and private sectors are scarce (Hood and Smith, 2013). Research examining private sector entities has focused on how RM can “add shareholder value” and “improve the bottom line” (Hood and Smith, 2013). For example, Bruce (2002) provides a summary of case studies that provide valuable insights into the outcomes of RM systems. Eckels *et al.* (2014), using a sample of US insurance companies for 1992-2008, test the hypothesis that the implementation of ERM reduces firms’ cost of reducing risk. The results

indicate that firms adopting ERM experience a reduction in stock return volatility, thereby supporting the hypothesis. The study also shows that the reduction in return volatility for ERM adopters becomes stronger over time.

As mentioned above, studies examining the efficiency and effectiveness of RM systems in the public sector is very limited. Generally, surveys tend to support the view that RM positively affects organizations and adds value (AFERM-PwC, 2015). For example, the results of the first survey on ERM in the public sector carried out by the *Association for Federal Enterprise Risk Management* and PwC stipulate that:

Respondents with established risk management programs indicate that their organizations realize significant benefits, such as reduced duplicity of risk management and compliance efforts and existence of risk-based indicators to support proactive mitigation planning (AFERM-PwC, 2015, p. 4).

However, as Arena *et al.* (2010) comment, a non-tailored RM system in public sector organizations may have undesirable consequences, as the implementation of RM systems can be a simple exercise to prove compliance.

Hinna *et al.* (2018) also provide some insights about the outcome of RM projects after examining the Italian Institute of Statistics case. The survey results show a positive perception of the RM system. Specifically, the managers interviewed suggested that the RM project was already contributing to the achievement of several outcomes. These outcomes include strengthening controls on inefficiencies that could lead to fraudulent behaviour, “closer connections between strategic goals and management actions”, or “assessing the managers’ ability to solve critical situations”, among others (Hinna *et al.*, 2018, p. 10). Overall, the work done by the entity concerning RM was perceived as crucial for key areas, such as operational security

and the protection of people. Thus, it has a positive effect on reputation. The case study showed that “the full implementation of the RM system changed both the main reasons and the way through which organizational actors collect, transform, and use the information to manage uncertain situations favouring organizational learning” (Hinna *et al.*, 2018, p. 16).

The view of Rana *et al.* (2019b) after examining the implementation of a RM approach in the Austrian public sector as a whole is not so positive. Rana *et al.* (2019b) conclude that the outcome has been defined as a “*reductionist accountability framework*” (Rana *et al.*, 2019b; Power, 2007) and insufficient performance measures of RM systems in the Austrian public sector (Rana *et al.*, 2019b). According to experts on Australian public administration (e.g., Barrett, 2014a; Barrett, 2014b), there is a need to develop further an integrated performance and RM system with a long-term strategic focus. As stated by Barrett (2014b, p. 464), “the holistic approach to governance and the greater emphasis on risk management and “earned autonomy” offer fertile ground for marked improvements in public sector performance which should be pursued with enthusiasm and vigor.” Consistent with Barrett (2014b), Rana *et al.* (2019b) contend that even if contemporary reforms in Australia have stressed the role of risk in the performance measurement framework, “it is not clear that these changes have flowed into grassroots accountability practice as yet” (Rana *et al.*, 2019b, p. 43). In their view, for real changes in practice, there is a need to change the underlying logic of practice, which is heavily orientated towards compliance.

To conclude this section, it is worth highlighting that while the implementation of RM requires support from different stakeholders, these may do that but for different purposes. For example, as suggested by Power (2004, p. 41), the support to RM

systems may be seen as an “exit strategy” to manage the uncertainty or as a “defensive strategy” to avoid individual or collective responsibility; individuals may perceive RM frameworks as a threat and not being pragmatic and adaptive to those threats (Hood, 2002); or they may resist changing instead of developing the organizational thinking (Lapsley, 2009; Power, 2007). These aspects imply that a “successful” implementation of RM in public sector entities requires specific approaches and methods, along with the institutional contexts and logics that steer the organizations and individuals. The focus on intra-organizational actions is important to understanding how RM practices denote a basis for organizational learning and improving public administration performance. Table 3 shows a summary of the outcomes of prior research examining RM implementation in public sector entities.

Table 3: Outcome of RM implementation identified by prior research

Outcome – Themes	Studies
RM implementation success requires specific approach and methods. A non-tailored RM system in public sector organizations may have undesirable consequences.	Arena <i>et al.</i> (2010) Hood and Smith (2013) Hinna <i>et al.</i> (2018)
Potential reduction of the accountability framework in public entities.	Rana <i>et al.</i> (2019b)
A positive long-term outcome as the company would be able to face all types of risks at different levels.	Nocco and Stulz (2006)
RM can reduce insurance firms’ cost.	Eckels <i>et al.</i> (2014)
RM can strengthen controls on inefficiencies that could lead to fraudulent behavior in public sector entity.	Hinna <i>et al.</i> (2018)
RM systems can produce organizational procedures and rules to avoid blame when things go wrong.	Hinna <i>et al.</i> (2018)
There is a need to develop further an integrated performance and RM system with a long-term strategic focus.	Rana <i>et al.</i> (2019a)

Source: Prepared by the author.

2.4 Research Gap

As shown in the last section, research exploring the adoption and implementation of RM practices in the public sector is limited (Rana *et al.*, 2019a; Bracci *et al.*, 2021). Notably, all the empirical studies on RM systems in public sector entities reviewed provide evidence from developed, Western countries (see Table 1). In these jurisdictions, the adoption of RM practices by government entities is part of broader reforms of the public sector inspired by New Public Management (NPM) ideas (Lapsley, 2009). The different NPM initiatives across the world suggest that institutions play an instrumental role in adopting and implementing reforms (Brinkerhoff and Brinkerhoff, 2015; Schedler and Proeller, 2007). Furthermore, experience shows that culture, traditions, governance systems, and leadership styles are instrumental in explaining the adoption, implementation, and outcome of public sector reforms (Christensen and Lægreid, 2001; Brinkerhoff and Brinkerhoff, 2015; Biygautane *et al.*, 2016). Importantly, as argued by Biygautane *et al.* (2016, p. 98), “the transfer of Western management techniques to non-Western countries is “not impossible, but difficult” (Khodr and Reiche, 2010, p. 164)”. In political, social, and cultural inertia settings, reforms are difficult to implement (Bygautane *et al.*, 2016; Khodr and Reiche, 2010; Sarker, 2006). It is particularly true in developing countries, where the prevalent institutional logics of governmental agencies are likely to clash with the logics embedded in market-based reforms inspired by NPM. Hence, the insights gained from the previous literature through the study of Western countries may not automatically extend their validity to different contexts.

Developing, non-Western countries such as the Kingdom of Saudi Arabia (KSA) are undertaking profound public sector reforms, including adopting RM practices (e.g.,

Brinkerhoff and Brinkerhoff, 2015). This thesis examines an RM project inspired by NPM principles in a governmental agency in KSA, a non-Western, developing country. Examining the adoption, implementation, and outcome of RM practices in an institutional setting where traditional norms, values, and belief systems diverge dramatically from those of developed, Western, economies address calls for empirical and theoretical studies exploring contexts where managers “may struggle to find ways of integrating risk management with existing systems and processes that are unquestionably institutionalized” (Rana *et al.*, 2019a, p. 150).

As argued by Thomsen and Skærbæk (2018, p. 31), the implementation of RM is a “complex, paradoxical and uncertain process”, and “more studies should pursue this line of enquiry”. This research aims to enrich our understanding of the key drivers and barriers of RM and provide novel evidence of the responses to the adoption and implementation of a Western-based management tool in a setting where institutionalized practices and routines are not necessarily conducive to the adoption of risk culture (Rana *et al.*, 2019a). As shown by prior studies, the acceptance of new technologies can always be questioned (e.g., Rocher, 2011). Rocher (2011) and Subramaniam *et al.* (2011) call for further research on what happens once RM is implemented in an entity and the impact of the practice on organizational outcomes. Furthermore, Thomsen and Skærbæk (2018) contend that there is a need for further research about how projects and entities construct risks and explore the potential conflicts within consultancy firms, etc. This study aims to answer these calls by examining the implementation of an ERM project in a large public sector entity in Saudi Arabia.

The institutional logics perspective (ILP) is used to examine the case study. To our knowledge, no prior studies have adopted the ILP to understand and analyse the process, even though this theoretical approach has proven to help explain why certain managerial practices and innovations become adopted by organizations or diffuse across organizations regardless of whether they improve organizational efficiency or effectiveness (Suddaby, 2013, p. 379). In fact, Rana *et al.* (2019b, p. 44) call for research exploring RM systems through the lens of the ILP as it can be a fruitful framework to explore the interaction of societal logics (macro-level of analysis), organizational actions (meso-level of analysis), and individual behaviours (micro-level of analysis) in understanding the dynamics of adoption and implementation. Prior studies have not defined institutional logics related to public sector entities in a developing and Arabic country such as Saudi Arabia; in this study, we develop these logics through understanding the RM project setting process within the field.

2.5 Conclusion

The interest in RM is growing due to multiple factors such as the globalization of trade and production and the increase in financial and direct investment in emerging markets (Palermo, 2014). Market uncertainty and increased stakeholder pressure have forced entities in both private and public sectors to manage risk in the planning, controlling, and execution of business processes. Accordingly, the management of risk has become a strategic business imperative, with management emphasizing the management of all types of risks.

Despite of the development of the RM practices, multiple organizational failures flagged concerns about the efficiency of RM (Lapsley, 2009; Mikes and Kaplan, 2014;

Eckles *et al.*, 2014; Palermo, 2014; Lundqvist, 2015). Corporate scandals and the financial crisis of 2008 have emphasized the need for entities to assess an extensive variety of risks within environments of rising regulatory interventions. However, there is still a lack of agreement on models of RM and the application of extant models in the business. Furthermore, the description of many concepts remains unclear (Vergotine and Thomas, 2016). As pointed out by Arena *et al.* (2010, p. 659), despite the rational approach to RM proposed by professional associations and regulators, RM “can be different things in different entities, or even within the same entity at different times”.

The review of prior studies examining RM in the context of the public sector suggests a need for further research on RM in public entities. Cultural values and preferences influence RM practices and management control systems (Rana *et al.*, 2019a; Malmi *et al.*, 2020). By examining the whole process of adoption, implementation, and outcome of a RM project in a governmental entity located in a non-Western, developing country, this study provides novel evidence of managerial responses to RM practices in a setting where institutionalized routines, processes, and practices are not necessarily conducive to the adoption of a risk culture (Rana *et al.*, 2019a, 2019b). This research contributes to the field by providing novel evidence from a context neglected in prior studies (KSA) and adopting a theoretical approach (ILP) that has not been employed in prior studies examining RM in public sector entities. In this study, we define the institutional logics related to public sector entities in a developing and Arabic country through understanding the RM project setting process.

The following chapter (Chapter 3) explains the theoretical approach.

2.6 Appendix

2.6.1 Main empirical contributions on risk management in public sector organizations, arranged by alphabetical order

Study	Country	Research Question/Purpose	Theoretical Approach	Method	Sample/Entity	Main Findings
Bracci <i>et al.</i> (2020)	Italy	How boundary objects and the boundary work of key actors affect the integration between RM and performance management systems?	Concepts of boundary objects and boundary work (Star, 2010; Gyerin, 1983).	Qualitative case study	Municipality located in Northern Italy	Boundary objects (e.g., the internal processes map, the risk register, and the performance plan) act as knowledge integration mechanisms, "allowing key actors to understand the meanings and uses of RM and PM practices". Integration between RM and performance measures happens in "shared contexts resulting from collaborative boundary work of key actors".
Bui <i>et al.</i> (2019)	New Zealand	How is RM practice organized and how does it change within local authorities?	Schatzki's social site analysis	Case study	Two local authorities in New Zealand	The findings suggest that "practical intelligibility and general understanding mutually affect each other, contributing to the organizing and changing of RM practice". The results also suggest that changing the "general understanding" of RM is an important mechanism of making RM change fundamental and sustainable (besides adopting RM framework and mechanisms).
Carlsson-Wall <i>et al.</i> (2019)	Sweden	How do vernacular risk management systems emerge and interact with formal risk management systems in a public sector organization?	N/A	Case study	Large governmental agency in Sweden	The RM in the entity under investigation happened through the increasing elaborate apparatus of formal RM systems and through non-formal systems self-generated by organizational actors in the context of their work (what they call "vernacular RM systems"). In the case study, risks are largely managed outside the apparatus of formal RM systems. Part of the current formal RM system was established locally as a vernacular system (not driven by external, institutional, pressures).
Collier and Woods (2011)	Australia and UK	Test alternative theoretical perspectives on the factors influencing the adoption and implementation of RM in different entities located in different countries	Institutional theory, contingency theory, resource dependence theory, and political perspectives	Case study	Four local authorities: One large metropolitan and one local entity in the UK in two countries (Australia and UK)	The basic structures of RM were common across all four local entities in both countries. However, substantial differences were found in the national context in which RM was used. Regarding the theoretical framework, both institutional and contingency theories provide useful but insufficient explanations for the adoption of RM systems. The paper encourages a pluralist approach to explain the similarities and differences of RM adoption in the public sector across.
Crawford and Stein (2004)	UK	Review of guidance documents and assess their effectiveness in helping local authorities	N/A	Case study	Five UK local authorities	They identify several weaknesses in the guidance and the policies adopted related to RM (e.g., a need for more focused guidance; departmentalism; lack of RM culture)
Hinna <i>et al.</i> (2018)	Italy	To observe and discuss the implementation of RM paying attention to both formal and informal practices	N/A	Case study	Italian Institute of Statistics	The case highlights: a) the importance of getting the involvement of several actors; b) the need for training programs for staff involved; and c) the importance of shared cultural beliefs about what RM means. The case also points out the relevance of leadership (commitment and participation of the leaders in promoting and implementing RM frameworks).
Hood and Smith (2013)	UK	To examine the perceptions of local authority officers and determine the degree to which there is evidence of quantifiable, positive RM outcomes	N/A	Case study	Two English local authorities	The paper provides evidence of good RM outcomes. The findings suggest that RM plays a key role in the successful delivery of corporate objectives and services to the public. Despite the challenges, there is evidence of positive outcomes; and those outcomes are identifiable and measurable.
Palermo (2014)	UK	Why private based RM principles and tools are adopted and retained in the public sector despite the criticism of formal and generic risk-related organizational arrangements	New institutional theory	Case study	Large UK public sector organization	The study shows the key role of RM as an accountability tool. The study also provides insights about the nature of the expertise required to implement a new RM process and to use these tools in day-to-day organizational life. The findings suggest that RM is dependent on relational skills, knowledge of business activities, and professional experience of the actors involved.

Study	Country	Research Question/Purpose	Theoretical Approach	Method	Sample/Entity	Main Findings
Power et al. (2009)	UK	Conceptualization of an abstract notion of 'reputational risk' as a significant aspect of expanded discourses of RM	Power's (2007) framework: Organized uncertainty: designing a world of risk management	Interpretive research	Higher education sector. English universities	The study shows that RM agenda has expanded from its "technical roots" to become a "must" of good governance. Such expansion has increased organizational orientations towards "reputational risks and to more defensively and legally framed forms of asset management". The empirical analysis suggests that organizations respond to the actions of external bodies which evaluate and rank universities and, therefore, generate reputational risk. Universities are now more concern with reputational risk.
Rana et al. (2019a)	Australia	Proposing a new framework to integrate risk management with strategy. Link between management control system and performance management system	N/A	Multi-site qualitative case study approach	Australian public sector	Enterprise risk management enabling Management control system has potential to improve the performance management system and strategic decision making, this would lead to a more proactive risk management framework and culture that promotes performance driven accountability
Rana et al. (2019b)	Australia	Analysis of past reforms and emerging practices of performance measurements and RM	N/A	Multi-site qualitative case study approach	Australian public sector	The Australian reforms developed in three different stages each of which had implications for the performance measurement systems and the RM framework embedded within the management control system. The adoption of RM was related to reputation and political risks. Legislation was also a main driver of RM.
Rocher (2011)	France	How a management device is transformed and refined in the hands of others and how the sociology of translation provides interesting insights into the acceptance of reforms in the public sector	Sociology of translation framework	Case study	Public Accounting General Directorate of the French Ministry of Finance	The acceptance of a management device (e.g., Risk Analysis Method (RAM)) "depends upon a complex web of interrelations in which techniques and actors are intertwined". The case study shows how management devices such as RAM, "contain meanings and utilities that are not initially considered by the designers". Those devices suffer a progressive transformation, which also affect the actors in charge of their implementation. The study also shows the influence of users on technical devices: they transform both the technical and usage frameworks of those devices adapting them to their needs.
Rocher (2011)	France	How a management device is transformed and refined in the hands of others and how the sociology of translation provides interesting insights into the acceptance of reforms in the public sector	Sociology of translation framework	Case study	Public Accounting General Directorate of the French Ministry of Finance	The acceptance of a management device (e.g., Risk Analysis Method (RAM)) "depends upon a complex web of interrelations in which techniques and actors are intertwined". The case study shows how management devices such as RAM, "contain meanings and utilities that are not initially considered by the designers". Those devices suffer a progressive transformation, which also affect the actors in charge of their implementation. The study also shows the influence of users on technical devices: they transform both the technical and usage frameworks of those devices adapting them to their needs.
Thomsen and Skærbæk (2018)	Denmark	To examine the long-term dynamics of RM frameworks and technologies related to the translation of uncertainties into risks.	Callon's performativity thesis and Latour's conceptual work on purification and inscriptions	Longitudinal case study	One of the largest public sector projects in Denmark	The case study shows that the implementation of RM is a complex, paradoxical and uncertain process. The RM framework adopted by the entity under investigation and the IT-based system "performed the construction of risks through establishing the boundaries of the forms of uncertainties that were accepted" and thus included as risks ("pure risks"). The IT system acted a "conduit for overflows" but also created concerns and frustrations among managers. Consultants helped in the process so that the IT-based system "became key to purification because the risk consultants could visually frame the performable space of the practice".
Vinnari and Skærbæk (2014)	Finland	To analyse the implementation of RM as a tool for internal audit activities, focusing on unexpected effects or uncertainties generated during its application	Actor-network theory (ANT)	ANT-based study	Finish municipality	RM itself creates unexpected uncertainties (e.g., legal aspects; uncertainty about RM definition and operationalization) that would otherwise not have emerged. The study finds that these uncertainties relate to the professional identities and responsibilities of the managers.
Woods (2009)	UK	To develop a contingency framework for the public sector	Contingency theory	Exploratory case study	Birmingham City Council	The findings suggest that the basic structures of RM are common across large organisations although at operational level the RM system is contingent upon three main variables: a) central government policy; b) information and communication technology; and c) organisational size.

Source: Prepared by the author.

CHAPTER 3 – THEORETICAL FRAMEWORK

3.1 Introduction

We study the adoption, implementation, and outcomes of RM in government entities through the frame of institutional theories. Specifically, we rely on the institutional logics perspective (ILP), defined as “a framework for analysing the interrelationships among individuals, organizations, and institutions in social systems” (Durand and Thornton, 2018, p. 632; see Friedland and Alford, 1991; Thornton *et al.*, 2012). The acumens by institutional theorists demonstrated to be productive in explaining the drivers for adoption and organizational undercurrents of managerial practices in general and RM practice in particular (e.g., Arena *et al.*, 2010). Studies have also demonstrated how accounting and control systems work in settings with different sets of institutional logics (Lounsbury, 2008).

In this chapter we describe the origins and fundamentals of the ILP, and we explain why we selected it as a theoretical framework, how we applied it, and through which method we conducted the empirical work. To understand the multiple dimensions covered in our research, we start by introducing the foundations of institutional logics and its development over time. We then review prior research using the ILP. We organize the literature review as follows: first, we summarize the main findings of studies examining government entities from an ILP; second, we present the results of studies using institutional logics to explore the adoption and implementation of RM; and finally, we summarize what we know about the study of institutional logics in the context of developing economics. Next, we explain why we adopt the ILT to

examine our case study and we explore the institutional logics in Saudi Arabia in the field of public sector entities. We close the chapter by explaining the empirical approach we will follow to capture the institutional logics in the field.

3.2 Theoretical Approach – Institutional Logic Perspective

3.2.1 Overview

We (as a society, organizations, and individuals) all live under defined orders; we live in a democracy or in a dictatorship; we follow Christianity or other religions; we behave, and act based on our family traditions and rules; broadly, the economic system can be on capitalism or socialism. Institutional orders are these high-level contexts with defined attributes in specific places and times.

Our behaviours, practices, and acts define or explain what we call logics. Institutional logics refer to the descriptive details of institutional orders. Thus, individuals, organizations, and society behave, act or practice specific activities which define a particular logic (Thornton *et al.*, 2012), and that logic is linked to a particular order. For example, election and voting emphasize a context (logic) of democracy within a period and a specific place. There may be one or more logics defined by several acts, practices, and behaviours (Thornton and Ocasio, 1999). There may be one dominant logic articulated by a set of clear rules or commanding actions and behaviours, or there may be competing logics where different acts, behaviours, and practices coexist and compete for domination (Thornton, 2002; Suddaby and Greenwood, 2005). These multiple logics may also complement each other with no dominance or competition (e.g., Meyer and Hammerschmid, 2006a).

3.2.2 *Institutional logics and their origins*

As a concept, institutional logics are derived from the institutional theory. The origins of the institutional theory can be traced back to the 1940s, with Selznick's empirical work on analysing organizations and the institutional environment followed by Parson's work in the 1950's, who focused on how institutions work to integrate organizations with other organizations in society through common rules, contracts, and authority. The bases of institutional theories are linked to the idea that organizations exist in social contexts and are affected by the assumptions of what a good organization would be like (Meyer and Rowan, 1977). Meyer and Rowan (1977) explained that organizations traditionally adopt some practices due to institutional pressures. Entities adopt certain practices to conform to certain expectations and appear more legitimate (Suddaby *et al.*, 2017). DiMaggio and Powell, in 1983, added to Meyer and Rowan (1977) a new focus on isomorphism in the internal organizational environment, when institutions are influenced by their environment and implementing practices similar to what other organizations have. They introduced three types of isomorphism: "coercive", which refers to formal or informal external requirements, "normative", relative to guidelines or norms determined by professional groups and "mimetic", which refers to the process of adopting practices that have been successful in other organizations. The "new institutionalism" related the success of organizations to their legitimacy instead of efficiency (Tolbert and Zucker, 1983).

Friedland and Alford (1991) proposed a new approach to institutional analysis by introducing the concept of "institutional logics". They suggested that with institutional logics the focus is no longer on isomorphism whether at the level of society or organizational fields, but on the effects of what they introduced as *logics*. Logics are

defined by specific contexts such as market or population, affecting individuals or organizations. Institutional logics affect behaviours and acts of individuals and organizations, and vice versa; individuals and organizations affect and shape the institutional logics (Friedland and Alford, 1991). Logics may be present in different shapes; for example, a dominant logic is the one that is affecting practices, beliefs, and values more than others and can come to replace or have more influence than other logics (Scott *et al.*, 2000). Logics may compete but also may complement each other (Meyer and Hammerschmid, 2006). Institutional logics would have effects on individuals and organizations and on a larger scale, on sectors, industries, or society as a whole (Thornton, 2004).

Lounsbury (2008) criticized the dominant approach of studying institutionalization via isomorphism. In his view, it limited the range of the explanatory potential of the institutional theory. He argued that the critical problem with these prior studies is that they “maintain the distinction between technical forces and rational decision-making on the one hand, and institutional forces and “irrationality” on the other” (Lounsbury, 2008, p. 350). The concept of institutional logic, which he defined as the “broader cultural beliefs and rules that structure reasoning and guide decision-making in a field” (Lounsbury 2008, p. 350), may help reinterpret the concept of rationality by broadening the ideas of rational action within the context of institutional theory. From this perspective, emphasis is given to key decision-makers. They help to link individual agency (micro-level) and socially constructed institutional practices and rule structures (macro-level). This approach brings the opportunity to examine the processes by which “actors engage in creating, changing, and maintaining institutions” (Suddaby 2013, p. 382).

Table 4 summarizes the historical milestones of the development of the concept of institutional logics.

Table 4: Historic milestones of the development of the Institutional Logics

Authors	Years	Milestones
Selznick	1948, 1949, 1957	Focused on the analysis of the organizations and the institutional environment.
Parsons	1956	Focused on how institutions work to integrate organizations with other organizations in society through common rules, contracts, and authority.
Meyer and Rowan	1977	Introduced the concept of isomorphism, organizations had to conform to the requirements of external environments for legitimacy.
DiMaggio and Powell	1983	The focus was kept on isomorphism but at organizational level instead of societal one. With emphasis on coercive, normative, and mimetic sources of isomorphism.
Tolbert and Zucker	1983	Introduced the new institutionalism where organizational structure is led by legitimacy rather than efficiency what ensured the success and survival of organizations.
Friedland and Alford	1991	Created a new approach institutional logic and introduced six main orders: the market, the corporation, the professions, the state, the family, and religions.
Thornton and Ocasio	1999	Explained that “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999, p. 804).
Scott <i>et al.</i>	2000	Logics may be present in different shapes; for example, a dominant logic is the one that is affecting practices, beliefs, and values more than others and can come to replace or have more influence than other logics.
Thornton	2002	Dominant logic articulated by a set of clear rules or commanding actions and behaviors. Competing logics where different acts, behaviors, and practices coexist and compete for domination.
Thornton	2004	Clarifying links between institutions and action, the institutional logics approach delivers a tie between the macro, structural perspectives of Meyer and Rowan (1977) and DiMaggio and Powell (1983) and Zucker’s more, micro process approaches.
Meyer and Hammerschmid	2006	Multiple logics may complement each other with no dominance or competition.
Lounsbury	2008	Criticized the dominant approach of studying institutionalization via isomorphism. In his view, it limited the range of the explanatory potential of the institutional theory. He argued that the critical problem with these prior studies is that they “maintain the distinction between technical forces and rational decision-making on the one hand, and institutional forces and irrationality on the other.
Thornton <i>et al.</i>	2012	Added community as another essential institutional order. Individuals, organizations, and society behave, act or practice specific activities which define a particular logic, and that logic is linked to a particular order.
Suddaby	2013	Institutional logics help to link individual agency (micro-level) and socially constructed institutional practices and rule structures (macro-level).

Source: Prepared by the author.

3.2.3 *The components of the institutional logics perspective (ILP)*

The ILP is built around the concepts of institutional orders and institutional logics. Institutional orders are the symbolic meanings and material practices that conform to any society's belief systems and organizing principles (Friedland and Alford, 1991). Institutional logics are "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio, 1999, p. 804)

In their seminal study examining contemporary Western societies, Friedland and Alford (1991) identified five key institutional orders: capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion. Thornton (2004) elaborated Friedland and Alford's (1991) typology by reorganizing the orders as follows: markets, corporations, professions, states, families, and religions. Community as an institutional order was added by Thornton *et al.* (2012). These orders represent a context with specific attributes guided by, and explained by, their own distinct institutional logics.

In Friedland and Alford's perspective, it is essential to identify the difference between institutional logics and orders. The institutional order of democracy, for example, is guided by a logic of "participation" (Friedland and Alford, 1991). Thus, there is no logic called "democracy"; instead, there are logics comprised of underlying practices and symbols that make the democratic order possible (Johansen *et al.*, 2017).

There may be multiple orders in a specific place and period. An institutional order has both material and cultural features (Friedland and Alford, 1991). For example, religion can influence the economy (Becker, 1976), as illustrated by the case

of investments driven by the religion beliefs in Muslim countries such as Pakistan (Shahzad *et al.*, 2014). In these countries, the policies set for investments are based on religion guidelines. At the same time, the market is also be affected by the social and cultural aspects of society (Granovetter, 1985).

The institutional orders of vital societal institutions and their institutional logics interact differently depending on the context and the period (Bakr, 2020; Thornton *et al.*, 2012). Thus, different institutional orders and logics may have different weights in Saudi society compared to Western societies. For example, as noted by Bakr (2020, p. 156), in a highly religious society as Saudi's, the logic of religion may be dominant compared to less religious societies (see also Sidani and Showail, 2013).

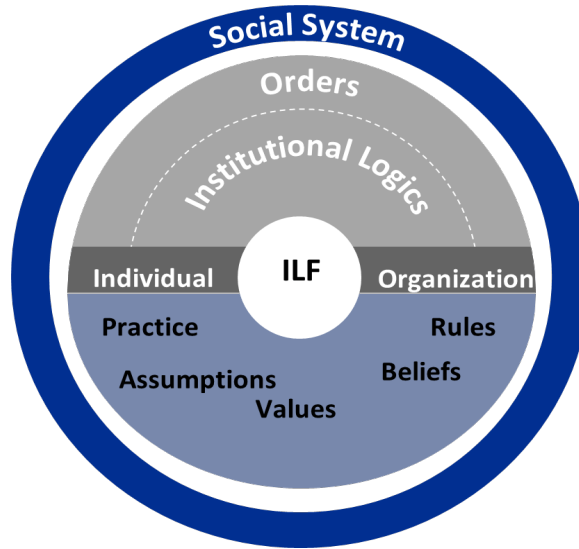
Logics may be present in different shapes. For example, a dominant logic is the one that is affecting practices, beliefs, and values more than others and can come to replace or have more influence than other logics (Scott *et al.*, 2000; Thornton, 2002; Suddaby and Greenwood, 2005). Competing logics are two or more logics that exist and are competing for dominance (Haveman and Rao, 1997). This diversity can create ambiguity that would eventually cause a mix of logics or a new one. Thornton *et al.* (2005) illustrated how competing logics might share the market space. They demonstrated how the structural overlap, when accounting firms partnered with management consultants, fetched market and professional logics, which affected the concentration of accountants on ensuring the correctness of client's books to benefiting from exposure to accounting ledgers to recognize consulting opportunities. Studies of co-existing logics demonstrate an active understanding of logics, in which the different stakeholders can pass from same logics to others depending on the time and organizational status (Smets *et al.*, 2012, Canhila *et al.*, 2016).

The studies of organizations become more nuanced since they reflect on how stakeholders linked to different logics work together within an organization. These studies help in explaining how logics evolve within or between organizations and society and how the individuals' interactions create institutional change over time (Smets *et al.*, 2012). The interest is to understand the root causes of why some logics gain prominence over others (Lounsbury, 2007) and how stakeholders develop “cooperative relationships” between different logics (Goodrick and Reay, 2011). Moreover, some studies focus on how stakeholders use logics to resist or change structural initiatives (Marquis and Lounsbury, 2007).

Institutional logics influence, and are influenced by, individuals, organizations, and society. Thus, we can focus on three different levels of analysis. At micro level, the interest is on individuals' behaviour in a specific context of place, time. At meso level, the analysis focuses on the group behaviours or actions, social patterns of an organization or a group. At macro level, the focus is on the behaviours of a whole society the broader systems, governance, and patterns that shape a society (Thornton and Ocasio, 2008).

Figure 1 summarizes the Institutional Logic Perspective (ILP). We are in a specific social system where main orders exist; these institutional orders are guided or driven by main institutional logics, affecting organizations and individuals in their related practices, beliefs, values, rules, and assumptions. We will use the “pattern matching” approach based on ideal logics (see Section 3.4) to understand how institutional logics influence, and are influenced by, the adoption and implementation of a RM project.

Figure 1: Institutional logics Perspective (ILP)



Source: Developed by the author.

In the next section we describe the main studies exploring institutional logics in (a) the context of public sector entities, (b) the process of adoption and implementation of RM in organizations, and (c) developing countries.

3.3 Institutional Logics Perspective in Prior Research

3.3.1 The institutional logics perspective in public sector research

In recent years, researchers have adopted the ILP to study and analyse various domains in the public sector field in developed countries, confirming the validity of this framework for public sector analysis (e.g., Laihonon and Kokko, 2020; McMullin *et al.*, 2021). Empirical research has documented how multiple logics play out on public sector entities and how these logics are reflected in their practices, particularly in the context of adoption of NPM reforms (e.g., Damayanthi and Gooneratne, 2017; Hayes *et al.*, 2014; Meyer and Hammerschmid, 2006a, 2006b; Meyer *et al.*, 2014). Where multiple logics exist, organizations may face “complexity” (Greenwood *et al.*, 2011, p.

317). In some cases, the situation ends up in “complex imbrications of contrasting institutional logics rather than one institutional logic displacing another” (Hayes *et al.*, 2014, p. 124).

Laihonen and Kokko (2020) used the ILP to study an important national-level initiative to establish a shared knowledge base for Finland’s social and health care data. The study identified two main competing logics in knowledge management in the public healthcare sector in Finland. They named them “social and health care management” and “health sector growth” (Laihonen and Kokko, 2020, p. 3). The first logic explains that the healthcare sector is managed through the knowledge accumulated from the integration of services, participation of citizens, and focusing on the effectiveness of services, while the second logic explains that healthcare sector growth is possible by using the knowledge from research and innovation. The study determined the presence of a hybrid model and confirmed that the compromise between the two existing competing logics is the *status quo*. McMullin *et al.*, (2021) adopted the institutional logics’ perspective to understand the development of the third sector in Quebec and Scotland. The study used the institutional logics framework to understand the structural, political, and symbolic character of the third sectors in Scotland and Quebec. The demonstrated that the state, community, and market logics have shaped the development of the third sectors in Scotland and Quebec and have resulted in third sector ecosystems that differ from their broader national context. While there are similar outlines in terms of the welfare state and the local approaches to implementing social policy, government–third sector relations, civic nationalism, and solidarity, the interface of these elements created the differences between the third sectors.

Research suggests that public sector reforms are far from being linear and radical and that elements of the established logic may persist over time, leading to hybridization (Wiesel and Modell, 2014). New Public Management (NPM) reforms have created public and private hybrid forms, a mix of traditions that used to be only linked to one of the two sectors. This hybridity has made the public sector more business-like (Christiansen and Lægreid, 2011), where governments refer to new routing instruments to transform public services (Pollitt and Bouckaert, 2011) and are more involved with the citizens to respond to quality needs (Fotaki, 2011). A broader mix of values, logics, and organizing principles is then ostensible in public services reforms (Pollitt and Bouckaert, 2011). Vickers *et al.* (2017) used a case study of newly established social enterprise providers of health and wellbeing services in the English public sector. They analyse how modernizing hybrid organizations can resourcefully syndicate co-existing logics while the public service innovation is not well assimilated. Also, examining the United Kingdom public sector, Cornford (2019) studied how sharing information and data across organizational boundaries has demonstrated difficulties. The study helps understand the practice through design, governance, and enculturation through three institutional logics. The result has helped identify five strategies for addressing these difficulties: contingency, combination, conflict, ambiguity, and synthesis. The three logics all have vital and effective contributions to make to information sharing: artifacts have to be designed and infrastructures developed, some controls on information sharing must be established, and all of this will be ineffective if individuals do not feel empowered and that information sharing is legitimated within their administrative and professional cultures. Berg and Pinheiro (2016) analysed how public sector hospitals and universities' managers reacted to the new institutional frameworks introduced by the NPM reform in Norway. The study

demonstrates that management influenced by the *market logic* has been presented in a hybrid form. The *professional logic* has not yet been left behind but extended and supplied by a neo-bureaucratic logic. Leadership is working as a catalyst to handle the different logics.

Competing logics may lead to a “hybrid” logic by mixing the “old” and “new” institutional logics (e.g., Meyer and Hammerschmid, 2006a). For organizations who live a hybrid effect where competing logics exist, this may be beneficial or the opposite. Competing logics may lead to institutional change due to the combination of the effects of the logics, the power of institutional actors, and the changes in the relative importance of societal-level institutional logics (Thornton and Ocasio, 2008, pp. 117-118). In some cases, new organizational forms or novel complexities emerge (Smets *et al.*, 2012). This can be analysed through observation and interpretation of how individuals within an organization deal with the different logics and how they could turn the situation into a positive outcome.

Studies examining public management reforms in Western countries have focused primarily on two competing institutional logics: a *bureaucratic* or *professional logic*, which focuses on bureaucratic rules and regulation consistent with an “old” administrative orientation, and a *managerial* or *market logic* inspired by market rules and NPM principles (e.g., Meyer and Hammerschmid, 2006a; 2006b; Meyer *et al.*, 2014). We will further discuss the *bureaucratic* and *market* logics when introducing the institutional logics existing in the field of public sector entities in Saudi Arabia.

3.3.2 *The institutional logics perspective in research examining risk management practices*

To our knowledge, no prior studies have adopted the lens of ILP to study RM frameworks in public sector entities. The evidence from the private sector, however, provides interesting insights (e.g., Arena *et al.*, 2010; Hayne and Free, 2014; Tekathen and Dechow, 2013). Below we review several studies that have proved the relevance of the ILP for the study of RM practices.

Arena *et al.* (2010) examine Enterprise RM (ERM) in the context of three companies and show that the adoption of ERM introduced a new scientific rationality that encountered pre-existing logics. The competing logics lead to heterogeneity of practice. Experts, their actions, and their social interactions played a key role in reducing or enlarging heterogeneity of practice. Hayne and Free (2014) explore the emergence and diffusion of ERM as a management innovation and show how ERM helped to “gradually shift away from logics of internal control towards the logics of risk” (Hayne and Free, 2014, p. 318). Palermo *et al.*, (2017) demonstrate that the increasing regulatory and managerial attention to risk has led to shifts in the fundamental ends of financial institutions from a logic of “opportunity and risk-taking” to a logic of “precaution and risk control”. Tekathen and Dechow (2013) focus on whether the logics behind the adoption of an ERM framework emphasize compliance, performance or “something else”. Contrary to COSO’s expectations, the study shows that “accountability became an object of desire rather than an effect of their practice” (Tekathen and Dechow, 2013, p. 116).

Finally, it is worth mentioning the study of Power *et al.* (2009). Using the case of universities, they suggest that the adoption of standardized RM systems has

become crucial for being a “legitimate organization”. They discuss the emergence of “reputational risk” arguing that this concept has become a pervasive logic of organizing. This is a symptom of the importance of organizational and individual concerns with appearances and the performative role of RM systems in shaping managerial behavior.

3.3.3 The institutional logics perspective in research examining different practices in developing economies

Given our interest in a developing country (Saudi Arabia), we reviewed prior research applying the ILP to the study of organizational practices in developing economies. To our knowledge, most of the studies have examined private sector entities. There are exceptions, such as Asangansi (2012), Jamali and Karam (2016), Sobhan (2016), Malik and Nicholson (2020) or Mzenzi and Gaspar (2021). These studies have focused on the adoption and implementation of new technologies and practices in the public sector of developing economies.

Malik and Nicholson (2020) studied how global information technology was implemented by a subsidiary of a US-based vendor in a developing country, Pakistan. The institutional logics framework helped the research identify the social values introduced by such a practice in the subsidiary and the broader environment. The study illustrated the dynamics of institutional logics and institutionally associated management practices and the challenges and impacts of the implementation of foreign technology practices. In particular, it showed the interaction between the family, community, and professional logics existing in the subsidiary site and the new management practices. Mzenzi and Gaspar (2021) investigated how the governance

practices of public-sector entities in Tanzania were shaped by competing institutional logics and strategies deployed to manage the logics.

Studies on the implementation of management information systems have referred to institutional logics as a capable framework for analysis of adoption and implementation processes in developing economies. For example, in the health sector, Asangansi (2012) studied the implementation a management information system by the Ministry of Health in (Northern) Nigeria. He analyzed the influence of the two-competing logics: the *ownership logic* defined by the importance of the system being owned and controlled by the state, versus the *sustainability logic giving the importance to the technical rationality* for the best way of collecting and cleansing the data regardless of server location and ownership.

Several studies have explored the Corporate Social Responsibility (CSR) practices through the lens of institutional logics. For example, Jamali and Karam (2016) examined how the CSR Western practices based on the Scandinavian model, were introduced in different developing countries, namely China, India, Nigeria, and Lebanon. They identified new institutional logics are linked to the complexity of systems and corruption that helped tail the implementation of the CSR practices in each of these countries.

Other researchers have explored the challenges of introducing an Anglo-American model of corporate governance in developing countries (e.g., in Bangladesh, see Sobhan (2016)), although few studies have explored the question of the pertinence and suitability of Western-oriented improvements in non-Western contexts. Based on an institutional logics' perspective, Ho and Im (2015) inspected the organizational, cultural, and political norms implicit in Western reforms. The study

argues that some of these practices may not be aligned with the institutional contexts of developing countries; and discusses how these misalignments can influence reform strategies and consequences.

Summarizing, the ILP has proven to be a relevant framework to explain the transition and adoption of western practices by public sector entities in developing countries. The ILP allows the possibility of analysing the local perceptions, receptions, and implementation challenges of western practices motivated by established logics that can be in harmony or contradiction with the existing logics of developing countries. The ILP also facilitates the understanding of interactions of actors at different levels (i.e., at individual, organizational, and societal levels) and the study of the consequences of adopting and/or adapting western practices to the local context of developing economies.

3.4 Institutional Logics Perspective in the Study Context

3.4.1 Motivation to use ILP in this context

As explained in the previous section, studies focused on the private sector have proven the relevance and validity of the ILP to examine RM (e.g., Arena *et al.*, 2010; Hayne and Free, 2014; Tekathen and Dechow, 2013). We contend that it can also render useful insights about the dynamics of RM practices in governmental entities. Furthermore, institutional logics studies focus primarily on the Western context (Johansen *et al.*, 2017), with limited research on developing countries, particularly on the public sector. In this study we bring to attention the Middle Eastern context, and in particular Saudi Arabia, a developing economy. Moreover, the framework proved its adequacy when studying implementing practices and systems in organizations

(Alsharari, 2017), particularly in the context of adopting the ideas of New Public Management (NPM) (Berg and Pinheiro, 2016; Rana and Hoque, 2020). It helps identify the interrelations between involved stakeholders at different levels outside or within an institution (Vickers *et al.*, 2017), the decision-making process, and the reasons behind it (Canhilal *et al.*, 2016). Importantly for our purposes, the framework helped studies related to public entities to understand the relationship between the government or state logics (macro-logics) and the practices, beliefs and behaviors of individuals within public sector entities (Laihonen and Kokko, 2020; Rana and Hoque, 2020).

3.4.2 Public sector entities in Saudi Arabia as a field of study

Studies examining managerial reforms in governmental entities in Western countries have focused on two institutional logics: a *market logic* or *managerial logic* and a *state logic* or *legalistic-bureaucratic logic* (e.g., Meyer and Hammerschmid, 2006a; Meyer *et al.*, 2014). These studies have compared co-existing logics to reflect on the differences between the “old” or “traditional” and the “new” or “modernized” practices, norms, and values. For example, studies such as Hammerschmid and Meyer (2005), Meyer and Hammerschmid (2006a, 2006b) and Meyer *et al.*, (2014) have referred to the two institutional logics at work in the Austrian public sector in the period of reforms drifted by the NPM: the *state logic* and the *managerial logic*. The *state logic* is based on the traditional Weberian legalistic approach to state bureaucracy, and are presented in the traditional context of hierarchical, disciplined, and compliance-oriented practices, values, or norms. In contrast, the *market-oriented logic* or *managerial “new” logic* emphasizes the idea of running government-entities

like businesses, focusing on performance and efficiency and reliance on private sector management wisdom (Meyer *et al.*, 2014, p. 865).

Concepts such as performance and efficiency are considered as the new norms and values. Canhilal *et al.* (2016) have introduced a hybrid organizational form between bureaucracy and managerialism after analysing the responses of public universities to the introduction of a new public management program. Moreover, Lepori and Montauti (2020) studied the mechanisms through which public sector organizations, over time, manage competing logics -namely, *professional logic* and *managerial logic*. They conducted one case study focused on a public university undergoing a reform process in line with a *managerial logic* and the NPM doctrines and show that, when managing institutional complexity, organizations face a dilemma: while they need flexibility to respond to changes in the new logics within the field, they also need to establish routines to manage activities in an efficient way. They investigate the key role of accounting and budgeting systems in this process, as they allow to routinized behaviours, yet they can also “be used interactively to enable organizational learning and strategy through discussion between management and organizational units” (Lepori and Montauti, 2020, p. 10). Hayes *et al.*, (2014) examined whether e-government initiatives can be apprehended as representing a move from a bureaucratic to a citizen-centric institutional logic. The introduction of information technology was central to the attempt to modernize the provision of public services and, in so doing, convert the long-established bureaucratic style of organizing (Hayes *et al.*, 2014, p. 125).

While similar tensions can be found in Saudi Arabia after the launch of Vision 2030, inspired in some of the ideas embedded in the NPM doctrines, we argue that

the “ideal” types of logics used in the analysis of Western entities (i.e., *bureaucratic* or *state logic* vs. *managerial* or *market logic*) do not fit in Saudi Arabia. While some of the elements embedded in a *managerial logic* may capture the KSA’s view of a modern public sector administration (e.g., focus on performance and efficiency), the conception of public sector entities as corporate actors oriented towards the market (Döring *et al.*, 2015) may remain in conflict with the Islamic religion (Thornton *et al.*, 2012; Alotaibi *et al.*, 2020). Furthermore, while certain elements of a *state logic* are shared by the KSA government (e.g., legality as a core value), such institutional logic does not capture the beliefs and values of an Islamic-theocratic country –e.g., democracy, religion, or the role of the “family” (Thornton *et al.*, 2012; Thompson, 2014).

The attempts of the Saudi government to modernize its public sector led to the coexistence of an “old” and a “new” approach to public management. As explained by Biygautane *et al.* (2016, p. 98), although the administrative structures in the KSA “resemble similar international institutions in form, closer examination reveals considerable differences in substance”. Hence, while some of the characteristics of the institutional logics used in prior studies examining public sector in Western countries apply to our setting (e.g., a *managerial logic* where performance, effectiveness and efficiency are core values), others do not. First, elements of an “old” bureaucratic logic identified in prior research (e.g., Meter *et al.*, 2014) have little affinity with the reality of the “traditional” Saudi public sector. For example, the “old” administrative rationality in Western countries is typically based on professionalism (e.g., Meyer and Hammerschmid, 2006b; Lepori and Montauti, 2020). This is not the case in KSA, where *wasta* (getting ahead via connections) is prevalent. Second, a *managerial logic* is typically characterized by a strong economic emphasis and faith in

the rationality of the market (Biygautane *et al.*, 2016; Meyer and Hammerschmid, 2006b) which remains in conflict with the Islamic religion, a core aspect of everyday life in KSA (Boone and Özcan, 2016; Gümüşay *et al.*, 2020). Finally, compared to the adoption of NPM in Western countries, the reforms in KSA are part of a broader program of political modernization, economic liberalization, and social discourse (Thompson, 2014). Consequently, rather than adopting the logics used in prior research examining public sector reforms on Western countries, we rely on the analytical framework developed by Thornton *et al.* (2012) to adapt the institutional logics to our setting (see Sections 4.4 and 4.5). As Hayes *et al.* (2014) remark, any study exploring reforms that change the nature of public sector organizations should focus on the specific historical and cultural context (see also Schedler and Proeller, 2007).

3.5 Empirical Approach – How to Capture Institutional Logics

From an empirical point of view, we follow the “pattern matching” approach as defined by Reay and Jones (2016) to capture the institutional logics of the field of Saudi public sector entities. According to this approach, we first define the “ideal types” of acts, behaviours, and practices associated with an ideal type of an institutional logic. Next, we assess how well the evidence and the data matches with the ideal type previously identified (see Reay and Jones, 2016, pp. 446-448; also, Thornton and Ocasio, 1999; Thornton *et al.*, 2012). This approach would help us conclude on to what extent the existing logics within a set period (2016-2020), place (Saudi Arabia) and field (public sector entities) diverge from the “ideal types of institutional logics” in the context of the adoption and implementation of a RM project. More specifically, we identify the coexisting institutional logics in the field of Saudi governmental entities.

The different institutional logics may present different “frames of reality” (Hayes *et al.*, 2014) to actors populating the field. Their behaviour and actions are shaped by the institutional logics which at the same time are shaped by individual practices (Hayes *et al.*, 2014; Thornton *et al.*, 2012). As we will demonstrate in Chapter 4, the institutional logics enacted in the Saudi public sector field (*traditional* and *modernization logics*), while reassembling some of the characteristics of the *state* and *market logics* prevalent in Western countries, show some unique attributes.

3.5.1 Pattern matching

The pattern matching approach, which compares the actual data to “ideal types”, is a method that helps in operationalizing, coding, and comparing logics (Reay and Jones, 2016). This technique requires, first, to identify and explain the pattern of behaviors related to ideal types of logics and then evaluate the data to see to what extent the data matches with the ideal type(s) (see Reay and Jones, 2016, p. 446). The use of “ideal types” is a method of interpretative analysis for understanding the meaning of the actors’ actions (e.g., Thornton and Ocasio, 1999). As explained by Thornton and Ocasio (2008, p. 110),

[w]hile often derived from empirical observation, ideal types are not for describing an organizational field, but instead are theoretical models for comparing the effects of various meanings in a location with a definable boundary.

These ideal types do not represent social reality. Instead, they are “tool(s) to interpret cultural meaning” and “a first step in an analysis to help the researcher avoid getting bogged down in merely reproducing the often-confusing empirical situation”

(Thornton *et al.*, 2012, p. 52; see also pp. 446-449 of Reay and Jones, 2016). Examples of studies using this approach include Thornton and Ocasio (1999), Thornton (2002), Lounsbury (2005), Goodrick and Reay (2011) and Golyagina (2020).

3.5.2 *Ideal types*

The classic theorists first developed ideal types as a theoretical tool to enable comprehensible comparisons, then were further developed to become an analysis method (Thornton and Ocasio, 1999). While often resulting from empirical observation, ideal types are theoretical models of associating the effects of various substances in a place with a defined limit.

The ideal types or “elemental categories” help clarify the behaviors and practices at a micro level which aggregated would describe the macro-level attributes of an institutional logic. We refer to elemental categories utilized by Thornton (2004) to identify the attributes of the existing institutional logics eventually linked to the general orders of a specific field and timeframe. More specifically, the different elemental categories considered in our study are: a) the “economic system”, related to what drives the economy in a specific place and at a specific point in time; b) the “source of authority”, which is about understanding the structure of power in a particular point in time and place; c) the “source of legitimacy”, which clarifies how decisions are made and based on what; d) the “governance mechanisms”, related to how the society and the organizations are steered and controlled. Here we include both informal controls mechanisms as well as rules (source of norms); e) the “source of identity”, which defines how the community, and the groups within the community, identify themselves; f) the “source of attention”, which determines what triggers the

attention of the society, organizations, and individuals; and g) the “source of strategy”, which focuses on the objectives and related priorities. Chapter 4 empirically applies these elemental categories to the case of Saudi Arabia in the period under examination (2016-2020).

3.6 Conclusion

We agree with Rana *et al.* (2019b) about the need to examine the development of RM systems through the lens of a perspective which allows us to examine how macro institutional arrangements interact with meso-levels of analysis (organizations), and micro individual practices (individuals). The ILP is an appropriate perspective for such an endeavor. We rely on the insights of institutional logics framework, and in particular on the work of Thornton (2004), Thornton and Ocasio (2008), and Thornton *et al.* (2012). As we have shown, at empirical level the ILP has been fruitfully applied to the study of change of public sector organizations as well as the adoption and implementation of RM practices in the private sector. Furthermore, it has also proven to be a relevant framework to examine the adoption of Western organizational practices in developing countries, although so far, its application has been limited almost exclusively to the private sector.

As discussed, the institutional (ideal) logics identified in prior research examining public sector reforms in Western countries (*bureaucratic* or *state logic* and *managerial* or *market logic*) may not fully help us to understand the context of public sector entities located in a non-Western, developing country such as Saudi Arabia. Thus, we use the insights provided by Thornton (2004) and Reay and Jones (2016) as a guidance for the identification of the institutional logics that “ideally” permeate the

field of public sector entities in Saudi Arabia. The institutional context and the empirical work leading to the identification of the “ideal types” of institutional logics are presented in the next chapter.

CHAPTER 4 – THE FIELD OF PUBLIC SECTOR ENTITIES IN THE KINGDOM OF SAUDI ARABIA

4.1 Introduction

The Kingdom of Saudi Arabia (KSA) is a “petroleum” country part of the Gulf Cooperation Countries (GCC)¹⁷, with specific cultural characteristics influenced by the Islamic religion. Government-owned entities, such as Saudi Arabian Oil Company (ARAMCO) or Saudi Basic Industries Corporation (SABIC), are the most relevant economic actors. These actors have historically benefited from appropriations and discharged from specific regulations (OECD, 2014).

Saudi Arabia has set a vision to transform the country into a leading economic country. A vision detailed in a National Transformation Program was launched in April 2016. The Vision 2030 strategic framework comprises comprehensive economic and social initiatives for reforms to be achieved within 14 years (Vision 2030, 2016). In brief, main initiatives include a privatization program that will see the divestment of several state-owned giants, the formation of one of the world’s major sovereign wealth funds and motivating the private sector to recruit and depend on Saudi citizens and women in the workforce (Vision 2030, 2016). If the Kingdom realizes its strategic vision, it could become one of the 15-largest economies in the world (Vision 2030, 2016).

¹⁷ GCC is a regional, intergovernmental political and economic union that consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

4.2 The Kingdom of Saudi Arabia at a Glance

4.2.1 Political and legal system

Saudi Arabia was founded in 1932. It is a monarchy ruled by a king, currently the King Salman bin Abdulaziz al Saud. The king “serves as both chief of state and head of government” (Wynbrandt, 2004, p. 320). The royal family Al Saud has ruled the country since its inception and they have the support of the Wahhabi religious group, which is the most influential in the Kingdom (Wynbrandt, 2004; Bowen, 2014).

The King is the prime minister. As such, he leads the council of ministers, established in 1953, and appoints members to oversee the implementation of the state policies and legislations. The consultative council established in 1993 comprises 120 members, 60 of which are elected, and the King appoints the other 60. The consultative council has the mandate to advise the King on different related matters other than the religious ones. The King is advised on religious and legal issues by the religious council called Council of Senior Scholars (Majlis Hay’at Kibar al- ‘Ulama) and the Supreme Council of Justice. Laws and regulations are drafted in alignment with Islamic religion and the judicial system is based on Sharia Law. In brief, the King is the ultimate decision-maker in all matters but still consults with the set councils, the royal family, tribal leaders, and big businesses owners (Wynbrandt, 2004).

The King chooses who is to supersede him in ruling the Kingdom. In June 2017, Salman bin Abdulaziz al Saud announced that his son, Mohammad bin Salman, will be first in line to the throne.

4.2.2 *Culture and religion*

Muslims and Arabs, this is how Saudis identify themselves. Family and religion are priorities and guide the daily decisions and acts. Saudis are conservative, traditional, and family-oriented. There are multiple limitations on behavior and dress, which the authority strictly enforced both legally and socially. However, the open up of the country to the world is impacting with some changes in habits and behaviours (Thompson, 2018). The change started with fewer restrictions and acceptance of new trends. For example, authorities endorsed changes such as allowing women to drive (June 2018) and permitting expatriates to own real estates (September 2021).

Islam is taught as a way of living and, therefore, Saudis individually and collectively are expected to conform to the principles of the country's primary and sole religion, as requested in the Quran. The Quran is a base and reference for the society and its behaviours toward all subjects such as politics, economic, social, legal, and moral compasses (Wynbrandt, 2004; Sian *et al.*, 2020).

4.2.3 *Economic system*

The KSA is a prominent member of The Organization of the Petroleum Exporting Countries (OPEC). Its economy mainly depends on oil. The oil revenue presents the most significant percentage of the country's budget revenues, approximately half of the gross domestic product (GDP), and the main export product (Hvidt, 2013). Even though there have been multiple trials to motivate the private sector, and there is a clear strategy to attract investments to the country, the public sector is still leading the Saudi economy. The Supreme Economic Council, formed in 1999, led several initiatives focusing on reform and strengthening governance

principles that motivate trust in the market (Hvidt, 2013). As mentioned above, in 2016 Saudi Arabia declared a new vision including economic objectives and initiatives to be implemented by all government entities (National Transformation Program (NTP), 2016; Vision 2030, 2016). More details about the Vision 2030 are provided below (see Section 4.3).

4.2.4 Risk management in the public sector entities of the region

As many other countries in the world, in 2008 Saudi Arabia and the region suffered from a great economic crisis. After becoming one of the most important emerging economies areas in the world, thousands of people lost their jobs, companies closed, and governments canceled projects (Khamis *et al.*, 2010). In this context, better corporate governance, accountability, and cost controls became a must, particularly in markets within the region, such as Dubai, that has been hit harder by the global financial crisis than other places in the GCC. Other than the crisis, the ownership of the most significant projects by government entities, the listing of corporations on regional securities markets and the increasing stakeholder scrutiny associated with it, international agreements such as on anti-money laundering and counter-terrorist financing, and recent legislative developments (e.g., Circular 601 and Circular 441 in Saudi Arabia) have contributed to promoting the establishment of RM in the region (Aebi *et al.*, 2012).

RM was first introduced in the region by banks and financial institutions around 2008. Commercial banks operating in the region were trying to adopt the same strategies as their Western counterparts by implementing advanced RM systems (Mohanty *et al.*, 2016). More recently, other government or semi-government entities

(e.g., ARAMCO in the KSA and Mubadala Development Company in the United Arab Emirates) have invested significant resources in implementing RM functions. Lastly, KSA has approved an initiative of developing a national RM framework, as part of the National Transformation Program. The framework comprises setting up or enhancing the RM practice in all government entities (See Circular 601, Appendix 5.7.2).

4.3 The New Saudi Arabia – Vision 2030

4.3.1 Vision 2030 at a glance

In 2016 the Saudi Government set its Vision 2030 with a primary target to reduce its dependency on oil and diversify the economic resources. The goals in the Saudi Vision 2030 are close in similarity to other developed plans in the Middle East such as Kuwait Vision 2035, United Arab Emirates Vision, and Qatar National Vision 2030. The Saudi Vision 2030 has three main pillars: a) the status of the country as the “heart of the Arab and Islamic worlds” (Vision 2030, 2016, p. 13); b) the determination to become a “global investment powerhouse” (Vision 2030, 2016, p. 13); and c) to “transform the country’s location into a hub connecting the three continents (Asia, Europe, and Africa)” (Vision 2030, 2016, p.13). As stated in the strategic framework, the KSA is looking to achieve “a vibrant society, a thriving economy, and an ambitious nation” (Vision 2030, 2016, p.13).

The National Center for Performance Measurement, the Delivery Unit, and the Project Management Office of the Council of Economic and Development Affairs oversee the plan. The National Transformation Program was intended and launched across 24 government bodies. The government aims to use its petroleum income to invest in multiple sectors to achieve a self-sustainable, open, and diversified economy

while preserving the kingdom's traditional Islamic values and customs (National Transformation Program, 2016; Vision 2030, 2016).

4.3.2 Ambition nation

The Vision highlighted the importance of governance change. More specifically, government entities must implement three governance principles: transparency, accountability, and integrity. The government would introduce changes on different fronts, such as the nomination and appointment of government entities leadership, the policy, and laws enhancements, and the set-up of different controls to preserve the country's assets. The King authorized the development of two new councils to ensure efficiency and speed the decision making: the Political and Security Affairs Council and the Economic and Development Affairs Council (Vision 2030, 2016, p. 79). There is a revisit of the government structure, the procedures, the roles, and responsibilities distribution. Furthermore, under the new strategic framework the public sector is expected to be subject to performance measurement and management (Vision 2030, 2016). A better governance should give a chance to qualified resources. Human resources development is core for all the vision aspects. Qualified resources will enable the transformation toward e-government and quality services provision (Vision 2030, 2016).

4.3.3 Vibrant society

Islam will continue to be a way of living, the basis of laws and regulations, and the reference for decision making. The Vision 2030 links the principles of Islam to

motivate the success of its implementation asking for discipline and transparency throughout (Vision 2030, 2016).

A social, cultural, and religious obligation is for the Kingdom to serve Muslims around the globe who, continuously, visit the “two Holy Mosques” (Vision 2030, 2016, p. 16). For that, the Kingdom will make sure to facilitate best and serve its visitors. Vision 2030 has found a way to match an economic value for a good purpose and a cultural and religious duty. Vision 2030 suggests investing in preserving the “Islamic and Arab heritage” (Vision 2030, 2016, p.17) in different ways, such as museums, and making sure generations learn about it and introduce it to the world in the best way possible. The new vision prioritizes cultural and entertainment activities as part of the daily life of the Saudis; as part of a “healthy society”. The Vision is moving the focus toward sports and cultural events to confirm aligning these with the religion and family requisites (Vision 2030, 2016).

4.3.4 Thriving economy

The new vision has focused on a “thriving economy” (Vision 2030, 2016, p. 34). The Kingdom would invest in education, health, non-religious tourism, and the creation of new futuristic, smart, and environment-friendly cities hoping that these areas will positively influence the economy. The interest in stimulating the small and medium enterprises is based on a conviction that these will constitute an important factor for the economic growth creating new opportunities, keeping the young generation in the country, creating new jobs, and aspiring innovation (Vision 2030, 2016).

Moreover, the Kingdom bases its new vision on broader investment capabilities. For that, they would work on creating the largest sovereign wealth fund globally, the

“Public Investment Fund” (PIF) (Vision 2030, 2016, p. 55), whose main target is to open up new sectors and invest where Saudi Arabia’s economic features are currently weak. The new economy construct is led by privatizing government services and localizing production such as defense industries, renewable energy, and industrial equipment sector, for which KSA is well-armed with “natural resources” such as aluminium, uranium, phosphate, and gold (Vision 2030, 2016, p. 23).

Saudi Arabia is opening its economy and motivating public-private partnerships (Vision 2030, 2016; Biygautane *et al.*, 2020). For this, there are multiple plans to enhance laws and regulations to protect and ease the business environment in the Kingdom. The Kingdom’s new economy wants to imitate and compete at the same time with a neighbour model (the UAE one); the Kingdom is creating “special zones” for logistics, tourist, industrial and financials (Vision 2030, 2016, p. 51) with special commercial regulations. Finally, with all the expected changes and plans, there is a clear focus on a new way of governance to satisfy multiple stakeholders and mainly investors and build trust.

4.3.5 Vision 2030 and new public management (NPM) ideals

The New Public Management (NPM) doctrines, which arose in the 1980s in the UK and US, denoted an effort to make the public sector more business-oriented and to improve the efficiency of the government’s copied ideas and management system from the private sector. It underlined the importance of the people who demand the services or act as the customers to the public sector (Hood, 1991; Hood and Jackson, 1991). NPM projected a more fluid and agile controls’ structure and trying new service delivery models to achieve better results. Public and private service providers compete

to provide improved quality services (Gruening, 2001). When adopting NPM, governments reveal new focus areas: robust controls foundation, efficiency in activities, setting targets and monitoring performance, handing over the power to the senior management, and strengthening governance and related principles such as transparency and accountability. Audits and performance reporting become a must. The organizations in public and private sectors should focus on how best to serve proactively and reactively customers or citizens (Gruening, 2001).

In the Gulf countries “several policies were draft in this direction, and with some fitting the NPM concept” (Antoun, 2020, p. 16). In Saudi Arabia, Vision 2030 comes in the same context: as explained before, the strategic framework has the purpose of changing the economic status through multiple programs, a restructuring of the government entities, a new fiscal balance program, a review of the regulations, a focus on privatization, and investment with strategic partnerships. The Vision has an objective to strengthen the public sector governance and stimulate investments by the private sector to provide the best services and products to the Saudi citizens (National Transformation Program, 2016; Vision 2030, 2016).

4.4 Institutional Logics in the Field

4.4.1 Institutional orders in Saudi Arabia

From a governance and strategic perspective, at the time of the study there are two main references for the field of Saudi public entities: the governance model defined in the *Basic Law of Governance No A/90 dated 1 March 1992* (see Appendix 4.7.); the contextual and strategic frame prescribed in the document Vision 2030 (Vision 2030, 2016). While Vision 2030 defines what “the new Saudi Arabia” should

be, the *Law of Governance* serves as Saudi Arabia's constitution that the nation had to abide by and respect.

The *Basic Law of Governance* was issued by the Royal Order No. (A/91) 27 Sha'ban 1412H or 1 March 1992 Published in Umm al-Qura Gazette No. 3397 2 Ramadan 1412H - 5 March 1992. It consists of 83 articles fully aligned with Islamic law and was drafted by the committee assigned by the King.

Article one of the *Basic Law of Governance* states that the Kingdom is a religious state driven by the Holy Qur'an:

The Kingdom of Saudi Arabia is a sovereign Arab Islamic State. Its religion is Islam. Its constitution is Almighty God's Book, The Holy Qur'an, and the Sunna (Traditions) of the Prophet (PBUH) (Basic Law of Governance, 1992, p. 2).

Several authors have examined the relations between the State and Islam and the key role of religion as a source of legitimacy for the Saudi regime (Al-Rasheed, 2010; Vassiliev, 2013; Bowen, 2014). These studies explain that the ruling family and the religion of Islam constitute the country's identity and that the royalty relies on religion to confirm legitimacy (Al-Rasheed, 2010).

Article 5 of the *Basic Law of Governance* stipulates that Saudi Arabia is a monarchy and that

Governance shall be limited to the sons of the founder King Abd al-Aziz ibn Abd ar-Rahman al-Faysal Al Sa'ud, and the sons of his sons. Allegiance shall be pledged to the most suitable amongst them to reign based on the Book of God Most High and the Sunnah of His Messenger (Basic Law of Governance, 1992, p. 2).

The economy of the Kingdom is mainly driven by the public sector which is under the direction and the control of the royal family, as per article 14 and 15:

All-natural resources that God has deposited underground, above ground, in territorial waters or within the land and sea domains under the authority of the State, together with revenues of these resources, shall be the property of the State, as provided by the Law. The Law shall specify means for exploitation, protection, and development of these resources in the State's best interest and its security and economy. No concessions or licenses to exploit any public resources of the country shall be granted unless authorized by provisions of the Law (Basic Law of Governance, 1992, p. 4).

Moreover, and when it comes to managing the government, articles 57, 58, and 59 stipulate that

The King shall appoint vice presidents of the Council of Ministers and member ministers of the Council of Ministers and shall relieve them by Royal Order. The vice presidents of the Council of Ministers and the member ministers of the Council of Ministers shall be considered collectively responsible before the King for implementing the Islamic Shari'ah and the laws and the general policies of the State. The King may dissolve the Council of Ministers and reconstitute it. The King shall appoint those who hold the rank of minister and deputy minister and those in Distinguished Grade and relieve them of their office by Royal Order following the Law. Ministers and heads of independent agencies shall be considered responsible before the King for the ministries and agencies they head. The Law shall set forth the provisions for civil service, including salaries,

stipends, compensation, fringe benefits, and pensions (Basic Law of Governance, 1992, pp. 8-9).

The second contextual frame is Vision 2030, the world-known vision of the kingdom (Vision 2030, 2016). Vision 2030 does not suggest any explicit change to the *Basic Law of Governance*, but it relies on what is defined in that document to explain how the nation should benefit or exploit several areas that were until today a source of benefit to the rulers and not the entire population.

Vision 2030 emphasizes the empowerment and guidance of the royal family to the new transformation and journey toward a more developed country in all aspects. Moreover, the Crown Prince confirms that the Vision 2030 will exploit the country's identity as an engine for the new economy. The Islam and Arab culture will be core to flourish the tourism sector in the country. As stated in the document,

[a]ll success stories start with a vision, and successful visions are based on strong pillars. The first pillar of our Vision is the Arab and Islamic worlds. We recognize that Allah the Almighty has bestowed on our lands a gift more precious than oil. Our land is the land of the Two Holy Mosques, the most sacred sites on earth and the direction of the Kaaba (Qibla) to which more than a billion Muslims turn at prayer (Vision 2030, 2016, p. 6).

Moreover, the country owns natural resources. The document stipulates that “[w]e are not dependent solely on oil for our energy needs. Gold, phosphate, uranium, and many other valuable minerals are found beneath our lands” (Vision 2030, 2016, p. 6). The document adds that “our real wealth lies in the ambition of our people and the potential of our young generation. They are our nation's pride and the architects of our future” (Vision 2030, 2016, p. 7).

Vision 2030 presents a new concept where the ownership and the benefit of these natural resources are to both the government and the citizens. The citizens become the focus of the government, characteristic that is in line with the NPM concept adopted by Western countries: "... create more job opportunities for citizens and keep more resources in our country. We will expand the variety of digital services to reduce delays and cut tedious bureaucracy" (Vision 2030, 2016, p. 7). The reforms are inspired by the ideas of the NPM. For example, the document states that

[w]e are determined to build a thriving country in which all citizens can fulfil their dreams, hopes, and ambitions. Therefore, we will not rest until our nation is a leader in providing opportunities for all through education and training and high-quality services such as employment initiatives, health, housing, and entertainment. We commit ourselves to provide world-class government services which effectively and efficiently meet the needs of our citizens. Together we will continue building a better country, fulfilling our dream of prosperity and unlocking the talent, potential, and dedication of our young men and women. Our Vision is strong, thriving, and stable Saudi Arabia that provides opportunity for all (Vision 2030, 2016, p. 7).

The intent to collaborate with the private sector to achieve these objectives is explicitly stated: "[w]e intend to provide better opportunities for partnerships with the private sector" (Vision 2030, 2016, p. 7). The reforms include a transformation in governance: "We will immediately adopt wide-ranging transparency and accountability reforms and, through the body set up to measure the performance of government agencies, hold them accountable for any shortcomings" (Vision 2030, 2016, p. 7).

As Vision 2030 introduces new concepts, it confirms the adherence to original “basics”:

All this comes from the directive of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al-Saud, may Allah protect him, who ordered us to plan for a future that fulfils your ambitions and your aspirations (Vision 2030, 2016, p. 7)

The strategic frame introduces the “new Saudi open to the world” with religious blessing:

Our Vision is a tolerant country with Islam as its constitution and moderation as its method. We will welcome qualified individuals from all over the world and will respect those who have come to join our journey and our success (Vision 2030, 2016, p. 7).

The Crown Prince concludes by stating that

[t]his is our “Saudi Arabia’s Vision for 2030. We will begin immediately delivering the overarching plans and programs we have set out. Together, with the help of Allah, we can strengthen the Kingdom of Saudi Arabia’s position as a great nation (Vision 2030, 2016, p. 7).

4.4.2 Institutional logics ideal types

As explained in Chapter 3, this research follows the pattern matching technique to identify the institutional logics in the field of public sector entities in the Saudi Arabia in the period under examination (2016-2020). The first step in the process is to identify

the “ideal types” of logics dominant in the field. To do so, we use the two frames of references introduced above (*Basic Law of Governance* and Vision 2030), other official documents, studies exploring the institutional framework of Saudi Arabia, and the analytical framework for elemental categories of institutional logics and institutional orders provided by Thornton (2004) and Thornton and Ocasio (2008).

We identify two “ideal logics” in the field of Saudi government entities in the period under examination: first, a logic based on traditional values linked to the power of the royal family and the influence of religion and family orders. We name this logic as *traditional logic*; second, a logic based on the values projected in the Vision 2030 strategic framework, which we call *modernization logic* and that it is closely associated with the ideas and concepts embedded in the state and market orders dominant in Western countries and with the *managerial logic* identified in prior studies examining NPM reforms in Western countries. The next two sections show the empirical work leading to the definition of the *traditional logic* and the *modernization logic*.

4.4.3 The traditional logic

For years, the **economic system** in Saudi Arabia has been centred on oil, the primary revenue generation for the country. The Saudi market was not free, and the bureaucratic layers did not help in producing an efficient economic plan (House, 2013). Moreover, the high revenue generated from oil did not help push the government toward thinking of new sources of income (Biygautane *et al.*, 2020).

The primary **source of legitimacy** in this context was the mandate of the ruling family and the Islamic religion. Saudi Arabia has been ruled by one family allied with several other families. The royal family leads through religion (*Basic Law of*

Governance, 1992). As stated by Nevo (1998, p. 3), “this sought identity is based primary on strict observance of Islam and of course on loyalty to the House of Saud”. Moreover, the Royal Family members lead the government entities; the same family members fill the critical positions by a direct appointment from the King, clear evidence of nepotism. Sidani and Thornberry (2013, p. 69) explain that in Saudi Arabia, and in the Arab region, “familial ties have substituted for properly functioning institutions”.

The family **authority** is emphasized by family members heading the government entities. The KSA is an absolute monarchy, and the King and the Cabinet exercise the legislative and executive powers (Al-Rushaid, 2010). In this setting, policymaking is a “paternal process” in which the Al Saud family is the only macro-level actor (Hertog, 2010, p. 248), and political leaders are the most influential group in deciding about specific projects (Khodr and Reiche, 2010; Biygautane *et al.*, 2016). There are no political groups or parties. As a theocracy country, the influence of religion and tradition is pronounced. As explained in a previous section, the country established its basic system of governance in 1992, with the inception of the *Basic Law of Governance*; this was the royalty’s response to multiple demands for reform. The royal family controls the government and fills the most critical positions in the country. The King has the first and ultimate authority and power; the council of ministers has vast authorities delegated by the King, who eventually is the Prime Minister. The King and the council consult members of the royal family, and the higher council of religious scholars, on political matters.

Before 2016 there were no precise regulations on corporate governance in Saudi Arabia beyond the guidance provided by the *Basic Law of Governance*. At societal level, the family as an institution, controls individual behaviours following

unwritten rules (House, 2013). As explained by Abdelzaher and Abdelzaher (2017, p. 359), “[t]he influences of informal institutional forces, embodied in local religious beliefs, are particularly influential in collective and conservative societies, like those of the Arab countries where informal norms are strong”.

The primary **identity** of the nation is described in the first few articles of the *Basic Law of Governance*. In particular, Articles 9 and 10 state that

The nucleus of Saudi society is the family, and its members should be brought up on the basis of the Islamic creed and its requirement of allegiance and obedience to God, to His Messenger and to those in authority, respect for and implementation of laws, and love of and pride in the homeland and its glorious history. [...] The State shall endeavor to strengthen family bonds, maintain its Arab and Islamic values, care for all its members, and provide conditions conducive to the development of their talents and abilities. (Basic Law of Governance, 1992, p. 3).

Moreover, the identity of the government entities is linked to bureaucracy. As explained by Chackerian and Shadukhi (1983), the fact that governmental bureaucracies in the Arab world face serious administrative problems is not disputed:

The ills commonly cited by practitioners and outside observers include a lack of worker motivation and commitment, overconcentration of authority at the top of administrative hierarchies and a passionate avoidance of responsibility at the bottom, excessive political interference, mismatches between position requirements and training, a lack of trust between administrators and the public and extreme over or understanding (Chackerian and Shadukhi, 1983, p. 320).

This situation is mainly due to the lack of accountability and performance eligibility in the public sector.

The **basis for attention** of Saudi government entities is mainly compliance with and adherence to rules and regulations imposed by the ruling family. Once there is a compliance requirement, the government entities would follow these requirements – as an example, government entities established internal audit functions to comply with the cabinet resolution (235) issued in 2004 (Alzeban and Gwilliam, 2014).

Before 2016, the **strategy and mission** of Saudi government entities were linked to the royal family's plan. They followed regulations set by the family who runs the government to achieve goals and interests. As stated in the *Basic Law of Governance*, article 14:

All God's bestowed wealth, be it underground, on the surface, or in national territorial waters, on the land or maritime domains under the State's control, all such resources shall be the property of the State as defined by the Law. The Law shall set forth the means for exploiting, protecting, and developing such resources for the benefit, security, and economy of the State (Basic Law of Governance, 1992, p. 4).

The loyalty is to the regime, since most of the elemental categories are strictly linked to the influence of the family and religion as key institutional orders in the country (see Wynbrandt, 2004).

Given the national and institutional differences between Saudi Arabia and the Western countries and Saudi Arabia, the prevailing institutional logic of Saudi public sector organizations described above -the *traditional logic*- deviates notably from the

bureaucratic or *state logic* dominant in public sector entities of other jurisdictions such as Greece or Austria -see Hayes *et al.* (2014) and Meyer *et al.* (2014) respectively. Table 5 summarizes the main characteristics of the *traditional logic*.

Table 5: Comparison between the *traditional logic* and *modernization logic*

Elemental Categories	<i>Traditional Logic</i>	<i>Modernization Logic</i>
<i>Economic System</i>	Oil-Dependent Economy. Government-led Economic Model	Diversified (non-oil dependent), knowledge-driven economy. Open to private initiative
<i>Source of Legitimacy</i>	Connections, Network, Contact and Nepotism	Accountability and efficiency. Personal reputation. Professionalism
<i>Authority Structure</i>	Family or religion influence authorities and structure	Role of Governance. Autonomous agencies
<i>Governance Mechanism</i>	Decisions by the members of the ruling families or technocrats. Informal controls	Managerial decisions by qualified top-management. Formal controls
<i>Source of Identity</i>	Royalty and religion conserved identity	Opening up to the world through sharing traditions
<i>Source of Attention</i>	Rules and regulation set by the ruling family or the country's religion	Performance measures
<i>Source of Strategy</i>	Achieve goals of the family Compliance with and adherence to the rules and regulations	Provide world-class government services to meet the needs of the citizens. Increase efficiency, transparency and the quality of the services provided

Source: Prepared by the author.

4.4.4 The modernization logic

In April 2016 Saudi Arabia presented to the world the Vision 2030, an ambitious transformation program to diversify the economy and consequently the revenue resources. A new **economic system** translates into modernization. The target is to shift from a concentration on the public sector and one source of revenue to a

partnership with the private sector to motivate growth and jobs creation. As stated in the document, “[t]he ongoing privatization of state-owned assets, including leading companies, property, and other assets, will bring in new and more diverse revenues for the Saudi government” (Vision 2030, 2016, p. 42). The purpose of the reforms is to transform the country’s economic model toward a mixed, knowledge-driven economy.

Sources of legitimacy are changing as well under the new strategic orientation introduced by Vision 2030. The leadership in Saudi Arabia, the crown prince, has set the tone at the top and declared that “transparency and accountability” are becoming the new standards (Vision 2030, 2016, p. 64). The kingdom would be shifting toward a new governance model, and embracing transparency requires the refusal of corruption and the intervention or influence of family and religious relations. There is a major focus on human resources development, providing continuous training for professional development, and the ultimate objective is to enable selection for important positions based on better experience, knowledge, and capabilities (Vision 2030, 2016, p. 69).

Moreover, Vision 2030 brings up a new **source of identity**. While the traditional identity and the strong influence of religion over all aspects of life, including business, is still fundamental, the target is to share it with everyone, or, in simple terms, to open up to the world, to promote a new image of the country, and introduce the Saudi culture to the rest of the world:

We will endeavor to strengthen the lives of future generations. We will do so by keeping true to our national values and principles, as well as by encouraging social development and upholding the Arabic language. We will continue to

work on the restoration of national, Arab, Islamic, and ancient cultural sites and strive to have them registered internationally to make them accessible to everyone (Vision 2030, 2016, p. 17).

Bureaucracy is no longer an option as confirmed in the Vision 2030 document: “We will expand the variety of digital services to reduce delays and cut tedious bureaucracy” (Vision 2030, 2016 p.7), this would help in achieving the different targets linked to transparency and efficiency. Saudi Arabia is intending to develop all government services and technology will be driving the communication with the citizens (Vision 2030, 2016; see p. 44).

Vision 2030 aims to change the **authority structure**: “[w]e shall also enable our agencies to deliver on their mandate, to be accountable, to ensure business continuity and to show adaptability in the face of new challenges” (Vision 2030, 2016, p. 83) and “hold government agencies accountable” (Vision 2030, 2016, p. 7). The authority is expected to be in the hands of whoever is implementing the strategy and each individual in his/her position has a specific power linked to him/her being accountable for achieving the set objectives¹⁸.

The Council of Economic and Development Affairs has developed a complete **governance model** aligned with leading practices to enable accountability, decision making, and implementation of the Vision 2030. Moreover, the Council created the

¹⁸ It is worth mentioning that a significant political event in early 2019 is proof that the first steps toward establishing a new order of authority and identity took place. There was a mass arrest of several Saudi Arabian princes, ministers, and businessmen in Saudi Arabia on 4 November 2017. The following few weeks the Royal Court formed an anti-corruption committee led by the Crown Prince. The committee ceased a significant amount of money and banks froze more than 2,000 internal accounts as part of the suppression. The Saudi government targeted cash and assets worth up to USD 400 billion. The Anti-corruption Committee, led by Crown Prince Mohammed bin Salman and aimed at investigating corruption made by several Saudi Arabian princess, government ministers and businesspeople in Saudi Arabia, ended its mission on 30 January 2019 (Statement by Anti-Corruption Committee, 2019).

National Center for Performance Measurement and other centres for ensuring the entire cycle of planning, implementing, monitoring, and evaluating government performance (National Transformation Program, 2016). The new *Vision* of Saudi Arabia focuses on enhancing governance, formal controls and promoting transparency, accountability, and other governance principles.

Under the **new strategy**, the government agencies must work together to achieve the objectives set, and it is a must for government entities to coordinate. The government will monitor the performance, something that was not a priority before Vision 2030. As stated in the National Transformation Program,

the Vision's governance model promotes efficient planning within government entities and boosts coordination among them to achieve common national goals. It also guarantees speedy completion of projects and initiatives and achieves sustainable action and impact through regular implementation reviews and performance evaluations (National Transformation Program, 2016, p. 7).

To help the entities in their governance enhancement process, the government has established the *National Program for Preparation and Development of Management Leaders*, which has a responsibility to help the leaders in the organization and train them to govern efficiently. Moreover, the *Decision Support Center* at the Royal Court was established to help the leaders and “support decision-making through analytical and evidence-based information and reports” (Vision 2030, 2016, p. 83).

The importance of establishing a governance model specific to Vision 2030 served to achieve this objective and motivated the government entities to start giving

importance to governance at all levels. The transformation includes a clear program related to strengthening the public sector governance:

We will work on restructuring our government agencies continuously and with flexibility. We will eliminate redundant roles, unify efforts, streamline procedures, and define responsibilities. We shall also enable our agencies to deliver on their mandate, to be accountable, to ensure business continuity, and to show adaptability in the face of new challenges (Vision 2030, 2016, p. 83).

With this, the shift of roles of the Royal authority and governance was clear from setting the authorities and governance rules to supporting decision-making through defined procedures.

These changes in the public sector are linked with a new **mission** declared in Vision 2030: “The happiness and fulfilment of citizens and residents is important to us” (Vision 2030, 2016, p. 22). Thus, the government entities in all sectors would have as a priority serving the citizens in the best quality (Vision 2030, 2016, pp. 7, 23, 33, 36, 51).

The new **basis of attention** focuses on performance monitoring:

We will work to raise the productivity of employees to the highest levels possible by implementing proper performance management standards, providing continuous training for professional development, and sharing knowledge. We will develop targeted policies to identify and empower future leaders and will furnish a stimulating environment that provides (Vision 2030, 2016, p. 69).

The document states that a “robust set of performance indicators that will measure quality, workflow improvement, cost reduction, and knowledge transfer will be

introduced” (Vision 2030, 2016, p. 69) and that “[w]e will seek to make the most of the potential of our workforce by encouraging a culture of high performance” (Vision 2030, 2016, p. 37). Setting Key Performance indicators to be measured continuously and reported on in complete transparency is an outstanding achievement for the Vision 2030 and the public sector:

We adopted the principle of performance measurement and made sure it is properly used in our evaluation of all government agencies, their programs initiatives, and executives. We established the Center for Performance Management of Government Agencies to institutionalize these efforts for the long term and built performance dashboards to promote accountability and transparency (Vision 2030, 2016, p. 81).

The *modernization logic* shares some characteristics with the *managerial* or *market logic* identified in prior studies (e.g., Meyer and Hammerschmid, 2006a, 2006b) -for example, the performance-orientation, effectiveness, and efficiency are core values of both institutional logics; also, both logics encourage the introduction of higher managerial autonomy. There are, however, some differences. For example, the *modernization logic* embedded in the Saudi reforms aims to maintain the traditional identity of the Saudi culture and imply no changes in the acceptance of religion as the key social institution of the field and the country. Nothing similar can be found in the *managerial* or *market logics* examined in prior studies (e.g., Hammerschmid and Meyer, 2005; Meyer and Hammerschmid, 2006a, 2006b; Hayes *et al.*, 2014). See Table 5 for a summary of the main characteristics of the ideal *modernization logic*.

4.5 Traditional vs. Bureaucratic and Modernization vs. Managerial

Institutional logics are historically contingent. This means that they differ with time and space, depending on the distribution of power between social players, and the objectives of social players (Thornton, 2008). We have used the ideal types introduced in Thornton and Ocasio (2008), similar to what Lepori and Montauti (2020) did.

As anticipated before, while sharing certain characteristics, the *state* or *bureaucratic* logic and the *market* or *managerial* logic adopted by and examined in prior research studying public sector reforms (e.g., Hayes *et al.*, 2014) do not fully capture the institutional logics at play in the field of Saudi public sector entities during the period of study.

There are some significant differences between the characteristics of the *state* (or *bureaucratic*) logic and the *traditional* logic introduced in this study: First, in the Western context bureaucracy is aligned with a legal and professional rationality logic of appropriateness and procedural legitimacy. In contrast, in Saudi Arabia there has been traditionally an absence of clear procedures. Unorthodox and unorganized activities derived by multiple kinds of interventions such as the influence of the ruling family, exemplify the governance rigidity within the Saudi public sector. Second, under the *state logic*, Meyer and Hammershmid (2016b, p. 102) define the mission of the state as “a policy maker with a superior position in society serving public interest and citizens”. In Saudi Arabia, however, the mission of public sector entities within the *traditional logic* is to serve the ruling family targets and objectives. Moreover, Meyer and Hammershmid (2006b) identify legality and correctness as core values of a *bureaucratic logic*. Within the framework of the *traditional logic* dominant in Saudi

Arabia's public sector entities, core values are intimately related to religion. Public sector actors are driven by laws and regulations deeply influenced by Islam and are keener to be aligned with religious guidelines more than anything else. Third, as highlighted by Meyer and Hemmershmid (2006b, p. 102), the Western bureaucratic model is based on "laws, rules, and directives with strict accountability towards the sovereign, and tight and multiple control of correctness hierarchical centralized and united system". As a result, the employment status is densely regulated, and progression is linked to seniority. In contrast, in Saudi Arabia the source of legitimacy is based more on connections, networking, and nepotism. The entire governance mechanism is a reflection of decisions by the members of the ruling families, a setup of subjective controls.

Although there are similarities between the basic characteristics of the *market* (or *managerial*) *logic* and the *modernization logic* identified in Saudi Arabia -e.g., both are aligned to the idea of making the public sector mission to serve the citizens while offering the best quality of services- there are significant differences. First, in the context of Western countries, the governance model embedded in the *managerial logic* is a model of contractual governance based on objectives, results, and a decentralized and fragmented system. In Saudi Arabia, however, the *modernization logic* is proposing a governance model that would ensure consistency in all government organizations, either by following the same laws, regulations, and procedures or by having a centralized monitoring model through introducing, for example, entities such as the National Center for Performance Measurement (ADAA¹⁹). Second, while the *managerial logic* in Western contexts allows sectoral

¹⁹ The National Center for Performance Measurement (ADAA). ADAA reports directly to the prime minister and aims to build and initialize performance measurement processes in public entities by providing the necessary support through the utilization of unified tools and models that assist public

openness based on private-sector employment laws and flexible and open career patterns on performance (e.g., Meyer and Hammerschmid, 2006a, 2006b; Hayes *et al.*, 2014), the *modernization logic* suggests a focus on performance, but it does not refer to copying the private-sector models. Still, it emphasizes the importance of the private-public partnerships in a modernized economic model. Finally, the *managerial logic* places the market and the economic rationality at the core of the system. While the *modernization logic* in Saudi Arabia highlights the importance of the market -e.g., the need of creating new markets by investing in the existing natural resources in new areas such as NEOM, religion remains as the key social institution at the core of the field and the country. Nothing similar can be found in the *market logic* embedded in the NPM reforms of public sector fields of other jurisdictions (e.g., Hammerschmid and Meyer, 2005; Meyer and Hammerschmid, 2006a, 2006b; Hayes *et al.*, 2014).

In summary, the *bureaucratic logic* typical of western public sector entities does not fully capture the institutional logic dominant of public sector entities in Saudi Arabia. Similarly, the new *managerial logic* established by public sector entities in Continental Europe and other Western jurisdictions reforming their public sector following the NPM doctrines does not fairly describe the institutional bases of the public sector reforms recently undertaken by the Saudi government. Thus, our need to identify and describe the two “ideal” institutional logics (*traditional* and *modernization* logics) relevant for the process of transformation of the Saudi public sector.

entities in their ability and efficiency to deliver better performance. ADAA publishes reports on the delivery progress of strategic goals, initiatives, and KPIs of public entities to track their development in realizing Saudi Vision 2030 and measure beneficiary satisfaction on public services.

4.6 Conclusion

In this chapter we have described the main characteristics of the institutional setting and introduced the two “ideal” logics that characterise the field. The government agencies in Saudi Arabia are going through a complete transformation set by the strategic plan Vision 2030, which aims to improve their services’ efficiency, transparency, and quality. Compared to the traditional mode of functioning, under the new strategy Saudi governmental agencies should work efficiently and perform full transparency to deliver the best quality to citizens.

The analysis of the official documents and secondary sources examining the Saudi institutions lead us to identify and define two ideal institutional logics: the *traditional logic* and the *modernization logic*, which are summarized in Table 5. While these two logics share some characteristics with the *state* and *market logics* (respectively) described in prior studies (e.g., Hammerschmid and Meyer, 2005), there are notable differences.

The *traditional logic* relates to an economic system based on one source of revenue; a country strategy based on personalized goals of the ruling family who has the ultimate authority derived from a governance law based on religion. Religion and royalty define the identity traits of the country, as known to the world. Decision-making and legitimacy are linked to a structured governance mechanism giving the power to the country’s leaders and supported by a system based on networking and connection (*wasta*). To ensure that the system works, abiding by the set rules is a must, and the orders come from the highest authorities with no choice for not adhering to these while sanctions are the natural alternative.

On the other hand, the *modernization logic* stipulates a new Western isomorphic model in line with a *managerial logic*, a new economic system based on diversification and willingness to partner with the private sector. A clear strategy is set for the country's different sectors and industries with the objectives to serve society in the best way possible and ensure continuous communication on the results. Performance is the new basis of attention, and the development of individual capabilities is core within the system. While efficiency is a must for achieving objectives, trust in individual performance has increasing importance. While the new governance mechanisms are driven by accountability, under the new logic management is more equipped with formal controls and autonomy clarified in the authority structure. The new identity is shared with the world. The country is opening up while benefiting from its natural resources and religious heritage through a modernized set of practices, values, beliefs, and assumptions. In Chapters 6, 7 and 8 we will compare the evidence collected against the patterns derived from the two-ideal types of logics to assess to what extent these logics influenced the processes of adoption and implementation of RM practices in Saudi governmental agencies.

4.7 Appendix

4.7.1 Basic law of governance

Royal Order No. (A/91)

27 Sha'ban 1412H – 1 March 1992

Published in Umm al-Qura Gazette No. 3397 2 Ramadan 1412H - 5 March 1992

Part One – General Principles

Article 1: The Kingdom of Saudi Arabia is a fully sovereign Arab Islamic State. Its religion shall be Islam and its constitution shall be the Book of God and the Sunnah (Traditions) of His Messenger, may God's blessings and peace be upon him (PBUH). Its language shall be Arabic, and its capital shall be the city of Riyadh.

Article 2: The two holidays of the State shall be 'Id al-Fitr and 'Id al-Adha, and its calendar shall be the Hijri Calendar.

Article 3: The flag of the State shall be as follows:

1. Its color shall be green.
2. Its width shall be two-thirds its length.
3. Centered therein shall be the expression "There is no god but God and Muhammad is the Messenger of God", with an unsheathed sword under it. The flag may never be flown at half-mast.

The Law shall set forth the provisions appertaining thereto.

Article 4: The emblem of the State shall be two crossed swords with a date palm tree in the middle of the upper space between them. The law shall set forth the anthem and medals of the State.

Part Two – System of Governance

Article 5:

1. The system of governance in the Kingdom of Saudi Arabia shall be monarchical.
2. Governance shall be limited to the sons of the Founder King ‘Abd al-‘Aziz ibn ‘Abd ar-Rahman al-Faysal Al Sa‘ud, and the sons of his sons. Allegiance shall be pledged to the most suitable amongst them to reign on the basis of the Book of God Most High and the Sunnah of His Messenger (PBUH).
3. The King shall select and relieve the Crown Prince, by Royal Order.
4. The Crown Prince shall devote himself exclusively to the office of the Crown Prince and shall perform any other duties assigned to him by the King.
5. The Crown Prince shall assume the powers of the King upon his death until the pledge of allegiance is given.

Article 6: Citizens shall pledge allegiance to the King on the basis of the Book of God and the Sunnah of his Messenger, and on the basis of submission and obedience in times of hardship and ease, fortune and adversity.

Article 7: Governance in the Kingdom of Saudi Arabia derives its authority from the Book of God Most High and the Sunnah of his Messenger, both of which govern this Law and all the laws of the State.

Article 8: Governance in the Kingdom of Saudi Arabia shall be based on justice, shura (consultation), and equality in accordance with the Islamic Shari'ah.

Part Three – Foundations of Saudi Society

Article 9: The nucleus of Saudi society is the family, and its members should be brought up on the basis of the Islamic creed and its requirement of allegiance and obedience to God, to His Messenger and to those in authority; respect for and implementation of laws, and love of and pride in the homeland and its glorious history.

Article 10: The State shall endeavor to strengthen family bonds, maintain its Arab and Islamic values, care for all its members, and provide conditions conducive to the development of their talents and abilities.

Article 11: Saudi society shall be based on its members' holding fast to the bond of God, cooperating unto righteousness and piety, and maintaining solidarity, and avoiding dissention.

Article 12: Promoting national unity is a duty, and the State shall prevent whatever leads to disunity, sedition and division.

Article 13: Education shall aim to instill the Islamic creed in the young, impart knowledge and skills to them, and prepare them to be useful members in the building of their society, loving their homeland, and taking pride in its history.

Part Four – Economic Principles

Article 14: All God's bestowed wealth, be it underground, on the surface, or in national territorial waters, on the land or maritime domains under the State's control, all such resources shall be the property of the State as defined by the Law. The Law shall set

forth the means for exploiting, protecting, and developing such resources for the benefit, security, and economy of the State.

Article 15: No concession is to be granted and no public resources of the country are to be exploited except pursuant to a law.

Article 16: Public property has sanctity. The State shall protect it, and citizens and residents shall safeguard it.

Article 17: Property, capital, and labour are basic constituents of the economic and social structure of the Kingdom. They are private rights which fulfil a social function in accordance with Islamic Shari'ah.

Article 18: The State shall guarantee private property and its inviolability. No one shall be deprived of his property except for the public interest, provided that the owner be fairly compensated.

Article 19: The public expropriation of property shall be prohibited, and the penalty of private expropriation may be imposed only by a court order.

Article 20: Taxes and fees may be imposed only if needed and on a just basis. They may be imposed, revised, abolished, or exempted only in accordance with the Law.

Article 21: Zakah (alms) shall be collected and spent as prescribed by the Shari'ah.

Article 22: Economic and social development shall be accomplished according to a sound and just plan.

Part Five – Rights and Duties

Article 23: The State shall protect the Islamic creed, apply its Shari'ah, enjoin the good and prohibit evil, and carry out the duty of calling to God.

Article 24: The State shall maintain and serve the Two Holy Mosques and provide security and care to those who travel to them as to enable them to perform Haj (Major Pilgrimage), 'Umrah (Minor Pilgrimage), and Ziyarah (Visit of the Prophet's Mosque) in ease and tranquillity.

Article 25: The State shall strive to realize the aspirations of the Arab and Muslim nation for solidarity, unity, as well as to promote its relations with friendly states.

Article 26: The State shall protect human rights in accordance with the Islamic Shari'ah.

Article 27: The State shall guarantee the right of the citizen and his family in emergencies, sickness, disability, and old age, and shall support the social security system and encourage institutions and individuals to participate in charitable work.

Article 28: The State shall facilitate the provision of job opportunities to every able person and shall enact laws that protect the workman and the employer.

Article 29: The State shall foster sciences, arts, and culture, and shall encourage scientific research, protect Islamic and Arabic heritage, and contribute to Arab, Islamic, and human civilization.

Article 30: The State shall provide public education and shall be committed to combating illiteracy.

Article 31: The State shall be responsible for the care of public health and shall provide health care to every citizen.

Article 32: The State shall endeavor to preserve, protect, and improve the environment and prevent its pollution.

Article 33: The State shall create and equip armed forces for the defense of the creed, the Two Holy Mosques, the society, and the homeland.

Article 34: Defense of the Islamic creed, society, and homeland is the duty of every citizen. The Law shall set forth provisions for military service.

Article 35: The Law shall set forth provisions for Saudi Arabian citizenship.

Article 36: The State shall provide security to all its citizens and residents. A person's actions may not be restricted, nor may he be detained or imprisoned, except under the provisions of the Law.

Article 37: Residences shall be inviolable, and they may not be entered or searched without their owner's permission except in cases set forth in the Law.

Article 38: Punishment shall be carried out on a personal basis. There shall be no crime or punishment except on the basis of a Shari'ah or a statutory provision, and there shall be no punishment except for deeds subsequent to the effectiveness of a statutory provision.

Article 39: Mass and publishing media and all means of expression shall use decent language and adhere to State laws. They shall contribute towards educating the nation and supporting its unity. Whatever leads to sedition and division or undermines the

security of the State or its public relations or is injurious to the honor and rights of man, shall be prohibited. Laws shall set forth provisions to achieve this.

Article 40: Correspondence by telegraph and mail, telephone conversations, and other means of communication shall be protected. They may not be seized, delayed, viewed, or listened to except in cases set forth in the Law.

Article 41: Residents in the Kingdom of Saudi Arabia shall observe its laws. They shall respect the values, traditions and sensibilities of Saudi society.

Article 42: The State shall grant political asylum if public interest so dictates. Laws and international agreements shall specify the rules and procedure for the extradition of ordinary criminals.

Articles 43: The court of the King and of the Crown Prince shall be accessible to every citizen and to everyone who has a complaint or a grievance. Every individual shall have the right to address public authorities in matters of concern to him.

Part Six – Authorities of the State

Article 44: Authorities in the State shall consist of:

Judicial Authority.

Executive Authority.

Regulatory Authority.

These authorities shall cooperate in the discharge of their functions in accordance with this Law and other laws. The King shall be their final authority.

Article 45: The source for fatwa (religious legal opinion) in the Kingdom of Saudi Arabia shall be the Book of God and the Sunnah of his Messenger (PBUH). The Law shall set forth the hierarchy and jurisdiction of the Board of Senior Ulema and the Department of Religious Research and Fatwa.

Article 46: The Judiciary shall be an independent authority. There shall be no power over judges in their judicial function other than the power of the Islamic Shari'ah.

Article 47: The right of litigation shall be guaranteed equally for both citizens and residents in the Kingdom. The Law shall set forth the procedures required thereof.

Article 48: The courts shall apply to cases before them the provisions of Islamic Shari'ah, as indicated by the Qur'an and the Sunnah, and whatever laws not in conflict with the Qur'an and the Sunnah which the authorities may promulgate.

Article 49: Subject to the provisions of Article 53 herein, the courts shall have jurisdiction to adjudicate all disputes and crimes.

Article 50: The King or whomever he deputizes shall be responsible for the enforcement of judicial rulings.

Article 51: The Law shall set forth the composition and jurisdiction of the Supreme Judicial Council, as well as the hierarchy and jurisdiction of the courts.

Article 52: Appointment and termination of judges shall be by Royal Order, at the recommendation of the Supreme Judicial Council, as set forth by the Law.

Article 53: The Law shall set forth the structure and jurisdiction of the Board of Grievances.

Article 54: The Law shall set forth the final authority, organization, and jurisdiction of the Bureau of Investigation and Prosecution.

Article 55: The King shall run the affairs of the nation in accordance with the dictates of Islam. He shall supervise the implementation of Islamic Shari'ah and the general policies of the State, and the protection and defense of the country.

Article 56: The King presides over the Council of Ministers. He shall be assisted in the discharge of his functions by the members of the Council of Ministers in accordance with the provisions of this and other laws. The Law of the Council of Ministers shall set forth the power of the Council with respect to internal and foreign affairs, and to the organization of the agencies of the Government and coordination among them. It shall also set forth the requirements ministers must meet, their powers, accountability, and all their affairs. The Law of the Council of Ministers and the powers of the Council shall be amended in accordance with this Law.

Article 57: The King shall appoint vice presidents of the Council of Ministers and member ministers of the Council of Ministers and shall relieve them by Royal Order.

The vice presidents of the Council of Ministers and the member ministers of the Council of Ministers shall be considered collectively responsible before the King for the implementation of the Islamic Shari'ah and the laws and the general policies of the State.

The King may dissolve the Council of Ministers and reconstitute it.

Article 58: The King shall appoint those who hold the rank of minister and deputy minister and those in Distinguished Grade and shall relieve them of their office by Royal Order in accordance with what is set forth in the Law. Ministers and heads of

independent agencies shall be considered responsible before the King for the ministries and agencies they head.

Article 59: The Law shall set forth the provisions for civil service, including salaries, stipends, compensation, fringe benefits, and pensions.

Article 60: The King shall be the Supreme Commander-in-Chief of all armed forces and shall appoint and terminate the services of officers in accordance with the Law.

Article 61: The King may declare the state of emergency, general mobilization, and war. The Law shall set forth the provisions thereof.

Article 62: If a threat arises which endangers the safety or the territorial integrity of the Kingdom or the security and interests of its people or hinders the institutions of the State from performing their functions, the King may take urgent measures as would guarantee dealing with that danger. If the King deems that such measures be permanent, he may take whatever actions required pursuant to the Law.

Article 63: The King shall receive the kings and heads of State and shall appoint his representatives to such states and accept the credentials of their representatives to him.

Article 64: The King shall grant medals in the manner prescribed by the Law.

Article 65: The King may delegate certain powers to the Crown Prince by Royal Order.

Article 66: If the King travels outside the Kingdom, he shall issue a Royal Order deputizing the Crown Prince to run the affairs of State and protect the People's interests in the manner set forth in the Royal Order.

Article 67: The regulatory authority shall have the jurisdiction of formulating laws and rules conducive to the realization of the well-being or warding off harm to State affairs in accordance with the principles of the Islamic Shari'ah. It shall exercise its jurisdiction in accordance with this Law, and Laws of the Council of Ministers and the Shura Council.

Article 68: The Shura Council shall be established. Its Law shall set forth its formation, the exercising of its powers and the selection of its members. The King may dissolve and reconstitute the Shura Council.

Article 69: The King may summon the Shura Council and the Council of Ministers to a joint session. He may invite whomever he chooses to attend said sessions in order to discuss whatever matters the King chooses.

Article 70: Laws, international treaties and agreements, and concessions shall be issued and amended by Royal Decrees.

Article 71: Laws shall be published in the Official Gazette and shall be effective on the date of publication unless another date is specified therein.

Part Seven – Financial Affairs

Article 72: The Law shall set forth the provisions governing State revenues and their delivery to the public treasury of the State. Revenues shall be recorded and disbursed in accordance with the rules prescribed by law.

Article 73: No commitment may be made to pay funds out of the public treasury except in accordance with the provisions of the budget. If budgetary allocations do not cover such commitments, the commitment must be made by a Royal Decree.

Article 74: State property may not be sold, leased, or disposed of except in accordance with the Law.

Article 75: The Law shall set forth provisions governing monetary and banking matters, as well as weights, scales, and measures.

Article 76: The Law shall specify the fiscal year of the State. The budget shall be announced by a Royal Decree and shall include estimates of revenue and expenditures for the year, not less than one month before the fiscal year begins. If compelling reasons prevent its announcement and the new fiscal year begins, the budget of the previous year shall remain in force pending the announcement of the new budget.

Article 77: The agency concerned shall prepare the closing accounts of the State for the fiscal year that ended and submit the same to the President of the Council of Ministers.

Article 78: Budgets of agencies having a public juristic personality and their closing accounts shall be subject to the same provisions governing the budget and closing accounts of the State.

Part Eight – Auditing Agencies

Article 79: All State revenues and disbursements as well as all movable and immovable property of the State shall be subject to subsequent audit. The proper use of these properties and protection of the same shall be ascertained and an annual report shall be submitted thereon to the President of the Council of Ministers. The Law shall specify the audit agency having jurisdiction in this matter as well as its chain of command and jurisdictions.

Article 80: Government agencies shall be monitored, and their proper administrative performance and enforcement of the laws shall be verified. Financial and administrative violations shall be investigated, and an annual report thereon shall be submitted to the President of the Council of Ministers. The Law shall specify the agency having jurisdiction in this matter and its chain of command and jurisdictions.

Part Nine – General Provisions

Article 81: The enforcement of this Law shall not prejudice whatever treaties and agreements with states and international organizations and agencies to which the Kingdom of Saudi Arabia is committed.

Article 82: Without prejudice to the provisions of Article 7 herein, no provision of this Law may be suspended except on a temporary basis, in the manner set forth under the Law, at the time of war or during a declared state of emergency.

Article 83: Amendment of this Law can only be made in the same manner of its promulge.

CHAPTER 5 – RESEARCH METHODOLOGY

5.1 Introduction

The purpose of this chapter is to introduce the methodology of the study. We first explain the methodological approach and the research design, including information about the data collection methods. The following section describes the procedures and the data analysis. We conclude with the limitations and benefits of our approach.

5.2 Methodological Approach and Research Design

5.2.1 Research approach

We follow a qualitative case study approach and fieldwork to investigate and interpret the adoption and implementation of RM practices in a real-life context. The case study method is the “preferred research strategy when “how” and “why” questions are the focus of the investigation” (Major *et al.*, 2018, p. 507). As Cooper and Morgan (2008, p. 160) highlighted, practitioners find particularly relevant case studies because they provide details about how processes or innovations in real life. With a case study, authors convert private information and knowledge into publicly available knowledge, particularly valuable from a practitioners’ perspective. This methodological approach is prevalent in studies exploring RM in public sector organizations (e.g., Mikes, 2007; Rocher, 2011; Palermo, 2014).

We followed an interpretative phenomenology considering contextual features related to influences that affect the subjects of the study (Matua and Van Der Wal, 2015). A case study approach allows us to live the entire process of a real-life example,

from adopting RM to the implementation process. Furthermore, given the role of the researcher as a “complete participant”, he was present on the ground, attended important meetings, and had formal and informal discussions with the related stakeholders; this process helped in going into details. We combine multiple data sources (data from interviews, documentation, and observation) to understand the interplay of RM practices and the institutional logics in their organizational context.

5.3 Data and Data Collection Process

We relied on interviews, ethnographic observations, and documentary evidence. The use of multiple data sources helps to improve the accuracy and reliability of the analysis (Creswell and Miller, 2000; Smith, 2017).

5.3.1 Interviews, interviewees, and interview protocol

We collected the data primarily using semi-structured interviews. Semi-structured interviews allow all participants to be asked the same questions within a flexible framework. The strengths of semi-structured interviews are that the researcher can prompt and probe deeper into the given situation (McIntosh and Morse, 2015). We carried out a set of 15 formal interviews between September 2018 and January 2020.

We carefully selected the interviewees to gather the most comprehensive data and information about the implementation of RM, including the views of the different stakeholders involved in and affected by the RM implementation in the entity under analysis. We also included the insights of other stakeholders, such as RM consultants with a great deal of experience in RM projects implemented in different entities in Saudi

Arabia. We aimed to compare the Entity Y employees' views with the consultants' inputs. We further interviewed two Chief Risk Officers (CROs) in the other two government entities. Table 6 in the next page shows the role and responsibilities of the interviewees.

Out of the 15 interviewees, five worked for Entity Y. Specifically, we interviewed the Chief Risk Officer (CRO) of Entity Y, responsible for establishing the RM project in the entity. Although he had no previous RM experience, he was assigned to establish the RM function. He has fair expertise in the government sector. We also interviewed the CRO assistant, who acted as the RM project leader assigned to lead the consultants on the ground. He has experience as a consultant in a Big Four firm; he has adequate knowledge in RM practices. During the research and while the project was in the last stages, the assistant CRO/RM project leader from the case study entity resigned and was replaced by another member of the RM team in Entity Y. The new RM project leader did not have RM experience; we also made sure to interview him.

To better understand the tone at the top and the decision-making process, we interviewed the deputy governor. He was also the leader of the strategy department in the organization and the board secretary. In his role, he could answer questions related to the top level of the entity and their understanding and commitments towards RM.

Table 6: Position and Roles of the Interviewees at the RM project

Respondent ID	Position	Role and responsibility in relation to the RM project
01	Chief Risk Officer Entity Y	He was assigned to lead the RM project implementation. He would ensure alignment with consultants, the project scope delivery, and reviewed and accepted the project deliverables. He was part of the steering committee headed by the Governor that oversees the project's progress and quality.
02	Deputy Chief Risk Officer Entity Y	He was assigned to lead the day-to-day work with the consultants and was involved in every step of the project delivery. He would ensure communication with the different stakeholders and the exchange of information throughout the project. He reported to the CRO continuously and led the weekly meetings with the consultants reporting to the CRO on the deliverables and progress, and with the steering committee.
03	Successor Deputy Chief Risk Officer Entity Y	He took the lead after the departure of the Deputy CRO and had the same tasks to lead the day-to-day work with the consultants and was involved in every step of the project delivery. He would ensure communication with the different stakeholders and the exchange of information throughout the project. He reported to the CRO continuously and led the weekly meetings with the consultants reporting to the CRO on the deliverables and progress, same every month with the steering committee.
04	Revenue Manager	He was one of the main stakeholders that the RM team worked with on identifying the risk appetite and the risks related to Entity Y and his area.
05	Board Secretary, Deputy Governor and Strategy Leader	He was one of the main stakeholders that the RM team worked with on identifying the risk appetite and the risks related to Entity Y and his relative area. Moreover, he was involved from the idea's inception to the closure of the project delegated by the Governor to oversee the project. At the same time, he sat on the steering committee, overseeing the project's progress and quality.
06	Consultant, Partner	He was the Engagement Partner; he led the project management and oversaw the team execution. He reviewed the project's main deliverables and attended the steering committee meetings.
07	Consultant-Partner	He was the Service Quality Partner; he was assigned to communicate with Entity Y CRO to assess his satisfaction concerning the project progress and quality of deliverables.
08 to 13	Consultants, Partners and Directors	They did not directly relate to the project; they were interviewed as they lead or were involved in delivering similar projects in the region and Saudi Arabia, also in different sectors, including the public sector.
14 and 15	CROs for other government entities	They did not directly relate to the project; they were interviewed as they led similar projects as CROs in other Government entities in Saudi Arabia.

Source: Prepared by the author.

As stipulated in its strategy document, the entity had three main core business pillars related to revenue generation, security, and trade facility. We interviewed the entity's revenue manager intending to understand the role of executive management and their relationship with RM. The revenue manager, as the deputy governor, were part of the steering committee (a committee comprising all the executive management to oversee the project). From this position, he could provide some insights into the executive management view of the RM project.

We selected eight consultants (partners and directors) from one of the Big Four with professional experience in RM consultancy. We made sure that the consultants interviewed had higher or same position as the researcher position in his consultancy firm. Importantly, none was subordinate to the researcher to avoid influencing their opinions. In the last few years, these consultants led different RM implementation projects in the government and private sectors in Saudi Arabia and the middle east/gulf region. The consultants' points of view were valuable in that they provided information about RM projects implemented in Saudi Arabia and other GCC countries and different sectors. Finally, we chose to interview two CROs in other government entities to understand their experience in adopting and implementing RM.

The five interviewees from the studied government entity have different backgrounds starting with the RM team in the entity. The CRO of Entity Y had an industrial engineer background with years of experience in the private and public sector with no real experience in RM. The deputy CRO and project leader had an accounting background with a high education degree, eight years of experience, and comes from the private sector. He was the only one of the managers of Entity Y in the RM team with an understanding of RM. The project manager who replaced the original

project manager by the end of the project had a supply chain background with a degree in management information systems and a total experience of five years, mainly in the public sector. The deputy governor and head of the strategy in Entity Y hold a master's degree in information technology and around twenty years of experience, the majority in the private sector. Finally, the revenue department manager holds an MBA degree with thirteen years of experience in the private and public sectors.

Table 7 provides demographic information of the interviewees, including gender, educational background, level of education, number of years of experience, whether they had experience in RM at public sector entities or private sector entities, and their position at the time of the interview. It also provides details (date and duration) of the interviews.

All consultants interviewed were at the levels of partners and directors (last position before partnership) with professional experience in RM consulting projects – professional RM services providers. They worked in the MENA regions, with most of them having experience in two or more GCC countries. All of them have direct experience in establishing RM in Saudi Arabia. The eight consultants worked in the government sector. They have a combined experience covering multiple industries (i.e., healthcare, tourism, manufacturing, power and utilities, telecommunication, pharmaceutical, real estate, education, etc.). Overall, they have between a minimum of twelve years to over twenty-five years of experience. They have different educational backgrounds, with professional certifications and MBA's or master's degrees (see Table 7).

The two CROs from other government entities (Entities A and B) had business and accounting degrees. One had eight years of professional experience, while the

second had more than twenty years of experience. Both had approximately four to five years of experience in RM practice and established RM function in their entities, and during the research time were running that function. The first started his career as an internal auditor before moving to RM, and the second had a long career in finance and accounting before moving to RM.

We contacted each interviewee either through a phone conversation or a rapid drop-in meeting to explain the purpose of the interview and asked if they were willing to take part in that. We followed that initial conversation with an email that started with a brief description of the interview background and purpose. The email contained two attachments: the consent form to be read and signed by the interviewee to participate in the study and the preliminary list of questions. The list specified that the interview will be semi-structured and that the questions attached were for the interviewee to get familiar with the study's primary purpose and the interview. We asked the interviewees to answer three main general questions: (1) Why government entities in Saudi Arabia adopt RM? (2) What challenges the process of implementation of RM face in government entities? and (3) What were/are the expected results of the RM implementation in a government entity? We followed each main question with multiple other questions for the interviewees to share their experiences in detail. The list of specific questions available in Appendix 5.7.1. was used as a guidance document during the interview.

Table 7: Interviewees' background and interviews' basic information

		Education		Professional Experience					Interview	
ID	G	Background	Level	No.	GOV Sector	PRIV Sector	RM	Role/Position of the Interviewee at the time of the interview	Date	DUR
01	M	Industrial Engineer	Bs	12	Y	Y	N	Chief Risk Officer Entity Y	19-3-2019	1
02	M	Accounting and Business	MBA	8	Y	Y	Y	ERM Project Manager Entity Y	30-9-2018	2
03	M	Management Information System and Supply Chain	Master	5	Y	Y	N	ERM Project Manager Entity Y (Successor)	10-7-2019	1.5
04	M	Information Technology	Master	20	Y	Y	N	Deputy Governor, Head of Strategy/ Planning and Development and Secretary of Entity Y Board	30-1-2019	2
05	M	Business	MBA	13	Y	Y	N	PPP Advisor / Revenue Department Manager Entity Y	7-5-2020	1.5
06	M	Finance	MBA, CPA	25	Y	Y	Y	Leading Big Four RM advisory services for all sectors in MENA	21-1-2019	2
07	M	Business	Bs, CPA	20	Y	Y	Y	Leading Big Four RM advisory services for GOV Sector in MENA	19-2-2020	2
08	M	Industrial System Engineer	Master	20	Y	Y	Y	Leading Big Four RM advisory services for Power and Utilities Sector in MENA	1-9-2019	2
09	M	Finance and Accounting	Bs, CPA	20	Y	Y	Y	Leading Big Four RM advisory services for GOV Sector in Qatar, Kuwait, and Oman	1-6-2019	1.5
10	M	Finance and Accounting	Master CMA	17	Y	Y	Y	Leading Big Four RM advisory services for Life Science Sector in MENA	1-10-2019	1.5
11	M	Accounting	Bs, CIA, CRMA	21	Y	Y	Y	Leading Big Four RM advisory services Telecom Sector in KSA	12-6-2019	1.5
12	F	Business	Bs	17	Y	Y	Y	Leading Big Four Risk Transformation Solutions in MENA	17-2-2019	1.5
13	M	Mathematics	MBA	12	Y	Y	Y	Leading Big Four Risk Transformation Solution for GOV Sector in MENA	6-2-2019	2
14	M	Finance	MBA	8	Y	Y	Y	Head of RM a government entity in KSA	24-7-2019	1.5
15	M	Business	PhD	20	Y	Y	Y	Head of RM in a government entity in KSA	30-1-2020	1.5

Legend: G: Gender; No: Number of years of professional experience; GOV Sector: Whether the interviewee has experience in the government sector (Y: Yes; N: No); PRIV Sector: Whether the interviewee has experience in the private sector (Y: Yes; N: No); RM: Whether the interviewee has experience in RM (Y: Yes; N: No); Date: day, month and year of the interview; DUR: Duration of the interview in hours.

Source: Prepared by the author.

We set a 1.5 to 2 hours' average meeting with each interviewee, and we documented all answers during the interview. We made sure to keep the open discussion, leaving space for any thought or information from outside the structured questions to be highlighted and discussed. We gave the interviewee the flexibility to define other ideas that they thought were valid and support their answers to the direct questions. We asked the interviewee to make a conclusion on the three main questions (1), (2), and (3) above, highlighting their main thoughts, which gave them a chance as well to reconsider and confirm their answers. See Table 7 for details about the duration of each interview.

After some informal conversations with Entity Y's top management, we decided that recording the interviews was not an option. Thus, the data collected was reliant on note taking during and after the interviews. To reduce the potential bias of this procedure, we shared the notes with the interviewees for their comments. No changes to the original notes were made, as pointed out by Tucker (2020), this could affect the verbatim quotes, but to mitigate such a risk, we documented the interview on the spot, and we made sure to write specific words and sentences as stated by the interviewees answering the questions. We compiled the answers in a document within 48 hours to ensure that both the interviewer and the interviewee have things fresh in their memory. We shared the transcript with the interviewee for validation purposes, asking them to review and feel free to adjust, add, or else the document and send back the confirmed final document within two weeks. Several interviewees came back with a few ads and rectifications. This review process allowed them to give further information that they may have missed during the interview.

5.3.2 Documentation

We collected information about the organization and the institutional setting from a variety of documents. Specifically, we relied on official documents, on documents issued by leading organizations in RM practices such as the IRM or COSO, on internal documents of Entity Y, and on secondary sources examining the institutional environment and the field of government entities in Saudi Arabia.

The official documents issued by the Saudi government used in this research are the following:

- Basic Law of Governance issued by Royal Order No. (A/91) March 1, 1992:
This document was published in Umm Al-Qura Gazette No.3397 on March 5, 1992. It includes nine parts, 83 articles, and stipulates the governance guidelines in Saudi Arabia. We referred to this document to identify the dominant institutional orders from 1992 to 2016. For the text of the document, see Appendix 4.7.
- Saudi Vision 2030: The document explains the Kingdom's vision for 2030 and the main initiatives that government entities need to achieve. We used this document to understand the institutional orders in Saudi Arabia from 2016 and onwards. For more details, see Chapter 4.
- National Transformation Program: The document translates the Vision 2030 into a set of initiatives and projects that the different sectors have to implement. We used this document to understand the expected changes and results and to expand our understanding of the Saudi Vision, see Chapter 4.

- National Risk Unit Circular 601: This Circular was issued on December 10, 2018 and distributed to all government entities. The document is publicly available (see Appendix 5.7.2). It is a Royal Decree where the National Risk Unit requested government entities to report on their risks and establish business continuity management. The government was expecting that each entity would be able to specify the main risks that the entity could face. Each entity should have internal procedures to follow in case of any risk turning to an incident so that business can continue by ensuring the essential operations and services. The Crown Prince established the National Risk Unit in 2017 to manage the risks facing the country at a national level. Circular 601 was issued after the decision to implement RM at Entity Y. As a reference to the regulatory pressure of the government, as we will see in the analysis, the Circular accelerated the work related to the RM project implementation.

We complemented this information with the data provided by the Saudi government on the website devoted to the Vision 2030 strategic plan (<https://www.vision2030.gov.sa/>).

- New Companies Act (2015): Companies Law issued by Royal Decree M/6 dated 22/3/1385 Hijri. The document stipulates how companies should be governed and stipulates important modernized guidelines aligned with global trends and updates in corporate law and governance. We have reviewed the document to check how RM was initiated as a primary governance enabler for companies.
- Corporate Governance Regulation (2017): This document was issued by the Board of the Capital Market Authority pursuant to resolution number 8-16-2017

dated 16/5/1438H corresponding to 13/2/2017G based on the companies' law issued by royal decree No M/3 dated 28/1/1437H and amended by resolution of the Board of the Capital Market Authority number 1-7-2021 dated 1/6/1442H corresponding to 14/1/2021G. This document explains how listed companies should be governed and specify that RM is a must in these organizations. We referred to this document to explain what is happening concerning RM in other sectors and how the corporate governance reform emphasized RM implementation.

We also rely on other publicly available documents prepared by world expert organizations on RM, such as the general standards and guidance for RM provided by COSO. COSO's RM standards explain the role of RM in an entity and the main guidelines to implement this practice. These documents have been used in Saudi Arabia as standards to be followed for the implementation of ERM. We referred to these documents to further illustrate the implementation process and requirements and help identify the challenges in the whole process. We examined the following records (in chronological order):

- *IRM (2002)*: Standard about RM drafted in 2002 by a team from different risk management institutions in the UK: the Institute of Risk Management (IRM), the Association of insurance and Risk Managers (AIRMIC), the Association for Litigation and Risk Management (ALARM), and the National Forum for Risk Management in Public Sector.
- *Enterprise Risk Management Integrated Framework 2004 (COSO, 2004)*: This document defines essential Enterprise Risk Management (ERM) components, discusses fundamental ERM principles and concepts, suggests a common

ERM language, and provides direction and guidance for enterprise risk management. Organizations around the world are using this framework to design and implement effective ERM processes.

- *Enterprise Risk Management integrating with Strategy and Performance 2017 (COSO, 2017)*: The 2017 update of the *Enterprise Risk Management Integrated Framework* addresses the evolution of ERM and the importance for organizations to enhance their method to managing risk to satisfy the requirements of an evolving business environment. The update highlighted the importance of considering risk in both the strategy-setting process and in driving performance.
- *Risk Management Principles and Guidelines, AS/NZS/ISO 31000 (International Standards Organization, 2009/2018)*: The 2018 ISO ERM standard is a widely accepted standard for ERM by private corporations, government bodies, and non-profit organizations throughout the world. It essentially provides a “bird’s eye view” and not a step-by-step process for risk professionals to follow. That is, it offers a high-level, comprehensive view of successful RM initiatives.

The researcher had access to key internal documents of the organization.

Specifically:

- *Strategy and Entity Objectives Document 2018*: This document describes the entity’s strategy for three years and its main objectives. We used this document to understand the positioning of RM in the strategy.
- *Key Performance Measurement Reports for Q1, Q2, and Q3 of 2018*: The Strategy Department’s quarterly issued reports. They include specific key

performance indicators (KPIs) related to the project of establishing and RM activating. The reports also stipulate the KPIs related to the initiatives to be delivered to achieve the main objectives. The KPI related to RM was the percentage of completion of the project of establishing RM.

- *Entity Organization Structure 2017-2018*: This document illustrates the entity structure and how all departments are linked together, showing the reporting line, including where RM sits in the entity. This document was helpful to understand the expected positioning of RM in the entity and the related reporting lines.

Altogether, these documents provided a rich historical context of the concept of RM, the RM practices, and the governing logics in the field of governmental entities in Saudi Arabia and the organization under examination (Entity Y), thereby helping to validate the interview data and the observational data.

5.3.3 Ethnographic observation – Role of the researcher

The researcher was also a participant involved in implementing RM in the organization under analysis (an observer). He has been a consultant for more than 17 years focusing on helping entities establishing and activating RM for ten years. He started as a consultant in the Middle East before moving to the United Arab Emirates in 2010, straight after the financial crisis. He started his career as a consultant focusing on helping entities establishing and activating internal audit functions. As RM began to emerge, he focused on the subject and obtained RM professional certification before taking part in projects to develop RM functions and conducting risk assessments. After gaining good experience in RM in the UAE, he was assigned to

lead this practice in one of the Big Four consulting companies' branch in the KSA. The researcher was appointed to lead the implementation of RM at Entity Y; he and his team were mandated the task to establish and activate the function in cooperation with the RM team in the entity.

With such a role, the researcher had the opportunity to know the background, context, and status of the entity and attend the project steering committees. Thus, he is an organizational ethnographer with active participation in the field. As noticed by Smith (2017), one of the advantages of active involvement in the entities is that the researcher has the practical experience and theoretical knowledge to bring a new perspective based on the insiders' point of view. As an insider, the researcher has detailed knowledge about the entity, particularly useful in this type of study. He had access to meetings, documents, and people and had the opportunity to observe both formal and informal settings. As pointed out by Parker (2012, p. 59), "the close engagement of researchers with actors opens a window into the inner worlds and workings and socially constructed meanings of organizations and groups that might otherwise be inaccessible".

5.3.4 Case study – unit of analysis

The research site is a primary government entity, Entity Y, spread demographically in all cities of Saudi Arabia. At the time of the study, the entity comprised around 10,000 employees, and it was illustrative of large public sector organizations operating in Saudi Arabia. According to its website, its institutional values are innovation, transparency, discipline, team spirit, justice, and equality, and its strategy is built around leadership, excellence, and ambition. We selected Entity Y

for two reasons: First, it is illustrative of large government agencies in the KSA; second, we had access to multiple data sources, including ethnographic observations.

The project designed to establish RM in the organization started in 2017. The research study started in 2018, and the interviews were conducted between September 2018 and January 2020.

5.4 Data Analysis

5.4.1 Analysis of documents

We started our research by examining the institutional context (Figure 2). We analysed in detail the *Basic Law of Governance* of Saudi Arabia and the document Vision 2030 to understand the main institutional orders of the field of Saudi public sector entities. Religion, family, and the state are revealed to be guiding principles of Saudi society as per the *Basic Law of Governance*. The launch of the Vision 2030 project aimed to modernize Saudi society by setting new orders related to the market and introducing a broader definition of the state.

As explained in Chapter 4, following Thornton *et al.* (1999, 2008) we identified two institutional logics in the period under investigation, namely a “*traditional logic*” and a “*modernization logic*”. The pattern matching/ideal type methodological approach to capture institutional logics requires cautious thinking about the components of each logic to develop the ideal type and then make precise comparisons. We drew on primary documents and the first batch of interviews to define the elemental categories and related definitions (e.g., Thornton, 2004, pp. 24-36). After that, we completed all the interviews and compared the empirical findings and the ideal types.

5.4.2 Coding interview data

For the analysis, we combined the matching pattern approach with the pattern-inducing, interpretive analysis introduced in Reay and Jones (2016). Specifically, we compared the data collected from interviews and observation and analysed the responses to show beliefs and points of view directed by particular logics similar to Friedland and Alford (1991). We tried to capture word by word the interviewees statements and clear descriptions from the observation on the field. This approach helped us provide descriptions of localized practices and statements of beliefs linked to a particular logic (*traditional logic* vs. *modernization logic*).

We coded the transcripts of the interviews. We compared the answers to identify similarities in themes, words, and justifications. The codes ranged from purely descriptive (e.g., description of the experience in another entity) to more interpretative concepts (e.g., personal reflections about the RM project). This process showed several emerging themes related to the adoption (e.g., “compliance requirement”), the implementation (e.g., “time pressure”), and the outcome (e.g., “it is a journey”) of the RM project. We first worked on identifying the common answers to the three main questions: a) the drivers for the RM adoption; b) the challenges faced; and c) the results of the process. For the first question, we identified five key drivers for the adoption of RM that the interviewees discussed. After analysing these main drivers, we linked the interviewees statements to the defined, ideal, logics. We weighted the answers to clarify the dominant or prevalent logic.

For the second question related to the challenges, we coded the direct answers, same the different statements in the interviews reflecting on the challenges. We identified nine different themes that have more than three confirming answers from

different interviewees, and we kept the category “others” for themes that were mentioned by or two interviewees.

Finally, for the last question related to results or expected outcome of RM, we compared the interviewees’ answers and we noted that their responses could be classified in four groups: “the RM implementation would affect the results”, “no clear results in the short term”, “RM is a (long) journey” and “expectation of logic dominance change”.

5.5 Limitations

Single case study analysis has been subject to some criticisms, the most common is subjectivity. Regarding this point, Maoz (2002, pp. 164-165) suggests that “the use of the case study absolves the author from any methodological considerations. Case studies have become, in many cases, a synonym for freeform research where anything goes”. In addition, the lack of organized procedures for case study research is a concern. However, many contemporary cases study practitioners have increasingly sought to clarify and develop their methodological techniques and epistemological grounding (Bennett and Elman, 2006), and we worked on the same concept.

Another critique of the single case study analysis is the issue of external validity or generalizability. King *et al.* (1994, p. 212) wrote: “[w]e always do better (or, in the extreme, no worse) with more observation as the basis of our generalization”. This is an unavoidably valid criticism.

Relatedly, another concern is the researcher subjectivity. The researcher acknowledges that his professional and personal background could influence the interpretation of the information and data. The studied entity contracted the author to help implement RM; even though he followed well-defined and internationally known practices and methods in the implementation (such as ISO 31000 and COSO), he may still be influenced by personal opinions and understandings of these practices. He may also be influenced by his previous experience, replicating what he did before in other projects. We were aware of these limitations and made sure to reduce the impact on the research by carefully selecting the research method (data collection and analysis). He carefully selected the interviewees, including other consultants to take part in the interviews bringing different experiences to either confirm findings through the case study or to confirm the presence of multiple understandings and suggestions. Being a consultant himself, he made sure to have other consultants as part of the research so his point of view wouldn't be compulsory. Following a semi-structured interview allowing the interviewer to comment outside the specific questions also helped in this regard. We followed a transparent interview process. The initial set of questions was sent to each interviewee few days before the interview. The researcher asked the interviewee to comment or add any important viewpoint deemed necessary to the case study during the interview. We intended a 1.5 hours' interview, but we were flexible as long as the interviewee was refined and comfortable to proceed for a longer time.

As far as the adoption of the pattern matching technique and the identification of ideal types for capturing the institutional logics of the field is concerned, we are also aware of its limitations. This approach requires cautious thinking about each ideal type. In our setting, it was difficult to determine the ideal types or elemental categories in

some instances, and the comparison between the categories maybe, to a certain extent, subjective.

Coding could be done either manually or electronically. It all depends upon variables such as the size of the research, knowledge of the researcher, and funding availability (Basit, 2003). Categories are designed to fit qualitative data, whereas data includes the categories usually pre-coded for quantitative data (Vidich and Lyman, 2000). Overall, the idea of coding is well reasoned and has many benefits. Coding makes it easier to find any trends or patterns. However, it could reduce the complexity of the information obtained, which defies the original objective of collecting qualitative data—turning the detailed information into categories that may not be as specific as the actual results could lose validity. Hence, although losing some validity, qualitative coding data is important and required to understand any effects further. We first selected the manual coding because the number of interviews was insignificant. We were interested in reading and re-reading the texts and narratives at large before comparing answers to specific questions; we wanted to benefit from most of the data. The manual comparison allowed us to refresh the memory regarding the storytelling, gestures, and mix of languages, sometimes between Arabic and English. We were ready to spend the required time making the manual comparison for more accuracy in linking the narrative stories with the field notes and actual scenario memory. We could ensure the validity of the data and the results through manual coding. To guarantee reliability, we used NVivo for a computerized coding, as “[m]echanical devices are reliable by nature, so when humans identify units in physical terms, errors arise mainly from the careless application of formal rules” (Krippendorff, 2018, p.109).

About Krippendorff (2018) on the importance of testing reliability and validity, we have compared data coding multiple times in different periods to ensure consistency and stability between the findings. It is a test-retest model where “one observer rereads, recategorizes, or reanalyses the same text, usually after some time has elapsed, or the same measuring device is repeatedly applied to one set of objects” (Krippendorff, 2018, p. 215).

We may have missed a certain level of accuracy as we could not apply the test-standard method (Krippendorff, 2018). We could not record the interviews and only refer to documented transcripts. We could not ensure that all documented interviews were following the same standard, and we could not analyse all the interviews based on specific criteria. While limitations exist and could affect the study results, the measures applied could reduce that effect and protect the objectivity and rigor of the study.

5.6 Conclusion

As explained in this chapter, we use the interpretative case study method to examine the adoption and implementation of a RM project in a government entity (Entity Y), a project between 2017 and 2019. Entity Y is a large government entity with more than 10,000 employees geographically spread in all KSA cities. We rely on interviews, ethnographic observations, and documentary evidence. We interviewed top executives in Entity Y, several RM consultants, and two CROs in other government entities and asked them about the adoption, implementation, and challenges of RM in governmental entities. The data was reliant on “note-taking”, and we manually

analysed the interviews through a clear and consistent method. There were several limitations that we worked to mitigate in the best possible way.

Figure 2: Institutional Logics Perspective (ILP) / Study Context



Source: Prepared by the author.

5.7 Appendix

5.7.1 Interview – General Guidance/Questions followed by the Researcher

- Introduction/ Background about the interviewee
- Position, roles, and duties
- What is her/his previous experience in relation with RM?
- How he/she defines RM (Perception)?
- Why, in her/his view, government entities adopt and implement RM? What are the main drivers?
- What are the main characteristics of a government entity that affect the implementation of RM?
- Cases: Why the Entity (X) took the decision to adopt RM (reasons/objectives)?
- Who took the decision to adopt RM?
- Who are the main stakeholders and what are their influences?
- What is her/his role in relation with RM the government entity?
- Please describe roles and responsibilities?
- How did the implementation process start? How did it flow?
- What went well? In addition, what went wrong?
- What were the challenges facing the adoption and implementation of RM?
- Why the adoption and implementation process faced these challenges?
- Can we try to categorize the challenges (Governance- Compliance and Operation) any others?
- What were the consequences-results of these challenges?
- What went wrong during the implementation? What was missing? What are the lessons; learned?
- Can you compare the adoption and/or implementation processes between entities and/or sectors?
- Comparing objectives to results, what was achieved? In addition, what wasn't? And do you consider the adoption and implementation of RM were successful?
- How would you explain the results and the effect on the different stakeholders”?
- Conclusion – any clarifications or statements?

5.7.2 Circular 601

“His Royal Highness the Crown Prince, Deputy Prime Minister and Minister of Defense. A copy for each ministry and government authority or entity, and each entity shall inform its affiliates or associates.

Peace and Allah’s mercy and blessings be upon you:

We have taken note of the minutes of the National Risk Unit Committee No. (2) dated 14/2/1440 H, which includes its view of directing all relevant ministries, authorities, government entities, and state-owned companies to the following: 1- Each entity shall be responsible for identifying and assessing its own risks in the area of its responsibilities and functions and preparing preparedness and response plans for the prevention of its effects according to the methodology approved by the National Risk Unit. 2- Cooperation with the National Risks Unit in light of the Council of Ministers Decree No. (87) dated 7/2/1440 H in item (Four) that the National Risk Unit will carry the following: A – Conduct a comprehensive national risk assessment, identify weaknesses, prepare a vital infrastructure register, contact information network with stakeholders, and the overall framework for disaster management, and submit them to the National Risk Council for approval. B – Establish a (Center of Excellence) to spread risk management culture and qualify risk and emergency management experts. C – Supporting stakeholders in spreading risks public awareness. D – Establishment of a (Disaster and Crisis Management Center), linked to the unit. E – Study and announce the upgrading of preparedness against risks, and the exercises carried out within the general system. F – Develop risk monitoring and follow-up solutions.

In agreeing with the view of the National Risk Unit Committee on this matter, approve the necessary completion accordingly.”

Salman bin Abdulaziz Al Saud

Prime Minister

Sources: <https://www.forbes.com/places/saudi-arabia/> and

https://en.wikipedia.org/wiki/Economy_of_Saudi_Arabia (accessed August 31, 2022)

5.7.3 Original version, in Arabic, of Circular 601 (cont'd)

تعميم 601

صاحب السمو الملكي ولي العهد نائب رئيس مجلس الوزراء وزير الدفاع

نسخة لكل وزارة ومصلحة حكومية وعلى كل جهة إبلاغ الجهات التابعة لها أو المرتبطة بها

السلام عليكم ورحمة الله وبركاته:

اطلعنا على محضر لجنة وحدة المخاطر الوطنية رقم (2) بتاريخ ١٤٤٠/٢/١٤ هـ المتضمن رأيها توجيه جميع الوزارات والهيئات والأجهزة الحكومية المعنية والشركات المملوكة للدولة بالآتي: 1- أن تكون كل جهة مسؤولة عن تحديد المخاطر الخاصة بها في مجال مسؤولياتها، ومهامها، وأن تقوم بتقييمها ووضع خطط الاستعداد والاستجابة لها للوقاية من آثارها حسب المنهجية التي تقرها وحدة المخاطر الوطنية. 2- التعاون مع وحدة المخاطر الوطنية في ضوء ما قضى به قرار مجلس الوزراء رقم (٨٧) بتاريخ ١٤٤٠/٢/٧ هـ في البند (رابعاً) من قيام وحدة المخاطر الوطنية بالآتي: أ- إجراء تقييم شامل للمخاطر الوطنية، وتحديد مواطن الضعف، وإعداد سجل للبنية التحتية الحيوية وشبكة معلومات الاتصال مع الجهات ذوات العلاقة، والإطار العام لإدارة الكوارث، ورفعها إلى مجلس المخاطر الوطنية لاعتمادها. ب- إنشاء (مركز التميز) لنشر ثقافة إدارة المخاطر وتأهيل خبراء إدارة المخاطر والطوارئ. ج- دعم الجهات المعنية، لنشر الوعي العام بالمخاطر. د- إنشاء (مركز إدارة الكوارث والأزمات)، يكون مرتبطاً بالوحدة. هـ- دراسة وإعلان رفع مستوى الجهوزية ضد المخاطر، والتدريبات المنجزة ضمن المنظومة العامة. و- إعداد حلول لمراقبة المخاطر ومتابعتها.

ولموافقتنا على ما رآته لجنة وحدة المخاطر الوطنية بهذا الشأن، اعتمدوا إكمال ما يلزم بموجبه.

سلمان بن عبد العزيز آل سعود

رئيس مجلس الوزراء

CHAPTER 6 – ADOPTION OF RM PRACTICES IN SAUDI GOVERNMENTAL AGENCIES: THE CASE OF AGENCY Y

6.1 Introduction

This chapter identifies and analyses the main drivers and rationales that explain the adoption of RM by government entities in Saudi Arabia and, in particular, the case of Entity Y. The analysis of the evidence unfolds the relation of the drivers with the two “ideal types” of institutional logics (the *traditional logic* and the *modernization logic*), introduced in Chapter 4. Moreover, we would confirm concurrence or non-occurrence with previous studies.

6.2 Background

6.2.1 RM in Saudi governmental entities at the time of the study

During the project kick-off in 2017, there was no regulation compliance requirement for Saudi government entities to adopt RM, while it was a must for banks and listed companies. A limited number of government entities applied RM practices either embedded as part of the internal audit planning exercise or in specific operational context for entities such as funds management where only the credit or transactional investment procedures comprise of risk assessment. Vision 2030 helped define RM as part of the corporate governance reform, which was validated in the new Companies Act of 2015 targeting companies, and in the Corporate Governance Regulation issued in 2017 targeting listed companies.

As mentioned by one of the interviewees, consultants of the Big Four firms²⁰ were working to create market demand for RM services in the public sector in Saudi Arabia:

Our focus, as consultants, is in Saudi. The market was in the financial sector and listed companies where RM is obligatory (Respondent_07).

6.2.2 RM at Entity Y before the decision to adopt a RM project

Entity Y had already established, back in 2010, an operational RM practice. The RM practice adopted by then was limited to identify and evaluate the risks related to the core business and not covering other risks that could face the entity. Due to the sensitivity of the core activities of Entity Y, the executive management decided to set a preventive control by conducting a procedural risk assessment only to these core activities to protect Entity Y from any malicious activities. Thus, before the RM project, Entity Y's control framework comprised the internal and external audit practices and several management committees that controlled the strategic decision-making processes.

In 2017 Entity Y launched a new strategic plan aimed at transforming the entity into a better revenue generator, safer, and more efficient services provider. Several initiatives were defined and approved to be implemented in five years.

²⁰ Deloitte, Ernst & Young (EY), KPMG, and Price Waterhouse Coopers (PwC).

6.3 The RM Project at Entity Y

6.3.1 *The RM project at Entity Y*

Entity Y requested from the services providers to help in establishing and activating a RM function. The RM function would be at enterprise level (ERM) following the ISO 31000 and COSO guidelines. The Entity was looking for a RM function that would help in identifying, evaluating, mitigating, and reporting on all types of risks. The scope of work was defined as follow:

- Conduct a current state understanding of the RM practices (if any) in the organization.
- Define the RM function main mandate, the strategic objectives and the key performance indicators related to the set objectives.
- Develop the RM department organization structure, operating model and framework.
- Develop the job description of the RM employees.
- Develop the RM policy and procedures with processes workflow.
- Determine the enterprise risk universe by defining the different categories of risks that the entity may be facing and the risk appetite.
- Work on “quick wins” with management on developing the mitigation plans for several risks previously identified by the management themselves.
- Conduct a risk assessment for 4 branches (a pilot) to ensure activation of RM.
- Facilitating the development of top risks mitigation plans.
- Determine the requirements for a RM system to be established in the future.
- Conduct training workshop for the RM employees, that would be recruited during the project.
- Report on continuous basis to the project steering committee.

Table 8 describes the detailed plan of the RM at Entity Y, and Table 9 illustrates the deliverables of the RM project at Entity Y.

Table 8: Plan of the different phases and deliverables of the RM project in Entity Y

	Risk Management (RM) establishment and activation plan	Quarter 3-4 2017	Dec-18	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
1	Pre- Implementation														
	Decision made by the Governor to adopt and implement RM														
	Appointment of CRO														
	Appointment of Deputy CRO and RM implementation Project Leader														
	Scoping of the implementation phase														
	Request for Proposal														
	Evaluation of Proposals														
	Appointment of Consultant														
	Project Kick off														
	Project Planning / Stakeholders Management														
2	Risk Management Governance														
	Current state understanding														
	Developing RM mandate / strategic objectives/ KPIs														
	Developing RM organization structure, operating model and framework														
	Developing RM job descriptions														
	Develop RM policy and procedures														
3	Risk Management Activation														
	Quick wins (Work on developing mitigation plans for previously identified risks by the organization)														
	Develop risk universe and appetite														
m	Pilot risk assessment covering 4 different branches Identifying and evaluating risks and developing risk registers														
	Facilitating the development of top risks mitigation plans with business owners														
4	Risk Management Sustainability														
	Developing the Business Requirements for a RM system														
	Developing the scope of work for a business continuity program														
	Training and awareness for RM employees and RM Champions in different departments														
	Reporting on periodic basis to the Project Steering Committee														

Source: Prepared by the author.

Table 9: Deliverables of the RM project at Entity Y

Deliverables Title	Deliverables Description
Current state understanding report	<ul style="list-style-type: none"> - Current practices of RM at Entity Y. - Explanation of the existing RM practices in the entity. These practices are compared with the requirements of the ISO 31000 and COSO. - Gaps between the status and good practices defined by standards.
RM function mandate	<p>The RM function mandate comprises the following:</p> <ul style="list-style-type: none"> - Objectives of the RM function aligned to Entity Y strategic objectives. - General role of the RM function and its responsibilities toward managing Entity Y's risks. - Reporting lines of the RM function.
RM organization structure, operating model, and framework	<ul style="list-style-type: none"> - The RM organization structure defines where exactly the RM is in the overall Entity Y organization structure and details what positions exist within the RM department. There is a clear description of each position's primary role and responsibility. - The operating model explains how the RM department works following a specific approach. The suggested operating model was to have RM champions in each other department at Entity Y who would lead the coordination between the RM department and the relative department. - The framework describes the main activities of the RM department and their importance while answering what steps, why we need them, who is involved in conducting them, when these take place and where they should be executed. Steps: <ul style="list-style-type: none"> ▪ Determining the objectives. ▪ Identifying the risks. ▪ Evaluating the risks. ▪ Determining the risk treatment or mitigation plan. ▪ Implementing and reviewing or reporting step.
RM jobs descriptions	<ul style="list-style-type: none"> - Detail of each defined position in the RM department, from the CRO to the lowest level. Information about the main objective, reporting lines, responsibilities, and main tasks of each position. Also, technical, and soft skills required, experience, education, and other requirements.
RM department policy and procedures	<ul style="list-style-type: none"> - It explains the RM department mandate and framework and how these would serve the objectives of Entity; also, the roles and responsibilities of each stakeholder within Entity Y toward RM, such as the Board of Directors, the Governor, the C-Suites, and employees. - Detailed document that explains each activity that the RM department should execute in alignment with the framework: when/how it starts; who are the actors and what they do; how the activities are linked, explaining all dependencies and involvement in the procedures. The procedures are narrative and explained in process flow charts.

Deliverables Title	Deliverables Description
Enterprise risk universe and risk appetite	<ul style="list-style-type: none"> - Document that comprises the aggregate list of potential risks that Entity Y could face based on an analysis of its internal and external context (environment), risks prevalent in the global industry, and threat landscape. These potential risks could adversely affect Entity Y's ability to achieve its mandate and strategic objectives. - The risk universe is arranged and broken down into risk groups, categories, and sub-categories, which reflect the nature of related risk events. This document is important because: <ul style="list-style-type: none"> - It is a key element in defining the RM context for Entity Y. - It provides a clear, well-defined, structure to classify and aggregate risks. - It supports the unification of risk language across Entity Y, including the categorization of risks. - It renders a holistic view of the potential risks of Entity; and - It serves as an input for risk assessment. - The risk universe is a tool that aids participants of risk assessment workshops (risk owners) during the risk identification phase. It serves as a trigger to identify and document risks in the Entity Y risk register. Moreover, it helps to develop Entity Y risk appetite statements. - The risk appetite document explains the amount and type of risk that Entity Y is willing to pursue or retain. Risk appetite is a forward-looking view of the organization's acceptable risk profile relative to its total capacity to bear risk. It also explains against each objective of Entity Y what are the levels of appetite, tolerances, and capacities Entity Y is ready to accept. This would be a guidance for risk evaluation criteria.
Quick wins mitigation plans	<ul style="list-style-type: none"> - It explains the plans to manage earlier identified risks and the strategy toward mitigating the risk, either accepting, avoiding, transferring, or mitigating. For each case, it illustrates the actions, who is responsible for these, what they are going to do and when.
Risk assessment / Risk register	<ul style="list-style-type: none"> - Exercise where the different departments within Entity Y identify the risks related to their areas of focus through workshops led by the RM team and the consultants. - The risks identified are the ones that can hinder the capabilities of achieving the set objectives for the department and eventually the ones at the Entity Y level. - The risk register document comprises the identified risks, the related objectives, the risks owners, the impact and likelihood of the risks, the inherent rating, the controls in place, the controls design effectiveness, the residual risk rating based on the inherent and the control effectiveness rating. The risk register also comprises the mitigation plans and their related details.
Risks mitigation plans	<ul style="list-style-type: none"> - Plans to manage the risks identified through the risk assessment; it explains the strategy toward mitigating the risk, either accepting, avoiding, transferring, or mitigating, and for each case, the actions, who is responsible for these, what they are going to do and when.

Deliverables Title	Deliverables Description
Training and awareness workshops	<ul style="list-style-type: none"> - They are divided into three types of training aiming to explain what RM is, why it exists, who have roles and responsibilities toward RM, and how these are conducted. The training covers three different populations: executive management, the employees, and the risk champions, who represent the RM department in their departments.
Periodic status reports	<ul style="list-style-type: none"> - These reports explain the project status, original plan, and deliverables compared to what was achieved by dates.

Source: Prepared by the author.

In the third quarter of 2017, the Governor of Entity Y decided to implement an organization-wide RM process. This initiative was documented as part of Entity Y's main strategy-related initiatives and approved by the concerned Ministry. The project consisted of adopting and implementing a RM framework. The framework should be aligned with the guidance published by COSO in 2004 (COSO, 2004) and updated in 2017 (COSO, 2017) and conjunction with the ISO 31000 guidelines published in 2009 (ISO, 2009). The Governor recruited a CRO and an assistant to the CRO. The new CRO had the business experience but not relevant competency experience, while the assistant CRO had, to a certain extent, RM experience.

Both the CRO and the assistant would recruit a team to help them and lead the project for establishing the RM function with the help of specialized, professional, RM consultants. The consultants were supposed to follow their own methods and approach to deliver the project and help the RM team in Entity Y acquire knowledge and experience to continue the activation and ensure sustainability after the project ends.

The Big Four global international consultancy firms competed by responding to a request for a proposition to support establishing and activating the RM function. The selected consultancy firm demonstrated strong relative credentials of establishing and activating RM functions in public and private sectors in the region; moreover, the winning consultancy firm demonstrated business knowledge accumulated from previous work with Entity Y and similar entities in the region.

The newly appointed RM team, part of a group of managers with private sector experience that the Governor recently appointed in different positions, was set to work with Entity Y's "old" management –that is, the top management existing at the time of the CRO, and his assistant were appointed. The senior "old" management role was to support the project delivery.

In the first meeting to launch the RM project, the Governor communicated that management would respond to the RM team requirements, such as providing internal documents or attending workshops and meetings. The RM team including the consultants scheduled multiple meetings with each executive manager/department head by chronological order throughout the project to complete the following tasks: identify the risk universe, set the risk appetite, determine the risks, understand the current controls, and discuss potential mitigation plans.

6.3.2 Main organizational changes due to the decision to adopt a RM project

After taking the responsibility to lead Entity Y, and around a year before the RM project started, the Governor introduced a new management team; he recruited some managers to lead different areas within Entity Y. The CRO and his assistant were part of this new management team. The Governor was keen to introduce new "blood" and

experiences, which he considered necessary for accelerating the work and achieving the important objectives. The Governor did not believe that the “old” management team could take the organization forward. The new management team members come from different backgrounds, with the majority coming from the private sector, although some of them had experience in other government entities.

The expectations about the RM project were high, and a simple proof is that RM was embedded as the central pillar of the strategy document. RM was supposed to make an immediate positive impact; some of the management thought it would solve the existing problems (e.g., enhance the revenue recognition, improve the health and security controls, and improve the efficiency of the main activities procedures). Based on multiple interactions during the weekly set meetings, the consultancy team found it difficult to convince the RM team to follow the project steps while they were keen to focus on “quick wins” pushed by the “old management”.

The target was to introduce a new RM department. The department head would report directly to the Governor. The CRO estimated the department headcount to be between 12 to 15 resources, and recruitment was supposed to occur during the project. The perception of management was not the same as the CROs in that regard. This issue will be discussed further (Chapter 7), when we focus on the implementation process.

The consultants were supposed to form one team with the RM team to deliver the project together. The consultancy team moved on to the premises of Entity Y (i.e., to the RM team offices), where they spent around nine months completing the project. The co-source type of agreement meant that the two teams would form one team and work together daily to achieve each project’s steps.

The team (comprising of RM team from Entity Y and the consultancy team) agreed on the following steps: first, the team shall start by developing the RM objectives, mandate, organization charter, and operating model. Next, the team shall establish the policies and procedures before defining the Entity Y risk appetite and determining and evaluating the risks. The last step would be to help the management in developing the mitigation plans for the top risks. By the end of the project, the consultants shall provide training and awareness sessions to the “risk champions” at Entity Y. The “risk champions” are the employees in each department who are supposed to be the focal or link point between the RM function and their relative departments.

6.4 Main Drivers for RM Adoption

To identify the main drivers for RM adoption as perceived by the interviewees, we asked them what were, in their view, the main drivers for government entities to adopt RM. Below we examine their responses.

6.4.1 Compliance arguments

Saudi government entities must comply with the policies set by the different ministries; for example, the shared services in the government entities are all governed the same way, based on the established policies by the Ministry of Finance and the Ministry of Human Resources. Moreover, specific processes (e.g., budgeting) are followed by all government entities. Within the same ministry, the related entities must follow the guidance and mandates approved by the given Ministry.

We asked the interviewees about why Saudi government entities adopt new RM practices. Many agreed, including all the interviewees from Entity Y, that the key reason was “compliance” –precisely, compliance with the Ministry’s mandate to develop RM strategy. According to several interviewees:

In government entities, there is zero motivation to establish RM practice. The only way to initiate and activate such a practice is to fulfil a compliance requirement (Respondent_11).

The original and current reasons are compliance requirements. (Respondent_07).

After issuing the Royal Decree, which obliges all government entities to adopt and implement RM, the driver became a compliance requirement (Respondent_02).

Toward the end of the project period, the Saudi government promoted several RM practices in the public sector. The development of the *National Risk Management Framework* was one of the initiatives of the Ministry of Economy and Planning (NTP, 2016). A *National Risk Council* and a National Risk Unit (NRU) were established in 2017. The role of the NRU is to identify risks to the safety, security, and well-being of citizens of the KSA and establish measures to reduce or eliminate these risks. The aim is to strengthen the resilience of the country against identified risks. The NRU issued in December 2018 the Circular 601 (see Appendix 5.7.2) requiring all government entities to report on their risk and establish business continuity management. One interviewee reflected on the new NRU:

Risk became a national subject. With the establishment of the RM Unit, adopting and implementing RM should become a mandatory requirement (Respondent_13).

6.4.2 Macro factors

Two of the interviewees from Entity Y and some consultants highlighted macro factors at the country level as triggers of adoption of RM in the public sector. Specifically, one interviewee from Entity Y explained:

The GCC countries are living a few political conflicts, and these have raised several concerns such as potential wars and possible economic impacts (Respondent_01).

The exposure of Saudi Arabia to multiple political and economic threats became a more significant concern with numerous incidents during the last years (e.g., the conflict with Yemen and the continuous interception of missiles and response to drones' attacks). Through the consultants' different meetings with the various stakeholders, executive management, and employees in Entity Y, the side talk was often related to political concerns. The critical question was about how RM could help deal with the political threats. The CRO and one consultant explained:

We are exposed politically to some conflicts with different countries, and the government and its related entities need to protect their assets and operations (Respondent_01).

The Kingdom of Saudi Arabia has faced multiple challenges during the last years. It reached a high percentage of unemployment, the economic indicators were not favourable, and the political conflicts and wars were expanding the military spending and the different types of risks at the country level (Respondent_06).

6.4.3 Financial concerns

While stressing the importance of compliance and political factors, three interviewees of Entity Y and two external interviewees highlighted the influence of financial concerns, both at a country level and at Entity Y, in the decision to push for risk-cutting plans.

According to the International Monetary Fund Country Report No. 16/326 issued in 2016, Saudi Arabia faced fundamental challenges due to declining oil prices. The fiscal and account balances moved into deficit, and growth slowed down. The report highlighted the need for continued budgetary modification and reforms to fortify and convert the Saudi Arabian economy. The report welcomed the ambitious reform goals announced by the authorities in Vision 2030 and the National Transformation Program. It highlighted the importance of reducing implementation risks and giving the economy the time to adjust. Entity Y interviewees confirmed that:

Government entities must worry to a certain extent about the financial status. (...) The amounts that the Government entities are spending on investments nowadays require a strong RM (Respondent_02).

One of the main threats facing the country is the oil price and the limitations around the country's primary source of revenue. It raised concerns, and the government started looking into the risks' factors and consequences (Respondent_04).

6.4.4 Reputational concerns

Some of Entity Y's interviewees and few of the external actors raised the subject of reputation as the leading interest for the public sector, growing by importance and requiring RM to control any negative impact that could damage the country's

reputation. Saudi Arabia is looking for a complete economic reform that would be based on getting investments into the country, expand the relationship with the private sector and encourage private investments. To attract investors, the economic indicators such as the global performance indicator “*Ease of Doing Business*” index²¹ should be reflecting positive ranking of the country. Entity Y has a significant role contributing into that specific economic indicator:

Countries in the Gulf region are facing significant changes. There are new strategies, plans, and objectives, and the power of the government is dependent on the success of the change. This situation by itself is a significant risk, and it drives the adoption of RM practices. The government is not worried about bankruptcy or default; the main risk is reputation and the social and economic aspects (Respondent_05).

6.4.5 Corporate governance

Majority of the external interviewees (consultants) confirmed the point related to strengthening corporate governance through RM. The use of RM is increasingly featured as a marker of good corporate governance (Arena *et al.*, 2017), highlighting that the status quo was no longer an option, and that RM was essential for the sustainability of the government. As stated by Al Faryan (2020),

²¹ The *Doing Business Score* “helps assess the absolute level of regulatory performance over time. It captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005. One can both see the gap between a particular economy’s performance and the best performance at any point in time and assess the absolute change in the economy’s regulatory environment over time as measured by *Doing Business*. An economy’s ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. For example, an ease of doing business score of 75 in *Doing Business 2019* means an economy was 25 percentage points away from the best regulatory performance constructed across all economies and across time” (taken from The World Bank Website – see <https://subnational.doingbusiness.org/en/data/exploretopics/starting-a-business/score#:~:text=This%20measure%20helps%20assess%20the,Doing%20Business%20sample%20since%202005>, accessed August 25, 2022).

There are many reasons for the push to create a corporate governance framework in Saudi Arabia, such as the desire of policymakers to present the country as modern and equipped to welcome foreign direct investors and investments in various ownership forms and improve accountability. However, one of the main reasons has been the need to diversify and develop the Saudi economy away from its oil dependency (Al Faryan, 2020, p. 27).

In 2006 the stock market crash led the Saudi Capital Market Authority (CMA) to establish measures to protect the market and investors from failures. On November 12, 2006, the CMA issued a final form of corporate governance in resolution and Corporate Governance Regulations No. 1-212-2006:

The CMA created corporate governance principles by adapting those of international organizations such as the Organization for Economic Co-operation and Development (OECD) and the United Kingdom (UK) corporate governance codes in the Cadbury and Green bury reports (Al Faryan, 2020, p. 24).

Government entities implicitly started to develop the relative corporate governance framework in alignment with the CMA requirements, taking them as leading practices and emphasizing the establishment of RM. Vision 2030 reflected the importance of corporate governance. The vision focused on instilling the main principles such as accountability, transparency, and stewardship (Vision 2030, 2016, p. 61). As highlighted by the interviewees:

There is a major change in the country. Decisions cannot be made the same way as before. Faster decisions are needed, and management needs more visibility. (Respondent_06).

RM is one of the tools to improve the decision-making process (...). Saudi Arabia is going into a complete transformation (Respondent_07).

The business, the operating systems, partnerships are evolving. The tone at the top is there, the mandates are more prominent, and government entities seek to adopt and implement RM (Respondent_10).

Table 10 summarizes the factors identified by the interviewees of both Entity Y (“insiders” or internal interviewees) and consultants and other CROs (“outsiders” or external interviewees) for the reasons why Saudi government entities adopt RM practices, tools, and approaches.

Table 10: Factors of RM adoption as highlighted by the interviewees

Factors	Respondents														
	Insiders					Outsiders									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Compliance															
Macro Factors															
Financial Concerns															
Reputational Concerns															
Competition															
Corporate Governance															

Source: Prepared by the author.

6.5 Institutional Logics and Drivers for RM Adoption

In their responses, the interviewees referred implicitly to some characteristics associated to the institutional logics coexisting in the field of Saudi governmental entities at the time of the adoption of the RM project by Entity Y. By explaining how they perceive the government's decision to introduce RM and the Entity's decision to adopt a RM project, the interviewees refer to different “frames of reality” (Hayes *et al.*, 2014), and how they see things in that same context. The extant institutional logics are, at the same time, shaped by individual practices (Hayes *et al.*, 2014; Thornton *et*

al., 2012). We link the actions of individuals at Entity's Y and the responses of interviewees to the institutional logics using as a reference the "ideal" institutional logics introduced in Chapter 4. Moreover, in the following discussion we highlight the role of individuals as "carriers" of institutional logics.

At the time of the case study, we could quickly identify the behaviors and practices related to the *traditional logic*. As we will show below, the actors' actions showed conformity with the fundamental bases of the *traditional logic*, defined in Saudi Arabia by the religious momentum of living and the great respect for the monarchy's superiority in decision-making and orders for compliance. For example, at the time of adopting the RM project, the different actors involved in the management of Entity Y and in the RM project at the entity, were still familiarizing with the reforms planned by the Saudi government by reading the Vision 2030 document and interpreting the various sections and subjects. Practices such as RM were still in planning or draft mode for future implementation. While the basis of the ideal type of the *modernization logic* were still not fully adopted and activated, there were some signals of its influence, as we will illustrate below.

6.5.1 Arguments rooted in the *traditional logic*

As explained in Chapter 4 the "ideal" *traditional logic* is characterized by centralized controls, solid top-down authority. Within this framework, compliance is a vital component of governance. Some of the interviewees in Entity Y referred to the **compliance obligations** as drivers for RM adoption. Entity Y reports to Ministry of Finance. Entity Y's interviewees agreed that there was a direct ask from the Ministry

to embed RM as part of the main strategies of the related entities. According to Entity Y's Deputy Governor:

The decision to adopt RM was made because HE and the executive management considered that RM would help prioritize things, achieve the strategic objectives, and reply to a primary task from the Ministry to embed RM as part of the Entity Y strategy. (Respondent_04).

The Deputy Governor and Strategy Leader of Entity Y emphasized the importance of RM as a strategic pillar within the entity's strategy. The consultancy team had the chance to conduct multiple meetings with the Governor in the early stage of the project. He referred to the importance of having RM as part of the primary entity's strategy, and he had clear expectations that RM would help achieve the entity's objectives.

A consensus from Entity Y's interviewees is that adopting the RM project was mainly driven by a compliance plan. The interviewees confirmed that the Governor took the decision motivated by the adherence to leading practices, but primarily to fulfil the alignment with the requirements of the globally recognized organization²² that oversees the transactions of Entity Y and all similar entities around the globe. The global organization set the guidelines for RM to help protect transactions from political and economic-related risks. As discussed, some interviewees highlighted that the underlying reasons for the adoption of RM practices were related to risks deriving from rising macro vulnerabilities, especially the legitimacy crisis of the country, both externally and internally:

²² Entity Y is linked to a globally recognized organization that oversee and guide the work of similar organizations around the globe.

At the country level, the Government of Saudi Arabia is facing acute exposure due to political conflicts (Respondent_07).

We need to be careful and expect any political or economic impact due to the unstable environment (Respondent_01).

The macro factors referred to by the insiders and outsiders, as the compliance argument, seem to be rooted as well in the dominant *traditional logic*. There is a clear desire to conforming to the global organization expectations and a manifestation of a desire to maintain industry legitimacy by adopting a practice that would help in protecting from major economic or political threats. The case of compliance was more an act of pure adherence to requirements without any expectation related to performance enhancement.

6.5.2 Arguments rooted in the modernization logic

The influence of the *modernization logic* is exemplified in the attention given to by the management of Entity Y and those involved in the RM project to financial concerns. The strategy of Entity Y is based on three main pillars, one of which is revenue development. In multiple meetings between the RM and the consultancy teams, the Governor and the executive management, the risks related to revenue generation were highlighted as a top priority. Financial concerns were identified as the main driver for RM establishment -particularly revenue generation:

One of RM establishment's targets is to define and help in mitigating the risks related to revenue (Respondent_05).

The **financial concerns** are more in line with the new strategy developed under the umbrella of Vision 2030 and the “ideal” *logic of modernization* emanating from these plans, where entities are mandated to create new sources of revenues and develop plans to mitigate potential funding limitations.

Reputation has been identified in prior studies as a main factor for establishing RM for global international enterprises (Hood and Smith, 2013). The case of Saudi Arabia is similar with a nuance that major entities are parts of the public sector, such as ARAMCO or the newly established entities in alignment with Vision 2030 (e.g., Red Sea, Neom, Quidiya, and Amala). Interviewees highlighted the importance of the government sector preserving a good reputation and competing in serving the economy and society. As confirmed by Entity Y’s interviewees:

There are multiple other concerns more important such as reputation. For the government, reputational risk is very damaging and has a chaotic impact (Respondent_02).

The government is keen to be ranked among the top countries in terms of governance, services, and related controls (Respondent_01).

Entity Y is part of the government ecosystem. While we want to make sure we don’t face a reputation risk while serving the community, we want to preserve the Saudi image of good quality services provision (Respondent_03).

Reputation, or ensuring the public trust as determined by Power (2004), has been identified as an essential factor for the adoption of RM in the Western context; The Entity Y interviewees did not consider reputation a main factor for RM adoption.

The competition aspect is stipulated in Vision 2030. The Kingdom has an objective to open up for privatization, and public sector entities will directly compete with those of the private sector. Within the framework of Vision 2030 and the NTP, the goal is to provide “world-class government services to meet the needs of the citizens” (Vision 2030, 2016, p. 7) can be seen as an alternative source of legitimacy for the ruling family (Kinninmont, 2021). RM practices are expected to help in this process. As commented by the Head of RM and the Deputy Governor of Entity Y:

There is a must to ensure prosperity and secure the minimum living requirements for the Saudis and people living in KSA (Respondent_01).

Similar to banks and other entities in the private sector, government entities have to worry to a certain extent about the financial status. But the reputation factor and the wellbeing of the community are more important, as these entities serve the Saudis (Respondent_04).

The interviewees agreed on the influence of the **corporate governance** reform. The executive management of Entity Y followed the Governor’s plan related to Governance reform which would help in achieving the strategic objectives. While consultants linked corporate governance reform to Vision 2030’s objective of strengthening corporate governance in the public sector. This “trigger” can be associated with the *modernization logic* embedded in the transformation the Saudi public sector is going through. In this regard, while the new Governor was appointed following the “traditional way” (i.e., a direct appointment by a Royal Decree in January 2017), his education and professional background made him a leader more in line with the expectations stated in Vision 2030. He studied technology and strategy in KSA and Europe; and he started his career in a multinational technology firm before

becoming a Minister Advisor and then be trusted to lead the transformation at Entity Y through a self-developed agenda. Two interviewees from Entity Y explained:

The Governor had a clear plan, achieving a clear strategy while relying on solid corporate governance and internal controls (Respondent_04).

RM is one of the main functions that would support better governance as required in Vision 2030 (Respondent_03).

6.6 Discussion

This section discusses the drivers of Entity Y, and more generally, Saudi governmental entities, to adopt RM approaches, and how our results resemble or differ from the findings of studies examining RM adoption in other settings.

Based on our analysis, Entity Y's main driver to establish RM was compliance: compliance with the higher authorities' request to embed RM as part of the strategy, and compliance with the set guidelines by the global governing body. The importance of compliance as a driver for RM is not new, particularly in regulated sectors such as financial services and the public sector (e.g., Kleffner *et al.*, 2003; Collier and Woods, 2011; Palermo *et al.*, 2017; Bracci *et al.*, 2021). About Circular 601, the related new obligations of Saudi government entities for establishing RM practices and developing business continuity plans played a key role in bridging the two "ideal" logics: the need for compliance rooted in *the traditional logic* meant embracing practices promoted and inspired by the *modernization logic*. As suggested by the Deputy Governor and the head of RM at Entity Y:

The Government in KSA wanted to ensure the safety, security, and well-being of the citizens by enforcing the adoption of RM (Respondent_04).

When Circular 601 was issued, we were satisfied that we were one step ahead in Entity Y. Circular 601 will push other government entities to adopt RM (Respondent_01).

Things started to be different after Circular 601, requests for RM services by Government entities augmented (Respondent_08).

Several interviewees from Entity Y and consultants reflected on the broader government landscape to highlight the importance of the new circular issued by the National Risk Unit. Government entities embed RM practices within their entities to comply with the new rules. The compliance factor would continue to dominate. As discussed in the interviews:

The number of entities requesting services from consultants to help establish RM has been on the rise since the issuance of the circular (Respondent_06).

The emergence of RM is also a rational response to macro factors; new significant threats exist from epidemics, terrorism, or climate change (Power, 2004). In such a world, the use of RM and its positioning as a critical model of reasonable organizational control seems a natural response. It is armoured and vindicated by dramatic events, from Barings to Enron, and from 11 September 2001 to 11 March 2004, the date of the Madrid train bombings. There was a consensus between interviewees in linking the macro factors to RM adoption for both Entity Y and government entities in Saudi Arabia.

Regarding the influence of financial concerns, the case in Saudi Arabia is different from most of the world because the financial factor became critical not during

the financial crisis of 2008-2010 but at a later stage, from 2015 onwards. Before 2015, government entities in Saudi Arabia did not give enough attention to financial concerns, at least explicitly. The launch of Vision 2030 in 2016 came as a response to the economic, financial, and social challenges, and the focus of the government sector and its related entities shifted to generating new sources of revenue through investments and, at the same time, optimizing costs through new laws and policies - for example, the tendering and procurement law, approved by the Council of Ministers on 1 December 2019 and replacing the old government tenders and procurement law issued in 2006. The concerns related to financial challenges come within the modernization approach of the Saudi government and the newly dominant economic strategy described in Vision 2030 (e.g., reduce the dependence from a single source of revenue). While the argument about financial concerns persists, the interviewees did not have mutual views on whether this was a main driver for Saudi government entities to adopt RM. At Entity Y, however, several interviewees underscored the importance of financial concerns as a driver for the adoption of the RM project.

Multiple studies in the Western context highlighted reputation as a driver for establishing or strengthening RM (Power, 2004, Mikes, 2011). In the case of Entity Y, the protection of its reputation is a priority concerning the government's image and related entities. RM was supposed to cover the reputational risks, but for the interviewees, reputation was just another driver for RM adoption and not a dominant one.

The corporate governance reform importance is clearly defined in Vision 2030 and set to be top agenda items for Saudi Arabia:

The capital market authority has developed strong guidelines for corporate governance issued on 16 August 2017 and updated in May 2019 for the financial sector companies, and they ask all the related entities in Chapter 5 to establish RM committee... (Respondent_12).

However, compared to the situation in other countries, the Saudi government did not develop a corporate governance code specifically for public sector entities. It only has corporate governance regulations for listed companies and governance guidelines embedded in the companies' law targeting specific companies. The adoption of RM projects is perceived by various government sector entities as part of the corporate governance framework development agenda but, as long as it is not a mandatory requirement, the response is subjective and different from an entity to another. In the case of Entity Y, the corporate governance enhancement was a non-dominant driver. From our analysis we could not depict a clear link between the corporate governance agenda and the adoption of the RM project. Entity Y strategy did not include an initiative related to corporate governance and there was no explicit linkage between the RM implementation initiatives and a corporate governance objective. Still, the enhancement of corporate governance by enhancing the RM component was on the personal agenda of the Governor.

In the Western context the reform of corporate governance clearly influenced the adoption of RM in the public and private sectors. RM "has been increasingly codified and encrypted into regulatory, corporate governance and organizational management blueprints" (Mikes, 2009, p. 18). For example, Crawford and Stein (2004) showed that RM became part of a gradually formalized set of good practice governance practices in the United Kingdom in the public sector. As suggested by prior research, RM has become a crucial component of contemporary corporate

governance reforms (Kaplan and Mikes 2012) and the adoption of RM practices is seen as a key element of corporate governance advancement (Kleffner *et al.*, 2003; Altuntas *et al.*, 2011; Aebi *et al.*, 2012).

At macro level, our examination of the empirical data suggest that the actors perceive that the Saudi government urged to promote RM practices to respond to major challenges faced by the country and the search for legitimacy. The government aimed to shift from a logic of centralized “traditional” bureaucracy dominant in the field of Saudi public sector entities for decades to a *modernization logic* prompted by the economic and social crisis, inspired by the NPM reforms undertaken in Western developed economies, and portrayed in the Vision 2030 and the National Transformation Program documents.

This transformation process is led by large state-owned companies such as Saudi ARAMCO, which strengthened its ERM practice by automating the process back in 2010²³. According to Respondent_07, for ARAMCO the main drivers for RM adoption were “self-image” and “being a leader” in the adoption of internationally recognized practices. Being ARAMCO “the most Western enclave anywhere in the Middle East” (Hertog, 2010, p. 128) and more autonomous than any other Saudi entity, it is not surprising to find that its decisions were more in line with a *modernization logic*. It is not the norm: at Entity Y and similar entities, the adoption of RM was seen as a compliance exercise with minor modernization influence. This is an indicator of the strength of the *traditional logic* within the field of Saudi governmental entities.

²³ Extracted from <https://www.oilreviewmiddleeast.com/information-technology/enterprise-risk-management-package-for-aramco> (accessed August 25, 2022).

Compared to managers at Entity Y, consultants mobilized arguments more in line with a *modernization logic*, confirming a near-future change of predominance of one logic versus the other. First, they referred to concepts linked to the government's new strategy for more accountability. The Saudi Vision 2030 stipulated the "program for strengthening public sector governance", which it is a program of restructuring the government entities, enabling these to deliver on their mandates and be accountable to ensure business continuity and to show adaptability in the face of new challenges. In the consultants' view:

One main driver is accountability. Government organizations are becoming more accountable (financially, compliance and others); adopting RM helps them to manage expectations and accountability (Respondent_09).

Corporate governance is becoming a must to raise the level of transparency and eventually the trust (Kleffner *et al.*, 2003). It is making the internal control functions such as RM and corporate governance increasingly interdependent (Bhimani, 2009). Second, consultants' narratives suggest a normative approach to RM following the ideas and concepts proposed by COSO. Consultants perceive RM practices as key tools for efficient decision-making processes and highlight the importance of adopting a holistic approach:

The complexity of today's business requires management to identify and evaluate risks to enhance controls and management efficiency. Boards and those with the highest responsibility in an organization are now interested in RM and empower the implementation process. They need RM to help them in decision-making (Respondent_06).

As government entities in Saudi Arabia are in the middle of a transformation, the management of these entities are looking for informative tools to help them make decisions. Consultants work on illustrating the benefit of RM as an informative tool for management. Banks and financial institutions have utilized RM for decision-making process enhancement (Mikes, 2009), yet to be proved in the public sector through studies that decision making can be guided by RM.

Respondent_06, stated “RM should be into the DNA of the employees” and that “it should not be just part of the control function.

The implementation of RM was going to be a failure to the differences between one side, the consultants trying to introduce RM as a solution that needs to be effectively used by management and employees at all levels, and the other side. The “old” management was not understanding that solution and did not want to cooperate. RM should not be working in “silo” mode” as per COSO guidance document, which defines RM as “a multidirectional, iterative process in which almost any component can and does influence each other” (COSO, 2004, p. 4). The “silo” mode” term resembles the concept of “insular thinking” general understanding described in Bui *et al.* (2019), which leads employees “to believe that “independent processing” and “box-ticking” underpin RM principles” (Bui *et al.*, 2019, pp. 299-315). We will reflect on this issue in Chapter 7, when examining the challenges facing the Entity during the process of implementation of the RM tools.

6.7 Conclusion

Summing up, our evidence suggests that the *traditional logic* dominates Entity Y at the time of adopting the RM project. In line with this institutional logic, the responses of participants suggests that the compliance factor was a key driver for the adoption of RM practices at Entity Y. Still, other motivators more aligned with the *modernization logic* promoted by the Saudi government through the Vision 2030 also influenced the adoption of the RM project at Entity Y -for example, the increasing importance of financial concerns and the focus on performance enhancement at the organization. However, whether financial concerns were relevant in the adoption of RM practices by other Saudi public sector entities was debatable among the interviewees. At the time of adoption of the RM project, Entity Y, and more broadly the field of Saudi public sector entities, were far from operating under a *modernization logic*, although the views of outsiders, and in particular consultants, clearly showed understandings of RM in line with such logic. Finally, some interviewees argued that the drivers will be similar in the near future, while others highlighted that the new institutional logic promoted by the reforms emanated from the strategic plan Vision 2030 is likely to influence on the rationales for the adoption of RM approaches in the future.

CHAPTER 7 – IMPLEMENTATION OF RM PRACTICES IN SAUDI GOVERNMENTAL ENTITIES: THE CASE OF ENTITY Y

7.1 Introduction

During the project period, the coexistence of manifestations of the *traditional logic* and the *modernization logic* meant that government entities experienced novel institutional complexity (Smets *et al.*, 2012). In this chapter, we discuss the new institutional complexity and the role played by the human factor, in particular the influence of different perceptions of the subject. Moreover, we explore challenges faced by Entity Y during the RM project implementation. We compare our findings with previous studies and illustrate how the institutional logics concept helps better understand the RM implementation process in this setting.

7.2 Novel Institutional Complexity at Entity Y

7.2.1 RM and institutional complexity

According to the interviewees, the different expectations about the RM project were problematic. There was a conflict between the idea that RM should help in strategic decisions and in focusing on the right priorities, which was in line with core values of the “ideal” *modernization logic*, versus the idea that RM was limited to a particular department and restricted in its functions. The head of RM and another interviewee from Entity Y noted:

There were main stakeholders, HE, the Governor, the strategy head (...), and top management; their support for the project differed. The strategy leader [...] trusted that

RM would help implement strategic initiatives and focus on the right priorities. (...) HE wanted to know Entity Y Risk Portfolio Status; that is, he wanted to know if the business was at risk and quantify such risk. Top management had completely different expectations, as they were not fully aware of how RM works (...) (Respondent_02).

The expectations were unclear, and we had difficulties initially as RM was taking a more prominent role than expected (Respondent_01).

The presence of characteristics of the two competing logics created confusion for the RM team and several challenges throughout the implementation process. The RM implementation could be changing the routine and organizational practices. The RM team was confused: What to prioritize? Who to satisfy? By trying to please everyone, the RM team created a new complexity to the entire process (Smets *et al.*, 2015; Smets *et al.*, 2012). In this context of two competing logics creating complexity, the “organizational actors seemed to navigate a constellation of means-ends logics rather than responding directly to the shifting binary logics of ends” (Palermo *et al.*, 2017, p. 7). Palermo (2014) highlighted that risk officers deal with the complexity arising from the implication of RM projects by addressing the expectations of multiple organizational actors and external entities. Management and boards must challenge themselves and their different expectations to define a common goal and excel at strategic RM. The study of Palermo (2014) reflects the increased expectations from shareholders, regulators, and rating agencies from entities to have a RM practice to manage the risks. In our case, the stakeholders’ responses were different and contradictory, which deviated from the flow of activities from the original plan.

In conjunction with the challenges due to different expectations of stakeholders, some leaders have a propensity to mark down the future. They are unwilling to spend

time and money today to avoid an undefined future problem (Kaplan and Mikes, 2012). Organizations may have two options to respond, either separating the two or more existing logics (Lounsbury, 2007), or trying to integrate the two which could offer benefits (Greenwood *et al.*, 2011).

7.2.2 Responses to institutional complexity and the role of the leaders

In complex institutional environments, leaders who can understand the expectations and requirements of multiple logics and negotiate between the different constituencies play a crucial role (Greenwood *et al.*, 2011). At Entity Y, management reacted to the institutional complexity by discouraging the project. The interviewees' respondents signalled the lack of management support and the lack of "tone at the top" as two significant challenges. The Head of RM (Respondent_02) and one consultant commented (Respondent_13):

Unfortunately, management did not give the attention required (...) The tone at the top was not clear, while the support of the Governor was clear at the start of the project, this was not consistent (Respondent_02).

Management would consider RM as a compliance requirement, a "ticking-the-box" exercise. There is a strong resistance to change among government employees who have been working in the same position for a long time, following the same processes and practices; they don't want to take more responsibilities and manage risks (Respondent_13).

In these situations, the outcome of organizational decisions is a function of the relative degree of influence of the different groups. The corporate responses to competing logics are likely to be reflexive of the interest of the most potent group

(Greenwood *et al.*, 2011). In Saudi's governmental entities, decisions are with the political leaders and government officials, the most influential group (Khodr and Reiche, 2013). In a setting where the prevalent values and beliefs align with the principles rooted in the *traditional logic*, initiatives that lack the support of leaders struggle to be successful. According to the Head of RM in a Ministry and a consultant:

What is different in KSA and specifically in government organizations is that empowerment from leaders is more important than plans and strategies. The adoption and implementation of RM may be achievable, but the challenge is sustainability, significantly when the leaders promoting these practices may change. RM in government entities (...) may not be able to fulfil its role and responsibilities (...) (Respondent_14).

The plan for RM is highly correlated to the power of the person managing it (...). If the political enforcement stops, nothing is going to be achieved (Respondent_08).

Our analysis suggests that the emerging institutional complexity at Entity Y was rooted in the coexistence of manifestations of the evolving dominant *traditional logic* and signs of an emerging logic in line with the ideal-type of *modernization logic* described before. While the Governor and the CRO were working toward implementing a solid practice, management was not cooperative. If RM could satisfy the different demands, at this point only it would be recognized as a success (Smets *et al.*, 2015).

Management considered that the day-to-day activities were more important and did not want to interrupt the routine. While the "old" management was supposed to support the process of risk assessment based on the Governor instructions, they did

not really do that, and they gave priorities and did not attend the required meetings or were not cooperative when attending these meetings.

Employees were unsure of the RM benefits and were not excited to provide information and time as requested by the project management (Respondent_05)

The delays in day-to-day activities due to the RM project had a counter effect on the project as management started to push to see the results (Respondent_02)

We were faced with two sorts of challenges. While management and employees considered that the RM project is a burden on the day-to-day activities, they pushed to get a kind of quick wins in return. (Respondent_02)

Previous studies confirmed that in order to have a successful implementation of RM, the process of implementation should be embedded and not interrupting the daily routines (Rocher, 2011).

7.3 Sense of Urgency at Entity Y

Several interviewees, specifically the RM team in Entity Y and several consultants, pointed out the negative effect of the time pressures and tight deadlines during the implementation phase:

Time pressured the RM adoption process, this factor I believe it affected the setting up of the function and the implementation process, the objective was just to identify risks and work on mitigation plans, but different challenges were not taken into consideration (Respondent_03).

High focus on time (not giving enough time to conduct the activities); High focus on quick wins which did not support the set-up phase and burned steps (Respondent_02).

The management was interested in what benefit they will realize out of the RM process and how the RM project could solve the issues related to their own activities. They were urging the RM team to help out without consideration of the plan set by the RM team. The interviewees explained that the pressure of time would persist and may be linked in the coming years to the modernization aspect of Vision 2030, which proposes an ambitious strategy with tight deadlines.

The time pressure in Entity Y is strictly linked to the management requirements and the RM team's aspiration to make an immediate difference (...) We will see this challenge rising in all government entities soon, either for RM or other practices implementation due to the pressure of Vision 2030, which is focusing on performance and quick turn arounds (Respondent_06).

The time pressure did not help in following the set plan. We went to mitigate risks based on what was known for us as risks or even issues without conducting a proper risk assessment and prioritizing the risks (Respondent_01).

The time pressure was revealed to be a significant challenge and impacted the project by burning steps and not focusing on main points such as setting the risk appetite and awareness and training. The pressure mainly came from the willingness to satisfy the higher authority and the traditional thinking of keeping the management satisfied without considering the counter effects. The time pressure challenge faced by Entity Y and its effect is in alignment with previous studies results (e.g., Palermo, 2014, Arena *et al.*, 2017) and in alignment with the concept of urgency clarified in the case study by Smets *et al.* (2012). As stated in this study, "[t]ime pressure, to get the deal done, quickly to satisfy client... any steps in between they aren't actually all that much concerned about...for the client it was difficult to understand" (Smets *et al.*, 2012, p. 884). Time pressure generally impairs performance, it places constraints on

the capacity for thought and action, limiting exploration and increasing reliance on well-learned or heuristic strategies. Thus, time pressure typically increases the speed at the expense of quality (Moore and Tenney, 2012).

7.4 Role of Individuals: Social Interaction, Awareness and Knowledge and Resistance to Change

Individuals are carriers of institutional logics, and the social interactions can bring insights about the responses to the competing logics (e.g., Andersson and Gadolin, 2020). Furthermore, prior research has pointed out the importance of information and communication for integrating RM within organizations (e.g., Lundqvist, 2015; Arena *et al.*, 2010; 2017). Our evidence suggests that the lack of communication between the “old” management, the “new” management, and consultants was a major challenge during the implementation phase. First, the “old” managers thought that consultants and “new” managers did not fully understand the business. As explained by several respondents:

Consultants helped in clarifying different points to the team. Still, there was always a lack of business understanding which kept the consultants' knowledge limited and communication nuclear (Respondent_01).

The challenges were mainly around communication. The project management was ineffective in communicating the needs; they didn't work closely with other management to spread awareness (Respondent_11).

Furthermore, the tensions arising from the interaction between the “old” and the “new” management were visible, which was an obstacle throughout the

implementation phase. The lack of cooperation from the “old” management could be in part due to a resistance to change, as suggested by the deputy CRO:

The presence of two types of management led to challenging communication and message decoding and encoding. The new management was not fully aware of the business and couldn't help identifying the suitable risks; the old management had an issue sharing knowledge and was afraid of the transformation within the organization (Respondent_02).

Previous studies examining the integration of RM in organizations highlighted the importance of cultural awareness and the need to make RM as an integrated practice involving all employees and requiring that all stakeholders be aware of their roles and responsibilities towards the RM practice (Palermo, 2014). At Entity Y interviewees all agreed on the challenge raised by lack of awareness. As pointed out by Respondents 02 and 01:

The awareness sessions were limited due to the focus on quick wins (Respondent_02).

RM didn't set the right expectations; they missed focusing on awareness and did not consider awareness as a priority. We made a mistake by not prioritizing the awareness (Respondent_01).

Based on lessons learned, the consultants raised the importance of awareness as part of the method to establish RM. The traditional reliance on the consultants to do the work proved to be affecting the sustainability after the project:

Knowledge transfer and spreading awareness are critical; and they were not prioritized in Entity Y (Respondent_03).

During the last two or three years from 2019 onward, the request for RM services by government entities included an ask for awareness services on RM. Awareness relates to knowledge. The transformation of the government sector dictated by Vision 2030 introduced new concepts, topics, and practices in the field, and awareness became a must before and during the implementation process. Drawing from the previous analysis, we note that knowledge about the RM subject and the roles and responsibilities toward RM, was key for the success of the RM implementation process. The RM team at Entity Y, however, had limited RM experience. This was also the case of other Entity Y's stakeholders, whose knowledge about the subject was also limited. As suggested by the interviewees:

The lack of knowledge about the subject was evident. We counted on the consultant (Respondent_01).

We found it difficult to convince the different stakeholders of the RM features and responsibilities while there is a focus on completing the project, more of a compliance exercise (Respondent_07)

Prior research aligned with the consultants' view emphasized the role of technical capabilities (e.g., Liguori, 2012; Liguori and Steccolini, 2012). Liguori and Steccolini (2012) suggest that when leaders understand a new practice, are convinced of its benefits, and get involved in the implementation process, then there is a better chance for a successful procedure. The earlier leadership commitment to adopt RM at Entity Y was evident; however, the unwillingness of the "old management" to spend time to understand the new practice during the implementation phase caused a significant challenge for the fluidity of the process. Thus, during the implementation process, the challenge was more related to the role of the "old" management, who

might be seeking legitimacy by adopting a control tool used elsewhere. They wanted the RM to prioritize them in the process, solve their issues, and impose several solutions that may favour their own areas at the expense of the organization's overall solution. The internal competition and the request for favouritism is aligned with the traditional approach of having the upper hand outside the applicable work process.

The Governor demonstrated significant interest and support at the adoption stage driven by his agenda...at the implementation, there was some distancing with some direction to Management to support the Project implementation, who in their turn did not support (Respondent_02).

Our findings are consistent with those of Mandeli (2016), who found evidence of bureaucratic resistance by the traditional officials of local Saudi authorities. At Entity Y, "old" managers did not attempt to bridge logics; instead, they were resistant to change. According to the interviews:

We were faced with two sorts of challenges. While management and employees considered that the RM project is a burden on the day-to-day activities, they pushed to get a kind of quick wins in return (Respondent_02).

There is a strong resistance to change among government employees who have been working in the same position for a long time, following the same processes and practices; they don't want to take more responsibilities and manage (Respondent_13).

Several consultants referred to the crucial role of individuals from the private sector. Like consultants, these individuals had their distinct institutional logic, with manifestations which were more in line with the ideas embedded in the *modernization logic*. Their involvement helped in the process of coping with the novel institutional complexity. A consultant commented by referring to examples from other entities:

In Entity 1, there were people from the private sector. These professionals help a lot in setting the base and establishing the needed context for implementing RM practices. The roles and responsibilities were clear and properly distributed. The situation was different at Entity 2. The local resources were not aware or knowledgeable about RM, which made the implementation process difficult (Respondent_07).

7.5 Financial and Operational Challenges

7.5.1 . Financial constraints and budget restrictions

The budget dictated the priority for the RM project, probably due to the reliance on consultants and the need for recruiting scarce capabilities in the market. Some of the interviewees confirmed the limitations around that subject. As stated by Respondent_05, “We had a limited budget”.

On that, the consultants were keen to explain the financial constraints. Limited budget would not allow the RM department to complete recruitment or acquiring the necessary RM enablers such as an information technology RM system. For example, financial constraints created coverage limitations for the risk assessment process. In the case of Entity Y, the risk assessment was only limited to 4 out of 42 branches identified.

The budget allocated to the project was limited, (...) Today, and after the issuance of Circular 601, government entities are allocating bigger budgets for similar projects (Respondent_11).

7.5.2 The complexity of operations

Public sector organizations need specific RM tools that address the organizational complexity of public service delivery (Collier and Woods 2011). This was confirmed by the interviewees in Entity Y, referring to the complexity of operations as a challenge that faced the implementation of RM:

We cover 42 areas geographically with different types of operations, the risk universe is wide, and the internal and external dependencies create more complexities. (Respondent_01).

The complexity of Entity Y's operations was highlighted as a challenge, but it does not confirm generalizability for all government entities, which can be at different levels of operations complexities.

We did not face any challenge concerning the complexity of the operations... (Respondent_14).

7.6 Discussion

7.6.1 What were the challenges faced by Entity Y in the implementation phase?

As our analysis above suggest, the main challenges faced by Entity Y during the implementation phase were around lack of skills, experience, and knowledge. RM was a new practice for government entities in Saudi Arabia, and the RM team had minimum experience in the subject. Importantly, RM is a practice that requires the involvement of the entire organization, and the lack of awareness refrained the different parties from executing their relative roles and responsibilities.

The support of management is of great importance. In the case of Entity Y, the support was limited, directly related to the different expectations set. Some executive managers expected RM to solve issues that were not linked to the function's mandate. They hoped that the RM team would develop themselves the risks mitigation plans while they should only support in that regard as per the set policy of the department. Another important challenge was the resistance to change. At Entity Y employees and managers were comfortable with the routine, with the day-to-day standard operations, and they were not ready to accept further tasks. The support of the highest authority was limited to the initial stage of adoption with a minimum backing during the implementation phase.

The implementation process was not practical due to the difficulty and lack of communication between the two distinctive groups of actors who were involved in the project: on the one hand, the "old executive management, whose ideas and beliefs were rooted in the *traditional logic*; on the other hand, the consultants, who acted as a kind of "ambassadors" of a *modernization logic*. Table 11 lists the key challenges identified by the interviewees ("insiders" or internal interviewees) and consultants and other CROs ("outsiders" or external interviewees).

Table 11: Challenges of the implementation process.

		Respondents														
		Insiders					Outsiders									
Segments	Key Challenges	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Social Factors	Awareness															
	Communication															
Human Factors	Management and Leadership Support															
	Limited capabilities/ knowledge and experience															
	Resistance to change															
Financial and Operational Challenges	Operations Complexity															
	Financial Constraints															
Institutional Complexity	Expectations															
Sense of urgency	Quick wins / Time pressure															
Other challenges	Technology and Data															

Source: Prepared by the author.

7.6.2 Are these challenges similar to those faced by organizations?

Based on the interviewees feedback, we could see the similarities of challenges with other government entities. RM is a new concept in the government sector, and although some government entities have established RM function recently, majority still have not. The level of RM culture maturity in the entire sector is low. Most of the government entities are experiencing important changes like Entity Y, with “new” managements joining “old” management to lead the transformation required as part of the human capital development program referred to in Vision 2030 (Vision 2030, 2016, p. 92). There is a clear lack of RM professionals in the market. While the RM team in Entity Y tried to recruit RM professionals during the project, they couldn't find enough candidates and the project finished when only one resource joined the team out of expected 12 resources.

In all kind of organizations, financial constraints and the complexity of operations are certainly challenging for a successful implementation of RM systems. The complex nature of operations, procedures and systems at Entity Y certainly was a major test for the RM implementation process. In this context, a limited budget did not help, as it limited the ability of the organization to inquire professional assistance, recruit enough human resources, and purchase RM-related tools and systems.

7.6.3 How does the institutional logics help us to better understand the RM implementation process in this setting?

The implementation of RM practice happens during a period where two logics exist. We study the influence of the two identified logics on Entity Y's individuals' decision making and behaviours of the various parties.

The case of Entity Y revealed how the actions and behaviors of individuals belonging to the different groups involved in the process (“old” management, “new” management” and consultants) leans toward a different institutional logic. The behaviors of the “old management” and their manifestations and interpretations of the expected benefits of a new practice are rooted in the extant *traditional logic*. Importantly, these individuals were very influential during the process. On the other hand, the consultants, as well as those individuals conforming the “new” management, were trying to promote an inclusive implementation process, enabled by group work, synergy, and culture development, in line with the *modernization logic*. There was no alignment with the RM standards guidelines to prioritize communication, awareness, and gradual implementation. The RM team was hesitant and confused, trying to satisfy all stakeholders instead of following the leading practices set by the standards.

7.7 Conclusion

Our evidence suggests that human capital resources are critical in understanding the interplay between institutional logics and management practices, including RM systems (e.g., Palermo, 2014; Boone and Özcan, 2016). Although hiring RM experts and consultants helped to bridge logics, it may not be enough. At Entity Y, respondents identified the lack of RM awareness, skills, and experience as major challenges in the implementation stage.

In a setting with a strong presence of behaviours and routines rooted in a *traditional logic*, the analysis of interviewees’ responses suggests that introducing new management tools ingrained in new logics of action (e.g., formalized RM systems) requires raising awareness. The awareness should cover the need for these tools,

how they are developed, and how they work (e.g., Woods, 2009). Training and sharing information before starting the process can bridge the gap between the two competing logics –the extant *traditional logic* and the emerging influence of a *modernization logic*. The question is when such an approach for implementing RM would happen in Saudi Arabia and would the context change with time? We try to answer this in the next chapter.

CHAPTER 8 – THE OUTCOME OF THE PROCESS: EVIDENCE FROM ENTITY Y

8.1 Introduction

In this chapter, we focus on the results of the RM project at Entity Y and its consequences. We aim to investigate what happened in Entity Y after the project completion, to understand whether there was a change in the institutional logics of the field and to summarize the perception of individuals about the future of RM in the Saudi public sector.

8.2 The Consequences of the Implementation of the RM Project at Entity Y

There were multiple expectations regarding the RM project implemented at Entity Y. While some expected a direct impact of RM on the day-to-day operations of Entity Y, others were keen that RM results would not take effect immediately after implementation. The members of the Executive Management Team expected a direct positive impact of RM. For example, on the revenue side, RM was expected to help expand the revenue sources or have an immediate positive impact on operations by strengthening controls and making the processes more efficient to achieve the set targets and key performance indicators. In fact, RM positively impacted some areas, such as security. It helped the management team identify number of risks and develop the related remediation plans and controls, which directly impacted the processes deployed and helped achieve the set targets.

On the other hand, there was an indirect impact that was sensed gradually within Entity Y. The project improved the risk culture of the organization and both

management and employees started considering risks and their impact when planning and executing their work. RM contributed to other vital activities as well, such as revenue cycle operations. Moreover, RM impacted the Executive Management priorities by pushing the importance of resilience and business continuity to the top. The business continuity should ensure Entity Y services continuity under any futuristic circumstance once the business continuity plans are implemented.

8.2.1 Outcomes of the project

Entity Y had specific objectives around ensuring better revenue, a safer environment, and more efficient service provision that were directly related to RM. Entity Y could help Saudi Arabia advance 72 positions in the world ranking of an important economic indicator. Moreover, from the security aspect, Entity Y helped save the country on multiple occasions through its security RM; at the same time, it could help raise by 80% the efficiency of the core transactions to achieve the main set objective by the year 2019. The positive effects of the RM function at Entity Y were publicized in the local newspapers, which published several Governor's announcements of achievements referring to RM as a primary contributor.²⁴ Still, we are not confident about the RM contribution to these areas -for example, we could not confirm any contribution of RM to the revenue enhancement target. This is a subject for further analysis.

By the end of the RM project, the consultant presented a business case for establishing a Business Continuity Program at Entity Y. The consultant explained that while RM would help the Entity to envisage potential risks and work on having

²⁴ No details are provided to protect the anonymity of the entity under investigation.

strategies to manage and mitigate risks, it is essential to have the capability of avoiding interruption of work in case of actual incidents happen. The RM project had an indirect impact on motivating the resilience culture in Entity Y. On that base, the Governor and the Executive Management decided to establish a Business Continuity Program.

8.2.2 The views of the insiders

For many insiders, and in line with a *logic of compliance*, what mattered the most was to establish the RM function and complete the exercise itself. They were not much concerned about the consequences of the project. As explained by Respondent_02:

In summary, we achieved the objectives of setting up a risk management function; we didn't have a risk management practice even though Entity Y is an important organization with a critical mandate. To summarize, the adoption phase was executed in a proactive approach. The basics were completed successfully and in a short time, but Risk Management could not build on that (Respondent_02).

At Entity Y there was ambiguity around the results, and it was not possible to measure the direct or indirect consequences of the RM project, besides those general changes described above (e.g., enhance the RM culture). Managers could not determine the real impact of the changes at Entity Y, and it was unclear whether the organization would overcome the challenges faced during the implementation phase and turn RM into a productive function. As explained by some interviewees:

The RM function is a complete program; multiple things should be run simultaneously, such as Business Continuity Management (Respondent_01).

Going forward we should start measuring the impact of RM on the set objectives and find the right approach to turn the risks into opportunities (Respondent_04)

There were several requisites suggested by the RM team or the Entity Y stakeholders to ensure success:

Most important is leadership support, spreading awareness, providing the suitable capacity within the risk management department (Respondent_03).

Change management should be organized (Respondent_04).

Most of the interviewees agreed that it was not easy for RM to show results soon after implementation, as the process of identifying, evaluating, and reporting on risk is a long process. The results of RM are linked to the process of developing risks mitigation plans that should be implemented and tested to ensure that risks are properly managed, and this takes time. Moreover, the understanding of roles toward RM and the activation of these roles across the organization require time for awareness and training. As indicated by several respondents:

The indications are fair, and we believe that things should be clear in a year or two, and we could judge the output then. RM should move from the set-up mode to be embedded in each activity and help make decisions (Respondent_03).

Today we think we are on a track; and that's the minimum. We started something, but we still aren't sure of the results. Today, Risk Management is in the incubation phase. To succeed and move forward, Risk Management has to be accountable, which should be driven from the top-down (Respondent_04).

8.2.3 *The views of outsiders - the consultants*

RM consultants explained that the results were contingent on the type of organization. In some organizations, implementing a RM framework led to new practices aligned with the new *modernization logic*. In other, the effects were minimum:

In Entity D, the project was just a “tick-of-the-box” exercise. We could not see the result of RM; in Entity E, RM was set 4-5 years back, and today management can take decisions based on this risk determination and analysis results (Respondent_09).

The results could be either positive or negative, depending on the adaptation capabilities and the influence of the existing logics:

There are two types of results; some of the entities benefited from Risk Management implementation to increase efficiency and have better controls but not to enhance or influence the decision-making positively... Other entities did not benefit from Risk Management, and results did not show due to bad implementation (Respondent_13).

The consultants also linked the potential results to the implementation challenges and the capabilities to overcome these and explained that the success completion of the project depends on several factors. As noted by Respondent_07:

Risk Management is not a traditional activity or a straightforward methodology that can be implemented and automatically receive results; the biggest mistake is when Risk Management is considered as a product and not a solution (Respondent_07).

8.3 Did the RM project at Entity Y lead to a “Hybrid Practice”?

The tensions during the implementation phase did not stop the project, which was completed in December 2018. The question is whether the outcome of the

process was a RM approach blending elements of both logics –i.e., a “work-in-progress” approach or “hybrid practice” (Smets *et al.*, 2012) embedded in the *traditional logic*; or a “successful move” towards the *modernization logic*. According to the interviewees, even if the RM practice was implemented at Entity Y, the objective of creating a RM culture was far from being achieved.

After establishing the RM function and in less than six months, the CRO was appointed as a Head of one of the core services provided by Entity Y; his deputy was also relocated. This was considered a testimonial of the achievement they did in RM. It was based on the fact that RM contributed to setting some controls related to security which helped prevent or avoid some risks on Entity Y. A new CRO from outside Entity Y was appointed and he had a fair experience in banking sector RM. The new CRO’s first task was to recruit a new team. He managed to recruit four to five resources from consultancy firms and banking, all with limited experience in RM.

As anticipated above, the same year, and based on an official request from the Governor who took by the RM consultant's recommendation and after the Board’s approval, Entity Y complemented the RM practice by implementing a Business Continuity Program (BCP). The BCP followed the guidelines of the international standard ISO 22301²⁵ and aimed at protecting Entity Y’s services in case of incidents. It should be noted that business continuity was an explicit requirement in the strategic plan Vision 2030 under the program of strengthening public sector governance: “We shall also enable our agencies to deliver on their mandate to be accountable to ensure

²⁵ ISO 22301 is an international guideline to implement, maintain and improve a management system to protect against, reduce the likelihood of the occurrence of, prepare for, respond to and recover from disruptions when they arise.

business continuity and to show adaptability in the face of new challenges” (Vision 2030, 2016, p. 83).

The decision to adopt and implement a BCP is linked to the *modernization logic* embedded in the public sector reforms. As stated before, there was an explicit request in Vision 2030 about business continuity, and the BCP’s business case was initiated with a direct link to that vision statement. Each government entity had the right to request specific funding from the government to support the implementation of specific initiatives related to Vision 2030. The management of Entity Y requested a budget to implement the project as part of the overall vision realization budget for the organization.

For the BCP, Entity Y ensured a bigger budget than the one for the RM project while also requesting the same consultancy firm that worked on the RM project to assist them in the project delivery. In a clear difference from the RM project, where the Entity Y RM team was purely comprised of males, Entity Y recruited a female expert to lead the establishment of the BCP. We elaborate this point further in Section 8.4.

The project of establishing business continuity practices at Entity Y ended in 2021 and was considered a success. Entity Y became one of the first Saudi government entities to be business continuity (ISO 22301) certified in 2021. By the end of 2021, Entity Y was merged with another government entity. The merger was accompanied by establishing a new strategy and eventually changing the RM department organization structure. The RM department became a part of a more significant department comprising, other than RM, governance, compliance, cyber, and business continuity.

Smets *et al.* (2015, p. 936) call for further research about “*the ways by which an organization balance between competing logics to generate positive feedback, and how these practices play out in organizations that face an established complexity and which are maintaining rather than creating their hybrid status*”. Our analysis of Entity Y shows that the competing logics underlying the process of adoption of RM practices placed pressures on the management team. Although they were worried of the efforts required to answer the RM requirements, they tried to avoid responding them. Relatedly, another issue is whether those in the organization (*insiders*) shifted their views when the logic they adhered to was challenged or whether changes in the organization happened because individuals were replaced (e.g., Meyer and Hammerschmid, 2006a). At Entity Y, the changes were gradual, and outsiders (managers with RM experience in the private sector and consultants) played a pivotal role by transferring knowledge and human capital from “the other side” that could be integrated into the existing knowledge of the entity (Böone and Ozcan, 2016, p. 1382). But the *traditional logic* permeated the actions and responses of *insiders*. The new RM framework challenged the institutionalized behaviours, values, and practices, which were legitimate under the *traditional logic*. Hence, adopting and implementing the RM project was a matter of adding a new “function” into the existing structure to comply with government regulations. The newly established function was mandated to help the other functions within Entity Y to identify, evaluate and develop related mitigation plans. For the RM team, communication with the other functions of the organization to introduce its mandate and ask for continuous support, was critical. This communication strategy was fully supported by the general direction of Entity Y’s Governor, as explained earlier in the document. As highlighted by Respondent 03:

Today it's a compliance matter. You must establish a RM function and practice; otherwise, you are not abiding and not helping achieve the nation's objectives (Respondent_03).

Interviewees' dominant perception was that RM at Entity Y was "a long" and "difficult" journey:

We achieved the objectives of setting up a RM function (...). We started helping management, but the road is long. The process may stop if we don't take into consideration all the requirements to move forward. To summarize, the adoption phase was executed in a proactive approach, and the basics were completed successfully in a short period of time. But RM could not simply build on that (...) (Respondent_02).

We knew what we were facing. We also know that the journey won't be easy. We had two choices: either to be passive and not start the development of RM practices or to be proactive and start and learn as we go. We opted for the second option. Today we think we are on the right track. We started "something," but we still aren't sure of the results. We know it's a journey, and it will take time to see the finish line (Respondent_04).

The concept of a long and difficult journey was confirmed by the consultants referring to their experience with other entities:

As for the results: Risk Management is a journey, and results would be clearer with time; probably, the acceleration of seeing the value is subject to brainstorm about and focusing on (Respondent_08).

(...) it takes time, and a great effort by the RM functions to reach the level where they can help in decision making and feed-in management with the right and beneficial information. (Respondent_10)

(...) for another entity, RM was set 4-5 years back, and today management is enabled and take decisions based on risk determination and analysis results (Respondent_09).

8.4 Gender and the Modernization Logic – The Role of Females Risk Managers

In the last few years, Saudi private and public sector organizations began to make profound changes to promote gender equality. Organizations like Entity Y appointed female professionals to lead new projects and essential departments such as the RM function. For example, Entity Y appointed a Saudi woman as the leader of the Business Continuity Project. In the same trend, consultancy firms providing services in Saudi Arabia have worked heavily during the last years to expand the number of female consultants, both Saudis, and non-Saudis. They have benefited from the ease of the control concerning women traveling from and to Saudi Arabia.

These changes are in alignment with different reforms undertaken by the Saudi state aiming at redressing gender inequality in the country for reasons related to external reputation and internal economic pressures (Sian *et al.*, 2020). These recent changes are related to the *modernization logic* projected in Vision 2030, which included different initiatives aiming to facilitate the participation of women in the workforce. More specifically, Vision 2030 targets for the country to ensure an increase in women's participation in the workforce from 22 percent to 30 percent (Vision 2030, 2016, p. 39) and promote diversification and equality as follows:

The economy will provide opportunities for everyone; women and men... Saudi women are another great asset. With over 50 percent of our university graduates being female, we will continue to develop their talents, invest in their productive capabilities, and

enable them to strengthen their future and contribute to the development of our society and economy (Vision 2030, 2016, p. 37).

Although recent reforms and legislative changes have facilitated the participation of women in society, the employment of females in the Saudi public sector is linked to multiple challenges and obstacles, such as religious norms and regulations, workplace environment, education, and training limitations (Agrizzi *et al.*, 2021; Sian *et al.*, 2020; Elamin and Omair, 2010; Al-Asfor *et al.*, 2017). For example, Syed *et al.*, (2018) highlight specific challenges related to equality concerning the employment of females. These challenges are linked to schemas embedded in the institutional *traditional logic*, such as religious norms, old cultural dominance, the social power of nepotism or *wasta*, the notions of family, and the adherence to traditional norms and values.

The study of Saudi female auditors of Sian *et al.* (2020) illustrates very well the impact of traditional cultural and societal norms and practices rooted in a particular interpretation of Islam in the participation and progression of women in a specific economic sector. The study shows that while the reforms and the state intervention helped Saudi women to access the accounting profession and the big accounting firms, their experiences “remain strongly shaped by the intertwined forces of religious nationalism and cultural and social norms” (p. 13). There is evidence of “pervasive inequality and the re-segregation of the Saudi female auditing workforce into “women-friendly” areas, with potential negative effects on their career progression” (Sian *et al.*, 2020, p. 5). Agrizzi *et al.* (2021) further explore the issue of “re-segregation” of women auditors in Saudi Arabia showing that they experience a formal workplace segregation (“a gendered space”) when working in the Big Four audit firms located in Saudi Arabia. This formal segregation, strongly rooted in the religious, social, and cultural Saudi

tradition, constrains the participation and progression of women in the audit profession.

The reforms proposed in the strategic framework Vision 2030 are expected to implement certain changes aiming at overcoming these challenges. As highlighted by Topal (2019), empowering women is a crucial proof of economic modernization as it will enable competitiveness and increase foreign economic integration, which would help realize a primary objective of Vision 2030. Almathami *et al.* (2022) provide some preliminary evidence about the positive effect of Vision 2030 on this regard. At Entity Y, the changes that happened so far, to the best of our knowledge, have been limited, assigning management responsibilities to women, who now occupy leadership positions as risk manager, business continuity manager, and internal audit manager. Thus, gender diversity is far from being a reality at Entity Y today.

It must be highlighted that gender issues at Saudi Arabia differ notably from those of Western countries. As explained by Sian *et al.* (2020), in Saudi Arabia there are strong links between personal beliefs, professional values, and societal forces. These links impact on issues such as dress codes, relation with clients, socialization processes (Sian *et al.*, 2020, p. 3). Future studies could re-examine the issue of women's access to managerial positions in Saudi Arabia in light of the *modernization logic* and the social and economic reforms the country is going through. More specifically, it will be interesting to further assess whether the reforms derived from Vision 2030 have had a positive influence on Saudi and non-Saudi women's empowerment in Saudi public entities in general, and in the RM field in particular. For instance, further research could explore women's experience in RM departments in Saudi public and private sector entities to test whether, as in the case of auditing, the

access of women to the RM related positions has generated a “gendered space” within the function. As the number of women may continue to increase in Saudi public sector entities, future research could also examine whether gender diversity influences the process of adoption and implementation of RM practices. It would also be interesting to understand if the presence of females on top of RM functions would positively impact on organizational performance.

8.5 Impact of Religion on the Adoption and Implementation of RM

Religion is one of the institutional orders defined by institutional theorists (Friedland and Alford, 1991). Christianity was studied in the Western context as one of the existing logics in old centuries (Mutch, 2012; Thornton and Ocasio, 2008). Islam is the most growing religion around the globe, and it is embedded and influencing economies through rules, norms, and regulations based on Sharia (Hassan and Lewis, 2014). Sharia is a body of religious law that constitutes an Islamic custom, which results from Islam’s religious principles and is based on the Quran. The Sharia principles can have different forms, obligations, or suggestions (Choudhury, 2005). In some Islamic countries, the adoption or implementation of Western practices was blocked, reshaped, or motivated by the Islamic religion (Kuran, 2005).

Contrary to the results of Biygautane *et al.* (2020) when examining a project related to infrastructure public-private partnerships in Saudi Arabia, our evidence suggests that Islam did not *directly* influence the adoption and implementation of RM at Entity Y. Accordingly, we did not discuss in detail the institutional *logic of religion*. Still, religion is a key source of identity and authority embedded in the *traditional institutional logic* of Islamic countries in general, and in Saudi Arabia in particular.

Because Saudi Arabia was never colonized and the western influence is recent, “religious nationalism was free to develop undisturbed and supported by the state in both public and private life” (Sian *et al.*, 2020, p. 5). Thus, the religious logic based on this “religious nationalism” has been (and it is) prominent penetrating all aspects of Saudis’ public and private spheres of life (e.g., Bakr, 2020; Sidani and Showail, 2013).

As mentioned above, Saudis identify themselves as Muslims and Arabs. Religion and family are priorities and guide the daily decisions and acts (Wynbrandt, 2004). Islam is taught as a way of living, and Saudis, individually and collectively, are expected to conform to the principles of the country’s primary and sole religion, as requested in the Quran. Saudi Arabia has traditionally been ruled through religion (Basic Law of Governance, 1992). Article one of the Basic Law of Governance states that the Kingdom is a religious state driven by the Holy Qur’an:

The Kingdom of Saudi Arabia is a sovereign Arab Islamic State. Its religion is Islam. Its constitution is Almighty God’s Book, The Holy Qur’an, and the Sunna (Traditions) of the Prophet (PBUH) (Basic Law of Governance, 1992, p. 2).

Thus, Islam is a key source of identity for the Saudi regime (Al-Rasheed, 2010; Bowen, 2014; Vassiliev, 2013). Accordingly, the strategic framework described in the document Vision 2030 suggests that a “successful” *modernization logic* in Saudi Arabia needs to combine the characteristics of the *market logic* present in Western countries (e.g., UK or Germany) with other institutional logics prevalent in Islamic countries, and in particular, with the *religion logic*, which “represents a major source of values guiding decisions with ethical implications” (Fathallah *et al.*, 2020, p. 648).

In such setting, this key attribute of the *traditional logic* that is the religious nationalism is also a key element of the *modernization logic*. Thus, any social,

economic, or cultural transformation intersects with religion to shape a specific way of modernization. In his introduction to Vision 2030, the Crown Prince reflects on the Islamic religion and its relationship with the strategic framework proposed in the Saudi Vision 2030:

Our vision is a strong thriving and stable Saudi Arabia that provides opportunities for all. Our vision is a tolerant country with Islam as its constitution and moderation as its method (Vision 2030, 2016, p. 6).

Moreover, in the document it is also explained that Islam and its teaching will continue to be the basis of all the laws, decisions, actions, and goals:

the principle of Islam will be driving force for us to realize our vision. The values of moderation, tolerance, excellence, discipline, equity, and transparency will be the bedrock of our success (Vision 2030, 2016, p. 14).

The term moderation, which was linked to explaining the principles of Islam, is a clear message of objection against the critique that was surrounding Islam in Saudi Arabia and the definition of extremism (Quamar, 2015) or radicality (Meijer, 2019) related to the country, specifically after the September 2001 incidents.

Vision 2030 guides how the country will be working on changing practices, norms, and regulations to open up to the world. But no changes are expected regarding the role of religion in society. All laws and regulations are based on religion, and to be able to introduce changes, the strategic framework states that the new “business-friendly” laws and regulations inspired by practices common in the private sector must be in accordance with religion (see Vision 2030, 2016, pp. 27, 28, 36, 46 and 50). We could depict in the Vision 2030 document several referrals to the

importance of adjusting international legal and commercial regulations to the country's reality (e.g., see pp. 50, 57-58 of the document Vision 2030 (2016)).

In Saudi Arabia regulations are set in alignment with the Islamic religion. In some cases (e.g., banking regulation), the influence of religion is significant. For example, local banks operating in Saudi Arabia must follow the Sharia governance framework, a document issued by the Saudi Arabia Monetary Authority (SAMA²⁶) in 2020. As stated in the Sharia Governance Framework,

the main objective of this document is to enhance the environment for compliance with Sharia principles and rules in banks in general. It also aims to define the responsibilities of the board of directors, executive management, Sharia committee, compliance department, RM department, and internal audit department concerning the framework's application (Sharia Governance Framework, 2020, p. 3).

In the case of RM applied to public sector entities, no regulations were issued. Still, the Ministry of Finance issued a non-obligatory guideline in 2021 (General Guideline Manual for Risk Management, 2021) to educate public sector managers and personnel on RM. The guidelines did not refer to any religious guidelines (Islam or Sharia norms or regulations). They only suggested the implementation process of RM be aligned with international standards (i.e., ISO 31000 and COSO) with a clear statement that the document is not a regulatory or obligatory one to the public entities.

²⁶ The Saudi Arabian Monetary Authority (SAMA), established in 1952, is the central bank of the Kingdom of Saudi Arabia. The name changed to Central Bank of Saudi Arabia in 2020, but the Saudi Central Bank continued to use the acronym SAMA.

Summing up, the fact that in our case study the *religious logic* was not “there” does not mean that it was not relevant. On the contrary, it could be argued that the *religious logic*, or more specifically the *Islam logic* defined as

a position in which actors take Islam as a frame of reference in sense-making while giving meaning to their institutional environment and forming institutional arrangements at the macro or micro level (Aysan, 2017, p. 51)

was embedded in both the *traditional* and *modernization logics* discussed in our study as well as in the behavioural choices of those involved in the RM project and those participating in our study. Future studies could aim to capture how these behavioural choices driven by religion influence RM related decisions. More specifically, future research could apply the theoretical framework proposed in this study to examine how the *Islam logic* (Aysan, 2017) individuals and organizations’ perception and management of risks.

8.6 Leadership and Governance in the Saudi Public Sector

In Saudi Arabia, public entities have been traditionally associated to poor management and performance (Omira, 2015). When reviewing studies on the adoption and implementation of Western management practices (Carlson-Wall *et al.*, 2019, Palermo, 2014), one of the factors that researchers have identified as affecting the process is leadership. Most failures happen due to a lack of participative leadership approach (Berg and Pinheiro, 2016).

Leadership played a key role in the case of the adoption and implementation of the RM project at Entity Y: while the Governor and several executives were supportive

of the introduction of new management practices, they lacked knowledge and awareness about RM which could not help in concretizing the support to the RM team during the implementation process. At the time of the introduction of RM, the executives, mostly coming from the private sector, were not knowledgeable of the public sector practices and the challenges of introducing these management practices in such case. In sum, they were not able to steer and support the implementation of a new practice such as RM properly (Hill *et al.*, 2015).

The socio-economic changes expected from Vision 2030 require the involvement of transformational leaders who have the capabilities and knowledge to lead the execution of transformational projects such as implementing new practices, and transactional leaders who are more focused and capable of leading the routine and everyday transactions and activities (Omira, 2015; see also Alassim *et al.*, 2017; Al-Turki, 2011). Accordingly, the National Transformation Program has included several transformational initiatives and programs aiming at enhancing the leadership skills in the public sector (NTP, 2016, pp. 43, 56, 60, 76). Public employees' innovativeness and capabilities in implementing these new practices would be linked to specific governance setup and leadership empowerment (Albakhiti, 2018).

The question that may arise is if a new corporate governance model is a must for public entities to adopt new management practices such as RM techniques and processes (Mariotti *et al.*, 2014). At Entity Y, the leaders who joined Entity Y from the private sector, such as the deputy governor coming from a private Saudi bank or the deputy CRO from a multinational consultancy firm, felt the differences between a structured approach followed by organizations in the private sector and the unstructured governance and authority's approach followed by Entity Y, and typical of

other public sector entities in Saudi Arabia. For example, at banks, there were clear regulations and there was an explicit requirement by the SAMA to have a RM framework and RM committee to look after the risk function within the banks. The deputy CRO of Entity Y, besides being an expert on RM in private banking, was a member of an international organization, where processes, procedures, governance, and authority structures were clearly defined. Both he and the deputy CRO of Entity Y were in a new working environment strongly imprinted by a *traditional institutional logic* about how a Saudi's public sector organization should operate. Their commitment to support any new practices inspired by a *modernization logic* was linked to their capabilities of adapting to the unstructured and *traditional* environment and related challenges.

8.7 RM Practices in Other Saudi Governmental Entities

According to Circular 601, the National Risk Unit (NRU) was supposed to provide government entities with guidelines and methods for the activation and reporting of RM-related practices and processes. However, this did not happen. The NRU was not active between 2020 and 2021 and the Council of Ministers issued a new Circular (Circular 441, 2022) on March 31, 2022, to create the National Risk Council (NRC). As stated in Circular 441, the NRC is composed of 11 ministers and a highly ranked government consultant to lead a national risk management center. The NRC will define the guidance, visions, and objectives concerning risks and crisis and business continuity at the national level and help to enhance capabilities of government entities to prevent, plan and face any of risks and to coordinate between them about these subjects (Circular 441, 2022). The Circular may further confirm the

research results on the importance of compliance in cascading from top-down management practices such as RM.

Since the end of 2018, the market for RM solutions in Saudi Arabia has witnessed significant changes, with ministries, authorities, and government entities increasingly interested in RM. For example, more than 50% of the Saudi ministries have established RM functions between 2018 and 2022. As a result, there is a tremendous demand for RM professionals in the Saudi market. As most of the organizations' government entities are acquainted with the RM department, these entities are working to have a team to lead the different functions under the stated department and attract talents mainly from the financial sector. We may be in front of great market dynamics, creating new functions, skillsets, and the development of new logic, consequently creating potential new complexity for entities (Smets *et al.* 2015, p. 934).

When Entity Y decided to start the RM project back in 2016, none of the government entities had RM functions; a couple of years later, consultancy firms became busy helping these entities establish RM practice. Since 2019 consultancy firms in Saudi Arabia started receiving requests from government entities to help establish RM functions alongside two other functions, "Governance" and "Compliance", referred together with Risk as "Governance, Risk, and Compliance" (GRC²⁷) functions. GRC functions are expected to support all activities by instilling solid ethical values and enhancing the efficiency and effectiveness of the different processes within entities, as explained in previous research (e.g., Kerstin *et al.*, 2014). Thus, the Saudi government entities were not only focusing on RM, but they wanted

²⁷ The Governance, Risk, and Compliance (GRC) model was first introduced in 2004 by PWC.

to establish other functions in the second line of defense²⁸. Based on that, we can ask multiple questions concerning why government entities opt to establish these three functions together: Is it because RM was not having a positive impact by itself? Is it that RM is insufficient and other control functions need to contribute and help in decision making? Would the Vision 2030 requirements related to corporate governance and adaptability through a complete solution, understood by these entities or promoted by consultants as GRC, be a better answer? Are the essential changes in the market, such as the new and considerable number of regulations, the opening toward international investments and relations? The establishment of these three functions together rather than just RM seems to be dominating, a subject that would be further interesting to examine in future research.

Future studies could also examine whether the changes taking place in Saudi public sector entities (other than Entity Y) in response to the strategic framework presented in Vision 2030 are just a *compliance exercise* with no real impact or substantial effects on the organizations or whether they lead to the emergence of new hybrid practices and processes combining elements (i.e., a "flexible" mix) of the two institutional logics discussed in this study (*traditional* and *modernization logics*) (e.g., see Smets *et al.*, 2015).

The adoption and implementation of RM implementation in government entities raised awareness regarding Business Continuity Management. RM would enable the identification of risks and setting up preventive controls to prevent these risks from happening. Still, the questions that needs to be answered is what risks could not be

²⁸ The IIA and the Institute of Directors endorse the 'Three Lines of Defence' model as a way of explaining the relationship between core functions in the first line, Risk Management, compliance in the second line, and internal audit in the third line. It is a guide to how responsibilities should be divided.

identified or managed and turned into actual incidents, and how we can ensure the continuity of the business. The Saudi market started becoming interested in implementing RM alongside Business Continuity, and in most cases, Business Continuity would be a sub-function within the RM department.

8.8 RM practices in the Gulf Countries public sector

Research on the adoption, implementation, and results of RM practices and systems in the Gulf countries are scarce. Most of the studies covering the subject focus on RM's effect on performance and are limited to specific sectors such as the Oil and Gas in the United Arab Emirates (UAE) (e.g., Aljneibi *et al.*, 2022), Qatar (e.g., Bouoiyour and Selmi, 2019), Kuwait (Alajmi, 2019), and in banks and financial institutions -e.g., the study of Jalal *et al.*, (2011) in Bahrain.

The GCC countries share multiple similarities. All are monarchies with the same religion, language, traditions, habits, and eventually a similar economic system. All GCC states have developed visions and related implementation plans similar to Saudi Vision 2030 examined in this study. While GCC countries have tried to make several changes since the mid-1970s, current planning focuses on the modernization of the countries through clear visions, aims, and priorities. The commonalities in these visions are multiple, such as governance reform, public and private sector partnerships, and revenue sources diversification. Although each GCC country has its peculiarities and the reforms do not necessarily follow the same pace and do not have the same focus (Iqbal and Fasano, 2003), the recent plans promote in all cases changes toward a more modernized western society (Hvidt, 2013).

We contend that the ideal type of institutional logics we have defined for analyzing the field of public sector entities in Saudi Arabia (*traditional logic* and *modernization logic*) could be applied to the analysis of change in public sector entities in other GCC countries. For example, in UAE we could expect more manifestations in line with the *modernization logic* than in other countries. The UAE model has demonstrated a greater capacity to “replicate” or “imitate” Western traditions (Hvidt, 2013). Other countries are following the same trend embracing a similar development model although at a different pace. In our view, it would be interesting to examine the generalizability of our findings to the case of adoption and implementation of RM practices in the public sector of other GCC countries.

8.9 Conclusion

Summing up, at the time of writing this thesis the values of Entity Y were far from being embedded in a *modernization logic*, and the consequences of implementing the RM project were far from being achieved – RM at Entity Y was perceived as “a long journey”. Yet, the steps taken during the implementation of the project led to a “hybrid” situation where elements of a *modernization logic* (e.g., evaluation of performance using Key Performance Indicators, KPIs) cohabited with the prevalent *traditional* institutional conditions (e.g., unchanged structure of authority).

In our case study, we have also found that the *religious logic* was not explicit. Still, we present a theoretical framework based on institutional logics that future studies examining Islamic societies could use to assess how religion could influence RM-related decisions or to examine the adoption and implementation of RM in Islamic societies. There is a remarkable similarity between the RM practice in the Gulf

Countries and in Saudi Arabia. Researchers could apply the theoretical framework and logics introduced in this study in other Gulf countries, with a focus on how Islam is embedded in decision-making processes of public sector organizations.

As a result of our study, we have highlighted several essential subjects worth exploring in the same field in Saudi Arabia, such as the importance of having a new governance model to enable the government entities to achieve the set targets by Vision 2030 and the importance of having transformative leadership, i.e., leaders with a different skill set than the ones who are currently leading these organizations. The RM implementation in government entities has triggered the interest in adopting and implementing other functions and practices such as Governance, Compliance, and Business Continuity. We suggest exploring, in conjunction with our theoretical framework, the reasons for adopting and implementing these functions.

CHAPTER 9 – CONCLUSIONS

9.1 Introduction

In an exciting study of RM in the public sector, Rana *et al.* (2019a, p. 150) ended their discussion with a call for further studies to bring new insights of RM frameworks considering a variety of “social, political and contextual factors and their manifestations in practices and behavioural consequences within the public sector”. More recently, Bracci *et al.* (2021) argued that more theorization is needed to advance the understanding of RM in the public sector. Moreover, Ahmeti (2017) suggested more studies on RM implementation in the public sector are required. Our study aimed to answer these calls by providing additional insight into the dynamics of RM in a public sector entity in a non-Western country (Saudi Arabia) using the lens of ILP.

9.2 Summary of the Main Findings and Contributions to RM Research

In the period under examination (2016-2020), we identify the co-existence of two conflicting institutional logics in the field of governmental entities in Saudi Arabia. We identified a logic based on traditional values linked to the fundamental law of governance in the Kingdom, religion and family (which we name *traditional logic*), and a logic based on the values projected in the Saudi Vision 2030 framework aiming to transform Saudi economy, society, and public sector (which we call *modernization logic*).

This study extends RM literature exploring the drivers and challenges of RM systems in public sector entities (e.g., Rana *et al.*, 2019b). First, our results are consistent with studies examining private and public sector entities in developed

countries showing that RM systems emerge through a top-down approach driven by regulatory demands (Palermo, 2014; Rocher, 2011; Woods, 2009). Commenting on Australia's public sector reforms, Rana *et al.* (2019b, p. 43) argue that "the attitudes and processes of those responsible for implementation are still dominated by compliance and financial management." We find a similar outcome in a dramatically different setting. However, consistent with Sidani and Showail (2013) and Biygautane *et al.* (2020), we argue that *compliance* is even more important in KSA than in Western countries, given its relevance as a source of authority in the *traditional logic* compared to its role in the *bureaucratic* or *state logic* identified in prior Western-based studies. In line with this view, Biygautane *et al.* (2020) show that the role of government officials' mandates was critical in the management of a Saudi PPP project. The issuance of a Royal Order gave the project the legitimacy needed because it "automatically removed any regulatory or bureaucratic barriers even before they arose"²⁹ (Biygautane *et al.*, 2020, p. 1097). The decision to adopt the RM approach at Entity Y came without a formal mandate, causing uncertainty about the need for such "turmoil" within the organization. The foundation of the National Risk Unit in 2017 and the issuance of Circular 601 in 2018 removed the tension and resistance. They gave an impetus to RM projects across government entities, thus confirming that the process of adoption of systems and tools ingrained in the beliefs and expectations of the *modernization logic* such as RM is primarily driven by compliance, a value which is embedded in a *traditional logic*.

Second, our study reveals some challenges faced by Saudi governmental entities in implementing RM. Different expectations about the role of RM within the

²⁹ A key difference between Biygautane *et al.* (2020) and our study is the religious element and the political legitimacy embedded with it. While it was crucial in their study, it was not present in our case, as discussed in Chapter 8.

organizations, the lack of management support, the communication issues between consultants and management, and the lack of awareness, skills, and experience were the most significant obstacles that both managers and consultants encountered in the process. These findings are in line with those of prior research (e.g., Andreeva *et al.*, 2014). The root cause of these challenges is the coexistence of two competing logics promoted indirectly by different groups of actors involved in the RM project at Entity Y.

Our study confirms that the role of individuals as facilitators of the dialogue is critical in understanding the interplay between institutional logics and management practices, including RM systems (see, for example, Palermo, 2014; Boone and Özcan, 2016). The case study reveals the importance of experience and competency knowledge for the correct implementation of RM practice. RM experts and consultants helped to bridge logics to a certain extent. Awareness and training are fundamentals, and experts can transfer the message to the different parties involved in the RM implementation process (e.g., Woods, 2009). Communication was revealed to be a top prerequisite for an exemplary implementation of RM.

RM establishment goes through multiple phases and, as confirmed by the different parties, it is a journey of change and transformation in the organization. RM is an evolving practice which is linked to a change in culture (Palermo *et al.*, 2017). The case of Entity Y illustrates the importance of allocating the necessary time to complete the required steps for implementing RM. At Entity Y the “risk journey” began by focusing on individual and tactical needs. Even if some quick wins can be realized, this does not mean that RM was achieving the expected results. Time is required for entities to ensure stronger commitment from senior leadership. As the risk practice matures, the goal is to take the next step towards addressing new and changing

business activities. Entities would be seeking to reach the stage whereby RM is part of the culture. While the RM journey is rarely straightforward, entities could require partners (e.g., consultants) who can assist in the implementation and sustainability of RM. Finally, if government entities do not understand the entire journey and the requirements for its success, there is a risk that Saudi governmental entities adopt RM systems in a superficial manner with the only purpose of responding to external pressures, converting RM in a simple “tick-boxing exercise” (Almquist *et al.*, 2013; Lapsley, 2009).

9.3 Contributions to the Literature on Institutional Logics

Previous research has provided insights into the multiplicity of logics in public sector entities (e.g., Damayanthi and Gooneratne, 2017; Meyer and Hammerschmid, 2006a, 2006b). It has also examined what happens in the field when an “old” *bureaucratic logic* coexists with a new competing *managerial logic* as a result of the adoption of NPM doctrine and reforms (Meyer and Hammerschmid, 2006a, 2006b; Meyer *et al.*, 2014). While relevant, these studies based on developed Western democracies do not provide a compelling account of how governmental entities in non-Western developing countries manage the adoption and implementation of “alien” techniques such as ERM when the field is being pushed by the government to a shift in its institutional logics –from a traditional bureaucratic structure to a more market-based and NPM-oriented logic. Due to the social, political, economic, and cultural differences, the institutional logics prevalent in Western public sectors do not fit easily in other settings. Yet this is important as developing countries have been trying to reshape their public sector along the NPM-oriented logic (Sarker, 2006) importing tools and techniques such as RM frameworks. International organizations such as the UN

and the World Bank have encouraged governments in the developing world to adopt RM (World Bank, 2014, p. 55). Our findings contribute to current knowledge by providing insights about how the processes work in Saudi Arabia, a country which represents these underexplored settings.

Meyer and Hammerschmid (2006a, 2006b) and Meyer *et al.* (2014) focus on a *bureaucratic logic* based on bureaucratic rules and regulation consistent with an “old” administrative orientation, and a *managerial logic* inspired by market rules and NPM principles. In this study we identified two ideal types of organizing the field of Saudi public sector entities, namely a *traditional logic* and a *modernization logic*. These “ideal types”, while sharing some communalities with the institutional logics described by Meyer and Hammerschmid (2006a, 2006b), have been developed to capture the specificities of the Saudi public sector and better reflect its practices, values, and rules. We contend that these “ideal types” could be used in future studies examining the governmental sector of KSA and, possibly, of other developing countries sharing a similar identity (e.g., religion and culture).

Broadly, our study confirms the finding that a new logic emerged as a result of NPM-oriented reforms, increasing the institutional complexity of the field (e.g., Meyer *et al.*, 2014). The institutional tension at field level between the two (competing) logics translated into a tension between the quest for “status-quo” of individuals working in Entity Y, and a model for RM inspired and embedded within the Vision 2030 strategic framework.

In contrast to Meyer and Hammerschmid’s (2006a) finding that the actors create a “hybrid” logic by mixing the “old” and “new” institutional logics, our evidence suggests that the actors respond in line with a *traditional logic* incorporating the new

tools (i.e., ERM) within the existing institutionalized structure. This finding resonates with the notion of “imbrication” described by Hayes *et al.* (2014, p. 135), where a new “institutional logic “is folded into” the existing bureaucratic logic in order to transform it “from the inside””. The implementation of the RM at Entity Y led to an unstable situation where actors were confronted with conflicting logics. While the RM practice was inspired and rooted in a *modernization logic*, insiders involved in its implementation followed routines grounded on (and associated with) a *traditional logic*. The new ERM system was “folded into” the existing logic. Our findings also suggest that leaving the leadership of these projects in the hands of outsiders with RM expertise (e.g., managers with experience in the private sector and consultants) triggered a sense-making process rooted in a *modernization logic* that facilitated the implementation process. Finally, we concur with Wiesel and Modell (2014) in that public sector reforms are far from being radical. Perhaps the appearance of a new “hybrid” logic is a matter of time.

9.4 Implications for Public Sector Entities and RM Experts

Our study has ramifications for practice. We contend that it may help RM professionals in shaping the approach used for RM implementation in the government sector. For example, our analysis suggest that awareness and communication should be embedded within the RM methodology, as a first step in the process. RM experts, consultants and practitioners at government entities can update their approaches and methodologies to embed effective techniques to overcome the stipulated challenges and enhance efficiency of implementation.

9.5 Limitations

This study has several limitations that should be recognized. First, we contend that relying on a single case study analysis may represent a limitation, as it raises questions about the external validity and generalizability of our results. A second limitation relates to the risk of subjectivity derived from the fact that the researcher was part of the team who has worked on the project of implementing RM in Entity Y. A third limitation relates to the work done to identify the elemental categories of the ideal logics and the comparison of these ideal logics with the empirical evidence, as it is difficult to quantify the distance between them and the data (Reay and Jones, 2016). Lastly, we acknowledge the limitations of the coding process, which either manually or systematic, have some limitations. Acknowledging these limitations, we have taken a number of measures aiming to mitigate their effect and protect the objectivity and rigor of the study, as explained in Chapter 5.

9.6 Suggestions for Future Research

We propose several areas for future research on institutional logics and on RM processes within the public sector.

As far as institutional logics is concerned, we encourage future similar work in the other GCC countries, such as UAE, Qatar, and Kuwait, which have notable socio, economic and political similarities with Saudi Arabia. These studies may help generalize the findings of this study regarding the drivers and challenges of the adoption and implementation of RM practices in Arab countries. For example, we identified two ideal institutional logics relevant for the field of governmental in KSA.

We call for further research applying these logics to public sector reforms in other Islamic countries.

As far as Saudi Arabia is concerned, in 2021 the government adopted a new governance framework aligned with Vision 2030 comprising “Governance, Risk and Compliance”. As a result, government entities shifted focus toward this new “construct”. As highlighted in Chapter 8, it would be interesting to study whether the *traditional logic* continue to be dominant in organizations adopting the new framework, in spite of the increasing presence of *the modernization logic* in the Saudi society. Moreover, we encourage future work in developing countries with different traditions (e.g., Latin American countries) so that we may progress towards building a theory of RM adoption and implementation.

In our case study, we did not find empirical evidence of the influence of the *religious logic* of Islam on individuals’ actions and views. Still, given the superordinate influence of religion in Saudi society, it could be argued that it is embedded in both the *traditional* and *modernization logics*, in the behavioural choices of those involved in the RM project, and in the views shared by those participating in our interviews. In line with the discussion presented in Chapter 8, we suggest that future studies could apply the theoretical framework presented in our study to assess to what extent how behavioural options driven by religion influence RM-related decisions while applying our theoretical framework.

Future research adopting ILP could also explore the interaction between institutional logics and the concept of gender in developing societies. The two “ideal” institutional logics in the field of public sector entities in Saudi Arabia described in this study did not consider the social construct of gender. However, the way these ideal

logics influence on individuals' behavior and/or how they are shaped by individuals may be dramatically different for men and women, given the great disparity between men and women in the Saudi society. We contend that future studies could provide insights about how economic and social reforms affecting the public sector impact on the role of women in society in male-dominated contexts such as Saudi Arabia.

From an empirical point of view, future work on ILP could use other techniques (e.g., pattern deducing or inducing approaches) to capture the institutional logics surrounding RM in the public sector (see Reay and Jones, 2016).

As far as research in RM is concerned, we have raised several research questions and areas that can could be explored in future research through qualitative research:

- Given that RM is a central pillar of corporate governance, it would be interesting to examine to what extent is necessary to update the corporate governance framework of public sector entities when implementing RM (see Mariotti *et al.*, 2014)?
- It would be interesting to understand the logics behind adopting the new “Governance, Risk and Compliance” (GRC) construct. Is it because RM was not having a positive impact by itself? Is it that RM is insufficient and other control functions need to contribute and help in decision making? In the context of Saudi Arabia, are the Vision 2030 requirements related to corporate governance and the adaptability through a complete solution (GRC) a better answer? Is it the essential changes in the market, the regulations, and the governance principles motivating the implementation of such a model?

- More research on the financial aspects of investing in RM and GRC projects in the public sector is also required.
- In line with prior studies (e.g., Alassim *et al.*, 2017; Al-Turki, 2011), we have discussed the importance of empowering the leaders and the planning and commitment to enable the implementation of new practices. We contend that further research is needed in this area, both in develop and developing countries.
- Further research is required in exploring the role of female participation and female leadership in RM projects, particularly in settings where a social transformation about the role of women in society is taking place, such as Saudi Arabia.

We hope that this thesis will encourage further studies on RM and that our understanding of the importance of RM in society will improve as a result.

[TRANSLATION CHAPTER 9] CAPÍTULO 9 - CONCLUSIONES

9.1 Introducción

En un apasionante estudio sobre la GR en el sector público, Rana *et al.* (2019a, p. 150) concluyeron su análisis con un llamamiento a la realización de nuevos estudios que aporten nuevas perspectivas de los marcos de la GR tomando en consideración una variedad de “factores sociales, políticos y contextuales y sus manifestaciones en las prácticas y las consecuencias del comportamiento dentro del sector público”. Más recientemente, Bracci *et al.* (2021) argumentaron que se precisa de más teorización para avanzar en la comprensión de la GR en el sector público. Además, Ahmeti (2017) indicó que se necesitan más estudios sobre la aplicación de la GR en el sector público. Nuestro estudio ha intentado responder a las necesidades de investigación señaladas por estos trabajos proporcionando una visión adicional de la dinámica de la GR en una entidad del sector público en un país no occidental (Arabia Saudí) desde la PLI.

9.2 Resumen de los principales resultados y contribuciones a la investigación sobre GR

En el periodo examinado (2016-2020), identificamos la coexistencia de dos lógicas institucionales contrapuestas en el ámbito de las entidades gubernamentales de Arabia Saudí. Identificamos una lógica basada en los valores tradicionales vinculados a la ley fundamental de gobernanza del Reino, a la religión y la familia (que denominamos *lógica tradicional*), y una lógica basada en los valores proyectados en el marco del plan

estratégico Vision 2030 que pretende transformar la economía, la sociedad, y el sector público saudíes (que denominamos *lógica de modernización*).

El presente estudio amplía la literatura sobre GR que explora los impulsores y los retos de los sistemas de GR en las entidades del sector público (por ejemplo, Rana *et al.*, 2019b). En primer lugar, nuestros resultados son coherentes con los estudios que examinan las entidades del sector público y privado en los países desarrollados y que muestran que los sistemas de GR surgen a través de un enfoque de arriba a abajo impulsado por las exigencias normativas (Palermo, 2014; Rocher, 2011; Woods, 2009). Al comentar las reformas del sector público de Australia, Rana *et al.* (2019b, p. 43) afirman que “las actitudes y los procesos de los responsables de la aplicación siguen estando dominados por el cumplimiento normativo y la gestión financiera”. Encontramos un resultado similar en un entorno drásticamente diferente. Sin embargo, en consonancia con Sidani y Showail (2013) y Biygautane *et al.* (2020), argumentamos que el *cumplimiento normativo* es incluso más importante en RAS que en los países occidentales, dada su relevancia como fuente de autoridad en la *lógica tradicional* en comparación con su papel en la *lógica burocrática* o *estatal* identificada en estudios anteriores centrados en el contexto occidental. En consonancia con este punto de vista, Biygautane *et al.* (2020) muestran que el papel de los mandatos de los funcionarios del gobierno fue fundamental en la gestión de un proyecto de PPP saudí. La emisión de una Orden Real dio al proyecto la legitimidad necesaria porque “eliminó automáticamente cualquier barrera reglamentaria o burocrática incluso antes de que surgiera”³⁰

³⁰ Una diferencia clave entre Biygautane *et al.* (2020) y nuestro estudio es el elemento religioso y la legitimidad política que conlleva. Mientras que en su estudio era crucial, en nuestro caso no estaba presente, como se analiza en el capítulo 8.

(Biygautane *et al.*, 2020, p. 1097). La decisión de adoptar el enfoque de GR en la Entidad Y se produjo sin un mandato formal, lo que provocó incertidumbre sobre la necesidad de tal “perturbación” dentro de la organización. El establecimiento de la *National Risk Unit* (Unidad Nacional de Riesgos) en 2017 y la publicación de la Circular 601 en 2018 eliminaron la tensión y la resistencia. Dieron un impulso a los proyectos de GR en todas las entidades gubernamentales, confirmando así que el proceso de adopción de sistemas y herramientas arraigados en las creencias y expectativas de la *lógica de modernización*, como la GR, está impulsado principalmente por el cumplimiento normativo, un valor arraigado en una *lógica tradicional*.

En segundo lugar, nuestro estudio revela algunos retos a los que se enfrentan las entidades gubernamentales saudíes a la hora de aplicar la GR. Las diferentes expectativas sobre el papel de la GR dentro de las organizaciones, la falta de apoyo de la dirección, los problemas de comunicación entre los consultores y la dirección, y la falta de concienciación, habilidades y experiencia fueron los obstáculos más significativos que tanto los directivos como los consultores encontraron en el proceso. Estas conclusiones coinciden con los resultados de investigaciones anteriores (por ejemplo, Andreeva *et al.*, 2014). La causa fundamental de estos retos es la coexistencia de dos lógicas contrapuestas promovidas indirectamente por diferentes grupos de actores implicados en el proyecto de GR en la Entidad Y.

Nuestro estudio confirma que el papel de los individuos como facilitadores del diálogo es fundamental para comprender la interacción entre las lógicas institucionales y las prácticas de gestión, incluidos los sistemas de GR (ver, por ejemplo, Palermo, 2014; Boone y Özcan, 2016). El estudio de caso revela la importancia de la experiencia y el

conocimiento de las competencias para la correcta implementación de la práctica de GR. Los expertos en GR y los consultores ayudaron a salvar las lógicas hasta cierto punto. La concienciación y la formación son fundamentales, y los expertos pueden transmitir el mensaje a las diferentes partes implicadas en el proceso de implementación de la GR (por ejemplo, Woods, 2009). La comunicación se reveló como un requisito previo de primera línea para una implementación ejemplar de la GR.

El establecimiento de la GR atraviesa múltiples fases y, según confirman las diferentes partes, es un viaje de cambio y transformación en la organización. La GR es una práctica en evolución que está vinculada a un cambio de cultura (Palermo *et al.*, 2017). El caso de la Entidad Y muestra la importancia de dedicar el tiempo necesario para completar los pasos requeridos para implementar la GR. En la Entidad Y, el “*risk journey*” comenzó centrándose en las necesidades individuales y tácticas. Aunque se consigan algunas conquistas rápidas, esto no significa que la GR haya logrado los resultados esperados. Las entidades necesitan tiempo para garantizar un mayor compromiso por parte de la alta dirección. A medida que la práctica del riesgo madura, el objetivo es dar el siguiente paso para abordar actividades empresariales nuevas y cambiantes. Las entidades estarían tratando de alcanzar la etapa en la que la GR es parte de la cultura. Si bien el camino de la GR no suele ser sencillo, las entidades podrían necesitar socios (e.g., consultores) que les ayuden en la implementación y sostenibilidad de la GR. Por último, existe el riesgo de que, si las organizaciones gubernamentales no comprenden el proceso y los requisitos para ese éxito, adopten los sistemas de GR de forma superficial con el único propósito de responder a las presiones externas

convirtiendo la GR en un “ejercicio de marcar casillas” (Almquist *et al.*, 2013; Lapsley, 2009).

9.3 Contribuciones a la literatura sobre lógica institucional

Investigaciones anteriores han aportado información sobre la multiplicidad de lógicas en las entidades del sector público (por ejemplo, Damayanthi y Gooneratne, 2017; Meyer y Hammerschmid, 2006a, 2006b). También se ha examinado lo que ocurre sobre el terreno cuando una “vieja” *lógica burocrática* coexiste con una nueva *lógica de gestión* en competencia como resultado de la adopción de las reformas vinculadas a la NGP (Meyer y Hammerschmid, 2006a, 2006b; Meyer *et al.*, 2014). Aunque son relevantes, estos estudios basados en las democracias occidentales desarrolladas no ofrecen una explicación convincente de cómo las entidades gubernamentales de los países en desarrollo no occidentales gestionan la adopción y la aplicación de técnicas “ajenas” como la GRE cuando el gobierno se ve empujado a un cambio en sus lógicas institucionales: de una estructura burocrática tradicional a una lógica más basada en el mercado y orientada a la NGP. Debido a las diferencias sociales, políticas, económicas y culturales, las lógicas institucionales predominantes en los sectores públicos occidentales no encajan fácilmente en otros entornos. Sin embargo, esto es importante, ya que los países en desarrollo han tratado de remodelar su sector público según la lógica orientada a la NGP (Sarker, 2006) importando herramientas y técnicas como los marcos de trabajo de GR. Organizaciones internacionales como la ONU y el Banco Mundial han animado a los gobiernos del mundo en desarrollo a adoptar la GR (World Bank, 2014, p. 55; UN, 2020). Nuestros resultados contribuyen al conocimiento actual

proporcionando una visión sobre el funcionamiento de los procesos en Arabia Saudí, un país que representa estos entornos poco explorados.

Meyer y Hammerschmid (2006a, 2006b) y Meyer *et al.* (2014) se centran en una *lógica burocrática* basada en normas y reglamentos burocráticos coherentes con una orientación administrativa “antigua”, y una *lógica de gestión* inspirada en las normas del mercado y los principios de la NGP. En nuestro análisis identificamos dos tipos ideales de organización en el ámbito de las entidades del sector público saudí, a saber, una *lógica tradicional* y una *lógica de modernización*. Estos “tipos ideales”, si bien comparten algunas comunidades con las lógicas institucionales descritas por Meyer y Hammerschmid (2006a, 2006b), se han desarrollado para captar las especificidades del sector público saudí y reflejar mejor sus prácticas, valores y normas. Sostenemos que estos “tipos ideales” podrían utilizarse en futuros estudios que examinen el sector gubernamental de RAS y, posiblemente, de otros países en desarrollo que compartan una identidad similar (por ejemplo, la religión y la cultura).

En líneas generales, nuestro estudio reafirma el surgimiento de una nueva lógica como resultado de las reformas orientadas a la NGP, lo que aumenta la complejidad institucional del campo (por ejemplo, Meyer *et al.*, 2014). La tensión institucional sobre el terreno entre las dos lógicas (que compiten entre sí) se tradujo en una tensión entre la búsqueda del “statu quo” de los individuos que trabajan en la Entidad Y, y un modelo de GR inspirado e integrado en el marco del plan estratégico Visión 2030.

En contraste con la conclusión de Meyer y Hammerschmid (2006a) de que los actores crean una lógica “híbrida” mezclando las “viejas” y “nuevas” lógicas

institucionales, nuestra evidencia sugiere que los actores responden de acuerdo con una *lógica tradicional* que incorpora las nuevas herramientas (es decir, la GRE) dentro de la estructura institucionalizada existente. Este hallazgo está alineado con la noción de “imbricación” descrita por Hayes *et al.* (2014, p. 135), en la que una nueva “lógica institucional “se pliega a” la lógica burocrática existente para transformarla “desde dentro”. La aplicación de la GR en la Entidad Y condujo a una situación inestable en la que los actores se enfrentaron a lógicas contradictorias. Mientras que la práctica de la GR se inspiraba y se enraizaba en una *lógica de modernización*, los actores involucrados en su implementación seguían rutinas basadas en (y asociadas a) una *lógica tradicional*. El nuevo sistema de GR se “plegó” a la lógica existente. Nuestras conclusiones también sugieren que dejar la dirección de estos proyectos en manos de personas externas con experiencia en GR (por ejemplo, gerentes con experiencia en el sector privado y consultores) desencadenó un proceso de toma de conciencia arraigado en una *lógica de modernización* que facilitó el proceso de implementación. Por último, coincidimos con Wiesel y Modell (2014) en que las reformas del sector público están lejos de ser radicales. Quizá la aparición de una nueva lógica “híbrida” sea cuestión de tiempo.

9.4 Implicaciones para las entidades del sector público y los expertos en GR

Nuestro estudio tiene ramificaciones prácticas. En nuestra opinión, nuestros resultados pueden ayudar a los profesionales de la GR en la configuración del enfoque utilizado para la aplicación de la GR en el sector gubernamental. Por ejemplo, nuestro análisis indica que la concienciación y la comunicación deben integrarse en la metodología de GR, como primer paso del proceso. Los expertos en GR, los consultores

y los profesionales de las entidades gubernamentales pueden actualizar sus enfoques y metodologías para integrar técnicas eficaces que permitan superar los retos estipulados y mejorar la eficiencia de la implementación.

9.5 Limitaciones

El presente estudio tiene varias limitaciones que se describen a continuación. En primer lugar, consideramos que basarse en el análisis de un único estudio de caso representa una limitación, ya que puede plantear dudas sobre la validez externa de los resultados y su generalización. Una segunda limitación se refiere al riesgo de subjetividad derivado del hecho de que el investigador formaba parte del equipo que ha trabajado en el proyecto de implantación de la GR en la Entidad Y. Una tercera limitación se refiere al trabajo realizado para identificar las categorías elementales de las lógicas ideales, y comparación de dichas lógicas con la evidencia empírica, ya que es difícil cuantificar la distancia entre los tipos ideales y los datos (Reay y Jones, 2016). Por último, reconocemos los problemas que se puedan derivar del proceso de codificación, que presenta limitaciones tanto si se realiza de forma manual o sistemática. Reconociendo estas limitaciones, y tal y como se explica en el capítulo 5, consideramos que hemos adoptado una serie de medidas destinadas a mitigar su efecto y proteger la objetividad y el rigor del estudio.

9.6 Sugerencias para futuras investigaciones

Proponemos varias áreas para la investigación futura sobre las lógicas institucionales y los procesos de GR en el sector público.

En cuanto a las lógicas institucionales, animamos a que en el futuro se realicen trabajos similares en otros países del CCEAG, como los EAU, Qatar y Kuwait, que presentan notables similitudes socioeconómicas y políticas con Arabia Saudí. Estos estudios pueden ayudar a generalizar las conclusiones de este estudio respecto a los incentivos y dificultades de la adopción de prácticas de GR en el contexto de los países árabes. Por ejemplo, identificamos dos lógicas institucionales ideales relevantes para el ámbito gubernamental en RAS. Creemos que es necesario más investigación que utilicen estas lógicas para el estudio de las reformas del sector público en otros países islámicos. En lo que respecta a Arabia Saudí, en 2021 se promovió por parte del gobierno la adopción de un nuevo marco de gobernanza que engloba “Gobernanza, Riesgo y Cumplimiento Normativo” (GRC). Las entidades gubernamentales cambiaron su enfoque hacia este nuevo marco estratégico alineado con la Visión 2030. Sería interesante estudiar si la *lógica tradicional* sigue siendo dominante en las organizaciones que adoptan el nuevo marco, a pesar de la creciente presencia de la *lógica de modernización* en la sociedad saudí. Además, animamos a que en el futuro se realicen trabajos sobre las lógicas institucionales y la GR en países en desarrollo con tradiciones diferentes (por ejemplo, países latinoamericanos) para que podamos avanzar en la construcción de una teoría de la adopción y aplicación de la GR.

En nuestro estudio de caso, no encontramos evidencia de la influencia de la *lógica religiosa* en las decisiones y opiniones de los participantes. Aun así, dada la gran influencia de la religión en la sociedad saudí, consideramos que ésta embebida tanto en la *lógica tradicional* como en *lógica de modernización* identificadas en nuestro trabajo empírico, así como en comportamiento de los implicados en el proyecto de GR y en las

opiniones de los participantes en las entrevistas. Creemos que futuros estudios centrados en países islámicos podrían aplicar el marco teórico descrito en nuestro trabajo para evaluar en qué medida los comportamientos de los directivos involucrados en la toma de decisiones sobre GR están directa o indirectamente modelados por la *lógica religiosa*.

Futuros estudios enmarcados en la PLI podrían explorar la interacción entre las lógicas institucionales y el concepto de género en sociedades en vías de desarrollo. Las lógicas institucionales “ideales” en el ámbito de las entidades del sector público de Arabia Saudí descritas en este trabajo no han tenido en cuenta el constructo social del género. Sin embargo, la forma en que estas lógicas ideales influyen en los individuos y/o son moldeadas por ellos puede ser dramáticamente diferente para los hombres y las mujeres, dada la gran disparidad entre hombres y mujeres en la sociedad saudí. Sostenemos que estos trabajos podrían mejorar nuestro conocimiento sobre cómo las reformas económicas y sociales que afectan al sector público repercuten en el papel de las mujeres en la sociedad en contextos caracterizados por la dominación masculina como es el caso de Arabia Saudí.

Desde un punto de vista empírico, los futuros trabajos sobre PLI podrían utilizar otras técnicas (por ejemplo, enfoques de deducción o inducción de patrones) para captar las lógicas institucionales que rodean a la GR en el sector público (véase Reay y Jones, 2016).

En cuanto a la investigación en GR, hemos planteado varias preguntas de investigación y áreas que pueden ser exploradas en futuros trabajos cualitativos:

- Dado que la GR es un eje central de la gobernanza corporativa, sería interesante examinar hasta qué punto es necesario actualizar el marco de gobernanza corporativa de las entidades del sector público al aplicar la GR (véase Mariotti *et al.*, 2014).
- Sería interesante entender la lógica que hay detrás de la adopción del nuevo concepto de “Gobernanza, Riesgo y Cumplimiento Normativo” (GRC): ¿Su adopción se debe a que la GR no estaba teniendo un impacto positivo por sí misma? ¿Acaso la GR es insuficiente y es preciso que otras funciones de control contribuyan y ayuden en la toma de decisiones? En el contexto de Arabia Saudí, ¿son los requisitos de la Visión 2030 relacionados con el gobierno corporativo y la adaptabilidad a través de una solución completa (GRC) una respuesta más apropiada? ¿Son los cambios esenciales en el mercado, las normativas y los principios de gobernanza los que motivan la implementación de dicho modelo?
- También es necesario investigar más los aspectos financieros de la inversión en proyectos de GR y de GRC en el sector público.
- En consonancia con estudios anteriores (por ejemplo, Alassim *et al.*, 2017; Al-Turki, 2011), hemos discutido la importancia de capacitar a los líderes y de la planificación y el compromiso para permitir la implementación de nuevas prácticas. Sostenemos que es necesario seguir investigando en este ámbito, tanto en los países desarrollados como en los países en vías de desarrollo.
- Es necesario seguir investigando sobre el papel de la participación y el liderazgo femeninos en los proyectos de GR, especialmente en entornos en los que se está

produciendo una transformación social sobre el papel de la mujer en la sociedad, como es el caso de Arabia Saudí.

Esperamos que esta tesis doctoral anime a realizar más estudios sobre la GR y que, como resultado de ello, contribuya a que nuestro conocimiento sobre la importancia de la GR en la sociedad mejore.

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