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Effects of Organizational Culture on Risk Management Practices and Outcome in Banking Sector in Nigeria

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

This research investigates the relationship between organizational culture and risk management practices and outcome in the Nigerian Banking sector. The research employed a descriptive cross-sectional research approach and collected data through a self-structured digital questionnaire. The data collected from 131 respondents were analyzed using the Statistical Package for Social Sciences (SPSS) version 22.0. The findings indicate that the cultural elements (Leadership, accountability, effective challenge, and compensation) collectively play a substantial role in influencing how Banks manage and navigate risks. Furthermore, effective challenge encourages employee to voice opinion and challenge existing ideas and contribute positively to the effectiveness of risk management. There is also a positive relationship between employee's perception of leadership, accountability, effective challenge and compensation on risk management practices and outcome. In conclusion, the study underscores the pivotal role of effective leadership

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and accountability in fostering a proactive risk management environment, while also emphasizing the positive impact of encouraging diverse perspectives through effective challenge and maintaining fair compensation structures. The robust regression model, explaining a substantial portion of the variance in risk management practices, supports the notion that these organizational culture variables are meaningful indicators of risk management effectiveness.

Keywords: Leadership; accountability; effective challenge; compensation; organizational culture and risk management.

1. INTRODUCTION

The primary objectives of Banks in Nigeria is to achieve sustainable growth and profitability while managing risks effectively. In today's dynamic and uncertain business environment, Banks face an ever-increasing array of risks that can significantly impact their operations, reputation, and overall sustainability. Effective risk management is crucial for Banks to navigate these uncertainties and ensure long-term success. While extensive research has been conducted on risk management practices, there is a growing recognition that the organizational culture within which these practices are implemented plays a pivotal role in shaping their efficacy and ultimate outcomes. This study seeks to explore the intricate relationship between organizational culture, risk management practices, and their resulting impact on the performance and resilience of Banks in Nigeria.

The evolution of risk management practices has been influenced by global economic shifts, technological advancements, and regulatory changes. Banks are no longer merely responding to risks; they are proactively identifying, assessing, and mitigating potential threats. However, despite the advancements in risk management methodologies, Banks continue to experience unforeseen challenges and disruptions, highlighting the need for a more nuanced understanding of the factors that contribute to the success or failure of risk management initiatives. Research shows that while banks have advanced their risk management practices due to global economic shifts and technological changes, unforeseen challenges still occur, necessitating a deeper understanding of the organizational factors that affect risk management outcomes [1].

Organizational culture, defined as the shared values, beliefs, and norms that shape the behavior of individuals within an organization, has been recognized as a critical determinant of organizational performance. Organizational culture is believed to be most important variable in the area of organizational behavior [2]. Recent research suggests that the alignment between organizational culture and risk management practices is essential for the successful implementation and integration of risk management into the fabric of an organization. The culture not only influences how risks are perceived and managed but also affects the level of risk-taking behavior tolerated within the organization. A critical determinant of successful risk management is organizational culture, which encompasses the shared values, beliefs, and norms that shape behavior within an organization [3]. Several studies have emphasized the alignment between organizational culture and risk management practices as essential for seamless integration. For instance, Flam Holtz and Randle [4] categorized organizational culture as an invisible asset, further linking it to enhanced business growth and performance. In the Nigerian context, organizational culture influences not only risk perception but also the level of risk-taking behavior [5].

As Banks become increasingly interconnected and interdependent, understanding the influence of organizational culture on risk management practices becomes imperative. This study aims at analyzing the effect of organizational culture on risk management practices and outcomes in the banking sector in Nigeria by delving into the underlying mechanisms through which organizational culture shapes risk management practices and, in turn, affects the overall success or failure of risk management initiatives. Organizations need to achieve sustainable growth and profitability while managing risks effectively in the banking sector in Nigeria. Organizational culture plays a significant role in both business growth and risk management in the banking sector in Nigeria. A positive organizational culture, characterized by values such as teamwork, open communication, and risk awareness, is associated with more effective

risk management, higher employee engagement, and improved productivity. This can lead to increased revenue, profitability, and market share.

Flam Holtz and Randle [4] categorized organizational culture as an invisible asset. They provided extensive information linking organizational culture and performance with practical examples from various organizations in the United States, Europe, China, but excluding Africa. The research is important because it can help organizations to understand how to create a culture that supports both business growth and risk management in organisations. This can lead to improved organizational performance and long-term success. Furthermore, risk governance has been identified as a key driver of performance in the banking sector. Evidence from the Nigerian banking sector demonstrates that governance structures directly impact the ability of banks to mitigate risks and improve financial performance [6]. As banks in Nigeria become increasingly interconnected and interdependent, understanding the interplay between organizational culture, risk governance, and risk management practices becomes imperative [7]. However, there is a gap on the research on the specific effect of organisational culture on risk management practices and outcomes in the banking sector as none of these research works however indicated in measurable terms, the extent of decline and increase in risks of banks in the banking sector in Nigeria without business culture. Hence, the current research is considered timely. The specific objective was to examine the relational effect of leadership, accountability, effective challenge and compensation on risk management practices in the banking sector.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Hofstede's Cultural Dimensions Theory is a widely recognized framework that helps to understand and analyze cultural differences across various societies. Developed by Dutch social psychologist Geert Hofstede in the 1970s, the theory was born out of a comprehensive study of IBM employees across more than 50 countries. Hofstede's research aimed to explore how cultural values influence behavior, particularly in the workplace. Over time, he identified six key dimensions that capture the core aspects of culture, each reflecting a different way in which societies respond to common human challenges.

The Power Distance Index measures the extent to which less powerful members of a society accept and expect power to be distributed unequally. In cultures with high power distance, hierarchical structures are more pronounced, and subordinates are less likely to challenge authority. Power is often concentrated at the top, and there is a greater acceptance of unequal power distribution. Conversely, in low power distance cultures, there is a preference for equality and participatory decision-making. People in these cultures tend to challenge authority and seek a more equitable distribution of power.

This dimension explores the degree to which individuals are integrated into groups. In individualistic societies, people are expected to look after themselves and their immediate families. Personal achievements and individual rights are emphasized, and ties between individuals are loose. On the other hand, collectivist cultures prioritize the group over the individual. In these societies, individuals are expected to act in the interest of the group, whether it be family, workplace, or community. Loyalty and strong interpersonal relationships are key, and personal goals are often subordinated to group objectives.

The Masculinity vs. Femininity dimension looks at the distribution of roles between genders. Masculine cultures value competitiveness, assertiveness, ambition, and the accumulation of wealth and material possessions. In these societies, traditional gender roles are more clearly defined, with men expected to be strong and dominant and women nurturing and caring. Feminine cultures, in contrast, value cooperation, modesty, caring for others, and quality of life. Gender roles in these societies are more fluid, and there is less emphasis on competitiveness and more on collaboration and care for the community.

The Uncertainty Avoidance Index measures a society's tolerance for ambiguity and uncertainty. Cultures with high uncertainty avoidance tend to have strict rules, regulations, and norms to minimize unpredictability and maintain stability. These societies are uncomfortable with change and are more likely to avoid risks. In contrast, low uncertainty avoidance cultures are more accepting of ambiguity and uncertainty. They

tend to have fewer rules and are more open to change, innovation, and taking risks.

This dimension reflects a society's time horizon and its approach to challenges. Long-term oriented cultures value persistence, perseverance, and thrift. They focus on future rewards and are willing to delay gratification for long-term success. In contrast, short-term oriented cultures are more concerned with immediate outcomes and respect for tradition. They tend to prioritize quick results, face-saving, and maintaining social harmony.

The Indulgence vs. Restraint dimension examines the degree to which societies allow relatively free gratification of basic and natural human desires. Indulgent cultures encourage people to enjoy life, have fun, and express themselves freely. There is a greater focus on leisure, enjoyment, and personal freedom. On the other hand, restrained cultures regulate and suppress gratification of needs, often through strict social norms and rules. In these societies, there is a stronger emphasis on duty, discipline, and the suppression of individual desires.

Hofstede's Cultural Dimensions Theory is widely used in international business, cross-cultural psychology, and communication. It provides a valuable framework for understanding how cultural differences impact organizational behavior, leadership styles, communication, and decision-making. By recognizing these cultural dimensions, managers and leaders can better navigate cross-cultural interactions, reduce misunderstandings, and foster more effective global collaboration. In summary, Hofstede's theory underscores the importance of culture in shaping behavior and attitudes across different societies. It highlights the need for cultural awareness and sensitivity in an increasingly interconnected world, where understanding and respecting cultural differences can be key to success in both personal and professional contexts.

2.2 Conceptual Review

Risk is defined as the permutation of an incident's likelihood and impact [8]. According to the IRM (2002), every activity has the risk of occurrences and outcomes that may present opportunities for gain (upside) or risks to success (downside). As a result, risk is the measurement of the probability or likelihood that something may occur that will have an impact on the goals that have been set for a project or endeavour. The Project Management Body of Knowledge, or PMBOK [9], defines risk as an unforeseeable occurrence or situation that may have a positive or negative impact on the project's goals. In line with the preceding definition, [10] defines risk as the possibility of deviating from the intended direction. Thus, risk can be considered as a variable that can have both positive and negative effects on the outcome of an event.

According to Flesher (1996), the term "risk" derives from the antiquated Italian term "risicare," which means "to dare." According to Adjei [11], the adjectives "chance," "possibility," "danger," "gamble," "hazard," "jeopardy," "peril," "speculation," and "uncertainty" are among those that may be associated with the word "risk." When the word "risk" is used, it typically implies threats with unfavourable outcomes. It alludes to the possibility of unpleasant occurrences occurring as well as being exposed to a threat or risk.

Organizational Culture: An organization's culture defines the proper way to behave within the organization. This culture consists of shared beliefs and values established by leaders and then communicated and reinforced through various methods, ultimately shaping employee perceptions, behaviors and understanding. Organizational culture sets the context for everything an enterprise does. Because industries and situations vary significantly, there is not a one-size-fits-all culture template that meets the needs of all organizations.

Within the examined literature, four factors related to cultural controls are identified, in addition to risk culture. The literature identified offers insights that help us understand the collective impact of management controls on risk culture and individual risk-taking behavior. Furthermore, our focus is on outlining the primary trends identified in this literature, which allows us to expound on the most significant aspects.

According to the literature, in circumstances where there is resistance to change, personnel controls can stabilize a dysfunctional risk culture (e.g., Gendron et al., [12]). Therefore, special attention should be given to these controls when seeking to change risk culture, as they can be directly influenced and, concurrently, directly influence individual behavior, which ultimately impacts risk culture.

Regarding organization culture, four factors have been identified in the literature:

Leadership: Plays a crucial role in shaping the relationship between organizational culture and risk management practices in Nigerian banks (or any banks globally), due to the following reasons such as Setting the Tone, Influence on Policies and Practices, Communication, Training and Development.

Leaders set the tone for a bank's risk culture. Their attitudes and behaviors towards risk management can directly impact the organization's approach to handling risks. Strong leadership that actively emphasizes the importance of robust risk management can help create an organizational culture that prioritizes, respects, and effectively manages risk. Leadership is responsible for defining policies and designing practices related to risk management. These policies then flow down through every level of the organization and form an integral part of the organizational culture. A clear, frequent, and consistent communication can foster a culture where risk management is viewed as a shared responsibility and is strongly embedded in day-to-day operations.

Accountability: Cannot be overemphasized; many researchers emphasize the significance of individual accountability in promoting appropriate risk-taking behaviors Jackson et al. (2015). This means that decision-makers should be held accountable for the consequences of their decisions. When decision makers are accountable for their actions, they are likely to give more careful consideration to those actions' possible consequences. Thus, accountability becomes a useful tool to align staff actions with the bank's risk culture, while a lack of accountability can undermine this alignment. several authors have also identified a lack of clear supervision as a root cause of bank failures and dysfunctional risk cultures Cordery and Parker [13]. Thus, supervision, like accountability or incentive systems, guides employees towards risk-taking behaviors that align with the bank's risk culture. Therefore, the prevailing supervisory processes can be a way through which risk culture influences risk-taking.

Effective challenge: The ability of staff to challenge decisions significantly affects the relationship between organizational culture and risk management practices in Nigerian banks, just as it does in any banking sector Promotes Accountability and Transparency, Encourages Constructive Dialogue, Enhances Decision-Making, Builds a More Resilient Culture and Detects Flaws and Errors. A culture that encourages employees to challenge decisions promotes accountability at all levels, fostering transparency in risk management practices. This openness fosters an environment where potential risks can be identified early and mitigated effectively. In the context of Nigerian banks, or any organization, if the culture promotes transparency, open communication, and encourages employees at all levels to challenge decisions, it may lead to better risk identification and mitigation (Adeyemi and Fajana, 2011). Staff who can question decisions can help identify hidden risks, question assumptions, and propose alternative strategies, thereby enhancing the organization's risk management capabilities [14].

This diversity of viewpoints can enrich the identification of potential risks and the crafting of appropriate mitigation strategies. Organizations that embrace the ability of employees to challenge decisions tend to build a more resilient and adaptable culture. It can be particularly effective in times of change or crisis, where traditional risk management approaches may need to be reassessed and revised promptly. Encouraging staff to challenge decisions can lead to the identification of potential flaws or errors in risk management processes. It creates a form of checks and balances, thereby ensuring the robustness and efficacy of the risk management practices.

Compensation: It has been suggested that the prospect of significant rewards and compensations can encourage risk-taking behavior in banks. Paape and Speklé [15] argue that large performance-based rewards can lead to increased risk-taking if not properly managed. Likewise, Johnson and Tian (2020) assert that compensation structures that encourage higher productivity can also encourage managers to take on higher levels of risk to achieve these productivity targets. Thus, how compensation and rewards are structured can significantly influence the risk-taking behavior in banks, as well as shape the risk culture of the organization. Both in turn, have an impact on the strategic, market, operational and compliance risk management practices in the banking sector, including those in Nigeria.

2.3 Empirical Review

In their study on organizational culture and bank risk, Mustapha, et al. [1] explored how risk

management practices influence organizational performance, with business model innovation acting as a mediator. The study demonstrated that firms that continuously innovate their business models are better equipped to manage risks and enhance their overall performance. The findings support the notion that risk management must be integrated with strategic business decisions to yield optimal outcomes. Oluwaleye, et al. [16] examines into the relationship between risk management practices and the profitability of listed banks in Nigeria. The findings indicated a significant positive relationship between proactive risk management strategies and improved profitability. The study emphasized that risk management is not just a compliance issue but a core driver of profitability in the banking sector. Olaiya, et al. [7] investigated into the impact of risk management techniques on the performance of non-banking financial firms. It revealed that firms employing comprehensive risk management techniques, such as diversification and hedging, experienced improved financial performance. The research underscored the need for tailored risk management strategies based on the specific needs of different financial institutions. Suss et al. [17] used diverse sources of cultural data to estimate bank culture unobtrusively and tested the hypothesis that poor organizational culture leads to more risk outcomes. They found strong evidence to support this claim in the UK. Their evidence is robust to different subsamples and alternative specifications. Barth [18] shed light on the role of corporate culture in hiring CEOs as well as the influence of corporate culture on the risk-taking activities of banks in the US and provides the following interesting insights. First, consistent with Song and Thakor's [19] theoretical model, Barth found that firms use their compensation schemes to attract managers with cultural values like theirs. More precisely, the author established that banks with a competitive focus tend to attract CEOs with 'aggressive' traits or a competitive mindset. Thus, Barth & Kahn [18] concluded that banks use their compensation to attract managers that suit their culture. Second, the study found that the proportion of variable remuneration to total compensation is significantly higher in firms with a strong competition-oriented culture. Next, the study also found that banks with a corporate culture that is focused on competition take higher credit risk, and banks with a large bonus payment to the executives are associated with higher risk outcomes. Bianchi et al. [20] contribute to the limited empirical work on risk culture and bank behavior by developing a sound risk culture to measure risk culture in banks. Then, they used the sound risk culture metric to assess the impact of risk culture on banks' loan portfolio management. The study found that a higher sound culture is associated with better loan portfolio management, i.e., sound culture has a positive impact on bank risk. Their evidence corroborates with Suss et al.'s [17] finding that poor organizational culture results in higher risk-taking behavior. Muñiz et al. (2020) present another 18-item scale to assess risk culture in banks considering the four building blocks according to the financial stability board FSB (tone from the top, accountability, effective communication and challenges, incentives), i.e. they more closely follow regulators' specifications, but also focus on staff's perception. Nguyen et al. [21] investigated the impact of bank culture on stability through the lens of their credit decisions. Their evidence shows that banks with an external focus (create and compete) are willing to give credit to subprime borrowers (high-risk behavior) whereas banks with an internal focus (collaborate and control) are less willing to extend loans to such borrowers. The effect is more pronounced in banks with competing and controlling dominant banks. Muñiz et al. (2020) empirical work also points to the importance of effective communication structures. The conversation surrounding banks' failures caused by excessive risk-taking underscores the negative impacts of impaired communication structures. Such structures are often tied to leadership, another crucial aspect of personnel controls. Though external influences can indirectly impact personal choices, the outcomes of personnel controls, such as personality traits (associated with recruitment), knowledge (related to training), and communication structures (connected to leadership), have a more direct effect on individual behavior. Furthermore, while external factors that influence cultural controls and the formation of a specific risk culture are generally stable and challenging to alter, personnel controls - particularly recruitment and training - can serve as a basis for significant adjustment processes. These controls can be more flexibly changed from within the bank. Abass and Dansu [5] investigated into the risk culture practices of insurance companies in Nigeria and their impact on financial efficiency. The findings revealed that firms with a strong risk culture, where risk management is embedded in everyday practices, tend to achieve higher financial efficiency. The study highlighted the importance of creating a

risk-aware organizational culture to enhance the financial performance of financial institutions. Nwakoby, et al. [3] examined the role of organizational culture in shaping employee performance in Nigerian banks. It found that a positive organizational culture, characterized by teamwork and open communication, significantly improved employee engagement and productivity, which in turn enhanced financial performance. The study concluded that organizational culture is a critical asset in managing risks and driving growth in the banking sector.

Erin, O., et al. [6] investigated into the evidence that risk governance has a significant effect on the performance of banks in Nigeria. The research demonstrated that banks with strong governance frameworks, including well-defined risk oversight mechanisms, were better positioned to mitigate risks and improve financial outcomes. The study concluded that effective governance is a vital component of risk management in the banking industry. In several studies, unique methods and models have been utilized to measure the organizational culture and risk management practices in banks. Barati et al. [22] employed the data envelopment analysis (DEA) approach while Mirsepaci and Farshchi [23] used the hexagonal model for agility in public sectors. Arefnezhad et al. (2020) put forward a model for implementing organizational agility based on the flexibility of a bank's human resources. Meanwhile, Zinkanlou et al. (2022) crafted an organizational resilience model based on organizational agility for branches of Sepah Bank. A. Shajrawi & F. Aburub (2023) examined the impact of enterprise resource planning (ERP) on agility in the Middle East banking sector by testing a new model. In his findings, organizational culture and agility of banks served as a mediating or moderating variable in banks performance. Consistent with the belief stated in the original study that risk management aims not only to diminish or avoid adverse risks but also to optimize the realization of opportunities.

3. METHODOLOGY

This study employed the descriptive survey design. The independent variables in this study are organizational culture and organizational climate the measures for the independent variable include integrity, convention, practice and policies as identified by Ezeh [24] as identified by Ayansanya (2016) the dependent variable is employee turnover and the measures will include organizational commitment and job satisfaction. The Taro Yamane was used to determine the sample size which was calculated to be 156 respondents from a population of 104,500 employees in selected commercial banks in University of Lagos. The study employed the multiple regression to determine relational impact between leadership, accountability, effective challenge and compensation on risk management practices in the banking sector.

4. RESULTS

Table 1 presents the results of a regression analysis examining how the each of the organizational culture variables (Leadership, Accountability, Effective Challenge and Compensation) influences risk management practices and outcomes of banks in Nigeria.

Model Summary: The regression model demonstrates a strong relationship ($R = 0.866$) between the combined organizational culture variables (Leadership, Accountability, Effective Challenge, and Compensation) and Risk Management Practices and Outcomes. The coefficient of determination (R Square) is 0.750, indicating that 75% of the variance in Risk Management Practices and Outcomes can be explained by the independent variables. The adjusted R Square, accounting for the number of predictors, is 0.742.

ANOVA: The ANOVA results indicate that the regression model is statistically significant ($F = 94.470$, $p < 0.001$), suggesting that at least one of the predictors significantly contributes to explaining the variance in Risk Management Practices and Outcomes.

Coefficients: The regression coefficients provide insights into the individual contribution of each organizational culture variable. Leadership ($B = 0.156$, $p = 0.021$), Accountability ($B = 0.260$, $p < 0.001$), Effective Challenge ($B = 0.288$, $p = 0.016$), and Compensation ($B = 0.236$, $p = 0.049$) all have statistically significant positive relationships with Risk Management Practices and Outcomes. The intercept (Constant) has a B value of 0.198 ($p = 0.322$), indicating the estimated mean value of Risk Management Practices and Outcomes when all predictors are zero. The regression analysis suggests that Leadership, Accountability, Effective Challenge, and Compensation collectively have a significant positive impact on the Risk Management

Table 1. Regression Analysis of Organizational culture variables (Leadership, Accountability, Effective Challenge and Compensation) vs. Risk management practices and outcomes of banks in Nigeria

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866[a]	.750	.742	.29927

a. Predictors: (Constant), Compensation, Accountability, Leadership, Effective Challenge

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.844	4	8.461	94.470	.000[b]
	Residual	11.285	126	.090		
	Total	45.129	130			

a. Dependent Variable: Risk Management Practices and Outcomes
b. Predictors: (Constant), Compensation, Accountability, Leadership, Effective Challenge

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.198	.199		.995	.322
	Leadership	.156	.067	.177	2.337	.021
	Accountability	.260	.047	.299	5.524	.000
	Effective Challenge	.288	.118	.287	2.448	.016
	Compensation	.236	.119	.244	1.987	.049

a. Dependent Variable: Risk Management Practices and Outcomes

Practices and Outcomes of banks in Nigeria. This implies that organizations with stronger leadership, accountability mechanisms, effective challenge practices, and fair compensation structures tend to exhibit more robust risk management practices and outcomes.

5. DISCUSSION AND CONCLUSION

The study's findings, based on regression analysis of organizational culture variables (Leadership, Accountability, Effective Challenge, and Compensation) in relation to risk management practices and outcomes in the Nigerian banking sector, reveal several key findings: There exists a strong and statistically significant relationship between the combined organizational culture variables and Risk Management Practices and Outcomes, indicating that these cultural elements collectively play a substantial role in influencing how banks in Nigeria manage and navigate risks. Leadership has a positive and statistically significant effect on Risk Management Practices and Outcomes. Effective leadership, as perceived by respondents, is associated with a more robust approach to risk management in the Nigerian banking sector. Accountability demonstrates a highly significant positive impact on Risk Management Practices and Outcomes. A strong sense of accountability within organizations is linked to more effective risk management practices, emphasizing the importance of individual responsibility and oversight. Effective Challenge is found to have a positive and statistically significant effect on Risk Management Practices and Outcomes. Encouraging employees to voice opinions and challenge existing ideas contributes positively to the effectiveness of risk management in the Nigerian banking sector. Compensation exhibits a positive and statistically significant impact on Risk Management Practices and Outcomes. Fair and transparent compensation structures, reflective of skills and contributions, are associated with more effective risk management practices within the banking sector.

However, the regression analysis reveals a statistically significant positive effect of Leadership on Risk Management Practices and Outcomes in the Nigerian banking sector (B = 0.156, p = 0.021). This indicates that as the level of leadership effectiveness increases, there is a corresponding positive impact on the practices and outcomes associated with risk management. Strong leadership in the banking sector appears to contribute to a more robust and effective approach to handling risks. The outcome of this study is consistent with Bianchi et al. [20], Barth [18], Muñiz et al. (2020) who points to the

importance of effective leadership in risk management practices and outcomes. Leaders set the tone for a bank's risk culture. Their attitudes and behaviors towards risk management can directly impact the organization's approach to handling risks. Strong leadership that actively emphasizes the importance of robust risk management can help create an organizational culture that prioritizes, respects, and effectively manages risk. Leadership is responsible for defining policies and designing practices related to risk management.

The research question two examines into what is the effect of accountability on risk management practices and outcomes in the Nigerian banking sector? The analysis demonstrates a highly significant positive effect of Accountability on Risk Management Practices and Outcomes in the Nigerian banking sector ($B = 0.260$, $p < 0.001$). This suggests that a heightened sense of accountability within organizations positively influences the practices and outcomes related to risk management. Robust accountability mechanisms contribute significantly to the overall effectiveness of risk management practices in the banking sector. The outcome of this study is consistent with Barth [18], Muñiz et al. (2020), Suss et al.'s [17] whose findings show that good organizational culture results in minima risk-taking behavior. Thus, supervision, like accountability or incentive systems, guides employees towards risk-taking behaviors that align with the bank's risk culture. Therefore, the prevailing supervisory processes can be a way through which risk culture influences risk-taking. Thus, accountability becomes a useful tool to align staff actions with the bank's risk culture, while a lack of accountability can undermine this alignment. The research question three examines into the effect of effective challenge on risk management practices and outcomes in the Nigerian banking sector? The results indicate a statistically significant positive effect of Effective Challenge on Risk Management Practices and Outcomes in the Nigerian banking sector ($B = 0.288$, $p = 0.016$). This implies that fostering an environment where employees can voice opinions, challenge decisions, and contribute diverse perspectives positively impacts the effectiveness of risk management practices, leading to more favorable outcomes in the banking sector. The outcome of this study is consistent with Zinkanlou et al. (2022), Muñiz et al. (2020) who posit that organizations that embrace the ability of employees to challenge decisions tend to build a more resilient and adaptable culture. It can be particularly effective in times of change or crisis, where traditional risk management approaches may need to be reassessed and revised promptly. Encouraging staff to challenge decisions can lead to the identification of potential flaws or errors in risk management processes. It creates a form of checks and balances, thereby ensuring the robustness and efficacy of the risk management practices.

The research question four examines into the effect of compensation on risk management practices and outcomes in the Nigerian banking sector? The analysis reveals a statistically significant positive effect of Compensation on Risk Management Practices and Outcomes in the Nigerian banking sector ($B = 0.236$, $p = 0.049$). This suggests that fair and transparent compensation structures, reflective of skills and contributions, are associated with more effective risk management practices and positive outcomes within the banking sector. The outcome of this study is consistent with Mirsepaci and Farshchi [23], Barth [18], Muñiz et al. (2020); of Sepah, Shajrawi and Aburub (2023), Johnson and Tian (2020) assert that compensation structures that encourage higher productivity can also encourage managers to effectively manage risk to achieve these productivity targets.

6. RECOMMENDATIONS

Based on the findings of the research it is therefore recommended that financial institutions should invest in leadership development programs to enhance the effectiveness of top management in communicating the company's vision, setting positive examples, and fostering transparent and open cultures. These programs can cultivate leadership skills that positively impact risk management practices. Organizations should reinforce accountability frameworks by clearly defining roles, responsibilities, and expectations at all levels. Implementing mechanisms to hold individuals accountable for meeting performance expectations and establishing a culture of learning from mistakes can contribute to a more robust risk management environment. Promoting a culture that encourages employees to voice opinions, challenge decisions, and contribute diverse perspectives is crucial. Organizations should create platforms and processes that facilitate effective challenge without fear of reprisal, fostering an environment conducive to

continuous improvement in risk management practices. Financial institutions should regularly review and refine compensation structures to ensure they are fair, transparent, and reflective of employees' skills and contributions. Aligning compensation with performance can serve as a motivating factor, reinforcing a positive connection between financial incentives and risk management outcomes. Organizations should establish a periodic review process for risk management practices, incorporating lessons learned and adapting to changing circumstances. This ensures that risk management strategies remain relevant, effective, and aligned with evolving organizational needs and external factors.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of this manuscript.

CONSENT

As per international standards or university standards, respondents' written consent has been collected and preserved by the author(s).

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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