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RISK MANAGEMENT: THE AWARENESS OF PUBLIC MANAGERS ON RISK AS A SOCIAL CONSTRUCTION

Ratna Ayu Damayanti[A], Syarifuddin Syarifuddin[B], Shavira Zalshabila[C]

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ABSTRACT

Purpose: The aim of this study is to assess the risk awareness and appetite of public managers at each level, as well as the factors that support risk awareness. Risk awareness in Public Sector Organizations is critical as they face a growing set of uncertainties, far beyond the risks associated with financial performance.

Theoretical framework: The theoretical aspect of this study was covered by previous studies published in international journals related to risk management.

Design/methodology/approach: This article uses the case study method as a technique to collect and analyze data, aiming to understand how managers deal with risk in decision-making at various managerial levels.

Findings: The findings of the study revealed a deficiency in risk awareness among public managers, which can be attributed to the failure of top-level managers to take action in implementing risk policies. Additionally, middle and lower-level managers appear to be trapped within the inflexible system established by top managers when responding to risks. Furthermore, public managers tend to address risks only after they have already had an impact.

Research, Practical & Social implications: The study's importance to the accounting literature is to provide an overview of the social construction of risk awareness of public managers at every level related to their experience facing risk issues on strategic and operational issues.

Originality/value: This study represents the initial endeavor to analyze risk awareness among managers at various levels in the public sector.

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GERENCIAMENTO DE RISCOS: A CONSCIÊNCIA DOS GESTORES PÚBLICOS SOBRE O RISCO COMO UMA CONSTRUÇÃO SOCIAL

RESUMO
Objetivo: O objetivo deste estudo é avaliar a conscientização e o apetite por riscos dos gerentes públicos em cada nível, bem como os fatores que apoiam a conscientização por riscos. A conscientização sobre riscos nas organizações do setor público é fundamental, pois elas enfrentam um conjunto crescente de incertezas, muito além dos riscos associados ao desempenho financeiro.
Referencial teórico: O aspecto teórico deste estudo foi coberto por estudos anteriores publicados em periódicos internacionais relacionados ao gerenciamento de riscos.

[A] *PhD in Accounting. Associate Professor. Accounting Department, Faculty of Economics and Business, University of Hasanuddin. Makassar, Indonesia. E-mail: damayantiss@yahoo.co.id*
Orcid: https://orcid.org/0000-0002-2867-6315
[B] *PhD in Accounting. Professor. Accounting Department, Faculty of Economics and Business, University of Hasanuddin. Makassar, Indonesia. E-mail: syarif1963@yahoo.com*
Orcid: https://orcid.org/0000-0002-7880-9331
[C] *PhD Candidate in Accounting. Researcher. Institute of Public Accountability and Transparency (NGO). Makassar, Indonesia. E-mail: shavirazalshabila@gmail.com Orcid: https://orcid.org/0009-0000-7833-7138*

Desenho/metodologia/abordagem: Este artigo utiliza o método de estudo de caso como técnica de coleta e análise de dados, com o objetivo de entender como os gerentes lidam com o risco na tomada de decisões em vários níveis gerenciais.
Resultados: Os resultados do estudo revelaram uma deficiência na conscientização sobre riscos entre os gerentes públicos, o que pode ser atribuído ao fato de os gerentes de alto escalão não tomarem medidas para implementar políticas de risco. Além disso, os gerentes de nível médio e inferior parecem estar presos ao sistema inflexível estabelecido pelos gerentes de nível superior ao responderem aos riscos. Além disso, os gerentes públicos tendem a abordar os riscos somente depois que eles já causaram impacto.
Pesquisa, implicações práticas e sociais: A importância do estudo para a literatura contábil é fornecer uma visão geral da construção social da conscientização de riscos dos gerentes públicos em todos os níveis relacionados à sua experiência de enfrentar problemas de riscos em questões estratégicas e operacionais.
Originalidade/valor: Este estudo representa o esforço inicial para analisar a conscientização do risco entre gerentes de vários níveis no setor público.

Palavras-chave: Gestão de Riscos, Conscientização de Riscos, Gestor Público, Indonésia, Controle Gerencial, Cultura de Riscos

GESTIÓN DEL RIESGO: LA CONCIENCIA DE LOS GESTORES PÚBLICOS SOBRE EL RIESGO COMO CONSTRUCCIÓN SOCIAL

RESUMEN
Propósito: El objetivo de este estudio es evaluar la concienciación y el apetito por el riesgo de los gestores públicos a todos los niveles, así como los factores que favorecen dicha concienciación. La concienciación sobre el riesgo en las organizaciones del sector público es fundamental, ya que éstas se enfrentan a un conjunto creciente de incertidumbres, mucho más allá de los riesgos asociados a los resultados financieros.
Marco teórico: El aspecto teórico de este estudio se basó en estudios anteriores publicados en revistas internacionales relacionadas con la gestión de riesgos.
Metodología: Este artículo utiliza el método de estudio de casos como técnica de recogida y análisis de datos, con el objetivo de comprender cómo los directivos abordan el riesgo en la toma de decisiones a distintos niveles de gestión.
Conclusiones: Los resultados del estudio revelaron una deficiencia en la concienciación sobre el riesgo entre los gestores públicos, que puede atribuirse a la falta de acción de los gestores de alto nivel a la hora de aplicar políticas de riesgo. Además, los directivos de nivel medio e inferior parecen estar atrapados en el inflexible sistema establecido por los directivos superiores a la hora de responder a los riesgos. Además, los gestores públicos tienden a abordar los riesgos sólo cuando ya han tenido repercusiones.
Implicaciones de la Investigación:
La importancia del estudio para la bibliografía contable estriba en ofrecer una visión general de la construcción social de la conciencia del riesgo de los gestores públicos de todos los niveles en relación con su experiencia a la hora de hacer frente a los riesgos en cuestiones estratégicas y operativas.
Originalidad: Este estudio representa el primer intento de analizar la conciencia del riesgo entre los gestores de distintos niveles del sector público.

Palabras clave: Gestión del Riesgo, Conciencia del Riesgo, Gestor Público, Indonesia, Control de Gestión, Cultura del Riesgo.

INTRODUCTION

Issues and discussions regarding risk management (RM) in the media and accounting literature have become increasingly intense since the 2008 global financial crisis (Beasley et al., 2015; Braumann, 2018; Braumann et al., 2020; Hashem & Hashem, 2023; Kulinich et al., 2023). RM issues are closely related to control commonly practiced by academics and practitioners (COSO, 2017; The Institute of Risk Management, 2012), and it also has consequences for budgeting (Arena & Arnaboldi, 2013). Therefore, researchers emphasize the importance of creating a risk-aware culture considering the very large impact of risk on the organization (Lam, 2014; Soin & Collier, 2013). Awareness of RM in Public Sector Organizations (PSO) is very important because they are faced with a growing series of uncertainties, far beyond the risks associated with financial performance. Hence, the notion of risk has ‘exploded’ (Posner & Stanton, 2014), where PSO tries to explain and gain control over various organizational and societal issues, apart from control over financial matters.

Even though PSO is always aware that the success of a goal is determined by handling uncertainty in the future, they often do not realize the importance of understanding risk (Mahama et al., 2022; Mees et al., 2019). The consequences of this indifference have an impact on failure to achieve the objectives of the program and activity, failure to achieve outcomes, and the occurrence of fraud, as well as other impacts. In the end, risk awareness which is one of the fundamental pillars of risk culture becomes important for organizations (Soin & Collier, 2013), even though the concept of risk culture in PSO is still vague (Zeier Roeschmann, 2014). Therefore, this study focuses on the extent to which leaders interpret RM in achieving organizational goals. This study is motivated by several previous studies as follows.

First, based on previous research, the traditional view is that RM has been interpreted and acted upon as mere compliance (Hashem & Hashem 2023; Mahama et al. 2023; Vasileios & Favotto 2022). RM is only seen as a ‘box ticking’ exercise that has no impact on the day-to-day activities in an organization, other than to meet external needs regarding internal coherence (Soin & Collier, 2013). In line with public sector management reforms, governments and regulators are reinterpreting the notion of risk and defining responsibilities for managing risk in PSO (Kim, 2014). Currently, the risk is seen as contextual and dependent on the local specification of an organization (Capaldo et al., 2018; Mikes & Kaplan, 2015); and for this reason, the mobilization of PSO management control capacity is carried out by decentralizing RM responsibilities to entities through the organization governance (Baldwin & Black, 2016). Management of a decentralized RM requires a very large risk awareness of the leader because all policies related to risks and the consequences of budgeting to deal with risks are in their hands (Arena & Arnaboldi, 2013). In this case, the capacity to act and mobilize RM focuses on the ability of public sector managers to self-regulate (Jensen et al., 2014). Regulatory principles activate RM rationality and introduce a new relationship system in risk governance by turning PSO managers into self-regulating subjects. In the case of Indonesia, RM decentralization has been introduced since 2008 through Government Regulation Number 60 of 2008 on the

Government Internal Control System (SPIP). However, over the past 15 years of its development, most governments, especially local governments, have not shown good RM implementation, and if there is, RM is implemented as is (Suwanda, 2020). Therefore, changes in risk governance related to a leader's power, in the end, need to be questioned concerning changes in organizational behavior when addressing RM. In this regard, several questions arise, namely, how do PSOs interpret and internalize risk regulatory principles, give RM operational forms, and create their subjectivity when identifying, evaluating, controlling, and overcoming the impacts that will occur? How does management control emerge and be involved in determining strategies, methods, and mechanisms used by PSO with decentralized RM? Therefore, this study contributes to the knowledge of PSO managers at various levels in the meaning of RM and its control through the investigation of the existing questions.

Second, despite the importance of integrated RM, the study by Bracci et al. (2022) found that there were RM problems in PSO which were not well integrated at the level of a control system; and budgeting system (Arena & Arnaboldi, 2013). Therefore, a radical cultural shift is still needed. In this case, integrating RM into the control and budgeting system allows the organization to be more accountable for achieving organizational goals. As is known, private organizations use RM to reduce risk in maintaining their profitability, while PSO uses the idea of RM to ensure that service delivery is not disrupted by both internal and external risks, as well as to enforce public accountability is carried out (Mahama et al., 2022). For example, PSO carries out most public services exclusively (monopoly). In such conditions, control over the provision of monopoly services must be taken seriously. If there is a failure or decrease in quality in the delivery of public services, it will have a more serious impact on service users than on services provided by the private sector because the service providers vary. In addition, most of the funding sources for public services come from the public budget, thus the possibility of mismanagement will result in significant inefficiencies. Public service providers must be publicly responsible for inefficiencies; they must "explain and account for their policies" (Andreeva et al., 2014). This is the importance of integrating RM into the control system and budgeting system so that a culture of risk awareness is formed in public service accountability. As The Institute of Risk Management (2012) states that one of the measurements of risk culture can be carried out through a governance approach to risk management accountability. In reality, public services without competitors (monopoly) cause service implementation to be carried out as it without regard to efficiency and effectiveness (Brown & Osborne 2013), and this condition gets worse with low-risk awareness (Soin & Collier, 2013; Vasileios & Favotto, 2022).

Regarding the explanation above, research by Baldwin & Black (2016) and Palermo et al. (2017) show that risk governance is a sociocultural and technical effort when identifying, assessing, prioritizing, and managing risks. They note that risk has no objective existence; rather, it is built and managed through cultural understanding and technical tools. As research Bracci et al. (2022) point out that cultural controls and technical controls need to be integrated into RM practices; so that regulators and managers will not merely assume risk measurement as a mere mathematical modeling system (Baldwin & Black, 2016). Therefore, this study is motivated to study how culture interacts to shape the social construction mix in RM governance.

In addition, public staffs view bankruptcy not as an urgent burden because PSO is funded by the public budget (Meier & Bohte, 2003). However, in reality, the budget available for PSOs is more limited compared to private organizations (Cooper, 2012; Palermo, 2014). Oulasvirta & Anttiroiko (2017) explain that the PSO paradigm, therefore, needs to undergo a radical change where the "scarcity" factor must be understood as a limiting factor for introducing and implementing risk management practices.

Third, most researchers studying risk management systems focus on private companies (Beasley et al., 2015; Paape & Speklé, 2012) and their risk management (Andreeva et al., 2014; Renn, 2015; Stein & Wiedemann, 2016). However, little is known about the reasons why risk management practices are not widely used or optimized in PSOs, as well as how RMs are adapted to achieve efficiency and effectiveness in their implementation (Paape & Speklé, 2012; Palermo, 2014). Recent studies have shown that there needs to be a radical change in risk governance in PSO (Bracci et al., 2022; Mahama et al., 2023; Schäfer et al., 2022).

Based on the three motivations above, the authors map out the general view that public sector managers are risk averse, and this risk avoidance results in managerial ineffectiveness, thus incentives are needed for public managers to experience change. Managers who are aware of risk will identify organizational risks early on and consider the implications of risks with the responsibilities given (Lam, 2014). Furthermore, risk awareness is achieved through discussion and reflection by all organizational staff about the actions and behaviors that need to be taken regarding the causes and consequences of the potential hazards they may face (Braumann, 2018). In cases where risk awareness is high, risk management has become so deeply ingrained in the organization that it is almost invisible because all staffs manage risk implicitly. Risk awareness is intangible, therefore, it cannot be implemented directly through management decisions but management can take steps to increase risk awareness by cultivating an appropriate control environment culture. Therefore, recent findings suggest that leadership plays an important role as a central form of cultural control, known as "tone from above" (Merchant & Van der Stede, 2017), in creating risk awareness (Braumann et al., 2020; COSO, 2017). Leadership is conceptualized as a control practice that directs an organization's focus on risk (Ospina & Uhl-Bien, 2012) to increase risk awareness.

Therefore, the purpose of this study is to assess the risk awareness and appetite of public managers at each level, as well as the factors that support risk awareness. Risk culture is a term that describes the values, beliefs, knowledge, attitudes, and understanding of risk shared by a group of people, who share the same goals. According to Palermo et al. (2017) and Power (2016) capturing the awareness and risk appetite of public managers can be done by understanding how the organization constructs the reality of risk according to the organization's characteristics and its operational environment. As stated by Berger & Luckmann (1991), social reality is not something objective, on the contrary, social reality is formed by social interactions and constructions that occur in society. In other words, risk awareness as a social reality is not inherent or natural but is shaped by social and cultural processes. Individuals gain different experiences and interpretations based on their knowledge, then, they share meaning and language to foster a shared understanding of social reality to build awareness (Zeier Roeschmann, 2014). In other words, social reality is not determined by one individual or group alone but is the result of joint interaction and construction (Berger & Luckmann, 1991). Therefore, the study's contribution to the accounting literature is to provide an overview of the social construction of risk awareness in public managers at every level of the organization, top management (TM), middle management (MM), and low management (LM); related to their experience dealing with risk issues on strategic issues and organizational operations.

Based on the research objectives, this paper is structured as follows: the researcher will provide a literature review regarding the role and importance of risk management awareness for public managers. The third part is a description of Yin's (Yin, 2018) thinking about case studies as a tool for collecting data. The fourth section discusses the theoretical findings based on the informants' responses to the given case studies. Furthermore, observing the social construction of public managers in building risk awareness in organizations. The final part of the paper ends with a brief conclusion, and the implications of the study and its usefulness for global scientific literature.

LITERATURE REVIEW

Risk management (RM), according to Power (2016), has become a pervasive concept in various fields of science. Initially, this concept was used as a calculative tool in private organizations, especially insurance, and banking. However, over time, RM developed into a governance and accountability tool (Brown & Osborne, 2013; Rana & Hoque, 2020), then the idea begin to spread and became an important aspect of organizational survival (Elahi, 2013). The problem of risk becomes the main attention because economically, risk has an impact on increasing costs. According to Mahama et al. (2022), a risk is an uncertain event in the future that can hinder an organization from achieving its goals; where it can result in negative or positive consequences, such as loss or uncertainty in achieving goals (Elahi, 2013; International Organization for Standardization 31000, 2018; Soltanizadeh et al., 2016). Some negative results may arise as a result of inadequate risk management, such as unwanted operations, inappropriate strategies, decreased competitiveness, financial problems, tarnished reputations, and unfulfilled compliance obligations (Meier & Bohte, 2003). Concerning the increase in complexity in the business environment caused by factors such as globalization, technological innovation, downsizing, and deregulation, organizations need to consider a holistic risk management approach to address these problems (Rasid et al., 2014). Effective risk management is important to ensure long-term business continuity because risks can arise from various sources and are related to many aspects of the organization, such as operations, strategy, finance, and reputation.

In public organizations, several studies have shown that PSO are more vulnerable to uncertainty, performance risk, and financial gaps compared to private companies because PSO face a wider range of risks and more diverse tasks (Cooper, 2012; Lee, 2019; Mikes & Kaplan, 2015; Posner & Stanton, 2014). For example, in Germany, the PSO at the county level is usually responsible for education and healthcare infrastructure. In addition, they also provide services such as driver's license offices, cultural facilities (e.g. libraries and theater rooms), public swimming pools, and organize waste-related services (Schäfer et al., 2022). The services provided by PSO are often exclusive or monopoly, thus causing RM to be a top priority for PSO because if there is a failure or low quality of service, the user has no other option available for the service. Therefore, PSO as a monopoly service provider needs to be monitored and they must be held accountable for their actions to the public. This is where a holistic risk management approach becomes important as a form of explanation and justification for the actions taken by the PSO (Rasid et al., 2014). Therefore, several RM studies in the public sector are aimed at improving governance, particularly in responding to stakeholder demands for better control of public resources and focusing on exploring the risks involved in government contractual relationships (Andreeva et al., 2014; Bakar et al., 2019; Schäfer et al., 2022), as in a Public-Private Partnership (PPP) project (Sarvari et al., 2019).

When the economic situation is unstable, it is necessary to link risk to the allocation and management of resources (Kulinich et al., 2023). This will enable those responsible for public services to make wiser decisions in managing these resources (Barrett, 2014; Brown & Osborne, 2013; Rana et al., 2019). As stated by Cormican (2014), after the global financial crisis there is one lesson to be learned from the ongoing crises, which is a comprehensive understanding of all accounting practices that support the modern economy needs to be developed. Some academics have recently proposed that an effective accounting mechanism, such as a budget, should take risk factors into account to improve the quality of public services and provide better outcomes (Rana & Hoque, 2020). Risk budgeting is a financial planning process that involves allocating financial resources for specific risk management purposes (Arena & Arnaboldi, 2013). It is an important component of risk management, which helps organizations identify and prioritize the risks they face, and allocate resources to effectively mitigate those risks. The purpose of risk budgeting is to balance the trade-off between risk and reward, enabling the organization to make decisions about how much risk to take on and how to allocate its resources to manage that risk. Therefore, from the description above we can see the importance of RM to be considered in the budget and there needs to be a radical change regarding the RM paradigm in public organizations.

METHODOLOGY

The Case Context

This study is part of a case that investigates the budget risk sensitivity dynamics in several local governments in South Sulawesi Province. The research focuses on 7 local governments, which were selected based on the amount of budget they manage and their grouping, including large, medium, and small budget groupings. The selection was made on the assumption that the larger the budget managed, the more complex risks they will face (Lee, 2019; Mikes & Kaplan, 2015). Therefore, each grouping is represented by 2 or 3 local governments from South Sulawesi Province, comprising 24 cities/districts. The large budget group includes the Makassar government, with a budget of Rp 4.23 trillion in 2021, and the Gowa government, with a budget of Rp 2.19 trillion. Meanwhile, the middle group consists of

2 local governments: Maros with a budget of Rp 1.48 trillion, and Pangkep with Rp 1.43 trillion. The small budget group is made up of the Takalar government, with a budget of Rp 1.20 trillion, Toraja Utara with Rp 1.16 trillion, and the Barru government, with a budget of Rp 0.97 trillion in 2021 (https://sulsel.bps.go.id).

Next, based on the groupings previously established, this case study will examine the role of public personnel in considering risks when making budgeting decisions. Interviews will be conducted with upper, middle, and lower-level managers to assess their ability to adapt to the changing social environment and tackle the risk challenges faced by the organization. As Soltanizadeh et al. (2016) state organizations facing high levels of uncertainty must be able to quickly adapt to their environment, and Rana et al. (2019) suggest that integrating risk management into decision-making activities can lead to sustainable budgetary benefits.

Data Collection and Analysis

This study employs the Yin (2018) case study method to gather data through various techniques, including in-depth interviews, focus group discussions (FGDs) with relevant stakeholders, and documentation. As per Yin (2018), the case study method should strive to understand the phenomenon in-depth by exploring and elaborating. Therefore, asking only “what” is not enough, researchers also need to ask “how” and “why”. The “what” question aims to obtain descriptive knowledge, the “how” question aims to gain explanatory knowledge, and the “why” question aims to gain exploratory knowledge. Yin (2018) highlights the use of “how” and “why” questions as they are deemed appropriate for gaining in-depth knowledge of the studied phenomena. The form of the question also determines the data collection strategy.

Data was collected through FGDs for each local government, which were conducted at the manager level. This study evaluates managers' perceptions of risks related to the strategic and operational aspects of the budgeting process. Informants involved as research collaborators totaled 30 people consisting of managers in the top level (TM), middle level (MM), and lower level (LM). In local government organizations, TM refers to the head of the office, while MM is the head of the section that handles organizational operations, and LM is the head of the section that deals directly with organizational activities. This grouping was chosen to verify Singhvi's (1980) assertion that risk is perceived differently by different individuals and organizations, even under similar internal and external conditions. This case study aims to understand how managers consider the factors that influence their risk-taking behavior, and how these factors differ at various managerial levels as revealed by Schäfer et al. (2022) that each level of manager will respond differently to risk.

The case study to be discussed was presented the day before each FGD, allowing informants to understand the purpose and content of the study. During the FGD, the researcher discussed each case study statement one by one, and informants provided their responses and interpretations. The researcher's assistant recorded the dialogue in the FGD, while the main researcher led the discussion process. Triangulation was conducted by matching the answers between informants for each manager group during the discussion. The conclusion of the case study was drawn from the informants' answers by the main researcher.

Furthermore, the collected data is then refined through a process of reading and formulation of the posed problem. The data is considered adequate if it effectively answers the problem posed. However, if the data is insufficient to answer the problem, the researcher must return to the field for additional data collection. The next step involves processing the data, which includes verifying its accuracy, compiling it, coding it, classifying it, and clarifying any unclear interview responses. In the analysis process, the researcher interprets the data by organizing, sorting, grouping, coding, or marking, and categorizing it into specific categories to generate findings based on the proposed problem formulation (Yin, 2018).

FINDINGS

This article analyzes the data collected to assess the level of concern that managers have for the budgeting process in Indonesian local governments. The research followed a formal case study approach, which consisted of four steps, namely: observing managers' reactions to risk identification, observing their assessment of the possibility and impact of risks, observing the development of plans to deal with risks, and observing the implementation of these plans. To get answers, the researcher observes the responses of public managers to the cases given and further evaluates them through their responses in FGD on case 1 as follows. The informant's statements described in this article are statements that have a special emphasis on the study, while other informants have issues that are in common with these statements.

> Case 1
> Regional Government A wants to reduce the level of poverty in their area by establishing a Life Quality Improvement Program in Community. This program, as a strategic objective, aims to increase people's access to basic services such as education, health, and sanitation. One of the activities carried out in the health sector is the "Health Service Center" so that economically disadvantaged people get access to quality health services. This program aims to improve people's quality of life and reduce the burden

of health costs for people in need. These health services include medical examinations, hospitalization, surgery, childbirth, and treatment for certain diseases. The program is financed by the local government's budget and managed by the local health office.
Another thing being done by Regional Government A to reduce poverty is improving access to education for the poor in their area with the "Scholarship" program for poor students. However, the government needs to consider the existence of fraud and scholarship funds that are not accurately targeted in implementing the program. The government of Region A conducts a rigorous selection and verification process to ensure that only poor students are eligible. However, there are operational risks that can occur when the selection is carried out, such as fraud and scholarships that are not on target. Therefore, institutions need to spend extra funds to anticipate these risks by using independent parties/outside the organization such as academics, independent committees, and others in the selection process rather than people in government.
Based on the consideration of the risks faced by the program above and the consideration of additional funding possibilities, you are asked to provide a response as a leader regarding the case given. Your considerations are tailored to your day-to-day handling of duties as a manager.

Response to the Strategic Objective

Responses to the case studies reveal that top-level managers involved in managing risk have a limited understanding of complexity, even though they play an important role in decision-making. One of the top-level managers' sayings was,

> "…in controlling the future for operational aspects, MM and LM are the responsible parties. I only focus on setting organizational goals... in the financial aspect, we are only responsible to make sure funds are available when they need to be used. The aspect of social consideration becomes something important because institutions require sufficient legitimacy from the public, ... without the support and recognition of society, the government will fail to achieve its objectives ..."

The responses above show that TM has a pseudo-awareness of risk. This pseudo-awareness is known as naive risk. Why? because from the statement "funds are available", TM assumes that all risks related to strategic plans can be resolved with funds in which budget availability is TM's responsibility. They feel they are safe from the risks that will arise, and funds are seen as a settlement of risks. Currently, public TMs do not yet have an assessment of the possibility and impact of risk and do not have a plan to address the risk. In fact, without planned risk management, it can lead to budget inefficiencies. This phenomenon in the study of Mees et al. (2019) and Rana et al. (2019) is a condition where public managers are less concerned about risk.

In addition, the existence of delegation of authority (see the sentence "*responsibility*" to lower-level managers), causes TM to feel that all the consequences that occur for the tasks and activities of the local government are on the operational managers (namely MM and LM). This

TM view causes the integration of strategy with the risk that should be built by top managers blurred, thus who is responsible? Previous researchers have realized this, so they argued that there needs to be a radical change in the paradigm of public managers about risk (Bracci et al., 2022; Mahama et al., 2023; Schäfer et al., 2022), this condition led to the concept of culture risks in public organizations blurring (Zeier Roeschmann, 2014).

Furthermore, the statement that "*focus on goals*" shows that the public TM is not yet fully aware of the meaning of risk to goals; because according to COSO (2017), risk is a factor inhibiting the achievement of organizational goals. In addition, TM only concentrates on financial aspects which they think can solve all problems. The view on the meaning of risk and finance needs to undergo a radical change because according to Oulasvirta & Anttiroiko (2017), the finances of public organizations are very limited and scarce, thus need to be managed properly through the application of risk management practices. Therefore, this study views that RM needs to be integrated with the formulation of organizational goals and objectives because this issue is the main focus of public TM. In public organizations, risk must be embedded in the process of input, output, and outcome, so that it becomes an inseparable system (Brown & Osborne, 2013; Rana et al., 2019).

On the other hand, middle-level managers have a different attitude. They appear not to be fully aware of the risks associated with achieving strategic objectives and often ignore operational risks unless they arise and affect their program. Risk is not evaluated based on the characteristics of a particular threat or hazard, as Mees et al. (2019) state that so far PSO managers have failed to identify risks. This can be seen from the view of one of the MM informants,

> "... For us, organizational vision, mission, and strategy have been prepared based on optimum assumptions that can be achieved in the future ... these assumptions have taken into account the changes that will occur. This means that we only concentrate on implementation... taking into account the technical things that need to be done to achieve organizational goals... while the financial aspect is important to its available on time. The aspect of community recognition is not a priority for us, because we don't have direct contact with the community…"

He followed that comment with,

> "… For us to deal with the risk if it has appeared in reality… we don't have much time to think about what might happen in the future…meaning a program designer must have understood all these things…"

According to these statements, it appears that there is a misunderstanding of risk and uncertainty, where risks are considered to have been controlled through strategic planning. This can be seen from the statement "*we only concentrate on implementation*", which implies that if strategic planning has been carried out by one party, then the other party just needs to implement it. This situation illustrates MM's view that all risks have been calculated by the leaders to achieve the goals. Yet according to Rana et al. (2019), strategic planning is not necessarily integrated with risk, which means that risk must have its own space to be considered.

Another symptom of the indifference shown by MM is by positioning themselves as an intermediary agent who "*do not have direct contact with the community*". This statement means that there is no risk because they are not in direct contact with services (in the case of Health and Education), or in other words, the risk is not their responsibility. Furthermore, MM views that the risk arises if there is a complaint from the public. This understanding is wrong because according to Barrett (2014) and Renn (2015), if the community's span of control is far, then PSO must play an active role in controlling risk because community control is weak.

Meanwhile, lower-level managers have a neutral view of risk, where one LM stated that, *"… risk cannot be avoided… we just flow like water… if we encounter a problem later, then we will think about how to deal with it, we only need the financial aspects being available to execute activities. Because we deal directly with the public, we need legitimacy from the public…"*. In this case, LM does not consider the dimensions of strategic risk more broadly and systematically. They do not give pragmatic considerations of techniques that can reduce future risks based on their experience, as stated by the informant, "*we flow like water*". Meaning, the adaptability of public LM is passive and this reduces the organization's ability to provide services. This behavior in Strużyna et al. (2021) study on the Polish bureaucratic organization is referred to as a characteristic and nature of a 'virus', namely the erosion of managers' competence which causes failure in public organizations. Uncertainty, especially political uncertainty, causes the reluctance of public staff to embrace change and engage in competency development (Jensen et al., 2014).

The findings show that various levels of management have different perspectives on risk acceptance. Middle-level managers appear to prioritize financial and operational factors when deciding on risk acceptance, without considering the impact of managerial authority on risk management. Meanwhile, top-level managers have a limited approach to risk, they are more concerned with achieving organizational goals but do not communicate risks to lower levels. On the other hand, lower-level managers only focus on the impact of risks on operational technical factors when deciding on risk acceptance. These different perspectives show the importance of considering various factors in risk management, as stated by Elahi (2013) and

Soltanizadeh et al. (2016), that public managers understand risk according to their respective experiences of unexpected events. This experience brought them to a different level of knowledge and awareness.

Response to Operational Aspects

Next, we turn to managers' responses to risk in operational decisions. In this section, we present cases for informants to respond to. This case is designed in such a way that researchers hope to get answers and responses that are consistent with real conditions. The researcher presents a narrative response to the case sample selected in box 1. The case for risk in operational decisions refers to an analysis of managers' perspectives at various levels of government organizations when making risk decisions.

This section provides a valuable illustration that uncertain conditions can increase managers' awareness of operational risk. This section observes the social interaction that is built between levels of managers in shaping the social reality of risk. According to Singhvi (1980), an increase in a manager's sensitivity to risk can make the organizational environment more stable. Thus, it can be said that at a high level of sensitivity, managers tend to have sufficient risk awareness because they can predict environmental changes and the consequences that may arise (Cooper, 2012; Lee, 2019; Mikes & Kaplan, 2015).

Typically, high-level executives have limited reactions to risk in the context of operational decisions (Cooper, 2012). Based on the study findings, top managers recognize that risk is a factor influencing decision-making, but they do not fully understand the level of risk and its potential consequences. As one TM informant states,

> "... the risk of financial resources unavailability at the operational level is a routine matter... we have always managed to get through it... even at the end of the fiscal year there is always an unrealized budget left over... this is a sign that finances related to program operations are not something to worry about, we view operations as something practical, so the outcome depends on the situation at the time… we will respond to the problem in due course."

TM's response shows that the decisions taken do not always require sophisticated technology or calculations, but follow a series of procedures that have been defined and occur repeatedly so that they become habits for public managers, as the informant said, "*this is routine... we always get through it*". Meaning, TM is aware that there is a risk in operational decisions but is not planned well beforehand as the informant said, "*we will respond in due time*". This phenomenon is in line with previous research stating that managers may not always follow established procedures in the decision-making process (Schäfer et al., 2022). Managers have little understanding and thus the level of compliance with RM procedures is low, risks can be understood when the impact of risk severity increases and the threat felt by the organization gets bigger (Cooper, 2012).

In contrast, middle-level managers have a more concerning understanding of risk management, as they view that risks can only be fully understood when threats begin to be felt. As explained by an MM informant,

> "... operational risk will follow the strategy that has been set ... if the strategy is right then there will be no operational problems, the most important thing is the availability of adequate finance for program implementation. We understand that acceptance of TM is quite important for the program output…"

This shows that middle-level managers have high hopes for leaders, especially top-level managers, to manage risk effectively and understand risks and their consequences thoroughly, just as the informant stated, "*following the strategy that has been set*". In MM's view, who needs to be made aware of first is TM, as mentioned "*the acceptance of TM is quite important*". This situation is according to Lam's (2014) conjecture that risk awareness at the highest level can ease the burden on middle-level managers in managing risk. According to Braumann et al. (2020), 'instruction from above' plays an important role in shaping risk awareness. Instructions from above are a form of communication and expectations set by top management. The tone is an encouragement of alignment in understanding risk at all levels of the organization from the bottom, middle to top levels (Rasid et al., 2014). Meaning, a lower manager's risk awareness is highly dependent on the top manager's awareness.

Meanwhile, lower-level managers view that risk assessment cannot improve the decision-making process. In responding to cases, LM's level of acceptance or tolerance for potential risks is still low. Meaning, the manager is not aware that their actions will affect the organization. One LM stated that,

> "… in our opinion operational risk is politics… and politics is the daily life of government organizations, … Our fate as LM depends on top-level's political interests… although in our opinion not everything needs to be politicized… in budget considerations, for example, what needs to be considered is the technocratic aspect, where scientifically, the budget can support the program implementation... TM's acceptance of what we are running depends on whether what we do pleases them ... in this case, the goal is achieved because the goal is the responsibility of the top manager …"

This answer shows that there are differences in attitudes and approaches between top-level and lower-level managers toward operational risk. Lower managers tend to prioritize "funds" and "top manager decisions" in their decision-making. According to LM, all of their daily lives are political matters, they do not fully understand the political and judicial consequences of their choices. They believe that "supporting the implementation of the program" is important and ensure that the operation goes well. For lower managers, organizational operations are important if related to their political position, but they don't care about the quality and benefits of service to the community. Meaning, LM manages and understands the goals of public organizations narrowly. This is also seen in several previous studies where public managers put their interests first, instead of looking at the benefits of overall organizational goals and how operational risk control should work (Andreeva et al., 2014; Renn, 2015; Stein & Wiedemann, 2016).

After showing these findings, it can be said that social interaction in forming risk awareness is trapped in the compartmentalization of authority from each manager. On the other hand, TM does not direct social interaction well, thus a naive attitude towards risk appears as a social reality of PSO.

DISCUSSION

Factors Causing Risk Awareness

This section discusses the level of concern managers have about potential risks that may affect their organizational activities. The results of the study show that public managers in several Indonesian local governments have low-risk awareness and several factors influence it. These factors are analyzed from a social construction theory point of view because this approach requires aesthetics in exploring sensory experiences and acts of reason, as well as the meanings that individuals feel in producing and guiding interactions (Fairhurst & Uhl-Bien, 2012). The first factor affecting risk awareness is the lack of action from TM to implement risk policies. This is reflected in the way TM builds a responsive management system to respond to various situations that local governments will face in the future. It's troubling! Theoretically, TM is one of the most influential social factors in forming an organization (Covaleski & Dirsmith, 1986). In this study, TM has not used a risk management system, which is a form of responsiveness in building and maintaining an organizational structure when carrying out its activities. Provision of public services is the main task of local government's activities and TM tends to ignore risks originating from internal, such as risks that arise from actions, systems, and processes carried out by staff while they carry out their service activities. It is the external aspect that is prioritized by TM; and what concern the leaders are external aspects that threaten the strategic goals of the organization (Covaleski & Dirsmith, 1986).

The focus of managers in implementing risk policies (such as internal and external issues) is knowledge; and this knowledge forms community knowledge within the organization which is then developed, transferred, and maintained in various social situations that in the end forms a reality that is considered reasonable by managers (Berger & Luckmann, 1991). MM and LM follow TM's pattern of knowledge which is described as being naïve to risk. In this condition, the same standard of treatment is applied to every aspect of risk in the organization and the activity becomes a habit that is created through social interaction. "Reality" and "knowledge" that is born from the social construction of everyday reality are greatly influenced by individuals when they understand something based on their habitus and stock of knowledge (Berger & Luckmann, 1991).

In the end "reality" and "knowledge" are reflected in an organizational culture that is oriented towards momentary interests (e.g., reacting when risks occur) and that culture is built by individuals who hold power, although no explicit concept of power in The Social Construction of Reality (Dreher, 2016). However, some argue that the phenomenon of power is theoretically relevant, and an outline of the power theory can be developed from a social theoretical point of view, such as previous research of Merchant & Van der Stede (2017), Braumann et al. (2020), and Braumann et al. (2018), who emphasize that tone from above plays a very important role in the organization. This kind of culture has influenced rules, assumptions, language, symbols, norms, visions, systems, beliefs, customs, and both written and unwritten values. The public organizational culture that is indifferent to risk (as a social reality) forms the basic philosophy of the organization, which then forms beliefs and attitudes in dealing with risk, as stated by Merchant & Van der Stede (2017), that concern comes from the ability to manage social interactions in situations that are uncertain and unpredictable, thereby transcending the boundaries of formal control systems designed for specific, predictable events.

The second factor that affects attention to risk is inconsistency in the vision and mission of the organization. Inconsistency can lead to deviations from public policy or its implementation that differs from expectations, and this can harm government activities at large. This issue was highlighted by Emile Durkheim and Max Weber, an interpretive sociologist, who emphasized the importance of considering social facts (risk) and the subjectivity of managers in dealing with social facts (Dreher, 2016). Berger & Luckmann (1991) describe it as a dialectical relationship between objective and subjective facts in constructing the social reality of the world. Although the risk is separate from vision and mission, it can bridge the gap between subjectivism and objectivism that public managers have.

In this study, it was found that top managers often neglect their responsibilities as leaders in managing risks related to achieving the organization's vision and mission. In this context, the power to mobilize the organization to achieve its vision is related to middle and lower management. This relationship is a universal part of human life and appears in the form of social relations (Dreher, 2016). Berger & Luckmann (1991) call it a systematic interconnection, in which the subjective meaning that the leader has about the organization’s vision as an opportunity for personal gain, is then transferred into objective social facts that are veiled in the common interest. This ultimately forms a subjective reality construction about the meaning of risk while achieving the vision.

The middle and lower management environment in an organization is formed under the influence of top management, which produces an organizational environment based on subjective reality and guides individual behavior in the organization (Ospina & Uhl-Bien, 2012). Some studies have shown that organizations that focus on risk management can change the formal organizational structure into a positive organizational environment, whereas formal structures that ignore risk tend to reflect an atmosphere of passivity and apathy (Paape & Speklé, 2012; Power, 2016). Therefore, the manager's view of risk and vision continuity has greater significance than the goals themselves in the formal structure. Based on the study findings, the management model that is generally adopted by local governments in Indonesia tends to be reactive and can threaten the sustainability and consistency of the vision in a certain period. Therefore, there is a need to broaden the understanding of risk behavior through a social theory approach to encourage consistency in achieving the organization’s vision, thereby shifting the focus from only accounting issues (Merchant & Van der Stede, 2017).

The third factor is that public managers do not have the integrity and professionalism for the responsibilities they are given. They tend to consider that their responsibilities are only limited to allocating the budget for programs and activities, and once the budget has been allocated, the responsibilities have been completed. They do not pay attention to the risks that will occur during the implementation of activities. The risk was not taken into consideration from the start, and this resulted in the low quality of public services and the spent budget being inefficient. Budget inefficiency is economically known as expensive costs (Elahi, 2013).

The unprofessional attitude of public managers can be seen from the way they deal with responsibilities and risks which adheres to the paradigm “if funds are available, the work is done”. This paradigm according to social construction theory has become a social fact and the community’s subjective meaning within the organization. Hence, the risk and budget dialectic evolved into public managers’ knowledge, who only react and exercise power when risks occur and funds are available, they are reluctant to adapt sustainably to risks through modification or replacement of traditional control practices. Merchant & Van der Stede (2017) note that various forms of power can arise under normal and extraordinary conditions; where harmonization between these powers is needed to produce the development of modern powers that can adapt to change (Jensen et al., 2014)

However, this research finds that public managers ignore modern power, resulting in risks as extraordinary situations do not impact the power to effect change. Even though for public organizations, power is the core of the organization in carrying out social interactions. Meaning, organizations can work if there is social interaction of power which is described by Berger & Luckmann (1991) as a dialectical relationship between objective and subjective reality. Without social interaction as a dialectic between leaders and subordinates, then whatever is done will be in vain. The study concluded that current PSO managers do not fully understand the risks involved. They do not regard risk as an important part of innovation. Thus, researchers recommend a more nuanced approach to risk management, namely encouraging transparent decision-making about risk through innovation and its relationship with expected outcomes.

Unraveling the Logic Behind Risk Ignorance

The organizational logic of PSO managers does not place significant emphasis on extraordinary situations in their organization's risk management. Public managers usually do not take precautions against risks and consider such situations as part of their social routine. Therefore, Vasileios & Favotto (2022) recommend organizational interventions that cover all aspects of the organization, including those that are not sensitive to risk. This intervention aims to encourage managers to adopt a budget-saving paradigm (Huber & Scheytt, 2013), thus using funds as shields used to protect themselves from risk must be removed. In this context, the social reality of public managers in developing countries is still focused on daily activities or a relaxed social lifestyle, which is characteristic of developing countries’ government bureaucracy, and such a situation must be corrected.

Previous research stated that in a constructionist approach, leadership is seen as the result of relational interactions between people who will determine the quality of leadership and work outcomes (Ospina & Uhl-Bien, 2012). In local government, MM, LM, and TM work together to form and develop an "easygoing" culture, as they build leadership, followers, and results together. In this context, the analysis of leadership through cultural and aesthetic lenses becomes very interesting to understand the relational dynamics between leaders and followers (organizational staff) (Fairhurst & Uhl-Bien, 2012). According to them, relational leadership can explore the role of aesthetics in the leadership process. A study by Taylor & Hansen (2005) shows that aesthetics is related to knowledge derived from a person's sensory experiences, such as how their thoughts, feelings, and reasoning about sensory experiences can provide information on their cognition. This sensory experience then interacts with other leaders and staff within the organization to form socio-cultural constructions of risk and how they implement it in dealing with risk.

Finally, the discussion on risk awareness reexamines the views of Lam (2014) and Braumann et al. (2020) who explain that 'instructions from above' play an important role in shaping risk awareness. Instructions from above refer to the communications and expectations set by top management regarding risk management. Leaders play an important role in creating an environment of risk awareness by fully supporting risk management and regulating risk-related behavior (Braumann et al., 2020). This study once again proves this. This study argues that building risk awareness can only be done if TMs demonstrate their commitment to risk. TM must incorporate risk considerations into organizational decision-making. In this sense, leadership is the informal control exercise of establishing common values, beliefs, and traditions, which serve as examples in guiding the behavior of other members. This approach requires a strong form of cultural control (Merchant & Van der Stede, 2017), which stems from the ability to manage behavior in uncertain and unpredictable situations that can go beyond the limitations of existing formal control systems to handle normal activities (Falkenberg & Herremans, 1995). Strategists recognize that organizational disaster can occur if risks are not handled appropriately (Baird & Thomas, 1985), and strategic decisions are generally the site of these problems because these decisions involve uncertain outcomes and are critical to the long-term survival of the organization (Mintzberg et al., 1976). Therefore, public managers need to equip themselves with the ability to identify and manage risks and opportunities to ensure accountability for the management of organizational resources (Bakar et al., 2019).

CONCLUSION

The study results concluded that managers have low-risk awareness and there are three contributing factors. First, the lack of action from top management in implementing risk policies. Second, inconsistency in the vision and mission of the organization. Third, managers do not have the integrity and professionalism regarding the responsibilities they were given. These factors reflect social realities that shape the pattern of knowledge and organizational culture that are less concerned about risk, and this shaped the beliefs and attitudes in dealing with risk. In responding to strategic risk, public TM does not have an assessment of the possibility and impact of risk and does not have the plan to deal with the risk, while MM has a different attitude. MM appears not to be fully aware of the risks associated with achieving strategic goals unless such risks arise and impact their programs, whereas LM does not consider the dimensions of strategic risk more broadly and systematically. They do not give pragmatic consideration to techniques that can reduce future risk based on experience. Furthermore, regarding operational risk, TM realizes that there are risks in operational decisions, but they are not well planned and respond only when risks occur. Meanwhile, MM's awareness of the risks follows the leaders' directions, while LM has almost similar behavior, namely responding to risks in a relaxed manner because all of their daily lives are political matters and they do not fully understand the political and judicial consequences of the choice of operational activities. Therefore, this study agrees with Lam (2014) and Braumann et al. (2020) that leaders play an important role in shaping risk awareness. The leader is the hope that has the power to drive risk management. Some views say that in an unstable economic situation, it is very important to link risk with the allocation and management of resources (Brown & Osborne, 2013; Rana & Hoque, 2020). In contrast, this study shows the fact that managers tend to ignore risk because there are still budget available and considers the availability of budget as a shield from risk concern. This culture of public managers is constructed by the social environment of the organization which adheres to the “easygoing” principle.

This study makes a contribution to the awareness of the risk that can be developed through the knowledge possessed by the community within the organization, which is then applied, disseminated, and maintained in various social situations and eventually forms a reality that is considered normal in the organization. The risk awareness of each level of managers arises from their ability to manage social interactions in uncertain and unpredictable situations, which go beyond normal situations with specific and predictable events. Therefore, managers must increase their awareness of risks and take appropriate actions to manage emerging risks within their organizations.

The study recommends that further research pay attention to the role of public managers as an important aspect of risk management. Managers are not only limited to identifying risks and taking action when risks occur but also include systems and process building that can prevent or reduce the impact of risks. Therefore, the researchers emphasized the role of leadership in building an organizational culture that is aware of risk, and how public managers can provide firm directions and pay attention to risk management as an important part of managing public organizations.

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APPENDIX 1

LIST OF QUESTIONS

Risk Awareness

1. Is there risk in the Health and Education case?
2. What risks can you identify?
3. Are these risks avoidable?
4. Who is responsible for the risks?

Organization Environment

1. What is your authority in the risks?
2. Are the risks transferable to other managers?
3. Did you communicate the prospects to other managers?
4. How do the other managers respond to your assumption about the possibility something bad will occur in the future?

Risk Culture

1. Can you predict everything that occur in the future?
2. What needs to be done to save the organization from surprises that may occur in the future?
3. Is there anything you can rely on to protect the organization from future surprises?
4. Do you care about the safety of the organization's goals?

APPENDIX 2

The research steps that were carried out to ensure the validity and reliability of the research.

Reliability/validity criteria	Research Phases			
	Design	Case Selection	Data Collection	Data Analysis
Reliability (indicating that the study operation can be repeated with the same results)	Developing case study plans	• Selection by theoretical sample	• Provide cases for all the interviewees • Develop and use for case studies	• Involve a writer that did not collect data • Examine coding for reliability on the evaluator
Internal validity (establish causality, aiming at data confirmation)	Determine theoretical framework before data analysis	• Record sample selection criteria in the case study protocol	• Record factors that may serve as alternative explanations	• Pattern matching • Triangulation of multiple data sources
Construct validity (establish operational steps for the concept being studied)	Adapt constructs from previous empirical work to the field of RM	• N/A	• Done by the main researcher	• Key informant reviewed case study report draft • Assemble the chain of evidence according to its logic and chronology
External validity (establish research findings that can be generalized)	Take a sample on PSO	• Explain PSO as a case object and the contextual factors	• N/A	• N/A