

DOCTORAL THESIS

The construction of risk

how 'actors' construct the concept of 'risk' in practice in a Brazilian development bank

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Award date:
2017

Awarding institution:
University of Roehampton

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**THE CONSTRUCTION OF RISK:
HOW ‘ACTORS’ CONSTRUCT THE CONCEPT OF
‘RISK’ IN PRACTICE IN A BRAZILIAN
DEVELOPMENT BANK**

BY

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A Thesis

*Submitted to the University of Roehampton
in fulfilment of the requirement for the degree of
Doctor of Philosophy
in Accounting*

Centre for Organisational Research, Business School
University of Roehampton

2016

ABSTRACT

The ‘technology’ of risk structures social relationships within and outside of organisations, even though risk tends to be perceived externally as objective, neutral and apolitical. In adopting a poststructuralist perspective, this research investigates the impact of ‘calculating’ risk and how cultural, economic, social, psychological and political aspects influence the concept of risk and risk management practices. Hence, it provides a contextualized understanding of how risk and risk management are constructed intra-organisationally.

This is a study of risk based on immersion. After six months of critical ethnographic fieldwork in a Brazilian development bank, called BrazBank, and applying the Discourse Theory of Laclau and Mouffe as well as the Logic of Critical Explanation of Glynos and Howarth, this research contextualises and challenges the universal logic of the discourse of ‘risk’, from a regulatory point of view.

This research links macro- and micro-discourses of risk to reveal its ‘hidden power’ and to provide a glimpse into the fundamental contingencies in this discourse of control. It considers that the potential multiple interpretations of risk allows the construction of a hegemonic discourse, with boundaries that constitute and subvert certain claims in a rhetorical historic (re-)articulation of power. By doing so, it exposes how a technology that was supposed to simplify and enable, creates miscommunication in an organisation.

‘Risk’ became a battleground as controlling the understanding of risk, meant control of the organisation. Therefore, reflecting shifts in the international macro-context of risk regulation, the power of risk shifted between departments and their managers over political mandates and empowered and constructed experts and non-experts. This research illustrates different articulations of risk in the BrazBank context, how different individuals and groups developed competing interpellations of risk and, by examining the role of ideology, how and why certain conceptions of risk management practice were conserved, even as an illusion or secret, to maintain hierarchical positions and power imbalances.

ACKNOWLEDGEMENTS

During research project, I was fortunate enough to have wonderful people, who made this journey easier and enjoyable, without which I would not have come this far.

First, I would like to thank God, the One who gave me strength, serenity and peace in difficult times. The Lord carried me and revealed to me, that to pursue a dream is always the best way forward. To God, all honour and glory for this victory. Only He knows how hard it was to overcome the 'saudade' in relation to the people, who I left on the other side of the Atlantic.

To Myrna, my inseparable lifemate. I could never have reached this point without your support. I dedicate this victory to you and to our future children, the thought of which maintained my momentum and moved me forward. You gave me strength and guidance, showing me that sometimes we need to make sacrifices today, in order to have a better future.

To my parents, who were with me at all times of suffering, pain and despair. To my mother, a warrior who raised her children to be victorious and was always with open arms to welcome and cherish them in difficult times. To my father, who woke early to keep me company during breakfast and was present at all times when I needed him – thanks for the company, advice and all the support. To my beloved father- and mother-in-law, who have looked after me like a son and encouraged me onto this path, providing me with immeasurable support.

To my supervisors, who became my friends and counsellors sharing with me their time, ideas and knowledge and without whom this thesis would not be completed; to David, for encouraging me to do a PhD abroad, offering me new lenses to understand the world, and to Molly, for helping me in the most difficult moments, an example of honesty, humility and achievement.

To my sparring student partners of Roehampton, Mizo, Ahalya, Vicki and Gloria who shared an office with me, listening to me and encouraging me everyday

throughout my battle. And to Jo, Lauren and Katja, who supported me and helped me by sharing frustrations and celebrating victories.

To Professor Sonia Gomes, my academic mentor-mother, I will never have the words to express what I feel for you. Thank you for seeing it in me. You are an inspiration to me.

To the Research Laboratory in Management Accounting of UFBA, this victory is also yours as I came here thinking only of expanding the boundaries of our university, to show the potential of Brazilians and how we are a rich culture full of capable people. There are several opportunities to be developed in the near future.

There are so many people to thank... Edilson Paulo, Silva Casanova, Artur Nascimento, Leonardo Moraes... Friends from Institute for Governance and Policy Analysis at the University of Canberra (Australia), for their warm welcome... The employees of the BDB, where I learned so much and gained invaluable support...

To my sisters, Monica and Yasmin and especially to my brother, Bimbo, who encouraged me and overcame personnel barriers during this period, showing me the importance of resilience, health and life. Each of you contributed to this success in your own way.

To my friends from Brazil, Yusseff, Ximenes, Amandinha, Sergio and Anderson, who always circumvented the distance to support me.

In this journey, new friendships were created and old ones were lost. I carry you all in my memory, and there are so many good ones... You helped me to overcome the barriers of distance and showed me that London (or any place) can be more beautiful with friends by our side. Thank you for the smiles, friendly shoulders in times of sorrow, words that gave me strength, all of which allowed me to overcome this challenge.

Thanks to you all.

Rodrigo

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– ABBREVIATIONS –

ALIDE: Latin American Association of Development Financing Institutions

BCB: Brazilian Central Bank

BCBS: Basel Committee on Banking Supervision

BDB: Brazilian Development Bank

BFS: Brazilian Financial System

BIS: Bank for International Settlements

BSC: Balanced Scorecard

CEPAL: Economic Commission for Latin America and the Caribbean

CFO: Chief Financial Officer

CMN: National Monetary Council (in Portuguese, Conselho Monetário Nacional)

COSO: Committee of Sponsoring Organizations of the Treadway Commission

CRO: Chief Risk Officer

DFI: Development Financial Institutions

DT: Discourse Theory

ERM: Enterprise Risk Management [ERM].

FDIC: Federal Deposit Insurance Corporation

FERMA: Federation of European Risk Management Associations

FFA: Financial Fomenting Agency

FGTS: Guarantee Fund for Time of Service

FINAGRO: Colombian Fondo del Sector Financing Agropecuario

FIPE: Economic Research Institute Foundation in Brazil

IAD: Internal Audit department

IMF: International Monetary Fund

IRM: The Institute of Risk Management

ISO: International Organization for Standardization

LOCE: Logic of Critical Explanation

NHS: National Health Service

NPM: New Public Management

PAT: Positive Accounting Theory

RMD: Risk Management Department

BrazBankSOX: Sarbanes-Oxley Act

USA: United States of America

– CHAPTER ONE –

INTRODUCTION TO THE CONSTRUCTION OF RISK

1.1. Risk Constructions in the Western World

The attempt to have some control over an unpredictable future has a long history in human culture, reaching back to the days of priests and oracles who predicted the harvest or the outcome of war. In the wake of the Enlightenment and the advent of reason and scientism, power was no longer seen to be in the hands of the gods or occult forces; humankind took control of its own destiny (Bernstein, 1996). This important cultural shift has led to the idealisation of decision-making based on evidence, where data has become a compelling force and statistical calculations have assumed paramount importance.

In our contemporary world, those who work predicting the future are still highly regarded, but they now take a different form. The most common projections are based on statistics and revolve around ‘risks’, and those who claim the ability to forecast them are considered as experts of this ‘science’. These experts have the power to influence countries, corporations and individuals. They can establish a direction of travel and influence strategy. In this way, the domain of risk continues to endow power and status – as it did in the era of oracles and priests.

It has become a truism in business that the Chinese ideogram for ‘risk’ means both ‘threat’ and ‘opportunity’, and this gives clues to the reasons behind the hegemonic status risk has assumed in the modern world. This dual conceptualisation, with disparate elements, provides power to this concept which can be used to construct different pictures of the future. Throughout human history, the idea of risk was presented as the unknown: the elements beyond our view and delimited by our imagination. The idea that the world would come to an end – as well as the numerous maps that represented this flat earth and its beasts – was common a few hundred years ago. Additionally, the assumption was that by avoiding sin and hence the punishment for committing sin, a person could remove suffering from their life or avoid hell, while also achieving greatness and success in their lifetime. Nowadays, the future is still an unknown, as are the possible scenarios that it could present. This is likewise related to possible benefits and hazards that could be presented. For that reason, we keep creating methods to deal with this uncertainty, which is commonly constructed with interests hidden in principles.

The domain of the future, through the concept of risk, is broad. Spiegelhalter *et al.* (2011) have highlighted how people, who may or may not be numerate, are constantly misled by statistical information. For instance, politicians are able to present a vision that will benefit certain voters, knowing that the realisation of that vision will be problematic or even unlikely. Another example comes from the assurances that precede major sporting events, like the World Cup or the Olympic Games. Those events are presented as likely to boost economies and increase the incomes of host countries; however, this is not always the case (Jennings, 2007; Shaw, 2008). The causes of diseases and possible treatments for them are another

example of futures constructed according to a purpose. To take a specific example, the results of cardiac surgery in the USA are published according to the relevant mortality rates, while in the UK they are published according to survival rates; these different approaches are related to the private and public health policies, respectively, adopted by each country (Spiegelhalter *et al.*, 2011).

All of these uncertain events use the metaphor of risk to portray controllable scenarios. Even the weather forecasts on the news are presented in a way that makes us feel certain that tomorrow it will rain, although these predictions might sometimes have only small margins of accuracy (Gigerenzer *et al.*, 2005). Therefore, considering that the weather forecast system is the result of centuries of development and research but still gives predictions that are not complete or fully accurate, how can we believe in calculations involving more complex contexts such as markets and organisations?

My thesis is a theoretical, paradigmatic, practical, methodological and personal reflection of inquiries that I have been undertaking during my time as a researcher and practitioner in the field of risk management. I have always been intrigued about the way we consider, portray and seek to control the future – particularly claims of reliable controllability of a framed future. In this chapter, I introduce the thesis, beginning with a short summary of how risk is constructed and moving on to outline my research goals and objectives. I present a brief introduction to the field, present my research questions and outline the remaining chapters of the thesis.

1.2. The Importance of Risk Constructions

Firstly, it is important to understand the relevance of risk. Risk is a key element in modern society, legitimising decisions and decision-makers (Bauman, 2007; Miller and Power, 2013). We cannot change the past, but we are constantly trying to control the future. In this attempt, risk provides support through calculative practices, which will show the path followed and the elements included in decision-making processes. Although many decisions involve pondering some risks, the construction of risk seems to be quite different from one event or individual to another (Slovic, 2000; Adams, 1995). For that reason, the comprehension of the construction of risk, and what is included and excluded in each construction, is a fundamental matter.

We often think of ‘risk’ in our daily lives. People think about risk when they make plans about their future and even before crossing a road. This is all done without reference to statistics, indicating that we have a well-developed sense of everyday risk. Nevertheless, the definitions of ‘risk’ and ‘risk management’ in finance and accounting establish risk as a calculation process, different from the common-sense notion and ignoring subjectivity and human influences such as gut feeling, or instinct, as well as the importance of political interests in the construction of risk. Consequently, in accounting and finance, decision-makers purport to use a definition of ‘risk’ which holds that it is a pure and objective concept.

Different individuals, nonetheless, will view risk differently according to their life experience, culture, appetite for risk and other aspects like age, education level, average income et cetera (Adams, 1995). Most of the time, this is done without reference to numbers, and people trust their instincts and experiences to determine what is good or bad, or right or wrong, and make decisions about what to do or when

to act. In accounting and finance, however, there are more restrictions around classifying something as a risk. Following the proposition of Knight (1921), risk is measurable, and if we are dealing with events or elements of decisions that are not measurable, then they must be categorised as uncertainties. However, for me, this dichotomy is problematic.

As a researcher and practitioner in this field, I observed that the idea of risk was more flexible than its descriptions in guidelines and norms usually propose (BIS, 1988; 2003; 2013). Indeed, considering changes in this concept throughout its history, the idea of risk has been shifted from a highly quantitative conceptualisation to a more qualitative one. Therefore, acknowledging changes in guidelines as well as in daily risk management practices within organisations, I embarked on an investigation of the reasons behind risk constructions.

Contrary to guidelines and regulatory statements about risk, this thesis embraces the complexity and dynamics of risk construction reflecting on its object-subject interface. There is no risk ‘out there’, waiting to be discovered. Hence, even if risk is an important technique to deal with future outcomes and scenarios, nothing and everything can be considered as a risk before its materialization in dangers, crises or accidents (Power, 2004; 2009; Douglas and Wildavsky, 1982). For that reason, more important than search for ‘what risk is’, is to understand how things become risks, as this is a driver for many other decisions within our modern Western society.

During my studies, I perceived that this duality between risk and uncertainty was more than just a technical device used to operationalise decision-making processes. This dichotomy was also an instrument applied to legitimate decisions and decision-

makers and that shifts the focus of problems according to interests, which were not commonly explicit. For instance, during the subprime crisis, the construction of risk shifted the focus from the capitalist attempts to maximise profit and accumulate wealth to technical and regulatory issues, such as governance structures, which could be ‘fixed’ in order to re-establish the trust and security in financial and stock markets (Glynos *et al.*, 2015). Another example was the current scandal in the largest oil company in Brazil, Petrobras, involving politicians and CEOs of large multinational corporations in vast corruption conspiracies that have threatened the economic stability of Brazil’s economy itself. Nonetheless, the media and government framed as and reduced this problem to corporate governance issues, and then, proposed changes bounded by technical solutions. There are many contemporary examples – the possibility that the UK will leave the EU, the war against terrorism, the benefits of the Olympic games, policies on immigration, or even epidemics, like Ebola or Zika, all involved constructions of risk. In each of those cases, threats and opportunities are deliberately constructed, even as principles, in order to support hidden interests, power imbalances or powerful positions. For that reason, here, risk is portrayed as a social and political tool in the construction or creation of enemies and allies.

1.3. Research Goals and Objectives

The goal of this thesis is to develop a better informed discursive understanding of the construction of risk in accounting and finance by focusing on subjectivity, rather than on the simplistic rational calculation of risks. Therefore, it differs from the most examples of research in accounting and finance and regulatory frameworks, that

define 'risk' as a quantifiable and objective concept, as opposed to 'uncertainty', as a concept that is deeply uncertain, subjective, qualitative and unquantifiable (see Chapter 3). Stirling (2010: 1031) states that 'an overly narrow [quantitative] focus on risk is an inadequate response to incomplete knowledge'. So, here, the construction of risk is considered as 'contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context' (Crotty, 2003: 42).

This research assumes that the narrow view of risk, and hence, risk management, has political rationales for conveying the idea of control and objectivity (see Chapter 3). As a result, the focus of this thesis is on the 'technology' of risk, as a concept that structures social relationships within and outside of organisations. Each definition of risk includes, but also excludes, elements that will then interfere in the identification and, hence, assessment of risk (see Chapter 4.3).

In practice, the flexibility and fluidity of risk, as a concept, are intriguing, and 'risk', as a signifier, has been used differently according to diverse interests and purposes. My previous professional experience, as an intern, a consultant, risk manager, and then, member of an Executive Board, provided me with a broad understanding in relation to risk in Brazilian financial and non-financial institutions since 2006. During this period, I realised how people interacted with management tools, gaps between how they worked theoretically and in practice as well as discourses developed internally and externally, within departments and hierarchies and in different contexts. I observed that there was a 'hidden power' in this construction of risk (Hines, 1988) and political interests took advantage of the definitions of the boundaries of risk and risk management. While I was an intern, this understanding

was not clear, but as I moved upwards in and interacted with organisational hierarchies, it became increasingly clear. These experiences drove my interest in understanding the gap between theories and practices of risk management. Under demands from new international guidelines, which were requesting a focus on ‘risk culture’ and ‘risk appetite’ (IRM, 2011, 2012), I understood that in order to understand this current proposition of risk construction, first, I must understand each reality as multi-faceted (Hines, 1988).

There is a long-standing dispute concerning the objective and subjective nature of risk (Bernstein, 1996). Accordingly this study examines the ‘discursive’ construction of the notion of risk by interrogating how organisational ‘actors’ construct the concept of risk to suit a particular purpose, comprehending and criticising political imbalances that privilege some aspects of risk while ignoring others that do not fit with the hegemony of modern financial risk and neo-liberal rationality. This is done, by posing and answering the following questions: what is ‘risk’ according to different organisational actors?; and how is the concept of risk mobilised to legitimate actors’ political interests? Accordingly, with this background, this study shifts to the organisational environment to comprehend how these different views of ‘risk’ impact upon, are received by, and are spread within the organisational context.

The principal research questions are:

RQ1. How is the concept of risk constructed to meet the demands of certain powerful organisational actors (including internal and external stakeholders such as employees, experts, governments, and other corporations)?

RQ2. What is the importance of subjectivity in the construction of risk, and the practical implementation and development of risk management?

RQ3. How do individual conceptions about ‘risk’ and ‘risk management’ influence the implementation of a risk management framework and conceptions of ‘risk appetite’ and ‘risk culture’ at the organisational level?

1.4. Approaching the Constructions of Risk

To gain a deep understanding of the social and cultural processes involved in the creation of risk as a concept requires an appropriate methodology, and I have chosen a critical ethnographic approach that has allowed me to undertake an in-depth examination of the workings and politics of decision-making within a Brazilian development bank. My analysis focuses on the role of the construction of the idea of risk and its calculation, and investigates how cultural, economic, social, psychological, and political aspects influence the concept of risk and risk management. This perspective, thus, provides the understanding of risk at different hierarchal levels and within and between different departments in internal decisions about internal control and audit processes and external decisions relating to credits grants, microcredit loans and project financing.

Previous studies have highlighted that the dynamics of risk management depend on the specific industry and individual characteristics of companies (Arena *et al.*, 2010; Woods, 2011; Mikes, 2011). In particular, I questioned whether the concept of risk employed allows for the distinction of accounting and finance ‘risk’ specialists to appear as experts, and consequently the construction of risk as a way of maintaining

the power imbalance and the illusion of control over financial cycles. Based on the idea that risk calculations are *ipso-facto* (after the ‘real’ decision has already been made), thus, my research states that the construction of ‘risk’ and risk management empower, rather than inform, decision-makers. Therefore, for the purposes of this research, there is arbitrariness within the rules that suggest that risk is a quantifiable concept, and there is arbitrariness in how a bank or other financial or non-financial institution decides to follow and implement those rules. Consequently, there is no absolute or true ‘risk’.

Based on the arguments developed by Carter (2008) for accounting concepts such as cost, this research assumes that risk is ‘constructed technically, methodologically and politically’, so as to meet certain desired results (see Chapter 4). I then argue that risk is essentially a qualitative, subjective, social concept. Individuals and organisations construct the idea of risk to suit their own particular ‘political’ purposes. Building on this foundation, I analyse the formation of social and political identities characterised by antagonism and uncertainty at multiple levels, including the discursive enunciation of views and perspectives of the ‘actors’ interested in risk management (Carter, 2008: 156). Furthermore, the thesis argues that political interests tend to be revealed in risk decisions and that internal politics obscure specific risks so as to maintain the ‘sensation’ of safety and objectiveness, and moreover, to maintain control (Beck, 1992; Power, 2009; Carter, 2008; Mikes, 2009).

In the banking sector, ‘prudence regulations’ using risk management as an instrument for their operationalization were disseminated among many countries by the International Monetary Fund (IMF) and World Bank in coalition with the Bank

for International Settlements (BIS) (see Chapter 2). Even in non-financial organisations, risk managements tools, frameworks and guidelines were adopted as ‘best practices’, and, as an example, the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) guidelines were disseminated and employed all over the world (Power, 2009). Therefore, this research aims to explore the difficulties imposed by a regulatory monolithic positivist view of risk, how such a view affects the development of a culture of risk, and its role in determining the organisational risk appetite in contrast to individual appetites.

This discussion is important in answering contradictory outcomes from mainstream and critical research on risk, which has not considered the importance of pondering human constructions of risk, and in turn, the relevance of their comprehension and perception within risk management practices. Thus, this study examines how risk is constructed at the social, political, and cultural levels, and examines the influence of this Western concept in a developing country. Exposing the multiple politically inclined layers of risk construction, this research constitutes the first significant study in the field of accounting and financial risk management to adopt a post-structuralist paradigm and therefore is expected to make a significant contribution to knowledge. Equally, its empirical focus on Brazil is interesting, as previous studies in ‘risk’ have tended to treat it as a ‘Northern’ and universal concept.

This research contributes to the study of risk from more critical paradigms in accounting and finance, and investigates it from sociological, political, and historical perspectives (Miller, 2001; Carter, 2008), based on linguistic, social, political, and psychoanalytical analysis. Consequently, it challenges the neo-classical economic and positivist perspective that permeates research in accounting and finance and

recognises broader sociological and political factors. This research enables the study of specific risk management practices, which would respond to the need for more organisational studies on this topic (Gephart *et al.*, 2009; Power, 2009). Further, it caters to the need for more holistic approaches in the analysis of practices of risk management that pay more attention to a wide range of cultural paradigms (Lounsbury, 2008), enabling a greater understanding of the role and limitations of management accounting and the implications of broader conceptions of risk for the management of organisations (Collier and Berry, 2002). Therefore, in exploring the discursive nature (constructed) of the concept of risk, my research begins to fill in the gaps identified.

Furthermore, this discussion contributes to our current understanding of risk, in the wake of the ongoing global financial crisis. My research concentrates on the influence of subjectivity on corporate risk management and the failures of quantitative models of risk management. It is also practically oriented, which supports organisations in the implementation of risk management by highlighting the importance of subjectivity, culture and complexity in this process. Much research argues that the implementation of risk management is complex and struggle (Mikes, 2009; Arena *et al.*, 2010; Woods, 2011). My study, then, suggests that these complexities cannot be resolved through traditional positivist research, for it abstracts the subject, holding a subject-object duality, generalises and is superficial to organisational reality (Crotty, 1998; Chua, 1986). Furthermore, there are few critical contributions exploring how risk management works in practice, and even fewer, addressing how the organisation develops its own conception of risk and how it contributes to a style of risk management (Gephart *et al.*, 2009; Power, 2009).

My thesis, hence, examines different hierarchical levels, departments and individuals working within the framework of risk, demonstrating that the concept of risk has different meanings and purposes, even within a single organisation. Post-structuralism argues for an ontological and multi-faceted conceptualisation of reality, and advocates the importance of listening to different voices and recognising power relationships and imbalance. Post-structuralism focuses on how subjects mobilise objects and meanings, and considers the historical context related to power, politics and conflict (see Chapter 4). From this perspective, it is possible to understand more adequately that social artefacts, like risk, are not neutral and are political. This insight lend weight to my analysis of the importance of concepts such as ‘risk appetite’ and ‘risk culture’, proposing a deep understanding of the social process of defining risk, the complexities of the social and political processes that underlie that definition, and the sophistication required in the implementation of risk management in Brazilian development banks.

‘Risk management’ has become a prime reference (nodal point) for corporate governance in firms. However, this research is not merely focused on technical artefacts and frameworks of risk management, but on the way that subjects (actors) interact with them, and thus, construct the idea of ‘risk’ and risk management in this particular organisational context. As a result, my research gives ‘readings’ and ‘interpretations’ and invites readers to choose which discursive construction that they are more persuaded by.

1.5. Structuring an Argument about Risk Constructions

This thesis comprises of nine chapters. Firstly, I introduce the regulation of risk management in the Brazilian financial system, pondering where it has come from and its impacts (Chapter 2). It also critically illustrates the articulation of risk in accounting (Chapter 3), whilst opening a space for Discourse Theory (DT) critiques about mainstream claims (Chapter 4). Then, after an explanation of the methodological approach of this thesis (Chapter 5), the second part of this thesis focuses on the empirical outcomes from my fieldwork (Chapter 6, 7 and 8). These elements are described in more details below.

As already discussed, I have chosen for my setting a Brazilian development bank. In order to situate my research findings I use the following chapter to introduce the macro-context of my fieldwork in the Brazilian banking sector. The chapter highlights the importance of these financial institutions to the progress of developing countries like Brazil, exploring the structure of this financial system and focusing on the roles of development banks in this context. Further, it examines the emergence of risk and the influence of structural adjustment programmes from international financial agencies, such as the IMF and World Bank, and international conventions, such as the sound practices from the Basel Accord, to Brazilian regulatory statements. Finally, the chapter explores problems related to (supposedly neutral) imported solutions, demonstrating the inadequacies of risk management requirements to BDBs.

The third chapter presents a critique of the imposition of accounting technologies of governance that are sustained by positivist claims, which reinforce the neutrality and objectivity in accounting numerical figures. Thus, the chapter is a reflection on the

impact of the mainstream accounting research in the conceptualisation and management of risk practices. Here, the multiple layers of accounting and risk are exposed in order to emphasise the influence of subjects. Both accounting and risk are defined through the inclusion and exclusion of elements that are used to support powerful actors' interests. Consequently, any representation of risk, or accounting, would reflect implicit choices made about what it might be useful to communicate, or not, to empower some groups. Therefore, this is always a discourse about power and persuasion, nonetheless, one that is concealed by positivist claims used to segregate the subject from the object of risk management decisions.

Any researcher enters the research space with a set of theoretical and methodological tools and my theoretical approach to research is outlined in Chapter 4. Here, first, I present a reflection about the harms caused by the imposition of risk regulation as a necessary tool for Brazilian progress (Chapter 2), through the lenses of post-colonial theory and Spivak's concept of subaltern and epistemic violence. Subsequently, I explore the relevance of the post-structuralist discourse theory (DT) of Laclau and Mouffe (1990; 2001; 2014) to investigate risk management practices. DT understands the 'politics' of inclusion (limited definitions of risk and the hegemonic impacts of this) and exclusion (excluding alternative paradigmatic and disciplinary conceptions of risk) used to create and support power imbalances. I mobilise DT to contextualise how the main elements of DT can be useful for understanding risk. Hence, I consider that the potential multiple interpretations of risk allow the construction of a hegemonic discourse with boundaries, which constitutes and subverts certain claims in a rhetorical historic (re-)articulation of power.

The more detailed nuts-and-bolts of my research project are discussed in Chapter 5, where I focus on my role as a researcher, addressing questions about ‘what’, ‘how’ and ‘why’ a critical ethnographic approach was chosen to collect my empirical material as well as justifying the Logic of Critical Explanation (LOCE) used for my empirical analysis. The LOCE is a method for applying DT, considering the current rules and regulation of risk management practices (social logic), contestations around the emergence, implementation and re-articulation of risk rules throughout the organisational history (political logic), and how subjects are ‘gripped’ by fantasies – ideological presuppositions and pathologies – that sustain their identity (fantasmatic logic). Therefore, this chapter provides the foundations to my empirics.

After that, I present my results in three chapters that explore in turn the social, political, and fantasmatic logics of risk management in the development bank. In my first empirical chapter (Chapter 6), covering the Social Logic of Risk, I explore the different articulations of risk in the BrazBank context and compare external disclosures and internal practices of risk, as well as how different individuals and groups developed competing interpellations of risk. In short, the construction of risk in the BrazBank was contradictory, as the discourse of risk was constructed with signifiers of ‘objectivity’ and ‘neutrality’, despite incorporating subjectivity and judgment in its conception and practice.

In the following empirical chapter (Chapter 7), examining the Political Logic of Risk, and how discourses of risk shifted over time, I explain how the discourse of risk empowers and constructs the identity of “experts” and “non-experts” in relation to risk as well as ‘secrets’ used to maintain hierarchical positions and power imbalances. This chronological genealogy of risk analyses historical constructions of

risk, and how the power shifts of risk discourses have also represented power shifts between departments and their managers over different political mandates in the BrazBank. This has also reflected shifts in the international macro-context of risk management discourse. The construction of risk has empowered and disempowered terrains for certain actors and departments to claim power and visibility inside the Bank. Throughout its history, in effect, ‘risk’ became a battleground in the BrazBank as controlling the understanding of risk, in effect, meant control of the organisation.

Chapter 8, examining the role of ideology, exposes how and why certain conceptions of risk management practice are maintained. In sum, this chapter demonstrates that ‘risk’ operates as an ideological cover for Brazilian agents and the Bank’s actors as the international conception of ‘risk’ is presented as the ‘solution’. This proposition of ‘the right path to follow’ coming from outside implied conceptualizations of weakness against international knowledge, suggesting that BrazBank actors were not strong enough to contest inadequacies in risk regulatory statements. This idea was supported by desire for an objective measurable future and attempts to legitimate experts’ actions by propositions of ‘doing the best’ or ‘adding value’, even if these constructions were problematic.

In Chapter 9, I present the conclusions I have drawn as a result of this in-depth study. To summarise, this research advocates that the technology of risk is employed to assign, and to avoid blame, in a technology of miscommunication through claims of expertise. The inclusion and exclusion of groups and the polarity between ‘experts’ and ‘non-experts’ reflect and perpetuate an international discourse of domination (from the Bank for International Settlements (BIS) and Big 4 consultancy firm, to the Brazilian Central Bank, and then, Brazilian development banks). Consequently,

for the BrazBank and Brazil, failures of risk are not 'micro-failures', but international 'failures' of 'best practice' conceptualisations, which allow certain actors to avoid blame for failures. Thus, as a study of politics, this is a study of control; however, multiple actors and interests claim power, influence and control through the interpellation of risk.

– CHAPTER TWO –

THE BRAZILIAN CONTEXT AND RISK REGULATION

2.1. Introduction

My research is situated in the context of the Brazilian finance sector, so I begin by providing a sketch of recent Brazilian economic history considering its aspiration for and struggles with ‘order and progress’ and then provide a more detailed account of the role of development and then development banks in the country. Situated as part of the neoliberal ideology of progress and development, I explore how the hegemonic discourse of risk was contested and established in this space, considering structural and regulatory changes in the Brazilian financial sector. In embracing the influence of ‘risk’ as an advanced capitalist discourse, I examine the regulation of Brazilian financial institutions and provide a critique of ‘best practice’, ‘efficiency’, ‘progress’ and ‘development’ which were embedded in the process of risk management implementation. Consequently, this chapter examines the following questions: What is the genealogy of risk in Brazil and in Brazilian Development Banks? What is the impact of the imposition of risk in Brazil and in Brazilian Development Banks?

In short, development is crucial for Brazil, as an emerging economy. Nonetheless, the imposition of the concept of ‘risk’ in Brazil represented a choice made and privileged the idea of risk over that of uncertainty. In development banks, this was a logic imposed by the requirements of the International Monetary Fund (IMF) and World Bank, and supranational bodies like the Bank for International Settlements (BIS). Risk management was initially proposed for regulating the financial sector, in general, but it had pervasive effects particularly on Brazilian Development Banks (BDBs). In sum, the logic of risk dominated the logic of development, privileging an idea of progress focused on the economic logic of risk over the social logic of development. This chapter sheds light on this political process embracing the organising questions: what was the role of this particular concept of risk in these regulations? How have the concepts of risk and risk management practices supported fantasies of ‘progress’? And, why have they been constructed? Furthermore, this chapter offers the basis for a more coherent exploration of political processes that will later be revealed by my fieldwork, by scrutinising international power imbalances between entities and macro-actors that played a role in the construction of risk. Finally, this chapter shows how the logic of risk was constructed as the right path to follow, as ‘the’ solution to the problems of the Brazilian financial system and the economic situation, representing the only way towards progress, and the problems caused by this framing.

2.2. Brief Contextualisation of Brazil

Brazil has stamped on its flag an aspiration for ‘order and progress’, but throughout its history, this aspiration has undergone many vicissitudes. Formerly a colony of Portugal and with a history marked by slavery, natural resource exploitation and military dictatorship, Brazil has emerged as one of the BRICS¹ and the largest economy of Latin America and the southern hemisphere (IMF, 2015). However, progress in Brazil is far from uniform. High indices of social inequality and a large proportion of the population in deep poverty (PNUD, 2014) are contrasting indicators in a country that is the seventh largest economy in the world, causing continuing concern, and leading to growing dissatisfaction.

After decades of hyperinflation, a strict programme of monetary stabilisation carried out via the Real Plan in 1994 supported economic development in Brazil. A stabilised economic situation at the expense of high social costs was the legacy of President Fernando Henrique Cardoso’s period of government between 1995 and 2002. After that, President Luiz Inácio ‘Lula’ da Silva worked to reduce social problems during his period of government. Between 2003 and 2011, he rolled out a state welfare reform with the ‘Bolsa Familia’ programme providing a minimum income for 14 million families with children. This and other government

¹ The term BRICS here is not accepted uncritically, but considered as a relevant symbolic construction which has attracted investors to these countries while ignoring their different aetiologies and conflicts of interest in some sort of common vision of growth (Wilson & Purushothaman, 2003; Armijo, 2007; Fourcade, 2013; Sotero, 2013). In this sense, it is used solely to reinforce the importance of Brazil in the world economy.

programmes achieved a poverty reduction of 28 per cent in a decade at a cost of only 0.5 per cent of GDP (Economist, 2015). This proved to be a clever double-edged initiative that also boosted domestic consumption by enlarging the spending power of the lower-middle class and thus increasing aggregate demand.

Lula also promoted the increasing freedom of the federal police to investigate corruption schemes. However, this led to an increasing focus, for instance, on investments in the World Cup and Olympic Games². In 2012, Brazilians started questioning how their country, which had no money to help the poor, could afford to invest in massive stadiums³, leading to the request for a ‘FIFA standard’ in everything, particularly public transport, education, and health services. In 2013, a wave of protests that had been building for decades spilled out onto the streets, exposing the contradictions between the country’s social and economic achievements, which downgraded previously optimistic forecasts for Brazilian economy (Economist, 2009; 2013).

² The demonstrations that took place in Brazil, in 2012, before the World Cup are considered the first mark of contradictions presented in the routes chosen by the Workers’ Party government to carry out Brazil’s progress project. Recently, more corruption scandals were uncovered by the federal police, like the one involving the state-owned oil company (Petrobras), construction corporations and political parties, which ended up undermining the pillars of the left wing project and providing power to right wing political parties (Saad-Filho & Boito, 2015).

³ These are not the only causes of Brazil’s current situation; only the most current elements embraced in the news and by the population. Thus, this comment reflects the priorities for Brazilian population and is not focused on traditional neoliberal economic perspectives about growth and progress (c.f. Singer, 2013; Saad-Filho, 2013).

In the spotlight, Brazil showed the world that it had overcome its period of hyperinflation, but that the country was still struggling to contain internal conflicts. The persistent recurrence of signals about the impact of the financial crisis and the cooling of Brazil's economic growth, combined with a fall in exports as its trading partners struggled with crises of their own, led to a loss of market confidence. This economic vulnerability was later exacerbated by rising inflation, and the revelation of widespread corruption schemes in different government spheres and activities, particularly, after the elections in 2014. In conclusion, it leaves the queries: What is the right path to follow? Where is the solution to Brazilian recurrent problems?

Considering its extraordinarily rich lands and a wealth of resources, Brazil has the potential to become self-reliant, were it not for its hesitation about the 'right path to follow'. From such a view, a country that has followed the neoliberal reforms, especially during the 1970s, is now trying to find its own way to a more prosperous future. However, this is not something new, as Brazil has always struggled with constraints imposed by its history and its place in a global, interconnected market system. As an impact of its colonial history, Brazil has long been dominated by its historical commitment to supporting the Portuguese economy. Moreover, the IMF debts incurred during the period of Brazil's industrialisation have cast a long shadow. The constant questions about 'how to develop?' expresses an uncertainty about the country's ability to forge its own path since constraints are unpredictable but potentially powerful. As a result, Brazil's development path has been characterised by an imitative isomorphism (DiMaggio and Powell, 1991) following the logics of culture, practices, and structures imported from developed countries, especially the USA and European countries.

In this globalised capitalist version of the economy, therefore, the moderators are not the nation-states and their governments, but international actors, and mostly private ones (Friedman, 2000; Milanovic, 2003; Weiss, Seyle and Coolidge, 2013). Supranational bodies like the IMF propose universal agendas of development, for instance, through financial liberalisation and prudential regulation in developing countries, although the real intent lying behind this policy platform is difficult to grasp, and requires more research. Conversely, different countries suffer from various constraints and have different priorities. For that reason, Rodrik (2010) argues that development processes require a selective and contextualised choice of reforms, focused on prioritising and sequencing these reforms. It is hard to encourage education when parents do not know if their children will become adults or if they will die in a civil war or as a result of contagious diseases and epidemics. The neoliberal propositions have primarily focus on complementary reforms to support the free movement of capital, nonetheless, they carry with them an inherent bias towards universal solutions and ‘best practices’ (Rodrik, 2008), as if social welfare was an inevitable consequence of economic growth.

The implementation of prudential regulation and then risk management practices in Brazil could be perceived as just one more example of these ‘solutions’ coming from outside. Brazil followed the latest global market fashion wave arriving in the wake of the discourse of the need for transparency, accountability, and governance in a globalised world. By contrast, the perspective I take in this research is to suggest that we do not know *ex ante* what works and what does not. Hence, these global solutions coming from outside must be scrutinised. The relevance of context-specific problems, in which supposed principles hide interests, needs to be revealed. Thus,

the intention of the approach adopted here is not on to focus on what policies should be, but rather, to reveal their actual impact and hidden original intents.

In this context, to understand markets and economies properly, we must acknowledge that they are embedded in a broad range of institutional relations (Meyer and Rowan, 1977; DiMaggio and Powell, 1991; Burns and Scapens, 2000). Rodrik (2004) suggests that people tend to think of the market as disembodied from politics, and this is a core tenet of the universalising neoliberal ideology. However, there are no self-created, self-regulated, self-stabilised and self-legitimated markets. There is also a necessity to contextualise regulatory statements by taking into account social, economic, cultural, and political structures (Hopwood, 1983) as well as the accounting technologies, tools and measures used to support actors in this market (Hopper and Armstrong, 1999). Thus, we must have contextualised explanations to understand the proposition of risk in Brazil, generally, and in Development Banks, specifically.

The following sections explore the emergence of risk as a transitional logic for neoliberal propositions of development and progress that have ignored the specific priorities of Brazil. They outline the struggles to achieve the desired progress, and the specificities of the Brazilian financial system, focusing mainly on the role of development banks and the clash between BDBs' roles and prudential regulations in this context. Nevertheless, the elements exposed here represent only a snapshot of a much broader structured programme of 'globalisation' and consider only the contradictions implied in the emergence of risk regulatory statements in the Brazilian context.

2.2.1. *The Problematic Conceptualisation of ‘Order and Progress’⁴*

Progress could be conceived as the process that leads countries toward a state of perfection that has its highest point in Western civilisation. However, Adorno (1969/1998) rejects this totalising concept of progress, characterising it as a ‘progressive domination’. Within the emergence of Western rationalism, Adorno and Horkheimer (1973/1997) outline this trend toward ‘progressive domination’ by the scientific project, which reduces the qualitatively different to a quantitative identity that has its rationale in the precept, ‘science is measurement’, and then proposes the control of nature. Adorno and Horkheimer state that the instrumental manipulation of nature leads to the exploitation of man, reification of human relations, and hence, that technical signs of progress would result in a loss, decline, and deterioration of humans. Given that, Adorno (1998) considered that this idea of a universal scientific approach towards progress alienated the human component of culture among men.

⁴ The motto Order and Progress in the flag of Brazil is inspired by Auguste Comte’s (1830) positivist motto: ‘Love as principle, order as basis, and progress as goal’. Given this positivist perspective, Comte’s rationale introduces the importance of scientific doctrines and the valorisation of methods. Equally, progress became almost an axiom in social science literature after the revolution provoked in 1859 by Darwin and his book ‘Origin of Species’. These positivist claims based on a scientific idea of progress were also embedded in regulations of risk management and the construction of risk in accounting. Thus, the impacts of this paradigmatic construction on risk management discourse are further scrutinised in Chapter 3.

In economic terms, however, Douthwaite (1992) asserts that progress is traditionally related to an evolutionary process of lifting people out of poverty and enabling them to have better living standards. Moreover, the field of scientific rationality and technicality considered the basis, which would lead men to freedom and well-being. Dupas (2006) conversely reminds us that progress represents a dominant discourse of global elites that involves exclusion, wealth concentration, underdevelopment, severe environmental damage, and assaulting and restricting of human rights. For that reason, it is important to understand who is privileged by progress as, according to Habermas (1970), in industrially developed capitalist societies, domination tended to lose its characteristic of exploitation and repression to cover itself with the cloak of rationality.

Neoclassical economics emphasises the direct correlation between economic growth and welfare and equality. In the 1980s, neoliberal ideas sustained by the process of globalisation portrayed the State as the main villain of development, blamed for inefficiency and bureaucracy (Chang, 2003; Pollitt, 2003; Hupe and Hill, 2007). This dogma emphasized that an open market and privatisation will lead to economic stabilisation and all the benefits that supposedly follow it. This doctrine resurrects the concept of progress associated with global market freedom and a positive view of the logic of capital. However, political parties might conceive these welfare expectations in different ways, proclaiming that they look after the entire population, even if the most visible beneficiary of development processes has been corporate and individual elites (Hall and Jones, 1999; Easterly and Levine, 2003; Rodrik, 2004). Therefore, to understand the historical and spatial patterns of growth and development, it is necessary to understand the role and functioning of ‘deep’

determinants of development, as institutional or political factors shape determinants of growth like primitive accumulation, technology adoption, and policy choices.

Pritchett, Woolcock, and Andrews (2013) criticised the problem with universalism and the idea that ‘one size fits all’ by arguing that development is a process whereby countries find and fit solutions that work to solve problems in their contexts. They advocate caution about imported solutions, because, although they can work well in tackling problems that have a universal technical solution, they undoubtedly fail in understanding complex problems in which politics is involved, capacity constraints are severe, and even the nature of the problem is unclear. To this extent, Pritchett, Woolcock, and Andrews recognise that many organisations have the tendency to adopt best practices in order to legitimate their practices, but advocate that isomorphic practices are just an illusion of development, as they focus on short-term programmatic efforts to build administrative capability, even if these practices do not offer better functionality (Pritchett *et al.*, 2013). The problem, therefore, is that solutions from outside might also come with unintended consequences, as the real intents of these packaged logics usually contained interests hidden in principles. For that reason, it would be worthwhile to examine the emergence of prudential regulation that reached Brazil and created space for risk regulatory statements, searching for hidden interests and where they came from.

First, it is important to uncover briefly the origins of the regulation introduced in Brazil. The idea of prudential regulation emerged after the banking crisis occurred during the NYSE Crash in 1929. These regulatory announcements prohibited the establishment of universal banks and promoted the formation of a safety net, assuring the deposits made in banks, and preventing threats to the stability of the

financial system (Flannery, 1998; Goodhart, 2005). During this period, the market perceived that the loss of confidence caused by the public feeling of vulnerability could have more devastating effects than crises themselves. This period highlighted the need for new regulations of the banking system and encouraged the creation of federal agencies in the US. In return for the creation of a guarantor government agency, like the Federal Deposit Insurance Corporation (FDIC) and Bank for International Settlements (BIS), the USA Senate introduced a requirement for commercial banks to form a regulatory capital⁵. These capital reserves had to consist of funds from the institution's owners to make them co-responsible in case of bank failure.

In general, financial systems remained healthy and without major disturbances until the 1970s, when they were hit again by successive economic shocks. The most notable events of this period, then, were the acceleration of inflation in the USA; the collapse of the fixed exchange rate system of Bretton Woods, between 1971 and 1973; oil crises in 1973 and 1979; and the adoption of contractionary monetary policies by the most industrialised countries (Mendonça *et al.*, 2011). Moreover, greater freedom of capital, in an increasingly globalised world, allowed the emergence of financial innovations and banks began to securitise their loans as a

⁵ The definition of regulatory capital, as outlined in the Basel Accord (1988) and clarified in the Basel Accord (1998), is the amount of capital that financial institutions are required to hold, as a percentage of risk-weighted assets, to operate. This capital reserve ensures that these institutions do not take on excess leverage and become insolvent.

way to reduce the risk exposure of their portfolios (BIS, 1999; 2001). Nonetheless, these financial innovations also impacted on accountability and transparency of institutions, as well as on the reliability and faithfulness of information disclosed.

Different countries adopted different strategies to deal with the demands and opportunities arising from the financial sector during this period. The British banking system, for instance, adopted more flexibility in its supervisory rules, which allowed financial system innovations to be practised, since they were not prohibited by law. In the USA system, financial innovations were required to obtain prior approval of the regulator to be practised in the financial market. As a result, towards the end of the 1980s, USA commercial banks began to lose market share to investment banks and foreign banks operating with companies in the country but without being reached by the liabilities of prudential regulation.

From these conflicts of interest, there began a process of ‘deregulation’ in the USA banking system. The possibility of operating with a number of demand deposits under the guaranteed protection of a government agency against loss of depositors, nevertheless, encouraged banks to assume greater risks. Consequently, the publication of the Basel Accord in 1988 represented the first attempt at a global level to implement supervision and control in the banking industry. The principles contained therein aimed to establish security and stability in the world financial system by requiring a minimum regulatory capital. The assumption is that these capital asset reserves would bear any losses that imply loss to depositors and reduce the leverage of banks and, ultimately, the risk of insolvency that could culminate in systemic risks (BIS, 1988; Goodhart, 2005).

In the first Basel Accord, credit risks were considered the central theme and main risk to which financial institutions were exposed. In principle, the minimum capital asset requirement to manage these risks was set at 8 per cent of the capital of the financial institution (BIS, 1988) and, according to Power (2007), this level of capital asset reserves gave USA banks a clear advantage over European ones. At this stage, market risks were referred for later discussions and operational risks had not been recognised, but were considered implicitly covered by the minimum capital asset requirement. Nonetheless, this regulation has passed through many modifications in order to adapt itself to new demands. Technological advances and the globalisation of financial systems prompted the modernisation of banking operations, which led BIS to launch in 2001 a proposal that became known as 'Basel II'. After that, the subprime crisis and loss of confidence in the markets led to a comprehensive set of reform measures in at the 'Basel III' in 2013. Those were the major contingencies, but many others contingencies have shaped Basel publications about standards, guidelines, sound practices and implementation issues.

Originally issued by the Basel Committee on Banking Supervision (BCBS), prudential regulations were used by countries as a benchmark for assessing the quality of their supervisory systems or for identifying future work to achieve a baseline level of sound supervisory practices. Besides, the IMF and the World Bank also use the BIS's Core Principles to assess the effectiveness of countries' banking supervisory systems and practices. These three agents share information and collaborate closely in their monitoring of the implementation of prudential standards (BIS, 2012). In this sense, the IMF and the World Bank provide regular reports with

lessons drawn from assessment experiences that constitute a useful source of information which has been used as an input to improve BIS's Principles.

The IMF and the World Bank have embraced a discourse of "good governance" and set principles to guide member countries in their objectives towards globalisation (Woods, 2000). Nonetheless, Milanovic (2003) shows that the current view of globalisation as an automatic and benign force is flawed, as this rhetoric might focus on only one, positive, side of globalisation whilst neglecting the malignant one. Although the doctrine of economic neutrality constitutes the main ideology of the IMF and the World Bank interventions, Swedberg (1986: 377) suggests that the real function of this claim of neutrality is to 'provide an ideological smokescreen for the powerful Western nations to intervene in favour of free trade capitalism in the domestic affairs of third world countries'. In this regard, although most research finds that banking regulation and supervision has an effect on the risks of high-risk banks, Klomp and De Haan (2012) demonstrated that these measures do not have a significant effect on low-risk banks, such as Brazilian development banks (BDBs).

The rhetoric of globalisation's long-term benefits covers up unsuitable pieces of evidence to carry on this project of domination, pushing the idea of 'globalisation' forwards, whilst ignoring its limitations. This rhetoric outlines that developing countries must be the only ones blamed for the incorrect implementation and application of these developed solutions in their context (Stiglitz, 1993). For that reason, I consider it crucial to understand better the role of BDBs and the pressures of financial liberalisation in Brazil, as it is important to contextualise the reasons behind this attempt towards an elusive ideology of globalisation and progress.

Therefore, the next section describes the configuration of the Brazilian Financial

System (BFS) and how international prudential regulations, and subsequent, risk management regulatory statements were disseminated and adversely affected BDBs.

2.3. The Brazilian Financial System (BFS)

Banks have the power to influence market expansion and the ability of individuals to improve their living standards (Bain and Howells, 2008: 242). However, none of the neoclassical theoretical work on the subject seems as yet to have reached a conclusion on the causal relationship between financial development and economic growth (Carvalho, 2005). Cameron (1967: 318) for that reason advocates that ‘no single model of a banking system is appropriate for all economies’. Therefore, the Brazilian financial system presents peculiarities, a particular history, and structural and monetary characteristics, such as the dominance of public banks and a long period of restrictions on financial market internationalisation through the setting of restrictions on the entry of foreign banks (Sobreira and Paula, 2010; Bain and Howells, 2008: 30; Brasil, 1988). This context must be understood before I present the findings of my own research.

Gonçalves and Madi (2013) have emphasized the role and importance of Federal public banks in credit expansion in Brazil. They considered particular government incentives to domestic development and the consequences of the liberalisation process, which implied the adoption of international regulations and the use of new techniques of risk management. Nonetheless, Madi and Gonçalves (2014) also highlight the prejudices of this liberalisation and wave of privatisations in Brazil. Between 1994 and 2002, this movement increased the market-share and total assets

and deposits concentration in the hands of large private national and foreign banks. Finally, this led to the automation and outsourcing of the Brazilian banking system, resulting in the cutting of jobs and the proliferation of ATMs and banking correspondents.

Historically, the Brazilian government has used public banks as instruments to promote economic activity. Since 1952, national and regional development banks have supported state projects and infrastructural investments, and they were the primary source of long-term credit for industrial expansion. During the 1960s and 1970s, for instance, there was an increase in the number of development banks and the majority of Brazilian states had their public banks recognising the importance of those banks for regional development (Costa Neto, 2004; Salviano Jr., 2004). Public banks have played a significant role in Brazilian history, with half of the assets of banks being publicly owned in 1996, whilst at present that share remains at 30 per cent even after privatisations between 1997 and 2002 (BCB, 2006b)⁶. Although the contestable significance of these banks, in the subprime financial crisis, they played an important counter-cyclical role that reduced the impact of the crisis on the Brazilian economy (Ocampo and Griffith-Jones, 2008; Barbosa, 2010). Supported by a reduction in the level of the compulsory capital asset reserve by the BCB, they

⁶This data considered the market-share by shareholders control (in percentage of total assets) (BCB, 2006b).

expanded credit operations and purchased the credit portfolios of smaller or weaker banks that had been impacted negatively by the crisis (Sobreira and Paula, 2010: 227). As a result, these financial strategies helped Brazil to pass through the global financial crisis relatively painlessly (CEPAL, 2009).

Since the implementation of the Real Plan, the BFS is comparatively stable, and it is performing well after decades of hyperinflation (Sobreira and Paula, 2010). In the 1980s and early 1990s, inflation exceeded 80 per cent per month in Brazil, and merchants needed to change the price of products every day, whilst goods quickly disappeared from the shelves, as the population hoarded food for fear of successive price increases. The Economic Research Institute Foundation in Brazil (FIPE) showed that between 1980 and 1989, the average inflation in the country was 233.5 per cent per year and between 1990 and 1999, it reached 499.2 per cent. The causes of hyperinflation related to the increase in public spending and foreign debt, exacerbated by the global crisis derived from higher oil prices and the slowdown in the growth rate of the economy. Brazil had approximately 15 years of hyperinflation and the indexation of wages and prices. As a result, Brazilians had to get used to five different currency plans in a decade. In early 1994, however, the Real Plan was launched based on the balance of government accounts, spending reductions, tax increases, and privatisations. The government also promoted the de-indexation of the economy and greater openness to imports, controlled the volume of money in circulation to avoid pressure on prices, raised interest rates, and increased the reserve requirements for banks. Thus, in 1999, these government interventions amounted to a regime of inflation targeting for each year reduced market expectations related to the stability of Brazilian economy (Giambiagi *et al.*, 2006)

The Brazilian financial market has nonetheless been characterised by restrictions on credit supply and high interest rates. Considering the logic of liberalisation, this low volume and expensive credit supply were attributed to the concentration of state-owned banks, which reduce competition, as the Brazilian Constitution legally forbade the entry of foreign banks until the second half of the 1990s (BRASIL, 1988, Art. 192). Based on the neoliberal ideology, however, this Brazilian monetary approach was considered as discouraging for entrepreneurship and foreign investments. Under arguments that the economy must be opened up to the global financial markets, after 1995, the government began to use loopholes in the legislation (BRASIL, 1988, Title X, Section 52) and recognised the entrance of foreign banks as ‘the interest of the Brazilian government’. Overall, the rhetoric used maintained that this would purportedly increase the competition and reduce banking net interest margins in Brazil (Oreiro *et al.*, 2009: 217).

Throughout its history, the Brazilian Central Bank (BCB) relied on neoliberal assumptions to restructure its banking sector, using predominantly privatisation and liberalisation strategies to conduct this process between 1990 and 2002. In the mid-1990s, problems of solvency in a context marked by liberalising policies drove the BCB to issue the Stimulus Programme to Reduce Public Sector in the Financial System (PROES, in Portuguese). In this period, there was a reduction in the number of Brazilian public banks, due to reductions in government support and conditions of efficiency and productivity imposed upon public financial institutions, such that most of them subsequently became extinct, or were privatised or transformed. Foreign banks took advantage of Brazil’s scenario to purchase Brazilian public banks, enhancing their market shares. However, contrary to the theory of market

liberalisation, they increased their profitability and accumulated higher net-interest margins. As a result, these reforms reduced domestic banks' profit, even causing losses in some cases, without pursuing the promised benefits (Sobreira and Paula, 2010: 216). Thus, even though Martinez-Diaz (2005: 34) suggests that liberalisation, in this case, proceeded to 'raise the prices for privatised state banks and lower the costs to the central bank for recapitalisation', the Brazilian banking system went through a downsizing after these policies (Araujo and Cintra, 2011).

In summary, the features of the free-market toolkit that the IMF and World Bank imposed on Brazil included privatisation programmes conditioned by a broad set of macroeconomic, structural and regulatory reforms. These reforms were illustrated by banking currency stability through Real Plan, adherence to the Basel Accord, integration with the international banking system, and increasing presence of foreign banks (Araujo and Cintra, 2011). The central feature underpinning the restructuring rationale for these banking regulations is summarised by the Basel Accord and more than one hundred countries signalled their intention to implement Basel Guidelines and Standards, following the recommendation of 'international experts' (Ward, 2002). Accordingly, in Brazil, they were incorporated into resolutions of the National Monetary Council's (CMN), the Brazilian SEC. However, in Brazil, as a developing country, the regulation established higher minimum capital asset requirements of 11 per cent (CMN, 1997), although in the G-10 countries this requirement is set at 8 per cent. Throughout their history, though, Brazilian banks had always operated with higher capital asset reserves than those required by the Basel rules, and the one adopted by G-10 countries (BCB, 2009). Therefore, to provide a better understanding of the effects of the proposition of prudential

regulation in BFS, the impacts of these regulations for BDBs are particularly further explored in the next section.

2.4. Development Banks

The history of development banks is relatively recent, and their importance is not completely understood, as they represent an idiosyncrasy of developing countries. Cavalcante (2004) points out that there is little material available on the role played by these institutions in economic development, and the literature about regional and national development banks is even scarcer. The major research focus in this area is on the operation of supranational organisations, like the World Bank and IMF. Furthermore, there is no universal concept to address this issue, as some authors have reported cases of development banks using terms like ‘national development bank’, ‘development bank’, ‘state-owned Banks’, ‘development financial institutions’ and so on. Additionally, different settings can be found around the world, with financial systems formed by various combinations of national, public and regional development banks. For that reason, it is worth exploring further the characteristics of these banks in Latin America and Brazil.

Representing hybrid financial institutions⁷, the form and functionality of development banks reflect conditions of national economic development as well as the socio-economic profile of the countries where they operate (Diamond, 1957). This characteristic creates many controversies about these institutions. Supporters see development banks as an important tool to solve market failure that would lead to suboptimal productive investment (Bruck, 1998; Yeyati, Micco and Panizza, 2004). However, development banks also face critiques from orthodox economists, as those banks are more exposed to political and government priorities and interference, which would focus on ‘targeting credits’, concerning not only economic, but social benefits (Öztürk, Gultekin-Karakas and Hisarciklilar, 2010; Torres Filho, 2009). Thus, while some authors view development banks as an important tool to alleviate capital constraints in scarce credit markets and unlock productive investments, others see those banks as conduits of cheap loans to politically-connected firms that could obtain capital elsewhere (Lazzarini *et al.*, 2011).

In Latin America, the use of public financial institutions for economic development came to the fore during the middle of the twentieth century, between 1930 and 1980. According to Alcas (2005), the 1929 crisis led governments in Latin America to take

⁷ Diamond (1957) highlighted that development banks are not easily distinguished, as it is not possible to identify a single model or typical form of operation.

an active role in the promotion and financing of production. This view was taken forward after World War II, and in the 1950s, when it became part of a neoliberal development strategy to stimulate the industrialisation of peripheral economies (Araujo *et al.*, 2011).

The advantage of development banks is that they can set an interest rate to meet borrowers' needs rather than just following a market rate. Private and multinational banks would not commonly provide funding to social projects that have small financial returns of investments. Therefore, Development Financial Institutions (DFIs) have played a crucial role in structural changes in the productive sector, particularly in countries that have only recently industrialised (e.g. Levy-Yeyati *et al.*, 2004; Öztürk *et al.*, 2010). They finance infrastructure and agriculture sectors, serving as an instrument of economic intervention for national states in their strategies during the so-called developmental period (Araujo *et al.*, 2011). During the international crisis of the early 1980s, conversely, many Latin American economies went into a deep structural crisis, and there was a redefinition of the role of DFIs in their financial systems. As a result, many of them were privatised or closed, as a requirement of IMF structural adjustment programmes (Calvante, 2004).

This restructuring project concerned mainly the operations of DFIs. Therefore, several DFIs continued to exist in spite of major restructuring that weakened their role and reduced government support (Araujo *et al.*, 2011). Development banks usually operate as financial institutions, providing loans directly to the productive sector, while other organisations operate working as financial intermediaries. Among structural changes undergone in Latin America during the 1990s, then, there was a shifting in DFIs operations, which were moved to financial intermediaries.

According to the Asociación Latinoamericana de Instituciones Financieras para el Desarrollo (ALIDE) (2010: 25), the rationale behind these changes is that decreases in operating costs would enable greater capillarity and economies of scale for these institutions. However, working as financial intermediaries, these institutions could not focus on the final cost for borrowers. Consequently, many criticisms of this format emerged, as this characteristic would prejudice the final cost of social projects, even if the rationale were that those changes would reduce the risk of DFIs' financial operations.

The use of financial intermediaries, furthermore, can promote the exclusion of smaller institutions and the current economic emphasis on development banks has been widely criticised since those institutions must primarily have a social goal. FDIs should not only provide cheaper credit, but they must propose further benefits offered by their technical assistance to borrowers, which enables organisations to manage their activities better. Recently, nonetheless, evidence from the Colombian Fondo del Sector Financing Agropecuario (FINAGRO) suggests that only 0.5 per cent of FDIs' loan portfolios are still designed for these purposes, whilst most of them are primarily economically driven.

Part of this problem referred to the assumption of a direct correlation between economic and social benefits. This assumption, as Souza (2004: 142) ratified, states that 'the [economic] viability of the business is a sine qua non condition for the occurrence of [social] effective benefits. [Thus] Projects that fail not only could represent a capital loss for the lender, but also do not generate social benefits'. In fact, this argument seems to be restrictive, since although financial viability is a necessary condition for the promotion of social benefits, it is not a sufficient

condition for these benefits. For that reason, for instance, traditional economic theories fail to prove, explain or predict the success of initiatives such as the microcredit programmes for the poorest in India, which were subsequently propagated all over the world (Yunus, 2007).

In sum, DFIs continue to play a significant role in Latin America, but their configuration differs between countries. In the majority of these countries, development banks are directly subject to the requirements and constraints of international bodies, such as the World Bank and IMF. As funding providers, these international agencies influence in changes in the constitution and operation of these banks, imposing restrictions, recommendations, and prerequisites to financing and loans throughout development banks' history. However, in Brazil, the majority of these institutions are still operating formally as financial institutions and with capital coming from public revenue. Therefore, it is important to consider the specificities of development banks in the Brazilian context and the impact that risk regulations have for their operations as well.

2.4.1. Development Banks in Brazil

According to the Brazilian Federal Constitution (1988, Art. 192), 'the [Brazilian] financial system is structured to promote a balanced development of the country and serve the interests of the community in all its parts'. However, Brazilian credit funding is still limited, small-scale and expensive in terms of the interest rate (Sister, 2010). Therefore, development banks are financial institutions controlled by the state governments aiming to provide timely and adequate resources to supply financially

medium and long-term government programmes and projects that seek to promote economic and social development of the respective State.

Brazil has 100% of its territory covered by development bank's financial assistance. In total, currently, there are 22 development banks in operation in Brazil. They are divided in one national, one regional and 20 state development banks, as shown in Figure 1. Therefore, Brazilian states can have its area financially covered by one, two or even three development banks. It is worth mention that the North East region suffers with severe droughts and it is one of the poorest regions in Brazil, which explains the multiple sources of financial assistance in that area.

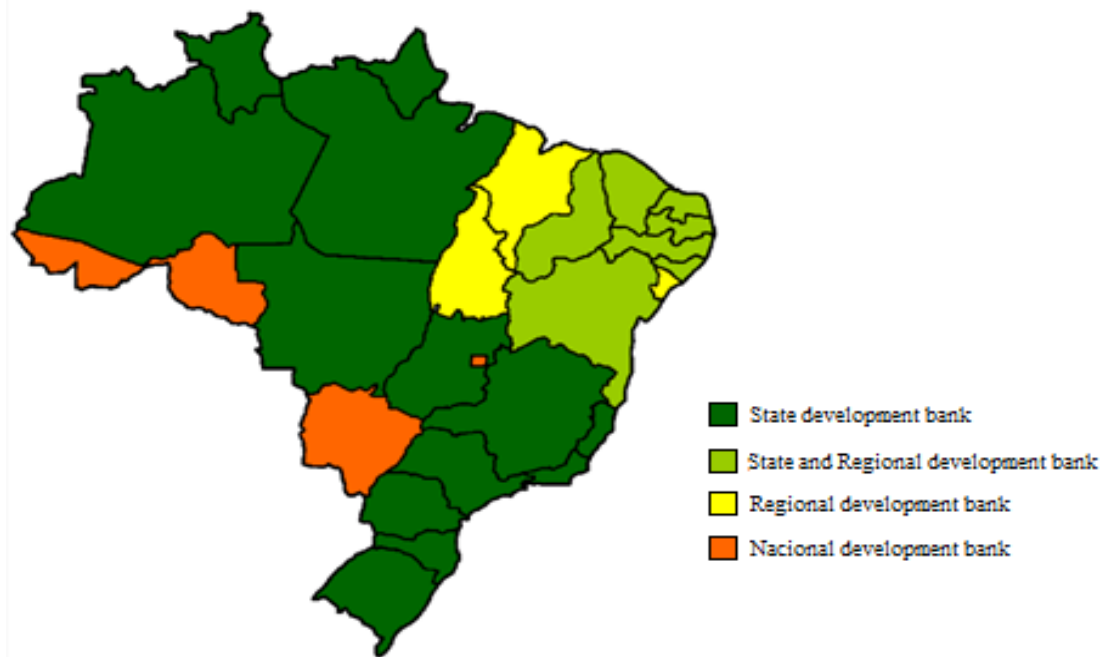


Figure 1 – Geographic concentration of Brazilian development banks

Administrative reforms carried out over the last 70 years tried to reduce the political influence of Brazilian public institutions. Active in several states during the 1960s and 1970s, most state development banks had their loan portfolios weakened during the 1980s crisis, due to Brazil's poor economic performance, when various

institutions concentrated their credits in transactions directed to finance their state governments (Cavalcante, 2004). This concentration was considered a prejudicial profile, as charity cannot be done with someone else's money (Franco, 1999). Through the 1990s, then, the figure of State intervention was exorcised, and this opened space for a series of reforms focused on strengthening market liberalisation (Campante, 2003). Thus, in this period, state and development banks almost disappeared in Brazil.

The policy adopted by the Federal Government promoted the implementation of a structural adjustment programme that sought to facilitate the redesign of the financial system and aimed to stimulate the replacement of development banks by funding agencies. The goal of this model deployed in Brazil was to decentralise public administration with the motto of 'less bureaucracy' and 'more transparency', whilst this logic was supported by the idea of 'good governance' and critiques related to the 'inefficiency' in State operations and demands to reduce government intervention (Baer and Nazmi, 2000; Cavalcante, 2004). Similarly, trying to maintain the benefits, but reduce the duties of the Brazilian government, in 2001, the CMN Act n° 2.139-66 created the concept of the financial fomenting agency⁸ (FFA).

⁸ These institutions are named 'Agências de fomento' in Portuguese. However, they seem to be an idiosyncrasy of the BFS, as I did not find any similar institution in financial systems of other countries. Thus, the renaming of these banks is considered here as a rhetorical strategy used to shift the role of the State in BDBs.

Initially, FFAs were conceived as nonbank financial institutions regulated by the Central Bank of Brazil. These organisations were intended to replace the development banks, seeking to reduce state participation in the financial system (CMN, 2001), part of IMF and World Bank requirements, supported by the sound practices from the Basel Accord. FFAs were obligated to meet liquidity and leverage requirements much more rigid than the regulation applicable to their predecessors, and also prevented from taking deposits. Consequently, FFAs could only operate with their own funds or transfers originating from constitutional funds, federal, state and municipal budgets, national and international financial institutions and organisations and development. Each state allocated a different amount of resources as the capital of their FFA. Their functions, nevertheless, were kept focused on supply credit to fixed assets and working capital associated with State projects; promoting guarantees according to ruling regulations; managing development funding; and offering consultancies and financial agent services. However, they are explicitly forbidden to access financial assistance, rediscount funds, and BCB's reserve account; raise money from the public, including external resources; and hire interbank deposits (CMN, 2001). The impact of these changes, however, is not completely understood in the current literature and detailed data about those institutions is restricted (see Cavalcante, 2004).

The importance of development banks is still contested in research and practice, as I will explain in the following section. Moreover, considering Brazil's peculiarities and its context, this study adopts a particular view of the segregation between Development Banks and Funding Agencies categories. This research takes both groups as one, following reports from Brazilian Association of Development Finance

Institutions (ABDE), and considers that Brazil has 20 development banks. Although it considers the particular aspects of these organisations, it also recognises that this segregation between development banks and financial foment agencies was used to reduce the interference of the State in the economy, following the request of minimum State intervention and market-driven management. For that reason, their segregation is clearly related to political and market international orientations. Even though, there are still arguments in favour of and against BDBs' operations, then, the next section discusses three BDBs' conceptualised roles, pondering the economic, social and the Keynesian view of them.

2.4.2. Contradictions about the Role of Development Banks

The debate about the role and purpose of development banks revolves around the dichotomy between the roles of the state and market, which have marked the discussion on economic development since Adam Smith. Cavalcante (2004) confirms this, noting the absence of a theoretical body and that different perspectives are adopted to address issues related to development banks. He then states that this tension invariably refers to divergences between these two roles reserved for the state and the market. For that reason, the following sections analyse three perspectives concerning the importance of development banks in Brazil development.

The Liberal Economic View of BDBs

First, according to liberal economic theories development banks must be avoided. Liberal economic theories start from the assumptions that investors are rational, information is symmetric, and transaction costs are equal to zero (Jensen and Meckling, 1979; Fama, 1980). Briefly, this approach conceives that the financial market operates as a broker and efficiently transfers funds from surplus units to deficit units⁹. The central assumption of this theory is that free markets promote more efficient resources allocation, and thus, interest rates must be flexible. This conceptualisation constituted the theoretical basis for the liberalisation of financial markets (Shaw, 1973; McKinnon, 1973).

This perspective, moreover, considers that economies with artificially low interest rates would not develop, as agents have no incentive to save, and government interference would result in inflation and investments in capital-intensive projects, or less profitable projects, which would reduce the real interest rate, reinforcing this deteriorating process. Therefore, it is recommended to limit state intervention in financial markets to avoid distortions. Consequently, development banks are considered part of the cause of ‘financial repression’.

⁹ Represented by agents who consume more than they save or invest more saving - and, therefore, require loan funds.

This market-driven theory, however, has caused many problems, especially when applied to development banks and public institutions, which have explicit social aims in their operation and constitution. In practice, there are several imperfections in this concept, as models based on this simplified theory cannot properly represent a broader range of agents and decisions in reality (Davidson, 1982-3; Minsky and Kaufman, 2008; Crocco, Cavalcante and Barra, 2005). As Chang (2000: 7) argues, it is important to reject the myth of neoclassical economists that intervention can be drawn according to “scientific” rules. Furthermore, many authors have exposed the fallacies of the corollary of efficiency and rational operation of the market in the financial system and the necessity for State intervention (see Andrade and Deos, 2009; Yeyati, Micco and Panizza, 2007; La Porta, Lopez-de-Silanes and Shleifer, 2002). Nonetheless, there is also the idea of a temporary role for these development banks, as proposed in the next section.

The ‘Invisible-Hand’ in an International Political Approach

According to a Keynesian perspective, the role of a development bank is temporary. Keynes (1936) reverses the causality from savings to investment, arguing that investments are dependent on entrepreneurs’ decisions based on the expected return on capital assets and their financing. Investments have a multiplier effect that would generate income that is in part allocated to savings and investments. However, the loans in the banking system are inappropriate to the structure of long-term investments, as revolving funds constitute a liability for entrepreneurs in the short-term. Consequently, entrepreneurs need to lengthen the structure of their liabilities in

a process that Keynes (1937) called ‘funding’, which can be provided via the capital market or credit.

The problem then is that, in developing economies, there are underdeveloped capital markets, and it is common to use development banks. These entities operate with directed credit and interest rates lower than those of the market, allowing the expansion of investments. From this perspective, public and development banks play a crucial role in financing and coordinating investment projects, reducing their risks (UNCTAD, 2008: 92). However, they are conceived as temporary instruments for market development. Therefore, when markets start to become more developed and stronger, public banks lose most of their importance, as they have a lower level of efficiency. According to this perspective, then, privatisation would rectify this last issue, and that was the rhetoric applied during the period of privatisations in Brazil (e.g. Baer and Nazmi, 2000; Nakane, and Weintraub, 2005).

Nowadays, there are still public banks supporting robust economies, like Germany, without evidence of adverse effects for the efficiency of their operations (Altunbas, Evans and Molyneux, 2001). Belluzzo (2009) then suggests that the Keynesian consumption function lost its original simplicity, in recent world economy cycles (between 1983 and 2008). The growth of household consumption, mostly in developing countries, ‘disconnected’ the evolution of income, particularly wages and employment, and became increasingly dependent on the wealth effect and the expansion of debt. The assumptions that foreign private banks would increase efficiency and decrease net interest margins were not confirmed in Brazil (Afanasiëff, 2002; Vasconcelos and Fucidji, 2003). Therefore, it seems that foreign banks just followed the market flow in this country and accumulated larger net-

interest margins and then profits (Vasconcelos and Fucidji, 2003). For that reason, as an alternative to this accumulative wealth arrangement, there are propositions of BDBs performing a major social development role.

Acknowledging Market failures and the BDB's Social Approach

One problem with the application of the previous perspective to developing economies is that their financial markets are underdeveloped. In these countries, capital markets are incipient, and stock markets are often non-existent (Stiglitz, 1993). In practice, private banks tend to favour short-term loans, unconcerned with projects that have a high social return, but low economic returns and high risk. This situation justifies government intervention and public banks that play a crucial role stimulating regional development, supplying credit to sectors where private banks are not interested. This challenges neoliberal economic assumptions and exposes hidden interests in market liberalisation, Stiglitz (1993) argues that development banks would successfully tackle these problems.

In Brazil, Jayme Jr. and Crocco (2010: 17) reinforced the relevance of government-owned banks for long-term investments in segments and regions where private banks do not meet. Therefore, these banks have privileged access to exclusive long-term and low-cost resources, from tax or quasi-tax public funds sources related to compulsory labour or social contributions, to the Guarantee Fund for Time of Service (FGTS, in Portuguese) (Jayme Jr. and Crocco, 2010: 17). Hence, arguing in favour of public financial institutions, they assert that these banks:

- increase the credit supply on more favourable terms, in a country like Brazil marked by expensive credit and credit supply difficulties in various segments;
- expand the capacity to meet financial beneficiaries demands in public programs that include receive and have regular access to financial resources;
- exercise a counter-cyclical role and policy support in times of economic instability.

As a result, those public financial institutions stimulate economic and social development and improve the conduct of economic policies. Nonetheless, one of the main critiques of this operation of public financial institutions has been directed at their lower efficiency in comparison to the ones in the private sector (Baer and Nazmi, 2000). Thus, the main arguments against this efficiency consider potential costs from this fragile operation structure to controllers and society (Jayme Jr. and Crocco, 2010: 17).

This research aims to unpack the social role of BDBs and show how the neoliberal logic of risk has shifted the external and internal discourse about their aims. In short, this movement has privileged the liberal economic or Keynesian view, which proposes that BDBs should have, respectively, no or temporary roles in developing countries. However, this rhetoric overshadows the social benefits coming from BDBs, which have been undermined by the political interference in this context. Therefore, considering that a development bank has different characteristics from a private banks, and that its primary aim is not profit, but social welfare, this research

focuses on how decision-making processes, related to risk, measure and view social benefits in practice.

2.5. Risk Management and Brazilian Development Banks

The examination of risk management in the context of Brazilian Development Banks raises many questions about which elements are relevant to this investigation. The previous section outlined Brazilian aspirations for and struggles with order and progress¹⁰, considering the specificities of Brazil and BDBs' operations to encourage this. Here, the regulatory statements of risk management increase complexity in this context. Therefore, I believe that would be helpful to clarify the following questions: What is a risk in this context? What were the conditions under which the sedimentation of risk management practices was made possible? Where do risk management regulatory practices come from? What were the political contestations that preceded their sedimentation? How was the maintenance of risk management regulation possible as a hegemonic concept in this space?

These preliminary questions relate to the emergence, contestation and sedimentation of risk management regimes in the Brazilian financial sector; and how they were

¹⁰ Indeed, in this chapter, the discussion focuses mostly on progress and not on order. The next chapter, therefore, will demonstrate how accounting structured this regulatory discourse materialising order in this context.

conceived (Glynos and Howarth, 2007). Thus, this section then explores how international regulatory policies applying universal neoliberal solutions in different contexts acquired different instrumentalist forms, which make possible the redescription and theorisation between the macro- and micro-context of BDBs. The following section scrutinises how risk was institutionalised as a mechanism to provide progress, reducing failures and improving the lack of controls that might have generated corruption or bureaucracy, so bringing ‘better’ and more efficient systems that follow new public management’s prerogatives.

2.5.1. The Emergence and Sedimentation of Regulatory Statements of Risk Management in Brazil

The practical effects of the Basel Accord have only been minimally explored, even though this norm has passed through many revisions under arguments of improvements in its sophistication and adequacy following more recent requirements. However, the regulation concerning risk management was not neutral from the beginning. Originally, these parameters were created to preserve USA banks’ market and provide a balance between them and German and Japanese financial institutions, and this has generated debate around risk measures and standards particularly in Europe (Underhill, 1991; Leyshon, 1994; Power, 2007). For that reason, though the BIS and COSO frameworks are widely used worldwide, the Basel Accord was not fully adopted until the last 2007-2009 financial crisis (Sobreira and Paula, 2010b). Furthermore, risk regulatory statements and requirements are still diverse around the world (Kajuter *et al.*, 2008).

In Brazil, the requirements of Basel I (BCBS, 1988) began to be introduced in 1994 by BCB Resolution n° 2.099/1994, which established the minimum capital and net equity to be observed by financial institutions, including development banks. This norm also stipulated that these institutions have a duty to ‘keep the value of adjusted net equity compatible with the degree of risk in their asset structure’, among other provisions (see BCB, 1994, Annex IV, art.1). Nevertheless, the implementation of Basel’s requirements in the BFS was problematic, as could be perceived from the many alterations regularly made during its implementation (Carvalho and Santos, 2008).

The imposition of the Basel Accord was harsher in developing countries. In addition, for instance, although BCB’s Resolution n° 2.099/1994 had established 8 per cent as the minimum capital adequacy, this percentage was increased to 11 per cent after BCB Circular 2.784/1997, following new recommendations from the Basel Committee (BIS, 1988). The arguably higher risk to which banking systems in developing countries were subject supported this percentage increment, considering that possible economic shocks would have greater intensity in these regions (BIS, 2003; Sobreira, 2009). A missing feature in this rhetoric was that there were hidden interests underlying these principles, which coincidentally favour USA banks (Power, 2009). Nonetheless, this is barely mentioned as the standard rhetoric reinforces the neutrality, rationality, and objectivity of these measures used in these interventions.

The procedures suggested by the New Basel Accord were formally adhered to in the BCB Resolution n° 12.746 in 2004 (BCB, 2004), but the practical application of the new agreement has been modified many times. The BCB’s Communications illustrate that the implementation schedule were continuously extended from 2008 to

2012 (CMN, nº 16.137/2007; BIS, 2001), and now from 2013 to 2018 too (Basel III, 2013). During this period, therefore, many new regulatory statements emerged and calculating procedures for minimum capital allocations passed through numerous alterations (BCB, 2004; 2007a; 2007c). In 1998, for instance, BCB Resolution nº 2543 stated the concept of Adjusted Net Equity (ANE), which was renamed and reframed as Referential Equity (RE₁), in December 2000 with the Resolution nº 2802, to fit in the framework of analysis for financial institution following Basel rules (Sobreira, 2009). Nevertheless, in 2001, after the publication of BCB Resolution 2.837, the composition of Referential Equity (RE₂) was again modified. Consequently, it seems that although the Basel Accords have shifted from Basel I to Basel II, and then to Basel III, however, the promised panacea is still far from be achieved.

These changes and new requirements, nevertheless, directly affected the capital structure of Brazilian banks, which has passed through modifications due to the stipulation of an equity restructuring to meet the demands of these new standards (Torres Filho, 2009; Sobreira and Paula, 2010). For instance, after a ‘Global Consolidated Inspection’ (GCI), made in 1997, the necessity was observed of all federal financial institutions being subjected to a ‘Program for Strengthening Federal Financial Institutions’ (PROEF, in Portuguese) that, concisely, consisted of:

- transferring the risk of bad debts and doubtful receivables to the National Treasury and to a freshly created Asset Management Company, named Emgea;

- exchanging illiquid assets and liquid assets for low paid interest at market rate; and
- increasing the capital of these institutions.

Brazilian regulatory statements about risk management follow almost the same framework as international requirements. Indeed, the adherence to risk management practices in Brazilian banks was one of the requirements of international investors who have disseminated ideas of ‘governance’, ‘transparency’ and ‘accountability’ in private banks, culminating in their reaching public financial institutions (Sola and Whitehead, 2006; Brasil, 2001). Nevertheless, according to Jayme Jr and Crocco (2010), the capital of BDBs is funded by public money. Therefore, there were incongruences in the acceptance of the same requirements made of multinational and large banks by supranational institutions such as the World Bank or International Monetary Fund (IMF) in this context.

After the collapse of Enron and the implementation of the Sarbanes-Oxley Act (SOX) in 2002, changes were not only related to financial risks, as many regulations around the world were promulgated to reinforce the importance of transparency and governance, as well as the duty of directors in managing operational risks. This latter element of risk was promptly incorporated into new requirements from BCB to BDBs. Initially, the focus was on credit, and then, market risks. After that, attending BCB’s Act n° 12.746/2004, BDBs were required to implement operational risk management practices and disclose them in annual reports. This regulatory statement then was again modified in 2006 by BCB Act n° 3.380, requiring not only that BDBs’ manage and disclose operational risks, but also that they mandatorily create a

department for risk management, which would ensure the independence of risk practices inside financial institutions.

In the particular case of Brazil, the same regulation as for multinational private banks has been applied to BDBs, and, undoubtedly, this has caused problems related to the structure and financial power of these latter institutions (Prado and Monteiro Filha, 2005; Sobreira and Martins, 2011). On the one hand, some governance norms and authors argued that the complexity and problems associated with this establishment of a risk management structure was repaid by the benefits provided and could be adapted according to the level of accuracy desired in measuring risk impacts in each organisation (IRM, 2002; Collier *et al.*, 2007). On the other hand, the particularities related to organisations' size and resources capacity are problems that cannot be ignored or blocked with a universalising 'one-size-fits-all' rhetoric permeating this discourse about risk management implementation (Klomp and De Haan, 2012).

Part of the mismatch in the application of the Basel Accord can be explained by the purpose of this standard and BDBs themselves. The objective of the original Basel Accord, in 1988, was to equalise the conditions of competition in the banking system internationally; therefore it contemplated only internationally active banks. Additionally, the Basel II's agreements shifted the focus of a regulation focused on liquidity to one concentrated in the solvency of financial institutions, besides a primary objective of creating mechanisms to avoid systemic crises in the banking sector. Nonetheless, contextualising these norms, we must consider that development banks are not related to the emergence of systemic crises (Sobreira, 2009; Sobreira and Zendron, 2011; Prado and Monteiro Filha, 2005; Castro, 2009). Their role is quite the reverse; BDBs played important countercyclical roles in the last 2008 crisis

(Jayme Jr and Crocco, 2010). This being so, what is the reason for the adherence to these norms in this context?

Ward (2002) maintains that central banks in developing countries did not have a choice even if there were problems in international regulatory standards. First, because the World Bank (2001) declared that ‘the international community is likely to expect all banks to adopt and implement the Basel Committee’s recommendations’. The World Trade Organisation (WTO) also conceived that the standards would represent non-tariff trade barriers for protectionist reasons. Finally, the market pushed governments to comply with these standard practices to reduce funding costs. In sum, there are powerful reasons to show compliance with the BIS framework. Therefore, even if there are suspicious about its real working the extent of any sanction for non-compliance remains unclear. Hellmann, Murdock and Stiglitz (2000) argued that the failure of globalisation to deliver its potential gains to low-income countries is “almost a predictable outcome”. In the case of the BIS standards, Ward (2002: 36) suggests that:

The capital framework is still, essentially, designed by the G-10 countries for a subset of banks in those countries. The developing world has no representation on the Basel Committee. If the Accord is indeed an obligation or anything like it, there is a governance gap. The international regulatory framework is more nearly a colonial regime than official rhetoric admits.

A common explanation for adherence to these standards in Latin America is usually the origin of development banks’ capital, generally coming from IMF and World Bank funding. However, this is not applicable to the case of BDBs, as their capital structure is mainly funding by public money coming from federal financing, hence, from tax and quasi-tax operations. As Carvalho (2005: 18) explains, Brazil has widely adopted and applied the Basel Accord principles and sound practices due to

IMF and the World Bank requirements requested for assistance. Nonetheless, what was the impact of this adherence on BDBs?

Sobreira (2009) argues that Basel's agreements had perverse effects, especially on development banks, as they do not operate with the economy's payment system, and were affected asymmetrically by these regulatory requirements. The effects of Basel on the BDBs is explored by Sobreira and Martins (2011), also analyse the case of two BDBs and stress the variability of these impacts, as while the BNDES exercised their functions with some small limitations, the BNB was heavily damaged in the exercise of its social functions. This shows that the application of Basel's rules in these institutions is at least not appropriate¹¹. Thus, as pointed out by Prado and Monteiro Filha (2005: 1), Basel's 'rules are in many cases inadequate for [a development bank to fulfil] its statutory functions effectively'. Accordingly, Sobreira (2009) advocates that regulators must be critical and recognise that risk management models compatible with the peculiarities of development banks should guide the actions of these institutions, particularly when operating in developing countries, as these new standards can have a direct impact on BDBs' missions.

All these gaps seems to be ignored in the Brazilian context and inside BDBs, which keep proudly disclosing 'best practices' and attempts to achieve the 'state of the art'

¹¹ Certainly, this does not mean that these banks should not deal appropriately with the risks to which they are exposed, but maybe that the Basel was not the right approach.

in risk management practices, so, this research raises the question: ‘why?’. Part of the answers for this question will come from the next Chapter 3 and 4, which, respectively, embrace the construction of risk in accounting and the political side of this hegemonic construction. Briefly, according to Berry (2008), there are many different interests related to the implementation of risk management practices and it seems to be not as technical, objective, and neutral as standards are supposed and argued to be.

2.6. Conclusion

This chapter provided an understanding of the international and national macro-context of my research, exploring the structure of the Brazilian financial system and focusing on the role of Development Banks in Brazil. I considered the Brazilian banking experience of risk and relevant institutional and historical developments that contributed to the establishment of risk management’s hegemony. I also examined the influence of international financial agencies, for instance, the World Bank and IMF, and international conventions about risk, specifically, the BIS standards. This chapter then exposed conflicts and contradictions that expose the multilayers of ‘naturalised’ international regulatory approaches to risk management, commonly perceived as neutral, objective and apolitical.

I have scrutinised the emergence, lack of contestation, and sedimentation of risk regulation in Brazil, considering the particularities of the Brazilian financial system and its historical development as well as the configuration of its financial institutions and the importance of public banks to the development of Brazil. Finally, I

demonstrated that, in the particular case of BDBs, the logic of risk clashed with the logic of development. Thus, challenging the universality claimed in the regulation of risk and supported by the construction of the logic of 'risk' centred on 'best practice', I examined the impact of risk as a coloniser (Beck, 2002: 40).

In this chapter, risk is considered as a discourse from outside. Focusing on the politics of risk management's emergence and the logics of development/progress as an imported neoliberal hegemonic discourse, the idea of risk is part of a neoliberal logic of transition. The application of risk regulations in Brazil adopted the international models and sound practices of BIS, ignoring the Brazilian context and the nature of BDBs, for instance, as a counter-cyclical institution. This regulation, however, did not recognise the necessities of Brazil or its development banks, and Basel standards were a taken for granted adoption of international 'solutions' proposed from outside.

Risk as an capitalist discourse contradicts the balance between social and economic growth primarily intended by BDBs and seemed to be the only way to develop Brazil's economy and financial system. This particular conceptualisation of risk has also been interesting to preserve the interest of interested parties, such as foreign banks and multinational corporations, implicitly supported by the IMF and World Bank requirements. Imposed by external financial agents, risk management regulations could have had benefits in the short-term. I consider, however, that risk represented an attempt to maintain an illusion of progress while overshadowing what should have been the real focus of these BDBs: the enhancement of social well-being. The proposition of risk as a transitional advanced capitalist accounting technique distorted the social aim of BDBs, imposing a neoliberal economic logic of

risk assessments underlining funding calculations in social projects. These imported risk regulations caused potential harm to BDB's operations throughout an ideal of international homogenised, and in turn, harmonised processes. As a result, this study sheds light on the constant discussions about implementation of imported policies or regulations from 'developed' to 'developing' countries, criticising a totalising vision of this type of practice.

It is also crucial to problematise the necessity of a modern financial risk hegemony discourse in BDBs as well as how the influence of the people was ignored in the rhetoric of risk sedimentation. It is important to comprehend the social, cultural, and political elements involved in the construction of risk and risk management in each context. In practice, risk seems to be used to perpetuate the idea that 'we are in control', but nowadays the greatest challenge is to know who comprise this 'we', what composes this object of 'risk', which aspects are under this claimed control, and if there is even a 'real' control that could be kept by this construction of 'risk management'. Therefore, while exploring the contradictions and multiple actors involved in risk management implementation at BDBs, this chapter also provides an opportunity to understand the construction of 'risk' as a hegemonic accounting technique of governance in the next chapter. Furthermore, it provides the basis for understanding of risk and especially the discursive constituent elements of risk management, which forms the focus of discussion in Chapter 4.

– CHAPTER THREE –

IN COMMUNICATING RISK, WE CREATE ‘RISK’

3.1. Introduction

Having exposed the arbitrariness of risk management regulation for BDBs, in Chapter 2, Chapter 3 focuses on why risk became a technology of governance and what are the conditions for and implications of employing ‘risk’. Risk is hegemonically presented as a solution for the indeterminacy of an uncertain future (Reddy, 1996) and risk management practices promise a measurable future through ‘objective’, and hence, ‘neutral’ calculative practices implied in the decision-making process (Ewald, 1991; Castel, 1991). Nonetheless, this chapter scrutinises the construction of the elements of risk. Accepting that risk is part of and involved in the discourse of accounting, accounting literatures are good location to situate this discussion of risk management practices from a regulatory and banking perspective. In doing this, I examine the epistemological and ontological boundaries that highlight that risk is a technocratic process in mainstream accounting literature, simultaneously downplaying the social, political, cultural and methodological impacts. By doing so, I embrace a critical accounting research perspective, which challenges the conventionally taken-for-granted accounting information (Chua,

1986). Accordingly, then, risk must be understood as an arbitrary social and political accounting technology that considers elitist viewpoints and reifies their particular way of doing things. Therefore, this chapter answers the following questions: How does risk operate as a technology of governance? How does risk operate at technical, methodological, social, cultural and political levels?

The following sections illustrate that risk, similar to accounting, is a technique of governance. Therefore, risk conveys images of the future as calculable; risk constructs knowledgeable and manageable futures. This is in itself a political act, as by reducing and constraining the future to calculative practices, the discourse of risk creates power imbalances, by determining what is included and excluded, what is measurable and thus controllable. The representation of risk as a technocratic technology in accounting reflects the arbitrariness of accounting and risk and that these viewpoints serve the particular interests, which consequently renders risk contestable and contingent. 'Accounting has been created and developed to accomplish various desired objectives and, therefore, it is not based on fundamental laws or absolute precepts' (Catlett, 1960: 44); I explore whether we might apply a similar approach to risk.

Shifts in regulatory frameworks demonstrate that hegemonic definitions about 'risk' denote flexible categories which are expandable or constrainable according to social and political interaction. Hence, objectivity, measurability, calculation, and rationality are characteristics that condition risk to a particular paradigm. The mainstream accounting perspective of positivism, with its scientific foundations, focuses on explaining objects independent from subjects, as they 'are' (Chua, 1986).

The positivist paradigm understands risk as an external object, which is discoverable

and measurable. These characteristics, subsequently, enable actors to allocate resources ‘efficiently’ as long as they can explain, predict and control correlations in the social world (Chua, 1986).

This viewpoint, nonetheless, is epistemologically bounded. Similar to accounting artefacts, categorisations and classifications of risk suggested by international regulators to understand future outcomes constitute reductionist and limited views of the social world. Thus, from a transdisciplinary perspective, risk is understandable in a broader social context and by its interconnectedness. The consequence of this representation of risk invites an ontological and ontic focus on risk constructions, concerning how different interpretations of risk are negotiated and accommodated. From such a perspective, risk is qualitative and subjective, with a personal and decision-making process, and an interaction with social, political, cultural, economic and other foundations. Here, I illustrate the influence of social, political and methodological elements that influence the construction of risk and the creation of both subjects and objects within this discourse.

3.2. The Imposition of Accounting Technologies of Governance

First, my focus is on understanding the impacts of the domination of this logic of risk over the logic of development in Brazil and in BDBs. To do this, it is necessary to question which characteristics make the diffusion of the regulation based on calculative practices possible. In this regard, Cooper and Hopper (1987: 410) provide provocative ‘insights into the reasons for the increasing pervasiveness of, and acquiescence to, financial calculations in modern society’.

role of accounting in shaping the form of the ‘global function of capital’, since accounting works by ‘identifying the nature of problems and offering solutions to them’ (Cooper and Hopper, 1987: 408). Cooper (1980: 164) states that:

Neo-liberal economics is the basis of accounting and assumptions of capitalism overwhelm current accounting [...] The institutions of capitalism define the boundaries of our theories and the task of accountants is delineated by these boundaries.

The discourse of accounting re-conceived the role of the State and accounting practices themselves (Lehman and Tinker, 1987). Miller and Power (2013: 558) conceive accounting as ‘the most powerful system of representation for social and economic life today in many national settings’. Accounting tools were, for instance, indispensable to make possible the control of production and labour force, as well as countries, from a distance (Robson, 1992; Quattrone and Hopper, 2005). Furthermore, accounting supports the belief that the current institutional arrangement is all that is possible (Cooper, 1980: 165). Miller and Power (2013: 569) emphasise that ‘the ability of an organisation to manage uncertainty was presented as a function of its ability to handle information, with accounting being central to this equation’. However, Cooper (1980: 164) suggests that ‘rather than providing a valid economic rationale for action, accounting information is used as a means to support those groups who are currently powerful in society’.

Regulators and supranational bodies represent powerful institutions that serve various interests, imposing particular values and related concerns, for instance, through accounting technologies of governance (Foucault, 1977; Hines, 1991; Uddin and Hopper, 2003; Neu *et al.*, 2006). Different organisational groups also would follow their interests using a variety of strategies to pursue their aims against the

rigidity and resistance of institutions (Maguire, Hardy and Lawrence, 2004; Lawrence and Suddaby, 2006). Miller and Power (2013: 559) argue that ‘while management and regulators may be concerned with issues of efficiency or value for money, it is accounting practices that enable such ideas to be operationalised and made real’. Therefore, social and political interests are taken into account in the implementation of accounting frameworks.

A wide range of studies portrays accounting as a technology of government and governance, embracing this conception of ‘government rationality’ as ‘governmentality’ (see, for example, Rose and Miller, 1992; Miller, 2001; Dean, 2009; Lobel, 2004; Gouldson and Bebbington, 2007). Dean (2009: 18) suggests that the governmentality of accounting embraces practices ‘undertaken by a multiplicity of authorities and agencies and employing a variety of techniques and forms of knowledge, that seeks to shape conduct by working through the desires, aspirations, interests and beliefs of various actors’. According to Lobel (2004: 362), governance facilitates creative, flexible, and efficient ‘best-practice’ solutions that leave ‘the greatest possible amount of control in the hands of those closest to the problems’. Gouldson and Bebbington (2007: 12) state that ‘governmentality seeks to uncover and examine the often invisible rationality that is behind an assemblage of actions and mechanisms that are in place to govern certain actions’. As a result, accounting calculative practices should be analysed as ‘technologies of government’ (Rose and Miller, 1992: 183), mechanisms through which programmes of government are articulated and made operable (Miller, 2001: 379). I argue that this applies equally to risk.

Significant accounting research focuses on the impact of this logic of governance. The impact stretches to shaping daily life. Miller and O’Leary (1987), for instance, demonstrate how this logic of governance, using accounting instruments, creates a logic of efficiency and inefficiency measured by standard costing and budgeting, and how this supports corporate hierarchies in the factory. This idea of accounting as an instrument of control and knowledge enabled the financialisation of the social world. Power (1997), for example, also illustrates how auditing operationalised neoliberal programmes through ideas of accountability and control that shaped individual and organisational actions. Accounting places a price tag on society: life is measured through insurance, health-care treatments subjected to cost-benefit analysis, organisational and individual performance evaluated using balanced scorecards (Edwald, 1991; Miller and Kurunmäki, 2007; Wolcher, 2007; Busco and Quattrone, 2015). The broader impact of neoliberal policies is identifiable throughout society and include such examples as the monetisation of success (wealth), a focus on measurable intelligence such IQ and other testing of students, learning by grades, university’s performance by ranking, and employment rates. This measurement fetish extended to subjectivities, such as perceptions and feelings of quality, motivation and happiness, summarised by surveys in simple metrics and even in a single number. In general, the dogma emphasises that the right amount of data could solve everything. In this reductionist view of the world, thus, the privileging of the economic led to the obscuring and neglect of social influences and reified particular political positions.

Risk, similarly, is a technology of governance and control, disseminated by risk management guidelines and regulatory requirements. In a similar manner to

accounting, risk (as a reductionist practice) is a powerful concept in representing spheres of social and economic life. Emphasising that risk management would add value and reduce failures, propositions of risk serve varied purposes and interests, making control possible through its calculations. Risk exercises its power on different levels, influencing both nations firms and individuals. Therefore, the next section turns to focus on the impacts of risk, as a technology of governance.

3.2.1. The Impact of Risk as a Technology of Governance

Compliance with standardised regulatory statements about corporate governance models, which refers to extensive international and national regulatory requirements, increasingly dominates the design of risk management systems (Miller *et al.*, 2008: 944). Power (2007: 1) affirms that different countries and public organisations have been transformed to varying degrees by discourses about risk and approaches to managing risk. Additionally, Harris (2014: 164) illustrates the pitfalls of regulations that conceptualise risk management from a quasi-scientific or closed rational system point of view following assumptions from economics and finance. In this sense, Harris demonstrates the importance of understanding individual, social and organisational contexts of decision-making and the necessity ‘to adopt an open-mindedness to draw upon a wide range of theoretical approaches to move this essentially inter-disciplinary subject forward’ (Harris, 2014: 174). According to Lazzarato (2009: 124), then:

Theories of risk that have flourished with the rise of neoliberalism submerge the concept [...] in the motor of shareholding capitalism, under a vocabulary that obscures the political struggle and the stakes played out around “risk”.

This intentional silence over the politics of the discourse of risk nonetheless empowered a rhetorical extension of risk and enabled its expansion and penetration into many domains, becoming ‘the risk of everything’ (Power, 2004). Thus, there is a multitude of influences to the current dissemination of risk management practices around the world. Many regulatory frameworks, such as the Cadbury Report (1992), the Turnbull Report (1999), COSO (2003) and ISO 31000 (2009), portray risk management as an essential component of corporate governance. Moreover, industrial and banking guidelines have portrayed risk as an essential component of good management and governance. In accordance with this perspective, Hayne and Free (2014: 310) state that while consultants help to spread risk, other actors, such as accountants, auditors, academics, researchers and consultants perform multiple roles within risk and support both the development and preservation of the current concept of Enterprise Risk Management (ERM). Consequently, risk management practices are in use in many organisations, not only in the banking sector.

Bhimani (2009: 2) argues that ‘enterprises seek not only to adopt risk controls but also to make the deployment of such controls transparent and visible to engender greater organisational legitimacy. This reinforces the rhetorical power of risk. Soin and Collier (2013) assert that the increased corporate governance focus reflects a trend towards a universal regulatory practice using risk-based approaches that tighten internal control after crises. These techniques govern modern life with contestable statistics about almost everything, which are rapidly creating their own field of research, such as the focus on ‘Big Data’. Miller and Rose (1990) additionally suggest how risk technologies may appear humble and mundane mechanisms, like techniques of notation, systems of training, professional specialists and vocabularies.

However, as Bhimani (2009: 3) illustrates, this characterisation of risk as technical, analytical and calculable is partial, as risk also constructs a space for managerial control and a focus on transparency, accountability, effectiveness and efficiency.

In a society grown increasingly fearful (Bauman, 2013), risk converts the future and danger into the calculative and rational that is controllable and manageable through record-keeping, surveillance and regulation (Castel, 1991; Bauman, 2007; Power, 2007). This dominant logic has expanded to colonise an uncertain social world, based on financial instruments – such as loans, bonds, hire purchases and mortgages – which requires adherence to hidden rules and probability calculations, as well as providing records and report to external authorities (Power, 2004; 2009). Lastly, the distinction between risk and uncertainty shapes operational strategies for the management and regulation of risk in organisations and governments. The rhetoric of risk management is the enhancement of corporate and financial transparency, accountability and compliance with current regulatory mechanisms (Power, 2009; Miller, Kurunmäki, and O’Leary, 2008; Woods, 2011). Recent studies, nonetheless, explore the emergence of contradictions from this ‘dominant’ perspective and expose contestations around the risk model (see Fischer and Ferlie, 2013; Brivot, Himick and Martinez, 2016; Hardy and Maguire, 2016).

As a technology of governance, risk is employable to control and measure organisational performance and well-being. Jordan *et al.* (2016) stress how risk matrices operate interdiscursively, and go beyond the precise measurement of risk related data. They argue that the power of these instruments derived precisely from their symbolic representation that simplifies complex realities as ‘manageable’. Risk controls tomorrow. Thus, in spite of technical ‘imprecision’ or misrepresentation

concerning risk, these tools continue to be attractive to different sectors. In this sense, risk matrices are preserved because they become an easily recognisable icon with the potential to create connections between specialised and everyday discourses and then expand its meaning, engaging users and producing a false sense of security (Jordan, Mitterhofer and Jørgensen, 2016). This proposition relies on the idea that accounting faithfully represents reality, with further support from accounting qualities such as reliability, neutrality and verifiability. The next section, nonetheless, presents insights that illustrate the construction of risk on a myth of objectivity and the impact of a ‘faux’ independence between objects and subjects in risk.

3.3.The Myth of Objectivity in Accounting

Even with the ‘more sustained and penetrating contestation’ after the subprime crises, banks escaped radical shifts in their operations using a ‘densely overlapping and mutually supportive network of elites connecting the “unholy trinity” of finance, politics and the media’ in uncritical celebrations of their global competitiveness (Glynos, Klimecki and Willmott, 2015: 1). I argue that the traditional characteristics of accounting are part of this problem, as the mainstream enunciation of risk in accounting and finance supports a universal epistemology of risk management practices that excludes any role that subjects play in constructing risk. The positivist paradigmatic perspective portrays accounting as universal, objective, neutral and impartial (Morgan, 1988). Consequently:

In making visible and calculable the objects and activities that are at the heart of management, accounting creates a facticity that appears objective and unchallengeable, beyond the fray of politics and mere opinion (Miller and Power, 2013: 559).

The neoclassical, neoliberal conceptualisation of accounting perpetuates a mystification of efficiency and control, obscuring oppositions to the social desirability of the capitalist model of society (Cooper, 1980: 164). This viewpoint sustains claims to the rationality, and objectivity of calculative practice. However, Morgan (1988: 480) is critical of this, arguing:

Accountants try to represent organisations and their activities in terms of numbers. This representation is metaphorical. Moreover, like all use of metaphor, it gives but a partial and incomplete representation of the reality to which the numbers relate. The numerical view [. . .] ignores those aspects of organisational reality that are not quantifiable in this way.

The positivist paradigmatic perspective in accounting operationalises a realist ontology to focus on objects ‘as they are’ and argues that the reality is ‘real’ objects independent of subjects. For positivists, facts exist independent of subjects as an ‘objective reality’, so researchers are experts explaining and predicting the world through ‘value-free research’, by providing technical answers to pre-conceived questions (Chua, 1986). The focus is on scientific, mathematical method, such as the hypothetico-deductive model and regression analysis.

Accounting, however, is a social artefact. The role of accounting emerges within social relationships that shape and are shaped by accounting practices (Chapman, Cooper and Miller, 2009). In constructing human actions as accountable, accounting plays a role in constraining the responsibility of individuals, through mechanisms such as flexible remuneration, awards and punishments (Burchell *et al.*, 1980). For that reason, accounting must be understood in relation to its roles within society and

organisations (Hopwood, 1983). Miller (2001) shows that calculative practices in accounting, like budgets and accounting reports, are instruments for controlling organisational culture, norms and beliefs. Consequently, the focus on accounting techniques in isolation from their social routines provides an abstract, irrelevant view of these practices (Roberts and Scapens, 1985).

Subjects actively construct the meaning of objects. Therefore, the separation of objects from subjects is unsuitable, as accounting is dependent on human actors. Chua (1986: 620) asserts that ‘social reality is, thus, both subjectively created and objectively real’. Carter (2008: 90), accordingly, illustrates how decisions involving costs are exposed to ‘subjective choices between methods and within methods’. Thus, although accounting portrays itself, and its methods, as neutral and transparent, ‘the deep irony is that the tools that are used are themselves not necessarily open and transparent’ (Broadbent, 2002: 445). Although quantitative or measurable processes are beneficial in certain instances, the positivist conceptualisation of accounting depends on the (unlikely) analytical ability to establish conclusive objective and quantifiable correlations with deep structures. Consequently, positivist claims are imposed and arbitrary in practice. In discourses about risk, nevertheless, this myth of objectivity continues to be perpetuated.

3.3.1. The Myth of Objectivity in Risk Management

Developments in statistics and probability theory facilitated the construction of discourses regarding risk. At this point, humans believed that they had control over their future, and it was not a caprice of the Gods (Bernstein, 1996). Knight (1921)

introduced the distinction between risk and uncertainty, which revolutionised the treatment of the concept of risk. As Reddy (1996) states, the history of economics, management and accounting, in this respect reveal the triumph of the notion of ‘risk’ (as a vision of the future subjected to analysis based on probability and statistics), over ‘uncertainty’ (as a vision of a radically indeterminate future). Knight (1921) argued that the segregation between the concepts affirmed that risk corresponds to quantified uncertainties, and consequently, that risks were measurable to an acceptable level of confidence, while uncertainty, by its idiosyncratic characteristics, could not. This conception of ‘risk’ became a particular ‘technological rationality’ (Ewald, 1991).

The importance of risk grew in parallel with the development of regulatory frameworks for corporate governance and in response to a series of scandals and company failures, once considered robust (Collier and Aguei-Ampomah, 2005; Power, 2007). Imposing more restricted interpretations of risk in daily management, regulatory statements and accounting reify the measurability of risk in capital allocation and in the measurement and disclosure of credit, market and operational risks in annual financial reports. These requirements reify a financial definition of risk, often linked to financial returns on investments or the probability of default (Jorion, 2001; Damodaran, 2007). The Federation of European Risk Management Associations (FERMA, 2003: 3) and the Institute of Risk Management of London (IRM, 2002) suggest that risk ‘can be defined as the combination of the probability of an event and its consequences’. Consequently, traditional accounting research on risk management typically focuses on the development of models as an attempt to predict trends using financial variables which are translated into the probability of an

event occurring to quantify its impact based on historical data and classical statistics (Fabriani, 2004; Beasley, Clune and Hermanson, 2005; Liebenberg and Hoyt, 2003).

In this respect, Morgan (1988) asserts that the use of uni-dimensional information tends to lead to uni-dimensional decisions.

Within this myth of a measurable risk, individual attitudes and behaviours are also subject to calculation. Harris (2014: 170) argues that the ‘marketisation’ and ‘scientification’ of risk created ‘illusions of controls’. In this sense, research using cognitive and prospect theories pursue the ambitious aim of predicting human choices in conditions of uncertainty. Using the concepts of heuristics and cognitive bias that are generated by shortcuts taken during decision-making processes, researchers in this field propose fragmented models, which could determine the most likely response of a decision-maker (Kahneman and Tversky, 1979; Tversky and Kahneman, 1974; 1981; Kahneman, 2011). Following this positivist approach, human aspects related to risk perception and the culture of and for risk are associated with probabilistic, statistical aspects measured through proposed scenarios and questionnaires using Likert scales. For me, a major problem of these modelling perspectives is their descriptive nature, which abstracts situations to capture attitudes toward choices made under conditions of uncertainty. However, laboratory or experimental environments simplify decision-making processes and usually isolate only one effect at a time, which, in general, is not currently affecting the respondents’ in real life (Visschers *et al.*, 2009). Bauman (2011) argues that this epistemological structure disregards the complexity of real life. Stirling (2010: 1029), furthers this sentiment, by suggesting that this is ‘an overly narrow focus on risk is an inadequate response to incomplete knowledge’.

The concept of risk reifies 'objectivity' over 'subjectivity' and 'neutrality' over human judgment. The discourse of risk as 'controllable' and 'measurable' focuses on constructing increasingly complete risk models through including new quantifiable 'variables'. Harris (1999: 347) argues that managers 'often make subjective judgements about the riskiness of prospective projects, but there are rarely formalises into their strategic decision-making processes'. For that reason, 'little attention is paid to this qualitative side of investment appraisal in the corporate finance literature', which disregards that 'decisions may be being made early on in the appraisal process', even 'before the cash flow analysis and simulations have been completed' (Harris, 1999: 351). In this sense, there is arbitrariness within the construction of risk as a quantifiable concept, and there is arbitrariness in how banks or financial institutions implement risk. Therefore, there is no absolute, true 'risk'. Woods (2011), for instance, researched public and private companies in different contexts to identify the core drivers of effective ERM. Woods (2011) identified diverse risk management styles influenced by business complexity, external regulation and what the organisation considered 'key risks'. Interestingly, within the same sector, there were differences within these factors due to cultural and social elements and managers' preferences within the institution (Mikes, 2011). In a similar way, Arena *et al.* (2010) argue that the dynamics of risk management depend on the specific industry and the individual company.

Positivist research about risk, nevertheless, does not examine the reasons for the adoption of such risk models in organisations, and traditional approaches emphasise calculation (i.e. probability, sensitivity, coverage, insurance, and discount rates), which reifies that risk is assessable, measurable and manageable with assurance

through a quantitative approach. However, many risks are subjective, judgmental and qualitative (Adams, 1995). Researchers argue that risk is ‘socially constructed’ and responses to risk should reflect this (Collier *et al.*, 2007; Adams, 2009; Lupton, 1999). Power (2009) argues that this is a problem in the philosophical perspectives applied to risk management research, which generates an ‘intellectual failure’¹². That is the reason why Kadvany (1996) labels such attempts to quantify scientific uncertainty as ‘taming chance’. In sum, this myth of objectivity represents risks as apolitical; however, this claim is in itself political. The positivist paradigm shows a reductionist view of the socio-political complexity and dynamicity of the elements intertwined in decisions involving risks and uncertainties. This view affects decision-making processes and representations of the world. For that reason, the next section unpacks the impacts of unilateral decisions involving accounting and then risk.

3.4.The Impact Of Unilateral Decisions In Accounting

After each crisis, the confidence in accounting models and then in the objectivity of risk is shaken by the limits evidenced within this discourse (Craig and Amernic, 2004; Carter, 2008). Although research following positivism has made a salutary

¹² Power (2009) suggests that one of the causes of risk management flaw during the last financial crisis derived from an ‘intellectual failure’ in risk conceptualisation and hence, studies. Thus, rather than the vague current demands for improved ‘risk culture’ and governance in financial institutions, it would be useful to focus on ‘risk’ as a process for representing and intervening in social practices.

contribution, such analysis is one-dimensional and superficial, adopting arbitrary assumptions that are inconsistent with individual and organisational specificities. Morgan (1988) stated that any representation of accounting is always partial, because the separation of accounting from society and context is only theoretical. This is in line with arguments claiming that accounting is socially and politically constructed, and accountants and accounting actively construct reality (Morgan, 1988: 482-483; Hines, 1988: 257; Carter, 2008: 100). Critical paradigmatic positions in accounting, thus, challenge the dominant view that accounting is ‘an objective, value-free, technical enterprise, representing reality “as is”’ (Morgan, 1988: 477):

Accountants often see themselves as engaged in an objective, value-free, technical enterprise, representing reality ‘as is’. However, in fact, they are subjective “constructors of reality”: presenting and describing the situations in limited and one-sided ways. They are not just technicians practising a technical craft. They are part of a much broader process of reality construction, producing partial and rather one-sided views of reality, exactly as an artist is obliged to create a partial view of the reality he or she wishes to represent.

Miller and Kurunmäki (2007), accordingly, highlight the danger of regulation using accounting numbers, exemplifying this by the case of the National Health Service (NHS) using the concept of Reference Costing and ‘Payment by Results’ in the UK. These authors illustrate how regulatory statements were sustained by a persuasive argument for sharing information, cost comparisons, and efficiency. Potential conflicts among regulators and related forms of expertise create incentives for hospitals to alter the volume and mix of activities and even to cut costs in certain treatments or in entire departments within individual hospitals. Within the triumvirate of cost, patient’s choice may end up taking second place to financial assessments of the ‘profitability’ or cost-benefits of particular service lines or treatments.

Scapens (1985: 22), for that reason, argues that the more economically sound, the greater the subjectivity, and states that there are different costs for different purposes. Skærbæk and Tryggestad (2010), analysing the strategy development in a company, showed how, depending on the type of calculative tools mobilised, different realities could be created. As they exposed, one set of accounting devices could be mobilised to make a given perspective 'real', whereas another set of accounting devices could be mobilised later to show a very different point of view. In sum, there are many power imbalances and politics going on inside the particular representations of accounting numbers and these are rarely clear to outsiders.

The problem with accounting techniques, such as cost, or 'risk', is that their information is partial, incomplete, situation-specific, organisation-specific, biased, subjective, political, and constructed (Carter, 2008: 91). Carter argues further that the objectivity proposed by the positivist paradigm is based on exclusions, presuming that accounting is universal and 'a concrete concept discovered independently of human interaction'. He also points out that, determinations of accounting techniques is done by arbitrary selections characterised by information asymmetry and divergent interests in a search for the 'absolute true presentation'. In conclusion, Carter (2008: 111) states that regulatory regimes commonly assume a simplistic monolithic positivistic notion of accounting techniques and fail to deal with the complexity of issues like 'arbitrariness, choice, contestability, social and institutional constructionism, politics and subjectivity'.

In sum, the unilaterality within these decisions works to include elements that might be useful to support vested interests and exclude others, which might be prejudicial.

This discursive strategy clothed in a technocratic rhetoric neglects the substantial

influences of some subjects, whilst empowering others as experts. Accounting silences voices, but also gives more space to those who can legitimate their claims. Therefore, it created space for the neoliberal rhetoric of progress and supported IMF and World Bank interventions. As an objective instrument to manage the future, risk metrics could also sustain what would be right and wrong; furthermore, it could legitimate those claims through supposed neutral evidence. The difference, though, is that accounting is an attempt to tell a story about what has happened and risk is an attempt to construct a story about what will happen. The following section exposes the impact of applying this rhetoric to risk management practices.

3.4.1. The Impact of Unilateral Decisions in Risk Management

Accounting literature has addressed ‘risk’ in a fragmented perspective (Collier *et al.*, 2007). Guidelines have proposed a way to manage risk impregnated with ‘mechanicism’, designed on the basis of frameworks and recipes that obscure the multiple interferences presented, for example, in subjects’ understandings and perceptions that are entangled with risk’s definitions and risk management practices. Consequently, the meaning of risk is not a static and objective phenomenon, but is constructed, negotiated and renegotiated as part of the network and social interaction necessary to meaning formation (Chua, 1986).

The positivist paradigm, thus, presents several limitations for this study of risk management. Firstly, definitions of risk and risk management found in regulatory statements are arbitrary, especially in the financial sector, presenting these concepts as an absolute and objective truth, thus, incurred many errors caused by the

conditionality of risk signifiers and the risk management process (Spiegelhalter and Riesch, 2011; Stirling, 2010). This is even more problematic, since the assumption that risk is an objective object gives managers a false sense of security and rejects risks that might be specific to an organisation and its context (Ewald, 1991; Stahl *et al.*, 2003; Power, 2007). Organisational actors would present different risk appetites and risk perceptions in the decision-making process, as well as emotional and political interests that can be influenced by culture and contextual aspects (Gutnik *et al.*, 2006). Therefore, the weights given to different risks, at particular times, and in particular organisations, could not be considered as homogeneous or universal.

According to Ewald (1991: 198), risk ‘did not fall from mathematical skies to incarnate themselves in institutions’, so we must consider the interconnectedness, multiplicity, and diversity of risk practices. After the subprime crisis, risk management practices were blamed as the primary cause of these financial issues that rocked the global economy. Kaplan *et al.* (2009) argued that it was time to review what went wrong and to propose new solutions. In their discussion about which were the new paths to follow, they further explored and analysed the inherent assumptions made in risk management frameworks and models. Nonetheless, they also failed to recognise that these choices implicit in any disseminated model or framework function as boundaries to these discourses and practices.

In relation to this, for instance, Stulz (2009) and Taleb *et al.* (2009) showed the impact of this exaggerated confidence in risk instruments. The ignorance about the limitations of risk management tools or ordinary flaws in managers’ ability are aspects that might generate errors presented in the more traditional models of risk management. Accounting textbooks and mainstream research keep discussing risk in

terms of decision trees, probability distributions, cost-volume-profit, discounted cash flow, etc. while in finance this is typically concerned with portfolios, valuation models, capital goods and hedging techniques to reduce the risks of currency and interest rate exposure. However, the results of these models are inconsistent, especially when they would be most necessary, such as in times of crisis, because to a great extent in these critical periods the economic 'reality' just does not follow historical trends. In conclusion, a revision of these practices is needed.

According to Collier *et al.* (2007), there are at least three limitations in these restricted mainstream perspectives. First, they state that quantitative measures of risk were recognised as questionable since 1930 (see McGoun, 1995); risks have been typically viewed as negative, despite the current proposition of risk as akin to opportunities; and following positivist claims there was a reduction of the attention offered to the importance of human action. The limitations of this myth of objectivity and the implications of one-sided views of risk are notorious. As a technology of miscommunication, risk instruments allow the prioritisation of processes and activities that might mislead individuals and organisations. Commonly driven by economic metrics, risk analysis concentrates the business focus on profitability rather than human interaction, perception, and judgement, which are a consequence of broader social and political interactions. This creates the dangerous illusion that experts can have all risks under control. However, accidents naturally occur no matter how sophisticated risk methods are, so the reasons for supporting to the risk management perspective must be further scrutinised. The next section then provides a paradigmatic reflection about how accounting is a construction made both by what

is included and what is excluded. Hence, in communicating accounting, we create a 'reality'.

3.5. In Communicating Accounting, We Create a 'Reality'

Initially, it is important to understand how a field of research is formed according to paradigmatic positions that set boundaries to the nature of reality and what and how human beings can know about it (Huff, 2009: 108). From this point of view, within a positivist perspective, risk is an object to be discovered, so measured. Nevertheless, according to Carter (2008), in accounting, the numbers are only the final product. Accounting practices are about the particular relationships forged between understandings and traditions of social groups and their aspirations and pressing problems (Ahrens and Chapman, 2007). Thus, from a social constructionism perspective, subjects construct the meanings of objects, so 'meaning' is both 'objective' and 'subjective', being constantly constructed, negotiated and renegotiated as part of networks and social interactions (Chua, 1986).

Miller and Napier (1993: 632) assert the inappropriateness of talking about the 'essence' of accounting because there is no 'invariant object' to which the name 'accounting' can be attached. New techniques are invented, or transferred from one domain to another, and new meanings and significances are attributed to existing methods. Miller and Napier, hence, draw attention to the different meanings that have been attached to accounting practices at various moments in time, so rather than take contemporary accounting practices and their meanings as historical constants,

they emphasise the re-directions, transformations, and reversals that time establishes in genealogical terms.

Accounting from this perspective is considered a discourse. The discursive nature of accountancy provides a distinctive idiom in which those who participate in it can define their actions, a particular way of setting out the possibilities and the limitations of certain practices (Miller and Napier, 1993). Overall, the territory of accounting is permeable, and there have been redefinitions of its boundaries and changes in its content (Miller and Napier, 1993).

In fact, Morgan (1988) not only shed light to this discursive territory of accounting as permeable by other disciplines and perspectives, but also explained how different metaphors of accounting shape its domain. Morgan illustrated how ‘accountants’ numerical form of representation provides a very “thin” and limited characterisation’ of the object, subject, context, and practices under scrutiny, and that any other description of accounting under a single lens would have similar problems (see Morgan, 1988: 481). Accountants enmeshed in a process of reality construction articulate complex realities in partial ways, which help them to sustain realities as perceived. Accordingly, Morrow and Brown (1994: 79) state that ‘there is no single correct method. There are distinguishable methodological strategies appropriate to particular questions and subject matters, depending on the nature of the object of inquiry’. Accountants will always seek to illuminate some objects and obscure others (Dean, 2009: 41). Thus, Morgan states that accountants must be skilled enough to grasp and communicate adequately their essential limitations (Morgan, 1988: 484), as accounting constructions are significant in shaping the preferences of varied

actors for whom they provide “information” (March, 1987). Even though, he admits that this sincerity is not commonly evident, for many reasons.

Hines (1988) demonstrated that in constructing reality, accountants create reality. Therefore, while determining what is included or excluded, accountants also set boundaries that constraint what might be considered as legitimate aspects to ponder in decisions, influencing how people see the world. This provides a hidden power for accountants (Hines, 1988). The discursive nature of accounting is not separate from the world of ‘practice’ but is constitutive of it (Garfinkel, 1967). Miller and Napier (1993: 644) then add that contemporary accountancy is nothing more than an assemblage of disparate components that has been put together in a piecemeal fashion. Given that, Walker (2004) affirms that no single paradigm would explain all aspects of accounting’s actual development and practices. Arguing about the necessity to view accounting as a ‘multi-paradigm science’, Chua (1986) considers that different or alternative world-views could potentially enrich and extend our understanding of accounting in practice. Thus, she asserts that if someone only takes into account one kind of accounting information, that person would have a unilateral, uni-representational, representation of accounting, which would drive him or her to biased decisions. Consequently, an important aspect of risk is its communication, and how actors and institutions use the discourse of risk as a rhetorical instrument.

3.5.1. In Communicating Risk, We Create Risk

Risk management practices as well as risk definition can be examined considering the potential to establish what is included and excluded from this discourse as a

precursor to government intervention (Russell and Thomson, 2009: 231). Embracing the genealogy of risk management practices, from this point of view, since the Basel Accord in 1988 until now, there have been constant changes in the definition and design of what is accepted as 'risk' and 'risk management'. According to Collier *et al.* (2007), there was a natural progression in this process: associated with compliance and prevention; to minimise the risks of uncertainty regarding operating performance, and to improve opportunity chances that must be used to maintain and increase shareholder's value. Recently, approaches to risk management have undergone a change from the initial design, characterised by isolated categories segregated in silos, such as market, credit and operational risks, to another one related to strategic risks which claims a more integrated and holistic perspective on risk management practices, called Enterprise Risk Management (ERM). In summary, those dislocations renamed the acceptable practices and categories of risk management, representing a redefinition of risk from one entirely restricted to quantitative approaches to one allowing more subjective moderations.

Each conceptualisation of risk throughout its history can be considered a 'hegemonic discourse' (Laclau and Mouffe, 2001) or a 'regime of truth' (Foucault, 1979) that determines the rules, and then, what is allowed or prohibited within risk management designs. However, this is not a static process, and risk practices move forward theory and regulation according to new realms, new definitions, and new purposes of risk management (Mikes, 2011: 243). In the face of contingencies, the traditional construction of risk shows the limitations of a restricted focus on financial aspects. Having been challenged, risk has been shifted to embrace operational risks, expanded to new territories like strategic risks, a proposed focus on culture and

appetite, and then, the idea of a holistic risk management perspective using ERM. The evolutionary process of risk, hence, was not merely a technical development, but also a deliberate political endeavour.

Considering the logic of expansion and conquest, thus, if all these last claims had been made during the emergence of risk management practices, probably the resistance and contestation around those practices would have been enormous, ultimately causing their collapse. On the other hand, this strategy of first setting ‘concrete’ foundations using already legitimate scientific discourse and accounting elements, such as ‘objectivity’, ‘neutrality’ and ‘impartiality’, provided to risk a much safer shield to maintain and enlarge its boundaries and influence. Although some people might consider these shifts as inconsistencies or failures to define what risk is and what risk is not, according to Mikes (2012: 19):

Perhaps the apparent weakness of risk management’s guidelines has helped it survive the recent stream of risk debacles and control failures. The vagueness and plasticity have created a curiously malleable idea of risk management, sufficiently broad to encompass other ideas such as "internal control", yet focused enough to become part of even wider concepts such as "governance".

Power (2004) illustrated how risk management continues to evolve through cycles of innovation in measurement, crisis, and revision, pushing its metrics into areas that were previously the domain of uncertainty. Additionally, Mousavi and Gigerenzer (2014: 1672) observed that most theories used to deal with risk are based in an uncertain world, rhetorically tamed to work in this ideal organised world. The current financial instruments, like derivatives, on the other hand, are becoming more and more complex, involving agreements that could not be easily reduced to numbers. Therefore, dealing with uncertainty that is not compatible with risk calculations is, at least, incompatible with the chaotic movements of the modern

financial era. Though many crises have exposed risk management limitations, these metrics are still in use and, within new or reformed appearances, they keep gaining legitimacy as ‘remedies’ (Mikes, 2011: 228). Consequently, the ability of risk practitioners to influence organisational activities depends not only on the accuracy of their models, but also on their capability to make even controversial counting systems seem natural and indispensable in the monitoring and controlling of organisations (Busco *et al.*, 2006; Millo and MacKenzie, 2009). In this extent, the repetition and dissemination of this rhetoric of neutrality and objectivity must have created a space to legitimate discourses of risk, whilst reinforcing their own value within self-referential practices.

3.6. Accounting as a Self-Referential Calculative Practice

Given the partiality present in each representation of accounting and risk, there is always undecidability in the search for their final meaning, which might characterise these attempts as necessary, but contingent (Derrida, 2002; Laclau and Mouffe, 2001). According to Ahrens and Chapman (2007) ‘accounting cannot be understood simply with reference to its supposed functional properties because it is implicated in the shaping of its own context’. Accounting calculative practices alter the capacities of agents, organisations, and the connections between them (Miller, 2001: 379–380). Nascimento (2011) further illustrates how an accounting technology initially presented as an innovation, turned out to be a totalising control mechanism that reinforced itself through shared ideologies. Technologies of control, like accounting, therefore, can have diverse organisational effects depending on the particular ways in

which they become part of organisational practices (Schatzki, 2005). For that reason, Ahrens and Mollona (2007: 306) stated that accounting practices must be comprehended as collective and self-referential actions.

Accounting tools provide a space for actors to make and legitimate their decisions. As an extension from the accounting myth of objectivity, self-referential calculative practices are set up with an apparent holistic view of the world that claims to embrace the most important elements for its representation. However, considering the problems with unilateral decisions, this totalising rhetoric actually provides an 'ideological cover' so that accounting metrics are never questioned (Carter, 2008). For instance, health care decisions governed by cost-benefits analysis sustain an economic value of life. Insurance works with a similar viewpoint, considering that monetary compensation could replace bodily amputations, mutilations, or even death. Certainly, no monetary reparation would solve emotional sorrow and mourning, but these metrics allow companies to exploit labour, devastate ecosystems, and harm communities whilst incurring relatively small expense. In sum, the self-referential nature of accounting measures reifies a particular Western model that entitles someone to make decisions as objective and neutral. Nevertheless, this exclusionary practice does not invite the influenced parties to be part of the decision, but reduces and avoids rather than celebrating the diversity in human preferences and interactions (Wolcher, 2007).

Accounting works to silence interested parties from showing the social and cultural benefits of decisions in a broader context (Wolcher, 2007). Morgan (1988) highlights how organisations could be re-framed in reference to an accounting technology, citing the case of a hospital where a particular definition of cost had interfered in a

whole corporate culture, from patient health to economic measures of client satisfaction and nurses' and doctors' efficiency. Similarly, Laughlin (1987) examined the role of accounting as a language, considering how it shifted the balance from technical to social solutions to problems, and then, privileged the power of technical systems (including accounting systems) over the social world (the meaning and values of people). Consequently, as Carter (2008) stated in relation to cost, accounting must be studied taking into account its social, political, and methodological aspects. From this point of view, accounting could not be understood by its constant search for universal truths, but by a constant process of shaping formation (Macintosh and Shearer, 2000a: 612).

Accounting designs are to be the logical consequence of a developmental process where interests motivate the discourse of the parties involved. They vary with specific historic and institutional conditions and reflecting conflicts between different groups in society (Cooper and Hopper, 1987: 411). In this context, Knight and Collinson (1987) stated that the construction of workers' interests is to a large extent the product of managerial strategies of discipline and control, reproduced in a cycle that both creates and confirms itself. Lehman and Tinker (1987) reinforced this view of accounting as "infused with interests" and MacKenzie (2009) illustrates that the production of accounting signs, like price, is inherently embedded in the production of validity, since in order to maintain the legitimacy of their prices, actors must show them as factual descriptions. However, prices are rarely challenged, nor are accounting metrics.

In adopting a post-structuralist perspective, Macintosh and Shearer (2000b) investigated the ontological status of information in accounting reports and argued

that ‘accounting today no longer refers to any objective reality but instead circulates in a “hyperreality” of self-referential models’. Actors keep using accounting tools, not just due to their accuracy, but because they are useful for social interaction, and to structure things, like imposing constraints and enforcing contracts (Macintosh and Shearer, 2000b). Consequently, there is arbitrariness in the proposition of accounting signs, and the usefulness of accounting models is correlated with the purposes and interests of powerful actors who can use those tools to achieve their aims (Macintosh and Shearer, 2000b). Likewise, the following sections portray risk as an arbitrary self-referential calculative practice, as its metrics are barely challenged, except in moments of crisis.

3.6.1. Risk a Self-Referential Calculative Practice

As a technology of governance, risk calculations impact upon individuals’ behaviours representing a tool of control, which creates evidence of appropriate and inappropriate, allowed and prohibited attitudes, constructed to reify risk’s own claims. As a technique of governance, risk’s power resides exactly in its referencing to itself, which reifies itself (Wolcher, 2007). Likewise, Mollo and MacKenzie (2009: 639) assert that risk ‘became useful in its own right’, so it was used, for example, by the SEC to legitimate its regulatory decisions. Assumptions, and thus, choices to represent risk also denote arbitrariness and power imbalances within these constructions.

Spiegelhalter *et al.* (2011) argue that risk communication has the power to alter audience’s feelings, change their behaviour, or encourage them to weigh the possible

benefits or harms of different actions (Lipkus, 2007). Risk permits manipulation, as the effectiveness of communication depends on the relative numeracy of an audience and the structure used (Spiegelhalter *et al.*, 2011). Lipkus (2007) argues that probabilities can be described fluidly with words and using language that appeals to people's intuition and emotions. As examples of this manipulation by communication, Spiegelhalter *et al.* (2011) cite the following:

- A recent poster campaign in the London Underground proclaimed that “99% of young people do not commit crimes” to create a deliberate positive focus on 99% of youth being law-abiding rather than the criminal 1%.
- Positive framing is also used for product promotion, when food is advertised “95% fat free”, it shifts the perception to belief that the food is healthy.
- The outcomes of cardiac surgery, in the United States are published as mortality rates, whereas the United Kingdom publishes survival rates, which is related to the private and public health policies, respectively, of these countries.

Considering these examples, “risk” inherently includes the concept of control (Beck, 1992: 40), so the search for the ontological presumptions of accounting and risk might be a fruitful challenge in the search for contributions to the current scenario of risk management research. In this extent, Mikes (2011) contributes to this discussion by considering the diversity and individualisation of heterogeneous risk management practices and suggesting that risk might be addressed in the plural. Hutter and Power (2005: 9) also considered the interconnectedness of representations of risk, its management, and the organisations that exercise these practices, so they assumed

that this represents a cycle, where each element is co-produced. In contrast to the universal proposition of a model to manage risk culture, Ahrens and Mollona (2007: 309) argue that ‘culture is practical and ideational at the same time because meanings do not exist independent of practices’.

In relation to risk construction, there are still challenges of communication and representation, and debates demonstrating that risk can be used to accomplish different objectives, so, it might accommodate different interests. The power obtained through risk is commonly under-investigated in institutional and governmentality theoretical perspectives. Power (2007) shows, for instance, how the subsuming of ‘calculation’ into ‘management’ was an important artefact enabling risk to be ‘internalised’ and regarded as a manageable factor, rather than merely a measurable, quantifiable and calculable entity. However, there is a lack of evidence to support empirically the theoretical paths of risk construction.

The study of risk constructions might shed light on particular individual and organisational representations of risk. O’Malley (2001: 91), in this regard, challenges the assertions of a single genealogy of risk and concludes that it is important to understand the possibilities that were not taken up, the voices that were silenced, the questions and conceptions of risk that were actively or passively forgotten, as this could help to destabilise the inevitability of the present. He affirms that ignoring all the complexity and dynamics involved in this chaotic process will just lead to future failures and crises and criticises the errors of current model that only maintain the *status quo*. In view of this, Young (2001: 620-621) proposes a thought-provoking reading concerning risk:

Rather than approaching risk as an enemy that must be controlled and mastered, what new thoughts and activities would be enabled if we considered risk as a teacher? Such a metaphor would allow us to entertain the possibility that risk is “good” and would divert our attention away from mastery towards learning. [...] Rather than searching for tools and techniques to control risk, we might question the advisability of our practices that appear connected to risk or that are said to contain risk. Thinking of new metaphors is a difficult work and risk as chaos or risk as teacher may not prove fruitful ways of conceptualising risk upon further reflection. However, they do illustrate how different metaphors may redirect our thoughts.

Accordingly, Millo and MacKenzie (2009: 638) affirm that ‘the remarkable success of today’s financial risk management methods should be attributed primarily to their communicative and organisational usefulness and less to the accuracy of the results they produced’. Throughout its rhetoric, risk ‘became part of central market practices and gained reputation among the different organisational market participants’ (Millo and MacKenzie, 2009: 638). Hence, Millo and MacKenzie (2009: 651) advocates that the ‘technical’ usefulness of the risk models is derived from the fact that others also use them, so:

‘technological’ actors do not merely help human market participants to perform, but by providing a stream of methodologically valid information (although not always realistically valid, as the findings show) they perform an irreplaceable and irreducible part in the constitution of markets.

In this context, it is noteworthy that political groups would have more power and their interest would lie in inefficient regulation, where inefficiency is measured by the degree of information asymmetry between the regulated industry and the political principal (Laffont and Jean Tirole, 1991). The legitimacy of risk measurements is not immediately self-evident, but it is frequently constructed, fostered, and reinforced among actors (Mikes, 2011). Therefore, Mikes shows that the idea of economic capital numbers reflecting the true risk profiles of business units may have been a myth, but this did not make it any less powerful. She also illustrates how conceptions of ‘best practices’ and compliance have actively encouraged the expansion of risk

quantification into new realms of uncertainty. Moreover, she shows how ‘the ideological rhetoric of “independent and scientific” risk control protected [risk experts’] autonomy and helped them deflect criticism and displace blame in the face of apparent risk-management failures’. In sum, Mikes (2011: 243) highlighted the capacity of risk to overcome crises of representation and reinvent itself once again. Thus, risk must be understood as qualitative and subjective, based on personal and internal processes of decision-making, which reflects its social foundations and actors’ own interests and positions.

All that risk does is name a space; however, in filling this gap, regulators and regulations also construct social meanings, objects and subjects. In short, risk created its own domain, but it created this domain in coalition with actors who perceive risk’s claims as an important rhetoric feature for their own position and identity inside markets and organisations. Therefore, the next section discusses the professionalisation of accounting and the creation of risk experts.

3.7. The Professionalisation of Accounting

Business is a distinct sphere of action dependent on new types of professional expertise and, above all, on establishing accounting apparatus. For that reason, Parker (2002: 184) affirms that today’s discourse of management can be understood as a ‘generalized technology of control’ and indeed as a ‘hegemonic model of organisation’. The genealogies of calculation, thus, are concerned with the ways in which particular calculative technologies, deployed in enterprises over a long period, came to be linked together at a particular moment in time into a functioning network

of routinely applicable expertise (Miller and Napier, 1993: 639). Consequently, here, I depict institutions and then the institutionalisation of accounting techniques as ‘arenas where different strands of knowledge are continually converted into practices which are then tested, challenged, and frequently revised’ (Millo and MacKenzie, 2009: 638-639).

In line with the controversies about accounting representation presented above, Wolcher (2007: 35) illustrated how proposed accounting solutions could also be part of the problem, arguing that ‘there is nothing more dangerous to any robust conception of popular democracy than the belief that the determination of “what the people want” is safe in the hands of experts’. In the same line, Power (1992) highlighted how aspirations of ‘efficiency’ and ‘scientific’ methods for US accounting, like statistical sampling, actually helped to strengthen the status of auditors as ‘expert’, so that accounting inscriptions also regularly contain knowledge claims (Latour, 1987). Accounting artefacts can be employed by actors when attempting to construct a particular frame in their efforts to enrol other actors into accepting the frame (Vinnari and Skærbæk, 2014: 495). For that reason, Miller and Power (2013: 558) conceive that accounting performs decisive roles in:

the recursive construction of the calculable space [...] link up distinct actors aspiration and arenas [...] evaluating the performance of individuals and organisations, and also in determining failings and failures [...] subjects individuals to control or regulation by another, while entailing the presumption of an individual free to choose.

Considering accounting standards and conceptual frameworks, Hines (1991) argues that they are important elements in the claims of professionals and experts. Nonetheless, she highlights controversies around functionalist perspectives about regulations that do not fulfil their functional objective, suggesting that they are not

just functional or technical projects, but play an important role in the social construction of reality. The ontological assumption underpinning regulatory frameworks is that they will provide faithful representations of reality, which is objective, intersubjective, and independent of subjects. Thus, analogies are often set highlighting similarities between business enterprises and hard sciences. However, a good entrepreneur must know that it is more important to interpret the surroundings than just read *ceteris paribus* assumptions, as even scientists have their own contradictions and disagreements. The world is interconnected and analogies are commonly inappropriate reductionist views of reality.

Claims to expertise, however, occur both internally and externally in organisational sites. Regulators claim their expertise by the rhetoric of space-knowledge or discipline-knowledge, for instance, portraying themselves as in the possession of national or international ‘best practices’ or even the most current and updated version of accounting tools (Hines, 1991; Gouldson and Bebbington, 2007; Vinnari and Skærbæk, 2014). Large professional service firms would replicate those statements, reinforcing their knowledge and experience based on the rhetoric of diffusers and implementers of international bodies’ requirements (Greenwood and Suddaby, 2006; Suddaby, Cooper and Greenwood, 2007). Internal actors, who perceive those claims as self-beneficial, might also strengthen this rhetoric proclaiming that they are the legitimated replicators of both international professional bodies and those who were trained by worldwide-acknowledged large accounting service firms. In sum, Vinnari and Skærbæk (2014: 495) confirms that the purification occurs when different experts endorse the relevance of particular framings and Miller and Power (2013: 559), complementarily, assert:

the power of accounting is a joint function of a technology that seems to reveal and represent economic reality on the one hand, and a body of organised experts who prescribe and diffuse norms of best practice on the other.

Regulation is not a neutral game (Derrida, 2002). Therefore, Slinko *et al.* (2005) studying the regulatory capture affect found that politically powerful firms perform better on average; a high level of regulatory capture hurts the performance of firms that have no political connections and boosts the performance of politically connected firms; capture adversely affects small-business growth and the tax capacity of the state. On a world level, Messner (2014) further shows that this so called ‘international fetishism’, which becomes an indicator of quality and visibility and is driven by the rhetoric of ‘best practices’, could be dangerous. Thus, Messner draws attention to the importance of diversity and that we live in a non-homogenous world. Hence, as Clarke (1980: 268) states:

[Even] if cost accounting sets out, determined to discover what the cost of everything [...] the information that is desired for every possible purpose, it will necessarily fail, because there is no such figure. If it finds a figure which is right for some purposes it must necessarily be wrong for others.

Hines (1991: 328) argues that ‘a fundamental form of social power accrues to those who are able to trade on the objectivity assumption’ that ‘serves to construct a perceived legitimacy for the profession’s power and autonomy’. According to Miller and Power (2013: 557), ‘accounting representations and metrics are simultaneously powerful interventions which shape people, practices, and organisations’ [...] a mechanism by which the economization of organisational life becomes elaborated and institutionalized’. Therefore, in the hands of powerful actors or institutions, they can be used in numerous ways to manipulate and drive decisions to one particular aim. In addition:

Professional firms are increasingly important in professionalization and regulatory processes [...] these are important sites where accounting practices are themselves standardised and regulated, where accounting rules and standards are translated into practice, where professional identities are mediated, formed and transformed, and where important conceptions of personal, professional and corporate governance and management are transmitted (Cooper and Robson, 2006: 1)

The progressive movements of Basel, for example, have focused on the systematicity of risk, couched in systematic, scientific, quantitative, calculable terms. Consequently, internal to the logic of risk is that we cannot admit its subjectivity, so the systematicity of risk supports the manageable, calculable and controllable nature of risk assessments (Kadvany, 1996). Although there is a crucial human component to risk management, this element has been under-examined in risk research. For that reason, it is important to understand the logics used by experts to conquer, maintain and expand their domains. Here, in particular, I examine the discursive strategies of risk experts.

3.7.1. The Power of Risk Experts

Scientific knowledge was a valuable resource mobilised by actors in policy formulation and an instrument for the legitimisation of risk experts (Jerónimo, 2006, Reddy, 1996). Thus, as a technique of governance, risk reconfigures roles and identities (Burchell, 1993) and sustains a normative control apparatus within corporations, producing a world which is amenable to control by managers and technologies of management (Parker, 2002). For this reason, risk management guidelines and reports act as framing devices (Callon, 1998). Harris (2007) acknowledges the existence of a range of manager's perceptions of risks and

uncertainties involved in making acquisitions and that might be taken into account to build expertise in this area. In this extent, she argues that the idea of ‘professionalism’ might be used to label and segregate a positive pole of ‘professional’ from a negative pole of ‘unprofessional’ individuals, even if actors hold different views about the set of skills and behaviours that a professional should have in relation to risk management. Likewise, Millo and MacKenzie (2009: 639) state:

An actor’s point of view is the initial coordination according to which risks are defined and risk assessments are made. Therefore, the way an organisational actor depicts its risks is contingent upon how that actor perceives itself, its goals and its relationships with other actors. [...] Over time, an influential risk management system will bring about institutionalised patterns of risk embodiment.

The power of experts works in cascade. For instance, Vinnari and Skærbæk (2014: 495), citing how internal organisational actors worked in promoting and imposing the implementation of the COSO framework on others, confirmed that internal risk experts justify its superiority by appealing to the fact that it was based on the work of a committee comprising risk management experts. Consequently, there are many interests intertwined in the determination of a particular construction of risk, which further would influence on expert’s organisational position. As a result, more importantly than just understanding what risk is, it might be fruitful to identify how risk became and is becoming, and finally, have a glimpse of the reasons for each construction in each moment in time (the political logic, in Chapter 8, illuminates this process).

Powerful actors are working in both national and international spaces, internally and externally to organisations, within and across disciplines, in discourses of risk that

could be shifted, but will always reinforce risk and the superior position and power of risk experts. Ericson (1994) explained how the claims of security are created by experts through enhancing the feeling of insecurity, which fosters the need for and indispensability of experts' knowledge. Nonetheless, Ericson states that experts must also be aware to not push this rhetoric too much, as security also depends upon a balance of trust and acceptable risk. However, as Spitzer (1987: 50) has written, 'the more we divide the world into those who are able to enhance our security and those who threaten it, the less we are able to provide it for ourselves'. Therefore, 'each successive step in the endless problem-solving, while experienced as another extension of freedom, further strengthens the network of dependency' (Bauman, 2013).

More recently, this idea of expertise developed by scientific claims has been challenged by studies adopting a more sociological approach. For instance, lately, internal auditors started to portray themselves as experts in risk management (e.g. Vinnari and Skærbæk, 2014; Power, 2007; Spira and Page, 2003). So, considering auditors' positions, Fanning and Piercey (2014) showed the importance of developing a positive interpersonal relationship and their findings characterise auditing as a rhetorical practice, considering how auditors could persuade managers about their importance in corporate governance issues. Similarly, in relation to risk experts, Mikes (2014) shows the importance of building informal networks and how chief risk officers (CRO) could facilitate the creation and internalisation of particular "risk talk", legitimating cross-functional language within the business. However, Mikes also reinforces that this role involves a significant degree of humility on the part of CROs, who must manifest their limited formal authority and meagre

resources. Accordingly, Hall, Mikes and Millo (2015) examined how risk experts establish and maintain interpersonal connections with decision makers and highlighted the central role of ‘toolmaking’ in explaining how functional experts may compete for the attention of decision makers in the intra-organisational marketplace for managerially relevant information.

In sum, the construction of risk experts must involve not only their sovereignty over the technique, but also social and political skills, which would support them, while constructing alliances and this new space for expertise. For that reason, Damodaran (2007) states, the emphasis on subjective uncertainties segregated from the objective ones described by Knight was misplaced and, although a measurable risk is covered more easily, for example, in an insurance policy, indeed, concerns exist with any uncertainty, measurable or not. Moreover, this perception is ratified by the increased volume of research that seeks to better understand the influence of ‘non-quantifiable risks’, or uncertainties, in other areas (Spiegelhalter and Riesch, 2011, Stirling, 2010). Although mainstream concepts of accounting and risk presented themselves as immune to broader social influences and segregated in a particular worldview, this is not feasible. Consequently, the next section ponders the influence of broader contexts and discussions in other disciplines, uncovering the multilayers of those signified.

3.8. The Multiple Layers of Accounting

According to Miller, Kurunmäki and O’Leary (2008: 963), we need to know more about industry and firm-specific practices that facilitate information and

communication flows across the boundaries of the organisation and its groups of experts or professionals. We need to know more about the diverse, and often localised, metrics and languages that facilitate interactions that do not respect organisational boundaries, whether in the private or not-for-profit sector. We need to know more about the locales, institutions, and conduits through which such metrics circulate, and in which they are embedded. Moreover, we need to pay attention to the multiple and diverse constituents of such practices, which often do not fit the neat categories according to which we typically organise the world. Considering this point, Reddy and Chappe (2012) state that recent social theory dealing with modernity has focused on the increase of new forms of risk as a social challenge.

The focus of current managerial propositions on culture and appetite in risk discourses might not be considered from a single viewpoint. Angouri and Glynos (2009), for instance, characterise ‘culture’ as a *floating signifier*, because its meanings and significance emerge only in and through the process of articulation, namely, the way it is partially fixed by connecting it to available discursive resources and the problems animating a particular context. However, Willmott (1993: 517) also shows that:

The marketing of corporate culture has been a ‘success story’. [...] interrelated, some attention is also given to how ‘corporate culturism’ is supported and frustrated by the material and ideological contexts of its articulation. [...] in the name of expanded practical autonomy, it aspires to extend management control by colonizing the affective domain.

Considering the boundaries set in accounting and risk discourse, Burrell (1987: 100) suggests that ‘in order to free others, we must first free ourselves - perhaps even from our own discipline’. Tinker *et al.* (1982) regard accounting as an ideology. From this point of view, for example, auditing is as much an idea as it is a concrete

practice, and it is this ideational character, which has allowed it to be so readily diffused across a wide variety of domains (Power, 1997). More than that, auditing can be used as a very convincing argument about a company's financial health, environment, society, processes efficiency etc. Nonetheless, other accounting techniques are implicated in this processes of self-legitimation and support of experts.

Covaleski and Dirsmith (1988) illustrate how accounting constructs social and cultural positions using the rhetoric of, for example, budgeting. Those practices are legitimated by internal actors' self-interests as well as external systematic abstractions that work by 'masking an underlying socio-political reality' (Covaleski and Dirsmith, 1991: 136). Hopwood (1984: 175) has emphasised that accounting is 'implicated in institutional frameworks, language, and patterns of power and influence'. Therefore, claims of compliance do not represent the mere acceptance of norms, but the perpetuation of social structures and power imbalances, whilst '[obscuring] the transfer of power between societal actors' within organisations (Covaleski and Dirsmith, 1988: 135). The label of progress, as a result, has 'consciously and actively preserved the basic social, political, and economic relations essential to capitalist society' (Covaleski and Dirsmith, 1991: 142). Thus, 'although this language is cloaked in the appearance of objectivity and neutrality, it is ultimately directed toward establishing and maintaining hierarchies of authority and status' (Covaleski and Dirsmith (1991: 139). Consequently, it is important to uncover those social and political elements also in risk constructions.

3.8.1. The Multiple Layers of Risk Construction

There are many paradigmatic influences for the current definition of risk in finance and accounting and this affects positions brought to research, as well as the practice of risk management. The positions presented in previous sections lead to the extreme and polarised understanding of risk. At one extreme, risk appears in consequence of natural laws, completely independent of the observer, who can only try to comprehend these rules. Models and regulations of risk management do not cover it as a constructed decision-making process and studies in this field attempt to demonstrate factors that could affect the success or failure in the implementation of these models (Arena *et al.*, 2010; Collier *et al.*, 2007; Gephart *et al.*, 2009). At the other extreme, lies risk as a concept dependent on the observer's interpretation as a consequence of socially constructed reality, where the contingent nature of risk-modelling needs to be explicitly acknowledged in advice given by policy-makers as well as those unconditional expressions of uncertainty which remain an aspiration (Spiegelhalter and Riesch, 2011).

Each organisation, nevertheless, develops its model guided not only by regulatory constraints. They usually consider the pressures of their environment, referring to the image they want to convey to their stakeholders (e.g. banks, customers, shareholders, government, society etc.) (Collier *et al.*, 2007; Souza, 2011). Therefore, decisions concerning risk, broadly speaking, seem to be much more grounded in political and individual aspects than only in generalised discussions about this concept and models. Lupton (1999) states that risk has become a pervasive political and cultural concept that influences the very character of contemporary social life in Western society and a central aspect of human subjectivity in risk control, which in turn

implies that risk must necessarily be associated with notions of choice, responsibility and blame. As a result, a common analytical conclusion is reached: risk is a very influential, pervasive, and politicised issue in the modern era.

The growing relative importance of manufactured risks (which are the product of human activity), compared to external or natural risks, is well described in the work of sociologists like Beck (1992) and Giddens (1990). In addition, the emergence of new forms of manufactured risk (e.g. environmental and financial risks) is a direct consequence of rising levels of complexity and interconnectedness in industrial societies, reflected in the organisation of production, the nature of technologies employed, etc. Thus, an interdisciplinary interface attenuates risk's boundaries, and exposes the need to develop a more ontological and ontic focus on risk management practices, comprising that:

'Risk' is extremely contextual and fluent, what is or what is not considered a 'risk' depends to a large extent on other things. [...] 'Risk' is not an intrinsic property of things. It is a relational term that emerges out of contexts depending on shared conventionally established meanings, that is to say, 'culture' (Boholm, 2003: 175).

The territory of risk management and accounting is permeable by other disciplines, perspectives, and different metaphors. Considering this aspect, Young argues that:

[Metaphors] focus our attention upon particular aspects of a thing that we might otherwise overlook and, in doing so, they also deflect our attention from other aspects. In directing and deflecting our attention, metaphors help us to construct our perceptions of reality in particular ways, guide our actions, and are used to frame issues as problems and to assess the feasibility and appropriateness of various possibilities as solutions. [...] Metaphors have contributed to the thinkability of risk management and to considerations of risk as an opponent that must and should be confronted and managed (Young, 2001: 619).

Therefore, in this thesis, I consider the propositions of risk culture and risk appetite from a perspective that reinforces how the concept of risk has emerged, and then,

was contested until its sedimentation. Risk seems to be a very strong argument to maintain control (Power, 2007). However, the multilayers of this broad concept can be forged according to intentions of each organisation and individual. For instance, Woods, Dowd and Humphrey (2008) stated how multiple possible methodologies are used to measure the Value-at-Risk, and how this influences the representation and numeric variation of this ratio. For that reason, there are technical, social, methodological and political elements of risk construction that must be further scrutinised in my fieldwork.

3.9. Conclusion

In this chapter, the mainstream financial articulation of risk and risk management was challenged on the ground of its perceived arbitrariness, and for aiming to keep the idea of risk as neutral, objective, controllable, and measurable, whilst downplaying the subjectivity implicit in each of these constructions. Considering the discussion in Chapter 2, it is reasonable to argue that the discourse of risk management was also used to empower international actors, who are not native to Brazil, nor to BDBs. This discourse allowed claims of expertise and the right to set the ‘correct’ path to follow through constructions of ‘risk’ following a universal regulatory neoliberal conceptualisation of progress and ‘best practices’. However, the multiple potential interpretations attached to ‘risk’ and ‘risk management’ from different paradigmatic perspectives opened up a space for enquiry about the ‘real’ existence of a true and absolute ‘risk’, as social constructions would continuously

include and exclude elements of this concept in a discursive attempt to set boundaries of closed interpretation.

Risk as an accounting technology of governance determines what is knowledgeable, and then, governable, according to specific power imbalances. Therefore, from a mono-paradigmatic perspective, risk might be understood as an ordinary accounting technology, which could be counted, calculated, measured, and then, managed. Even so, considering a broader conceptualisation of risk and the interconnectedness, dynamic and complexity of risk management practices with social and organisational contexts, as well as many other disciplines and paradigmatic perspectives, risk must be understood also as a social, political, and methodological instrument. From this perspective, then, discourses that claim risk neutrality, impartiality, rationality and objectivity are at best, “intellectual failures” as Power (2009) stated. At worst, this rhetoric is used just to reinforce the political power imbalances that risk discourse constructs using unilateral views of organisations and society.

Accordingly, the multiple layers of risk illustrate that this is a powerful concept, which can be shaped to fit different discourses for different purposes, allowing particular control and interventions in diverse sites. As an accounting technology of governance, risk sustains a particular view and reading of realities, supporting regulators and other actors who perceive risk statements as crucial rhetorical artefacts for their own purposes. For that reason, a myth of objectivity has been created around risk, which legitimated actors’ actions and allowed them to blame and avoid blame (Spira and Page, 2003) in an illusory detachment of subjects from this object. Such rhetoric, nonetheless, could cause miscommunications and biased decisions, influenced by the unilaterality of modelling. Therefore, it is important to

search for alternative views of risk that might illustrate broader landscapes to work in an ambience of uncertainty, and then, to challenge the traditional taken-for-granted images of risk.

I argue here that power is endogenous to society and assert that an apolitical perspective of risk cannot be achieved. There will always be self-referential constructions of risk, used by actors according to their own purposes. Accounting technologies, like risk, would follow certain paths and rules necessary to their own perpetuation and dissemination, even if these paths cannot be predicted *ex ante*. Nonetheless, there are paradigmatic, theoretical, and methodological perspectives that might improve explanations and investigations of risk management practices and constructions. It is important to shed light on the reasons for changes and temporary instabilities within risk discourse as well as the obscure international interests in the dissemination of this latest example of an accounting technology of governance. Thus, the following chapter illustrates how the post-structuralist Discourse Theory of Laclau and Mouffe would enhance the understanding of multiple layers of risk constructions.

– CHAPTER FOUR –

RISK AS A DISCURSIVE PRACTICE

4.1. Introduction

In this chapter, I explain how the Discourse Theory (DT) of Laclau (1990; 2004; 2014) and Laclau and Mouffe (2001) facilitates understanding of the construction of risk in the BDB's site. DT has been recently widely used in accounting (Gallhofer *et al.*, 2015; Frezatti *et al.*, 2014; Nascimento, 2011; Spence and Carter, 2011; Spence, 2007; Mouck, 1995; Gallhofer and Haslam, 1991), and management (Willmot, 2005; Glynos *et al.*, 2012; 2015), so building on this tradition I have mobilised this theory and contextualised it in this research, exposing its usefulness in probing risk management practices. Hence, here, I consider the theory to be a toolbox and explore elements of DT relevant to this thesis, explaining how they are connected to different conceptions of risk in literature as well as perspectives imposed from risk management regulations or guidelines (see more, respectively, in Chapters 2 and 3). Therefore, this chapter answers that following question: How does DT help us to understand risk as a technical, methodological, social, and political practice?

DT uncovers alternatives, and then, power imbalances and politics implicit in decisions, such as how a regulation must be applied. Moreover, it considers influences and interests from macro- and micro-actors as essential elements to understand concerns around the application of norms and rules, for instance, choices made by regulators as well as consultants and managers during the implementation of risk management practices in the micro-context of BDBs. DT also provides a theoretical background that explains the reasons behind arbitrary, hegemonic, and universal discourses of risk and why they have changed over time and in different contexts (Woods, 2011; Mikes, 2011). From this perspective, this chapter exposes how the construction of risk opens up a space for multiple interpretations of risk's meaning, revealing gaps in risk-related regulatory statements and conflicts regarding the objectivity and subjectivity around the interpretation of risk management frameworks. In order to shed light on those political discursive strategies, I provide more details about the analytical tools and theoretical elements of DT, which will be applied to explain and examine the situation encountered in the empirical site of this thesis (Chapters 6, 7, and 8). However, initially, this chapter characterises the imposition of prudence regulation on BDBs as an imperialist epistemic violence.

4.2. The Imperialist Epistemic Violence within Risk Discourse

Given the above problematisation of risk discourse, this section addresses how and why the implementation of risk techniques has pervaded so many disciplines and spaces, becoming the hegemonic discourse in finance and accounting, generally, and more specifically in Brazil and BDBs. To explain this, I argue that the current

authority of risk could be explained in terms of power imbalances and hidden politics, concerning primarily how the discourse of risk allowed an imperialistic ideological domination.

Campbell (2011) argues that after the colonial period, people and nations are not dominated solely by physical and armed forces, but that the current era demonstrates domination by more ideological means. Such ideologies were created according to a hierarchical conception of segregation between North and South, Third World and First World, as well as developed and developing countries (Campbell, 2011). The oppressor usually keeps the superior role of a teacher, who knows, or who knows more, distancing itself from the inferior 'other' culture. This is a claim of power that allows oppressors to set the right path to follow and enables them to tell the oppressed – characterised as the powerless and ignorant 'other' - what to do. Nevertheless, this domination rhetoric is not explicitly expressed within the formal discourse that commonly asserts its promise of a universal external 'solution' to problems, even if this solution does not necessarily represent the will of the native people (Pritchett and Woolcock, 2004).

The discourse of globalisation is an example of this process, as characterised by dependency and mimesis, it leads to the reification of a global hierarchy silencing local subaltern voices (Spivak, 1988). Foucault (1977) conceives this as a process that produces observed, segregated, normalised, and controlled docile bodies. Hence, knowledge is not value-free but used to exercise power and authority (Foucault, 1979). In post-colonial theory, Spivak (1988: 281) describes this as 'epistemological violence', which uses language and law to marginalise specific groups. Elements of 'otherness' reinforce concepts of majority and minority, exaggerate the differences,

and minimise similarities amongst people. Writing from a position of privilege, the coloniser distorts and stereotypes the ‘other’ groups and culture, obstructing and undermining non-Western understandings as a way of subjugating the colonial subject. However, the biggest problem is that subalterns usually do not recognise their position of oppressed. For that reason, Spivak (1988) provocatively asks, ‘*Can the Subaltern Speak?*’. Because, as Freire (1990) observes, self-depreciation is a common characteristic in this domination and the oppressed can feel attraction towards the oppressor to the point that the oppressed aspires to share the oppressors’ way of life. Bhabha (1994) confirms the existence of this imitation as a desire of the colonised to emulate the coloniser. Consequently, there is a strong ideological component in this domination.

This domination, achieved through ideologies, characterises systems of representation, which mask the true social relations, constructing imaginary ones between individuals and groups, but also between them and the social formation (Althusser, 1971). The neoliberal ideologies, for instance, provided an ‘ideological cover’ (Carter, 2008) to institutions like the IMF and World Bank, through supposedly ‘best practices’ (Stiglitz, 2003). Thus, considering the contradictions and hidden interests underlining these ideologies, these universal and ahistorical constructions of ‘solutions’ from outside represented an ‘epistemological violence’ permeated by conceptions of power and domination (Spivak, 1988). The function of ideology, then, is to make the world in which the subject lives appear obvious and natural, even though this apparent objectivity and normality is an effect of the subject ‘misrecognising’ its real historical situation (Howarth, 2000: 93; Althusser, 1971). Thus, ‘ideology’, ‘acts’ and ‘functions’ in such a way that it ‘recruits’

subjects among individuals or ‘transforms’ them into subjects by the process of interpellation (Althusser, 1971). It distorts the real intent of social relations (Jørgensen and Phillips, 2004), containing or suppressing the political dimension of practice (Glynos and Howarth, 2007).

Ideologies help to perpetuate asymmetrical power relationships within society, which are essential in maintaining domination (Thompson, 1984). Post-colonial theory, for that reason, aims to unlock taken-for-granted assumptions remaining from colonialism in order to understand the current forms of imperialism. Post-colonial studies emphasise the importance of past cultural, economic, political, or military domination, and its consequences in the actual configuration of groups and countries (Neu *et al.*, 2002; Campbell, 2011). For instance, the idea that the solution will come from outside implicitly carries the ideology that natives do not have power or knowledge to propose solid solutions, or even change their own contexts satisfactorily. This rhetoric is also inhabited by the possible deprivation consequences of moving against hegemonic propositions and conceptions from the ‘emperor’ country. Thus, post-colonial studies contest and disrupt the universal optimistic assumptions related to concepts like ‘development’, ‘harmonisation’, ‘globalisation’, ‘progress’, ‘civilisation’, and the dominant discourses of Europe or the USA, as well as their chronological view of history and the current economic situation, as an apolitical reality (Ridpley *et al.*, 2002: 10).

As a result, historical evidence about the taken-for-granted appropriateness of risk management regulatory requirements in Brazil must be subject to reinterpretation or reinvestigation according to this perspective. The discourse of ‘objectivity’ and ‘neutrality’ in risk management practices and regulation, therefore, must be

unpacked as a *process* rather than a *given*. Critically, this is an attempt to reveal privileged and marginalised groups (McCarthy and Thomas, 2005). Risk has created an unusual and harmful change in the context of BDBs. Supported by international regulatory requirements for the banking sector, the BCB, following international requirements from Basel, included risk management in the formal structure of the Brazilian banking system. This regulation would supposedly guarantee the operation of the major multinational banks in the country, promote cheaper credit supply and provide the opportunity for large national banks to raise funds at a lower cost of capital. They could then offer lower interest rates to support industrial expansion, arguably benefiting the system as a whole. However, in the case of the BDBs, these regulatory changes caused various problems, firstly, when trying to adapt their limited structure and then secondly, when restructuring their capital composition (see more in Chapter 2.5.1). Nevertheless, these inadequacies were barely contested.

Abdul-Rahaman *et al.* (2013) demonstrated how efforts to legitimise financial practices in a public water institution in Ghana neglected vital issues for socioeconomic development. In this sense, the dominant World Bank perspective, centred on profit maximisation, was inadequate because it measured everything except what makes human life worthwhile. For that reason, Abdul-Rahaman *et al.* argued that the concept of development must be understood beyond economic reductionism and reflect a ‘people-centred’ approach in order to embrace the complexity of human necessities. Nonetheless, they acknowledge that an organisation might ‘(re)-design its accounting system to conform with (or meet) the (new) requirements emanating from the justifying rationales’ of supranational bodies.

Distorted representations and the usage of the Western devices create a discourse that silenced the subaltern post-colonial subject (Spivak 1988). Accordingly, Graham and Neu (2003: 467) state that while ‘accounting amplifies certain voices on the global stage. It does not amplify others, yet these others deserve to be heard’. In another study, Neu *et al.* (2006) demonstrated how accounting technologies of governance embedded within lending agreements shaped, constrained and mediated action, diffusing financial technologies that reaffirm the expertise and continuing influence of the IMF and World Bank. The interventions from these supranational bodies have occurred via structural adjustment programmes and lending conditions throughout the developing world (Neu *et al.*, 2002). Thus, reinforcing a universal path towards progress, accounting makes certain problems visible, and then, suggests and operationalises solutions, which result in creation and maintenance of asymmetries and imbalances across international borders (Graham and Neu, 2003). Consequently, globalisation is considered merely a renewed form of imperialism and the adoption of particular policies is mainly coercive (cf. Neu *et al.*, 2002), even though these techniques change the day-to-day practices, vocabularies, and priorities of distant fields.

Similarly, risk represents a shift in the political economy of science towards a neoliberal regime of governance. Profound changes in the global political economy and the rise to dominance of a neoliberal global regulatory architecture with an economic focus, combined with the penetration of neoliberal logics into governance across the world profoundly shaped organisational contexts and the role of experts. Kipping and Clark (2012) suggest that today the BRICS countries represent a market that is growing fast for consultancy groups and there is an excessive expenditure of

third world countries on management consultancy. Therefore, internationally recognised and trained experts rhetorically filled the 'risk' space by claiming what was right and wrong, and what might be included and excluded in risk analysis. The influence of neoliberal economic ideologies in developing countries, consequently, can be seen in the insertion of imperialistic accounting 'technologies' (Neu *et al.*, 2002), such as the mechanisms of governance proposed by risk management. Brown (2014) elaborates on those ideas arguing that risk is one of the claims in the globalisation wave of neo-liberal discourse as:

Risks can form the basis of effective governance by existing authorities in line with general consensus (authority + consensus = legitimate risk), notions of risk can be harnessed by existing authorities to foster consensus (authority + risk = legitimate consensus), invoking notions of risk in line with popular consensus can bolster authority (consensus + risk = legitimate authority), but 'risks' with neither consensus nor links to authority fail to become legitimate (Brown, 2014: 392).

The discourse of risk and its rhetorical elements of 'integration', 'harmonisation', and 'globalisation' empowers industrialised nations, enabling them to push regulatory, economic, and accounting technologies upon developing countries. Risk as a discourse from outside is an endeavour towards power and domination that aims to colonise (Beck, 1992). Nonetheless, the harm caused by risk management standards is faceless. The attempt to trace responsible actors that must be blamed is puzzling, given the complexity and dynamics of these processes inside institutions. Besides, the violence caused by this accounting technology cannot be easily recognised at the individual level as violence generated by a direct force, but at the collective level it is recognised by the harm caused to social groups, manifested as exploitation and repression (e.g. Uddin and Hooper, 2001; Neu, 2000).

In the case of the problems of the Brazilian financial system, the damage was caused by deprivation. Risk was not merely ‘a solution’, but ‘the solution’ (Pritchett and Woolcock, 2004). Risk management was considered as the only way to manage and improve the Brazilian financial system. In view of that, risk was not merely suggested but imposed by the possible adverse trade consequences and funding constraints from the IMF and World Bank. However, the proposition of risk management as a regulatory requirement ignored the specificities and real needs of the Brazilian context. Hence, this was a violence, regardless of its purported intentions. Thus, the central question is, has it brought the kind of progress that the majority of Brazilians would value?

In a history marked by enormous debt to the IMF and World Bank, it is hard to evaluate how much was curtailed in investment for education, health care, public transport, or employability improvements on account of debt services. Furthermore, it is complicated to measure the consequences of these shifts in investments priorities for Brazilian development. Nonetheless, in a UN speech, Cristina Kirchner (2014), Argentina’s president, considered how these ideas of liberalisation proposed by IMF and World Bank interventions and impositions represent an economic and financial terrorism that destabilises national economies through the sin of speculation, causing hunger and poverty. She maintained that we cannot only look at the surface of the phenomenon but need to penetrate deeply into its roots, as the G8 or G10 countries are determining what should be done, or not, in different countries around the world. These international interventions have caused the absence of real democracy, as debt vultures enslave entire nations and regularly change the definitions of terrorism. Therefore, Kirchner concluded that ‘progress’ and ‘development’ optimism without

realism is naivety or cynicism, and we need peace and self-determination for all nations, since ‘dead people do not pay their debts’. Scholars like Rodrik *et al.* (1999), Gore (2000), Stiglitz (2002) and Harvey (2005) have reinforced those arguments.

The critiques of these universal regulatory statements and risk management models are, nonetheless, scattered across disciplines. Scott *et al.* (1998) suggest that risk’s ‘thin simplifications’ are inadequate to reproduce domain-specific complexity and that ERM is a policy blueprint for seeing ‘like’ an ideal-typical organisation. Theorisation in terms of risk and subjective probabilities estimation is, arguably, appropriate to normative considerations of optimal ‘rational’ decision-making, but utterly inappropriate to accurate descriptions of the real decisions which ordinary individuals make (Reddy, 1996: 234; Cancian, 1972; 1980). Modernity, therefore, has eliminated genuine indeterminacy, or ‘uncertainty’, by inventing ‘risk’ and regulators and risk experts have learnt to transform a radically indeterminate cosmos into a manageable one, through the myth of calculability, to reduce ‘uncertainty to the same calculable status as that of certainty itself’ (Reddy, 1996: 237; Keynes, 1936). However, the post-colonial theory could provide a re-reading of the hidden politics and power imbalances within this supposed ‘myopia’ within risk management conceptualisation (Power, 2009). Here, I argue that the discourse of risk was indeed an intentional ‘blindness’ of experts and policy makers, used to obscure political struggles and maintain powerful positions anchored in risk interventions.

In summary, from a post-colonial viewpoint, an abstract universality is not coherent with the particularities and heterogeneity of different cultures (Said, 1993; 1995).

Accordingly, reductionisms limit what is said, thought, and done (Howarth, 2000:

68), through colonised and imperialistic systems of representation of an object (Said, 1993; 1995). Thus, a ‘science of imperialism’, emerged, comprising knowledge, practices and institutions’ complicity (Young, 1990: 126-7). It offers a misrepresentation of social reality that facilitates conquest, restructuration, and control around discursive objects, such as ‘progress’ and ‘globalisation’ (Howarth, 2000: 68; Young, 1990: 126-127). Truth, then, is considered ‘internally connected with logics of power and domination’ (Foucault, 1977: 72). Moreover, power is complex and mediated by ‘juridico-discursive’ conceptions of the justified and ruled (Foucault, 1977: 23) in such a way that other possibilities are excluded from the dominant logic of historical development (Howarth, 2000: 73). Social relations are organised, ordered and regulated in an illusion of control that produces ‘docile bodies’ which fail to detect power’s operationalization, concealed by discourses of progress, development, utility, efficiency and productivity (Foucault, 1977; 1979; Mitchell, 1991). From this post-colonial perspective, then, the discursive imposition of risk management in regulatory and accounting constructions might be further scrutinised by the Discourse Theory of Laclau and Mouffe presented in the following sections.

4.3. Risk as a Discursive Practice

Laclau and Mouffe (1987: 84) developed a concept of ‘discourse’ that includes all practices and meanings shaping a particular community of social actors. They argued that discourses constitute symbolic systems and social orders, and go beyond language. Considering Foucault’s (1972; 1981; 1991) claims about the connection

between 'discourse practices and wider sets of 'non-discursive' activities and institutions, Laclau and Mouffe similarly embraced both linguistic and extra-linguistic aspects within their discourse analysis. Hence, risk management practices must be understood through multiple sources, as their meanings would embrace formal and informal, internal and external, written and spoken, verbal and non-verbal elements of discourse. Laclau and Mouffe (2001: 108) illustrated the importance of, for example, verbal and non-verbal elements, with an analogy of building a wall. In this process, there are moments, when the workers ask for a brick (verbal), but also there are moments when they just put the brick into place to build the wall (non-verbal). Similarly, in practice, constructions of risk might involve influences from actions and what is said, or even, from what is unsaid, so gestures and facial expressions could confirm or contradict prior verbal or non-verbal expressions.

To understand a social practice, then, DT begins with the assumptions that all objects and actions are meaningful, and their meaning is a product of historically specific systems of rules (Carter, 2008). DT holds social practices as 'discourses' in view of how they are used to construct, but also to contest, maintain, and transform reality. Using the concept of 'discursive field', Laclau and Mouffe (2001) describe a theoretical horizon within which the being of objects is constituted. In accordance with post-structuralist and post-Marxist perspectives, DT emphasises that the total fixity of social structures is impossible because systems of meaning are contingent and can never be completely exhausted by a chain of significance (Howarth, 2000). From this conceptualisation of discourse, therefore, it is possible to explain why risk means different things in different contexts (Woods, 2011). It reveals reasons behind

the existence of wide diversity in risk constructions in the financial sector (Mikes, 2009) and changes in risk regulatory statements over time (BIS, 1988; 2001; 2013).

DT does not entail scepticism about the existence of the world. A chair indeed exists, and no DT theorist will kick it just to prove its existence. However, DT argues that we are always immersed in a world of signifying practices and objects, and language is what enables us to identify and to engage with the objects that we encountered (Wittgenstein, 1953, Heidegger, 1962; Laclau and Mouffe, 2001). For example, someone can use a chair to sit on, but also to reach higher objects, while children might use it to play games. Consequently, all objects are objects of discourse, whose meaning depends upon a socially constructed system of rules and significant differences (Carter, 2008). To this extent, discourses actively shape the world around us by providing conceptual guidance for actions, policy prescriptions, institution building, and so on. In sum, Laclau (2001: 108) affirms that:

The fact that every object is constituted as an object of discourse has nothing to do with whether there is a world external to thought, or with the realism/idealism opposition. An earthquake or the falling of a brick is an event that certainly exists, in the sense that it occurs here and now, independently of my will. But whether their specificity as objects is constructed in terms of 'natural phenomena' or 'expressions of the wrath of God' depends upon the structuring of a discursive field. What is denied is not that such objects exist externally to thought, but the rather different assertion that they could constitute themselves as objects outside any discursive conditions of emergence.

As we are always internal to a world of signifying practices and objects, DT investigates the ways in which social practices emerge, are articulated and contested (Howarth, 2004). Subjects need to have some kind of stability to develop their arguments and conceptualisation of the world and objects. Nevertheless, this contingent and temporary structure of objects' definition establishes boundaries for a discourse. From this viewpoint, even if humans seek to close structures of society to

maintain their rationality, society itself is an open structure that changes over time and in different contexts. The closed nature of structures, or their fixity, is impossible, but also necessary, as it helps us to delimit the meaning of the object that we have talked about, but also challenges its definition by the elements that are not represented as a legitimate discourse. The particularities of each articulation in each context represent a political construction that includes and excludes certain elements of a signifier. For that reason, 'risk', for instance, could represent a potential threat or opportunity, and risk management guidelines could intensify the importance of financial aspects over human interference for risk evaluations, and even change their position and re-articulate it, embracing operational risks or any other category of risk.

Accordingly, Laclau and Mouffe (2001) reject the essentialist and ahistorical definition of language of structuralism, and the way subjects are unified by a fixed stable identity or system of meaning that is determined by the structure. They consequently reject Saussure's (1993) structuralist claims that within a sign the signifier is transparent and there is only one possible 'signified' attached to it. Saussure considered objects' existence before subject's interpretations, and language as a system of differences and arbitrary labels constructed by relationships that work in opposition to each other. Following these assumptions, there is nothing like the word itself, and to understand 'risk' we need to comprehend what 'risk' is not. This perspective is consistent with Knight's (1971) arguments about risk and uncertainty, as while the former is measurable, the latter is not quantifiable, but based on judgments. DT, however, challenges this representation of language, exposing that meaning is not constructed only by oppositions, but also by the elements excluded,

thus, antagonisms and counter-hegemonic discourses. This outline is useful to understand and explain, for instance, how the concept of risk has been changed over time and acquired different meanings in different contexts, as it needed to mend from its contingencies.

In short, post-structuralism critiques this idea of a closed structure of meaning, exposing that there are multiple possible meanings and ‘signifieds’ that could be attached to a single or ‘master signifier’ (Lacan, 1989). In this thesis, hence, this explains re-articulations of risk that include elements previously excluded, like operational risks, and subsequently, reputational and strategic risks, creating a broader and more nebulous conception of risk management than the initial reference to financial downsides and defaults. Considering the multiple possible signifieds and interpretations that could be attached to a single concept, the next section explores the differences between ontological and ontic studies, as well as the idea of an ontic gap, to further explain how the articulation and meaning-making of risk works.

4.3.1. Multiple Interpretations of Risk

DT reinforces the difference between ontology (the event, what happened) and the ontic (different articulations of meaning that emerge from the event itself). It is constituted in the idea of a lacking, or negative ontology, whereas the signifiers structures appear closed, but are in fact still open, because total closure is always impossible. To this extent, even if the idea of risk is not rejected, there is not a singular universal sense of risk, but rather a multiplicity of possible articulations in this space. The plurality of definitions for ‘risk’ in different contexts, disciplines and

paradigms, as well as the changes in the boundaries of what is allowed to be considered 'risk management' in financial institutions, exposes the ambiguity, incompleteness and contingency of this construction (see Chapter 3). To understand better these shifts in risk definition, this section initially moves from an epistemological to an ontological study of risk.

DT asserts that discourses do not neutrally reflect the world but play an active role in shaping it. Laclau and Mouffe (2001) argue for the importance of contextualised explanations, as language and meaning could be used to deceive and oppress people (Fairclough, 1995; Chouliaraki and Fairclough, 1999). Consequently, the task of discourse analysis is to examine the construction of discourses, and the motives behind their functions, pondering both historical and political aspects. The articulatory processes that construct meanings work by including and excluding characteristics of risk that provide qualities to this signifier. The increasing, or decreasing of the chain of significations of 'risk', therefore, is an arbitrary practice, determined by the exercise of power. Spiegelhalter *et al.* (2011), for example, highlight that statistical analysis could easily be used to manipulate people and reinforce experts' claims, so the specific means used to express events are constructed to legitimate specific claims and hide particular political interests. These discursive strategies are used to persuade an audience about the plausibility of risk claims and feasibility of risk management. For that reason, these changes in the discourse of risk cannot be analysed just as merely evolutionary processes.

Gallhofer and Haslam (1991), for instance, illustrated how accounting is a mutable phenomenon showing how the element of 'secrecy' in accounting rhetoric moved from a positive to a negative connotation during the First World War in Germany. In

this case, accounting was blamed as a mechanism for hiding immoral profits, which created wealth for banks, landowners and armament industry elites to the detriment of shareholders and managers. For that reason, they argue that accounting might perform a ‘conflict-enhancing’ rather than ‘conflict-resolving’ role in capitalist society, disturbing rather than stabilising the prevalent order.

In this sense, the construction of a discourse is not linear, or predictable, and moments of crises could expose contingencies in previous definitions, followed by attempts to restructure the definition of the signifier. According to Howarth (2004), these shifting moments are ‘radical contingencies’, referring to the process by which the contingency of discursive structures is made visible, so the ‘failure’ of the structure ‘compels’ subjects to act, to assert its subjectivity anew. Radical contingencies do not necessarily represent the collapse of a discourse, but they will indeed constitute a ‘moment of dislocation’ when there is a need to re-establish trust. In this respect, scandals like Enron and the subprime crisis demonstrated that even when disclosing the most sophisticated practices of risk management, corporations were subject to managers’ choices and political interests, which interfered with and influenced decision-making processes (Damoradan, 2009; Woods *et al.*, 2008). For that same reason, the discourse of risk, how to manage it, and what might be included in its administration has suffered a radical contingency, which drove broader and more inclusive constructions of risk. This radical contingency then moved risk management from its initially entirely quantifiable structure comprising financial risks to another that accepted more subjective (but still supposedly measurable) elements like operational, and after that, strategic risks. New regulations also emerged as an attempt to re-establish the confidence of investors by offering

assurance that such a situation would not be repeated (e.g. Sarbanes-Oxley Act and Basel Accords). Thus, from these radical contingencies and re-articulations about what risk is and what constitutes risk management, the discourse of risk and its manageability re-established its power.

The role of politics is irrefutable in this landscape and power has a relevant function in the acceptance and adherence to new norms. Melwally *et al.* (2016) highlight the importance of concentrating on the role of actors in shaping accounting and control practices. They demonstrated that exogenous imposed risk management practices will be contested if the change is not compatible and aligned with pre-existing organisational logics, as actors will feel and react to risk differently according to their previous experience (Harris, 2014; Soin *et al.*, 2014). In this regard, Melwally *et al.* (2016) demonstrate that directors and manager who perceived the benefits of risk regulation support it, while analysts portrayed ERM as an imperialistic imposition, which was useless to developed countries, as it has not contained the last financial crisis. Thus, despite directors' tone from the top, analysts played many delaying games at the micro level, enhancing the information asymmetry between them and consultants as much as possible in order to impede the institutionalisation of ERM practices.

In the battle over what is included in and excluded from a discourse, thus, different groups are also marginalised and empowered. These struggles characterise discourses as 'contingent and historical constructions, vulnerable to political forces excluded in their production, as well as the dislocatory effects of events beyond their control' (Howarth *et al.*, 2000: 3-4). From the DT perspective, it is reasonable to imagine that the implementation of risk in different organisations will not be a

neutral and objective process, as described in risk management guidelines like COSO, BIS, BCB, IRM. Mouffe (2000) argues that the articulation of discourses creates the figures of ‘us and them’; hence, antagonisms characterised excluded elements as ‘others’, and this distinction might create allies, but also enemies or adversaries. Consequently, it is reasonable to imagine that the implementation of a new tool inside an organisation represents a disturbance, caused not only by the change itself, but also by the rupture with previous established meanings, practices, power relationships and hierarchies, which inevitably causes conflicts.

According to DT, then, the idea of risk connotes a space where multiple articulations and interpretations are possible. The amplitude of possible interpretations exposes part of the political side of risk practices, constructed according to different interests and choices, reflecting macro-politics, but also micro-politics. Risk could be considered a signifier that is mutant. It is not solid, but liquid. Hence, it adopts different forms in different sites where it is implemented (Woods, 2011; Mikes, 2009). In summary, this thesis recognises that risk would be applied differently in different contexts, due to the dynamicity and complexity implicit in risk management practices that aim not only to predict future outcomes, but also to preserve powerful positions that inevitably circumscribe risk’s articulations and claims of control.

In short, this section argues that ‘risk’ connotes an ontological space where there are multiple possible ontic articulations (or understandings) of risk. The ontology, or ‘space’, is focused on the formal study of ‘Being’ - the nature and meaningful structure of existence -, but the interpretation of this structure is provided by the ontic, the descriptive characteristics of a particular thing and its existence (Heidegger, 1962). Thus, here, I propose a shift from an ontological to an ontic study

of risk, acknowledging that multiple meanings could be attached to the same concept (object), e.g. 'risk', and this empowers risk experts who would endeavour to objectify this social space. The next section explores how DT is concerned with meaning and the ontic gap between the existence and meanings, therefore, operating at the ontic level.

4.3.2. The Ontic Gap within Risk Application

Given the multiple signifieds that could be attached to the signifier 'risk', there would be multiple possible interpretations attached to it, and there will always be undecidability in any fixation of risk's definition. According to Derrida (1978: 148), 'undecidability is always a determinate oscillation between possibilities (for example, of meanings, but also of acts)'. Social practices are naturally destabilised, divided and disorganised; however, there are provisional and precarious ways of trying to politically 'naturalise' or 'objectivise' constructed identities (Torfing, 1999). Thus, risk is conceived as a mark of a 'naturalised' Western philosophy dominated by metaphysical hierarchies that privilege unity over dispersion, necessity over contingency, presence over absence (Torfing, 1999). Derrida (1978) uses the notion of deconstruction to challenge those claims of universal truths and highlights the effect of choices and assumptions embedded within articulations of meanings by interested parties. As a result, this destabilisation of essential identities conceives any attempt to determine the essence of something as flawed, because some ambiguities and undecidabilities would resist this ultimate fixation.

This resistance is caused by an ‘ontic gap’ in the social construction, as every time you describe something, for example, ‘risk’, you input a different meaning into it, and so reconstruct it (Derrida, 1978). Derrida uses the example of an interpretation of a text, when the reader tries to maintain a dialogue with the author, to describe this power. Derrida states that when we read a text it can be alive or dead, and this decision interferes with the interpretation and analysis provided by the reader. If the text is alive, then the reader is in a conversation with the author and engaged in a closed interpretation. However, if the text is dead, it means that at the moment that the author wrote the text, the author’s intention was lost, and the text is open to interpretation (Derrida, 1978).

A similar process occurs with the interpretation and application of regulatory requirements. There is a gap between the general rule and the particular case. Thus, Wittgenstein (1953) argues that whenever someone uses a rule, they modify it. Therefore, it is not possible to say that the rule is being applied, but rather that it is constantly being built and rebuilt. In other words, between the abstract rule and its use in a particular context, there is not a relation of application, but a relation of articulation (Laclau, 1990) and this opens up a space to understand how the power of each actor can influence the legitimation of their claims. To this extent, although regulators and experts argued that they have a fixed interpretation of risk management’s regulatory requirements, risk is also an instrument for their legitimacy. For that reason, considering the multiplicity of actors and their different interests, when a rule is interpreted or applied, then, it is plausible to accept that the same rule would be applied differently in different contexts.

The rules always provide only a starting point, never a destination (Thiele, 2010: 56). Derrida (1992: 249) argues that, in applying the law, or the regulation, there is ‘always an authorised force, a force that is justified or that has its application justified’. The law is enforced, or ‘applied by force’, thus, a ‘responsible decision’ is the expression of the deconstruction in a particular case, which faces inherent ‘aporias’¹³. From this landscape, Derrida (1992) stresses the singularity of each case, considering the need to follow the law and the indispensability of recreating and reinventing the law in conformity with the uniqueness of each instance. To explain this, Derrida (1992: 251) cited the decision of a judge:

To be just, the decision of a judge, for example, must not only follow a rule of law or a general law, but must also assume it, approve it, confirm its value, by a reinstating act of interpretation, as if ultimately nothing previously existed of the law, as if the judge himself invented the law in every case. No exercise of justice as law can be just unless there is a "fresh judgment"....This "fresh judgment" can very well - must very well - conform to a preexisting law, but the reinstating, reinventive and freely decisive interpretation, the responsible interpretation of the judge requires that his “justice” not just consist in conformity, in the conservative and reproductive activity of judgment.

Similarly, BIS, COSO, and BCB’s requirements presupposed sound ‘best practices’ of risk management, sufficiently generic to open interpretation and re-articulations. For instance, while specifying that risk management practices must be chosen according to banks’ size and the complexity of their operations (BCB, 2004; BIS, 2003), regulators do not describe which tools are most appropriate for each case (c.f.

¹³ An irresolvable internal contradiction or logical disjunction in a text, argument, or theory.

Hines, 1991). Considering, hence, the amplitude of Value at Risk (VaR) methods (Damoradan, 2007; Woods *et al.*, 2008), then, there is no specific restriction or guideline related to which method each organisation must adopt. For that reason, Derrida (1992: 257) remind us that ‘if calculation is calculated, the decision to calculate is not of the order of the calculable, and must not be’. There is a power imbalance between regulators as well as consultancy groups and the regulated (see more in Chapter 2.5). Thus, the former have the authority, not only as experts who know, but the ones who hold the power to legitimate their own actions and claims for the chosen applications.

Given Derrida’s (1992) arguments about the ‘mystical foundation of authority’, thus, it would be naïve to think that the legitimation of any particular knowledge or expertise is conquered just by the exercise of gross power. There is always a ‘necessity to sediment the truth’ and an artificial instrument might be used in this process, replacing what is missing. Instead of the real complexity, then, accounting numbers embellish themselves with a false and borrowed organised beauty of ‘science’ (c.f. Baker, 2005; Derrida, 2002). Likewise, risk and the management of risk make use of this ‘mystical foundation of authority’ to build a ‘legitimised fiction’. There is always a gap between what ‘risk’ should be, and what it is, and more, related to what risk does (Mol and Law, 2004). From this gap between the real and imaginary, theory and practice, reported and silenced, then, every decision remains caught in a ‘ghost’ that represents the undecidability of an open future (Derrida, 2002: 46).

Montaigne (1962 *apud* Derrida, 2002) suggests that uncovering these ‘ghosts’ requires a ‘de-sedimentation of superstructures (e.g. of risk management guidelines

and regulations or neoliberal ideologies of governance) that conceal and reflect at the same time the economic and political interests of dominant forces in society'. The application and institution of regulations as an utterance force do not induce the idea that the concept of risk would be in the service of power as a docile instrument, subservient and therefore outside of the dominant power, but that risk's relationship with this power is more internal and complex (Derrida, 2002: 24.). Undecidability exposes that 'the incomplete and contingent nature of the totality would spring not only from the fact that no hegemonic system can be fully imposed, but also from the intrinsic ambiguities of the hegemonic project itself' (Laclau, 1990: 28). Consequently, the assumptions of universality, objectivity, and neutrality in risk management practices and decision-making processes are problematic for the reasons exposed above and reinforced in this section.

The uniqueness and undecidability of each case expose that decisions do not only consist of applying rules, but articulating them to accommodate or bend decisions. Social rules, meanings, or practices cannot be changed merely by arbitrary conceptions, but have, at least to a certain extent, to hegemonise the previous instances of usage. As such, to alter the rules of the game, pre-existing rules must be considered, as new rules must show how they are either compatible, or incompatible, with the previous ones. For that reason, hegemonic forces tend to try to stabilise the sliding of signifieds under a central signifier, or nodal point, to maintain the objectification of a discursive field as a regulative idea of the possibility of an entirely transparent society. To understand how the construction of risk as a universal concept was possible it is necessary to comprehend, for instance, choices of how to portray risk as a universal accounting technology and depict risk experts as

in control of future outcomes by prediction models. These hegemonic constructions of risk are further examined in the next section.

4.4.The Hegemony of Risk

As exposed in Chapter 2, there is a problem between risk management regulatory requirements and their application as well as between risk theorisation and its practices. The hegemonic use of risk in both theory and regulation, hence, can be explained by the idea of ‘objectivation’ of a social space through hegemonic discourses (Howarth *et al.*, 2000). Laclau (2004) emphasises that hegemony exists precisely because all discourses and identities are in a constant search for plenitude, even if this completeness is ineffective or not possible. Risk, thus, represents an escape from the indeterminacy required by Western society, corporations, and individuals (Reddy, 1996: 224). This hegemonic discourse aims to fill this absent fullness, in an attempt to create a relation of order. This is because, as Laclau and Mouffe (2004: 284) suggested:

In a situation of disorder, people need that some order is restored and, the more generalized disorder is, the more indifferent people will be vis-à-vis the concrete forms that the act of restoration will take. It is the actual bringing about order that is the source of legitimacy of the acts performing.

A hegemonic discourse, therefore, presents unity, which aims to systematise and unify dispersed groups and interests. Hegemonic practices establish nodal points temporarily fixing the sense of the social world (Laclau and Mouffe, 2001: 179). However, considering the impossibility of a complete fixity, hegemony is always a precarious and contingent relationship in which a given signifier in a particular

historical context takes over the role of a self-embodying feeling of completeness. In order to represent multiple identities or actors in a particular way, risk embodied the certainty and prediction of future outcomes, which were previously indeterminate (Laclau, 2002: 122; Reddy, 1996). This rhetoric of calculable risk provides an ‘ideological cover’ (Howarth and Griggs, 2006; Carter, 2008) for different actors (e.g. policy regulators, experts, consultants) by its supposed characteristics of objectivity, neutrality, manageability, and measurability. To this extent, risk could provide uniform and replicable sets of performance ratios using this definition (Ortiz, 1973: 13), but it also leads to distorting the debate over the social and political aspects within the management of risks (Reddy, 1996: 230).

The triumph of ‘risk’ resulted in the hegemony of a certain modality of rationalism that marginalised ‘uncertainty’ as ‘other’ (Marglin, 1990: 241). Laclau (1990: 45) emphasises that the ‘objectification’ of the social field depends on the establishment of a stable hegemony. The process of hegemonic constitution, then, derives from a particular discourse that can supplement and represent speeches or identities hitherto dispersed. Hegemony occurs from that centralising signifier, or nodal point, that can fix its signification and, from it, articulate elements previously disarticulated. Thus, the decision to settle upon particular risks as being dangerous or threatening is accompanied by a rhetoric that works to hypostasise risks and to develop modes of social definition and exclusion. This conceptualisation is a result of a complex historical pattern of social changes, as explained by Douglas and Wildavsky (1982: 9), then:

People select their awareness of certain danger to conform with a specific way of life [...] Questions about acceptable levels of risk can never be answered just by understanding how nature and technology interact. What needs to be

explored is how people agree to ignore most of the potential dangers that surround them and interact so as to concentrate only on selected aspects.

For that reason, an enquiry that remains unanswered is related to how a stable hegemony of risk is possible in first place. In this respect, Laclau (2000) argues that, if power is actually distributed in an uneven form, the institution of authority in the hands of a particular group depends on the skills that this group must have to present their goals, initially private, as compatible and representative of 'other' groups' aspirations. However, there is not a universal way to institute hegemony, which suggests that it is not possible to determine beforehand how a new hegemony will be established. Nevertheless, Laclau and Mouffe (2001) use the logics of difference and equivalence to explain how it might be constructed.

The logics of equivalence and difference involve respectively the simplification and the expansion or increasing in complexity of a political space (Laclau and Mouffe, 2001: 130). In a discursive field, heterogeneous groups construct discourses, which oppose and complement each other in terms of particular interests, given the positions that these groups occupy. The logic of equivalence, then, dissolves particular identities of individuals within a discursive field. Consequently, the logic of equivalence is a simplification, since it articulates dispersed elements in a discourse in such a way that the differences cancel each other, highlighting the similarities permeating identities and groups through metaphors (Laclau and Mouffe, 2001: 127). On the other hand, the logic of equivalence incorporates diverse identities recognised as part of a nodal point, so that it embodies as many social elements as possible through articulatory practices, reducing the differences between the various groups, such that the interest of a group appears to be the interest of all the people. According to Carter (2008: 194), while the logic of equivalence conceals

confusion and contestation within the signifier, the logic of difference expands the order and dispels opposition. Consequently, both logics will always be present in any given discourse, even if, depending on the context, one logic succeeds in dominating over the other (Klimecki, 2012: 43; Laclau, 2005: 69-70).

Thus, hegemonic discourses must necessarily leave their mere particularised initial condition to become the locus of universalising effects. Nonetheless, a hegemonic discourse does not deny its particular contents, but, to become dominant, it needs to expand its specific contents in a way that makes sense to others' discourses scattered in the discursivity field. From this perspective, the idea of a regulation coming with a solution from outside as well as the proposition of risk as an accounting technology of governance, starts to make more sense. Reddy (1996: 226) illustrates how the idea of 'uncertainty' is related to the notion of a 'lack of full knowledge', which implies a lack of ability and control, which was not convenient to claims of expertise. Similarly, the fixation of this discourse of a measurable risk represented a tool for evaluation of different subjects' claim of expertise as well as to blame and avoid responsibility (Spira and Page, 2003), as to know the future has been a human endeavour since ancient times.

According to Laclau, however, the fixation of a hegemonic discourse is always partial, precarious, and contingent. One can never be sure that particular discourses or social groups will not overcome political struggles and articulate a new hegemonic discourse. Thus, to use hegemony as an analytical category means a priori to assume a relentless political struggle between different groups, as counter-hegemonic discourses will always threaten each established hegemony. Consequently, hegemonies would be exposed to periods of 'organic crisis' or

‘radical contingency’ which weaken the hegemonic articulations (Laclau, 1990: 45). Moreover, when the problematic limits of a discourse are exposed and challenged, there is a need to suture them with new articulatory processes. For instance, in the case of risk, frauds and financial crises revealed how the idea of an entirely quantifiable financial risk management was fragile, so the concept of operational risk, formerly explicitly excluded from risk management practices (BIS, 1988), incorporated human factors as acceptable (and convenient) influences for risk management practices in a new discourse, and silo, of risk management. After that, discussion focused solely on threats demonstrated its limitations, which led to the notion of Enterprise Risk Management (ERM) developed to argue for the importance of risk as ‘adding value’ to shareholders and therefore ‘improving performance’. Recently, new particular discourses of ‘risk culture’ or ‘risk appetite’ from IRM (2011; 2012), as well as liquidity and solvency risk management from Basel III (2013), can be considered disputes in the discursivity field of risk for the re-establishment of a hegemonic discourse about risk regulation and risk management practices. Thus, risk is a cultural and political domain, potentially fraught with conflict between points of view, which requires cultural and political resolutions (Douglas and Wildavsky, 1982; Reddy, 1996: 239):

The practice of calmness and immobility, certainty and security suddenly breaks down. New fears and hopes will, without warning, take charge of human conduct. All these pretty, polite, techniques, made for a well-panelled board room and nicely regulated market, are liable to collapse. At all times, the vague panic fears and equally vague and unreasoned hopes are not lulled and lie but a little way below the surface.

The universal is nothing more than relations of equivalence between particularities (Laclau, 2004: 283). Universality ‘is simply a concrete historical construction and not an aprioristically determined presupposition of the social as such’ (Laclau, 2004:

281). Under alternative historical and cultural circumstances, the articulation of different and distinct elements or particulars could have been articulated in disparate ways. ‘Naturalised’ hegemonies are, thus, described by Barthes (1957) as ‘myths’. Consequently, universals are always contingent and incommensurable. Hegemony partially constitutes and potentially subverts, constructing insiders and outsiders in a discourse (Carter, 2008: 181). Hence, ‘the result of a[n] historical construction is not the filling of a transcendently established place, but the constant production and displacement of the place itself’ (Laclau, 2004, 283). He also reinforces this while considering the description of universality and pointing out that:

The constitutive dislocation of the structure are not concentrated in a unique or ‘natural’ point within it but affect all its constitutive elements [...] The representation of the chain as a totality [...] can only have as means of representation particular social demands organized around particular points of dislocation [...] This process of one demand assuming the representation of many others is what I call ‘hegemony’. [...] what we have is always a relative universality, deriving from equivalential chains constituted around hegemonic nodal points. As can be seen, the possibility of universalization depended on emptiness as a concrete – not abstract – presence (Laclau, 2004: 280-281).

Laclau (2000) then suggests that hegemonic discourses must attend to four conditions: the constitutive unevenness of power; the effacing of the dichotomy of universality/particularity; the production of ‘tendentially’ empty signifiers; and the generalisation of a representation as a condition of the formation of a social order. Therefore, in light of the previous discussions in this thesis (Chapter 2 and 3), risk attends to this dimension as it was constituted in an epistemological violence perpetuated by the power imbalances between BIS and Big 4, BCB, and especially, BDBs (see earlier in Chapter 2). The idea of risk dissolved the specificities of the Brazilian context in a discourse of ‘best practices’ ‘in worldwide use’ which also perpetuated the notion that risk-management practices must be applied to all banks

of all sizes. In accordance with the changes in the risk discourse and the multiple possible interpretations derived, or that could be derived from this signifier, risk itself could be regarded as empty of a unique particular signified. Moreover, the necessity of a supposed objective, manageable and defined world drives risk discourses as the only solution for these controllability claims. Finally, it also mandated the need of risk management practices by the BCB in order to maintain compliance and trade with the international market.

One may argue that ambiguity, incompleteness, and contingencies are prejudicial for risk and risk management; however, they serve a purpose (Spira and Page, 2003). As argued by Butler, Laclau and Zizek (2000: 2), ‘incompleteness is essential to the project of hegemony itself’. The ‘conception of uncertainty in terms of ‘risk’ or potentially calculable probabilities, diverts attention from the truly radical and irreducible nature of our ignorance about the future world, which makes of it in turn an irreducibly political space (Reddy, 1996: 242). The fragile initial claims gained power and began to demand more space. Risk has passed through many ups and downs; therefore, any description of risk management practices is only a snapshot. Thus, in order to understand how current practices came about, the next section explores in more detail the importance of genealogical analysis within discourse construction.

4.4.1. The Genealogy of Risk Hegemony

To understand the meaning of risk in a particular context, as proposed by the post-structuralist theoretical framework of Laclau and Mouffe, it is necessary to

comprehend how the idea of risk is currently conceptualised in, for instance, a BDB. However, the politics implicated in the currently visualised construction of risk as currently conceived in this context can only be revealed by its historical construction, conflicts, fallacies, and radical contingencies that tried to closure its meaning. Therefore, Laclau and Mouffe acknowledge the importance of Foucault's work in archaeology and, especially, in relation to genealogy.

As discussed above, risk is a multifaceted and multi-layered signifier that cannot be properly comprehended by its static current conception alone. The prevailing meaning of risk results from many attempts to articulate different elements of risk throughout the emergence, contestation, and sedimentation of this signifier. Thus, the history of risk discourses is an important element to understand the existing risk management practices, because the genealogy of this concept has been marked by many shifts and alternatives that have been included and excluded.

In Foucauldian studies, archaeological analysis embraces the current rules of a discourse, but it recognises that the current discourse is dependent on the historical crystallisation of norms for its functioning. Although archaeology comprehends the meaning of objects, it does not explain where this meaning has come from, nor does it explore the constructions, reasons, struggles, politics, and actors involved in its construction. As Miller and O'Leary (1987) state, objects do not exist in limbo waiting to be discovered, but are formed by complex relations established by combining a heterogeneous range of discourses and practices, which share a common vocabulary and set of objectives. Therefore, if risk implementation struggles (Mikes, 2009), it is important understand not only the current practices and

rules of risk management inside each organisation, but also how, why, and by whom they were conceptualised.

Miller (1987: 237) describes genealogy as an enquiry and re-examination of contemporarily taken-for-granted objects and their meanings, which demonstrates their historical emergence and highlights the conditions throughout their sedimentation, ‘tracing the emergence of our frequently unquestioned contemporary rationales’. Nonetheless, this is not a search for an origin, a single point in history, but rather a recognition that the present must be considered in reference to multiple, dispersed and complex events. For that reason, ‘genealogy does not lead us to solid foundations; rather, it fragments and disturbs what we might like to see as the basis of our current ideas and practices’ (Miller and O’Leary, 1987: 232-233).

Similar to other calculative accounting technologies, risk represented a new invention in this domain, transferred from and to other domains, and receiving in accounting new meanings and significances. Accordingly, Miller and O’Leary (1987) consider these as ‘constructions’, emphasising the discursive nature of calculation, the ideas attached to certain calculative technologies, and how they are not separate from the world of ‘practice’ but are constitutive of it. Miller and Napier, (1993) similarly stressed how different meanings have been attached to practices at different periods, highlighting re-directions, transformations and reversals that time installed. Finally, they assert that the genealogy of accounting practices needs:

[T]o emphasize the historical contingency of contemporary practices, and to debunk the apparent permanence of the present. We need to think in terms of multiple and dispersed surfaces of emergence of disparate and often humble practices (Miller and Napier, 1993: 633).

Hence, the discursive nature of accountancy provides a special idiom in which those who participate in it can define their actions, a particular way of setting out the possibilities and the limitations of certain practices. Therefore, it is important to emphasise the new way of seeing and intervening that was brought about through utilising the concept of risk. There is, thus, a need to highlight the consequences of calculating risk, rather than seeing such consequences as following naturally from 'practice'. According to the proposition of emancipation brought by critical accounting and management studies, as well as ratified in Laclau's works, the investigation of inclusions and exclusions in these changes of risk, or other calculative practices, might provide the basis for transforming the functioning of enterprises. Therefore, it is important to comprehend the alternatives ignored in the notion of risk in Brazil, and how that notion supersedes the other alternatives through its rhetoric of best practices, globally applied, internationally recognised and therefore, the universal solution. Consequently, to understand current practices of risk, it is also important to understand the rhetorical tools used to persuade an audience within hegemonic discourses.

4.5. Rhetorical Articulation of Risk

The rhetorical tradition in accounting research is represented by studies including those by Morgan (1988), Hines (1988; 1991), Craig and Amernic (2004), Arrington and Francis (1989) to mention a few. These researchers argue that how accounting is a rhetorical device of power, used to maintain professional and capitalist perspectives of reality that circumscribe organisations and society. In this sense,

Craig and Amernic (2004), analysing the case of the Enron collapse, reveal how rhetorical strategies were essential to sustaining the ideology of capitalism and to ensuring its resilience and long-term survival. Arrington and Francis (1989) deconstructed the rhetoric of Positive Accounting Theory (PAT) to show that this perspective is not entitled to the epistemic privilege and authority that it has claimed and enjoyed, so it is necessary to uncover alternative and silenced voices about accounting research and practices. Morgan (1988) exposes how figures of speech like metaphors are used to construct limited reality and provide one-sided views of accounting, whilst Hines (1988; 1991) emphasises how accounting constructions sustain realities and maintain professionally powerful positions. This section, then, provides that rhetorical tools from DT to conduct the analysis of risk management discourse.

4.5.1. Analytical Figures of Speech within Risk Discourse

The construction of risk and determination of risk management practices are embedded in complex and dynamic interconnectedness. DT provides a unique way of interrogating the levels of politics within risk discourse. In this way, it investigates how social practices systematically form the identities of subjects and objects by articulating a series of contingent signifying elements available in a discursive field (Howarth *et al.*, 2000: 7; Carter, 2008: 188). From a political point of view, closing a structure is a rhetorical process of redescription. Rhetoric then examines how people are persuaded and structures closed, operating ontologically, deconstructively, and constitutively (Carter, 2008). In this respect, the different categories of risk were

largely open to interpretation, since regulatory statements provided little guidance to their meanings, so interested parties attempted to institute and articulate the meaning of risk to support their claims.

Aristotle (322BC/1947) claimed that rhetoric permeates everything, so each particular articulation of risk is an attempt to persuade an audience. The epistemological rhetorical tradition of accounting is related to explaining what and how things are done, but without exploring ‘why’ people do them (Carter, 2008). In order to understand the reasons, it is important to explore genealogical constructions and rhetorical techniques that have been used to sustain a hegemonic discourse. Consequently, figures of speech like metaphors, metonymies, and catachresis are tools of analysis that could be used to explain the construction of risk.

One of the tools of rhetoric is the metaphor, which makes the unfamiliar familiar through comparison of two things. Metaphorical statements transfer qualities between signifiers whilst commonly asserting that ‘something is something else’; for instance, risk could be ‘useful’, ‘good’, ‘better’, and even ‘under control’. By trying to extend the scope of what risk is, more groups, institutions, and countries can be incorporated, focusing on their similarities and ignoring their specificities. Therefore, metaphors can be used to label and talk about things that are constitutively different, whilst constructing them as similar.

Metaphors substitute a particular name or signifier for the absent unity of the demands or identities through the principle of analogy (Laclau, 2005: 19). The idea of the judge exemplifies a metaphor, as in adapting the general rule to fit the particular case, he or she makes the dissimilar similar (Carter, 2008: 189). Risk is

metaphorical as it compares the likelihood of possible scenarios with the prediction of future outcomes. In accounting, numbers are familiar, but profit is not, but it could be made familiar by ‘numbering’, or measuring it. Equally, processes of rating risk and labelling projects accordingly are metaphorical and theoretically segregate ‘good’ and ‘bad’, ‘profitable’ and ‘insolvent’ projects (Young, 2001). These processes of numbering also provide risk with attributes such as ‘objectivity’, ‘neutrality’, ‘controllability’, and ‘manageability’, distancing decision-maker from responsibility for failures, but justifying their relevance to successes.

Metaphors, however, usually operate together with metonyms (Howarth and Griggs, 2005; Laclau, 2004). Metonyms operate to reduce the complexity within a single signifier that names and aims to represent the whole discourse, and multiple elements. Laclau exemplifies this figure of speech by considering how ‘Crown’ is the representation of a broader concept that includes ‘queen’, ‘parliament’, and ‘sovereign’. Equally, metonyms are implicit in the idea of ‘Brazilian Culture’ that embraces, but also reduces, Brazil’s culture to ‘carnival’, ‘samba’, and ‘football’. Metonyms, then, abbreviate the multiple characteristics of an object by taking a single characteristic to explain a whole, which is much larger and more complex. For example, the definition of risk, in opposition to uncertainty, constrains decision-making processes as ‘quantifiable’. Similarly, labels of risk such as credit, market, operational, enterprise and so on, overshadow the limited role of subjects, as all these small concepts have many signifieds, which might be articulated differently in each context. Nonetheless, rhetorical redescriptions are not limited by metaphors and metonyms.

When the boundaries of language seem to be exposed by what cannot be named, naming what is lacking in society is obtained by catachresis. This figure of speech represents often an improper use of language, applied when a situation is impossible to be named, but needs to be, as the gap must be filled; for instance, the ‘leg’ of a chair. In this sense, the concept of risk was used to name something lacking: risk is the quantifiable part of uncertainty, which conceptually represents what could not be measured - the indeterminacy. In addition, the ideas of risk culture and risk appetite reflect new attempts to ‘managerialise’ the way people behave and their motivation related to risk. In this respect, Power (2009: 851) explains:

Conceptualising risk appetising as a process might better direct risk management attention to where it has likely been lacking, namely to the multiplicity of interactions which shape operational and ethical boundaries at the level of organisational practice, limiting the concept of risk appetite within a capital measurement discourse.

For that reason, when an organisation, department, or actor makes a decision, the idea of risk is ‘overdetermined’ and ‘condensed’. They act with a particular interpretation because there will be multiple interpretations about the signifier, and one has been chosen and used. When someone acts in the name of risk, one particular articulation takes the place of a master signifier. This implies the idea that one articulation has been overdetermined as more important than the others. This is an exercise of rhetoric, which implies hidden interests and an attempt to persuade an audience about the rationale of the hegemonic discourse. Gallhofer, Haslam and Yonekura (2015) assert the relevance to conceive accounting as a ‘contextually situated practice’ and recognise the complexity of re-constituting its mutable universality. Thus, the interplay between accounting and subjects must be taken

seriously as a force that constructs, constraining and expanding accounting praxis (Hines, 1988; Gallhofer *et al.*, 2015).

Laclau provides two more concepts to explain how a signifier could be represented, containing, or evading, those many signifieds in order to be applied in many contexts or weighting different elements of its composition. The following section highlights those discursive characteristics of a signifier.

4.5.2. Risk as a Floating or Empty Signifier

In aiming to have political significance, a hegemonic discourse (e.g. risk management) organised around a nodal point (e.g. risk), must be open enough to allow multiple particulars to be attached to its signifier (Laclau, 2004: 280). A process of representation achieves this when a signifier ‘replaces’ and ‘embodies’ a chain of equivalent signifieds. This process of fixing and emptying of meaning is achieved by establishing equivalences between competing demands in the policy process, and by constructing a common enemy that can subsume the differences between the particular demands that constitute it (Howarth and Griggs, 2005: 31). For instance, ‘risk’ establishes scientific methods as an objective and neutral accounting technology supported by calculative practices and measurements to attack the ‘enemy’ - called ‘uncertainty’, ‘indeterminacy’, ‘ambiguity’ or ‘lack of knowledge’ - in claims of a controllable future.

Laclau (1995: 171), then, demonstrates that empty signifiers name the ‘absent fullness’ of disparate identities because of their lack of unity and community. The

battle over meaning could be infinite, and each representation will necessarily be a distortion. For that reason, Laclau (1994) proposed the concept of ‘empty signifier’ to describe signifiers that, by aiming to universalise so many demands, become impossible to be comprehended exactly, as they end up not matching any possible object. An empty signifier can mean everything and nothing at the same time, without precisely determining the object. Nevertheless, it still has the potential to limit a discourse. In this case, after the incorporation of operational and strategic risks, as well as concepts of ‘risk culture’ and ‘risk appetite’, the original claim of the full measurability of financial risks was defied, partially exposing the limits of risk as a concept and an endeavour to mean everything, whilst meaning nothing.

Nonetheless, Laclau (1994) emphasises that the empty signifier occurs only theoretically, because a chain of equivalences cannot be expanded indefinitely. In a situation where heterogeneous elements are only held together by a chain of equivalences whose unity itself depends on the exclusion of a designated other, the name partly constitutes the meanings of the objects to which it applies, so ‘the name becomes the ground of the thing’ (Laclau, 2005: 100). The core set of relationships previously established would limit this expansion as certain new relations would be simply incompatible with the characteristics of the chain of signification already established (Laclau, 2000: 140-141). Consequently, this attempt to become an empty signifier would always be a failure, as neither a signifier nor a chain of signifieds would have the conditions of a perfect representation (Laclau, 1996: 172): Being impossible, the direct representation of a totality is unattainable, though being required, empty signifiers must be anything present in a level of representation:

Empty signifiers are thus means of representation, which make possible the articulation of internal differences, whilst at the same time demonstrating the limits of a group's identity, and its dependence on the opposition to other groups (Howarth, 2000: 56).

This empirical impossibility of empty signifiers is partly solved by the concept of a 'floating signifier'. A floating signifier enables interested parties to read the signifier according to a complex mix of weights and particular contents put into it at different moments and spaces. Considering the potential meanings attached to risk, then, different organisations, and departments could apply risk in different ways (Woods, 2011; Mikes, 2009). Therefore, even if risk is conceptualised as uniform, there are differences in its practices. However, to maintain its position, the signifier, 'risk', must follow the logic of universality that sustains how it has been applied as something similar. In short, this allows different actors to develop an argument around risk and legitimate their claims.

The meaning of risk becomes less clear as more elements are included in its chain of equivalence. The articulated particular needs to shed its core aim (Laclau, 1994). Thus, the movement of the frontier changes the definition of the enemy, and, consequently, leads to different actors being incorporated into the hegemonic movement (Laclau and Mouffe, 2001: 127; Carter, 2008). The more extended the chain of equivalence, the less pure are particular demands, as each struggle is totally enclosed within itself. Thus, any signifier must be contextual and changing, as the history of hegemonic struggles between and within groups is the history of the negotiation of their identity and the struggle for the articulation of the absent fullness (Laclau and Mouffe, 2001: 125). In sum, attempts to closure a signifier involve relations of power, representation, and politics (Carter, 2008).

4.6. Conclusion

The overall discussion presented in this chapters demonstrates that the discourse of risk was ‘naturalised’ in finance and accounting by a neoliberal conception akin to science. This construction of risk was not unintentional but deliberately developed to sustain positions of authority and domination. Therefore, the harm caused to BDBs could be described as an epistemic violence, which silences and oppresses developing countries, like Brazil, through processes of othering. The impact of risk management regulatory requirements for BDBs represented a post-colonial and imperialist wave of domination under claims of homogenisation and globalisation. Eventually, the oppressed internalises the rhetoric that was constructed to dominate, and begins to emulate the oppressors, in a desire to be like them. Those ideological constructions pervade identities, obliterating the alternatives of emancipation.

According to the key concepts of discourse in DT, then, discourses are not neutral and these supposedly ahistorical definitions of risk must be examined considering its contingent articulations. In a discursive field, the decision about what is risk is determined by a judgment about how to articulate the multitude of elements that could compose this signifier in a particular case. Thus, general rules and guidelines of risk are pondered following the interests of powerful actors, so that each construction of risk will be particular and unique. Nonetheless, to maintain its power, risk discourse needs to keep sustaining its universality.

DT provides tools to investigate this taken-for-granted universal conceptualisation of risk utilising the concept of hegemony. Although risk is constantly represented as a

uniform, objective, neutral, and universal discourse in mainstream accounting literature, the hegemony of risk is considered an artificial stabilisation of risk's potential interpretations. The acknowledgement that risk is in the field of possibilities implies acceptance that potential dangers or opportunities are reserved for the future, and that they cannot be completely managed in the present. Consequently, the definition of risk, and each articulation of it, would serve specific purposes, including and excluding elements of risk's multiple potential chains of signification. Therefore, there is always arbitrariness in risk constructions.

The naturalisation of risk is based on different demands, and while risk represents nothing and everything, it maintains its political power by balancing different interests. The hegemony of risk, therefore, is obtained using its articulations that permits risk experts to claim knowledge and control over risk, in different matters and different contexts. In this way, risk constitutes and subverts, so each current practice of risk must be visualised as transitory, as there is an ongoing dispute among groups antagonistic to this hegemony. This perspective then highlights the need to search for the power of risk, which in BDBs' case emerged from outside and was perpetuated within Brazil by the interest of various institutions and actors, like supranational bodies and consulting firms.

DT's analytical tools highlight the rhetorical strategy pursued in risk regulation and literature, considering the ontic articulation of signifiers and signifieds. This process involves making risk equivalent (metaphorical) to other elements, such as probability, controls, and management, which would transfer their properties to risk and its claims. This rhetoric represents an attempt to tame the subjectivity implicit in any decision-making process through a hegemonic discourse that creates a myth of

an objective 'risk' antagonistic to the subjective uncertainty. The idea of risk, then, has been operationalised by a neoclassical logic, which names a space supposedly controllable and measurable, which represents a manageable future. Risk, therefore, must be read considering its representative role as part of the accounting technologies purposed by an advanced capitalist discourse. It aims to determine what would be the right thing to do, and then, what BDBs *have* to do in order to progress. As a result, a variety of rhetorical strategies are used to construct the risk signifier as 'good', 'better', 'the best', 'manageable' and 'neutral'. However, risk names what is lacking in our society; it is proposed as a way to tame the indeterminacy of our future. Consequently, although the current practices of risk are relevant, it is important to search for the historical contingencies of risk's emergence, exposing choices and hidden politics in its construction.

Having completed the theoretical conceptualisation of risk, I now move on to explore how risk can be understood in practice. Comprehending that this thesis requires a more in-depth examination of social practices for its operationalisation, the next chapter explores the methodological strategies applied in my data collection and analysis.

METHODOLOGICAL STRATEGIES

5.1. Introduction

Given the theoretical elements presented by DT in the previous chapter, this chapter aims to explain how the elements of DT were operationalised in my data collection and empirical analysis. Thus, whilst clarifying the methodological strategies that I followed while undertaking my fieldwork, this chapter answers the following questions: How do the logics of critical explanation (LOCE) developed by Glynos and Howarth (2007) provide a framework for the operationalisation of DT in this research? Which methods were used? How were they deployed? Why were they appropriated? How can the research analysis utilising dislocation and rhetorical redescription support my project to scrutinise the data collected?

In this chapter, I explain the reasons why the logic of critical explanation provides a platform for me to engage with the elements of DT and, how using critical ethnography to collect data was the most appropriate approach to develop this investigation. First, I explain the analytical approach proposed by Glynos and Howarth (2007), and then, the ways and implications of the use of a critical ethnography supported by multiple data sources, embracing participant observations, document analysis and unstructured interviews. This section begins by

demonstrating the steps that I followed to gain access to the Brazilian Development Bank and strategies developed to conduct the fieldwork (Section 5.2.1). The following section elucidates the research analysis carried out during and after the data collection (Section 5.3). Last but not least, I think that an important element in this research was my influence, as a researcher, in this investigation (reflexivity) and the ethical concerns implicit while I conducted this study, so they are discussed in the closing sections of this chapter (Section 5.5).

5.2. Methodology

5.2.1. Logics of Critical Explanation

The Logics of Critical Explanation (LOCE) was a specific analytical approach proposed by Glynos and Howarth (2007) as a response to the perceived methodological limitations of DT in 1985 (Geras, 1987; Lewis, 2005; Torfing, 2005). Glynos and Howarth established the methodological principles needed to utilise a post-structuralist approach in research activities. This conceptual framework affords the application of theoretical concepts of DT in the empirical study through the process of articulation. Consequently, it is used as the general methodological structure for this thesis, consisting of four steps: (1) problematisation; (2) retrodution, through social, political and fantasmatic logics; (3) articulation; and (4) critique. Each of those stages is examined in more details in the following sections.

Problematism

Glynos and Howarth (2007) proposed a ‘problem-driven research’ approach, whose focus was the problem itself, rather than method or theory. It means that a phenomenon has to be constituted as a problem, and the problem must be located at an appropriate level of abstraction and complexity (Glynos and Howarth, 2007). This thesis has already started this problematisation. The first chapter focused on the post-colonial problem of risk regulation that have privileged a discourse from outside controlled by dominant groups and shifted BDBs’ focus from social projects to economic risk management issues. Additionally, the literature review on accounting exposed this discourse of risk as akin to science and that it is exclusionary and limited, because, under claims of objectivity and rationality, it downplayed the subjectivities and political struggles within the constructions of risk hegemonies in order to naturalise risk and reduce contestation. For that reason, DT elucidates how this claim of apolitical discourse is in itself political. Moreover, the empirical analysis will show in more detail the impact of this co-option of a Brazilian development bank, hereafter called the ‘BrazBank’, by this language of capital.

Retroduction

Glynos and Howarth (2007) criticised methods based on both deduction and induction and proposed the concept of 'retroduction' for the development of post-structuralist research instead. They proposed that the evaluation of an empirical event must be done through reconstructing and ‘problematizing’ it, so the result is neither an extreme particularism (inductive) nor an extreme universalism

(deductive). Hence, I have already problematised the construction of risk in the Brazilian financial sector, particularly as related to development banks; then, the retroduction explores further the impacts of risk, and how a discourse of risks has been invoked in the BrazBank, pondering how it empowered and disempowered internal actors. This retroduction here follows a *retroductive circle* which problematises and pre-theorises the situation in the BrazBank, then, furnishes explanations and constructs a theory about it, ending by rendering the problem more intelligible while providing a space for intervention and persuasion, encouraging another *circle* (Glynos and Howarth, 2007: 34). To accomplish this task, Glynos and Howarth (2007) propose the use of social, political and fantasmatic logics.

Social Logic

The social logic is a starting point both to understand and criticise practices and regimes. Social logic characterises practices and regimes in a particular social domain, seeking to comprehend the cluster of rules which make some combinations and substitutions possible, while excluding others (Glynos and Howarth, 2007). It aims to understand norms, rules and perceptions that guide a single practice and answers the question, ‘What is risk?’. However, contrary to the approach of positivist research, it does not take these guiding elements for granted, but seeks to understand the practice’s meanings in a particular context, according to particular historical and political circumstances (Glynos and Howarth, 2007: 142). Consequently, the main focus is on ‘what risk actually does’ (Mol and Law, 2004; Frezatti *et al.*, 2014).

In this case, my object of study is the concept of risk and risk management practices, defined in a certain context and point in time. The social logic involves multiple voices and a system of statements that describe and characterise risk and risk management practices, passing through the self-representations of different actors, departments and hierarchies in the BrazBank. The corresponding cluster of rules makes risk both possible and contestable. Thus, this research aims to understand what was included and excluded in the discourse of risk and risk management in that specific context, along with what is allowed or prohibited within and using the current risk hegemonic discourse. Consequently, what was the influence of national and international supervisory bodies on the construction of this concept? How have 'Big Four' accountancy firms been involved in the implementation of these practices (supposedly) following the regulatory statements of supervisory bodies? What is the influence of individual experiences of risk? How have the differences of individual and organisational 'risk appetite' and 'risk culture' been treated in this construction? In sum, the aim of the social logics is to comprehend and characterise the risk management practices that were effectively in use in the BrazBank at the time of the fieldwork.

Political logic

While the social logic characterises the practice at a given moment of time, the political logic focuses on the process, answering how, when and why the social logic was employed (Glynos and Howarth, 2007). It comprehends how the concept of 'risk' as well as its management was established or challenged over time (Glynos

and Howarth, 2007: 106). The keyword to characterise the political logic is changing, or rather 'dislocation'. This logic explains how risk practices were imposed, confronted or contested. It shows the contingency of social structure and its disruption, revealing the limits of the social structure (Torfing, 1999). The notion of contingency reveals the unpredictability of a social structure and the impossibility of identifying the root causes of an event (Torfing, 1999).

Risk became a hegemonic concept in the Brazilian finance sector as a discourse from outside, but without proper contestation as discussed in Chapter 2. Thus, the political logic examines how this implementation process was articulated and how the logics of equivalence and difference were used to make the concept of risk familiar and persuade actors of the BrazBank to promote the new risk management approach. Moreover, political logic exposes the radical contingencies of the established practice, identifying political struggles over the discourse of implementation, which political interests succeeded and which were excluded and marginalised in the discussion of potential meanings of risk and risk management.

Fantasmatic logic

A political reality also depends on fantasies in order to constitute itself (Stavrakakis, 1999: 81). For that reason, the *fantasmatic logic* examines why individuals maintain social practices, investigating the ideological forces behind those operations (Laclau, 2005: 101). It explains both the inertia of maintenance practices as well as the reasons, directions, speed and resistance to change (Glynos and Howarth, 2007: 145). Fantasies support and give consistency to what we call reality (Zizek, 1989:

44). The role of fantasies is ‘implicitly to reinforce the natural character of their elements or to actively prevent the emergence of the political dimension’ (Glynos and Howarth, 2007: 147).

In fact, Glynos and Howarth state that ‘the function of many management and governance techniques could be seen in this light’ (2007: 146). Images of omnipresence or of total control would represent the beatific dimension of fantasy that attempts to achieve or maintain closure (Glynos, 2001b, 93-96; Stravrakakis, 1999: 108-9). Equally, successive risk management guidelines have not challenged the concept of risk, but simply perpetuated the importance of its construction. Even after crises, guidelines supported arguments claiming that practitioners can manage risk better, but did not open a space for questioning whether they were doing it correctly.

The imposition of Basel rules of risk management in Brazilian Development Banks revealed numerous inadequacies of risk management regulations in this context (Chapter 2), but they are still in use. Ideas of different silos of risk were taken to restore the trust of stakeholders and investors after each crisis, so even after many fallacies of the concept of risk and its management were made apparent it has still been employed in decision-making processes. So, why is it in use? What makes the concept of risk so persuasive that it still ‘grips’ subjects, inducing them to act according to its rules?

The following section summarises the logics and explains more about the articulatory processes involved in the construction of hegemonic discourses and

why, after all the constraints imposed by prudence regulations and risk management practices in the financial sector, they are still in use.

Articulation

The practice of articulation involves the redescription of a discourse in a new explanatory framework, which is related to the logics of equivalence and difference (see Chapter 4.5). Articulation is related to the identification of ‘nodal points’, which are privileged or significant points in a discourse (Carter, 2008). As an example, calculative practices, as a proxy for risk management, have become a prime reference point for corporate governance. The articulatory process then identifies how any singular explanation involves a plurality of contingent theoretical and empirical elements. This process of articulation brings together a critical explanation that requires ‘practices of judgment’ enacted by a particular subject and is reflective rather than determinative (Glynos and Howarth, 2007: 183). For that reason, Glynos and Howarth argue that it is important to develop a contextualised articulation to provide a coherent explanation of the problematic phenomenon.

These judgments, nevertheless, need to be shared in order to project concepts and logics in further contexts (Glynos and Howarth, 2007: 186). It is, then, through naming that an assemblage of heterogeneous elements is kept together (Laclau, 2005: 100). As a result, the generalisation from a case is intimately related to the comparison of cases and takes place ‘on the basis of shared judgments about theoretical terms’, ‘paradigms’, and ‘constitutive cases that converge or diverge from paradigm cases’ (Glynos and Howarth, 2007: 189). Thus, the judgment of the

researcher represents a singular account and involves a persuasive production of narratives that better explain and justify the problematised phenomenon (Glynos and Howarth, 2007: 189-191). The articulation then leads to a critical analysis of the problem.

Critique

The function of logics in social scientific analysis is not only to make social processes more intelligible. Indeed, all logics carve out a space for a critical conception of explanation because they all presuppose the non-necessary character of social relations (Glynos and Howarth, 2007: 153). This approach is based on my intuition and theoretical expertise and I summarised each chapter by highlighting the articulatory processes established in the BrazBank. Hence:

the researcher needs to be open and attentive to possibilities disclosed by the research itself in a mode of critique that combines Derrida and Foucault generating a ‘deconstructive genealogy’ of a social practice or regime. (...) The task here is to reactivate and make evident options that were foreclosed during the emergence of a practice and show how the present configuration of practices relies on exclusions that reveal the non-necessary character of the present social formation, so he/she must explore the consequences and potential effects of such ‘repressions’ and interrogate the conditions under which a particular social practice or regime grips its subjects despite its non-necessary character. This contributes to a practice of ‘ethico-political interpretation’ (Glynos and Howarth, 2007: 155).

The facts do not speak for themselves and even numerical data needs to be interpreted. Consequently, explanations start with (hidden) intentions and self-interpretations. However, a plurality of different kinds of logics and concepts have to be linked together to explain a regime critically. As a result, this generates critical accounts that are both sensitive to context and explicit about their ontological,

ethical, normative, and sociological presuppositions (Glynos and Howarth, 2007: 161). According to Carter (2008), the use of political and fantasmatic logics by itself allows the possibility of criticism, especially when a time of dislocation (leading to the establishment of new social practices) is penetrated by radical contingency. Thus, moments of dislocation make the 'lack' visible and identify attempts to cover this radical contingency, along with ideological attempts to close the lack within subjects; it reveals possibilities that have been excluded or marginalised. Thus, this provides the basis for critique and leads DT beyond descriptivism (Carter, 2008).

The entire analysis of social, political and fantasmatic logics seeks to answer the questions: What does risk management do in the specific context of the BrazBank? And, how and why was this practice institutionalised? Moreover, what, how and why were the alternatives excluded from making this institutionalisation possible?

According to DT, the struggles and contradictions throughout this process, then, provide the basic ingredients for a critical analysis while making evident underlying codes governing overt speech contradictions. This thesis, thus, addresses how risk and risk management were constructed by actors and reveals failures to close this concept as something objective and neutral. This is revealed by an in-depth scrutinising of risk management practices in the BrazBank and by the genealogy of this concept. The output of this deep understanding and reflection are summarised in the conclusion of this thesis (Chapter 9). Therefore, after examining the logic of critical explanation, the next section considers the empirical methods used in the thesis.

5.3. Methods

Although DT and the Logic of Critical Explanation provide theoretical framing, they are also intended to have purchase in the real world and hence empirical studies remain hugely important. For the purposes of this research, I chose to undertake a critical ethnography using participant observation, document analysis and interviews. The utilisation of multiple data-collection techniques was relevant to reinforce conclusions, as various methods can be used to challenge and complement each other.

The comprehension of an organisation, or even a process inside it, is very complex and varies according to its dynamics as well as internal and external interconnectedness and influences. Hence, this research provides a perspective of the construction of ‘risk’ and risk management practices at a certain time, constituting the period of data collection during six months of immersion in the research. The choice of Brazil is related to my nationality, as the comprehension of the Brazilian culture and values, formal language (Brazilian Portuguese) and technical banking jargon was a fundamental aspect of the development of this investigation (Section 5.5). Furthermore, the prominence of this developing country in the international economic scenario, especially in the last decade (see Chapter 2.2) made this an adequate and convenient site for this study. In view of that, the following sections shed light on the process of gaining access to the organisation, the methods used and their operationalisation, as well as the reasons that justify my choices.

5.3.1. Organisation Access

A critical aspect of this kind of thesis is to gain access to an organisation. Access must be obtained through the process of identifying and establishing trust with key informants (Gillham, 2008). However, difficulty is commonly generated by cultural suspicion related to this kind of research, which is not always understood by organisational actors, who are usually worried about organisational secrecy, internal policies of non-participation in research, corporate security and even espionage related to the leaking of strategic information (Atkinson, 2001). Moreover, the researcher's immersion in the organisation's environment can cause fears related to disturbance of organisational activities, which could reduce employee productivity.

The issue of access is not restricted to the organisation itself (Ahrens, 2004). The following sections present concerns related to access to departments and people in power, the conduct of interviews, tracking important concomitant events and access to relevant documents. In sum, the number of contingencies and specificities of each company and its environment cannot be predicted in books on qualitative research. However, these tensions experienced in the field might also generate creative insights that enable relevant findings for research, including the deconstruction of original perceptions about risk, risk management and the BrazBank, since some events showed attitudes contrary to disclosures and guidelines about risk management models.

Overall, this research was only possible because of my previous role as a consultant, which created opportunities for the development of this research. Access to this BrazBank came after conversations held personally, telephone contacts, a series of

queries related to my commitment to the organisation, and assurance of the confidentiality of the data collected. Additionally, I must respect the privacy of their content, following the Bank Secrecy Act, as provided in the Brazilian Supplementary Law N° 105/2001 and the anonymity of the institution and all participants throughout the disclosure or publication of technical or scientific papers resulting from this research.

The whole process of gaining access started one year before my enrolment in the doctorate programme and many organisations were approached, but they agreed only to provide limited access for the conduct of this research. In the BrazBank, there was a stronger interest from both the director and the manager responsible for risk management practices. Both director and manager mentioned problems related to the 'risk culture' in the BrazBank. Furthermore, the manager emphasised that the role of risk management had changed over time. Therefore, I realised that there were many moments of contingency in this Bank, so this site could be a suitable case to illustrate the interplaying of contingency and structures and the articulation of changes in a particular context (Laclau, 2005).

However, the access to an organisation and its actors is a continuous process, and even after the informal agreement to conduct the research, a few months before the beginning of the fieldwork, the legal department issued a myriad queries. These requests forced me to travel back to Brazil in order to conduct the negotiation personally, as I felt that telephone calls and emails were no longer satisfactory. Therefore, after meetings with the director of operations, risk manager and legal manager, many concerns were clarified and the agreement was formalised and signed. Actually, the immersion came at a very appropriate time, since Brazil was

going through a period of unprecedented growth, and a high volume of credit was made available on its domestic market to counter the international crisis and drive development. The following section gives more details about the methods applied during my fieldwork, starting with the critical ethnographic approach.

5.3.2. Critical Ethnography in Action

Ethnographic methods are particularly useful when researchers need to enter into a research field in which the social issues or behaviours are not yet clearly understood. They involve a holistic description of a group of people and their way of life, seeking to define group values and behaviours (Angrosino, 2007). Those methods have been claimed by many researchers in accounting (e.g. Chua, 1995; Jönsson and Macintosh, 1997; Ahrens, 1997; Kornberger *et al.*, 2011), but most of them can be categorised as in-depth case studies, as there was no attempt by these researchers to become insiders. It is acknowledged that ‘in-depth participant observation and extensive fieldwork show institutions and organisations as systems of meaningful practices that are historically and politically contingent, and socially structured, yet open to change’ (Ahrens and Mollona, 2007). Nonetheless, such research cannot adopt a conventional ethnographic approach which refers to pure descriptions and interpretations of culture and meanings. Consequently, considering the post-structuralist focus on political influences of this study, I adopted a critical perspective of this method (Thomas, 1993).

According to Thomas (1993: 7), critical ethnography has a political intent of challenging hegemonic oppression and tries to expose the taken-for-granted,

‘domesticated’, assumptions that perpetuate power imbalances, so ‘cultures, groups and individuals being studied are located in contexts of power and interests’ (Cohen *et al.*, 2011: 244). This research then shows these oppressive relations, according to individual discourses and divergences in multiple voices between hierarchical levels and departments in the Brazilian Development Bank towards the definition of risk. In summary, this perspective seems apposite to this thesis, whose aim is to study how the concept of risk is constructed in a particular organisation as a social and political practice rather than an ideal technical process or mere regulatory compliance.

As Dent (1991: 705) said, ‘We know little about the way in which accounting is implicated in organizations’ cultures’. Culture is about values, meanings and beliefs shared by members of an organisation, which give meaning to an object. Consequently, its study must focus on the understanding of organisational units and sub-units. The task for social scientists is to enter and grasp the ‘frames of meaning involved in the production of social life’, subsequently, ‘reconstituting these within the new frames of meaning involved in technical conceptual schemes’ (Giddens, 1976: 79). Thus, Lyotard (1991: 65) argues that ‘concept or meaning is not exterior to Being; rather, Being is immediately concept in itself, and the concept is Being for itself’. Meaning is created by symbolic interaction, so it is through the interplay of subjects and objects that meaning is born (Crotty, 1998).

This is a process of understanding the particular contextualised meaning of actions and interactions. This understanding requires that we not remain straitjacketed by the conventional meanings we have been taught to associate with the object; instead we might be open to the potentially new and richer meanings that could be associated

with the object (Crotty, 1998: 51). Mead (1994) emphasised that the researcher must be able to *take the role of others* and see him/herself as a social object ‘entering the attitudes of the community’ and ‘taking over the institutions of the community’. The aim is to get inside the way each group of people sees the world (Hammersley, 1985: 152). This implies that the sociological observer must exercise sufficient discipline on himself to ensure that it is indeed the actors’ meanings that are recorded in his notebook and not merely his own (Mitchell, 1977: 115-16). Overall, this is an invitation to reinterpretation, which might happen during the process of becoming an insider.

Nonetheless, this process of becoming an insider is not as pragmatic as it seems, and, as an ethnographic researcher, I realised that I was labelled by myself, but most importantly by the participants. As a stranger, they wanted to know more about me, and to be staring from a corner as a statue, or a ‘fly on the wall’, would never allow me to fit into their cultural values and practices. Therefore, following my judgement and based on my previous experiences, I realised that most of my effort in the field would be dedicated to building trust, and part of this process was obtained through lunch meals, coffee breaks and reducing the information asymmetry between participants and myself. For instance, we started to have lunch together, and then, the conversations became more relaxed, disclosing issues that were not commonly revealed inside the BrazBank. Additionally, I gradually started to expose my values and thoughts, but always trying to show how they were compatible with those of the organisation and individuals. Although I did not lose my label as a ‘researcher’, or ‘Harvard boy’ (as some of them called me), and they kept asking me for the

‘solution’ as if I was a consultant, participants started to share their concerns, beliefs and secrets with me too.

During the fieldwork, thus, I did not assume the role of consultant, but of an apprentice. Contrary to consultants who seem to know everything, apprentices seem to know nothing and always want to know something more, and this position was helpful, especially in the beginning. In fact, I adopted different roles with each department or individual; sometimes these roles overlapped, but worked to keep my access to actors. As explained, my role was not, and could not be determined by myself alone, so this position was challenged by the actors in the BrazBank, who were anxious to know what I was thinking and receive advice about the quality of their risk-management practices.

There are also other pragmatic elements that made this research possible, for example, the comprehension of the formal language (Brazilian Portuguese) and technical banking jargon was a fundamental aspect of the development of this investigation. Furthermore, methods were blended in order to obtain the most reliable and faithful information from the field. For instance, observations in conjunction with documents provided me with more of an inside view about the BrazBank’s history, which was used to develop better interaction with actors during interviews. The following sections, then, explain how the methods were also influenced and adapted according to the situation encountered during the fieldwork. First, I explain the benefits and reasons for the utilisation of participant observation.

5.3.3. *Conducting Participant Observations*

Initially, the fieldwork focused on my insertion into the organisational site. I was meeting people, building partners and alliances, observing the organisational environment, recognising its policies, standards and information systems (formal and informal, and *intranet* and *extranet*). So, especially, in the first month, I was only acclimatising and building trust, to understand the culture, language and cause minimal disturbance in the environment studied. That was a period when I learned and adapted myself to the routines of the Risk Management Department (RMD), which is where I was located as a researcher during the fieldwork.

Spradley (1980) argues that the first task of an organisational ethnographer in the field is to understand which cultural knowledge, behaviour, and artefacts participants share and use to interpret their experiences. This process can represent tensions between explicit and implicit culture (what is said and what is done), between the actor's voice and the researcher's voice, and between representations of the local cultural world and larger worlds (Schwartzman, 1993). Nonetheless, this preliminary tension is important as it reduces the interference and impact of the researcher in the field and represents the first steps towards conducting the observations. I admit that at the beginning, the ambiguities, contradictions and discrepancies in the reality found in the BrazBank caused frustration and anxiety for me, as the first impression was that the data would not answer my research questions. However, throughout the fieldwork I realised that my data would actually fill many gaps in literature and practice of risk management, as can be observed in the empirical part of this thesis (see Chapters 6, 7 and 8).

After the first month, I started to analyse the interactions of the RMD with other organisational departments, primarily focusing on the vision that actors from the RMD have about other departments, and then, trying to understand the reality of this department and the influences of risk management practices on its activities. I commonly emailed managers asking for a day to follow their practices in order to understand more about the 'risk culture' in the BrazBank and their connection with risk-management practices. Sometimes, managers were interviewed before this departmental immersion, sometimes after, and this was determined by our first interaction or their requests. Such immersion was a good opportunity to start to do informal interviews with other staff, get to know people and be known in the BrazBank. In general, this phase was fruitful to observe the interaction of different hierarchical levels, particularly at the operational and tactical levels, and be part of committees, meetings and decision-making processes about risks understanding the influence of the concepts of 'risk' and risk management on those activities.

My participant observations took place in different spaces of the BrazBank. I followed the timetable of a normal employee from 8am to 6 pm. This approach allowed me to be recognised by the actors in the BrazBank. As time passed, I participated in meetings, conversations, interactions during lunch time, gossip, complaints about other's behaviour, personal and organisational history telling, etc. I started to observe the posture, tone, facial expressions, and gestures used in each of those moments. Also, I came to understand where each kind of interaction usually took place in terms of time and space, as well as taboos demonstrated by explicit and covert behaviours.

While conducting the observations, I was open to all the information available in the field. I transcribed the maximum of words using codes to preserve confidentiality and making detailed records of events, conversations and other interactions (Angrosino, 2007). The fieldnotes were organised chronologically and as literally as possible, considering the physical setting, objects and people's behaviour and interaction with other subjects, as well as accounting and risk management tools. Silverman (2009) asserts the importance of understanding what, how and why people do what they do in order to characterise their aims and assumptions. I was also aware of body language and gestures, analysing interactions pre-meeting, post-meeting, and clarifying as many points as was possible. Furthermore, it was important to take some time to reflect on the content, overall processes and impacts of each observation during and after meetings or interviews (Jarzabkowski and Seidi, 2008).

According to the Discourse Theory of Laclau and Mouffe (2001), observation could provide the perception of power imbalance relationships at the organisational level. Thus, at the strategic level, this research sought to understand how the idea of risk was weighted on issues such as granting credit, planning and budgeting, as well as the role of risk management, and how the Board's perception of this role was reflected in the activities of risk management and other departments. This was conceived by observing the shared perception of actors in this department about their potential role in organisation activities, as well as the interaction of these concepts in other departments and at other hierarchical levels.

After six months working eight hours per day, having lunch with the BrazBank's actors, and using the evenings to code, review and fill the gaps in my transcriptions, it was crucial to have some standard in the recordings. I kept a logbook where I

commonly described my thoughts and feelings about the interaction in the BrazBank and my insertion, which was more like a self-reflexive experience log, sent every day to my supervisors and used to monitor changes in my perception. Additionally, my fieldnotes were organised, registering the date, place, start and end time, the purpose of the meeting as well as how it was opened and finished. The archives were organised by month, day and time and segregating the different sources of information. At this point, the detailed operationalisation of the document analysis is explained below.

5.3.4. Conducting Document Analysis

The analysis of documents was conducted throughout the fieldwork. Access to the archives was gradually obtained according to my requests. In general, I had unrestricted access to all the documents in the BrazBank. Initially, however, my analyses focused on the documents used by the actors of the RMD, such as spreadsheets, heat diagrams, risk matrices, stress tests, databases, reports, training materials, norms, policies, etc. In general, these archives provided examples of the language used inside the RMD. After that, newsletters, flowcharts, photographs, board reports, compliance reports etc. were used to understand the language used in the communication between departments. Overall, these archives were relevant to clarify connections between previous events related to risk management practices as well as providing me with an understanding about important moments in the history of the BrazBank. Furthermore, the archives provided an important source for inquiring into and confirming assumptions within interviews and observations.

Document analyses were concentrated on the genealogy of working versions of the present (Hammersley and Atkinson, 2007), so this is part of the political logic (Chapter 7). Documents played a key role in comparative analysis about what people should do and what they actually did, or how the organisation wanted to operate or to present itself (Chapter 6.2). For those reasons, documents were useful to provide information about the BrazBank, its context and key figures and events, showing data and details not available from other sources. In conjunction with the previous methods, then, document analysis represented a relevant source for corroboration, or to challenge the information received from informants, interviewees, and observations (Hammersley and Atkinson, 2007). In summary, it represented a valuable and complementary method.

According to Rapley (2007), the examination of texts must be focused on what is said, and how a specific argument, idea or concept is developed, as well as on what is not said, i.e. silence, gaps or omissions. This scrutiny emphasised how different elements of the text are combined to consolidate (or disrupt) meanings alongside the assumptions in the text. In accordance with this perspective, Rapley (2007) argues that this process must analyse how specific issues were used to persuade an audience about the legitimacy of someone's claims. It is important to comprehend how specific discourses are drawn on (and excluded) alongside specific subject positions, which are produced, sustained or negotiated together. For that reason, document analyses require the focus on a range of sources of knowledge and evidence.

In fact, the documents of an organisation represent their history. However, in the case of a bank, they also often represent the dissemination of practices of internal controls, audit and risk management, which conceptually are intended to formalise

all activities in order to maintain audit trails (Power, 2007). The members of the BrazBank were engaged in the production and circulation of various kinds of written material, including reports on ‘cases’, financial records, rule-books, organisational charts, timetables, memoranda, and so on, both in paper and electronic form (Hammersley and Atkinson, 2007). Therefore, these are important sources of information about the context under study as documents are also constructions of a reality (Atkinson and Coffey, 2004). They construct ‘facts’, ‘records’, ‘diagnoses’, ‘decisions’, and ‘rules’, which play a central role and are crucially involved in social activities that take place (Prior, 2003; 2004).

In this research, the documents analysed are newsletters; meeting minutes; regulations and internal policies, especially those related to audit, risk management and internal controls; standards for performance and employee code of ethics; the company website; information present in the media; the organisation’s history; photographs of events and institutional films; reports and technical papers about organisational aspects; billboards; spreadsheets and reports about risk analysis and financial statements; management reports used by executives; and external reports from government and supervisory bodies related to policies for the financial sector and, more specifically, for development banks. Briefly, every form of recording available was considered as a potential document to be examined.

These documents provided important understandings of the decisions that contributed to the emergence, establishment, development and the current stage of institutionalisation of risk-management practices in the BrazBank; the company and its processes; its external image; the form of communication with employees; personnel policies; ethical messages in the work environment; standardisation of

practices, procedures and standards adopted for the relationship within and between departments and hierarchies; and comparison of standards recorded with the practices currently adopted. Furthermore, documents showed accounting information provided to managers; standards of information disclosure; and a picture of the historical economic and financial situation of this development bank.

In summary, both documents and observations focused on practices and behaviours before, during and after decision-making process about risk, usually related to funding projects as well as the compliance with Brazilian regulations and internal policies related to risk. The role of interviews, then, was to provide a trail of feelings about risk and risk management as well as how different practices are interpreted in different departments and hierarchies.

5.3.5. Conducting Unstructured Interviews

After the first two months, formal unstructured interviews were arranged and conducted with analysts, managers and directors. Overall, my strategies had to be changed many times according to the specific situations found in the setting. There were employees' strikes, restrictions and gaps in the time available to access new departments, archives, databases, and actors. The original intention was to hold a dialogue firstly on operational levels (3rd month), in order to optimise the time available to undertake interviews with managers (4th month) and directors (5th month). However, cultural hierarchical barriers in the bank pushed me to invert the order and start with the manager in the third month. Furthermore, strikes in the BrazBank opened a valuable space in the agenda of the directors in the fourth month.

In general, these alterations did not compromise the outcomes of this thesis, but reflected the sensibility and flexibility necessary for ethnographic studies and researchers.

In the qualitative research field, the researcher should be mature enough to circumvent the ambiguities and difficulties that arise in obtaining the information for the research. This research was no exception. For instance, I negotiated access with managers who, either due to initial insecurity or the natural demands of their work routines, imposed time and access limits to information. Certainly, my previous experience and flexibility were essential in enabling me to circumvent these difficulties and gain access to information, with the maximum security to me and ensuring that a relationship of trust was developed.

Another important aspect examined in this research is power relationships, referring to the interaction of the organisational actors with regulations, such as BCB's statements and supervisory bodies and government requirements. Thus, I used informal chats, followed meetings and observations, to monitor the implementation of risk management strategies and track discourses developed in decision-making processes, making a linkage between the BrazBank and its macro-context according to the political influences presented in this context. I also followed meetings in committees about risk management, granting credit and strategic investments. Therefore, this research sought to understand how these internal and external demands generated changes in the organisation's routines and strategies and how actors in this development bank adapted themselves to these changes and rationalised their decisions utilising discourses related to risk. Even more, I sought to

highlight the specific role of accounting tools and risk management analysis in these situations.

The formal interviews took place in the Brazilian Development Bank during business hours. In total, I conducted 54 interviews, with a duration between 30 minutes and 2 hours, with directors, managers and analysts, selected for convenience and availability. Before each interview, I introduced myself, talking about who I am and the nature of my research; explained the purpose of the interview; checked if the interviewee had any question about those things; explained the confidentiality of both the interviewee and organisation's identity; and confirmed that this research and interview was solely for academic purposes (Gillham, 2008: 26-27). I started the interviews using open questions focusing on feelings and meanings of risk and risk management practices, like 'What does risk mean to you?' and 'How is risk related to your work?'. Then, following their reply construction, I asked for some explanations about feelings and perceptions related to risk culture and appetite in different departments. During the interview, I tried to offer the time and space necessary to the interviewee to respond to the question explaining their point of view, trying not to over talk or finish off what the interviewee was saying; to be alert to non-verbal signals, mood and uncertainty presented by the interviewee and to avoid joined questions. Additionally, at the end of each interview, I summarised it to the interviewee to check if my comprehension about what had been said was correct (Gillham, 2008: 26-27). Moreover, other informal interviews or quick chats during the lunch hour or coffee breaks were used as an additional source of information.

For Howarth (2004), an interview is an approach that emphasises the importance of subjectivity in the explanation of social reality and seeks to provide 'thick

descriptions' of events and processes, which provide depth to a qualitative study. Unstructured interviews attempt to understand the complex behaviour of a member of society without imposing any *a priori* categorisation that may limit the field of inquiry (Fontana, 2007). They are developed through a human-to-human relationship with the respondent and seek to understand rather than to explain their point of view; what Spradley (1979) called 'learning from the native'.

The main focus of unstructured interviews is on how a story is told (Gubrium and Holstein, 1998), so I was constantly aware of the substance, structure, plot of the story and the context where the interviewee inserted his/her story. Moreover, following the imperatives of post-structuralism, I focused on what was told and what was omitted. Consequently, this research used unstructured interviews to focus on how the concept of 'risk' differs from person to person, from situation to situation, from time to time (Scheurich, 1997: 62), highlighting contradictions between individual, hierarchical and departmental conceptions of risk, and how these are influenced by regulatory statements, consultants' recommendations, and internal norms. From this perspective, the using of multiple methods was a fundamental approach to this research.

5.3.6. Benefits from Multiple Data Sources

As I said before, the traditional ethnographic approach tries to obtain a complete comprehension about organisational environments. However, according to the post-structuralist perspective, this completeness is always problematic. Although I acknowledge that each method would have limitations for presenting a whole view

of an organisational context, I also recognise that a platform of multiple methods would reduce these limitations by the complementarity between methods. This approach is useful to post-structuralist purposes, as it seeks to hear multiple voices and uncover multi-layers of reality, looking at the historical, philosophical and cultural construction of frames considering patterns of belief and habit as temporary in each organisational period (Emerson *et al.*, 2001: 479). The post-structuralist paradigm understands structures as historically contingent and reciprocally affected by practices present in particular conditions of time, which define how they are conceptualised as disciplinary knowledge (Lather, 2001; Prado, 1995). For instance:

In contemporary regimes of disciplinary truth-telling, authenticity and voice are at the heart of claims to the 'real' in ethnography. Indeed, in the 'new' ethnography, that which comes after the loss of faith in received stories and predictable scripts, the authority of voice is often privileged over other analyses. Confessional tales, authorial self-revelation, 'multivoicedness' and personal narrative, all are contemporary practices of representation designed to move ethnography away from scientificity and the appropriation to others (Emerson *et al.*, 2001: 483).

For that reason, during my fieldwork, I privileged my informal conversations with the participants and my involvement in their more ordinary practices, such as lunch and friendly chats during coffee hour. These more informal events gave me the opportunity to grasp the interaction between subjects and power hierarchies, for instance. They contradicted formal archives and showed a lived picture of the organisation. Consequently, the operationalisation of the multiple sources of data collection was done considering, for example, that observations must be confronted with documents, then clarified by personal narratives. I recognise that ethnography is a cyclical approach, as these major tasks like asking questions, recording observations, and analysing data were repeated over and over again until saturation

was reached in order to give confidence that the analysis is as unbiased as possible (Schwartzman, 1993).

The last month was used to monitor the planning for the following year in the area of risk management and related areas and to clarify any doubts or perceived conflicts during interviews, observations and documentary analysis. Throughout this data collection, I worked as a passive scribe, documenting the organisational worlds and meaning systems of particular groups, but also reflecting upon and criticising organisational, social and economic systems within which meanings were a part, while seeking for relationships that would corroborate or contradict the literature, theory and paradigm used. Thus, in line with my commitment to an open and accountable research practice, I also presented to the organisation a preliminary report about this study and listened to their feedback and their reactions to the findings.

It is worth highlighting that at the end of my fieldwork, the RMD was conceived as a key area in the bank and passed through a new reformulation conducted by a consulting group. Although the new shift was not the focus of this research, the live observed interaction between members of the bank and consultant was an important element to confirm some perceptions obtained previously from document analysis and other records. Nonetheless, it also reinforced that risk management practices were in constant movement. In order to understand those elements, the next section focuses on the analyses carried in this research.

5.4. Research Analysis

The main focus of this thesis is to address how the concept of risk was constructed in the Brazilian financial sector, in this case, pondering the influence of possible demands of certain powerful organisational actors and silenced voices in a development bank. Nonetheless, as shown before, the conceptualisation of risk and its regulation was problematic, involving different levels of power imbalances as well as arbitrary regulatory and disciplinary conceptualisations of risk (Chapter 2 and 3). For that reason, it would be naïve to conceive this as a consensual and smooth implementation process. Similarly, it is questionable whether risk management practices are still uncontested, especially after so many explicit and current failures of its claims. Thus, this section highlights the tools used to analyse disputes intertwined in the emergence, conflicts, contradictions and closures of risk management as a hegemonic discourse for development and as a source of good corporate governance structures. The analytical strategy employed was concentrated on the analysis of dislocation, comprehending radical contingencies around risk constructions and the rhetorical redescription of risk as a nodal point, explained below.

The analysis of dislocation focuses on shifts within a discourse. During my fieldwork, it was possible to identify shifts in and contestations about the hegemonic constructions of 'risk', as a nodal point. This was already theoretically confirmed by the struggles surrounding risk's discursive formation and implementation within regulatory statements (Chapter 2) and epistemological boundaries set by the accounting discipline (Chapter 3). Hence, my empirical analysis focused on actors within the BrazBank that formed this discursive field. In general, dislocations

resulted from counter-hegemonic struggles when actors attempted to construct a ‘new’ discourse of risk, including and excluding certain elements within this discursive field, or attempted to cover the limitation of this discursive structure in order to sediment a new social practice (Howarth et al, 2000: 9). These new claims are related to maintaining powerful position and power imbalances.

In the BIS’s regulatory statements of risk management, for example, these shifts were clear in the redefinitions of what constitute risk-management practices. In this case, the inclusion of operational risks in risk management frameworks expanded its frontiers, incorporating more subjective measures into them. However, this was done to contain a radical contingency caused by financial scandals, such as Enron, that exposed the influence of subjects in this previously immaculate fully quantitative model. Therefore, dislocations are usually a response to crises and can demonstrate the limitations of risk’s constructions.

Identifying these radical contingencies and dislocations can be challenging in fieldwork. The subjectivity of actors, their difficulties in recognising such events, different self-representation in different groups, and the problem that not all these contingencies necessarily lead to change, are aspects that must be considered (Carter, 2008: 220). In general, then, this thesis examines how interested actors, formulating the discourse around ‘risk’, succeeded in, and were challenged about, the sedimenting practices of risk management and new hegemonic regimes of risk in the BrazBank.

As the literature review of this thesis has shown, the political use of risk as a concept is contingent and controversial. Laclau and Mouffe, then, considered that

redescriptions play a significant role in the creation, maintenance, destabilising, and disruption of hegemonies. For that reason, ‘rhetorical redescriptions’ were used to understand how actors articulate metaphorical elements of risk, in the implementation, application and maintenance of risk management practices. This commonly involves changing this concept to alternative variants to increase its ‘acceptability’ (Carter, 2008). Carter (2008: 220) states that:

In rhetorical and linguistic terms, a ‘redescription’ names moves that change a concept in alternative respects, and includes several variants: reconceptualisation (a revision of meaning), renaming (a change of the name), re-weighting (a shift in significance) and re-evaluation (an alteration of the normative implication).

Following the requirements of my analytical approach, the ethnographic field notes including documents, interviews and observations were subject to an analysis of rhetorical redescriptions, focusing on the role that DT’s elements, like metonyms and metaphors (see Chapter 4.5.1), had on the employment of ‘risk’ in risk management practices. Furthermore, I focused on the incentives that each player had to define risk for their own advantage, uncovering interests and power imbalances in risk hegemonic constructions. The analysis of the contestation over interpreting and implementing risk management practices illustrates that dislocations of this signifier might result from confusion and disappointment in relation to the aims of new regimes of risk, which empower some actors and disempower others (Carter, 2008: 220-222). All these analyses were framed according to LOCE’s framework and logics proposed by Glynos and Howarth.

Overall, I conducted preliminary analyses during the fieldwork, after each day and considering my learning curve about the organisational culture of risk, recorded in my self-reflections summarised every day in a logbook about my experiences in the

field and my perceptions of them. Each month another review was conducted, pondering the outcomes obtained. At the beginning of the sixth month, an overall examination was done in order to fill some gaps and provide feedback about my data collection to the actors in the BrazBank. After I finished the fieldwork, all logbooks were re-read and the fieldnotes analysed, firstly, to familiarise myself with the whole data, then, highlighting important quotations, and finally, identifying some themes. After the first draft, in line with the structure of LOCE, the fieldnotes passed again through this analysis whilst they were re-read in order to ensure that the main topics of influence to risk management practices conceptualisation were embraced by this research. Finally, after the final version of the empirics, the fieldnotes were analysed following the same process, bringing even more quotations and details which confirmed the outcomes of this study. Overall, I conducted the analyses following an iterative process grounded in empirical data and theoretical support.

It is important to clarify that this research was a product of the situation found in the field. In the first stage, Chapter 2, 3 and 4 provided just a generic overview of the Brazilian financial system and regulatory context and paradigmatic positions adopted in the research of risk that could have an influence on risk management practices. Henceforth, after the data collection and first round of analysis, the theoretical part of this thesis was revised completely. The empirical analysis was again re-examined and the uncovering of new gaps drove further reviews in the conceptualisation of the theory, literature about risk management and the impacts of the imposition of risk management regulations in Brazil. At the end, I tidied up chapters and sections in order to provide a framework that could properly demonstrate the problems faced in practice and theoretically about the conceptualisation of risk and risk management

culture. Ultimately, this thesis is a result of my fieldwork, previous experiences and readings about risk and risk management practices. The next section explains my awareness, role and potential influence during the fieldwork.

5.5. Reflexivity

Firstly, it is worth recognising that my relations in the field under study constantly and directly influenced this research, and thus, that the idea of reflexivity is important to comprehend this investigation. According to Riach (2009), reflexivity tends to emphasise and give greater awareness to and acknowledge the role of the researcher in the construction of knowledge. It puts the researcher at the epicentre of discussion, as social phenomena are produced through social interactions involving social actors and the research itself (Riach, 2009). For that reason, I adopted an active voice while writing this thesis, understanding that I was an active part of the study, and the results presented here would not be separate from my life story, choices and participation in the field.

In regard to the validity of my findings, reflexivity is one of the characteristics that give coherence to qualitative research. Following Gibbs' (2008) suggestions, I critically acknowledged my role in all phases of the research; described previous experience; evaluated the data critically, included issues related to the interaction with respondents; and focused on the story that different voices tell, and not just those who hold higher power or support my way of seeing the world. Consequently, I was constantly aware of these aspects, and this multitude of perspectives is further presented not only in this section, but throughout the development of this research.

It is important to mention that this is only one of many possible ways of rendering the social reality encountered in the BrazBank. My research, then, ‘offers *readings*’ not ‘observations’, ‘*interpretations*’ not ‘findings’ (Rosenau, 1992: 8) about risk construction and risk management practices in the BrazBank studied. Even though I recognise that this leaves us with an acute sense of uncertainty, however, I think it is important to represent the fluid flow and relativity of explanations. Thus, this research provides a plausible representation of risk construction. Nonetheless, considering the dynamic of our modern world, I accept that, as Heraclitus said, it is impossible to step into the same river twice, because tools, practices, institutions, organisations and actors are in constant movement and changing.

Problematising and questioning the permanent characteristics of anything, I critique ‘realist tales’ as there is no objective reality out there waiting to be revealed to and uncovered by social scientists (Van Maanen, 1988, Crotty, 1998). Similarly, Denzin (1994: 296) has problematised the authority to explain reality, arguing that descriptions ‘can never be a final, accurate representation of what was meant or said, but only different textual representations of different experiences’. Thus, throughout this research, the mantra was:

not one ‘voice’, but polyvocality; not one history, but many tales, dramas, pieces of fiction, fables, memories, histories, autobiographies, poems, and other texts to inform our sense of life ways, to extend our understanding of the Other (Lincoln and Denzin, 1994: 584).

This is coherent with post-structuralism, as it focuses on marginal voices suppressed by political power and interests. This ‘requires a fundamental re-questioning of what is knowable in a given context’ and taken-for-granted beliefs (Riach, 2009: 359). Hence, reflexivity is exercised during, as well as after research. This entails

sensitivity to cultural, political and social context and reflection about my identity in time and space.

For that reason, writing predominantly in the first person, I seek to reveal my identity through the text in order to emphasise the point that the ethnographic text is constructed through my stance assumed in relation to the observed and explaining my experiential writing strategies, seeking to achieve post-structuralist reflexivity (Kondon, 1990). I was constantly aware of my position as an observer-author and reflecting on the implications of the methods, values, bias, and decisions chosen to study the social world and how my personal experience and implicit assumptions, affect this investigation. That is the reason for reflecting about my background.

5.5.1. Positioning myself as a researcher

It is worth mentioning that my professional experiences probably had great relevance on the development of this research. Since 2006, I have been working with risk management, mainly as a consultant. I have participated in consulting projects for financial and non-financial companies, working in the public and private sector for-profit and not-for-profit organisations and in themes related to areas, such as organisational performance improvement focus, particularly, on the improvement in managerial accounting, internal controls, information systems and governance corporate. I have also worked with issues related to risk management and its interaction with comptrollership, audit, corporate governance, environmental management, business planning, financial literacy and cognitive biases. During the course of these activities, I intuitively developed skills related to the conduct of

interviews, observation of organisational activities and interactions between organisational actors as well as analysis of documents related to the improvement of organisational process and reduction of operational risks.

These experiences also enable my faster adaptation in different organisational settings, as I have been regularly working with different hierarchical levels and with people with different responsibilities, from strategic to operational issues. All feedback obtained from directors and managers over these periods of consultancy highlighted how my friendliness is helpful to obtain quick adaptation to organisational sites and cause minimal disturbance in the activities of employees, respecting their work routines. Accordingly, while conducting this ethnographic study, I followed the norms of the community in the BrazBank and was aware of local preconceptions about factors over which I have no control (e.g. gender, race and age preconceptions) (Angronino, 2007).

Throughout those years, my focus in this consultancy work was on improving organisational performance, concentrating on the interaction between people and accounting management tools, but in this research, I recognise that I need to maintain my critical awareness in order to identify political interests in the context under study. Here, again, I believe that my personal characteristics were indispensable and a key element in this fieldwork, as I have always appreciated the importance of personal motivation and how people interacted with accounting management tools that were available in their work rather than only technical aspects related to these techniques.

Furthermore, as a Brazilian, it is also a huge responsibility to risk exposing an image that could undermine the reputation of Brazilian institutions. For that reason, and respecting the Bank Secrecy Act promulgated by Brazilian Complementary Law 105/2001, which states the duty and obligation of financial institutions to safeguard the data of their customers, I preserved the anonymity and confidentiality of all participants, as well as the institution and its customers. I acknowledge that, on this site, there was also a risk of improper use of financial resources and corruption; however, it is not the aim of this research to investigate this kind of problem. Therefore, if any vestige of these practices was noticed during this research, they were ignored, as their disclosure could cause harm to me as a researcher and the participants involved. According to Brazilian law, any disclosure about such matters could represent a legal obligation of the researcher to prove in Court the existence of such misconduct. Thus, if even during the interviews, participants might have started to talk about it, I stopped them and advised them of the legal implications of this kind of information. In sum, ethical concerns were crucial in this research, as the following section expounds.

5.5.2. Ethical Concerns about this Research

Whilst working with people and organisations I continually considered aspects related to the safety of participants and the organisation as a whole, since the information reported in research can harm people's lives and the reputation of organisations. Thus, although my intention as a researcher is to bring practical and theoretical contributions, I have always respected the ethical boundaries of this

quest. Consequently, researchers cannot, under any circumstances, harm participants and the main attention of this investigation was directed to this.

Prior to beginning my fieldwork, I signed a memorandum of commitment with the BrazBank in which I assured the ethical and confidentiality considerations of this research. Moreover, before any interview, I announced to the participants that they were involved in academic research, so that there was no connection with any kind of consulting or the researcher's intention to join the organisation, as they often asked that.

Furthermore, before all the interviews, I requested permission from the interviewee to record the conversation. However, following recommendations from my informant and in accordance with the organisational culture, I observed that the interviewees usually did not feel comfortable with the recording and this was creating a bias in the answers provided. The interviewees usually revealed conflicts and politics only after the interview had finished and the recording stopped. Some of them also expressed that they would not confirm this kind of information afterwards, but allowed me to use it in the research. For that reason, I decided to take brief notes during the sessions and fill them out with other comments at the end of the interview. This proved to be a better approach, enabling me to receive more reliable information. It is worth mentioning that I was constantly aware of the necessity to pay attention to the respondent during each interview, especially, because many notes during the interview could also cause embarrassment to the respondent and affect the flow of this procedure and the information obtained. Therefore, I sought always to maintain eye contact with the interviewees in order to keep them more comfortable and confident in our relationship. At the end of each interview, I

recapitulated some points and after I had transcribed the interviews, the respondents had the opportunity to review some statements and correct any misinterpretations.

Complementarily, at the end of each interview, I emphasised that participants had the option to delete the recording or notes and not take part in the research, but there was no case of withdrawal. Furthermore, the respondents were also given one month to communicate any concerns about the transcriptions. Thus, after that period had expired, I assumed that the respondent agreed with the information provided and with the interview.

Related to the confidentiality of the records made in the field, no other member of the organisation had access to the information discussed during the interviews. Throughout this research, only I had access to interviews records and field notes. In all my field notes, I did not use names or nicknames, but only code letters and numbers. Regularly, after the working hours in the bank, I typed the field notes into the computer. Once a week, I stored all the data into my computer with a password and destroyed all my paper records. The data was always kept transcribed with codes, whilst the codes were kept separate from the data and stored in another document with a different password. Moreover, the recordings and field notes from this thesis used for working papers will be archived (without identification) for five years in a secure place to ensure the accuracy of this research if it is needed, while other records and field notes will be destroyed after one year from project completion.

5.5. Conclusion

In this chapter, I showed how this research was conducted and the implications of the paradigm, methodology and methods chosen. As a result, I showed that:

- a) *Methodology*: the Logic of Critical Explanation of Glynos and Howarth (2007) permits the use of the Discourse Theory of Laclau and Mouffe (2001) in empirical studies through the use of problematisation, retroduction embracing social, politic, and fantasmatic logics, articulation, and critical analysis. This allows the study of ‘risk’ as a current problem and the comprehension of what those practices are and how and why they emerged and were contested and maintained in this particular case.
- b) *Methods*: the critical ethnographic approach permits a profound understanding of the organisational culture of risk management through in-depth immersion in the BrazBank activities. Here, this method was supported by participant observations and interviews which allowed the exploration of a large amount of information about risk management practices, but also comparing what actors said and what they did. Furthermore, document analysis enabled the historical analysis of sedimented practices and how they had arisen, presenting concerns about what people do and what they should do. In sum, this sheds light on how controls work in practice.
- c) *Analysis*: the analyses were conducted considering dislocation and rhetorical redescription. These analytical tools focused on contradictions and radical contingencies which made explicit the limitations of risk management

discourse and how powerful actors rhetorically cover over these limitations in sedimenting practices and during contestations respectively.

This chapter also elucidated the steps taken while conducting the work in the field, and how this involved changes from the original plan. This whole explanation was helpful to understand the execution of critical ethnographic approaches in organisational fieldwork and develop a comprehension of the advantages and limitations of each method. I pointed out the importance of the reflexivity and the influence that I, as a researcher, have in this kind of investigation. Finally, the last section shows the ethical implications of this research and the actions employed to minimise any undesirable impact from it. The next chapter focuses on the empirical analysis of this research and shows the results of this examination.

– CHAPTER SIX –

RISK: OBJECTIVE, SUBJECTIVE OR ILLUSORY AND SECRET

6.1. Introduction

This is the first of my three empirical chapters presented to analyse the construction of risk in practice. Given the rationale developed thus far, this chapter explores the regimes of practices that characterise risk management in the BrazBank according to internal and external perspectives. Therefore, considering elements proposed by DT and the LOCE, in Chapters 4 and 5 respectively, this chapter examines the discourses that made possible the reproduction of the discourse of ‘risk’ and ‘risk management’ in the BrazBank. This allows the description of the BrazBank’s actual practices of risk management, responding to the following questions: What is the influence and impact of international regulations of risk management in the BrazBank? How has this international conceptualisation of risk influenced macro-, meso- and micro-articulation of risk and risk management practices? What does risk do in the BrazBank? What are the politics involved in its sedimented practices?

In Chapter 2, risk management was considered as an imperialist discourse that has been inadequate and harmful to BDBs. Thus, here, it is important to show the influence of international regulation (Basel Accord, COSO, governance structures, etc.) on the BrazBank. This picture provides a rubric to understand how the practices of risk emerged in this particular site and where risk came from, highlighting influences on how risk was understood and implemented at this site.

Chapter 3 exposed disputes around risk and risk-management discourse, which from a positivist perspective is considered as a universal, objective and neutral concept, but in reality, represents a social, with multi-layered practice. This chapter, then, confirms relations of power and politics in the proposition and construction of accounting techniques which set boundaries to risk and the definition of risk management. For that reason, the social logics presented here consider the genuine BrazBank's internal practices of risk at meso- and micro-level, answering Borraz's (2012) comment on the current obscurity in the understanding of risk management practices and its actual meaning.

This chapter acknowledges the importance of risk's frames and structures, but also the immense complexity and dynamics of risk-management practices, characterised by the mobile and flexible paths of our liquid modern world (Bauman, 2013). Thus, considering the DT perspective embraced in Chapter 4, this chapter aims to comprehend how the contradictions between the normative and functional side of risk, i.e. 'what risk should do' and 'what risk actually does', were translated into BrazBank's risk-management practices. Consequently, narrowing my analysis to the BrazBank, this chapter examines 'what risk is', 'what risk does' and 'how risk management practices were used' in this context. This chapter makes claims about a

rhetorical construction of risk in decision-making practices and the existence of power imbalances in risk constructions.

In short, this chapter contextualises risk-management practices in the BrazBank, exposing the differences between external disclosures and internal conflicts around risk management. After that, it explores the heterogeneity in risk discourse, considering risk as contextual, articulated differently by different groups. Additionally, it exposes divergences in cross-departmental and hierarchical perspectives about risk, and how they were used to maintain, but also to challenge actors' dominant positions. Finally, it exposes how international regulatory frameworks provide an ideological cover for risk management practices and experts in the BrazBank, so that risk actual management constructions and practices were kept secret, to sustain claims of expertise and power imbalances.

6.2. BrazBank Risk Practices to Outsiders

My first contact with the BrazBank's risk-management practices started three months before the fieldwork. Consequently, in the first stage of the research, I pondered upon the external disclosures related to risk management and examined the BrazBank's accounting reports, website, academic materials, corporate videos, etc. These disclosures were analysed as archives, which provided me with an understanding of not only of practices of risk management in the BrazBank, but also and most importantly, about how the BrazBank wants to portray itself and its risk-management practices.

6.2.1. *Introducing the BrazBank*

The BrazBank represents an important institution in Brazilian history. It has contributed to macro-governmental goals as well as guidelines for public policy, representing a complementary mechanism to tax incentives offered by the state. It has a particular focus on projects located outside metropolitan areas to promote integrated and sustainable economic and social development. It therefore supports government development projects through funding to private companies and government agents operating in several areas such: education, infrastructure, hospitals, agriculture, industry, and machinery. Its funding covers a range of projects that could vary in value from hundreds (microcredit) to billions (World Cup Stadiums) of Brazilian Reais.

The BrazBank supplies credit to working capital, fixed assets, and joint investments. For instance, the working capital is directed to company's operations, such as purchasing goods, raw materials, training and inventory replenishment, administrative expenses, etc. The bank also delivers funding for fixed assets, such as the purchase of machinery and equipment, construction, facilities and installations, vehicles, furniture and fixtures and other items required to run a company. Joint investments finance both permanent assets and working capital. Finally, government institutions have access to special credit lines to facilitate infrastructure construction, acquisition of heavy machinery, trucks, ambulances and other equipment.

Throughout its history, this bank has applied public savings and promoted the development, modernisation, and expansion of infrastructure, agribusiness, tourism,

services, education, transport, trade and restoration of the historical heritage site, opening new avenues of development. For instance, it helped to establish and decentralise industrial centres in several towns and modify the urban and economic landscape, with the construction of dams, roads, and airports. It also supported irrigation projects, flood prevention and water treatment networks and distribution. Beyond this, the bank works on projects aimed at providing funding and support for small and micro entrepreneurs, something expensive and scarce in Brazil. The following section analyses the BrazBank's risk-management structure.

6.2.2. Risk Management in the BrazBank

Risk Management in the BrazBank complies with the regulations of the National Monetary Council (CMN) and Brazilian Central Bank (BCB), following the structure suggested by the BIS and COSO, which supported the definition of its internal policies, structure and procedures. Financial scandals around the world heightened the importance of risk management, which assumed a prominent position in the BrazBank. Considering the influences of the Basel Accords and consecutive training from three of the Big 4 consultancy firms, the BrazBank followed a global trend toward efficiency and transparency, directing its focus on continuous improvement in the measurement of risks, complemented by internal controls and criteria for allocation of capital.

Risk-Management Structure

Following BIS's sound practices for risk management, the BCB's risk management regulation states that 'the structure [including models and control procedures] of risk management must be compatible with the nature of operations and complexity of products and services offered' (BCB, 2006a: Art. 2). This statement means that Brazilian banks with complex operations must present more extensive risk-management structures and robust controls. Banks with simple operations, or operations less relevant for the institution, on the other hand, can dispense with these more complex models. In short, this guideline has to do with the premise of the relationship between the cost and benefit of frameworks of control. The intricate but barely challenged problem is related to the way of determining which risk structure would be the most appropriate to the complexity and size of each institution. Is there a list of risk management procedures that are more sophisticated, for instance 'X', to be applied to an organisation 'Y' size with 'Z' complexity? If not, how is the proper structure determined? Given these questions, I interviewed two BCB managers to see how the regulatory body balances these practices. One of them could not explain to me how the process works in practice because he did not work in this particular sector, but the other answered that:

There are no objective criteria for such assessment. It fits into what we call 'professional judgment'. In theory, it is a value judgment, common sense. It depends on each situation. The orientation is only a guideline that can be used by the regulator to require an increase in risk and control management structure (BCB Manager, 2013).

This subjectivity implicit in these 'professional judgments' was never clear to me, and certainly not to those outside BCB. Indeed, this vagueness in the regulation allows flexibility in its application and requirements without compromising BCB's

power. Following the pre-requisites of the recognisable Enterprise Risk Management (ERM) approach, thus, the BrazBank opted to have a single department responsible for risk management, but with segregated units working with credit and market risks and another one with operational risks. Inside the risk management department, the structure was composed of one senior manager, two managers, four analysts and two interns. However, the bank claimed to have integrated risk-management practices, reinforced by the subordination of these risk management units to a single manager and department, as its disclosures showed:

The BrazBank opted for a single body responsible for risk management, segregating, however, the credit risk activities and market operational risk activities, though both are subject to the same hierarchy. This format evidenced a commitment to the *best corporate governance practices* and *compliance* with the rules of segregation of duties that *clearly define* responsibilities between the decision activities, execution, and control throughout the organization (emphasis added).

In this disclosure, therefore, the bank reinforced its commitment to the ‘best practices’ of corporate governance, compliance, transparency, and integration. This rhetoric is also used to explain the development of a culture of controls and periodic risk assessments. The adoption of these practices has less to do with actual dangers and more to do with the prestige and legitimacy of this organisation (Power, 2007). The disclosure frequently emphasises that this structure supposedly provides this bank with a secure means of addressing risks, setting continuous procedures for monitoring ‘adherence’ to internal norms, policies and regulations, ‘minimising incidents’ and ‘optimising resources’ to support these unforeseen events. The rhetoric suggests that risk management practices ensure the ‘safety’ and ‘transparency’ of operations by ‘continuously monitoring’ the risks and controls in order to reduce the likelihood that risks would materialise, or mitigate their impacts.

The focus on critical activities portrays risk management as a ‘competitive advantage tool’, which increases the ‘productivity’ of the audit and the ‘security’ of documentation, reducing management failures and operational incidents as well as frauds and operational losses.

To summarise, from outside, the practices in the BrazBank seem to follow a structure applicable to any financial institution. Disclosures explicitly refer to the international frameworks of COSO and BIS. The structure emphasises acceptable limits defined by senior managers, continual review of risks and associated internal controls with a cost-benefit focus and minimisation of potential conflicts of interest through segregation of duties. From outside, the bank emphasises that managers have a clear understanding of their role in risk management processes and objectives, which ensure that recommendations are properly implemented aligned with the risk culture and appetite grand-narratives, and receiving support from the Board. The following sections, however, will demonstrate the fallacies in this structure. First, however, it is necessary to provide more details about how risk-management disclosures are traditionally divided into financial and operational risks in the BrazBank.

Financial Risks

According to BrazBank’s disclosures, the Credit and Market Risk Unit (CMRU) monitors, calculates, and analyses the market risk, providing information to decision-making regarding capital allocation. These practices are associated with asset volatility. The bank adopted the VaR parametric as its methodology applied to all

operations sensitive to changes in interest rates. The impact of economic changes was measured by stress testing and analysis of portfolio behaviour in scenarios of crisis or adverse changes. These measurements also provided inputs to review of procedures and criteria for capital adequacy.

These risk-management practices within BrazBank have historically been driven by changes in BCB's regulations, followed by Big 4 consultancy and training. For instance, the analysis of credit grants follows the principle of diversification proposed by Markowitz (1991) of an acceptable risk level and optimal portfolio to maximise returns. For that reason, risk is conceptualised as a standard deviation of probability distribution and analysis of credit risk focuses on the likelihood of undesirable events (i.e., default or payment delays) through the "six C's" of credit analysis¹⁴. Thus, many statistical tests such as Monte Carlo analysis, stress tests and scenarios designed by Delphi methodology or VaR analysis complement each other and are used to examine portfolio and market risks. Although all these procedures supposedly follow a highly technical and rational model, a missing point might be that the scenarios are adjusted according to suggestions from members of the group responsible for its implementation.

¹⁴ Character, capability of management, capital, collateral issues, conditions and conglomerate.

During this fieldwork, the bank was also searching for benchmarks to implement new Basel III requirements. However, it was important to focus on more sedimented practices, such as how the operational risk management was organised.

Operational Risks

The BCB's Resolution N. 3.380/06 recommended the management of operational risk as a regulatory requirement to BDBs. It also includes the legal risk associated with inadequacy or deficiency in contracts signed by the institution, as well as statutory provisions and compensation for damages to third parties. Following process flow-charts, the risk management of BrazBank includes all activities of the BrazBank under this heading according to the similarity of risks associated with strategic, operational, reporting, information and compliance categories suggested by the COSO. This structure ensures the security and transparency of operations, with risks and controls monitored continuously in order to mitigate risk's impact or reduce the likelihood that risks will materialise. Furthermore, disclosure emphasises how risk management represents a competitive advantage tool, which provides information to executives, but also integrates the areas of reducing failures, operational losses and frauds and increases the productivity of auditing activities. In short, in the BrazBank, risk management is described as continuous, following 'best practices' and involving quantitative and qualitative assessments.

According to BrazBank reports, risk management is also one of the components of BrazBank's transparency along with performance, social responsibility, PPP's Accountability, Code of Conduct and Ethics, and Disclosures. The risk management

inside BrazBank comprises ‘best practices’ methodologies and structures of proper internal controls and operational, market and credit risk management which again received the support from international acknowledged Big 4 consultancies.

Overall, therefore, the structured disclosure by the BrazBank seems perfectly coherent with international standards and best practices of risk management. Its continuous improvements also reinforce that BrazBank is committed to keeping its practices close to the ‘state of the art’. However, what is the real impact of the rationality of risk discourse for BrazBank practices? The following section sheds light on one of the impacts observed during my fieldwork.

6.2.3. Risky Macro-Impacts: Constraining the Social Logic of Development

Moving into inside practices, the first aspect of BrazBank’s risk management practices that drew my attention at the beginning of the fieldwork was the abandonment of a tool used to measure the social development potential of projects funded by the BrazBank. The ‘Social Index’ considered the Fiscal Responsibility Law and the Tax Reform started in 2000 in Brazil and proposed the encouragement of a shifting decentralisation that would develop rural areas in the Brazilian economy. This index encouraged projects that increase jobs, environmental awareness and economic development outside the capital. However, whilst I was analysing previous norms of risk management in this bank, I observed that this instrument was mentioned in internal standards at one point in time, but suddenly it was abandoned without any justification. Searching for explanations from members of the bank, I found a manager who told me that:

The [Social Index] is no longer used because throughout the implementation process, it was observed that projects that had a good ability to pay back [the funding] might not be accepted because of their adherence rate [to the Social Index]. So *there is still this discussion on the social and economic role of credit*, but we should not approve funding for a client that has no capability to pay, because if we only grant [credit] to the customer what is most interesting from a social point of view, the institution could not [financially] sustain itself. Thus, [credit grant] goes missing exactly for who will need. *Unfortunately, the best projects are in places that are not the best from a social point of view*, so close to the capital or in regions already developed. However, *those are projects that pass on the credit rating* [of risk analyses], which actually have the capability to payback. So, there is no point in using this index that will cut precisely these projects in the framing, even before the payment analysis be carried out. [Manager S, emphasis added]

The quotation above confirmed the clash between the social aim of BDBs and the economic logic of risk. It highlighted that the decision about what might be included or excluded from risk assessments in the BrazBank was determined by the economic logic proposed by international regulations. To this extent, this proposition opposes the social role of development banks (see Section 2.3.2), with incommensurable impacts on inclusive social development for the Brazilian population. Consequently, international risk regulation works to confine acceptable or prohibited risk constructions in the BrazBank. Ultimately, the logic of development is constrained by the logic of risk, which is driven by a purely economic logic. Therefore, the rules about *what risk should be* are crucial to the construction of risk in the BrazBank and influence how risk is understood and implemented in this context.

In sum, although the bank acknowledges the importance of a holistic view and other metrics beyond financial ones, it is still driven by this economic logic of risk. For instance, it has adopted a Balanced Scorecard (BSC) – legitimated as ‘the methodology used by most companies today’ – in its strategic planning and focus on enhancing professionalism, human capital, transparency, customer service, commitment to development. Indeed, this reinforces a broader view of BrazBank

practices and confirms its mission of ‘offering financial and technical solutions to improve the lives of the population’, whereas the diagram used to represent each BSC perspective shows that the financial aspect should be only a small fraction of BrazBank’s attention. Nonetheless, BrazBank’s performance index reveals the contradictory measures of performance, as all metrics use the increment in credit grant volume as a target, instead of other criteria, such as the quality of credit and services provided. Consequently, this economic shifting proposed by the prudence regulation, which drives BrazBank’s practices, had internal implications that will be further understood in the following sections.

6.3. Risk Management inside Practices

Although risk-management practices in the BrazBank could be considered standardised from outside, following the same ‘best practices’ promoted by COSO and BIS in their guidelines, which were further disseminated by consultancy groups worldwide, a deeper understanding of these practices shows that they were not homogeneous as was initially supposed. In external disclosures, risk-management practices were disseminated following some logics, ratified by signifieds which reinforced their universality, using terms like ‘efficient’, ‘objective’, ‘best practices’ and ‘worldwide use’. However, at the beginning of my fieldwork, I observed that the BrazBank was passing through a period of organisational crisis in relation to its risk management practices, and there were many contestations taking place, showing contingencies in the hegemony of these ‘universal’ risk management practices that had previously been taken for granted. It is noteworthy that this crisis was not

evident to external users. Thus, the following sections contextualise the social logics used to maintain risk management practices while exposing the internal battle around risk management hegemony. Instead of a normalised discourse, this section reveals how the hegemonic discourse of risk management was both supported and contested in practice. However, first, I need to contextualise this battle by illustrating the hierarchical structure of power in the BrazBank.

6.3.1. Into the 'Battle'-Field: Contextualising the Battle

The BrazBank is a hierarchal organisation with a clear segregation between the work and the space of analysts, managers, and directors. Analysts typically occupy stalls, arranged in a certain way, such that they have their backs to each other, and face the computer, usually in a way that they can observe who is coming in or out, as they commonly explained. This instrument of control has harassed analysts even if it is used to reduce inefficiency and keep their focus on work¹⁵.

¹⁵ Foucault (1991) proposed the idea that the power of controlling mechanisms was not in their physical or nature or the efficiency of their practices, but in the ideological constraining that they impose on the minds of the oppressed individuals. As a Panopticon where the prisoner cannot know when the vigilant/guard is observing its movements or not, the control is obtained by the sneaky feeling that mystifies control, while gives ideological and omnipresence characteristics to controlling mechanisms. Therefore, the disposition of the stalls in the BrazBank followed the same logic of as Panopticon, as the analysts never know when a manager or director will come through the door and observe that they are doing something unrelated to their work, even if for just a few minutes.

Nevertheless, after a few weeks¹⁶, I started to see differences between the idealised control and the actual one, as even if most of the time each analyst was in hers or his stalls facing the computer, they were not always working. Phones were on hand and in use. Other websites were on display. However, if someone looked from outside the work seemed to be incessant. As analysts could see each other's screens, thus, turned back in their stalls, they made a tacit agreement to resist this supervisory control. On the other hand, managers' work cannot be questioned so easily, as they sit facing the door and with their backs to their windows.

Room space, as well as the quality and comfort of seats, were elements of hierarchical distinction. Directors had closed rooms with two tables, one for them and another larger one with six chairs for small meetings. Managers have particular rooms with large tables, usually featuring two chairs to enable them to discuss the work of analysts, but also to meet (friends) managers from other departments who seek information. Analysts have their stalls, as exposed above. Therefore, space and privacy were also elements that represent status and power in the BrazBank.

Opened doors, moreover, do not mean free access, or an informal hierarchy. The hierarchical process of communication followed a specific route. To speak with an analyst, firstly, it was necessary to inform the manager and ask for his permission.

¹⁶ Perhaps because the analysts were more comfortable with my presence and forgot that they were being observed.

He would indicate the hour and date most appropriate in the schedule. To talk with managers, it was necessary to inform the director. I observed this in my first weeks, as even if conversations at the same hierarchical levels, as among analysts and their managers, were held informally, in many cases, an email or a quick phone call was a prerequisite before any conversation.

This scheme seems to be a controversial legacy of new public management (NPM) approaches which would promote the professionalisation of BrazBank's activities (see Chapter 2). According to older employees, however, this current organisational environment generated nostalgia for the 'days when people freely circulated in the bank and could enter without asking for permission to talk with friends'. The meaning ascribed to these practices was not homogenous, as following this NPM logic, other analysts and managers considered this an important feature to promote a 'professional environment', reporting cases of abuse of freedom that reinforced the necessity of more rigorous internal controls. Overall, the general feeling among analysts about the intensity of current monitoring mechanisms could be summarised in the following statement:

You used to be able to make your own personal schedule. There were people who came at eight [a.m. and official time for bank operation], and people who arrived at nine, ten [...] Nonetheless, there were some individuals who "crossed the line". Now everything has changed, and we live in this prison with 'the turnstile' and timesheet. You cannot be one minute late; you have to justify any absence, even if you go to the doctor, you need to bring a medical certificate. (Analyst1, 2013)

The turnstile and timesheet reflected initial attempts towards more control in the BrazBank. What is interesting is the movement towards the naturalisation of these internal controls in BrazBank. Internal controls were initially implemented in such a way that they would fit into the pre-existing cultural beliefs (Ruef, 2000; Suddaby

and Greenwood, 2005). For instance, the first change in the control configuration was the implementation of ‘the turnstile’. Older employees argued that in the beginning ‘the turnstile’ was just an ‘instrument of measurement’, but later became an ‘instrument of control and imposition’. ‘The turnstile’ gave managers a tool to monitor employees’ work time and verify if employees were following their time-schedule. Nonetheless, it quickly became a mandatory control for all analysts. Ultimately, this flexibility in time ended up representing another hierarchical distinction between analysts, managers and directors, while managers have greater flexibility in the time-schedule, analysts no longer benefit from this flexibility, and this commonly frustrated the latter.

After several years, nevertheless, the BrazBank went through an unprecedented institutional crisis, which generated ‘dissatisfaction’ among employees, demonstrations and annual strikes¹⁷ that gained more adherents each year. During debates about a strike, the previous director compared BrazBank’s employees with Neymar, a Brazilian footballer considered one of the best in the world, and implying someone demanding special treatment. An analyst said:

According to him [director], there was no space for ‘Neymars’ here, and anyone [who didn’t like it] could look for a better place. This Board’s speech has resonated repeatedly since then.

¹⁷ Banks’ Strikes in Brazil are common and happened every year. However, development banks for a long time did not take part into these demonstrations.

This analogy caused demotivation among staff, and the BrazBank lost many of its most capable employees to both private and public institutions. There was an attempt by the current Board of Directors to reverse this situation and regain the trust of analysts and managers. They developed programmes of ‘Capital Appreciation’ and ‘Coffee with the Directors’ (meetings when analysts could talk with directors, which in my view in itself demonstrated a barrier between these levels)¹⁸. However, these initiatives were regarded as ‘empty speeches’, as ‘there is a lot of chat and few changes’ and ‘no concrete improvement is made to meet employees’ requests’ (Analyst B). This quotation highlights the struggles and contestations around the new controls and risk management mechanisms.

In this context, during my fieldwork, the situation of risk management did not seem to be much better. There was a loss of credibility in this discourse and risk committee meetings resembled a war. In fact, the discussion about risk was so named within the bank. In some cases, other managers expressly decried the importance of risk management, causing frustration among members of the risk department, who need cooperation to develop their operational risk analysis (Mikes, 2014).

¹⁸ The ‘Coffee with the Directors’ was a response to the lack of communication channels between management and workforce verified by the Organisational Climate Survey (OCS) held in the second half of 2012. The OCS exposed that ‘The employees did not feel heard, and there was little room to participate in decisions, which created a climate of dissatisfaction’.

The risk management inside BrazBank moved from a comfort zone in which it was depicted as ‘important’, ‘necessary’ and a ‘good’ gatekeeper to determine projects that must be accepted or rejected, to become merely regulatory compliance, jumbled with re-auditing. Nonetheless, asserting risk management’s importance to compliance and security, risk experts emphasised the objectivity, while they obscured the subjectivity, in their analyses and kept risk management practices almost a ‘secret’¹⁹. Hence, to understand risk construction and how different discourses and conflicts marked the formation of risk management practices in BrazBank, it is important to analyse current practices and the interaction between actors and risk management practices.

The following sections show different elements used in the maintenance and articulation of risk-management discourse. The discussion highlights, initially, the hegemonic discourse of risk according to the internal viewpoint in the RMD, but also shows divergences and contestations from other departments. Although the Social Logic usually portrays homogenous, sedimented and naturalised practices of risk management, the ambience inside the bank was full of contrast and disputes, so it is hard to show risk as a fully closed and consensual process. Thus, this chapter focuses more on the actual risk management practices within BrazBank rather than

¹⁹ This secret was selectively revealed by some members in credit grants departments as a way to have projects accepted.

on risk's theoretical and ideal conventionalisation. It shows how regulatory statements, consultants' suggestions and international guidelines or benchmarks must be adapted to fit in different contexts. Therefore, it confirms the contradictions between formal discourses of 'what risk is' and its practices, which express 'what risk does'. The following sections represent some of those elements that were identified in actors' discourse.

6.3.2. *Social Logics of Risk in the BrazBank*

The Social Logic of Solution from 'Best practices'

The idea of risk management was conveyed as the solution to the BrazBank's organisational problems. Risk management practices were implemented with the support of Big 4 consulting groups, which reinforced the internalisation of an idea that universal solutions coming from outside can be bought to solve all problems. The rhetoric of these large transnational consultancies – Deloitte, PwC, KPMG, EandY – is supported by a self-claimed supposedly²⁰ worldwide experience associated with these companies' names. Thus, they introduced risk management as

²⁰ I use 'supposedly' in this case, because the majority of employees in the Big 4 are inexperienced and underpaid junior consultants who are supervised by more mature managers, but that usually receive better opportunities in other companies after some years of experience and use the Big 4 as a springboard.

‘best practices’ which were ‘used worldwide’ and that must be developed targeting a ‘state of the art’. In sum, risk models were sold as ‘magic formulas’ with which to think about and manage organisations, as if there was a ‘fit-all’ answer to every problem faced.

During this ethnography, I was constantly asked about the ‘solution’ and the ‘right path’ to follow, by actors in the BrazBank. I observed that even if I was trying to interact with BrazBank’s actors as a learner, my previous experiences as a consultant and also as a Ph.D. student from London, had a substantial impact on my relationships, especially in the beginning. I was regularly questioned about the appropriateness of practices currently adopted by the BrazBank. These were requests from risk experts, but also non-experts who wanted to be sure that they were doing what they were supposed to do. Even if I did not know much about their practices in the first stages of this research, in the course of interviews and informal conversations, while individuals were explaining their practices to me, they often asked if they were right and if what they were doing was correct. I had avoided answering those questions, explaining that the purpose of this research was to learn about their practices, but they frequently asked me, ‘At least, tell me if it is the best way to do it’ (Manager I, 2013).

This searching for a ‘universal solution’ reflects positivist propositions of predictability, and hence, controllability in organisational practices. The idea of a ‘solution’ as the right path to follow or the only right thing to do is problematic, as it leads people to maintain, and not challenge, self-referential practices that reinforce the *status quo*. The naturalisation of these practices, then, was commonly described by members of the BrazBank with the established rhetoric of, ‘this has been always

like that'. They excluded alternatives and did not 'think out of the box', did not believe that something different was possible or even rejected and combatted the 'Other', which seemed different.

This logic also reinforces the necessity of maintaining a logic of compliance which creates a dependence on external validation that could be interpreted in various ways. For instance, if an actor had done something wrong or did not deliver an expected result, they were, at least, following the rules and policies. Consequently, risk management practices provide a feeling of security:

I think it is useful. [...] There are people who see the risk as an opponent, but I believe that *the risk is a partner because you are also more secure about your work*. [...] They stress scenarios, based on debt and other variables, in a way that you often cannot and there *they can see if something can go wrong*. I think it's good, I know the several people do not like it, but for me it is positive. [Manager T, 03/12/2013]

Risk reduces actors' responsibility for mistakes and possible blame for faults (Spira and Page, 2003). Nonetheless, this also represents violence to individuals, who could not perceive themselves as agents of change. Manager Y explained, for example, how the bank's operations were constrained by a limited budget for consultancy, while requesting to start a public bidding²¹. She frequently argued that she had little influence to change BrazBank's practices, but trusted in the Big 4 to facilitate this.

²¹ According to Brazilian Law 8.666/93, governmental purchases must be supported by public biddings.

These findings corroborated Pritchett, Woolcock and Andrews's (2013) critiques of countries around the world that are 'transplanting preconceived and packaged "best practice" solutions'; the same is true of organisations. For instance, Rodrik (2008: 100) notes that best practices 'presumes it is possible to determine a unique set of appropriate institutional arrangements *ex-ante* and views convergence toward those arrangements as inherently desirable'. However, the previous authors argued that this facilitates the 'perpetuation of dysfunctions' (e.g. the inadequacy of prudence regulations to development banks described in Chapter 2.5). Thus, although models bring benefits of standardised processes which seem to maintain coherence, they also bureaucratise, or '*burro-cratisa*'²², administrations. They limit individuals' power to think about alternatives, look outside the box and reinvent, modernise and adapt contextual changes to their particular management problems. This construction of risk can be considered a new colonisation, or imperialism, and an attempt to maintain the hegemony of the Big 4, which alienates and causes a progressive lack of reflection within organisational space. The variety of discursive elements used by internal risk experts to support this rhetoric in the bank is, thus, the target of the following sections.

²² This is a metaphor used in Portuguese joining donkey ('burro', in Portuguese) and bureaucracy ('burocracia', in Portuguese). This comparison is used to explain the problem with an increasing bureaucracy that transforms people and processes in donkeys, considered a blind and silly animal that follows instructions with no independent thought.

The Social Logic of Independent Practices

One of the elements that sustained risk management practices in the bank was the idea of independent checking practices. Public inefficiencies were cited to support the proposition of new public management (NPM) frameworks into government institutions and that they must follow the same economic imperative that has driven private companies forward. Hence, public institutions were pushed to frame their practices according to a proposed marketization of economy. The way to do it was reducing the political influences in credit grant analyses, which was to be achieved by utilizing an independent critical observer, an expert. According to a manager:

The risk management ends up being the critical commentator of your work, as in a theatre, you present your piece, and then, the risk [management department] comes to criticise your work. [...] I think it increases the security of your job. The risk ends up giving the assurance that everything is going well. [03/03/2013]

This independence demonstrates that risk experts were considered masters responsible for the quality of the masterpiece. The idea of an outsider viewpoint was, then, embraced as something of benefit to the BrazBank. Risk experts were perceived to represent someone with a broader knowledge who would come from outside to show the pitfalls of the BrazBank's current practices. This conceptualisation of professionalism and expertise sustains the idea of risk as a packaged solution, and hence the rhetoric of Big 4 consulting groups and their intervention in the BrazBank. Furthermore, internal members of the RMD used this rhetoric to reinforce their influence over other departments. In this sense, the idea of risk management transmits security to actors, as similarly to Spira and Page's (2002) findings, risk is an instrument of blame, but also a way of avoiding responsibility. In

this case, risk experts sustain the idea that employees were doing well; even if they received critiques about the inadequacy of their work, they treated other managers as children who needed guidance. For that reason, an analyst mentioned that:

Let them complain. This is good for them. It is like a child who wants ice cream all day. You cannot nurture their will. It's good for him. If you just give them ice-cream, will it be good? No. But often they do not know it. [...] The important thing is that we are doing the best for them. [05/12/2013]

Risk experts, as well as other managers and analysts, could not understand the harmfulness of risk-management propositions in the BrazBank. For that reason, risk experts maintained that they were doing good. The resistance to risk management practices was conceived as a sign of misunderstanding and lack of knowledge. Indeed, this was a heritage perpetuated by consulting training, as the analyst explained how she needed to 'open her mind in order to absorb the new methodology of risk management'. Thus, she mentioned:

I think there is still a greater lack of acculturation about risk in the institution as a whole. I feel that the vision of risks is very rooted in Risk Management [Department], but other managers still do not understand very well how this is important for their activities and the risk ends up just not been part of their day-to-day lives.

This conceptualisation transmits an element of neutrality and objectivity to risk discourse, a perspective that reinforces the paradigmatic positivist separation between subjects and the object within risk practices. This rhetoric, then, supports the feeling that risk would bring more security to the BrazBank's practices while also avoiding possible blame arising from lack of compliance or inadequacies of risk management practices in the BrazBank. Consequently, this is a self-referential construction that supports the *status quo* and the imposition of risk in the Brazilian context, instead of challenging it. Two elements were essential in this construction: the objectivation and systematisation of risk discourse, as follows.

The Social Logic of Objectification

During interviews, risk managers claimed the objectivity of BrazBank's risk management practices. They often affirmed that risk management and their analysis must be based on 'models', 'systems' and 'measures'. Using this idea of an objective decision-making process which supported the 'right' or 'best' way to do things, many norms were implanted to 'formalise' 'good governance practices'. This conceptualisation reflects BCB's guidelines and recommendations from consultancy firms used to create new forms, procedures, processes, and systems that seek to 'standardise' and 'formalise' risk management practices. These elements were constantly implicit in the conceptualisation of new practices and products. For instance, an internal report about the development of a new software product explained that:

The model will be applied to operations during categorisation and analysis in an *automated manner through systematic tools*, hence, the need to construct [financial] *indicators* considering, together with its relevance in credit grants [analysis], *the possibility of objective measurement with parameterised indexes, thereby eliminating analysis's subjectivity*. [emphasis added]

The objectivity was associated with having and using numbers to support decisions, but also with an attempt to exorcise judgment and apparently any subjectivity. For that reason, categorisations, accumulation, measurements, percentages, values, counts, stratification in tables, charts, figures and constant checklists for conformities and non-conformities, gains and losses, were used to explain the controllability, and hence, 'objectivity' presented in risk management practices. The idea of 'security' was also constructed as a control panel using these instruments. Directors and

managers used audit reports as red flags or alarms to indicate dangers, divergences, and variations.

Not only did numbers reinforce this ‘objectivity’, but also procedures were translated and ‘formalised’ into flowcharts, norms and guidelines which ‘point to the right direction’, showing how processes and activities must be carried out. For example, there were flowcharts about ‘providing customer service’, ‘customer analysis of categorisation compliance’, ‘technical analysis’, ‘risk analysis’, ‘analysis of warranties’, ‘engineering analysis’, ‘deliberation’, ‘grant’, ‘authorise release of resources’, ‘releasing resources’, but also support flowcharts for post-grant procedures, such as ‘tracking portfolio and monitoring risk’, ‘proactive performance’ and ‘monitoring internal controls and risks’. These tools were used to guide activities, providing audit trails to further analysis of performance, and so ensure the controllability within risk management practices.

Also, organisational charts were used to assure functional segregation and responsibilities. Norms explained about required documentation and systems. Forms carried the registers of ‘events of risk or loss’ and ‘atypical situation communications’. According to checklists and forms, procedures were followed in other departments. Cash-flow statements supported Monte Carlos analysis to quantify the risk rating of each project. Thus, everything was in place to predict,

mitigate, reduce, avoid and control ‘risks’ (or, at least, to circumvent the feeling of not being able to do this) (c.f. Bauman, 2006)²³. Each model was supported by its methodological description about how it was calibrated and validated with matrix, tests and results as well as the criteria for its application.

Power (1997), however, emphasised that although the description of procedures is never complete, the work cannot stop. Thus, in this case, what would happen if something did not fit in the guidelines? My fieldwork confirmed the fluidity in the workplace and showed that unpredicted elements led analysts to find other and new alternative paths. Nevertheless, for the RMD, that would represent a failure of its own statement of objectivity and controllability. For that reason, they characterised these shifts as a deficiency in internal controls, which led them to blame constantly outdated flowcharts that failed to describe internal processes. To support their claims, the RMD used ‘what-if’ propositions to show the worst scenarios and how this simple failure could cause major problems for the BrazBank, for example, after the resignation of experienced managers or to train new employees.

I observed, nonetheless, that usually, explanation of the origins of the numbers used in risk analysis was weak and it was assumed that numbers speak for themselves. An analyst asserted during the preparation of a risk report that ‘the numbers of graphs

²³ Bauman (2012) ‘Liquid Fear’, Polity Press.

and charts do not need to be repeated' (Analyst A, 2013). Conversely, after months, I observed that this justification was further used to hide analysts' and managers' own doubts raised during analysis and constant questions about the real meaning of the data presented.

To summarise, risk management operations were driven by frameworks and focused on a static 'manufactured risk' (Beck, 1992), which were sold by consultancy firms considering predetermined 'cause and effects' maps, that cannot account for the dynamics of organisational practices and culture. In the short term, the authority of the messenger hid the failures of the model. However, in the long term, this forced 'objectification' caused conflicts about the information provided in risk reports and the actual impersonality exposed in their writing. Due to the lack of materialisation of risk and losses, these activities started to lose their credibility and trust inside the BrazBank. Nevertheless, before digging deeper into the contradictions and contestations of this logic, the next section presents the role of the logic of 'systematisation' in this discourse.

The Social Logic of Systematisation

In the BrazBank, the idea of systematisation was derived from an attempt to reduce human influence in decision-makings involving risks. Therefore, considering the history of corruption in Brazil and the rejection of bureaucratic procedures brought by the NPM, the mechanisation of processes arose from the incorporation of certain repetitive routines that could be studied and outlined. Risk management practices usually follow a cycle: financial information, forms, calculus, analysis, and reports.

Consequently, the idea of a ‘solution’ coming from automatisisation using IT systems was presented in the BrazBank. For example, as an analyst explained:

If the control is not systemic, you cannot guarantee that there will not be a fraud, or that someone will not get on the worksheet and change some parameter, and all this will only be solved with controls within a system. (Analyst B, 12/06/2013)

The valorisation of both formalised and mechanised processes was evident in discourses about norms and procedures. IT tools seemed to carry the idea of ‘best practices’, as if they did not suffer from the interference of human errors – which does not mean that they could not suffer from ‘other’ ones – and were driven by a constant search for processes that would ‘bring more efficiency’. This characteristic was explicit in internal reports, for example, during a software development:

[This] new [software] platform for applications in web environments, aims at the *modernity* of BrazBank [...]. It is used to represent an increase in *productivity* and *quality*, associated with *reducing risks and costs*’ (Newsletter, 2013, emphasis added).

The systematisation of risk-management practice, then, represented a more fashionable and up-to-date practice, which would enhance productivity and quality. What was silenced in this discourse was that, in practice, the use of IT ‘solutions’ does not necessarily reduce errors, but could sometimes even cause consecutive errors, on an industrial scale. For instance, in the definition of new funding parameters, the system was set in such a way that even borrowers with overdue loans could be granted further funding. This problem was detected only after six months of development and one week before the expected schedule for the product’s launch. If it had not been corrected in a timely fashion, this could have generated many problems, which may not have been evidenced until future auditing. Nonetheless, not all failure could be predicted or imagined in advance and, even after many

brainstorming sessions and meetings, many problems were diagnosed only after launch.

Even if regarded as a solution to avoid operational risks by risk standards, the accuracy and reliability of information in the systems were regularly discussed as a problem in the BrazBank. Complaints were related to systems that did not provide the necessary information or loss of information caused by the overlapping of historical data of customer profiles in a way that prejudiced risk analysis. Nonetheless, there were also disagreements about what caused dubious information and what could be done to correct this or have more accurate data. An Analyst explained that:

[In the BrazBank] the big hurdle now is the lack of a database with reliable information, since most of the time customers' information are overlap with new grants and updates on the system. Thus often the process becomes slow and tiring with the necessity to return the client's folder, immense [hands wide opened], to obtain the required information (Analyst B, 2013).

Since the creation of risk management, the existence of databases with up-to-date and accurate risk information was reported to be a necessity and solution to risk management problems (BIS, 2003), but its operationalisation has always been problematic (Taleb, 2007; Brown *et al.*, 2008; Power, 2009). The feasibility of such a database became even more problematic after the insertion of operational risk management into this analysis and the complexity involved in the registration of operational losses (Cummins *et al.*, 2006; Mikes, 2011). The creation of a historical database statistically significant to work as a risk indicator and comply with capital requirements is a privilege of large banks, which have its financial benefit justified by decreases in the required minimum allocated capital (Beasley *et al.*, 2005). However, the internal conflicts related to the operationalisation and feasibility of this

database were scarcely discussed. For instance, in the BrazBank, there was a limited registration of losses. This was not caused by lack of knowledge of the importance of these records, nor systems limitations. Indeed, this record represented a conflict of interest between actors who used the asymmetry of information existing between them to keep their position of power and avoid blame. The registration of losses also meant acknowledgement of failures, and BrazBank's managers expressed personal awareness that such an instrument could be used against them.

Accordingly, another option to reduce this problem and create a database could have been the utilisation of available external databases. Nonetheless, the information of external databases did not follow a singular standard and could be disorganised and confused, with distributions that had been already questioned in BrazBank's risk assessments. In this regard, an example about a historical agricultural time-series could be useful to illustrate this issue, as explained by a manager:

There was a divergence in communication and consequently the understanding of what has been analysed. For example, our analysis of [agricultural production] has found that there was a database for flood period. And the time-series is for dry-land. But analysts did their evaluations thinking exactly the opposite. So there was a discussion to determine which positions would now be used for analysis. It was considered that the irrigated has a higher cost of production, but has less variation, so it was decided that the [credit risk] analysis would be done with lower variations, even without historical data proving this trend.

The lack of reliable data, the impossibility of recording everything, the complexity and dynamic nature of our reality, etc. reinforce the importance of cooperation and humility of CFO (Mikes, 2014). In the BrazBank, risk management practices have passed through a period of stabilisation and relative cooperation with credit grant departments. However, this interaction between them was no longer valorised after claims of independence (see more in Chapter 7). Consequently, some decisions were

made using the information that was available and also considering the expected final result. Commonly, according to Analyst A, if the credit grant department was inclined to approve a project, the acceptance would come anyway, after feedbacks and pressures focusing on how risk assessments were done superficially and how they had ignored some aspects of this customer's business. Thus, its earlier approval was conceived as a way to 'avoid the re-work' and 'more conflicts that not change anything'.

The pictures presented here showed that even in an age when systems and integration are almost synonymous with good results (Liebenberg and Hoyt, 2003, Hoyt and Liebenberg, 2011), sometimes the supposed 'solution' could also be the source of problems (Pritchett and Woolcock, 2004). Thus, inevitably, the dependence and lack of interconnectedness of internal managerial systems caused problems inside the BrazBank. Nonetheless, these problems with systematisation could not be considered as particular to the BrazBank, but as a chain of system failures, as exposed during one interview while the manager was explaining to his client that:

The process was held up by an improper operation from a credit card company that generated the registration of unpaid debts of one of the partners, and, even after the judicial decision favourable to you, nothing was solved in the BCB's database, which caused the impossibility of releasing funding in the BrazBank.
[Manager X in telephone call during interview]

The lack of reliability is often ignored while working with systems. The information available in information systems was not generated by physical practices but commonly inputted from them. While assembling new reports and charts doubt among analysts was clear; the information in systems is inconsistent, not integrated and outdated. In this situation of inability to predict the future, risk becomes a bridge from past to future decision-making. Therefore, risk analyses are used to support

decisions. What is intriguing about risk discourses is how subjectivity is downplayed in favour of objectivity and systematisation. One of the elements that explain this behaviour is the security brought by numeracy, as the following social logic demonstrates.

The Social Logic of Security

The objectivation and systematisation within risk discourse created a sense of security among actors. As they were in compliance with the national regulation, and following the international best practices of risk, so they were doing right. The myth of objectivity was sustained in the BrazBank, as it brought a sense of certainty, or at least, some kind of confidence conveyed by numbers, tests, and evidence. In this regard, a manager argued that:

At least it's less abstract when you talk about one thing and put a number [on it], it is easier to work. At least I like to work with numbers ... They give me more security, don't they?

Accordingly Nocera (2009) ratified that the utilisation of instruments like the VaR is related to the human desire to have something concrete, because 'people like to have one number they can believe in'. Consequently, the objectification of risk recognised that there was subjectivity from judgments and choices made in the process of decision-making. However, actors considered this as the price of achieving an idealised 'state of art' in risk management practices. Ultimately, the concept of risk has never been challenged in the BrazBank, even if its constructs have changed. This

whole discourse sustained the claims of expertise and the professionalisation of risk discourse, as demonstrated in the following section.

The Professionalisation of Risk Discourse

The elements used in BrazBank's current construction of risk management practices created a space for risk analysts and managers to portray themselves as experts. The idea that the Big 4 consulting groups shaped risk management practices created a halo around risk experts. They received training from Big 4 experts, and were then allowed to transmit the 'worldwide used' 'best practices' risk management inside the BrazBank. These professionals repeatedly reinforced this discourse. As already mentioned, actors in the bank used the metaphors of a parent guiding his children or a master guiding an apprentice to create a masterpiece. Furthermore, the rationalism sustained by the objectification of risk discourse and within its rhetoric of 'best practices', 'in worldwide use', 'efficient', 'integrated' that will 'add value' supports the position of experts, allowing them to dictate changes while identifying errors or deficiencies in other managers' activities.

Nevertheless, as mentioned before, the practices of risk were challenged by other managers. Therefore, in the second month of the fieldwork, I started to observe that the elements presented so far were under contestation by other managers and analysts. Part of this problem was described in the RMD as a 'weak culture of risk'. However, from the multiple – and sometimes silenced – voices in the field, it was possible to expose politics and power imbalances in the hegemonic discourse of risk. Consequently, the following section digs deeper in the micro-level of the risk

construct, depicting the contradictions between ‘what risk should do’ and ‘what risk actually does’.

6.3.3. Risk as Secret: Different Projects, Different Risks

My first impressions as an outsider reading BrazBank’s risk reports was that risk-management practices were rightly organised, supported by three Big 4 consultancies during the implementation period, the BrazBank disclosures ‘best practices’ and the aim was to develop ‘state of the art’ in its risk management practices. Nonetheless, on closer inspection, I understood that there were gaps between disclosures, or theorisations, and current practices. Inside the BrazBank, I realised that risk discourse was shifted from ‘what we do’ to ‘what we should say’. Obviously, this was not explicit, but rather kept as a secret, the impression maintained was that risk was pondered more or less objectively according to the size of each project.

The Appreciation of Objectivity over Subjectivity

In the BrazBank, small projects for micro-economies were blocked by hundreds of IT parameters, subjected to restrictive norms and policies and suffered from the lack of capital. In these departments, managers were constantly trying to show the importance of their operations by sharing and using the same accounting tools as the RMD, like accounting reports and statistical analysis of the sector, area, client profile, etc. Consequently, although numbers were the source of litigation, they were

also considered a source of legitimation and accounting technologies used as suppliers of these numbers (Rose, 1991), which was not always reasonable.

Credit grant managers, on the other hand, argued that ‘the acceptance of big projects passes through a different gate’. In these cases, the risk was no longer a matter of blocking, parameters or formalisation, but ‘justification’. It was necessary to find gaps in legislation to justify some projects. Consequently, the supposedly objective risk management tools were in these cases indeed used under an oppressive supervision to ensure that ‘all parameters have been fulfilled in the right way’ to guarantee acceptance. For instance, as an analyst underlined:

For this project to be approved there were more than fifty meetings. When I went to do the analysis, there were [managers and analysts] here behind me, telling me just: ‘do it, do it, [and] do something else’. I was just following what was prescribed because it *had* to be approved. Some projects are like this. You do not even ask, and we can no longer question almost anything... but there are some those, if they were not approved or return with some unpleasant report, the head of the [risk] manager rolls immediately (Analyst F, 2013).

Nevertheless, this does not mean that actors disregard the objectiveness of risk-management practices; on the contrary, they argued that sometimes these models clearly present incoherencies to their analysis in such a way that they must be shifted to the particular case (Derrida, 2002). This labouring quest for objectivity drives risk constructions inside departments. Credit grant departments that operate with large projects understand risk as a more subjective technique, driven by financial analysis, but also complemented by the analyst’s perception and trust relationships developed with upcoming clients. However, for departments that operate with smaller projects, there were perceptions about these rules as more restricted, so that systematic blocks and parameters could reduce human interference. Risk management practices were

used to reinforce the objectivity within these decisions, but choices and judgment were present in both cases, as a manager said:

It is different when you visit and see the enterprise operating, sometimes the client does not speak very well, but when you get there, you see that he has been in love with that job, and everything is organised, and he knows what he is doing, then, it changes your view of the funding. I try to consider these things when I am going to fill the credit matrix, because the same way you have clients who hire a professional credit designer who knows how everything has to be done and sends everything right, but you know this is a politician who is there just wanting funding to pocket it and you have to try to consider this in the credit matrix also in a way that this funding will not be accepted (Credit Analyst B, 03/12/2013).

The myth of 'objectivity' was also used to legitimate decisions, and to replace or reaffirm the importance and coherence of actors' actions with BrazBank' norms and procedures. This appreciation of objectivity was previously presented in survey studies as dissonances which highlight that although managers did not use sophisticated models, they had confidence in these instruments (Collier, Beery and Burke, 2007; Souza, 2011). Nevertheless, the disparity between groups presented on the research site demonstrates that this behaviour could represent a more mature understanding of risk-management politics. For instance, elder managers or actors who were in higher positions in the hierarchy argued more freely about their influence on the conception of the risk customised in each project, and how risk was necessary to justify decisions made. Thus, the true understanding of actual risk management practices can be analysed as a process of personal and professional maturity that reduces the blindness of the idealised practices as well as its rhetoric and myth of objectivity.

Nevertheless, on lower hierarchical levels, declarations like this one were given, expressing the secret of these conceptualisations. For instance, during my first

interviews I observed differences between how individuals exposed these human interferences in recorded and non-recorded interviews, and how these revelations were made more often in the former ones. Thus, in non-recorded interviews, even when these points were not directly targeted during the interviews, actors often uncovered how subjectivity was an important element in decision-making. However, in the recorded ones, they usually mentioned these aspects only after I stopped recording, at the end of the interview²⁴. Even though actors revealed these politics in non-recorded interviews, they also asked not to be identified; otherwise they would deny that they had made such affirmations.

Therefore, using this idea of the objective decision-making process and the ‘right’ or ‘best’ way to do things, many norms of risk management were implanted to ‘formalise’ ‘good practices’. Despite this rhetoric of objectivity, what happens on the ground seems to be secret; literally, it is a ‘closed doors conversation’. During the investigation of a controversial project case, a manager explained to me that I would not be allowed to stay in this ‘hot meeting’; however, she gave me some information²⁵. According to her:

²⁴ For that reason, I also stopped recording interviews and started to take notes, as I understood that this was a better way to obtain more faithful representations of the actual risk-management practices.

²⁵ During the period that I spent in the BrazBank, I realised that more important than the formal information, was the informal. The real revelations about risk came from informal chats that looked like ‘gossip’ and ‘whispers’, usually preceded by questions like: ‘This will not be part of your research, will it? But just to let you know...’.

The issues around risk go far beyond the technical side, do you know? There is politics, especially in a public institution, that are part of this decision. We also are not Puritan here, you know? The process is not as Cartesian as it seems to be. [...] [However] if there is anything [wrong] here we are held to account for administrative improbity. They [directors] also respond, but then you know how... They will say that they made the decision based on a technical opinion, and the responsibility will fall on us. So it's a very complicated situation, because we know you have pressure from the top, but we also respond [legally]... Then we get into a difficult situation.

During this revelation, the manager looked sideways to see if she was being observed, passed her hand through her hair and looked up and down in a clear demonstration of discomfort. Thus, the idea of risk seems to be clouded by this objectivity that hides its real characteristics, even if, following some trends the decisions about risk are based on judgments and perceptions. This influence could be related to high-profile cases such as Enron and the CDO problems with rating agencies that confirmed that those ratings' meanings are just a 'personal opinion'²⁶. Nevertheless, in no case was this space for manoeuvre revealed before the bubble burst.

Even if probability is contingent, based on many assumptions (Spiegelhalter, 2013), immersed in this discourse of 'objectivity', managers seem to ignore the assumptions made by them while talking about risk in meetings and debates, using expressions

However, after chats with many managers, I realised that this did not mean that they did not want to have this information in this research, but that they would never confirm it elsewhere, so it meant that they did not wish to have their identity revealed.

²⁶ See more details about these framed 'opinions' in the film 'Inside Job' (2010).

such as ‘I think...’, ‘I believe...’, ‘it seems to me that...’, and the acknowledgeable conditional and arbitrary adjustments of parameters previously made in credit conditions norms²⁷. Therefore, even if risk management is a cyclical process, it is not neutral, as the act of setting parameters is related to power and politics, as ‘the ability to decide the direction and purpose of actions’ (Bauman, 2007: 2). In this sense, the following section sheds light on the moment when risk decisions are made.

Risk as an instrument support to ipso-facto decisions

During the last mandate in the BrazBank, for instance, a massive project involving two different public banks was rejected by the Credit Grant Committee and by the Executive Board of Directors. There was a political interest in this project, and it should have been accepted. However, due to concerns about the validity and evaluation of the guarantees presented and the possible civil and criminal responsibility that managers would bear if a project like this was accepted with apparent financial deficiencies, it was rejected. The pressures that happened behind closed doors were not publicly revealed. However, the president had extensively

²⁷ The conditionality and arbitrariness of criteria were also exposed in a discussion about current changes in clients’ profile according to their credit grants. In this case, according to the new SB’s risk appetite, there was a shift in this classification between small firms (from revenue under R\$ 2,4millions/year to R\$ 3,6 millions/year). This change represented Board’s and government’s intentions to expand these credit grants, making them automatized and online, which has modified the default of SB, increasing loss in these operations that become more ‘flexible’.

argued that ‘it was a project with a huge social benefit and it was viable, so must be approved’. These problems generated a tension inside the bank regarding political pressures in technical assessments. A manager was fired, and a director resigned from his job. After a while, even the president was reallocated to another public institution. Even after demonstrations from managers and analysts, the project was accepted, but at that time, following another credit grant line.

Risk management is an important instrument to fill information gaps and support decision-making processes, even if it will not necessarily indicate which is the best decision to be made, since there are always problems with limited data and asymmetric information. Consequently, even following the same flowchart, there are differences between small and big projects. For instance, larger projects could also pass through a pre-analysis of risks to reveal possible deficiencies in their funding projects, and then, again pass through another pre-analysis or follow the ‘standard’ credit grant flowchart. Analysts did not consider this as inconsistency within risk management practices but emphasised that the pre-analysis is an instrument to guarantee more accurate decisions, which should also reflect their experience and judgment considering firms’ history, brand, and political power. Also, a manager said:

Though all the planning is done on an idea of risk, which is the most likely, and using all methodology proposed in proceedings that present the greatest risk, there are many things that escape from what was planned, unexpected things, changes, new demands, which require that you review your plan and consider other elements, which adapt yourself. Therefore, although the risk is important, there are numerous uncertainties in day-to-day that impact decisions and planning (Manager D, 2013).

However, under an argument of objectivity and neutrality of models, risk hides its power. Similarly to Hines’s (1988) arguments about financial accounting, ‘[risk]

power is a hidden power because people only think of you as communicating reality, but in communicating reality, you construct reality'. Recently, for instance, considering the current strategy of the BrazBank to expand its portfolio, the analyses of risk were made to accept and nor reject projects. For example, reviewing the bank's assessments an analyst said:

Our model was wrong. We were rejecting large and approving small [projects]. Now this is right. Now the model is less conservative. Finally, I adjusted it. I changed this and this. You can then save and run [the model] with these parameters so that it will work [be approved] (Analyst A, 2013)

The main issue with these adjustments is that they commonly targeted large projects. They were used to reinforce the *status quo* and to reflect an economic logic in risk construction. Therefore, more than inform, risk supports decision-making processes and legitimates actors' perceptions and decisions. Thus, risk conception grips actors by its power to transform what was potential into something real. Even if the conceptualisation of risks in decision-making could be contested, then, if someday it should prove wrong, it will not represent the present anymore, but the past, which could be justified. Always in the future, risk articulation includes and excludes many elements that compose risk reality, identities, and contexts. Therefore, the act of setting parameters to make decisions is related to power and politics (Derrida, 2002), as well as the ability to decide the direction and purpose of actions (Bauman, 2007: 2). Again, what is intriguing about risk discourses is how subjectivity is downplayed in favour of systematisation; even if subjectivity is a recognised aspect of risk-management practices. Thus, the following section exposes that actors recognise the role of subjectivity in risk-management practices and the importance of previous errors and experiences, in decisions about risk.

Risk management as a social practice

Throughout BrazBank history, several activities and processes were ‘optimised’ in trial and error learning practices. This allowed the implementation of new internal controls and risk-management practices, as long as actors perceived new problems, as well as when new demands for information were incorporated. The communication and shared experiences among analysts facilitated this diffusion. According to some actors, it is important to learn from mistakes (Analyst J, Manager E, 2013). Thus, risk could be understood as the desire to avoid errors. Slovic (1999), for instance, emphasised how personal intuition is complementary to risk analysis, especially as a supplement to disperse information that could not be measured, but that could enhance good decisions. The ignorance about the complex interconnectedness involved in the decision-making process represented one of the main concerns for Manager Y (2013), when he described risks implicit in a new systematised product:

There are several issues that need to be considered and several details that often get lost in this new vision [systematisation], we do not know yet what will happen. [However] there is a range of feelings that influences the analyst in a grant, and that is important as the experience of this guy could ‘see’ if the client is deceiving you or actually having some difficulty getting financing (Manager Y).

Personal history and experience are important elements in decisions involving risk. Indeed, the importance of experience in risk decisions was demonstrated by Adams (1995), who argued that people usually use their experiences, risk appetites and personal history to form individual risk filters and weigh risks implicit in their decisions. In the BrazBank, the personal narratives exposed nostalgic feelings about

a golden period – usually articulated at the end of interviews as the real risk for BrazBank’s activities – when non-measurable risks, such as employees’ dissatisfaction, were considered important to the bank.

These personal histories and experiences also permeated discussions in decision-making processes. They were the source of comparison between credit grants, clients, business environments and their dynamics and complexity. Also, exposing similar cases and experiences, actors made their arguments more plausible and coherent, so analogies were used to justify personal conceptions. These experiences were used for training purposes and to keep the memory of the BrazBank, so represent a tool for knowledge management, as shared experiences show how problems have been solved previously and the reasons for current practices or norms. Of course, the hegemonic discourse of risk tries to diminish the relevance of these subjective elements and contest the validation of each story in the current context, as according to one manager:

The histories of use are not updated, as the Brazilian legal system usually takes a lot of time to have a verdict about prosecutions. However, they are presented on a daily basis in some departments in BrazBank, and these arguments are used to make decisions about funding, or not, some projects. We need to have more systematic information from the market not to incur in this kind of errors.

Undeniably, this assertion highlights that this perspective can bring biases into decision-making processes. The main argument in this respect was how historical problems once again became current issues inside some departments, creating barriers to change and development that kept the BrazBank stuck in the past. This reflects that, for risk management purposes, stories have mainly two different aspects: they are important to comprehend past errors and also as organisational memories that keep the idea of progress through comparison. Consequently, this

section does not suggest that subjectivity is the panacea, but the opposite; it seeks to offer a space for reflection about risk management practices.

Could risk be objective?

According to the current theoretical discourse about risk, it seems that there has been a huge change in risk-management practices in recent decades. Those changes were supported by the idea that human factors are biased and should be removed from these models. Inside the BrazBank, for instance, the Risk Manager explained the evolution of risk management practices, emphasising this idea:

Until mid-1994, credit granting and management in Brazil were not as well developed as are the ones based on current policies, as inflationary correction compensated any losses of credit through the financial maelstrom and markdown prices. Thus, the credit decision was made solely by judgments based on the experience of credit analysts (Internal Journal 426, 2007: 1)

The utilisation of quantitative tools was made available after the controlled hyperinflation, but also provided an instrument to handle the new economic imperatives that would not allow easy money from compensation. Furthermore, risk presupposes a political tool of legitimacy for managers to avoid possible future accusations. This idea justifies, for example, the results of Souza (2011), as although managers do not have accurate quantitative tools for risk management, they argue that those are the ones that they trust most. Therefore, risk management tools are considered a relevant source of legitimation, even if there are incongruencies. The constant quest for objectivity pursued in guidelines and reaffirmed by consultancies supports decision makers. Furthermore, a manager asserted:

Even with developments in models, posterior analysis demonstrates that they are flawed and do not necessarily indicate the best risk to be incurred (Manager D, 2013).

Therefore, managers recognise the limitations in current models but continue to justify the need for them. For example, during the discussion about a new product, after reading the BCB standards, managers found that there was a way to justify customers' different ratings classification, following the guidelines of Article 2, Section II and also to explain why the BrazBank adopted a different risk ranking. Manager A explained that there was no strict position from BCB that they needed to classify these operations with the worst risk rating, and that would affect BrazBank's loss provisions. Manager B stated that the most important thing was to explain the reasons and detailed that following the BCB's Article 2, and BrazBank's models, this was a more conservative criterion. Then, she emphasised:

Even if I did not agree...but erase that. Use the data you have and properly explain that we made that decision based on the test conducted and a profile of transactions that represent a lower risk to the BrazBank, because it has a smaller portfolio... which presents a lower [risk of] default... and show the points [evidence] that will help you to *justify* that this is a good option (Manager F, 2013).

In practice, I observed that there was a lot of subjectivity in the risk management decisions related to different projects and individuals. This subjectivity could be characterised mainly by judgments and perceptions, used to fill some gaps in information, but also related to other interests of funding, or a response to time constraints and pressures which needed to be justified. For instance, during a conversation after a meeting, two managers exposed that:

Manager H: The directors want to release it soon, and we're running, running, and then, it's all for yesterday.

Manager C: The only way out is to launch the product this way, as the board wants, *justify* on the norms, the criteria adopted and explain that as it is a new

product change, even there would be some changes and monitoring in order to better understand this process and keep up with this new funding.

Therefore, constant and unexpected variations in the environmental conditions, plus pressures and unexpected requests, might also push things, as reported by another manager:

Though all the planning is done on an idea of risk, which is the most likely, and using all methodology proposed in proceedings that present the greatest risk, there are many things that escape from what was planned, unexpected things, changes, new demands, which require that you review your plan and consider other elements, which adapt yourself. Therefore, although the risk is important, there are numerous uncertainties in day-to-day that impact decisions and planning (Manager D, 2013).

Therefore, even knowing the limitations of risk management practices, different actors seem to articulate it in different ways to support their decisions and practices. The next section then exposes how counter-hegemonic discourses of risk have used the idea of risk management as a floating signifier to support different purposes in BrazBank's departments and hierarchical level.

6.3.4. Risk as Contextual: Different Groups, Different Risks

Considering the battle between the RMD and 'other' departments, summed up in the current discourse from risk managers stressing a 'weak risk culture' inside the bank, this section seeks to explore the primary sources of these contradictions in risk discourse. The homogeneity reinforced by theoretical 'risk culture' guidelines (e.g. IRM, 2011, 2012) has demonstrated its 'intellectual failure' (Power, 2009) in the BrazBank. After many years of using and passing through a few Big 4 consultancies, the 'risk culture' in the bank seems to be weak for risk experts and oversized

according to other managers. But, what were the reasons for this disparity? This section exposes contradictions in discourses about risk in literature and the conflicts between unfulfilled promises, i.e. ‘what risk should do’ and ‘what risk actually does’ (Mol and Law, 2004). This gap sheds light on the reasons for the obscurity of risk management practices (Borraz, 2012). Thus, I offer a series of different perspectives on risk and risk management practices among the BrazBank’s groups, characterising risk as a floating signifier, in the following sections.

Cross-Departmental Discourse of Risk

The articulation of risk as a signifier and nodal point in the BrazBank differed across departments. Concisely, there were mainly three different groups’ views about risk in the BrazBank. First, for risk experts, risk management meant the ‘solution’ for all the bank’s problems, legitimated by the idea of ‘best practices’ ‘used worldwide’ in the market. These arguments were also supported by the necessity to comply with external actors considering the training obtained from Big 4 consultancies and the requirements of BCB. Second, credit grant managers presented the opposite view, as risk analyses were seen as a ‘barrier’ to the acceptance of more loans, and thus, to achievement of organisational – as well as departmental, and personal – goals. Therefore, risk was considered a threat to BrazBank’s performance and (financial) sustainability. Third, the administrative managers recognised risk as an important supporting tool, but saw it as out of BrazBank’s reality. This last argument was presented to avoid ‘overweight’ action plans from the RMD, which, according to the

administrative managers, represented a 're-auditing' activity that would not fit into BrazBank's reality, and so would end up just 'bothering' them.

Overall, the risk descriptions of the two latter groups were confusedly blended with audit practices, perhaps as an influence from the 'Golden times of Auditing with a Risk Management Focus' period (See Political Logic section 7.2.1.). This argument was also contrary to the supposed 'opportunities for improvement' role and benefits requested by the current risk management practices. Therefore, this struggle around the definition of risk's function shifted the previous ruling position of risk experts and their ability to interfere and set standards of 'best practices' for other departments.

This battle for expertise was present between 'other' managers and risk managers, respectively, considered 'non-experts' and 'experts' of risk. Inside the bank, the crucial question raised was: who is the 'expert' to interfere in my work? Clearly, this polarity was prejudicial to risk-management practices, as risk experts suffered from a lack of collaboration from 'non-experts'. In this context, the claim of independence was detrimental to developing an image of the humble CRO, proposed by Mikes (2015), an important aspect of becoming influential whilst creating a toolkit shared at different hierarchical levels and among other managers (Hall *et al.*, 2014). From a DT perspective, the current hegemonic risk construct radically challenged dominant positions and pre-existing practices in the BrazBank. For that reason, tensions erupted, and antagonist identities tried to regain the space they had lost.

In the BrazBank, risk managers used their training to ratify their knowledge and ability to set the 'right path to follow', considering the 'best practices', 'state of the

art' and the 'new' and 'better' methodology of risk management. However, administrative managers did not accept that these recommendations fitted well in the BrazBank's context, as they considered risk-management practices as 're-auditing' and 'overweighed' in relation to the size, goal and particular characteristics of BrazBank's operations as well as its limited resources. In addition to this, credit grant managers presented an even more fatalistic view; sharing the view of administrative managers, they went further and considered risk as a threat to BrazBank's financial sustainability, arguing that BrazBank's aim was to increase revenue and not manage risks.

When confronted with this latter point of view, risk experts considered it an 'unsafe' standpoint, claiming that the BrazBank could make better decisions and reduce losses using risk management practices. However, these struggles were mediated by the evidence provided by each group and, although the BrazBank conforms to BSC's approach to achieving its goals, its leading indicators of performance were the volume of credit grants awarded. In this way, credit grant managers could quickly provide evidence to support the benefits of their practices to BrazBank performance. On the other hand, the absence of risk materialisation of losses in recent years put risk managers in an inferior position. For that reason, there were even concealed desires from risk experts that something should go wrong, in order vindicate their perspective. Even so, these actors were also suspicious of the consequences of such an outcome to their position, i.e. whether losses would bolster, or weaken their importance in the BrazBank. Ultimately, these divergences were influenced by BrazBank's current emphasis towards financial performance, which did not benefit risk experts.

Cross-Hierarchical Discourse of Risk

Drawing on current risk guidelines, risk experts called for the necessity to develop a common language of risk, but the views about risk management were even more heterogeneous concerning hierarchical levels. There was a dissonance between what decision-makers required and what the RMD delivered as crucial information on BrazBank's daily basis. Part of the problem was related to a huge volume of information provided each semester by the risk-management department. Risk reports were 'hard to digest' and generally provided outdated information about the current practices in each department. The gaps, though, were considered again a symptom of the 'weak culture of risk', and hence as the consequence of the lack of participation and collaboration from other departments. The commitment to 'best practices' was another self-referential element used to reinforce the appropriateness of the current methodology, which reflected the training from Big 4 consultancies, and hence, 'in worldwide use' practices of risk management. In short, managers were stuck in their Big 4 training, but other actors were no longer persuaded by this argument anymore.

For instance, considering that risk reports contain more than 100 pages, directors argued for more 'synthetic', 'objective' and 'simple' risk management practices, that could help them to make better decisions and not just to comply with BCB's requirements. On the other hand, other managers were usually concerned about the timing and updating of numerous risk action plans, suggesting the incompatibility of risk management practices that were 'too sophisticated', 'highly bureaucratic' and

‘time-consuming’ with BrazBank’s necessities. Conversely, in this battle, risk managers felt lost and discouraged by their ‘lost relevance’ and requested more support from the Board to improve their practices, explaining how the tone from the top would drive the behaviour of managers. They also demanded more resources for consultancy training that could update risk management practices. Therefore, they remained fixed in the idea that the solution would come from outside.

Risk experts were indeed cornered by a lack of participation of other managers and analysts, as their claim for ‘independence’ had conveyed almost an image of ‘arrogant self-sufficiency’ according to credit grant and administrative managers. The authority lost can be described as a lack of interest of the ‘non-humble’ risk expert in creating coalitions with (perceived) less powerful actors, like analysts in other departments (Mikes, 2014). Risk-management practices were historically driven by a ‘tone from the top’, so analysts felt that they were ignored by the ‘state-of-art’ of ‘snobbish risk experts’ who did not include their point of view on possible threats and improvement opportunities to BrazBank practices. In the long term, however, this detachment resulted in the inapplicability of risk management recommendations, which had lost their practical connection with BrazBank’s practices and capacities. Therefore, the integration purposed by risk experts in the ERM period was considered utopian in comparison to the actual practices in risk department. In this battle for power, characterised by claims of expertise, risk-management practices in the bank could be understood as ‘a ship full of small boats where each oarsman is rowing in a different direction’, as a manager argued.

Additionally, despite the fact that the importance of disseminating a common language of risk was regularly emphasised in new consultancies, the training about it

during new risk management requirements was mainly concentrated on the members of the department responsible for risk management practices in each period of risk management evolution. Perhaps this is the reason for the disparity in the conceptualisations of risk promulgated during interviews with different departments and level of hierarchy.

When asked about the meaning of ‘risk’ and ‘risk management’ to their practices, managers and analysts usually replied with inquiries about ‘which risk’? They commonly considered only the risks that were present in their daily activities or the most important for them and developed their arguments emphasised elements that made the idea of risk more concrete in their practices. For instance, credit grant managers and analysts paid more attention to credit risks, as they were decisive in accepting or rejecting a project, and this was used as a performance measure and to set their goals. On the other hand, administrative managers and analysts had more concerns about operational risk analysis, which would interfere more in their activities, even though the degree of importance of risk management practices was also directly related to the time since the last operational risk evaluation.

The multiple layers and social constructions of risk were confirmed here, demonstrating that the lack of training was not the only reason for dissimilarities. Among administrative departments, the concept of risk also differed according to the experience of analysts and managers. Thus, previous errors and experiences were considered as important sources of information for working properly with possible risks. Even if norms and policies were considered a guide, analysts emphasised that ‘each operation, and also each analyst, have their own way to conduct their activities

and their dynamic can change, for instance, according to time and hierarchical pressures or their experience' (Analyst X).

In short, the complexity and dynamics of risk discourse were articulated differently by different actors to reinforce their own interests and maintain their power. Risk is contextual and could be characterised as a 'floating signifier', as various particular contents could be read into the signifier, and different actors will articulate different element of it according to their particular interests (Laclau, 2004). Thus, risk could be understood as a legitimate instrument that subjugates actors while excluding their proposed meaning from the hegemonic discourse of risk. However, considering the antagonistic position of these excluded actors, any failure in the hegemonic discourse also represents an opportunity to regain power. For that reason, risk management practices could be characterised more like a battle rather than a homogenous and naturalised discourse, as was presented within the external disclosures. A request for 'objectivity', 'neutrality', and 'independence' hides subjective elements in an illusion of control conveyed by 'restricted', 'parameterised' and 'formalised' norms and procedures.

6.4.Conclusion

Risk guidelines and consultancies' reports have focused on the importance of integration (BIS, 2003, COSO, 2004, Deloitte, 2009) and created a common language of risk (AIRMIC, Alarm and IRM, 2010, IRM, 2012). This chapter has examined the viability of this attempt to standardise and homogenise risk management's heterogeneous realities, whereby complexity in human interaction

and individual conceptions is hidden in the construction of 'risk'. Moreover, it provides an empirical critique of the positivist distance from subjects, which is implicit in any discourse of objectivity and universalisation. According to Arena *et al.* (2010: 673):

Organisational translations diverge as they encounter pre-existing centres of control and practices. This heterogeneity is explained at the highest level by differing risk rationalities and their potential to challenge the conceptualisation of uncertainty. A shift in the decisional mindset and context is shown to be dependent on whether risks are represented as 'real' problems for managers, instilling urgency in the form of a new moral vocabulary, and by visualising impacts in a manner close to their actions and responsibilities.

In this chapter, then, I explained how risk operates in practice and different meanings are attached to risk and risk management as a signifier used by both external and internal actors. Although the discursive political power of risk is not commonly addressed by the mainstream literature of accounting and finance, I showed here that chains of signification were important to risk's current political power (Laclau and Mouffe, 2001).

This chapter illustrates how, the subprime macro-crisis echoed inside the BrazBank, reflected in a micro-institutional crisis regarding risk practices and tools, but how, despite previous crises, risk management instruments were still in use. The way that those practices were articulated at macro-, meso- and micro-levels in the BrazBank seems to be an essential factor for understanding the meaning and rules of risk management practices. Here, I showed how the structure of risk management in BrazBank reflected international regulatory imperatives. Furthermore, I demonstrated that risk management was condensed and naturalised by risk experts in a rhetoric that reinforced elements like 'best practices', 'solutions', 'in worldwide use', 'security' and 'systematisation'. From outside, thus, BrazBank's risk

management structure could be compared with that of any bank in Brazil, or abroad, and with discussions in mainstream accounting and finance literature.

Nevertheless, to expose the multiple layers of risk, I considered differences between disclosures and internal practices of risk management. This methodology confirmed the characteristics of risk as a floating signifier, which was articulated differently according to different interests. Covered over by a 'normative discourse' of 'objectivity' and 'neutrality', external disclosures and risk experts emphasised their compliance with 'best practices'. However, there was a lot of divergence between risk experts and cross-departmental and cross-hierarchical interpretations of risk. Risk was also characterised by personal judgments, perceptions, and decisions made according to previous 'errors', 'own experience' and 'organisational history'. Therefore, there were always contradictions between 'what risk is', 'what risk does' and 'what actors should be told about risk'.

The source of these divergences is further scrutinised in the genealogy of risk management practices presented in the next chapter.

– CHAPTER SEVEN –

FROM A COLLABORATIVE ‘CULTURE OF CONTROL’ TO A BLAMING ‘RISK CULTURE’

7.1. Introduction

As outlined in Chapter 6, the macro-discourse of risk was reflected in BrazBank’s risk management practices. However, there were hidden conflicts and heterogeneity in external and internal discourses as well as between experts and non-experts. At the micro-level of analysis, it was clearer that non-experts’ antagonistic positions opened up space for contestations about risk management practices in BrazBank. A quick look at this bank, focused on the current practices of risk management, could support interpretations that the BrazBank presents an incoherent ‘risk culture’ and a failure in the implementation of ‘best practices’ or to achieve the ‘state of the art’. Nevertheless, this chapter demonstrates that the dynamics and continuity of risk in the BrazBank also reflected continuous translations from international macro-discourses of sound risk management practices in attempts to legitimate risk experts’ interests. Thus, the battle and contestations around the concept of risk, as a nodal point, have been driven by departments throughout BrazBank’s history, but only gained momentum recently with its international failure and lack of support from BrazBank’s Board of Directors.

The political logic of risk management practices presented in this chapter, then, shows rhetorical strategies and dislocatory moments from risk management's emergence until it achieved its golden period. It also depicts how, after that prestigious period, risk experienced an unprecedented crisis. This critical analysis of the political logics of risk management in the BrazBank exposes risk's conflicts with pre-existing social logics (Arena *et al.*, 2010) and consequent shifts in its social representation throughout its history following modifications in international and national regulations, as well as accommodating struggles among different actors and their interests. Thus, while Chapter 6 exposed the current picture of risk management rules and practices, Chapter 7 reveals a historical picture organised here to show how these practices emerged, were contested and sedimented. This link with the ideological cover provided by international regulations expands the understanding of risk-management practices beyond its technical aspects. In fact, it embraces the social and political relevance of risk as an instrument to legitimate and create a space for risk experts (Suddaby and Greenwood, 2005) and to translate neo-colonial international accounting requirements (Neu *et al.*, 2006).

For me, the current discourse about a 'weak risk culture' inside the bank represents an attempt to re-establish trust between actors and the bank, and also the bank and regulators and consultancy groups. The genealogy of risk management practices, then, represents a way to comprehend the relationship between the micro and macro contexts, something lacking in the institutional approach, which focuses primarily on the micro in isolation from the historical macro-context (Lounsbury, 2008).

The following sections demonstrate how hegemonic international discourses of risk management were translated and articulated around new normative propositions

about ‘what risk should be’, which benefited some groups at the expense of others, who lost their power. These dislocations demonstrate the contingent nature of discursive structures built to sustain idealistic risk-management practices. Howarth *et al.* (2000: 13) affirm that dislocations ‘create a lack at the level of meaning that simulates new discursive constructions, which attempt to suture the dislocated structure’. Thus, in this chapter, I demonstrate the gap between theoretical and practical risk-management efforts. I analyse the rhetorical constructions and dislocatory moments of risk as vectors of change, seeking to understand transformations in departmental and organisational micro-contexts.

The analysis presented here sheds light on the historical processes of the emergence, adaptation, and implementation of risk management, which have suffered from a lack of empirical data and in-depth empirical studies linking the mobilisation and meaning of risk with distinct social contexts (Borraz, 2012). Thus, the following section starts this journey by tracing the emergence of the concept of risk in the BrazBank and the initial attempt towards normalisation.

7.2.The Political Logics of Risk: from Controls to Culture

Inside the BrazBank, it seems that the discourse about risk has shifted over the last 14 years. The proposition of NPM to public institutions became more prominent as a driver towards progress after Brazil controlled its hyperinflation using the Real Plan (see Chapter 2.3: 45). The primary focus was to guarantee the efficiency and transparency of these institutions, which suffered from political interference throughout their history. The compliance with best practices adopted by developed

countries and the market was considered an answer to these developmental pretensions. Thus, retrospectively, the relevance of risk management was connected to the international recognition of best practices (Hoyt and Liebenberg, 2011).

Initially, in the BrazBank, a discourse centred on the value of risk-management practices that highlighted the necessity to adopt more robust internal controls. The elements of this discourse constructed risk management as the solution, emphasising aspects that portray risk as a new and better managerial instrument that would bring efficiency and professionalism to BrazBank's practices while providing compliance with best practices in the market and in worldwide use. The 'enemy', in this case, was state inefficiency not driven by an economic imperative. The dictatorship of the logic of marketization portrayed that efficient and robust internal control mechanisms could avoid human errors and subjectivities increasing productivity and growth. Overall, this initial attempt avoided conflicts and invited people to participate and collaborate with these new practices.

Between 2003 and 2004, risk management practices were more settled, but did not appear in the spotlight, as they were much less emphasised in new directors' speeches. This diminished importance was opposed by risk experts, who stressed that other managers should engage with and embed risk management in their practices in order to obtain the 'state of the art' of risk management. Systematisation was the answer to BrazBank's problems, as this would supposedly avoid human errors and subjectivities in BrazBank's practices. Nonetheless, even when systems were in place, errors continued to occur.

Scandals and crises, like Enron and World.com, fortified the promulgation of the SOX, and then, new BCB's regulations, which again increased the interest in compliance with those international requirements, which presupposed transparency on the part of boards of directors' actions and also their civil and criminal accountability for misconduct and fraud (SOX, 2002; CMN, 2004). Thus, directors supported by Big 4 training, proposed the restructuring of the Department of Internal Auditing, to what was henceforth called 'Auditing with a Risk Management Focus'. Risk gained momentum and status in the BrazBank, and auditors claimed independence for risk-management practices in order to provide the total neutrality of such practices. For a second time, best practices and compliance were supporting this new endeavour of risk management practices. However, auditors also worked as a watchdog for the Board, so the element of punishment was perceived by other managers during this period.

The power of auditors was shaken by new regulations claiming a transition to a worldwide and more integrated risk management approach, named the Enterprise Risk Management framework (ERM). The ERM was in the spotlight internationally, and these current sound practices reinforced the exploration of opportunities and the necessity to add value for shareholders (even through the BrazBank has no shareholders), instead of focusing only on threats. In this period, the risk-management department was receiving relatively strong support from the Board and new risk experts claimed that risk was not auditing, so they should be, and were, moved to a new office. This new division asserted the reestablishment of cooperation between departments to achieve a holistic view of potential risks in the BrazBank. Contradictorily, it was asserted that the integration must be obtained without losing

the independence of risk-management recommendations. Therefore, the element of neutrality was again restated.

After this golden period, the subprime crisis triggered a loss of credibility regarding the management practices of risk around the world, especially the most sophisticated and obscure ones. Risk-management practices were in the spotlight again; however, now they were blamed as the cause of the most recent world financial crisis. In the new directors' political mandate, risk management practices no longer received much support. Inside the BrazBank, a new moment of dislocation focusing on the 'risk culture' tried to re-establish the power of risk experts. However, that was also a period when international discourses about which path should risk management practices follow were divergent. While propositions from Basel III asserted the need to adopt more comprehensive and sophisticated models of quantification, the IRM, for example, focused attention more on soft elements like 'risk culture' and 'risk appetite' (BIS, 2013; IRM, 2011; IRM 2012). Therefore, risk started to lose its power and influence over BrazBank's decisions, and other managers, perceiving this lack of power, also used this as an opportunity to reinforce their importance in steering BrazBank's incomes, considered a priority in the discourse of BrazBank's (financial) sustainability and, hence, progress. As a result, risk managers who had been experts in a position of prestige for the past decade saw their empire failing in front of their eyes. In short, the trajectory of risk could be summarised in the following diagram:

Solution	New Better Objective Efficiency Professionalism Compliance	Internal Controls (2000-2005)	Public Inefficiencies Subjectivity Political Influences Human Errors
	Independency Punishment Best Practices Compliance Standardisation (TI)	Audit with (Operational) Risk Focus (2006-2007)	Avoid Human Errors (Negative side of Risks) Frauds
	Aggregate Value Best Practices Integrated Secret (independency) Cooperation	Integrated Risk Management (2008-2012)	Not Audit From Threats to Opportunities
	Compliance Blame: (Weak Culture, no cooperation)	Risk Culture (2012-2013)	Not Synergic Humans: Source and Answer to Problems

Figure 2 - Hegemonic Discourses around 'Risk' and Risk Management' nodal points.

In summary, from the risk experts' viewpoint, this nodal point of 'risk' has moved from the discourse arguing about improving internal controls collectively to a blaming, 'weak risk culture' not supported by non-experts. Firstly, the standardisation of BrazBank's operations has sought 'better' and 'more accurate' models and in turn, 'efficient' analysis of credit grants. Ultimately, the question focused on managers' capacity to manage risks and the 'necessity' to develop a 'risk culture' inside BrazBank. The central element emphasised by this discourse was the idea that risk-management practice would 'add value' to BrazBank's operations. Conversely, there was extensive resistance from other departments to risk management practices, as 'risk' went against many interests whilst serving to uncover potential threats, like individuals' failures and errors, denoting that risk was

a punishment instrument. The core conflict happened in the articulation of risk between 2003 and 2005 when operational risk management was associated with audit practices, and even though after 2006, a new discourse regarding risk properties to improve performance was constructed, this last dislocatory movement has not fully succeeded. Therefore, the last attempt from the RMD was developed through a discourse about a ‘weak risk culture’ and problems with an attitude of non-cooperation from ‘non-experts’ that impeded risk management practices in achieving their aims: ‘improving performance’ and ‘adding value’. Overall, among many international and external macro-determinants, these shifts were also influenced by changes in political mandates in the Brazilian government, which were reflected in changes in the Board of Directors of the BrazBank, who needed to legitimate the contribution of their terms of office. These elements are fully described in the next subsections and summarised in Appendix 1.

7.2.1. Risk and Political Mandates: Different Political Mandates, Different Risks

BrazBank’s history presented various hegemonic discourses, and subsequent crises and dislocations related to the concept of risk management. Brazilian public institutions passed through a reframing after changes in the government that implied shifts in political positions, like those of the president, directors and some managers, at least every four years. In the BrazBank, however, these changes have also altered the discourse of risk, articulated differently in each new political mandate. These dislocations reflect not only internal processes, but also variations in the perceived power of macro-discourses of risk management around the world. Therefore, risk was used to legitimate new actors’ power, but also to support their decisions, reinforcing their contribution in the BrazBank, while the value perceived in risk

management tools passed through redescrptions, as exposed in the following sections.

*2000 – 2002: Transformation Logic of Control and Professionalisation*²⁸

At the beginning of 2000, after the economic stabilisation brought by Brazil's eradication of hyperinflation, the BrazBank passed through many changes. This was a period of privatisation in Brazil and the idealisation of a new public management framework for public institutions. This phase was characterised by market concerns related to controls and effectiveness as a way to discipline managers, maximise firms' value, re-order organisational life and ensure compliance (see more in Chapter 2). In brief, it was a desire to replace the presumed inefficiency of hierarchical public bureaucracy with the alleged efficiency of markets (Power, 1997: 43).

Significant uncertainties faced the BrazBank, as people were unsure of the future of this institution, and hence, their future. The BrazBank had a new president whose

²⁸ It is important to mention that although the proposition of prudent regulation was reinforced to BDBs after a period of hyperinflation, when a new public management (NPM) framework and an agenda of privatisation was also imposed on Brazilian public institutions, the main discourse inside the SB reflected concerns regarding professionalism and efficiency. These concerns marked a period of uncertainty about the future of this bank haunted by privatisations in other public financial institutions. Thus, perhaps, this rhetoric represented the way in which actors in this bank structured SB's role in accordance with the NPM's framework to avoid privatisation. Indeed, the internal journal used to inform this political logic analysis started to be published only at the end of 1999. For that reason, there were limited connections documented between the emergence of risk in this site and the controlled hyperinflation in the macro-context.

slogan was ‘Transformation in Progress’ and who argued that the BrazBank should be driven by ‘Simplicity, De-bureaucratisation, Pursuing Objectivity’ (Internal Journal, 2001). It was a discourse of collectivism, to ‘resolve issues in order to facilitate the work of everybody, and above all, the care for our customers’ (Internal Journal, 2001). Concepts like ‘Social Responsibility’ and ‘Organisational Climate’ (Internal Journal, 2001) gained momentum, and norms of security (Internal Journal, 2002), as well as programmes of goals, were created in a joint initiative (Internal Journal, 2002).

The idea was to ‘create an entirely new organisation’, seeking ‘change of culture, change of attitudes, people’s posture and animus’ (Internal Journal, 2000). It is noteworthy that this was a period marked by the predominance of political interference in Brazilian public institutions, which were exposed to favouritisms in the form of appointments to key positions based on cronyism and nepotism. Consequently, the formal discourse pointed out that these proposed changes would be achieved ‘through professional and human enhancement of the organisation’s people’. Emphasis was placed on the ‘expansion and renewal’ of the technical body through public competitive examinations. Furthermore, under a discourse of

‘professionalisation’²⁹, the idea of ‘continuous education’, translated into training and qualifications, illustrated BrazBank’s impetus.

Between 2001 and 2002, the BrazBank was supported by consultancies that started the implementation of risk-management practices. This process was marked by a desire for compliance with the Brazilian Central Bank’s (BCB) and National Monetary Council’s (*in Portuguese* Conselho Monetário Nacional, CMN) regulations (BCB, 1994; CMN, 2001). These Brazilian national laws, however, reflected international requirements from the Bank for International Settlements (BIS, 1988; 1994; 2000), COSO (1992) and pressures from the Big 4 accounting and consultancy firms. For that reason, the structure and history of the BrazBank, as of many other banks, are closely linked to risk management enquiries and requests from national regulators which emerged reflecting international requirements and ‘best practices’, for instance, from BIS and COSO. Hence, considering the aim of this bank, the former president had said:

The intention is that the bank really acts looking more to development than to credit. The credit itself is nothing. And in this context become even more important new tools that have been developed by BrazBank, such as the area of credit risk, which seeks to reduce the maximum possible loss on the wrong loans, and especially the Matrix of Compliance, which seeks to ensure that operations are perfectly attuned to the strategic interests of the State (Internal Journal, 2001).

²⁹ Professionalisation here is not conceived as an affiliation to or creation of a professional body, but as the construction of expertise in relation to a domain of knowledge that created a dominant space for risk experts.

Initially, therefore, the focus of risk management practices was directed towards the financial risks, mainly defaults that represented credit risks, but also internal controls (BIS 1998, BCB, 2000). However, each actor articulated risk requirements in a different manner. For instance, according to BCB's reports, risk management was necessary for the bank's 'safety' and the 'reliability' of internal information, while the Big 4 consultancies emphasised its importance to 'improve organisational performance' and 'fulfil international market requirements'. The idea of internal controls was presented in a seminar involving the whole organisation and reinforcing the participatory nature of this enterprise, invoking the 'reliability', 'effectiveness', 'efficiency', 'safety' characteristics of this tool. According to the consultant responsible for this implementation:

This is a dynamic process driven by the Board, management and staff and provides *effectiveness* and *efficiency* of operations, the *reliability* of financial reporting and fulfillment of rules and regulations (compliance). [...] Thus, we are creating a strategic vision of *safety* management and risk management (Internal Journal, 2002 – emphasis added).

Furthermore:

The objectives of the internal control structure are to ensure the *effective* management of internal and external risks to the BrazBank and to ensure the *efficiency* and *effectiveness* of operations and to ensure the *quality* and *integrity* in recording transactions, and provide *reliability* in the preparation of financial statements (BrazBank's Internal Control Norm).

In summary, this articulation associated risk with safety and this was important to explain and normalise the necessity of surveillance and more internal controls, which would reduce failures and human errors through the incorporation of IT solutions and the mechanisation of processes. Furthermore, this discourse also maintained the necessity for formalisation and structuration through new guidelines, norms, flowcharts, etc. Surveillance processes emphasised their contribution to 'improve

management’; and, hence, performance. Internal controls were perceived as something ‘new’ and ‘good’ that would ‘add value’, and as an imperative ‘to preserve the institution’s survival’ (Internal Journal, 2000). In short, the ‘necessity’ to improve internal controls was articulated as something essential to any company, as a consultant concluded:

Internal controls are primary to management any business. Whether it’s a grocery store or a big bank, it is necessary that a company tries to decrease risks of financial and reputation losses (Big 4 consultant, Internal Journal, 2000).

The normalisation of the rhetoric of surveillance as an imperative for efficiency was consistent with concerns about budget constraints and questions about the BrazBank’s survival, called ‘financial sustainability’, and which would supposedly be obtained with the adoption of drastic cost reduction measures aiming to itemise incomes and expenses (Internal Journal, 2000). These ideas were translated into propositions to cut costs, in a campaign of ‘save to balance’, which would only be achieved through more control mechanisms. In that period, risk was understood as an instrument to reduce failures and errors occasioned by lack of controls. Consequently, as reported in the Internal Journal, ‘BrazBank improves internal controls to operate more safely’ (Internal Journal, 2000: 1).

Risk managers also addressed the importance of Information Technology Governance in the implementation of an efficient and effective system of internal controls (Internal Journal, 2002). During its implementation, the Director of Finances asserted:

The System of Internal Control covers the recognition and *reduction of risks, performance improvement and compliance* with regulations and laws. ‘It’s the end of surprises’, he concluded (Internal Journal, 2002: 2 – emphasis added).

Risk thus provided a feeling of stability and order necessary to BrazBank's continuous changes. At that time, the focus of risk-management practices was on departmental activities and the 'concern with processes' acceleration' characterised by the valorisation of an 'organisational reorientation and, above all, of the information technology... essential tool... updating, accelerating and de-bureaucratising all processes' (Internal Journal, 2000). Internal controls gained prominence and support from staff with a directed focus on re-establishing the recommendation of CMN's Law N.2554/98 inside the BrazBank. This proposition seemed to offer a complete solution to BrazBank's apprehensions, as a manager reported, at that time, '[Internal controls] track *all* your actions and at *all* levels, so you can achieve the planned objectives' (Internal Journal 27, 2000, emphasis added). Ultimately, this analogy normalised the new mechanisms of surveillance and control as positive to BrazBank's operations.

It was also during this period that a department of risk management was created. Initially, it was configured in two different units: the 'Risk Department' was the one responsible for credit risks, measured by cash flow analysis and credit matrix; while the 'Processes Department' was responsible for internal controls. As exposed in accounting and finance literature, the development of discourses of risk resulted in a proliferation of the assumption that risk was controllable (Knight, 1971; Jorion, 2006). Models, based on 'big data', seeking statistical inferences tried to predict the future (Gujarati, 2003). Therefore, risk analyses were focused on 'preventing' problems, and gathering information found useful in folders, and which started to be required from risk experts as part of official forms, spreadsheets, and systems of credit grant analysis. This initiative aimed to create a database to manage risks.

Additionally, new models were developed in process reviews and maintained the valorised ‘strictness in granting loans’. In that period, operational norms reinforced that the main ‘innovation’ was:

The adoption of a matrix that enables classify projects according to their degree of risk and ‘Social Index’, an indicator that seeks to capture the extent to which candidates for funding projects contribute to State’s economic and social development. In case, the industry and field of activity, employment generation, and the integration of production chains, the spatial concentration, technological development and environmental impact are considered. The elaborated matrix, besides being an instrument for pre-qualification of projects and confirmation, after more accurate assessments, enables the flexibility in the spread with which the bank starts working (Internal Journal, 2001).

The implementation of risk management practices, then, was associated with BrazBank’s social and economic goals. However, this was also a strategy developed to accommodate initial challenges. Although national consultancy groups supported this process, they considered it as something experimental. For that reason, the success of risk management depended on the acceptance of other managers, as that was a period of more interaction between departments. Of course, this was not a neutral game, and an analyst additionally reported that there were conflicts with practices previously established:

No one knew what to do, and a consultancy was hired to implement this ‘risk analysis’ [using his fingers to indicate quotation marks in this last concept]. The process was initially manual and related with searching for information in folders in an attempt to better comprehend the characteristics of each operation, of each customer, for granting credit. Before that, the analysis was made based on the perception and experience of analysts responsible for credit grants, so, in the beginning, there were many conflicts with them who said the activity of risk analysis department represented a rework. This consultancy lasted a year, analysing how this process was developed and exchanging information based on the results. (Analyst A)

Given the indications of the analyst, the idea of risk analysis was used to name these new practices, previously unnamed. This represents a catachrestical moment in risk discourse. Naming the unnameable, risk was indeed creating a space for its practices,

which needed to be legitimated in the BrazBank. There were attempts to contest that expansionary discourse of risk, as could be evidenced by the allegations of ‘rework’ from credit grant managers. Indeed, clients’ profiles had been analysed before, but the formalisation and numeracy involved in risk management practices started to provide power to risk experts. The experiment, therefore, was labelled risk analysis and incorporated into the BrazBank’s practices.

In that period, risk-management practices were similarly prominent worldwide. Thus, while reflecting benchmarks from other banks, workshops were conducted ‘in order to start the process of disseminating information about the system being implemented, as well as emphasising the role and importance of each of us in the management of internal controls process’ (Internal Journal, 2002: 1). The Board of Directors also supported these changes and emphasised that ‘Internal Control Systems will require the commitment of everybody’. As a Director at that point highlighted: ‘[we] need to install in the conscience of us all the culture of internal control’, and also that it was a ‘[instrument of] great value for the performance of the bank and each of its employees’ (Internal Journal, 2002). Thus, risk proposed a change in mind-set marked by its internal acceptance, which supported its universality, and international recognition and applicability. The conversation at this point started to condense the meaning of risk around the idea of ‘best practices’, in metonymical rhetoric strategies that ignored the particularities of BrazBank’s social role (see section 2.3.2) while asserting that internal controls would guarantee ‘transparency, clarity, security’, as highlighted in BrazBank’s Internal Journal:

The primary objective of the Internal Control System is set parameters that should delimit the actions of the agency in the conduction of its business, in order to reduce the possibilities of operating errors, exposure of risk, fraud and

malfeasance, in accordance with CMN Resolution 2.554 and international standards and principles of the Basel Committee.

Although it meets a legal device, a system of well-designed internal controls brings many *advantages* to the operation of the institution. Among many, we could mention: *greater employee's involvement* with BrazBank's strategies; mapping of *all* activities performed by the various units; formalisation of *all* internal procedures, monitoring of the main risks affecting the BrazBank; *transparency* in the implementation of activities; *clarity* in determination of responsibility, *greater ability* to audit etc. It is for this reason that the implementation of the Internal Control System in BBD should be seen as a *unique opportunity* for the planning of their activities, much to the pursuit of *efficiency*, but also to ensure *better security* in conducting their business (Internal Journal, 2002, emphasis added).

Again, safety and efficiency were nodal points in the discourse of risk. However, initially, the universality of risk as something better implied a continuous evolution in BrazBank's practices to accommodate interests and avoid clashes with pre-existing practices which could represent a radical rupture of protagonists' dominant position (Suddaby and Greenwood, 2005). Therefore, consultancy groups focused on creating a sense of order while proposing the 'formalisation and structuration' of existing practices (Internal Journal, 2000). The analyses were based on statistical models, but training and workshops were used as a way to share experiences, and create a sense of grouping. Also, the normalisation of risk discourse reinforced attempts to maintain benchmarks with international development banks, for example, the Development Bank of Japan and the Latin American Association of Development Financing Institutions (ALIDE) (Internal Journal, 2000). As reported by a consultant during a collective training:

We will be much *more convincing* in the sense of showing local and *international investors* that the future will be different from the past, if, year after year, we can show where a statistical line of debt/GDP ratio is declining albeit gradually (Consultant, Internal Journal 45, 2000).

Actors in the bank also supported this initiative:

I think the event was paramount, especially at this time that the BrazBank has been experiencing: new tools, new model, the matrix of compliance. It was an *exchange of experience* (Manager, Internal Journal 49, 2000)

The consultants, however, ignored the fact that the BrazBank did not have international investors and imposed the same rhetoric based on the market logic of risk from multinational banks in the context of a development bank. Indeed, the opinions of managers demonstrated that the exchange of experiences and the use of (de-contextualised) benchmarks was perceived as useful for BrazBank's operations and actors. This openness to learning from outsiders was considered a relevant aspect in BrazBank's culture. Therefore, concisely, risk was perceived in this phase as 'new', 'better', more 'safe' and an 'efficient' instrument that would bring 'professionalism' to BrazBank's operations and maintain its 'compliance' with BCB requirements, but which also followed international standards that would 'reduce cost' and 'improve performance'. Thus, risk was considered the 'solution' for BrazBank's previous problems related to inefficiencies caused by political interference and human error caused by the subjectivity implicit in decisions in this new stabilised economic period after hyperinflation. Nonetheless, the fulfilment of these promises did not materialise, and contestations about these standards started to crystalize.

2003 – 2004: Contestations and New Expertise - From Controls to Audited

Risks

At the end of the previous phase, between 2003 and 2004, problems and faults had not yet been completely solved. The BrazBank was in compliance with BCB's

Resolution N. 2554/98. However, risk experts reinforced the importance of embedding risk management considerations in all activities in order to achieve a ‘state of the art’ in risk management practices, described as:

The internalisation *by each* about the importance of Internal Controls’ subject for the BrazBank; assumption *by each* of incumbent responsibilities on risk’s monitoring and mitigation process; implementation of improvements and corrections of deviations from the monitoring activities carried out by internal audit; the conscience that is much safer if *everyone* knows the way we do or not do something. This way we will be transparent with our colleagues and partners and contribute to the *transparency* of the institution, as *best practices* in corporate governance, suggested. (Internal Journal, 2004, emphasis added).

The problem then was constructed to highlight an incoherence, not in the concept of risk, but in its constructs and operationalization, which required the commitment of *each* actor in the BrazBank. The involvement of everyone was linked with a sense of transparency and reliability among BrazBank’s colleagues. It again reinforced an idea of friendship in risk management propositions smoothly shifting the responsibility for failures from experts to non-experts. However, the promulgation of the Sarbanes-Oxley Act in 2002 compelled the BCB to announce Resolution N. 3.081/03 to meet international requirements of external audit and internal audit committees. Thus, perceiving the fragilities in the risk discourse in that time, the audit department started to articulate a new space for its practices, using the rhetoric of ‘continuous updating’. Given SOX’s requirements translated in BCB 3.081/03, after a crowded training event, the official BrazBank’s discourse considered that:

The bank’s involvement in this type of [training] event is positive and necessary, given that, in the [BrazBank], it is applicable in relation to internal controls, particularly concerning risk management. This view is increasingly important for the company to *continue updated* in discussions and *improvement of management mechanisms used by institutions with similar characteristics* (Internal Journal, 2003, emphasis added)

The proposition of a risk focus, then, was considered a continuous updating of previous internal control practices (Arena *et al.*, 2010) used to maintain the benchmark with other institutions. During this period, internal audits were an instrument to evaluate BrazBank's internal controls and the current Director of Finance was titled 'Director of Finance, Controls and Audit'. This director bought the idea proposed by the internal auditing department and claimed a 'culture of risk management', asserting that 'there must be a permanent work for improvement so that quality can be ensured' (Internal Journal 200, 2003: 1). Suddenly, reflecting the emergence of the Enron case, the element of 'fraud' was incorporated in BrazBank's discourse of risk, which was no longer only characterised solely by an exorcism of the subjectivity implicated in human judgments, not compatible with the current moment of BrazBank's practices dominated by 'IT solutions'. The Enron fraud triggered concerns about human interference even in sophisticated quantitative decision-making processes and the prevalence of human interests. Therefore, it reinforced the necessity of independent and neutral actors conducting the management of threats. Formalisation and mechanisation were still considered the best way to reduce these adverse influences. The mantra was that 'there are no arguments against facts' and 'in God we trust, everything else we test'. Consequently, activities were monitored, formalised, blocked, limited, parameterised, and audited more strictly as a way to maintain control and organisational sustainability.

BrazBank is now dedicated to the implementation of Internal Controls Systems, *not in order to fit the standards of the BCB*, but worried about their routines provide *efficiency and safety*, as long as an account with the participation of all collaborators. [...] Systems' goal is to define parameters that should mark out bank's actions in conducting its business, reducing the chances of operational

errors, malfeasance and fraud, *according to international standards and the principles of the Basel Committee* (Internal Journal, 211, 2004: 1).

The quotation above, then, illustrates an aim to follow international risk-management standards, instead of national ones, which were considered inferior. This tense climate was used to sustain claims for audit committees and even more surveillance, in a ‘risk of everything’ (Power, 2004). A discourse of professionalisation³⁰ started to take shape, while experts’ programmes shifted risk-management practices previously embraced by ‘disconnected’ departments as an ‘experimental’ process to an independent supposedly neutral and trained one. All this change was again supported by Big 4 consultancies, putting risk management in the spotlight and disseminating this ‘new tendency’ to the Internal Audit department (IAD). The IAD was, then, the new body responsible for risk-management practices and had its importance reinforced among directors and in the Boards. This incorporation of internal controls in auditing and risk management practices was considered ‘modern’ and ‘critical to provide greater transparency to financial institutions, avoiding accounting scandals of Americans like Enron and World.com’ (Internal Journal, 2003: 1) as emphasised in audit plans for 2004:

³⁰ The idea of professionalisation here is embraced as a continuous process of becoming an expert. This is related to attempts to legitimate experts’ practices (Suddaby & Greenwood, 2005), accommodate previous existing practices (Arena *et al.*, 2010) and avoid or engage in disputes in order to preserve their authority (Mikes, 2011). This represents a political construction of an identity that segregates non-experts as biased and untrained individuals who need to use their (inferior) experience and judgement to make decisions. On the other hand, risk management calculative practices cover over the influence of experts in principles that hide their interests while claiming the measurability, controllability and predictability of future outcomes.

As a result of the experience gained in 2003, and based on the knowledge acquired during training in the period in which we participate, is being introduced gradually to form a methodology that has been adopted in *modern* audit work, which turns with emphasis on focused examinations the risks. (Auditing Plan, 2004, emphasis added)

During this period, the auditing department started to evaluate internal controls and report its conclusions with some recommendations, while other managers were responsible for presenting possible ‘solutions’ for ‘deficiencies’ found (Internal Journal 201, 2003). These ‘deficiencies’ were also called ‘fragilities’ in Audit reports. These elements were used to confirm the claimed authority and supremacy of auditors to spot errors and recommend improvements through action plans.

In summary, this was also a period of consolidation of BrazBank’s purposes, which changed the discourse of “Transformation in progress” to “BrazBank in Action” (Internal Journal 209, 2003: 4). This ‘action’ was supported by the new focus on risk management, which had changed too. Consequently, the focus on Internal Controls and Risk Management was directed to the programme of goals, strategic plans, and internal performance evaluation. The IAD embraced this work, incorporating internal controls and potential risks, as complementary instruments in its analysis. Therefore, more recent scandals and crisis brought the importance of risk back and gave momentum to its expansion.

2005 – 2006: Golden Times of Auditing with a Risk Management Focus

The golden time of risk management became apparent in 2005 with the renaming of the auditing practices to ‘Auditing with a Risk Management Focus’. It was a period of the enormous relevance of risk-management practices, which received much

support from BrazBank's Board of Directors. New requirements for operational risk management were applied, and the development of the auditing department focusing on operational risks marked another 'dislocatory moment' for risk management practices, which changed the focus of auditing from a backward to a forward view, to support previous internal control attempts. The BrazBank considered that:

The establishment of internal controls is critical to the efficient management of operational risk. An effective internal control system reduces the likelihood of human errors and irregularities in processes and systems (Internal Journal, 2006).

This conceptualisation denied human interference to sustain the supposed objectivity and neutrality of risk assessments, claimed by an assumed 'systematicity' of risk management practices. These 'new' audit practices re-wrote the discourse about risk considering it the 'most modern technique', associated again with the idea of 'best practices' and 'state of the art' (Audit Report, 2006). Given the supremacy of auditing surveillance, risk became an instrument that exposed 'fragilities' and 'deficiencies', and trained auditors were the 'experts' who could point to the right direction using no more 'recommendations', but 'actions plans'.

As a result of the adoption of Auditing's *most modern* techniques of internal audit and risk assessment, [...] [auditing reports] evaluated: the *efficiency* of each of the identified controls, using the audit's technique of walkthrough, the impact and likelihood of risk according to Matrix Criteria for Risk Assessment. [...] Due to the update level to be elevating the newly formed team of internal auditors was hired on a [Big 4] consultancy in 2006 for theoretical and practical *training* of the Audit team, based on Risk Management Methodology (Audit Report, 2006, our emphasis).

Given the metaphorical connection caused by the reference to internal controls in operational risk-management practices, risk became recognised as the lack of controls and the focus changed from activities to processes and to fragilities that could give rise to financial and operational problems. Furthermore, the association

with the Big 4 training was an essential element in the legitimacy bought to re-articulate internal audit practices, as exposed in training slides and auditing norms:

[Audit with a Risk Management Focus] is an independent activity, of objective assurance and consulting, designed to aggregate value to an organisation's operations. A systematic and disciplined approach to evaluate and improve the efficiency of the processes of risk management, control and governance to help an organisation achieve its goals (Institute of Internal Auditors (USA) and Audibra - Institute of Internal Auditors of Brazil) - Training Internal Audit (Slides from Big 4 Training, 2006)

The role of the IAD was modified to assess risks, provide risk coverage, confirm information, analyse operations, check compliance, make recommendations, evaluate the security of assets, and track action plans' implementation. This process of evaluating risk was described as 'a systematic process for assessing and integrating professional judgments about probable adverse conditions or events; identifying risks, examining them, investigating the sources and assigning a relative value to each of them, anticipating problems and helping the organisation to protect against disaster or loss of opportunity, aligned with the hedging needs of stakeholders' (Internal Audit Report, 2006).

To guarantee the consistency of this discourse, during this period, the process of identifying and categorising risks changed its parameters too. While attached to internal controls, risks could have multiple categories, and, hence, causes; however, consultants during the training imposed the importance, and even necessity, of identifying a 'major or primary cause of each risk' as a way to avoid contradictions and have more accurate information. Contradictorily, while this methodology reduced complexity, it also decreased the information available in risk reports. Stirling (2011) ratified the importance of keeping risk complexity, as one failure could be caused by many errors or a sequence of them. Similarly, in the BrazBank,

an analyst confirmed that these changes brought incongruences because ‘an event could be caused by a conjunction of legal, operational or system failures’. However, she also endorsed that this was the orientation proposed (or imposed) by consultants to maintain the (arbitrary and illusory) consistency in the claims of controllability of risk management practices. Therefore, according to the new methodology, all these elements were implicit in a singular accident represented by the most impactful one.

This condensed meaning of risk represented a metonymical moment of its construction. This metonymy reinforced risk’s supposedly quantifiable characteristics. While excluding risk’s multiple layers and interconnected cause-consequence relationships, this rhetoric sustained the myth of objectivity of risk while supporting unilateral decisions that simplified the complexity and dynamics of departmental activities in single risk categories. To this extent, the proposition of a sole and most impactful risk reduced the contestation using a methodology supported by international practices and transmitted by the legitimated Big 4 experts. Consequently, risk became a self-referential practice.

In summary, during this period, trained auditors were the experts who could point the right direction, and have the domain of ‘best practices’, as universal solutions brought with action plans. Nonetheless, this dominant position and power imbalance also introduced conflict in discourses about risk management practices by the frontiers drawn between experts and non-experts’ identities. Whereas in the transformation period, there was an experimental process where everybody was uncomfortable as learners of a new methodology, during auditing’s golden period, risk management was perceived as a concentrated power, supported by the Board and the training received by Big 4 consultancy. As previous investments had to be

justified, the knowledge and competence of a ‘risk expert’ were the answer. The spotlight was on the auditing department; however, another shift in national regulatory parameters would change its position.

2007- 2008: ERM’s Integration in a Holistic and (or) Independent Risk Approach

Following new demands and global tendencies about risk management (COSO, 2004; Deloitte, 2008; EandY, 2011; KPMG, 2011), in 2006, the BCB promulgated the Resolution N. 3.380/2006, which autonomous risk management department to financial institutions. Additionally, Big 4 companies visualised this as an opportunity to sell a new product (Power, 2007) that promised the integration of risk management practices and a shift from a focus on threats to opportunities, which was worldwide called Enterprise Risk Management (ERM). Thus, inside the BrazBank, these shifts in the macro-discourse of risk management represented a rupture with the former ‘Auditing with a Risk Management Focus’ through this rhetoric that emphasised the ‘new’: department, methodology and training. The announcement of these changes and ‘investments’ was published in BrazBank’s Internal Journals, then:

BrazBank has gained a new department: with the purpose of improving the internal and operational controls of BrazBank, adding the tools in a single management and complying with the view of Central Bank Resolution n. 3.380/06, the Risk Management Department was established, a body linked to the Director of Finance. The new department will absorb the old Unit of Risk Management, which changes its name to the Credit and Market Risk Unit. Subordinated to the Risk Management Department, the Operational Risk Unit has also been created, encompassing the activities of operational risk management, internal controls and information security. In order to properly

structure the Operational Risk Unit, the new management team is participating in presentations of proposals for service of the most respected consultancies in risk management in Brazil, such as Big 4A, Big 4B and the University Lab Y. (Internal Journal, April 2007)

The conceptualisation of ERM implemented in the BrazBank emphasised risk management's 'new' character. After creating the 'new' department of risk management, a 'new' methodology brought by a 'new' (and different) Big 4 consultancy group stressed its 'added value' component for shareholders (even though the bank has no shareholders). Risk was now measured and pondered considering the financial impacts caused by its *potential* monetary materialisation. In addition, more than the action plans, different indicators were proposed to 'follow', 'monitor' and 'signal' some risks, described as 'more timely metrics'.

On the other hand, this movement also caused conflicts between the risk management and auditing departments, constant especially in the beginning of this transition. According to Manager B, risk management practices only started in the bank in 2007, and before this, there was 'a different thing'. The new methodology was questioned many times, but the risk management actors protected their authority considering the more up-to-date training received from the Big 4 consultancy group who proposed the current approach. The annual meeting records in 2007 reflect this situation of rupture after the exclusion of previous statistics from auditing analysis and illustrate these battles for power:

- [Risk Manager], as coordinator of the Risk Committee, explained to everyone involved that the statistical effectiveness of the controls in the current report was suppressed for two reasons:

a) the risk categorisation, the type and grade, as well as the controls are not compatible with the new methodology;

b) based solely on the compliments of [Action Plans] reported by managers without testing and reviewing processes, which often have undergone

significant changes, the results would be presented, particularly in regard to the efficiency of the controls would not be valid, contrasting including the notes of audit tests. For these reasons, we support the position of the previous tracked [Action Plans], but not use statistics to indicate the effectiveness of process controls, *understanding that wrong information is worse than outdated by the lack of information.* (Emphasis added)

In short, the discourse of ERM was developed to reinforce that ‘risk management is not auditing’. This rupture was necessary for two reasons. First, it would supposedly reduce the resistance from other departments that associated risk management practices with auditing, and therefore, punishment. Second, the emphasis on the difference between current risk-management practices and previous ones was used to open space for these new claims of expertise. However, this new methodology continued to carry a vestige from the past auditing practices, as the idea of independence was conceived as an essential element of risk management’s power and the focus was on what could go wrong in departmental activities. This rhetoric was flawed because this independence of risk-management experts was mixed with a secret, and risk management was associated with threats instead of opportunities. For instance, Administrative Manager C affirmed that:

Perhaps part of the conception that risk management is equal to audit departs from the way the process is developed. The risk management [department] was created as an integration of auditing and process management [department]. Moreover, with a risk management department that was considered a re-work, including analysts were kept the same. Therefore, the structure has changed, but the concept remained the same.

During the period of ‘Auditing with a Risk Management Focus’, the debate about risk-management practices was concentrated around internal auditors, managers and the Board to maintain its independence. However, after a period without much disclosure of its practices, risk management began to feature again in Internal Journal headlines. A weekly advertisement in BrazBank’s Internal Journal tried to explain new concepts, and processes and to reinforce the importance of risk

management to BrazBank's operations. Prearrangements and explanations about the new methodology and the new risk management department were exposed in BrazBank's Internal Journal, for instance:

[Structuration of Risk Management - April/2007] during the last five years the BrazBank has sought ways to measure, mitigate and control their risks more efficiently. However, this practice has happened in disaggregated mode, with individual actions in different departments in the bank failing to take advantage of the longer established knowledge in specific areas of the institution.

The market has shown that the risk management of financial institutions has been structured in the most aggregated way since the concept of risk does not bring many differences in their types. Thus, it is also possible to consolidate the risks so that you can measure and/or estimate the overall risk level of the institution. Based on this premise, the Risk Management department was created on 11/12/2006, subject to the Director of Finance, as the sole body responsible for managing the inherent business risks of BrazBank, translated as managing credit risk and market risk and operational risk, the latter to meet the provisions of [BCB's] Resolution 3380.

The discourse of 'best practices' was again reinforced by internal communications. However, the primary driver of risk management expansion was its relevance to work both maximising gains and reducing losses in order to improve performance. Its focus thus was shifted to expose what was called the 'real' risk and not only lack of controls. The 'new' department was articulated as a 'gain' extended by the idea of integration, which reinforced its meaning as something 'good'. The new methodology supposedly represented a more 'complete' and 'sophisticated' approach to ensure the safety and reliability of the international financial system.

The idea of necessity was also embodied in this view, which proclaimed that this change was not only considered as the 'state of the art', but a 'non-negotiable imposition'. This self-referential rhetoric reinforced BCB and Basel's minimum capital requirements as 'the most significant pillar in terms of impact on institutions' activities and that affects the process of review and disclosure to the market'

(Consultant, Internal Journal, 2008). While ignoring that the BrazBank had no market or international investors and was accorded a high and positive Basel index, the Big 4 consultancy firm affirmed in an event to the whole bank that the benefits from the new risk management framework were:

[Increase] shareholder value: competitiveness, efficiency improvement, effective and efficient use of capital, reduction of capital allocation requirements, change the market perception, influence the "rating" assigned to banks and the value of their shares, improvement in decision making. Adaptation of Basel II is a non-negotiable requirement.

Of course, contradictions were presented in many aspects of this discourse; consequently, this was also a turbulent period. Even if the new discourse was about integration, this was not the reality even inside the RMD, as the two units – credit and market as well as operational risk management – continued to develop segregated work, but now structured in a single department. Internally, conflicts were present, and shifts in the location of the audit department exposed how this department had lost its privileges of being an area to ‘predict the future’ that worked literally near the director and became again as ‘backwards looking in the rear-view mirror’. The new risk-management department, then, ‘expands the technical and managerial capacity of the bank’ and became the responsible ‘to prevent large errors with an integrated structure which will establish a culture based on risks’ (BrazBank’s President’s speech, 2007). Conversely, this harmonised culture was never achieved.

In summary, recognising the authority of risk in the BrazBank, actors took advantage of the general proposition of ERM and new requirements from the BCB to claim their power in a new department of risk management. To reduce the contestations from other departments, this latest construction of risk utilised a logic of difference

to reinforce that risk was not auditing. It also tried to create a commonality while shifting the focus of risk management practices from threats to opportunities. Therefore, risk management practices were constructed as a component of the BrazBank's impetus to improve performance. The core element of this rhetoric, in this case, was the idea the risk added value to BrazBank's operations. Nonetheless, after some time, it became apparent that even the 'new' risk management practices could not fulfil their promises. As a result, the next section explains the current crisis in risk management practices and the current rhetoric that blame non-experts who do not cooperate with the enhancing of the 'risk culture' in the BrazBank.

2009 – 2013: The Crisis of Experts and Blaming 'Risk Culture'

The crisis of risk-management practices in this BrazBank was related to questions about risk management's supremacy and capacity to dictate the 'best practices' for the whole bank. The idea that risk management adds value and improves performance was challenged by administrative and credit grant managers, considering that BrazBank's incomes were obtained through new loans and not by risk-management practices. The accumulation of 'action plans' and risks, which have never been materialised, raised questions about the plausibility and even the 'real' existence of the risks proposed by the RMD.

Although the discourse in the integration period was that risk management and audit were two different things, the perception of managers and analysts did not converge on this point. During interviews, risk-management practices were commonly described as conflated with internal audit practices, so managers felt they were being

inspected twice. Additionally, changes in the mandate of the Board of Directors, together with the international relevance lost after the subprime crisis (Stulz, 2009; Taleb, 2009), generated the loss of the Board's support internally.

For that reason, the idea of 'risk culture' implicit in risk international norms and guidelines since the institution of internal controls (BIS, 1994; COSO, 1998) started to be explored more deeply in a rhetoric constructed to re-establish the power of risk experts. In a period when there was a divergence between guidelines and regulations (BIS, 2013; IRM, 2011; 2012), this element of culture was translated inside the BrazBank into a discourse on a 'weak culture of risk', and 'lack of risk comprehension', which was used to blame other managers.

This rhetoric completely ignored the historical construction of this problem within previous attempts of risk construction. The discourse of 'best practices' ignored the epistemic violence that subjugated existing practices and control mechanisms in the BrazBank, claiming the supremacy of risk-management practices as the solution (see Chapter 2 and 4). Looking closer, each new articulation of risk represented a response to a contingency exposed in international discourses of risk management after crises. These dislocations, however, did not challenge the concept of risk, but its constructs. Therefore, they engendered the awareness that the previous understanding of risks had been incomplete, so needed to be improved, not contested. This self-referential practice of re-conceptualisation empowered, but also caused harm to BrazBank analysts, who misrecognised their power and the necessity of particular endogenous solutions for BrazBank's problems, as said by Analyst E (2013):

I needed to open my mind and understand the difference of this new approach. In the beginning, it didn't make sense to me, as it was in conflict with my previous models of risk management, but after some time, I started to comprehend this new model.

The analyst was referring to internal conflicts about the inadequacy of the condensation of risk to a single category. However, the focus on the methodology purchased and imported from the Big 4 seemed to be unaltered (or even untouchable). I perceived that, psychologically, the methodology appeared to be treated as the source of power to risk experts, who ignored problems in its application and blamed other managers who had not received the same training as they did, so were considered not skilled enough to perceive the risks or understand and work with risk management. While risk-management practices received support from the Board, this was not conceived as a problem. However, when it lost this sustenance, the risk empire was ruined.

Following international discussions about risk through specialised publications, the idea of a 'risk culture' was explored as an instrument to re-establish the power of risk-management experts and blame those who refuse to accept it. As the power of risk practices was obtained from outside, thus, risk experts restricted their actions to requesting another worldwide recognised consulting group, who could update risk-management practices and bring the solution and the right (new) path to be followed. Even under contestations which highlighted the inadequacy or even absence of the risk proposed, risk experts did not challenge this imported methodology internally, as it represented an external validation and legitimation of their power. Therefore, this discourse was developed to support their position and, as a new ideology, discussions about culture followed the idea of 'massification', as Analyst D said:

We need to have the support from the Board for the ‘massification’ of this idea of risk inside the bank. Workshops, training, seminars must be used to do this. That was what happened in my previous company when they tried to implement the importance of security.

In the implementation of new management technologies in organisations, the component of massification is used to convince different actors about the importance and necessity of these new practices, reducing contestation. Blame is commonly also disseminated to segregate those who accepted and rejected the new technology, and so who was right or wrong. For instance, the resistance of senior employees to the new methodology was characterised as a problem which undermined risk management practices. Manager F (2013) argued that the problem was in the BrazBank culture, and not solved even with training:

[T]he main problem has a cultural nature! The BrazBank has most of its staff trained in ancient ages. [...] It is a common practice in several areas, spend time, energy and intelligence idealising shortcuts, or even preventing, the normal process, instead of adopting the simple mechanisms that the legislator has demanded. This situation was not even mitigated with training.

Although many reasons could be invoked to explain the crisis of risk-management practices, in the BrazBank, this seems to be closely related to the internal questioning of risk management’s supremacy and capacity to dictate the best practice for the whole bank. For instance, the process of defining which risks are appropriate to the BrazBank is described as follows:

(1) after the cyclic process of risk analysis is finished, the results, called ‘improvement opportunities’, are discussed with managers in meeting involving the committee of risk management and security and the individual responsible for the department [usually the manager]. (2) the discussion is developed focusing on points which generate disagreements between the risk department and the manager to set an action plan. (3) after exposing the risk and evaluate the actual controls in use supported by evidence, the debate is on the plausibility, or not, of action plans.

For a long time, each group defended its interests and any attempt to see the ‘other’ (analysed) side viewpoint was considered a betrayal. Managers under analysis can

express their justification for disagreeing with an action plan purposed by the risk department; however, they have no vote in the Risk Committee's decision. Thus, requesting the expertise of training and arguing about the 'best practices', Risk Committee members are persuaded to agree with the risk management standpoint. However, recently, it seems that this alliance has broken down. Precisely, with the new Board of Directors and after a new risk manager, who has come from the credit grant department, these agreements, which focused on 'best practices' were contested by a more organisational view. Given the accumulation of action plans for years, their timing and actual validity were further challenged by the Board, who questioned the capacity to evaluate the performance of other departments and risk management itself.

During these last changes in the articulation of risk-management practices, therefore, there was a shift in risk's importance and in the value attributed to it inside BrazBank. The position of risk experts moved from a status of privilege to one of awkwardness, as risk-management activities became synonymous with resistance and troubling colleagues in their work. It lost the support of the directors and became just a formalisation, in the sense that it was 'used to fill a form' and merely to 'comply with external requirements that do not necessarily have some internal importance until something bad happens' (Manager K, 2013). According to informal chats in the RMD, these 'unfortunate events' were considered both as a threat and as an opportunity to risk management practices. Thus, there were mixed feelings about what would bring risk values back. To some extent, there was a desire for something bad happen, as a way (or last hope) to re-establish the power of risk management. However, this possible 'opportunity', also carried concerns about the possibility of

being blamed, labelled as ‘irresponsible’ and plagued by ‘do not develop good work’, in such a way that ‘it could be just another punishment for Risk Management practices that would push it into the hole’, and perhaps the manager would be held accountable for it.

7.2.2. Discussion: from Collaborative ‘Culture of Control’ to Blaming ‘Risk Culture’

Inside the BrazBank, risk-management practices have suffered tremendous resistance and passed through many conflicts between hierarchies and departments throughout its history. Each actor developed his or her own view about risk, mainly, according to their experiences, errors, behaviours and interests. The idea of ‘risk’, ‘risk management’ and ‘risk culture’ was intrinsically and historically departmentalised in a top-down imposition from the Board, following national and international regulations and the advice of Big 4 consultancies. As a result, risk-management practices collided with previous existing mechanisms of control and a constant dispute between the risk management department and other managers marked the implementation of risk management, which was considered in many situations a threat to personal and departmental interests.

Initially, conversely, the construction of risk and its discourse emerged in the BrazBank as an attempt to accommodate pre-existing control processes and interests. The Board played a major role determining a powerful hegemonic articulation about the importance and necessity of strength internal controls, used along with risk-management implementation. Nonetheless, the directors and managers were

influenced by the hegemony of risk discourse internationally and pressure from national and international regulations as well as Big 4 companies. The Big 4 firms found in the construction of risk an opportunity to expand their domains while selling a supposedly transferable universal knowledge to BrazBank's actors who wanted to become experts. In this progression, there was an overdetermination of elements like 'objectivity', 'neutrality', 'independence' and 'best practices', which downplayed the importance of 'subjectivity' and human interference in risk management practices.

After radical contingencies which exposed the difference between what 'risk management should do' and 'what risk management actually does', in each new articulation, the risk-management discourse attached and allowed signifieds that were more subjective to draw its frontiers. In this sense, the propositions of new interpretations, or silos, for risk management, like 'operational' and 'strategic' risk organised in an 'integrated' framework which, in turn, emphasised the importance of 'culture' and 'appetite', represented re-articulations of the risk construct, but did not challenge the concept. Each new articulation expanded and limited the concept of risk, so brought new advantages and difficulties to the risk discourse of 'importance' and necessity'. Risk became all and none of those signifiers that compound it, as an 'empty signifier', but was differently articulated in each context, as a floating signifier (Laclau and Mouffe, 2001). Nevertheless, although 'empty signifiers' seem to be powerful elements of political discourses in previous literature (Howarth and Griggs, 2005), in this empirical site, the lack of coherence in concrete results opened space for contestations, which led to an institutional crisis.

From an internal perspective, directors have used risk to show their contribution and highlight ‘what they did better’, ‘what they brought new’, but also ‘problems in previous mandates’. New political mandates and changes in the board of directors, which are political indications from the government, pretended continuity, even though a new government might arrive with new objectives. Therefore, while risk was an authoritative discourse internationally, it received support from the Board, but when it lost its international power, it also came under threat internally. A manager reported that the importance offered to risk management is related to each director’s perspective, for instance:

In the beginning, during the mandate of President [X], we discussed improvement opportunities and how it would be operationalised. He gave much attention to [risk management]. In the case of President [Y], he read the whole report and made pertinent questions, but more to see how those things work. This last one came and has already made it clear that for him what mattered was that income over expenditure should be greater than one. We had a whole training and work preparing the strategic planning, but he just wanted to know if the bank could [financially] hold itself. Now I think it is worse, as they do not even read. The reports are transferred from one meeting to another until they have time on the agenda to ‘accept’ it. They do not want to discuss or know what is happening (Manager H, 2013).

The violence caused by consultancies was driven by claims of ‘new’ and ‘better’ risk-management frameworks without a focus on the understanding of BrazBank’s internal environment. This inadequacy was supported by a discourse that reinforced that consultants were ‘not specialists in development banks, but in the methodology of risk management’. Nonetheless, using the idea of risk management as a universal instrument of control, they decontextualised the particularities of its practices, arguing that they had ‘worldwide experience’ and ‘world-market reputation’ to legitimate their power and domain of technical elements of these ‘new’ (and unknown) tools, which could be fitted for all kind of organisations. In sum, this

discourse brought the ideas of 'in worldwide use' and 'best practices' to risk discussions.

Organisations are complex and dynamic, so it is important to explore their genealogy and how changes are articulated. Consequently, risk-management practices cannot be conceived as fixed or immutable, so their history and subjects must be properly understood and reflected upon. In the recent period, risk practices were, then, progressively kept more as 'secret', supposedly to maintain their 'independence'. However, the increased contestations and suspicious about it enhanced pressures for 'real' results. Incongruencies in previous promises and lack of power to support concrete outcomes and benefits opened a space for contestations questioning the 'creative process' of risk practices (Manager G), the existence of 'real risks' (Manager I) and the incompatibility of these supposedly 'best practices' with BrazBank's context (Manager H). Nonetheless, these contestations were rebutted using arguments which blamed managers for a weak culture of risk.

7.5. Conclusion

The political logic demonstrates the genealogy of risk discourse. Risk was a 'nodal point' and a 'hegemonic discourse' inside BrazBank. However, its 'articulation' is contingent on excluded elements and marginalised groups. Shifts in power and interests have driven risk management practices. During risk management implementation, for instance, there were attempts to both expand and limit risk's meaning. For example, through logics of equivalence, the idea of risk was portrayed as a 'new', 'better', more 'safe' and 'effective' control mechanism. Additionally,

through logics of difference, previously disconnected elements condensed the purposes of risk management practices, reinforcing their communality, aiming to ‘improve performance’, ‘aggregate value’ and reduce threats.

This chapter demonstrates how risk’s discursive articulations accommodated interests, avoiding or confronting opposition. Initially, as an experimental process, collective and beneficial for all, risk created a space for its expertise supported by the Board and international claims diffused by Big 4 consultancy firms. After being partially established, risk started to assert its uniqueness in claims of independence, which differentiated risk practices from other ones, creating frontiers between experts’ and non-experts’ identity through references to the training and knowledge received from Big 4 consultancy firms. Subsequently, shifts in regulatory requirements and the proposition of the ERM framework dislocated risk management practices to a new department that expanded its meaning as embracing both threats and opportunities. Nonetheless, the failure of threats or opportunities to materialise in the BrazBank, together with risk’s international failure after the subprime crisis, provided a chance for antagonist positions to challenge ‘risk’s empire’ also using its loss of relevance to the current Board’s political mandate.

This landscape exposes how this organisation translated and adapted regulatory statements in its risk-management practices. Furthermore, it shows external and internal interests and power imbalances in the perpetuation of risk discourse. At different times, ‘risk’ was used to empower consultants, supervisory bodies, new Boards and risk experts. The claimed control of risk meant to control the organisation and had the authority to determine what was right or wrong, and in turn, set the correct path to follow. Nonetheless, the international failure of risk opened a

space for ‘other managers’ to reclaim their power. The dynamics and continuity of risk discourse, then, portray its construction as an ongoing process of becoming (Foucault, 1981). Thus, each new external regulatory requirement for risk management practices was used internally in attempts to re-establish the power of risk experts.

In this sense, the current recognition and the inclusion of culture and appetite in the hegemonic discourse of risk, thus, it is not a mere coincidence, but another re-articulation of risk-management practices constructed to empower its experts. This chapter revealed hidden interests in the dislocation from a participatory ‘culture of control’ to a blaming ‘risk culture’ inside the BrazBank. The political logic thus confirms that the implementation of risk management is dynamic, complex and struggles in practice (Woods, 2011; Arena *et al.*, 2010; Mikes, 2009). Likewise, it demonstrates that there are political processes and power imbalances underpinning these different conceptions, perceptions, and developments of risk and risk management.

In this chapter, I also questioned whether the concept of risk employed allows for the distinction of ‘risk’ specialists to appear as experts, and consequently the construction of risk as a way of maintaining the power imbalance and the illusion of control over default, losses, and financial cycles. Thus, acknowledging that the discourse of risk allows for the creation of experts, I stressed the importance of human influences, as a counterpoint to a focus merely on technical tools. I exposed how, in this construction of risk, interested political actors take advantage of definitions and boundaries set for ‘risk’ and ‘risk management’ according to their

own interests. Consequently, the definition of risk subordinated to quantification seems to be limited (Adams, 1995; Collier *et al.*, 2007; Damoradan, 2009).

This research confirms that the definition of ‘what risk is’ permeates psychological, social and cultural perspectives. For that reason, I advocated the importance of understanding historical constructions of risk and the political nature of risk discourse, considering contradictions between ‘what risk should be’ and ‘what risk does’ in practice (Mol and Law, 2004). Ultimately, I demonstrated that risk models do not run by themselves, but they are constructed, and, as in accounting, the numbers are only the final product (Hines, 1988).

Ultimately, I showed that risk experts did not conceive changes to this imported methodology, because this was the source of their power and external legitimacy of their work. Consequently, they restricted their actions to blaming non-experts and claiming support from another consultant’s training, which could update their practices and massify a risk culture among non-experts. This perspective demonstrates the dependence of BrazBank’s risk management practices and experts on external validation. Thus, in the next chapter, embracing the fantasmatic logic of the LOCE, I propose an in-depth focus on the role of ideology and subjects (Zizek, 1999; Glynos and Howarth, 2007) to understand the fantasies that support the hegemonic position of the risk concept.

– CHAPTER EIGHT –

THE IDEOLOGY OF RISK AS BEST PRACTICES

8.1. Introduction

Given the overall discussion presented thus far, it seems intriguing that the concept of risk has so fully grasped the imagination of many actors. The Social Logic exposes that the objectivity and controllability of risk are contradictory, or an illusion kept as a secret, which could be highlighted by divergences between risk disclosures and practices, considering what has been said about ‘what risk is’, or ‘should be’, and ‘what risk actually does’. The Political Logic demonstrates that this gap between risk aspirations and practices was constructed reflecting international contingencies, and then, dislocations imposed a rationale from international regulatory bodies and consulting firms, which actors used to legitimate their power in different moments of BrazBank’s history. Nonetheless, it is so far unclear why, even with the current discourse of risk inside the BrazBank replicating conflicts and contradictions at both national and international levels, risk was still in use and supported by most actors.

This section, thus, explains some psychoanalytical and discursive elements that could be taken into account to explain the reasons why risk-management practices

are perpetuated. This analysis is developed considering the fantasmatic logic described by Glynos and Howarth (2007) and propositions from Žižek (1990), drawing on Lacan and Althusser, about how and why subjects construct discourses that misrecognise contingencies to ‘enjoy a good life’. In this respect, while in the BrazBank, I observed ideologies that covered over contingencies exposed in the social and political logics. These ideologies maintained the *status quo* and a comfortable sensation of control. Ultimately, fantasies avoided the possible pain and guilt of the responsibility for failures in risk constructions.

Actors in the BrazBank and worldwide seem to believe in this rhetoric of risk’s controllability and predictability, and even after each new failure, they have been prone to invest in yet further risk-management practices as the assumed remedy for all previous problems. For that reason, the ideal of a complete model or framework of risk management is an impossible fantasy, but one that is nevertheless generally shared. The fantasmatic logic in this sense must be understood as a powerful element for the maintenance of social and political logics. Actors construct the incompleteness and impossibility in the ‘Other’, while looking for the promised ‘fullness-to-come’, and enabling new practices and regimes of risk management to emerge.

The fantasmatic logic in Lacanian terms is also related to enjoyment, in the sense that it ends the pain of the lacking. The enjoyment in the case of risk constructions is linked to the desire for objectivity, measurability, controllability and predictability. It fights the indeterminacy of future outcomes. Thus, given the resistance to challenge to the inappropriateness of the concept of risk coming from international regulations, and then, in allowing the rearticulating of risk management in new frameworks and

guidelines of sound best practices, enjoyment lies in the sense of some utopian paradise that might be achieved. The achievement of a ‘state of the art’, as a representation of the completeness in risk-management practices, then, drove new modes of risk management in an intricate pathway of supposed continuous improvement.

Here, I examine how and why subjects articulate risk to support their activities. Moreover, how did risk experts cover over contingencies to claim expertise and power? The following sections represent examples of fantasies perpetuated inside the BrazBank.

8.2. The Fantasies of Importance and Necessity

Firstly, although many contradictions and conflicts originate from the risk-management conceptualisations of ‘best practices’ and ‘the right³¹ path to follow’, risk has continued to be treated as something ‘important’ and ‘necessary’ in interviews with different actors. Thus, it is worth enquiring: why are these risk practices ‘important’ and ‘necessary’? And for whom are they ‘important’ and

³¹ ‘Right’ here is not adopted with the normative sense of ‘correct’, but as a desire, belief or even feeling that actors sustain to support that they are doing what they are supposed to do; thus, something acceptable and justifiable.

‘necessary’? In the subsequent sub-sections, I consider how statements about the importance and necessity of risk were often overdetermined as they were frequently further overlapped by a conditional ‘but’ that followed by many explanations.

The focus on ‘importance’ was frequently related with ‘doing the right thing’ and then the ‘necessity’ of ‘standardised’ and ‘formalised’ decisions. The importance of risk sustains the identity of experts, but also the lack of contestation from non-experts, since risk management regulations and guidelines were settled internationally; thus, in a supposedly superior space and by superior actors. In this sense, it allowed blaming and repelled the responsibility for failures. Nonetheless, as discussed in Chapter 3, the necessity of risk is related to its myth of objectivity (see Section 3.2), which sustained unilateral economic decisions by its rhetoric of ‘best practices’ and solutions coming from outside to drive Brazil’s forward development. Finally, this discourse reduced the contestation of the neoliberal as well as international regulatory interventions.

Further details about the fantasmatic elements of this importance and necessity are described in the following subsection.

8.2.1. The Fantasy of Compliance with Best Practices

The first fantasy sustaining risk management practices was the fantasy of compliance with ‘best practices’. This fantasy ignores that the best practices were in continuous transformation, caused by the empirical limits of this discourse, which presented failures in its operationalisation. Indeed, the phase of blaming ‘risk culture’

portrayed frauds and a lack of cooperation and understanding from non-experts as the 'Other', which impeded the realisation of full compliance, and hence, the achievement of a 'state of the art' in risk management practices. Thus, they were obstacles preventing the realisation of the promised fullness.

Even if the last stage of risk-management practices, reflecting the ERM's framework, claimed a focus on performance improvement, BrazBank's managers agreed that the primary driver of these practices was complying with BCB's regulatory requirements. Actors in different hierarchical positions perceived inadequacies in these supervisory requests, but they did not recognise their power in arguing with the BCB about the incongruences of the risk management framework proposed for the BrazBank. This lack of contestation presented traces of a subaltern identity, which portrays regulators in a superior position, representing the world knowledge of international experts. Furthermore, it reinforces claims of universality in risk construction misrecognising an imperialist attempt to undermine the particularities of the micro in order to strengthen the macro.

Practices such as the Value at Risk (VaR) used to assess market volatility, for instance, were kept just to meet normative requirements. Since BDBs could not use external funding (see more in Chapter 2), the total market risk exposition of this

bank represented only 0.01% of its PRE³². For that reason, analysts habitually compare the importance of these measures and information with directors' salaries, as one director's monthly wage would cover all the BrazBank's market risk. Consequently, an intern made these assessments once a month, then an analyst revised them every three months before releasing the report. An analyst even argued that:

This procedure refers to just a “tick-box” in which the information is filled in according to pre-established models [...] [These] are requirements from the Central Bank, and the models had been defined by the previous management, so we just followed what had already been established.

This affirmation confirmed the lack of contestations actors, who recognised part of the inappropriateness of BCB's regulations, but did not take action to change their risk management practices. Similarly, the inappropriateness of the regulation at the international level was not challenged, while risk management international sound practices continue to be taken-for-granted. Also, this position can be partly explained by the next fantasy, which sustains the necessity of objective measures as a way to control future outcomes. This fantasy is maintained by the inaccessibility of regulators and supposed incapability of the regulated persons to challenge the system.

³² Required Reference Equity (in Portuguese, Patrimônio de Referência Exigido – PRE).

8.2.2. *The Fantasy of Objectivity*

The desire for objectivity, or concreteness, was present in many instances, for example, when a risk expert argued during the decline of the risk empire: ‘I want to cap bottles; at least, I will feel that I am contributing and doing something’. In my view, the duality of risk objectivity and subjectivity create confusion among risk experts, who want to be perceived as neutral and objective contributors and not only as an irritation to others managers or the work of their departments. This incompleteness in subjects’ identity was partially fulfilled by a desire for objectivity brought by accounting technical methods and numbers. In this respect, actors claimed objectivity and the subjectivity implicit in making decisions was downplayed and considered as a ‘toll fee’ to achieve an imaginary fullness of an entirely objective risk management process in the future. Therefore, even if these claims of objectivity have a political intent to legitimatise risk-management practices, they also have a psychoanalytical correspondence with actors’ wish for wholeness and desire to enjoy a predictable and controllable good life (Reddy, 1996).

This supposed objectivity has been barely challenged, even after the worst crisis of risk. Even with the current opportunities to challenge the claimed neutrality and universality of risk discourse of objectivity, little has actually changed (Zizek, 2012; Glynos, Klimecki and Willmott, 2012). In the BrazBank, the inappropriateness of risk discourse was covered over by ‘Others’, who purportedly impeded the concretisation of risk management’s ‘state of the art’. The impediments, then, were materialised by the ‘lack of collaboration of managers to create a robust database of losses’ (Analyst E); ‘lack of understanding from non-experts (at all hierarchical

levels) about the relevance of risk management practices’ (Analyst D); and ‘lack of investments in new consultancy training to update risk management practices and to massify the risk culture’ (Manager A), to cite a few. Therefore, the maintaining of this practice also explain how management control could be used to legitimate rather than improve performance, as reported by other researchers in accounting and risk literature (Millo and MacKenzie, 2009).

The objectivity of risk was kept at a second level of secrecy that concealed its limitations while arguing for more independence. As a regulator, the BCB tried to maintain the fictitious ‘inaccessibility’, creating barriers to communication about its own objectivity. The BrazBank’s risk manager reported that ‘the BCB always answers with generic comments and without giving a clear explanation of how risk management methods must be applied’. This seems to be a common problem inside the BrazBank, as other managers and analysts reported similar problems in relation to different issues concerning the BCB (Meeting G, 2014). As they mentioned, then, ‘BCB seems to sit at the top of a “Tower of Babel”’.

In order to understand how the regulatory idea of ‘[choosing] models of risk management according to the complexity and size of business’ (BCB, 2006a) works in practice, I contacted and questioned two BCB’s managers. They stated that BCB’s regulations seem to be broad, to some extent intentionally, in order to support

regulators powerful positions and discretion, especially in the case of risk management, as there are indeterminacies related to the translation of universal frameworks and practices (BCB's Manager, 2013). According to one BCB Manager³³, in relation to this idea of compatibility between complexity and size:

There are *no objective criteria* for this evaluation. It fits into what we call 'professional judgment'. In theory, it is a value judgment, common sense. It depends on each situation. *The orientation is only a guideline that can be used by the regulator to require strengthening the structure of risk management and control.* (Emphasis added)

Thus, although the evaluation does not follow an objective criterion, it does empower the regulation and the regulator to, for example, require even the development of advanced risk assessment frameworks inside Brazilian institutions. As Derrida (2002) asserted, the regulatory vagueness left it open to interpretation, while maintaining power imbalances. Nonetheless, this situation caused anxiety inside the BrazBank, as employees never knew if they were in the 'right direction' or not. Meanwhile, actors felt more comfortable replicating international sound practices and guidelines disseminated by Big 4 consultancy firms, which again supported the claim that risk management practices represent a universal tool to add value to organisational activities, as exposed in the following subsection.

³³ Another BCB manager explained that BCB was segregated into departments responsible for different banks. Huge corporations, for example, have their own department, because their operation involves complex financial instruments that only expert specialists could understand. Nonetheless, 'in the case of development banks there are other political aspects could be involved too', this, he argued that he could not explain to me this in details. Therefore, I believe that there is the same illusion of objectivity even inside regulatory structures, but it must be explored in future research.

8.2.3. *The Fantasy of ‘Adding Value’*

As a way to cope with this uncertainty and anxiety created by the inaccessibility of regulators and the necessity to maintain compliance and try to tame future outcomes, managers and directors found support in consultancy groups, which sold their ‘worldwide recognition’ and marketed ‘best practices’ as universal *solutions* for BrazBank’s problems. Training materials and newsletters exposed how consultants commonly reinforced this element of ‘adding value’ during discussions about risk management implementation. Thus, asserting the reasons for this theme be important for banks, the consulting firm affirmed that:

An effective risk management enables financial institutions to maximize revenue, reduce costs, allocate capital more efficiently, resulting in value creation to shareholders. (Big 4's training slides, 2008)

This proposition of risk management adding value was also emphasised in the consulting training, in 2013, and observed during Risk and Security Committees. The main focus of this discourse was on economic measures, such as increased revenue, optimisation of operating costs, asset efficiency, and customer expectations, which form ‘the map of shareholder’s value’. However, I observed that the supposed value was directed to shareholders, ignoring that the BrazBank has no shareholders. During my fieldwork, I frequently questioned this decontextualised assumption.

The answer to my enquiries came from the understanding that the Big 4 rhetoric provides BrazBank’s actors with an ideological cover (Howarth and Griggs, 2006; Carter, 2008), which avoids blame (Spira and Page, 2003) and legitimates their practices (Suddaby and Greenwood, 2005). This element influences the identity of

the BrazBank and its actors, reinforcing the epistemic violence characterised by the symptomatic feeling of ‘lack of power’ among different groups. It also explains the lack of contestation about the inadequacy of BrazBank’s compliance with BCB’s regulation. Finally, this necessity of external validation explains BrazBank’s dependency on consultancies and how training had been used previously to reduce resistance to changes and reinforce the identity of ‘risk experts’ (The influence of consulting firms was addressed in Chapter 2 and further explained by the Political Logics in the previous chapter. These firms created a dependence between BrazBank’s risk experts, as can be perceived in the affirmation of Manager A on page 280). The idea of ‘best practices’ and the isomorphic legitimacy provided by the rhetoric of ‘in worldwide use’ reinforced that the BrazBank and its actors were doing their best and going in the right direction. For that reason, it perpetuated a fantasy of the superiority of risk experts towards non-experts, like a parent who is taking care of a naïve child, as illustrated below.

8.2.4. The Fantasy of ‘Mothering’

Of course, the incongruences in risk discourse caused tensions between risk experts and others managers. While experts had their power, they seemed not to be troubled by what was described as a ‘lack of understanding’ from non-experts about the importance of risk-management practices. Conversely, after risk-management practices had lost their power, these tensions became more evident. Nonetheless, even when risk moved from a heavenly place to a shameful one, as described in Chapter 7, the main discourse that risk experts ‘keep us on track’ did not change.

Even if best practices had not been reached yet, based on a benchmarking standard with large private bank, experts claimed to be the ‘aiming for’ them, which was the most important goal for the BrazBank. Thus, under pressure from different levels, the figure of the risk expert was compared with that of a careful mother. For instance, during a discussion, an analyst stated:

A2: You [risk expert] want to be the mother of the managers! Let them complain! That’s good for them! It is like a child who wants ice cream every day. You cannot grant this wish. It’s what is good for him. If you only give him ice cream, will it be good? No! But often they do not know it. [...] The important thing is that we are doing the best for them. (Debate between Analyst E and Manager B)

As illustrated above, risk experts nurtured a feeling of doing good, making the right decision. This also alluded to previous fantasies as a way to suture the inadequacies noticeable in risk management’s results. The desires for compliance, objectivity, and hence, neutral decisions, as well as an idea that this work would add value to the BrazBank’s activities, supported this fantasy of doing the best, even if the ‘child’ could not recognise this. The epistemic violence of this rhetoric portrays the mother, who knows more, and the child, who knows nothing. The mother has a broader knowledge and view, while the child is limited by its narrow understanding of the world. Therefore, this fantasy of the mother taking care of a naïve child was used to portray the superiority of risk experts, to impose their knowledge to set the right path to be followed and the importance and necessity of being strict sometimes, even under criticism. This comportment is also related to a chain of epistemic violence perpetuated from Big 4 firms to risk experts in the BrazBank that ends up reflecting in their relationship with non-experts.

Even an analogy with an ‘art critic’ was used to reinforce this position. Thus, ‘if persons in a portrait cannot see themselves, then, an art critic is needed in order to spot mistakes’ (Analyst E). Again, this replicates the discourse from Big 4 consulting firms, whereby the outsider view was considered more important than that of insiders one. Ultimately, this fantasy sustains the imperialist ideology of a solution coming from outside, while preserving a false feeling of security, as described in the next subsection.

8.2.5. *The Fantasy of Security*

The idea of risk management provides a false sense of being safety in conjunction with all the previous fantasies of compliance, objectivity, best practices and adding value. Also, the training conveyed by consulting firms created a sensation of security among risk experts who could not be blamed, as they were just following what they had been trained for. Furthermore, as a response to the previous failures, risk reinforced its position as the solution, which came from outside in international agreements about ‘best practices’, which created an ideological cover and a space to blame and not be blamed (Spira and Page, 2003; Carter, 2008). In this case, the idea of ‘best practices’ came not as an answer to all the problems and questions, but as a safe place where specialists could stay and blame the other actors as non-experts who did not follow the international framework or did not support their point of view.

This security also legitimated risk specialists’ practices, using risk as well as auditing reports to show that they are acting according to the policies established, in worldwide use and recognised as ‘best practices’. This powerful ideology of ‘best

practices’ could explain, for example, why there were so many ‘action plans’ reprogrammed and postponed by other managers, even if the former knew these requirements were incoherent and not consistent with to BDB’s context. Thus, even after attempts from the RMD to reduce the number of actions plans, as claimed by other managers, the decision was to keep most of them. In my view, the explanation is that by accepting and postponing action plans managers perpetuated the idea of a continuous development, while by rejecting these recommendations they would shift the responsibility from risk experts to themselves, and could, then, be blamed if something wrong happened. Uncompleted action plans could be justified by time or budget constraints, as well as the project-dependency of other departments, which impeded their implementation. Again, this behaviour reinforces the fake security brought by risk-management practices, as it does not avoid risk, but shows that it has been “managed” (no matter how).

8.3. Discussion

8.3.1. Ideologies of ‘New’, then, ‘Good’, and then, ‘the Solution’

Given the shifts in risk discourse (as described in Chapter 7), each period of risk in the BrazBank was driven by ‘radical contingencies’, and then, ‘new’ guidelines coming from BIS or BCB’s regulatory statements and frameworks as well as advice from Big 4 consultancy firms. This signifier ‘new’, through logics of equivalence, was expanded and represented as ‘anew’ and ‘renew’, which aimed to invigorate the power of risk discourse, and hence, risk experts. The new discourses were: new (and more) internal controls, thus, efficiency; new operational risk management, and so a

complete view of processes; new ERM, and then, the BrazBank would be up-to-date with world fashions; finally, new (previously ignored) risk culture and risk appetite, which then would repair past errors. Accordingly, even the Basel III framework approaches carried this element of ‘new’, ‘anew’ or ‘renew’ while proposing the inclusion of liquidity and capital risk management to improve risk management accuracy and provide good and better overview of BrazBank’s exposition to risks, and in turn, the solution for the subprime crisis (Hall, 2004; Delahaye, 2011). This has been the rhetoric of risk and its purported solutions, which perpetuated an illusion of control as a panacea to avoid previous problems without any evidence that it would not create worse ones.

Hence, the most important element for this rhetoric was the analogy of ‘new’ with ‘good’. More than just ‘good’, each attempt to close radical contingencies of the (impossible) risk management completeness carried the connotation of ‘better’. The ‘new’ discourses of risk repeatedly promised more benefits. These were endorsed by the ‘knowledge’ of international bodies, the ‘experience’ of Big 4 consultancy firms, and new models in worldwide use, which had supposedly been tested and certified by multinational corporations. Thus, ‘knowledgeable’, ‘savvy’ and ‘proven’ new risk-management frameworks or guidelines should fulfil the promises that previous attempts could not accomplish. The fantasy (and desire) was that they would certainly provide solutions to problems or, at least, to the most current ones.

This constant search for solutions, or fetishism of calculation as described by Bloomfield (1991) and Willmott (2011), carried the idea of comparability as a good and better driver to accounting and management research, but it also changed organisational practices and sites. This assumption is propagated in the mainstream

positivist research literature, both in accounting, just as it is in other fields. The idea of a solution out there (waiting to be discovered) carries ideologies of neutrality and objectivity both in research, and in practice. Nonetheless, what is intriguing about risk discourses is how subjectivity is downplayed in favour of systematisation.

Thus, even if the probability is contingent and based on many assumptions (Spiegelhalter, 2013), immersed in this discourse of ‘objectivity’, managers seemed to ignore the assumptions they themselves were making. They regularly made decisions about risk in meetings and debates based on their own subjective views and judgments; they constantly argued, ‘I think’, ‘I believe’ and ‘it seems to me that’, while making decisions. Furthermore, many of them have acknowledged the conditionality and arbitrariness of adjustments made to previous parameter conditions in BrazBank’s credit grant norms, which have changed over time (according to BrazBank’s Risk Management Policies 1 to 9). Therefore, deep down they recognised that even if risk management is a cyclical process, it is not neutral, as the act of setting parameters is related to power and politics (Derrida, 2002), as well as the ability to decide the direction and purpose of actions’ (Bauman, 2007: 2). Nonetheless, they seemed to be incapable of changing these underlying assumptions. In my view, one of the problems is that these assumptions provided power to risk experts. For that reason, is it important to understand further the ideology of the solution coming from outside, as exposed in the following section.

8.3.2. Ideology of the Solution Coming from Outside

During my fieldwork, I was repeatedly asked by BrazBank's actors about the 'right path to follow' in relation to risk management practices and international frameworks. Although I tried to create an identity of apprentice, as exposed in the methodology chapter, I perceived that my identity was constructed not only by me but also by my interaction with BrazBank's actors. Therefore, considering my previous experience as a risk management consultant and my current Ph.D. studies embracing risk management practices, I was also portrayed as an external expert in risk, almost as a consultant.

Nonetheless, I observed in these inquiries that the faith in recommendations and solutions from outside was not only restricted to myself. Actors were continuously exposed to consulting firms, to the extent that this image was normalised in the BrazBank and considered as a sign of investments in performance improvement and updating of BrazBank's practices. For me, this relationship created some kind of dependence, as many BrazBank's actors did not trust in themselves and considered it unsafe to make decisions on their own (see again the affirmation of Manager A in page 280). Therefore, they substituted their ruling with another person's judgment to support their decision and seemed to misrecognise the subjectivity in that person's

opinion. This behaviour reflected a desire to follow the ‘best practices’, which would supposedly provide the universal solution for actors’ and BrazBank’s problems.

Nevertheless, as I illustrated in Chapters 1 and 4, there were also traces of a post-colonial ideology of subalternity³⁴ (Spivak, 1988) in this case. Actors preferred compliance with international regulations rather than endogenous solutions. Consequently, they regularly searched for Big 4 consultancy firms to confirm positions already available in this site. Therefore, Big 4 consultants worked as communication facilitators, encouraging internal debate, uncovering silenced voices, and then, providing a summary report with their brand, which certificated internal risk experts’ claims. In sum, the discourse of ‘worldwide recognition’ of ‘best practices’ and ‘Big 4 training’ that could be outstretched to a ‘state of the art’ supported BrazBank’s fantasies, which ignored the limitations of risk management international guidelines in BrazBank’s context.

³⁴ As discussed in Chapter 4, this subalternity represents someone who cannot recognise its situation of being oppressed, and wants to be similar to its oppressor. In this case, even after the structural violence caused by the negations of its own rationality and intellectual capacity to determinate the priorities, solutions and then right path to follow, the actor wants to be considered an expert and uses the training from Big 4 to reinforce his or her position.

8.4. Conclusion

In this chapter, I exposed a web of fantasies, which complement each other in order to sustain the fantasmatic character of risk as ‘best practice’. On the beatific side of these fantasies, actors argued about the importance and necessity of maintaining *compliance* with national and international regulations. They also emphasised the *objectivity* of risk calculation while subjugating subjectivities as mere ‘toll fees’ for continuous improvement until achieve a ‘state of the art’ was achieved in risk management practices. In this regard, they claimed that risk management practices *added value* and guaranteed the *security* of BrazBank’s activities, so, as caring parents, risk experts must push non-experts towards the right direction, even if they cannot recognise the benefits of this work.

These fantasies made the idea of risk management possible and intelligible, while transforming its impossibility into a mere difficulty in achieving a ‘state of the art’, an idealised scenario that would represent the imaginary fullness of risk discourse. This impediment was mainly attributed to non-experts, the Other, who failed to cooperate and understand risk management. Therefore, while keeping the impression that the realisation of complete control was at least potentially possible, threats from the Other, such as incomplete databases, were also part of the barriers to achieving the ‘state of the art’. However, they were portrayed as only temporary, because they would supposedly be overcome in the future with more and more sophisticated methods of risk assessment.

This search for ‘totality’ has driven the discourse of risk and many elements are intertwined in this quest. Moreover, fantasies sustained by a subaltern identity reduce

BrazBank's actors to a powerless position that impedes them from contesting the inadequacies of national and international risk management frameworks in the BrazBank's context. Regulators also maintained a second level of secrecy about their own practices, leaving vagueness in regulations and creating barriers to access that sustained their authority to judge risk management practices. Yet these ambiguities and uncertainties about what the BrazBank would need to face if regulations were contested avoided the emancipation of these actors, reinforcing the status quo.

In short, the fantasies presented in the BrazBank represented simultaneously an ideal and impediments to the realisation of this ultimate suture in the discourse of risk. They portrayed each re-articulation of risk as something new and better, while reinforcing its position of best practices that would bring the solution to BrazBank and Brazil's wish to develop. Thus, even while replicating impositions from outside and perpetuating relations of domination and exploitation, the discourse of risk was misrecognised as beneficial for the BrazBank, as if the solutions for all problems could simply be imported from abroad, or bought from a consulting firm.

– CHAPTER NINE –

CONCLUSION - RISK AS AN ADVANCED CAPITALIST ACCOUNTING TECHNOLOGY OF MISCOMMUNICATION

8.1. Introduction

In this chapter, I aim to bring together the findings of this research and to demonstrate how they relate to the three logics of risk outlined in Chapter 6, 7 and 8. In this thesis, I have attempted to provide a tri-dimensional picture of risk construction, with each of the logics of risk providing one perspective on its practice, implementation and perpetuation. These logics complement each other. To understand how risk operates in the BrazBank, it was essential to comprehend the interconnectedness of complementary heterogeneous logics and the problematisation presented in this thesis. Thus, here, I analyse the implications both for theory and practice of the contestability of risk construction and its covert contingencies. In this way, I shed light on the reasons why the construction of risk might be problematic while showing that the current discourse of risk in the BrazBank enhanced struggles and created polarities while attempting to maintain powerful positions. As a result, I argue that the confronting interpretations and constructions of risk encountered in the BrazBank and characterised by a blaming ‘risk culture’, actually represented a new

attempt to re-establish truth and power in this accounting technology of governance and its experts.

This research comprehends the influence of gaps between risk theory and practice, while considering the prominence of risk worldwide and in different fields, but also the contradictions between this discourse in accounting and the inadequacies of the regulation imposed upon BDBs. My whole argumentation in this thesis revolves around the construction of risk in the Brazilian financial sector. In short, the thesis aimed to answer the following research questions:

RQ1. How is the concept of risk constructed to meet the demands of certain powerful organisational actors (including internal and external stakeholders such as employees, experts, governments, and other corporations)?

RQ2. What is the importance of subjectivity in the construction of risk, and the practical implementation and development of risk management?

RQ3. How do individual conceptions about 'risk' and 'risk management' influence the implementation of a risk management framework and conceptions of 'risk appetite' and 'risk culture' at the organisational level?

Considering the complexity implicit in these questions and their possible answers, I employed many other questions to drive this research. For instance, what is 'risk' according to different organisational actors?; how is the concept of risk mobilised to legitimate actors' political interests?; how have these different views of 'risk' impacted upon, been received, contested and spread within the organisational context? Finally, acknowledging the long-standing dispute concerning the objective and subjective nature of risk, this research comprehended and criticised power

imbalances that privilege some aspects of risk while ignoring others that do not fit with the hegemony of modern financial risk and neo-liberal rationality.

In this chapter, I provide a brief overview of my argument, as developed throughout the preceding chapters, to make it contributes to the discussion of risk-management practices and its regulation. I also demonstrate how I have addressed my research questions and summarise the contributions to knowledge make by each chapter. Towards the end, I discuss the opportunities for future research opened up by this thesis, while acknowledging limitations implicit in the choices made throughout this study. The following section summarises the argument of this thesis as a whole.

8.2. Joining the Dots of Risk Construction

This research began with a problematisation of the expansion of risk discourses. Risk has moved from a construction based wholly on claims of controllability implicit in the proposition of models for the quantification of financial defaults, volatility and losses, to the inclusion of more and more subjective elements. In this way, risk has moved from the framework of credit and market risks to incorporate elements like operational, reputational and enterprise risks, claiming the capability to encompass even ‘risk culture’ and ‘risk appetite’ in organisational spaces. This whole expansion was supported by a human desire to tame and predict the future, which has created ‘experts’ since the medieval era. In this thesis, I argue that the domain of risk still confers power on actors, who call themselves experts. Nevertheless, crises have frequently occurred even with the most sophisticated measurement instruments.

Interestingly, although the panacea proposed by risk measures seems to be far from

being achieved, these instruments still maintain their influence in organisational sites. From this perspective, I suggested that it is important to understand the underpinnings of risk constructions. In Chapter 2, I set the scene by introducing the Brazilian context and its financial sector, opening a space to analyse paths chosen to achieve the ‘order and progress’ targeted by Brazil. Initially, I contextualised this space by describing some of the vicissitudes of Brazilian history, which was previously marked by Portuguese colonisation and after that by an endeavour to become a developed country, akin to the USA or Europe, overcoming a period of hyperinflation. Finally, I exposed that the solution proposed for these problems was based on adherence to the BIS’s prudential regulations, which have risk management practices as the fundamental tool to strengthen the Brazilian financial system and to carry its development projects forward.

The imposition of risk management regulation from outside, nevertheless, sustained a claimed segregation between the regulatory bodies that proposed it, and the object of this regulation, risks in the Brazilian financial system. This discourse was articulated to reinforce the technicality and neutrality of the regulation while imposing risk management practices and policies. Therefore, it downplayed the role of subjects in risk constructions. Nonetheless, in this research, I showed that what happened in practice was just a myth of objectivity, supported by the positivist rhetoric inherent in accounting literature and practice. The proposition of risk as a neutral calculative practice worked to create an accounting tool of governmentality that aimed to exercise control over a determinate group of financial systems and institutions around the world. In the case of Brazil, and its financial system, specifically development banks, the construction of risk was proposed as a solution

to control hyperinflation and reduce the supposed inefficiencies of public institutions, thereby sustaining economic growth and development. In Chapter 2, however, I demonstrated the incompatibility of these international risk management requirements with the core objectives of development banks, whose capital structure and social role adversely affected by these regulations. Finally, I stressed that the construction of risk as a solution coming from outside subjugated the capacity of the country to find its own route, whilst shifting the focus of these public banks from a social to an economic emphasis in relation to the credit grants provided.

In Chapter 2, I also proposed that this acquiescence to international imperialistic regulations was legitimated by their claims of universal ‘solutions’, propagated as ‘best practices’ for management, accountability, development, progress, efficiency and so forth. In Brazil, these imported solutions also perpetuated risk and control logics that opened space for the entry of foreign banks in the Brazilian market through new discourses that proposed ‘the right way’ to manage and reduce financial and systemic risks. I pointed out that, although it is clear that these regulations might be applicable to multinational banks, in the Brazilian case, when applied to development banks, they damaged their ability to carry out their key social objectives and tasks. This provided clear evidence that these regulatory statements were potentially destructive and unsuitable for BDBs. Given the dissemination of risk regulations in the BFS, it was unclear whether the emergence and implementation of risk management regulatory requirements had been contested even after their inadequacies for development banks’ functions became clear. For the purposes of this thesis, I have assumed that claims of neutrality and universality covered over the contingencies within this discourse, creating a myth of objectivity

that reduced its contestability, so risk management practices were disseminated among these public institutions too.

In order to demystify this risk construction, in the literature review, I shed light on the similarity between accounting and risk constructions in Chapter 3. Accounting has also been imposed as a technology of government and instrument of governmentality and many critical researchers have exposed the limits and shortcomings of this discourse. Here, arguing that risk is akin to accounting, I demonstrated that this rhetoric constructed a myth of objectivity that is in reality a fragmented perspective fashioned to sustain unilateral decisions. For that reason, risk and accounting, as instruments of communication, exercise an active role in constructing and translating realities, rather than merely representing a reliable and faithful social space. Those tools are not simply instruments to portray social practices, but technologies used to sustain claims of controllability, manageability and expertise, which ultimately reduce the space for contestation over the limits and shortcomings pointed out above. In summary, I showed that the construction of risk, as a technology of governance, is used to maintain powerful positions and power imbalances, while downplaying the multi-layered nature of risk and potential alternatives ways of predicting the future and its outcomes.

This literature review drove my queries about the hegemony of a positivist perspective in accounting and possible contributions from multiple paradigmatic positions in the construction of risk. In accounting and finance, risk is conceived as something neutral, objective, ahistorical and apolitical. In opposition to uncertainty, risk is, hence, conceived as almost completely exempt from subjectivity and judgement. This rhetoric portrays risk as the way to control and measure future

outcomes, but this aspiration is confined by the pragmatic operationalisation of these attempts. The segregation between subjects and risk is only theoretical. For instance, the limited database of operational losses available currently fails to provide the information necessary to enhance the accuracy of risk assessments and predictions. Therefore, judgement and choices are inherent elements in these decision-making processes. However, in the mainstream literature of accounting and finance, the focus is diverted from the role of subjects, and the central claim is to create improved models to increase the size of databases and overcome these deficiencies. I argue that in order to properly understand the current problems of risk management practices, researchers and practitioners must redirect their focus to social practices that enable or confine the meaning of risk management.

In order to understand the articulatory process and reasons behind the proposition of these calculative constructions of risk, in Chapter 4 Laclau and Mouffe's discourse theory was used as a theoretical basis that allowed me to re-examine the construction of the concept of risk in practice. Firstly, the imposition of risk in regulatory statements was reinterpreted through the lens of Spivak's post-colonial theory and her ideas of a 'subaltern identity' and epistemic violence meted out by developed countries. Therefore, the international best practices of risk management from a regulatory point of view are an ideological artefact that constrains and confines the capacity of developing countries to seek and define local solutions. The universality of this regulatory proposition and the hegemonic nature of its discourse in accounting was then analysed through the post-structural lens of Laclau and Mouffe's Discourse Theory (DT).

In order to understand how hegemonies are created and maintained, Laclau and Mouffe proposed an understanding of their articulatory practices. Thus, I mobilised elements of DT to explain the undecidability implicit in a social space and the multiple potential meanings (signifieds) that were, and could be, attached to the signifier: risk. Calling for an understanding of risk as a discursive practice, this theory offers tools to comprehend articulations that naturalise the construction of risk as a quantifiable element of the future. It reinforces the necessity to comprehend the genealogy of risk's construction and the radical contingencies implicit in changes that produced enemies and allies within this discourse. DT shed light on the political aspects of risk management practices whilst allowing me to develop a practical and theoretical analysis of risk construction that was missing in accounting literature.

DT stresses that the amplitude of meanings and representations are contextual, relational and contingent. Hence, constructions are made by constitutive and subjugated elements of a discourse, which means that objects and practices are discursively constructed. The undecidability of social structure is enclosed by impermanent hegemonic discourses, which would propose a naturalised or normalised myth of risk for example, as viewed in at the positivist paradigm. DT emphasises that the understanding of social relations must comprise the contingency, historicity, power and primacy of politics of hegemonic representations. From this perspective, in Chapter 4, I noted that, according to DT, risk must be classified a 'floating signifier', which could have multiple meanings in different situations. Additionally, the amplitude of meanings attached to risk also characterise it as 'empty signifier', which means everything and nothing at the same time. This landscape opened a space to re-read the emergence of risk in the Brazilian financial

context. It illustrated the importance of the genealogy of risk in each context and provided some analytical tools to trace risk constructions and the influence of individual conceptions about 'risk'.

Departing from the perspective in Chapter 4, I recognised that DT might well prove to be too abstract and difficult to operationalise in a research project. Therefore, this research would not have been possible without the framework proposed in the Logic of Critical Explanation (LOCE) by Glynos and Howarth (2007) and the critical ethnographic method which were applied, respectively, to structure and collect my data as outlined in Chapter 5. The LOCE provides a framework to the theoretical elements coming from DT. Initially, the LOCE was used to problematise a current and concrete empirical situation, the misrecognition of 'risk' in the establishment of a risk quantification approach in the Brazilian regulatory statements. Thereafter, through the retroduction of risk management's emergence, contestation and sedimentation, it is enabled current practices of risk management to be understood in a particular context, as well as how they came about and why they are maintained by subjects. These frameworks allowed me to demonstrate how hegemonic constructions and practices of risk management in fact represented inclusions and exclusions of signifieds and social groups in attempts to acquire more power and to maintain powerful positions. In conclusion, they created a space for critique and to scrutinise the alternatives that have been neglected, rejected or hidden within the hegemonic discourse of risk management. Nonetheless, although the LOCE acknowledges the primacy of politics, it also recognises that for the most part, politics and power imbalances are hidden in traditional and mainstream research approaches. Thus, the application of LOCE would not be possible without access to

an appropriate source of data. As a result, the use of a critical ethnography approach was indispensable.

In employing critical ethnography to conduct this research, I acknowledged that the political elements exposed in Chapters 2, 3 and 4 would not be explicit and might not be consciously distinguished, even by actors within the BrazBank. As a result, this thesis required a coherent method for data collection, which would shed light on the elements included in, but also excluded from hegemonic risk discourses. I explored deeply the methods I was planning to use, how they would be helpful to this thesis and why they were the most appropriate. Under this scrutiny, and as explained in more detail in Chapter 5, I selected open and semi-structured interviews, document analysis and participant free observations, which were blended to complement each other and show the gaps and contradictions present in what was said, done and recorded about risk. This section also presented a detailed account of my gaining access to the BrazBank, how each method was used and the sources of data considered in this research. In order to align the elements from DT, the methodology of LOCE and the data collected, I analysed my data searching for moments of dislocation after contingencies and how the idea of risk, as a nodal point, was articulated in each moment; in other words, rhetorical redescriptions of risk. Moreover, I presented a reflexive self-analysis of my role as a researcher, pondering my previous experiences as a risk manager and consultant. After this personal consideration, I scrutinized the potential for my behaviour to cause harm to the institution and its actors, always careful to cause harm to them, and to respect ethical limits and assurances of anonymity and confidentiality.

After all this theoretical preparation and contextualisation, I moved to the empirical analysis of this research. I acknowledged that even with all this preparation, initially my experience in the field was surprising and frustrating. I had not expected that there would be a battlefield in the bank and that risk-management practices would be at its epicentre. Intuitively, I initially read the divergences of external disclosures and internal practices as incongruences in the discourse of risk and its practices. However, recognising my role as a researcher, I challenged my consultant impetuosity and did not try to find solutions, but to understand the reasons behind current risk management practices. Thus, after a while, the dots started to connect, the roots of the current discourse of risk became clearer, and I could understand and explain them better³⁵. Indeed, I realised how this moment could be important to expose the contradictions between risk disclosures and theoretical conventions, and how risk works and struggles in practice. This opened a space to de-homogenise my own view about risk and reflect on my own theoretical knowledge and thoughts about ‘good’ and ‘bad’ risk cultures and practices.

In my first empirical analysis, in Chapter 6, utilising the Social Logic, I exposed that the contradictions that I faced were partially caused by the positivist regulatory perspective of risk in the BrazBank. There was a detachment between risk

³⁵Here, again, I recognise that this is only one of the multiple possible readings which events in this site might generate.

management practices to outsiders and insiders, disclosure and practices, theoretical conceptualisations and pragmatic uses. There was also a declared wish to deal with risk objectively, even if in its operationalisation, risk was considered based on the subjectivity implicit in interpretations and perceptions of actors' experience, and their powerful position. Consequently, as a secret, risk was weighted differently in different projects, while its meaning was reproduced in and influenced by different hierarchical levels as well as in the administrative and credit grant departments. The solution proposed by risk caused divergences and conflicts between 'best practices' perpetuated by experts and their constructions of others' identities, as 'non-experts'. In short, the results of my ethnographic analysis interpreted through the Social Logic perspective, as reported in Chapter 6, ratified the diversity in risk discourse, showing contradictions between risk's normative functions and its practices, and hence, the arbitrariness of risk enclosures, as well as power imbalances and politics in these constructions.

As I reported in Chapter 7, based on the Political Logic, I explored the genealogy of risk-management implementation in the BrazBank to highlight radical contingencies, exposing part of the history of risk in this site and some long-standing struggles over the naturalisation of this signifier. From this perspective, it became clearer that risk management was not always in crisis, or under contestation, and its current sedimented perspective, encountered during my fieldwork, was considered a consequence of this battle for control of its meaning within the organisation. Risk emerged in the BrazBank according to the logic of efficiency, anti-bureaucracy and anti-corruption, initially illustrated in Chapter 2, and under propositions of more internal controls to manage and reduce potential risks. This characterised a particular

period in Brazil and at the BrazBank, when the role of public institutions was undermined by NPM's propositions and the concept of risk acquired an enhanced importance and spread to different departments of the bank. The growing power of risk worldwide sharpened the interest of other actors in taking some responsibility for the practice of risk management and ultimately influenced the whole organisation.

Following the introduction of new regulatory reforms, auditors proposed a logic of 'Auditing with a Risk Management Focus' contemplating the newest international proposition to manage operational risks, which increased this department's power and ability to control managerial activities across the whole BrazBank. In this period, risk was passing through a golden time globally, as well as in the BrazBank. However, newer regulatory requirements for independence and the proposition of an Enterprise Risk Management framework brought about a change in the structure of BrazBank and a shift in power among actors within the organisation. A new department of risk was created, proposing an integrated but independent segment to drive risk management practices; nonetheless, this new articulation was not widely supported by BrazBank's Board. This was a reflection of the loss of power in risk management discourses internationally, consequent upon their failure to prevent (or perhaps even enhancing the consequences of) the subprime housing market and its precipitation of a global financial crisis. This link explained the organisational crisis of risk management practices observed during my fieldwork, but also posed the need for a further reflection on the current propositions of new measures for 'risk culture' and 'risk appetite' internationally and within the BrazBank. Therefore, these more recent elements articulated within risk discourse were considered not only as new

attempts to delimit a risk signifier, but also to maintain the power imbalance between risk experts and ‘others’.

In the BrazBank, then, the shifting from a collaborative culture of control to a risk culture based around blame represented an internal attempt by BrazBank’s actors to re-establish their power. Drawing on the international conceptualisation of best practices, they utilised guidelines and reports, from professional supervisory bodies and Big 4 consultancy firms respectively, to re-legitimate their supremacy. However, the most interesting element of this scrutiny was the understanding that the concept of risk has never been under threat, only its constructs.

The fantasies nourished by experts and non-experts did not challenge the concept of risk but re-described its practices. The Fantasmatic Logic, presented in Chapter 7, is the most subjective part of my analysis and focused on the role of subjects, instead of only on the object, risk. In spite of all the contradictions exposed here and in other research about risk-management practices, inside the BrazBank there was a desire to support risk as something important and necessary. In this eagerness to find the ‘right path to follow’, risk was constantly articulated by actors as a re-new and better ‘solution’ to solve existing problems. Focusing on the underpinnings of these attempts, there was a desire to achieve compliance that complemented actors’ fantasies and feelings of not be strong enough to contest the BCB’s regulations, which replicate international regulatory requirements. Actors in the BrazBank replicated generic assumptions from Big 4 consultancy firms and believed they should behave like parents and point the right direction to their naïve and untrained fellows, non-experts. Finally, the fantasy of a more objectified future (even if

inaccessible) was nurtured with many other fantasies of ‘adding value’ or ‘doing the best’, even if contradictions were evident in these elements.

The hegemonic discourses of risk might have been beneficial for BrazBank’s actors in maintaining this reassuring sense of a continuously refined mechanism to obtain full control. Nonetheless, the trust in these frameworks and training provided by Big 4 consulting firms ultimately also constrained possible attempts to re-establish their organisational power. In this way, the illusion of control presented in risk management practices might be detrimental to developing countries, because it obfuscates imperialist interests in the imposition of accounting techniques and regulations under claims of objectivity, neutrality and universality. Consequently, it is important to understand further the implications of this conceptualisation of risk.

In sum, the contradictions and complementarities exposed by this research opened a space to generate many critiques about risk-management practices, regulations, ideologies, changes, paradigmatic positions, methodological approaches and designs, which are reported throughout this study. Consequently, it is important to understand further the implications of this conceptualisation of risk. Thus, comprehending that in this thesis I have attempted to provide a tri-dimensional picture of risk construction, the following section brings these three perspectives together to provide an over-arching analysis of the construction of risk in the BrazBank.

8.3.3. The Problematic Conceptualisation of Risk

The analyses presented in my theoretical and empirical chapters highlighted the limitations of risk discourse. Risk was exposed as a technology of miscommunication, which covers over the contingencies of the impossible full control of future outcomes. Thus, acknowledging the necessity of some sense of control, risk is both a necessary and an impossible discourse. In this sense, the concept of risk represents what has always been lacking and desired in society throughout human history: the ability to predict and control upcoming events.

As demonstrated in Chapter 2, the problem with the mainstream conceptualisation of risk in the Brazilian regulations was its provocation of a shift in the BrazBank's focus from a social to an economic imperative. The political logic demonstrated that the initial attempt at risk management implementation was to accommodate contestations while developing the rhetoric of collaboration, which claimed benefits for all. In this way, the economic logic of risk embraced the social aim of this bank early on by creating a 'Social Index' that would distinguish bad projects from good ones without losing the bank's focus on community development. However, as soon as this discourse of risk was accepted and normalised, the economic logic prevailed and the Social Index was abandoned. For that reason, the BrazBank privileged large corporations and established companies over small social enterprises.

Inside the BrazBank, the idea of risk was associated with efficiency, control and security, thereby naturalising surveillance instruments and the identity of risk experts. These actors gained power and influence in BrazBank's decisions and risk management practices were conceived as a relevant managerial tool between

different political mandates of the Board of Directors. Nonetheless, these practices were legitimated by utilising a discourse from outside. Thus, after the sub-prime crisis and the divergences in the international articulation of risk-management best practices, the discourse of risk was fiercely contested in an attempt to shift the power back to non-experts. This battle for power was precisely what I experienced during my fieldwork.

My empirical analysis demonstrated that for an extended period, the concept of risk was used as an attempt to re-establish trust in the market and its experts. Accounting and managerial tools were used to accomplish this objective, concealing the contingencies of this discourse using myths of objectivity (Chapter 3). Policies and regulations endeavoured to set the right tone in this quest, while also claiming the power to understand the best practices of risk management (Chapter 2). Ultimately, different organisational actors used this discourse to perpetuate their power or create a space for their authority, crafting what were considered, for example, hybrid accounting technologies (Miller *et al.*, 2008). The obscure power relationships presented in different fields characterised this attempt to tame the future as an ‘intellectual failure’ (Power, 2009). Indeed, the frustrating confusion experienced in my fieldwork made clearer the ongoing battle for power in the BrazBank, at that time, provoked by the impairment of risk discourse after the sub-prime crisis.

I observed the method and reasons behind risk concealment and, after a while, understood the reasons for the shift from a collaborative culture of control to a risk culture revolving around blame. Moreover, focusing on subjects’ fantasies, it was possible to comprehend why risk management practices were still in use and barely challenged. Thus, I understood that BrazBank’s actors were indeed psychologically

confined by their construction of risk. Experts took for granted and did not contest the methodology proposed by Big 4 consultancy firms, even after recognising the incongruences of its operationalization in the BrazBank. In this regard, the challenging of the international regulations and guidelines of risk management or orientations and frameworks would represent a rejection of their own identity, as it was these regulations have enabled them to be called experts.

As 'subalterns'³⁶ (Spivak, 1988), BrazBank's actors compared their practices with benchmarks from large private banks. They did not recognise the inappropriateness and harmfulness of the adoption of what were proposed as 'best practices', or of aiming to achieve a decontextualized 'state of the art' in risk management practices. Indeed, this quest sustained their identity. Thus, as an advanced capitalist accounting technology of miscommunication, risk maintains its power while preserving in individuals the idea that this is the right path to be followed, the solution to their problems. Through ignoring that it is actually part of the problem, the idea of risk perpetuated an ideology of self-referential closed loops in a deterministic world.

The following sections attempt to summarise the contribution to knowledge offered by this research. I then highlight further paths to follow and acknowledge the partiality of these readings, pondering some limitations recognised in this research.

³⁶ Spivak (1988) argued that subalterns are immersed in deeper ideologies, which impede the understanding of their oppressed condition, while enacting a desire to be like the oppressor.

8.3. The Nuts and Bolts of Risk Construction

First, for me, it is important to underline that the questions in this research complement each other and their answers were constructed throughout the problematisation presented in my research. Nonetheless, here, I provide more straightforward insights about how my study has helped in the understanding of the role performed by risk constructions in practice. In this way, my first research question was directed to comprehend:

[RQ1] How is the concept of risk constructed to meet the demands of certain powerful organisational actors (including internal and external stakeholders such as employees, experts, governments, and other corporations)?

Guided by this research question, this thesis highlighted that the concept of risk is constructed to serve many different interests, externally and internally to each organisation. Pondering upon the international regulatory framework of sound practices for risk management, like BIS and COSO, I demonstrated that the universality implicit in these norms must not be taken for granted, but challenged and scrutinised in accordance with each particular context of their implementation. In the case of BDBs, for instance, I revealed that universal propositions of risk management practices could be dysfunctional and detract from the main objectives of developing countries and their financial institutions. To this extent, risk regulatory statements might be considered representations of neo-colonial manoeuvres vis-à-vis

vis these countries, which sought to overwhelm endogenous solutions and freedom of thought.

In the specific case of the development bank under study, the empirical analysis demonstrated how normalised external disclosures were used to deceive external actors and portrayed an image of compliance of this institution with international best practices of risk management. This dissonance was clearer especially after my immersion in this site, as my fieldwork experiences revealed different levels of understanding about risk management practices and conflicts over risk's conceptualisation. The contradictions between external reports and internal practices, however, could not be considered merely as a failure in the development of a 'common language of risk' or homogenous 'risk culture'. Indeed, the heterogeneity encountered in practices revealed the hidden politics in the construction of risk.

The genealogical analysis presented by the political logic, in Chapter 7, endorsed the previous understandings explained above. The idea of risk in the BrazBank has always reflected international conceptualisations of 'best practices' transmitted by international bodies, such as COSO and BIS, but also further disseminated by Big 4 consultancy firms. Actors have used an externally powerful discourse of risk to reinforce their power and expertise inside the BrazBank. In this sense, in each period when this construct has changed worldwide, it also changed in the BrazBank. Those who had supposed control of risk also gained enhanced influence over organisational practices. Consequently, the domain of risk knowledge and expertise was used to reaffirm the power of new directors and risk experts for an extended period of time. In each hegemonic moment of this discourse, different actors were empowered and disempowered, while different elements were included in and excluded from this

discourse. However, after the sub-prime crisis and divergences about which was the right path to follow in relation to risk-management practices, the hegemony of risk was contested, while proponents and opponents, respectively, portrayed risk management as both the solution to and cause of the catastrophic failure.

In summary, the construction of risk in this research confirmed that, as with other accounting concepts, risk is contextually specific (Gallhofer *et al.*, 2015) and represents a technical, methodological, social and political instrument of power (Carter, 2008). Different actors in different periods have tried to construct the idea of risk in accordance with their own interest. These constructions, however, are not explicitly political, but presented as principles or ‘best practice’. The ideological cover provided by international legislation and reaffirmed by recognisable Big 4 consultancy groups obscured the interests underlying the construction of risk to appear as objective, neutral and universal. Nonetheless, the understanding of contingencies and shifts in this discourse over time revealed the underlying politics within these supposedly fixed and hegemonic practices. Therefore, it is also important to understand:

[RQ2] What is the importance of subjectivity in the construction of risk, and the practical implementation and development of risk management?

In order to answer the second research question, I endeavoured to understand risk as a broad social concept. Breaking the boundaries traditionally established in the accounting research field, I explored the idea of risk from an ontological perspective. As a broad concept, risk is used in many fields from sociology to engineering and philosophy to medicine. In other disciplines, risk is recognised as a social and

political practice. To this extent, the role of subjectivity is not downplayed but, sometimes, even celebrated in these areas. Nonetheless, in accounting and finance, the concept of risk is still intertwined with calculative practices and used to support claims of objectivity and neutrality. Thus, in Chapter 3, I tried to uncover part of the constrained complexity implicit in risk constructions and the multiple layers of this concept.

In this research, therefore, I comprehended the idea of risk as an instrument that operationalised governance rationality. As a tool for governmentality, the rhetoric of risk claimed objectivity and neutrality. However, this is a self-referential discourse used to suppress contestation. The supposed domain of risk creates the identity of risk experts and gives power to their interventions inside organisations. This particular construction of risk neglects the subjectivity implicit in choices made before the proposition of risk models in order to establish a unilateral understanding of future outcomes. This viewpoint privileged economic logics over the social ones (as exposed in Chapter 2 and demonstrated by the desertion of the ‘Social Index’ in Chapter 6). For that reason, it supported the neo-colonial attempts of foreign banks in the Brazilian financial sector (BFS) previously controlled by public banks. Thus, the construction of risk, as an advanced capitalist instrument of governance worldwide in use and representing the ‘best practices’ for the banking sector, downplayed the relevance of endogenous solutions. External players, neglecting subjectivities in the construction, legitimated their interventions in the BFS and empowered themselves, while portraying prudence regulations as totally advantageous for Brazil’s aim of achieving ‘order and progress’.

Inside the BrazBank, risk experts also used this construction to empower themselves and expand their influence over organisational activities. The conceptualisation of risk has never been neutral and objective. Different chains of power have been implicated in each singular hegemonic definition of risk. Initially, risk experts crafted their space by accommodating pre-existing managerial practices and showing how the proposition of risk management was aligned with attempts to maintain control and efficiency in BrazBank's operations after the period of hyperinflation. As risk gained more relevance worldwide, its domain was also expanded inside the BrazBank. Different actors started to claim that they had the most current knowledge of and expertise in the 'best practices' of risk management, in order to demand more power for themselves. At their peak of influence, the independence of risk experts was conceived as a crucial element to maintain the neutrality of their practices. After that, the same independence was used to assert the necessity of some confidentiality within risk management activities. Nevertheless, during the overt failure of risk to perform as the panacea it had portrayed itself to be, the shift from a culture of control to a culture of blame depicted a battle between BrazBank's actors to dethrone the experts and re-establish the trust in risk management practices. Thus, subjectivity in risk construction was presented clearly between the dislocations of this discourse, which arbitrarily defined what must be included and excluded from its hegemonic practices.

In sum, the downplaying of subjectivity was an important element in the implementation and development of risk-management practices. Nevertheless, it also represented its most evident drawback. The devaluing of subjectivity created a terrain for experts, but also constrained them by their own claims. Before risk's final

expansion, the recognition of subjectivity would challenge the self-identity of experts, which was confined by the idea of universal ‘best practices’. Without the capacity to challenge the source of their power, experts then confined themselves to blaming others, which became the representation of the impossibility of risk management ‘state of the art’. Ultimately, this whole censorious discourse was detrimental to the continuity of risk practices and the power of risk experts. Thus, moving to my last research question:

[RQ3] How do individual conceptions about ‘risk’ and ‘risk management’ influence the implementation of a risk management framework and in conceptions of ‘risk appetite’ and ‘risk culture’ at the organisational level?

From all my argumentation, but especially from my empirics, it has become clearer that individual conceptions of ‘risk’ and ‘risk management’ would influence the implementation of risk management frameworks and the definition of ‘risk appetite’ and ‘risk culture’ at the organisational level. Indeed, the definition of each of those concepts is embedded in power relations and imbalances so that constructions of this signifier are not neutral or even merely natural projections of organisational behaviour. Although I recognise that through the study of normalised cases it must be difficult to identify the politics implicit in the construction of risk, moments of radical contingency or crisis might shed light on the underestimated unilaterality of these constructions. Furthermore, in response to the lack of evidence of this characteristic in previous surveys and mainstream research, my study demonstrated that these internal politics are not explicit to outsiders, but concealed as a secret that

must be kept in order to maintain the power of risk management and its experts (Chapter 6 and 7).

The uncovering of fantasies used to support the existing risk management practices represented another response for the influence of individuals. The focus on subjects presented in Chapter 8 illustrated how both experts and non-experts disguise the contingencies of risk management discourse. Justifications are created to support the role of risk management, but also of its actors. Equally, order, or a good appearance from outside, is a prerequisite to the maintenance of both object and subject. Accordingly, the understanding of failures might represent a good route to the comprehension of what risk actually means.

Considering the complexity and dynamic of risk depicted in this research, I argue that the conceptualisation of risk should consider it as a particular, not universal, signifier. The idea of control risk would be mobilised differently in different sites and by different actors. Indeed, indications of this variation have been shown in previous studies, but are commonly characterised as hybrid (Millers *et al.*, 2008) or representations of singular and fixed risk cultures (Mikes, 2009). For me, the translation of risk will always be particular and claims of homogeneity in this discourse are used to mislead an audience which in fact wants to believe that the future can be controlled. This research, then, shows that while the music is playing it is easier just to keep dancing; however, when the music stops, attempts to maintain power imbalance will create different arguments to disseminate and avoid blame in all quarters.

8.4. New Insights about Risk Hegemonic Constructions

Considering the overview presented above, some contributions of this thesis can be highlighted. First, this thesis portrayed the global standard view of risk as a regulatory control technology, which was developed externally and imposed as a compulsory legal requirement from IMF and World Bank, but that created also a space for experts inside Brazil. Considering the scenario of international influences in the Brazilian banking regulatory bank system, my research took a critical approach to this view, highlighting the influence of international actors who have imposed the international rhetoric of 'best practices' on this developing country, which, for them, is merely a new market.

My first contribution to knowledge is thus a theoretical one. I have illustrated that changes in Brazilian Banking regulations, which allowed the entrance of multinational foreign financial institutions in Brazil and the adoption of requirements incompatible with BDB's functions, make clear this hegemonic imposition of an external and damaging conceptualisation of risk. The empirical chapters provide evidence to support this claim in the form of the dissection of the practices of Big 4 consultancy groups in this new market and the application of their rhetoric of 'best practices' and 'state of the art' to BrazBank's functions and operations. I claim that this indirect influence by global corporations constitutes a post-colonial structural intervention which I portray as a form of institutionalised violence, an imposition of a destructive discourse from outside, and which was not indigenous to Brazil which went on to create conflict and struggles and to subjugate the Brazilian identity.

In Chapters 2 and 3, I asserted claims that accounting and finance mainstream literature reinforces the *status quo* in risk discourse, following a positivistic comprehension of its practice. This construction exists to support the discourse rather than to critique, challenge or influence it. Thus, this simplifying or reductionist logic of risk is dangerous, because risk can represent a reification of control. Consequently, Chapter 3 exposed the contingencies and arbitrariness implicit in each new articulation of risk-management frameworks. Risk is all about discourse, and hence what is included in and excluded from each rhetoric or constructions becomes a matter of power. Therefore, each discipline develops its own ontic to interpret the multiple meanings attached to risk. Similarly, the empirical findings illustrated that each organisation, department or actor would engage in a similar process, interpreting risk according to their own interests over time, which reinforced risk's political construction. These cross-purpose interests clarified that actors could use the same language, but with different particularities (Carter, 2008). Rather than an ontological conversation (centred on meaning), risk was shown to be an ontic conversation (centred on interpretations) and this judgemental process involves, for instance, claims of expertise and the creation of antagonistic identities of 'risk experts' and 'non-expert'. Ultimately, it is not risk itself but only its construction that is challenged.

Methodologically, the mobilisation of the DT and LOCE in a critical ethnographic post-structuralist study is innovative in many ways. Primarily, this is the first ethnographic study conducted in accounting and in Brazil, written in English. Thus, even if there were some incipient initiatives in this path in Portuguese (e.g. Nascimento, 2011; Barroso, 2014), I have built on, extended, and deepened their

analysis. Thus, I have made a novel contribution in terms of linking discourse theory to the realities of a country which, while having emerged from a colonial past, is none the less still subject to powerful global forces in its economic development.

Moreover, this is the first post-structuralist study of risk management in accounting, which mobilised DT and LOCE to its analysis. This methodological perspective allowed me to expose risk as a floating signifier. The Social Logic, for example, illustrated multiple meanings and articulations of risk, suggesting that it must be understood in each context. Thus, even though BrazBank's actors did not completely identify these politics implicit in risk constructions, risk has led to articulatory and antagonistic processes inside organisations. This represents a novel and, I believe, important contribution to the analysis of risk in financial institutions. Risk management is an instrument to maintain power imbalances and create the identity of risk experts in opposition to other managers. In this regard, risk is a self-serving discourse: it is self-interested, constructed and used by experts to claim power. Thus, the examination of the subjugation of social measures under supposed and illusory objectivity and neutrality residing in risk management guidelines and used by different actors highlights the contradictions between 'what is said' about risk and 'what risk management actually does'.

This is also the first time that Laclau and Mouffe's discourse theory has been used to analyse power relations and the development of the concept of risk within a bank. Internationally and locally, risk is an instrument of domination, if not power itself. This power is perpetuated by this ability to claim what is right or wrong, and is obtained by some particular representations of risk that create a space for individuals and institutions to subjugate others. In my research, I show how internal politics and

dynamics inside organisations refer to risk as a nodal point in shifting discourses that are permeated by claims of power.

This thesis also sheds light on the actions of subjects to maintain risk discourses and conceal their radical contingency. When you make a decision about the future, you actually do not know what tomorrow is going to be like, but we hide this reality. This is like a closure that provides a temporary closure and concretises future outcomes according to boundaries that exclude and include some elements of this complex and dynamic process of decision-making. Experts usually portray risk as objective, because measurement is the language of certainty; thus, we pretend that measurement is certainty. As a result, experts use risk as a bridge that provides a universal sense of reassurance. Risk constructs the power and certainty, which, although artificial, permits us to know (or claim to know) what tomorrow is going to be like. Consequently, risk itself is an ideological discourse. A subject acts through ideology, and ideology is used to cover over the structural limits of our discourses. Risk is actually an illumination, not of all, but only of part; it sheds light on what one wants to show. It is a glimpse, a brief image, of the fundamental contingencies. In this sense, risk is similar to uncertainty and every decision is contingent. Thus, risk is an attempt to say that tomorrow is going to be fine. This is catachrestical rhetoric, because risk is naming the unnameable. It names what the risk of tomorrow is, but it cannot really determine it, so risk is always failure.

Finally, my research shows that risk has created a problem of communication. The technology of risk proposes the ability to simplify and enable, but, in fact, it creates miscommunication in organisations. This is because risk is empty of actual signification, so its construction represents an act of politics that tries to claim

universality in a hegemonic sense. For that reason, this research exposed multiple interpretations within the organisation and among its actors, who tried to expand or constrain risk's articulation throughout BrazBank's history and Board of Director's political mandates. This whole logic of risk, then, was connected with the maintenance of power imbalances.

My third contribution to knowledge is to provide evidence of the way in which specific actors in a specific financial context used the concept of risk and its variability in their ongoing battles for supremacy within their organisation. In this research, I demonstrated how the conceptualisation of risk created antagonist positions in the BrazBank. In doing so, it segregated experts and non-experts in order to sustain power imbalances, rather than aggregating actors into its operationalisation. This characteristic faced in the BrazBank imitated Big 4 consultants' position, which also creates a disparity between their 'superior' knowledge and that of BrazBank's risk experts. Ultimately, the latter replicated this behaviour and rhetoric, while claiming the necessity of developing a 'state of the art' in risk management practise. Of course, this situation brought problems to both sides.

This research contributes to the study of risk from more critical paradigms in accounting and finance, and investigates it from sociological, political, and historical perspectives (Miller, 2001; Carter, 2008), based on linguistic, social, political, and psychoanalytical analysis. Consequently, it challenges the neo-classical economic and positivist perspective that permeates research in accounting and finance and recognises broader sociological and political dimensions. This research enables the study of specific risk-management practices, responding to the need for more

organisational studies on this topic (Gephar *et al.*, 2009; Power, 2009). Further, it answers calls for more holistic approaches in the analysis of practices of risk management that pay more attention to a wide range of cultural paradigms (Lounsbury, 2008), enabling a greater understanding of the role and limitations of management accounting and the implications of broader conceptions of risk for the management of organisations (Collier and Berry, 2002). Therefore, in exploring the discursive (constructed) nature of the concept of risk, my research begins to fill the gaps identified.

Furthermore, this discussion contributes to our current understanding of risk, in the wake of the ongoing global financial crisis. My research concentrates on the influence of subjectivity on corporate risk management and the failures of quantitative models of risk management. It is also practically oriented, which supports organisations in the implementation of risk management by highlighting the importance of subjectivity, culture and complexity in this process. Much research argues that the implementation of risk management is complex and difficult (Mikes, 2009; Arena *et al.*, 2010; Woods, 2011). My study, then, suggests that these complexities cannot be resolved through traditional positivist research, for it abstracts the subject, holding a subject-object duality, it generalizes and takes a superficial view of organisational reality (Crotty, 1998; Chua, 1986). Furthermore, there are few critical contributions exploring how risk management works in practice, and even fewer, addressing how the organisation develops its own conception of risk and how it contributes to a style of risk management (Gephart *et al.*, 2009; Power, 2009).

My thesis, hence, examines different hierarchies, departments and individuals working within the framework of risk, demonstrating that the concept of risk has different meanings and purposes, even within a single organisation. Post-structuralism argues for an ontological and multi-faceted conceptualisation of reality, and advocates the importance of listening to different voices and recognising power relationships and imbalance. Post-structuralism focuses on how subjects mobilise objects and meanings, and considers the historical context related to power, politics and conflict (see Chapter 4). Through this perspective, it is possible to understand more fully that social artefacts, like risk, are not neutral, but political. This insight lend weight to my analysis of the importance of concepts such as ‘risk appetite’ and ‘risk culture’, proposing a deep understanding of the social process of defining risk, the complexities of the social and political processes that underlie that definition, and the sophistication required in the implementation of risk management in BDBs.

‘Risk management’ has become a prime reference (nodal point) for corporate governance in firms. However, this research is not merely focused on technical artefacts and frameworks of risk management, but on the way that subjects (actors) interact with them, and thus, construct the idea of ‘risk’ and risk management in this particular organisational context. As a result, my research gives ‘readings’ and ‘interpretations’ and invites readers to choose which discursive construction they are more persuaded by. The next section exposes how this research might also provide contributions beyond academia.

8.3.4. Contributions beyond the fieldwork and academia

Because of its practical focus, this thesis is able to offer a contribution that goes beyond theoretical insight. My many meetings with managers and other staff at the BrazBank led to an interaction based on a relationship of trust that included the organisation deeply in this thesis. As a result of such deep collaboration, it became clear that my research could contribute to improving the BrazBank's operation and resolving their conflicts. Although all this interaction was done in an informal way and on my own initiative, its outputs were important to ratify points of view that could be limited by my research lens and were reduced after the iterations with those participants. Moreover, this perspective was worthwhile to comprehend the expectations of this organisation and its actors. Therefore, practical contributions could be highlighted here, exposing potential implications of this research to practitioners.

This research shed light on the complexity and dynamicity of human relations, and then, its influence on risk management practices. This might highlight the role of the subjects and the methodological, social and political aspects of risk constructions. Thus, it might shift the focus of risk management practices, considered by many as only technical artefacts;

This research challenges the incongruence within the rhetoric that claims the possibility of a universal 'state of the art' within practices of risk management. Considering the case of the BrazBank studied here, it is clear that the idea of risk will face different constraints and contestations in each singular organisation. Consequently, solutions must be contextualised and adapted to each site.

Considering how the current hegemonic logic of risk in the BrazBank was constructed reinforcing the contribution of credit grant departments and not the risk management department to the (financial) sustainability of this bank, this research shed light on the limitations in incentives and performance evaluations at Brazilian public institutions. Perhaps actors involved in the construction of risk and contestations around its hegemonic discourse may utilise the accounting mechanisms in place to sustain antagonistic positions. Therefore, pondering upon the managerial accounting policies and norms in place might help Boards to understand the hegemonic discourse of risk and the potential impacts of such a conceptualisation. In this regard, this study demonstrated the necessity of constant re-evaluation and experimentation in this process of risk management implementation, as well as an analysis of the kind of behaviours which these practices are encouraging;

In the specific case of Brazilian public institutions, I highlighted that the influence of changes in political mandates and the necessity of developing strategies to cope with them and reduce their impact. Although other organisations around the world may not face this kind of political change, shifts in the tone from the top and actors who are involved in the risk construct might present tension and contestation around sedimented practices. For that reason, these changes must be conducted carefully.

The hegemony or success of risk management practices and risk culture in organisations might involve, then, a constant process of renegotiation, judgement and conflict management to bring cooperation and support to risk management activities. In this regard, Mikes (2015) and Mikes et al. (2013) have highlighted the importance of risk experts gaining influence, for example through a collaborative profile that emphasises the characteristics of humble CROs.

In general, this research does not provide a recipe for how to keep employees' engagement, motivation and acculturation towards risk management practices. Nevertheless, it sheds light on many methodological, social and political aspects that might be considered by institutions and Boards in the implementation and maintenance of these practices. Ultimately, as in any research, this thesis also offers scope for future investigations, despite its limitations.

8.5. Glimpsing the Future: Limitations and Opportunities

Reflecting upon my investigation, I believe that my choice to study a single organisation in depth could leave my research open to the charge that it lacks representativeness. However, considering the post-structuralist theory in which this thesis is grounded, there is no aim here to provide generalisable results. For that reason, as I made clear before, this is just one of the readings available at the BrazBank, which was constructed considering my period of fieldwork as well as my particular paradigmatic, theoretical and disciplinary lenses. Therefore, each site would provide multiple readings as they are formed by a complex and dynamic blend of interactions between institutions, agents, interests, experiences, social laws, cultures, risk appetites, and so forth. As a result, each case must be analysed in particular, even if insights from one of them could be expanded to and validated in others.

Furthermore, my previous professional experience forms part of these analyses and cannot be separated from the considerations that I have made in this research. As I made clear earlier, the main motivation for this research came from my practical

experience, and the feeling that the mainstream literature did not adequately reflect the practices of risk management on the ground. Of course, the contradictions and inadequacies of risk exposed here might leave some kind of insecurity to the reader who is not familiar with the multi-layered nature of post-structuralist research. Conversely, however, much of the real complexity faced during my field work needed to be simplified here in order to provide an easier understanding to the readers.

In this regard, this research represents a political intervention and is not intended to uncover the causality between discursive elements of risk construction, but to provide a critical explanation of them. Obviously, I cannot deny the theoretical lens provided by the DT. However, its combination with post-colonial theory clarifies that this research was not driven just by this theory either. Therefore, there are many other theoretical readings which were available to aid understanding of this site, but surely the DT provided the most reasonable explanation for the reality encountered in the BrazBank.

The validity of this research is provided by the richness of details and range of data sources used in order to complement the gaps found in literature, but experienced in practice. To this extent, this research was both insightful and challenging. As already outlined, the radical contingencies faced in BrazBank's risk discourse were frustrating even for me, but have made clearer the politics and power imbalances within risk's construction. These social and political sides of risk have driven my interest in understanding the construction of risk at other sites. And, although this was not part of this research, interviews carried out as well as conferences attended after the data collection confirmed the social and political discursive elements of risk

construction that were presented here. Nonetheless, recognising the particularity of each context, these constructions must be further investigated and better comprehended in the future.

The most significant contribution of my thesis is to establish a potential new direction for accounting research in the area of risk, as it illustrates how the utilisation of a political approach in accounting is important to both academics and practitioners. Furthermore, students with this kind of understanding might have a more active influence in challenging the arbitrary nature of the construction of risk or other accounting tools in their practices. Although I recognised the difficulties in developing this kind of study, especially, considering the access to this kind of practices that could be restricted to senior positions, or kept as a secret, there are some paths available to further research in this area.

Additionally, even though most of the mainstream research is triggered by the exposition of cases of success, we can learn also from mistakes or practices that are not fully normalised. The emergence and consolidation of managerial practices must also consider their contingent aspects as well as contestation stage. The struggles existing before the implementation of a new accounting practice cannot be simply ignored or obscured in an accounting research that is passing through many changes, such as the IFRS process of harmonisation, attempts to improve governance and controls, claims for more transparency through integrated reports, requests from different actors about accountability, and many others. In sum, more than just demonstrating institutions that are 'successful', researchers might search for cases of failure as a way to intervene and improve these contexts.

These struggles might be examined using both the LOCE as well as the DT, as there are few studies in accounting following this methodology and theory. The expansion of these tools could highlight elements previously obscured in accounting research, as they shed light on angles rarely examined before. This in itself would be a contribution, but both LOCE and DT encourage the inclusion of other theories and methods to improve the understanding of complex and dynamic realities in our modern world. Therefore, the coalition with other centres of research and specialists from other subjects might improve the quality of the researches developed in this field, as our knowledge will be always limited by and contingent upon our own background and perspective. That said, these suggestions might favour more interdisciplinary political research in accounting.

The limited access to internal practices could not be used as an excuse to avoid developing more politically focused research in accounting, as we have many different sources of information and disclosure. The contradictions between those different discourses and the relevance of excluded elements must be scrutinised from more critical research perspectives, which focus not only on what is said, but also unsaid, shedding light on alternatives and possibilities that were not pondered, or were deliberately excluded. In this regard, two current cases stand out as particularly worthy of attention. First, the discourses to improve governance and controls in the scandal of the Brazilian Oil Company, Petrobras, that dislocated the politically complex causes of this problem as a way to propose a technical contingent solution. Secondly, the different perspectives and mechanisms utilised by representatives in Scotland and England respectively to support and discourage the former's claims for independence through the construction of completely different

projections of future outcomes and, therefore, risks. Consequently, public debates and disagreements might be the source of academic interventions.

Additionally, the construction of accounting discourses and supposed solutions might be further examined. The politics and interests implicit in each particular construction of accounting's "solutions" might be scrutinised considering their emergence and created hegemonies. Thus, gaps between theory and practices as well as principles and interests might expose the politics, bias and subjectivity in accounting discourse, as well as the alternatives that these hegemonies are excluding.

In this regard, perhaps the main difference between the current discourse of risk and previous articulations of these practices was the absence of a converging hegemonic perspective for the conceptualisation of best practices, which would provide a safe terrain for risk experts to claim or maintain their authority in the BrazBank. After the sub-prime crisis, the divergences in risk constructions were presented both in international and national statements of risk regulations and guidelines, as well as externally and internally to the BrazBank. This available space was then taken over by non-experts, who perceived the waning of risk hegemonic discourse as an opportunity to re-establish their power. During my fieldwork, this was an ongoing dispute.

Glynos et al. (2015), nevertheless, demonstrate that it might be naïve to think that the contestations after current risk fallacies would generate a revolution in this concept. Indeed, what has been observed during the last decades is the reinvention of risk. Thus, the current era seems to have found a way to re-establish trust in the concept of risk while renaming its practices as 'resilience management' (Huberand Scheytt,

2013) and portraying it as a ‘clumsy solution’ to ‘wicked problems’ (Linsley and Kewell, 2015) or the ‘revealing hand’ of strategic management (Mikes, 2016). Of course, there is still a lot of divergence between regulators and professional bodies about the future path for this discourse (e.g. BIS, 2013, IRM, 2011, 2012), but each of them will try to accommodate their interests in the most beneficial hegemonic route of this discourse.

I present this thesis as a contribution to the knowledge of risk management. As a practitioner in this field, I am aware of the spectacular failures of risk and loss of confidence in its measures. Hence, I humbly offer these insights as a deeper way of understanding the complexity and dynamics of the construction of risk in practice. As a Brazilian, I hope to play a role in supporting my country in challenging the imposition of risk-management international regulations and finding a way to develop an authentic and self-defining approach to manage risk in banking and accounting. I believe that the approach presented here might be used to empower individuals, organisations and countries in adopting a self-reflexive perspective, to challenge the taken-for-granted, isomorphic and imported ‘solutions’, commonly called ‘best practices’.

APPENDIX 1 – The Articulation of Risk in Different Periods

Period	Macro-Discourse	BrazBank's Practices	Rhetoric	Hierarchy Involved
2000-2002	<ul style="list-style-type: none"> - Brazil: controlled hyperinflation and NPM's imperatives. - World: Credit and Market Risk Management associated with Internal Controls mechanisms and disclosures as a requirement of prudence regulations. 	<ul style="list-style-type: none"> - Experimental Risk Management Practices in a Learning Approach 	<ul style="list-style-type: none"> - BrazBank operations must become more Professional and Market Driven. - Logic of Equivalence expanding the meaning of risk through ideas of 'new', 'better', 'objective', 'efficient', 'professional', and 'compliance' (necessary). - Catachrestical moment name the lack (risk analysis instead of actor's experience and judgements). 	<ul style="list-style-type: none"> - Analysts and Managers working to development risk management practices with support from consulting firms and the Board of Directors.
2003-2004	<ul style="list-style-type: none"> - Brazil: mimetic risk management development process reflecting world trends (BCB's regulation about the necessity of an auditing committee for financial institutions in 2003); - World: Credit and Market Risk Management. Tremendous focus on Operational Risk Management (instead of only Internal Controls) regulations after Enron Scandals and SOX (2002). 	<ul style="list-style-type: none"> - Independent, Neutral and Trained Auditor Experts. 	<ul style="list-style-type: none"> - Combat initial contestations against risk management practices; - Risk Management to avoid Frauds (reinforcing the necessity to be independent, so a neutral and trained expert); - More than just compliance with national regulations from BCB, but follow international best practices from BIS, COSO and SOX. 	<ul style="list-style-type: none"> - Auditors claimed a space to replicate best practices of risk management and evaluate other manager's activities, receiving the support from the Board of Directors.

2005 - 2006	<ul style="list-style-type: none"> - Brazil: mimetic risk management development process reflecting world trends; - World: Credit and Market Risk Management. Tremendous focus on Operational Risk Management (instead of only Internal Controls) regulations after Enron Scandals. 	<ul style="list-style-type: none"> - Independent, Neutral and Trained Auditor Experts. 	<ul style="list-style-type: none"> - Risk management practices represent the 'most modern technique', 'worldwide in use' and 'best practices'; - Risk experts argue for 'independence', 'compliance' and 'IT standardisation to avoid human errors, thus, threats; - Metonymical condensation of risk in one most impactful category. 	<ul style="list-style-type: none"> - Auditors replicate best practices of risk management and evaluating other managers, while receiving support from the Board of Directors.
Period	Macro-Discourse	BrazBank's Practices	Rhetoric	Hierarchy Involved
2007-2008	<ul style="list-style-type: none"> - Brazil: Mimetic Risk Management Development Process reflecting world trends (BCB's regulation about an independent operational risk management department for financial institutions in 2006); - World: Enterprise Risk Management (Integrated and Holistic Framework focus both on Threats and Opportunities); 	<ul style="list-style-type: none"> - Independent, Neutral and Trained Risk Experts. - Collective Responsibility. 	<ul style="list-style-type: none"> - Risk management practices must be integrated and holistic in order to aggregate value to BrazBank's operations; - Risk management is not Auditing; - Risk experts argue for 'independence' and 'compliance' with 'best practices'; - Logic of Difference claiming that we are all working to aggregate value to BrazBank; 	<ul style="list-style-type: none"> - Risk Experts disseminate the best practices of risk management and evaluating other managers while receiving support from the Board of Directors.

<p>2009-2013</p>	<ul style="list-style-type: none"> - Brazil: Mimetic Risk Management Development Process reflecting world trends (BCB regulation about capital, leverage and liquidity risk management framework in 2011) ; - World: Subprime Crisis and divergence between regulations and guidelines that claimed more sophisticated quantitative models for capital and liquidity risk management (Basel III) and a focus on risk culture and appetite (IRM, 2011, 2012). 	<ul style="list-style-type: none"> - Independent, Neutral and Trained Risk Experts. - Collective Responsibility. 	<ul style="list-style-type: none"> - Stronger contestation about the inadequacy of risk management practices to BrazBank's operation and financial sustainability; - Risk Experts blame other managers by a weak 'Risk Culture' at the BrazBank; - Risk Experts reinforce the necessity to achieve an 'State of the Art' and have cooperation from other managers; 	<ul style="list-style-type: none"> - Risk Experts blame other Managers without the support from the Board of Directors.
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