UNIVERSITY OF KWAZULU-NATAL

RISK ASSESSMENT: A CASE OF A NON-PROFIT ORGANISATION IN THE ENVIRONMENTAL SECTOR

By

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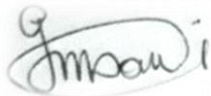
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ABSTRACT

In South Africa (SA), non-profit organisations (NPOs) are governed by Codes of Good Practice, and the resulting strong governance, supported by effective risk management, is foundational to these organisations' ability to anticipate and effectively respond to complex challenges. However, although organisations are expected to set higher standards through self-regulation mechanisms and abide by norms of good governance to improve their own transparency and accountabilities, the management of risks in the non-profit sector has not received adequate attention (Social Development, 2012:27). Effective risk assessment can improve the proper functioning of any organisation. This includes having financial stability, good governance, effective risk response strategies, the ability to make informed decisions, improved planning, and performance, and creating a positive organisational structure.

The objective of this study is to give insight into the risk assessment of a non-profit organisation in the environmental sector. To achieve this, the study utilised three research questions: "How can a non-profit organisation identify an effective risk assessment process that can minimise risks?"; "Why is risk assessment important to the non-profit organisation?"; and "What are the challenges of risk assessment that are common among non-profit organisations within the environmental sector?"

The research was a case study because a case study approach allows "in-depth explorations of complex issues in their real-life settings" (Crowe, Cresswell, Roberston, Huby, Avery & Sheikh, 2011:1). The research was also exploratory because it sought to understand the limited body of knowledge of risk assessment for the NPOs. Given the exploratory nature of the study, a mixed method design was used to collect primary data. A thematic analysis was used to analyse qualitative data and descriptive analysis to analyse quantitative data. The research was conducted in one of the leading environmental and conservation NPOs in SA. The target population for the study included top management of the organisation. Eighteen participants responded to the semi-structured interviews and sixteen responded to the questionnaire. The study used a census technique where all participants who were willing to participate in the study were selected.

The findings of this study suggest that a non-profit organisation is complex, thus, making it face unique challenges of growth, people, capacity, and reactiveness when conducting risk assessment. Despite these organisations carrying a non-profit status, results indicate that non-profit management viewed risk assessment as an important exercise to execute and that it must be a self-assessment controlled internally. The establishment of Risk Audit and Compliance Sub-Committee (RAC), Risk Register, Internal Controls, and Risk Awareness are strategic processes implemented to effectively respond to risks.

LIST OF ACRONYMS

AAA	American Accounting Association
AICPA	American Institute of CPAs
CEO	Chief Executive Officer
CO	Swiss Code of Obligations
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CREA	Clinical Risk and Error Analysis
CSIR	Council for Scientific and Industrial Research
DEA	Department of Environmental Affairs
DMRA	Decision Matrix Risk-Assessment
ERM	Enterprise Risk Management
FEI	Financial Executives International
FSI	Financial Services Industry
HR	Human Resources
IIA	Institute of Internal Auditors
IMA	Institute of Management Accountants
IoDSA	Institute of Directors in Southern Africa
ISO	International Organisation for Standardisation
MAS	Monetary Authority of Singapore
NACD	National Association of Corporate Directors
NPO	Non-profit Organisation
OECD	Economic Co-operation and Development
PDCA	Plan-Do-Check-Act
PESTEL	Political, Economic, Social, Technological, Environment, and Legal
PRAT	Proportional Risk-Assessment
QADS	Quantitative Assessment of Domino Scenarios
QRA	Quantitative Risk-Assessment
QRMSR	Quantitative Risk Measures of Societal Risk
RAC	Risk Audit and Compliance Sub-Committee
SA	South Africa
SARIMA	South African Risk and Insurance Management Association
SOPs	Standard Operating Procedures
STEP	Sequentially Timed Event Plotting
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TQM	Total Quality Management
WRA	Weighted Risk Analysis

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Management of risk in the non-profit sector has not received adequate attention. Yet according to (Social Development, 2012:27), "NPOs are expected to establish higher standards through self-regulation and abide by norms of good governance to improve their own transparency and accountability". The Enterprise Risk Management (ERM) integrated framework provides principles for management to effectively assess uncertainty of associated risk and opportunity to maximise value (Faris, Gilbert & LeBlanc, 2013). According to Okhahlamba Local Municipality (2013:4), "value is maximised when management sets objectives to strike an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the institution's objectives". ERM is an important practice in the overall governance of an organisation. Given that organisations, including non-profits must assume risks, forces executives to see the value of being well informed about risks (Matan & Hartnett, 2011:3). Hence, it is not possible for an NPO to survive without considering this dynamic phenomenon and NPOs must increasingly consider the steps necessary to achieve effective risk management. Okhahlamba Local Municipality Report (2013) indicated that risks are dynamic and highly interdependent, therefore, to achieve effective risk management risks must not to be considered and managed in isolation. Having a clear understanding of the principles and processes for effective risk assessment will help organisation leaders make sound decisions (Global Risk Alliance and Department of State and Regional Development, 2005). The purpose of this study is to give an insight into the risk assessment of an NPO in the environmental sector. At the same time, the purpose is to highlight the existing strategies that make this type of organisation flourish and protect itself from unforeseeable risks.

1.2 Background of the Study

The SA non-profit sector is made up of different types of organisations ranging from traditional, charity, faith-based, and community-based organisations. These organisations are characterised by a wide variety of structures and sizes across the socio-political spectra. According to Social Development (2012:4), an "NPO is a trust or association of persons established for a public purpose and the income and property of which are not distributable to its members or office bearers, except as reasonable compensation for services rendered". The State of the South African NPO Register in May 2013, reported that, "there has been a significant increase in the number of new NPOs registered in SA" (Social Development, 2013:13). This makes the NPO sector a highly competitive playing field.

ERM is a business function that has been recognised in the insurance, finance, and operation sectors. Traditionally, ERM focused mostly on hazardous risks such as physical hazards, psychological hazards, environmental hazards, and toxic chemical hazards (Fortress Learning,

2017). According to Dionne (2013:2), "modern risk management emerged after 1955 and since the early 1970s, the concept of risk management evolved considerably, and today risk management has become less limited to market insurance coverage".

In the South African context, "risk management started to develop in the 1970s, where most of the broking houses including Alexandra Forbes, First Bowring, and Glen Rand MIB, were involved in this development, as were major industrial companies" (Dionne, 2013:3). In 1986, major SA companies formed the South African Risk and Insurance Management Association (SARIMA), membership of which is on a corporate basis (Dionne, 2013). Today risk management is taught and practised at formal and informal levels by various professional and educational institutions in SA (Valsamakis, Vivian & Du Toit, 2010).

1.3 Non-Profit Organisations

According to Social Development (2005), "a non-profit organisation is a self-governing, voluntary, non-profit distributing organisation, operating not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education, and research". In general terms, this simply means, NPOs are organisations that do not exist to generate profit and they not primarily guided by commercial goals and considerations (Statistics South Africa, 2012).

In SA, "NPOs were seen as vocal and active players in the struggle against apartheid. During the country's transition period, they played a significant role in mitigating the effects of apartheid's unequal development and in mobilising opposition to the apartheid state. With the focus moving towards service delivery, NPOs have continued to play a major role in filling gaps and advocating on behalf of those living in poverty" (Hussain, 2015:1). However, NPOs in SA are vulnerable and susceptible to the "winds of change which blow from all sides". These organisations function in a context characterised by hopelessness, poverty, crime, ill-health, and multiple disaster risk stressors. They experience tremendous frustrations due to the lack of resources and finances (Holtzhausen, 2013). The table below indicates the number and percentage of SA non-profits and their focus groups or sectors as of 2015:

Table 1.1: Number of registered NPOs by sector

Focus Group	Number of NPOs	%
Social Services	54 392	40%
Development and Housing	28 534	21%
Religion	16 703	12%
Health	11 966	9%
Education and Research	9 607	7%
Culture and Recreation	8 059	6%
Law, Advocacy, and Politics	3 090	2%
Business and Professional Associations, Unions	1 137	1%
Environment	1 577	1%
Philanthropic Intermediaries and Voluntarism Promotion	1 303	1%
International	85.00	0%
Total	**136 453**	**100%**

Source: Social Development (2015)

Social Development (2015:13) states that, within SA, a diverse range of NPOs exist. The non-profit sector is dominated by the social services (40%) and the environmental sector, only accounts for (1%). On the contrary, 2015 saw the unearthing number of NPOs who faced de-registration due to non-compliance with the Republic's requirements set by the Department of Social Development (Social Development, 2015).

1.4 Non-Profit Organisation Structure

Deciding on the organisation's structure requires the organisation to consider the following factors: size of the organisation, available capacity, the level of complexity, and stakeholders' requirements. The structure of an NPO depends partly on where the organisation is incorporated in terms of the focus groups listed in Table 1.1 (Magloff, 2017). It also depends on the legal structure and whether it is a non-profit company, trust, or voluntary association.

1.4.1 Non-Profit Company

The term non-profit company is a contradiction because non-profit companies are not prohibited from making a profit (Bertha Foundation, 2016). However, a non-profit company does not have shares or shareholders, but it can elect to have members, who may be natural or legal persons, including for-profit companies (Bertha Foundation, 2016).

1.4.2 Non-Profit Trust

According to Barnard Inc (2014:1) a non-profit trust "is a legal arrangement between persons (the founder, trustees and beneficiaries) intending to form a trust that is governed in terms of a Deed of Trust for the benefit of the beneficiaries. Trusts can be used to conduct business for profit or to promote causes not aimed at profit".

1.4.3 Voluntary Association

Voluntary Associations are formed by three or more people who enter into an agreement to establish an organisation to achieve a common non-profit objective. According to Minter (2013:1), "these types of entities are usually appropriate for small community based organisations that do not need to manage substantial amounts of money or valuable property or equipment in order to carry out their activities".

1.4.4 Hierarchical Structure

In designing the hierarchical structure, there are generic operating options that provide a starting place. These include a more formal or informal structure and whether a higher or lower degree of member participation is expected (Mollenhauer, Johnston & Gates, 2011). According to Hussain (2015:33), "the involvement of all employees plays a role in determining the ideal organisational hierarchical structure".

In SA, the non-profit structure consists of a board of directors, that "bears primary responsibility for ensuring that an NPO remains true to its values and principles, faithful to its mission, and effective in carrying out its public benefit activities in the public interest" (Rosenthal, 2012:4). The governance responsibility is shared amongst the board, executives, and the employees who offer administration support. Figure 1.1 reflects the most frequently occurring hierarchical structure in the non-profit world.
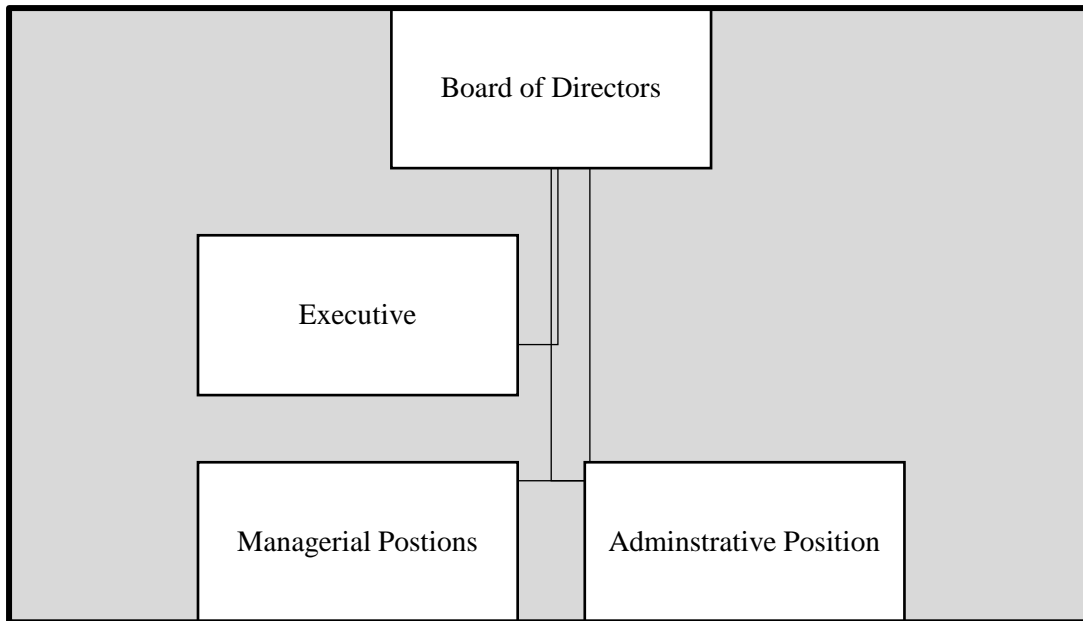
Figure 1.1: The most frequently occurring organisational structure (Source: McSween, 2017*)*

1.4.4.1 Board of Directors

According to Rosenthal (2012:10), "it is the responsibility of the Board to ensure that the vision, purpose, and values of an organisation are clearly defined and instilled throughout the organisation. That they are formally recorded in writing; and that they are reviewed at regular intervals to ensure that they remain relevant, and are owned and carried into effect at all levels of the organisation". The Board meets every month to grow their strategy, solve their problems and discuss any immediate concerns, upcoming events, and changes in programmes or staff (UK Essays, 2015).

1.4.4.2 The Executive

The executive is positioned below the board of directors and above all managers. The executive is responsible for liaising with the board and for carrying out their instructions, as well as for overseeing the people who run the programmes of the NPO (Magloff, 2017). Additionally, executive directors oversee the heads of each department in a non-profit, which include marketing, fundraising, programme development, HR management, and accounting (Ingram, 2017).

1.4.4.3 Managerial Positions

Managerial employees coordinate the daily operations of the organisation. They usually work directly with the stakeholders by providing an array of services and programmes (McSween, 2017). Common managerial positions are project and programme manager, fleet manager, finance manager, and human resources (HR) manager. Managerial employees meet regularly with executive staff to discuss programmes and event updates.

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1.4.4.4 Administrative Positions

The administrative members of an NPO also include the executive director, fundraising staff, marketing staff, other managers, and staff members who work behind the scenes, and not directly in the programmes. The administrative personnel of an NPO can be similar to that of any for-profit organisation, from payroll to HR to accounting (Magloff, 2017).

1.5 Environmental NPOs

Non-profit environmental organisations are designed to mitigate the effect of mankind on the environment and mainstream their activities into the green economy as a tool that promotes social inclusion and sustainability. The community of environmental and conservation organisations in SA have organisations with high profiles, many of them with a nationwide footprint (Straughan & Pollak, 2008). According to Badruddin (2015:705), "non-profits involved in environmental governance are highly diverse, including local, national, regional, and international groups with various missions dedicated to environmental protection, sustainable development, poverty alleviation, animal welfare, and other issues". According to Social Development (2015:21), environmental NPOs focus on promoting "clean air, clean water, reducing and preventing noise pollution, radiation control, hazardous wastes and toxic substances, solid waste management, recycling programmes and global warming". Furthermore, the focus is on the protection of natural resources including plant resources, energy, land, and water. The environmental NPOs also focus on animal protection, where organisations provide protection to endangered animals (Social Development, 2015).

1.6 South African Environmental Sector

The welfare of SA, as well as its economic development, is heavily reliant on the services that ecosystems supply such as air, food, water, energy, medicines as well as recreational, spiritual, and cultural benefits (Department of Environmental Affairs, 2013). However, findings reveal that the country has surpassed its ecological carrying capacity (DEA, 2013). This correlates with the Council for Scientific and Industrial Research (CSIR, 2016) findings that SA has a resource intensive economy which is faced with a decline in natural resources. Therefore, "SA has set its short, medium, and long-term vision for contributing towards an environmentally sustainable, climate change resilient, and low-carbon economy" (National Planning Commission, 2013:199).

1.7 Problem Statement

According to the policy framework of NPO law, management of risk in the non-profit sector has not received adequate attention, yet organisations are expected to set higher standards through self-regulation mechanisms and abide by norms of good governance to improve their own transparency and accountabilities (Social Development, 2012:27). Hence, strong governance supported by effective risk management is foundational to the NPO's ability to anticipate and

effectively respond to complex challenges (KPMG, 2015). Sunjka and Emwanu's (2015) research has revealed similar results to KPMG, that risk management in the non-profit sector has received limited attention in academic literature and has been viewed as a deficiency in these organisations.

Mintz (2012) highlights three connected reasons why NPOs are reluctant to perform risk assessment:

- Certain NPOs do not appreciate the competitive advantage that comes with risk assessment.
- Other NPOs believe they adequately understand their risk profiles.
- Some NPOs indicate that they lack the resources and skills needed to adequately perform risk assessment.

This reluctance is also corroborated by Young (2014), who states that NPOs have taken minimum steps to endorse risk management, and less attention has been paid to the strategic assessment of risks. Furthermore, the Oliver Wyman 2016 report revealed that very few non-profits have processes in place to address issues of risk management (Roberts, Morris, Maclntosh & Millenson, 2016).

The key challenge is that some NPOs treat risk management as an ad-hoc and informal activity, thus leaving the executives with an incomplete view of the entity's risk exposures (Beasley, Hancock & Branson, 2009). Spencer and Hyman (2012) provide three reasons why NPOs treat risk management as an adhocracy activity. These reasons are that it is too costly, it may be unnecessary, and it is not a culture wherein risk is routinely examined and managed simply as part of doing good business. Furthermore, critical decisions related to risk assessment in the non-profit sector are left to volunteer management such as the board members and the paid workforce (Matan & Hartnett, 2011), unlike the commercial world where company owners and chief executive officers (CEOs) determine policies.

Another critical challenge is that it is not easy to strike a balance on how far NPOs should correct market failures (Health and Safety Executive, 2016), thereby creating a challenge to quantify the risk impact. Meanwhile, existing research and concepts developed by management sciences internationally have not fully addressed the needs of managers in non-profit organisations (Domanski, 2016:240).

The problem that warranted this research is the lack of knowledge and the significant gap in the fields of risk management in the non-profit sector. Numerous research approaches have been conducted on private/public risk assessment. However, it appears that a comprehensive risk assessment literature in the non-profit sector is limited.

1.8 Research Objectives

The purpose of the research is to provide insight into the risk assessment of the NPO in the environmental sector. The objectives below guided the study:

- To identify risk assessment processes that NPOs can use to minimise risks;

- To investigate the importance of risk assessment to NPOs; and

- To establish the challenges of risk assessment that are common among NPOs within the environmental sector.

1.9 Research Questions

The research questions are as follows:

- How can non-profit management identify effective risk assessment processes that can minimise risks?

- Why is risk assessment important to NPOs?

- What are the challenges to risk assessment among NPOs within the environmental sector?

1.10 Significance of the Study

There is a significant gap in the area of risk management in the non-profit sector (Matan & Hartnett, 2011). According to Trefry (2014), the gap is between the extent of the risk non-profits face and what they are doing to prepare for it, particularly when it comes to liability. The survey conducted by Open Road Alliance indicates that risk management is absent as a common practice and topic within the non-profit industry (Michaels & Rodin, 2017). The belief that there is a research gap in this field is also shared by researchers such as West and Sargeant and they propose replicating existing risk management theory from the commercial sector to non-profit organisations (Domanski, 2016). According to Domanski (2016:240), "previous studies have concentrated on identifying ways on how non-profits can minimise the risks that they face, rather than on how they can be managed". Research in the non-profit field is a pioneering effort (Young, 2009). Singh (2014) also highlighted a broad gap within the non-profit sector, where it was found that even though the sector contributes a great deal to the economy of SA, there has not been enough research conducted. These limitations motivated the study.

To address these gaps, the study offers insights on how an NPO in the environmental sector can mitigate risks. This is achieved by highlighting existing processes used by non-profits to mitigate risks, by identifying key challenges that hinder effective risk assessment, and, lastly, by investigating why risk assessment is important.

The study is important because it gives insight into how a non-profit organisation comprehends risk assessment and how this is implemented within the organisation. Furthermore, the intention of this study is to create awareness among non-profit leaders so that they can start to measure, prioritise, and manage risks within defined tolerance thresholds in their respective roles.

1.11 Research Methodology Overview

Research methodology is a systematic way of describing, explaining, and solving a problem, and predicting phenomena (Rajasekar, Philominathan & Chinnathambi, 2013). The research design for this study is a case study and exploratory. The researcher used a case study approach because it allows an "in-depth exploration of multifaceted issues in real-life settings and the case study approach is well recognised in the fields of business management" (Crowe, Cresswell, Roberston, Huby, Avery & Sheikh, 2011:1). This method was chosen in support of Williams (2007:68), who outline that, "data collection for a case study is extensive and draws from multiple sources such as direct or participant observations, interviews, archival records or documents, physical artefacts, and audio-visual materials".

This research is exploratory because it seeks to understand the limited body of knowledge of risk assessment for NPOs. According to Sekaran and Bougie (2010: 103), "an exploratory study is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or research issues have been solved in the past".

The study used mixed methods approach, a combination of quantitative and qualitative techniques, adopting a triangulation design. This approach was chosen in support of Yeasmin and Rahman (2012:157), who outline that a triangulation design "increases credibility and validity of results by incorporating several viewpoints and methods".

The target population for the study was the top management of the organisation. The study used a census technique, where all participants who were willing to participate in the study were selected. Data collected were analysed, using thematic analysis and descriptive analysis.

1.12 Limitations of the Study

The results of this study cannot be generalised, since the scope of this research is limited to one environmental NPO. Nevertheless, the study offered significant insights into the risks assessment of environmental NPOs. Additionally, the study used a mixed method approach. As a result, the target population was too small for quantitative data. Based on the exponential law of errors, some authors suggest bigger samples. Therefore, it was imperative for the researcher to highlight this as a limitation to the study. Lastly, a pilot study was not conducted which allows a researcher to pre-test the interviews and questionnaires with a small sample.

1.13 Outline of Chapters

Chapter One indicates the scope of the study. It includes an introduction to the research topic and provides a background to the study. It also presents the problem statement, research objectives, research questions, significance of the study, and research methodology overview.

Chapter Two extensively discusses the literature review related to risk assessment. Risk assessment is defined, ERM is presented as a theoretical framework, a global and a local perspective on risk management is discussed, and functional risk areas are presented.

Chapter Three outlines the methodology followed in conducting the research and includes the study site, sampling strategies, target population, methods of data collection, data quality, techniques of analysis and ethical considerations.

Chapter Four presents the research findings drawn from the data collected. Qualitative findings are presented using themes that emerged from the analysis, while quantitative findings are presented using frequency distribution tables. The results are presented concord with the research objectives of the study.

Chapter Five provides a more in-depth discussion of the findings (presented in Chapter Four). The discussion concords with the objectives of the study and the literature gathered.

Chapter Six offers recommendations to the organisation regarding risk assessment and offers recommendations for future researchers. Furthermore, a summary of the study is included within this chapter.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The preceding chapter discussed the motivation for this research and presented an outline of the study based on the risk assessment of a non-profit organisation (NPO) in the environmental sector. The aim of Chapter Two is to outline the literature related to risk assessment. Risk assessment is vital to NPOs for two connected reasons: firstly, non-profits may wish to protect themselves against disastrous outcomes. Secondly, as non-profits consider innovative methods to address their missions, they may often find that those options which promise the greatest impact also entail the greatest risk.

The literature review seeks to provide an understanding of the key sources and categories of risks that NPOs must pay attention to, followed by the challenges they may encounter when embarking on a risk assessment journey. A comparison between the non-profit, for-profit, and government risk management is offered in this chapter. This is followed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) ERM-Integrated Framework (ERM), which is highlighted as a framework that the NPO can implement to effectively assess risks.

2.2 Defining Risk

The King IV Code defines risk in three parts, namely "uncertainty of events", "the likelihood of such event occurring", and their "effects both positive and negative" The Institute of Directors in Southern Africa (IoDSA, 2016). According to Khorwatt (2015), the term risk can be defined from many perspectives. The International Organisation for Standardisation (ISO) 31000, defines risk as an effect of uncertainty on objectives. According to Berg (2010:79), "the prominent concept in all definitions of risk is, the uncertainty of outcomes". Duong (2013:10) argues that, "uncertainty is a much broader term, while risk is just part of the uncertainty". Therefore, risk should be a "term used to describe cases of known probability, for example, a store can calculate the probabilities that the cashier might mistakenly check an order per every certain number of customers. Hence, the store account might lose some balance" (Duong, 2013:10). Whereas, uncertainty can be viewed as the chance occurrence of some event where the probability distribution is genuinely not known (Dusane & Bhangale, 2014).

2.2.1 Types of Risks

Rodiel and Nemia (2011) define pure risk as a risk in which a gain is not possible, only a loss. Pure risks cover risk exposures of physical assets, HR, legal liabilities, and work-related injuries. Davidson (2003), cited in Khorwatt (2015:2), believes that, "pure risk addresses the possibility of injury or loss and it focuses exclusively on the occurrence of bad things".

Speculative risk is one that has the possibility of either a gain or loss, thus, starting a new non-profit venture entails a speculative risk (Valsamakis *et al.*, 2010). Speculative risks are not insurable because they involve the chance of gain, hence, insurers are interested in pure risks (American Safety Council Inc., 2013). On a macro-scale, this kind of risk covers output and input commodity price, output and input foreign exchange risk and output and input interest rate risk and credit risk (Rodiel & Nemia, 2011).

2.3 Sources of Risk

Organisations, ranging from for-profit to non-profit sectors, operate within the same economic climate, where issues relating to inflation, economic growth, globalisation, currency deficiency, and unemployment impact the strategic decisions of the entire enterprise. It is vital for the organisation to know which risks it can tolerate and bear. Therefore, risk appetite and tolerance must be reviewed all the time. The Global Risk Alliance and Department of State and Regional Development (2005:10) identify three types of risk, namely opportunity-based risks, uncertainty-based risks, and hazard-based risks.

2.3.1 Opportunity-Based Risks

Smart organisations "take opportunity-based risks every day and such organisations are creative, inventive, and continue to succeed despite the changing environment" (Spencer & Hyman, 2011:1). Opportunity-based risks include taking risks that are necessary to capitalise on the opportunities for growth (The World Bank, 2013). Risk and opportunity go hand in hand with most decisions and actions taken by organisations as they seek to improve their fate, as this enables the entity to take advantage of an opportunity and manage the risks inherent within the business model (Enagas, 2014). In contrast, some events may present themselves as an opportunity, yet embarking on the opportunity may result in total failure, which ultimately leads to risks. The greatest challenge of an opportunity-based risk is that the risk may or may not be visible (Global Risk Alliance and Department of State and Regional Development, 2005).

2.3.2 Uncertainty-Based Risks

Managing risk and uncertainty are cornerstones of the manager's role. It is common to liberally use risk and uncertainty interchangeably. However, "uncertainty is the quality of being uncertain in respect of duration, continuance, occurrence and liability to chance or accident. Another definition of uncertainty is a business risk which cannot be measured and whose outcome cannot be predicted or insured against" (Wang, Jie & Abareshi, 2014:90). Koleczko (2012) argues that uncertainty is not only based on randomness, but also on beliefs and behaviour.

2.3.3 Hazard-Based Risks

Any source of potential harm, damage, adverse health effects to individuals and employees is hazard-based related (American Chemical Society, 2015). What makes the hazard-based risk

discussion more complicated is that the public and many stakeholders confuse the terms risk and hazard (Lofstedt, 2011). According to the Global Risk Alliance and Department of State and Regional Development's (2005:12) guide for small business, hazard-based risk "is the most common one associated with business risk management and is normally addressed by the occupational health and safety department". Lastly, hazard-based risks are a critical part of any health and safety programme (Dunbar, 2014).

2.4 Risk Management

According to Choi (2013:4), "risk management is not something new, but the global financial crisis and corporate failures in recent years have put risk management in the spotlight". In the organisational field, "risk management has only recently featured in executives' agendas, changing the perception in the process that this discipline is restricted to insurance experts" (Di Serio, de Oliveira & Schuch, 2011:231).

According to Stiller and Joehnk (2014:84), "risk management is the process of mitigating all opportunities and risks arising from business processes along the value creation chain to avoid or reduce risks". The primary objective of risk management is to ensure the sustainability of the organisation. To meet this goal, risk management must be a process that is integrated into all business processes and derives from companies' objectives. The risk management process begins with a clear understanding of what is the ultimate objective of risk management. This is followed by risk identification, risk assessment, and the ability to monitor the controls put in place to respond to risks (Young, 2014). This process allows an organisation to have a comprehensive view of risk management, which is often referred to as ERM.

Berg (2010:79) defines risk management "as an activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources". Young (2014:3) defines it as "as the process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should such a loss occur". In simple terms, risk management refers to defined methodologies for managing risks effectively, and the application of these methodologies to risks (University of Adelaide, 2016).

Certain authors such as Di Serio, de Oliveira and Schuch (2011) define risk management as a decision-making process, excluding the identification and assessment of risk. Whereas, authors similar to Berg (2010:80) define risk management as a "complete process including risk identification, assessment, and decisions around risk issues". The study follows Berg's definition, where risk management is a complete process that incorporates risk identification, assessment, and decisions.

Based on the ISO 31000:2009, the success of risk management will depend on the effectiveness of the management framework, providing the foundations and arrangements that will embed it throughout the organisation at all levels. Moreover, an effective risk management system requires management commitment, adequate resources, and monitoring and evaluation (DQS Management Solutions, 2014).

2.4.1 Non-Profit Risk Management

It is true that non-profits are not well equipped to address risk issues (Bilich, 2016) because risks often require significant resources, which non-profits do not have, as their for-profit peers do. Yet, these organisations play are pivotal in the economy and exert a vital influence in our daily lives (Chen, Wu & Zhanga, 2012). The turmoil of contemporary business events emphasizes the importance of effective ERM procedures (Ranong & Phuenngam, 2009). Hence, it is not possible for any non-profit to survive without considering risk management. However, "risk management does not guarantee survival. Consolidation, mergers and acquisitions, divestments, and orderly wind-downs are part of a vibrant non-profit sector" (Roberts *et al*., 2016: 8). Roberts et al. (2016: 1) believe that "the non-profit sector can make dramatic improvements in risk management over the next few years".

The non-profit leadership literature recommends that every NPO must have a comprehensive crisis management plan, but it has little focus on risk (Fram, 2014). On the other hand, academic literature suggests that risk must be the responsibility of the whole board prepared by the audit committee (Marks, 2011). According to Matan and Harnett (2011), "executives are now seeing the strategic value of being more informed about risks that might positively or negatively affect their mission goals and objectives".

2.4.2 For-Profit Risk Management

Private companies have acknowledged risk for a while. This is shown by the literature available in the fields of business management, economics, strategy, and finance (Di Serio *et al*., 2011). PricewaterhouseCoopers survey report issued in 2014 indicated that risk management remains a top priority for investors (Lipton, Niles & Miller, 2015:2). Whilst a 2014–2015 National Association of Corporate Directors (NACD) survey revealed that risk oversight was one of the top five issues discussed with institutional investors (Lipton, Niles & Miller, 2015). The above clearly shows that risk management is well documented and profiled in the for-profit environment.

Within the private sector, the Financial Services Industry (FSI) is more likely to have board-level risk committees than non-FSI companies (Deloitte, 2014). Deloitte conducted a study across the globe in the top fifty (50) for-profit organisations per country and the findings revealed the following:

"Boards must fulfil their risk-related roles and responsibilities as effectively as possible. Although those roles and responsibilities vary. They typically include advising senior executives regarding risk and risk management. Being informed of risk exposures of specified magnitudes, and obtaining assurance that management has established risk monitoring and mitigation mechanisms equal to the risks the organisation faces. Other activities may include involvement in setting the organisation's risk appetite, disclosing risk exposures and influencing the risk culture" (Deloitte, 2014:17).

2.4.3 Government Institution Risk Management

Chapter 3, section 40(1) of the SA Constitution of 1996 provides three spheres of government which are distinctive, interdependent, and interrelated (Thornhill, 2011):

- National

- Provincial

- Local (municipal)

The concept of risk management is not new to the public service, in that the basic principles of service delivery (Batho Pele 1997) clearly articulate the need for prudent risk management to underpin the achievement of government's objectives (DEA, 2013:4). According to Pillay (2015:1), "the SA national government implemented ERM to facilitate a strong public sector, able to contribute to economic development, and social upliftment across SA".

A 2013 World Bank Report stipulates that "governments have a critical role in managing systemic risks, providing an enabling environment for shared action and responsibility, and channelling direct support to vulnerable people" (The World Bank, 2013:14).

2.5 Functional Risk Management Areas

Within the non-profit sector, there are types of risks that affect the governance of the organisation and these are discussed in detail. To a certain extent, these risks are interconnected, meaning that the ripple effect of one risk can have enormous implications and creates other risks. NPOs must pay attention to the risks discussed in the following sections, so that, they can develop organisational and structural policies that protect the organisation from negative exposure.

2.5.1 Legal Risk

Legal risk is defined as "the risk of non-compliance with legal or regulatory requirements. Much of the law is general and will apply to all organisations for example; employment law, health and safety, and environmental legislation" (Kamane & Mahadik, 2011:60). There are various rules and regulations governing the operations of non-profits and their activities, depending on the sector they operate in. Generally, in SA, NPOs must comply with the NPO Act 71 of 1997

whereby the Act aims "to provide for an environment in which NPOs can flourish and provide an administrative and regulatory framework within which non-profit can conduct their affairs".

Legal risk management seeks to contribute to corporate governance in various ways. One is facilitative, enabling the boards to understand and respond to the most material legal risks they face, by definition, and then providing high-level information on those risks (Organisation for Economic Co-operation and Development, 2014). Legal risk arises when laws or rules governing certain activities of an organisation may be unclear or untested (Young, 2014). Two areas where legal risks are likely to emanate are non-compliance and contractual failures:

Non-compliance – this is defined as "a process of not meeting the requirements of certain laws and regulations as well as of internal corporate policies. Complying can be a complex task for some of the organisations as there are many uncertainties and challenges. First, new regulations are introduced frequently, subsequently they need to be adapted continuously. Next, many regulations are vaguely written so an interpretation is required" (Dornberger, Oberlehner & Zadrazil, 2014:7). Non-compliance by a registered NPO often leads to penalties and consequences of deregistration (Singh, 2014).

Contractual failures – A contract is a legally binding or valid agreement between two parties (Fitzroy Legal Service Inc., 2016). Failure to perform the contract duties is known as contractual failure and can result in breach and damages (Shinhvi, 2014). According to Epstein (2013:1), "public-private contracting is big business. Over a quarter of local government services are now provided to some degree by private entities".

2.5.2 Operational Risk

Risks that occur because of inadequate systems and controls, human errors, and management failures are often referred to as operational risks (Young, 2014). Operational risk is inherent in all activities, processes, and systems, and their effective management is crucial since it is a reflection of the effectiveness of the board and the senior management in administering its portfolio of products, activities, and systems (Bank of International Settlements, 2011).

Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities, and external events (National Treasury, 2017). To have adequate control of operational risk management, clear roles and responsibilities must be identified, and proper systems must be implemented.

The following description provides an explanation of the causes and the effects of operational risk:

People: Risk exposures arising from people include; the risk of human error with regard to processing, the risk that a working culture may lead to low morale, low productivity, low

concentration, and risk arising from the possibility of incompetent staff (Young, 2014). In addition, the risk of losing key employees, which often results in a decline in productivity, especially for the NPO, whereas in a private entity this could lead to a loss of revenue. Misuse of company resources, organisations often gamble with their valuable resources to make sure employees have every opportunity to work productively with few challenges. However, the downfall to this is a risk of misusing resources, and as a result, impacting the company negatively.

Incorrect data input (processes): Organisations execute a large number of processes to deliver their services. No matter how much the employees double-check their work, mistakes always occur. Though the staff should understand the importance of accuracy for the organisation's operational efficiency, fatigue or simple slip-ups can result in risk (Vanguard Systems, 2017).

Clearly the board cannot manage all operational risks, which means employees have to be responsible for taking steps in ensuring that control measures are put in place to deal with operational risks ((Willis, 2010). However, the board can establish a risk audit committee that is likely to monitor operational risks comprehensively (Weller, 2008). Accurate analysis is required when assessing and managing operational risks because there are a variety of them (Matthews, 2008).

2.5.3 Financial Risk

Managing financial risk is fundamental to organisations of all sizes and types, be they public, private, or non-profit sectors (CPA Australia Ltd, 2015). NPOs rely heavily on various sources of funding, making it one of the major risks they face. Ensuring a constant flow of income would lead to financial stability of the organisation.

Financial risks can detect the level of financial sustainability of the organisation (Padilla, Staplefoote & Morganti, 2012). Hence, NPOs face financial risks in the same way as any for-profit organisation does. However, because NPOs often have limited resources, they must be mindful of their risk exposure in monitoring financial details, in producing revenue, and in managing expenses.

Financial risk emanates from two main sources. One is fraud and theft, which involves any deception to dishonestly make a personal gain for oneself and create a loss for another. Fraud also includes direct activities such as theft, corruption, embezzlement, money laundering, bribery, and extortion (Matthews, 2008). The other is misuse of funds, "NPOs are not immune to incidents of fraud. In fact, in recent years it seems that both the government and the media are paying more attention to the administrative activities of non-profits" (Zurich, 2011: 2).

A proper financial risk management strategy is crucial. According to Moles (2013:20), "financial risk management is the task of monitoring financial risks and managing their impact. It is a sub-

discipline of the wider function of risk management and an application of modern financial theory and practice". The main objective in financial risk management is to reduce the volatility of cash-flow due to financial risk exposure and the reduction enables the organisation to assure that sufficient funds are available for the financial stability of the organisation (Napp, 2011). Financial sustainability is one of the primary concerns for NPOs, "as they are primarily funded by fluctuating donations, government support, and fundraising efforts. Considering that most NPOs have volunteers with minimal experience in the finance, risk, and accounting fields, managing the risk side of the business thus heightens the sustainability challenge" (Blalack, 2016:3). Financial sustainability for NPOs has long been of interest to NPO leaders, current and potential funders, and the communities that NPOs serve. However, NPOs face countless challenges in establishing and maintaining financial sustainability to improve the sustainability and performance of its less-resourced branches that serve high-need communities (Padilla *et al*., 2012).

2.5.4 Organisation or Corporate Governance Risks

The IoDSA (2016:20) define corporate governance "as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: an ethical culture, good performance, effective control, and legitimacy". Hence, governance provides the structure through which objectives of the organisation are set, and the means of attaining those objectives and monitoring performance are determined (McGee, Thomas & Wilson, 2010).

The goal of the governance principle is "to provide a strategic direction and to ensure an achievement of an organisation's objectives at the same time. It is a process of establishing rules and procedures within all levels of an organisation and communicating them to relevant stakeholders" (Dornberger *et al.*, 2014:6).

It is due to instances of fraud, corruption, maladministration, power, and other risks that governance has become important (Moeller, 2011). For any organisation, it is vital that they follow the King IV Code, "which provides organisation's governing bodies with a model for the way in which any area that is subject to their governance should be approached" (IoDSA, 2016:47).

2.5.5 Property Risk

The term property risk:

> "refers to events that specifically impact an organisation's facilities and physical infrastructure. Risks such as fire, adverse weather conditions, and terrorist attacks all fall into the category of property risk. In addition to damaging and destroying physical property, property risk events also have the potential to create stoppages in business operations and material financial losses." (ERM Initiative, 2010).

Physical property generally is categorised as either real or personal, where the real property represents permanent structures that, if removed, would alter the functioning of the property (Baranoff, Brockett & Kahane, 2012). In practical terms, risks that emanate from property range from fire, loss of valuable assets such as vehicles, computers, printing machines, the crash of computer servers, building damages, floods, and other natural disasters. Therefore, non-profits must pay attention to making sure that contingency plans are available. These can range from having a backup server, if the computer server crashes, property insurance, if something happens to the building, car insurance, for any unforeseeable damages, and tight security systems.

2.5.6 Reputational Risk

Reputation risk in the non-profit sector "can bring a loss of confidence in the organisation, resulting in a decline in demand for its services, diminishing donor support, fewer volunteers, or even a withdrawal of strategic alliances and collaboration partners" (Matan & Hartnett, 2011:9).

NPOs are dependent on public confidence, hence, Young (2014:15) stipulates that "the more an enterprise is dependent on public confidence, the greater the potential of financial cost of any reputational damage, as it will affect the total organisation and not just a specific part of the business where the problem occurred".

The possible consequences of reputational risk include a loss of valuable and key stakeholders, a loss of funding or income, a negative impact on the organisation's image and branding, a negative influence on the employees in terms of morale and their confidence in the organisation, and an increased focus on the organisation's governance by regulators and external auditors, which could be costly in terms of employee's time (Matan & Hartnett, 2011).

2.5.7 Fundraising Risk

The expression, "it takes money to make money", is as true for fundraising as it is for any other arena (Meltzer, 2011). Fundraising includes efforts to raise funds from individuals, grants, and philanthropies (Non-profits Made Easy, 2006). Fundraising risks incorporate different factors, ranging from ignoring donors wishes, failing to comply with charitable registration laws, lack of transparency, "sweeping mistakes under the rug", isolating fundraising responsibility, and "missing the mark" (Herman, 2012). In addition, poor fundraising methods can have a direct impact on the finances of the organisation, since non-profits rely heavily on cash injections. To have a risk-free fundraising process, an organisation's accountability and transparency must be promoted. Hence, current and prospective donors need to know that the money they give will be used effectively, that it will not go to support frivolous activities, and that the organisation will be around long enough to benefit from their hard-earned investments (Meltzer, 2011). Due to an increasing growth in the number of NPOs in SA, these organisations operate in a highly

competitive environment, where everyone is largely dependent on donors for financial support (Holtzhausen, 2013).

2.5.8 Risks involving HR

Human resources refers to the management of people in an organisation. It involves "a process of ensuring that the organisation has the right people, doing the right jobs at the right time" (Itika, 2011:9). Due to a continuously changing business environment, the HR managers of the future will face significant challenges in the management of labour (Singh & Dhawan, 2013). Contemporary human resource management faces the following risks: critical skills shortage, succession planning, insurance, data issues, ethical and behavioural risks, intellectual property loss, and compliance and regulatory risks (Jacobs, 2013). The risks involving HR perpetuate if employers do not meet the rules and regulations governing labour activities ranging from, labour relations, employment equity, basic conditions of employment, compensation for occupational injuries and disease, unemployment insurance fund, to the skills development levy.

Effective risk management requires HR personnel to gather information on labour related issues, governance, and compliance issues. Furthermore, "the HR director should present company directors with a complete report of HR compliance and operational risks, as well as the recommended actions, and accept responsibility for reducing them" (Meyer, Roodt & Robbins, 2011:4). Additionally, employees must be valued and treated with dignity to ensure productivity and effectiveness, because, if not, then an organisation is prone to facing risks related to HR. Techniques such as employee well-being programmes, performance appraisals, career development, training and fair treatment must be applicable to avoid risks originating from HR.

2.5.9 Risk of Serving a Vulnerable Population

A vulnerable population includes the economically disadvantaged, racial, and ethnic minorities, the elderly, the homeless, rural residents who often encounter barriers to accessing decent basic services and those with chronic health conditions (Clinical Care Targeted Communications Group, 2006). Various NPOs exist to mitigate and assist in these factors. Serving such populations requires sensitivity and care, otherwise an organisation will be dealing with uncontained risks.

There is often a great demand for non-profit goods and services. Hence, these organisations have limitations, and, in SA, numerous NPOs face serious financial and capacity challenges, with many already closing or scaling back their activities (BDO South Africa, 2013).

A study conducted by the NPO Finance Fund revealed that, in 2012, fifty-two percent of the non-profits could not meet the demand for the services they offer (Buteau, Chaffin & Gopal, 2014).

2.6 Risk Assessment

The Department of Environmental Affairs (DEA) defines risk assessment as the collaborative and consultative workshop or interview process whereby risks are identified, measured, and analysed according to a set methodology (DEA, 2013:41). The DEA (2013) also highlights a key perspective that risk assessment is currently being liberally utilised within institutions. For example, safety, security, disaster assessment, business continuity, and internal audits are often referred to as risk assessment. Mohammad and Nunna's (2011) definition of risk assessment is not different from the DEA's, and they define risk assessment as a systematic and comprehensive approach to dealing with risk. In risk assessment, the analysts often attempt to answer questions such as "What can go wrong?"; "What is the likelihood that it would go wrong?"; and "What are the consequences?" (Mohammad & Nunna, 2011).

The difference between risk management and risk assessment is that risk management is a process that is underpinned by a set of principles, and also needs to be supported by a structure that is appropriate to the organisation and its external environment or context (The Public Risk Management Association, 2010), whereas risk assessment is a step towards an effective risk management (Kosutic, 2016). Additionally, risk assessment can be qualitative, quantitative or both. A risk manager needs to determine whether qualitative or quantitative risk assessment is required. However, it boils down to the organisational structure and set up (Kosutic, 2016). According to the King IV Code, the board should ensure that risk assessment is conducted and that assurance is received regarding the effectiveness of the company's management of risk (Candor, 2017). It can be argued that risk assessment is the most important stage of the risk management process. Various methods have been used for risk assessment such as: simplified risk analysis, coarse analysis, standard risk analysis, brainstorming sessions, HAZOP, and risk matrices (Moja, Van Zuydam & Mphephu, 2016).

2.6.1 Risk Assessment Process

The risk assessment process is "the process of collecting, organising, analysing, interpreting, communicating, and implementing information to identify the probable frequency, magnitude, and nature of any major incident which could occur within the organisation and the measures to remove, reduce or control the potential cause of such an incident" (Council for Scientific and Industrial Research, 2012:3). To conduct risk assessment, current auditing standards emphasize the importance of gaining a complete understanding of an organisation as well as its environment (Khorwatt, 2015). Within the COSO ERM-Integrated Framework, risk assessment is a process that begins with identifying events and proceeds to risk assessment, with the purpose of assessing how big the risks are, both individually and collectively, to focus management's attention on the most critical threats and opportunities (Curtis & Carey, 2012).

Furthermore, risk assessment aims to anticipate risks. Then, in the case of negative risks, it aims to prevent them from eventuating, or to minimise their impact if they do. Risk assessment does not involve creating huge amounts of paperwork, but, rather, it identifies sensible measures to control the risks within the workplace (Health and Safety Executive, 2016). Risk assessment allows an entity to consider the extent to which potential events have an impact on the achievement of objectives (Curtis & Carey, 2012). Management considers inherent risks and residual risks as part of the risk assessment process. Inherent risk is the risk in the absence of any actions management might take, or has already taken, to reduce either the risk's likelihood or impact (Curtis & Carey, 2012). In contrast, residual risk "is the amount of risk that an entity prefers to assume in the pursuit of its strategy and business objectives knowing that management will implement, or has implemented direct or focused actions by management to alter risk severity" (PricewaterhouseCoopers, 2016:69).

2.6.2 Types of Risk Assessment

Risk assessment approaches may be qualitative, quantitative, or both, depending on the nature of the data available and the questions to be answered (Jacxsens, Uyttendaele & Meulenaer, 2015). A quantitative risk assessment is an analysis of the highest priority risks, to which a numerical rating is assigned to develop a probabilistic analysis of the project. A quantitative analysis quantifies the possible outcomes for the project and assesses the probability of achieving specific project objectives. It provides a quantitative approach to making decisions when there is uncertainty, and it creates realistic and achievable targets (Fremouw, 2017).

According to Marhavilas, Koulouriotis and Gemini (2011:478) there are seven quantitative risk assessment techniques ranging from the PRAT technique, the DMRA technique, measures of societal risk, QRA, QADS, CREA method, to WRA. These are outlined as follows:

1. **The Proportional Risk-Assessment (PRAT)** technique refers to "a proportional formula for calculating the quantified risk due to hazard. The risk is calculated considering the potential consequences of an accident, the exposure factor, and the probability factor" (Marhavilas *et al*., 2011:480).
2. **The Decision Matrix Risk-Assessment (DMRA)** is a technique that is quantitative and a graphical method which can create liability issues and help risk managers to prioritise and manage key risks (Chen *et al*., 2012).
3. **Quantitative Risk Measures of Societal Risk (QRMSR)** is the societal risk associated with an operation of a given complex technical system, where risks are evaluated and an accident is determined and the frequency is measured along with the consequences (Marhavilas *et al.*, 2011).

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4. **The Quantitative Risk-Assessment (QRA)** allows a site operator to quantify and determine the acceptability of risks arising from major process hazards on an industrial site (Dekra Insight, 2016). QRA is suitable for industrial plants with explosive hazards (Marhavilas *et al.*, 2011).

5. **Quantitative Assessment of Domino Scenarios (QADS)** is based on a systematic methodology for the identification of domino scenarios and for the assessment of consequences and expected frequencies of the escalation events (Cozzani, Antonioni & Spadoni, 2006).

6. **The Clinical Risk and Error Analysis (CREA)** is based on techniques which are well established in industry and have been adapted for the medical domain. Hence, it is a quantitative method which supports analysis related to organisational vulnerabilities within healthcare settings (Matr, 2011).

7. **The Weighted Risk Analysis (WRA)** is a tool that can compare different risks such as investments, economic losses, and the loss of human lives in one dimension (Suddle, 2009).

Qualitative assessment is important because, "it provides support for further investigation of quantitative, but can also provide information needed for risk management" (Iacob, 2014:64). This assessment is often used when numerical data is inadequate, unavailable, resources are limited, and when time allowed is reduced. Furthermore, the qualitative assessment begins with obtaining information on risk factors, followed by risk classification in terms of "acceptable" or "unacceptable", or classifications such as "low", "medium", and "high" (Radu, 2009).

There are seven qualitative risk assessment technique, ranging from Experience-based Judgement, Checklists, What-if Analysis, Task Analysis, Safety Audits, STEP techniques, to HAZOP (Dusane & Bhangale, 2014). These are outlined as follows:

1. **Experience-Based Judgements** is a technique in which experts use their judgments that may rely on knowledge and information retrieved from memory (information-based judgments) and they heavily rely on their subjective feelings (Nussinson & Koriat, 2008).

2. **Checklists**, when well conceptualised, "can be an effective tool for assessing hazards and implementing safe work practices. An important benefit to the checklist methodology is its ability to quantify risk and provide scalability across an organisation. This allows the researcher and the organisation to conduct a comparative risk assessment to identify specific processes or research operations that present higher degrees of risk to the organisation" (American Chemical Society, 2015:65).

3. **What-if Analysis** consists of structured brainstorming, to determine what can go wrong in a given scenario, and then judging the likelihood and consequences that things will go

wrong (American Chemical Solutions, 2017). The aim of this method is to identify sources of risks and this is done by analysing the potential consequences of deviations in a system (Alverbro, Nevhage & Erdeniz, 2010).

4. **Task Analysis** entails various methods that have been developed for analysis of specific types of tasks such as cognitive tasks or system designs. Organisations choosing to implement task analysis should determine which method is most appropriate to the task in question (Nopsema, 2017).

5. **Safety Audits** are procedures by which, "the operational safety programmes of an installation, a process or a plant are inspected. Safety audits identify equipment conditions or operating procedures that could lead to a casualty or result in property damage or environmental impacts" (Marhavilas *et al.*, 2011:479).

6. **The Sequentially Timed Event Plotting (STEP)** technique is an important part of the safety management and accident prevention process. STEP provides a comprehensive systematic process for accident investigation from the description of the accident process (Herrera & Woltjer, 2009).

7. **Hazard and Operability** technique "is a systematic and detailed method that was developed in the process industry. Different guidewords (such as 'no', 'less', 'higher', 'instead') are used to identify potential deviations in a system. The method is qualitative and the aim is to find potential problems in a system. Consequences, causes, current protection, and recommended actions are usually described and displayed in a table" (Alverbro *et al*., 2010:7).

2.6.3 Summary of the Difference between Quantitative and Qualitative Risk Assessment

Table 2.1: The difference between quantitative and qualitative risk analysis

Qualitative Risk Assessment	Quantitative Risk Assessment
Qualitative risk assessment processes consider all the risks identified in the identification process.	Quantitative risk assessment processes only consider the risks which are marked for further analysis.
Qualitative risk assessment processes do not analyse the risks mathematically to identify the probability and distribution rather, stakeholder's inputs (expert judgment) are used to judge the probability	Quantitative risk assessment uses probability distributions to characterise the risk's probability and impact, it also uses a project model (e.g. schedule, cost estimate), mathematical and simulation tools to

and impact.	calculate the probability and impact.
This predicts likely project outcomes in terms of money or time based on combined effects of risks. It estimates the likelihood of meeting targets and contingencies needed to achieve the desired level of comfort.	In this, we assess individual risks by assigning the numeric ranking of probability and impact, usually, the rank of 0 to 1 is used where 1 demonstrates high.
Qualitative risk assessment processes are usually applied in most of the projects.	Quantitative risk assessment processes may not be applied to many simple or moderately complex projects.

Source: Saket Bansal (2014)

When choosing what type of risk assessment to follow, organisations must decide whether to conduct self-risk assessment (internal) or independent risk assessment (external). According to Herman, Gray, Broda and Miller (2010:10), "conducting a self-risk assessment is an excellent first step in broadening awareness about risk and risk management within the organisation. The potential negatives are that most non-profits do not have the luxury of assigning the risk, as most personnel wear multiple hats, and an assessment conducted by insiders may not be as effective in spotting the wide range of issues facing the organisation".

On the other extreme, an independent risk assessment differs from the self-assessment approach in the sense that the assessment is conducted by a consultant who specialises in risk management as a profession. This means an independent organisation separate and distinct from those responsible for the development and operations conducts the risk assessment (United States Postal Services, 2016).

2.6.4 A Global View on Risk Assessment

According to the Deloitte Global Risk Review (2014), the world faces risks that can be addressed by long-term thinking and collaboration among businesses, government, and civil society. North American literature reveals that very few non-profits have the techniques in place to address issues related to risk management, specifically, financial risk management (Roberts *et al*., 2016). The research conducted by Roberts et al. (2016) revealed that ten percent (10%) of non-profits are

insolvent; forty percent (40%) have virtually no cash reserves; over forty percent (40%) have lost money between 2013 and 2015; and only less than thirteen percent (30%) are financially strong.

Furthermore, high-profile non-profit failures and scandals have increased the scrutiny of the non-profit sector in North America. In 2014, the largest social services agency in New York, the Federation Employment and Guidance Service, suddenly closed due to financial mismanagement. In January 2016, Goodwill Industries of Toronto declared bankruptcy, leading its CEO and Board of Directors to resign. In March of the same year, the Wounded Warrior Project fired its CEO and Chief Operations Officer after reports of wasteful spending (Bilich, 2016).

The research conducted by the Organisation for Economic Co-operation and Development (OECD) revealed that globally each country has its own set of standards and codes governing risk management (OECD, 2014). For example, in Switzerland, the Swiss Code of Obligations (CO) addresses risk management as one of the areas that the board of directors can delegate to the executive board. In Singapore, the Monetary Authority of Singapore (MAS) issued a revised Code in May 2012 based on the recommendations submitted by the Corporate Governance Council. In the United Kingdom, there is a revised UK Corporate Code which raises the bar on risk management (Perry, 2014). Over and above this, the OECD has its own risk management policies that aim to assist OECD countries in identifying the challenges of managing risks in the 21st century.

Globally, there is an ISO 31000:2009 which offers principles, guidelines, a framework, and processes for managing risk. This can be used by any organisation regardless of its size, activity, or sector. Using ISO 31000 can help an organisation increase the likelihood of achieving objectives such as increased profits, productivity, customer service, and employee retention. In addition to the above objectives, ISO 3100 can improve the identification of opportunities, threats and effectively allocate and use resources for risk treatment (ISO, 2017).

2.6.5 A South African Perspective of Risk Assessment

According to the Institute of Risk Management in SA (2017:4)

> SA's risk landscape continues to evolve at a rapid rate. Political, economic, and societal risks still dominate the national top ten risk profiles. Several negative consequences of these risks were experienced throughout 2016 making it increasingly difficult for the country's international reputation to remain in a positive light. These consequences also indicate that the achievement of the SA government's National Development Plan (NDP) priorities and objectives for 2030 could become a more arduous task.

According to Social Development (2012), in SA, NPOs are governed by the Codes of Good Practice for South African NPOs. The codes consider various aspects of the non-profit; however, it also expounds the risk management elements such as:

- **Accountabilities and Transparency:** A non-profit must maintain open and productive relationships with its key stakeholders in order to achieve accountability and transparency, especially to those the organisation serves and those who provide the resources to the organisation. Therefore, it is in the best interests of the organisation and its leadership to pay close attention to improving its standards of accountability and transparency (Social Development, 2012). A responsibility of the Board is to ensure commitment to accountability and transparency (Rosenthal, 2012).

- **Ethical and Responsible Behaviour:** Ethical leadership and governance of ethics of an organisation remains important, especially so to NPOs (Crous, 2017). The code stipulates that, "all NPOs are expected to conduct their operations ethically and behave responsibly in their dealings with others. While the application of the following standards and principles might vary from one organisation to the next, they remain a good place to start" (Social Development, 2012:16). The standards and principles provided by the code that must be maintained at all cost in order to achieve good ethics and responsible behaviours are: honesty, integrity, promise keeping, loyalty, fairness, caring and respect for others, transparency, responsible citizenship, accountability, pursuit of excellence, and safeguard public trust.

- **Governing Body**: According to Rosenthal (2012:9), "effective leadership is the core of good governance". It is important to have a governing body that is responsible and can contribute to the success of an NPO by assisting it in achieving better operation results and access to funding, grants, and loans (IoDSA, 2016). The ten basic responsibilities of a non-profit governing body are to:

  (i) determine the organisation's mission and purpose, (ii) select the CEO, (iii) support the CEO and review his/her performance, (iv) ensure effective organisational planning, (v) ensure adequate resources, (vi) manage resources effectively, (vii) determine and monitor the goals of the organisation's programmes and services, (viii) enhance the organisation's public image, (ix) serve as a court appeal, and (x) assess its performance (Wyngaard & Hendricks, 2010:27).

The King Code principles have been drafted largely in general terms so that all entities, including NPOs, can apply them to measure and achieve good governance (Van Wyk, Ramalho, Starke, Copley, Camay, Henry & Nambiar, 2013). The King Code in SA comprises of a

"set of rules and practices by which a governing board is supposed to ensure accountability, fairness, and transparency in an organisation's relationship with its

stakeholders. The King Code is non-legislative and is based on principles and practices. Although, the code is not enforced through legislation, due to evolutions in South African law, many of the principles are now embodied as law in the Companies Act of SA 2008. The philosophy of the code consists of the three key elements of leadership, sustainability, and good corporate citizenship. It views good governance as essentially being effective and ethical leadership" (Nexia SAB&T, 2016:1).

Currently, the King IV Code document pioneered by the IoDSA provides high-level guidance and direction on how the code should be interpreted and applied by various sector and organisation types. The code has various supplement parts that include a supplement for NPOs to address non-profit legal forms, but is not limited to organisations that have been granted NPO status in terms of the Non-Profit Organisations Act. It thus also applies to NGOs, PBOs, and other NPOs, but would exclude social enterprises that follow a for-profit business model (IoDSA, 2016).

2.7 Risk Assessment Challenges

Pursuing a risk management concept requires time, knowledge, resources, and experience. Non-profits are bound to experience difficulties when executing risk assessment or risk management methodologies and, much like their counterparts, they are not exempt from challenges. A number of these are discussed below:

2.7.1 Funding

According to Coalition on Civil Society Resource Mobilisation (2012:5), "the South African non-profit society is currently facing a funding crisis. This has resulted in a multiplicity of sustainability and institutional development challenges with reasons for these circumstances including a decline in international funding, leadership, identity changes and an apparent unwillingness of government to meet its responsibilities to the sector". NPOs tend to operate on a fixed budget. For most, the goal is to spend as much of the operating budget on the organisation's mission or purpose (O'Rourke, 2013).

2.7.2 Lack of Know-How or Skills

Know-how is a key resource for any business and a potential lever for a competitive advantage (Lee & Van den Steen, 2010). Lack of know-how often leads to unfocused implementation or execution of risk assessment (DeLoach, 2015). Therefore, organisations should provide necessary training to all their employees to improve their task proficiencies. Effective training in management and risk assessment can bring success for the organisation (Sadikoglu & Olcay, 2014).

2.7.3 Organisational Structure

Organisational structure can best be defined as the way that an organisation arranges people and jobs so that its work can be performed and its goals can be met (Elsaid, Okasha & Abdelghaly, 2013). Smit and Ngambi (2011) define organisational structure as a process of developing the relevant business units, departments, or sections, and then providing the necessary coordination to ensure that these business units, departments, or sections work synergistically. Organisational structure challenges arise if the following principles are violated and are not implemented or monitored closely: unity of command and direction, chain of command, span of control, division of work, standardisation, coordination, responsibility, power, delegation, downsizing and delayering (Smit & Ngambi, 2011). The NPO structure is often ill understood because few understand these organisations well, and it is frequently ill-conceived because of the wrong assumptions about how NPOs function (Anheier, 2009).

2.7.4 Management Structure

The management structure that dominates environmental organisations is often led by conservationists, environmentalists, ecologists, and zoologists, to name a few. These professionals often pay less attention to ERM as a holistic process, but rather tackle risks as they arise. The need to consider risk management often arises from the supporting functions such as finance, project management, and HR. Sometimes, these functions can be overlooked, since the main focus of an environmental NPO is to conserve and protect the environment and serve the public in need. Therefore, management tone becomes essential because "it has a trickledown effect on everyone involved, which means it is likely that if top managers uphold ethics and integrity, so will employees, but if upper management appears unconcerned with ethics and focuses solely on generating funds or donations, employees will be more prone to commit fraud because they feel ethical conduct is not a priority" (Matan & Hartnett, 2011:13).

According to Buteau et al. (2014), leadership capacity is crucial to the effectiveness of NPOs management structure, and without it, the deepest suffering will be visited upon the millions of people who rely directly and indirectly on the services that non-profits provide and the social value they create.

2.7.5 Communication

Effective communication is defined as the process of gathering essential information about the organisation and the changes occurring within it (Husain, 2013). Therefore, risk assessment requires effective communication. This is supported by Lyon and Hollcroft (2012:33), who state that "successful risk assessment depends on effective communication with stakeholders before, during, and after the process, otherwise the result will be a less-effective assessment. Risk assessment also involves stakeholders throughout the process and seeks their input. Stakeholders

include internal personnel, as well as trustees, board members, investors, partners, donors and vendors".

2.7.6 Complex Environment

In today's environment of complexity and accelerated change, NPOs find themselves asking the most important question, how can we adapt our organisation to better accomplish our mission and thrive in this environment? (Mollenhauer, 2017). This need to adapt clearly shows that NPOs have changed drastically in recent years. They are now recognised as one of the leading social actors who can provoke social change. As Table 1.1 indicated, 40% of the NPO sector is dominated by social services. Vidal and Torres (2005) also noted that NPOs undergo a construction process, with an important increase of their activities and a growing organising complexity. Staying relevant, adapting to new technology, political influence, and financial sustainability are some of the factors that increase complexity (Mollenhauer, 2017).

2.8 Integrated Enterprise Risk Management Framework

The rationale behind the ERM-Integrated Framework approach, is to maximise value when the decision-makers set strategies and objectives of the organisation (Dafikpaku, 2011). The framework was developed by COSO, a voluntary private sector organisation dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance (COSO, 2017).

According to Clontz and Havens (2015:1), "ERM takes a more comprehensive approach when compared to traditional risk management. ERM looks at something resembling a risk portfolio – the organisation's aggregate risks. It enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value". Furthermore, it ensures coordination of a series of strategic, operational, and organisational activities that enables the company to ensure that objectives will be met with a degree of certainty (Enagas, 2014). ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and ought not to be considered and managed in isolation (Okhahlamba Local Municipality, 2013: 5). Understanding the principles and processes for effective risk assessment will help business owners make informed decisions (Global Risk Alliance and Department of State and Regional Development, 2005).

ERM is becoming an expected best practice in the overall governance of organisations. It is known that organisations, including non-profits, must assume risks if they want to further their mission, and allow executives to see the strategic value of being more informed about risks that might positively or negatively affect their mission goals and objectives (Matan & Hartnett, 2011). Hence, the turmoil of contemporary events emphasises the importance of effective ERM procedures (Ranong & Phuenngam, 2009).

Effective ERM policies and practices can increase stakeholder confidence, competitive advantage, and ultimately an organisation's long-term viability. However, previous studies suggest that the concept is poorly understood in practice and organisations are failing to implement the intended benefits (Cormican, 2014).

According Curtis and Carey (2012), the ERM framework has in the past provided a good starting point for organisations as they begin their ERM journey. Furthermore, it enables the organisation to establish the relationship of key risks across the business, and how they can identify, address, and monitor these uncertainties (Faris *et al*., 2013). Unlike traditional risk management practices, the concept of ERM embodies the notion that risk analysis cuts across the entire organisation and the goal is to better understand the shock resistance of the enterprise to it key risks (Society of Actuaries, 2016).

2.8.1 Objectives of the Integrated Enterprise Risk Management Framework

ERM must be part of the organisation's strategy in the field of quality (Paraschivescu, 2016). It can be argued that ERM provides the necessary framework for continuous improvement, total employee involvement, systematic approach, fact-based decision-making, communication, management commitment, and customer focus.

2.8.1.1 Continual improvement

Van Aartsengel and Kurtoglu (2013:12) define continual improvement as an "assembly of people working together to achieve common objectives through a division of labour". ERM forces organisation leaders to use Plan-Do-Check-Act, referred to as the PDCA (Gorenflo & Moran, 2010). The PDCA approach achieves a balance between the systems and the behavioural aspects of management (Health and Safety Executive, 2016):

- *Plan*: The purpose of this phase is to investigate the current situation, fully understand the nature of any problem to be solved, and develop potential solutions to the problem that will be tested (Gorenflo & Moran, 2010).
- *Do:* The aim of this phase is to implement and control what was planned (ISO 9001: 2015).
- *Check:* During this phase, there is careful examination of partially achieved objectives. This is part of monitoring by management and is one of the executive's tasks (European Commission, 2014:6).
- *Act:* The act step closes the cycle, integrating the learning generated from the entire process, which can be used to adjust the goals, change methods, or even reformulate a theory altogether (The Deming Institute, 2017).

2.8.1.2 Total employee involvement

Sofijanova and Chatleska (2013) define total employee involvement as a process of participation and empowerment of employees in order to use their input and skills towards achieving higher individual and organisational performance. ERM recognises that many obstacles to achieving an organisational goal can be identified and solved by employees. Factoring the employee aspect into ERM enables the organisation to appreciate the value of employees and provide them with the necessary tools to continuously improve their performance.

2.8.1.3 Systematic approach

The ERM framework can integrate risk management within the department's performance management cycle, which includes finance, administration, projects, fleet, marketing and communication, supply chain, and HR departments. Within the risk management context, the systematic approach is a consistent one to identify the potential risks in any new project (Kelleher, 2012).

2.8.1.4 Fact-based decision-making

ERM is a comprehensive approach to risk management. Therefore, every element or unit of the organisation is scrutinised, allowing management to make fact-based decisions. Through ERM, managers can make or take decisions based on sound information that is accurate. Hence, fact-based decision-making embraces an approach to truth and rationality that is based on the scientific method and the use of data for decision-making (Solms, 2013).

2.8.1.5 Communication

According to Choudhary and Rathore (2013:2085), "effective communication is the life wire of any organisation regardless of its size or nature. If properly used, it is an instrument for effective job performance, and serves as an index for employee motivation and the resultant high productivity". For ERM to work, communication between all levels in the organisation is vital, thus, it is important to note that without effective communication, it will not work in an organisation (Rougan, 2015). Hence, an ERM programme, supported by robust risk communication between the management team and the board of directors, can help a company outperform its counterparts (Nottingham, 2014).

2.8.1.6 Management commitment

Top management is generally a team of individuals at the highest level of organisational management who have the day-to-day responsibilities of managing a corporation (Deros, Rahman, Ghani, Wahab, Hashim & Khamis, 2008). The ERM process works best when all top managers of the organisation contribute. The COSO-ERM framework states that managers of the organisation must support the entity's risk management philosophy, promote compliance with its risk appetite, and manage risks within their respective spheres of responsibility consistent with

risk tolerances (DeLoach, 2015). In other words, ERM forces management or leadership to "walk the talk".

2.8.1.7 Customer focus

Instead of having customers, NPOs' emphasis is on stakeholders. This group may include people who benefit from the service provided by an organisation, and on a larger scale, it also includes donors, funders, and other relevant parties. NPOs have a clear understanding that, without key stakeholders, there would be no purpose to their work, no pay-check, and no company investment (Slack, Chambers & Johnston, 2010). ERM enables the organisation to achieve reliability, responsiveness, assurance, and empathy in dealing with its stakeholders (Venkataraman & Pinto, 2011).

Holistically, objectives above will ensure total quality management (TQM) is maintained within the organisation. Therefore, risk management can be viewed as one of the TQM techniques. TQM is an effective system for integrating the quality development, quality maintenance, and quality improvement efforts of the various groups in an organisation to enable daily operations at the most economical levels, which will allow for full stakeholder satisfaction (Slack *et al.,* 2010).

2.8.2 COSO: Enterprise Risk Management Integrated Framework

Faris et al. (2013) highlight a key problem when it comes to risk management. For some organisations, risk management is ad hoc, informal, and implicit, leaving executives and boards with an incomplete view of the entity's top risk exposure. In addition to this problem, critical decisions related to risk assessment, especially in the non-profit sector, is left to board members and paid workforce (Matan & Hartnett, 2011), unlike the corporate world, where business owners and chief executive officers determine policy.

COSO is a voluntary private sector organisation dedicated to improving organisational performance and governance through effective internal control, ERM, and fraud deterrence. It is jointly sponsored by the American Accounting Association (AAA), the American Institute of CPAs (AICPA), Financial Executives International (FEI), the Institute of Management Accountants (IMA), and The Institute of Internal Auditors (IIA) (Committee of Sponsoring Organisations of the Treadway Commission, 2015). Since the release of COSO in 1992, the framework has been widely accepted and used, particularly in providing thoughtful leadership and guidance on internal control (Protivit, 2013), and is suitable because it can critically evaluate risks and stimulate effective control tools that can enhance the organisation.

Internal Environment
Objective Setting
Event Identification
Risk Assessment
Risk Response
Control Activities
Monitoring
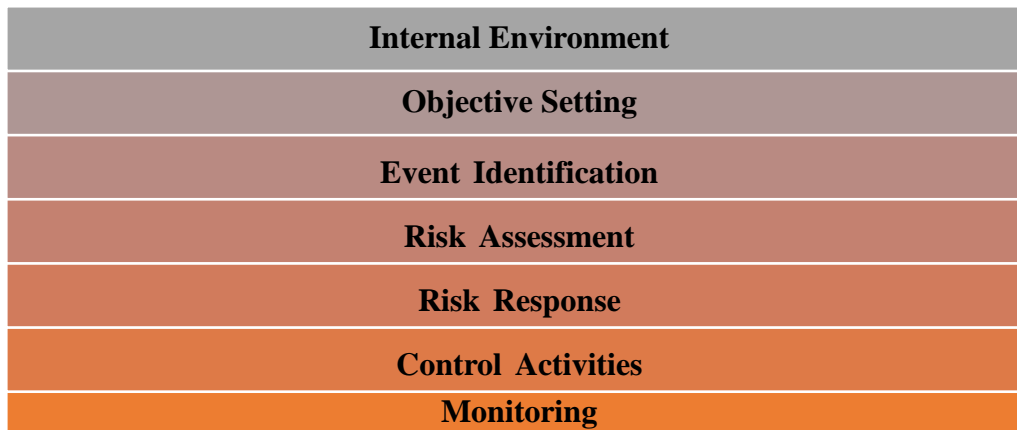
Figure 2.1: Enterprise risk management integrated framework (Source: Faris *et al*., 2013)

2.8.2.1 Internal environment

The internal environment reflects the tone of the organisation and how it considers and manages risk (Faris *et al*., 2013). The internal environment should be the actualisation of leadership vision, strategic vision, and strategic operations. In this phase, the organisation needs to establish the level of capacity it has in conducting ERM (Faris *et al*., 2013). The internal environment also includes factors such as an entity's risk management philosophy, risk appetite, oversights by the board of directors, the integrity, ethical values, and competence of the entity's people (Curtis & Carey, 2012).

2.8.2.2 Objective and goal setting

The terms "goals" and "objectives" are often used interchangeably in practice, whereas, they mean two different things in terms of outcomes. One is usually used to describe long-term outcomes, the other short-term. Therefore, "goals" mean general statements of long-term outcomes and "objectives" are statements of short-term outcomes generally achievable in one year or less (University of California, 2012).

All ERM programmes need to start with the basis of organisational objectives as the backdrop for risk considerations and management activities (Faris *et al*., 2013). The best objectives are measurable, with an achievable end state, indicating that the objective has been achieved (University of California, 2012). Hence, in this phase organisations can use a SMART Method. SMART objectives are written using the following guidelines: (1) Specific – define exactly what is being pursued? (2) Measurable – is there a number to track completion? (3) Attainable – can the goal be achieved? (4) Realistic – doable from a business perspective, and (5) Timely – can it be completed in reasonable amount of time? (Lawlor & Hornyak, 2012). SMART objectives enable an organisation to gauge progress and, in terms of risk assessment objectives, must contain clear work plans, potential to focus attention, and commitment to performance targets (Berry & Thomas, 2011). Holistically, the SMART technique will make sure that both the risk assessment

objectives and goals of an organisation are specific, measurable, assignable, realistic, and time related.

2.8.2.3 Event identification

The purpose of the risk identification step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of objectives (ISO 31000, 2009). Therefore, risk identification is a systematic effort to identify and document the organisation's key risks (Okhahlamba Local Municipality, 2013). The risk identification is achieved by completing checklists, organising meetings for identifying risks and analysis of archived documents (Dinu, 2012). The external and internal environment forces should be top-of-mind when considering risk identification. Furthermore, the organisation must place a huge emphasis on sustainability, as this will distinguish between sustainable risks and opportunities against the full spectrum of a company's risk (Faris *et al*., 2013).

Within the risk identification procedure, six instruments have been outlined, and these ranged from Brainstorming, Flowcharts, SWOT analysis, Delphi technique, PESTEL analysis, to Risk Questionnaires or Surveys.

Brainstorming: This instrument is divided into two phases: (i) the idea generation phase, in which participants generate as many ideas as possible; and (ii) the idea selection phase, in which each participant supports his/her idea in order to convince the others. In this second phase, the ideas are filtered, leaving only those approved by the entire group. This technique has four basic rules: (i) Criticism is ruled out; (ii) 'Free-wheeling' is encouraged; (iii) Quantity is wanted; and (iv) Combination and improvement (Garrido, Ruotolo, Ribeiro & Naked, 2011:244).

Flowcharts: The flowchart method is used to demonstrate and sequentially depict the activities of an operation or process to identify exposures, dangers, and hazards. According to Dinu (2012), there are various flowcharts methods that can be used including product analysis, dependency analysis, site analysis, decision analysis, and critical path analysis. The above methods can illustrate interdependency within an organisation. They can easily pinpoint bottlenecks and can determine a critical path. They do not indicate frequency or severity, but only show minor processes with major loss potential.

Swot analysis: This is a device that helps organisations to evaluate the strengths, weaknesses, opportunities, and threats involved in any business enterprise (Ommani, 2011). A SWOT analysis is used to identify risks to strengths, risks that can arise from weaknesses, and risks that emanate from opportunities and threats (Insurance Commission of Western Australia, 2016).

Delphi technique: Delphi is "a technique to obtain an opinion consensus about future events from a group of experts" (Garrido *et al*., 2011: 244). This method is identical to brainstorming, but here

the experts are not familiar with each other and they operate at different places (Renault, Agumba & Ansary, 2016). According to Baumann, Erber and Gattringer (2016: 33), "these experts provide their judgment and respective justification in writing, usually by answering a questionnaire. The answers are given independently in the first round, however, usually more than one round is included so the experts are able to revise their opinions".

PESTEL analysis: This is a strategic planning tool used to evaluate the impact of political, economic, social, technological, environmental, and legal factors. It involves an organisation considering the external environment before starting with the assessment of risks and it is a good way of ensuring one has captured all potential risks and issues (Rastogi & Trivedi, 2016).

Risk questionnaires or surveys: Risk questionnaires are valuable because they can help the organisation think through its own risks by providing a list of questions around certain ones, both internally and externally (Dinu, 2012).

In addition to the above techniques, organisations can use an environmental scanning methodology to identify sources of risks. Environmental scanning is a process of dealing with the measurements, projection, and evaluation of changes in the different environment variables (Babatunde & Adebisi, 2012). This can include micro, market, and macro environment analysis, depending on the organisation's desecration. Environmental scanning requires monitoring, evaluation, and dissemination of information from the external environments to key people within the organisation (Wheelen & Hunger, 2010). Understanding environmental factors can lead to the proper identification of risks that NPOs face in their daily operations. Clontz and Havens (2015), identified the areas in which risks to non-profits exist. These risks include legal risks, operational risks, financial risks, corporate governance risks, property risks, reputation risks, fundraising risks, risks involving HR, and risks of serving vulnerable populations.

2.8.2.4 Risk assessment procedure

Risk assessment is the way in which organisations assess how significant each risk is to the achievement of their overall goals (Curtis & Carey, 2012). To accomplish this, an organisation must have a risk management process or assessment that is practical, sustainable, and easy to understand.

Additionally, the assessment must proceed in a structured and disciplined manner. It must be correctly sized to the enterprise's size, complexity, and geographic reach (Okhahlamba Local Municipality, 2013). When assessing the risks, management must consider the likelihood and impact of a given outcome to determine how it should be managed (Johnson & Johnson, 2013). According Curtis and Carey (2012), risk assessment processes include the following steps, shown in Figure 2.2:
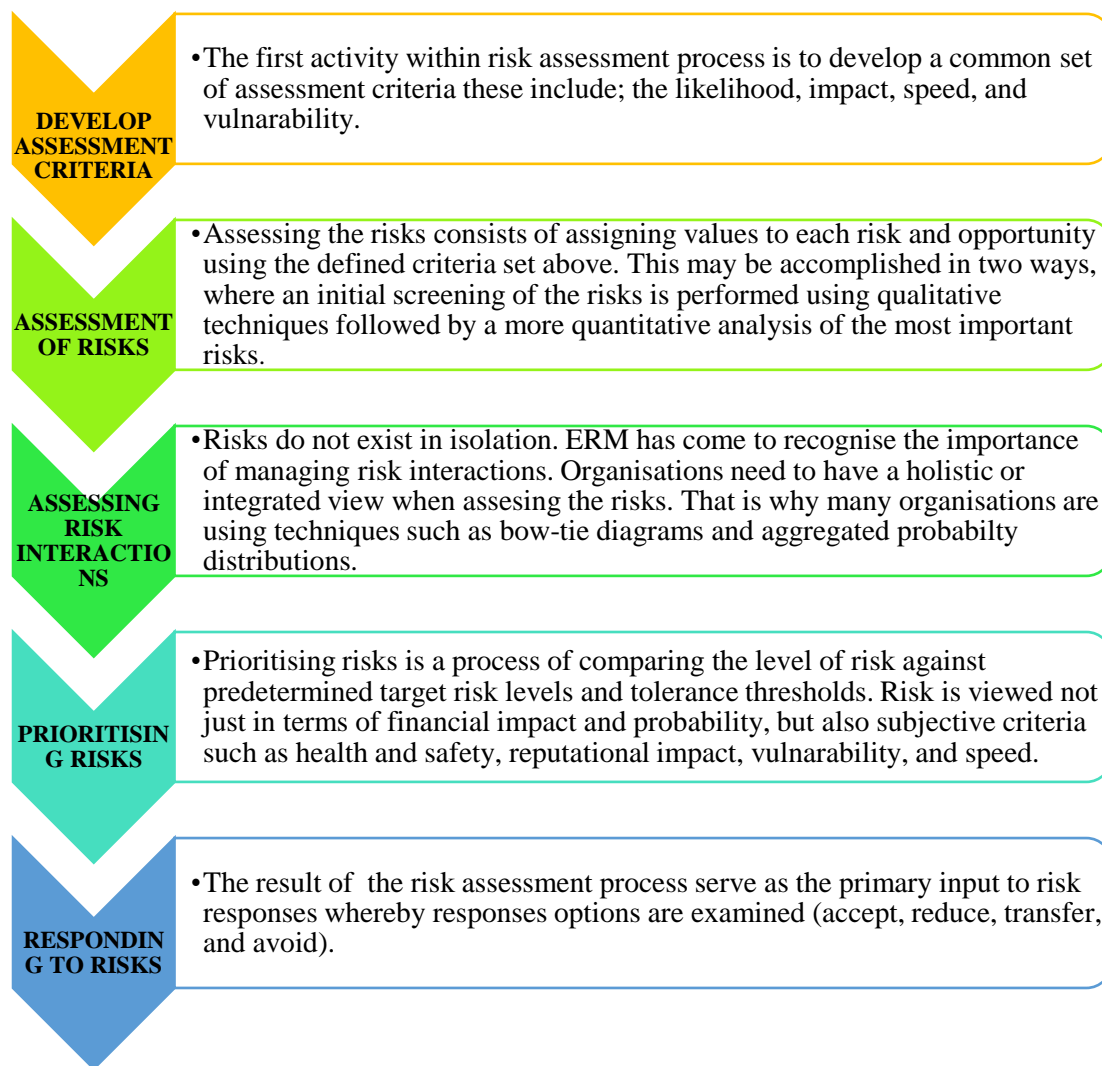
Figure 2.2: Risk assessment flow chart (Source: Curtis and Carey, 2012)

The following steps provide a standard risk assessment process approved by the COSO. Within the COSO-ERM framework, risk assessment follows event identification and precedes risk response. Its purpose is to assess how big the risks are, both individually and collectively, in order to focus management's attention on the most important threats and opportunities, and to lay the groundwork for risk response.

Risk assessment is all about measuring and prioritising risks so that risk levels are managed within defined tolerance thresholds without being overcontrolled or forgoing desirable opportunities (Curtis & Carey, 2012).

STEP 1 – Developing assessment criteria

Once the relevant risks have been identified and established, the likelihood and impact of them eventuating must be assessed and rated. Developing assessment criteria is important because it

enables an organisation to identify a structured flow of how to assess risks. Below is a description of risk assessment criteria an organisation can utilise to effectively assess risks.

Risk assessment criteria:

1. The Likelihood (Probability) Assessment is the process of deciding the likelihood of the identified risk occurring. Each risk should fall into one of five categories: almost certain, highly likely, possible, possible but unlikely, and almost never.

2. The Impact (Consequences) Assessment is the process of assessing the consequences caused by the identified risks. The impact can be in this format: severe, significant, moderate, minor, and minimal.

3. The Risk Rating/Matrix is a combination of probabilities and impacts. The practice of grading risks should be a day-to-day activity. The matrix provides a mechanism which incorporates consequences and likelihood scales by which to ascertain risk scores and identify the level of subsequent action required to be taken as appropriate.

4. The Risk Escalation is a system whereby an increasingly higher level of authorisation is required to sanction the continued tolerance of increasingly higher levels of risk. Some organisations use the term risk elevation.

STEP 2 – Assessing the risks

Assessing risks consists of assigning values to each risk. When assessing risks, it is critical to determine whether the identified risks fall under inherent risk, residual risk, or both. Inherent risk, is the risk to the organisation in the absence of any actions management might take to alter either the risk's likelihood or impact (Curtis & Carey, 2012). This means there are no controls in place to mitigate the risk because they exist before one addresses them. Inherent risk is not a real-life scenario. On the other extreme, residual risk is the risk left over after mitigating measures have been applied (Humanitarian Outcomes, 2016).

Risk assessment is often performed as a two-stage process: an initial screening of risks and opportunities, using qualitative techniques followed by a more quantitative treatment of the most important risks and opportunities lending themselves to quantification. However, not all risks are meaningfully quantifiable.

Likelihood or probability assessment

Probability of risk assessment involves deciding how likely it is that the risk will occur. Each risk should fall into one of the five categories: almost certain, highly likely, possible, possible but not likely, and almost never. The risk might occur once, every one to two years, and so forth, and can be classified as medium probability. The risk might occur once every three to five years and is classified as low probability. The risk might occur less frequently than once in five years. Where

historic information is available about the frequency of an incident's occurrence, it should be used to help determine the likelihood of the risk eventuating (Curtis & Carey, 2012).

Table 2.2: Likelihood assessment

Rating	Description	Definition
5	Almost certain	90% or greater chance of occurrence
4	Highly likely	65% up to 90% chance of occurrence
3	Possible	35% up to 65% chance of occurrence
2	Possible but unlikely	10% up to 35% chance of occurrence
1	Almost never	Less than 10% chance of occurrence

(Source: Compiled by the researcher 2017)

Impact Assessment

The highest rated impact statement should be used to determine the impact rating of a risk. The impact aspect of risk assessment involves considering what the potential impact of the risk would be to the organisation, client or project. Each risk should fall into one of the following categories: severe impact, significant impact, moderate impact, minor impact, and minimal impact.

- Severe impact: Severe risks can severely compromise the strategic objective of the organisation and the programmes or projects pursued. Severe impact cannot be managed without significant extra resources.
- Significant impact: This kind of impact also compromises strategic objectives of the organisation as well as the programmes or projects being pursued by the entity.
- Moderate: These are risks that can impact the organisations strategic objectives moderately. Moderate impact also needs extra resources for effective management.
- Minor impact: This category of impact does not have a direct impact on the strategic objective of the organisation, and the impact felt day-to-day is also minor. These impacts can be managed with the current resources.
- Minimal impact: This kind of impact has no real effect on outcomes or objectives of the organisation. Any impact on the organisation's capacity can be absorbed and there is no impact on any stakeholder.

STEP 3 – Assessing risk interaction

Risks do not exist in isolation and organisations have come to recognise the importance of managing risk interactions. Therefore, organisations are gravitating towards an integrated or

holistic view of risks using techniques such as; 5x5 matrix, bow-tie diagrams, and aggregated probability distributions (Curtis and Carey, 2012).

Risk Matrix

A 5x5 matrix is used by mapping the likelihood and impact ratings (Curtis & Carey, 2012). The rating is the point where the likelihood and impact ratings intersect. The key factor in the table below is that the whole does not equal the sum of its parts. To understand an organisation's risk, one must understand the individual elements plus their intersections, due to the presence of natural hedges and mutually amplifying risks.

Table 2.3: Risk matrix

IMPACT		Almost never	Possible but unlikely	Possible	Highly likely	Almost certain
	Severe	🟦	🟦	🟥	🟥	🟥
	Significant	🟨	🟦	🟦	🟦	🟥
	Moderate	🟨	🟨	🟨	🟦	🟦
	Minor	🟩	🟨	🟨	🟨	🟦
	Minimal	🟩	🟩	🟨	🟨	🟨
LIKELIHOOD						

Source: Curtis and Carey (2012)

Risk Escalation

The risk escalation defines who must be informed and who has the authority to accept risk, based on its magnitude, and it defines steps that must be taken by each manager to escalate risks and incidents that occur within their own daily tasks (Health Services Executive, 2012).

Table 2.4: Risk escalation

	RISK ESCALATION AND REPORTING LEVELS
Zone 4	Board of Directors and Chief Executive Officer
Zone 3	Executives and Directors
Zone 2	Deputy Directors and Senior Leadership Team
Zone 1	General Management

Source: Compiled by the researcher (2017)

Zone 4: These risks must be reported to the Board of Directors and CEO. They have a severe impact and the likelihood of them happening is certain.

Zone 3: These risks must be escalated to the Executives and Directors of the organisation. The risk implication is between minor and severe, and the likelihood is between almost never and almost certain.

Zone 2: The risks that have a significant, moderate, minor, and minimal chance of occurring must be escalated to the Deputy Directors and Senior Leadership team. The chances of these risks happening is between almost never and possible.

Zone 1: These risks have a minor and minimal impact, and the likelihood is almost never or possible but unlikely. Therefore, these risks must be escalated to the general management.

STEP 4 – Prioritising risks

In addition to the matrix, an organisation can use a four-quadrant model, where risks are classified in accordance to their prioritisation.
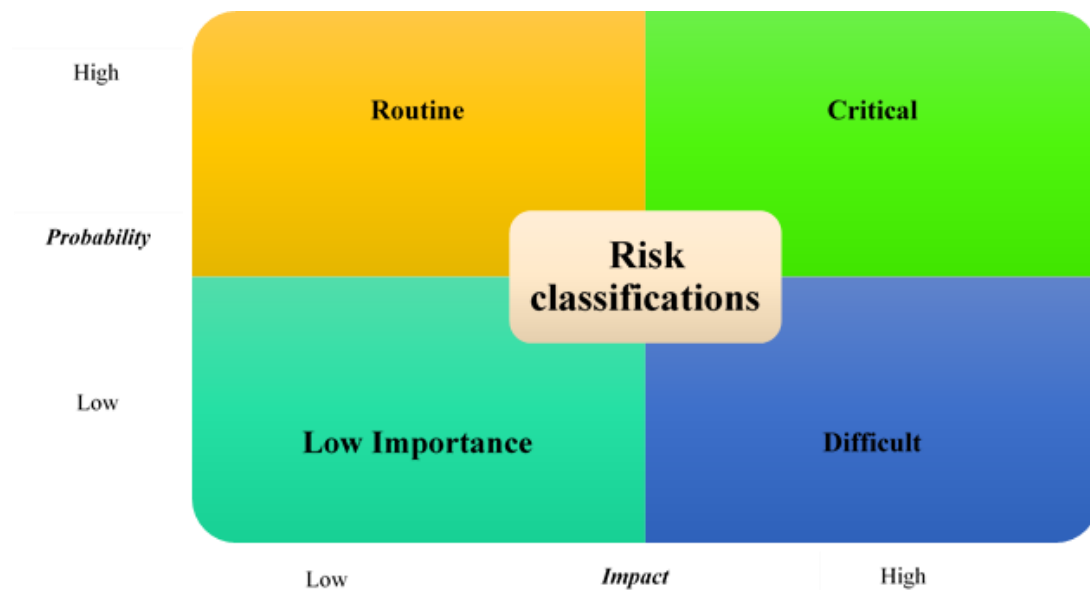
Figure 2.3: Risk classification (Source: Institute of Management Accountants, 2007)

The four quadrants on the chart define different categories of risk, which require different management approaches. These are described below, extracted from the Institute of Management Accountants (2007):

- *Critical risks*: These are major risks with a high probability and high impact on the organisation. They require explicit management to keep them under control. Additionally, they can make or break the organisation. Therefore, undivided attention from management is required when treating critical risks. Executive management and the Board must deal with critical risks.

- *Difficult risks*: These are risks which are unlikely to occur, given their low probability, but which would have severe consequences if they did. Difficult risks create a bottleneck for management and if not attended to they can create a severe impact on the organisation. Management cannot leverage if faced with difficult risks, given that these are special and rare risks and if they do happen they can have huge financial implications for the organisation. Middle to top management needs to make sure these are dealt with effectively.

- *Routine risks*: These are commonly occurring risks with a minor impact on the organisation, as they occur frequently. Actions to mitigate them should be built into a routine process. These risks are bound to happen, yet the impact is minor or minimal. Therefore, management have some leverage over them in terms of forecasting and predictions.

- *Low importance risks*: These are risks which have both low likelihood and low impact responsibility and may be delegated to lower management in the organisation. Such risks need to be monitored to see if they develop into more important risks. Management have

total control over low important risks, and managing them does not require enormous resources.

STEP 5 – Responding to risk

The end product of the risk assessment process serves as the primary input to risk response strategies, whereby response options are developed and examined (Curtis & Carey, 2012). The following step of the COSO-Integrated Framework below covers the effective risk response strategies: Accept, Reduce, Avoid, and Transfer.

2.8.2.5 Effective risk response decisions

After conducting risk assessment, organisations must be able to make sound and informed decisions or responses as per risk concerned. The process of responding to risk factors is a crucial aspect of risk management, referred to as risk response strategies (Bhoola, Hiremath & Mallik, 2014). Response strategies for negative risks include risk avoidance, reduction, transfer, and acceptance; and for positives risks, response strategies include sharing, exploiting, and enhancing (Johnson & Johnson, 2013). While considering risk response strategies, management assesses the effect on risk likelihood and impact (Faris *et al.*, 2013).
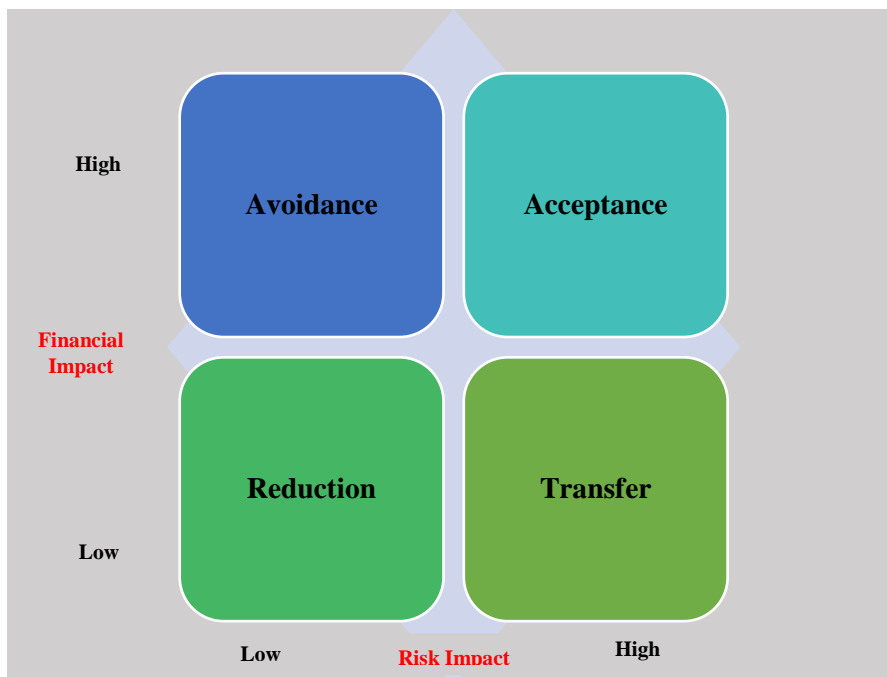
Figure 2.4: Risk response strategies (Source: Compiled by the researcher, 2017)

Risk reduction: This type of risk strategy or response has a low risk impact and a low financial risk impact. Risk reduction, also known as risk mitigation, reduces the probability and impact of an adverse risk event to an acceptable threshold. It also means taking proactive measures to

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reduce the risk rather than trying to repair the damage after the risk had occurred (Project Management Institute, 2008).

Risk transfer: Organisations are well known for using this type of risk strategy or risk response, where they share the risks with other organisations (Project Management Institute, 2008). This often happens when an organisation outsources some of its activities to a third party, and that party is said to carry risk elements to certain extent. According to the diagram in Figure 2.4, risk transfer has a high-risk impact, since it does not eliminate risk but rather shifts it to a third party. This is normally done by taking insurance policies and outsourcing (Newton, 2015).

Risk acceptance: This is an informed decision to tolerate or take on a risk (University of Vermont, 2012). This strategy is only used if a better response strategy cannot be identified. Accepting the risk might be sufficient to proceed with the project (Roseke, 2015). Using the acceptance strategy means that the severity of the risk is lower than the risk tolerance level. If this were not the case, it would not make sense to accept the risk (Project Management Tips, 2009).

Risk avoidance: This type means eradicating the risk by eliminating the cause of the risk event (Systemico, 2015). It involves taking actions to either reduce the probability of the risk or its impact to zero, therefore, making the risk impact minimal (Newton, 2015). However, reducing the risk comes with costs and at the same time it is time consuming (Project Management Institute, 2008). Using a risk avoidance strategy requires an organisation to bear the financial impact.

2.8.2.6 Control activities

Control activities are the policies and procedures that help ensure that management's risk response is carried out (Thomson Reuters, 2011). The control activities phase requires organisations to select and develop general control activities to support the achievement of objectives (Everson, Beston, Jourdan, Soske, Harris, Posklensky, Martens, Garcia, & Perraglia, 2013). One of the ways to ensure that controls are implemented is to have Standard Operating Procedures (SOPs) for every business function, project or initiative pursued by the organisation. SOPs are formal written guidelines for incident response. They typically have both operational and technical components and enable emergency responders to act in a coordinated fashion across disciplines in the event of an emergency. Clear and effective SOPs are essential in the development and deployment of any solution (SAFECOM, 2016). Risk management processes must have a SOP document that outlines the guidelines, tasks, and the responsibilities concerning risk matters. Having a risk SOP is essential as it reduce the learning curve for the new employees. A well written and researched SOP can be a lifeline to new employees and make it easier to find out what policies and procedures are in place to handle repetitive situations (Virtual Productivity Solutions, 2011). Through SOPs the ability to clearly articulate roles and responsibilities becomes

clear and, at the same time, it provides an assurance that an employee understands their role and responsibilities.

SOPs provide an additional level of assurance of consistency (Woznyj, 2015). According to Akyar (2012), they are useful for promoting quality through consistent implementation of a process of procedure within the organisation. They supply individuals with the information to perform a job regularly and aid consistently in the quality and integrity of an end result. Finally, SOPs guarantee that acknowledged procedures are followed in compliance with company and any other relevant regulations.

2.8.2.7 Monitoring

Monitoring is, "the evaluation phase designed to bring a systematic, disciplined approach to assessing and improving the effectiveness of risk management programme implementation. It is not just the implementation that needs to be evaluated and improved; it is the actual risk reduction measures themselves" (Homeland Security, 2011:25).

In the evaluation phase, ERM deficiencies must be reported, with serious matters reported to top management and the board (Protiviti, 2016). Firstly, organisations can adopt a continuous monitoring, which is a process of frequently assessing risks; secondly, they can adopt internal and external audit programmes that will help bring control measures into play; lastly, entities can adopt a management review which includes reviewing risk profiles and activities across the organisation (University of Adelaide, 2016).

2.9 Creating a Risk Profile

When developing a risk profile, the organisation must understand the following aspects:

- strategy or relevant organisational objective

- performance targets and acceptable variances in performance

- risk capacity and appetite for the entity

- severity of the risk to the achievement of the strategy and business objective (Committee of Sponsoring Organisations of the Treadway Commission, 2016).

While no risk management system can ever be complete, the idea is to make certain that identified risks are managed within reasonable levels. Risk profiles incorporate plans that need to be reviewed on an annual basis (Curtis & Carey, 2012). According to the COSO-Integrated Framework, four levels of risk profile need to be developed and maintained at the organisational level. These are strategic risks, operational risks, compliance risks, and financial and reporting.
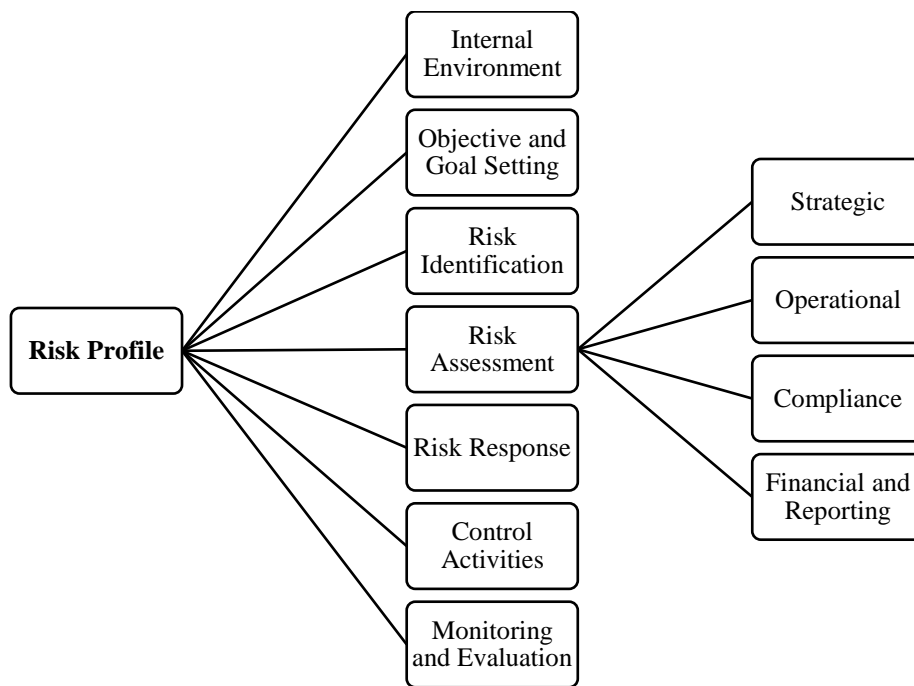
Figure 2.5: Risk portfolio (Source: Compiled by the researcher, 2017)

According to the Okhahlamba Local Municipality Risk Management Framework (2013), the development and maintenance of the profiles should be a continuous process and management should formally assess and agree on the profiles annually. Private companies place a huge emphasis on these four risk profiles (Johnson & Johnson, 2013).

2.9.1 Strategic

Top-down risk assessment should be performed when the vision, long-term development priorities, and objectives are determined (Okhahlamba Local Municipality, 2013). Specific risks at a strategic level are: negative impact to reputation, competition, loss of trade secrets, and a reduction in business vitality (Johnson & Johnson, 2013). The idea behind strategic risk is to make sure an organisation can consider sustainable issues and make sure they are dealt with promptly (Faris *et al.,* 2013). At a non-profit level, strategic risk includes the quality of programmes, the organisation's physical capacity, the success with which the non-profit achieves its mission, the demographics of donors, and the management of the changing expectations of donors, clients, and staff (Matan & Harnett, 2011).

2.9.2 Operational

Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, suppliers, external stakeholders, regulatory authorities, and external events (Okhahlamba Local Municipality, 2013). Operational risk examples include counterfeiting, inefficient use of resources, increased business costs, and physical damage of property, assets, and other unnecessary disruptions. From an NPOs' perspective, these risks

include the cost of programmes and services, management of endowments, personnel differed capital maintenance, cost of capital (debt), and cost of innovative technologies (Matan & Hartnett, 2011).

2.9.3 Compliance

Many organisations face new and expanding regulatory compliance risks, resulting from an increasing number of international, national, and regional programmes (Faris *et al*., 2013). According to the Curtis and Carey (2012), the key risk areas that emanate directly or indirectly from regulatory measures are varied and can include health and safety, human rights and labour laws, anti-bribery, and environmental risks.

2.9.4 Financial and Reporting

In the face of mounting pressure to be transparent, a growing number of organisations are choosing to report on sustainability (Curtis & Carey, 2012). Sustainability reports help readers understand how well the reporting organisation is doing within the sector. According to the IoDSA (2009:104), "it is important for sustainability reporting and disclosure to highlight an entity's plans to enhance their positive impact and eradicate or ameliorate its negative effects".

In the non-profit industry, organisations rely on various sources of funding such as donors, government funding, and corporate donations for their sustainability (Global Policy Forum, 2017). These donors and funders seek reports, quarterly and annually, to trace financial expenditure and ensure the deliverables are met within a reasonable standard. Effective reporting is critical and it involves "proactive and transparent communication and engagement with stakeholders on all material matters affecting the company" (IoDSA, 2009:103). Furthermore, the benefits of reporting include a better reputation, meeting expectations of employees, improved access to capital, increased efficiency, and waste reduction (EY & The Boston College Center for Corporate Citizenship, 2013).

2.10 The Importance of Risk Assessment to the Non-profit Organisation: Why Manage Risks in a Non-profit?

Risk assessment is important because it can identify those risks that require management attention and it can prioritise risk control actions in terms of their potential to benefit the organisation (The Public Risk Management Association, 2010). According to Mancuso (2012:191), "organisations without the processes and people in place to manage risk exposure are vulnerable to devastating losses if a crisis occurs. Addressing risk before a problem arises decreases the organisation's risk exposure and the potential for damages or liability". There are several reasons why NPOs should invest in risk management and they go beyond the traditional means of conducting risk assessment. Two of these reasons are protecting tangible and intangible assets the non-profit requires to operate and freeing up resources for community-serving activities.

2.10.1 Achieving Public Accountability

To make risk assessment work, accountability is needed to integrate risk assessment into the organisation (Office of Communities, 2009). Public accountability is a key benefit for securing additional funding, from a non-profit point of view. In addition, accountability in the organisation means that funders need to know how their money is being spent, feedback should be given on the activities, and trust needs to be created between donors and the organisation. Lastly, it is harder for criminals to commit fraud or abuse the system if the organisation is fully accountable (Charity Commission, 2010).

2.13.2 Achieving Transparency

Risk assessment forces a need for transparency, which includes the imperative for honest and open engagement, and this requires communicating the positive and negative effects the organisation has had on the stakeholders.

2.10.3 Attracting New and Existing Stakeholders

A risk assessment value proposition to stakeholders simply means that the organisation's model will deliver value to each stakeholder (donors, clients, partners, employees, communities, and customers), and the value will be superior to the other options available to them (Agile Strategy Institute, 2010). It also means that the organisation has a solution to address stakeholders' needs better than other solutions (Agile Strategy Institute, 2010). Hence, commitment is important in any relationship, because it adds value to diverse entities so that all can work together (Voge, 2009).

2.10.4 Freeing up Resources for Mission and Efficient Use of Resources

Through effective risk assessment, the organisation can guard against poor decision-making, complacency, and inadvertent exposure to any potential devastations (Office Communities, 2009). Non-profit leaders can make informed decisions and appropriate risk responses such as risk avoidance, risk reduction, risk transference, and risk acceptance (Okhahlamba Local Municipality, 2013).

Additionally, ERM can improve the framework and tools used to perform the critical risk management functions in a consistent manner, thus eliminating redundant processes and improving efficiency by allocating the right amount of resources to mitigating the risk (Kreiser, 2013).

2.10.5 Staying True to Mission

Through effective risk assessment, non-profits can protect themselves against disastrous outcomes that could threaten their survival and their capacity to address their mission (Young, 2006). Moreover, they can consider alternative ways to address their mission.

2.10.6 Board Requirement

Non-profit board members have two responsibilities, namely, support and governance, each requiring different skills and expertise. In the role of supporter, board members raise money, bring contacts and networks to the organisation, and act as ambassadors to the community. Therefore, risk assessment can serve as a strategic guide to the non-profit board members in terms of the status of the organisation.

2.10.7 Creating a Risk Focused Culture within the Organisation

According to Wang et al. (2014:90), "the most important aspect of risk management is the integration of risk into an organisation's culture and values". Organisations that have implemented ERM have witnessed a rising interest in risk at senior levels. This, ultimately, results in more discussion of risk at all levels. Thus, the resulting cultural shift allows risk to be considered and breaks down silos with respect to how risk is managed (Kreiser, 2013).

2.11 Conclusion

A successful risk assessment requires organisations to follow an effective framework. This chapter explored a COSO-Integrated ERM Framework. It also explored various types of risks a non-profit can expect to encounter such as, legal, financial, operational, reputational, fundraising, governance, property, HR, and serving a vulnerable population. Additionally, challenges and benefits of risk assessment were highlighted. In the next chapter, the research suitable for the study is reviewed. It includes the research methodology, study location, data collection, data analysis, reliability, and validity of the study, and ethical considerations.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter presented the literature pertaining to risk assessment, allowing the researcher to establish the need to conduct this research. The objective of this chapter is to outline and justify the methods of data collection and analysis by highlighting the concepts of research methodology. Rajasekar et al. (2013:5) describe research methodology as "the procedure by which researchers go about their work of describing, explaining, and predicting phenomena". The chapter aims to give a full description of research design strategies, data collection methods, data analysis, reliability, validity, and all the ethical considerations that were considered.

3.2 Research Design

Research covers a wide range of phenomena and it is the application of the scientific method in searching for the truth about a phenomenon (Zikmund, Babin, Carr & Griffin, 2013). Moreover, research involves the systematic investigation of a phenomenon to develop or increase knowledge of that phenomenon (Bryman & Bell, 2011). Research is important because of its contribution to knowledge, which is valued at various levels of social life. Throughout society, we rely heavily on the outcomes of research to form judgments, make decisions, and take actions that involve people's lives and the expenditure of valuable resources (Bryman & Bell, 2011).

This research design was a case study and exploratory in nature. The research was a case study because this approach allows "in-depth explorations of complex issues in their real-life settings, and the approach is well recognised in the fields of business, law, and policy" (Crowe *et al.*, 2011:1). This method was chosen in accordance with Williams (2007:68), who outline that, "data collection for a case study is extensive and draws from multiple sources such as direct or participant observations, interviews, archival records or documents, physical artefacts, and audio-visual materials. The researcher spends time on-site interacting with the people studied".

According to Sekaran and Bougie (2010: 103), "exploratory study is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or research issues have been solved in the past". Hence, the research was also exploratory because it sought to understand the limited body of knowledge of risk assessment for NPOs. As the name implies, exploratory research is not intended to provide conclusive evidence from which to determine a particular course of action; in this case the aim was to clarify ambiguous situations or discover ideas that may be potential business opportunities (Zikmund *et al.*, 2013). Findings from Domanski (2016) revealed that there is a significant gap in research on risk in the non-profit sector. There are many kinds of research approaches to risk management, but it seems that a comprehensive theory of risk management in this sector is missing.

3.3 Research Approach of the Study

According to Grover (2015:5), there are three research approaches:

- quantitative: the approach of measurements and numbers;
- qualitative: the approach of words and images; and
- mixed methods: the approach of measurement, numbers, words, and images.

The study used mixed methods, a combination of quantitative and qualitative research.

3.3.1 Quantitative Research

Quantitative research addresses research objectives through empirical assessments that involve numerical measurement and analysis approaches (Castellan, 2010). Quantitative researchers are concerned with an objective reality that is "out there to be discovered" and the researcher is independent of that which is being researched (Castellan, 2010). According to Fassinger and Morrow (2013: 75):

"Quantitative approaches, can help to provide large, representative samples of cultural communities, reliably assert cause-and-effect relationships among constructs as well as confirm or disconfirm theoretical hypotheses; and summarise numerical data in ways that are clear and persuasive to leaders and policy-makers".

Researchers who follow quantitative paradigms have been referred to as positivists and qualitative researchers engage with hermeneutics (Caruth, 2013). Furthermore, quantitative researchers have often claimed that qualitative research is difficult to generalise, interpret, and duplicate. On the other hand, qualitative researchers have claimed that quantitative researchers utilise immaterial hypotheses and shallow descriptions (Caruth, 2013). According to Fiorini, Griffiths and Houdmont (2016: 39), "quantitative research emphasizes that the researcher takes an impersonal role, tests theories (deductive approach), collects variables in a structured and validated manner, and obtain findings which can be generalised in order to describe numerically, predict and/or achieve causal explanations".

3.3.2 Qualitative Research

Powers and Knapp (1995), cited in Higgs, Horsfall and Grace (2009), state that qualitative research methodology is a systematic process of investigation, the general purpose of which is to contribute to the body of knowledge that shapes and guides academic and practice in disciplines. It can be argued that qualitative research methodology is increasingly regarded as a powerful tool for revealing and understanding the human world. Furthermore, the rich range of qualitative research methodologies provides multiple ways of understanding the inherent complexity and variability of human behaviour and experience (Higgs *et al*., 2009). Choy (2014) shares the same

sentiment as Higgs et al. (2009), stating that qualitative research methodology enables the researcher to share his/her human perception and beliefs, apply logic in practice, and conduct a detailed examination of the problem. Zikmund et al. (2013:132) noted that, "qualitative research is more apt to stand on its own in the sense that it requires less interpretation". Lastly, qualitative research "emphasizes that the researcher takes a more personal role, generates theory (inductive approach), and collects words and images in an in-depth manner, in order to achieve a subjective description, exploration, or an empathic understanding" (Fiorini *et al*., 2016: 39). When the researcher combines or integrates quantitative and qualitative approaches in the design, it creates a third research model that allows using the two in an articulated and harmonic manner (Ponce & Maldonado, 2015).

3.3.3 Mixed Methods Research

Mixed methods are defined as those that use both quantitative and qualitative designs in the same research study. It evolved in response to the observed limitations of both quantitative and qualitative designs (Caruth, 2013). Mixed methods research is also referred to as the third methodological movement (Venkatesh, Brown & Bala, 2013).

Mixed methods can provide a researcher with many design choices, which involve a range of sequential and concurrent strategies. These strategies range from sequential explanatory design, sequential exploratory design, sequential transformative design, concurrent triangulation design, concurrent nested design, and concurrent transformative design (Terrell, 2012).

Table 3.1: Types of mixed method design

Design Type	Implementation	Priority	Stage of Integration	Theoretical Perspective
Sequential Explanatory	Quantitative followed by qualitative	Usually quantitative but can be qualitative or equal	Interpretation phase	May be present
Sequential Exploratory	Qualitative followed by quantitative	Usually qualitative but can be quantitative or equal	Interpretation phase	May be present
Sequential Transformative	Either qualitative followed by quantitative or	Qualitative, quantitative, or equal	Interpretation phase	Definitely present (for example,

	quantitative followed by qualitative			conceptual framework, advocacy, empowerment)
Concurrent Triangulation	Concurrent collection of quantitative and qualitative	Preferably equal, but can be quantitative or qualitative	Interpretation or analysis phase	May be present
Concurrent Nested	Concurrent collection of quantitative and qualitative	Qualitative or quantitative	Analysis phase	May be present
Concurrent Transformative	Concurrent collection of quantitative and qualitative	Qualitative, quantitative, or equal	Usually analysis phase but can be during the interpretation phase	Definitely present (for example, conceptual framework, advocacy, empowerment)

Source: Kroll and Neri (2009)

A mixed method approach is time-consuming, there is the possibility of unequal evidence, discrepancies between different types of data, and the risk that participants might not be willing or able to participate in both phases (Almalki, 2016). Despite these shortcomings, mixed methods allow a researcher to view problems from multiple perspectives to enhance and enrich the meaning of a singular perspective (Creswell, Klassen, Clark & Smith, 2011). Small (2011:63-66) provides motivation as to why researchers employ more than one kind of data in a single study. This can be subsumed under one of two categories namely, confirmation or complimentary. Researchers have used confirmatory designs when, "attempting to ensure that their findings do not depend primarily on the particular kind of data collected. Whereas, researchers have used complementary designs when they are reluctant to limit the kind of knowledge gained to that which a type of data can produce" (Small, 2011:63-66).

As stated, this research was a case study and exploratory in nature. Kitchenham (2010: 5) argues that mixed methods research works particularly well for case study research as "it allows the

researcher to take the rich empirical data yielded from case studies and apply either quantitative or qualitative methods to the data". Given the exploratory nature of the study, a mixed method design was used to collect primary data. It assisted the researcher to get deeper insights and allowed the quantitative results to complement the qualitative findings. The researcher collected the qualitative data first, followed by quantitative. Then, data were analysed separately and the results were combined to corroborate findings.

The mixed method approach was chosen relative to just using a qualitative or quantitative approach only, because the researcher wanted to complement the strengths of a single design and get deeper insights and enhance the understanding of the research problem. This is consistent with De Lisle (2011), who provides complementary strengths as one of the reasons to use mixed methods. The use of a mixed method also allowed the researcher to better explain, elaborate, and illustrate the research problem.

3.3.4 Triangulation

Triangulation was used in this study, where the researcher conducted semi-structured interviews, audio-recorded the sessions and took notes. Additionally, a questionnaire was used to collect quantitative data. Lawlor et al. (2016:1886) define triangulation as "the practice of obtaining more reliable answers to research questions through integrating results from several different approaches. Where each approach has different key sources of potential bias that are unrelated to each other". Triangulation was used in this study to improve the quality of the findings and to provide a deeper understanding of the research problem by including both qualitative and quantitative data.

3.3.5 Why is this Research Paradigm Appropriate?

According to Almalki (2016:289), "there are no right and wrong means of going about conducting a piece of research". However, as a researcher it is critical to justify the appropriateness of the chosen approach to the study. Therefore, this approach was chosen in support of Yeasmin and Rahman (2012:157), who stated that triangulation "increases credibility and validity of results by incorporating several viewpoints and methods". By combining quantitative and qualitative data in the same study, the researcher was able to benefit from the strengths of each approach while minimising their shortcomings (Fiorini *et al*., 2016). This choice concords with Creswell, Klessen, Clark, and Smith's (2011) viewpoint, cited in Shannon-Baker (2016: 321), that, "the purpose of a mixed methods research is to provide a more complex understanding of a phenomenon that would otherwise not have been accessible by using one approach alone".

It has been suggested that a mixed methods research allows for more trustworthy results than any single research paradigm and that the methods often offset each other in complementary ways (Harrison & Reilly, 2011). A mixed method provides differing perspectives on a subject and this

is why the use of quantitative and qualitative may be viewed as complementary (Woolley, 2009). Therefore, a mixed method provided the researcher with an opportunity to develop richer and more meaningful data through the integration of qualitative and quantitative findings.

3.4 Study Site

This study was conducted at one of the leading environmental and conservation NPOs in SA. The organisation pursues programmes that contribute towards the focus of building robust ecosystems that underwrite human well-being and sustainable development. The organisation is situated in Pietermaritzburg, the capital city of KwaZulu-Natal.

3.5 Sampling Strategies

A sample is a portion of a population or universe (Etikan, Musa & Alkassim, 2015). A census was utilised in this study. A census is an investigation of all the individual elements that make up the population. In other words, it is a total enumeration of every element of interest (Zikmund *et al*., 2013). Typically, business researchers hardly ever conduct a census study on a population, but rather select a smaller number of population elements, known as a sample (Zikmund *et al*., 2013). A census was suitable for this study, because the individual elements were not vast, a higher degree of accuracy was required, and there was enough time to collect data. All the participants had the same opportunity to participate (Sage, 2008). Thus, the researcher's aim was to establish, how the management team of the Trust comprehend risk assessment.

3.6 Target Population

Population is any complete group of entities that share some common characteristics (Zikmund *et al*., 2013). It is a group of people that the researcher wants to draw a conclusion about once the research study is finished (Korb, 2012). The word population in this research was not limited to the demographic meaning of an entire group of people living within a certain geographic or political boundary (Banerjee & Chaudhury, 2010).

The target population for this study included the entire management team of the organisation, which comprised of directors, deputy directors, strategic managers, and general managers. The researcher was interested in getting in-depth insights from twenty-nine (29) participants, as, reflected in Figure 3.1.
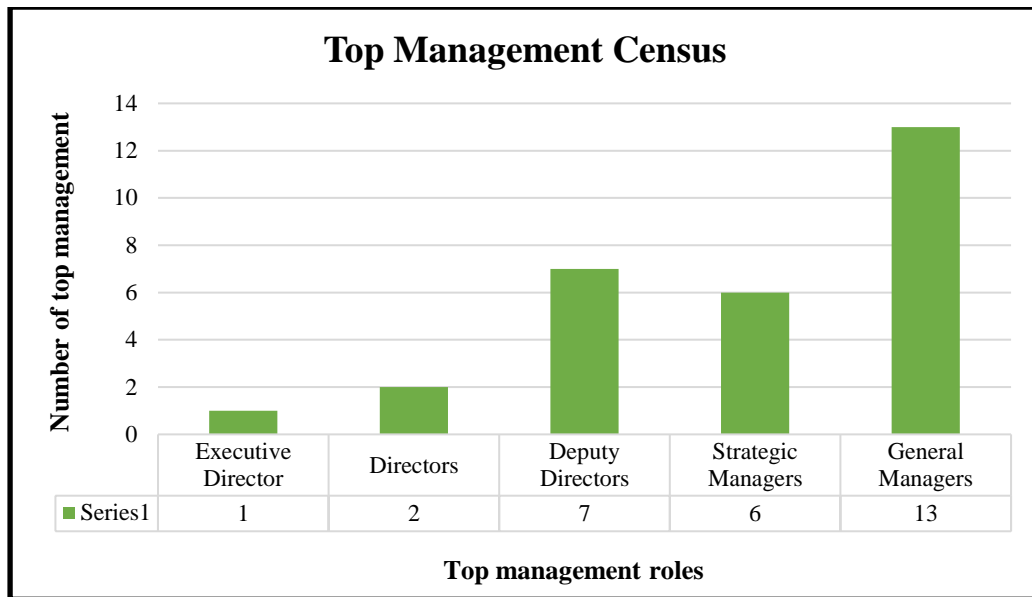
Figure 3.1: Target population of the study (Source: Compiled by the researcher, 2017)

Top management roles are defined as follows:

- Executive Director: The role of the Executive Director is to provide the organisation with the strategic direction and leadership in line with its vision.

- Directors: Oversee the organisation's initiatives and develop policies for the organisation. They form part of the executive team.

- Deputy Directors: Offer strategic support to the directors in the initiatives pursued by the organisation.

- Strategic Managers: Responsible for the implementation of the strategic goals and initiatives taken by the executive director, directors, and deputy directors.

- General Managers: Responsible for coordinating daily operational activities at a department level.

3.7 Sample Size

Intuitively it is considered that, the larger the sample, the more accurate the research, whereas, in statistical terms, increasing the sample size decreases the width of the confidence interval at a given confidence level (Zikmund *et al*., 2013). However, Mason (2010) argues that, samples must be large enough to assure that most, or all, the perceptions that might be important are uncovered, but that, at the same time if the sample is too large, data become repetitive and eventually superfluous. In this case, since census was applied, all participants who were willing to participate in the study were selected. Top management employees were given a chance to be interviewed.

3.8 Data Collection

Data collection is a process of gathering facts presented to the researcher from the study's environment (Blumberg, Cooper & Schindler, 2008). The data collection methods that worked best under this study were semi-structured interviews and a questionnaire. Therefore, data collected included primary sources.

3.8.1 Data Collection Methods

According to Harris and Brown (2010:1), "structured questionnaires and semi-structured interviews are often used in mixed method studies to generate confirmatory results despite differences in methods of data collection, analysis, and interpretation". The aim of using a questionnaire is to achieve common meaning through the exchange of questions and answers. This can be achieved by asking questions in the simplest form possible, making sure the questions are clear, precise, unambiguous, and as intelligible as possible (Hurry, 2014).

On the other hand, the value of using semi-structured interviews is to build a holistic snapshot, analyse words, report detailed views of informants, but most importantly, enable the interviewees to speak in their own voice and express their own thoughts and feelings (Alshenqeeti, 2014). The study used the following data collection methods:

3.8.1.1 Semi-structured interviews

Semi-structured interviews are used and designed to bring some preliminary issues to the surface. They allow a researcher to determine what variables need further in-depth investigation. This type of interview explores in detail the respondent's own perceptions and accounts. Semi-structured interviews are often preceded by observation, informal, and unstructured interviewing to allow the researchers to develop a keen understanding of the topic of interest necessary for developing relevant and meaningful semi-structured questions (Northcote, 2012: 99).

It is generally best to tape-record interviews and later transcribe these audio recordings for analysis. Data collected during semi-structured interviews were recorded on a digital voice recorder. Additionally, separate notes were made. Original comments, observations, and feelings were reconstructed. Furthermore, patterns were explored. Interviews were fifteen to twenty-five minutes long. Documentation and recordings were crucial to this study for the following reasons:

▪ Keeping track of what was a rapidly growing volume of notes, tapes, and documents.

▪ Providing a way of developing and outlining the analytic process.

Semi-structured interviews were able to extract more information and led to an in-depth discussion with the participants. Furthermore, there was a flexibility to probe questions under

interviews, thus, allowing the researcher to fully obtain responses to all questions asked (Murgan, 2015).

3.8.1.2 Questionnaire design

A questionnaire was designed to measure management's perceptions and attitudes towards risk assessment, thereby giving the researcher an opportunity to compare the data collected. It has been observed that the independence and quality of opinion of each respondent, guaranteed by the questionnaire, helps tremendously to enhance the reliability of data (Murgan, 2015). A questionnaire can only produce valid and meaningful results if the questions are clear and precise and if they are asked consistently across all respondents. Therefore, careful consideration needs to be given to the design of the questionnaire (Mathers, Fox & Hunn, 2009). Sansoni (2011) defines a questionnaire as a document designed with the purpose of seeking specific information from the respondents and is best used with literate people (assess readability level).

The questionnaire used by the researcher in this study included close-ended questions and one open-ended question. The reason behind closed questions was that they are easy to administer, easily coded and analysed, allow comparisons and quantification, and they are more likely to produce fully completed questionnaires while avoiding irrelevant responses. In contrast, an open-ended question was used to allow freedom and spontaneity of answers from the participants.

The five-point (5) Likert scale was used to allow respondents to rate how strongly they agree or disagree with carefully constructed statements, ranging from positive to very negative attitudes towards some of them. The disadvantages of a Likert scale are that true attitude cannot be effectively measured because of limited responses, there is no elaboration on the discussion, and, if early questions have an influence on responses to any further questions, then people tend to ignore these (LaMarca, 2011). However, this scale was chosen because it had an advantage of enabling the researcher to manipulate the data mathematically and apply various techniques in analysing it (Shayamunda, 2015).

3.9 Data Quality

To ensure the researcher had not overlooked some important dimensions and elements, it was worthwhile to develop measures that were reliable and valid. Validity refers to the extent to which a test measures what it says it measures, whereas, reliability refers to the degree to which a measurement and procedure can be replicated or can produce the same results consistently overtime in different studies (Bolarinwa, 2015). However, as cited in (Singh, 2014), some qualitative researchers have argued that the term validity is not applicable to qualitative research. At the same time, they have realised the need for some kind of measure for their research.

3.9.1 Reliability

Reliability is concerned with consistency, stability, and dependability of measuring instruments adopted for the study (Sekaran & Bougie, 2010). Data collected in social science research are deemed reliable if the same results are produced again and again, over time, and in different circumstances (Quinlan, 2011). There are three kinds of reliability: the test-retest method, representative reliability, and equivalence reliability.

Table 3.2: Types of reliability

Test-retest method	It relates to whether or not the data collection instrument produces the same results overtime.
Representative reliability	It relates to whether or not the data collection instrument produces the same result when applied to different subgroups in a population.
Equivalence reliability	It relates to whether or not when different items are used in a questionnaire, they all measure the phenomenon consistently.

Source: Quinlan (2011:335-336)

The researcher used representative reliability. Data collection instruments were applied to four subgroups within the population. The subgroups are general managers, strategic managers, deputy directors, and directors.

Reliability was further maintained by minimising sources of measurement errors and bias. This was done by the researcher having no influence on the respondents' answers or opinions. In making sure the findings were reliable, the researcher had to overcome the following bias and errors:

- Participant bias: to overcome this bias the researcher ensured the anonymity of participants at all times during the interview process.

- Interview bias: to overcome this problem, the researcher made fewer comments and nonverbal expressions, so that the researcher could not influence the way the interviewees responded to questions asked.

- Participant error: the researcher minimised this problem by conducting the interviews whenever the participant was ready to respond to questions.

3.9.2. Validity

Validity is the accuracy of a measure or the extent to which a score truthfully represents a concept (Zikmund *et al.*, 2013). It takes various forms, including content validity, internal validity, utility criterion-related validity, and external validity.

Table 3.3: Types of validity

Type	Characteristics
Content Validity	Content validity is related to a type of validity in which different elements, skills and behaviours are adequately and effectively measured. To this end, the research instruments and the data might be reviewed by the experts in the field of research. Based on the participants' comments, the unclear and obscure questions can be revised and the complex items reworded. Also, the ineffective and non-functioning questions can be discarded altogether. In addition, the questions could be face validated by these persons.
Internal Validity	Internal validity is concerned with the congruence of the research findings with the reality. Also, it deals with the degree to which the researcher observes and measures what is supposed to be measured. To ensure that internal validity of the research data and instruments is achieved, the researcher might apply the following six methods: triangulation, member checks, long-term observation at research site, peer examination, participatory or collaborative modes of research and researcher's bias.
Utility Criterion	Utility criterion intends to inquire whether or not the research works. This type of validity asks whether the evaluation endeavour generates enough information for the decision-makers regarding the effectiveness and appropriateness of the research. Clearly, when the evaluation process provides the different stakeholders with proper and ample information, it can be concluded that the utility criterion has been met and consequently achieved validity requirement.
External Validity	External validity is concerned with the applicability of the findings in other settings or with other subjects. External validity asks questions such as: (1) How generalisable to the other contexts or subjects is the research? (2) Is the research design such that we can generalise beyond the subjects under investigation to a wider population?

Source: Zahrabi (2013: 258-259)

To measure the validity of the findings in this study, content validity was used. Content validity refers to the degree that a measure covers the domain of interest. To this end, interview questions were sent to the supervisor of this dissertation who offered expert opinion. Based on the expert comments, the unclear and obscure questions were revised and the complex items reworded. In addition, content validity was maintained by constructing questions based on the information gathered during the literature review. This ensured that the questions were a true representation of what risk assessment means to an NPO operating in the environmental sector.

To help and improve reliability and validity, the researcher adopted the following techniques and considerations, suggested by Alshenqeeti (2013):

- avoid asking leading questions;
- minimise the attitude, views, and prospects of the interviewer;
- minimise the tendency to seek answers that lead to researcher's own preconceived notions;
- take notes, do not just depend on tape recorders; and
- give an interviewee a chance, to sum up, and clarify the points they have made.

3.9.3 Credibility

To ensure the trustworthiness on the data collected, the researcher used the credibility technique. Credibility is one of the techniques used to ensure the trustworthiness of collected data. It is defined "as the confidence that can be placed in the truth of the research findings" (Anney, 2014:276).

Credibility was achieved by first describing the objectives of the research before the interviews began. Secondly, triangulation was used, where two data collection instruments were used to produce an understanding of the topic. Thirdly, the interpretation of data drawn from the participants was original. Lastly, the researcher prolonged engagement at the research site. The researcher was immersed in the field, being an employee of the organisation under study, thereby, immersing himself in the participant's world. According to Anney (2014: 276), immersing oneself can "help the researcher gain an insight into the context of the study, which minimises the distortions of information that might arise due to the presence of the researcher in the field".

3.10 Data Analysis

Blumberg et al. (2008: 75) define data analysis as "reducing accumulated data to a manageable amount, developing summaries, looking for patterns, and applying statistical techniques". Moreover, data analysis is the application of reasoning to understand data that has been gathered in its simplest form (Zikmund *et al.*, 2013). Basic data analysis begins with a close reading of the data. To achieve this, the researcher read through the data repeatedly.

3.10.1 Thematic Analysis

Data gathered through semi-structured interviews were analysed using a computer software (NVivo Starter 11) and themes looked at, in line with the research objectives. A thematic analysis technique was used to analyse qualitative data. According to Quinlan (2011:420), "thematic analysis involves a thorough reading of collected data, identifying key areas of focus, and categorising information to make a conclusive analysis".

Qualitative data produces large amounts of data. Therefore, data reduction is the first step taken to analyse the data collected, followed by editing, coding, and categorising data or data files (Sekaran & Bougie, 2010). Data were collected from one central point making the reduction and analysis less tedious. Data collected from the field were raw. In other words, data were unedited and were gathered from the participants in the exact form as provided by the respondent (verbatim).

Before uploading the transcripts into NVivo, the following activities preceded: data editing, coding, data filing, and error checking. The researcher followed the four key steps of data reduction, which enabled the researcher to edit data, code or categorise data, and check for any possible errors in data collected:

Four stages of data reduction:
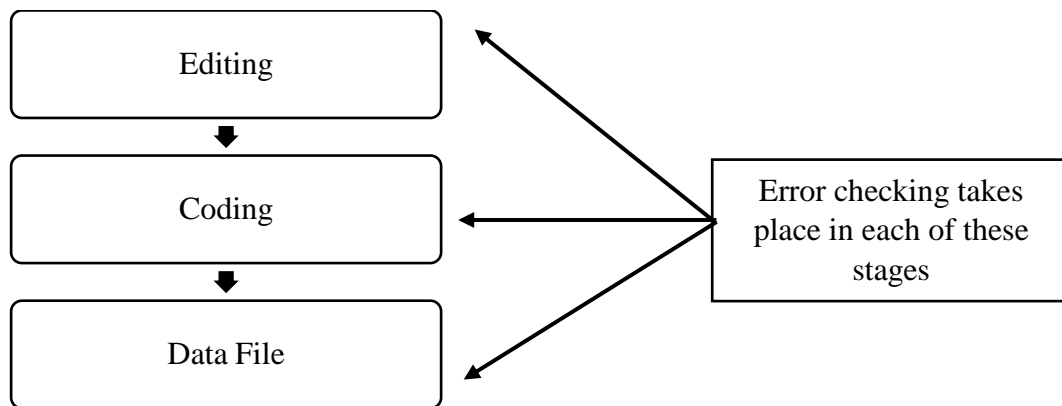
Figure 3.2: Data reduction process (Source: Zikmund *et al.*, 2013)

Editing: Data collection often produces data containing mistakes, therefore, editing is crucial. Editing is a process of checking the completeness, consistency, and legibility of data and making it ready for coding (Zikmund *et al.*, 2013). There are two types of editing: field editing and in-house editing. Field editing allows a researcher to spot technical omissions on the same day as the interview, whereas, in-house editing means a rigorous task executed by a centralised office staff.

Editing attempts to reduce the material to preserve the essential content and create a meaningful body that reflects the original material. The pitfall of editing is subjectivity, which can enter the

editing process. Therefore, the researcher should be objective, any omitted statements must be left unattended unless the respondent is happy to fill them in at a later stage.

Coding: According to Zikmund et al. (2013), coding is the process of assigning a numerical score, or other character symbols, to previously edited data. Coding involves explaining, clarifying, and interpreting the material gathered. In qualitative research, the codes used by a researcher are words or concepts, which the researcher identifies in the data as relevant, or even key or crucial, to the study (Quinlan, 2011). While coding, error checking becomes an important element.

Data Filing: Data filing is the way a data set is stored electronically. It is a collection of related records that make up a data set. The data transcribed from interviews were uploaded into the NVivo software package and different codes emerged, additionally, data collected from the questionnaire were captured into a spreadsheet.

3.10.2 NVivo Software Package

NVivo 11 Starter, is a computer program that assists in the complex work of qualitative data analysis and makes it possible to get an in-depth analysis (QSR International, 2016). NVivo is designed to help the researcher organise, analyse, and find insights in unstructured, or qualitative data, such as interviews, open-ended survey responses, articles, social media, and web content (QSR International, 2016). Using a computerised programme, basically ensures that the researcher is working more methodically, more thoroughly, more attentively, thus quality researchers are encouraged to pursue such tools (Hilal & Alabri, 2013).

According to Buchanan and Jones (2010), using NVivo is beneficial because identifying themes and patterns is easier and different categories and nodes are developed as part of the process of analysing the data. NVivo is only useful if you have large data sets. That is, if you have 10–15 interviews that are an hour long, then a need for NVivo becomes essential (The Academic Triangle, 2015). The interviews in this case included eighteen (18) participants, 15–25 minutes each. Therefore, NVivo was suitable for the analysis of data.

3.10.3 Descriptive Analysis

Data gathered from questionnaires were analysed using a descriptive data analysis. Descriptive statistics are used to describe variables in the data using percentages, ratios, ranges, averages, and standard deviations (Quinlan, 2011). Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures (Trochim, 2006).

The researcher used univariate analysis, which involves the examination, across cases, of one variable at a time. Frequency tables were used to profile the responses of participants and present the findings. Frequency distributions showed the number of respondents for each variable and the percentage for each variable. Responses from questionnaires were captured into a Microsoft Excel (spreadsheet). The researcher followed three steps:

- **Step 1**: Entered data into Excel

- **Step 2**: Checked for data-entry errors

- **Step 3**: Summarised data to produce a frequency table with percentages

Since data collected were nominal, and all three measures of dispersion require data to be ranked, none of them were appropriate for this study.

3.11 Ethical Consideration

Conducting research requires not only expertise and diligence, but also honesty and integrity. Ethical consideration is undertaken to recognise and protect the rights of human subjects. To render the study ethical, the rights of respondents to self-determination, anonymity, confidentiality, and informed consent was observed. Written permission to conduct the research study was obtained from the Humanities and Social Sciences Research Ethics Committee (reference number: HSS/0571/017M) at the University of KwaZulu-Natal. A gatekeeper letter was also obtained from the organisation under study, allowing the researcher to collect data.

Participants' informed consent was obtained before conducting the interviews and questionnaires. Informed consent is the prospective subject's agreement to participate voluntarily in a study (Shilubane, 2009). The respondents were informed of their rights to voluntarily consent or decline to participate and to withdraw from participation at any time without penalty. Additionally, anonymity and confidentiality were maintained throughout the study. In this study, anonymity was ensured by not disclosing a participant's name on the interview and questionnaire.

3.12 Conclusion

Since the researcher ventured into something that is unexplored, an exploratory case study research design was appropriate, because the researcher wanted to provide new information to the body of knowledge. This research design was useful because it explored areas which are often neglected, and yet are important to an organisation, thereby allowing the researcher to better comprehend the nature of the problem. A mixed methods research methodology was chosen for this study, as it was an ideal mechanism to examine the experiences and attitudes of the environmental NPO regarding its own risk assessment process.

Interviews and questionnaires, guided by a set of themes relating to the subject, were conducted with the management of the organisation. Data were coded and analysed, using thematic analysis and descriptive analysis. Holistically, the chapter explored the steps and strategies used to research the aims and objectives of this study. In the next chapter, the findings from the participants' responses to the semi-structured questions and questionnaires are presented.

CHAPTER FOUR: PRESENTATION OF RESULTS

4.1 Introduction

The previous chapter presented the research methods that were employed by the researcher. Chapter Four, presents an analysis of the participants' responses to the semi-structured questions and questionnaires. The research results presented in this chapter are the product of the research questions and objectives highlighted in Chapter One. Qualitative data collected were analysed, using NVivo, whereas, data collected from conducting a questionnaire were logged into Microsoft Excel and descriptive analysis was used.

4.2 Response Rate

Table 4.1: Response rate

Respondent Positions	Population	Responses to Semi-Structured Interviews (n)	Responses to Questionnaire (n)
Executive Director	1	0	0
Directors	2	2	2
Deputy Directors	7	6	5
Strategic Managers	6	3	2
General Managers	13	7	7
Total	**29**	**18**	**16**

The response rate for semi-structured interviews was **62.06%** and **55.17%** for questionnaires. The organisation's management team was dynamic, with respondents from different academic backgrounds and professions such as environmental, commercial, philanthropical, and social studies. In addition, the population was heterogeneous, meaning that it comprised of managers who are responsible for different business functions and projects, ranging from finance to administration, HR, marketing and communications, conservation and fundraising, projects and community development, supply chain, to fleet Management. The range indicates that the information gathered around risk assessment covered all the units across the organisation, thus, providing the researcher with an overall view of the organisation's risk assessment.

4.3 Demographics of Participants

Participants' Experience

Participants Experience	1 - 3 Years	4 - 6 Years	7 - 9 Years	10 - more Years	Didn't Specify
	4	5	5	2	2

Number of years
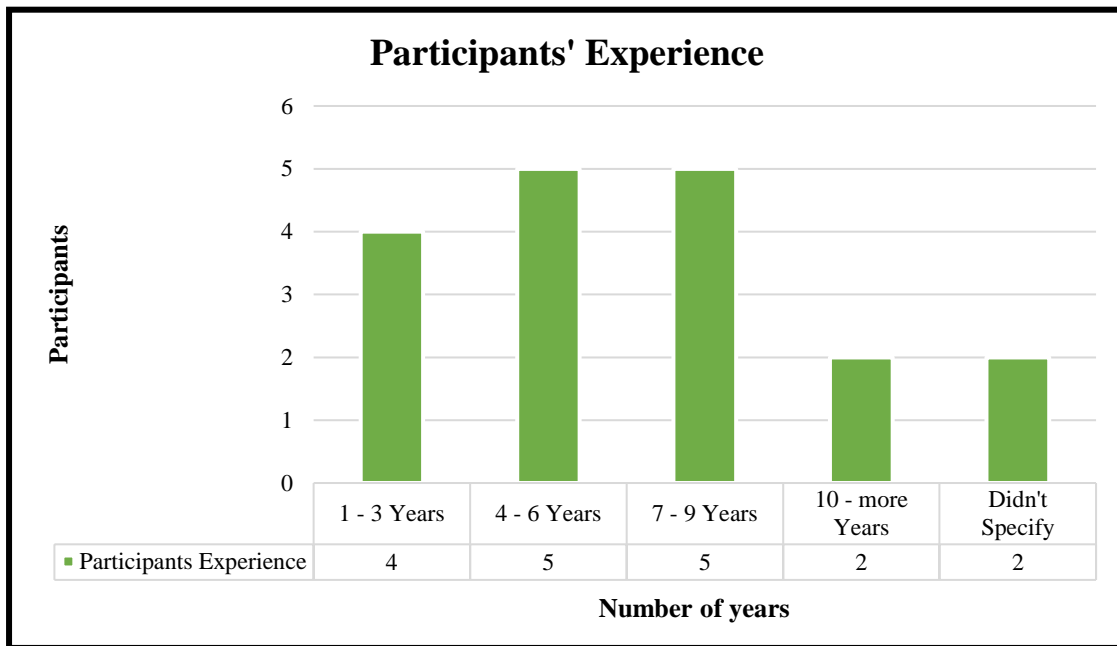
Figure 4.1: Participants' experience in the organisation
The study included:

- 4 participants with 1 – 3 years of non-profit experience,
- 5 participants with 4 – 6 years of non-profit experience,
- 5 participants with 7 – 9 years of non-profit experience,
- 2 participants with 10 or more years of non-profit experience, and
- 2 participants did not specify.

4.4 Semi-structured Interview Results Presentation

This section contains qualitative research findings and insights derived from conducting semi-structured interviews. The following themes emerged and are presented according to the research objectives:

4.4.1 Objective One: To identify risk assessment processes that non-profit management can use to minimise risks

Objective one of the study was to ascertain the risk assessment processes in place to minimise risks.

Table 4.2: Risk assessment processes

Theme	Frequency
Risk Auditing and Compliance	5
Risk Register	6
Internal Control Measures	18
Risk Awareness	2
King Code IV	2

Theme 1: Risk Auditing and Compliance

Five participants pointed out that there is a Risk Auditing and Compliance (RAC) committee responsible for assessing risks from a board-level perspective.

> "*As an organisation, we have a Risk Auditing and Sub-Compliance Committee. All trustees are invited to the committee. However, three or four trustees sit in that meeting. In the meeting, we have a risk register that the trustees maintain. On an annual basis, the management team internally reviews the register. That register has changed over the years.*" (Participant 15)

A similar view was shared by Participant 16: *"We have an objective council who provide[s] us with guidance and insight, as an executive team for dealing with and managing potential risks."*

Participant 16 stated further that:

> "*At that committee, we look at auditing of our financials, we consider all the risks included on the risk register, we access the value of them, we also look at governance and compliance, with the view of ensuring that we have the systems in place to manage the risks.*"

Theme 2: Risk Register

Six participants mentioned the relevance of the Risk Register system, which is used as an assessment tool where all the risk with high, medium, and low impact versus probability are listed.

Participant 6 explained what the Risk Register entails: "*The register covers the risks across the organisation and it talks about statutory obligations, donor funding, and projects.*" The downfall to this is that the risk register is only reviewed annually.

> "*Risk register is reliant at what we and the executive team put on to that risk register. It is important for us to review it since risks changes all the time. For example, two years ago*

(2015) digital space would not have be[en] seen as a risk, whereas these days for our reputation to be damage through media is high." (Participant 16)

Participants were asked to identify the significant risks affecting their departments and the following top five risks emerged:

Table 4.3: Risks rankings

Rankings	Risks	Frequency
1	Fraud	4
2	Reputation	3
3	Non-compliance	3
4	People	2
5	Transparent communication	2

Fraud:

Participant 10 was of this opinion: "*Because we are ultimately responsible for ensuring that there is no fraud taking place in the organisation*", while Participant 2 believed, "*we are an NPO we do not generate funds, we depend on donors, and that money keeps the projects going. We may run a risk of not getting funds from donors if we misuse the money.*"

Participant 6 explained the repercussions of fraud: "*We can lose faith from our donors and they may no longer fund [the]organisation's projects.*" Participant 6 stated further that the organisation will end up with no cash-flow and running through retrenchments. Participant 13 also stated, "*We have limited finances and, if it is not spent wisely it will impact negatively on what we can do.*"

Reputation:

> "*If we lose our reputation, and people start to consider us as an organisation that cannot follow through on what we have promised or whatever the case may be, they will consider us as an organisation not worth supporting. Reputation ultimately results in a risk to future access to funding.*" (Participant 16)

Participant 9 explained how a simple mistake can lead to bad reputation effects: "*If our logo appears incorrectly on a piece of clothing, for some people that is small, but that is a reputational risk. You will never know who will be engaging with that brand.*"

Non-compliance:

> "*If we are not compliant, we will be charged with penalties.*" (Participant 15)

> "*We need to ensure that our compliance is maintained. This is a key piece which ensures that we are able to secure funding. Which means, if we do not have compliance in place, we are unable to continue to be funded and grow.*" (Participant 7)

Participant 15 went on to state that: "*Non-compliance is not something that the organisation is able to do, because it can risk its ability to operate as an NPO.*"

People:

"*As you cannot control how all people operate*" (Participant 1). Participant 16 mentioned "*loss of people, that causes the organisation to gobble*".

Transparent communication:

"*Sharing information that is wrong can lead to the confusion and contradiction of what the organisation is trying to achieve.*" (Participant 14). Participant 9 stated that, "*Sharing information that has not been thoroughly check[ed] can have a reputational risk.*"

Theme 3: Internal Control Measures

The organisation conducts monthly strategic meetings, where updates, challenges, successes, and latest developments are discussed. Participant 1 shared the relation of a strategic meeting to risk assessment by stating that: "*Once a year there is a complete review of all the projects across the organisation. We look at what we have achieved over the past year and what we are planning to achieve ahead.*"

Participant 8 explained the purpose of the strategic meeting: "*The purpose of the meeting is to discuss issues from the various departments from a high level and strategic level, then managers need to take the information to their subordinates.*"

Participant 7 explained how often the organisation reviewed its internal policies that govern different activities: "*We try to refresh and review policies twice a year. There is still more to be done and improve and ensure we do it more often.*" This was supported by Participant 3, who stated that, "*there is a stricter policy that I follow within the department*". Hence, the organisation has SOPs for various activities they do. Participant 8 stated: "*As a department we have put in place SOPs for various things we do.*"

Participant 7: "*There is a Compliance Plan. Every year we have to make sure we are compliant with regards to UIF, e-filing, and submit a letter to [the] Department of Labour and Compensation of Injuries and Disease Act to get good standing.*"

From a financial point of view, one participant explained, "*the risk is checked regularly, from a strategic point of view not so often*" (Participant 1). Participant 10 explained as follows:

"*In terms of processing – we check invoices properly. We connect the banking details back to bank statements or cancelled cheques. We make sure we follow SOPs to make sure we process things that are legit.*"

As a result, the new system was implemented by the organisation called SAGE 300. Participant 6 elaborated further on this: "*A new accounting system SAGE 300, which works in a vendor database (ensuring each vendor is registered, verified banking details, and company registration). It has been very good for that last two years.*" The same participant further explained the timeline of the financial auditing system: "*We get audited in every three months.*" Participant 11 added: "*From a financial side, we make sure contracts are signed before we take work.*"

At a project level, Participant 1 stated: *"When we put on funding applications we assess whether do we have a project in that area and will the project tie up to other existing projects in that area? The idea is to make projects multifaceted and leverage off projects from additional funding and extend the project life."*

From the community's perspective Participant 13 mentioned, when dealing with risk related to communities: "*We strive to be apolitical. We hold community meetings with relevant parties, ranging from local councillors to traditional leaders.*"

From a reporting and communications point of view, Participant 9 explained the control measures as follows: "*I triplicate the stats and information before I communicate to our networks and people who follow us. It is all about paying attention to details in every single communication (including social media posts) since this has a reputational risk.*"

From a health and safety perspective, Participant 2 explained the internal process: "E*very team will have a first aider and they have tool box talks. Especially those who work with chemical herbicides.*" Participant 11 shared the same results:

> "*Every team will have first aider. They have tool box talks, especially those who work with chemical herbicides. However, we haven't done a good job in terms of administration and paperwork or process to mitigate risk, to prove that we have done all the necessary health and safety activities.*"

The same results emerged from Participant 13: "*We do run trainings, tool box talks, and supply personal protective equipment.*"

From a restoration point of view, Participant 11 stated the following:

> "*We have a standard operating process when we plant trees. To mitigate the risks on non-delivery we do not have enough quality assurance, that is, checking tree nurseries or set plans to ensure people are doing what they need to be doing in the organisation.*"

From fleet management understanding, Participant 3 explained the control measures as follows: "*We have eliminated the abuse of vehicles by getting updated telematics systems. Furthermore, there is a system where we request updates on the vehicles, and in the process, we include*

managers." The organisation also runs workshops from time to time, addressing bad driver behaviour, how the telematics works and how it benefits the organisation and the driver.

Theme 4: Raising Awareness

Participant 15 stated: "*We are constantly raising awareness of risks factors. The exercise we are busy with is: We took our entire management team through risk areas in terms of petty cash, credit cards, journey cards, travel claims, and common areas where we find fraud.*"

Furthermore, the organisation has established an Ethics Hotline to further raise awareness. Participant 6 said the following: "*The Trust has a whistle-blower. It [is] another thing a Trust is implementing to mitigate risks. Hotline triggers the investigation.*" The Ethics Hotline was established to deal with fraud.

Participants were asked what risk assessment is, to further gauge their current perceptions and awareness about risk assessment. Participants were asked to indicate their opinions about risk assessment and the following sub-themes emerged:

Table 4.4: Risk assessment sub-themes

Sub-theme	Response Frequency
To identify potential hazards, risks, weaknesses, challenges, and negative impacts	7
To measure and assess the level of risks	5
To understand the risks within the organisation	3
Include steps and mitigation plans	2
To foresee the risks	1

Sub-theme: To identify potential hazards, risks, weaknesses, challenges, and negative impacts to the organisation

Seven (n=7) participants viewed risk assessment as a process where an organisation or individuals identify anything that can serve as a hazard, weakness, challenge and contains a negative impact. Participants responded as follows:

➢ Participant 2: "*To be able to identify potential hazards or risks before they actually happen.*"
➢ Participant 6: "*Looking where the weaknesses are, where the Trust is vulnerable, and which aspects or processes are open for attacks or risks.*"
➢ Participant 3: "*Operationally, identifying all the risks that can happen to staff members. At an office level identifying the loopholes where staff members can abuse the trust.*"

- ➢ Participant 12: "*Identifying what are the challenges, problems, and possible pitfalls in whatever you are assessing.*"
- ➢ Participant 13: "*Looking at all areas of work be [it] physical or academic and identifying those areas where there is potential for a range of negative impact.*"
- ➢ Participant 17: "*It is anything that becomes a liability to the organisation, identifying negative impacts that could affect the organisation. And looking at ways to mitigating those negative impacts from an organisation.*"
- ➢ Participant 18: "*It is to identify anything that may cause harm in any work environment.*"

Sub-theme: To measure and assess the level of risk to the organisation

Five (n=5) participants defined risk assessment as a measurement that assesses the level of risks within the organisation. Participants responded as follows:

- ➢ Participant 1: "*Assessing the risks to the organisation and if we take on the risks, how do we plan for the eventuality that the risk might happen and how do we mitigate that?*"
- ➢ Participant 4: "*It is trying to find out the level of risks that there is for a certain[ty].*"
- ➢ Participant 5: "*It is where we measure risks.*"
- ➢ Participant 7: "*It is to assess the risks, to see and unpack the impact of the risks.*"
- ➢ Participant 11: "*Assessing all the operations of the organisation, to see where there might be problems or to see potential problems, be it financial problems, debt, issues in the field, legal, people leaving, or just a success of the project.*"

Sub-theme: To understand the risks within the organisation

Three (n=3) participants viewed risk assessment as a process that seeks to understand the risks within the organisation. Participants responded as follows:

- ➢ Participant 10: "*Understanding the risks involved in the organisation and to understand where the highest risk is coming from, and which has the most or the least impact on the business.*"
- ➢ Participant 14: "*It is about understanding the business you are doing. You need to be able to assess risks associated with that business you are doing.*"
- ➢ Participant 16: "*That is a process of understanding the potential risks that an organisation or an individual might experience.*"

Sub-theme: Steps and mitigation plan

Two (n=2) participants defined risk assessment as steps that an organisation can put in place to mitigate risks. The participants responded as follows:

➢ Participant 8: "*The steps that an organisation can put into place to gauge whether various procedures are in place or prevent or limit certain things from happening.*"

➢ Participant 15: "*Risk assessment is something that looks at all elements of an organisation in a holistic nature, from everything. It needs to be able to find out where the risks lie and what can be done to mitigate those risks, but also to structure and compartmentalise those risks.*"

Sub-theme: To foresee what might go wrong

One (n=1) participant viewed risk assessment as foreseeing what might go wrong in the work place. The participant responded as follows:

➢ Participant 9: "*Foreseeing what might go wrong in the space I work in.*"

Theme 5: The King Code IV

Participant 6 stated: "*Being a Trust, you need to follow [a] King Code (Good governance, Transparent, and Accountable)."* The King Code can guide the risk assessment of the organisation. Participant 15 explained how the King's IV Code operates:

"*King Codes do not exist to govern NPOs, they have always been geared to govern companies and public/private organisations. However, King IV Code, has recognised that there is a gap. Until King IV Code came into being. What happened? A sub-group was created that linked into NPOs. They have come up with the code of good practice for the NPOs.*" Participant 15 went further and stated that, "*as a non-profit we have a code that we need to adhere to. The organisation has already signed up to the code of good conduct for the NPOs.*"

4.4.2 Objective Two: To investigate the importance of risk assessment to NPOs

The key focus of objective two was to measure the importance of risk assessment to the organisation. The following themes emerged, where participants expressed the level of importance of risk assessment. The expressions may be viewed as synonyms; however, the expressions indicated the level of urgency among the participants and the classification is as follows:

Table 4.5: Levels of importance of risk assessment themes

Theme	Description
Vital	It is an absolute necessity
Critical	Expresses a matter of urgency
Extremely important	Extremely important to the highest degree
Very important	Expressed as very important

Apart from measuring the importance of risk assessment, the verbatim explanation of why participants considered risk assessment to be important or beyond important are presented. The stratification was developed to express the exact feelings of how the participants felt about risk assessment in relation to its importance. The results revealed a positive trend, as indicated by the established sub-themes. This objective revealed that the organisation needs to prioritise the implementation of the risk assessment process to gauge against identified risks.

Vital, 20%	*"That is why the organisation formed a committee, because they needed an outside person to oversee how the organisation assesses risks."* *"We [are] probably not doing as often as we can. I also feel we do not have a contingency plan. And I think that is a risk we face. Hence, there are key people in an organisation, and if they were to disappear it will be really detrimental."*
Critical, 13%	*"I do believe we do not do enough. We have a very much can-do attitude"*
Extremely Important, 20%	*"No organisation will run if there is no strategy to mitigate risks"* *"Because, once you have reduced risks, you can increase productivity, increase income, and you can compare yourself to international NPOs and you will have happier staff."* *"We have a mandate to manage funds, and we are responsible for other people's expectations of what outcomes can come from the organisation."*
Very Important, 47%	*"For the organisation's sustainability, it needs to be able to assess risks beforehand to avoid serious problems."* *"Without being able to assess risks, you won't know what risks are in place."* *"There are certain levels of risks that are very important."*

Figure 4.2: Importance of risk assessment

4.4.3 Objective Three: To establish the challenges of risk assessment that are common among NPOs within the environmental sector

Objective three was aimed at establishing the challenges that an organisation faces when assessing the risks. Participants were asked to establish challenges they foresee when conducting risk assessment. They had different opinions regarding this issue and these are grouped into five themes:

Table 4.6: Development of themes

Theme	Sub-themes	Sub-themes
Structure	One department responsible for risk management	
	Activities are compartmentalised	
	Three organisations under one management	
	Climate change	
People	Management of human capital	
	Risk awareness	
Capacity	Limited staff	
	Ownership of risk assessment	1. Managers
		2. Dedicated department or role
		3. Every team member
		4. Other
Growth	Footprint in remote areas	
Reactive Approach	Slow development of risk philosophy	1. A work in progress
		2. Stringent controls
		3. Identifying and mitigating
	Assess risks when they occur	
	Having no contingency plan	
	Risk is not on the agenda	

Theme 1: Structure

Sub-theme: One Department responsible for risk management

Currently, the finance department owns the responsibility of risk management. Participant 7 described the reason behind this: "*Finance is involved in the financials of the organisation.*" Participant 9 also validated this by stating that, "*Currently, Financial Director of the organisation is responsible for the risk assessment.*" Participant 12 also provided the general assumption that non-financial managers shared when it comes to risk assessment: "*I would assume the risk assessment responsibility rest[s] with HR department. Since HR department have a solid understanding of risk assessment.*"

Sub-theme: Activities are compartmentalised

Participant 11 stated that, "*Lot of our activities are not looked [at] across the board. We are very compartmentalised in terms of projects being operated independently and at a higher level, risk is only being looked [at] from a financial perspective.*" Participant 15 also validated this statement by stating, "*It has been one of stakeholder management, however, not in its entirety. We haven't address[ed] risks from a complete stakeholder management perspective.*"

Sub-theme: Three organisations under one management

Participant 15 gave the following description regarding the structural challenge that makes it difficult to assess risks effectively. The organisations are divided as follows: there is a non-profit entity, a private entity, and development fund.

> "*In a private company, there are implementation challenges on strategy, for example, the nature of the company is for-profit, but challenges we experienced in strategy implementation are: we are still receiving funding and we are not able to create a bottom line for it, the reason for this is that funding needs to be at the zero. Which means we operate a company as a non-profit.*" (Participant 15)

Participant 6 explained the dynamics of being a non-profit and how it limits the assessment and mitigation of risks with the following example: "*From an insurance point of view, insurers will not insure certain items that an organisation will consider as stock. We have identified risks in having these items; the way to mitigate the risk is to get insurance. However, insurers will not insure them.*"

Sub-theme: Climate change

Climate change makes it difficult for the organisation to effectively assess risks, as the structure of the work done is environmental and linked to conservation. Participant 1 explained how this is a challenge: "*To accommodate draught, as this affect[s] investment in planting of trees*". It is a major concern for the organisation.

Theme 2: People

Sub-theme: Management of human capital

Participant 1: "*as you cannot control how all people operate. Unfortunately, our organisation has been hit with fraud often and we do not seem to be learning from it.*"

Participant 2: "*The challenge is to get the right people for the projects and people may change over time.*"

Participant 6: "*The Trust operates in a manner of trust. It [has] got that type of culture of, we are a family, we are not similar to private or government culture.*" More trust is placed on people and that is a risk to the organisation.

Sub-theme: Risk awareness

On helping employees understand what risk assessment is, Participant 12 elaborated by saying, "*I think understanding what risk assessment mean[s], I think that is a challenge. Getting ecologists and scientist[s] to understand what risk assessment is.*"

Theme 3: Capacity

Sub-theme: Limited staff members

Participant 5: "*If I can get an extra person because the Trust is small, and I am working on my own. Due to short staff, it is challenging.*" This statement is linked to freeing up time to think strategically about risks and is in corroboration with what Participant 8 stated: "*Currently, it is difficult to mitigate risks due to limited staff and I still need to fulfil daily roles, and it becomes a challenge to get updates and status of the organisation.*"

Sub-theme: Ownership of risk assessment

There is no dedicated department that specialises in risk management. However, results revealed that at the moment risk management comes under the Finance, HR, Administration, and Compliance departments managed by the Finance Director. Therefore, participants were asked the question: "*Whose responsibility it is to hold risk assessment activities?*" Based on the responses, the participants gave the following opinions on who should be responsible for risk assessment:

Table 4.7: Responsibility of risk assessment

		Managers	**Dedicated Department/ Role**	**Every Team Member**	**Other**	**Percentage**
	Freq	8	4	3	3	18
Whose responsibility it is to hold risk assessment activities?	%	44%	22%	17%	17%	100%

1. Managers

The large majority (44%) of the management team are of the view that risk assessment should rest with the managers. In other words, it should rest with them.

Participant 15: "*You do need everybody that controls a budget, managers, to be aware of risks, and to be aware of assessing risks.*"

Participant 14: "*Everybody who runs the project basically*".

Participant 8: "*It is all about teamwork. Therefore, everybody should be responsible. Because the managers are answerable, ultimately risk assessment sit with them.*"

2. Dedicated department or role

Twenty-two percent (22%) believed that creating a risk assessment dedicated role or a department is crucial for the organisation.

Participant 13: "*An expert in-house – who highlight[s] areas that should be considered, who would collect the data or feedback in a useful format, that would indicate whether that was a correct strategy. Someone who looks [at] how did it go, what could have been done, and what should be done.*"

Participant 6: "*A department can be created. A Trust can benefit from having a person with a detective control or internal risk assessor.*"

3. Every team member

Seventeen percent (17%) of the management team believed that risk assessment should be everybody's responsibility within the organisation.

Participant 10 stated that, "*Ultimately, we are all responsible for picking up risks, because it is not a one-person type of thing. In our day-to-day jobs, we can pick up these little things that could be risks to the company.*"

4. Other

Seventeen percent (17%) of the management team suggested the following:

Participant 11 believed that, "*Ultimately, [it] is the CEO who carries a lot of risks because he hasn't put authority on other people. It also needs to be carried at a director level. Project managers also, they need to take the responsibility of assessing risk adequately.*"

Participant 12 was of a different opinion, and stated that, "*Finance and HR departments responsibility. I would assume it would be because they have a solid understanding of risk assessment. I think the conservation wing is less aware and knowledgeable about it.*"

Participant 18 stated: "*I would say both the individuals and the organisation.*"

Theme 4: Growth

Sub-theme: Footprint in remote areas

When asked specifically what are the challenges that an organisation faces when conducting risk assessment, Participant 1 responded as follows: "*Expanding or large organisation – it is difficult to properly manage people on the ground since we also work in remote areas.*"

Participant 2 pointed out change as a challenge: "*It's not easy to mitigate risk because things change all the time.*" The organisation has changed over a period of five years and keeping abreast with the latest technology and systems is vital.

Participant 16 said, "*What has become evidence to us as we have learnt ourselves over the last two years, is that, particularly in remote sites, having the ability to apply the same risk assessment is equally important as applying it to your core functions, business or head office site.*"

Theme 5: Reactive Approach

Sub-theme: Slow development of risk management philosophy

The organisation is slowly developing a risk management philosophy. Participant 16 explained the philosophy by saying, "*The approach is zero tolerance, certainly from a human capital point of view.*" Participant 3 stated, "*To my knowledge we are slowly trying to develop a philosophy and trying to identify risks as we bump into them on the daily or monthly basis.*"

Participants were asked the question: *What is the organisation's risk management philosophy?*

Table 4.8: Risk management philosophy

	Frequency
A work in progress	2
Stringent controls	3
Identifying and mitigating	2

1. ***Work in progress***

Two (n=2) participants felt that the organisation is still developing its risk management philosophy.

Participant 3: "*To my knowledge we are slowly trying to develop a philosophy and trying to identify risks as we bump in to them on the daily or monthly basis.*"

Participant 2: "*We more manage risks as things happen. We do not forecast.*"

2. ***Having stringent controls***

Three (n=3) participants explained the organisation's risk management philosophy as having stringent controls in place.

Participant 6: "*The organisation has stringent controls in terms of risks, with most aspects of the business.*"

Participant 13: "*Due diligence has been stressed, where individual managers are responsible for questioning, querying, and double-checking activities and documentation submitted to them.*"

Participants 16: "*The approach is zero tolerance, certainly from a human capital point of view, and everybody (employees) knows that overstepping the line, there is no tolerance for that.*"

3. Identify and mitigate risk

Two (n=2) participants said the organisation's risk management philosophy is concerned with identifying and mitigating risks.

Participant 7: "*The philosophy is to mitigate and reduce risks.*"

Participants 15: "*Our philosophy has been to identify risks. However, it has been one of stakeholder management. We haven't address[ed] risks from a complete stakeholder management perspective.*"

The above shows that the organisation does not have a well-documented risk management philosophy in place.

Sub-theme: Assessing risks when they occur

Participant 3 believed that, "*Risks only get assessed when they happen. No one seems to think that something bad will get bad. And when it happens, that is when the policies get amended.*" Participant 14 stated that, "*It has been a very reactive approach rather than a proactive one.*" Participant 2 was explicit in stating that, "*We manage risks as they come. We do not forecast.*" This links back to what Participant 13 elaborated on: "*We (the organisation) have a very much CAN-DO attitude, but it doesn't match what should have happened in the prior beginning.*"

Sub-theme: Having no contingency plan

Participant 9 stated: "*We [are] probably not doing as often as we can, I also feel we do not have a contingency plan. And I think that is a risk we face.*" Participant 9 went on to discuss the importance of a contingency plan: "*Contingency plan discussion is important. I do worry that our finances, which are at the heart of what keeps our organisation going, and this sit[s] with Chief Executive Office and Finance Director and that is very risky.*"

Sub-theme: Risk is not on the agenda

Participant 15 added that, "*Risk is never something that is on the agenda.*"

4.5 Questionnaire Results Presentation

This section contains quantitative findings derived from conducting questionnaire sessions. The following results are presented according to the research objectives:

4.5.1 Objective One: To identify risk assessment processes that non-profit management can use to minimise risks

Statements eight to ten examine whether the organisation is coping with the procedures put in place to assess and mitigate risks. The statements also examine which type of risk assessment is appropriate for the organisation.

The respondents were asked to indicate if the organisation is coping with the current risk assessment procedures. Half of the respondents (50%) agreed that the organisation is coping with the procedures that are in place. Only 6.25% of the respondents felt that the organisation is not coping with the current procedures, while 43.75% offered no opinion on this.

To gauge the appropriate risk assessment that is suitable for the organisation, respondents were asked to indicate which type of risk assessment is appropriate. Respondents felt that both are sufficient for the organisation. This is shown by 56.25% of the respondents, who agreed to independent risk assessment. They also agreed to self-risk assessment (50%). However, a majority of respondents strongly agreed (31.25%) to self-risk assessment compared to independent risk assessment (18.75%).

Table 4.9: Appropriate risk assessment

Appropriate Risk Assessment			Frequency Distribution				
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Statement 8:	The organisation is currently coping with the current risk assessment procedures.	**Freq**	0	1	7	8	0
		%	0.00%	6.25%	43.75%	50.00%	0.00%
Statement 9:	Independent risk assessment is appropriate for the organisation.	**Freq**	0	2	2	9	3
		%	0.00%	12.50%	12.50%	56.25%	18.75%
Statement 10:	Self-risk assessment is appropriate for the organisation.	**Freq**	0	1	2	8	5
		%	0.00%	6.25%	12.50%	50.00%	31.25%

4.5.2 Objective Two: To investigate the importance of risk assessment to non-profit organisations

The key focus of objective three was to measure the importance of risk assessment of the organisation.

Table 4.10: The importance of risk assessment

The Importance of Risk Assessment		Frequency Distribution				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Statement 2:	Risk assessment is not necessary since we are a non-profit organisation.	87.50%	12.50%	0.00%	0.00%	0.00%
Statement 4:	I do not think risk assessment will help the organisation meet its reporting and accountability requirements.	50.00%	50.00%	0.00%	0.00%	0.00%
Statement 12:	Lack of risk assessment can make or break the non-profit.	0.00%	6.25%	6.25%	50.00%	37.50%
Statement 14:	Risk assessment can serve as a strategic guide to the board members in terms of the status of the organisation.	0.00%	6.25%	12.50%	50.00%	31.25%
Statement 15:	Risk assessment is a prerequisite for gaining stakeholders' commitment.	0.00%	12.50%	37.50%	25.00%	18.75%
Statement 16:	Through effective risk assessment, the organisation can guard against poor decision-making.	0.00%	0.00%	0.00%	43.75%	50.00%

Statement 17:	Through risk assessment an organisation can establish accountabilities within the internal and external structures.	0.00%	0.00%	0.00%	43.75%	50.00%
Statement 18:	Funders and donors may require the organisation to conduct risk assessment analysis.	0.00%	0.00%	0.00%	62.50%	31.25%

The average response of objective two indicates that risk assessment is necessary for the organisation. The researcher provided positive and negative statements to gauge whether respondents see the value of risk assessment, and the following emerged after analysis:

*Negative statements***:**

Respondents tend to disagree with statement two and four the most. It shows that the respondent's perceptions about risk assessment are positive. The large majority (87.50%) strongly disagreed with the statement that "Risk assessment is not necessary since we are a non-profit organisation." Furthermore, 12.50% of the participants also disagreed with the statement.

Fifty percent (50%) strongly disagreed that risk will not help the organisation meet its reporting and accountability requirements, while another 50% went further, and strongly disagreed with the statement.

Positive statements:

The large majority (50%) agreed with the positive statement that risk assessment can make or break an organisation, 37.50% strongly agreed with the statement. Only 6.25% disagreed, and 12.50% did not share an opinion on this.

Again, the majority (50%) of the respondents agreed that risk assessment will serve as a strategic guide to the board members, while 31.25% strongly agreed with the statement.

If risk assessment is a prerequisite for gaining stakeholders' commitment, just over a third of the respondents (37.50%) did not share an opinion on this statement; rather they were neutral. However, 25% agreed and 18.75% strongly agreed that risk assessment can assist in getting

commitment from stakeholders. Only 12.50% disagreed with the statement. With 37.50% of the respondents indicating neutral, it cannot be concluded that risk assessment is a prerequisite for gaining stakeholders' commitment.

All respondents favoured the following statement: "Through effective risk assessment the organisation can guard against poor decision-making."; 43.75% agreed and 50% strongly agreed.

The statement that, through risk assessment, an organisation can establish accountabilities within its internal and external structures, was confirmed by 43.75%, who agreed, and 50% strongly agreed.

Whether funders and donors may require the organisation to conduct risk assessment, a majority (62.50%) agreed and 31.25% strongly agree with the statement.

4.5.3 To establish the challenges of risk assessment that are common among non-profit organisations within the environmental sector

Participants were asked to indicate whether they agree or disagree with the following statements, which allowed the researcher to examine the perceptions about risk assessment challenges.

Table 4.11: Perceptions about risk assessment challenges

Perception about Risk Assessment Challenges			Frequency Distribution				
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Statement 1:	Risk assessment is time consuming and requires huge funding.	Freq		11	2	3	
		%	0.00%	68.75%	12.50%	18.75%	0.00%
Statement 3:	Risk assessment is beyond a non-profit scope.	Freq	8	8			
		%	50.00%	50.00%	0.00%	0.00%	0.00%
Statement 5:	Lack of know-how is a key issue in the risk assessment field.	Freq			5	11	
		%	0.00%	0.00%	31.25%	68.75%	0.00%
Statement 6:	The risk assessment process is rigid and tedious.	Freq		7	6	3	
		%	0.00%	43.75%	37.50%	18.75%	0.00%
Statement 7:	The non-profit sector is complex.	Freq		2	2	10	2
		%	0.00%	12.50%	12.50%	62.50%	12.50%

Statement 11:	The organisation needs to implement a risk assessment process despite the costs or any challenges related to the implementation.	**Freq**	1		1	10	4
		%	6.25%	0.00%	6.25%	62.50%	25.00%
Statement 13:	All senior management need periodic risk management training.	**Freq**			1	11	4
		%	0.00%	0.00%	6.25%	68.75%	25.00%

Out of 16 respondents that answered the questionnaire, the majority (68.75%) viewed risk assessment as not time-consuming or requiring huge funding. This validates the qualitative findings in which time-consuming and funding did not emerge as a challenge. However, 18.75% believed that risk assessment is time-consuming and requires huge funding. Lastly, 12.50% were neutral, which means they did not know whether risk assessment is time-consuming and requires huge funding.

Results showed mixed opinions with regard to risk assessment being rigid and tedious. Forty-three-point seventy-five percent (43.75%) of the respondents disagreed with the statement, while 37.50% offered no opinion on the statement, and 18.75% agreed that risk assessment is rigid and tedious. The researcher cannot conclude whether rigid and tedious are challenges of risk assessment in the organisation.

Results also show that risk assessment is not beyond the non-profit scope, hence 50% of the respondents disagreed with the statement and another 50% strongly disagreed. Therefore, the researcher can claim that risk assessment is not beyond the non-profit scope.

Respondents were asked to indicate if lack of know-how is a key issue in the risk assessment field for the organisation. The majority (68.75%) agreed with the statement, while 31.25% remained neutral. Therefore, it can be argued that lack of risk assessment knowledge is a challenge within the sector. Respondents indicated that all senior managers need periodic risk management training; the large majority (62.50%) agreed and 25% strongly agreed with the statement.

To further indicate the challenges that might impair the effective assessment of risk, participants were asked to indicate if the non-profit sector is complex. The large majority (68.75%) of the participants agreed that the sector is complex and 12.50% strongly agreed with the statement.

Despite the costs and challenges associated with the implementation of risk management, respondents felt that the organisation should implement risk assessment processes. This was shown by the large majority (62.50%) of the respondents agreeing and 25% strongly agreeing to this.

4.6 Conclusion

This chapter presented results obtained from conducting interviews and a questionnaire. The results were presented in accordance with the objectives set in Chapter One. Qualitative data were analysed and presented in a thematic format and quantitative data were analysed using descriptive statistics and presented in frequency tables with cardinal numbers and percentages. Data collected were raw and analysed to produce meaning, with the researcher maintaining the originality of the data. The following chapter discusses the findings presented above.

CHAPTER FIVE: DISCUSSION OF RESULTS

5.1 Introduction

The aim of this chapter is to provide a discussion of the findings achieved through the interviews and questionnaires. This chapter describes the significance of the research findings in the light of the objectives. The study was prompted by both the lack of and the importance of risk assessment in the non-profit sector. As such, the three objectives that guided the study were:

- to identify risk assessment processes that non-profit management can use to minimise risks;

- to investigate the importance of risk assessment to non-profit organisations; and

- to establish the challenges of risk assessment that are common among non-profit organisations within the environmental sector.

The preceding chapter presented an analysis of the data collected from interviewing the respondents. The following sections link the data analysis with the literature on the key variables relative to risk assessment.

5.2 Objective One: To identify risk assessment processes that non-profit management can use to minimise risks

The focus of objective one was to identify risk assessment processes that non-profit management can use to minimise risks. Qualitative data revealed that risk audit and compliance, risk register, internal control measures, risk awareness, and the King IV Code are used to assess and mitigate risks. Quantitative data revealed that self-risk assessment can be a tool that an organisation uses to assess and mitigate risks.

Qualitative findings established that risk management is an area of concern for the executive team, and risks are dealt with proactively and strategically with the aim of minimising the negative impacts. This is shown by the establishment of the risk audit and compliance sub-committee. This committee is made up of an executive team, which incorporates a Chief Executive Officer, Executive Director, and the Directors. From the board perspective, it is made up of trustees who provide the organisation's executive team with guidance and insights for dealing with and managing potential risks.

The sub-committee meets twice a year, and more often as needed, to review the risks listed on the risk register. Furthermore, the audit committee has power to make decisions regarding statutory duties, and is accountable for its performance. In addition to its statutory duties, the audit committee is accountable for governance risk and other risks that affect the integrity of the organisation (IoDSA, 2016).

Having a risk audit and compliance sub-committee is in accordance with the King IV Code, which states that the board should ensure that risk assessment is conducted and that assurance is received regarding the effectiveness of the company's management of risk. The King IV Code does not recommend which committees should be established by the governing body. However, the governing body should judge what is appropriate for the organisation (IoDSA, 2016).

Before going to the sub-committee meetings, risks are reviewed internally, where managers have an opportunity to identify any loopholes within the risk register. This is another assessment tool that an organisation uses to assess risks. The risk register covers the risks across the organisation and it relates to statutory obligations, donor funding, and projects.

Currently, the organisation's risk register contains thirty-two risk areas. Participants were asked to identify the significant risks affecting their departments, which allowed the researcher to integrate risks, and come up with a list of key risks that the organisation is currently facing. Fraud emerged as a top risk that an organisation must pay attention too. The downfall about the risk register model is that it is only reviewed annually and risks changes all the time.

To further comprehend risk assessment processes that a non-profit can follow, the researcher had to examine the current internal control measures that management uses to respond to the current risks, issues, and challenges. To conduct risk assessment, Khorwatt (2015) stipulates that current auditing standards should emphasize the importance of gaining a complete understanding of an organisation, as well as its environment. Organisation's internal controls ranged from strategic meetings, internal policies, audits, to SOPs. For example, the finance department get audited every three months and when processing payments there are policies that need to be followed.

Firstly, the organisation has internal policies guiding daily operations and one participant added that the organisation's policies are very strict. Another participant mentioned that, "*as a department we have put in place SOPs for various things we do*". Woznyi (2015) stipulates that having SOPs enables the organisation to clearly articulate roles and responsibilities. At the same time, it provides an assurance that an employee understands the roles and responsibilities. Lastly, SOPs provide an additional level of assurance of consistency.

According to Thomson Reuters (2011), control activities are the policies and procedures that ensure that management's risk response is carried out and one of the ways to ensure controls are implemented is to have SOPs. The downfall is that the existing SOPs are ad hoc in nature and are not structured to a proper risk management strategy. This traces back to the research problem, which states that some organisations' risk management is ad hoc, informal, and implicit, leaving executives and boards with an incomplete view of the entity's top risk exposure (Matan & Hartnett, 2011).

Conducting monthly strategic meetings is another internal control measure and, in these meetings, the executive director, directors, deputy directors, and strategic managers are present. The discussions revolve around updates, successes, and any latest developments within the organisation and its activities. It is interesting to note that risk is never on the agenda in these meetings. Strategic meetings are critical, because they can be a platform for managers to brainstorm ideas to assess risks without criticism. Hence, brainstorming allows participants to come up with ideas freely without criticism (Garrido *et al*., 2011). Additionally, for ERM to work, communications between all levels in the organisation is vital (Rougan, 2015). Therefore, strategic meetings are the perfect platform to achieve this objective.

From a financial perspective, participants felt that risk is monitored regularly and there are proper policies guiding how the organisation operates its financials. This safeguard could be a result of fraud, which emerged as a top risk. Additionally, management is aware that financial risks can detect the level of financial sustainability of the organisation (Padilla *et al*., 2012). The fact of the organisation heavily relying on funding is one of the reasons why financial risk is monitored regularly.

The literature review revealed that managing risk is fundamental to all organisations, irrespective of their size (CPA Australia Ltd, 2015). To curb the occurrence of financial risks, the organisation implemented SAGE 300, an accounting system that works in a vendor or supplier database. The system has features that can control financial risk occurrence. This was revealed by Participant 6, who mentioned that SAGE 300 ensures that the vendor is registered and it can verify banking details.

Furthermore, the finance department of the organisation gets audited every three months. Auditing is one of the King Code's requirements that "mandatory rotation of audit firms is required to reinforce auditor independence and audit quality" (IoDSA, 2016). This is highly commendable for the organisation to have effective financial controls, because NPOs heavily depend on funding, which is often limited and the organisation has a mandate to manage funds donated to them.

Control measures at a project level are as follows: Firstly, since the organisation's projects involve community members, the organisation tries not to be politically affiliated, because this can easily dilute the organisation's vision. Participant 13 added: "*We try by all means to be as apolitical. We hold community meetings with relevant parties ranging from local councillors to traditional leaders*." This is extremely important, because the organisation serves vulnerable population groups which require sensitivity and proper care; if not, then an organisation would be dealing with uncontrollable risks (Clinical Care Targeted Communications Group, 2006). Secondly, whenever there is a new project initiated, the organisation holds community meetings

with relevant parties involved (community members, local councillors, and traditional leaders). Thirdly, the organisation strategically leverages projects to eliminate the risks of funding. Lastly, the structure of the work that an organisation also conducts includes restoration activities; therefore, responding to risks emanating from nature is important. However, little can be done to mitigate climate change, natural disasters, droughts, and floods. Project level assessment and mitigation plans can be considered as strategic, because they tackle sustainable issues and they make sure risks are dealt with promptly (Faris *et al*., 2013).

Importantly, Participant 9 triplicates the standard of the information before sharing it with the public. This internal remedy is crucial because the organisation reports frequently to stakeholders (especially funders). Communicating inconsistent information can lead to confusion and can affect the organisation's reputation. The literature revealed that non-profits cannot afford to have a bad reputation because they are dependent on public confidence (Young, 2014).

In the findings chapter, transparent communication emerged as a fifth area of concern for the management team. Funders or donors make informed decisions based on the information provided to them. This accords with the King IV Code principles, which state that reports are a powerful means for an NPO to communicate meaningfully with its stakeholders, beneficiaries, donors, and regulators. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium, and long-term prospects (IoDSA, 2016).

Triplicating information is not only limited to reporting, but also includes data and payment processing, because processing with errors can have a negative impact on the organisation's finances. Participant 10 stated: "*We are liable for processing, so, the risk involved would be processing with errors which can affect the financials negatively.*"

When asked what action plan they follow to mitigate risks, participants that were overseeing the fieldwork responded with a health and safety mitigation plan. The organisation has dedicated first aiders responsible for first aid needed on the field. The field team also has tool box talks every day. These are conducted to avoid hazard-based risks, which are the risks associated with any source of potential harm, damage, or adverse health effects for individual employees or organisations (American Chemical Society, 2015).

Internal control measures followed by the fleet team included telematic systems, which were installed in every company vehicle to get instant updates on the vehicle. The telematic tags have managed to eliminate the abuse of vehicles within the organisation.

Recently, the organisation has embarked on a rigorous risk awareness initiative. This was prompted by the level of fraud that had been taking place within the organisation. Therefore,

management is trying to increase knowledge and make managers aware of the existing risks within the organisation. As a result, the management team was taken through areas where fraud and other risks are prevalent, ranging from petty cash, credit cards, journey cards, and travel claims. The reason behind the awareness is to make managers responsible and accountable, provided such risks occur. As Participant 16 outlined, one of the main reasons behind risk awareness is, "*If the management team is not doing their job by signing off or checking, they are increasing risks and exposure to fraud. On that level, we are able to say to our top management team we hold you accountable. Equally so, we hold the employee accountable.*"

To further gauge whether the management team is fully aware of what risk assessment is, the researcher asked the participants to define risk assessment from their perspectives and various answers emerged. The majority of the participants viewed risk assessment as a process of identifying potential hazards, risks, weaknesses, challenges, and negative influences. Other participants viewed risk assessment as a process

- to measure and assess the level of risks to the organisation,

- to understand the risks affecting the organisation,

- include steps and mitigation plans, and

- to foresee the risk.

The current perceptions accorded with the literature review, which states that risk assessment is a collaborative and consultative workshop or interview process whereby risks are identified, measured, and analysed according to a set methodology (DEA, 2013). Again, participants' perceptions accorded with Curtis and Carey (2012), who define risk assessment as a process that begins with identifying events and proceeds to risk assessment, with the purpose of assessing how big the risks are, both individually and collectively, to focus management's attention on the most critical threats and opportunities.

Participants who viewed risk assessment as a process to understand risks affecting the organisation concurred with Khorwatt's (2015) idea, that to conduct risk assessment, current auditing standards should emphasize the importance of gaining a complete understanding of an organisation, as well as its environment.

Lastly, qualitative results showed that following the King IV Code principles and guidelines can help the organisation to develop a sound risk management strategy. The literature showed that the King IV Code can ensure accountability, fairness, and transparency within the organisation. However, the code is not legally binding (Nexia SAB&T, 2016), but rather, it is important because it is based on the premises of good governance, transparency, and accountability.

From the qualitative findings gathered, it can be observed that measures have been put in place to assess and mitigate risks. However, to measure if the current procedures are working, respondents were asked to indicate whether the current strategies are working or not. Quantitative results indicated mixed opinions, as only half of the respondents (50%) agreed that the organisation is coping with the current strategies. However, 43.75% did not offer an opinion on this. Only 6.25% disagreed that the current risks procedures are working.

To effectively manage risks as an NPO, quantitative results further revealed that self-risk assessment is appropriate for the organisation. Hence, 50% of the respondents agreed and 31.25% went on to strongly agree to self-risk assessment. This is vital for the organisation, as it begins its internal journey to risk management. Additionally, the organisation is dynamic and complex. Therefore, an internal expert will easily understand the environment the organisation is operating in. Authors similar to Herman et al. (2010) are in support of self-risk assessment, because it is an excellent first step in broadening awareness about risk and risk management within the organisation.

5.3 Objective Two: To investigate the importance of risk assessment to non-profit organisations

Objective two investigated the importance of risk assessment. The management team expressed the importance of risk assessment as vital, critical, very important, and extremely important. From the qualitative findings gathered, it can be noted that risk assessment is very important for the organisation. Forty-seven percent (47%) of the respondents felt that risk assessment is very important for the organisation, while (20%) went further and said extremely important and (13%) and (20%) said it is critical and vital respectively. It can be argued that indeed risk assessment, or, rather risk management, is vital for the organisation, considering the dynamics the organisation is facing. Data collected through questionnaires also revealed the same results: 68.75% of the respondents disagreed that risk assessment is time-consuming, which is an indication that management viewed risk assessment as an important task to carry.

Quantitative findings revealed that risk assessment is important to the organisation for distinct reasons. Firstly, this was shown by all the respondents agreeing that, through risk assessment, the organisation can achieve public accountability and transparency. As established previously, the management team has a mandate to manage funds that are being donated to the organisation's mission and vision. Additionally, other stakeholders have certain expectations about the organisation. Hence, the literature revealed that public accountability and transparency are key benefits for securing additional funding, from a non-profit point of view. Additionally, funders need to know how their money is being spent, feedback on the activities must be given, and trust needs to be created between donors and the organisation. Hence, it is harder for criminals to

commit fraud or abuse the system if the organisation is fully accountable (Charity Commission, 2010).

Secondly, it is vital because it can serve as a strategic guide to the sub-committee when assessing the risk status of the organisation, and a large majority of the respondents (50%) validated this. According to Willis (2010), risk assessment is crucial because, clearly, the the board cannot manage all operational risks, which means, employees must be responsible for taking steps in ensuring that control measures are put in place to assess and respond to risks.

Furthermore, risk assessment is critical because the organisation can guard against poor decision-making. This was validated by all the participants agreeing and strongly agreeing that risk assessment can eliminate poor decision-making. At the same time, the literature revealed a similar idea, that through risk assessment, non-profit leaders can make informed decisions and make appropriate risk responses (Okhahlamba Local Municipality, 2013).

It can also be argued that risk assessment is beyond important because the organisation can protect itself against disastrous outcomes that could threaten its survival. According to the Agile Strategy Institute (2010), the value proposition of risk assessment is for the organisation to attract new and existing stakeholders henceforth, because, once you have reduced risks, you can increase productivity, increase income, and you can compare yourself to international NPOs and you will have happier staff, thus, allowing the organisation to retain its crucial stakeholders (donors and personnel).

Lastly, risk assessment is critical because participants felt that the organisation is not doing enough regarding risk assessment and no organisation can effectively run without a strategy to mitigate risks. Furthermore, results indicated that the lack of a proper risk assessment can make or break the organisation. Therefore, pursuing a risk management strategy across the board, will create a risk-focused culture, which will force risk discussions, allow risks to be considered more openly, and break down silos in respect to how risks are currently managed. According to Kreiser (2013), organisations that have implemented ERM witnessed a rising interest in risk at senior levels, which ultimately resulted in more discussion of risk at all levels.

In summary, based on the qualitative and quantitative results, it can be argued that in the near future, there will be a limited gap between non-profit and for-profit organisations in terms of risk management. Given that the majority (69%) of the respondent's perception is that risk assessment is not time-consuming and 87.50% of the participants did not think that risk assessment is an unnecessary exercise to execute.

5.4 Objective Three: To establish the challenges of risk assessment that are common among NPOs within the environmental sector

The main purpose of objective three was to ascertain the challenges that may limit the organisation when embarking on the risk assessment journey. Qualitative findings revealed that structure, people, capacity, growth, and a reactive approach are key challenges affecting the organisation from building an effective risk management structure. On the other extreme, quantitative data revealed that the non-profit is complex and a lack of knowledge may be an area of concern when assessing the risks.

Qualitative findings revealed that the finance department owns the responsibility of risk management. The Finance, HR, and Administrative Director is responsible for the management of risks occurring in the organisation. This is similar to what Herman et al. (2010:10) believed, that "most non-profits do not have the luxury of assigning the risk responsibility, as most personnel wear multiple hats". Participant 12 bluntly stated that risk management is better managed by HR, since they have a solid understanding of risk assessment: "*I would assume the risk assessment responsibility rest[s] with HR department. Since HR department have a solid understanding of risk assessment.*"

This is a recurring assumption within the organisation, that risk management is better managed under the Finance, HR, and Administrative portfolios. Mintz (2012) also highlighted a similar challenge that NPOs do not take time to perform risk assessment for a variety of reasons. Some do not appreciate the benefits of such an exercise, some believe they adequately understand their risk profile, or some may feel they lack the resources to adequately perform the task.

Furthermore, the current organisational structure does not allow risks to be assessed from a holistic perspective, because the activities are compartmentalised. Presently, activities are not synchronized between the departments, and the literature stipulates that once the synergy principles have been violated, organisation structural challenges emerge (Smit & Ngambi, 2011). Additionally, risk management has been a one-stakeholder assessment, meaning management has not addressed risks from a complete stakeholder perspective (including risks emanating from donors, partners, nature, and community members).

Qualitative results also revealed that the organisation has three entities operating under one management umbrella. Therefore, the organisation is not only managing the success of a non-profit, but there are two other forms of organisation that management must make sure they operate successfully to yield effective results. Strategy and structure are often conflicted when it comes to the management of the three organisations. The first organisation operates on a break-even system, the second one operates on a profit basis, and the last one is yet to be established. As

a result, the management team reflected strategy and structure as one of the key challenges they face when implementing risk management or conducting risk assessment.

Having three organisations managed with the same management style is a risk. The organisation ended up listing the private entity into the risk register. Within the literature, organisational structure also emerged as one of the key challenges NPOs deal with. Organisational structure is best defined as a process of developing the relevant business units, departments or sections, and then providing the necessary coordination to ensure that these business units, departments or sections work synergistically (Smit & Ngambi, 2011), and this definition is well synchronized with what the organisation is currently facing.

Besides working with the communities, as previously established, the organisation's work also includes livestock and trees. Therefore, participants felt that climate change makes it difficult for the organisation to mitigate risks emanating from nature and they place a huge investment in the trees and livestock they own.

According to Anheier (2009), the NPO structure is often ill-understood because few seem to understand these organisations well, and it is frequently ill-conceived because many operate from the wrong assumptions about how NPOs function. The results proved otherwise, as the organisation has implemented essential strategies, and this has proved that the sector has evolved tremendously from what Anheier (2009) believed. Empirical results showed that the sector is complex, rather than ill-understood. Hence, 62.50% of the respondents agreed that the sector is complex and 12.50% strongly agreed that the sector is complex.

People also emerged as a challenge in the qualitative findings. Participants expressed people as a challenge because the organisation has been hit with instances of fraud, and these instances emanate from people. The downfall about the organisation is that it operates in a trusting manner; it has a family culture, as Participant 6 stated: "*The Trust operates in a manner of trust. It got that type of culture of, we are a family and we are not similar to private or government culture.*" Therefore, huge trust is placed on people. Additionally, findings revealed that you cannot control how people operate, therefore, in the assessment of risks they can be a threat. Lastly, results indicated that finding the right people to execute risk assessment is a challenge for the organisation. This is an operational risk that many non-profits must overcome to have effective risk management systems. Young (2014) revealed that people can be a barrier to risk assessment because they carry a variety of risks such as those associated with human error when processing, the risk that a working culture may lead to low morale, low productivity, low concentration, and a risk arising from the possibility of incompetence. Furthermore, a risk of losing key employees often results in a decline in productivity, especially for NPOs.

Quantitative findings revealed that lack of knowledge within the field of risk management is a key issue within the non-profit sector. Hence, 68.75% of the respondents agreed with this statement. Subsequently, 68.75% agreed that senior management needs periodic risk management training, whilst 25% strongly agreed that managers need risk management training. Again, making employees understand what risk assessment is, is a challenge, because the conservation wing is less knowledgeable about business risk management. Therefore, the finance team is currently trying to cover that gap and create awareness throughout the organisation. The finance team is running an exercise where they take the entire management team through risk areas. The team also implemented a whistle-blower Ethics Hotline to encourage staff members to come forward if they suspect acts of fraud.

Capacity tends to be another key challenge in the assessment of risks and accords with the literature. Bilich (2016) states that, it is no secret that non-profits are ill-equipped to address risks, because risks often require significant resources which non-profits do not have, as their for-profit peers do. Assessing risks effectively rests upon having reliable, knowledgeable, and sufficient human capital. However, participants raised concerns about having a limited number of employees, that ultimately, they do not have time to fully assess risks and that meeting deadlines becomes their priority.

In light of the issues concerning capacity, the organisation does not have the luxury of assigning the risks to each department or a dedicated person, as most personnel fulfil multiple roles. However, due to limited resources there is no full ownership of risk management. As the results indicated, there is only one department perpetuating the commitment of risk management across the organisation.

Despite management fulfilling multiple roles, half of the participants believed that risk assessment should be the responsibility of managers, because they are the ones finally answerable. According to Matan and Hartnett (2011), management's tone has a trickledown effect on everyone involved. It is likely that, if top managers uphold high ethical standards and integrity, so will employees. However, if upper management appears unconcerned with good ethics and focuses solely on generating funds or donations, employees will be more prone to commit fraud because they feel ethical conduct is not a priority.

The organisation has seen tremendous growth in the last five years and this included remote areas where the organisation does not have a head office or systems in place to monitor activities effectively. This has triggered risks such as fraud and non-delivery. Qualitative findings showed that remote areas tend to be a key challenge for the Trust when assessing risks. Participant 16 highlighted this challenge by stating, "*What has become evident to us as we have learnt ourselves over the last two years, is that particularly in remote sites, having the ability to apply the same*

risk assessment is equally important as applying it to your core functions, business or head office site." The more the organisation grows, so does the element of risk. As a result, the organisation is implementing mirror systems that are carried at a head office level.

Lastly, a reactive approach to risks also emerged as a challenge, because participants felt that the organisation has been more reactive to risks as opposed to being proactive. However, this is gradually changing, since prioritisation of risks is becoming an area of concern throughout the organisation.

The following four factors drive the reactive approach:

Factor 1: Slow development of a risk management philosophy was revealed by the participants' responses. Participants could not provide a concise risk management philosophy for the organisation, with only 39% of the participants being able to respond to the question when asked. They believed that an organisation's risk management philosophy is a work in progress, having stringent controls, and identifying and mitigating risks.

In opposition, 61% of the participants bluntly validated this by stating: "*I do not know, I am not too sure, this is a hard one, and I have no clue if there is a specific philosophy.*" DeLoach (2015) defines risk management philosophy as an integral process that promotes compliance with its risk appetite, and manages risks within the respective spheres of responsibility consistent with risk tolerances. The implication is that an organisation that cannot define its risk philosophy is in danger of formulating objectives and strategies without proper guidance.

Factor 2: The organisation has been getting away without assessing risks. This finding is linked with the quantitative results, where 50% of the respondents agreed that the organisation is currently coping with the risk assessment procedures, only 6.25% disagreed with the statement, and 43.75% remained neutral. Qualitative findings also revealed that risks only get assessed when they occur and no one thinks that something bad will happen, until it does, which may become more likely to occur if the organisation is not investing in risk management strategies.

This is a true depiction of what the literature states, that NPOs have not taken a sufficiently robust view of risk management, and less attention has been paid to the strategic weighting of risks and benefits that allows organisations to have the greatest impact regarding to their objectives (Young, 2014).

Factor 3: Regarding carrying a non-profit status, quantitative results revealed that even though the organisation is classified as a non-profit, 87.50% of the respondents strongly disagreed that having a non-profit status, or being in a non-profit sector, does not mean that risk assessment is not important. This depicts a positive trend for the future of non-profit risk management. Wang et al. (2014) suggest that there are several reasons why NPOs should invest in risk management,

despite carrying a non-profit status, and this goes beyond the traditional means of conducting risk assessment. These reasons include protecting tangible and intangible assets the non-profit requires to operate, freeing up resources for community-serving activities, and the integration of risk into the organisation's culture and values.

Factor 4: Quantitative results showed that limited resources in terms of capacity and knowledge are a challenge. This was validated by 68.75% of respondents agreeing that management needs to capacitate themselves with the necessary skills to better mitigate risks, and 25% who strongly agreed with the above statement. The literature revealed that the non-profit society is facing a funding crisis (Coalition on Civil Society Resource Mobilisation, 2012). Moreover, lack of know-how often leads to unfocused implementation or execution of risk assessment (DeLoach, 2015).

In contrast to the above highlighted challenges, some participants indicated that it is easy to mitigate risks despite the existing challenges. Participant 15 revealed that, "*There is a strong mitigation plan within the organisation. If you look at the way our risk factors have changed over time, and the ratings of the risks from high to low. This will show that these things have been identified, and there is a plan in place*." Participant 6 stated: "*from my department point of view, it is medium. There are certain aspects that are difficult and other aspects that are not.*" Even though one cannot predict certain risks from happening, Participant 1 felt that risk related to health and safety can easily be mitigated.

5.5 Conclusion

It is clear from the discussion that management is aware of the existing risks affecting the organisation and the challenges that come with assessing them. What did not emerge from the findings is a constructive structure that is followed by the management team. However, ad hoc operational activities that management carries out daily to respond to the challenges emerged. There are no values and principles that govern activities and people about risk management. At the highest level, risks are dealt with proactively and strategically, with the aim of minimising the negative impact. It can be concluded that risk assessment is important for the organisation.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The previous chapter presented a detailed discussion with links to relevant theory and findings. Chapter Six outlines the summary of key findings derived from the study. It concludes with what the results conveyed regarding risk assessment in the non-profit context. The recommendations for future research are included in this chapter. Limitations of the current study are highlighted and briefly discussed. Lastly, a summary of the study is presented.

6.2 Summary of the Study

The purpose of this research was to explore and gain an insight into the risk assessment of a non-profit organisation operating in the environmental sector. To provide more clarity and address the research problem, the researcher formulated three research objectives. These were to completely understand the problem statement, as it is vital to understand how the NPO assesses its risks. Chapter One presented these objectives as follows:

- To identify risk assessment processes that non-profit management can use to minimise risks.

- To investigate the importance of risk assessment for NPOs.

- To establish the challenges of risk assessment that are common among NPOs within the environmental sector.

The research methodology, set out in Chapter Three, collected a considerable amount of data about each of the research objectives. These were discussed extensively in Chapters Four and Five. To accomplish the study objectives, it became necessary to understand how the environmental non-profit comprehends risk assessment, and as such, their management team became a case study of this research.

The literature review explored the theoretical framework that was followed by the study. The theoretical discussion started by understanding the internal environment of the organisation, was followed by the objectives of risk assessment, then it moved to the risk identification process. After risk identification, the risk assessment process was explained in detail, followed by the response strategies. The literature review revealed that there is a huge gap between for-profit organisations and NPOs in the risk management field. Risk management is well executed and documented in the for-profit organisations when compared to NPOs. Therefore, the study was exploratory. The literature review also indicated that there are nine functional risk areas that the NPO must take into consideration, and these are: legal risks, operational risks, financial risks,

compliance risks, physical risks, reputation risks, fundraising risks, HR risks, and the risks of serving a vulnerable population.

Two methods were used to collect data from the participants and these were semi-structured interviews and questionnaires, thereby making the study a mixed method approach. This enabled the researcher to develop richer and more meaningful data through the integration of qualitative and quantitative findings. Through the use of interviews and a questionnaire guide, data collected addressed each research question posed in the first chapter of this dissertation. Data collected were analysed using thematic analysis and descriptive analysis.

This study revealed constructive findings that contributed to the limited body of knowledge in this research area. Moreover, the study is topical and relevant to the present challenges the environmental non-profit finds itself in. It revealed that risk audit and compliance, risk register, internal control measures, risk awareness, the King IV Code, and self-risk assessment are used by the organisation to assess risks. It additionally revealed how important risk assessment is to the organisation. The following themes emerged: vital, critical, important, and extremely important. Lastly, the findings revealed that structure, people, capacity, growth, a reactive approach, lack of risk management knowledge and complexity are limiting the effective assessment of risks within the organisation.

It was recommended that the organisation align its daily ad hoc activities towards an integrated risk management strategy. Even though the sector is perceived to have limited resources or technical knowledge to execute this. This will enable the organisation to deliver value to key stakeholders such as employees, partners, government, donors, communities, and nature.

Additionally, a risk management philosophy, consistent risk awareness, making risk discussion a main agenda, establishing management accountabilities, self-risk assessment, and committing to the King Code IV were recommended as tools and systems to achieve effective risk assessment and management.

The overriding purpose of this study was to explore the risk assessment of the NPO operating in the environmental sector. At the same time, bringing preliminary issues that the sector is currently facing when tackling risk management discussions, the study managed to meet its research objectives. Lastly, this research has contributed to the limited amount of academic literature available on risk management for South African NPOs.

6.3 Summary of Findings

6.3.1 To identify risk assessment processes that non-profit management can use to minimise risks

It was discovered that the organisation uses techniques such as an audit sub-committee and risk audits to assess and mitigate risks. The organisation also uses the risk register, where risks identified are recorded and assessed from the impact and the likelihood perspectives. The organisation also uses ad hoc internal control measures to assess and respond to risks. The study showed that these internal control measures are not structured for a proper risk management strategy.

Given that the organisation has experienced instances of fraud, the management team used risk awareness as an action plan to create awareness and minimise risks in the process. The study showed that the finance department alerted the management team to the sources of risks.

Lastly, committing to King IV Code principles was seen as the next strategy to use. As this code concerns governance, accountability, and transparency. It can be concluded that the current risk assessment controls accord with the self-risk assessment process, and quantitative results suggested this as an appropriate tool to use when assessing the risks.

6.3.2 To investigate the importance of risk assessment to NPOs

Results indicated that risk assessment is vital for the organisation, despite it being an NPO. As much as participants knew that non-profits have limitations in terms of capacity and funding, they still emphasized the importance of risk assessment. Authors such as Mancuso shared the same sentiment that non-profits should address risk management, regardless of the size of the organisation (Muncuso, 2012). However, results showed that the organisation is not doing enough regarding risk assessment, thus, making it a necessity for the organisation.

Risk assessment is also vital because the organisation can achieve public accountability and transparency. Board members can get a full picture of what is happening within the organisation and management can guard against poor decisions and disastrous outcomes. The interesting key finding under this objective was the ability to attract and retain crucial stakeholders such as donors and personnel.

Based on the findings, it can be concluded that risk assessment is indeed important for the NPO. Results demonstrated that in the near future, there will be a limited gap between non-profit and for-profit risk management.

6.3.3 To establish the challenges of risk assessment that are common among NPOs within the environmental sector

The results showed that structure is one of the key challenges the organisation encounters when assessing risks. Having one department responsible for managing the risks precluded the organisation from having an effective risk management strategy. The organisation violated the principles of effective organisational structure, suggested by Smit and Ngambi (2011), by having compartmentalised activities, which make it difficult to assess risks in aggregate. Another interesting finding that emerged, is that, under structural challenge, there is the management of two other organisations. This is a challenge because the management team running the non-profit successfully, also run the other two organisations, but with different objectives. Lastly, the structure of work that an organisation does also has limitations when assessing the risks. For example, participants reflected climate change as an area of concern when assessing risks.

It was also found that people are a barrier to effective risk assessment, as they carry risks associated with human error, low morale, low productivity, low concentration, and incompetence. Additionally, it was found that making employees understand what risk assessment entails is a challenge. Therefore, it can be concluded that management need to capacitate themselves to effectively assess risks. The latest developments indicated that the organisation is under way with a risk awareness programme aimed at capacitating employees in risk areas and this was observed from initiatives such as the ethics hotline.

Capacity is another key challenge that hinders the effectiveness of managing risks. The organisation does not have the luxury of assigning risks to a specific department, as most personnel fulfil multiple roles.

The organisation witnessed tremendous growth in the last five years, especially in remote areas, making it difficult for the management team to effectively assess risk in these areas, since the systems in place are not sufficient to curb risk occurrence.

The last challenge that the study revealed was the reactive approach to risks. This approach is driven by the slow development of a risk management philosophy, followed by the fact that the organisation has been getting away without assessing risks only because it is a non-profit. Lastly, limited resources, capacity and knowledge hinder the assessment of risks. It can be concluded that addressing these challenges can enable an effective risk management approach.

6.4 Recommendations

To build an effective risk management strategy in the future, it is suggested that the organisation should focus on the following seven aspects:

6.4.1 Developing the Risk Management Philosophy

Results revealed that the organisation is taking necessary steps to develop a risk management philosophy. However, this is happening at a slow pace. Therefore, the organisation is advised to develop principles and values that govern the organisation's risk management profile. These values and principles must speak to every employee, department, and the organisation.

6.4.2 Raising Awareness

Awareness is a key ingredient to success. Taking a robust view of sources of risks across the organisation must be a matter of urgency. According to Herman et al (2010:10), "conducting a self-risk assessment is an excellent first step in broadening awareness about risk and risk management within the organisation".

Raising awareness requires some form of training. Therefore, offering risk management and risk assessment training is critical and this must be in a for-profit as well as a non-profit context. Additionally, changing the word risk assessment to success assessment can play a huge role, because employees often associate the word "risk" with prejudice or something that is always negative. It is worth noting that this recommendation is under way.

6.4.3 Making Risk a Main Agenda

Participant 15's statement, *"risk is never something on the agenda"*, shows that, as a matter of urgency, the organisation must include risk management, risk assessment, and risk response strategies as the main item on the agenda in meetings, reviews, and workshops. This will promote a risk discussion and force strategic thinking in mitigation plans. Hence, this can assist in enabling the organisation to fast track its proactiveness in risk management.

6.4.4 Establish Management Accountabilities

The organisation must establish a risk accountability measure so that managers can be accountable for risks occurring in their respective departments and roles. This was also validated by 44% of the participants stating that, "*Managers must be responsible for [the] organisation's risk assessment*". If the management team is not held accountable, they are likely to expose the organisation to vulnerable areas.

6.4.5 Self-risk Assessment

Conducting a self-risk assessment is recommended with the findings revealing the same. A self-risk assessment is crucial for the organisation because the sector is complex and the organisation itself has its own dynamics. Moreover, self-risk assessment is an excellent first step in broadening awareness about risk and risk management within the organisation.

The potential downside to this is that, the organisation may not have the luxury of assigning the risk, as most personnel fulfil multiple roles, and the assessment conducted by insiders may not be

as effective in spotting the wide range of issues affecting the organisation as an outside objective person. However, this can be mitigated by an expert in-house who highlights areas what should be considered when assessing the risks.

6.4.6 Committee of Sponsoring Organisations of the Treadway Commission

Curtis and Carey (2012), COSO (2018) and Faris et al. (2013), reveal an ERM framework called the COSO. It is an integrated framework that outlines seven (7) steps an organisation needs to follow when embarking on a risk management journey:

1. Understanding the internal environment;

2. Goals and objectives of risk management;

3. Event identification;

4. Risk assessment;

5. Risk response strategies;

6. Control activities; and

7. Monitoring.

6.4.7 Committing to the King IV Code's Principles and Practices

The code provides high-level guidance and direction on how the King IV Code should be interpreted and applied by various sectors and organisation types (IoDSA, 2016). It is suggested that the organisation commit itself to the King IV Code principles and practices. This is crucial from an executive point of view to understand the code and its strategic value. Furthermore, committing to the code will ensure the effective management of ethics, risks, fraud, and corruption within the organisation. The code concords with international best practices and makes it clear that organisations must not tolerate acts of bribery or fraud by the employees, contractors, suppliers, joint venture partners, and other business partners.

6.5 Limitations of the Study

The results of this study cannot be generalised, since it only focused on one environmental NPO. However, the study offered important insights into the risks assessment of environmental NPOs. Additionally, the study used a mixed method approach. As a result, the target population was too small for quantitative data. Based on the exponential law of errors, some authors suggest bigger samples. Therefore, it was imperative for the researcher to highlight this as a limitation to the study. Lastly, a pilot study was not conducted which allows a researcher to pre-test the interviews and questionnaires with a small sample.

6.6 Future Research

This research study has provided insight into how the non-profit comprehends risk assessment. It has created much needed awareness within the organisation. Firstly, for future researchers, it is suggested that a similar study could be conducted on other NPOs to allow generalisability of results. Secondly, risks often require significant resources which non-profits do not have, as compared to their for-profit peers (Bilich, 2016). Therefore, a comparative study can be conducted to gauge how for-profits versus non-profits assess risks. Lastly, future researchers can focus on addressing challenges that can hinder effective risk management implementation.

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APPENDIX A: FACE TO FACE INTERVIEW QUESTIONS

Please state your name and the time you have been with the organisation?

1. In your opinion, what is risk assessment?

2. What is your organisation's risk management philosophy?

3. What are the most significant risks to the department you work in?

4. Why do you regard these risks as being significant?

5. Is there any action plan you follow to mitigate the risks? Please elaborate.

6. In the absence of a risks assessment action plan, what process do you think the organisation can follow?

7. In the presence of a risk assessment action plan, how often does the organisation review its risk portfolio/process?

8. As a representative of the organisation, what values and objectives guide you when assessing the risks?

9. Within the department you work under, is it easy to assess or mitigate the risks?

10. What are the common challenges you encounter when conducting risk assessment?

11. How does your organisation conduct risk assessment?

12. How does your organisation integrate risks into their strategic decision-making process and across departments/functions?

13. In your understanding, how important is risk assessment for the organisation?

14. In your opinion, who should be responsible for risk assessment and why should they be responsible for risk assessment?

15. In your view, how should non-profit organisations execute risk assessment effectively?

APPENDIX B: QUESTIONNAIRE

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
S1	Risk assessment is time consuming and requires huge funding.					
S2	Risk assessment is not necessary since we are a non-profit organisation.					
S3	Risk assessment is beyond a non-profit scope.					
S4	I do not think risk assessment will help the organisation meet its reporting and accountability requirements.					
S5	Lack of know-how is a key issue in the risk assessment field.					
S6	The risk assessment process is rigid and tedious.					
S7	The non-profit sector is complex.					
S8	The organisation is currently coping with the current risk assessment procedures.					
S9	Independent risk assessment is appropriate for the organisation.					
S10	Self-risk assessment is appropriate for the organisation.					
S11	The organisation needs to implement a risk assessment process despite the costs or any challenges related to the implementation.					
S12	Lack of risk assessment can make or break the non-profit.					
S13	All senior management need periodic risk management training.					
S14	Risk assessment can serve as a strategic guide to the board members in terms of the status of the organisation.					
S15	Risk assessment is a prerequisite for gaining stakeholders' commitment.					

S1 6	Through effective risk assessment, the organisation can guard against poor decision-making.					
S1 7	Through risk assessment an organisation can establish accountabilities within the internal and external structures.					
S1 8	Funders and donors may require the organisation to conduct risk assessment analysis.					
	What effective framework or process do you suggest an organisation can follow?					

APPENDIX C: ETHICAL CLEARANCE

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18 May 2017

Mr Innocent Mondli Msomi (210521842)
School of Management, IT & Governance
Pietermaritzburg Campus

Dear Mr Msomi,

Protocol reference number: HSS/0571/017M
Project title: Risk Assessment: A case of a Non-Profit Organisation in the Environmental Sector

Full Approval – Expedited Application

In response to your application received on 17 May 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL.**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

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

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

....
Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Mr Nigel Chiweshe
Cc Academic Leader Research: Professor Debbie Vigar-Ellis
Cc School Administrator: Ms Debbie Cunynghame

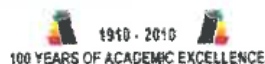Humanities & Social Sciences Research Ethics Committee
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APPENDIX E: PROOF OF EDITING

	Editing Confirmation	**33 Alan Paton Avenue** **Scottsville** **Pietermaritzburg** **3201** **Tel: 033 345 6844** **Email: admin@kznlanguageinstitute.com** **Website: www.kznlanguageinstitute.com**

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04/06/2018

Report on dissertation by: Innocent Mondli Msomi

Dissertation title: Risk assessment: a case of a non-profit organisation in the environmental sector

This serves to confirm that the above dissertation was language edited by a member of the KZN Language Institute's professional English language editing team. The document was returned to the author with tracked changes and suggestions for improvement. It was the author's responsibility to attend to these. The final corrected version of the dissertation was not proofread by a KLI editor.

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