



**Risk Managers as Sensemakers and Sensegivers:
Reconceptualising Enterprise Risk Management
(ERM) from a Sensemaking Perspective**

A thesis submitted for the Degree of Doctor of Philosophy

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Abstract

Currently enterprise risk management (ERM) is predominantly informed by positivist management science and traditions which support a standards-based ERM approach (see section 1.2). This approach induces a deterministic mindset and conforming behaviour which are ineffective for managing complex and emergent risks. Survey evidence also suggests that standards-based ERM, as it is presently applied, often fails to fully realise the intended benefits (e.g., Accenture, 2011; AON Global, 2010; COSO, 2010; Ernst & Young, 2010). Furthermore, within the ERM domain, the human and cultural aspects have not been adequately researched despite growing recognition of their significance for ERM performance.

The research seeks to address these deficiencies. It investigates how a theoretical sample of experienced corporate risk managers makes sense of their risk decision-making contexts and how that sensemaking, as mediated by individual and collective worldviews, influences their use of ERM standards. The research explores how risk sensemaking and ERM performance might be enhanced through transformative learning (Mezirow, 1991, 1994) and how deploying the standards-based ERM framework as an organisational learning mechanism (Lipshitz, Friedman, & Popper, 2007) might nurture a risk culture conducive to this productive form of learning.

The research is informed by theories of sensemaking (Weick, 1995, 2001), mindfulness (Langer, 1989), worldviews (Pepper, 1942), adult development (Fisher, Merron, & Torbert, 1987) and organisational culture and learning (Lipshitz et al., 2007). It generates an integrative framework that reconceptualises standards-based ERM from a sensemaking perspective. Dervin's SenseMaking Methodology (Dervin & Foreman-

Wernet, 2003) is used to frame and execute the research and Grounded Theory Methodology (Strauss & Corbin, 1990, 1994, 1998) is utilised for theory generation. The SenseMaking Methodology's sensemaking triangle is adapted into the Applied Cognitive Task Analysis (Klein Associates, 1997) protocol to collect qualitative interview data. Two psychometric instruments, the Rational-Experiential Inventory (Epstein, Pacini, Denesraj, & Heier, 1996) and the Social Paradigm Belief Inventory (Kramer, Kahlbaugh, & Goldston, 1992), are used to corroborate qualitative findings.

The thesis posits the aspiration-realisation gap as a capability gap. It presents two core conclusions toward addressing that gap. First, risk managers' informing worldview is central to how proficiently they implement and use a standards-based ERM approach (see Tables 4.1, 4.2 and 4.3). Second, bridging the aspiration-realisation gap in standards-based ERM involves aligning applied and intrinsic efficacy, realised performance with espoused benefits. This is achieved by enhancing individual and organisational capability maturity. The thesis proposes a sensemaking-based integrative ERM framework for attaining this enhancement (see Figure 5.2).

The thesis enriches understanding and debate on how standards-based ERM might be efficaciously applied to harness its intended utility. It expands ERM theory and practice by offering a fresh constructivist perspective that contrasts and complements the conventional positivist framework. The thesis outlines how proficient ERM complements sound corporate governance and strategic change management to deliver organisational sustainability and growth. It also illuminates the significance of the collaborative linkage between ERM and human resource management, and suggests a future research agenda for building upon the proposed integrative ERM framework.

Form B: Certificate of Authorship of Thesis

I certify that the thesis, “Risk Managers as Sensemakers and Sensegivers: Reconceptualising Enterprise Risk Management (ERM) from a Sensemaking Perspective,” is a report of my own research work and no part of it has previously been submitted for a degree at this, or any other, university.

I further certify that to the best of my knowledge, the thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis and acknowledged in the bibliography.

The thesis complies with the University of Canberra’s requirements for a thesis as set out in Gold Book Part 7: Examination of Higher Degree by Research Theses Policy, Schedule Two (S2). Refer to <http://www.canberra.edu.au/research-students/goldbook>.



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