INTEGRATING THE RISK IDENTIFICATION PROCESS INTO THE OBJECTIVE SETTING PROCESS

(A CASE STUDY)

By

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DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed: 

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ABSTRACT

During the past five years risk management has evolved to such an extent that most companies have developed formal risk management systems whereby their risk identification processes are integrated into their objective setting processes, albeit with different forms of integration. The integration of the risk identification process into the objective setting process is an essential step in the risk management process as it facilitates the identification of those risks that may affect the achievement of business objectives and ensure that plans are developed to mitigate the risks identified. The management of risks is essential to the success of any business whether profit making or non-profit making. This study examines, by way of a case study, the extent to which a specific business unit, within an organisation has integrated its risk identification process into the objective setting process. It then explores the benefits that can be derived from integrating the risk identification process into the objective setting process. In support of the aims of the study the corresponding objectives are to determine the extent to which the unit of study has integrated the risk identification process into the objective setting process, to demonstrate the benefits of integrating the two process as well as recommendations on future research and guidelines on integrating risk identification into objective setting. The study concludes that the integration of the risk identification process into the objective setting process starts by setting business objectives and then followed by identifying those events that can negatively impact the achievement of objectives. The integration of the two processes can happen in practice and that there are benefits to the organisation that can be derived from the integration of the risk identification process into the objective setting process as observed by the study. For future research it is recommended that similar studies involving multiple case studies should be conducted to test the applicability of the integration model to a broader population. Other business units within ABSA, just like the Home Loans Division should use the risk identification integration model to identify business risks they are exposed to, that is, if they are not already doing so, taking into consideration their individual circumstances and business planning processes.
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CHAPTER ONE

THE INTRODUCTION

1.1 Background Information

"The ability to learn from catastrophe and the science of managing events has plagued man for centuries. From its insurance origins, Risk Management has developed into a fully-fledged management function and has progressed into business areas that were originally considered unrelated." (Dallas, 2004).

The quotation above highlights the origins of risk management and the extent to which it has developed over the years. It is Dallas' (2004) view that while risk management was limited to insurance related matters it has now evolved to be included in other business areas. Theory on risk management (COSO (2004), FERMA (2003), Deloitte & Touche (2005), Australia – New Zealand 4360 (2004)), states that risk management is to be applied across all organisational levels and activities to ensure that organisational objectives are achieved. This means that, equally so it has to be applied in strategic planning and cascaded down into the lower levels of the organisation, across all organisational functions, programs and activities up to the individual employee level. Recent trends (Deloitte & Touche, 2005) in corporate reporting show that best practice organisations are providing increased information about their progress in implementing risk management programs. According to the corporate risk management survey conducted by Deloitte & Touche in August 2005, organisations are increasingly showing how risk management is integrated into the strategic planning process, organisational structure and the interface with other activities such as internal audit, and quality assurance.

Events such as corporate collapses of organisations like Enron (2001) have generally been attributed to poor corporate governance and risk management and events such as these have heightened the need, for corporates to put in place formalised risk management programmes as a mechanism to help identify and manage risks that
corporates are faced with in today’s business environment. While many organisations see the need to have a formalised risk management programme in place there are varying levels of maturity in implementing a formalised process of risk management across all business activities Deloitte & Touche (2005) and FERMA (2006). The level of maturity of risk management in individual organisations determines the level of success by an organisation in achieving its objectives. This means that those individual organisations which have not integrated their risk management processes with the strategic management process are less likely to reap the benefits of risk management.

1.2 Motivation for the Study
Leading frameworks on risk management have identified the need to integrate the risk management process with the strategic management process (COSO (2004), RMISA (2004), FERMA (2003), Deloitte & Touche (2005), Australia – New Zealand 4360 (2004)). These frameworks in their attempt to provide guidance on how to integrate the two processes, have highlighted the need to set business objectives first and then identify events that should they occur, will affect the achievement of objectives.

The motivating factor to conduct this study is to determine the extent to which a business unit within an organisation in the banking sector in South Africa integrate the risk identification process with the strategic objective setting process relative to leading practice guidelines and if there are any benefits that arise from the integration.

1.3 Focus of the Study
This study will focus on the integration of the risk identification process with the objective setting process at a business unit level by an organisation in the banking sector. It will also explore the benefits derived from integrating the risk identification process with objective setting process.
A selected banking institution in South Africa that reports to have risk management as a core capability will be used as a unit of study to assess the extent to which the bank has aligned its risk identification process with the strategic objective setting process in comparison to risk management theory and the benefits derived there from.

This study focused on a specific product focused business unit of ABSA Group where risk management is a critical business process. In view of the fact that ABSA as a whole is too large to analyse, ABSA Home Loans was selected as a unit of analysis within ABSA Group.

1.4 Problem Statement

According to Ernest & Young (2006) risk identification and management needs to be more aligned with business objectives and alignment is identified as critical to a company’s risk management approach. Nearly four in ten companies do not have a formal process which aligns risk identification and management with business objectives (Ernest & Young, 2006). South African organisations face a problem of failure to integrate the risk management process with the strategic management process (Deloitte & Touche, 2005). One of the key findings of Deloitte and Touche’s 2005 Corporate Risk Management Survey was that “Risk management is regarded as a separate discipline and not a fundamental part of a firm’s corporate governance framework or strategic management process.” It becomes even more of a challenge to do so if an organisation does not have a strategic management process in place. The question that arises is “to what extent have organisations in South Africa integrated their risk identification processes with the strategic objective setting?” to set the platform for integrating the risk management process with the strategic management process.

Even more problematic is the failure or reluctance by organisations in South Africa to adopt a risk management theoretical framework and use it as a guide in integrating the risk management process with the strategic management process (Deloitte & Touche, 2005). This has resulted in the risk management status in some organisations where the
objective setting process is not aligned with the risk identification process thereby limiting the benefits that can be gained from aligning the two processes.

1.5 Research Objectives

This study will:

1. Determine the extent to which an organisation in the banking sector has integrated the risk identification process with the strategic objective setting process in comparison to risk management theory.
2. Demonstrate the benefits that can be gained by aligning the two processes.
3. Provide recommendations on future research and guidelines that can be used by the unit of study and other business units within the organisations to integrate the risk identification process with the objective setting process.

Within this context this research seeks to answer the following research questions through the research methodology that will be discussed in chapter three.

Question One:
How has the unit of study integrated the risk identification process with the strategic objective process?

Question Two:
What benefits has the unit of study gained by aligning the risk identification process with the strategic objective setting process?

Question Three:
What can be learnt from the unit of study in terms of integrating the risk identification process with the strategic objective process?
1.6 Research Propositions

In light of the above problem statement and research objectives the following are formulated as basic propositions for this study:

1. The strategic objective setting process provides the context for the risk identification process within an organisation.

2. The identification of risks by an organisation that may affect the achievement of objectives, at the same time when strategic objectives are set allows for the identification of risks that will affect the achievement of business objectives and management of those risks identified.

3. Within some organisations in the South African banking industry, risk management has reached levels whereby events that may affect the achievement of strategic objectives are identified at the same time when strategic objectives are being set, rather than being executed as two separate processes within the organisation.

1.7 Limitations of the Study

The limitations encountered while conducting the research revolved around the fact that:

- Due to the fact that the research is case study based and limited to a single organisation, research findings could not be generalised to other organisations.

- Time has been a major constraint in this research as the researcher could not verify data gathered through documentation analysis and interviews by observation of the actual risk identification practice by the unit of study due to limited time.

- Access to some risk management records were restricted as they were deemed to be confidential, and this specifically related to internal audit reports on risk management.
1.8 Clarification of Key Concepts

Because of the specialised nature of risk management as a business discipline and the pervasive nature of strategic management, it is advisable that consensus exists with respect to the terms used in this study. The definitions used below will apply throughout this study and they are listed alphabetically:

It should be noted that this glossary of terms is not comprehensive and that various other definitions and interpretations of terms can be found in literature dealing with risk management and strategic management.

**Business Unit Level Strategy:** This is an integrated and coordinated set of commitments and actions the organisation uses to gain a competitive advantage by exploiting core competencies at specific product markets at a Business Unit Level. (Hitt, et al, 2003).

**Competitive Advantage:** This relates to when an organisation implements a value-creating strategy, which other companies do not have. (Hitt, et al, 2003).

**Core Competence:** This relates to resources and capabilities that serve as a source of competitive advantage for a firm over its rivals. (Hitt, et al, 2003).

**Corporate Level Strategy:** This relates to specific actions taken by an organisation to gain competitive advantage by selecting and managing a group of business competing in several product markets. (Hitt, et al, 2003).

**Integrated Risk Management:** This relates to a state where an organisation’s risk management initiatives are integrated with the strategic management process. (COSO, 2004).

**Risk Management Maturity:** This relates to a state in an organisation where its risk management processes are to a larger extent integrated with the organisation’s strategic management process. (COSO, 2004)
**Risk Management Process**: This relates to the methodology that an organisation follows to manage risks and these steps involved include: identification of risk, assessment of risk, treatment of risk, evaluation and monitoring of risk management actions. (COSO, 2004).

**Risk Treatment**: This relates to actions that an organisation takes to manage / mitigate risks identified. (COSO, 2004)

**Strategic Management Process**: This refers to a full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above – average returns. (Hitt, et al, 2003).

**Strategy**: This is an integrated and coordinated set of commitments and actions designed to exploit core competences and gain a competitive advantage. (Hitt, et al, 2003).

**1.9 Research Report Outline**

Chapter One: The chapter serves as an introduction to the research report and it contains background information relating to the research topic, motivation for conducting the research, what the research will focus on, the problem that the research will be investigating, purpose of the study (research objectives), questions and research propositions that the research needs to answer in order to realise the research objectives, limitations of the study, clarification of the key concepts as well as the research report outline.

Chapter Two: This chapter reviews the theory of risk management and strategic management with emphasis being placed on integrating the risk identification process (sub-process of the risk management process) into the objective setting process (sub-process of the strategic management process). It also explores the rationale of integrating the risk identification process into the objective setting process and sets the platform for
discussing the research methodology in chapter three, that will be used to as a basis for conducting the research.

Chapter Three: This chapter describes the methods that will be followed to answer the research questions posed in chapter one. It begins with a description of the chosen method and its implications for this research by providing an analysis of expert opinion on qualitative, case study methodology and how this research will follow these accepted methods. It also describes the processes that will be used in data collection, analysis and interpretation. The chapter concludes with an outline of how the research methodology was applied in conducting the research and research results are presented in chapter four.

Chapter Four: Chapter four presents and analyses the research findings which are then summarised and conclusions on them drawn in chapter five.

Chapter Five: In this chapter summary of research findings, conclusions reached after analysis research findings, summary of contributions as well as recommendations for future research in integrated risk management practice are presented.

1.10 Conclusion
This chapter provided background information on the research topic, reasons on why the study needed to be conducted, the focus area of the study, the problem area to be solved, objectives of conducting the research, basic research propositions, study limitations, clarification of the key concepts and an outline of all chapters. The next chapter, as highlighted in the chapter outline, will present the theoretical review of literature.
CHAPTER TWO

Literature Review

2.1 Introduction

This chapter reviews the theory of risk management and strategic management with emphasis being placed on integrating the risk identification process (sub-process of the risk management process) into the objective setting process (sub-process of the strategic management process). The review of literature covers six main sections namely:

- Analysis of recent studies conducted in risk management.
- Overview of the risks management process.
- Overview of the strategic management process.
- Analysis of the objective setting process.
- Analysis of the risk identification process.
- Presentation of an integrated risk identification process.
- Rationale for integrating the risk identification process into the objective setting process.
- Overview of the mortgage industry in South Africa, challenges faced by the mortgage industry, profile of ABSA Group (Unit of Analysis).

2.2 Analysis of recent Studies in Risk Management

Not many studies have been conducted in South Africa on Risk Management specifically those that relate to integrating the risk identification process with the objective setting process. Studies conducted by Deloitte & Touche (2005) on the status of risk management in South Africa show that leading practice requires that risk management should be an integral part of the strategic planning process of which the objective setting process is part thereof.

The key findings from Deloitte & Touche (2005) as illustrated in figure 2.1 indicate that that only 25% of South African Companies have highly integrated strategic planning and risk management processes while 56% have somehow integrated them. Thirteen % of
respondents indicated that they manage their risk management and strategic planning processes separately and 5% have no formal strategic planning process.

Figure 2.1: Integration of strategic planning process and risk management

- Strategic Planning Process and INTEGRATED RISK MANAGEMENT Process are somehow integrated
- Strategic Planning Process and INTEGRATED RISK MANAGEMENT Process are very integrated
- Strategic Planning Process and INTEGRATED RISK MANAGEMENT Process are not integrated but managed separately
- No formal Strategic Planning Process

Source: Corporate Integrated Risk Management Survey (2005)

According to the Deloitte & Touche (2005) survey there are varying levels of integrating the risk management process with the strategic planning process within corporate organisations in South Africa. While it does not directly address the extent to which the risk identification process is integrated with the objective setting process it broadly provides an indication of what the practices are within individual organisations since the risk identification process is the sub-process of the overall risk management process and also the objective setting process is the sub-process of the strategic planning process.
2.3 An overview of the Risk Management Process

The enterprise-wide risk management theoretical framework, COSO (2004) defines the risk management process as a process that is effected by an organisation's board of directors, management and other personnel, applied in strategy setting and across the organisation, designed to identify potential events that may affect the achievement of an organisation's objectives and manage those events (risks) identified to be within its risk tolerance levels.

FERMA (2002) describes the risk management process as a "process whereby organisations methodologically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities." In line with COSO's (2004) view, FERMA (2002) sees the risk management process as a central part of any organisation's strategic management process.

Valsamakis, Vivian and Du Toit (2004) define the risk management process as a "managerial function aimed at protecting the organisation, its people, assets, and profits against the physical and financial consequences of risks involving planning, coordinating and directing the risk control and the risk financing activities in the organisation." While Valsamakis, et al (2004) are in agreement with COSO (2004) and FERMA (2002) in that risk management is a process, their views tend to stress that risk management is about maintenance and preservation of an organisation's assets and that it is management's responsibility. On the other hand COSO (2004) and FERMA (2002) do not see the risk management process as a process that only enhances value preservation but as a process that enhances value creation as well. They also see it as involving every individual within an organisation.

Both COSO (2004) and FERMA (2002) argue that risk management should be integrated into the strategic management process. This is achieved by integrating the risk management process into the strategic management process. COSO (2004) goes further to argue that when an organisation integrates the risk management process with the strategic management process it should start by setting out its vision and/or mission and
then establishes strategic objectives, which are high-level goals that align with and support its vision and/or mission. Once this has been done potential events that can affect the achievement of the corporate level objectives are then identified.

The reasoning behind this view is that it ensures the decisions and choices that are made on strategy will support the achievement of an organisation's entity level objectives as it encourages senior management to proactively consider those events that will negatively affect the achievement of an organisation's objectives. Once these have been identified management is in a position to take steps to mitigate the negative effect of the risks identified and by so doing maximise the chances of achieving the organisation's objectives.

According to COSO (2004) there are seven identifiable steps in the risk management process, namely:

1. Setting of Business objectives,
2. Identifying events that may affect the achievement of objectives,
3. Assessing the probability of the event occurring and the impact it will have on the achievement of objectives if it were to occur,
4. Deciding on what risk response to adopt,
5. Developing controls to mitigate the risks,
6. Communicating risk management information to relevant structures within the business and outside the business and
7. Monitoring whether the Risk Process is being applied affectively across the organisation.

FERMA (2002) identifies five steps in the risk management process:

1. Setting or identifying the organisation’s strategic objectives,
2. Risk assessment which includes risk identification and analysis as well as risk evaluation,
3. Risk treatment which involves selecting and implementing measures to mitigate the risks,
4. Reporting and communication and involves internal reporting at different levels within an organisation and external reporting to organisation's stakeholders on a regular basis, and
5. Monitoring and reviewing which provides assurance that there are appropriate controls in place for the organisation's activities and that the procedures are understood and followed.

The Australian / New Zealand Standard in risk management (AS/NZS 4360) (2004) recommends a seven step approach to the risk management process being:

1. Establishing context which includes defining the relationship of the organisation and its environment, including conducting a SWOT analysis as well as understanding the overall objectives of the organisation,
2. Identification of risks that represent material threats to the organisation's achievement of its objectives or represent areas to exploit for competitive advantage,
3. Analysis and quantification of risks which involves creating probability distributions of outcomes for each material risk and it provides input for subsequent steps,
4. Integration of risks and involves aggregating all risk distributions and expressing risks in terms of impact on the organisation's key performance indicators,
5. Assessing and Prioritising risks by determining the contribution of each risk to the aggregate risk profile and prioritising accordingly,
6. Treating and exploiting risks which amongst other things include decisions as to avoid, retain, reduce, transfer or exploit risks and
7. Monitoring and reviewing which involves the continual gauging of the risk environment and the performance of the risk management strategies.

Despite the fact that chosen risk management theoretical frameworks explored above have different number of risk management process steps that they recommend should be
followed, all are in agreement in that the risk management process involves common themes or sub-processes. The similarities that emerge from the literature review suggest a general model of the risk management process as illustrated in figure 2.2. These include setting of business objectives, identifying and assessing events that may affect the achievement of objectives, crafting and implementing strategies to mitigate risks identified, monitoring and reviewing as well as reporting on the effectiveness of the risk management process.

Figure 2.2 A Risk Management Process
2.4 An overview of the Strategic Management Process

Overview of the risk management process indicates that the foundation for an effective risk management process is an organisation's strategic management process. For the risk management process to be effective it has to be integrated with an organisation's strategic management process. Strategic management is a discipline that originated in the 1950s and 1960s. Although there were numerous early contributors to the literature, the most influential pioneers were Ansoff (1977); Chandler (1962); Drucker (1955).

According to Hitt, Ireland and Hoskisson (2003) the strategic management process is a full set of commitments, decisions, and actions required for an organisation to achieve strategic competitiveness and earn above-average returns. Hitt, et al. (2003) define strategy as an integrated and coordinated set of commitments and actions designed to exploit core competences and gain a competitive advantage. This definition is not prescriptive in terms of what actions are required to achieve strategic competitiveness and earn above-average returns and therefore amongst other things allows for taking actions to mitigate events that may affect the achievement of objectives as well as exploiting those opportunities that may enable the organisation to earn above average returns.

Mintzberg (1994) views the strategic management process as a useful device for programming intended strategies, seeing that they are communicated clearly and used as a means of control. Preble (1992) argues that a reasonable degree of consensus does exist on a normative model of the strategic management process. The model is depicted in figure 2.3 and includes three primary components: strategy formulation, strategy implementation and strategy evaluation (David, 1995; Thompson and Strickland, 1995).

Strategy Formulation is concerned with determining the future direction of the organisation (Hofer and Schendel, 1978). As figure 2.3 illustrates, strategy formulation usually includes conducting some form of external audit, which results in the specification of key external opportunities and threats and an internal audit of the organisation's strengths and weaknesses. Also included in this step, is the development of a mission and/or vision statement and the specification of long-term objectives. However
there is a gap here in that the need to identify future based events that may impact on the achievement of objectives is not highlighted. The emphasis is on the current situation not on the risks that may arise in the future.

Strategy implementation involves the modification of organisational structures and processes to ensure that planned results (i.e. long-term objectives) are achieved (Galbraith and Kazanjian, 1986). This step includes processes such as the establishment of annual goals and policies, the allocation of resources to achieve objectives, and adjusting motivation and reward systems to better match new strategic thrusts. Strategy evaluation is concerned primarily with control processes, which involve the review and feedback of performance if plans, strategies are being achieved, with the resulting information being used to solve problems or take corrective actions (Daft and Macintosh, 1984).

The strategic management process is applied to all levels of the organisation corporate level, business unit level, functional level and operational level just like the risk management process. Both the fields of strategic management and risk management have evolved over several decades, for the most part separately and in a parallel manner. Recently, leading theoretical frameworks on risk management, have attempted to illustrate the common ground between these two fields and have concluded that risk management and strategic management are inexorably linked to each other (COSO, 2004; FERMA, 2002).
Figure 2.3 A Strategic Management Process Model


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2.5 The Objective Setting Process

An overview of the risk management process in section 2.1.1 indicated that there is a need to integrate the risk management process with the strategic management process. Part of the risk management process involves the identification of potential risks (which are future based events) that may affect the achievement of business objectives. Objectives are set through the objective setting process, which is a sub-process in the strategic management process.

Irwin (1995) argues that the setting of objectives is the second task of the strategic management process coming after the development of the strategic vision and mission which is then followed by the crafting of strategy to achieve objectives. Irwin (1995) states that the purpose of setting objectives is to:

- Convert mission into performance targets.
- Create yardsticks to track performance
- Establish performance goals requiring stretch and
- Push the organisation to be inventive, intentional and focused.

Irwin (1995) further argues that there are two types of objectives in the objective setting process, namely, financial objectives being outcomes that relate to improving an organisation’s financial performance and strategic objectives being outcomes that will result in greater competitiveness and stronger long-term market position. It should be noted at this point that the achievement of organisational objectives is not a miracle and neither does it come by chance. It involves taking into consideration both the organisation’s internal and external environments and then deciding on what objectives to pursue and how to achieve the organisation’s chosen objectives.

Ginter, Rucks and Duncan (1985) views are that the objective setting process is about determining where you want to go and before you decide where you want to go you need to determine where you are. Once you have determined where you want to go you need to determine how to get there. According to Ginter, et al. (1985) the objective setting process involves, “performing a situation analysis, self evaluation and competitor
analysis: both internal and external; both micro-environment and macro-environment and concurrent with this assessment, objectives are set. This involves crafting vision statements (long term view of a possible future), mission statement (the role that an organisation gives itself in the society), overall corporate objectives (both financial and strategic)" These objectives it is suggested should, in the light of the situation analysis, suggest a strategic plan and the plan provides the details of how to achieve these objectives.

Both the above views provide clarity about the position of risk identification in relation to the objective setting process and the clarity being that the risk identification process goes hand in glove with the objective setting process. This clarification is achieved through highlighting the need to conduct a SWOT analysis when setting objectives. What the SWOT analysis does when setting objectives is to bring into light the risk factors or potential sources of risk both internal and external to the organisation.

The role of objective setting in risk identification is to help the organisation focus on those events which may impact on the achievement of objectives and accordingly helps in the allocation of resources to achieve objectives and at the same time managing risks that poses a threat to the achievement of objectives. If the organisation does not know what its risks are, it will not be able develop strategies to mitigate those risks.

Integrating the risk identification process with the objective setting process lays a foundation for ensuring that when an organisation is crafting its strategy to achieve objectives it takes into consideration the risks that are a threat to the achievement of objectives, and likewise the opportunities that need to be exploited.

COSO (2004) argued that within the context of the established mission or vision management establishes strategic objectives, selects strategy and establishes related goals and that as such objectives must exists before management can identify events that can potentially affect the achievement of objectives.
2.6 The Risk Identification Process

As per the analysis of the objective setting process in section 2.1.3, it is evident that the objective setting process is a sub-process in the strategic management process that lays the foundation for the strategic actions that the company should take to achieve objectives. Objective setting alone can not predict exactly how the market and business environment will evolve and what issues will surface in the coming days in order to craft the organisation’s strategy. Therefore risk identification provides a critical input into the strategic management process for an organisation to survive the unpredictable and turbulent business climate. This view is supported by Grant and King (1979) who argued that once objectives have been established, resource availability, both inside and outside the firm, must be determined along with an identification of potential impediments to the achievement of objectives. The impediments can be described as risks that may affect the achievement of objectives.

Cox (2006) observed that “the point to risk management and specifically risk identification is not to try and operate your business in a risk free environment. It is to tip the scale to your advantage, so it becomes strategic rather than just defensive.”

A formal risk identification process helps to identify the extent and nature of the risk, the circumstances under which risks arise, causes, and potential contributing factors (AIC Research and Public Policy Series 2002). Nielsen (2007) concurs with this view; stating that the risk identification process ascertains which risks have the potential of affecting organisational objectives and documenting the risks’ characteristics.

2.6.1 Definition of Risk

COSO (2004) describes risk as the possibility that an event will occur and adversely affect the achievement of objectives and that events with a potentially negative impact represent risks, which require management’s assessment and response. According to Valsamakis, et al. (2004), “risk is the variation of the actual outcome from the expected outcome.” FERMA (2003) describes risk as the combination of the probability of an event and its consequences whereas (ISO / IEC Guide 73) defines risk “as the
combination of the probability and of an event and its consequences.” All the four views are in agreement that a risk is an event which can potentially have a negative impact on the achievement of objectives.

Based on the above definition an example of a risk would be “a rise in interest rates resulting in fewer mortgage loans being raised with the banks and an increase in defaults which may affect bank’s profitability.” Companies therefore seek to identify risks that will impact on the achievement of objectives and then craft strategies to manage those risks. In so doing organisations adopt risk identification techniques that are in line with their individual circumstances and some of the techniques that they adopt are described below.

2.6.2 Risk Identification Techniques

COSO (2004), states that as part of event identification, management considers external and internal factors that affect the occurrence of an event. External factors include economic, business, natural environment, political, social and technological factors. Internal factors reflect management’s choices and include such matters as infrastructure, personnel, process and technology.

According to COSO (2004) an organisation’s event identification methodology may comprise a combination of techniques together with supporting tools. Event identification techniques look to both to the past and the future. Techniques that focus on past events and trends consider such matters as payment default history, changes in commodity prices and lost-time accidents. Techniques that focus future exposures consider matters such as shifting demographics, new markets and competitor actions.

The external and internal factors as pointed out by COSO (2004) influences how events could potentially affect strategy implementation and achievement of objectives. As part of the risk identification process it is critical to recognise the importance of understanding external and internal factors and the type of events that can emanate from those factors.
The external factors are described as:

- **Economic and Business** – related events might include emerging competition and market movements. When identifying risks, management should consider both macroeconomic conditions such as general price movements, and microeconomic conditions such as competition in terms of emerging competitors with new product substitutes.

- **Natural Environment** – events might include natural disasters such as flood, fire or earthquake and sustainable development.

- **Political** – events might include newly elected government officials, political agendas and new legislation and regulations.

- **Social** – events might include changing demographics, new food harvesting and preparation methods and shifting family structures and work/life priorities.

- **Technological** – events might include evolving electronic commerce, expanded availability of data and reductions in infrastructure costs.

On the other hand, internal factors include:

- **Infrastructure** – events might include unexpected repair costs, or equipment incapable of supporting production demand.

- **Personnel** – events might include increase in number of on-the-job accidents, increased human error or propensity for fraudulent behaviour.

- **Process** – events might include product quality deficiencies, unexpected downtime, or service delays.

- **Technology** – events might include inability to maintain adequate uptime, handle increased volumes, deliver requisite data integrity, or incorporate needed system modifications.

COSO (2004) argues that identifying external and internal factors that influence events as depicted in figure 2.3, is useful for effective event identification. Once the major contributing factors have been identified, management can consider their significance and, where possible, link the internal and external factors to the identification of potential events that impact objectives.
According FERMA (2002) risk identification sets out to identify an organisation's exposure to uncertainty and it should be approached in a methodical way to ensure that all significant activities within the organisation have been identified and the risks flowing from these activities defined and categorised. The Australian / New Zealand Standard in Risk Management, AS/NZS 4360 (2004), states that the identification of risks involves documenting the conditions and events that represents material threats to the achievement of an organisation’s objectives. These two views concur with COSO (2004) in that the ultimate objective of Risk Identification is to identify those events that may affect the achievement of objectives.

As per COSO (2004) some of the risk identification techniques that organisations normally use are event inventories, internal analysis, escalation or threshold figures, facilitated workshops and interviews, leading event indicators, loss event data methodologies and process flow analysis. COSO (2004) goes on to say that depth, breadth, timing and discipline vary among entities. Management tend to select methodologies that fit the organisation's risk culture and ensures that the organisation develops needed risk identification capabilities and that supporting tools and techniques are in place. The next section of this chapter presents the integrated risk identification model and explains its elements.
2.7 The Integrated Risk Identification Process

Figure 2.4 An Integrated Risk Identification Model

1. Identify Strategic Objectives

2. Identify External Factors/Sources

3. Identify Internal Factors/Sources

4. Analyse both Internal & External Factors and identify events that may affect the achievement of Strategic Objectives.

5. Employ organisation defined techniques to identify the events that may be risks and those that may be opportunities.

6. Describe the risk by identifying the event that may occur and the negative impact it will have on the achievement of objectives if it occurred.

7. The Risk Identification Process should be done when the Strategic Business Objectives are being set.
The risk identification process should be conducted at the same time when business objectives are being set to ensure that when the business strategy is being crafted it takes into consideration the risks that may impact on the achievement of objectives. The risk identification integrated model presented in figure 2.4 above incorporates objective setting as part of the risk identification process and the elements of the model are as follows:

1) **Top management** sets corporate level and/or business unit level strategic objectives which are aligned with the organisation's mission and vision. Objectives set can either be long-term (3-5 years) or short-term (1 year). Objectives' setting helps to guide the business towards the achievement of the organisation's ultimate goals of survival and earning of above average returns (Hitt, *et al*, 2003).

2) **Identification of risk factors**: Risk factors can either be external to the organisation or internal to the organisation (COSO, 2004). These factors are sources of risks (Example of external factors are political and economic factors and internal factors would be the organisation’s infrastructure and personnel). These factors are sources of risks that may affect the achievement of objectives and these risks can be in the form of a new competitor or break down of a key production line in a factory. The identification of risk factors allows for analysis of the relevant factors in the business environment.

3) **Analysis of internal and external factors**: These factors can be a source of risks or opportunities to the business. A closer look at them will bring into light those events that may arise in the future and turnout to be risks to the business.

4) **Risk identification techniques**: Risk identification techniques such as facilitated workshops or interviews serve as a platform for managers to identify and brainstorm possible events that may turn out to be risks to the business.

5) **Description of risks**: Once the risks have been identified they need to be described in a manner that identifies the event that will occur and the impact that event will have on the achievement of objectives should it occur. This allows for a proper analysis of the risks as they relate to their criticality to the achievement of objectives.
2.8 Rationale for integrating the Risk Identification Process and the Strategic Objective Setting Process

Risk identification is strategic in nature and it supports the strategic management process (COSO, 2004) and Smith (1992) argue that there is an inexorable link that binds risk objective setting and risk identification together. The actual occurrence of a risk can result in failure in achieving organisational objectives and lead to changes in existing strategies and strategic actions (COSO, 2004). Corporate risks are events that threaten an organisation’s key objectives of survival and profitability (Nystrom and Starbuck, 1984) hence the need to identify risks that will affect the achievement of objectives at the same time when the business objectives are being set. It has been argued that numerous crises arise out of failure to identify risks in the organisations’ strategic management processes (Shrivastava and Mitroff, 1987).

According to Ernest & Young (2006) Companies on Risk: The benefits of alignment survey, “companies that align their goals, risks and risk management activities are able to focus on the risks that matter and manage them effectively; they are better able to act on opportunities to gain competitive advantage, achieve real growth and create value.” Alignment also means less waste in terms of time, money and effort.

The survey results highlighted the following as potential benefits for integrating risk identification with the objective setting process:

- More risk management accountability by the company’s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as key risks identified gets escalated to both the CEO and CFO.
- It increases focus on risk as risks identified are mitigated through the strategic management process, which mean that when the business strategy is being reviewed risk mitigation plans will be reviewed as well.
- Enhances greater involvement by the CEO and the CFO on risk management as anything that is perceived to affect the achievement of objectives is their responsibility to management. Aligning the risk identification process with the
objective setting process ensures that they are involved in the risk identification process.

- Better decision making, as it helps the business to take into consideration risks that it is facing in the decision making process.
- It necessitates the integration / increased alignment of the next steps in the risk management process and strategic management process.

Despite the relationship between objective setting in the strategic management process and risk identification in the risk management process discussed above, Pauchant and Mitroff, (1988) observe that the field of strategic management has seldom acknowledged the importance of risk identification and the discussion of risk management is rare as part of the basic curriculum in business schools. In the actual operation of private organisations, Wisenblat (1989) found it surprising that so many companies did not include risk identification (crisis planning) in their business planning, despite the fact that risks threaten both strategic objectives and the very foundation of a company.

For risk identification to be an integral part of the strategic objective setting process key managers or the top management team within an organisation must recognise the strategic nature of risk identification. However several factors are at play that provide ready explanations for why serious risk identification efforts should be minimal or postponed. For example, some managers see little need for additional risk identification efforts because they view contingency planning as the mechanism already in place to handle unexpected occurrences (Smith, 1992). Unfortunately contingency plans usually examine only a few alternatives futures, assume a crisis will follow a predictable path (Silva and McGann, 1995), and are directed towards damage limitation rather than risk prevention (Smith, 1990).

Janis and Mann (1977) have explored group processes where the 'illusion of invulnerability' is a dominating theme and a cause for concern the belief that no serious risks are involved in pursuing the current course of action' when responding to potential threats in the environment. Integrating risk identification can help to overcome: failure by
organisations to identify risk that may affect the achievement of objectives, the difficulty of denial that, threats exists and will provide a basis for integrating risk mitigation strategies with other strategic actions to achieve objectives. Integrating risk identification into objective setting can lead to cultural change. For example, Truitt and Kelley (1989) indicate that one of the most useful functions of conducting risk identification is convincing management that something catastrophic could actually happen that could adversely affect their organisation. Integrating risk identification with objective setting can move an organisation from risk reactive and crisis prone to being risk and crisis prepared. It enhances a proactive stance in the management of risks that the organisation faces rather than being reactive and found to be unprepared when disaster strikes.

The practical application of the integrated risk identification model and rationale for integrating the risk identification process and the objective setting process as discussed above is to be tested against a specific business unit which is part of an organisation in the banking industry by way of a Case Study as highlighted in chapter one. The organisation that will be the 'unit of analysis' is ABSA Limited and the business unit within ABSA which will form the basis of the case study is the home loans business unit.

Section 2.9 below, provides an overview of the mortgage industry in South Africa, challenges faced by the mortgage industry, profile of ABSA Group and also looks at ABSA Home Loans business unit growth trends over a period of five years.
2.9 An overview of the Mortgage Industry in South Africa

According to the SA Mortgage Industry Review (2006), the mortgage industry is expected to remain an attractive space to operate in, in the foreseeable future as it has historically provided superior returns (profitability) and strong growth to the banking industry. SA Mortgage Industry Review (2006) notes that, while entry barriers remain relatively high, of late, superior returns attracted and allowed the entry of intermediaries and non-traditional players. The implication on the industry players is that industry growth will remain high, but profitability pressures will increase.

In the mortgage industry ABSA is the market leader as illustrated in figure 2.5 below, and the industry concentration has increased over the past five years, with significant industry consolidation taking place (SA Mortgage Industry Review, 2006). Only one non-bank lending entrant, SA Home Loans, has managed to establish a noteworthy presence. Several other non-bank players (Sanlam and Old Mutual) have entered the market on a switching model albeit with limited success.

Figure 2.5 SA Mortgage Industry Market Share (four major banks)

Source: SA Mortgage industry overview (2006)
2.9.1 Mortgage Industry Economic Trends

As indicated in figure 2.6 below year 2007 will experience a sharp decline in mortgage advances growth from 13.7% to 5.9% and then followed by a slight recovery in 2008 and 2009 of 7.1% and 10.7% respectively (SA Mortgage Industry Review, 2006). Average prime lending rate will also remain high for the years 2007 and 2008 as compared to 2005 and 2006 prime lending rates. Nominal house prices growth is also expected to decrease to 14.1% in 2007 and remain almost constant in 2008. These projections suggest that mortgage advances growth is influenced by the interest rate. Higher interest rates result in less demand for properties with a corresponding decline for housing finance.

Figure 2.6 SA Mortgage Industry Economic Trends

Source: SA Mortgage industry review (2006)
2.9.2 Mortgage Industry Challenges

The mortgage industry is currently faced with the challenges as depicted in figure 2.7 below. These challenges are putting pressure on the mortgage industry’s ability to meet their business maintenance, growth and profitability objectives.

Figure 2.7 SA Mortgage Industry Challenges

Source: SA mortgage industry review (2006)
2.10 AB SA Group Limited Company Profile

ABSA Group Limited (ABSA), listed on the JSE Limited, is one of South Africa's largest financial services groups, offering a range of banking, bancassurance and wealth management products and services. ABSA's business is conducted primarily in South Africa. In addition to the above products and services, ABSA has an equity holding in banks in Angola, Mozambique and Tanzania.

According to ABSA Stakeholder Report (2005), as at 30 June 2007, ABSA had assets of R554 billion, more than 770 physical outlets, 8.8 million customers, 7455 automated teller machines and 35,986 permanent employees. ABSA has four subsidiary companies of which two are wholly owned. The first subsidiary, which is wholly owned, is AB SA Bank Limited with operations on retail banking, commercial banking, and wholesale Banking. The Retail banking operation is divided into segment-focused business units namely; ABSA Private Bank, Retail Banking Services, Flexi Banking Services as well as Small Business and product-focused business units which are ABSA Home Loans as well as ABSA Card. The Commercial Banking Operation's segment-focused Business Unit is the Business Banking Services and the Product-Focused Business Units are ABSA Vehicle and Asset Finance as well as ABSA Technology Finance Solutions which is incorporated as a private company. The Wholesale Banking Operation is made up of domestic operations housed under ABSA Corporate and Merchant Bank and International Operations through ABSA Bank London.

The second wholly owned subsidiary is AB SA Financial Services Limited with operations in Life Assurance housed under ABSA Life Limited, Short Term Insurance housed under ABSA Insurance Company Limited, Advisory Services housed under ABSA Brokers (Pty) Limited, ABSA Consultants and Actuaries (Pty) Limited and ABSA Health Care Consultants (Pty) Limited as well as Wealth Management housed under ABSA Trust Limited, ABSA Fund Managers Limited, ABSA Mortgage Fund Managers (Pty) Limited and ABSA Investment Management (Pty) Limited (ABSA Stakeholder Report, 2005). The other subsidiaries in the Banking Sector are Banco Austral, Sarl
ABSA Stakeholder Report (2005), notes that, ABSA became a subsidiary of Barclays Bank PLC on 27 July 2005, when Barclays acquired a controlling stake in the ABSA Group. Barclays is a major financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The origins of ABSA date back to 1991 which signified the formation of Amalgamated Banks of South Africa Limited (ABSA) through the merger of UBS Holdings, the Allied and Volkskas Groups, and certain interests of the Sage Group. In 1992 ABSA acquired the entire shareholding of the Bankorp Group (which included Trustbank, Senbank and Bankfin). In 1997 the name of the holding company, Amalgamated Banks of South Africa Limited was changed to ABSA Group Limited. In 1998 the United, Volkskas, Allied and TrustBank brands were consolidated into a single brand, and ABSA adopted a new corporate identity.

ABSA’s vision (ABSA Stakeholder Report, 2005) is to become the pre-eminent bank in South Africa and the rest of Africa which is support by the group’s mission of ensuring that the group:

- Puts the customer at the centre of everything it does
- Differentiates through superior service and competitive products
- Continuous innovation
- Having the best people and engage them in the group’s business
- Lead by example

ABSA’s strategic themes (ABSA Stakeholder Report, 2005) are:

- Extending their South African retail banking franchise.
- Strengthening their South African commercial banking franchise
- Building a winning investment bank
- Extending their South African bancassurance franchise
- Extending existing sub-Saharan African markets
• Entering profitable new sub-Saharan African Markets
• Creating distinct capabilities for the Barclays Group.

ABSA’s corporate strategy is deployed through a number of dedicated business units one of which is ABSA Home Loans which is a product focused business unit.

2.10.1 Growth Trends in the ABSA Home Loans Business Unit

ABSA Mortgage Review (2006) reports that, ABSA Home Loans market share increased from 33.7% in 2005 to 34.5% in 2006 and for the past five years until 2006 the Home Loans business unit’s market share has averaged 33.64% as illustrated by figure 2.8 for years 2002, 2003, 2004, 2005 and 2006:

Figure 2.8: ABSA Home Loans % market share

For the years 2002, 2003, 2004, 2005 and 2006 the financial performance of ABSA Home Loans business unit is illustrated on figure 2.9 below: The financial indicators as per figure 4.5 indicate that the average value of the Home Loans’ mortgage book has been increasing and on average the return on equity (RoE) has been decreasing.
Figure 2.9: ABSA Home Loans five year Financial Performance

- Average value of book (Rm)
- RoE
- Impairment ratio
- NPA as % of gross advances
- Advances margin
- Market share (average)

2.11 Conclusion

The review of the major theoretical frameworks and works by various academics on risk identification and strategic management above indicate that there is a need to integrate the risk identification with objective setting process. Within the context of objective setting, events that may impact the achievement of objectives should be simultaneously identified to ensure that when the strategy to achieve objectives is being crafted risk mitigation strategies are also taken into consideration. Recent research conducted on South African organisations indicates that there are still varying levels of integrating the risk identification process with the strategic objective setting process. The methodology that will be adopted in conducting the research to determine the risk identification practice of an individual organisation and benefits of the thereof is discussed in the next chapter.
CHAPTER THREE
Research Methodology

3.1 Introduction
This chapter describes the methods that will be followed to answer the research questions posed in the previous chapter. It begins with a description of the chosen method and its implications for this research by providing an analysis of expert opinion on qualitative, case study methodology and how this research will follow these accepted methods. It also describes the processes that will be used in data collection, analysis and interpretation. The chapter concludes with a discussion on validity and reliability of the chosen research method.

3.2 Research Method and its Underlying Characteristics
According to Leedy and Ormrod (2001) research objectives of this nature are best achieved by means of a qualitative research. Since a specific organisation will be studied in-depth to gain insight on a specific organisational phenomenon, the case study method will be used (Perry, 2001). Leedy and Ormrod (2001) are of the view that all forms of qualitative research have two things in common, the focus is on phenomena that occur in a natural setting and the phenomena are studied in all their complexity and multiple facets. It is the researcher’s view that qualitative research lends itself well to the case study method used here.

The research method chosen for the proposed research will be qualitative research that will be conducted in the interpretive paradigm using the case study method. The approach and its implications on the proposed research process are discussed below.

3.2.1 Qualitative Research
According to Miles and Huberman (1984), qualitative data consists of words rather than numbers, collected in a variety of ways including observation, interviews and extracts from documents and are a source of “well grounded, rich descriptions and explanations of
processes occurring in local contexts” which importantly will allow researchers to preserve chronological flow, assess local causality and derive fruitful explanations. Miles and Huberman (1984) state that a qualitative framework is “more likely to lead to serendipitous findings and to new theoretical integrations” thereby helping researchers to go beyond initial preconceptions and frameworks. According to Miles and Huberman (1984), using words rather than numbers can be valuable to readers because, “words, especially when they are organised into incidents or stories, have a concrete, vivid, meaningful flavour that often proves far more convincing to a reader, another researcher, a policy maker, a practitioner than pages of numbers.”

This does not suggest that qualitative research does not have its disadvantages. Qualitative data collection can be time consuming and labour-intensive and words by their nature are ambiguous and open to wider interpretation than numbers, opening the room for misinterpretation. Miles and Huberman (1984) remark: “Given the fact that words are slippery, ambiguous symbols, the possibility of researcher bias looms quite large.” Key to overcoming the reliability issue, according to Miles and Huberman is the selection of appropriate and tested analysis methods.

In view of the above, the analysis of the data collected for this research followed the three primary and concurrent activities proposed by Miles and Huberman (1984), namely;

1) Data reduction,
2) Data display and
3) Conclusion drawing

According to Miles and Huberman (1984), data reduction involves the selection, simplification and transformation of the raw data and, this frequently begins even before data is actually collected when the researcher decides which framework, which case, which research questions and which data collection methods to use. Data reduction is “a form of analysis that sharpens sorts, focuses, discards, and organises data is such a way
that final conclusions can be drawn and verified” (Miles & Huberman, 1984). This process continues throughout the research until the final research report is complete. Data display is the organised assembly of information that permits conclusion drawing and action taking (Miles & Huberman, 1984), the most frequent form of which is narrative text.

The third leg of analysis is conclusion drawing – the generation and verification of the meaning from the data. According to Miles and Huberman (1984), tactics to generate meaning include; content analysis of the frequency of specific responses, noting the existence of patterns, clustering and noting relations between variables. The steps of data reduction and data display can often facilitate this final process and, more importantly, all three steps influence the others. Miles and Huberman (1984) explain:

“These three streams – data reduction, data display and conclusion drawing/verification – are interwoven before, during and after data collection in parallel form to make the general domain called ‘analysis’”. In this sense, qualitative data analysis is a continuous, iterative enterprise”

A useful technique facilitating all three steps is coding, which enjoys support from research experts (Miles & Huberman, 1984; Leedy & Ormrod, 2001; Jones, 1985). Coding involves assigning an abbreviation or symbol (codes) to groups of words in order to classify them to assist with data retrieval, organisation and analysis. While many researchers advocate the use of codes, they differ in how these codes should be developed and used. While Miles and Huberman (1984) suggest the development of a list of codes prior to fieldwork, others (Glaser & Strauss, 1967; Glaser, 1978) are of the view that assigning codes prematurely can restrict the emergency themes and result in data being pigeonholed into preconceived categories. Glaser and Strauss (1967) believe codes should emerge during the examination and analysis of data. Jones (1985) supports this view and suggests that in analysing the data broadly, themes identified by the research participants will emerge.
To conclude, codes are clearly useful tools which can help researchers categorise research findings. Coding should be used with caution as it could overshadow the data itself. The identification of themes, trends and factors so central to qualitative research by its nature will involve some form of coding, be it explicit or implicit.

3.2.2 Overview of the Case Study based Research Approach

Case study based research, according to Perry (2001), is an investigation using interviews, observations and other multiple sources of data of a contemporary, dynamic phenomenon and its emerging body of knowledge within a real-life context in which the boundaries between the phenomenon and context are unclear when an explanation of casual links are too complex for survey so that single, clear outcomes are not possible.

According to Ghauri and Gronhaug (2002) the use of case study is a useful method when the area of research is relatively less known and this type of approach is commonly used in the theory building type of research as well as for thesis and dissertation research. The case study method is commonly used in exploratory and descriptive or explanatory research.

The justification to use a case study research comes from the fact that often there are too many variables to be considered, which makes experiment or survey methods inappropriate to use (Yin, 1994). Case study is seen as a description of a management situation (Ghauri & Gronhaug 2002) and it usually involves collection of data through multiple sources such as verbal reports, personal interviews, financial reports, and archives, operating statements, business plans and observations.

A case study can be of interest if one wishes to gain a rich understanding of the context of research and the processes being enacted (Morris & Wood, 1991). The case study is a preferred approach to use when 'how' and 'why' questions are to be answered and when the focus is on a current phenomenon in a real – life context (Yin, 1994).
Since the focus of this study is on integrating risk identification into the objective setting process, which is a management situation within an organisation a case study describing and analysing the practice of risk identification within ABSA’s Home Loans division will be used as a basis of the research.

3.2.3 Designing and Conducting Case Studies

The research strategies to be used in conducting research are determined by the research objectives and the research questions to be answered by conducting the research. In the case where one chooses the Case Study approach as a research strategy there are six identifiable steps to be used as summarised in figure 3.1 below;

Figure 3.1 Steps in Case Study based Research Methodology

In case study based research data is normally gathered qualitatively and tools to collect data include surveys, interviews, documentation review and observations.
3.2.4 Data Collection

According to Ghauri and Gronhaug (2002) when design requirements have been specified, decisions must be made on how the requirements should be met, and how the information needed should be collected.

Important decisions to be made are identified as follows;

- How should the concepts (variables) be measured (operationalised)
- What type of data? Secondary or primary?
- If secondary: What secondary data sources?
- If primary: How should the data be gathered? Through observation or interviewing?
- If interviewing: personal interviews, by phone or through questionnaires?
- If interviewing: How should the questions be formulated, structured or unstructured?
- Who should be interviewed? How should they be selected (sampling plan)? How many should be included (sample size)?

3.2.5 Data Sources

Sources of data can either be secondary or primary. Secondary data are information collected by others for purposes that can be different from what one will use the data for. Primary data are original data collected from the field by the researcher for the research problem at hand.

Data that the researcher collects himself or herself to answer our research questions is called primary data and what the researcher should look for, ask about and collect depends on the research problem. There are several choices as regards the means to collect primary data and as indicated in figure 3.2, these amongst others include observations, experiments, surveys (questionnaires) and interviews.
The primary advantage of primary data is that they are collected for a particular research problem at hand and the main disadvantage is that they take a long time and they can cost a lot to collect.

Figure 3.2 Sources of Primary Data:

<table>
<thead>
<tr>
<th>Experiment</th>
<th>Observations</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Human</td>
<td>Surveys</td>
</tr>
<tr>
<td></td>
<td>Mechanical</td>
<td>Interviews</td>
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<tr>
<td></td>
<td>Natural</td>
<td>Mail</td>
</tr>
<tr>
<td></td>
<td>Settings</td>
<td>Phone / e-mail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personal</td>
</tr>
</tbody>
</table>

Source: Ghauri and Gronhaug (2002)
The following are sources of secondary data:

- Internet sites of different companies and organisations.
- Central and Local government studies and reports.
- Studies and reports of institutions such as universities and other research institutions.
- Census Reports on Demographics.
- Academic as well as organisational journals relevant to the problem area.
- Textbooks and other published material directly or indirectly related to the problem area.
- Commercial Research companies selling data.
- Thesis and reports written by other students in our own university and in other universities.

Secondary Data can help researchers in the following manner:

- Answering Research questions or solving some or all of the research problems.
- Helping in problem formulation and / or making more concrete and focused research questions.
- Deciding about the appropriateness of a certain research method or even suggesting better research methods for a particular problem.
- Providing benchmarking measures and other findings that can be compared later on with the results of the study at hand.

The main advantage of using this data collection method is the enormous saving in time and money. And the main disadvantage is that these data are collected for another study with different objectives and may not completely fit the problem to be solved.
According to Ghauri and Gronhaug (2002) the following are sources of secondary data as evidenced in figure 3.3 below.

Figure 3.3 Sources of Secondary Data

Source: Ghauri & Gronhaug (2002)
3.3 Application of the Research Methodology

This section provides details of how the research methodology as described above in Section 3.1 was applied in conducting the research.

3.3.1 The Research Questions

In general the level of integrating the risk identification process into the objective setting process is diverse amongst different organisations. In this case, the researcher is primarily interested in:

1) Determining the extent to which an organisation in the banking sector has integrated the risk identification process with the strategic objective setting process in comparison to the integrated risk identification model developed in Chapter 2, Section 2.1.5,

2) Demonstrating the benefits that can be gained by aligning the two processes,

3) Providing recommendations that can be used by the unit of study and other divisions in the ABSA Group who find themselves in a similar situation to integrate the risk identification process with strategic objective setting, and

The researcher begins with a literature review to determine what prior studies have determined about integrating the risk identification process into the objective setting process and uses the literature review in respect of leading practice in risk management to develop an integrated risk identification model and define the following research questions:

**Question One:**
How has the unit of study integrated the risk identification process with the strategic objective process?

**Question Two:**
What benefits has the unit of study gained by aligning the risk identification process with the strategic objective setting process?
Question Three:

What can be learnt from the unit of study in terms of integrating the risk identification process with the strategic objective process?

3.3.2 Motivation for the Case Study Selected

There are four major banks in the South African banking industry namely ABSA Group, Standard Bank Group, First Rand Banking Group and Nedbank. The researcher visited the four bank’s websites looking for information on their risk management practices; reviews risk management reports on their annual investor reports and contacts Group Risk Officers to ascertain their willingness to participate in the research. Results from ABSA Group turn out to be more favourable than other banks, in that information on reviews of ABSA’s business units is readily available on the internet, their annual investor report has a comprehensive risk management report, ABSA reports that its risk management program is a core capability for the company (its risk management process is integrated into the strategic management process) and last but not least the Head of Business Risk within the Home Loans Business Unit at ABSA indicated his willingness to participate in the research. It is against this background that ABSA’s Home Loans Business Unit was chosen as a unit of analysis.

3.3.3 Data Gathering and Analysis Techniques

The researcher considered multiple sources of data for this study and selected document examination, the gathering and study of organisational documents such as 2005 annual risk management report, including ABSA’s risk management framework as well as the ABSA Home Loans Business overview report. The researcher also decided to conduct open ended interview with the Head of Business Risk within the Home Loan Business Unit using an interview schedule to guide the interviewee during the interview process which was followed up by telephone interviews to clarify issues that arose at a later stage. In this case study the researcher could not employ direct observation as a tool due to time constraints.
3.3.4 Preparation to Collect the Data

The researcher prepared to collect data by first contacting the Investor Relations Offices from the organisation to be studied to gain the organisation's approval to use their published records and also to explain the purpose of the study and to get key contact information within the organisation. The researcher then contacted the Head of Business Risk within the Home Loans Business Unit to get his cooperation to participate in the interview process.

3.3.5 Collection of Data in the Field

The researcher first requested a printed version of the annual investor relations report from the investor relations department which describes in detail reviews of the company's business operations, strategic management process, risk management, financial performance and corporate governance in general. The researcher then downloaded a copy of the company's Home Loans Business Review from the website. The researcher also telephonically reviewed the purpose of the study with the Home Loan's Head of Business Risk.

The researcher took written notes during the telephone interview with the Head of Business Risk. The interview although open-ended, was structured around the research questions defined at the start of the case study.

Interview Questions

**Question 1:** When identifying risks that will affect the achievement of the business unit objectives, does the business unit start by setting business unit or operational objectives?

**Question 2:** Does the business unit identify the risks that will affect the achievement of objectives at the same time when the business unit objectives are set?

**Question 3:** Before identifying risks does the business unit identify sources of risk and / or risk factors and then identify those specific events that may negatively affect the achievement of objectives?
Question 4: What techniques are being used by the business unit to identify risks that may affect the achievement of objectives?

Question 5: Has your organisation adopted the use of Enterprise Risk Management Frameworks such as COSO or FERMA?

3.3.6 Evaluation and Analysis of Data

The basis of evaluating and analysing data revolved around looking for evidence on whether the unit of analysis has a strategic management process, that events that may affect the achievement of objectives are identified, that the risk identification process happens at the same time when the business objectives are being set and that the results are used as an input in the strategic planning process. The process being followed by the business unit was compared against the integrated risk identification framework developed in chapter two. The presentation and analysis of research results are presented in chapter 4.

3.4 Conclusion

The research strategy adopted proved to be adequate to a larger extent in answering research questions and objectives albeit with some limitations explained in chapter one, as there was more than one variable to be analysed in determining the extent to which the risk identification process is integrated to the objective setting process. The presentation and analysis of research results is presented in the next chapter (chapter four).
CHAPTER FOUR

Presentation and Analysis of Research Results

4.1 Introduction

This chapter presents the research findings, analysis of the findings as well as the sub conclusions made about the findings.

4.1 Finding One

ABSA Home Loans Mission

ABSA's home ownership offering is to provide (ABSA Mortgage Review, 2006) new and existing home buyers with a wide range-ranging mix of home loan products, options, value-adds and distribution channels.

The business unit’s strengths and opportunities

According to ABSA Mortgage Review (2006), ABSA's Home Loans business unit has identified its strengths as the fact that it is the number one player in the mortgage industry with an estimated market share of 34.5%. It has a strong relationship with the bond originators, which currently introduce 48% of home loans business to ABSA. ABSA currently secures in excess of 37% of all originator bondable business. Being the market leader in the mortgage business ABSA’s brand in retail banking is stronger than that of its competitors making it a first choice for most home buyers, benefit from the current growth in demand for houses and this is evidenced by the larger share of new business that ABSA gets from the external channels as compared to its internal channels. Figure 4.6 illustrates ABSA Home Loans strength in sourcing business from the external channel which currently stands at 62% compared to 38% contribution from the internal channels.
The business unit’s weaknesses and threats

ABSA Home Loans has identified reliance on intermediaries as a source of business as a potential source of weakness as this exposes the bank to the bargaining power of bond originators. Other weakness and threats that the business unit has identified are:

- Higher impairments (i.e. high reduction of the market value of assets owned)
- Lower bond conversion ratios
- Effects of cost compliance
- Maintenance of market share while improving profitability and
- Lack of penetration in black personal market.

4.1.1 Analysis of the Finding

- In respect of conducting a SWOT analysis a precursor to the objective setting process and risk identification process the unit of analysis has demonstrated that it does review the strengths, weaknesses, opportunities and threats to the business. SWOT analysis in integrating the risk identification with objective setting ensures that the business pursues those strategic alternatives that are supported by its abilities and also paves the way for understanding of the risk factors that the business unit is exposed to, which can then be an input in the risk identification process.

- The business unit’s practice appears to be in line with COSO (2004)’s argument that when an organisation is to successfully integrate the risk management process with
the strategic management process it should start by formulating a vision and/or mission statement, as the unit of analysis has done, and then establishes high-level objectives that support its vision and/or mission statement. This approach creates a base for the next step in the strategic management process which is the formulation of objectives.

One can conclude that the unit of analysis does engage in strategic management activities, which include formulation of the business unit's mission or value proposition to its customers as evidenced above, which lays the foundation for setting of business unit objectives which are inline with the business unit's mission statement as well as the identification of those risks that may affect the achievement of objectives.

4.2 Finding Two

**ABSA Home Loans Business Unit Objectives**

For the year ending 31 December 2005, the Home Loans business set the following objectives;

- Optimising operational efficiency by reviewing the business model processes to improve customer service.
- Increasing business origination via internal channels.
- Strengthening and maintaining relationships in the origination industry and with estate agents.
- Growing market share to maintain leadership positioning.
- Increasing penetration in the affordable housing market.

(ABSA Mortgage Review, 2006)
4.2.1 Analysis of the Finding

- The formulation of the objective of optimising operational efficiency to improve customer service the unit of analysis addresses its mission statement and the overall stated company mission of “putting the customer at the centre of everything it does.” Objectives by their nature are a translation of the mission statement into actionable bits as evidenced by this objective. Having set this objective it paves the way for deciding on what strategic actions to take to ensure the business unit objectives are achieved.

- The objective of increasing business origination via internal channels seeks to minimise reliance on external originators as the business unit does not have control over these channels. The reliance on external channels is seen as a threat to the business unit due to the business unit having no effective control over the external channels, and therefore this objective seems to be intended at mitigating the threat identified during the SWOT analysis.

- At the same time the business unit seeks to strengthen and maintain relationships in the origination industry and with estate agents, by so doing it will ensure that it does not lose business introduced via external channels as they still remain a major source of their bond business. This objective also seeks to strengthen the business unit’s dominance in the external bond origination market while at the same time aiming to dilute its reliance on the external channels by increasing business origination via internal channels.

- By growing its market share to maintain leadership position, the business unit is supporting its long-term objective of being the market leader in the home loans business. This objective also highlights the fact that the business unit is aware that there are threats to its leadership position in this market and hence the need to develop strategies to counter those threats. This is a result of scanning the environment to identify those risks that may affect the achievement of objectives and ensuring that sub-objectives are set during the strategic planning process to counter those risks. This objective therefore focuses the business unit towards developing strategic actions to counter threats or risks posed by the competitive external environment.
• Last but not least the unit of analysis during the same period seeks to increase penetration in the affordable housing market and this objective is aimed at exploiting the opportunity identified by the SWOT analysis done by the business unit which uncovered the untapped affordable housing market. By setting this objective the business unit firmly ensures that resources will be allocated to achieve the objective and also risks identified that may impact on the business unit’s ability to penetrate the affordable housing market and by so doing grow its home loans business.

The objectives as formulated by the unit of analysis directly address the business units stated mission statement. It is against the above background that the researcher is of the view that the business unit’s objectives are aligned with the business unit’s mission statement and at the same time directed towards taking advantage of the opportunities identified and addressing business threats. By setting business unit objectives ABSA Home Loans paves the way or sets the foundation for the identification of risks that may affect the achievement of objectives. It is practically not possible to identify the risks that will affect the achievement of objectives if a business unit does not set objectives as there is no base against which risks can be identified. The analysis of the findings indicates that the formulation of objectives provides the context with which the risks that can affect the achievement of objectives are identified.

4.3 Finding Three

Identification of Risks

The results of the interview held with the Head of Business Risk within the home loan business unit revealed the following to the researcher:

1) The business unit when identifying risk that will affect the achievement of objectives start by setting business unit objectives.

2) ABSA Home Loans identify the risks that may affect the achievement of objectives at the same time when the business unit sets its objectives.
3) Before identifying risks the business unit first identifies the sources of risks and then identifies risks that may affect the achievement of the business unit objectives.

4) The risk identification techniques used by the business unit to identify risks are as outlined below and are in line with the recommendations made by King Report II. King II recommends that organisations should adopt leading Risk Management frameworks.
   a. Those recommended by the COSO Framework.
   b. Basel II and
   c. Risk practitioners

5) The business unit has adopted the COSO Framework as a risk management framework to use inline with ABSA Group risk management policy.

4.3.1 Analysis of the Findings

- Alignment of the risk identification with objective setting: Research evidence indicates that the unit of analysis aligns the identification of risks with business unit objectives by ensuring that business unit objectives are set first and the identify those events that may affect the achievement of objectives as is illustrated by the integrated risk identification model in figure 2.4. Once the objectives have been formulated it allows the business unit to scan both the internal and external risk factors to identify whether there are threats or risks that may affect the achievement of objectives.

The question that arises is once the objectives have been formulated when does the business unit identify risks that may affect the achievement of objectives? According to the results of the interview the unit of analysis identifies the risks at the same time when the business unit objectives are being set, which means that the two processes happen simultaneously. The business unit practice ensures that these two processes are not run as two separate process yet they are all intended to achieve the same purpose being the development of robust strategy to achieve objectives. Again this is in line with the integrated risk identification model developed in chapter two.
By identifying risk factors the business unit sets the scene for utilising risk identification techniques to help in the risk identification process. The identification of the risk factors focuses the risk identification process on those issues in the business environment that may pose a threat to the business. It is also a confirmation that a business does not exist in a vacuum it is affected by its environment and hence the need to identify those factors in the environment that may pose a threat to the business.

- **Risk Identification Techniques:** The unit of analysis as part of the ABSA Group has a policy on risk identification techniques derived from adopting international best practices and recommendations made via COSO (2004), Basel II (2005) and risk management practitioners within the group. By adopting the risk identification techniques as recommended by COSO (2004) and Basel II (2005) the business unit conforms to leading practice as illustrated in the integrated risk identification mode depicted in fig 2.4.

**Use of Risk Management Frameworks:** Again the analysis of research findings indicates that ABSA Group and the home loans business unit has adopted COSO (2004)’s recommendations. The adoption of COSO risk management framework by the business unit is following the leading practice in risk management and the evidence reviewed confirms that as it relates to risk identification, the business unit does comply with the suggestions put forward by the leading risk management frameworks as well as the integrated risk identification model developed in chapter two. The indication is that the risk identification process and the objective setting process are indeed integrated.

In conclusion the researcher is of the view that the risk identification process within the home loans business unit of ABSA is aligned with the objective setting process and the motivation behind the practice is to ensure that the risk management process as a whole is integrated with the strategic management process.
4.4 Finding Four

Benefits of Integration to ABSA Home Loans

The results of the interview with the Head of Business Risk for the home loans business unit indicated that the Home Loan business unit has benefited by integrating the risk identification process with objective setting. The following benefits are highlighted:

- Increased focus on risk by the business unit as the risks identified are now being taken into consideration in the decision making process.
- The whole process of risk management is now integrated to the strategic management process.
- Risk mitigation strategies are now being taken into consideration during the business unit's budget process.
- Senior Management is now more accountable for risk management as risks are considered in the strategic management process.
- The business unit makes better decisions that before as the decision making process includes the consideration of business risks.

4.4.1 Analysis of the Finding

- The unit of analysis reports that the integration of the two processes ensures that when the strategy to achieve business objectives is being crafted it includes risk mitigation strategies as well. The indication is that this is achieved through knowing what the risks are and then developing strategies to mitigate those risks which then become part of the actions that the business will adopt to achieve objectives. A review of the unit of analysis' business plan confirmed that indeed risk mitigation strategies are part of the overall business plan and that the resources to mitigate risks were to be deployed.

- Ensuring that the whole process of risk management gets integrated into the strategic management process is underpinned by integrating the risk identification process into the objective setting process as it is practically impossible to devise strategies to manage risks if they are not known and make those strategies part of the action plans to be taken to achieve business objectives.
• Benefits derived from integrated the risk identification process into the objective setting process steps are a confirmation that the integration is a value add in effectively integrating the risk management process with the strategic management process as explained in the literature review. Without the integration there would be a misalignment not only with the budget process but also with the strategic planning process. The strategic planning process will not take into consideration actions that are needed to mitigate the risks and this may lead to failure to achieve objectives.

The review of the findings relating to the benefits derived from the integration of risk identification and objective setting indicate that the integration makes the information that relates to risks that the business is exposed to, available for consideration in the strategic management process. It also strengthens the view that risk management and strategic management should not be run as two separate processes as they are interdependent.

4.5 Conclusion

The research findings explored above reveal that the integration of the risk identification process and the objective setting process is a critical step in integrating the risk management process with the strategic management process as it provides information to be used in the next step of the strategic management process of developing strategies to achieve objectives. Having presented the analysis of the research findings in this chapter, the next chapter (chapter five) rounds off the research results by providing a conclusion on the research problem and questions posed in the introduction (chapter one).
CHAPTER FIVE

Conclusions and Recommendations

5.1 Introduction

In this chapter summary of research findings, conclusions reached after analysis research findings, summary of contributions as well as recommendations for future research in Integrated Risk Management practice are presented, problems identified by this study and solutions to the problems identified are also tabled.

5.2 Summary of Findings

Research findings indicate that the unit of analysis does engage in strategic management activities, which include formulation of the business unit’s mission or value proposition to its customers, which then lays the foundation for setting of business unit objectives which are in line with the business unit’s mission statement as well as the identification of those risks that may affect the achievement of objectives.

The objectives as formulated by the unit of analysis directly address the business unit’s stated mission statement. The researcher is of the view that the business unit’s objectives are aligned with the business unit’s mission statement and at the same time directed towards taking advantage of the opportunities identified and addressing business threats. By setting business unit objectives ABSA Home Loans paves the way or sets the foundation for the identification of risks that may affect the achievement of objectives. It is practically not possible to identify the risks that will affect the achievement of objectives if a business unit does not set objectives as there is no base against which risks can be identified. The analysis of the findings indicates that the formulation of objectives provides the context with which the risks that can affect the achievement of objectives are identified.
The risk identification process within the home loans business unit of ABSA illustrated in table 5.1 is aligned with the objective setting process and the motivation behind the practice is to ensure that the risk management process as a whole is integrated with the strategic management process. The review of the findings relating to the benefits derived from the integration of risk identification and objective setting indicate that the integration makes the information that relates to risks the business is exposed to, available for consideration in the strategic planning process. It also strengthens the view that risk management and strategic management should not be run as two separate processes as they are interdependent.

As illustrated in table 5.1, the unit being analysed has in place objectives that relate to defending its market position, growing its market share and improving customer service. The risks that may affect the achievement of these objectives were identified by the unit of analysis. The risk identification process was conducted at the same time when the business unit objectives were set which demonstrate that the unit of analysis has integrated the risk identification process with the objective setting process.

For the financial year ending 2005, ABSA Loans’ objectives for defending its existing market share were to strengthen and maintain relationships with the external business origination channels and increase business origination via internal channels. In respect growing the business unit’s market share the objective (ABSA Mortgage Review, 2006) was to grow the market share to maintain its leadership position by increased penetration into the affordable housing market. Last but not least the business unit’s customer services objective for the period was to optimise operational efficiency to improve customer service.

The stated objectives support the Home Loans’ stated mission statement. The risks that may impact on the achievement of objectives were also identified at the same time when the business objectives were being set. The process followed by the business unit in identifying the risks involved the identification and analysis of both external and internal
risk factors. Risks were then identified that would affect the achievement of objectives using ABSA defined risk identification techniques as recommended by leading risk management models and risk experts within the ABSA Group. Consequences that risks will have on the achievement of objectives should they occur were also identified.

Table 5.1  Risk Identification Process (summary of findings)

<table>
<thead>
<tr>
<th>BUSINESS UNIT OBJECTIVES</th>
<th>VISION AND OR MISSION STATEMENT FORMULATED</th>
<th>BUSINESS UNIT OBJECTIVES</th>
<th>EVENTS THAT MAY AFFECT ACHIEVEMENT OF OBJECTIVES IDENTIFIED</th>
<th>FUTURE RISKS ARE IDENTIFIED AT THE SAME TIME WHEN THE BUSINESS STRATEGY IS CRAFTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEFENDING EXISTING MARKET SHARE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Strengthen &amp; maintain relationships in the external channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased business origination via internal channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROWING MARKET SHARE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Grow market share to maintain leadership position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased penetration of the affordable housing market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSTOMER SERVICE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Optimise operational efficiency to improve customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.3 Conclusions

The literature review and the research findings discussed in detail in chapter four as they relate to the research propositions formulated in chapter one indicate that the objective setting process does provide the context for the risk identification process within a business entity. Both the literature review and research findings provide evidence suggesting that the identification of risks by a business entity, at the same time when strategic objectives are set allows for the identification of risks that may affect the achievement of objectives. Once the risks have been identified strategies to mitigate those risks can then be developed. Evidence also suggest that the Unit of Study's Home Loans Business Unit has reached a level whereby events that may affect the achievement of objectives are identified at the same time when objectives are being set, rather than being executed as two separate processes within the same business entity.

It is also evident from the research findings that the unit of study (ABSA Home Loans) has integrated its risk identification process into the objective setting process which is in line with the integrated risk identification model developed in chapter two as well as leading theory in risk management (COSO, 2004). Both the literature review and the research findings demonstrated that there are benefits of integrating risk identification into the objective setting process such as:

- Increased senior management accountability in managing the business unit risks.
- Increased focus on risk by the business unit.
- Better decision making by the business unit by taking into consideration risk information when making decisions.
- It has also led to increased alignment of other risk management steps with the strategic management process.
5.4 Summary of Contributions

This research confirms that leading theory, such as COSO (2004) and FERMA (2002) on the practice of risk management can be successfully applied by business entities, as the study on ABSA's home loans business unit has shown. It also lends credence to the assertion that the integrated risk identification model developed in chapter two can be applied in practice should business so wish to use the model. The researcher is of the view that other business units within ABSA Group can adopt the integrated risk identification model in identifying risks and reach the same integration levels that the home loans business unit has reached. However this can only be done by taking into consideration the individual business unit’s circumstances. The success in integrating risk identification process into the objective setting process within individual business entities is dependent of the culture and capabilities of its employees.

5.5 Suggestions for Further Research

The importance of risks identification in the strategic management process is self-evident (Shrivastava & Mitroff, 1997), however the challenge that still remains is how practical is it to integrate the risk identification process into the objective setting process. This research has applied the test to a specific business unit within a single organisation which indicated that it is indeed possible. This researcher could not prove beyond reasonable doubt that other organisations other that the unit of study can successfully integrate risk identification into the objective setting process. It is against this background that the following suggestions for future research are tabled:

- Similar research should be done involving multiple cases to test whether it is possible to adopt the integrated risk identification model in a wider sample with a focus on South Africa organisations.

- Research on how organisations quantify the benefits derived from integrating the risk identification process with the objective setting process can be quantified.
• Research on what the major obstacles are experienced by business entities in integrating risk identification processes with their objectives setting processes and how these can be overcome.

5.6 Conclusion

In concluding this study, the research results highlighted the following key issues about integrating the risk identification process into the objective setting process:

• The review of literature indicates that business objectives should exist first before risks that can impact on the achievement of objectives are identified and that this provides a base on which risks that can impact on the achievement of objectives can be identified. According to the review of literature companies that align their goals, risks and risk management activities are able to focus on the risks that matter and manage them effectively.

• Alignment of the risk identification process and the objectives setting process also sets the tone for the alignment of the other steps in the risk management process and the strategic management process.

• A case study conducted on a business unit within ABSA (Home Loans Business Unit) provided evidence which suggests that integrating the risk identification process into the objective setting process can be achieved in practice and that there are indeed benefits that arise out of the integration of the two process.
BIBLIOGRAPHY


28 FEBRUARY 2008

MR. N NOLELA (202514412)
GRADUATE SCHOOL OF BUSINESS

Dear Mr. Ndlela

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0035/07M

I wish to confirm that ethical clearance has been granted for the following project:

"Integrating the Risk Identification process into the objective setting process"

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

Yours faithfully

[Signature]

MS. PHUMELELE XIMBA

cc. Supervisor (Prof. S Lubbe)

cc. Christel Haddon