

# THE HYPE OF RISK-BASED MANAGEMENT CONTROL: A PHRONETIC APPROACH

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## Abstract

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This paper provides a phronetic review of Risk Management (RM), and its relationship to Management Accounting and Control (MAC). Building on Flyvbjerg's (2012) phronetic approach, we study Risk-Based Management Control (RBMC) to answer the phronetic four main questions: (1) Where are we going? (2) Who gains and who loses? (3) Is this desirable? (4) What should we do? This review starts its lines of enquiry from the growing fears in the late modernity and risk society (Beck, 1992; Giddens, 1990), that led to heterogenic reactions and unintended consequences which need exploring and revealing. Hence, we will explore whether this is a right reaction or whether it would give rise to an "illusion of control" fortified with some unintended consequences. The paper concludes that the emergency of RBMC led to heterogenic practices and various unintended consequences. These unintended consequences need further research to unpack innovative solutions that can create real effective RBMC. Moreover, the RBMC best practices are still blurred and undefined, this plea for, more case studies to unpack the actual practices and its problems. The novelty of this research is deploying the phronetic approach to understand and criticise RBMC current studies by explaining the reasons and directions for future research. This work would also be of interest to practitioners interested in risk conception, risk management, and management control.

**Keywords:** Risk, Risk Management, Risk-based Controls, Enterprise Risk Management (ERM), Management Accounting, Management Control

## 1. INTRODUCTION

At the beginning of the 21st century, Management Accounting and Control (MAC) scholars had a neutral position about risk and risk management. They did not regard risk and risk management as an element of the MAC package leaving them to finance and insurance experts. MAC scholars' position, however, changed after the 2008/2009 global financial crisis when risk phobia and salient corporate scandals caused a risk discourse explosion. Now, MAC scholars consider Enterprise Risk Management (ERM), risk and risk management as essential elements in the MAC package. A powerful discourse, ERM has then influenced MAC practices for handling increased uncertainties

through a variety of new risk management tools. Consequently, ERM-led MAC practices become diffused globally while the traditional neutral position is being abandoned.

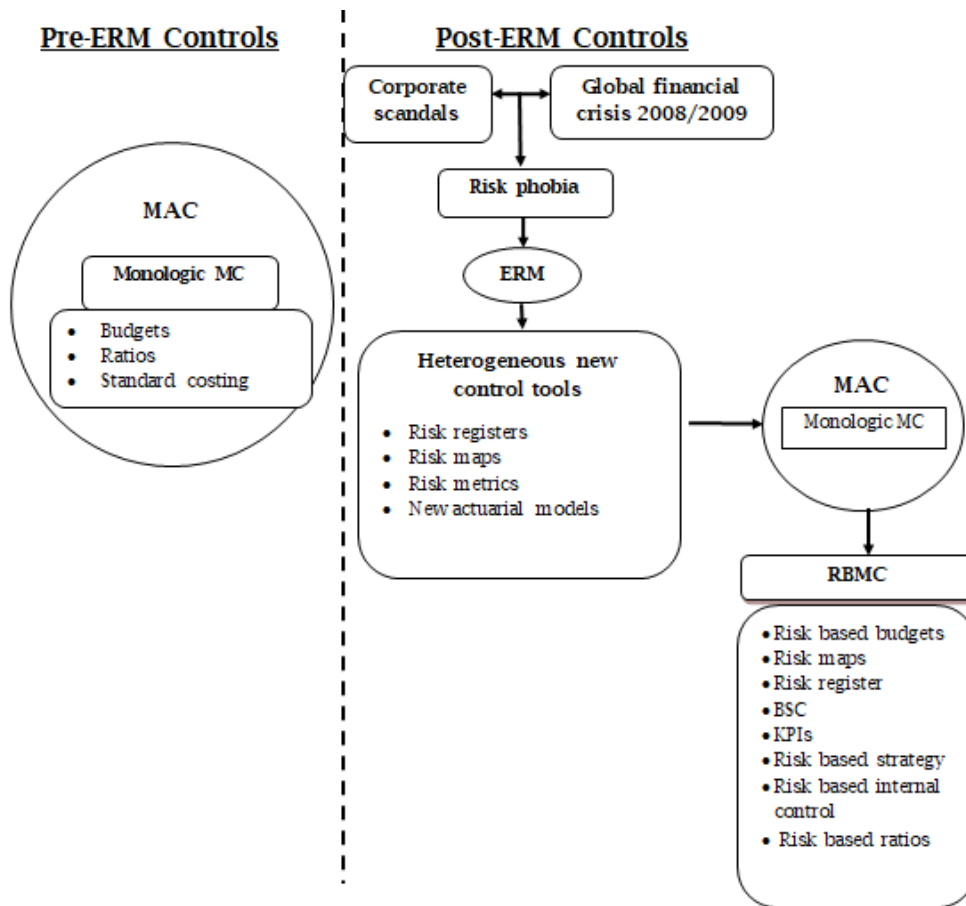
As has been summarised in Figure 1, ERM-led MAC is different from its traditional counterpart. The new form of Risk-Based Management Control (RBMC) is now presented as a new way of governing and controlling. It combines new methods and mechanisms such as risk maps, risk metrics, value at risk and risk registers with traditional management control tools like budgets. RBMC has then begun to play a significant role in such new organisational configurations.

The primary aim of this review is to elaborate and reveal how the growing fears of late modernity

and risk society (Beck, 1992; Giddens, 1990), led to heterogenic reactions and unintended consequences. This will be done by answering the phronetic approach four main questions: (1) Where are we going? (2) Who gains and who loses? (3) Is this desirable? (4) What should we do? This review is urgently needed as risk and risk management (RM) discourse expansion and explosion became a research theme in most of the recent studies in a variety of disciplines including management, law, sociology, political science, medicine and engineering. All try to embrace its existence, expansion and management methods. Some focus on its social, political, and organisational dimensions and examine an apparent interaction with technological, organisational governance, corporate apparatuses and the resultant new models of regulation and controls (Bhimani, 2009; Power, 2007; Sooin et al., 2013).

The expansion risk management (RM) discourse surrounded risk and RM with blurred conception as risk now represent a controversial concept as it can be interpreted as a hazard, loss, damage, or threat. In one hand, it is simply related to risk calculation techniques and actuarial statistics, the concentration of this perspective is the normative objective attitude to avoid or reduce this damage (Gallati, 2003). On the other hand, it may be interpreted subjectively as socially constructed or mediated fear which is related to the increased uncertainty, risk-taking behaviour, cultural factors, and this attitude assumes that risk is independent of its objective existence (Zinn, 2008). Yet, both subjective and objective perspectives are crucial to understanding what risk is? What implications will it have on MA and controls? Hence, risk discourses and its formal arrangements and procedures have remade MC as a part of the enterprise risk management (ERM).

Figure 1. Pre/post- ERM controls



ERM thus urges managers to align risk levels with organisational appetite and to improve the organisation's ability to deal with risk-related decisions under the umbrella of risk-based management control (RBMC) procedures. Consequently, Merchant and Otley (2006), state that: "the field of risk management can be seen to incorporate the entire MCS field since; risk management often involves concern about companies' strategies and strategy formulation activities" (p. 787). Despite such movements, there is no consensus about what risk is? Moreover, what are

the best management practices are? Instead, we see an institutional environment within which risk discourses are produced, diffused and mobilised (Power, 2004b, 2007). As a result, the risk could be anything and everything depending on how organisations see and analyse situations of uncertainties. Hence, risk can be a matter of management perception, framework, and instruments that deal with expected problems through regulatory systems and managerial actions (O'Malley, 2004). This much points to "a new mode

of accountability and monitoring in the name of risk" (Power, 2007, p. 4).

Our examination of RBMC literature will aim to answer Flyvbjerg's (2012) four generic questions to unpack risk discourse unintended consequences and solutions proposed for the rise of RBMC. Consequently, this paper is organised as follows: Section 2 describes the methodology adopted. Section 3 presents the traditional conception of risk and RM and how this conception changed in the late modernity due to the emergence of risk society. Section 4 discusses ERM efflorescence and how the rise of ERM has invaded MC studies. This proceeds to Section 5 where we outline and answer three of the Phronetic four generic questions. We move then to Section 6 where the paper is concluded by answering the fourth question.

## 2. RESEARCH METHODOLOGY

The value-rational approach of this research is inspired by the work of Bent Flyvbjerg who provided a modern interpretation of the traditional Greek concept of phronesis and applied it to research with the aim of making social science really matter. Phronetic research goes beyond natural science methodology - which is based on analytic scientific knowledge (episteme) and the technical knowledge of know-how (techne) - and it considers the judgement of social actors and actions (Flyvbjerg, 2012). The basic objective of the phronesis methodology is to analyse in detail the stories of "who, doing what, to whom".

Getting closer to reality is another feature of phronetic research. Phronetic research emphasises the little things by focusing on micro questions, and it goes into detail about the phenomena being studied. Using the phronetic approach involves interpreting practices. The specific strength of the phronetic approach in this context is therefore in helping to understand RBMC practices and unintended consequences.

Phronesis can be described as a way of gaining knowledge in organisation studies and social science in general that is different from more traditional approaches such as positivism. Phronesis is more than scientific knowledge and the art of production. It refers to practical wisdom where people in a specific context can apply their knowledge to achieve a purpose in their mind (Cooper et al., 2008, p. 163). Phronesis is pragmatic; it is about making decisions about what is right and what is wrong for a person in a specific situation by analysing power relations between actors.

Based on four generic questions, researchers use phronesis to analyse a phenomenon interprets the values and interests of individuals and groups related to it. Four main questions guide phronetic methodology: (1) Where are we going? (2) Is this desirable? (3) Who gains and who loses, and by which mechanisms? (4) What should be done? (Flyvbjerg, 2012, p. 60). These questions are not about merely getting descriptions of what is happening; phronesis goes beyond describing and instead it is analysing, interpreting, judging and giving solutions. Flyvbjerg (2012) discusses answers to these questions for phronetic researchers as follows: "In asking and providing answers to these questions, we use social and political studies not just as a mirror for society but also as society's nose, eyes, and ears. And the questions are asked

realising there is no unified "we" in relation to which the questions can be given a final answer. Phronetic researchers can see no neutral ground, no "view from nowhere," for their work" (pp. 60-61).

It is not necessarily easy to answer these four generic questions. Flyvbjerg (2012, p. 61) argues that to answer them, one must be wise and experienced enough, which is not expected from social scientists. What Flyvbjerg expects is that researchers have to answer these questions partly and these answers help in the ongoing social dialogue about the phenomena under study. Since the aim of this review is Phronetic, its plea for both holistic and deep engagement with the risk research trajectory and how it invaded management accounting domain.

Accordingly, we undertook a two-phase analysis: a pilot review and the main review. The former aimed to determine the emerging issues RBMC research that would pave the way for a narrowed review and to discern a refined approach for the eventual analysis that addresses our Phronetic questions. For this to happen, a thorough scanning of all relevant peer-reviewed journals from their inception to the last quarter of 2018 is accomplished. Based on ABS Academic Journal Quality Guide, papers are selected from different categories, which authors think relevant: accountancy journals. We utilise search keywords risk management, risk-based, and management control. The relevant papers are selected based on the criteria that the paper is published in a journal with a proper rank<sup>1</sup>, and that the paper discusses the relationship between management accounting and risk-based control or risk management either explicitly or implicitly.

This procedure results in a shortlisted 337 papers published in 15 peer-reviewed journals. The list of journals, their rank and related papers are displayed in Table 1.

**Table 1.** List of journals reviewed

<i>Journal</i>	<i>ABS rank 2010</i>	<i>No. of articles</i>
Accounting, Organisation, and Society	4*	44
Journal of Accounting and Economics	4*	41
Journal of Accounting and Public Policy	3	32
Critical perspective on accounting	3	25
International Journal of Accounting Information System	3	21
The British Accounting Review	3	19
Management Accounting Research	3	19
International Journal of Accounting	3	30
Accounting forum	3	50
Accounting, Auditing, Accountability Journal	3	6
Advances in Accounting	2	15
Research in Accounting Regulations	2	11
Managerial Auditing Journal	2	20
Journal of Accounting and Organisational Change	2	2
Journal of Applied Accounting Research	2	2
<i>Total Articles</i>		337

Drawing on the pilot review's findings, the decision is made to concentrate only on papers that relate directly to RBMC in Accountancy journals. The reason for this decision that we found risk discourse

<sup>1</sup> All papers published in journals (according to ABS) have been included.

is invading almost all accounting aspects (e.g. internal control, disclosure, and environmental aspects). Our decision also included more refined keywords such as risk-based control and risk-based management control and enterprise risk management. These keywords have been used to narrow the scope of the review process in order to get in-depth knowledge about the topic.

Some of the papers selected in the first phase have been excluded in the second phase due to their irrelevancy to the objectives of this paper. The main review covers the journals from their inception to the last quarter of 2018. This procedure results in a list of 61 papers published in 14 peer-reviewed accounting journals. Moreover, we followed key authors in risk writings (e.g. Power, Woods, Mikes) and management control (e.g. Collier, Soin, and Otley), this tracing resulted in papers, book chapters, and practical articles and journals that were not included in the pilot review, these new sources were added before the final selection and filtering process. Accordingly, we added four main books which include 15 book chapters.

Our review of 76 papers, book chapters, and practical articles suggest that while Accounting, Organizations & Society, Management Accounting Research, Critical Perspective on Accounting, The British Accounting Review, and Accounting, Auditing, Accountability Journal dominate the research on management accounting and risk issues. This indicates that RBMC is still at its fancy and represent an area of research that has grape a growing interest lately. The list of journals, their related papers are displayed in Table 2.

**Table 2.** List of journals reviewed

<i>Journal</i>	<i>No. of Articles</i>
Accounting, Organisation, and Society	14
Critical Perspective on Accounting	7
Management Accounting Research	19
The British Accounting Review	5
Accounting, Auditing, Accountability Journal	7
Journal of Risk Assessment and Management	1
Accounting and Business Research	1
Managerial Auditing Journal	1
British Journal of Sociology	1
Journal of Risk Finance	1
Journal of Accounting and Public Policy	1
Accounting Horizon	1
Advances in Accounting	1
Journal of Risk Research	1
Book Chapters	15

In the next two sections, we will trace the changing nature of both MAC and risk management before their diffusion together. Having said this, the selected 61 papers will not be discussed in the next two sections, yet they will be discussed later in the paper. This way or structuring the paper and delaying the selected papers to later sections was needed to fulfil the depth needed by our phronetic methodology. Hence, we need at first to understand and clarify from where this RBMC was formed then we can explain to where it is taking us, also is it a desirable move or not.

### 3. RISK MANAGEMENT MUTATION AND EXPLOSION

The roots of RM techniques that are used nowadays was rooted and inspired by the efflorescence of

probability theory, portfolio theory and statistical analysis of data such as census (Power, 2007), which directed attention to the relationship between risk and return, and to the risk-reducing benefits of portfolio diversification. The use of arithmetic and counting in numbers has made insurance portfolio expectations more accurate and decreased the cost of acquiring capital for insurance companies, as well as it later affected lowering premiums to customers and day-to-day trading and lending transactions in financial institutions (Mikes, 2005). Moreover, the intertwine with operation research played a pivotal role in risk analysis mutation to its contemporary shape as it started during World War II to solve the logistical problem and assisting in other aspects of military operations, then it has spread to industries and insurance to be one of the main causes to change the focus from descriptive (i.e. brainstorming, decision trees, Delhi method, Monte Carlo simulation) to normative decision theory which later on produced the credit rating models, Value at risk and beyond (Dempster, 2002; Dowd, 1998; Gallati, 2003).

Until the late 1980s, most of the risk discourses were around natural disasters like flood and hail or some manmade risks like road accidents and plane crashes; these risks were not problematic. Hence, they were already covered by insurance policies. Yet, suddenly manmade disasters started to rise in the late 1980s when the Chernobyl disaster happened in Ukraine (Gallati, 2003; O'Malley, 2004; Power, 2007). This nuclear threat along with other late modernity threats made dealing with uncertainty key aspect discourse, and "information" society, "post-industrial society", "network" society moved towards "risk" society (Beck, 1992; Giddens, 1990). 'Risk society and reflexive modernity' thesis explains how modernisation produce risks, through unleashing destructive forces such as global warming, depletion of Ozone layers and nuclear contamination, a byproduct of the very success of modernity (Beck, 1992; O'Malley, 2004). Moreover, modernisation risks are incalculable which makes the probability and estimation not enough, because possible catastrophe is identifiable, yet their probability and magnitude are unclear (Beck, 1992; O'Malley, 2004). Accordingly, for Beck modern world represents (1992) a 'volcano of civilisation'. However, this proposition was very strong in the early 1990s, it faded very fast, as it leads to risk avoidance not a practical solution to many risks, hence it magnifies the feeling of what we can do, how can we judge and manage these incalculable risks? Which is no longer a practical proposition (O'Malley, 2004; Power, 2007)?

In addition, to Beck's thesis, Western governments were blamed for risk discourses explosion, as they started risk communication to the public through their democratic policy and transparency of risk assessments, in the name of national security discourse (i.e. terrorism in 9/11 in the USA). In a short time "risk management idea started to become part of the official description and self-understanding of central government activities in the late 1990s" (Power, 2007, p. 17). This was followed by a numerous number of risk management guidelines for governmental departments, which in turn produced a public consciousness about new types and categories of risks (i.e. reputational and institutional risks). Consequently, RM started to get into institutions management especially the governmental

institutions and governments in the name of security and legitimacy.

The conception of RM changed again to intertwine in accountability and control as it was diffused in the governance discourse that started to rise after the recurrent corporate scandals, hence these scandals were presented as problems in controlling and managing, which can be abstracted as management control failure. This failure then was subsumed into operational risks, which in turn led to the emergence of governance principals and guidelines as a proposed solution (Power, 2007). In that sense, corporate governance was abstractly introduced as a new control system that can deal with these types of scandals. However, many studies were done to study governance and its usefulness the scandals were escalating dramatically around the globe (Pickett, 2005a, 2005b). In turn there was an urging need for a powerful tool to control this mass and return the lost trust concerning corporations and its management, eventually, the reinvention of Internal Control (IC) was introduced as the solution (Spira et al., 2003).

IC concept and practice has shifted from the technical and bureaucratic shape to a broader space in public discourses through the profound transformation in its organizational and regulatory significance across the world (Power, 2007), this transformation was scandal-laden and co-extensive with RM and governance (Bhimani, 2009; Soin et al., 2013; Spira et al., 2003). Hence, IC was placed in the regulatory philosophy and strategies as a mode of uncertainty handling (Power, 2007). IC reconceptualization started with successful privatization movements during the 1980s, at that time the traditional command and control by government was no longer applicable, which plea for IC discourses to rise with the rise of corporate collapses which were treated and explained in most of the lobbies as control failure that lead to risk-taking behavior by the managers (Power, 2004c, 2007; Spira et al., 2003). What intensifies the need for such reconceptualisation is the relationship between risk and governance which was inseparable from IC.

Consequently, it was recognised by professional associations and other non-governmental organisations that corporate self-regulation through IC is crucial and inevitable (Otley & Soin, 2014; Power, 2007; Soin et al., 2013; Soin et al., 2014). Hence, it was realised that control no longer centred on the state, but diffused and dispersed throughout society. The state has become increasingly committed to an indirect supervisory role calling for a re-organisation of the collective and individual components that make up organisational life. This re-organisation needs a sound system of internal control. The self-regulation concept was introduced in many terms (i.e. mutual regulation, decentered regulations, smart regulation, and soft laws) as a preventive strategy to detect and monitor activities.

This notion of meta-regulation has made the distinction between internal self-governance and external regulatory process increasingly blurred as "internal control has become part of new governmentality of organisation life in which traditional distinction between mandated and voluntary regulation are blurred" (Power, 2007, p. 41). This unclear distinction affected the managerial and regulatory processes itself, and opened the door for innovative implementation processes, along with

the spread of opportunity logic as the successor corporation will have the opportunity to continue in such competitive market.

This innovative implementation resulted in heterogeneous processes and practices by the companies, which plea for a holistic cybernetic system to abridge this diversity (Spira et al., 2003), hence what was found till the early 1990s is loose piecemeal requirements and guidelines, until COSO (1992) "internal control- integrated framework" was issued. From that time and onwards, making a sound IC system was regarded as an essential factor in organizational objectives and strategy formulation (Power, 2007) and it was recognized by organizations and regulatory institutions that to function effectively and efficiently all institutions and organizations have to have good governance through designing and implementing sound IC system (Jones, 2008). However, this movement has clarified and codified the relationship between governance and IC. Yet, the relationship between IC and RM remained confused, even though COSO 1992 framework identified Risk assessment as one of the five components that an effective system should have (Spira et al., 2003).

The mutation in both IC and RM perception, conception and practices was the first stark for new arena of changes, because as the IC is intertwined with both governance and RM, so it seems to be manageable and this opens the door for new forms of accountability to make risks more measurable, quantifiable, avoidable through management strategies and otherwise (Spira et al., 2003). From these different points of view it is now clear that control and governance by late 1990s came to be thought of as an "enterprise-wide" practice as they were diffused with risk-based control approach, simply because businesses are trying to control a wide variety of areas at the same time (i.e. solvency, capital adequacy, health, safety, business continuity, fraud, competition) and all organizational processes and activities should be re-conceptualized as risk and uncertainty handling processes (Baud et al., 2017; Lundqvist, 2015; Power, 2007; Soin et al., 2013)

#### 4. ERM EFFLORESCENCE

Until the early 2000s, MA scholars and practitioners were to regard RM Models like the value at risk or portfolio management as mere tools for finance and insurance expertise (Soin et al., 2014). This perception changed after the global financial crisis as everyone felt the risk which made awareness that nobody is immune (Harris, 2014). MC scholars especially felt that traditional MCSs and practices which were built to face uncertainties are struggling to cope with the increasing uncertainty and heterogeneity of requirements and practices in the market and operations (Bourne, 2014; Otley, 2014). Consequently, the inescapable reality that MC scholars had to face is that RM has expanded beyond insurance, finance, and engineering to become a mode of governing, organising, and controlling in general. This new conception is intertwined with control and governance as "the field of risk management can be seen to incorporate the entire MCS field since; risk management often involves a concern about companies' strategies and strategy formulation activities" (Merchant et al., 2006, p. 787; O'Malley, 2004; Power, 2007). RM

expansion has not subsumed only MC practices; it expanded to manage and control everything (Power, 2004a, 2004c, 2007). This explosion includes mutations and changes in the conception of traditional RM, which resulted in the birth of Enterprise risk management (Jordan et al., 2013; Power, 2007; Soin et al., 2014). ERM tools and conception are totally different from the traditional RM models, which concentrates on probability and mitigation of risk.

ERM efflorescence was affected by many non-governmental organizations and professional institutions (i.e. KPMG, PWHC), hence they tried to depict how this new 'Enterprise-Wide' cybernetic system (Jordan et al., 2013) could be envisioned and applied (Gallati, 2003) these depictions were not more than piecemeal guidance, until COSO updated its earlier guidance on IC, in which IC was placed as subcomponent of ERM (Arena et al., 2010; COSO, 2004; Power, 2007). This new notion of RM was understood as a broader conceptual integrated framework which enables the management to have a bird's eye view of the organisational processes and activities. ERM should not be understood as clear-cut defined processes and procedures, yet it can be understood as a popular managerial discourse that existed in many lobbies (i.e. regulators, financial specialists, insurers, and accountants) about how to handle the increased uncertainties through organisational control and governance (Power, 2007). This unclear shape of ERM is a result of combining hybrid methods and mechanisms that were not thought to be combined together before (i.e. governance, IC, risk maps, risk metrics, value at risk, risk registers, risk maps, management control tools, and more). Consequently, poor integration in implementation was found in its early phases (Mikes, 2005, 2009; Power, 2007), and an apparent heterogeneity in its implementation in different organizations or it may be different in the same organization at different times was reported and analyzed (Arena et al., 2010, 2011; Arena et al., 2017).

COSO ERM represents one of many holistic RM systems, as there are around 80 depictions and versions of ERM exist nowadays around the globe (i.e. ISO 31000, Basel II frame, RBS in Solvency II) (Hayne et al., 2014; Olson et al., 2008). However, this diversity the distinction between these frameworks is not needed as they are derived from the same origins and have the same objectives which contain reaching a broader RM processes that cover all prospected risks (Arena et al., 2010; Power, 2007), in short, they have commonalities more than differences (Power, 2007, 2009); moreover, COSO ERM represent the best known and most well-diffused framework (Hayne et al., 2014). In that sense ERM could be described as: "the culmination of risk management explosion that started in the 1990s"(Arena et al., 2010, p. 659), which operates with a wider remit, enabling spread beyond initial financial risk agenda. This new agenda has wider concerns which range from strategic objectives to operational issues and practices, so unlike all old risk models, COSO defined ERM in a more managerial sense as: "a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance

regarding the achievement of entity objectives" (COSO, 2004, p. 4).

This definition it is apparent that ERM is very far from being an innovative technology or model that have identified procedures to be followed, but it is a blueprint or/and program that align and realign risks within strategy formation and implementation (Arena et al., 2017), this notion moved risk management beyond using normative or descriptive (qualitative) tools to combine both along with the MC, IC and governance tools to formulate hybrid system that pick and select from innovative tools to identify, assess, respond, monitor and control the uncertainties surrounding the company (Cendrowski et al., 2009; Fischer et al., 2013; Soin et al., 2014).

This hybrid form of RM has the main differences from old Silo RM. These differences can be summarised as follows: Firstly, ERM identifies and classifies risks which the company has information or advantage about, and risks that the company has no information or advantage about. Secondly, ERM analyses risk as part of the company's strategic planning and control processes. Thirdly, it merges the various risks and actions of risk management into one internal risk management system (Jabbour, 2013, p. 14). Finally, it determines roles and responsibilities to many parties (i.e. board, executive management, risk officer, chief financial officer, and internal auditor), in that sense, it suffers the same limitation of any systematic cybernetic control system of control (i.e. collusion, and ability to override) (Power, 2007). The key differences between ERM and traditional risk management were summarised by Banham (2004) in Table 3.

**Table 3.** Traditional vs. ERM: Essential differences

<i>Traditional risk management</i>	<i>ERM</i>
Risk as individual hazards	Risk in the context of business strategy
Risk identification and assessment	Risk portfolio development
Focus on discrete risks	Focus on critical risks
Risk mitigation	Risk optimisation
Risk limits	Risk strategy
Risks with no owners	Defined risk responsibilities
Haphazard risk quantification	Monitoring and measuring risks
"Risk is not my responsibility"	"Risk is everyone's responsibility"

Source: Banham, 2004, p. 68

Through looking closely at ERM precursors and its differences from traditional RM, many results can be concluded. Firstly, corporate governance shares with management control an interest in supervision, incentives, monitoring and managerial decision-making, but at a different level of analysis: whereas management control studies hierarchical and hybrid control relationships within and between organizations, corporate governance is about the relationship between shareholders, the board of directors and the CEO (Speklé et al., 2014). Secondly, ERM share many issues with contingent MC literature, hence COSO proposed that universality of the framework is not expected and each company could have its design and implementation practices, in addition, ERM represents response to the environmental, technological uncertainties propositions (Gordon et al., 1976; Gordon et al., 1984; Miles et al., 1978; Otley, 1980; Waterhouse et al., 1978). Thirdly, there is common ground between levels of control and ERM frame as both of them

represent a way of packaging and managing through heterogenic tools. Hence, Simons (1995)'s concentration was on building MCS that can react to risks and uncertainties that surround the organisations. On the other hand, ERM is a specialised Risk management framework that seeks objective achievement through using a control system to monitor activities and operations. So both framework seeks the same end but from different perspectives, which entails different implications and implementation steps. Fourthly, putting strategy and planning in the heart of ERM don not differ from the main objective of BSC and intertwine between BSC as existing Control tool and the newly embedded ERM was found in Tesco Plc by Woods (2007).

In short, RM and MC have been brought increasingly close together through issues around the idea of public accountability (Otley & Soin, 2014; Soin et al., 2014; Speklé et al., 2014). Having all these common ground between ERM and MC literature starting from cybernetics and ending with the most recent innovations like the BSC and levers of control, how MC scholars reacted to ERM efflorescence? How and why ERM innovative technologies like risk maps and registers are being used? How these newly introduced technologies interact with the pre-existing control system and its tools? Are there any unintended consequences of having this risk-based management control in place? These questions are discussed in details in the next two sections.

## 5. THE ANSWER TO PHRONETIC QUESTIONS

This section will concentrate on RBMC literature through answering three of the phronetic four main questions, namely: Where are we going? What should we do?; Is this desirable? While the last question (Who gains and who loses?) will be dealt with in the conclusion section.

### 5.1. Where are we going?

Management accounting research around risk issues is under-researched and still at its infancy, and the risk-based controls contours are not fully-fledged (Berry et al., 2009). Hopper et al. (2016, p. 18) say that 'risk and risk management...[were]almost non-existent before 2009'. Although risk management has gained genuine significance in practice, and other disciplines, reviewing MC literature revealed that research has only just begun to scratch the surface of risk management design choices, and how they support organizations in dealing with risks and opportunities as they occur in the pursuit of organizational goals (See Arena et al., 2010; Mikes, 2009; Speklé et al., 2014; Woods, 2009), as some studies concentrated on criticizing ERM framework as being loose and leading to heterogenic practices without any empirical usefulness (Power, 2009; Tekathen et al., 2013) or just making theoretical comments on this increased discourses (Berry et al., 2009; Bhimani, 2009; Soin et al., 2013), this attitude plea for more research in this important new area of academic endeavour.

Literature extensions looks like Archipelago of far islands, and little semantic conclusions can be built upon in practice, as some voices are seeing MC is far from this ERM invasion and are surprised by this momentum importance and space this discourse is taking as they do not see that ERM is

bringing something new, and their point of view that MCSs had always handled risks and uncertainties that surround the companies (Smith et al., 2000), while on the contrary others are making alerts regarding ERM, for them it represents a danger on MCS. Hence, they see that MC will be subsumed in the ERM discourses (Merchant et al., 2006; Power, 2004c, 2007). On the other hand some voices are welcoming this diffusion between RM and MC as it may help MC to be more mature and evolving (Broadbent et al., 2014; Woods, 2007) while others see that the existing MC is conflicting with this new discourse (Fischer et al., 2013; Mikes, 2005; Otley, 2014; Otley & Soin, 2014), in between this and that some scholars tried to see how we have reached this hybrid ERM (Hayne et al., 2014; Miller, Kurunmaki, et al., 2008) or how some tools like risk maps can be deployed and used as mediating instruments between the two systems (Jordan et al., 2013; Miller et al., 2007).

Early attempts to understand the relationship between risk and how managers perceived and manage risks in their budgets were made by Collier et al. (2002), through four exploratory and comparative case studies, they were able to conclude that the Interviewees' risk perceptions and actions are socially constructed. Four domains of risk were identified: financial, operational, political and personal. They identified three types of budgets with relation to risk influence namely: Risk Modelled budget, Risk Considered budget or Risk Excluded budget.

The emerging risk society became real through the proliferation of risk discourses that have been translated into regulative requirements motivated some critical voices to the rise of risk and make caution alerts about 'risk management of everything' (Power, 2004a, 2004c), these voices warns from the unintended consequences of codifying and standardizing uncertainty handling and risk management procedures under one framework namely ERM (Hunt, 2001), moreover other voices stressed on the risk of control could be identified in such a turbulent environment, where organisational participants may have less room to manoeuvre if they are following a codified standardized regulations. This prescriptive may lead to insufficient flexibility to cope with the unexpected. The existence of what is called risk-based controls may themselves lead to 'illusion of control'. Hence two main risk of controls are expected: firstly, the existence of such controls may lead managers to believe that risks are well assessed, identified and controlled, while unforeseen circumstances may arise or opportunities may be missed because of an over-reliance on controls. The second risk of control is that the existence of controls prevents any risky activities from being undertaken which leads to many missed opportunities that may maximise the company value. In that sense, while risk-based controls are essential to managing risks, excessive controls, or an over-reliance on formal codified risk-based controls, can be counter-productive and there should be cautious before making this move (Berry et al., 2005). However, both risk management advocates and the discordant critics are weakened by the dearth of empirical studies or interpretive and critical case studies that describe and explain the actual risk management arrangements and the roles risk managers play in everyday organisational life (Mikes, 2005).

MC studies responding to the rise of risk was like most previous cases late and reluctant to feel the change in the surrounding environment, like what happened in late 1980s when Johnson et al. (1987) put through the relevance lost proposition, only then many innovations were studied to renovate MA and control systems others (Johnson, 1994) and others were persisting and argued that did Kaplan got it right? (Parker et al., 2008).

This very late response was noticed and stressed on by Berry et al. (2009) as they reported a lack of studying risk-based MC systems while they were reviewing the emerging themes in MC literature after the financial crisis and the increased importance and spread of ERM in almost all the companies around the globe. Another alert was made by Collier et al. (2007) as they stressed on how risk is discussed in management accounting texts are most commonly linked to rational concepts and the use of probability, primarily in the context of capital budgeting decisions, to reflect unpredictability. While their observations to practice revealed that organisations might conceive the budgetary system as a rational system and seek to close it off from external influence. They suggested that other types of budgets (i.e. risk included budgets) may occur in other contexts as there is a relationship between the social construction of budget participants and that the interviewees revealed that the skill of management accountants as not being appropriate to a wider involvement in risk management, although their analytic and modelling skills were essential in a supporting role which signals a very big danger about the role of management accountants in the future if they are not well trained on these issues.

While the debate was going over the relevancy of ERM to MC research, Mikes (2005) argued that ERM represents a new control process and this process is inherently social and political in nature. Through multiple case studies, the research concluded that whether or not risk managers can influence strategy making and control depends on their political skills and alliances. In such processes three levels of risk managers may arise, namely silo specialists, capital specialists and senior risk officers were identified and their ambitions, political skills and alliances were entirely different. This opens the door for diverse possibilities in which ERM may contribute to strategy and control, as this depends on power, manoeuvres and political skills in the battle for change.

What intensified the debate on the role of management accountants, Woods (2007) study which concentrated on how to utilise RM to enhance strategic success. On the contrary, to previous studies, this study concluded a successful fusion between BSC and ERM as they overlap theoretically in many aspects of their objectives and way of doing things. She was able to articulate a complementary role between BSC and ERM. These complementary and overlapping roles were the main reason that made the company under study able to get better strategic management control.

It now apparent that ERM implementation is characterised by complexity and cross-functional nature; furthermore, as ERM has built-in risk management practices, they are expected to affect the way of doing things dramatically (Hall et al., 2015; Meidell et al., 2017), and organisational characteristics, such as size, type of business, strategic orientation (Cheng et al., 2018),

professional associations, organizational performance (Florio et al., 2017), corporate culture (Arena et al., 2017), and management competence can affect the processes applied and to what extent this blueprint will penetrate the everyday life at the micro level, and companies are being controlled (Jabbour, 2013). This realisation urged for more studies on ERM conceptualisation, limitations, and processes (Lundqvist, 2015), as a response a wave of theoretical papers was issued to understand what is lying underneath the ERM broad umbrella. One of these was Miller, Kurunmaki, et al. (2008) study which shows that we are living in a hybrid world. In that sense, organisations, expertise, accounting controls and ERM are a response to the hybridisation that we are living in. They argued that organisational management are rapidly transforming into RM, this program is practised through a variety of hybrid practices which entails using hybrid tools and variety of expertise that lay beyond the traditional conception of control or even the formalised procedures of ERM.

More understanding about how the hybridization blueprint move was needed especially after the recent 2008/2009 financial crisis as hybridity and its apparatuses is used more extensively while it had very little to offer in the crisis time, which led some scholars to call ERM as 'risk management of nothing' (Huber et al., 2013; Power, 2009). Emanating from this proliferation and change regarding ERM conceptualization in MA and control literature, scholars moved to study how this hybrid was formed and how it sustained its valuable position even with the limited role in the crisis time, so building on the governance and internal control literature Bhimani (2009) was able to conclude that changes in the perception and implementation happen because concepts like RM and governance are socially constructed and shaped by the contexts they inhabited.

This social construction is intensified through the use of softer compliance regulations which are not compelling companies to follow a certain rule. In that sense, enterprises seek not only to adopt risk control systems, but to make it transparent, visible, and communicated to the public to get more legitimacy, in other words, organizations are turned "inside out" as a direct response to public demands for control and governance (Power, 2007), which makes it not appropriate to separate MC from RM or governance discourses as "The control process is definitionally typified by the intent to monitor the degree of alignment between organizational activities and precepts of desirable managerial outcomes. Placing boundaries on risk-taking and organisational functioning by identifying acceptable variances from predefined parameters of action is fully part of the definition of management control" (Bhimani, 2009, p. 4). This realisation of the new hybrid environment that MC works within needed more clarification about the actual practices as well as the conceptualisation of the ERM framework in more details because it is investable to neglect it anymore.

Continuing this endeavor and on the contrary to previous studies that were trying to understand the conceptualization of ERM and its relation to the pre-embedded systems in the enterprises like MCS, scholars started to ask different questions like why ERM is continuing after the limited role in the crisis and why that obsession with ERM and its adoption without analyzing its limitation, which may lead to



great danger. Hence, ERM is like any cybernetic framework has limitations that must be studied before running to implement it, for example (Power, 2009) clarified that "Risk appetite" is poorly defined in most ERM frameworks, which leads to different innovative determination of it and this, in turn, affects the control and management system of risk, and may cause the RM of nothing or fragile RM system if the appetite is not determined properly.

Moreover, it has a severe intellectual failure and paradoxes (Lim et al., 2017) because it is a result of change in accounting thinking of financial governance and internal control which in turn built a financial based Risk management system that appear to have a holistic view, and comprehensive RM while it is not, which can be seen clearly in the financial crisis, because, if ERM to be more effective, management philosophy should change with it not just a matter of box-ticking or compliance issue as it is in many companies nowadays, one way of doing so is "Business continuity management" and its non-financial expertise who are able to provide a great help in re-shaping ERM that is holistic, comprehensive.

This move criticized ERM from inside but have not explained why it still extending, one of the explanations was made building on Agamben 'permanent state of exception', and Foucault dispositive<sup>2</sup>. To clarify how RM itself is an exception, not an ordinary issue as it is built on reputation and blaming which implies fear, anxiety and use of power by elites to make extraordinary measures in this state of exception and imbalance of power resulting from reproducing of societal values and which in turn determines organisational responses. Hence, risk brings with it a new comprehensive sort of power, which entails the power to determine risks rather than to manage them, as the elites have the opportunity to play with fear and anxiety which turn makes more calls for more risk management to retain the feeling of security. So the existence and continuity of such state of exception may replace MC gradually as this state is turning to be ending standards, this urges for the need to reconstruct more responsive RM system and to go beyond the myopia of standardized approach through questioning the validity and sufficiency of ERM, and augment on replacing it with activities that focus on weak signals before the great ones. Rather than being avoidance system that will not produce successful RM, based on this, Huber et al. (2013) suggested that practitioners should have to fight for their freedom from RM dispositive either elite or not in order to get proper uncertainty handling.

While previous studies provided insights on how to understand ERM? What are its limitations? Why is it continuing? They add little to our understanding of how organisations, managers, and their subordinates are capable or qualified enough to absorb and react to this complicated conceptualisation of ERM and the increased global risks. As a trial to filling part of our knowledge lack about these issues Woods (2009) adopted a contingency framework to understand how contingent variables can shape RMCS, and through a case study in public sector council, she was able to identify central government policies, information and communication technologies, and organization

size as the contingent variables in shaping RMCS. However, as most of the contingency studies, very little can be concluded about micro-level practices, which urges for more case studies and digging in deep on how day to day RBMC is done, and how cultural and political factors affect the implementation processes and tools (Soin et al., 2013).

The notion of culture in the name of calculative culture was studied by Mikes (2009) on two financial institutions to study how the calculative culture affects the notion of RM and controls. Through studying "skeptical" and "enthusiasm" calculative cultures it was concluded that risk managers try to become involved in strategic planning, performance measurement and management, and controls in both cases, but in the skeptical shape managers use quantitative risk technologies as learning methods that gives trend about the risks when needed and that they have a perception that there is no need to quantify everything, which in turn was reflected in most decisions which were made without quantification, and with regard to control system it was regular traditional MCS. On the other hand, risk managers who believe in quantification, and feel naked without numbers, have left space for RM team to control the full company by numbers and scenarios and even MCS was turned to be risk-based management controls, and PMS was directed mainly toward financial performance measurement techniques and MC role in such quantitative environment is dependent on the leadership and political skills of MA team.

In that sense, ERM is penetrating organizational life and cascading down to all types of decision-making and control practices, whatever this is made through qualitative skeptical cultural tools like worst scenarios, game theory or expertise experience, or quantitative enthusiasm cultural tools like VAR and other sophisticated actuarial models, as a result more ambiguous RM decisions were taken, and regular PMS exists (Mikes, 2011).

Departing from the cultural effect on MC practices Arena et al. (2010) study moved the debate one step forward to examine and explain ERM implementation problems and heterogeneity. Deploying multiple case studies strategy, the study concentrated on how ERM is translated and used by actors who are directly concerned with managing risks and uncertainties in practice. Building on Rose et al. (1992) governmentality concept the study concluded that ERM is new managerial guise that has different implications than traditional risk handling and the heterogeneity and divergences in implementation from the original model by COSO (2004) in practice have many explanations. First, clash with the preexisting control centres which affect the fusion and level of ERM embeddedness. Second, management perception about risk and its management as if they perceived it as a real threat it will affect actions which will be apparent in the internal environment and risk communication inside the enterprise. Finally, the organisational space is given to experts in the control (Hall et al., 2015), and decision centres which differ from organisation to another based on the risk perception and absorption. Moreover, this study revealed that risk maps have a very limited role in ERM implementation and far removed from the decision-making process; instead, there has been an emerging hybrid budget "ERM-Budgeting".

<sup>2</sup> Dispositif is a term that was introduced by Foucault which refers to various institutions, administrative mechanisms, and knowledge which enhances and maintain the exercise of power within society body.

Building on Arena et al. (2010) study Tekathen et al. (2013) argued against the definition of ERM as a set of activities that lead to organisational alignment and accountability. This study concluded: firstly, ERM system draw out how uncertainty creates organizational space for heterogeneity, personality, and otherness which produces a fuzzy daily business operations as it differs from accounting and don't produce a coherent, homogeneous sort of accounts or information that help participants in different levels of the organizational hierarchy to get a useful thing from it. In short, it 'offers "intelligence" beyond the coherence and homogeneity, which accounting systems represent' (Tekathen et al., 2013, p. 100). Secondly, ERM produces a re-alignment of subject and object in a continuous matter which causes separation rather than integration and will lead to complexity and difficulty to handle these separated risks on an enterprise base. Thirdly, it makes participants have a feeling of "stewardship of everything and nothing" as it produces unstable, incomplete and complex information about threats that lead to innovative and critical engagements by users to get clarity. From these findings, the study concluded that ERM creates inverse information system hierarchies pushing complex, unsolved, and abstract information to the top management and it was argued that ERM implementation would not reduce uncertainties, but with its current form it increases and produces more uncertainties in practice.

The previously mentioned heterogeneity in implementation along with ERM earlier critiques (Berry et al., 2005; Power, 2009), led to many questions regarding relating RM and its predicting techniques usefulness to MCS and whether organisations use these technologies in a globalised market became more risky by design? "How management accountants are implicated in risk management particularly in terms of their understanding in management control and performance measurement which are directed like risk management at the achievement of organisational objectives?" (Soin et al., 2013, p. 84) How wider social and institutional context surrounding ERM affect its implementation? How RM interacts with inter and *intra*-organisation activities and controls? These questions along with previous research calls for more case studies to uncover and answer some of these unsolved issues have reinforced some scholars to study RM in the context of supply chain, risk effect on partner selection, transfer pricing risks and some technologies like risk maps as mediating instrument (Dekker et al., 2013; Ding et al., 2013; Jordan et al., 2013).

Partner selection and formal contracts as an approach in managing transaction risks in inter-firm relationship, was studied by Ding et al. (2013), as they examined mediating risk notion in the selection and contractual dimension as an important factor in such process, and they concluded that when the company is facing increased transaction risks resulting from high task interdependence and a broad transaction scope, it will tend to select their partner relying on trust-based and reputational selection criteria.

In a similar vein, Supply chain risks were studied by Dekker et al. (2013), as they examined how MC practices could be used to manage them and like Ding et al. (2013) they highlighted trust,

goodwill and reputation in the forefront along with competence and management control practices as the important factors affecting managing supply chain related risks. Also, they concluded that buyers would rely on suppliers that have goodwill and trust in risky transactions, while trust in supplier competencies facilitate the use of supply chain management (SCM), but in some cases when there is monitoring problems or technological unpredictability or both this limits the use of SCM.

Transfer pricing was included as a risk management topic (Rossing, 2013), hence, this topic especially is risky by nature as the transfer pricing regulations change continuously and rapidly which makes it increasingly complex organisations like OECD realised this recently. Rossing (2013) study examined the impact of tax strategy on MCS in MNE facing transfer pricing tax risk and the study concluded that MCS design and implantation is contingent upon the tax environment and how MNE respond to it.

In addition to this stream mediating instruments and the role of risk technologies were studied by Jordan et al. (2013) to clarify the relationship between MC and RM, their concentration was on the use of risk maps in inter-organizational projects collaboration, deploying a case study methodology the study portrayed how risk representation technologies such as risk maps can be mediated and used beyond their conventional role as RM technology. The study was able to conclude many issues: Firstly, ERM technologies can be deployed as a mediating instrument to allow actors to adjudicate interests and build confidence with regard to the projected over time. Secondly, risk maps were found playing a crucial role in building commitment and creating project's identity and work as a platform for mediating concerns between actors in an inter-organisational setting (Jordan et al., 2018). Moreover, it was used as a powerful device for secondary risk management which offered a simple pictorial identification of risks, as it is a standard tabular image. Thirdly, risk maps can be easily integrated into risk management and governance documents and reports. Fourthly, risk maps might work in other contexts differently than they observed as its role is affected by context, believes which is a matter of culture.

Universities risk management was studied by Soin et al. (2014), they argued that the connection between risk management and management control is due to change in the conception of both which in turn united them under the umbrella of accountability discourse. The increased calls for accountability have led risk management to become more focused on satisfying external reporting requirements through new tools and conceptualisations. This study dealt with the cascading down of risk technologies explicitly as the concentration was on the lower level of the organisation - at the management level, where much of this control activity was enacted, there were more diverse views on risk. Competing aims, lack of engagement with, and ownership of the system as well as reluctance to engage in the process were all evident in academic attitudes towards risk management. For academics, this managerial/bureaucratic style of control was completely challenging the traditional (Otley, Soin, et al., 2014) values of autonomy, creativity, and collegiality.

In a similar vein, Fischer et al. (2013) studied clinical ethics and resisting hybridisation with ERM

rule-based regulations. Building on Foucault lectures on governing the self and others, and mobilizing Foucauldian Heuristic concepts (Foucault, 2011a, 2011b), the study was able to explain how the pre-existing clinical ethical or moral mode of risk management is ill diffused and resisting hybridization process that was mentioned by Miller, Kurunmaki, et al. (2008), as the ERM represents rule-based mode of regulation, that are imposed and contradicted with clinical, ethical conception. This resistance emanates from contradictions between two modes of clinical risk management which resisted hybridisation. The two modes - ethics-orientated and rules-based - are firstly characterised in original heuristic lectures of Foucault were deployed to develop an analysis of traditional clinical risk management systems.

Unlike, recent sociologically orientated accounting literature on accountability and risk management regimes this study explores and explain how and why the ethics orientation can be used to explain tension and decoupling or the rule-based system. Through longitudinal case study data gathered from UK mental health care, Fischer et al. (2013) reported contradiction and an escalating contest between ethics-orientated and rules-based systems in a high-commitment mental health setting, triggering a crisis and organisational closure. The study has not concentrated on the consequences of this triggered tension as the main aim was to explore theoretically why perverse contradictions emerged, rather than complementarity and hybridisation suggested by existing literature. Moreover, how interactions between local conditions of strong ideological loading, high emotional and personal involvement and rising rules-based risk management are seen as producing this contest and its dynamics of escalating and intractable conflict. This study is a beginning of having society back in the organisational and accounting study yet it offers little about the cascading down of RBMC as many possibilities are opened, while the tension is there, decoupling, loose coupling or even accepting while disliking as Soin et al. (2014) reported in universities may prevail.

## 5.2. Is MAC change desirable? What should be done?

The review of contemporary RBMC research reveals that while both RM and MC were reshaping to be heterogenic, many other issues have been changing theoretically and methodologically in the MC research. It is apparent now that RM discourses is going beyond the idea of formalized ERM regulation conceptualization and implementation problems or even packaging of formal MCS to build a cybernetic model or system, as previous studies reveal that RBMC discourses and regulations include power, fear, politics, meditation, hybridization, and fusions within these hybrids and disciplines. The conceptualisation of these issues has been made through diffusing many theories and using many notions like Latour's inscription and translation, Foucauldian dispositif, governmentality, ethics and hermeneutics, mediating instrument, hybridisation, and many others.

The use of these concepts have not been used in describing or questioning traditional controls, as the studies using Foucault was fixated with disciplinary power, archaeology, and genealogy, now

mobilising Foucault moved to govern the society instead of governing the soul of a descendant, which entails moving beyond enclosure (Martinez, 2011). Latour concepts were not used at all before the proliferation of multinational and supply chain based organisations which made understanding the networks of relations and resources flow more complex to be understood and controlled without using such concepts.

Moreover, the hybridization, mediating instrument concepts and the triangulation of theories have not been reflected in 1980s studies, which urges for important question, is the risk society, hybrid, connected, and complex world that we are living in, urges for more complex frameworks and theories to understand what is surrounding the management controls is the risk era. We think no, and argue that detaching society from MC studies is the reason. Hence, we do not need very complicated theories to reflect on people ideas and way of life; we just need to bring them into our studies. Because we see that many theories and complicated models have been deployed to describe the conceptualisation of ERM and RBMC while very little can be concluded about the real life of people. Moreover, studies that were able to articulate the real life of people in everyday control system was using simple ideas like ethics (Fischer et al., 2013) and cognition or not using any defined theoretical framework at all (Callahan et al., 2017; Cheng et al., 2018; Collier et al., 2007; Lim et al., 2017; Meidell et al., 2017; Soin et al., 2014) just letting the data speaks which reflect the reality of how people perceived and reacted to these changes surrounding them.

Another issue regarding the theoretical deployment and mobilization in the RBMC literature is the heavy use of Foucault's governmentality and dispositif gaze in many studies (Arena et al., 2010; Baud et al., 2017; Huber et al., 2013; Jordan et al., 2013; Jordan et al., 2018; Miller, Kurunmaki, et al., 2008; Miller & Rose, 2008; O'Malley, 2004; Tekathen et al., 2013) which regard and understand risk as a

"Technology of government... [and] risks are not regarded as intrinsically real, but as a particular way in which problems are viewed or 'imagined' and dealt with" (O'Malley, 2008, p. 57).

This technology of government has its calculative apparatus to control the population. Having said this, studying the ERM connects to MA change and stability literature as ERM represents a diffusion of a new technology of governing and controlling the population or social life in general (Hayne et al., 2014; Miller, Kurunmaki, et al., 2008; Miller & Rose, 2008). The concentration on this lens make closer to the existence of resistance, while Foucault last lectures focused more on freedom, liberation, self-caring, and care for others as well (Kosmala et al., 2011), it also shadowed ERM with more legitimacy as a common working practice for control while it may not be the case everywhere (Fischer et al., 2013). Hence, culture and context differences may have different implications.

The emergence of RBMC led to many unintended consequences in practice as control through standardisation and creativity is seen as positive responses to external pressures, yet it had some unintended consequences relating to fear, anxiety, and defensiveness (Otle & Soin, 2014). Hence, Risk could be regarded as nothing or/and everything, and this depends on how organization see and analyze the surrounding situation (inside

and outside uncertainties) through the management strategy, mission, vision, objectives, and what may affect them (Arena et al., 2017; Bui et al., 2017; Cheng et al., 2018; Meidell et al., 2017; Pelzer, 2018). It also raises questions around: are there more factual uncertainties or are we more anxious? Also, do uncertainties create new uncertainties once they are managed? So what are the roles of management control in these processes? (Arena et al., 2010, 2011; Lim et al., 2017; Otley, 2014; Tekathen et al., 2013).

Another unintended consequence of applying this pervasive program, a response to external demands for accountability ERM moved to be focused on standardized procedures and box-ticking compliance (Power, 2009), and creates "illusion of control" through having internal feeling of security because risks are being managed in a manner that satisfies external stakeholders (Otley & Soin, 2014; Soin et al., 2014). Hence, this project moved from searching for better control to the obsession with efficiency and effectiveness in the name of "security about the future" (Lowe et al., 2014, p. 240). This move increase fears about making mistakes in organisational settings coupled with "notions of permanent progress" (Lowe et al., 2014) stifles and restricts organisational behaviour and little manoeuvre spaces simply a risk of controls (Berry et al., 2005; Collier et al., 2007).

This obsession with security leads to neglecting an important limitation of ERM namely operational risks (which arises from people actions, systems and internal processes) on the expense of greater appreciation to external risks only. Operational risks need more control than more quantification and risk technologies; this was apparent in COSO (2007) review of its conceptual frameworks that stressed the importance of risk controls to help in achieving organisational objectives (Soin et al., 2013).

Reviewing this underdeveloped -but rich- literature possess most of actions and interactions inside the developed world, and ask for more studies that reflect other cultures, because individuals, organizations and organizational environments are neither independent nor completely programmable which reflect that managers and people with different background, learning and culture will feel the risk differently which will be reflected in their reaction (Harris, 2014), as while risk management techniques or practices are in place, it may be tempting to ignore some risks because they already seem to be accounted for before having the system in place (Soin et al., 2014).

In other words, we know that the ERM project is taking place in the Western context; its tools and apparatuses are penetrating the micro level practices and cascading down to change people's everyday life. Neither less, it is welcomed or not, is it still there and cascading down. Hence, western culture is based on following the rules and do not override or break the laws and regulations as they are taking its momentum do not stand against it. However, what about less developed countries, how this pervasive program has travelled to them, imposed on them, accepted or rejected by them? Is it compatible with their values, cognition, and sense-making? Is it penetrating their everyday life? Are its tools cascading down like the west? Does it address the same unintended consequences remarked in the west? Alternatively, address different unintended consequences? Actually we know nothing about

these questions as MC in LDCs literature (Alawattage, 2011; Alawattage et al., 2008, 2009; Hopper et al., 2009; Hopper et al., 2012; Wickramasinghe, 2015; Wickramasinghe et al., 2007; Wickramasinghe et al., 2005; Wickramasinghe et al., 2004) offers a lot about how MC practices are perceived and implemented in LDCs, but the inclusion of ERM or even Risk in this literature is missing-Except for Subramaniam et al. (2011)'s study which concentrated on the role of MA in general with relation to RM and by using surveys in Malaysian financial institutions they concluded that MA and RM is complementary parts that form the performance management system in the studied institutions.

Reviewing this rich literature and its unintended consequences, a plea for new directions in future studies. Hence, risk perspective on MAC should be concentrated around ways to relate social, political, economic, institutional and contextual factors in both western and less developed counties, rather than focusing on technical aspects of MC or ERM per se. This strand of study should bring indigenous workers, employees and managers' way of everyday living. How they are coexisting, contain or confront, simply how they react to the inclusion of ERM blueprint in their everyday life which have different or/and common values, cognition, sense-making, norms' construction, ways of communication through changing structures and producing overlapped roles, and documentation cycles.

## 6. DISCUSSION AND CONCLUSION

In this paper, we have explored the insights provided in management control studies around RBMC practices and its unintended consequences, in the mantra of ERM implementation, internal control reinvention, and governance which all represent the production and reproduction of people life in a risk society. The bundling of MC and moving it to heterogenic position had many unintended consequences which were reported in the literature like having the illusion of control, moving ERM and RBMC to box-ticking rather than real processes of risk management and control, losing opportunities that may make the company grow if the full concentration of the MC has moved to risk identification and mitigation, the obsession with risk-based thinking and following the loose conceptualization of ERM led to producing more uncertainty in the decision-making rather than reducing it, and finally increasing the anxiety in the organizational culture which may affect the organizational operations in the long run.

Moreover, we have noted that both MC and RM have been changing and reconceptualised around the discourse of public accountability which intensifies the need to combine them. This combination comes to change RM and MC through blending their apparatuses which are incompatible in most cases (i.e. Delphi method, brain-storming, scenario analysis, BSC, Budgets, and VAR) under the umbrella of ERM; such hybridisation process has produced an elusive and underspecified concept about what is ERM. This urged scholars in both MA and RM to study the conceptualisation of this hybrid blueprint. Studies revealed that ERM project is producing heterogenic meanings, and practices, based on cultural, political, and contextual

surroundings. Moreover, we can argue that these surroundings have not been studied sufficiently out of the Western context. Accordingly, this urges for more case studies out of the Western context to know more about ERM perception and implementation.

Reviewing theoretical frameworks that were deployed in the west to understand how this RBMC is perceived and implemented. On the one hand, we found that many studies have been following Foucauldian inspired concepts like governmentality and dispositif which leave little room for resistance, and behavioural reflections as Foucault omnipresence of power thesis reflect producing and reproducing human life and souls under the power relations. On the other hand, studies deploying other theoretical frameworks reflected how the western culture is based on following the rules, laws, and regulations even if it is not liked and reported successful diffusion and cascading down of the RBMC apparatuses. Yet, what was missing in most of the studies reviewed was the deep understanding of how RBMC is working, and how it is affecting and affected by values, cognition, sense-making, and how these factors affect the actions with or against the

RBMC, which plea for more case studies to understand these issues and more.

Finally, we can conclude that the gaining parties of this discourse are: risk expertise as they gain more money and prestige through controlling almost everything; top management members by producing a good image of control and governance to their governments and shareholders; and consultancy companies that get the benefit of restructuring companies to cope with ERM requirements. While we see that nobody is gaining, hence, we are now producing, spreading and enlarging an illusion of control through box ticking procedures to comply with regularity requirements, market requirements, and the growing fears, especially after the financial crisis. Having said this, we need to understand well what is risk-based management control (which is loosely defined), what are the best practices (which is still unknown), what gains could companies get from implementing this project? Instead of just replying to late modernity threats and producing a new risk society. We think that if these issues were taken into consideration, we would have a new era of risk-based control where all parties can gain.

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