

**INSTITUTIONAL LOGICS AND RISK MANAGEMENT PRACTICES IN
GOVERNMENT ENTITIES: EVIDENCE FROM SAUDI ARABIA**

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Purpose – This study aims to understand how institutional logics influence the adoption and implementation of risk management (RM) practices by government entities in a non-western, developing country.

Design/Methodology/Approach – We draw on an institutional logics perspective to analyze a case study of a government entity in Saudi Arabia. Data were obtained from semi-structured interviews, observations, and documentary evidence.

Findings - Our findings suggest that even if the catalyst of the Saudi government for the adoption of a RM culture across government agencies was inspired by a *modernization logic*, the adoption of RM projects at organizational level was rooted in a *traditional logic*. The RM project at the entity under investigation led to an unstable situation where individuals were confronted with the two competing logics. While the project used manifestations of a *modernization logic*, the actors' actions were embedded in a *traditional logic*. Individuals with private-sector experience triggered a sense-making process rooted in a *modernization logic* that facilitated the implementation process.

Research limitations/implications – The study is based on a single case study in a specific country, limiting the generalizability of the findings.

Originality/value We provide novel evidence of the adoption and implementation of RM in governmental entities in a developing, non-western, country. Doing so enriches current accounts of key drivers and barriers of RM, enhances our knowledge about how managers struggle with competing logics, and addresses calls for a deeper understanding of the interplay between logics and managerial practices.

Keywords Risk management, Institutional logics, Saudi Arabia, Government entities

Paper type Research Paper

1. Introduction

The global financial crisis of 2008 and the COVID-19 pandemic have placed the concept of risk at the center of the agenda of public and private sector entities (Forbes, 2020; OECD, 2014; Rana *et al.*, 2019a). While global crises have raised questions about the effectiveness of RM practices across the world (Forbes, 2020; OECD, 2014), governments in developing countries are stimulated to invest resources in RM as part of the process of transforming their public sector on the grounds that RM “can be a powerful instrument for development” (World Bank, 2014, p. 3; see also UN, 2020). In spite of its relevance (Brinkerhoff and Brinkerhoff, 2015), little is known about the process of adoption and implementation of RM practices in settings where traditional norms, values and belief systems diverge from those of developed, western, economies (e.g., Drechler, 2013).

This study aims to fill this gap by examining how two competing logics influence the adoption and implementation of RM in public sector entities in a non-western, developing economy. Specifically, we explore the organizational dynamics of a Saudi’s government agency confronting the challenge of implementing a RM project. We do so by using the lenses of an institutional logics perspective (Thornton and Ocasio, 2008; Thornton *et al.*, 2012). We have chosen to apply this perspective because it “represents a general model of cultural heterogeneity unbiased toward the western world” (Thornton *et al.*, 2012, p. 18) and it focuses on how macro systems affect organizational dynamics and practices at the meso- and micro-levels of analysis (e.g., Micelotta *et al.*, 2017, p. 1894; see also Thornton *et al.*, 2012).

We focus on a governmental agency located in the Kingdom of Saudi Arabia (KSA), a developing country which is going through an economic downturn since 2014, when the global oil prices began to drop. The economic crisis came at a time of political transition, after the passing of King Abdullah in January 2015. As a response to the economic and social challenges, the new government, led by King Salman bin Abdulaziz Al Saud, launched an ambitious economic and social reform plan, Vision 2030 (Grand and Wolff, 2020; Vision 2030, 2016). This plan aims at reducing the country’s dependence of oil and opening the country to the private initiative. The reforms affect fundamental areas such as capital markets and the efficiency of government services (Vision 2030, 2016). Notably, the spirit of Vision 2030 embeds values and beliefs that clash with those ingrained in the Saudi system in key areas (e.g., accountability; governance). Thus, managers of governmental agencies are in a position where their traditional values, beliefs and ways of functioning (*traditional logic*) are now confronted with an emerging set of beliefs and values (*modernization logic*) embedded in the Vision 2030

program. Such values and beliefs are expected to be translated into day-to-day practices through different means, including the development of RM systems. We examine the case of ENTITY_Y, a large governmental agency representative of similar entities in the KSA.

Using data from different sources, our findings suggest that the institutional logic prevailing within ENTITY_Y were challenged by the RM project adopted in 2017. The RM project was inspired and rooted in an emerging institutional logic promoted by the KSA's government. While the government's impulse for creating a RM culture was inspired by a *modernization logic*, our evidence suggests that the decision to adopt RM at ENTITY_Y was mainly rooted in a *traditional logic*. The adoption of the RM project led to an unstable situation where individuals were confronted with two logics. While the RM project used manifestations of a *modernization logic*, the actions of insiders were embedded in a *traditional logic*. We also find that the leadership of the implementation process by experts coming from the private sector (including consultants) triggered a sense-making process rooted in a *modernization logic* that facilitated the process.

Drawing on this case study, our research makes two contributions to the literature. First, we provide novel evidence of the process of adoption and implementation of RM in a developing, non-western country. Doing so addresses calls for case studies exploring contexts where managers in governmental entities "may struggle to find ways of integrating risk management with existing systems and process that are unquestionably institutionalized" (Rana *et al.*, 2019a, p. 150). Furthermore, the study enriches current accounts of key drivers and barriers of RM (e.g., Rana *et al.*, 2019b) by providing evidence from a context neglected in prior studies. Second, as far as we know, we are among the first papers to use an institutional logics perspective to the context of RM in governmental entities. We contend that an institutional logics perspective can be a fruitful framework to explore the interaction of societal logics and individual agency in the process of adoption and implementation of RM practices, shedding light on how individuals handle competing logics. The study of an entity located in a non-western, Islamic, developing country provides an opportunity to better understand how a dominant logic in the field, confined within the traditional Islamic rule, compete with an emerging institutional logic. In doing so, we respond to calls for a deeper understanding of where logics and new practices come from and how they relate to each other (Lounsbury, 2008). We expect these results to be beneficial for consultants and managers of governmental organizations in developing economies.

The paper is organized as follows. Section 2 outlines prior research on RM in public sector entities. Section 3 elaborates the institutional logics perspective. Section 4 describes the data and research method. Section 5 presents the analysis and Section 6 concludes summarizing the findings of the study.

2. Prior research on RM

The research interest in RM has increased significantly in the last years, with scholars examining the adoption and integration of RM practices in both public and private organizations (e.g., Arena *et al.*, 2010; Collier and Woods, 2011; Palermo, 2014). Although the development of formal RM practices shows similarities across both sectors, assuming that the processes and the resulting systems are the same is simplistic, as Woods (2009, p. 70) has pointed out. Prior research on public sector entities has emphasized the hierarchical approaches for the design and implementation of RM and the role of legitimacy needs, coercive pressures, and corporate governance demands in the decision to adopt formal RM systems (e.g., Andreeva *et al.*, 2014; Collier and Woods, 2011; Palermo, 2014; Rocher, 2011; Vinnari and Skærbæk, 2014). Recent research has also shown that RM systems can be self-generated by actors in the context of their work without being officially sanctioned within the organizational hierarchy (Carlsson-Wall *et al.*, 2019).

Empirical studies tracing the implementation of RM systems in the public sector have identified the different roles played by RM practices as well as the key factors affecting their outcome (Palermo, 2014; Rocher, 2011; Themsen and Skærbæk, 2018V; Valkama *et al.*, 2016; Vinnari and Skærbæk, 2014; Woods, 2009). Palermo (2014) highlights the relevance of RM as an accountability tool and demonstrates the role played by the relational skills, business knowledge and professional experience in the implementation process. Woods (2009) explores a RM system at the Birmingham City Council and demonstrates that RM systems are contingent upon central government policies, communication technology and organizational size. Rocher (2011) shows how a RM practice is redefined when adopted by “others” and highlights the critical role of users and users’ interventions. The interaction between actors is further examined by Themsen and Skærbæk (2018). Examining a Dutch mega-project, they focus on the interaction between managers and consultants, concluding that the implementation of RM is “a complex, paradoxical and uncertain process” (Themsen and Skærbæk, 2018, p. 12). Vinnari and Skærbæk (2014) study RM practices as a tool for internal audit services and

find that RM itself continuously creates different types of uncertainties –e.g., uncertainties related to legal aspects- which have implications for individuals and the organization, destabilizing and disrupting existing RM practices. Finally, Walkama *et al.* (2016) examine the RM challenges related to the shared service provisions in Finland and Scotland, concluding that the institutional frameworks determine the local choice of organizational arrangements.

These empirical studies provide evidence from governmental agencies in developed, western, countries¹. Cultural values and preferences, however, influence RM practices and management control systems (Malmi *et al.*, in press; Rana *et al.*, 2019a). Furthermore, experience has shown that culture, traditions, the governance system and the leadership style play an instrumental role in explaining the adoption, implementation and outcome of public sector reforms (Christensen and Lægreid, 2001; Brinkerhoff and Brinkerhoff, 2015; Bygautane *et al.*, 2016). As argued by Bygautane *et al.*, (2016, p. 98), “the transfer of western management techniques to non-western countries is “not impossible, but difficult” (Khodr & Reiche, 2010: 164)”. By examining the adoption and implementation of a RM project in a governmental agency located in a non-western, developing country, we expect to enrich our understanding of the key drivers and barriers of RM and provide novel evidence of the managerial responses to RM practices in a setting where institutionalized practices and routines are not necessarily conducive to the adoption of a risk culture (Rana *et al.*, 2019a).

3. Theoretical framework

3.1. Institutional logics perspective

We draw on the institutional logics approach to examine the adoption and implementation of RM practices in government agencies. This approach developed from the seminal work of Friedland and Alford (1991) provides a framework for examining the interrelationships between individuals, organizations and institutions in social fields (Friedland and Alford, 1991; Thornton *et al.*, 2012). Within this framework, institutions shape the heterogeneity, stability and change in individuals and organizations through their underlying logics of action (Thornton and Ocasio, 2008, p. 103).

¹ Australia (Collier and Woods, 2011; Rana *et al.*, 2019b), Denmark (Thomsen and Skærbæk, 2018), Finland (Vinnari and Skærbæk, 2014; Valkama *et al.*, 2016), France (Rocher, 2011), Scotland (Valkama *et al.*, 2016), Sweden (Carlsson-Wall *et al.*, 2019) and the UK (e.g., Woods, 2009; Collier and Woods, 2011; Palermo, 2014).

As argued by Friedland and Alford (1991, p. 250), societies are constituted by multiple institutional logics that are “interdependent and yet also contradictory”. Institutional logics are “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999, p. 804). They arise from the institutional orders that “colonize” the inter-institutional system (Thornton and Ocasio, 2008) and help to link the socially constructed institutional practices at macro-level and the individual agency. The logics derived from the institutional orders shape organizational practices and individual behaviour through different means, such as collective identities and identification with specific groups or changes in the institutional logics leading to the creation of new categories (Thornton and Ocasio, 2008; Smets *et al.*, 2012).

In any social field several logics can co-exist and conflict. The reason why these competing logics lead to institutional change is not so due to the competition among logics but on the combination of the effects of the logics, the power of institutional actors and the changes in the relative importance of societal-level institutional logics (Thornton and Ocasio, 2008, pp. 117-118; Marquis and Lounsbury, 2007; Meyer and Hammerschmid, 2006).

3.2. *Competing logics in public sector entities*

Empirical research has documented how multiple logics play out on public sector entities and how these logics are reflected in their practices (e.g., Damayanthi and Gooneratne, 2017; ; Canhilal *et al.*, 2015; Conrath-Hargreaves and Wüstemann, 2019; Lepori and Montauti, 2020; Meyer and Hammerschmid, 2006)². Meyer and Hammerschmid (2006) examine how the dominant logic of the Austrian public sector (*old administrative logic*) was replaced by a *new managerial logic*. Focusing on how individuals draw on the social identities derived from these competing logics, they show how the vocabularies and narratives used to communicate individual identities reflect how global logics are translated locally. Canhilal *et al.* (2015) analyze the responses of public universities when the dominant logic (*academic professional logic*) is challenged by a *managerial logic* endorsed by the New Public Management. The results show that universities respond using different strategies (e.g., compartmentalization) and blending stipulations of both logics. Lepori and Montauti (2020) further explore these

² This approach has proven to be fruitful in explaining the adoption and organizational dynamics of managerial practices in the private sector (e.g., Arena *et al.*, 2010; Carlsson-Wall *et al.*, 2019; Pache and Santos, 2010).

competing logics within budgeting practices of a public university and show that, when environmental conditions change, organizational structures frame and enable negotiations on hybrid practices to actively manage institutional complexity. Conrath-Hargreaves and Wüstemann (2019), examining a German university, find that some accounting practices in line with a *business logic* are only used superficially to enhance legitimacy while the day-to-day remains rooted in a *state logic*.

Studies examining public sector entities in western countries have focused on two institutional logics: a *market logic* (or *managerial logic*) and a *state logic* (or *legalistic-bureaucratic logic*) (e.g., Meyer and Hammerschmid, 2006; Meyer *et al.*, 2014). While similar tensions can be found in Saudi Arabia after the launch of Vision 2030, we argue that the “ideal” types of logics used in the analysis of western entities do not fit in Saudi Arabia. First, while some of the elements embedded in a *market logic* may capture the KSA’s view of a modern public sector administration (e.g., focus on performance and efficiency), a *market logic* remains in conflict with the Islamic religion (Thornton *et al.*, 2012; Alaotaibe *et al.*, 2020). Second, certain elements of a *state logic* are shared by the KSA government (e.g., legality as a core value). Such logic, however, does not capture the beliefs and values of an Islamic-theocratic country –e.g., democracy, religion (Thornton *et al.*, 2012).

Thus, instead of adopting the logics used in research on western cases, we rely on the analytical framework developed by Thornton (2004) and Thornton *et al.* (2012) to identify the ideal types of logics in our setting³. Thornton *et al.* (2012) present on the x-axis the institutional logics (or orders) and in the y-axis the elemental categories (e.g., economy, source of legitimacy, etc.). These elemental categories denote symbols and practices relevant to each logic and represent “how individuals and organizations, if influenced by any one institutional order, are likely to understand their sense of self and identity” (Thornton *et al.*, 2012, p. 54). We draw on relevant literature and official documents to identify the ideal types of logics within the field of governmental entities in the KSA. In the next section, we describe these logics.

³ We follow a “pattern matching” approach, which requires to identify and explain the pattern of behaviors associated with ideal types of logics and evaluate the data to see to what extent the data matches with the ideal types (Reay and Jones, 2016, p. 446). Ideal types are “a first step in an analysis to help the researcher avoid getting bogged down in merely reproducing the often-confusing empirical situations” (Thornton *et al.*, 2012, p. 52).

3.3. *Institutional logics in Saudi governmental agencies*

The key institutional orders in the KSA and other Arab countries are the state, the religion, the family, the culture and the economic system⁴. The KSA is an absolute monarchy in which the legislative and executive powers are exercised by the King and the Cabinet (Al-Rushaid, 2010). In this setting, policy-making is a “paternal process” in which the Al Saud family is the only macro-level actor (Hertog, 2010, p. 248) and political leaders are the most influential group in deciding about specific projects (Khord and Reiche, 2013; Biygautane *et al.*, 2016). As a theocracy country, the influence of religion and tradition is pronounced. Indeed, Saudi society has been described as “a maze in which Saudis endlessly maneuver through winding paths between high walls of religious rules, government restrictions, and cultural traditions” (House, 2013, p. 65). Without a long bureaucratic tradition, the centralization of power has created fragmented governmental agencies which lack formal procedures and accountability processes, tend to communicate upwards, and have limited capacities –e.g., civil servants are poorly qualified and difficult to discipline (Hertog, 2010).

The country has transformed significantly since the 1970s, developing from a subsistence economy to a modern, albeit developing, economy with a huge dependence on oil revenues (Al-Rushaid, 2010). Since 2014, the country is going through an economic downturn caused by the decrease in oil prices. As a response to the economic and social challenges, the new King Salman bin Abdulaziz Al Saud and its Cabinet, launched an ambitious reform plan, Vision 2030 (Vision 2030, 2016)⁵ aiming to reduce the country’s dependence of oil and open the country to the private initiative. Vision 2030 is expected to lead to significant changes in Saudi economy and society, including macroeconomic reforms, changes in the capital markets, legal system, and government services (Vision 2030, 2016; House, 2013). Grand and Wolff (2020, p. 12) quote a “prominent Saudi” saying that at that point “the status quo was no longer an option”.

Notably, the spirit of Vision 2030 embeds values and beliefs that clash with those ingrained in the Saudi system in key areas (e.g., accountability; governance; performance evaluation). For governmental agencies, the goals rooted in the Vision 2030 plan are structured around the concepts of efficiency, accountability and transparency. This contrasts sharply with

⁴ Research on institutional logics has focused on the western world, identifying as key institutional orders the family, the Christian religion, the bureaucratic state, the capitalist market, the democracy, the profession, and the corporation (Thornton *et al.*, 2012). Studies examining Arab countries are scarce (e.g., Nasra and Dacin, 2010; Biygautane *et al.*, 2020; Alotaibi *et al.*, 2020).

⁵ For antecedents of Vision 2030, see Al-Rushaid (2010).

the existing culture and functioning of Saudi governmental agencies. Thus, managers of public sector agencies are in a position where their traditional values, beliefs and operating procedures are confronted with an emerging set of values and beliefs embedded in the Vision 2030 program. The ideal type “*traditional logic*” is linked to the broader set of values, beliefs and rules that have guided the behavior and decision-making of civil servants in the KSA for years. The ideal type of a “*modernization logic*” emerges from the beliefs and expectations projected in the Vision 2030 framework about the behavior, values and norms of governmental agencies. Such rules and beliefs are expected to be translated into day-to-day practices through different means, including RM systems. Table 1 summarizes both logics (for details, see the Appendix).

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The first column of Table 1 shows the eight categories which could be considered in parallel across the two logics (e.g., economic system, sources of legitimacy, sources of authority). For example, the sources of legitimacy in a *traditional logic* are characterized by nepotism (Sidani and Thornberry, 2013) and unconditional loyalty to the family and the Royal family, compared with the sources of legitimacy based on accountability, efficiency and professionalism in a *modernization logic*. At the time of this study, we find overlaps and coexistence of the two logics. Furthermore, as in Meyer *et al.* (2014), we argue that both logics capture elements of other logics (e.g., religion and state logics).

4. Research method

This study uses the interpretative case study method to examine the adoption and implementation of a RM project in a government agency (ENTITY_Y) in the period 2017-2019. The case study method is the “preferred research strategy when “how” and “why” questions are the focus of the investigation” (Major *et al.*, 2018, p. 507).

ENTITY_Y is a large government entity, with more than 10,000 employees and geographically spread in all cities of the KSA. According to its website, its institutional values are innovation, transparency, discipline, team spirit, justice and equality and its strategy is built around leadership, excellence and ambition. We selected ENTITY_Y for two reasons: First, it is illustrative of large government agencies in the KSA; second, we have access to multiple data sources, including ethnographic observations.

4.1. *Data sources*

We rely on interviews, ethnographic observations and documentary evidence. The use of multiple data sources helps to improve the accuracy and reliability of the analysis (Creswell and Miller, 2000).

First, we conducted 14 semi-structured interviews to key actors involved in the process of adoption and implementation of the RM project in ENTITY_Y and other government entities. The interviewees were selected based on their RM experience inside and outside ENTITY_Y. We interviewed top executives of ENTITY_Y, including the Deputy Governor and the Head of RM, and several RM consultants working for one of the big consultancy firms. Table 2 presents the profile of the interviewees. The interviews spread over the period September 2018 to January 2020 and their duration ranged from 90 to 120 minutes. We asked interviewees about the adoption of RM by governmental entities. We also asked questions about the implementation process and the challenges they faced. We focused on their perceptions, in an attempt to capture how the project affected their day-to-day practices. After some informal conversations with ENTITY_Y's top management, it was decided that recording the interviews was not an option. Thus, the data collected was reliant on note taking during and after the interviews. This could affect the verbatim quotes (Tucker, 2020). In order to reduce the potential bias of this procedure, we shared the transcripts with the interviewees for their comments and approval. No changes to the original transcripts were made.

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Second, the first author was involved in the RM project at ENTITY_Y. He had the role of a “complete participant”—an “observer-as-participant” (Smith, 2017, p. 164) as he was a consultant working in the project. He had access to meetings, documents and people and had the opportunity to observe both formal and informal settings. As pointed out by Parker (2012, p. 59), “the close engagement of researchers with actors opens a window into the inner worlds and workings and socially constructed meanings of organizations and groups that might otherwise be inaccessible”.

Finally, we accessed internal documents of ENTITY_Y and the consulting firm, including minutes, guidelines and reports. These documents were useful for tracing decisions

related to the project. We also collected information and documents produced by the Saudi government to contextualize our study.

4.2. *Data analysis*

We began our formal analysis by coding the notes of the interviews and other documentation to identify recurrent concepts and terms related to RM. The two researchers coded the same transcripts and discussed their coding strategies. The codes ranged from purely descriptive (e.g., description of the experience in another entity) to more interpretative concepts (e.g., personal reflections about the RM project). This process showed a number of emerging themes related to the adoption (e.g., “role of rules”), the implementation (e.g., “increasing complexity”) and the outcome (e.g., “it is a journey”) of the RM project. We then examined the coded data in connection with the two ideal types of logics (*traditional* and *modernization* logics). The purpose of this step was to link the perceptions and narratives of the actors with the two competing logics co-existing in the field and understand how our data connects to the vocabularies and rhetorical justifications of the two logics.

5. **Analysis and discussion**

5.1. *Adoption of a RM project*

In the third quarter of 2017 the Governor of ENTITY_Y took the decision to implement an organization-wide RM process. According to internal documents, the RM project aimed at changing the risk culture of ENTITY_Y and it was expected to impact on existing practices within the organization. The first step was to create a RM department and define its mandate, roles, and responsibilities, as explained by the Head of RM at ENTITY_Y. The Governor recruited a new set of managers coming from the private sector who worked together with ENTITY_Y “old” management.

When interviewees at ENTITY_Y were asked about why Saudi government entities in general, and in ENTITY_Y in particular, decided to adopt new RM practices, many agreed in that the key reason was “compliance with the rules” –specifically, with the Ministry’s mandate to develop a RM strategy. According to ENTITY_Y’s Deputy Governor:

In government entities there is zero motivation to establish risk management practice, the only way to initiate and activate such a practice is to make it an obligation, a compliance requirement (Respondent_11).

The compliance argument is consistent with a *traditional logic*, where adherence to rules and regulations are the basis of attention and loyalty to the government is a source of legitimacy and authority. While highlighting the importance of compliance with rules and regulations, some interviewees referred to the role of individual agency. The Head of RM at ENTITY_Y noted:

[I]n most of the government agencies the adoption of risk management was driven by individual initiatives and the level of understanding and the importance of it by the top management. Today things will be different after issuance of the Royal Decree which oblige all government entities to adopt and implement risk management the driver became a compliance requirement (Respondent_02).

Not surprisingly, consultants mobilized arguments consistent with a *modernization logic*. They referred to concepts linked to the government's new strategy for the provision of public services, in line with the objectives of Vision 2030. For example, they refer to accountability as a source of legitimacy and identify RM practices as key tools for efficient decision-making processes. Two consultants commented:

The complexity of today business require management to identify and evaluate risks in order to enhance controls and management efficiency. Boards and the highest responsible in an organization are now the most interested in risk management and empower the implementation process. They need risk management to help them in decision making. Risk management is the second line of defense, it is becoming and should be the DNA of employees and not just a practice of control function who works in silo (Respondent_06).

One main driver is accountability; government organizations becoming more accountable from different perspectives (financially, compliance and others) adopt risk management to help them manage expectations and accountability (Respondent_09).

While the arguments provided by managers at ENTITY_Y suggest that the decision to adopt RM was because of the government's mandates –a mechanism to legitimate actions from a *traditional logic* perspective-, such mandates were influenced by the new approach to public services and governmental entities embedded in a *modernization logic*, as suggested by the Deputy Governor and the head of RM at ENTITY_Y:

Similar to banks and private sector maybe government entities have to worry to a certain extent about the financial status but more important is the reputation factor and the wellbeing of the community as these entities serve the Saudis (Respondent_11).

The decision was made to adopt risk management because HE and the executive management were keen that they need risk management to help prioritizing things to achieve the strategy objectives and mainly the 2030 strategy mandate given to [ENTITY_Y] (Respondent_03).

Moreover, some perceived that the adoption of RM was related to the changes at the macro level and the crisis of legitimacy of the KSA, both internally and externally. As commented by consultants and managers:

What drives (...) is not cost or revenues; it is more related to security or other main concerns that each government entity needs to manage the related risks (Respondent_03).

Countries in the Gulf region are facing major changes, there are new strategies, new plans and objectives and the power of the government is dependent on the success of the change. This situation by itself is a major risk and that what drive to have risk management practice. Government is not worried about bankruptcy or default, but the main risk is reputation, and the social and economic aspects (Respondent_05).

Financial concerns are not really a main driver (...) There are multiple other concerns more important such as reputation; for government reputational risk is very damaging and it has a chaotic impact (Respondent_01).

Thus, in Saudi Arabia, as in other jurisdictions (e.g., Collier and Woods, 2011), the decision of governmental agencies to adopt a RM agenda was part of a broader policy led by the government. Individuals perceived that the search for external and internal legitimacy at country level was a key driver for the government's decision to promote RM practices among governmental agencies. The Head of RM at ENTITY_Y stated:

there is a must to insure prosperity and secure the minimum requirements of living to the Saudis and people who are living in KSA (Respondent_03).

A consultant confirmed this point:

There is a major change in a big country, a transformation in the geopolitical (conflict with Iran, war in Yemen), social (young generation different than the old one), economical (petrol prices reduction) aspects, changes affecting the country. Decisions cannot be made the same way as they used to be made, faster decisions need to be done, management needs more visibility, and needs to be informed to make fast decisions and one of the main tools looked to be risk management. Saudi Arabia as its going into a complete transformation, the business, the

operating systems, partnerships are evolving, the tone at the top is there, the mandates are bigger, government entities seek to adopt and implement risk management. Moreover, risk became a national subject and with the establishment of the risk management unit, adopting and implementing risk management became a mandatory requirement. For some agencies it is still a compliance act while for other entities it is an important project to help in decision making during the transformation phases. (...) government sustainability is a main driver to establish risk management practices (Respondent_12).

The evidence suggests that all actors relate the government's decision to promote RM practices to the challenges faced by the country and the search for external (international) and internal (national) legitimacy. From this perspective, the government could be seen as an institutional entrepreneur advocating the adoption of western managerial practices (Nasra and Dacin, 2010; Biygautane *et al.*, 2016). Saudi large state-owned companies such as Saudi ARAMCO, which is considered as the most efficient entity of the Saudi public sector (Hertog, 2013), are leading the process⁶. One consultant commented:

The older and still reasons (...) are compliance requirements so whenever an entity turns to a corporate and where these entities follow regulations they opt for adopting risk management such as banks owned by government (...), while reputation self-image and leading practices adoption strategy were the drivers for other big entities such as ARAMCO and SABIC (Respondent_07).

Thus, while in the case of Saudi ARAMCO the adoption of RM is perceived to be driven by reputational concerns, in line with a *modernization logic*, at ENTITY_Y and similar agencies the adoption of RM practices is seen as a response to compliance pressures. The prevalence of the *traditional logic* at Saudi governmental agencies is exemplified by the actors' perception that compliance with the mandates was the primary reason for the adoption of the RM projects.

5.2. Implementation of the RM project

5.2.1. Novel institutional complexity

The adoption of the RM project at ENTITY_Y happened in a relational space where a *traditional* and a *modernization* logics co-exist. This institutional pluralism meant that the organization experienced novel institutional complexity –i.e., the coexistence of two logics

⁶ Saudi ARAMCO is more autonomous than any other Saudi entity representing “the most Western enclave anywhere in the Middle East” (Hertog, 2010, p. 128).

“whose prescriptions are experienced as incompatible” (Smets *et al.*, 2012, p. 892). Managers at ENTITY_Y had to balance the requirements emerging from a *modernization logic* (e.g., changes in governance) to the logic governing their day-to-day routines and procedures rooted in a *traditional logic*. When actors were asked about the project’s expectations, the frictions between competing logics emerged. The head of RM at ENTITY_Y and other interviewee noted:

[T]here were main stakeholders, HE, the Governor, the strategy head and board members (...), top management, and for each the reason for support and influence was different: HE wanted to know [ENTITY_Y] Risk Portfolio Status, what is the risk position, to explain it easy; he wanted to know if the business was at risk and how much is that risk. The strategy leader and board member [...] trusted that risk management would help in implementing the strategy initiatives and focus on the right priorities. Top management they had complete different expectation, as they are not fully aware of risk management work they were expecting from the new born to manage all the related risks of their departments and related activities. Moreover, there were external stakeholders or influencers at that point. [ENTITY_Y] was under the Ministry of [...] and they asked [ENTITY_Y] to assess the related risk which made management more aware about the importance of that practice (Respondent_02).

The expectations were not clear, and we had difficulties at the start as risk management were taking a bigger role than expected and it took some time for both departments to find the way for a better collaboration (Respondent_10).

Complex institutional environments need leaders who are able to understand the expectations and requirements of multiple logics and negotiate between the different constituencies (Greenwood *et al.*, 2011). At ENTITY_Y management reacted to the institutional complexity by not giving enough support to the project. The lack of management support and the lack of “tone at the top” were signaled as two major problems in the implementation phase. The Head of RM (Respondent_02) and one consultant commented:

The introduction of the governance framework for a function was new in and unfortunately management did not give the attention to that (Respondent_02).

Management would consider that risk management is just a compliance requirement so it is a “ticking the box” exercise; Resistance to change, specifically in government with employees who spent long time following same trends and processes flows, they wouldn’t want to take more responsibilities and manage risks” (Respondent_14).

The tensions between competing logics observed in ENTITY_Y could be seen in other Saudi government agencies. In situations of institutional complexity, the outcome of organizational decisions is a function of the relative degree of influence of the different groups. The organizational responses to competing logics are likely to be reflexive of the interest of the most powerful group (Greenwood *et al.*, 2011, p. 344). In Saudi's governmental agencies, decisions related to RM are in the hands of the political leaders and government officials, who are the most influential group in the field (Khord and Reiche, 2013). According to the Head of RM in a ministry and a consultant:

What is different in KSA and specifically in government organizations is that empowerment from leaders is more important than plans and strategies. The adoption and implementation of risk management may be an achievable exercise but the challenge is sustainability especially that the leaders who are empowering these practices may change. Risk management in government entities such as ministries may not be able to fulfill its role and responsibilities and may have limitations due to the absence of Board, Committees and the reporting is to the Minister who is kind of the CEO so the objectivity is questioned (Respondent_08).

The agenda for risk management is highly correlated to the power of the person managing it. In KSA the image is at follow: currently adoption of risk management in government entities is low and consequences are not easy to measure. In medium term adoption will of risk management in government entities will become higher and consequences should be positive. In long term if the adoption is enforced also the expectation is to have positive results with high influence on the Government leading approach. If the political enforcement stop nothing is going to be achieved (Respondent_14).

5.2.2. *Social interactions*

Individuals are carriers of institutional logics and the social interactions among them can bring insights about the responses to the competing logics (e.g., Anderson and Gadolin, 2020). At ENTITY_Y social interaction was a major challenge. First, managers considered that the consultants and the new managers did not fully understand the business. The Deputy Governor and the Head of RM at ENTITY_Y, respectively, commented:

The challenges faced were mainly around communication, the project management were not effective in communicating the needs, the challenges same as they didn't work closely with other management to spread awareness and get their buy in (Respondent_11).

Consultants helped in clarifying different points to the team but there was always a lack of business understanding which kept the knowledge of the consultants limited to the general framework of risk management and couldn't clarify a tailored framework for ENTITY_Y (Respondent_02).

Furthermore, the tensions arising from the interaction among the "old" and the "new" management were starkly visible. The two groups adhered to different institutional logics (*traditional vs. modernization*) and this was an obstacle in the implementation phase. According to the Head of RM and the Deputy Governor at ENTITY_Y, respectively:

Tough communication and message decoding and encoding due to the presence of two types of management; the new management who is not fully aware of the business and that couldn't help identifying the right risks and the old management who had an issue to share knowledge being afraid of the transformation within the organization (Respondent_02).

[T]he project management were not effective in communicating the needs (Respondent_11).

Second, while social interaction with consultants was limited, they were perceived as facilitators of the process allowing the competing institutional logics to meet (e.g., Anderson and Gadolin, 2020). An interviewee from ENTITY_Y commented:

The approach was divided into two ways, a standard structured one and a non-structured one, we would see the identification of certain risks without consultation with the risk owners (Department A) and the other way around. And the cooperation could not be smooth because of that. A better approach was established by the consultant who helped the risk management and that depended on involving the main stakeholder/party in the process of identifying risks. (Respondent_10).

Finally, several consultants referred to the key role of individuals coming for the private sector in the implementation process. Like the consultants, these individuals have their own distinct institutional logic, which in the context of Saudi Arabia is more likely to be in line with a *modernization logic*. Their involvement helped in the process of coping with the novel institutional complexity. An interviewee commented:

In ENTITY A, people coming from private sector, professionals that help a lot in setting the base and establishing the needed context for the implementation of risk management (roles and responsibilities were clear and properly distributed). We had a different issue in ENTITY B while local resources were not aware or knowledgeable about the subject which made it difficult (Respondent_07).

5.2.3. Other challenges

There were other challenges during the implementation phase (see Table 3). Interviewees referred to a range of issues, from lack of skills and experience to time pressures. Some challenges (e.g., lack of management support; expectations) have been identified in previous studies on western governmental entities (e.g., Andreeva *et al.*, 2014) and on Saudi projects involving private partners (e.g., Biygautane *et al.*, 2020).

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In line with prior studies, the evidence suggests that human capital resources are critical in understanding the interplay between institutional logics and management practices, including RM systems (e.g., Palermo, 2014; Boone and Özcan, 2016). The lack of skills, experience, and awareness were identified as major challenges in the implementation phase. As commented by two consultants:

Awareness working on the culture and training people before implementation all these are must and priorities (Respondent 13).

Another challenge is people, there is no awareness, lack of experience and lack of skills (Respondent_14).

Finally, interviewees commented the negative effect of the time pressures and tight deadlines. As noted by Deputy Governor and the Head of RM at ENTITY_Y, the *sense of urgency* affected the project:

Risk management adoption and implementation was pressured by time. This factor I believed affected the setting up of the function and the implementation process (Respondent_11).

High focus on time (not giving enough time to conduct the activities); High focus on quick wins which did not support the set up phase and burned steps (Respondent_02).

5.2.3. The outcome of the implementation phase

The tensions faced during the implementation phase did not stop the project, which was completed in March 2019. The question is whether, after the completion of the project, the outcome was a RM approach blending elements of both logics –i.e., a “hybrid practice” (Smets *et al.*, 2012) or whether RM was regarded as a “work in progress”. According to the interviewees, even if a RM function was setup, the objective of creating a RM culture was far

from being achieved. Furthermore, the perception was that RM at ENTITY_Y was “a long journey”. The Head of RM and the Deputy Governor at ENTITY_Y, respectively, commented:

We achieved the objectives of setting up a risk management function (...). Today we have a function, we started helping management but the road is long and we may stop out maturity progress if we don't take in consideration all the requirements to move forward. To summarize the adoption phase was executed in a proactive approach, the basics were completed successfully and in a short time but risk management could not build on that. The implementation phased different obstacles, there are multiple things that should've been ready for adoption and implementation (Respondent_02).

We knew what we were facing and that the journey won't be easy we had two choices either to be passive and not start the development of risk management practice or to be proactive and start and learn as we go and we opted for the second option. Today we think we are on a track that's the minimum, we started something, but we still aren't sure of the results. We know it's a journey and it will take time to see the final line (Respondent_11).

RM consultants explained that in similar Saudi entities, the results depended on the type of organization. While for some the process led to new practices aligned with the objectives of the project, in others the effects were minimum:

[In ENTITY D] the project was just a tick of the box and we could not see the result of risk management and the impact; in [ENTITY E] risk management was set 4-5 years back and today management are enabled and take decisions based on risk determination and analysis results (Respondent_09).

A second question is whether those in the organization shifted their views when the logic they adhered to was challenged, or whether changes in the organization happened because individuals were replaced (e.g., Meyer and Hammerschmid, 2006). In ENTITY_Y, our findings suggest that the changes were gradual and that outsiders (i.e., experts in RM appointed as managers and consultants) played a fundamental role. More generally, the evidence further suggests that a *traditional logic* permeated the actions and responses of actors in governmental entities. For insiders, the whole process was primarily about compliance with rules and mandates –specially compliance with Circular 601 issued by the government in October 2018. As noted by several interviewees:

Today it's a compliance matter, you must establish a risk management function and risk management practice otherwise you are not abiding and not helping in achieving the nation objectives (Respondent_03).

The circular accelerated that process and pushed toward adopting risk management (Respondent_08).

5. Concluding remarks

This study examined the interplay between institutional logics and RM practices. Specifically, by examining the case of a Saudi government agency we provide evidence on how the institutional logics influenced the adoption and implementation of a RM project.

We first identified two (ideal) institutional logics in the field of Saudi governmental entities: *traditional* and *modernization logics*. Although these logics share some elements with the institutional logics used in prior research examining western public sector entities (e.g., Meyer *et al.*, 2014), they capture some behaviours, patterns and attributes unique to the KSA (e.g., political system; role of the family). Driven by a *traditional logic*, Saudi governmental agencies are perceived as an integral part of the family-rule government. Religion, connections, and unconditional loyalty to the family and the Royal family, are the key sources of legitimacy under this logic. In this context, compliance with the mandates issued by the government is the basis of strategy. This logic contrasts with an ideal type of *modernization logic* emerging from the beliefs, values and expectations projected by the Saudi government in the Vision 2030 framework. This *modernization logic*, without questioning the dominant role of government and religion, promotes accountability, efficiency and professionalism as sources of legitimacy. The basis of mission is to provide world-class government services meeting the needs of citizens and the basis of strategy are efficiency, transparency and quality of services. Formal controls and performance metrics play an important role. This *modernization logic* was a catalyst for the government's decision to promote the adoption of RM in governmental entities.

Our findings from the case study of ENTITY_Y suggest that the institutional tension at field level between the two (competing) logics translated into a tension between the quest for “status-quo” of individuals working in the agency and a model for RM inspired and embedded within the Vision 2030 framework. Our findings also suggest that factors such as the lack of the “tone at the top” in government agencies determine the prevalence of a *traditional logic* after the adoption of the RM project. These results are consistent with research examining public sector entities in developed countries showing that the formal RM systems emerge through a top-down approach driven by regulatory demands (Palermo, 2014; Rocher, 2011; Woods, 2009).

The RM project adopted by ENTITY_Y was expected to shape existing practices. Its implementation, however, led to an unstable situation where actors were confronted with conflicting institutional logics. While the RM project was inspired and rooted in a *modernization logic*, insiders involved in its implementation followed routines and practices grounded on (and associated with) a *traditional logic*. Both logics coexisted. In this setting, having an individual with RM expertise coming from the private sector responsible for the leadership of the project triggered a sense-making process rooted in a *modernization logic* that facilitated the process.

The project faced several challenges which are similar to those found in prior research (e.g., Andreeva *et al.*, 2014). In our study, as in Biygautane *et al.* (2020), the role of government officials' mandates was critical. Biygautane *et al.* (2020, p. 1097) found that in the case of a Saudi's PPP project, the issuance of a Royal Order gave the project the legitimacy it needed because it "automatically removed any regulatory or bureaucratic barriers even before they arose"⁷. In the case of ENTITY_Y, the decision regarding the RM project came before there was a formal mandate (i.e., a Royal Order or Circular), causing uncertainty about the need to adopt a RM approach. The foundation of the National Risk Unit in 2017 and the issuance of Circular 061 in October 2018 removed the uncertainty and resistance and gave an impetus to RM projects across government entities. Finally, as pointed out by several actors in our study, and in line with prior studies (e.g., Vinnari and Skaebaek, 2014; Woods, 2009), there is a risk that governmental agencies adopt RM systems in a superficial manner with the only purpose of responding to external pressures, converting RM in a "tick-boxing exercise" (Carlsson-Wall *et al.*, 2019, p. 4). At ENTITY_Y the perception was that even if a RM function was setup, this was just the beginning of a "long journey".

This study has some practical implications. For RM professionals it helps in shaping the approach used for RM implementation in the government sector, understanding that the culture and governance requirements are core. Our analysis also suggest that awareness and communication should be embedded within the RM methodology, as the first step in the process.

Finally, this study has several limitations. First, we examine one country and one governmental entity. Thus, the results may not be generalizable. Second, the study also suffers from the limitations related to the use of the case study method and a narrative approach.

⁷ A key difference between the findings of Biygautane *et al.* (2020) and ours is the religious element and the political legitimacy embedded with it. While it was crucial in their study it was not present in our case.

Finally, the use of the “ideal type” approach to examine institutional logics has limitations: it is difficult to quantify the distance between the ideal types and the empirical observations; and our setting may not qualify as a stable context.

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