Beyond Formal Risk Management: Sensemaking in Riskwork

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Beyond Formal Risk Management: Sensemaking in Riskwork

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Aalto University publication series
DOCTORAL THESES 176/2023

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ISSN 1799-4934 (printed)
ISSN 1799-4942 (pdf)

Images: "Beyond Formal Risk Management", Acrylic on canvas,
Thomas Taussi, 2023

Unigrafia Oy
Helsinki 2023

Finland

Financial support was granted by the Marcus Wallenberg Foundation, the Jenny and Antti Wihuri Foundation, the Emil Aaltonen Foundation, the HSE Support Foundation, the Doctoral Program at Aalto BIZ, and the Department of Accounting at Aalto School of Business.
Abstract

This dissertation seeks to improve our understanding of riskwork in organizations by extending the focus from implementational risk management towards more "improvisational" practices. Theoretically, the study employs the sensemaking and sensegiving perspectives which focus on the micro-level processes of constructing shared understanding and joint action. This work consists of an introduction and three essays. They analyze the fine-grained mechanisms and the heterogeneous factors influencing the understanding of risks and riskwork in practice. All three essays are empirical studies, with the first two being single case studies in a financial conglomerate, and the third essay being a field study.

More specifically, the research agenda seeks to contribute to recent emerging streams of literature in accounting and riskwork. The first essay is positioned within the stream of "the communicative turn in riskwork studies". It investigates how the organizational enterprise risk management implementation becomes complemented by "improvisational" riskwork carried out among other organizational functions, beyond the risk function. The second essay is positioned within "the emotional turn in accounting" and riskwork. It seeks to shed light on the complex interrelations between riskwork and (client) emotionality in the context of wealth management. It illuminates how wealth managers sought to make and give sense of the client’s emotionality along the client relationship – to manage risks for the client as well as the wealth management company. The third essay aligns with "the narrative turn in accounting", by analyzing the role of narratives when diverse actors construct the opportunities and risks associated with a novel accounting technology of distributed ledgers, such as blockchain. The study shows how narratives can give credibility to particular opportunity-risk approaches while marginalizing alternative perspectives.

Keywords risk management, riskwork, sensemaking, sensegiving

ISBN (printed) 978-952-64-1489-8
ISBN (pdf) 978-952-64-1490-4
ISSN (printed) 1799-4934
ISSN (pdf) 1799-4942
Location of publisher Helsinki
Location of printing Helsinki
Year 2023
Pages 228

Tekijä
Thomas Taussi

Väitöskirjan nimi
Muodollisen riskienhallinnan yli: merkityksellistäminen riskityössä

Julkaisija
Kauppakorkeakoulu

Yksikkö
Lasketattoimen laitos

Sarja
Aalto University publication series DOCTORAL THESES 176/2023

Tutkimusala
Johdon lasketattoimi

Väitöspäivä
10.11.2023

Kielit
Englanti

Monografia
Artikkeliväitöskirja
Esseeväitöskirja

Tiivistelmä


Avainsanat
riskienhallinta, riskityö, merkityksellistäminen, merkityksen antaminen

ISBN (painettu) 978-952-64-1489-8
ISBN (pdf) 978-952-64-1490-4

ISSN (painettu) 1799-4934
ISSN (pdf) 1799-4942

Julkaisupaikka
Helsinki

Painopaikka
Helsinki

Vuosi
2023

Sivumäärä
228

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Foreword and acknowledgments

This is where I came in

Originally, I ended up pursuing a doctoral degree driven by my curiosity and hunger for knowledge. Several professors and individuals outside academia had encouraged me to seriously consider following the way to academia. At the end of my master's studies, I had a strong impression that, indeed, there would be more to explore with management accounting and management theories. Therefore, pursuing a doctoral degree seemed like the path to follow my interests. Also, a significant source of motivation came from the Department of Accounting itself. During my earlier studies, I had already become familiar with many inspirational scholars in the department. Also, the whole community was friendly and welcoming. I was happy to join in.

But how did I choose to study risk management and riskwork in general? Initially, I did not have a clear nor fixed plan for my dissertation. Instead, I had several preliminary ideas and aspirations that pointed at different directions. I had also been given some freedom and time to have a taste of different literatures in management and accounting. Already, during my master's studies, I was intrigued by the notion of "heterogeneity of capital", the mysteries of uncertainty in economics and organization science. Outside the research field of accounting, renown scholars Nicolai Foss and Peter G. Klein inspired me with their work on “the judgment-based approach to entrepreneurship” – the subjectivity of judgment behind decision-making under uncertainty at different levels of organizing. I was fascinated by their way of further developing the ideas of 20th century economists Frank Knight and Ludwig von Mises, who had made pioneering theorizations of the interrelation between subjectivity and uncertainty in economic coordination. This theme appeared to resonate with several aspects of accounting: corporate governance, management control systems, and the philosophy of quantification.
While I imagined numerous research opportunities, there was also a threat of stretching too far away from accounting. Gradually, my supervisor, Professor Juhani Vaivio, recalled more realism in choosing a suitable topic. Then, I found an interesting research stream of risk management that had recently been emerging in the field of accounting. Particularly, the recent advances in Enterprise Risk Management, the ideal of integrating a consistent risk policy and framework throughout an organizational hierarchy, resembled the judgment-based view. In this regard, the stream of risk management presented both philosophical depth as well as relevance for accounting and management practices. I was motivated to study how the theoretical abstractions and ideals would unfold in real organizational life.

That was in late 2017, before the pandemic, the Russo-Ukrainian war, and other turbulence of today's world. Since then, I have not needed to justify the topic of my choice. The 2020's has been regarded as the decade of risks. Also, the sensemaking perspective as my theoretical lens appears to offer relevant insights in a world defined by increasing complexities, information chaos, pronounced identity issues, and political tensions that penetrate more and more sectors of life. For business and organizational strategies in general, opportunities and risks are two sides of the same coin. In implementing and renewing strategies – which are in the core of modern accounting and management control – organizations face the challenge of binding these two dimensions in more sophisticated, plural, and yet, consistent ways. This is the big picture that has motivated me throughout the years.

For a junior researcher who has always thrived on social interaction and sought networking opportunities, the recent Covid-19 pandemic presented challenges. Lockdowns and social distancing prevented me from participating in conferences and workshops that I greatly needed. They also froze a vibrant working environment for a long time. Nevertheless, I was lucky to have conducted sufficient data gathering for my research early in 2019. Looking back, those extraordinary circumstances compelled me to take more responsibility of my own academic development.

Without the unwavering support of my colleagues, friends, and family, my journey in the academia would have not reached this stage. I have been fortunate to be surrounded by empowering people who deserve to be acknowledged next.
Acknowledgments

First, I want to thank my main supervisor, Professor Juhani Vaivio. You were the main responsible person to get me interested in studying accounting in the first place. As a first-year student in 2011, while taking the Introduction to Accounting course, I was impressed by your inspiring lecture on management accounting. I was convinced that this subject would be my thing. It still is. Later, during my master's studies and having taken your advanced courses, you encouraged me to follow my motivation and pursue a PhD. Under your doctoral supervision, you respected my personality and preferences, allowing me responsibility and independence to develop own style. I highly appreciate it. While your own expertise in management accounting was outside my particular niche of risk management, you guided me to familiarize myself with the sensemaking perspective, which became a foundational theoretical building block for me to study phenomena beyond formal risk management. Moreover, I cherish our countless insightful discussions, often stretching beyond mundane research to cover personal life, culture, history, and society. By sharing your unique wisdom, you ensured that I would eventually gain more than just an academic credential. Your influential character, your ability to make critical remarks, and your way of giving impressive speeches have inspired me to develop as a thinker and teacher as well. Thank you, Juhani, for showing me the way and believing in me all these years.

Second, I want to thank my second supervisor, Professor Jari Huikku. You became familiar to me from management accounting courses before I even joined the PhD program. You made a good impression as a fair person and a scholar with devotion to research and teaching. Witnessing such characteristics supported my decision to pursue a PhD at our department. It has been a pleasure to work with you all these years. I recall our numerous research meetings and frequent conversations at the office. They gave me daily doses of direction and motivation. Your practical knowledge and your way of asking detailed questions about my research have had a significant positive impact on my personal development and my academic output. You constantly encouraged me to push forward. Not only did this happen with our joint research project. I am grateful that you helped me crafting the roadmap for getting all things together for my dissertation and beyond. Whenever Juhani was busy, I could rely on you to help me with more and less acute issues at hand. Jari, thank you for always being there. Thank you for being a wingman, "luottomies" for me and for Juhani.
I want to express my special gratitude to my third thesis supervisor, Professor Vikash Kumar Sinha. You joined our department at the early stage of my journey. Originally, we became colleagues with similar interests in management accounting, risk management, and emerging technologies. Working with a joint research project with you was inspirational and rewarding. Conducting interviews, analyzing data, and brainstorming together with an enthusiastic and diligent person like you showed me the best aspects of scholarly life. I also enjoyed greatly our deep conversations about philosophy, history, and society wherever we were: at lunch, having a coffee, tasting an afterwork beer, or jogging. When you moved to the same Taka-Töölö district in Helsinki, you became a close friend, both literally and figuratively. Particularly, meeting you frequently during the pandemic and social distancing was an intellectual and social lifeline for me. You have not only contributed to my PhD studies, but our friendship has immensely enriched my life and supported my personal growth. It has been a privilege to work and spend free time with you. I am grateful for your endless professional advice regarding research, teaching, and career development. The tacit knowledge that you have shared with me has been invaluable. More importantly, I admire your life wisdom and humble character. Vikash, thank you for being a true mentor for me, and, thank you for being a friend.

I am enormously grateful to my two dissertation pre-examiners Professor Lukas Goretzki from Stockholm School of Economics and Professor Jukka Pellinen from Jyväskylä University School of Business and Economics. It is a privilege that you took the time to go through my manuscript and that you wrote thoughtful comments of each essay and the dissertation as a whole. It is an honor to have you, Lukas, act as the opponent for my thesis defense. Thank you, Lukas and Jukka.

I am also grateful to Professor Teemu Malmi and Professor Seppo Ikäheimo who served as the department heads during my PhD studies. You provided the premises for academic work in a pleasant community. It has also been educational to witness you both tackling different administrative challenges in a constructive and professional manner. You have made my journey much smoother as well. I am thankful that you always listened to me and gave thoughtful comments on my plans. I appreciate how you supported me with my research endeavors, trusted me with different teaching duties, and supported my wide-ranging professional development. By doing all this, you
contributed to my sense that I have a place and that my work has a meaning. Teemu and Seppo, working at your department has been an honor. Thank you.

I also want to thank you, Professor Lasse Niemi, for all your help as our department’s PhD study coordinator. Your guidance about practicalities towards the end of my PhD studies truly streamlined the way. I also appreciate all the valuable tacit knowledge of academic life that you shared with me in one-to-one conversations throughout the years. Your academic devotion and jovial character were a radiating power. Thank you.

I would like to thank former members of my department and other scholars at Aalto who have encouraged me intellectually and who have contributed to a fruitful academic spirit. Thank you, Dr. Antti Miihkinen for your various intriguing questions. Thank you, Professor Terhi Chakhovich for your thoughtful insights throughout the years. Thank you, Professor Henriikki Tikkanen for your uplifting attitude and wide-ranging remarks on my ideas within the field of business studies and beyond. Thank you, Professor Vesa Puttonen for your supportive, analytical, and thought-provoking input during our spontaneous conversations at campus. Thank you all for setting an encouraging example of independent thinking.

I am grateful to several scholars outside my own department who contributed to my research by revising my plans and drafts and sharing their knowledge on my core themes, sensemaking and riskwork, at different stages of my PhD studies. Thank you, Professor Eero Vaara, Professor Anette Mikes, Professor Michelle Carr, and Professor Jan Pfister for your encouraging and reflective support.

I deeply appreciate the financial support I received from the Marcus Wallenberg Foundation, the Jenny and Antti Wihuri Foundation, the Emil Aaltonen Foundation, the HSE Support Foundation, the Doctoral Program at Aalto BIZ, and the Department of Accounting at Aalto School of Business. Without your support this journey would not have been possible. Thank you.

The path to completing this work was significantly enriched and motivated by the invaluable support and vibrant personalities of a diverse network of dedicated faculty members, diligent colleagues, and cherished friends.

Dr. Niko Kivimäki, I am deeply grateful that we became close friends since the very beginning of my PhD studies at the good old Chydenia office. It was always enjoyable to have a coffee break, lunch, or afterwork beer with you and learn from a more experienced colleague with a practitioner background.
Your daily stories, risky humor, and wise words truly contributed to my working motivation. As you finished your PhD soon after the beginning of my own journey and moved far away, I have been delighted to stay in touch with you and chat about life on a daily basis. Thank you for your awesome company, as well as insights, listening, and encouragements throughout the years.

Oskari Saimala, our former department secretary and chief executive of the recreation committee, thank you for helping so smoothly with all administrative practicalities. Moreover, thank you for constantly keeping the spirits up within our community all the way through the pandemic. I cannot stress how strong a motivational effect it had to have spontaneous social activities during the time of social distancing. Back at the office, it was always so nice to have informal and insightful talks with you, and that they easily extended to social afterwork gatherings. When you moved abroad, it has been pleasant to keep up with frequent updates and carefully curated memes. I am lucky to have a friend like you.

Overall, the junior faculty has played a key role in making the department an inviting place to work from my first day. Particularly, during the years of the pandemic, the community-oriented junior faculty contributed essentially to my wellbeing. Thank you, Dr. David Derichs, Dr. Emma-Riikka Myllymäki, Dr. Anila Kiran, and Dr. Arpine Maghakyan for welcoming me from the very beginning with your helpful guidance, sincere fellowship, and down-to-earth attitude. Onwards, also, Kerstin Falk, Tomi Vuolteenaho, Ly Pham, Ali Nickpour, and Meng Guo, thank you for being great and supportive fellow PhD students. Thank you all for sharing your company during coffee breaks, lunches, and occasional afterwork events. Moreover, the late members of the junior faculty who joined towards the end of my PhD studies gave a boost to the spirit. Dr. Bianca Beyer, Dr. Nina Sormunen, and Dr. Ankita Marwaha, thank you for glowing enthusiasm at the office. Perttu Isohanni, Ryoko Yamada, and Elmira Nurbayeva, thank you for being remarkable fresh fellow PhD students and roommates. Outside the department of accounting, I would like to thank Dr. Ven Marella for being an awesome course buddy and a fellow PhD student. To you all mentioned above, it has been pleasant to work with you all. You did not only make my journey more bearable, but enjoyable. Thank you for enriching my everyday life.

During my PhD studies I have had privilege to work with educational tasks and projects with practitioners. In these settings, I have been able to apply my academic knowledge as well as gain practical insights to be brought back to
academia. I constantly witness the value of these experiences in my research and teaching. I want to thank my former business superiors Tero Luoma and Marko Kyrönen. Your support for me throughout the years has been invaluable. You opened doors for me, you gave me valuable insights, and you encouraged me with my academic endeavors. I am also grateful to the nice and bright university students that I have had pleasure to teach throughout the years. Particularly, supervising bachelor's thesis seminars in the field of management accounting has been inspiring, and it has been mutually beneficial regarding my own PhD research. When it comes to executive education, I want to thank Jonni Junkkari, Isabell Junkkari, Mari Tuomisto, Kirsi Gylde, and Petri Lehtivaara for inviting me to share my knowledge among practitioners. You gave me extraordinary opportunities to develop as a lecturer and you increased my motivation to proceed with management accounting and risk research. I also appreciate that I was permitted to participate in the risk group of the Finnish Standards Association with real practitioners of risk work. Thank you, Mikko Valve, Janne Kalli, Lassi Väisänen, Suvi Hirvonen-Ere, Christian Liljeström, and Jan Virtavuori for your thoughtful company within the risk group and for enabling me to learn more about ISO 31 000 Enterprise Risk Management.

There are numerous friends outside the academia who have indirectly contributed to my work throughout the years by bringing my life joy, excitement, and diversity of thought. Each and every individual who recognizes oneself from this description, I am utterly grateful to you. I consider myself lucky to be surrounded by so many reliable and honorable people. I want to address my special gratitude to my old fellow study buddies who have remained my close circle of friends (“Kauppahengentieteellinen seura”) for a decade and definitely for life.

Now, I want to express my heartfelt appreciation to my mom Minna, and my dad Pekka. Your unshakable support for me has been the bedrock of my life. I am deeply grateful that you have always been by my side. You always had time for my concerns. The upstanding, humorous, hard-working, fair, and common sense characteristics in you have given me an irreplaceable role model for life. You have always fed my curiosity and individuality – and encouraged me to go directly my own way. Above all, your belief in me, your love, and your understanding have been the greatest power of all. I dedicate this achievement to you.
Last but not least, Liina, you stepped into my life during the most turbulent, late stage of this journey. I could say that you managed to hop in just in time for the final acceleration of this rollercoaster ride, with certain highs and lows. While the hurdles along the way did not ease towards the end of my PhD studies (rather the opposite), you made me stronger to push through them. I am running out of words in describing my appreciation and gratitude for your support, for listening and considering, for sharing my frustrations, and for enhancing my joys. Your persistence, daily intellectual reflections, humble realism, sympathy, and love are constant sources of inspiration for me.

(Helsinki, October 2023)

Thomas Taussi
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This doctoral dissertation consists of a summarizing introduction and three essays:


**Essay 2**: Taussi, Thomas. Accounting for client emotionality in riskwork. Unpublished manuscript.

**Essay 3**: Taussi, Thomas; Sinha, Vikash K.; Vaivio, Juhani. The role of narratives in making sense of opportunities and risks in distributed ledger technologies. Unpublished manuscript.
Author’s contribution

**Essay 1:** Taussi, Thomas; Huikku, Jari. Revisiting (dis)integration of risk management: sensemaking perspective on riskwork.

Thomas Taussi is the primary author of this manuscript. The research idea was developed by him. He decided upon the theoretical framework and did the literature review. He was responsible for the research design and data collection. He was primarily responsible for analyzing the data, writing the early drafts of the paper, and positioning the study theoretically. Jari Huikku contributed to revisioning the drafts along the way. He gave advice regarding additional literature, terminology, and overall linguistic aspects of the essay. Unpublished manuscript.

**Essay 2:** Taussi, Thomas. Accounting for client emotionality in riskwork.

Thomas Taussi is the sole author of this manuscript.

**Essay 3:** Taussi, Thomas; Sinha, Vikash, K.; Vaivio, Juhani. The role of narratives in making sense of opportunities and risks in distributed ledger technologies.

Thomas Taussi is the primary author of this manuscript. The research idea was developed by him. He decided upon the theoretical framework and was primarily responsible for the literature review in collaboration with Vikash Sinha. Taussi was responsible for the research design and data collection. Sinha participated in data collection. Taussi was primarily responsible of the data analysis in intensive collaboration with Sinha. Taussi wrote the early drafts of the paper. In the final version, Taussi wrote most of the parts. Juhani Vaivio and Vikash Sinha revised the late drafts and contributed to linguistic aspects of the essay. Unpublished manuscript.
PART I:
DISSERTATION OVERVIEW
Introduction

1. Motivation and objectives

It would be difficult to understand modern markets and organizational hierarchies without the element of risk. According to the financial historian and economist Peter L. Bernstein, the mastery of risk is so revolutionary that it defines the boundary between modern times and the past (Bernstein, 1996, p. 1). Earlier, mankind faced the uncertain future as an inevitable fate determined by gods (Spira & Page, 2003). People in pre-modern cultures tried to please gods in their favor through magical rituals (Douglas & Wildavsky, 1982; Lupton, 1999, p. 8). This mentality underestimated and neglected the potential to control one's own future. Gradually, thinkers developed analytical and pragmatic approaches to risk: assessing, measuring, and drawing practical implications upon anticipated events. Accounting for risks in decision-making and in daily activities became essential for human development (Taarup-Esbensen, 2019). For today's modern societies, risk is a significant determinant in resource allocation, division of labor, and other forms of economic and political governance (Markowitz, 1952; 1991; Sharpe, 1966; Beck, 1992; Power, 2004; 2016). In the field of management and accounting, multiple scholars maintain that risk has become an essential logic for organizing, encompassing dimensions of institutional legitimacy as well as power relations (Power et al. 2009; Soin & Collier 2013; Huber & Scheytt, 2013; Hardy et al. 2020).

Scholarly and managerial perspectives on risk management have developed through crises. In the early 2000s, risk management was understood as top-down implementation of standards and bottom-up reporting of risk information (COSO, 2004; Power, 2009). The financial crisis of 2008, followed by the disasters of Deepwater Horizon oil spill and the Fukushima nuclear accident in the early 2010’s, created the urgency to revise and improve our understanding of risk management (Power, 2009; Van der Stede; 2011; Soin &
Collier, 2013). Consequently, in the last decade numerous studies have contributed to the understanding of the subject, from different perspectives (Hardy et al., 2020). Many studies illuminated the differences in risk management implementations and in the contingent factors behind them, such as culture and various risk types (e.g. Mikes, 2009; 2011; Kaplan & Mikes, 2012). Recent scholarly work has expanded this scope beyond formal implementations towards more “improvisational” risk practices (e.g. Power, 2009; 2016). Consequently, more attention was suddenly paid to micro-level practices, risk tools, discourses, and other social aspects, such as emotionality (Hall et al., 2015; Jordan et al., 2013; Repenning et al., 2021). Taken together, these studies suggest that risks interact and are formulated dynamically in socially and organizationally embedded contexts (Arena et al., 2010; 2017; Hayne & Free, 2014). Therefore, risk management appears to be subject to interpretation and politics. Also, the implementation and the “improvisational” forms of risk management do not take place in silos.

The recent disruption of the 2020's, the corona pandemic, the Russian invasion of Ukraine, the energy crisis, inflation, a sudden rise in interest rates, and the slow-down of the globalization and the global economy have shaped a new, historically distinctive landscape for risks. Numerous global and local risk factors interact with each other, affecting organizations and individuals differently. Already after the last financial crisis, Kaplan & Mikes (2012) stated that formal risk management was insufficient for our contemporary context. Current circumstances are making their notion even more relevant. The complexity of today's risk landscape reminds practitioners and scholars of how critical it is to make sense of risks and their implications for organizations – in more sophisticated ways. The current state of the world thus poses a challenge: how to improve our understanding of the dynamics behind explicit, implementational side of risk management, and the implicit, emerging, and tacit dimensions of risks in everyday practices?

This dissertation seeks to improve our understanding of riskwork in organizations by extending the focus from implementational risk management towards more “improvisational” practices (Power, 2016; Taarup-Esbensen, 2019; Tekathen & Dechow, 2020; Hardy et al., 2020). Theoretically, the study employs the sensemaking and sensegiving perspectives (Weick, 1995; Sandberg & Tsoukas, 2015; Gioia et al., 1991) which focus on the micro-level processes of constructing shared understanding and joint action. This approach encompasses many underlying factors: How the social environment, the
organizational structure, calculative tools, vocabulary, professional frameworks, mentalities, narratives, and emotions affect risk-related practices. The sensemaking perspective has been acknowledged as a fruitful, yet underutilized approach in exploring how organizations could better account for implicit and emerging risks (Taarup-Esbensen, 2019).

More specifically, this study’s research agenda seeks to contribute to recent emerging streams of literature in accounting and riskwork. The first essay is positioned within the stream of “the communicative turn in riskwork studies” (Tekathen & Dechow, 2020). It investigates how the organizational enterprise risk management implementation (e.g. COSO, 2004; ISO 31 000, 2009) becomes complemented by “improvisational” riskwork carried out in other organizational functions, beyond the risk function. The second essay, from the same case company is positioned within "the emotional turn in accounting” and riskwork (Repenning et al., 2021). It seeks to shed light on the complex interrelations between riskwork and emotionality – in the context of wealth management. The third essay aligns with "the narrative turn in accounting” (Beattie et al., 2014), by analyzing the role of narratives when diverse actors construct the opportunities and risks associated with a novel accounting technology. All these essays analyze the micro-level processes and the heterogeneous factors influencing the understanding of risks and subsequent actions.
2. Theoretical underpinnings

2.1 From risk management to riskwork

Today, risk management stands for more than the sheer identification and mitigation of risks. The notion of Enterprise Risk Management (ERM) holds the imperative to align organizations with a comprehensive, shared approach to risks (Hayne & Free, 2014; Nocco & Stulz, 2006). This stands in contrast to earlier forms of risk management that tended to face specific risks separately. ERM is an "integrated" framework. It intends to incorporate risk insights and practices into existing strategic management and strategy implementation with the assistance of management control systems. Essentially, ERM instructs us to formulate and implement a consistent "risk appetite" throughout the organization (Bromiley et al., 2015; Hayne & Free, 2014; Nocco & Stulz, 2006; Posch, 2020; Power, 2009). Risk appetite is a managerial concept for explicitly stated organizational preferences for risk-taking in the pursuit of opportunities.

The notion of risk appetite lies at the core of prominent ERM frameworks issued by institutions, such as the Committee of the Sponsoring Organizations of the Treadway Commission (COSO, 2004; 2012) and the International Standardization Organization (ISO 31 000, 2009). These frameworks guide executives to develop a statement for the accepted exposure to harm, operationalizing it by specified "risk tolerances" (COSO, 2012) or "risk levels" (ISO 31 000, 2009). These indicators can be specified by using quantitative and qualitative terms. This unified, "integrated" approach implies that the organization regards some risks as being worthwhile, some as being preventable, and some as being beyond control, requiring contingency plans (Kaplan & Mikes, 2012).

Scholars have expressed skepticism towards managerial ERM instructions, especially towards their simplistic representations of risk appetite (Bromiley et al., 2015; Power, 2009) and their formal, rule-based tendencies (Van der Stede, 2011; Kaplan & Mikes, 2012). Power (2009) criticized ERM guidelines for their emphasis on compliance and the formal top-down orientation which lacked dynamic qualities. He problematized the idea that
organizations could formulate and implement a static, unambiguously defined risk appetite. Accordingly, risk appetite appears as an approximation and a result of dynamic, social processes. Power (2009, p. 849) reminded us that "risk appetite involves values as much as metrics", and "actions of different members of an organisation may reveal different attitudes to risk". Therefore, he called for more attention to the processual nature of risk appetite: “Conceptualising risk appetising as a process might better direct risk management attention to where it has likely been lacking, namely to the multiplicity of interactions which shape operational and ethical boundaries at the level of organisational practice” (Power, 2009, p. 851). In other words, to understand risk appetite, at the core of ERM, it becomes essential to move beyond formal risk management instructions and practices. We should better acknowledge the implicit and socially embedded nature of risk appetite.

The way of defining risks will define how they are approached, in theory as well as in practice. Historically, the concept of risk tends to bear a neutral connotation (Carlsson-Wall et al., 2021). Knight (1921) distinguished risk from uncertainty by referring to risk as measurable in probabilistic terms. Later, calculative methodologies and analytical tools have simplified everyday ambiguities into measurable risks, distancing risk from uncertainty (Hardy et al., 2020; Power, 2004). The concept of risk has, nevertheless, manifold definitions among researchers and practitioners (Bromiley et al., 2017; Hardy et al., 2020). According to Taarup-Esbensen (2019), the early "techno-scientific" perspective regards risks as objectively identifiable causalities between variables. According to this logic, risks would be managed by analyzing probabilities of unfavorable events and drawing managerial implications thereafter. In turn, sociocultural and constructional perspectives acknowledge the incalculable and socially constructed dimensions of risk (e.g. Hilgartner, 1992; Maguire & Hardy, 2013; Taarup-Esbensen, 2019). These approaches acknowledge that management may face disputes over the control and accountability of risks and their origins. Furthermore, the role of beliefs, discourses, and the choices in measuring and validating information become focal issues in managing risks. These views pave the way in drawing more attention to the structural, political, communicational, and emotional aspects of dealing with risks in organizational settings.

In order to recognize the plurality of risk-related practices within and across organizations, beyond formal risk management frameworks and functions, Power (2016) defined an umbrella term "riskwork". It extends the
scope to informal activities, artefacts, and interactions which define how individuals make sense of risks in complex circumstances. Riskwork is closely connected to organizational structures and practices. It is "neither purely implementation nor local improvisation" (Power 2016, p. 18). Nevertheless, this definition directs more attention to the bottom-up approach of riskwork. It seeks to complement the prevalent, rather top-down orientation of ERM frameworks and implementations. Whereas traditional risk management has focused primarily on the technical aspects of risk analysis and management control, riskwork emphasizes the social dimensions of understanding and organizing risks. It focuses more on the broader context and the factors which are interrelated with the associated risks.

The extant body of accounting and management literature has examined riskwork as a structural and political phenomenon – with increasing attention to communicational and emotional dimensions as well (Hardy et al., 2020; Carlsson-Wall et al., 2021). Structural and political approaches have had a strong emphasis on ERM implementations. Several studies have illuminated how the risk management doctrine gains influence and legitimacy within organizations (Millo & MacKenzie, 2009; Gendron et al., 2016; Meidell & Kaarbøe, 2017) and how riskwork may reveal organizational tensions between organizational functions, professionals, and competing logics (Mikes, 2011; Giovannoni et al., 2016; Tekathen & Dechow, 2020). Organizational differences among ERM implementations have been explained by calculative cultures (Mikes, 2009; 2011) and pre-existing organizational dynamics (Arena et al., 2020; 2017). Taken together, these studies have shown that dedicated risk professionals do not only operate within their own specific territories but riskwork extends to neighboring organizational activities and functions.

Recent advances in risk literature have paid more attention to micro-level communicational and emotional aspects. The focus on the communicative dimension has also illuminated the popularity of risk management practices. Instead of reducing uncertainty through accurate metrics and predictions, risk management practices appear useful because of their ability to articulate the absence of certainty and foster coordination (Millo & MacKenzie, 2009; Tekathen & Dechow, 2013). Certain studies representing the "artefactual turn" in risk management (Power, 2016) focus on the role of tools and technologies: these are used in articulating risks among organizational actors (Jordan et al., 2013, 2018; Tekathen & Dechow, 2013; Themsen & Skærbek, 2018). Also, explicit "risk talk" is particularly significant for developing multifaceted risk
management, as opposed to compliance-oriented risk management (Arena et al., 2017; Mikes, 2016; Tekathen & Dechow, 2020). Informal interaction between organizational functions appears ideal for enriching risk insights among organizational actors. However, Arena et al. (2017) and Tekathen & Dechow (2020) underline the fundamental delimiting nature of any riskwork arrangements. Riskwork will inevitably frame our understanding and excludes certain information. Tekathen & Dechow (2020) call for a "communicative turn" in risk research, to shed light on the local factors that shape risk-related practices.

An emerging stream of accounting literature focuses particularly on the emotional dimension of riskwork. The role of emotions has been investigated in two ways, either as a cause or as an effect of risk practices (Repenning et al., 2021; Carlsson-Wall et al., 2021). For instance, studies have found the role of emotional appeals in promoting risk management practices (Mikes 2016). Fearful emotions can enhance the personal experience of risk in business contexts (Guénin-Paracini et al., 2014). Managerial anxiety can influence the conduct of financial management practices (Baxter et al., 2019). Anxiety can also drive compromising financial targets (Carlsson-Wall et al., 2016). Positive emotions can reduce skepticism in assessing decision alternatives and drive excess risk-taking (Kida et al., 2001; Moreno et al., 2002). On the other hand, risk-related accounting practices may also generate or attenuate emotional reactions (Vinnari & Skærbæk, 2014; Taffler et al., 2017). Quantification may simplify ambiguities and reduce the discomfort associated with uncertainties (Taffler et al., 2017). Moreover, studies have illuminated the usefulness of risk-related accounting practices in provoking critical discussion and in inducing necessary discomfort (Jordan et al., 2013, 2018; Tekathen & Dechow, 2013; Themsen & Skærbæk, 2018; Gendron et al., 2021).

Based on a recent literature review on accounting and emotionality, "the emotional turn in accounting", Repenning et al. (2021) identify potential for further research on the subject. They call for the problematization of stylized, economics-based rational choice models of decision-making – where emotions appear as simply irrational and potentially misleading features of human cognition. This prevalent approach that can be found in studies such as Farrell et al. (2014) and Chong & Wang (2019) may not capture the full essence of emotions in accounting and decision-making. Repenning et al. (2021) suggest that managerial imperatives for tackling emotional responses may underestimate complex interdependencies. This view applies essentially to the
context of riskwork. It resembles the notion of "secondary risks" (Power, 2004), where activities to manage risks will generate new risks. Repenning et al. (2021) call for studies that examine the bidirectionality of causalities between accounting practices and emotions. Studies which acknowledge both (1) the impact of emotions on riskwork and (2) the impact of riskwork on emotions remain scarce. A recent study by Gendron et al. (2021) has pioneered this bidirectional approach in the context of riskwork. The authors illuminate how different aspects of riskwork were utilized to induce both positive and negative emotions within an organization, in order to balance the effects of emotionality on riskwork.

An additional, underresearched research avenue in riskwork relates to the role of narratives in identifying, envisioning, and analyzing risks (Power, 2016; Boholm & Corvellec, 2016). Previous literature has shed light on the connectedness of risk constructs with perceived opportunities (Mikes, 2011; Bednarek et al., 2021; Hardy & Maguire, 2016; Taarup-Esbensen, 2019; Bromiley et al., 2015). In accounting research, risk has been studied as a controllable object through organizational, societal, and institutional approaches (Arena et al., 2010; Arena et al., 2017; Mikes, 2009, 2011; Themsen & Skærbæk, 2018; Huber & Scheytt, 2013; Hayne & Free, 2014; Spira & Page, 2003). However, a growing body of literature in accounting has highlighted the role of communicational aspects regarding risks (Hall et al., 2015; Mikes et al., 2013; Tekathen & Dechow, 2020). On the other hand, an emerging stream of organizational literature has focused on the personalized construction and interpretation of risks by individuals (Hardy & Maguire, 2016; Maguire & Hardy, 2013; Bednarek et al., 2021; Taarup-Esbensen, 2019). Deviating from a mechanistic idealization of identifying risks, Boholm & Corvellec (2016) suggest that the process can be fragmented and become influenced by numerous implicit factors. Risks are understood through practical expertise – through intuitive, anecdotal, and socially situated knowledge.

### 2.2 The sensemaking and sensegiving perspectives

This dissertation on riskwork draws on the sensemaking and sensegiving perspectives. In doing so, particular focus will be laid on the communicational, emotional, and narrative aspects. Sensemaking refers to an emergent process where people seek to comprehend novel and ambiguous situations that deviate from the expected course of events (Weick, 1995; Maitlis & Christianson, 2014; Sandberg & Tsoukas, 2015). The sensemaking perspective focuses on the micro-
level processes where individuals attach meanings to experiences and observations. In doing so, actors rely on their retrospective understanding of the world and the information available (Weick et al. 2005). Sensemaking can take place individually or collectively (Brown et al., 2008). Sensemaking is nevertheless intersubjective. Human cognition tends to rely on pre-existing constructions of the world – people interact with social environments (Sandberg & Tsoukas, 2015; Weick, 1995). A particular concept, "sensegiving", refers to intentional attempts to influence the sensemaking of other actors (Gioia & Chittipeddi, 1991; Maitlis & Lawrence, 2007; Sandberg & Tsoukas, 2015). Seminal sensemaking and sensegiving studies have sought to explain dramatic events (Weick, 1993; Stein, 2004; Cornelissen et al., 2014) and risky, strategic changes (Gioia & Chittipeddi, 1991; Corley & Gioia, 2004). Recently, scholars have appealed for more sensemaking studies on less dramatic, everyday business practices (Bednarek et al., 2021; Sandberg & Tsoukas, 2015). In particular, the sensemaking perspective has been suggested as a yet underutilized approach to explore the “implicit” side of riskwork (Taarup-Esbensen, 2019).

Situational cues serve as foundational elements of sensemaking. Cues are extracted, bracketed, and interpreted to construct a plausible account of what has taken place or is potentially occurring (Gioia et al., 1994; Gioia & Chittipeddi, 1991; Sandberg & Tsoukas, 2015; Weick, 1995; Weick et al., 2005). In managerial settings, the extracted cues will guide individuals in evaluating various alternatives to achieve a desired outcome (Weick et al., 2005). Sandberg & Tsoukas (2015) have developed a framework for categorizing the constituents of the sensemaking process. They suggest that sensemaking consists of specific episodes which are triggered by ambiguous events. They occur through specific processes that generate specific outcomes, which are influenced by various situational factors. Sensemaking processes include creation, interpretation, and enactment. Initially, the creation of sense takes place when individuals extract and bracket cues from experienced situations. Consequently, interpretation is a process where the initially created sense is refined into a plausible explanation of the causes and effects of the situation at hand. Finally, people enact the sense that they have made as they interact with their context. Enactment will materialize outcomes of the sensemaking process and it generates new observable cues to be interpreted further. This makes sensemaking a continuous process. Sensemaking can be influenced by numerous situational factors, such
as the environment, language, identity, cognitive frames, emotions, politics, and technology (Sandberg & Tsoukas, 2015; Weick, 1995).

Sensegiving is a related concept. It emphasizes how sensemaking can be influenced intentionally to bring about desired outcomes in mentality and action (Gioia & Chittipeddi, 1991; Maitlis & Lawrence, 2007; Sandberg & Tsoukas, 2015). The factors that influence sensemaking are not necessarily fixed and taken as given. Instead, symbols, images, narratives, and other techniques can be employed in a forward-looking manner to modify the mentality, the visions, the purposes, and the actions of others. Sensegiving may also provoke people to resist efforts aimed at influencing their sensemaking (Sonenshein, 2010). Sensemaking and sensegiving are not only limited to organizational hierarchies: They can extend beyond organizational boundaries and involve external actors (Maitlis & Lawrence, 2007). For instance, Eshraghi & Taffler (2015) utilized a sensemaking perspective to examine how fund managers create plausible narratives to justify their (under)performance to themselves and their clients. Similarly, Bolt & Tregidga (2022) explored the role of storytelling and narratives in sensemaking and sensegiving regarding materiality, in the context of financial and non-financial reporting. It is important to note that sensegiving cannot always be separated from sensemaking, as humans interpret the responses of others and respond accordingly (Sandberg & Tsoukas, 2015).

Sensemaking has been used to move beyond straightforward management idealizations and “rational” descriptions of organized action. Studies within this approach tend to focus on ambiguity and the micro-level sensitivities that emerge from subjective interpretations and social interactions – that are influenced by diverse situational circumstances and cues. As sensemaking is concerned about ambiguity and uncertainty in organized action, this perspective is inherently close to the concerns of risk management. However, the sensemaking perspective illustrates how organizational treatment of uncertainties may take place beyond formal risk management functions and frameworks (Taarup-Esbensen, 2019). For example, the study of Tillmann & Goddard (2008) illustrated the significant role of accounting information and accountants in strategic decision-making under uncertainty: Information was structured and harmonized, bridged and contextualized, as well as compromised and balanced for serving contextual decision-making purposes. Sensemaking studies have found that accounting can both reduce and underline perceived ambiguity. Kraus & Strömsten (2012) found that accounting-centered
sensemaking and incentive systems were significantly driven by the need to reduce risks arising from information ambiguity. By contrast, Goretzki & Messner (2016) emphasized the role of accounting in reducing ambiguity and making residual uncertainties more visible and manageable. Regarding processes around risk information, Bednarek et al. (2021) studied sensemaking behind risk constructs. They found that quantification distanced risk constructs from local causalities but supported the construction of aggregated views.

The extant literature identifies emotions and narratives as essential factors in sensemaking. Recent literature on sensemaking has started to acknowledge how emotions influence sensemaking processes (Maitlis & Sonenshein, 2010; Weick et al, 2005; Maitlis & Christianson, 2014). The literature review of Sandberg & Tsoukas (2015) shows how negative emotions are associated with sensemaking when routine activities or perceived certainty become disrupted. Emotional experiences caused by shock and disruption may drive people towards sensemaking processes (Dougherty & Drumheller, 2006; Harries et al., 2018). Negative emotions such as fear, desperation, anxiety, and panic also tend to constrain cognitive information processing capacity during sensemaking (Maitlis & Sonenshein, 2010; Stein, 2004). This hinders sensemaking efforts by narrowing the ability to notice and extract cues. Sandberg & Tsoukas (2015) discuss "linguistic factors" that influence sensemaking. Recent sensemaking literature emphasizes the role of narratives in organizing individuals’ understanding of the world – by constructing temporal linkages that span both past and future events, as well as by connecting abstract concepts with tangible observations (Whittle et al., 2023; Cornelissen, 2012; Hernes & Obstfeld, 2022). Linguistic factors also include metaphors that can integrate individual experiences with imagination, to guide the plausibilization of interpretations (Cornelissen et al., 2008; Cornelissen, 2012). The potential of metaphorical language has been associated with the linking of novel situations to familiar experiences, expectations, and roles (Cornelissen, 2005; 2012). According to Hill & Levenhagen (1995), metaphors provide a common language and a basis for communication within the organization, in interpreting broad, abstract, and oftentimes novel concepts.

2.3 Synthesis of riskwork and sensemaking

The essays of this dissertation seek to contribute to particular emerging streams of literature in accounting and riskwork: (1) The communicative turn in riskwork studies that focuses on the role of interactions and information
elements that shape perceptions and practices regarding risks (Tekathen & Dechow, 2020), (2) The emotional turn in accounting and riskwork that recognizes the role of emotions in shaping attitudes and perceptions of risks and the effect of risk practices on individual emotionality (Repenning et al., 2021), and (3) The narrative turn in accounting that highlights the potential of narratives in shaping understandings on risk (Beattie et al., 2014).

All these approaches have common characteristics that align them closely with the definition of riskwork (Power, 2016) and the sensemaking and sensegiving perspectives (Weick, 1995; Sandberg & Tsoukas, 2015; Gioia et al., 1991). First, these literature streams recognize that risk is a socially constructed concept. In this regard, individuals do not simply perceive and respond to risks unambiguously but participate actively in constructing and interpreting, as well as in enacting them. These processes are influenced by individuals' personal characteristics, experiences, knowledge, emotions, and the contexts in which they operate. Second, the literature streams above emphasize the significance of communication and language in the process of sensemaking. Third, the literature streams recognize the dynamic, temporal dimension of sensemaking instead of adopting a static view on relevant phenomena. These streams also acknowledge that individual comprehension and subsequent activities may vary over time and shift the course of events.
Several characteristics of the research objectives, theoretical constructs, and the extant literature suggest the adoption of the qualitative research method. As explained in the literature review above, the core construct of risk has manifold definitions (Bromiley, 2017; Bromiley et al., 2015; Hardy et al., 2020). Furthermore, as this dissertation considers riskwork within organizations, a deep-probing investigation is required for understanding the specific meanings behind local risk constructs. Moreover, the concept of riskwork (Power, 2016) refers to the sphere of organizational life where implementational and “improvisational” qualities of risk practices overlap. Therefore, research on this phenomenon requires a method that allows examination of the processes and interconnections regarding riskwork and their context. The sensemaking and sensegiving perspectives (Gioia et al., 1994; Weick, 1995; Weick et al., 2005; Sandberg & Tsoukas, 2015) utilized in all three essays of this dissertation are compatible with the qualitative research tradition due to their focus on social contexts and processes. Considering the domain literature and meta theory together, the choice of the qualitative method continues the tradition of recent research on riskwork (e.g. Jordan et al., 2013; Arena et al. 2017; Tekathen & Dechow, 2020; Bednarek et al., 2021).

The qualitative research process in all three papers was conducted abductively, by following what Dubois & Gadde (2002) suggest as "systematic combining". Earlier, qualitative research has been criticized for the lack of potential in scientific generalization (Yin, 1994) and weak bondage with theory (Easton, 1995, p. 379). That is, conducting soft research may generate ambiguous, context-specific descriptions which lack theoretical focus. On the other hand, the strength of qualitative research lies in its potential to provide “thick explanations” which have the capacity to combine information from both emic (local) and etic (general) spheres, shedding light on causal mechanisms in specific situations (Lukka & Modell, 2010; Dubois & Gadde, 2002). To overcome weaknesses and deploying the strengths of qualitative research, scholars have promoted an abductive approach (Dubois & Gadde, 2002; Pfister
et al., 2021). It combines deductive and inductive features. Systematic combining leans on the inductive tradition of grounded theory in qualitative research (Glaser & Strauss, 1967), seeking to "ground" theory development in systematic collection and analysis of data. Yet, theoretical preconditions will have a guiding role for the research from the very beginning (Strauss & Corbin, 1990; Dubois & Gadde, 2002). Therefore, systematic combining is a non-linear and path-dependent process where the framework and the data collection evolve iteratively. It allows moving back and forth between the theoretical framework, data sources, and analysis in order to match theory and empirical observations (Dubois & Gadde, 2002; Pfister et al., 2021).

3.1 Single case studies (essay 1 & 2)

The first two essays of this dissertation were conducted as a single case study of riskwork inside a case organization. Case studies examine phenomena embedded in their real-life contexts and enable us to understand causal mechanisms in specific situations (Yin, 1984; Vaivio, 2008; Lukka & Modell, 2010). Dubois & Gadde (2002) regard systematic combining as being suitable for single case studies characterized by complex empirical settings with interlinked elements. Also, qualitative research enables us to go beyond functionalist textbook descriptions and consultant instructions – which may overlook complexities and tensions of the social context in organizations (Vaivio, 2008).

The empirical data collection of the two essays took place in a publicly listed Finnish financial sector company, pseudonymized as "Fortuneco" in essay 1 and as "Wealthco" in essay 2. For the two essays, 25 interviews were conducted with 17 key interviewees. For essay 2, two interviews with two subsidiaries were excluded due to the lack of relevance for the research topic. The interviewees include the founding CEO, the vice CEO, a member of the board of directors, the group risk officer, the group compliance officer, several private equity directors, and private bankers from the customer interface. Furthermore, we interviewed a representative of the Financial Supervisory Authority in order to gain corroborating insights on external requirements relevant for risk considerations. To improve access to relevant information, a confidentiality agreement was signed with the company. The practices of anonymization were explained to the interviewees.

The interviews were conducted as semi-structured interviews. This method enabled the construction of an understanding of the relevant issues in
interviewees’ vocabularies, grounded in the empirical context (Rubin & Rubin, 1995; Lukka & Modell, 2010). Semi-structured interviews also allowed for further probing, clarifications, and summarizing of events during the interviews (McKinnon, 1988). In the beginning of the interviews, every interviewee was asked to describe their professional background, their role in the company, and the risk practices of their particular organizational function. They were also asked to reflect about the organizational values and the company’s strategy, and how these were manifest in approaches to opportunities, risks, performance management, and organizational policies. The interviewees were also asked to reflect on what kind of risks they identified in their work and with whom they interacted about risks. The questions also covered formal organizational level risk management practices and policies, and how the interviewees perceived and applied them in their own work. These questions stimulated discussion on different implementational and “improvisational” dimensions of riskwork, including different insights on client emotionality. Riskwork was discussed from different perspectives, ranging from the concerns of the company and the perceptions of their clients. The data analysis of essay 1 utilized evidence that shed light on the sensemaking and cross-functional exchanges of risk information. In turn, the data analysis of essay 2 focused on the role of client emotionality standing behind different risk practices along the client relationship.

To strengthen the reliability and validity of the study, data triangulation was mobilized in different forms classified by Pauwels and Matthyssens (2004). First, various respondents were interviewed about the same topics (synchronic primary data source triangulation). Second, key persons such as the Vice CEO, the group risk officer, and the investment director were interviewed more than once, to gain deeper insights on the research topics (diachronic primary data source triangulation). Third, secondary data sources were combined at different stages of the research. These secondary materials include group level corporate (risk) policies, risk management instructions, compliance documents, risk management plans, department-level planning documentations, presentations and brochures of the assets, several external news about the company, and publicly available financial reports. Not only does this material help in validating facts about the issues raised in the interviews but they are crucial evidence of sensemaking factors as such. They have the potential to contribute to an understanding of the circumstances and cues behind the events discussed during the interviews. Additional potential for triangulation lies in enriching
understanding of the case and discovering new dimensions of the research problem yet unknown to the researcher (Dubois & Gadde, 2002).

3.2 Explorative study (essay 3)

The method of an explorative qualitative field study was adopted for the third essay. The objective of the study was to uncover and comprehend the perspectives on the opportunity-risk-dualism associated with the emerging field of Distributed Ledger Technologies (DLT), including blockchain. Qualitative research is well-suited for examining the research question, as it allows for an in-depth exploration of the perspectives and experiences held by key actors in the field (Corbin & Strauss, 2015). The knowledge and experience of Distributed Ledger Technologies (DLT) were dispersed across a diverse group of prominent individuals involved in various institutions and organizations. Moreover, the businesses and applications of DLT were still in their nascent stages and being experimented with at the time of data collection in 2019. When investigating a relatively unknown phenomenon, or when existing knowledge is limited, explorative qualitative methods are particularly valuable in generating novel insights and enhancing our understanding of the subject (Lillis & Mundy, 2005). DLT had been promoted and advanced largely by a practitioner rhetoric and widely adopted following managerialist frameworks. The field-based approach allowed for an investigation of DLT within a context that was shaped by social and discursive factors. A qualitative explorative study enabled the analysis to go delve deeper, carefully examining and interpreting local "emic" information, gathered from different key informants (Gioia et al., 2013).

The primary data was gathered from 27 semi-structured interviews, totaling around 31 hours, with key actors involved with DLT. The 25 interviewed informants included entrepreneurs, executives, and specialists from consulting and law firms, who had familiarized themselves with DLT in practice. Regulatory officials from the Financial Supervisory Authority and the Central Bank of Finland were also interviewed, as well as six university professors specializing in law, technology, and management. The academic experts provided valuable insights on DLT, and their feedback was used to test and elaborate on preliminary concepts and theoretical conjectures, as well as to seek further validity in the empirical evidence.

The analysis was conducted by using a combination of deductive and inductive approaches in an abductive manner. Following Dubois & Gadde (2002), the method of "systematic combining" was applied. A preliminary
interview guide was generated by first relying on the reading of existing theoretical literature as well as popularized practitioner frameworks. The semi-structured nature of interviews facilitated a profound discussion about personal experiences, reflections, and core viewpoints related to DLT. The questions covered the purpose, the implementation process, and the outcomes of DLT solutions, as well as motivation, opportunities, risks, critical factors, implementation stages, roles, stakeholders, regulation, learning experiences, and measures of success. Moreover, the interviews also probed into specific emerging themes that arose during the discussion. Throughout the data gathering process, relevant literature and empirical evidence were continuously iterated back and forth. Consequently, the focus became adjusted to better match theory with the data. This allowed for sensitivity to new theoretical insights emerging during the fieldwork and focused the data gathering accordingly. Also, various informants and data sources allowed for data triangulation to enhance the reliability and validity of the study (Vaivio, 2008).
4. Paper summaries

4.1 Summary of essay 1

The purpose of this single case study is to investigate how the enterprise risk management implementation (e.g. COSO, 2004; ISO 31 000, 2009) becomes complemented by “improvisational” riskwork carried out in other organizational functions, beyond the risk function. Empirical studies have examined variation in the ways of how risk management implementations unfold in organizations – by paying attention to factors such as the pre-existing calculative cultures, performance management, risk logics, and technical tools (Arena et al., 2010, 2017; Bednarek et al., 2021; Bromiley et al., 2015; Hardy et al., 2020; Mikes, 2009, 2011; Tekathen & Dechow, 2013, 2020). Studies have identified trade-offs of different risk management implementations ranging from standardized and flexible ideals (Arena et al., 2017; Mikes, 2009, 2011, 2016; Tekathen & Dechow, 2020). Standardized risk management tends to lack flexibility for insightful risk considerations, and in turn, flexible risk management may lack transparency and becomes biased by dominant business functions (Arena et al., 2017; Tekathen & Dechow, 2020). These extant findings suggest that any risk management implementation is prone to disintegration: some risk insights will inevitably become ruled out. Recent studies tend to emphasize risk management frameworks and organizational risk management functions, or they focus on specific risk practices. Our objective is to expand the scope of research to local risk-related activities: These complement the formal risk management function and risk management framework.

In examining how risk management implementations become complemented by “improvisational” practices, this study draws on the notion of riskwork (Power, 2016) that describes areas of organizational conduct where the implementational and “improvisational” dimensions of risk practices overlap. For identifying the plurality of riskwork in the organizational setting, the study focuses on the risk-related sensemaking activities in distributed organisational locations. Specifically, this study builds upon the recent studies of Mikes (2016) and Tekathen & Dechow (2020). They address the role of cross-functional
communication on risks. Therefore, cross-functional linkages of the sensemaking activities among business functions are being examined together with the vertical connection to a centralized risk management function and framework. Accordingly, our main research question is: How do the local sensemaking processes explain the integration of risk management among multiple organizational functions? In order to investigate this, we address two sub-questions: (1) How do the risk management function and ERM affect the other organizational functions?, and (2) What types of risk information do other organizational functions handle – beyond the formal risk function and framework?

The empirical examination focuses on the connections among the group level risk management function and two main business functions: asset management and customer interface. The study was based on 25 semi-structured interviews with 17 relevant actors. Other complementary data sources were also utilized, such as publicly available statements and internal documents concerning group level risk policies and business functions. Riskwork was analyzed by focusing particularly on the risk-related activities in asset management and customer interface that received specific risk instructions from the group level risk function. The analysis employs the sensemaking perspective (Weick, 1995; Sandberg & Tsoukas, 2015) which captures the various information elements that shape interpretation, communication, and action. The sensemaking perspective allowed the identification of how the plurality of risk insights were handled within and between organizational locations. Activities in the local business functions were sorted into constituents of sensemaking episodes that had a temporal order (Sandberg & Tsoukas, 2015). This analysis enabled the identification of connections between the business functions and their riskwork. Local sensemaking activities integrated outcomes of earlier sensemaking episodes from other locations.

The study puts forth two contributions. First, the study adds to the discussion on (dis)integration and cross-functionality of risk management (Mikes, 2016; Arena et al., 2017; Tekathen & Dechow, 2020) by accounting for riskwork and the interconnections that lie beyond the formal risk management function and risk frameworks. Earlier studies conceive heterogeneity and interconnectedness of risk information as potential sources of disintegration (Arena et al., 2017; Tekathen & Dechow, 2020). This study uncovered that these rather flexible qualities of the organizational context maintained a plurality of
risk insights and protected them from becoming narrowed down by any dominant risk logic, a problem identified by recent studies. Second, this study illuminates the dynamics between implementational and “improvisational” dimensions of organizing risk. It shows how path-dependent sensemaking served as a backbone that extended and aligned riskwork beyond formal, implementational risk management. The study points at horizontal, cross-functional exchanges of risk information beyond the formal risk management function. This adds a new element to existing studies focusing on the hierarchical flow of information in risk management (e.g. Tekathen & Dechow, 2013).

4.2 Summary of essay 2

The second study concerns emotionality in riskwork. Emotionality in financial decision-making is often viewed as an irrational and potentially harmful feature that needs to be limited (Farrell et al., 2014; Chong & Wang, 2019). However, the practical implications of emotionality may not be straightforward and mechanistic. Emotionality can be expected to take different forms and influence several aspects of financial behavior. This study goes beyond the functionalist view and investigates different forms of emotionality and emotionality’s complex interrelations with riskwork more comprehensively in the context of wealth management. For example, emotionality may be an integral element in risk preferences and in reactions to asset performance. Therefore, the rational conduct of wealth managers to match client risk preferences with financial assets would not only require work with tangible financial fundamentals. Somewhat paradoxically, enhancing rational financial behavior would imply sophisticated work on “irrational” client emotionality. These emotional aspects have gained relatively minor attention in the literature on riskwork (Taffler et al., 2017; Baxter et al., 2019; Carlsson-Wall et al., 2016; 2021). Lately, scholars pointed out that relevant studies still tend to perceive the connections between emotionality and accounting (and riskwork) rather straightforwardly. Certain studies investigate how emotionality affects riskwork (Guénin-Paracini et al., 2014; Mikes 2016; Baxter et al., 2019; Carlsson-Wall et al., 2016). In turn, other studies investigate how riskwork affects emotionality (Vinnari & Skærbæk, 2014; Taffler et al., 2017). According to Repenning et al. (2021), the straightforward approach lacks a more detailed understanding of complex interdependencies and of the challenges that arise from efforts to diminish the effects of emotionality in decision-making.
Responding to the call for more attention towards the complex interdependencies of emotionality and accounting practices (Repenning et al., 2021), this study analyzes riskwork in the organizational context of wealth management. When wealth managers interact with their clients, collect insights of their emotional tendencies, distribute information on specific financial assets, and propose assets that match with the client’s risk preferences, these activities overlap with the implementational and “improvisational” dimensions of riskwork (Vargha, 2016; Power, 2016). To examine the bidirectional causality between riskwork and emotionality, this study employs the sensemaking and sensegiving perspectives (Weick, 1995; Sandberg & Tsoukas, 2015; Gioia et al., 1991). There are two research questions: (1) How do the wealth managers take client emotionality into account in making sense of the client risk preferences?, and (2) How do the wealth managers give sense in their attempts to influence client emotions in investment activities?

In the empirical analysis, the sensemaking and sensegiving perspectives are used to detect different forms and roles of emotionality, in different stages of the client relationship. The primary source of data were 23 sessions of semi-structured interviews with 15 key individuals (28 hours altogether). Other complementary data sources were also relied upon, such as documents of corporate risk policies, basic information questionnaire, and asset-specific brochures and newsletters. The study found that in establishing the client relationship, the wealth managers had an imperative to get to know the client comprehensively, including insights on the client’s emotionality. Instructions for this procedure were grounded in a compliance-mandated questionnaire with a wide-ranging set of questions. The questionnaire served as a backbone for informal discussions where the wealth managers constructed an understanding of the client risk preferences – with a distinctive emotional dimension. These preferences became materialized into a personal investment plan. Consequently, the plan guided further discussions on potential investment decisions with a major emphasis on risks. In doing this, the wealth managers intended to detect and counter some emotional traits that could distort the consistent implementation of the investment plan. Furthermore, when certain asset-specific risks started to materialize, the wealth managers gave sense of the risks and their implications in order to manage client dissatisfaction and anxiety.

This study yields two contributions. Primarily, it adds to the emerging literature on emotionality in accounting and riskwork (Carlsson-Wall et al.,
demonstrating different forms and roles of client emotionality and their bidirectional relations with risk practices (Repenning et al., 2021). The continuous sensemaking and sensegiving efforts by the wealth managers illustrate the complex interrelations of emotionality and riskwork. The empirical analysis shows how the riskwork of wealth managers was shaped by the imperative to account for client emotionality, and how the wealth managers intended to influence the clients’ emotions. Also, the sensemaking and sensegiving perspectives allow the identification of differences in the cues of emotionality. Some forms of emotionality were inseparable constituents of client preferences that were not in conflict with ideals of rationality or consistency. In turn, certain other cues and forms of emotionality were interpreted as indicators of emotional biases that were then met by instances of sensegiving. By constructing a processual view of the client relationship, this study illuminates the complex interrelations of client emotionality in all three temporal modes of riskwork: retrospective, real-time, and prospective (Hardy & Maguire, 2016; Hardy et al., 2020). Secondly, this study contributes to the literature on riskwork (Power, 2016) by illustrating how the sensemaking and sensegiving efforts with the clients were linked to the risk concerns of the parent company. The sensemaking and sensegiving perspectives shed light on the inherent risks of interaction with the clients, making the wealth managers co-producers of risk (Power, 2004; Taarup-Esbensen, 2019). The rather “improvisational” riskwork on client emotionality extended the formal, implementational risk practices.

4.3 Summary of essay 3

The third essay focuses on a central research question: How do actors construct opportunities and risks in their work with a novel distributed ledger technology (DLT)? Interest in DLT has increased due to the emergence of bitcoin and other cryptocurrencies (Iansiti & Lakhani, 2017). DLT encompasses various database technologies, protocols, and governance models that decentralize information storage and control (Rossi et al., 2019; Centobelli et al., 2021). However, perspectives on the opportunities and risks of DLT vary widely among scholars and practitioners (Pflueger et al., 2022; Garanina et al., 2022). Some scholars see DLT as offering opportunities for new governance models, reduced accounting manipulation, new business models, machine-to-machine
interactions, and transparent supply chains (Yermack, 2017; Lumineau et al., 2021; Chong et al., 2019; Chanson et al., 2019; De Filippi, 2017; Kostic & Sedez, 2022). Others caution against the challenges DLT present in technology, governance, and regulation (Andersen & Ingram Bogusz, 2019; Böhme et al., 2015; Seidel, 2018; Tyma et al., 2022). This disagreement has also been observed among practitioners, with entrepreneurs standing as enthusiastic and other actors being more skeptical. Given the contrasting viewpoints on DLT, this explorative investigation focuses on how different key actors construct opportunities and risks in their work with DLT.

Previous literature has explored the dichotomy of opportunities and risks (Mikes, 2011; Bednarek et al., 2021; Hardy & Maguire, 2016; Taarup-Esbensen, 2019; Bromiley et al., 2015). Accounting research has focused on understanding risk as a controllable object, encompassing organizational, societal, and institutional approaches (Arena et al., 2010; Arena et al., 2017; Mikes, 2009, 2011; Themsen & Skarbak, 2018; Huber & Scheytt, 2013; Hayne & Free, 2014; Spira & Page, 2003). However, emerging literature in accounting, specifically the "risk talk" literature (Hall et al., 2015; Mikes et al., 2013), has highlighted the importance of contextualized narratives on risks. In contrast, an emerging stream of organizational literature has focused on how individuals construct and make sense of risks in a personalized manner (Hardy & Maguire, 2016; Maguire & Hardy, 2013; Bednarek et al., 2021; Taarup-Esbensen, 2019).

To explore the characteristics of narratives used by actors in constructing opportunities and risks in their work with DLT, this study deploys the sensemaking perspective (Sandberg & Tsoukas, 2015; Weick, 1995; Cornelissen, 2012; Hernes & Obstfeld, 2022). As sensemaking, both opportunities and risks refer to interpretations of an uncertain future, based on retrospective information and situational cues (Weick, 1988; Weick et al., 2005). By narratives this essay refers to temporally ordered discursive accounts that organize individual’s experiences, observations, and knowledge into coherent and plausible storylines (Whittle et al., 2023; Weick, 2001). These narratives have potential to provide the “plot” that connects the past with the future, and abstract knowledge with tangible observations (Brown et al., 2014; Brown & Humphreys, 2002; Hernes & Obstfeld, 2022). Given the linkages between the past and the future, this study thus paid particular attention to the temporal dimensions of narratives in sensemaking (Brivot et al., 2017; Hardy et al., 2020; Hardy & Maguire, 2016; Maguire & Hardy, 2013) – and more
specifically to whether these narratives reflected more abstract or more localized contexts (Bednarek et al., 2021, Maguire & Hardy, 2013).

This study was conducted as an explorative qualitative field study. The method allows for an in-depth exploration of the perspectives and experiences held by key actors in the field (Corbin & Strauss, 2015). Empirically, this essay relies on 27 semi-structured interviews with entrepreneurs, managers, consultants, and financial regulators – to investigate DLT, a novel and disruptive technology. At the time of the first interviews in 2019, DLT businesses and implementations were still rather emerging and experimental. Knowledge about the technology and its applications was scattered among different key individuals and institutions. Explorative qualitative methods are particularly useful when the research aims to generate new insights and understanding of a relatively unknown phenomenon or when existing knowledge about the phenomenon is limited (Lillis & Mundy, 2005). The study followed the abductive method of "systematic combining" (Dubois & Gadde, 2002) that combines deductive and inductive approaches. The research first relied on existing literature to generate a preliminary interview guide, and then iterated between theory and data to refine our understanding of DLT. Locally grounded 'thick explanations' were identified through careful analysis of local 'emic' information from different informants (Gioia et al., 2013), which enabled the refinement and development of existing theoretical arguments (Lukka & Modell, 2010).

The third essay seeks to contribute to literature in two ways. First, the findings add to the narrative turn in accounting studies (Beattie, 2014), particularly in the field of management accounting. It illuminates how narratives play a crucial role when diverse actors perceive opportunities and risks around a novel accounting technology. The findings uncovered two contrasting emplotments: Localized narratives linked to actors’ immediate concerns whereas more abstract narratives suggested “grand” schemes for shaping our future. The insights among diverse actors associated with DLT centered around two contrasting visions. One is linked to a disruptive “megatrend” – and a transformation of trust from centralized institutions to "trustless" decentralized networks. A second one is linked to a more modest, incremental vision – where DLT merely enhances trust between already existing parties. In line with the sensemaking literature (Boudes & Laroche, 2009; Brown et al., 2012; Sandberg & Tsoukas, 2015; Hernes & Obstfeld, 2022), the observed narratives enabled the actors to simplify and accommodate the
complexities as well as the disturbing contradictions surrounding DLT. This study suggests that these narratives in perceiving the opportunities and risks of DLT were a key medium in understanding whether the actors adopted enthusiast or pragmatist approaches. Second, this essay contributes to the studies in accounting that have focused on narratives as a way of constructing credibility. Extant studies have highlighted the use of narratives in interpreting risks in uncertain managerial situations (Brivot et al., 2017; Themsen & Skærbaek, 2018) and plausibilizing shortcomings of proposed endeavors in a defensive manner (Eshraghi & Taffler, 2015; Gendron et al., 2016). This essay highlights how narratives can give credibility to particular opportunity-risk approaches while disregarding alternative perspectives. The study examines how this tension played out in the context of DLT. Enthusiasts used broad, abstract narratives to prioritize potential benefits and for downplaying immediate risks.
This dissertation has sought to improve our understanding of riskwork in organizations – by shifting the focus from implementational risk management towards more “improvisational” practices (Power, 2016; Taarup-Esbensen, 2019; Tekathen & Dechow, 2020; Hardy et al., 2020). The concept of riskwork calls for attention towards informal activities, interactions, and other information elements which influence how individuals make sense of risks in ambiguous contexts (Power, 2016, p. 4). Therefore, the sensemaking perspective was employed in all three essays (Weick, 1995; Sandberg & Tsoukas, 2015), accompanied by the sensegiving perspective (Gioia et al., 1991) in essay two. This approach allowed for the analysis of micro-level processes and the heterogeneous factors that influenced the understanding of risks and consequent activities. Primarily, the empirical data in two of the essays was based on interviews conducted in a Finnish publicly listed financial conglomerate. The third essay was an explorative field study. It relied on interviews with key individuals associated with the emerging field of distributed ledger technologies (DLT).

The essays of this dissertation seek to contribute to particular emerging streams of recent literature in accounting and riskwork. The first essay, a single-case study on enterprise risk management implementation, is positioned within the communicative turn in riskwork studies (Tekathen & Dechow, 2020). The second essay, also a single-case study from the same empirical context about client emotionality, is positioned within the emotional turn in accounting and riskwork (Repenning et al., 2021). The third essay, an explorative field study on opportunity and risk constructs in DLT, aligns with the narrative turn in accounting (Beattie et al., 2014). All these literature streams recognize that risk is a socially constructed concept. In line with the definition of riskwork (Power, 2016), individuals actively participate in constructing, interpreting, and enacting risks over time. Furthermore, the literature streams above recognize that communication and language play a significant role in the sensemaking processes around risks. Each particular "turn" in accounting and risk literature
guided the focus on particular factors that influenced sensemaking and sensegiving (Weick, 1995; Sandberg & Tsoukas, 2015; Gioia et al., 1991). All three essays highlight the need to move beyond traditional, implementational risk management practices and consider the “improvisational”, more emergent aspects of riskwork.

There are common threads that run through the specific contributions discussed in the essays. They can be aggregated into two overarching themes. First, one common theme for the two single case studies in a financial wealth management group was the interconnectedness of (1) implementational and (2) “improvisational”, more implicit forms of riskwork (Power, 2016, p. 18). This interrelation is a central, yet underresearched element around the concept of riskwork (Power, 2016, p. 18). Both studies sought to illustrate novel, micro-level phenomena that concern riskwork. Essay one shows how path-dependent sensemaking served as a backbone that extended and aligned riskwork beyond formal, implementational risk management. The study highlights how horizontal, cross-functional exchanges of heterogeneous risk information between two organizational functions took place, in addition to the formal risk management function and its instructions. The horizontal dimension thus complements earlier notions of a top-down approach (Power, 2009; 2016) and “inverse hierarchies” (Tekathen & Dechow, 2013) in risk management implementations. Whereas essay one provided an example of cross-functional exchanges of risk information (Arena et al., 2017; Tekathen & Dechow, 2020; Mikes, 2016), essay two focused on interactions and client emotionality at the client interface (e.g. Vargha, 2016). The study reveals how wealth managers sought to identify differences in the cues regarding emotionality. Nevertheless, essay two shows in a similar vein how rather improvisational riskwork on client emotionality extended the formal, implementational, compliance-oriented risk practices. The rather “improvisational” sensemaking and sensegiving efforts around client risk preferences and client emotionality were linked to the risk concerns of the parent company.

While the explorative field study of essay three did not focus on risk management implementations, the narrative approach has potential implications for implicit forms of riskwork (Power, 2016). It shows how narratives have significant potential in influencing sensemaking on opportunities as well as risks. The study shows how narratives can give credibility to particular opportunity-risk approaches while marginalizing alternative perspectives. Therefore, the narrative approach of this study adds to
our understanding of framing in risk management beyond calculative and rhetorical practices, as well as specified financial risk objects (Bednarek et al., 2021; Brivot et al., 2017).

Second, drawing on the theme of (dis)integration in risk management (Arena et al., 2017; Tekathen & Dechow, 2020; Mikes, 2016), the essays provide novel insights on the phenomenon. These extant studies suggest that arrangements of organizational risk management implementations, formal and flexible, are prone to disintegration – something becomes inevitably ruled out. The heterogeneity and the interconnectedness of risk information are seen as potential sources of disintegration, as they lack transparency, structure, and may become biased by dominant organizational functions. However, the case study of essay one suggests that these rather flexible qualities of the organizational context supported the plurality of risk insights – and prevented these from becoming narrowed down by any dominant function or prevailing risk logic. Similarly, essay two illustrates that the everyday work of wealth managers concerned managing client risk preferences and client risks, as well as the risks of the parent company. The sensemaking and sensegiving perspectives shed light on the inherent risks embedded in the interaction with clients, making the wealth managers co-producers of risks for themselves, their clients, and for the parent company (Power, 2004; Taarup-Esbensen, 2019). The emergence of these risks was implicit and beyond the control of purely implementational means. Managing risks purely from rule-based compliance practices could even increase ignorance and thus expose different stakeholders to intangible risks. The sensemaking perspective, focusing on communicational and emotional aspects of riskwork, allows for a more nuanced understanding of (dis)integration in risk management.

The findings in essay three also resonate with the scholarly discussion on (dis)integration (Arena et al., 2017; Tekathen & Dechow, 2020). Particularly, DLT enthusiasts used broad, abstract narratives to prioritize potential benefits and for downplaying immediate risks. Whereas the disintegration study of Tekathen & Dechow (2020) identified how plural risk insights were constrained semantically, this study extends the notion of "semantic narrowing" to a broader, narrative level. Moreover, the enthusiasts envisioned risks (Mikes, 2011) as a by-product of the opportunity narratives. This finding implies that the impact of narratives can be prevalent in organizational risk cultures that embrace more comprehensive instead of a formal and technical, quantitative enthusiasm (Mikes, 2009; 2011). The opportunity-risk-narratives did not only
serve the processes of identification and analysis of risks. They were also used in communicating and justifying approaches to risk-taking, resembling the concept of risk appetizing (Power, 2009). For riskwork, these findings imply that narratives have the power to connect both descriptive and normative tasks regarding risks.

Expanding attention beyond traditional, implementational risk management practices towards the “improvisational”, more implicit aspects of riskwork, is also a valid managerial concern. As the literature review and the empirical studies in this dissertation illustrate, riskwork implies a multitude of trade-offs. Pursuing efficiency and transparency with formal organizational arrangements may stand in conflict with the ideals of flexibility, informal interaction, and plurality of risk insights. Managing the tradeoff requires a cautiousness of contextual nuances. The findings of this dissertation can provide insights for practitioners on how to confront the challenges of riskwork in specific contexts. For example, risk managers might benefit from paying attention to the complementary, horizontal information channels in riskwork, as demonstrated in essay one. Essay two reminds us that managing risks purely from rule-based compliance practices could delimit sensemaking on risks in several ways and thus increase ignorance, exposing several stakeholders to risks. Supported by the sensemaking literature and the specific empirical findings of the third essay in particular, narratives have significant potential in influencing the sensemaking on opportunities and risks. Managers should pay attention to narratives in everyday riskwork, as they can be used to credit or discredit insights and vital information elements in riskwork.

Studies on the “improvisational” side of riskwork could shed more light on the practices that complement implementational riskwork. Particularly, case studies on conflicts around heterogeneous interpretations of risk appetite are still rare. Further studies could also complement the examination of riskwork and emotions in client relationship management. The financial industry provides rich empirical contexts for longitudinal studies involving clients, risks, emotions, and decisions. The client emotionality study of this dissertation could be extended by allocating more emphasis on how the clients experienced particular riskwork in their own words. Combining perspectives from both sides of the table would illuminate the complex interdependencies between riskwork (accounting) and emotionality (Repenning et al., 2021). Furthermore, the sensemaking and sensegiving approaches allow for a more profound appreciation of the dynamic and social nature of narratives. Different
organizational contexts would provide opportunities to study the role of narratives in light of (dis)integration of risk management implementations and riskwork in a broader sense.
References


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This dissertation seeks to improve our understanding of riskwork in organizations by extending the focus from implementational risk management towards more "improvisational" practices. Theoretically, the study employs the sensemaking and sensegiving perspectives which focus on the micro-level processes of constructing shared understanding and joint action. The sensemaking perspective has been acknowledged as a fruitful, yet underutilized approach in exploring how organizations could better account for implicit and emerging risks. This work consists of an introduction and three essays that seek to contribute to recent emerging streams of literature, namely "the communicative turn", "the emotional turn", and "the narrative turn" in accounting and riskwork, respectively. All three essays are empirical studies, with the first two being single case studies in a financial conglomerate, and the third essay being a field study.