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The Concept of Corporate Risk: Perspectives of Risk Disclosure's Users and Preparers

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ABSTRACT The concept of risk has evolved from a pre-modern understanding, where it was viewed solely as uncertainty with negative outcomes, to a modern perspective that encompasses both negative and positive outcomes. Despite ongoing debates in the literature, there is no universally accepted definition of risk. Drawing on Saussure's linguistic theory and Wittgenstein's (2005. Philosophische Untersuchungen (Philosophical investigations). In S. T. Wissenschaft (Ed.), *Tractatus logico-philosophicus. Tagebucer 1914–1916. Philosophische Untersuchungen* (Tractatus logico-philosophicus. Diaries 1914–1916. Philosophical investigations), (18th ed.). Suhrkamp) philosophy, this study examines how specific groups within the community perceive risk and the potential reasons behind differing interpretations. Using a case study approach, the research focuses on practitioners with an interest in a UK bank (Bank A). Interviews were conducted with risk reporting analysts, regulators, investors, and managers at Bank A. The findings suggest that definitions of corporate risk are shaped by the practices and procedures specific to each group directly affected, rather than a unified understanding. It is crucial, therefore, to evaluate and incorporate these differing perspectives during the implementation of accounting regulations. While all participants described risk as the uncertainties associated with both expected and unexpected events, their views diverged on the effects and implications of these events, which could result in either positive or negative outcomes. Thus, risk transcends both pre-modern and modern views and cannot be fully understood without considering the conceptual meanings and subjective judgments of those directly involved.

Keywords: risk; risk disclosure; practitioners; semi-structured interviews; UK bank

1. Introduction

Financial reporting is an essential accounting tool that helps reduce information asymmetry between a firm's managers and its stakeholders. A key component of financial reporting is Risk Disclosure (RD), where businesses provide information about their exposure to various

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types of risk, as well as how these risks are assessed and managed. Stakeholders rely heavily on RD to inform their decisions, making it crucial for both preparers and users to fully understand how risk is represented and interpreted. For instance, credit rating agencies use risk information to evaluate the creditworthiness of institutions, banks rely on it to assess the financial credibility of businesses applying for loans and to determine risk premiums, shareholders use it to make informed investment decisions, and environmental agencies may need risk information to assess the environmental impact of business activities.

Importantly, before identifying whether a statement in public disclosures qualifies as risk information, it is necessary to clearly define what is meant by 'risk'. This is especially important given that financial reports are produced in an environment inherently shaped by risk. However, the concept of risk is complex and multifaceted (Ibrahim & Hussainey, 2019). Previous studies highlight three primary views of risk: the pre-modern view, where risk is defined solely as negative outcomes (Ibrahim & Hussainey, 2019); the modern view, which considers risk as encompassing both negative and positive outcomes (Hodder et al., 2006; Linsley & Shrives, 2006); and the variation view, where risk is seen as a deviation from a target (Elshandidy, 2011).

Despite the various perspectives on the definition of risk in the literature, there is still no agreed-upon definition within accounting. This ambiguity raises concerns about a corporate reporting expectation gap, particularly in practice, and motivates us to explore the socially constructed realities surrounding the concept of risk (Alexander et al., 2018). The lack of consensus on risk classifications, despite a wealth of literature, further exacerbates this gap in corporate reporting. The purpose of this study is to investigate the meaning of risk from the viewpoints of those directly involved in RD, such as analysts, investors, regulators, and risk managers. By drawing on Wittgenstein's philosophical framework and Saussure's linguistic concepts, we examine the feasibility of establishing a unified definition of risk and identify the reasons behind stakeholders' divergent views.

This study contributes to the existing literature and responds to calls by Linsley and Shrives (2006), Ibrahim and Hussainey (2019), and Ibrahim and Aboud (2024a,b) to explore the concept of risk from the perspective of practitioners. Specifically, we examine whether a common definition of risk can be derived from the views of both preparers and users, and we explore how their definitions differ. Additionally, we offer explanations for the potential causes of these differences.

We argue that understanding how preparers and users of risk information perceive and define risk is crucial. To the best of our knowledge, little to no research has examined the definition of risk from this dual perspective. How stakeholders define and understand risks is a key question that must be addressed before preparing and releasing any risk-related information. Moreover, those who prepare corporate risk information should be aware of how users perceive and define risks to ensure that risk reports are aligned with users' expectations. Since accounting reports are often prepared in an environment of uncertainty, accountants must understand how the information will be interpreted, and used, and the potential consequences of any bias (Sunder, 2015). Regulators, in turn, may need to pay greater attention to changing circumstances that affect the needs of accounting information users, which would help reduce the expectation gap between preparers and users regarding the perceived quality of financial reporting (Kirk, 2008).

This study contributes by going beyond textbook definitions, theoretical frameworks, and academic articles to understand risk from the perspective of those directly affected by it – those who prepare risk information and those who use it. Given the ongoing debate in academia regarding the definition of risk, our study attempts to bridge this gap. Shivaani et al. (2019) examined practitioners' perspectives on the risk management process, finding that most firms view risk as having both positive and negative potential, with protecting firm value being the primary objective of risk management. However, their study focused on firms' definitions of risk and did not account for the users' perspectives or discrepancies between the two.

Our study adopts Saussure's linguistic concepts of synchronic (static) and diachronic (evolutionary) phenomena to provide a practical understanding of risk from the perspective of those directly affected by it. We emphasize the diachronic phenomenon, which connects successive terms not perceived by the collective mind but rather by specific groups within the collective. These terms are substituted for each other without forming a unified system. This concept allows us to explore risk beyond the collective community's general perception of it, particularly within the context of risk reports, and investigate how risk is understood by specific groups within that collective.

When the definition of risk is considered only from one perspective – such as uncertainties resulting in either negative or positive outcomes – it fails to capture its broader effects. These effects may be linked to how different groups understand risk about their roles and actions. We, therefore, argue that to fully comprehend risk, these effects must be considered.

We propose that the definition of risk is not the result of a unified view but is significantly shaped by the varying perceptions of different groups within the community. These groups collectively contribute to the synchronic perception of risk (Aristar, 1991). Following Wittgenstein (2005), we also offer some explanations for the potential causes of the differing views expressed by participants regarding the concept of risk.

The findings of this study align with those of Shivaani et al. (2019), which suggest that most preparers perceive risk as having both positive and negative potential. However, our research also identifies two stages of risk definition from a preparer's perspective. In the initial stage, risk is seen as the uncertainties associated with the occurrence of an event, which could lead to either a negative outcome or a positive one, such as a competitive advantage or reward. This uncertainty can develop into a negative effect, recognized as a risk, or a positive effect, considered a reward once the outcome is determined. The extent to which these risks can be controlled or mitigated influences the outcome.

At this stage, risk is perceived as an uncertainty that could result in either a positive or negative outcome, depending on management's ability to mitigate and control it. Due to the prudence concept in accounting – where gains are only recognized when certain, without estimations or presumptions – management may not disclose potential rewards and would only report potential risks (ACCA, 2014). The prudence concept allows management to anticipate potential losses and recognize them early. This could explain why, in our interviews, users often define risk solely in terms of negative outcomes, as managers are less likely to disclose potential positive outcomes from uncertain events. Although preparers spoke about the positive potential of risk during interviews, their definitions of the different risk types as outlined in their annual report (Bank A's annual report, 2018), focus only on the negative outcomes. Our findings show that the definition of corporate risk goes beyond the modernist and a pre-modern view. We suggest that the views of both users and preparers on the definition of corporate risk are more specific to their roles and functions.

Another contributing factor is whether the uncertainties are associated with expected or unexpected events. Companies find it easier to account for and manage risks they know and can control, compared to unexpected risks. The regulator's perspective on risk, as revealed in this study, is aligned with management's view: risk is an uncertainty related to an expected or unexpected event that could potentially result in a negative outcome. However, regulators do not mention the positive impacts of risk, focusing instead on the potential for unforeseen losses.

We, therefore, argue that risk goes beyond the modernist and pre-modernist view when looked at from the perspective of both users and preparers. Even though regulators, users, and preparers as a collective view risk as uncertainties associated with both expected and unexpected events They conceptualize risk differently, and in this study, we discuss the different views.

Managers could benefit from the findings of this study, as it provides them with an opportunity to put user's views into perspective when preparing financial reports. Managers could also reflect on their disclosures and the degree to which they are meeting user needs. The findings also provide regulators and policymakers an opportunity to evaluate how both user and preparer perspectives of risk may be incorporated into the implementation process of standard-setting.

The study continues as follows. Section two presents a theoretical framework and literature review covering the importance of risk information in the business environment, while the conceptualization of risk and different definitions of RD are discussed in section three. Section four presents the research methods. Section five discusses the study's key findings while section six discusses the key results and concludes.

2. Theoretical Background – How the Meaning of Different Concepts is Locally Constructed

Corporate reporting is a form of Language for Specific Purposes (LSP), which relies on the use of precise and universally understood concepts to facilitate effective and efficient communication (Haller et al., 2017). This understanding of corporate reporting as an LSP has been supported by several empirical studies (Belkaoui, 1980; Oliver, 1974). Studies in the field of accountancy have examined various concepts from the perspectives of both users and preparers of financial accounts (Houghton, 1987; Kirk, 2008; Low & Koh, 1997). Their findings show that these groups often perceive fundamental concepts, such as truth and fairness, quite differently, which can lead to an expectation gap. This gap arises from the discrepancy between how users understand certain concepts and how management perceives users' expectations.

The concept of truth and fairness in accounting has garnered significant attention. Studies that found similarities in the perceptions of both groups regarding these terms typically focused on the technical meanings, which are more general and objective, such as the absence of material errors and compliance with accounting standards. However, where differences in perception were found, these often related to the conceptual meanings of the terms – such as not being misleading, being objective, accurate, correct, involving proper judgment, and being free from bias (Kirk, 2008; Low & Koh, 1997).

Another distinction made was the different views expressed by users and preparers. Whereas, users perceive 'true and fair' as 'useful and relevant' and 'understandable and comprehensible', preparers perceive 'true and fair' as not misleading, objective, accurate, and correct, the exercise of proper judgment and free from bias (Low & Koh, 1997). The differences were made evident when the conceptual meanings of the concept were explored. In our study we focus on exploring the conceptual meanings of risk like the findings above, we find that both users and preparers had varied views that were more specific to their role and experiences. In line with Low and Koh (1997), this study argues that to explore the concept of risk from the practitioner's perspective, the conceptual meanings would need to be considered.

To address the objective of this study, we adopt Saussure's linguistic concept of synchronic (i.e. static) and diachronic (i.e. evolutionary) phenomena. Linguistic theories have seen a radical shift in perspective from the way linguistic patterns arise over time to the properties of those patterns themselves. According to Anderson (2016) one of the characteristics of language which should be incorporated into the definition of possible grammar, is the regularities and effects of the language itself. Saussure argues that there are several complexities and dilemmas in the description of language in linguistics. According to Sapir (1921, p. 8), language is considered '*a pure human and non-instinctive method of communicating ideas, emotions, and desires by* *means of a system of voluntarily produced symbols*'. According to de Saussure, the speakers' analysis is only what matters, because it is based on the facts of language.

Synchronic linguistics as explained by Saussure is believed to have only one perspective and is seen as the true and only reality perceived by the collective mind or community of speakers. It can be examined by determining the extent to which reality exists in the minds of speakers and thus precedes several evolutionary facts, known as the diachronic phenomenon. It is believed that everything diachronic in language becomes diachronic only by speaking. This is where the conceptual meanings are considered and proper judgment is exercised.

The diachronic phenomenon therefore distinguishes two perspectives and supposes the dynamic force through which an effect is produced. This phenomenon studies relations that bind together successive terms not perceived by the collective mind but rather by specific groups within the collective and it is substituted for each other without forming a system. Diachronic linguistics is always known to be used to single out a particular group as it is believed that perceptions of economic reality are personal and subjective (Alexander et al., 2018). This is in line with the sociolinguistic assumption, that belonging to a particular group or having a particular social identity shapes a person's language (Guy, 2011). The applicability of Saussure's linguistic concept of synchronic (i.e. static) and diachronic (i.e. evolutionary) phenomena for accounting can be demonstrated by an example. Accounting concepts have been defined as either exact with some specificity (e.g. finance lease and operating lease) or vague like truth and fairness (Parker, 1994). It is believed that where the definition is exact no problems emerge, but problems emerge when the definition is vague and different perceptions exist on the meaning of the concept. The concept of risk is one such example (Alexander et al., 2018).

In applying Saussure linguistic concepts of synchronic and diachronic views, we argue that risk cannot be fully understood only from the collective community's perception of risk within which risk reports are produced and used. This is evident in the multi-faceted nature of the concept of risk and its complexities as indicated by prior research (Ibrahim & Hussainey, 2019). We suggest that to have a complete understanding of risk we need to determine the extent to which risk is perceived in the minds of specific groups within the collective community. Consistent with this argument and following Wittgenstein (2005), we can provide some explanations for the potential causes of the varying views expressed by participants on the concept of risk by considering the way risk information is used.

Wittgenstein understood concepts such as risk in his later philosophy as receiving their meaning from the way they are used (Dennis, 2008; transported to accounting by Lyas, 1993; Wittgenstein, 2005, sections 20, 43, 421). Wittgenstein chose this quite uncommon starting point because he considered it to be a misleading simplification to reduce the link between language and reality to one of an arbitrarily chosen and nominalist correspondence between a concept and its reality (Baker & Hacker, 2009; Kenny, 1974). This is believed to have several important consequences.

The first consequence is that the meaning of concepts can only be understood when focusing on the contexts (the language game), in which certain concepts play a certain role and the relationships through which those concepts receive their meaning (e.g. Wittgenstein, 2005, Sections 109, 471, 583). Language games as used in this context refer to simple examples of language use within specific contexts (Wittgenstein, 2005). He posits that a stick becomes a lever only when it is used for this purpose (Wittgenstein, 2005, Section 6). Thus, the way language may be used or experienced influences its meaning. Wittgenstein (2005) highlights that beyond the yellow line being a social fact, the process of being acknowledged as having a specific meaning is ensured by a living practice in which a concept plays a role. Wittgenstein noted that any concept has a meaning within such a language game only because its sense is identical with or – better – than its role in the language game (Wittgenstein, 2005, section 49).

A second important consequence is that the meaning of a given concept is not inherently determined. Indeed, it has no intrinsic essence beyond its use (e.g. Wittgenstein, 2005, Section 432). Like the diachronic perspective, one needs to observe what happened with a concept in different contexts rather than if a context has a collective meaning. Its degree of vagueness, or complexity, its stability over time, its definition, all this might change with the difference in which the concept is applied in practice (Wittgenstein, 2005, Sections 47, 79, 87, 88, 593). Still, such a concept might in all these circumstances be perfectly serviceable (Dennis, 2008).

Coming back to our research question, following Wittgenstein and consistent with Saussure linguistic concepts, the most likely finding can be described as follows: we can postulate a series of collective representations of the definition of risk, each understood by different related, but non-identical, examples of use in varying 'language games' (Wittgenstein). We explore the validity of this proposition in the remainder of the paper.

3. Conceptualization of the Concept of Risk

It is widely accepted that different users of risk information may be interested in varying categories of risk-related data. As Beattie et al. (2004) emphasize, for Risk Disclosure (RD) to be of high quality, the disclosures must provide a broad range of information across different topics and categories, with a balanced approach. For managers to implement this effectively, they need to understand how different users define risk. The disclosed risk information should therefore be presented in a way that aligns with the users' understanding of risk and meets their expectations.

However, risk has been defined in different ways. Risk has been defined as the effect of any uncertainty on the objectives of an organization or the consequences of some events from either within or outside the organization (ACCA, 2024; FCA, 2023; Hunjra et al., 2024; ISO, 31000, 2018). According to the International Organization for Standardisation (ISO) 31000 (2018), the consequences associated with risk can either enhance the achievement of an organization's objectives (i.e. positive consequences) or can limit or diminish the achievement of its objectives (i.e. negative consequences). ISO 31000 (2018) highlights the following to elaborate on their definition of risk: (1) an effect is a deviation from the expected and this could either be positive or negative, (2) objectives can have different aspects (such as financial and environmental goals) and can apply at different levels in the organization (such as strategic, organization-wide, project, product and process), (3) risk is often characterized by reference to potential events and consequences, or a combination of these, (4) risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence, and (5) uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequences or likelihood.

ICAEW (2011) also refers to risk as an uncertain event, which will affect the achievement of an organization's objective should it occur. This is in line with the definition by ISO 31000. Thus, the description of risk should not only consider what might occur but should also consider the effect of its occurrence on the company's objectives.

The concept of risk in academic literature has evolved from focusing solely on negative outcomes to encompassing both negative and positive effects of events and uncertainties. Some researchers emphasize the downside of risk, referring to harm, hazard, danger, damages, threats, or potential losses (e.g. Adams, 2009; Horcher, 2005; Lupton, 1999). This interpretation is identified as the pre-modernist view of risk (Ibrahim & Aboud, 2024a,b; Ibrahim & Hussainey, 2019; Elshandidy & Shrives, 2016; Linsley & Shrives, 2006). In contrast, another stream of literature argues that risk can involve both positive effects (e.g. opportunities, prospects, potential gains) and negative effects (e.g. harm, hazard, danger, damage, threats, or potential losses) (Abraham & Cox, 2007; Hodder et al., 2006; Linsley & Shrives, 2006; Solomon et al., 2000).

This broader perspective is known as the modernist view of risk (Ibrahim & Aboud, 2024a,b; Ibrahim & Hussainey, 2019; Linsley & Shrives, 2006).

Beyond these two views, a third perspective describes risk as variations, fluctuations, or changes around a target value within a specific time horizon (Abraham & Cox, 2007). These variations can result in either positive or negative outcomes for a business. This definition aligns with the one provided by the International Financial Reporting Standard (IFRS 4 – Insurance Contracts), which defines financial risk as the possibility of future changes in one or more specified factors, such as interest rates, financial instrument prices, commodity prices, foreign exchange rates, price indices, credit ratings, or other variables.

Abraham and Cox (2007) also approach risk through three lenses: risk as variation, risk as any uncertainty, and risk as an opportunity. Consistent with the pre-modern view of risk, some researchers have considered the negative outcome of risk rather than the positive outcome. Ibrahim and Hussainey (2019) provide several theoretical and empirical arguments that support their view that RD should be defined in terms of negative outcomes only, they define RD (p. 134) as follows:

> Risk Disclosure can be defined as any information about the past, present, or potential loss, failure, collapse, crisis, deterioration, breakdown, accident, emergency, hazard, danger, harm, threat, or exposure that enables the present and potential users to identify and assess the current and potentially negative outcomes for a business.

Consistent with the modern view of risk, Linsley and Shrives (2006, p. 389) provide a detailed definition of RD that represents both the positive and negative views of risks and identifies several synonyms for risk as follows:

> … disclosures have been judged to be risk disclosure if the reader is informed of any opportunity or prospect or of any hazard, danger, harm, threat or exposure that has already impacted upon the company or may impact the company in the future or of the management of any such opportunity, prospect, hazard, harm, threat or exposure.

This definition of risk considers both the positive and negative dimensions of risk by identifying several synonyms of risk. These synonyms have served as a guide for several researchers in defining and measuring the quantity and quality of risk disclosure (Elzahar & Hussainey, 2012; Veltri, 2020). Another definition by Hassan (2009, p. 669) provides a broader and more generic view of risk disclosure:

> … as the financial statements inclusion of information about managers' estimate, judgment, reliance on market-based accounting policies such as impairment, derivatives, hedging, financial instruments, and fair value as well as the disclosure of concentrated operations, non-financial information about corporations' plans, recruiting, strategy, and other operational, economic, political and financial risks.

This definition communicates both 'good' and 'bad' information on risk reporting and disclosure. Unlike the definition provided by Linsley and Shrives (2006), this definition is considered generic and does not determine the different synonyms of risks, compared to the definition of Linsley and Shrives (2006).

Overall, it seems that risk is defined from different perspectives. RD is defined from three different views and there is no consensus about the definition of risk and corporate risk information. Besides, risk and risk information could be understood differently in the industry compared to the definitions provided by academic researchers. This motivated us to research to explore how users and preparers perceive and define risk information to reduce the gap between theory and practice and to help unify the views of both the preparers when preparing the risk reports and the users when reading these reports.

4. Research Methods

4.1. Research Approach and Participants

This study uses a single case study approach, focusing on a single UK-listed bank (Bank A). The current study uses a single case study approach, to gain a deeper understanding of how and why things happen within the context of RD (Ryan et al., 2002, p. 142). The reason for using field data was to gain managerial and user perspectives on the significant inputs affecting the RD process. In the sample selection process, the study started with a detailed record of all the UK banks listed in the FTSE 250 as of September 2018. Due to the sensitivity of bank risk disclosures (RD), it was difficult to get the banks to participate in this area of research. However, one of the UK banks within the FTSE 250 responded and expressed an interest in participating. For confidentiality purposes, this bank is referred to as 'Bank A'.

Bank 'A' is one of the UK-based retail commercial banks, mostly dealing in deposits, mortgage lending credit cards, and other financial services such as customer investments, pensions, insurance, and currency products and services. The bank provides customer services through different channels including; digital (online and mobile), intermediaries, contact centers, and a national network of stores. The organization's risk culture is customer-focused and its risk management strategy is to embark on a strategy that enables long-term growth and profitability (Bank A's Annual Report, 2018). Bank A recognizes the importance of ensuring a successful relationship with its stakeholders. About its risk decision-making and disclosure, the directors of the bank ensure that there is both a current overall risk profile and a forecasted risk profile of the bank's risk exposures (Bank A's Annual Report, 2018).

The study then included users of RD provided by Bank A, including financial analysts, fund managers from key institutional investors, auditors, and regulators. However, the researchers got responses mainly from equity research analysts, fund managers of the institutional investors of Bank A, as well as the bank regulators. Bank A's external auditors were contacted, because of their unique role in the corporate reporting process and in ensuring that the corporate disclosures provided are true and free from any material misstatements. However, all attempts failed after several messages were sent to external auditors, and it was very difficult to get this group to agree to participate in the study.

The financial analyst reports produced on the case bank (Bank A) were used to obtain the contact details of equity research analysts who follow Bank A. These reports were obtained from the Thompson One database and the analysts were mainly contacted by email. The names of the bank's key institutional investors were also obtained through an online search in the investor relations section of Bank A's website.

The regulator participants were also selected from the Prudential Regulatory Authority (PRA) and the Financial Reporting Council (FRC). However, a few other participants were chosen from the IFRS Interpretations Committee and a member of the European Financial Reporting Advisory Group (EFRAG). These bodies were considered because of their active role in providing some guidelines and standards on the risk reporting practice in the UK. The names and contact details of the regulators were obtained from the websites of the PRA and LinkedIn. Participants were mainly contacted through email, LinkedIn, and letters. The interviewee participants are presented in Table 2 while the RD regulations in UK banking are presented in Table 1.

Table 1. Risk disclosure requirements in the UK banking sector.

Regulation	Purpose and description	Risk disclosure requirements
1. Basel Accord, pillar 3 risk disclosure requirements (Bank for International Settlements, 2015; 2016; Bank of England, 2020).	The Basel Committee on Banking Supervision (BCBS) and the Capital Requirements Directive (CRD IV) set out the regulatory guidelines for capital adequacy and related risk disclosures. These are detailed and outlined in the Basel Accord.	• Over the years the Basel requirements have evolved to address changes in economic circumstances and are now made up of the Basel I, II, and III Accord. • Basel III comprised a revision of the three pillars from Basel II. The Pillar 3 requirements of the Basel II Accord were amended and enforced in 2016 and banks were required to publish their first Pillar 3 report as a stand-alone document. • Pillar 3 requires banks to disclose information under the Pillar 1 capital requirement on their risk profiles, including credit risk, counterparty risk, market risk, and operational risk; and the risk management strategies in place to mitigate these risks to convey to information users a clear understanding of the banks risk tolerance levels and all its significant risks.
2. The International Financial Reporting Standards (IFRS) (ACCA, 2018; Adjei-Mensah, 2017; Deloitte, 2017;2020)	IFRS 7 is the main standard associated with risk-related disclosures under the IFRS. The International Accounting Standards Board, which is the standard-setting body for the IFRS, amended the IFRS 7 introduced in 2005 on financial instrument disclosures to ensure adequate disclosure of financial instruments. These include risk disclosures.	• IAS 1 requires firms to disclose information about the key assumptions concerning their future as well as other key sources of estimation uncertainty at the end of the reporting period. These may have a significant risk of causing a material adjustment to the carrying amounts of the entity's assets and liabilities within the financial year (Deloitte, 2020). • IFRS 7 requires firms to provide disclosures on the nature and extent of risks arising from the use of financial instruments. • For each type of risk arising from financial instruments, companies are required to disclose, how they arise as well as their objectives, policies and processes for managing the risks involved.

(*Continued*)

Table 1. Continued

Regulation	Purpose and description	Risk disclosure requirements
3. The UK companies Act 2006 (LexisNexis, 2020; UK Companies Act, 2006)	The purpose of this report is aimed at ensuring that members of the company, including its investors, are well informed of significant undertakings of the business and how the company's directors have performed their duty in ensuring the success of the company. Section 414A and 414C require UK companies including banks to prepare a strategic report for each financial year of the company to reflect this.	• The information provided within the company's strategic report includes a review of the company's business and a description of the principal risks and uncertainties facing the company.
4. The UK Corporate governance code (FRC, 2016; FRC, 2018)	Set up by the Financial Reporting Council (FRC) and amended in 2018 to allow flexibility in compliance with the corporate governance regulation.	• Directors are required to describe the risks they face and explain how these risks are being managed. • Requires banks to present information on their principal risks and to give a clearer and broader view of solvency, liquidity risk, risk management systems, and viability of the company.

4.2. The Taxonomy of Risks within Bank A

The management of Bank A highlights that, once the likelihood and impact of a risk on the bank's financial performance have been identified, it is important for the bank to then categorize this within their existing risk landscape. The bank's risk landscape identifies the bank's emerging and principal risk at a point in time. In the instance of an uncertain event, the risk landscape is reviewed to record the impact of such an event on the bank's risk landscape. According to the management of Bank A, this exercise is often performed monthly, see Table 3 for a detailed presentation of the Risk landscape of Bank A. Table 4 provides definitions for their principal risks.

To enable a better understanding of how Bank A categorizes its risks, this study obtained some information on Bank A's emerging and principal risks from the bank's annual reports (Bank A's annual report, 2018). At the time the interview was conducted, the management of Bank A identified their emerging risks as risks associated with changes in the regulations, risks relating to geopolitical events, cybercrime, and the macroeconomic environment (e.g. Brexit), as well as the bank's exposure to competition (P2, P1 – see Table 2). The principal risks faced by Bank A were obtained from the bank's annual report (Bank A's annual report, 2018) and are summarized in Table 4.

4.3. Data Collection

The research questions were investigated using semi-structured interviews with senior risk reporting managers and users of risk disclosures (RD). Table 2 provides a summary of the interviewee participants from the Bank and its users. Information from previous literature

Table 2. List of interviewee participants from the bank and its users.

Actor Category	Role	Years of experience	Reference	Type of interview	Length of Interview
Panel (a): Preparers (P) of risk information					
Bank in focus	Head of risk reporting, governance, and delivery	13	P1	Face-to-face	103 mins
	Director of risk and investments	13	P2	Face-to-face	51 mins
	Audit committee member and risk committee.	5	P3	Face-to-face	43 mins
	Director, risk assurance and internal audit	12	P4	Face-to-face	58 mins
Panel (b): regulator of risk information					
Regulator	Member of the prudential regulation committee	5	R1	Face-to-face	56 mins
	Regulator for accounting disclosures at the PRA.	11.5	R2	Telephone	51 mins
	Financial data specialist at the PRA	5	R3	Face-to-face	52 mins
	Senior risk specialist at the PRA	5	R4	Telephone	46 mins
	Project Director of the Financial Reporting Lab at the FRC	7	R5	Face-to-face	58 mins
	Lab Director of the Financial Reporting Lab at the FRC	6	R6	Telephone	50 mins
	Director of Financial Reporting Policy, member of the IFRS Interpretations committee	5	R7	Telephone	42 mins
	Director of financial reporting	7	R8	Telephone	58 mins
Panel (c): users of risk information					
Financial analyst	Equity research analyst	5	EA1	Face-to-face	40 mins
	Equity research analyst	5	EA2	Face-to-face	32 mins
	Equity research analyst	5	EA3	Telephone	52 mins
	Audit analytic	6	EA4	Telephone	37 mins
	Equity research analyst	14	EA5	Face-to-face	45 mins
	Managing director and equity research analyst	8	EA6 & EA7	Face-to-face	75 mins
Fund Managers from key institutional investors	Investment Director, Fixed Income	10	FM1	Face-to-face	45 mins
	Head of Financial Research, Credit	7	FM2	Face-to-face	59 mins
	Global Banks and Financials Analyst	8	FM3	Face-to-face	62 mins
	Head of Compliance	7	FM4	Face-to-face	49 mins

Table 3. Bank A's risk landscape.

Credit Risk		Market risk	Operational risk	Other Operational Risk		Conduct risk & compliance		Strategy & business risk	Financial risk	Liquidity risk	Capital risk
Retail	Wholesale					Conduct	Compliance				
Mortgage	Wholesale credit risk	Foreign exchange risk	Operational risk framework	Fund management	People	Product design and governance	Upstream regulation	Macro-economic risk	Interest rate risk in the banking book	Retail Funding risk	Capital Sufficiency
Personal Current Account	Large Exposures		Corporate Risks	Legal Risk	Process	Unfair Contract Terms	Regulatory Reporting	Transformation Risk	Retail Concentration Risk	Off-balance sheet Liquidity Risk	Capital Efficiency
			Operational Risk Losses	Business Disruption	Systems	Sales Practices, Advice & Culture	Critical & Important Outsourcing	Change Risk	Secured Wholesale Debt	Marketable Asset Risk	
				Information Security	Payment & Settlement Risk	Sales Incentives & Reward	Senior Persons Regime	Reputation risk	Pricing	Non-Marketable Asset Risk	
				Information Management	Physical Security & Safe Environment	Quality and Competence	Privacy and Data Protection	Competition Environment	Model Risk	Franchise Viability Risk	
				Financial Crime	Non-financial Counterparty Risk	Post-sale Administration & Transaction handling	Sourcebooks		Wholesale Credit Concentration Risk	Wholesale Funding Risk	
						Partner Conduct	Market Compliance		Under-estimation of Credit Risk	Funding Concentration Risk	
						Vulnerable Customers & Treating Customers Fairly				Intra-day Liquidity Risk	

Source: Adapted from Bank As' annual report (2018).

Table 4. Definitions of the principal risks identified in bank A's risk landscape.

Risk type	Description
1. Credit risk	Credit risk is referred to as the loss resulting from a borrower or counterparty failing to pay amounts due or defaulting on loan payments. Bank 'A' provides residential and buy-to-let mortgages and credit cards to customers across the UK and there is the risk that any adverse changes in the macro-economic environment, such as rising interest rates and/or the credit quality or behavior of borrowers result in additional defaults and impairment losses, thereby reducing profitability.
2. Market risk	Market risk is the risk of loss arising from unfavorable market movements in interest rates, exchange rates, and other prices of securities and instruments which leads to a reduction in earnings or value of the firm's assets. Interest rate risk in the banking book is the only material category of market risk for Bank 'A'.
3. Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal systems, people, processes, and/or from external events, including issues around legal risk. This includes the risk that systems and processes relating to technology, audit, and other support systems may malfunction or break down. The management of third-party relationships, cybercrime, and information security remains a key focus for Bank A's operational risk exposures.
4. Conduct and compliance risk	Conduct and compliance risk is defined as the risk that our operating model, culture, or actions result in unfair outcomes for customers. This could result in regulatory sanction, material financial loss, or reputational damage if Bank 'A' fails to design and implement effective operational processes, systems, and controls that maintain compliance with all applicable regulatory requirements.
5. Strategic and financial risk	Strategic and financial risk covers the strategic risk, the risk of significant loss or damage arising from business decisions that impact the long-term interests of stakeholders or from an inability to adapt to external developments, and financial risk which is focused on concentration risk. Credit concentration risk is managed for retail and wholesale credit exposures at portfolio, product, and counterparty levels. Financial performance can be impacted by adverse changes in customer behavior.
6. Balance sheet and prudential regulation risk	These are the risks that cover several categories of risk which affect the way the group can support its customers safely and soundly. The risks include the need to accommodate liability maturities and withdrawals, fund asset growth, and otherwise meet contractual obligations to make payments as they fall due (liquidity risk), the inability to raise and maintain sufficient funding in quality and quantity to support the delivery of the business plan (funding risk) and the risk that the Group has a sub-optimal amount or quality of capital or that capital is deployed inefficiently across the group (capital risk).

Source: Adapted from Bank As' annual report (2018).

and some documentary evidence were also used to support the construction of the interview questions, the questions are available upon request. The researcher drew upon these multiple sources of evidence to seek convergence with the data collected from the interviews. There was a list of interview questions for each participant group. All participants were believed to have an interest in the RD provided by the bank in focus one way or another. This was the primary criterion for selecting participants. Participants with an experience of 5 years or more were selected to participate in this study due to the level of knowledge in detail they will have acquired from their experience.

The findings from the data collected were thoroughly analyzed using the problematization methodological approach. Under this approach, prior literature on risk and risk disclosure was challenged to generate the research question, and interview questions and to develop a more influential discussion (Alvesson & Sandberg, 2011; Tsoukas & Knudsen, 2004). It is believed that adopting such an approach would present an opportunity to explore, reflectively, new ways of thinking about organizations (Daft & Lewin, 2008).

Each interview was recorded and listened to several times to facilitate understanding and familiarity. After this, the data was transcribed and read several times by the researchers, the data analysis continued with a coding process, with the help of the NVivo qualitative software program that was used to organize the data. The transcribed interviews were uploaded onto the NVivo software program after which the researchers manually coded the text by reading each interview transcript line by line and categorizing relevant sentences and paragraphs into themes and sub-themes.

In the initial stages of the coding process, the categories and concepts of risk as defined in the prior literature, served as guidelines from which themes were identified and developed. Themes were identified under each participant group (e.g. positive consequences, negative consequences, volatility, deviation). A specification for the definition of risk was based on the number of times it was raised by different participants. Once the initial themes were developed, the researcher identified links and relations between them.

The transcribed material from the interviews and the coding process were validated by the co-researchers. This included a coding process explained by Creswell (2013). To ensure the reliability of coding, themes and sub-themes generated were revisited and updated several times and a revised version of the coded material was derived. Drawing on the risk literature and theories the thematic headings were formatted to channel our discussions to the different views expressed by participants.

5. Key Findings

This study investigates whether there can be one common definition of risk drawn from the views of both preparers and users and if not, how their risk definitions differ. The results from the data collection are explained below.

5.1. Preparer's Perspective on the Definition of Risk

From a manager's perspective, '*risk is anything that could potentially affect the bank's financial performance and its ability to continue as a bank'* P1. P1 claims that, when thinking of risk, the bank would always start by considering anything that could affect its financial performance and strategy. She states that;

> Risk is always a downside but we might be willing to take a bit of that downside to get a higher reward and what the risk management function that I work with has to do is to make sure we're balancing that risk and reward appropriately so we will have to take risks because you can't ever mitigate against all of them but what risks are we willing to take and what risks are we willing to say I'm not willing to take whatsoever P1

According to P1, the effect of this uncertainty on the bank's financial performance is considered to have a negative outcome in the first instance. However, she argues that the ability of the bank to manage this risk could determine whether this effect would result in a positive outcome which she identifies as the reward. In this instance, the negative effect of the uncertainty is considered a risk, and the positive effect of the uncertainty is considered a reward.

Thus, even though the risk is referred to as the occurrence of an event that could negatively affect the bank's objective and may result in a financial loss, it also acknowledges the potential of a reward resulting from that event. Hence, referring to risk as '*the probability of an event occurring, which could either positively or negatively impact the bank's ability to achieve a strategy'* P4.

> So, in the bank, we usually talk of risk to be the likelihood of something happening and the impact of it happening P4.

This definition of risk is in the modernist view which refers to risk as both the negative and positive outcomes of events (Ibrahim & Hussainey, 2019; Linsley & Shrives, 2006; Mokhtar & Mellet, 2013). The modernist view of risk concentrates on the fact that the concept of risk could involve either a positive effect (i.e. opportunity, prospect, and potential gain) or a negative effect (i.e. harm, hazard, danger, damage, threat, or potential loss) (Abraham & Cox, 2007; Elshandidy, 2011; Hodder et al., 2006; Solomon et al., 2000).

However, this study finds that management refers to risk as anything that can cause the bank to do something different from what it originally planned, which could either result in a positive or a negative effect on the business (P2, P4). To respond to risk, management would often take measures either from within or outside of their original plan to control the risk. It is believed that the measures taken by the bank to address a potential risk could determine whether it would have a positive effect or a negative effect (P2).

According to the Risk Director, this is very important for the bank because, if a bank can identify a potential risk early, it can then become a competitive advantage as some risks have the potential to turn into an advantage for the bank over other competitors (P2).

> … Risk to me is any kind of event that can be both commercial, regulatory, or from an operational perspective. So, for me, risk refers to any kind of threat that will not necessarily negatively impact your business but perhaps have some impact on your business and cause you to do something different which may result in a positive … P2
>
> Risk is effectively the probability of an event occurring, which could either positively or negatively impact the bank's ability to achieve a strategy. So, in the bank, we usually talk of risk as the likelihood of something happening and the impact of it happening … P4.

This perspective on risk is linked to the definition of risk as a function of likelihood and impact. Impact as used in this context, refers to the extent to which a risk event might affect the business (Deloitte and Touche LLP, 2012). From the above analysis, the impact of risk is highly dependent on the ability of management to control and manage the direction of the impact an uncertain event may have. According to the Risk Director (P2), the bank's ability to control the impact of a risk, especially for new and emerging risks could provide the bank with a competitive advantage if done in a timely manner (P2). The direction of these measures will determine whether the risk would have a positive effect or a negative effect on the business and what it does.

5.2. The User's Perspective on the Definition of Risk

In addition to the investigation of management's view on the definition of risk, this section explores the definition of risk from the perspectives of the users of the risk disclosures provided by Bank A. This would allow for a detailed comparison of the different views expressed by participants around the concept of risk. The main user groups include UK regulators, institutional investors, and equity research analysts.

5.2.1. The Definition of Risk from the Perspective of the Regulator

When asked to define risk, most of the regulators define risk in consideration of what risk means for management or the companies they regulate. Even though the regulator is responsible for requiring banks to disclose risk information within certain risk categories, the ultimate decision for the identification and management of risk lies with management. R3 refers to risk as '*the potential for the expected outcome, strategy or objective of the bank not to come into place the way it's intended'*. It is believed that very often it is easier for management to account for and make provisions for the risks that are expected to happen or to have an impact on the business than to account for those that are unexpected. Therefore, the risks often disclosed within the bank's public disclosures are those that the banks have some level of expectation of occurrence. However, there are unexpected risks which banks must make provisions for.

R1 refers to risk as '*things that happen to make your plan or objectives not to happen one way or another*'. His definition of risk focuses on the negative effects of risk and is associated with the possibility of not achieving the intended or set business objective, plan, or strategy.

R1 adds that risk is '*often any uncertainty in the sense that it is often outside management's control'*. However, there is a risk that management is aware of and can take measures to reduce them and sometimes remove them with the help of a lot of history and experience (R1). R1, therefore, highlights three categories of risk;

> **Risks you are aware of and can control**
> There are risks that management is in control of and can take measures to mitigate them and sometimes remove them.
> **Risks you are aware of, but you cannot control**
> There are also the risks that you know of but there is not a lot you can do about them.
> **Risks that you have no awareness of but can occur**
> There are risks that you have not even thought of that occur surprisingly. And these are usually the worst to handle. It is difficult to disclose things you do not know about. Some modern risks they don't have much experience of and it is very difficult for them to know what to do and indeed how to disclose. FM1 referred to these as unexpected losses.

R1 refers to both expected and unexpected risks. From his perspective, an expected risk is referred to as any uncertainty of an event that can either be controlled or not controlled. Whereas, unexpected risks are those events that management has no awareness of and therefore, cannot take any measures to control or reduce them. It is believed that the business's expected risks for which provisions are made, are easier to control as opposed to the unexpected risks.

The views of regulators from the prudential regulation were more geared towards risk as an unexpected loss. These regulators focus more on the capital adequacy of individual UK banks in ensuring that the banks hold enough capital to withstand any loss resulting from economic stress or pressure. R5 highlights that as bank supervisors, they assess the bank's balance sheet to determine if there is a potential for the bank to make any losses and they want to be able to ensure that banks hold enough capital to survive through that loss or stress. R5 refers to unexpected losses associated with the bank's inability to withstand economic pressures. This could then include unexpected losses resulting from the bank's risk of default.

> … for me, the risk is the risk of default, and that is my primary interest, and that is everyone's interest. At the very top, you have got the risk of default. That is where the

> shareholder's interest is, where the creditors' interest is, and it is what the company's management is interested in. Because if the bank defaults, the managers will lose their job. There is the legal risk which is the risk of being sued if you did not disclose something properly or you failed to disclose something. Credit risk comes from the risk of default, interest rate risk, market risk, these are all forms of default risk. R5

5.2.2. The Definition of Risk from the Perspective of the Institutional Investor

The views of fund managers from institutional investment companies who have investments in Bank A were also sought. When asked about their views on the concept of risk and its definition, fund managers refer to risk as '*the possibility of an unexpected loss'* (FM2)*, and 'anything that could potentially go against the objectives of the bank (i.e. business strategy, or to increase shareholder wealth and enhance financial performance)'* (FM1). The definition provided by FM2 is like the definition provided by R5 in the section above. FM2 refers more to the bank's risk of default and '*the possibility of the bank to avoid its default situations*' FM2. It is worth noting that both FM1 and FM2 work with credit risk. Credit risk is the risk resulting from a borrower failing to pay amounts due or defaulting on loan payments.[1] This is reflected in their views expressed above. The views expressed by FM1 and FM2 are in line with the pre-modern view of risk which refers to risk as something bad (i.e. negative outcomes) (Ibrahim & Hussainey, 2019, p. 130).

FM3, a global banks analyst, refers to risk as '*any deviation from the bank's share price and anything that affects the business or has the potential to affect its share price*'. He refers mainly to the impact of cyber risk, liquidity risk, capital risk, and other risk types (i.e. strategic risk, regulatory risk) on investor returns and hence the bank's overall financial risk.

> In its simplest form, risk is the potential deviation from the share price. I am here to pick good investments. Because if it is a risk that affects the business then it has the potential to affect the share price. FM3

FM4, on the other hand, is the head of compliance of an investment firm responsible for investing the money of their clients and rendering services such as financial planning. FM4 highlights that when it comes to risk, even though their views on risk depend on their client's perspective on risk, the Risk is the '*risk of the investment itself and where it sits on the whole range of investments they have available'*. This could range from derivatives and options which are considered high risks '*where you can invest more than the money you already have and your losses could be bigger than what you have invested*'. This is still referring to the idea of risk as the possibility of unexpected losses. There are also investments in the equity of small companies which are mostly listed on the Alternative Investment Market (AIM) and other smaller markets around the world (FM4). FM4 finally refers to low-risk investments such as corporate bonds which are unlikely to result in any unexpected losses.

> We would categorize our clients into not just risk but also what the objective is as to whether they are looking for growth from the investment or the income from the investment and allowing that money to provide their income. Then we will investigate a portfolio of investments for them based on their risk attitudes and their objectives. And that does not mean to say that all the investments within their portfolio will have the same level of risk. Some may be higher, or some may be lower, but the average or the overall composition will be then in line with what the client needs. So, for our firm, the risk is tailored to the individual client FM4.

5.2.3. The Definition of Risk from the Perspective of an Equity Sell-Side Analyst

Another stream of literature refers to risk as the variations or fluctuations around a target value at a specific time horizon (Elshandidy, 2011, p. 34). Abraham and Cox (2007) also use risk in three texts: risk as variation, risk as uncertainty and risk as an opportunity. Variations as used in this context could either have a positive or a negative effect on the business. This definition is like that provided by the International Financial Reporting Standard (IFRS 4 – Insurance Contracts), defining financial risk as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices rate, credit rating, credit index or other variables.

Equity research analysts are often responsible for preparing research-related reports on a target company's financial performance, earnings growth, equity value, and share price (Campbell & Slack, 2011). Their role is to provide recommendations on an entity's stock and offer a more detailed understanding of the entity's value creation process, strategy, and business model (Nielsen, 2008). It is therefore believed that investors are the main users of financial analysts' reported information.

In defining risk, most fund managers and equity research analysts refer to variations in the bank's risk profile, assets, asset holdings, and share prices (EA1, EA2, EA3, FM3). FM3 for example, refers to risk as default situations and *variations in the bank's risk profile including its balance sheet or its capital asset quality, liquidity, and earnings.* Volatility here is linked to the numerical aspects of the disclosures made as they can be measured. Equity research analysts refer to risk as variations in specific risk categories mainly credit risk, market risk, and operational risk.

> I will define risk as volatility in general. EA1
>
> I will define risk as mainly credit risk for Bank 'A', and some operational risk as well. And certainly, market risk, the changes in their holdings of say UK government bonds, and price changes that can negatively affect their operations. Again, the key focus is on credit risk, especially on these mortgages. EA2
>
> I think there are several different ways to think about risk. I mean we think about market risk. We think about internal risks, so for specific companies, how good are the risk management procedures, what kind of controls and check balances do they have EA3.

According to EA3 operational risks are said to be qualitative and it is often difficult for analysts to measure and determine any volatility or variation these risks may exhibit (EA3). Thus, it becomes difficult to estimate future volatility and related variations in these risk types. In the conversation with sell-side analysts, they pointed to the significance of operational risk as one of the biggest risks they focus on. This is because examples of such risk types including business malpractices and money laundering could have a huge impact on the business should they occur. EA4 refers to these operational risks as internal risks, such as risks relating to the effectiveness of the bank's risk management procedures, controls, check balances, and compliance.

> … We measure risk in different ways, some of it in terms of what I've described about internal risks and controls, these are qualitative and so we can't measure it. But in terms of comparing companies and their risk appetite, we look at their impairments for example. For a lender like 'Bank A' for example, we would look at impairments over the average loan book. What percentage of the loans they have written is 3 months in arrears and what percentage has been written off EA4?
>
> … I think the biggest risks that we focus on are those to do with malpractices and money laundering. The bank's behaviour in the last 20 years, has been utterly disgraceful.

> I think it is the absence of morality amongst senior management, which was certainly not the case when I worked for the bank EA6.
>
> For a bank, the primary ones that we focus on are the credit risk which is the key one, but then we also have the operational risk (malpractices, money laundering, fraud) and market risk (volatility and prices, moves and capital market movements and the gaps against that) EA5.

It is evident that equity research analysts view risk in different ways and focus on the impact and size of the risk which could be gathered from both measurable and unmeasurable risks. However, considering their role in making comparisons among firms and providing recommendations on the volatility of a firm's stock, they mainly focus on the quantifiable risks associated with the entity's risk of defaults and related impairment provisions (i.e. credits risks and market risks) to determine any variations and fluctuations. These variations could then be a result of an unexpected loss or the potential for an unexpected loss in the future.

From a user's point of view, the risk is always perceived as a default or a negative outcome. However, from management's point of view, whereas risk is initially perceived as the occurrence of an event that has the potential to result in a negative outcome, there is also the potential for that event to result in a positive outcome (i.e. reward) and this is what drives management's incentive to take on risks and provide measures to control and mitigate its effects.

The findings also show that, whereas institutional investors refer to risk as unexpected losses associated with a deviation from the bank's share price and their investment in the bank's equity, financial analysts, on the other hand, refer to risk as mainly variations or fluctuation in the bank's risk profile, asset holdings, asset quality, liquidity position and earnings which ultimately affect the banks share price.

6. Discussion and Conclusion

The concept of risk within the academic literature has mainly developed from a pre-modernist view where risk is the uncertainty of an event covering only the negative outcome (Adams, 2009; Ibrahim & Hussainey, 2019), to a modernist view where risk is the uncertainty of an event covering both the negative and positive outcomes (Abraham & Cox, 2007; Linsley & Shrives, 2006). The concept of risk in this study emerged as a response to the continuous debate on its meaning and the multi-faceted nature of the concept itself (Veltri, 2020). Prior studies (Abraham & Cox, 2007; Ibrahim & Hussainey, 2019; Linsley & Shrives, 2006) have explored risk from different views that have sparked a debate on whether risk covers both the negative and positive outcomes or whether it covers the negative outcomes only. Focusing on the perceptions of both users and preparers, our study explores the definition of corporate risk from those directly affected by it. By adopting Saussure's linguistic concept and following Wittgenstein (2005), we do not only focus on the definition of risk from the perspective of a collective community but we determine the extent to which risk is perceived in the minds of specific groups within the collective community and explaining the potential causes of differing views.

How the definition of risk is constructed is a key objective of this study. The participants in this study play different roles within the risk-reporting community and this is evident in the answers provided. Their definitions of risk are grounded in the practices and procedures specific to each group, which then explains the undefined collective meaning of risk today. Despite the technical aspects of accounting, there are also its social facts as the social environment within which firms operate is essential to its existence. Nevertheless, there is currently no common 'language game' on the concept of risk. It is believed that without any common description, each group (preparer or user) could craft its definition and regulate this definition (Alexander et al., 2018). The absence of a ‘collective meaning’ shows that the social constructions across preparer and user groups are perhaps everchanging, multitudinous, and too diverse to allow any other result.

From our interviews, the definition of risk is not a result of a common view, but rather a large effect of the varying perceptions of different groups who are directly affected by corporate risk. These different groups together conspire to give effect to Saussure’s synchronic perception (Aristar, 1991). This is a view perceived by the collective. We therefore argue that risk cannot be fully understood without incorporating the perceptions drawn from the individual groups from which the concept is developed (Anderson, 2016).

When defining risk, both preparers and users refer to the uncertainties associated with both expected and unexpected events ((ISO) 31000, 2018; IFAC, 1999, p. 6). Their views tend to differ when it comes to the effects and impact of these uncertainties, which could either be a positive or a negative outcome. This is where the conceptual meanings are considered and proper judgments are exercised (Wittgenstein, 2005, Sections 109, 471, 583). We focus on the contexts, the language game, in which the concept of risk plays a role, and the relationships through which it receives its meaning. The distinctions made from the specific groups allowed us to identify relations between the different terms used in the definition of risk that are not perceived by the collective group. User participants often referred to risk as a default or a negative outcome. The regulator refers to uncertainties associated with both expected and unexpected events but highlights the importance of management’s role in being able to control the risk which could then confirm the impact of these uncertainties. The importance of control is made evident in management’s views and their perceptions of risk. According to management and from the findings above, the risk is initially perceived as the uncertainties associated with the occurrence of an event that has the potential to develop into a negative outcome, but there is also the potential for that event to develop into a positive outcome (e.g. competitive advantage, reward). In this instance, risk could be considered as a positive or negative outcome at an initial stage as shown in Table 5 below. It could then lead to a negative effect of the uncertainty which is considered a risk, or a positive effect of the uncertainty which is considered a reward when the outcome is determined. However, this is dependent on whether the uncertainties are associated with expected or unexpected events as it is easier for companies to account for and make provisions for the risks that they are aware of and can control, as opposed to those that are unexpected (R1). The regulator’s perspective on risk, as found in this study, is linked to management’s view, in that, risk is seen as an uncertainty associated with an expected or unexpected event that could potentially lead to a negative outcome. They however do not make mention of the positive impact of the risk and the views drawn were geared towards risk as an unexpected loss. Given this and from the existing literature we argue that at an initial stage when a risk or uncertainty is identified as having the potential to result in a positive or a negative outcome, managers perceive the risk in

Table 5. How is risk defined?

		Outcome			
	Stage Description	Managers	Regulators	Institutional investors	Analysts
Stage 1	Where an uncertainty is being controlled and mitigated	Positive or negative	Negative	Negative	Negative
Stage 2	Where the outcome of an uncertainty is determined	Negative	Negative	Negative	Negative

NB: At stage 2 when the outcome of an uncertainty is positive it is no longer a risk but a reward.

a manner reflective of a modernist view (Linsley & Shrives, 2006; Solomon et al., 2000). We identify this as stage (1) and summarize it in Table 5 below. At a later stage, however, when the outcome of the uncertainty is determined, managers refer to the negative as a risk and the positive as a reward. In this latter stage, risk is therefore perceived in line with the pre-modernist view which is like the views expressed by users. We identify this as stage (2) and summarize it in Table 5 below.

The difference in perception between users and preparers could also be explained using the prudence concept in accounting. Under the prudence concept preparers can only recognize gains when they are certain without making estimations or presumptions. Thus, preparers may not disclose a potential reward and would only disclose a potential loss or risk (ACCA, 2014). The prudence concept allows management to anticipate potential losses and recognize them early, and not to anticipate potential gains. This may explain why users define risk as negative outcomes only, as the disclosures as part of a firm's external reporting will almost always disclose risk given the negative outcomes only. We show that, although preparers speak of the positive outcomes of risk in the interviews, their definition of the different risk types in Table 4 explains only the negative outcomes.

From the findings, institutional investors refer to risk as unexpected losses associated with a deviation from the bank's share price and their investment in the bank's equity. Financial analysts refer to risk as mainly variations or fluctuations in the bank's risk profile, asset holdings, asset quality, liquidity position, and earnings which ultimately affect the bank's share price. Both users refer to the negative outcome associated with risk. Even though, both preparers and users refer to the uncertainties associated with both expected and unexpected events, we see a distinction between the preparers' perspective on risk and the users' perspective on risk when the impact of risk is discussed and when their role and function is considered. In line with Guy (2011), we argue that belonging to a particular group or having a particular social identity shapes a person's language. Furthermore, explaining the meaning of risk amounts to providing different examples of its use (Wittgenstein, 2005, sections 71, 72).

This study therefore underscores the varying perceptions of corporate risk among different stakeholder groups involved in RD as well as similarities. These differences highlight the need for standardized risk definitions and improved dialogue between preparers and users.

From a preparer's perspective, we find that where uncertainty is being controlled and mitigated the risk involved could either have a positive impact or a negative impact and when the outcome of the uncertainty is determined as a positive it is no longer a risk but a reward. Thus, from a preparer's point of view risk is perceived in a manner reflective of a modernist view and constitutes both a positive and negative component. However, at the stage where uncertainty is being controlled and mitigated, we highlight in section 5.2 that users perceive risk in a manner reflective of a pre-modernist view and constitutes the negative component only. We find similarities in perceptions where the outcome of uncertainty is determined and both preparers and users view risk as a negative only as shown in Table 5 above.

Managers could benefit from the findings of this study, as it provides them with an opportunity to put user's views into perspective when preparing financial reports. Managers could also reflect on their disclosures and the degree to which they are meeting user needs. The findings also provide regulators and policymakers an opportunity to evaluate how both user and preparer perspectives of risk may be incorporated into the implementation process of standard setting.

One limitation of the study relates to the number of interviewees who participated in this study. This limitation restricts the degree to which generalizations can be made based on the results and findings from the study. Regarding the research approach chosen for the current study, generalization of other contexts is problematic, since the findings of the case study have inherently been context-specific. Despite these limitations, the potential for a qualitative case study to contribute to the development of knowledge and theory should not be ignored. Moreover, the generalisability of findings as the term is commonly interpreted in quantitative positivist research and it is not a concern in interpretivist qualitative research.

Secondly, there are limitations to analyzing qualitative data associated with how the researcher summarizes lots of pages of data collected from interviews, to arrive at the findings. To this, Collins and Hussey (2014, p. 154) highlight that with interpretivist research, the researcher should seek to collect in-depth and rich data by limiting the scope of their study to key concepts and themes. This will then provide more focus and help reduce the amount of qualitative data analyzed. The researcher uses prior literature as a starting point for identifying the concepts drawn within the broad concept of risk. Finally, future researchers can explore the potential causes for different perceptions of risk of both preparers and users and can extend the target audience to include more participants. Expanding the study sample will help draw more conclusions and get more valid views and conclusions. Future research should explore broader contexts and additional stakeholders to further refine our understanding of corporate risk perceptions.

Statement and Declaration

This manuscript has not been published or presented elsewhere in part or entirety and is not under consideration by another journal. The authors approve the manuscript and agree with submission to your esteemed journal. There are no financial or non-financial interests that are directly or indirectly related to the work submitted for publication. There are no conflicts of interest to declare. Further, the authors did not receive any funding from any institution for this manuscript.

Disclosure Statement

No potential conflict of interest was reported by the author(s).

Notes

[1]This definition is from Bank A's definition for credit risks taken from its annual report (Bank A's annual report, 2018).

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