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Walden University

College of Management and Technology

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Elias Kagumya

has been found to be complete and satisfactory in all respects,
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the review committee have been made.

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Walden University
2019

Abstract

Compensation Strategies That Support Commercial Banks' Effective Risk Management Practices

by

Elias Kagumya

MS, Makerere University, 2006

BS, Makerere University, 1999

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

December 2019

Abstract

Compensation structures with relatively high levels of contingent pay encouraged managers to engage in excessive risk-taking behavior at financial institutions, which contributed to the global financial crisis of 2008. The purpose of this study, guided by the theory of the firm, was to explore compensation strategies that some executives in Uganda used to support effective risk-management practices. This multiple case study was an in-depth inquiry into compensation strategies that encouraged prudent risk-taking behavior. The target population comprised 5 risk-management executives from 5 separate commercial banks who had successfully implemented compensation strategies that supported risk management practices. Data were collected through semistructured interviews and a review of company documents. Data were analyzed using Yin's approach and involved data coding, sorting, filtering, identifying relationships, confirming and linking emerging themes to the research question. Methodological triangulation and member checking were applied to ensure the credibility, validity, accuracy, and transferability of the results. Four themes emerged from data analysis: compensation challenges, financial and nonfinancial compensation, the effectiveness of compensation, and effective implementation of compensation strategies. The findings from the study may contribute to positive social change by driving the adoption of compensation strategies that motivate leaders to focus on the long-term objectives of the firm, including investing in socially responsive projects that improve the welfare of the communities in which the banks operate.

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Dedication

I dedicate this study to my dear wife, Ann Nkwanzi Kagumya, and our lovely children, Aaron Kansiime Kagumya, Edwin Kaganzi Kagumya, Edith Kainembabazi Kagumya, and Elianah Kukundakwe Kagumya. I could never have achieved this dream without your selfless sacrifice and support. I will forever be indebted to you for your love, support, and encouragement. You have always been my source of strength and inspiration. May God richly bless you.

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I thank the almighty God for his protection, favor, abundant grace, mercy, wisdom, and knowledge. Without God, this would never have been possible. To God, be the glory and the honor. I thank my chair, Dr. Jill Murray, and committee members Dr. Janet Booker and Dr. Patsy Kasen for your leadership, guidance, review feedback, and support. Special thanks go to my father, Mr. Jackson Begumisa, for believing in me and daring me always to aim higher. Your wise counsel kept me going. Finally, I would like to thank my siblings, Emma, Andrew, Erick, and Jackie, for all your love and support. It takes an entire clan to raise a doctor. May the almighty God bless you richly.

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Section 1: Foundation of the Study

Background of the Problem

Regulators and market participants in the financial services sector have suggested that poor compensation structures of top managers encouraged excessive managerial risk-taking that caused the financial crisis of 2008 (Cheng, Hong, & Scheinkman, 2015; Tóth, 2016). In response to the financial crisis, regulators passed legislation that aligns executive pay with the interests of debtors, creditors, customers, and shareholders (Guthrie, Kwon, & Sokolowsky, 2015; Trendowski & Rustambekov, 2017; von Ehrlich & Radulescu, 2016). After the financial crisis of 2008, some loss-making banks and beneficiaries of bail-out funds from governments paid bonuses to top managers contrary to risk management guidelines on pay-for-performance (Schenck & Thornton, 2016; Tóth, 2016). Top management compensation in many loss-making banks stayed the same or increased, emphasizing the conflict between compensation, risk, and firm performance (Boodoo, 2018; Eufinger & Gill, 2016). Since 2008, incentive-driven scandals involving product misselling, benchmark rate-rigging, earnings management, and rogue trading underscore the need to implement effective risk management practices in the financial services sector (West, 2016; Witman, 2018; Yasser & Soliman, 2018). In this study, I explored the compensation strategies that executives of financial institutions implement to support effective risk management practices and meet stakeholder expectations.

Problem Statement

Financial regulators maintain that compensation structures with relatively high amounts of contingent pay encouraged managers to engage in excessive risk-taking

behavior at financial institutions, which contributed to the global financial crisis of 2008 (Brink, Hobson, & Stevens, 2017). Ninety-three percent of Standard & Poor 1500 firms surveyed from 2009 to 2013 preferred short-term incentive awards that encourage excessive risk-taking to structures that align with the long-term interests of shareholders (John Harry, Gao, Hwang, & Wu, 2018). The general business problem was that some executives in the banking sector do not implement effective risk management practices for compensation strategies, leading to poor financial performance. The specific business problem was that some commercial banking executives in Uganda lack compensation strategies that support effective risk management practices.

Purpose Statement

The purpose of this qualitative multiple case study was to explore compensation strategies that some executives in Uganda use to support effective risk management practices. The targeted population comprised chief risk officers of five global commercial banks in Uganda with success in implementing compensation strategies that support risk management practices. The findings from this study might contribute to building awareness about compensation strategies that support effective risk management practices in the banking sector in Uganda. Findings from this study might also have positive social benefits including (a) protection of depositors' funds, (b) improving financial inclusion by extending affordable financial services to businesses and individuals, (c) inculcating a good savings and investment culture, and (d) improving the welfare of the communities that the banks serve.

Nature of the Study

Qualitative research enables researchers to focus on the in-depth understanding of human experiences, concerns, concepts, ideas, and meanings regarding a phenomenon (Van den Berg & Struwig, 2017). For this study, I used qualitative research because it allowed me to use open-ended questions and obtain an in-depth understanding of the phenomenon in its natural conditions. In contrast, quantitative researchers seek to identify and isolate measurable variables of a phenomenon to determine relationships, causality, and predictability in controlled conditions (Onen, 2016; Park & Park 2016). The quantitative method of inquiry was not appropriate for this study because I did not seek to identify and isolate variables to establish correlation, relationships, and causality. Researchers use the mixed-methods approach to inquire into a phenomenon by combining elements of qualitative and quantitative research approaches (Venkatesh, Brown, & Sullivan, 2016). The mixed-methods approach was not appropriate for this study because I did not examine relationships among executives' experiences or test hypotheses, which are part of the mixed-methods approach.

The three relevant research designs I considered for this study included the case study, phenomenological, and ethnography. I used the case study research design to conduct an in-depth inquiry into the phenomenon within its real-life setting using different types and sources of evidence simultaneously (Yin, 2018). Using the multiple case study design enables researchers to ensure internal validity and the replication of findings across multiple firms within the same industry (Larrinaga, 2016). I used a multiple case study design to explore the diverse compensation strategies that participants

use to support effective risk management practices. Although the phenomenological approach enables researchers to explore participants' lived experiences, recollections, and interpretations to gain insights into a phenomenon (Yin, 2018), the purpose of the study was not to explore how participants experience the study phenomenon. Further, using ethnographic research enables researchers to explore the culture or social world of a people or ethnic group by observing the group's everyday behaviors (Hoolachan, 2015), which did not fit the examination of compensation strategies that support effective risk management practices.

Research Question

The overarching research question for the study was, "What compensation strategies do some executives in Uganda use to support effective risk management practices?"

Interview Questions

1. What risks, if any, does your organization face from its compensation strategies?

2. What compensation strategies have you implemented to support effective risk management practices?

3. How do you measure the effectiveness of these compensation strategies?

4. What were the key challenges your organization encountered when implementing these compensation strategies?

5. How were the key challenges in implementing these compensation strategies addressed?

6. What additional information would you like to share concerning compensation strategies and effective risk management practices?

Conceptual Framework

Jensen and Meckling (1976) developed the theory of the firm, which suggests that firms incur losses when managers engage in activities contrary to owners' interests. The theory of the firm provides a framework to explore the connection between pay-for-performance incentives and managers' risk-taking behavior (Jensen & Murphy, 1990). Fama (1980) advanced the theory of the firm to contribute to the concept of separation of ownership and control as an efficient form of corporate governance. Additionally, Dewatripont and Tirole (1994) applied the theory of the firm to how optimal financial structures of firms drive compensation strategies for incentivizing managers. For instance, deferred compensation schemes encourage managers to take high risks contrary to owners' and debtholders' interests (Dhole, Manchiraju, & Suk, 2015). Thus, previous researchers have demonstrated that the theory of the firm is a suitable conceptual framework for understanding how compensation strategies shape executives' risk-taking behavior (Bellavitis, Kamuriwo, & Hommel, 2017; Clifford & Lindsey, 2016). I used the theory to explore compensation strategies that support risk management practices by appreciating how incentive schemes can align the conflicting interests of managers, owners, and other stakeholders.

Operational Definitions

Compensation strategy: A compensation strategy is a reward package comprising basic salary bonus or stock awards that organizations use to recognize employee

performance over a period (Bouslah, Linares-Zegarra, M'Zali, & Scholtens, 2017; Ghosh, Rai, Chauhan, Baranwal, & Srivastava, 2016).

Corporate governance: Corporate governance is a set of rules, norms, guidelines, and structures that define the roles, responsibilities, and expectations between the various stakeholders of a firm including managers, owners, and regulators (Anginer, Demirguc-Kunt, Huizinga, & Ma, 2016; Kusi, Gyeke-Dako, Agbloyor, & Darku, 2017).

Enterprise-wide risk management (ERM) frameworks: ERM frameworks are the two main risk management programs, including the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and the International Organization for Standardization (ISO) 31000 standard (Karanja, 2017; Karanja, 2016).

Regulatory guidelines: Regulatory guidelines are a set of laws, rules, regulations, and accounting standards that regulators use to enforce prudent risk management practices in the financial services sector (Financial Institutions Act, 2004; Guthrie et al., 2015; Ozdemir, 2018).

Risk management practices: Risk management practices are a proactive, continuous, and systematic process of identifying, assessing, measuring, and mitigating material events that may prevent the organization from achieving its objectives (Anderson, 2017; Anju & Uma, 2017).

Assumptions, Limitations, and Delimitations

A researcher must discuss the assumptions, any threats to the conceptual framework or conclusions, and any intentional biases and constraints in the study (Neal Kimball & Turner, 2018). In the following subsections, I discuss the assumptions,

limitations, and delimitations in my study as well as the strategies that I employed to minimize the impact on the research findings.

Assumptions

Assumptions are beliefs, perspectives, or unverifiable facts about a phenomenon that have a significant impact on the validity of the research findings (Nkwake & Morrow, 2016). In this study, I assumed that the population size would comprise of participants who had successfully implemented compensation strategies that support effective risk management strategies. I also assumed that the five global commercial banks in Uganda would allow their chief risk officers to participate in the study. Another assumption was that the participants would respond to the interview questions truthfully, honestly, and without bias. I also assumed that the collection and analysis of multiple sources of data was the best approach for data collection for this study. Finally, I assumed that the data would satisfy the validity and reliability requirements of the research findings and conclusions.

Limitations

Limitations are threats to the internal validity of a study including insufficient or imprecise information, bias, inconsistencies, or unknown consistencies that are beyond the control of the researcher (Farooq, 2017). Researchers identify limitations and explain their impact on the research findings to demonstrate rigor and provide direction for future research (Greener, 2018). A limitation of this multiple case study was that the sample size might not represent all commercial banks in Uganda. Another limitation was that

participants might withhold certain information that banks consider competitive and may not respond to the interview questions honestly and truthfully.

Delimitations

Delimitations are biases, constraints, or boundaries that a researcher introduces to limit the scope, making it more manageable to undertake the study (Cassiano & Borges-Andrade, 2017). A delimitation of the study was the restriction of the geographical location to Uganda. I only interviewed participants from five global commercial banks in Uganda that have a good record of adopting leading practices in compensation strategies and risk management. Another delimitation of the study was that only chief risk officers of the commercial banks participated in the study.

Significance of the Study

Regulators and investors in the financial services sector maintain that one of the causes of the global financial crisis of 2008 was excessive risk-taking by managers in pursuit of higher profits and personal gain (Zaring, 2017). The findings from this study might increase awareness and contribute to the adoption of compensation strategies that support effective risk management practices in the banking industry.

Contribution to Business Practice

Financial crises and weak financial systems affect banks through financial losses, regulatory fines, and loss of key staff and customers (Ahmed & Ndayisaba, 2016). Better awareness and adoption of effective compensation strategies might strengthen internal control processes in banks by aligning managers’ and shareholders’ interests (Paletta & Alimehmeti, 2016). Findings from this study might increase awareness regarding

compensation strategies that encourage managers to take prudent risk management decisions and inform the design and implementation of effective compensation regulations and processes in banks. Sustainable reforms in compensation structures by regulators are essential to strengthen the governance and risk management practices in banks (Ali & Teulon, 2017).

Implications for Social Change

Organizations that incorporate corporate social performance targets in executive compensation structures prioritize corporate social responsibility objectives (Maas, 2016). The findings from this study might increase awareness and the adoption of compensation strategies that motivate managers to prioritize corporate social responsibility objectives for the benefit of the communities. These strategies can contribute to strengthening risk management practices in banks. Stable and financially sound banks can benefit society by investing in socially responsive projects in key public services such as health, education, infrastructure, and sports—improving the welfare of the communities in which they operate.

A Review of the Professional and Academic Literature

The purpose of this study was to explore the compensation strategies that some commercial bank executives in Uganda use to support effective risk management practices. For this purpose, I reviewed professional and academic literature to gain an in-depth understanding of the interaction between compensation strategies and effective risk management practices. I used Walden University's library search tools to identify

relevant sources including peer-reviewed journal articles, books, and government websites.

Literature Review Strategy

I used Walden University's library search tools and Google Scholar to access several search engines including Thoreau Discovery Service, Business Source Complete, SAGE Research, and EBSCOhost Methods. The primary search terms included *compensation strategies and financial institutions*, *compensation and financial crisis*, *Remuneration and financial crisis*, *COSO Risk Management*, *ISO 31000 Risk Management*, *Basel Committee on Banking Supervision*, *Effective Risk Management*, and *Lapses in risk management*. The databases that I accessed included ABI/INFORM Global, ABI/INFORM Collection, Academic Search Complete, Business Source Complete, Complementary Index, EBSCO, ProQuest Central, and ScienceDirect. The search yielded 295 articles relevant to this study. Out of the 295 articles, 287 (97.3%) were peer-reviewed in compliance with the 85% rule, whereas 280 articles (94.9%) are within the past 5 years from the date of graduation.

The literature review contains four main categories: (a) conceptual framework, (b) alternative theories, (c) risk management practices, and (d) compensation strategies. The review begins with an analysis of the theory of the firm, which was the conceptual framework of the study. I also discuss alternative theories including the agency theory, stewardship theory, prospect theory, and earnings management theory. A review of risk management practices follows including ERM frameworks, regulatory guidelines, corporate governance practices, and managerial risk-taking behavior. I also explore

compensation strategies that commercial bank executives implement with a focus on the principles underlying compensation, compensation and firm performance, compensation, and managerial risk-taking, and managing compensation risk.

Conceptual Framework

The conceptual framework for this study was the theory of the firm, which was suitable for studying the conflicting interests of stakeholders in a firm and the role of compensation in shaping managerial risk-taking behavior (Bellavitis et al., 2017; Clifford & Lindsey, 2016). Jensen and Meckling (1976) developed the theory of the firm by drawing insights from the theory of agency, the theory of property rights, and the theory of finance. The theory of the firm helps explore why managers in firms with debt and equity holders undertake riskier projects and why highly regulated banks have high debt-equity ratios (Jensen & Meckling, 1976; Kim, Patro, & Pereira, 2016). For a given size of firm, the theory determines the total market value of the firm as (a) inside equity held by the manager, (b) outside equity held by outsiders, and (c) debt in the firm held by managers and outsiders (Fama, 1980; Jensen & Meckling, 1976). The theory suggests that in perfect market conditions, the prices of debt and outside equity will reflect the high agency costs as managers engage in activities contrary to the interests of creditors and shareholders (Guthrie et al., 2015; Jensen & Meckling, 1976). According to the theory of the firm, managers with no controlling interest in the firm make decisions that appeal to their short-term interests, yet creditors and shareholders rely on the contractual agency relationship to protect their rights (Kang & Kim, 2016; Van Bekkum, 2016).

Corporate governance structures that emphasize the separation of ownership from control are effective in protecting the interests of outside stakeholders (Fama, 1980).

Jensen and Murphy (1990) posited that firms could drive managerial long-term risk-taking behavior by implementing a range of compensation strategies including salary, bonuses, stock options, deferred and negative incentive practices. For example, debt-like compensation incentives including pension and deferred payments, motivate managers to reduce risk by aligning the managers' and creditors' reward expectations because they both rely on a promise for payment in the future (Kang & Kim, 2016). Firms that offer debt-like incentives encourage managers to become risk-averse because such incentives are unsecured and subject to a high risk of default when the firm's financial performance is poor (Van Bekkum, 2016). Deferred and negative incentives can help align managers' expectations with the long-term goals of the shareholders (Dhole et al., 2015). It is important for firms to implement effective employee retention policies, as managers would not sacrifice short-term rewards by selecting long-term projects for the benefit of future managers (Koch, Waggoner, & Wall, 2017). Firms can implement incentive schemes to encourage sensible managerial risk-taking behavior (Dewatripont & Tirole, 1994).

Alternative Theories

Agency theorists have complemented the theory of the firm by suggesting that the contractual relationship between the principal and the agent ensures the alignment of the conflicting expectations of all stakeholders of the firm (Cheng et al., 2015; Nguyen, Boateng, & Nguyen, 2017). For instance, commercial banks have several stakeholders

with conflicting objectives, and pay-for-performance incentives might influence managers' to focus on increasing their wealth to the detriment of owners, creditors, and the public (Jensen & Murphy, 1990). The stewardship theory, prospect theory, and earnings management theory augment the theory of the firm in exploring how firms could use compensation strategies to align the goals of managers, creditors and debtors with the long-term objectives of shareholders (Crocker & Slemrod, 2008; Le Breton-Miller & Miller, 2018; Tversky & Kahneman, 1992).

Agency theory. Agency theory supplements the theory of the firm by suggesting that when a firm's organizational structure comprises managers who are not owners, managers do not always work in the best interest of the shareholders (Nguyen et al., 2017). Agency theory stems from the works of Adam Smith of 1776 to inform subsequent theorists including Ross (1973), who argued that poor incentives fueled the agency problem, and Mitnick (1975), who considered poor institutional structures the source of agency risk. Ross observed that an agency relationship exists when managers act as agents on behalf of owners to manage and deliver an acceptable return to the shareholders in exchange for a reward. The misalignment of interests arises when owners entrust their capital with managers in expectation of satisfactory returns, but the managers prioritize their interests (Panda & Leepsa, 2017). Agency theorists argue that economic rationality, self-interest, and moral hazard are the key causes of managers' self-seeking behavior (Evans & Tourish, 2016). Organizational leaders can mitigate the agency problem by designing compensation structures that align with the managers'

ethical values to encourage prudent managerial risk-taking behavior (Chng & Wang, 2016).

A key limitation of agency theory is that managerial opportunism is not the only cause of the agency problem (Francoeur, Melis, Gaia, & Aresu, 2015). Agency theorists have assumed that economic self-interest is the sole influence of managerial risk-taking behavior, which does not consider intrinsic factors including self-actualization, recognition, and growth (Evans & Tourish, 2016). The contractual agency relationship emphasizes extrinsic motivation, fosters suspicion, and merits individual effort at the expense of team success (Eisenhardt, 1988). Thus, the agency contract does not address the agency problem due to other challenges including information asymmetry, economic rationality, fraud, and transaction costs (Panda & Leepsa, 2017).

Regardless of limitations with agency theory, the theory of the firm and the agency theory help advocate for the implementation of compensation strategies that meet the intrinsic goals of managers (Kang & Kim, 2016). Managers with intrinsic goals, such as caring for the environment, prioritize intrinsic rewards ahead of monetary gain (Francoeur et al., 2015). Subsequent agency theorists have advocated for the implementation of compensation strategies that motivate managers to increase the firm's performance in a manner that maximizes both shareholder and manager wealth (Nguyen et al., 2017; Panda & Leepsa, 2017). In situations of uncertainty, firms need to implement pay-for-performance structures that protect the principal's interests as well as motivate managers to take the appropriate risk (Ross, 1973).

The agency theory sets the foundation for effective objective setting, performance measurement, and reward systems in firms to ensure the long-term alignment of interests between owners, creditors, and managers (Evans & Tourish, 2016). Firms that implement effective corporate governance structures with a clear separation of roles between ownership and management are more likely to satisfy all stakeholders' interests (Meyer & Rowan, 1977). The effective implementation of corporate governance structures, board oversight, and assurance are key tenets in addressing the agency problem (Mitnick, 1975). Agency theory anchors the theory of the firm as a useful framework for exploring the causes of the agency problem and the role of compensation strategies in aligning the interests of the firm's various stakeholders (Jensen & Meckling, 1976; Ross, 1973).

The stewardship theory. The stewardship theory is an alternative option to the theory of the firm in exploring the drivers of managerial risk-taking behavior (Francoeur et al., 2015). The stewardship theory maintains that firms can implement strategies that drive an acceptable level of trust, discipline, and risk preference of their managers (Le Breton-Miller & Miller, 2018). Agency theorists assume that individual goals motivate managers' risk preferences in an agency relationship, but stewardship theorists argue that managers are stewards who protect the interests of the owners (Davis, Schoorman, & Donaldson, 1997). According to stewardship theory, stewards seek higher profits, dividends, and share prices for shareholders, which means the stewards ultimately receive higher compensation as a reward for good performance (Davis et al., 1997; Ivanova, 2016). Thus, there is a strong positive relationship between the success of the organization and that of the stakeholders because protecting the owners' interests through

better firm performance maximizes a steward's compensation package (Davis et al., 1997; Kota, 2018). Further, stewardship theorists emphasize the importance of intangible factors such as success, association, and self-actualization (Davis et al., 1997; Le Breton-Miller & Miller, 2018). Stewards willingly subjugate their interests to protect the long-term welfare of other stakeholders (Ivanova, 2016; Kota, 2018).

The stewardship theory advances the agency theory in proposing that when managers focus on achieving entity-wide objectives ahead of self-interests, firms begin to find solutions to the agency problem sustainably (Francoeur et al., 2015). According to the agency theory, directors are self-seekers without regard for the interests of the other stakeholders in the absence of accountability (Bacq & Eddleston, 2016; Keay, 2016), whereas stewardship theorists note that when directors are accountable, they execute their roles with honesty, trustworthiness, and professionalism in pursuit of entity-wide objectives (Ivanova, 2016; Keay, 2016; Kota, 2018). According to the stewardship theory, firms need to focus on good governance and accountability as well as implement compensation strategies that appeal to the directors' sense of responsibility in embracing entity-wide values (Bacq & Eddleston, 2016; Keay, 2016; Mitnick, 1975). Thus, firms need to implement effective risk management practices that foster accountability and transparency and implement appropriate compensation strategies to mitigate agency risk (Bellavitis et al., 2017; Clifford & Lindsey, 2016; Nguyen et al., 2017). For example, performance incentives that encourage an entity-centered culture help firms to improve financial performance ahead of strategies that appeal to an employee-centered culture (Bacq & Eddleston, 2016; Kota, 2018).

According to the stewardship theory, effective governance practices promote a culture of transparency in financial reporting protecting the interests of prospective investors and creditors (Kota, 2018). Conflicts of interest are a signal to investors for lack of accountability, ineffective risk oversight, and poor risk management practices (Ivanova, 2016). The principles underlying the stewardship theory including devotion to entity goals, honesty, trustworthiness, and professionalism by the managers significantly reduce agency costs and appeal to investors (Le Breton-Miller & Miller, 2018). The stewardship theory also emphasizes discipline, trust, professionalism, loyalty, good governance, prudent risk management, and accountability in driving managerial risk-taking behavior beyond compensation (Keay, 2016; Mitnick, 1975).

The stewardship theory and the agency theory both emphasize the role of effective risk management practices, corporate governance, and compensation strategies in aligning the conflicting objectives of a firm’s stakeholders (Le Breton-Miller & Miller, 2018; Panda & Leepsa, 2017). However, agency theorists suggest the limitations of the stewardship theory in explaining managers’ behavior, noting that managers are human, unpredictable, and are likely to act selfishly (Keay, 2016). But, for example, high levels of trust reduce agency costs in family-owned firms if the owners implement effective corporate governance structures (Le Breton-Miller & Miller, 2018). Founder-run firms and social enterprises exhibit lower agency costs by adopting the stewardship principles and could benefit more by implementing effective governance and risk management practices (Bacq & Eddleston, 2016; Le Breton-Miller & Miller, 2018). Further, both the stewardship and agency theories emphasize the role of personal characteristics such as

values, honesty, sacrifice in addition to the implementation of effective compensation strategies in managing agency risk (Kota, 2018; Le Breton-Miller & Miller, 2018). Thus, the stewardship theory complements the agency theory and provides an alternative framework to the theory of the firm in exploring the principles that may motivate managers to focus on entity-wide objectives ahead of self-interests (Davis et al., 1997; Jensen & Meckling, 1976; Ross, 1973).

The prospect theory. The main principle underlying the prospect theory is an emphasis on change in wealth rather than absolute levels in wealth driving stakeholder behavior in the firm (Barberis, Huang, & Santos, 1999). Under the prospect theory, managers take risks by considering the acts, contingencies, and outcomes that are relevant to the decision (Tversky & Kahneman, 1992). The prospect theory departs from agency theory and stewardship theory by proposing that managers who are more risk-averse for high-probability gains are less risk-seeking for gains of low probability (Barberis et al., 1999). The theory emphasizes the role of loss aversion in defining managerial risk-taking behavior by noting that the possibility of a reduction in the manager's wealth is likely to attract the manager's attention more than an increase (Tversky & Kahneman, 1992).

The prospect theory complements the theory of the firm in acknowledging that monetary incentives may drive better performance with no significant impact on the managers' level of sacrifice, dedication, honesty, and professionalism (Tversky & Kahneman, 1992). Prospect theorists also agree with agency theorists that investors derive utility from the increase in the value of their wealth as the agent's risk-taking

behavior increases (Barberis et al., 1999). The prospect theory as a descriptive model complements the theory of the firm in explaining the violations of the rational utility function and by exploring the key drivers of a manager's risk-taking behavior (Pogach, 2018; Tversky & Kahneman, 1992).

The earnings management theory. Earnings management theorists have drawn insights from other behavioral theories to explain why managers engage in earnings management (Francoeur et al., 2015; Jiraporn, Miller, Yoon, & Kim, 2006). The earnings management theory departs from the agency theory by noting that compensation structures that rely on reported earnings cannot incentivize managers to improve earnings as well as report financial performance honestly (Jiraporn et al., 2006; Keay, 2016). According to the earnings management theory, an optimal compensation contract reflects a tradeoff between incentivizing managers to maximize firm earnings and discouraging managers from falsifying financial statements (Crocker & Slemrod, 2008). A degree of earnings management is a necessary part of a pay-for-performance compensation structure to align the incentives of managers with the interests of owners (Evans & Tourish, 2016). Managers can engage in earnings management to convey private information and enhance information content relevant in strengthening earnings, which increases stockholder-value (Jiraporn et al., 2006). Additionally, where agency costs are high, earnings management is unsustainable because managers work to enhance their private wealth (Crocker & Slemrod, 2008; Panda & Leepsa, 2017). Both agency and earnings management theories discourage the opportunistic use of earnings management in cases where a misalignment of incentives motivates managers to take advantage of the

flexibility in the accounting rules distort reported earnings for personal gain (Jiraporn et al., 2006; Nguyen et al., 2017).

Risk Management Practices

In this subsection, I explore leading risk management practices in the financial services sector including ERM frameworks, regulatory guidelines, corporate governance practices, and managerial risk-taking behavior.

Enterprise-wide risk management frameworks. Ogutu, Bennett, and Olawoyin (2018) highlighted the two main approaches to risk management including traditional risk management and ERM. Traditional risk management focuses on risks that could result in losses while ERM considers all potential risks across the entity including non-financial risks. Firms adopting traditional risk management manage risks using a decentralized approach ignoring the value in the relationship between various risks across distinct functions (Ahmed & Ndayisaba, 2016). The two main ERM frameworks that firms adopt in implementing effective risk management practices include the COSO framework and the ISO 31000 standard (Karanja, 2017; Karanja, 2016). The two frameworks address challenges in the traditional risk management approach and serve as a reference guide for firms seeking to meet their strategic objectives while implementing effective risk management practices and complying with regulatory requirements (Karanja, 2016).

The COSO framework, initially published in 2004 and revised in 2017, comprises of five components including (a) governance and culture, (b) strategy and objective-setting, (c) performance, (d) review and revision, and (e) information (COSO, 2017). The framework underscores the need for firms to align strategy formulation and

implementation with the implementation of effective risk management practices. Callahan and Soileau (2017) noted that the implementation of the COSO framework enables firms to integrate risk management practices across the entity and to mitigate excessive risk-taking by managers. The COSO framework helps firms to manage potential crises while taking advantage of opportunities by aligning risk management processes with performance management (COSO, 2017). The ISO 31000 standard, originally published in 2009 and revised in 2018, aims at standardizing the strategic and operational risk management practices of firms enabling them to implement effective risk management practices (ISO, 2018). Sitnikov, Bocean, Berceanu, and Pirvu (2017) posited that the ISO 31000:2017 standard underscores the role of top management in implementing the necessary governance structures, processes, and internal controls to mitigate excessive managerial risk-taking behavior.

The ISO 31000:2017 standard provides high-level guidance on the identification, measurement, control, and reporting of a firms' risks (ISO, 2018). The ISO 31000: 2017 standard provides the foundation for implementing the concept of risk-based thinking, which is the focus of the ISO 9001: 2015 standard (ISO, 2018; Sitnikov et al., 2017). Firms that adopt the risk-based thinking approach under ISO 9001:2015 empower managers to make rational risk management decisions in the interest of the investors (Sitnikov et al., 2017).

Firms that adopt leading risk management practices such as COSO, ISO 31000:2017 standard, and the ISO 9001: 2015 standard manage their risks effectively as well as exploit opportunities to achieve positive outcomes for the shareholders (Karanja,

2017; Karanja, 2016). Callahan and Soileau (2017) noted that firms with a mature ERM culture record higher earnings, return on assets, return on equity than their industry peers to the benefit of all the stakeholders. Oluwagbemiga, Isaiah, and Esiemogie (2016) posited that ERM practices including risk limits, risk appetite, and risk strategy business leaders, restrain excessive managerial risk-taking behavior resulting in positive financial performance. ERM frameworks enhance traditional risk management practices by providing firms with an opportunity to manage both financial and non-financial risks (Ogutu et al., 2018). Firms that adopt ERM frameworks focus on increasing long-term shareholder value by complying with legal and regulatory requirements as the foundation for effective risk management (Dabari & Saidin, 2016). Liff and Wahlstrom (2017) argued that ERM frameworks complement regulatory supervision processes in avoiding bank failures and maintaining stability in the financial sector. ERM frameworks assure investors, creditors, and customers, which reduces the cost of capital as well as earnings and price stock volatility (Ogutu et al., 2018).

Karanja (2016) cautioned that firms with poor ERM practices could not effectively identify and manage entity-wide risks leading to poor performance and regulatory sanction. Ciocîrlan (2017) observed that the three lines of defense model, which is a key tenet of ERM frameworks, failed to support firms in managing their risks during the financial crisis of 2008 due to inept implementation. Liff and Wahlstrom (2017) indicated that the ineffective implementation of ERM frameworks encouraged excessive risk-taking resulting in bank failures for banks with risk management practices certified by regulatory bodies. Executives responsible for implementing ERM

frameworks need to justify the high cost of managing risk by articulating the value of implementing effective risk management practices (ISO, 2018). The ISO 31000: 2017 standard notes that as risk management practices evolve firms need to align assurance activities including risk management, compliance, and governance, with optimizing the cost of implementing risk management practices.

Effective implementation of ERM frameworks requires firms to adopt the balanced scorecard tool to track their performance against the approved risk appetite as well as appoint a chief risk officer responsible for implementing the firm's framework (Karanja, 2017; Karanja, E, 2016). Ahmed and Ndayisaba (2016) posited that the key features of an effective ERM framework include a mature risk culture, voluntary compliance, transparency in sharing risk information, competent staff, and top management support for risk matters. In the absence of top management commitment to provide adequate financial resources, the ERM program is bound to fail (Dabari & Saidin, 2016). Ogutu et al. (2018) indicated that the main component of successful ERM frameworks is risk governance because it defines responsibilities, authority, accountability, rules, and procedures for making risk management decisions in a firm. In implementing ERM frameworks, firms need to adopt compensation strategies that foster accountability and reward prudent managerial risk-taking behavior (Gatzert & Schmit, 2015). Oluwagbemiga et al. (2016) underscored the need for firms to regularly review and enhance their ERM frameworks for adequacy, effectiveness, efficiency, and relevance because of the changing operating environment.

Regulatory guidelines. Ozdemir (2018) argued that risk management practices emerged out of the need to comply with regulatory requirements and evolved with subsequent regulations such as Basel III and accounting standards requiring proactive risk management capabilities. Storer (2016) questioned regulatory approaches to risk culture and emphasized the need to focus on ethics, training, stress testing, scenario thinking, compensation, and consequence management. McCormack and Deacon (2017) advised regulators to ensure that firms define the appropriate behavioral expectations and monitor to ensure compliance with the set risk culture. Regulators are responsible for ensuring the implementation of effective risk management practices by setting the benchmark for acceptable risk-taking behavior across the financial services sector (McCormack & Deacon, 2017; Ozdemir 2018). Financial services regulators recommend that firms constitute compensation committees responsible for ensuring that managers' incentives align with the banks' culture, long-term goals, risk appetite, performance, and the control environment (Correa & Lel, 2016).

Following the financial crisis of 2008, regulators and governments implemented rescue policies including the troubled asset relief program and other bailout strategies to minimize the impact of the crisis on the financial services sector (Hett & Schmidt, 2017; Schenck & Thornton, 2016). Zardkoohi, Kang, Fraser, and Cannella (2016) argued that despite the good intentions of the bailout interventions the policies incentivized managers to adopt risky strategies because their compensation structures remained the same. Schenck and Thornton (2016) posited that government bailout plans increased the moral hazard of managers to take excessive risk encouraged by incentive structures that focused

on meeting short-term accounting returns. Zardkoohi et al. (2016) advised regulators and governments to address this moral hazard by implementing claw-back provisions in executive compensation to encourage managers to take a long-term view of risk. Hett and Schmidt (2017) cautioned that where investors, creditors, and customers consider a high possibility of bailing out a firm in a crisis, there is less vigilance, risk oversight, and control. The indirect costs of bailouts could outweigh the gains from managing a systemic risk situation, emphasizing the need for regulators and governments to mitigate the moral hazard problem by reforming the troubled firm rescue policies (Schenck & Thornton, 2016; Zardkoohi et al., 2016).

Wright, Sheedy, and Magee (2016) underscored the need for regulators across different jurisdictions to coordinate and harmonize the introduction and implementation of regulatory guidelines due to the interconnectedness of the global financial system. The lack of consensus among regulators and governments partly explains the incomplete implementation of regulatory reforms in some large financial centers and the adoption of leading risk management practices in emerging markets (Storer, 2016). Danışoğlu, Güner, and Ayaydın Hacıömeroğlu (2017) cautioned regulators against ignoring country or industry-specific factors when implementing regulatory reforms because such factors influence risk-taking behavior in varying ways across different jurisdictions. Guthrie et al. (2015) noted that in response to the increase in the cost of earnings overstatements following the implementation of the Sarbanes– Oxley Act of 2002, firms in the U.S. revised their compensation structures appropriately to encourage prudent managerial risk taking-behavior.

Regulators in the financial services sector are adopting compensation reforms such as clawback rules that encourage managers to make long-term optimal risk decisions (Adesina & Mwamba, 2016). Kolm, Laux, and Lóránth (2016) argued that compensation and capital regulation could help disincentive managers from selecting risky projects by reducing managers' and shareholders' risk-shifting behavior. Eufinger and Gill (2016) posited that compensation structures that align managers' and shareholders' interests reduce risk-taking incentives, improve the firm's cost of borrowing, optimize incentive-based capital requirements, and increase shareholder value. Lim and Yong (2016) posited that stringent Basel II regulations encouraged managers of smaller corporate banking businesses to engage in income smoothing activities by delaying loan loss provisioning. Chang and Talley (2017) cautioned that higher capital charges negatively restrain growth ambitions, profitability, and sustainability for smaller banks encouraging excessive risk-taking behavior for such firms to stay in business. Financial regulators need to implement mechanisms that identify the unintended consequences of regulatory guidelines and take appropriate action (Guthrie et al., 2015).

The regulator of commercial banks in Uganda restrains the distribution of dividends or other distributions from profits or reserves for banks that do not meet or unlikely to meet the prudential minimum capital requirements (Financial Institutions Act, 2004). In cases where the financial institution is undercapitalized, the regulator restricts banks from awarding any compensation to directors and officers in the form of bonuses, salary increments, emoluments and other benefits (Financial Institutions (Amendment Act), 2016). The regulator informed the banks of the need to adopt international financial

reporting standard (IFRS) 9 for assessing provisioning adequacy for potential loan losses in line with international best practices (Bank of Uganda, 2017). The regulator is evaluating the potential impact of the standard on capital adequacy and credit growth and would issue implementation guidelines in due course.

Corporate governance. Anginer et al. (2016) described corporate governance as a set of rules, norms, and guidelines that firms implement in defining roles and responsibilities between managers and owners. Kusi et al. (2017) posited that corporate governance frameworks provide a structure which guides the conduct of owners and managers in determining and implementing the firm's goals and objectives. The components of a good corporate governance framework include separation of roles and responsibilities between managers and owners, board independence, risk management oversight committees, audit committees, and independent remuneration committees (Kumari, Pattanayak, 2017). Outa and Waweru (2016) posited that corporate governance mechanisms mitigate agency risk by aligning the interests of all stakeholders of a firm including managers, owners, creditors, suppliers, customers, and the public. Maxfield, Wang, and de Sousa (2018) argued that corporate governance reforms following the financial crisis of 2008 led to the increase in loss provisions, enhancement of capital buffers, reduction in net interest margins, and restrained managers from undertaking risky projects. The presence of independent board members, the separation of ownership from management and the setting of fixed compensation for executives, encouraged managers to select less risky mergers and acquisition transactions after the financial crisis (Teti, Dell'Acqua, Etro, & Volpe, 2017).

Good corporate governance practices including an independent board, board members' expertise, and experience strengthen internal control, and risk management practices in firms (Nalukenge, Tauringana, & Mpeera Ntayi, 2016). Słomka-Gołębiowska and Urbanek (2016) noted that independent board committees with few and competent members are effective at monitoring performance and restraining excessive risk-taking behavior by moderating executive compensation. Ahmed and Ndayisaba (2017) posited that board independence and managers' long-term variable compensation structures reduce the level of managerial risk-taking behavior and increase shareholder value. Oyerogba, Alade, Idode, and Oluyinka (2017) underscored the positive impact of board oversight committees including audit and risk on the financial performance of listed companies in Nigeria. Kanapathippillai, Mihret, and Johl (2017) noted that effective remuneration committees take accountability for fair remuneration decisions and foster a culture of transparency in disclosing executive remuneration decisions to external stakeholders of the firm. Firms with effective board committees in emerging markets did not pay dividends during the financial crisis of 2008, which minimized the impact of the crisis on the financial sector (Mehdi, Sahut, & Teulon, 2016). Rose (2016) noted that board committees with more executive directors with technical expertise provide more oversight reducing the firm's credit risk exposure. Outa and Waweru (2016) posited that compliance with corporate governance guidelines increased financial performance and the value of listed companies in Kenya.

Abou-El-Sood (2017) cautioned that firms with strong corporate governance structures increase their exposures in risky assets during favorable market conditions with

the hope of reducing the exposures in a recession, a strategy that is challenging to implement. Banks with shareholder-friendly corporate governance frameworks implement risky capital management strategies to increase shareholder return (Anginer et al., 2016). Financial institutions with strong corporate governance frameworks and shareholder-friendly boards expose their entities to high systemic risk underscoring the need to ensure the alignment of the interests of all stakeholders of the firm (Iqbal, Strobl, & Vähämaa, 2015). Shinozaki, Moriyasu, and Uchida (2016) noted that firms with high ownership by stable and controlling shareholders prioritize owners' interests at the expense of other stakeholders increasing agency risk. Sheedy and Griffin (2017) cautioned that emphasizing good corporate governance and effective risk management practices without an appropriate risk culture is ineffective and advised regulators to promote an industry-wide culture that encourages honesty, integrity, transparency, and prudence.

Managerial risk-taking. In the pursuit of organizational goals, managers in banks must take risk decisions in an industry with various uncertainties, fierce competition, standard products, price-sensitive customers, and demanding shareholders (Eastburn, & Sharland, 2016; Hoskisson, Chirico, Zyung, & Gambeta, 2016). Guill (2016) posited that firms with effective risk management capabilities maintain a competitive edge over rivals by making the right decisions regarding risk acceptance, risk-adjusted returns, risk and reward, risk-pricing, and capital adequacy levels. Akande, Kwenda, and Ehalaiye (2018) argued that competition and rivalry in Sub-Saharan Africa encouraged managers of commercial banks to invest in risky ventures leading to high

default risk, financial distress, and closure of some banks. The incentive to achieve high earnings, the risk of losing one's job, and the desire to outcompete other internal departments for organizational supremacy and recognition motivate managers to take excessive risks (Chang & Talley, 2017; McCormack & Deacon, 2017; Witman, 2018). Firms with advanced risk management systems outcompete rivals by providing appropriate pricing to low-risk borrowers and implementing active portfolio management strategies to optimize their regulatory or economic capital (Erdinç & Gurov, 2016). Hoskisson et al. (2016) argued that managers are rational in decision making, noting that if expected returns from two projects are similar, but returns from one project are uncertain, managers will select the project whose returns are predictable.

Chang and Talley (2017) observed that the size and strength of the financial institution influence managerial risk-taking behavior noting that managers in large global banks have strong incentives to pursue riskier strategies to deliver higher returns to demanding investors, creditors, and shareholders. Managers of too-big-to-fail banks with a reasonable expectation of bailout in distress situations by regulators or governments sell high-risk products and services to unsuspecting clients exposing the firms and taxpayers to losses (Cziraki, 2017). Government guarantees lead to shareholder moral hazard by encouraging excessive risk-taking in financial institutions because, in anticipation of a bailout by the governments, firm owners transfer their risk-shifting incentives to the managers in pursuit of high shareholder returns (Eufinger & Gill, 2016). Acharya, Pagano, and Volpin (2016) cautioned that bank products such as mortgage-backed securities, credit default swaps, government guarantees, and life insurance earn interest

and premiums upfront in the short run but have potential long-run risks exposing the firms to losses in future. Mili and Abid (2016) underscored the influence of franchise value on managerial risk-taking by indicating that managers of firms with low franchise value pursue more risky strategies while those in firms with high franchise value assess risk options responsibly by considering the reputational impact of their decisions.

Pan, Siegel, and Wang (2017) posited that a firm's corporate risk culture shapes the effectiveness of its corporate governance and risk management practices and plays a key role in coordinating and regulating the choice of risk and control decisions. Similar compensation strategies may produce different managerial risk-taking behavior in two firms depending on the nature of the risk culture in each firm and the prevailing economic conditions (Rattaggi, 2017; Trendowski & Rustambekov, 2017). A poor ethical environment that emphasizes the maximization of monetary gain encourages adverse managerial risk-taking behavior leading to potential losses and regulatory sanction (Hoskisson et al., 2016; Rocchi & Thunder, 2017). Baker, Cohanier, and Leo (2017) argued that the top leadership at Société Générale ignored breaches in internal controls because risky trading practices were profitable, emphasizing the role of top management in instituting a culture of good ethical conduct, governance, and risk management practices. Leão, Leão, and Bhimjee (2017) posited that compensation strategies that linked managerial bonuses to current year earnings and not on the firms' long-term performance and shareholder value encouraged managers to take excessive risks. Ssekiziyivu, Mwesigwa, Joseph, and Nkote Nabeta (2017) argued that ineffective risk management practices including lack of board oversight and poor monitoring determine

the nature of managerial risk-taking behavior in such firms. Effective risk management practices compel managers to set performance targets that focus on asset quality rather than volume growth (Nkundabanyanga, Akankunda, Nalukenge, & Tusiime, 2017). Haque and Shahid (2016) noted that poor risk management practices of government-owned banks in India encouraged managers to focus on volume growth leading to high loan losses and low profitability.

Petrou and Procopiou (2016) examined the relationship between CEO shareholdings and earnings manipulation and discovered that stock options regulate excessive managerial risk-taking and reduce earnings manipulation. Market practices suggesting that stable stock prices forecast high stock returns encourage managers of listed banks to smooth earnings to meet the expectations of investors (Yasser & Soliman, 2018; Ozili, 2016). Eckbo, Thorburn, and Wang (2016) argued that CEO share ownership structures incentivize managers to stay with the firm for longer tenors and consequently make prudent long-term risk-reward decisions. CEOs approaching retirement are risk-averse and will adopt hedging strategies to mitigate market risk to protect their firm-specific wealth and legacy (Croci, Del Giudice, & Jankensgård, 2016). CEO entrenchment and longevity, on the other hand, provides a sense of job security and may encourage managers to adopt riskier preferences (Ferris, Javakhadze, & Rajkovic, 2017; Hoskisson et al., 2016). Bushman, Davidson, Dey, and Smith (2018) posited that CEO longevity and materialism might lead to overconfidence, complacency and encourage excessive risk-taking behavior. Overconfident CEOs underestimate the likelihood and

consequences of their risky decisions and overestimate the potential benefits from their decisions investing in high-risk exposures (Kubick & Lockhart, 2017).

Pan et al. (2017) argued that firms might achieve positive managerial risk-taking behavior by ensuring that compensation contracts align risk-taking incentives at different levels in the firm and recruiting managers that match the firm's risk culture. Firms need to design compensation structures that have fixed and variable incentives as well as implement governance frameworks that distinguish between management from ownership (Petrou & Procopiou, 2016). Firms need to control the level of bonuses that managers earn and ensure that rewards align with the entity's long-term performance goals (Acharya et al., 2016; Leão et al., 2017). Compensation strategies may positively influence managerial risk-taking if they eliminate specific sales quotas and focus on customer satisfaction (O'Connell, Lee, & O'Sullivan, 2018; Witman, 2018). Wood and Lewis (2017) noted that strong corporate risk culture is the basis for a risk management framework that drives prudent risk management behavior. Managerial risk preferences evolve requiring the board, regulators, and auditors to monitor the changes in managers' risk preferences from the time of joining the firm to when they get closer to retirement (Alzoubi, 2017; Croci et al., 2016). Eastburn and Sharland (2016) underscored the need for regulators and boards to resolve the risk/reward conflict to reduce losses as well as enhance earnings and shareholder value.

Milkau (2017) emphasized the importance of trust, honesty, responsibility, transparency, and agility in shaping managerial risk-taking behavior and advised board committees to focus on the intrinsic sources of motivation for managers. Firms need to

implement effective risk management practices including strengthening the independence of risk and assurance functions and taking advantage of diversification to reduce the adverse impact of intense competition on managerial risk-taking behavior (Haque & Shahid, 2016; Muhammad, Khan, & Xu, 2018; Ssekiziyivu et al., 2017). Regulatory initiatives such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; and effective corporate governance structures are important in moderating managerial risk-taking behavior (Alzoubi, 2017; Habbash & Alghamdi, 2016; Trendowski & Rustambekov, 2017). Herzog (2017) urged regulators to ensure that competition does not crowd out good ethical behavior and risk culture by emphasizing professionalism, accountability, and consequence management. McCormack and Deacon (2017) posited that managers need to establish trust-based relationships with all stakeholders in addition to good corporate governance and risk management systems to address agency problems.

Compensation Practices

In this subsection, I explore leading practices regarding compensation strategies that commercial banks implement in supporting effective risk management practices including principles underlying compensation strategies, compensation and firm performance, the unintended consequences of compensation, and strategies for managing compensation risk.

Principles underlying compensation. Shan and Walter (2016) highlighted the two main categories of compensation strategies including fixed and variable compensation. Firms provide several monetary forms of compensation including basic

salary, bonus, stocks, deferred compensation, subsidized loans, as well as non-monetary benefits such as cars, yachts, or jets, club memberships, travel expenses, housing, medical insurance, and entertainment (Ting & Huang, 2018). Trends in the financial services sector in the United States indicate that stock and performance shares comprise the highest form of compensation at 34%, basic pay 18%, stock options 19%, while other forms of compensation comprise 29% of total compensation. Tóth (2016) urged firms to determine the appropriate level of fixed pay to attract the best talent in the industry and pay at least 40% of the variable compensation component in 3-5 years' deferred period to encourage the appropriate managerial risk-taking behavior.

The Basel Committee on Banking Supervision's guidelines on corporate governance outlined several principles underlying effective compensation systems emphasizing the need for banks to ensure that compensation structures motivate managers to achieve the firm's long-term goals of the firm while adhering to the set risk appetite (Basel Committee on Banking Supervision, 2015). The committee emphasized the need for the board of directors to oversee the effective implementation of the firm's compensation strategies, review compensation policies annually, approve senior management compensation and ensure that incentives align with risk implications over a multi-year financial performance period. The Basel Committee on Banking Supervision emphasized the need for firms to ensure that compensation strategies comprised both fixed and variable components. The committee urged firms' compensation committees to adjust variable incentives appropriately in response to managerial risk-taking behavior.

Shan and Walter (2016) posited that while fixed compensation considers the availability and market value of managerial talent, variable compensation reflects the performance of the firm in a financial period by rewarding acceptable risk-taking behavior. Fichter (2016) noted that firms could use compensation strategies to strengthen ethical standards by providing incentives to employees who act with integrity consistently. Compensation strategies with an optimum combination of fixed and variable incentives align stakeholder objectives and resolve conflicts of interests between the various parties (Chen & Qiu, 2016; Tóth, 2016). In developing compensation structures, firms need to assess the interactions between different compensation components, to avoid the unintended consequence of encouraging excessive risk-taking behavior (Colonnello, Curatola, & Hoang, 2017). Abrokwah, Hanig, and Schaffer (2018) advised firms to adopt compensation strategies that are appropriate for the industry, arguing that bonus pay encourages excessive risk-taking in the financial services sector while driving prudent risk-taking behavior in the transportation, communication, and energy sectors.

Page (2018) underscored the need to consider the managers' attributes including employee risk-taking behavior in developing compensation strategies and noted that firms whose incentive plans integrate employee attributes encourage prudent risk-taking behavior and increases firm value. Compensation committees need to consider managers' moral values and intrinsic goals when designing incentive schemes because incentive-based compensation is not a key source of motivation in environmentally-friendly firms where managers value the pursuit of environmental goals (Francoeur et al., 2015). Firms need to implement compensation structures that defer bonus payments over several

financial years in the future, encouraging managers to increase the firm's value in the long-term (Koch et al., 2017). Llanos and Bin Ahmad (2017) cautioned that merit-based compensation strategies might not increase the firm's value and advocated for the adoption of such compensation strategies in situations of low uncertainty.

Compensation and firm performance. Yahya and Ghazali (2017) investigated the relationship between CEO compensation and firm performance and noted that compensation influenced both the operating and market performance of a firm positively. Firms whose performance is above the set performance objectives pay their managers more incentives in search of greater success and pay managers whose performance is below target less compensation (Boodoo, 2018). Compensation regulates managers' relative power and influences managerial risk-taking decisions shaping the firm's long-term performance culture (Zagonov & Salganik-Shoshan, 2017). Brockman, Lee, and Salas (2016) posited that firms use equity-based compensation ahead of cash-based compensation strategies to encourage a decision-making culture that underscores the long-term interests of investors and shareholders. Smirnova and Zavertiaeva (2017) examined the impact of CEO compensation on firm performance and noted that while incentives motivate managers to achieve accounting-based results such incentives might not motivate managers to achieve market-based results. Raithatha and Komera (2016) concluded that compensation strategies do not motivate managers to achieve market-based measures contrary to pay-for-performance expectations.

Compensation strategies motivate managers in banks to achieve accounting-based performance indicators such as non-performing loans (NPL) and return on asset because

regulators focus on the accounting-based performance measures for supervisory purposes (Chou & Buchdadi, 2017). Saravanan, Srikanth, and Avabruth (2017) argued that the impact of compensation strategies on firm performance depends on the ownership structure of the entity, noting that managerial incentives positively impact the performance of non-family firms because such firms emphasize a pay-for-performance culture that is non-existent in family-owned firms. Jaiswall and Bhattacharyya (2016) indicated that while compensation encouraged firm performance and prudent risk-taking behavior in private sector firms, managerial incentives in public sector firms had no positive impact on firm risk and performance. Firms use compensation strategies to attract talented managers, motivate them to work hard, generate high returns in expectation of higher compensation and consequently increase shareholder value (Jung & Subramanian, 2017). Abrokwah et al. (2018) observed that when managers' compensation depends on the firm's long-term performance, managerial risk-taking aligns with the firm's strategic objectives increasing firm and shareholder value. Aldatmaz, Ouimet, and Van Wesep (2017) underscored the importance of employee retention to firm performance and advocated for the implementation of broad-based employee stock options (BBSO) to reduce employee turnover, strengthen risk management and increase long-term firm performance. Adom (2018) argued that while commission-based compensation strategies might demotivate staff who fail to meet the aggressive set targets, the incentives improve employee work performance and retention.

Bratten and Xue (2016) cautioned that equity incentives might not motivate managers to make decisions that enhanced the long-term value of the firm and

underscored the importance of institutional investors in monitoring compensation practices to ensure effective implementation. Francis, Hasan, Hunter, and Zhu (2017) argued that managerial compensation strategies that do not align the interests of shareholders and managers significantly increase the firms' exchange rate exposure impacting the entity’s financial performance and value. Firms that implement compensation strategies that rely on accounting performance indicators encourage managers to ignore projects with high long-term market returns in favor of projects that generate short-term accounting earnings (Kang & Nanda, 2017). Shareholders could mitigate the adverse impact of compensation strategies on firm performance by using equity-based compensation to negotiate low wage rates, reduce marginal cost, increase profits and improve the entity’s competitive advantage ahead of its rivals (Bova & Yang, 2017). Cheng et al. (2015) noted the need for boards to implement strong pay-for-performance incentives or provide managers with an ownership stake in the firm to incentivize managers to maximize firm value arguing that the gains from increasing managerial incentives offset the costs of excessive risk-taking behavior. Compensation contracts with penalties for poor performance and unethical behavior could discourage managers from engaging in earnings management practices and increase the firm’s ability to achieve its long-term performance goals (Koch et al., 2017).

Hill, Lopez, and Reitenga (2016) underrated the role of compensation strategies on firm performance, arguing that some managers earn high incentives notwithstanding their abilities, effort, labor market standards, and the entity’s performance. Bugeja, Matolcsy, and Spiropoulos (2017) found no association between managerial incentives

and the firm's return on assets contrary to the expectation that entities with optimal compensation structures record-high financial performance and shareholder value. Focke, Maug, and Niessen-Ruenzi (2017) discovered that executives of firms listed in Fortune 's ranking of America's top companies earned 8% lower compared to peers in other firms, trading off status and career benefits with additional financial remuneration. Bennett, Bettis, Gopalan, and Milbourn (2017) noted that firms whose managers fail to achieve their targets might experience an increase in employee turnover and cautioned against adopting performance-contingent incentives that focus on accounting targets because they provide employees perverse incentives to make short-term decisions contrary to shareholders' interests. Wang and Seifert (2017) underestimated the influence of compensation on firm performance, noting that employees who faced wage reductions during the financial crisis of 2008 showed even higher levels of commitment to organizational goals because the workers participated in the decision-making process. Omoregie and Kelikume (2017) posited that executive compensation in the Nigerian banking sector did not significantly influence firm performance and implored shareholders and regulators to align compensation with performance to ensure that managers act in the best interest of all stakeholders.

The unintended consequences of compensation. Kang and Kim (2016) cautioned firms against the unintended consequences of compensation structures, noting that while stock options and restricted stocks incentivize managers to make decisions in the interest of shareholders, debt-like compensation strategies such as pension or deferred compensation encourage managers to make decisions that prioritize debtholders' goals.

Tian (2017) argued that while equity incentives mitigate agency risk, they might encourage managers to release confidential information, provide misleading information to the market, or abuse accounting principles to manipulate the stock price and influence the value of their equity holdings. Almadi and Lazic (2016) investigated the impact of incentive-based compensation on earnings management and noted that compensation could encourage the misreporting of accounting results to increase their remuneration. Jia (2017) explored the impact of promotion-based tournament incentives on managerial risk-taking and noted that compensation strategies might encourage financial misconduct in firms where executive turnover is high, top management executives are close to retirement, and poor performance might result in the replacement of the top leadership team. Firms with high levels of stock options in their compensation structures expose their incentive schemes to equity price risk, which encourages managers to breach internal control and risk management practices in pursuit of personal enrichment at the expense of the interests of other stakeholders (Liu & Liu, 2017).

Casavecchia and Suh (2017) noted that while equity holdings improve the efficiency of resource allocation, increase firm value and shareholders' wealth, such incentives need moderation as they compromise the interests of creditors and managers. Executives with maturing option grants have an incentive to temporarily depress stock prices to obtain lower strike prices or manipulate stock prices to increase option compensation by reporting negative abnormal returns before option grants and positive abnormal returns after the grant dates (Daines, McQueen, & Schonlau, 2018). Dittmann, Yu, and Zhang (2017) cautioned that risk-averse executives reduce the firm's risk, even if

doing so destroys its value and encouraged firms to implement compensation strategies that encourage prudent risk-taking behavior as well as reward managerial effort. Abrokwah et al. (2018) posited that despite the alignment between stakeholders' interests, managers could have strong incentives to undertake high-risk investments due to the aggressive pay-for-performance culture in the banking sector that underscores short-term performance and strong consequences for underperforming managers.

Shah, Akbar, Liu, Liu, and Cao (2017) examined the role of the Troubled Asset Relief Program in the United States of America in reducing risk-taking by restricting executive pay and discovered that the bail-out program guaranteed managers' job security, a moral hazard problem that encouraged excessive risk-taking. Calomiris and Carlson (2016) posited that compensation strategies in systemically-important banks encourage managers to increase their wealth in the form of excessive incentive packages and benefits, subsidized loans, by manipulating internal controls and withholding valuable information from the stakeholders on the performance of the entity. Schoen (2016) noted that before the financial crisis of 2008, compensation structures in banks rewarded executives for positive returns without penalties for unethical behavior, a matter made worse by the conflict of interest inherent in the compensation arrangements between banks and rating firms. Baginski, Campbell, Hinson, and Koo, (2017) argued that while compensation strategies may motivate managers to withhold bad news, incentive plans that offer large payments to executives in the event of dismissal encourage the timely disclosure of adverse information for appropriate action.

Cadman, Campbell, and Klasa (2016) posited that while several pay contracts reduce unethical managerial behavior in line with efficient contracting principles, the contracts might motivate managers to invest in high-risk projects with large short-term returns to increase their remuneration on termination. Managers with significant inside debt manage firms conservatively and avoid excessive risk in pursuit of high pension and deferred compensation in the future, which stifles innovation, growth, and firm value (Chen & Qiu, 2016; Yang & Hou, 2016). Chen (2017) explored the impact of managerial risk-taking incentives on research and development (R&D) investments and noted that compensation strategies might constrain innovation and investment in research because managers prefer investment activities that yield returns in the short-term to prospective research projects. Driver and Guedes (2017) examined the impact of incentives on research and development expenditure and noted that strong forms of pay-for-performance incentives could increase the agency problem by motivating managers to limit R&D spending in pursuit of short-term personal wealth.

Bakke, Mahmudi, Fernando, and Salas (2016) investigated the impact of option compensation contracts on the hedging behavior of managers and discovered that when executives have a large portion of their wealth that depends on the future performance of the firm they are risk-averse and increase their hedging intensity which increases the firm’s operating costs and reduces profits. Van Bekkum (2016) cautioned that managers with inside debt holdings adopt conservative balance sheet management approaches, while equity-based incentives encourage the shifting of earnings risk to debtholders, increasing the misalignment of interests between debt holders and equity holders. Berger,

Imbierowicz, and Rauch (2016) analyzed compensation structures after the financial crisis of 2008 and discovered that high equity incentives encouraged lower-level managers to take excessive risks because junior managers were anonymous and in a better position to find comparable employment following the entity's failure.

In a study of the relationship between inside debt incentives and corporate tax sheltering Chi, Huang, and Sanchez (2017) noted that when firms face high default risk, managers adopt a risk-averse tax compliance approach to protect their future pension benefits and deferred compensation reward at the expense of increasing the entity's tax burden. Incentive schemes encourage managers with a greater career ambition to take higher strategic risks and maximize returns in a favorable business environment and fall short in encouraging business leaders to exploit the available opportunities and increase the firm's value during financial distress (Chng & Wang, 2016). Lin, Officer, and Shen (2018) studied the effect of managerial risk-taking incentives on merger and acquisition decisions and discovered that executives with higher inside debt incentives are more likely to engage in mergers that generate lower announcement returns for shareholders to protect their future wealth. Anderson and Core (2017) cautioned that when risk-taking incentives are high relative to managers' wealth, such executives take more risk to increase their wealth and urged firms to implement risk-reducing incentives such as future cash pay, pension benefits, deferred compensation, and severance pay strategies.

Boodoo (2018) posited that executives in banks were taking excessive risk to extract higher compensation as a reward for the high scrutiny by the regulators and the high risk of losing their jobs. Cen and Doukas (2017) explored the impact of deferred

compensation on executives' risk preferences and noted that managers who hold a significant portion of volatile deferred compensation portfolios pursue risky financial and investment policies in pursuit of individual wealth ahead of the interests of other stakeholders of the firm. Glover and Levine (2017) examined the effects of stock, option, and fixed compensation on a managerial investment choice and noted that incentives encouraged the average executive to overinvest by 1.3 percentage points per year in pursuit of higher accounting profits to enhance their remuneration. O'Connell, Lee, and O'Sullivan (2018) studied the relationship between managerial equity incentives and licensing and concluded that stock ownership encourages managers to favor prudent risk-taking because such incentives align the managers' goals with the long-term interests of the shareholders.

Gande and Kalpathy (2017) explored the relationship between equity incentives and managerial risk-taking before the financial crisis of 2008 and cautioned that regulation mandating explicit restrictions on the level of managerial compensation could constrain innovation and limit firm performance. Hirsch, Reichert, and Sohn (2017) underscored the role of clawback provisions in reducing excessive managerial risk-taking behavior and the impact of risky investments on the firm's performance and cautioned firms against the potential unintended effects of clawbacks including a risk-averse culture that inhibits growth and innovation. Firms that adopt performance-based clawbacks can impose additional risk on managers if they are not in perfect control of the clawback trigger resulting in the decrease in the executives' performance-based pay, which might reduce their motivation (Kroos, Schabus, & Verbeeten, 2017). Sisli-Ciamarra and

Savaser (2016) studied the impact of managerial incentives on firm risk and cautioned that pay-for-performance incentives could induce more risk-taking, arguing that risky projects create more value and increase the expected value of incentive compensation.

Strategies for managing compensation risk. Berger et al. (2016) observed that after the financial crisis of 2008, regulators and policymakers sought to address shortcomings of banks' compensation structures by introducing clawback clauses for bonus payments, aligning incentives with performance and risk, and establishing guidelines for deferred compensation. Sanchez-Marin, Lozano-Reina, Baixauli-Soler, and Lucas-Perez (2017) underscored the role of say on pay (SOP) governance mechanisms in mandating shareholders to assess the suitability of executives’ compensation and ensure the alignment of executive compensation in firms with good corporate governance practices. Boodoo (2018) underestimated the importance of corporate governance in managing compensation risk and argued that executives take higher risks to obtain higher incentives in compensation for the extra scrutiny and rigorous reporting requirements under formal governance regimes. Calomiris and Carlson (2016) emphasized the role of manager-owned governance structures in reducing compensation risk by arguing that while managerial ownership could lead to higher owner benefits, such structures encourage prudent risk-taking because manager-stockholders are risk-averse. In designing compensation strategies, the board of directors needs to consider the firm’s long-term relationship with its creditors by managing information asymmetry to reduce financing costs (Chen & Qiu, 2016). Nguyen et al. (2017) advised regulators to implement risk-based supervisory measures and sanctions that prevent executives from

exploiting deficiencies in risk management practices to increase short-term bank performance in pursuit of higher compensation.

Financial regulators require shareholders and boards to manage compensation risk by ensuring that remuneration committees have independent, competent and qualified members with specific roles and responsibilities (Kang & Nanda, 2017). The compensation committee of the board needs to ensure that compensation levels are consistent with the bank's ethical values, objectives, strategy, business environment, and approve executive compensation (Financial institutions corporate governance regulations, 2005). Kang and Kim (2016) noted that executive compensation risk is lower if an affiliated banker director is on the remuneration committee of the board due to a good appreciation of the pay-for-performance principles. Kang and Nanda (2017) advised remuneration committees to oversee the full disclosure of the components of executive remuneration in annual reports and called on regulators to educate shareholders, investors, creditors on their rights regarding managerial remuneration. Full disclosure of executive compensation in public company filings enables investors, creditors, regulators, and policymakers to determine whether the firm's compensation philosophy and incentives align with the long-term performance objectives of the entity (Bettis, Bizjak, Coles, & Kalpathy, 2018). Ting and Huang (2018) urged regulators to oversee the full disclosure of non-monetary executive compensation, noting that banks could exploit weaknesses in internal policies to offer high benefits to managers that are not in line with the firm's level of performance.

Chen, De Cesari, Hill, and Ozkan (2017) advised boards to ensure the alignment of the interests of shareholders, managers, and debt holders in designing compensation structures to mitigate the unintended consequences of compensation, including high agency costs. Compensation committees need to maintain a balance between risk-taking and risk-reducing incentives by monitoring and revising the firm's risk-taking incentives with changes in the business and risk environment (Eufinger & Gill, 2016). Cheng et al. (2015) posited that regulators and policymakers could reduce the gap between the interests of managers and shareholders by increasing shareholder rights and implementing clawback practices that align executive compensation to the long-term performance objectives of the firm. The board of directors could minimize pay-for-performance distortions by defining sales or profit targets relative to other firms as well as avoiding absolute compensation contracts (Bennett et al., 2017). Firms need to measure performance relative to an appropriate set of peers by focusing on the firm's actual and expected performance relative to the performance of benchmark peers (Shan & Walter, 2016). Li and Wang (2016) advised shareholders to adopt multiyear accounting-based performance (MAP) incentive plans to improve incentive alignment and mitigate excessive managerial pay because MAP plans are less volatile and align with the strategic objectives of the firm. Tian (2017) argued that firms could reduce equity compensation risk by ensuring that payoffs of equity grants depend on multiple long-term stock prices, aligning payoffs of restricted stock grants to the average stock price, and buying executives' shares instead of managers selling their shares in the stock market. Boards could restrict the selling of stock by executives to the month the managers receive the

awards and monitor disclosures before and after scheduled grant dates to reduce the perverse incentives that encourage adverse risk behavior (Daines et al., 2018).

White and Hollingsworth (2018) posited that while salaries and bonus incentives could increase Tier 1 capital ratios, equity and pension compensation might encourage greater risk-taking. Erkens, Gan, and Yurtoglu (2018) argued that regardless of the type of compensation, firms that adopt clawbacks reduce compensation risk, improve financial reporting quality, and record low executive turnover if remuneration committees ensure that clawbacks do not penalize managers for non-controllable risks. Clawbacks regulate managerial behavior because they expose bank executives to future potential losses of pay due to unethical behavior, misconduct, poor managerial oversight and excessive risk-taking (Kroos et al., 2017). Compensation strategies with strong clawback provisions disincentivize managers from investing in high-risk projects because investments that fail adversely impact executives' incentives in the future (Glover & Levine, 2017). Hirsch et al. (2017) advised remuneration committees to implement clawback provisions together with other measures including effective risk management processes that encourage managers to make prudent risk management decisions that increase the firm's long-term value. Boards could reduce executives' incentives to engage in excessive risk-taking behavior by designing option grants as a series of small at-the-money periodic grants or spread the awards so that executives receive payments at different times in the future (Daines et al., 2018). Holden and Kim (2017) advised regulators to reduce compensation risk by reviewing the accounting treatment for performance share plans to ensure that

grant date fair valuations provide shareholders with an accurate assessment of the cost of the plans.

Transition

Section 1 content provided the foundation for the study. The section included the background to the problem and described the problem as the lack of compensation strategies that support effective risk management practices. The purpose of the study was to explore compensation strategies that some bank executives in Uganda use to support effective risk management practices. The nature of the study provides information on the appropriateness of the qualitative research method and the multiple case study design in exploring the phenomenon. I provide information regarding the research and interview questions, the conceptual framework, assumptions, limitations, and delimitations in describing the approach to achieving the purpose of the study.

The significance of the study provides information on how the study's findings might assist commercial banks, regulators, policymakers in adopting effective compensation strategies. A review of professional and academic literature focuses on the theory of the firm as the conceptual framework which along, with alternative theories, provides an in-depth understanding of how compensation influences managerial risk-taking behavior. The review of extant literature facilitates a detailed discussion of compensation strategies and risk management practices in the financial services sector. The key themes in the literature review include ERM frameworks, regulatory guidelines, corporate governance, managerial risk-taking, principles underlying compensation,

compensation and firm performance, the unintended consequences of compensation, and strategies for managing compensation risk.

In section 2, I provide an overview introducing the section, discuss the project including the role of the researcher in the data collection process and the participants. I discuss the research method and design along with the population, sampling, ethical research considerations, data collection instruments, data collection technique, data organization technique, and data analysis. I discuss the approach to confirming the reliability and validity of the study’s findings and conclude with a transition and summary statement. In this section, I provide an introductory overview of Section 3.

Section 2: The Project

Purpose Statement

The purpose of this qualitative multiple case study was to explore compensation strategies that some executives in Uganda use to support effective risk management practices. The targeted population comprised chief risk officers of five global commercial banks in Uganda with success in implementing compensation strategies that support risk management practices. The findings from this study might contribute to building awareness about compensation strategies that support effective risk management practices in the banking sector in Uganda. Findings from this study might also have positive social benefits including (a) protection of depositors' funds, (b) improving financial inclusion by extending affordable financial services to businesses and individuals, (c) inculcating a good savings and investment culture, and (d) improving the welfare of the communities that the banks serve.

Role of the Researcher

The role of the researcher in the data collection process is to elicit comprehensive information regarding participants' past experiences of a study phenomenon (Henderson, 2017). The goal is to gain individual insights and perspectives on the topic through in-depth inquiry with the assistance of an appropriate research method and design (Dikko, 2016). Researchers can support participants' insights with other sources of information (Thirsk & Clark, 2017). Qualitative research enables researchers to conduct an in-depth inquiry by collecting data from multiple types and sources to establish emerging themes that address the research problem (Van den Berg & Struwig, 2017; Yin, 2018). As the

researcher in this study, I sought to gain insights from the experiences of participants with success in implementing compensation strategies that encourage prudent risk-taking behavior. I collected information from risk management executives who met the specified criteria by administering semistructured interviews with open-ended questions (see Appendix A). Researchers use open-ended interview questions to explore participants' experiences (Van den Berg & Struwig, 2017). Following approval from the Walden University Institutional Review Board (IRB), I collected data by scheduling interviews with volunteer participants.

Another role of the researcher is to maintain a professional and transparent relationship with research participants by seeking their informed consent, protecting their confidentiality and privacy, and respecting the views of vulnerable participants including requests to omit any sensitive information in the final report (Bracken-Roche, Bell, Macdonald, & Racine, 2017). It is important for researchers to let interviewees know they do not have to respond to questions they are uncomfortable with or elaborate on sensitive topics, and they can stop the interview process where appropriate (Bengtsson & Fynbo, 2018). I maintained a professional relationship with the participants and protected their privacy and trust with the guidance of an interview protocol (see Appendix B).

My role as a researcher was also to maintain objectivity, monitor verbal and nonverbal behavior, and remain alert to my biases and how they might impact the data collection process. After collecting the relevant data, I interpreted and analyzed unstructured data by sorting, filtering, building relationships among the data, categorizing the data, defining emerging themes, analyzing results, and reporting the findings. NVivo

software helps qualitative researchers store, manage, query, and analyze unstructured data in various formats including text, images, audio, and video (Phillips & Lu, 2018). However, researchers have suggested supplementing NVivo with traditional coding tools, including colored pens and sticky notes (Maher, Hadfield, Hutchings, & de Eyto, 2018). Thus, I used the NVivo 12 software program for data analysis and augmented the application with traditional coding tools where appropriate.

Another key role of the researcher is to observe the ethical norms, values, and principles that govern research including respect for the participants, transparency, honesty and ensuring the confidentiality and security of all respondents' information (Halkovic, 2018). When the study involves humans, it is important for researchers to uphold ethical research values including informed consent of the participants, minimum harm and maximum benefit, inclusiveness, justice, and protecting the interests of vulnerable respondents (Petillion, Melrose, Moore, & Nuttgens, 2016). However, maintaining ethical conduct is a challenge for the practitioner-researcher because of individual bias, time, and financial resource constraints (Das & Sil, 2017). Ethical committees support researchers by ensuring that research proposals comply with the ethical conduct guidelines for research with a focus on minimizing harm to the participants (Wilson, Kenny, & Dickson-Swift, 2017). As a practitioner-researcher, I maintained ethical conduct with the guidance of the ethical committee and conducted the study in commercial banks where I am not employed to ensure independence.

Researchers must also comply with the ethical principles and guidelines in The Belmont Report issued by the National Commission for the Protection of Human

Subjects and Biomedical and Behavioral Research on September 30, 1978 (Adashi, Walters, & Menikoff, 2018). The commission recommended three ethical principles of the human subject including respect for persons, beneficence, and justice (Miracle, 2016). Following these principles includes informed consent, trust, equal opportunity to benefit from the research, selection of participants, privacy, the confidentiality of the information, and the assessment of risks and benefits of the research findings to participants (Williams & Anderson, 2018). However, the thin line between research and practice and the increasing complexity in research topics suggest the need to review these guidelines (Friesen, Kearns, Redman, & Caplan, 2017). For this study, I complied with the three ethical principles as well as the underlying guidelines in the report.

The role of the researcher is also to ensure that respondents shape the findings of the study and not the researcher's bias, motivation, or interest from their past experiences, expertise, or knowledge of the research area (Amankwaa, 2016). Bias is any influence that might distort the results of the study, which is difficult to manage when researchers are an integral part of the research process (Galdas, 2017). Although a researcher might have prior knowledge and expertise about the study topic and research area, it is important to manage assumptions that might influence the analysis by maintaining reflexivity through memo writing and keeping a journal (Fleet, Burton, Reeves, & DasGupta, 2016). Researchers can employ cognitive interviewing to identify and manage three types of bias in qualitative research including construct bias, method bias, and item bias (Benítez, Padilla, van de Vijver, & Cuevas, 2018). Researchers use other techniques to mitigate bias including, triangulation, ensuring data saturation, member checking,

sense-making, and interview protocols, which help facilitate honest responses and the transparent interpretation, analysis, and presentation of the findings (Toews et al., 2016).

Finally, the researcher is responsible for documenting the study's trustworthiness to ensure credibility, transferability, dependability, and confirmability of the study's findings (Amankwaa, 2016). Triangulation involves the validation of data from two or more sources to enhance the credibility and trustworthiness of the study's findings (Varpio, Ajjawi, Monrouxe, O'brien, & Rees, 2017). Member checking involves the sharing of the findings with the participants for validation to enhance the accuracy, credibility, validity, and transferability of the study's findings (Amankwaa, 2016). Sensemaking requires researchers to use their experiences and the literature to detect emerging themes, trends, insights, and contradictions (Varpio et al., 2017). An interview protocol provides guidance to researchers on what to say before and after the interview, asking questions that align with the research purpose, how to ask them, and in what order (Chung, Hong, Kim, Yang, & Yoon, 2017; Taylor, Fornusek, Ruys, Bijak, & Bauman, 2017). An interview protocol refinement framework helps ensure that interview questions align with research questions, facilitates an inquiry-based conversation, encourages feedback, and provides for the piloting of the interview protocol (Castillo-Montoya, 2016). For this study, I employed triangulation, member checking, data saturation, and interview protocols including cognitive interviewing, to detect and mitigate researcher bias. I developed an interview protocol that I used to guide the interview process (see Appendix B).

Participants

The participants that I interviewed for the study included chief risk officers who have implemented compensation strategies that support effective risk management practices in Uganda. Researchers must define the eligibility criteria of the study's participants to satisfy the requirements of the research question as well as confirm their availability and willingness to participate in the research process (Marks, Wilkes, Blythe, & Griffiths, 2017). Defining the appropriate eligibility criteria for the research participants facilitates effective respondent selection, ensures the generation of relevant data, and increases the trustworthiness of the study's findings (Sil & Das, 2017; Valerio et al., 2016). The eligibility criteria for this study's participants included being a risk management executive of any age or gender with leadership responsibility for the effective implementation of risk management practices in their organizations. Participants must have had proven experience in successfully implementing compensation strategies that support effective risk management practices.

Following the definition of the eligibility criteria, I accessed the study participants through letters and e-mail to seek their cooperation by emphasizing the professional and personal benefits of their participation. Researchers can encourage participants to participate in the study by emphasizing the purpose of the research and how the results might benefit the respondents, their organizations, and the society in compensation for their time and contribution (Khatamian Far, 2018). Emphasizing the personal, professional, or altruistic benefits of the participants' involvement motivates them to

remain active during the research process (Raymond, Profetto-McGrath, Myrick, & Strean, 2018).

I approached potential participants through a letter to CEOs of participating institutions outlining the purpose of the study and the potential benefits to the institutions and the financial services sector. Researchers can complement the costly traditional methods of accessing research participants such as newspapers, letters, recruitment flyers, and in-person engagements with secure social media platforms (Carter-Harris, 2016). Following the CEO's approval of their risk management executives to participate in the study, I engaged the participants by e-mail to encourage them to participate in the study by emphasizing the potential personal and professional benefits of the findings from the study.

After gaining access to the participants, I established a mutual working relationship with the respondents to gain their confidence and trust as well as confirm their availability, their preferred mode of communication, and a suitable time to conduct the interviews in line with the interview protocol. Strong relationships with participants can address potential tensions that might arise during the research process that impact the engagement of participants and the validity of the study’s findings (Pinnegar & Quiles-Fernández, 2018). Building a professional relationship with an interviewee helps researchers to encourage respondents to actively participate in the research to enable researchers to elicit valuable and meaningful data (Newton, 2016). Additionally, mutual relationships with research participants based on honesty, transparency, confidentiality, respect and trust enhance qualitative data collection (Olsen, Lehto, & Chan, 2016). I

established working relationships with the research participants through trust, respect, transparency, avoiding conflict of interest, and emphasizing the voluntary nature of the engagement and the ability of interviewees to withdraw their participation at will.

In defining the eligibility criteria for selecting the study participants, I ensured that the participants' characteristics aligned with the overarching research question. Researchers need to select research participants with the level of knowledge, experience, skill, and competence to provide feedback that addresses the study's research question (Boxall, Hemsley, & White, 2016; Valero et al., 2016). Researchers can ensure that participants' characteristics align with the research question by identifying mutual interest that can motivate participants to enroll in the study (Parikh, Mason, & Williams, 2016). I selected risk management executives who are accountable for implementing sound risk management practices in compensation to mitigate the adverse consequences of managerial incentives.

Research Method and Design

The three research methods that researchers use include qualitative, quantitative, and mixed methods (Yin, 2018). I used the qualitative research method to explore compensation strategies that executives in commercial banks use to support effective risk management practices. I applied a multiple case study design to explore the diverse compensation strategies that executives implement.

Research Method

Researchers use a qualitative research method to gain an in-depth understanding of a study phenomenon by exploring individual experiences, ideas, and concepts of the

participants (Van den Berg & Struwig, 2017). Qualitative researchers focus on the holistic view of the topic by collecting data within natural conditions through interviews, documents, case studies, observation, and interpretation (Neal Kimball & Turner, 2018). Qualitative research is ideal for researchers conducting explorative or investigative research where the findings of the study are not conclusive and serve as the basis for initial understanding and further research (Farooq, 2017). In contrast, researchers use quantitative research to determine the nature and extent of the relationship between the variables and causality (Park & Park 2016). Quantitative research involves the use of variables expressed in numbers and generates findings that are conclusive, descriptive, and generalizable to the population (Hoolachan, 2015; Onen, 2016). Researchers who use mixed-methods combine elements of qualitative and quantitative research approaches (Venkatesh et al., 2016).

I employed the qualitative research method because my goal was to gain an in-depth understanding of the compensation strategies that executives in commercial banks use to support effective risk management practices. I did not use the quantitative method of inquiry because I did not seek to establish relationships between variables or causality. The mixed-methods approach was also not appropriate for the study because I did not intend to test hypotheses (Van den Berg & Struwig, 2017).

Research Design

The research design for this study was a multiple case study design, which enabled me to conduct an in-depth inquiry into compensation strategies that executives of multiple commercial banks use to encourage prudent risk-taking behavior. Researchers

use case studies to gain an in-depth understanding of a topic within its real-life setting based on individual experiences, knowledge, and expertise on the topic using open-ended questions (Yin, 2018). Multiple case study designs demonstrate internal validity and replication of the study's findings across multiple firms through multiple sources of data from different entities within the same industry or sector (Larrinaga, 2016).

I rejected the phenomenological and ethnography research designs in favor of the case study design because the multiple case study design allowed for the exploration of the participants' diverse compensation strategies. The phenomenological design was not ideal for the study because I did not intend to explore how participants experience compensation strategies. Additionally, ethnographic designs are used to explore the culture or social world of a people or ethnic group by observing the group's everyday behaviors (Hoolachan, 2015), which did not align with the study's goal of exploring compensation strategies that encourage better risk management decisions.

Data saturation in qualitative studies is a point at which any additional data a researcher collects ceases to provide new insights that significantly impact the study's findings (Benítez et al., 2018). Researchers reach data saturation when they gather data from participants to the extent that no new themes or information emerges to help further understand the topic under study (Parikh et al., 2016; Thirsk & Clark, 2017). I ensured data saturation by using multiple sources of data including interviews, a review of company documentation, and observation. Triangulation is also a strategy that researchers use to achieve data saturation by using multiple sources and types of data to enhance the rigor, breadth, and depth of a study's findings (Varpio et al., 2017). I

achieved data saturation by interviewing five risk management executives in different commercial banks and after that, used triangulation to obtain additional information from company documents, including compensation and risk management policies, to increase the validity and credibility of the study's findings as well as reduce researcher bias.

Population and Sampling

In this multiple case study research, I considered a population of risk management executives from five commercial banks who had successfully implemented compensation strategies that support effective risk management practices. The sample size of the study was five participants, one from each bank. Griffith, Morris, and Thakar (2016) posited that when researchers identify the right population, they receive information that satisfies the research question within a reasonable period. Researchers must identify the study population transparently by acknowledging and managing bias as well as complying with ethical research requirements (Avon, 2017).

Researchers need to select the right sample size within the population by targeting participants with the appropriate experience, knowledge of the research topic, and insights that satisfy the research question and purpose of the study within the available resource budget (Sheehan et al., 2016). Kirchherr and Charles (2018) advised researchers to select the right sample systematically by defining a list of the members of the population and selecting an appropriate sample from the sampling frame that meets the participant selection criteria. The criteria for potential participants included risk management executives of commercial banks with leadership responsibility for the effective implementation of risk management programs in their institutions. The

participants must have had experience in successfully implementing compensation strategies in the financial services sector that encourage prudent managerial risk-taking behavior. Researchers adopting qualitative research methodology and case study designs might use purposive and snowballing sampling techniques to identify and select participants with in-depth knowledge and experience on the research topic (Reniko, Mogomotsi, & Mogomotsi, 2018).

Given that snowball sampling is ideal when researchers cannot construct a sampling frame, I adopted purposive sampling. Purposive sampling enables researchers using qualitative research methods to select participants with comparable characteristics including knowledge, and experience to ensure the collection of consistent, coherent, thematic information (Kirchherr & Charles, 2018). Using the purposive sampling technique, researchers select a small number of core participants, which facilitates data saturation by supporting the collection of rich data and the emergence of consistent themes (Parikh et al., 2016; Thirsk & Clark, 2017). Mobily and Morris (2018) cautioned that the small sample size and the intentional approach in purposive sampling techniques imply that the researchers cannot generalize the study's findings to the broader population. I sought permission from the leadership of the participating organizations for their institution to participate in the study by emphasizing the purpose and scope of the study as well as the potential benefits to the entity or the industry. Following the receipt of the necessary approvals, I formally invited the eligible participants to confirm their interest in participating in the study voluntarily. Following the confirmation of the

participants' interest, I obtained signed consent forms from the participants and agreed on the appropriate date, time, and venue for the interviews.

Ethical Research

Researchers must obtain approval from the appointed ethics committee before collecting data from human participants and follow other ethical protocols and guidelines in research including the securing of informed consent from potential research participants (Ayre, Wallis, & Daniell, 2018). The process of seeking voluntary informed consent requires researchers to fully disclose to prospective participants in the study the potential risks and benefits arising from their participation, the nature of their involvement and allowing them to decide without undue influence or incentive whether to participate in the research process (Sil & Das, 2017). Dhumale and Goudar (2017) advised researchers to ensure that the process of seeking informed consent satisfies minimum ethical criteria including the full disclosure of relevant information to the participants, ascertaining the decision-making ability of the participants, emphasizing the voluntary nature of the participation, and ensuring that the participants sign the consent form willingly. Brear (2018) argued that the purpose of seeking informed consent is to protect the human rights of vulnerable participants including the right to respect, knowledge of the relevant information, confidentiality, privacy, and cautioned against implementing informed consent as a one-off form-signing activity to satisfy the approval requirements of ethics committees.

In line with the requirement that researchers must first obtain IRB approval before conducting research involving human participants (Yin, 2018). I obtained approval from

Walden University to collect data with IRB approval number 05-13-19-0654069. Following receipt of the IRB approval, I sent a formal invitation to senior management at the selected participating commercial banks for institutional approval for their institutions and risk management executives to participate in the study. Upon receipt of institutional approval, I invited the participants to participate in the study by sharing with them by e-mail copies of the letter of invitation and informed consent form to enable them to make an informed decision on whether to participate in the study or not. Zhang (2017) advised researchers to create an environment of trust between the researcher and the participants by encouraging participants to participate in the research process voluntarily and to willingly withdraw at any stage of the process without any restrictions.

I ensured that the selected risk management executives participate in the study voluntarily with the option of withdrawing from the research process at their will without any undue influence or restrictions (Makhoul, Chehab, Shaito, & Sibai, 2018). I indicated on the informed consent form that participation is voluntary and underscored the rights of the participants including the withdrawal from the research process at will without consequences (Neupane & Sinha, 2018). I included in the invitation letter details on how participants can withdraw from the research process as well as my contact details for any further information or clarification. I also included contact details of the Research Participant Advocate at Walden University in the consent form for participants who might want to discuss any issues relating to the research process privately.

Khatamian Far (2018) posited that while researchers might use financial and non-financial incentives to encourage participants to cooperate during the research process

and in appreciation of their time and effort, the level of such incentives must not unduly influence or impair participants' objectivity. Parikh et al. (2016) underestimated the role of monetary incentives in encouraging participants to enroll and meaningfully contribute to the study and argued that personal and professional benefits of the study's findings motivate participants to participate in the study effectively. I did not offer monetary incentives to the participants in this study because such incentives will not appeal to participants at the executive level. I appealed to the leadership of the commercial banks through the central bank to participate in the study by emphasizing the individual, professional, institutional and industry benefits of the study's findings. Following the completion of the member checking process, I sent formal letters of appreciation to the participants acknowledging their valuable contribution and share a copy of the final study following its approval with them for their future reference.

Ethical practices in research require researchers to seek free and informed consent, respect the privacy and confidentiality of participants, take steps to control unauthorized data access, and mitigate information security threats to participants' privileged information (Petillion et al., 2016). Maintaining confidentiality and protecting the privacy of the participants' identity are key ethical requirements in case-study research and researchers must implement initiatives to disguise the participants' identity to protect their privacy and any adverse individual and professional consequences that might arise from their participation in the study (Fleet et al., 2016).

Researchers must collect data after obtaining the consent and clearance of the participants, safely store the data for an extended period and seek continued informed

consent from participants before disclosure of any information (Yin, 2018). In addition to seeking informed consent, I ensured the confidentiality and privacy of participants by using codes rather than names to disguise the identity of the participants. I protected the participants' data by storing the data under lock and key, data encryption, and ensure authorized access by password. I will maintain all the data, records, and information for 5 years and seek participants' consent before disclosing any privileged information.

Daku (2018) posited that while ethics rules and regulations guide in the implementation of ethical behavior in research, there is a need for virtuous researchers to do what is morally right, beyond complying with the minimum requirements of the ethics board. In the absence of universal laws or rules that govern or define ethical practice, virtue ethics requires researchers to develop reflexivity and responsiveness in addressing potential ethical challenges consistently (Dzidic & Bishop, 2017). Rodríguez-Dorans (2018) argued that reflexivity helps researchers to comply with research ethics rules by developing an intuition-informed decision-making process necessary in conducting interviews with sensitivity. I went beyond the set ethical rules and regulations to ensure self-awareness and discernment to do what is morally right during the research process.

Data Collection Instruments

In this multiple case study, I was the primary data collection instrument by conducting semistructured interviews using open-ended questions (see Appendix A). Researchers use interviews to gain insights into a phenomenon of interest from the interviewees by collecting data regarding the participants' experiences, knowledge, emotions, beliefs on the study topic in its natural conditions (Whitehead & Baldry, 2017).

Researchers use semistructured interviews to gain insights from the interviewee on a study topic by administering a set of open-ended questions that allow the generation of data that satisfies overarching research question without constraining the interviewee to a formal structure while ensuring that the conversation remains within the confines of the study topic (Payán, Sloane, Illum, Farris, & Lewis, 2017).

Using semistructured interviews requires researchers to prepare interview questions in line with the research question, interview context, culture, norms, participants' understanding of the study topic and provides researchers with the opportunity to seek qualification and make follow-up inquiries to gain better specific and general insights on the research phenomenon (Desmond et al., 2018; Marrie, Tyrrell, Majumdar, & Eurich, 2017). In conducting semistructured interviews, I employed the interview protocol (Appendix B) for guiding the interview process.

Users of qualitative research methods can use multiple data collection instruments including semistructured interviews, focus groups, observation, and secondary data sources to explore a phenomenon, uncover new insights, and identify areas for future research (Değirmenci Uysal & Aydin, 2017; Kegler et al., 2018). Divan, Ludwig, Matthews, Motley, and Tomljenovic-Berube (2017) underscored the importance of using multiple data collection instruments including secondary sources noting that the approach provides a firm foundation for researchers to undertake triangulation which enhances the validity and quality of the study's findings and conclusions.

Researchers complement structured data collection methods such as interviews and surveys with secondary sources including survey reports, seminal reports, archived

information, and records, to minimize bias and strengthen the study's findings and enhance the relevance of the inferences from study's conclusions (Watts et al., 2017). I supplemented semistructured interviews with secondary data sources including archived annual financial reports published by participating institutions. The secondary sources of data document industry best practices and trends in risk management practices and the implementation of effective compensation strategies.

I used member checking to ensure the reliability and validity of the data that I collect. Researchers use member checking in qualitative research to assess the trustworthiness and credibility of the study's findings by inviting respondents after data collection to verify, confirm, comment, support, or correct the researchers' data or interpretations (Madill & Sullivan, 2018, Varpio et al., 2017). Using member checking, researchers provide respondents with an opportunity to reflect on their previous submissions, provide additional information, elaborate on the research outcomes or challenge inaccurate interpretations by the researcher, which strengthens the level of trust and integrity between the researcher and the respondents (Iivari, 2018).

Naidu and Prose (2018) advised researchers to incorporate member checking in the data collection process by using open-ended questions in semistructured interviews to increase the participant's involvement in the research process as well as provide respondents with an immediate opportunity to verify, clarify, or correct their responses before closing the interview. I conducted member checking by sharing the summary of the responses with the participants by e-mail requesting them to check for accuracy as well as ensure that the wording matches the respondents' intended meanings to enhance

the validity of the data. I referred to the interview protocol (see Appendix B) for guidance on the member checking process during the data collection process.

Data Collection Technique

Researchers using qualitative research methods can select from a range of data collection techniques including survey questionnaires, interviews, observation, and document review (Aksan & Baki, 2017; Van den Berg & Struwig, 2017). The data collection technique for this study was semistructured interviews with risk management executives of participating institutions using open-ended questions (see Appendix A) following the interview protocol (see Appendix B). Semistructured interviews are ideal in qualitative studies because researchers can ask individual participants questions from a list of defined open-ended questions with the flexibility to pose additional probing or follow-up questions in line with the study's research question (Chu & Ke, 2017). Following receipt of the IRB approval to collect data, I sent a formal letter to leaders of participating institutions seeking consent from their entities to participate in the study. After obtaining institutional through a signed letter of cooperation, I informed the selected participants via e-mail of their selection and invited them to participate in the study by sending them a letter of invitation and informed consent form by e-mail. I requested the participants to review and execute the consent forms if they are willing to participate in the study. Following receipt of consent, I then ascertained participants' availability, scheduled, and conducted interviews using the interview protocol.

Garaba (2017) posited that each data collection technique has strengths as well as weaknesses and advised researchers to use multiple data collection techniques to avoid

bias and ensure the validity and reliability of the data collected. Integrating multiple sources of evidence facilitates the process of triangulation by enabling researchers to validate data from different sources to ensure the credibility and trustworthiness of the study's findings (Varpio et al., 2017). I reviewed archived documents published by participating institutions to explore compensation strategies that commercial bank leaders use to support effective risk management practices in the banking sector in Uganda. I gathered evidence through the interview protocol, journaling, note-taking, audio recording, and the member checking process. Using the interview protocol facilitates the gathering of the evidence systematically by guiding researchers on the sequencing of the questions (Chung et al., 2017; Taylor et al., 2017).

Researchers use journals to document notes, observations, and insights as well as maintain audit trails for the research process (Impellizzeri, Savinsky, King, & Leitch-Alford, 2017). Note-taking and maintaining an audio record of the interview enables the researcher to accurately record the participants' responses and facilitate the member checking process (Naidu & Prose, 2018). Member checking enables researchers to share the gathered data with the different participants for their review, and feedback to ensure the accuracy, credibility as well as the reliability of the evidence collected (Smith & McGannon, 2017). I paraphrased the participants' responses for each question and then requested the respondents by e-mail to confirm whether I accurately interpreted the intended message from their responses to the interview questions (see Appendix B).

Data collection techniques have limitations. Researchers using semistructured interviews might not guarantee the honesty of the participants in responding to the

questions, whereas the flexibility of the interview process introduces bias and affects the reliability of the study's findings (Marrie et al., 2017). Castillo-Montoya (2016) posited that whereas interview protocols provide a framework for an inquiry-based conversation by defining open-ended questions ahead of the interview, several unplanned questions emerge during the interview process that might divert the conversation away from the research's purpose. The quality of notetaking depends on the researcher's skills and experience, while participants might refrain from sharing sensitive information if they are aware that the researcher is recording the interview (Impellizzeri et al., 2017; Naidu & Prose, 2018). Lack of time by the participants to review the transcript summary impacts the level of engagement and the quality of feedback to the researchers, which affects the validity of the study's findings and conclusions (Amankwaa, 2016). I used multiple sources of evidence, including archived company documents, to manage the weaknesses of individual data collection techniques.

Data Organization Technique

Cooper (2017) underscored the importance of implementing the necessary data storage technics to ensure the safety of research the data, protect the confidentiality of the participants. Researchers must prevent unauthorized access to privileged research data by implementing physical security measures as well as passwords (Petillion et al., 2016). Fleet et al. (2016) advised researchers to protect the privacy, confidentiality, and identity of participants by disguising the identity of the respondents through pseudonyms. I will securely store hard and electronic copies of the data for 5 years in a fire-proof password-

access-only vault. I disguised the identity of the participating institutions and participants by using confidential codes and pseudonyms.

Researchers must adopt sound data organization techniques including research logs, reflective journals, and catalogs to track, codify and classify research evidence to facilitate the transformation of large data sets into information, knowledge, and wisdom (Dijkman & Wilbik, 2017; Suriadi, Andrews, ter Hofstede, & Wynn, 2017). Yeoh (2017) posited that researchers could use research logs and reflective journals to foster critical as they progressively note and chronicle research insights and emerging trends during the research process. Naeem (2018) advised researchers to adopt uniform and widely accepted data organizational techniques to ensure the accuracy, reliability, completeness, conciseness, consistency, and verifiability of data gathered. I used the NVivo 12 software to organize data and I will erase all the electronic data as well as burn hard copy information after 5 years.

Data Analysis

Data analysis a critical stage in the qualitative research process in which the researcher uses an array of methods to transform data into actionable insights and conclusions in a manner that enables users and reviewers of the study's findings to critically appraise the evidence in the context of extant literature (Raskind et al., 2018). Qualitative data analysis involves the review, analysis, synthesis, and categorization of research evidence into themes that reveal emerging patterns which satisfy the research question (Lowe, Norris, Farris, & Babbage, 2018). Michael (2018) advised researchers to enhance the rigor of the research by using triangulation during the data analysis stage to

seek peer-review feedback regarding the analysis, synthesis and, interpretation of the data as well as confirm the validity of the study's findings and conclusions.

Triangulation requires the use of multiple sources of data in a study including interviews, observation, journals, field notes enabling researchers to draw strong insights from the data because of the depth of the available data and evidence (Desmond et al., 2018; Taguchi, 2017). Varpio et al. (2017) described investigation triangulation as the process where researchers validate data from participants with different perspectives or expertise while methodological triangulation involves the validation of collection of data from different techniques including interviews, focus groups, observation, public records, and seminal work. I applied investigation triangulation by validating data from interviews with risk management executives of five different commercial banks with the track record of implementing compensation strategies that encourage prudent managerial risk-taking behavior. I adopted methodological triangulation by validating data through semistructured interviews, public records and seminal work on compensation strategies that support effective risk management practices.

Researchers can use triangulation, member checking, sense-making, member checking, and data saturation to reduce research bias and enhance the rigor and trustworthiness of the study's findings (Toews et al., 2016). During the data analysis stage of the research process researchers compile, disaggregate, aggregate, classify related data items as well as interpret and draw conclusions from the emerging themes (Michael, 2018; Waree, 2017). Quartiroli, Knight, Etzel, and Monaghan (2017) recommended the use of technology to aid the data analysis process observing that during

the coding process researchers and participants can view the data transcriptions using Skype to facilitate the exchange of unbiased feedback instantly. I used different tools during the data analysis stage including audio recording the semistructured interviews, note-taking, and ensure the accurate transcription of the interviews and recording of the responses in a systematic format to enable coding, interpretation, and reporting.

I leveraged on technology capabilities, interview recording machines, and NVivo during the data analysis stage. The process of disaggregating data involves the in-depth review of the data to enable the researcher to explore the evidence and satisfy the what, who, where, when, why, and how aspects of the data (Maher et al., 2018). Researchers use the coding process to disassemble data to determine aspects of data that are dissimilar by defining and assigning data with codes, labels, and descriptions to ensure the recording and sequencing of data in a meaningful order (Aldahdouh, 2018; Phillips & Lu, 2018). I used the NVivo 12 software for data coding to sort, filter, identify possible relationships, confirm emerging themes, and analyze and report results.

Maher et al. (2018) underscored the weaknesses of NVivo and advised researchers to complement the software with traditional coding tools including notetaking, worksheets, journals, colored pens, and sticky notes. Researchers achieve data aggregation through coding by labeling similar data with unique codes, assign meaningful descriptions enabling the emergence of mutual themes with varying levels of detail to facilitate the structured interpretation of the data to make actionable conclusions (Raskind et al., 2018). The data analysis process enables researchers to identify relationships and common themes within the data that are relevant to satisfying the

research question (Yin, 2018). I used NVivo for the data aggregation, disaggregation and complemented the software by using Microsoft Excel spreadsheets to tabulate key insights to aid the analysis and interpretation of the data in line with the research question. Following the interpretation of data, I drew conclusions that are relevant to the research question, the conceptual framework, and literature on compensation strategies.

Reliability and Validity

In qualitative studies, the rigor and trustworthiness of the study's findings depend on the measure of reliability and validity (Dikko, 2016). Researchers measure validity in qualitative studies by establishing credibility, transferability, dependability, and confirmability of the research process (Yeong, Ismail, Ismail, & Hamzah, 2018). Research findings that lack integrity are unreliable, and researchers need to demonstrate that the findings are accurate, consistent, replicable, could apply to other contexts as well as the extent to which the findings are free from researcher bias, motivation, or interest (Amankwaa, 2016). Researchers need to ensure the integrity of the findings by maintaining content and criterion validity in the framing of the research questions, engaging participants, collecting data, analysis, and interpretation (Yin, 2018).

Reliability

Reliability measures the extent to which the consistent application of qualitative research practices by different researchers achieves similar findings and conclusions (Cypress, 2017). Researchers achieve reliability in qualitative research by demonstrating that different researchers can replicate the same research process and achieve the same findings and conclusions consistently (Spiers, Morse, Olson, Mayan, & Barrett, 2018).

Reliability proves that the results are dependable because the research process is free from significant errors and bias (Bolognesi, Pilgram, & van den Heerik, 2016). Researchers can use member checking to verify the accuracy, analysis, and interpretation of the data to enhance the dependability of the study's findings (Naidu & Prose, 2018). During the member checking process researchers share a summary of the interview responses or emerging findings with research participants to confirm data accuracy and whether the findings reflect their experiences (Smith & McGannon, 2017).

Thomas (2017) posited that where the purpose of the research is to represent participants' perspectives or experiences accurately, member checks enhance the rigor and dependability of the research findings. Researchers can ensure the dependability of the research findings by transparently describing and documenting the various activities in the research process from data collection, analysis, and interpretation to the presentation of findings in the form of an audit trail (Yin, 2018). I ensured reliability and dependability in the research study by conducting member checks with all interview participants; maintaining an audio record of all interviews; developing interview transcripts for all interviews; and keeping an audit trail of the research process from data collection to the presentation of findings.

Validity

Yeong et al. (2018) posited that the measurement of validity in qualitative research confirms the rigor and trustworthiness of the research findings. Ensuring validity in qualitative research is important to researchers in demonstrating the credibility, transferability, and confirmability of the research findings (Ricci et al., 2018). Kozleski

(2017) advised researchers to ensure validity in qualitative research by sharing emerging analysis, and conclusions with research participants for review as well as documenting how the research process led to data, insights, findings, inferences, and conclusions.

Credibility. Credibility entails the implementation of strategies in all the stages of the research process to support the authenticity and accuracy of research claims (Liao & Hitchcock, 2018). Credibility enables researchers to provide confidence that the research findings from the perspective of the participants are accurate, trustworthy and believable (Forero et al., 2018). Researchers can promote credibility in qualitative research through member checks, peer debriefing, prolonged engagement of participants, audit trails and triangulation (Stewart, Gapp, & Harwood, 2017). Triangulation is an important element in facilitating the objectivity and trustworthiness of a study's results (Desmond et al., 2018). Triangulation involves the use of multiple sources of data to ensure the credibility of the study's inferences and conclusions by mitigating bias, enhancing the depth of the evidence, and facilitating data saturation (Taguchi, 2018).

Researchers undertaking qualitative research can implement four types of triangulation to enhance the credibility of social research including data triangulation, investigator triangulation, theory triangulation, and methodological triangulation (Amankwaa, 2016). Data triangulation involves comparing data from different people and periods; investigator triangulation involves correlating evidence from multiple researchers in the same study; theoretical triangulation considers diverse theories; and methodological triangulation entails correlating data from multiple data collection

instruments (Fusch, Fusch, & Ness, 2018). To ensure the credibility of results in the study, I used member checking and methodological triangulation.

Transferability. Transferability in qualitative research entails providing the necessary details to enable the reader to determine whether the results of a study are applicable in a new but similar context (Yin, 2018). Researchers can ensure transferability through thick description which involves describing a phenomenon in detail to enable consumers of qualitative research to establish the extent to which the results of the study are transferable to other periods, settings and situations (Cypress, 2017). The use of a purposive sampling method ensures diversity in research participants and the inclusion of a wider range of perspectives in the research process which increases data trustworthiness and promotes transferability of the study's findings to other contexts (Pratt & Yezierski, 2018). To enhance the quality and usability of qualitative research researchers need to implement strategies that promote the consistent replication of research practices in different conditions for the reader to justify the transferability of research findings to other settings (Carminati, 2018). I satisfied the transferability criteria by implementing purposive sampling and thick description.

Confirmability. Confirmability in qualitative research describes the degree of the extent to which respondents shape the findings of a study and not the researcher's bias, motivation, or interest (Amankwaa, 2016). Researchers can achieve confirmability through member checking, triangulation, audit trails, and by keeping a reflexive journal of notes that describe the researcher's evolving self-awareness regarding the phenomenon to mitigate bias (Astroth & Chung, 2018). Pratt and Yezierski (2018) advised researchers

to use member checking through peer debriefing sessions and participant feedback to ensure the confirmability of the research findings.

Using triangulation techniques including methodological, data source, investigators and theoretical triangulation, researchers can promote confirmability by demonstrating the extent to which other researchers confirm or corroborate the study's findings (Forero et al., 2018). Audit trails enable researchers to examine the integrity of the processes for collecting, analyzing, and interpreting data, while reflexive journals help to document daily introspections throughout the research process to mitigate researcher bias and interest (Cypress, 2017). I ensured confirmability in the study through member checking, triangulation, reflexivity and keeping audit trails.

Data saturation. Researchers in qualitative research can ensure the trustworthiness of the research findings by evidencing data saturation (Astroth & Chung, 2018; Pratt & Yezierski, 2018). Data saturation occurs when collecting additional data does not reveal new themes in response to the research question (Ricci et al., 2018). Thematic saturation when additional information does not reveal new themes while theoretical saturation occurs when collecting more data fails to develop further the qualitative theory (Carminati, 2018; Lowe et al., 2018). Forero et al. (2018) posited that researchers could achieve data saturation by tracking codes per interview over time until no new codes emerge from conducting additional interviews and confirming that sufficient information is available to respond to the research question. I achieved data saturation by increasing the number of research participants using purposive sampling until no new insights emerge from collecting additional data.

Transition and Summary

In Section 2, I present the project plan of the study by reiterating the purpose of the study and underscoring the role of the researcher in the research process. I discuss the study's participants, research methods and design. An examination of the research elements in the study including population and sampling, ethical research practices, data collection instruments, data collection technique, data organization technique, and data analysis follows. I discuss the various techniques I implemented in the study to ensure the reliability and validity of the research findings including credibility, transferability, confirmability and data saturation. In Section 3, I present the research findings and discuss their application to professional practice as well as their implications for social change. A review of the recommendations for action and areas for future research follow. I reflect on my experiences during the doctoral research process and end the dissertation with conclusive remarks.

Section 3: Application to Professional Practice and Implications for Change

Introduction

In this qualitative multiple case study, the purpose was to explore compensation strategies that some executives in Uganda use to support effective risk management practices. I conducted semistructured interviews with organizational leaders at five commercial banks in Uganda who were risk management executives charged with implementing the risk management program in their institutions who had (a) successfully implemented compensation strategies that support prudent risk management practices and (b) had risk management experience of more than 5 years at a senior level in the financial services sector. I transcribed the interviews, conducted member checking with each participant, and employed the NVIVO 12 software for data analysis to code, sort, filter, identify relationships, and confirm emerging themes. I used methodological triangulation to corroborate data from the interviews using related information from archived company annual financial reports. The primary themes include (a) compensation challenges, (b) financial and nonfinancial compensation, (c) the effectiveness of compensation, and (d) effective implementation of compensation strategies.

In this section, I will present the research findings and discuss their application to professional practice and implications for social change. I will also present recommendations for action and discuss areas for future research. Finally, I will reflect on my doctoral journey experiences and make conclusive remarks.

Presentation of the Findings

The overarching research question for the study was “What compensation strategies do some executives in Uganda use to support effective risk management practices?” To answer the research question, I interviewed five risk management executives of five commercial banks in Uganda with experience in implementing compensation strategies that support effective risk management practices. To maintain confidentiality and protect the participants’ identity in presenting the findings, I labeled the participants as P1, P2, P3, P4, P5 and the participating institutions as Q1, Q2, Q3, Q4, Q5. I employed Microsoft Word in transcribing the data and NVivo 12 software to assist with data analysis.

After applying methodological triangulation, I identified four themes related to compensation strategies that support commercial banks’ effective risk management practices: (a) compensation challenges, (b) financial and nonfinancial compensation, (c) the effectiveness of compensation, and (d) effective implementation of compensation. Two subthemes emerged regarding compensation challenges: (a) risky behavior, and (b) competition and high wage costs. Three subthemes emerged under financial and nonfinancial compensation: (a) fixed financial compensation strategies, (b) variable financial compensation strategies and (c) nonfinancial compensation strategies. Two subthemes emerged regarding the effectiveness of compensation: (a) risk indicators and (b) financial indicators. Finally, two subthemes emerged on the effective implementation of compensation: (a) effective governance, and (b) risk-based performance measures.

Theme 1: Compensation Challenges

All the participants in the study emphasized the importance of identifying and managing the key risks and challenges involved in implementing compensation strategies that drive the right risk management behavior. The participants mentioned that the key risk or unintended consequence of compensation strategies is the potential for encouraging the wrong behavior as managers exploit the performance and reward process to maximize their earnings at the expense of the organization and other stakeholders' interests. P1 indicated that "forms of variable compensation such as bonus and commission drive the wrong behavior by encouraging short-term risk-taking, especially if the reward does not reward employees for achieving the bank's long-term goals." P2 noted that stock options could promote the wrong behavior by encouraging staff to drive short-term sales numbers: "if the reward does not support the achievement of the long-term risk-based performance objectives of the firm." P5 also observed that sales commission could drive the wrong behavior leading to high dormant accounts, significant account-write-offs if account balances or quality of loans is not a key condition for earning the commission. Financial performance-based compensation may encourage managers to misrepresent accounting results to increase their remuneration (Almadi & Lazic, 2016).

All the participants also mentioned intense competition and rivalry as the main challenge in implementing compensation strategies because banks offer high compensation packages to attract and retain staff, leading to high compensation costs across the industry. P3 mentioned that from an external risk perspective, one of the key

challenges with implementing compensation strategies is "the intense competition and rivalry from financial and non-financial institutions that compete for the limited talent by increasing compensation packages." P4 also noted competition and rivalry from other banks as a key challenge with most of the banks in the industry: "similar or better compensation strategies making it difficult to retain staff due to cost constraints." Research has also indicated that rivalry for employees increases wage costs, as some managers earn high incentives regardless of their abilities, effort, and the entity's performance (Hill, Lopez, & Reitenga, 2016). Two subthemes from this theme also emerged: (a) risky behavior and (b) competition and high wage costs.

Subtheme 1: Risky behavior. The participants indicated that variable compensation strategies could encourage managerial excessive risk-taking behavior if the reward structure focuses on achieving short-term accounting results. Reward structures may provide incentives for managers to undertake high-risk investments due to the aggressive pay-for-performance culture in the banking sector that underscores short-term performance (Abrokwah et al., 2018). Firms with compensation strategies that rely on accounting performance indicators encourage managers to ignore low-risk projects in favor of high-risk projects that generate short-term accounting earnings (Kang & Nanda, 2017). Thus, variable compensation strategies can drive the right managerial-risk taking behavior to assist institutions in achieving sustainable performance objectives. Table 1 provides the key terms that refer to the link between compensation and risky behavior for all interviews, reflecting a combined frequency of 9.82% of participants' responses.

Table 1

Risky Behavior

Reference	Frequency	Weighted percentage	Similar words
Risk	60	2.72	Risks
Behavior	38	1.72	behavioral, behaviors
Driving	28	1.27	drive, drives, driving
Wrong	26	1.18	-
Short	25	1.13	-
Fraud	18	0.81	fraud, frauds
Taking	14	0.63	Take
Challenge	08	0.36	challenges, challenging

All five executives cited the need to watch out for the unintended consequences of variable compensation strategies in promoting managerial excessive risk-taking behavior. P1 noted that

> forms of variable compensation such as bonus and commission drive the wrong behavior that it is not sustainable because they encourage short-term risk-taking, especially if the incentives do not support the attainment of the set risk-based performance objectives of the firm.

P1 also mentioned that when a firm’s compensation structure emphasizes variable pay-for-performance incentives ahead of fixed compensation:

> staff do not have assurance or certainty of a minimum earning which drives them to do other businesses outside the bank to make ends meet, causing them to have divided attention while at work as well as engage in fraud.

P2 shared a similar experience where sales commissions encouraged the wrong sales practices, noting that “due to the competitive nature of the sales teams and a reward structure focusing on the number of new accounts rather than the quality of the accounts,

sales staff attracted many low-value accounts to earn a commission." To manage this challenge, P2 noted that the bank worked "to align incentives to long-term performance with call-back provisions so that we ultimately get people to think strategically and not tactically and that drove the right behavior."

P5 shared the same sentiments, noting that "sales commissions drive the wrong risk behavior unfortunately and the main reason as to why the bank has a huge number of dormant accounts, the high growth in the number of accounts, but the value add is almost negligible." P4 mentioned that although forms of variable pay such as bonuses drive performance and motivate staff, especially for business functions, the behavior is short term. P4 indicated that bonus motivates staff to drive better performance staff, but after a few months, they forget about it and begin focusing on the next incentive, salary increment, or promotions. P4 noted that "bonus is a very short-term incentive that drives the wrong behavior by encouraging and rewarding short-term results, it is not a major tool for motivating staff in the long-term and therefore the bank does not necessarily pay big bonuses." Noting similar challenges with bonus, P5 mentioned that the bank reviewed its bonus structure and indicated that "previously the bonus structure was the same for all staff at all levels across all functions, but now it encourages the right behavior, drives better performance and financial results, sustainable growth and not short-term risk and short-term rewards."

According to P3, variable pay-for-performance incentives that reward staff for achieving results over a 1-year accounting period drive the wrong behavior, especially if staff achieve their targets earlier. P3 noted that when treasurers meet their targets within 6

months, you see their behavior change, "they come in at 10:00 am and leave at 3:00 pm because they are done for the year yet there are customer needs to meet and potential for the bank to increase its performance." P4 shared a similar experience in this regard, noting that measuring staff performance for reward purposes at the end of the year encourages staff to take excessive short-term risk to earn a big bonus and start the following year fresh or change employers. P4 noted the need to "reward long-term sustainable risk-based performance beyond one year and underscored the importance of assurance functions such as risk management, compliance, and audit in ensuring that the bank rewards staff for prudent risk-taking behavior."

My review of annual reports of the participating financial institutions revealed disclosures on performance, compensation, and risk management practices that corroborate participants' responses and the need to implement structures to mitigate the unintended consequences of variable compensation. In all the five participating institutions, the board, with the assistance of the respective remuneration subcommittees, approves executive remuneration in recognition of outstanding risk-based performance against set long-term objectives of the banks. At the center of each of the participating institutions' reward philosophy is the implementation of fixed and variable compensation strategies that are fair, competitive, and support the long-term risk-based performance of the banks.

Subtheme 2: Competition and high wage costs. The participants also mentioned that competition and rivalry between banks in the market to attract or retain staff forces banks to offer high compensation packages to employees, leading to unsustainable

compensation costs. Firms use higher compensation packages to gain a competitive edge against rivals to attract or retain key talent, generate high returns, and increase shareholder value (Jung & Subramanian, 2017). But firms need to determine the appropriate and affordable level of fixed pay when attracting or retaining staff to avoid escalating operating costs (Tóth, 2016). Risk management executives need to implement competitive compensation packages are that are affordable and commensurate with the firm's performance and financial strength. Table 2 provides the key terms that refer to the link between competition and high wage costs for all interviews, reflecting a combined frequency of 10.81% of all participant's responses.

Table 2

Competition and High Wage Costs

Reference	Frequency	Weighted percentage	Similar words
Bank	44	2.23	banking, banks
Challenges	41	2.08	challenge, challenging
Cost	29	1.47	costly, costs
Competition	28	1.42	Competitive
Market	23	1.17	Marketable
Talent	20	1.01	-
Industry	10	0.51	-
Rivalry	10	0.51	-
Attrition	08	0.41	Turnover

All the five executives mentioned competition for talent and the attendant increase in the wage bill as one of the key challenges in implementing compensation strategies that support risk management practices. P1 noted that

> from an external risk perspective, our main challenge is the threat of competition and rivalry because we have many banks with competitive packages in the

> industry, which do not match our packages and this has led to high staff attrition with staff looking for better and huge packages elsewhere.

P1 also said that “banks face competition for talent from non-bank financial institutions such as mobile network operators (MNOs), and microfinance firms who also offer very competitive compensation packages to key talent leading to staff attrition.” P3 had similar concerns, indicated that one of the challenges in implementing compensation strategies was “intense competition and rivalry from financial and non-financial institutions that compete for the limited talent by increasing compensation strategies.” P1 mentioned that although the bank endeavors to offer competitive compensation packages to retain key, the approach is not sustainable:

> The biggest percentage of the bank’s operating expenses is staff cost, so if we cannot reduce the wage bill, then our cost to income ratio will breach our target; therefore, as a bank, we can only operate within resource constraints.

According to P2,

> one of the challenges we have with implementing compensation is that we operate within cost constraints, and we cannot pay people whether it is from a fixed or variable perspective significant amounts of money to deter them from committing fraud or going to the highest bidder.

P2 observed that

> the market is ripe with rivalry where our competitors can artificially increase compensation for their staff and lead the market to attract staff and after that, the

employee's compensation may stay stagnant or receive marginal increases in the subsequent period.

P2 indicated that they were managing the threat of competition by constantly reviewing their compensation strategies through market surveys and peer reviews to ensure alignment with the competition. P3 also emphasized the need for regulatory intervention to regulate compensation practices in the wake of intense competition and rivalry. P3 stated that "with intense competition and rivalry banks tend to manipulate compensation to attract and retain the best talent and therefore important to ensure that there are strong compensation regulations and that banks comply with prudential guidelines."

P4 also emphasized the threat from competition and the high cost of compensation: "the bank has resorted to using non-financial compensation strategies to address the threat of attrition due to high compensation packages from the competition which we cannot match." P5 cited recent developments in the market due to intense competition where banks provide incentives such as sign-on or welcome bonuses or guaranteed upfront payments for new hires. P5 stated that although "the payment is a one-off, it increases the payroll cost and demotivates other staff, especially in periods where the bank does not pay a bonus considering that bonus payment is discretionary."

A review of annual reports for the participating institutions revealed the significance of staff costs to the financial performance of the financial institutions, emphasizing the need to provide competitive but affordable compensation strategies to foster firm efficiency and increase shareholder value. For the financial year ending 2018,

employee benefit expenses constituted between 31% to 55% of the institutions' total operating expenses and between 23% to 40% of the institutions' total operating income.

Links to the literature. All the participants agreed that variable compensation strategies could encourage managerial excessive risk-taking behavior if the incentives reward employees for achieving short term accounting results. According to John Harry et al. (2018), 93% of S&P 1500 firms surveyed for the period 2009 to 2013 preferred short-term incentive awards that encourage excessive risk-taking to structures that align with the long-term interests of shareholders. Bettis et al. (2017) cautioned firms against adopting performance-contingent incentives that focus on accounting targets because they provide employees perverse incentives to make short-term decisions contrary to shareholders' interests. Driver and Guedes (2017) noted that strong forms of pay-for-performance incentives could encourage managers to limit R&D spending in pursuit of short-term personal wealth. Nguyen et al. (2017) challenged regulators to implement risk-based supervisory measures and sanctions that prevent executives from exploiting deficiencies in risk management practices to increase short-term bank performance in pursuit of higher compensation. The participants decried the increasing cost of compensation on account of intense competition and rivalry for talent in the industry, noting the need to provide remuneration packages that are competitive and affordable.

Shan and Walter (2016) argued that while fixed compensation considers the availability and market value of managerial talent variable compensation reflects the performance of the firm in a financial period by rewarding acceptable risk-taking behavior. Cheng et al. (2015) advised firms to implement strong pay-for-performance

incentives that incentivize managers to maximize firm value arguing that the gains from paying higher managerial compensation can offset the costs of excessive risk-taking behavior. Chen et al. (2017) underscored the need for alignment between shareholders, managers, and debt holders' interests in designing compensation structures to mitigate the unintended consequences of compensation, including the high employee costs. Eufinger and Gill (2016) advised compensation committees to monitor and revise the firm's risk-taking incentives to ensure that compensation packages are affordable and competitive.

Links to the conceptual framework. The findings of this study to the extent that variable compensation can encourage excessive risk-taking behavior are in alignment with the theory of the firm, which is the conceptual framework of this study. According to the theory of the firm, the prices of debt and outside equity under perfect market conditions reflect the high agency costs as managers engage in activities contrary to the interests of creditors and shareholders (Guthrie et al., 2015; Jensen & Meckling, 1976). According to the theory of the firm managers with no controlling interest in the firm take excessive risk and make decisions that appeal to their short-term interests, yet creditors and shareholders rely on the contractual agency relationship to protect their rights (Kang & Kim, 2016; Van Bekkum, 2016). Dewatripont and Tirole (1994) drew insights from the theory to advise remuneration committees to implement incentive schemes that align reward to the long-term performance of the projects.

Firms could drive managerial long-term risk-taking behavior by implementing a range of compensation strategies including salary, bonuses, stock options, deferred and negative incentive practices (Jensen & Murphy 1990). Dhole et al. (2015) emphasized the

role of deferred and negative incentives in aligning managers' expectations with the long-term goals of the shareholders. The theory of the firm aligns with the findings underscoring the need for firms to provide competitive and affordable compensation strategies to minimize agency costs and preserve shareholder value. Chng and Wang (2016) advised organizational leaders to manage agency costs by implementing compensation structures that align with the managers' ethical values to encourage prudent managerial risk-taking behavior. Kang and Kim (2016) drew insights from the theory of the firm, and the agency theory to advocate for the implementation of compensation strategies that meet the intrinsic goals of managers and not focus solely on financial forms of compensation. The findings from the study are consistent with the theory of the firm, which is the conceptual framework for this study.

Theme 2: Financial and Nonfinancial Compensation

All the participants mentioned that they implement a combination of financial and non-financial compensation strategies that support effective risk management practices. Under financial compensation strategies, the participants mentioned that their institutions have fixed and variable remuneration structures. Compensation trends in the financial services sector in the United States indicate that stock and performance shares comprise the highest form of compensation at 34%, basic pay 18%, stock options 19%, while other forms of compensation comprise 29% of total compensation (Ting & Huang, 2018). According to P1, the bank's compensation strategies include fixed and variable. P1 stated that "on the fixed side, we have a salary, medical allowance, housing allowance, pension, and retirement benefits schemes." P3 mentioned that the bank's fixed compensation

strategy includes “salary, medical, pension, retirement benefits, subsidized staff loans,” while the variable pay structure includes “sales incentives and bonus.”

P4 had a similar experience with compensation strategies noting that “some are fixed compensation strategies such as salaries, medical insurance, mortgages at half the commercial rate, airtime, vehicle allowance, life insurance policies, pension schemes, retirement benefit schemes, and others variable such as commission and bonus.” P5 confirmed that similar to other banks, they have “the entire suite of financial and non-financial compensation strategies, including basic pay, medical, commission, bonus, and other non-monetary rewards to staff.” P2 underscored the role of non-financial compensation noting that “we cannot pay people whether it is from a fixed perspective or variable perspective significant amounts of money to deter them from committing fraud because we don’t understand all the pressures they are facing.” Each of the five participants agreed that fixed financial compensation drives the right employee behavior because the strategy provides employees with assurance and certainty in meeting their periodic financial requirements. Teti et al. (2017) argued that firms with independent board members set optimum fixed compensation strategies for executives that encourage managers to select less risky mergers and acquisition transactions.

All the participants mentioned that variable compensation strategies could drive the right performance behavior if compensation aligns with the long-term objectives of the firm. Firms need to drive performance by ensuring that variable compensation aligns with the entity’s long-term performance goals (Acharya et al., 2016; Leão et al., 2017). The participants mentioned that financial compensation is not a sustainable form of

compensation in supporting effective risk management practices and underscored the importance of non-financial compensation. Firms can use non-monetary benefits such as cars, yachts, or jets, club memberships, travel expenses, housing, medical insurance, and entertainment to complement financial compensation in encouraging prudent risk-taking behavior (Ting & Huang, 2018). Following my analysis of the data from semistructured interviews and methodological triangulation, three subthemes emerged: (a) fixed financial compensation strategies, (b) variable financial compensation strategies, and (c) non-financial compensation strategies.

Subtheme 1: Fixed financial compensation strategies. All the participants mentioned that fixed financial compensation could drive the right managerial risk-taking behavior by providing staff with the certainty of a stable financial reward to meet their minimum financial requirements consistently. Kang and Kim (2016) argued that debt-like compensation strategies such as pension or deferred compensation encourage managers to make prudent risk decisions that prioritize debtholders' goals. Managers with significant fixed compensation positions manage firms conservatively and avoid excessive risk in pursuit of high pension and deferred compensation in the future which stifles innovation, growth and firm value (Chen & Qiu, 2016; Yang & Hou, 2016). Table 3 provides the key terms that refer to the link between financial fixed compensation and managerial risk behavior for all interviews, reflecting a combined frequency of 13.95% of all participant's responses.

Table 3

Fixed Financial Compensation Strategies

Reference	Frequency	Weighted percentage	Similar words
Pay	47	3.12	Paying
Fixed	44	2.92	-
Certainty	31	2.06	-
Loans	26	1.66	Loan
Salary	18	1.20	Salaries
Drive	17	1.13	drives, driving
Behavior	15	1.00	Behavioral
risk	13	0.86	Risks

Compensation committees need to implement compensation strategies with an optimum level of fixed and variable financial compensation structures to support effective risk management practices. All five executives mentioned that fixed financial compensation strategies provide employees with the assurance of a minimum earning and promote prudent risk management behavior. P1 indicated that “fixed pay can drive the right behavior if adequate and well-structured because it provides staff with a sense of safety, or certainty of their future with the institution.” P1 mentioned that the bank provides staff with staff loans at interest rates that are below market rate, which gives staff certainty and manages staff attrition risk and fraud. P1 cautioned that “if salaries are low, staff run other businesses outside the bank to make additional money, causes them to have divided attention while at work and may also encourage them to engage in fraud.”

P2 mentioned that fixed compensation “drives the right behavior because it provides staff with assurance that they will be able to meet their basic requirements in exchange for their efforts.” P2 stated that “from a fixed compensation standpoint when employees are confident of meeting their bills as they fall due, they will not engage in

bad conduct." P2 underscored the importance of staff loans "that a competitive fixed pay structure provides certainty to the job market and helps in attraction and retention, but it also incentivizes staff to do the right thing for the bank because the ability to pay that loan depends on the performance of the bank." P3 emphasized the importance of fixed pay in driving the right risk behavior specifically for support functions noting that "although business functions also need a minimum level of fixed pay, pay-for-performance incentives such as bonus or sales commissions drive behavior more than salary." P3 noted that "once you give a direct sales agent a huge salary, it does not create a sense of responsibility to put in more effort because the agent is certain of receiving a salary regardless of effort because it is a monthly obligation for the company."

P2 concurred with P3 on the matter, noting that "fixed pay tends to drive the right behavior especially for support functions because it provides certainty of appropriate compensation that does not depend on the performance of the firm and empowers non-business functions to perform their roles independently." P4 mentioned that "the bank focuses on ensuring that the fixed compensation package is competitive because fixed pay provides employees with the assurance of meeting their financial obligations in a more defined and sustainable manner." P4 mentioned that staff loans or mortgages "commit staff to the bank for the long-term because they provide staff with the certainty of owning a home or car and staff work hard to service the facilities because they do not want to lose their assets." P5 indicated "that fixed pay motivates staff by providing a cushion that ensures that employees are certain of meeting their minimum financial obligations sustainably." P5 noted that the bank could attract, retain and motivate staff

using fixed pay by offering a salary, other benefits, and medical allowances that provide staff with the appropriate level of compensation to meet their financial and growth needs sustainably. P5 added that "fixed compensation strategies motivate staff because of the stability, certainty, assurance, transparency, and simplicity they provide." My review of disclosures on remuneration in the annual reports of the participating financial institutions confirmed information from the interviews to the effect that all the participating financial institutions implement financial compensation strategies with fixed and variable components as well as additional forms of non-financial compensation.

Subtheme 2: Variable financial compensation strategies. The participants mentioned that variable financial compensation could drive the right performance behavior for business functions if the structure rewards staff for achieving the long-term objectives of the firm. Ahmed and Ndayisaba (2017) posited that long-term variable compensation structures reduce the level of managerial risk-taking behavior and increase shareholder value. Appropriate variable compensation strategies influence both the operating and market performance of a firm positively (Yahya & Ghazali, 2017). Zagonov and Salganik-Shoshan (2017) argued that optimum variable compensation strategies influence managerial risk-taking decisions and positively shapes the firm's long-term performance culture. Table 4 provides the key terms that refer to the link between variable financial compensation and firm performance for all interviews, reflecting a combined frequency of 21.08% of all participant's responses.

Table 4

Variable Financial Compensation Strategies

Reference	Frequency	Weighted percentage	Similar words
Performance	53	5.73	performers, performing
Business	25	2.70	-
Driving	25	2.70	drive, drives
Bonus	22	2.38	-
Variable	22	2.38	-
Behavior	14	1.51	-
Incentives	13	1.41	Incentive
Commission	12	1.30	Commissions
Sales	9	0.97	-

Business leaders need to implement compensation strategies with effective variable financial compensation structures to motivate business staff to meet the long-term risk-based performance objectives of the firm. All the five executives mentioned that variable compensation supports effective risk management practices if the structure rewards staff for achieving the firm's set long-term risk-based performance objectives. P1 mentioned that the bank successfully implements "variable pay-for-performance strategies such as bonus and sales commission using risk-based performance measures that align with the long-term goals of the bank to drive performance for business units." P2 emphasized the importance the bank attaches to variable compensation in driving business performance noting that "for staff in business or sales bonus or sales commission makes more sense in driving the right performance behavior, but we make sure that the structure aligns with the bank's risk appetite framework." P2 stated that "while compensating business staff with variable incentives for better performance, we

ensure that such performance is sustainable over the long term by engaging in the right risk-taking behavior."

P3 mentioned that pay-for-performance incentives reward excellent performance regardless of staff seniority, noting that "you could find a teller who earns more than their immediate supervisor in recognition of effort, work ethic, and dedication." P4 mentioned that the bank implements "variable incentive schemes such as bonus, commissions mainly for the business functions that help drive performance." P4 cautioned that whereas variable incentives schemes such as bonus, sales commission, can drive the right behavior performance behavior, the impact is not sustainable. P4 stated that "bonus is quite interesting because it drives performance and motivates staff during the reward period, but performance declines or remains stable for the period following the payment." P4 noted that variable compensation could drive sustainable business performance "if the pay structure rewards staff for achieving the bank's long-term goals."

P5 noted that variable incentives schemes such as bonus and sales commissions could "motivate staff in business functions in driving better performance and support the bank's long-term objectives." P5 emphasized the need for a structure "that fosters the right behavior and drives sustainable performance by implementing risk-based performance measures that support the long-term goals of the bank." P5 underscored the impact of implementing incentive deferral methods in driving prudent risk behavior noting that "a bonus deferral method at 40% in year 1, 30% in year 2 and 30% in year 3 is risk-sensitive, supports staff retention drives sustainable performance." A review of disclosures on remuneration in the annual reports of the participating financial

institutions confirmed that the banks implement variable pay-for-performance compensation that aims to reward deserving staff for achieving the long-term financial and non-financial objectives of the firm.

Subtheme 3: Nonfinancial compensation strategies. All five participants emphasized the importance of non-financial forms of compensation such as training and other non-monetary ways of applauding commendable staff performance in managing staff attrition. Firms can motivate staff through non-monetary benefits such as cars, club memberships, travel expenses, housing, medical insurance, entertainment, and other forms of recognition (Ting & Huang, 2018). Non-monetary forms of motivation such as the opportunity to succeed, a conducive work environment, and self-actualization supplement financial compensation in motivating staff and driving prudent risk-taking behavior (Davis et al., 1997; Le Breton-Miller & Miller, 2018).

Executives of firms listed in Fortune 's ranking of America's top companies earned 8% lower compared to peers in other firms, preferring status and career benefits to additional financial compensation (Focke et al., 2017). Table 5 provides the key terms that refer to the link between non-financial firms of competition and risk behavior for all interviews, reflecting a combined frequency of 28.53% of all participant's responses. Business leaders, regulators, and policymakers need to implement non-monetary forms of compensation to motivate managers by appealing to their intrinsic values of managers. All the participants underscored the role of non-financial compensation strategies in complementing monetary rewards to manage staff attrition and drive the appropriate risk-taking behavior.

Table 5

Nonfinancial Compensation Strategies

Reference	Frequency	Weighted percentage	Similar words
Compensation	29	9.51	-
Non	24	7.87	-
Forms	17	5.57	Form
Motivator	5	2.30	motivated, motivating, motivation
Rewards	4	1.64	Reward
Strategies	3	0.98	-
Awards	2	0.66	-

P1 mentioned that the bank “supplements financial compensation with non-financial forms of compensation including "thank you notes," formal or verbal recognition, awards because of their appeal to the intrinsic values of employees and plays a critical role in driving the right risk-taking behavior.” P1 mentioned that “non-financial compensation including promotion, team building events, as well as social and family events provide emotional support, motivate staff and help mitigate several organizational risks that arise out of compensation packages.”

P2 supported the need to implement compensation strategies with an optimum mix of both financial and non-financial forms of compensation. P2 mentioned that “financial institutions should realize that it is not a one-size-fits-all for all staff in terms of motivating staff especially as we recruit a younger staff compliment, we find that money is not the only source of motivation.” P2 shared a similar experience and emphasized the need to “compliment financial forms of compensation with other non-financial forms of compensation, including appreciation, recognition, awards.” P2 acknowledged the limitations of financial compensation noting that “because pay can never be [good

enough] financial compensation can only take you so far and so you need to use non-financial compensation because it makes staff feel special." P3 noted that with intense competition and rivalry for talent with banks offering lucrative financial compensation packages, "the bank emphasizes non-financial forms of compensation to appeal to staff and improve employee retention." P4 underscored the importance of non-financial compensation in staff retention, stating that "people stay, not just for financial compensation but for other reasons such as a good working environment, work-life balance, growth opportunities, and exposure."

P5 indicated that the bank uses "non-financial compensation strategies to address the threat of attrition due to high compensation packages from competition to attract talent that the bank cannot match." P5 mentioned that "the bank emphasizes non-financial forms of compensation including opportunities for growth, noting that financial compensation cannot drive sustainable employee behavior." P1 concurred with P5, noting that "job enrichment by providing staff with more exposure and challenging opportunities are forms of non-financial compensation that motivate staff beyond financial reward." A review of disclosures on remuneration in the annual reports of the participating financial institutions confirmed the use of non-financial forms of compensation, including training, growth opportunities, recognition, and awards to complement financial rewards.

Links to the literature. All the participants mentioned that fixed financial compensation provides staff with the certainty of a stable financial reward and drives the right risk-taking behavior. Kang and Kim (2016) posited that fixed compensation incentives including pension and deferred payments, motivate managers to reduce risk by

aligning the managers' and creditors' reward expectations because they both rely on a promise for payment in the future. Firms that offer fixed incentives encourage managers to become risk-averse because such incentives are subject to a high risk of default when the firm's financial performance is poor (Van Bekkum, 2016). Chi et al. (2017) noted that fixed compensation strategies encourage managers to adopt a risk-averse approach to protect their future pension benefits and deferred compensation reward at the expense of the firm's long-term performance.

The participants agreed that pay-for-performance variable financial compensation could drive a risk-based performance culture for business functions. Variable compensation strategies with penalties for poor performance and unethical behavior could increase the firm's ability to achieve its long-term performance goals (Koch et al., 2017). Firms with pay-for-performance variable incentives pay their managers more incentives in search for greater success and pay managers whose performance is below target less compensation (Boodoo, 2018). Firms need to design compensation structures that have fixed and variable incentives to motivate staff to achieve the firm's long-term objectives (Petrou & Procopiou, 2016). Abrokwah et al. (2018) noted that when variable compensation supports the achievement of the firm's long-term performance, managerial risk-taking aligns with the firm's strategic objectives and increases shareholder value. Adom (2018) posited that while variable compensation strategies might demotivate staff who fail to meet the aggressive set targets, the incentives improve employee work performance and retention. Smirnova and Zavertiaeva (2017) cautioned that while

incentives motivate managers to achieve accounting-based results, such incentives might not motivate managers to achieve market-based results.

Savaser (2016) advised that pay-for-performance incentives could induce more risk-taking, arguing that risky projects create more value and increase the expected value of incentive compensation. Anderson and Core (2017) urged firms to implement risk-reducing incentives such as future cash pay, pension benefits, deferred compensation, and severance pay strategies. All five participants emphasized the importance of non-financial forms of compensation in managing staff attrition and mitigating risks attendant to financial compensation strategies. Francoeur et al. (2015) argued that managers with intrinsic goals, such as caring for the environment, prioritize intrinsic rewards ahead of monetary gain. A compensation framework that emphasizes the maximization of short-term monetary gain encourages adverse managerial risk-taking behavior (Hoskisson et al., 2016; Rocchi & Thunder, 2017).

Links to the conceptual framework. The findings of this study requiring firms to implement an optimum mix of non-financial and financial forms of compensation including fixed and variable compensation to drive the right risk-taking behavior, align with the theory of the firm, which is the conceptual framework of this study. The theory of the firm explores the connection between pay-for-performance incentives and managers' risk-taking behavior (Jensen & Murphy, 1990). According to the theory, firms have several stakeholders with conflicting objectives, and pay-for-performance incentives might influence managers' risk-taking behavior to focus on increasing their wealth to the detriment of owners, creditors, and the public (Jensen & Meckling, 1976). Kang and Kim

(2016) posited that fixed compensation strategies including pension and deferred payments motivate managers to reduce risk by aligning the managers' and creditors' reward expectations because they both rely on a promise for payment in the future.

According to the theory of the firm managers with no controlling interest in the firm make decisions that appeal to their short-term interests, requiring the need to implement optimum compensation strategies to the interests of all stakeholders (Kang & Kim, 2016; Van Bekkum, 2016). Pogach (2018) advised firms to manage staff attrition, emphasizing the need for firms to implement optimal compensation strategies that motivate managers to act in the long-term interest of the firm. Dewatripont and Tirole (1994) drew insights from the theory of the firm to encourage remuneration committees to implement compensation strategies that align reward to the long-term performance objectives of the firm. Jensen and Murphy (1990) posited that firms could drive managerial long-term risk-taking behavior by implementing a range of financial and non-financial compensation strategies including salary, bonuses, stock options, deferred, negative incentive practices and other non-monetary rewards. The findings are consistent with the theory of the firm, which is the conceptual framework for this study.

Theme 3: The Effectiveness of Compensation

All the participants mentioned that they measure the effectiveness of their compensation strategies by tracking risk and financial indicators. The participants mentioned financial indicators such as revenue, costs, sales, losses, profit, and risk indicators such as staff attrition, fraud, and NPLs. P1 mentioned that in assessing the effectiveness of compensation strategies, the bank "looks at financial and risk indicators,

with risk indicators including measures such as staff attrition, fraud, and non-performing loans." P1 noted that on the financial side, they consider "revenue, profitability, costs, especially the cost to income ratio to get a sense of the effectiveness of our compensation strategies." P2 mentioned that they get a sense of how effective their compensation strategies are by "considering risk indicators such as staff attrition, staff satisfaction, fraud, the level of NPLs and financial indicators such as the bottom line." P3 also mentioned that the bank uses "risk indicators such as staff attrition, staff satisfaction, operational losses, fraud, the level of NPLs."

P3 indicated that they "look at financial indicators that measure financial performance, including profit, losses, revenues, costs, essentially the bottom line." P4 mentioned that the bank has a monthly management risk committee that monitors risk indicators such as staff attrition, the level of NPLs, fraud and staff satisfaction and financial indicators such as sales, revenues, profile or loss, cost levels." P5 also shared similar feedback indicating that the bank assesses the effectiveness of its compensation strategies through "several risk indicators such as staff attrition, staff satisfaction, NPLs, fraud and financial indicators such as sales, revenues, financial performance including profit, losses, costs." Chou and Buchdadi (2017) posited that compensation strategies motivate managers in banks to achieve accounting-based performance risk and financial indicators such as NPL and return on asset because regulators focus on the accounting-based performance measures for supervisory purposes. Firms that implement compensation strategies that rely on accounting performance risk and financial indicators encourage managers to ignore projects with high long-term market returns in favor of

projects that generate short-term accounting earnings (Kang & Nanda, 2017). All the participants mentioned the need to measure the effectiveness of compensation strategies using a set of risk indicators such as attrition, fraud, and NPLs as well as financial indicators such as revenue, costs, profit and losses in aligning with the long-term objectives of the institution. Following my analysis of the data from semistructured interviews and methodological triangulation, two subthemes emerged: (a) risk indicators, and (b) financial indicators.

Subtheme 1: Risk indicators. All the participants mentioned risk indicators such as staff attrition, fraud, and NPLs as key measures of the effectiveness of compensation strategies if the measures align with the long-term objectives of the firm. Aldatmaz et al. (2017) advocated for the implementation of broad-based employee stock options (BBSO) to reduce employee turnover, strengthen risk management, and increase long-term firm performance. Petrou and Procopiou (2016) discovered that stock options regulate excessive managerial risk-taking, reduces earnings manipulation, and fraud. Nkundabanyanga et al. (2017) urged firms to implement effective risk management practices by setting performance targets that focus on the level of nonperforming loans rather than volume growth. Table 6 provides the key terms that refer to attrition, fraud, and NPLs key risk indicators for the effectiveness of a firm’s compensation strategies for all interviews, reflecting a combined frequency of 15.45% of all participant’s responses. Compensation committees need to ensure that firms compensate managers for achieving financial results within acceptable risk appetite.

Table 6

Risk Indicators

Reference	Frequency	Weighted percentage	Similar words
Risk	39	3.35	Risks
Indicators	33	2.83	indicating, indication, indicator
Attrition	31	2.66	Turnover
Compensation	28	2.40	compensated, compensating
Fraud	23	1.97	Frauds
Loans	10	0.86	Loan
Credit	08	0.69	drives, driving
NPLs	08	0.69	asset quality

All five executives mentioned staff attrition or turnover, staff fraud, and the level of NPLs as key risk measures for the effectiveness of a firm's compensation strategy. P1 mentioned that "a high staff attrition rate is a risk indicator to us that our compensation strategy may not be working as envisaged in light of what the competition is doing." P1 indicated that the "staff attrition rate is lower at some levels due to the pension scheme because of the level of certainty and assurance it gives to staff at that level." P2 further noted that the "other risk indicators that measure the effectiveness of our compensation strategies include fraud and the level of NPLs." P1 also highlighted "a reduction in fraud levels for some staff grades with the improvement in the salary structure giving staff more certainty in the bank's ability to support their growth and development aspirations."

P2 explained the importance of attrition as s risk measure noting that "if you are not adequately compensating your key personnel, they are going to jump ship, and you are going to lose your key talent to your competitors, and that may affect your strategic objectives." P2 indicated that staff attrition is one of the indicators the bank "worries about and monitors very closely understand what is going on in the market and what is

driving the numbers high." P2 mentioned that in addition to staff attrition, the bank uses "other risk measures such as fraud, the level of NPLs." P2 mentioned that "an increase in NPLs indicates that there are weaknesses in the underwriting standards because "sales teams are focusing on achieving their sales targets to maximize their sales commissions by driving volumes at the expense of asset quality."

P3 shared similar experiences with P1 and P2, noting that the bank considers "staff attrition, staff satisfaction, and other risk indicators such as operational losses, fraud, the level of NPLs." P3 explained the relationship between compensation and asset quality noting that if the approval of a loan depends on an employee's underwriting signature, and the staff has [financial] problems, and the salary cannot help to sort out those financial problems, "they will approve poor quality loans in exchange for a kickback increasing the level of NPLs." P3 confirmed that high NPLs might indicate that a firm's compensation strategies are not effective noting that "when you deploy staff in sensitive roles, ensure they have the right integrity, but also make sure that you compensate them well, so that they do not yield to bribes and kickbacks to approve poor quality loans." P3 mentioned that the bank uses other indicators such as fraud and staff attrition. P3 indicated that "staff attrition is one of the main risk indicators that your compensation strategy is not assisting you to retain your best talent."

P4 also mentioned that the bank tracks "risk measures such as staff attrition, the level of NPLs, fraud and staff satisfaction." P4 noted that the bank considers both "voluntary and involuntary staff attrition to understand why people are leaving and if they are not happy with your compensation strategies, take appropriate actions to address

the challenges." P5 mentioned that they look "at various measures, including staff attrition, staff satisfaction, NPLs, fraud." According to P5, "retention or staff attrition ratios against the market are an effective indicator as to whether our compensation strategies are working or whether we need to make some changes." P5 added: "We monitor high performers that leave the bank and use the exit interviews to understand why a valuable staff is leaving the bank." In my review of disclosures on remuneration in the annual reports of the participating financial institutions, I confirmed that banks implement pay-for-performance incentives that consider financial objectives as well as risk indicators such as staff fraud, operational losses, NPLs, and the staff level of compliance with bank procedures and values.

Subtheme 2: Financial indicators. All the participants mentioned that financial performance indicators, such as revenue, costs, profit, and losses, indicate whether a firm's compensation strategies are effective. Bennett et al. (2017) advised compensation committees to minimize pay-for-performance distortions by defining sales or profit targets relative to other firms. Firms need to measure by focusing on the firm's actual and expected performance relative to the performance of benchmark peers (Shan & Walter, 2016). Bova and Yang (2017) advised shareholders to mitigate the adverse impact of compensation strategies on firm performance by negotiating low wage rates to reduce marginal cost, increase profits and improve the entity's competitive advantage ahead of its rivals. Table 7 provides the key terms that refer to the financial performance measures that participants mentioned as key in measuring the effectiveness of compensation strategies for all interviews, reflecting a combined frequency of 17.19% of all

participant's responses. Risk management executives need to ensure that firms compensate managers for achieving both financial and risk performance-related measures such as fraud, operational losses, and NPLs.

Table 7

Financial Indicators

Reference	Frequency	Weighted percentage	Similar words
Financial	10	5.73	-
Revenue	08	2.70	Revenues
Costs	07	2.70	Cost
Indicators	07	2.38	Indicator
Sales	05	1.41	-
Losses	05	1.30	Loss
Profit	05	0.97	Profitability

All five executives mentioned the use of revenue, costs, sales, losses, and profits as financial measures in assessing the effectiveness of their compensation strategies. P1 mentioned that in assessing whether the bank's compensation strategies are effective, they consider measures such as "revenue, profitability, costs, especially the cost to income ratio." P2 also mentioned that the bank looks at "revenues, sales, profit, cost level" in assessing the effectiveness of pay-for-performance incentives. P2 stated: "We had so many new accounts following a commission-based sales campaign, but when we looked at the numbers, almost 20% of the accounts were inactive shortly after the campaign." P2 added: "When you have such a significant pool of inactive customers, it is an indication that your incentive scheme is not effective in driving the right performance behavior." P2 mentioned that there is a between a firm's compensation strategies and its financial year goals and objectives. P2 stated: "If you have sales, revenue, profit or loss

targets, your compensation strategy has to play a key role in enabling you to achieve these targets if it is effective." To assess the effectiveness of compensation strategies, P3 mentioned that they use "financial indicators that measure financial performance, including profit, losses, revenues, and costs." P3 noted that the key deliverable for business functions is revenue and "if the compensation strategy does not incentivize staff effectively revenues for the bank will lag the set targets." P3 mentioned that "for staff in support functions such as procurement or administration escalating costs is an indicator that the compensation strategy is not the right driving cost-saving behavior or that employees are engaging in fraud."

P3 indicated that for treasury functions, "the level of profit and losses is a good indicator of whether the bank's compensation strategy is driving the right performance behavior." P4 and P5 shared a similar experience with P3 noting that sales, revenues, profits or losses are a good indication as to whether compensation is driving the right behavior for business functions while "operating costs is a good indication as to whether compensation strategies are incentivizing support functions to manage costs appropriately. P4 stated: "We look at indicators such as sales, revenues, profit, loss, or cost levels depending on whether you are in business origination or you are a support function staff." P5 stated: "We look at financial indicators such as sales, revenues, financial performance including profit, losses for customer-facing staff and operating costs for support functions." A review of disclosures on remuneration and performance in the annual reports of the participating financial institutions confirmed that the banks

set annual objective performance targets including sales, revenues, costs, profits and losses and reward staff for meeting or exceeding these targets.

Links to the literature. All the participants mentioned staff attrition, fraud, and NPLs as key measures of the effectiveness of compensation strategies if such measures align with the long-term objectives of the firm. Jia (2017) noted that compensation strategies might encourage financial misconduct in firms where executive turnover is high, top management executives are close to retirement and poor performance might result in the replacement of the top leadership team. Erkens et al. (2018) argued that firms that adopt clawbacks reduce compensation risk, improve financial reporting quality, and record low executive turnover if remuneration committees ensure that clawbacks do not penalize managers for non-controllable risks. Firms need to determine the appropriate level of fixed pay to attract or retain the best talent in the industry (Tóth, 2016). Jung and Subramanian (2017) noted that firms could use compensation strategies to attract or retain talented managers and to motivate them to work hard to increase shareholder value. Fichter (2016) noted the need for firms to use compensation strategies to strengthen ethical standards by providing incentives to employees who act with integrity consistently.

Compensation committees need to consider managers' moral values and intrinsic goals when designing incentive schemes because incentive-based compensation is not the sole source of staff motivation (Francoeur et al., 2015). Dittmann et al. (2017) encouraged firms to implement compensation strategies that encourage prudent risk-taking behavior as well as reward managerial effort. Schoen (2016) noted that

compensation structures in banks that rewarded executives for positive returns without penalties for unethical behavior a matter contributed to the financial crisis of 2008. Cadman et al. (2016) posited that while several pay contracts reduce unethical managerial behavior, the contracts might motivate managers to invest in high-risk projects with large short-term returns to increase their remuneration on termination.

All the participants mentioned that financial performance indicators, such as revenue, costs, profit, and losses, indicate whether a firm's compensation strategies are effective. After the financial crisis of 2008, some loss-making banks paid bonuses to top managers contrary to risk management guidelines on pay-for-performance (Schenck & Thornton, 2016; Tóth, 2016). Compensation for top managers in many loss-making banks following the financial crisis stayed the same or increased regardless of risk, and firm performance (Boodoo, 2018; Eufinger & Gill, 2016). Bakke et al. (2016) discovered that when executives have a large portion of their wealth that depends on the future performance of the firm, they are risk-averse and increase their hedging intensity which increases the firm's operating costs and reduces profits. Oluwagbemiga et al. (2016) posited that ERM practices, including risk limits, risk appetite, and risk strategy, restrain excessive managerial risk-taking behavior resulting in positive financial performance.

Hirsch et al. (2017) cautioned firms against the potential unintended effects of clawbacks, including a risk-averse culture that inhibits growth and innovation. Leão et al. (2017) posited that compensation strategies that linked managerial bonuses to current year earnings and not on the firms' long-term performance encouraged managers to take excessive risks. Raithatha and Komera (2016) urged firms to implement compensation

strategies that motivate managers to achieve market-based measures contrary to accounting results pay-for-performance expectations. Francis et al. (2017) argued that managerial compensation strategies that do not align the interests of shareholders and managers significantly increase the firms' exchange rate exposure impacting the entity's financial performance and value. Omoregie and Kelikume (2017) implored shareholders and regulators to align compensation with performance to ensure that managers act in the best interest of all stakeholders.

Links to the conceptual framework. The findings of this study emphasize the need for compensation committees to implement compensation strategies that motivate staff to achieve the long-term financial performance objectives of the firm as well as comply with the set risk appetite levels, and organizational values, norms, and ethical conduct. The findings are in line with the constructs of the theory of the firm, which is the conceptual framework of the study. According to the theory of the firm managers make decisions that appeal to their short-term interests, yet creditors and shareholders rely on the contractual agency relationship to protect their rights (Kang & Kim, 2016; Van Bekkum, 2016). Compensation strategies that reward managers for achieving the firm's long-term financial and risk objectives help to align managers' interests with other stakeholders' interests. Kim et al. (2016) posited that debt and equity investors expect firms to implement effective corporate governance structures, including effective compensation structures that protect their interests from adverse decisions of managers.

Koch et al. (2017) advised firms to implement effective employee retention policies to ensure that managers focus on the long-term performance of the firm in line

with shareholders' interests. Compensation committees need to maintain a balance between risk-taking and risk-reducing incentives by aligning the firm's risk-taking incentives with changes in the business and risk environment (Eufinger & Gill, 2016). The theory of the firm supports firms in implementing incentive schemes to encourage prudent managerial risk-taking behavior (Dewatripont & Tirole, 1994). Cheng et al. (2015) advised regulators and policymakers to reduce the gap between the interests of managers and shareholders by implementing clawback practices to align executive compensation to the long-term performance objectives of the firm. The theory of the firm discusses ways of addressing the conflicting interests of stakeholders in a firm and the role of compensation in shaping managerial risk-taking behavior (Bellavitis et al., 2017; Clifford & Lindsey, 2016). The findings are consistent with the theory of the firm, which is the conceptual framework for this study.

Theme 4: Effective Implementation of Compensation

All the participants mentioned that effective governance and incorporation of risk-based performance measures in performance framework are critical in mitigating compensation risks. P1 emphasized the role of management and board compensation committees in ensuring that firms roll out training and awareness programs on compensation. P1 stated: "The emphasis of our training and awareness program is to empower staff to understand their reward entitlements, the performance expectations of the bank to take ownership of their performance and reward." P2 mentioned the need "for effective governance structures at board and management level to approve and oversee the implementation of the bank's compensation strategy is critical in addressing

compensation challenges and risks." P3 noted that effective governance structures "foster objectivity, alignment of compensation with risk-based performance, transparency, equity, fairness, and objectivity of the compensation framework." Meyer and Rowan (1977) argued that firms that implement effective corporate governance structures with a clear separation of roles between ownership and management are more likely to satisfy all stakeholders' interests. The effective implementation of corporate governance structures, board oversight, and assurance are key tenets in addressing the agency problem (Mitnick, 1975).

P5 emphasized the need for "the bank's compensation framework to reward risk-based performance outcomes that match the long-term objectives of the bank." Sitnikov et al. (2017) argued that firms that adopt the risk-based thinking approach under ISO 9001:2015 empower managers to make rational risk management decisions in the interest of the investors. P4 acknowledged the importance of risk-based performance measures in implementing compensation strategies. P4 stated: "compensation has to reward staff for attaining risk-based performance goals of the bank in line with the long-term objectives of the bank." Gatzert and Schmit (2015) advised firms to adopt compensation strategies that foster accountability and reward prudent managerial risk-taking behavior. All the participants mentioned the need to ensure effective implementation of compensation strategies through effective governance structures and adopting risk-based performance measures in compensation structures. Following my analysis of the data from semistructured interviews and methodological triangulation, two subthemes emerged: (a) effective governance, and (b) risk-based performance measures.

Subtheme 1: Effective governance. All the participants mentioned that effective governance structures, including independent management and board committees, are important in implementing compensation strategies that drive prudent risk management behavior. Kumari et al. (2017) posited that the components of a good corporate governance framework include separation of roles and responsibilities between managers and owners, board independence, risk management oversight committees, audit committees, and independent remuneration committees. Effective governance mechanisms mitigate agency risk by aligning the interests of all stakeholders of a firm, including managers, owners, creditors, suppliers, customers, and the public (Outa & Waweru, 2016).

Good corporate governance practices, including an independent board, board members' expertise, and experience, strengthen internal control, and risk management practices in firms (Nalukenge et al., 2016). Table 8 provides the key terms that refer to the impact of effective governance on compensation strategies for all interviews, reflecting a combined frequency of 10.85% of all participant's responses. Regulators and policymakers need to ensure the presence of effective governance structures in firms to oversee the effective implementation of compensation strategies that promote prudent managerial risk-taking decisions. All five executives mentioned the need for effective governance structures in the implementation of compensation strategies that drive the right behavior.

Table 8

Effective Governance

Reference	Frequency	Weighted percentage	Similar words
Governance	31	1.74	-
Management	27	1.52	manager, managers, managing
Committee	24	1.35	Committees
Board	23	1.29	-
Performance	22	1.24	perform, performers
Effective	19	1.07	Effectiveness
Reward	19	1.07	rewarding, rewards
Structure	15	0.84	structured, structures
Ensuring	13	0.73	ensure, ensures

P1 noted the importance of governance structures such as “management and board committees to oversee the implementation of compensation strategies in the bank.” P2 shared the same experience noting that “ensuring the presence of effective governance structures at board and management level to approve and oversee the implementation of the bank's compensation strategy is critical in addressing compensation challenges and risks.” P2 stated: “For the senior management staff we have a compensation committee at board level that [oversees] the rewarding of people based on the long-term goals of the bank as opposed to rewarding short-term performance.” P2 noted that “board-level compensation committees approve and supervise the implementation of compensation to ensure transparency, equity, and fairness in compensation.” P3 underscored the importance of effective governance concerning the presence of comprehensive policies and procedures to guide the effective implementation of compensation strategies.

P3 stated: “There is a need for effective governance structures including management and board committees, policies, procedures and guidelines on compensation

to foster objectivity, alignment, transparency and equity in the compensation process." P5 also shared a similar experience noting that "from a governance perspective, comprehensive policies, procedures, and compensation guidelines encourage people to operate in line with the bank's expectations." P3 also noted the need for an independent oversight committee of the board to determine and approve compensation for oversight functions, including risk management, compliance, and audit. P3 stated: "Because of the kind of work, they do, there should be an independent body that determines their compensation and even when the CEO approves their compensation, these committees should independently assess the reasonableness of their compensation." P5 also mentioned the need for the "governance structures to ensure that an independent oversight committee determines and approves compensation for risk and compliance functions to enable them to do their work independently."

P4 mentioned that effective governance is critical in ensuring the effective implementation of compensation strategies by fostering transparency, equity, objectivity, and fairness. P4 stated: "For instance, in our monthly senior management meetings, we review a report on the payout on incentive schemes to see how many people earned the incentive and the percentage they earn to ensure fairness." P4 observed that effective governance structures in the form of clear policies, procedures, and guidelines as well as constituted management and board committees are key in driving equity and objectivity in compensation. P4 stated: "We have a lot of support for the risk assurance or control teams because the board and management ensure that audit, compliance and risk teams are fairly staffed and remunerated to be able to perform their independent assurance

roles." P5 emphasized the importance of effective management and board committees with a clear policy framework on compensation in ensuring transparency and equity in the implementation of compensation strategies. P5 stated: "In our case bonus serves to reward and incentivize excellent performers especially in the business functions following objective self-assessments, line manager review, input from the moderation committee and final approval by the board compensation committee."

P5 noted the need for improvements to strengthen the governance process. P5 noted the need "for providing timely feedback to line managers, especially in cases where the moderation committee makes compensation to update staff immediately to foster transparency." P2, P3, and P4 emphasized the need for a governance framework for the periodic review of compensation to ensure that it is appropriate. P2 stated: "Our governance framework requires the annual review of compensation including peer reviews to ensure that our compensation is competitive." P3 stated: "We conduct and participate in periodic market surveys on salaries and benefits, and you can see that the best banks in retaining talent are the ones that participate in those surveys." P4 mentioned that the bank conducts quarterly staff engagement surveys and market surveys to assess their compensation packages against the competition and take appropriate action. In my review of disclosures on remuneration in the annual reports of the participating financial institutions, I confirmed that banks have board-level compensation committees responsible for oversight on the effective implementation of compensation strategies.

Subtheme 2: Risk-based performance measures. All the participants mentioned that compensation strategies need to reward employees for meeting the set financial

performance targets while complying with the bank's set risk measures and the long-term goals of the organization. Firms with effective risk management capabilities maintain a competitive edge over rivals by making the right decisions regarding risk acceptance, risk-adjusted returns, risk and reward, risk-pricing, and capital adequacy levels (Guill, 2016). Regulators need to ensure that firms define the appropriate behavioral expectations and monitor to ensure compliance with the set risk culture (McCormack & Deacon, 2017). ERM practices including risk limits, risk appetite, and risk strategy business leaders, restrain excessive managerial risk-taking behavior resulting in positive financial performance (Oluwagbemiga et al., 2016).

ERM requires firms to adopt the balanced scorecard tool to track their performance against the approved risk appetite (Karanja, 2017; Karanja, E, 2016). Table 9 provides the key terms that refer to risk-based performance measures in implementing compensation strategies for all interviews, reflecting a combined frequency of 21.07% of all participants' responses. Risk management executives need to incorporate risk measures in the performance management system to ensure that employee remuneration considers the employee's performance regarding financial and risk performance measures. All five executives mentioned the need to incorporate risk-based performance measures in the compensation framework to ensure that banks incentivize employees to meet the long-term financial objectives of the firm as well as comply with the set risk measures.

Table 9

Risk-Based Performance Measures

Reference	Frequency	Weighted percentage	Similar words
Risk	67	5.76	Risks
Performance	48	4.13	-
Compensation	28	2.41	-
Measures	27	2.32	measurable, measure, measured
Term	21	1.81	-
Long	17	1.46	-
Driving	14	1.20	drive, drives,
Align	13	1.12	aligned, aligning, alignment, aligns
Rewards	10	0.86	rewarded, rewarding, rewards

P1 emphasized the need to incorporate risk-based performance measures in the compensation framework to drive the right behavior. P1 stated: “On the variable side we have pay-for-performance benefits such as bonus and sales commission that track risk-based performance measures in line with the long-term goals of the bank to drive the right behavior.” P1 mentioned that “for business functions employees earn a reward for bringing in new accounts or loans but also for the quality of those accounts or loans and in this case account dormancy, account balances, and non-performing loans are key risk-based performance measures.” P2 mentioned that the compensation structure incorporated risk-based measures to drive the right behavior. P2 stated: “Everyone has a scorecard for performance evaluation, and in the scorecard, we have risk-based performance measures that capture risk and conduct performance such as the employee’s compliance with the policies and procedures of the bank.” P2 also indicated that the incorporation of risk in compensation strategies helps to drive the right employee behavior. P2 stated: “Our focus is to align our compensation with clear risk-based

performance measures, and we hope to able to see prudent risk-taking behavior and sustainable results." P2 added: "We need to see more active accounts and less dormant accounts, and fewer customer complaints as these are good risk indicators of sustainable performance." P3 mentioned the need to incorporate risk measures in the compensation framework to drive the right risk-taking for business functions.

P3 stated: "The board or senior management should align compensation with the long-term objectives of the bank setting rolling targets to manage the risk where employees meet their financial targets ahead of time and stop working." P3 emphasized the need to implement pay-for-performance compensation strategies that align compensation to risk-based performance measures that support the long term, sustainable objectives of the firm. P3 stated: "For example, performance-based bonuses need to reward employees for meeting the long-term goals of the business with clawback measures in the future if there are breaches regarding the risk and conduct measures." P3 also mentioned that the bank focuses on rewarding employees for risk-based sustainable performance. P3 indicated: "If it is up to the managing director, they would prefer bonus based on revenue while the board would prefer that compensation committees pay bonuses based on profitability."

P4 underscored the role of risk-based performance measures in compensation. P4 stated: "What we have done to strengthen our compensation framework is to incorporate risk-based performance measures in our compensation framework to encourage long-term risk-taking behavior." P4 added: "Our incentive schemes have a good balance between the risk management and business development for staff in the first line, so there

is no incentive scheme that purely rewards the generation of business without due consideration of the risk appetite." P4 further explained: "In the incentive scheme say for loan generation, we will look at how many loans they are bringing in, and the quality of those loans and those two aspects have weights and both feed into how much you will earn." P4 added: "In fact, it is so risk-sensitive that if the quality of the loans you are bringing in does not meet the minimum requirements, you will not get an incentive and so asset quality is a key risk measure."

P5 also shared similar insights on the importance of balancing risk and reward in compensation frameworks. P5 stated: "We promote a risk-based performance-based culture and reward staff for meeting the set risk-based performance outcomes with a focus on attracting and retaining staff of good risk conduct and excellent performance." P5 added: "We have a risk appetite framework in place including risk limits, such as stop-loss limits for the treasury teams which are in the scorecards to drive staff performance while operating within the set risk appetite." P5 emphasized: "The bank's compensation strategy does not encourage the taking of risks beyond the set risk tolerance levels." I reviewed disclosures on remuneration and performance in the annual reports of the participating financial institutions and confirmed that the bank's performance management systems incorporate financial and risk measures to use compensation to drive long-term sustainable performance.

Links to the literature. All the participants mentioned that effective governance structures, such as board and management committees, as well as policies and procedures, are key aspects of an effective compensation framework. Corporate

governance refers to the set of rules, norms, and guidelines that firms implement in defining roles and responsibilities between managers and owners (Anginer et al., 2016). Pan et al. (2017) posited that a firm's corporate risk culture shapes the effectiveness of its corporate governance and risk management practices and plays a key role in coordinating and regulating the choice of risk and control decisions. Regulations and effective corporate governance structures are important in moderating managerial risk-taking behavior (Alzoubi, 2017; Habbash & Alghamdi, 2016; Trendowski & Rustambekov, 2017). The Basel Committee on Banking Supervision advised firms to constitute the board of directors to oversee the effective implementation of the firm's compensation strategies, review compensation policies annually, approve senior management compensation and ensure that incentives align with risk implications over a multi-year financial performance period (Basel Committee on Banking Supervision, 2015).

Chen and Qiu (2016) advised the board of directors to consider the firm's long-term relationship with its creditors by managing information asymmetry to reduce financing costs when designing compensation strategies. Shareholders and boards need to manage compensation risk by ensuring that remuneration committees have independent, competent, and qualified members with specific roles and responsibilities (Kang & Nanda, 2017). Executive compensation risk is lower if an affiliated banker director is on the remuneration committee of the board due to a good appreciation of the pay-for-performance principle (Kang & Kim, 2016). Firms need to constitute compensation committees responsible for ensuring that managers' incentives align with the banks' culture, long-term goals, risk appetite, performance, and the control environment (Correa

& Lel, 2016). Independent board committees with few and competent members are effective at monitoring performance and restraining excessive risk-taking behavior by moderating executive compensation (Słomka-Gołębiowska & Urbanek, 2016). Effective remuneration committees take accountability for fair remuneration decisions and foster a culture of transparency in disclosing executive remuneration decisions to external stakeholders of the firm (Kanapathippillai et al., 2017).

All the participants underscored the need for compensation strategies and performance management systems to reward employees for achieving an optimum mix of financial and conduct risk performance measures to drive long-term sustainable performance. Firms with a mature ERM culture record higher earnings, return on assets, return on equity than their industry peers to the benefit of all the stakeholders (Callahan & Soileau, 2017). The key features of an effective ERM framework include a mature risk culture, voluntary compliance, transparency in sharing risk information, competent staff, and top management support for risk matters (Ahmed & Ndayisaba, 2016). Storer (2016) emphasized the need to focus on ethics, training, stress testing, scenario thinking, compensation, and consequence management in developing organizational risk culture frameworks. Regulators need to promote an industry-wide risk culture that encourages honesty, integrity, transparency, and prudence (Sheedy & Griffin, 2017).

Firms might achieve positive managerial risk-taking behavior by ensuring that compensation contracts align risk-taking incentives at different levels in the firm and recruiting managers that match the firm's risk culture (Pan et al., 2017). Strong corporate risk culture is the basis for a risk management framework that drives prudent risk

management behavior (Wood & Lewis, 2017). The top leadership at Société Générale ignored breaches in internal controls because risky trading practices were profitable, highlighting the role of leaders in instituting a culture of good ethical conduct, governance, and risk management practices (Baker et al., 2017). Clawbacks drive the right behavior by exposing bank executives to future potential losses of pay due to unethical behavior, misconduct, poor managerial oversight, and excessive risk-taking (Kroos et al., 2017). Compensation strategies with strong clawback provisions disincentivize managers from investing in high-risk projects due to the adverse impact on their future compensation (Glover & Levine, 2017). Firms might use equity-based compensation ahead of cash-based compensation strategies to encourage a decision-making culture that underscores the long-term interests of investors and shareholders (Brockman & Salas, 2016).

Links to the conceptual framework. The findings in this study underscore the role of effective governance structures in the effective compensation of compensation strategies by fostering transparency, fairness, and protecting the interests of all stakeholders of the firm. The findings align with the constructs of the theory of the firm, which is the conceptual framework of this study to the extent that the findings emphasize the implementation of structures that regulate the separation of roles and responsibilities and the alignment of managers' interests with the long-term interests of the shareholders. The theory of the firm explores why managers in firms with debt and equity holders undertake riskier projects (Jensen & Meckling, 1976; Kim et al., 2016). According to the theory of the firm managers in the firm make decisions that appeal to their short-term

interests, yet creditors and shareholders rely on the contractual agency relationship to protect their rights (Kang & Kim, 2016; Van Bekkum, 2016). According to the constructs of the theory of the firm corporate governance structures that emphasize the separation of ownership from control are effective in protecting the interests of outside stakeholders (Fama, 1980). Dewatripont and Tirole (1994) drew insights from the theory of the firm to encourage remuneration committees to implement incentive schemes that align reward to the long-term performance of the projects. The findings align with the theory of the firm, which is the conceptual framework of this study regarding the need to reward employees for achieving the long-term objectives of the firm.

Applications to Professional Practice

The findings from this study provide useful insights on compensation strategies that support effective risk management practices. Insights from the participants demonstrated that firms implement a combination of non-financial and financial forms of compensation structures to drive managerial risk-taking behavior. Findings from the study suggest that financial compensation is not a sustainable form of compensation in motivating staff and driving sustainable performance, underscoring the need to supplement financial compensation with non-monetary forms of reward. According to Tversky and Kahneman (1992), monetary incentives may not drive sustainable performance because they do not have a significant impact on the managers' level of sacrifice, dedication, honesty, and professionalism. Business leaders can motivate staff to contribute to the long-term objectives of the firm using a combination of non-financial and financial forms of compensation, including fixed and variable incentives, while

noting that each strategy impacts employees differently. An optimum level of fixed and variable incentives aligns stakeholder interests and resolves conflicts of interests between the various parties (Chen & Qiu, 2016; Tóth, 2016).

Findings indicate that while fixed financial compensation provides staff with the assurance of a stable, minimum level of earning and promotes prudent risk-taking behavior, such forms of compensation do not incentivize staff to increase performance. Whereas variable pay-for-performance financial compensation drives the right performance behavior for business functions, these incentives can encourage excessive risk-taking behavior unless the structure rewards staff for achieving the firm’s set long-term risk-based performance objectives. Sisli-Ciamarra and Savaser (2016) cautioned that pay-for-performance incentives could induce more risk-taking, arguing that risky projects create more value and increase the expected value of incentive compensation. The findings draw business leaders’ attention to the unintended consequences of compensation strategies in driving excessive risk-taking behavior as managers exploit the reward structure to maximize their earnings. With intense competition and rivalry as banks offer hefty compensation packages to attract and retain talent, the findings underscore the need for business leaders to manage the escalating employee costs by offering competitive but affordable incentives.

The findings call on regulators and policymakers to implement regulatory measures that strengthen effective governance in firms to implement compensation strategies that drive prudent managerial risk-taking behavior. The board, regulators, and assurance functions need to monitor the changes in managers’ risk preferences from the

time of joining the firm to when they get closer to retirement to ensure that appropriate compensation strategies are in place to drive the right behavior (Alzoubi, 2017; Croci et al., 2016). According to the results from this study compensation committees need to measure the effectiveness of compensation strategies through a set of financial and indicators. Insights from the study indicate that financial indicators such as revenues, sales, costs, profits, losses and risk indicators including staff attrition, fraud, and NPLs, can provide business leaders with an indication of whether the firm's compensation strategies are effective.

The results underscore the role of effective governance structures such as management and board-level committees in implementing compensation strategies that drive prudent risk management behavior. Compensation committees need to ensure that compensation strategies comprise both fixed and variable components and to adjust variable incentives in response to managerial risk-taking behavior (Basel Committee on Banking Supervision, 2015). The findings suggest that governance structures, including policies and procedures, provide oversight regarding compensation to ensure transparency, fairness, equity, and protect the interests of all stakeholders of the firm. Business leaders need to implement effective objective setting, performance measurement, and reward systems to ensure the long-term alignment of interests between owners, creditors, and managers (Evans & Tourish, 2016).

The results indicate that compensation committees play a key role in ensuring that compensation strategies and performance management systems reward employees for meeting both the financial and conduct risk performance objectives of the firm. This

study underscores the importance of incorporating risk-based performance measures in the compensation framework to incentivize employees to achieve the set financial performance targets while complying with the bank's set risk appetite. The findings draw business leaders' attention in using compensation strategies to motivate staff to achieve the long-term financial performance objectives of the firm as well as comply with the set risk appetite levels, organizational values, norms, and ethical conduct. Compensation structures that align managers' and shareholders' interests reduce risk-taking incentives, improve the firm's cost of borrowing, optimize incentive-based capital requirements, and increase shareholder value (Eufinger & Gill, 2016).

Implications for Social Change

The findings from this study may contribute to positive social change by sharing insights on compensation strategies that support effective risk management practices in banks. The adoption of compensation strategies that reward managers for taking prudent risk decisions may contribute to financial stability resulting in positive social benefits including (a) protection of depositors' funds, (b) improving financial inclusion by extending affordable financial services to businesses and individuals, and (c) inculcating a good savings and investment culture. Insights from the study may drive the adoption of compensation strategies that motivate leaders to focus on the long-term objectives of the firm, including the investment in corporate social responsibility initiatives that benefit communities. The adoption of risk-based compensation strategies might contribute to financial sustainability, enabling firms to contribute to financing community projects over the long-term. Financially sound banks improve the welfare of the communities in

which they operate by investing in socially responsive projects in key public services such as health, education, infrastructure, and sports.

Recommendations for Action

Business leaders can use insights from this study to implement compensation strategies that support effective risk management strategies. The findings from the study draw help managers in appreciating some of the unintended consequences of compensation. The results highlight ways in which managers can mitigate compensation risks and use compensation as a competitive strategy to attract, retain, and motivate staff to achieve sustainable firm performance. Some specific recommendations may benefit business leaders. These include: (a) implement compensation strategies that emphasize both non-financial and financial forms of compensation (b) adopt compensation strategies that comprise both fixed and variable financial compensation strategies, (c) establish financial and risk indicators to assess the effectiveness of compensation strategies, (d) embed risk-based performance measures in compensation strategies, (e) adopt effective corporate governance structures to oversee the implementation of compensation strategies, (f) institute comprehensive compensation policies and procedures to guide the uniform implementation of incentive schemes across the firm; (g) ensure the independent oversight and approval of compensation packages for assurance functions such as risk, compliance and audit. Regulators, policymakers, and other managers, including human resources, may find the findings in this study beneficial in designing compensation frameworks that can attract, retain, and drive the right employee behavior. I will communicate findings from this study through several forums, including business

conferences, seminars, and other knowledge-sharing or training sessions that focus on effective risk management practices or compensation. I will disseminate the results through publication in scholarly and business journals.

Recommendations for Further Research

The purpose of this multiple case study was to explore compensation strategies that some executives in Uganda use to support effective risk management practices. Using methodological triangulation, I identified four themes regarding compensation strategies that support commercial banks' effective risk management practices. The themes include (a) compensation challenges, (b) financial and non-financial compensation, (c) the effectiveness of compensation, and (d) effective implementation of compensation. The focus of the study was to explore compensation strategies that drive prudent managerial risk-taking behavior in commercial banks in Uganda. The first limitation of this multiple case study was that the sample size might not represent all commercial banks in Uganda. This study is a multiple case study of five commercial banks in Uganda, which presents a limitation in the transferability of the findings to other contexts or the banking industry Uganda, in the emerging or developed markets. I recommend that future researchers include non-commercial banking institutions such as micro-finance banks, as well as financial technology companies such as mobile money transfer firms as this could result in different findings. Users of the study's findings should exercise caution in generalizing these findings.

The second limitation was that participants might withhold certain information that banks consider competitive and may not respond to the interview questions honestly

and truthfully. I recommend that future researchers work with financial institutions that have regulatory obligations to publish their financial statements due to the comprehensive disclosures on compensation in the reports which aid methodological triangulation. The findings indicate the importance of non-financial compensation in motivating staff and managing staff attrition. Future researchers could focus on the impact of non-monetary forms of compensation in motivating staff and driving prudent managerial risk-taking behavior. The results from the study indicate the need for a committee of the board to determine and approve compensation packages of assurance functions such as risk management, compliance, and internal audit to protect their independence. Future researchers could focus on exploring compensation strategies that motivate assurance functions to perform their risk oversight roles effectively.

Reflections

The major insight from the doctoral study process was my appreciation of the virtues of independent scholarship, including (a) self-supervision, (b) sacrifice, (c) perseverance, and (e) patience. While accustomed to providing review feedback in my professional role, the DBA journey exposed me to the challenging process of receiving and comprehending constructive feedback from my peers and faculty. The doctoral journey equipped me with research and scholarly writing skills that I am using in my professional and personal work. Despite the several challenges, including the high demand for my family time, the benefits from the process were worth every sacrifice. As a risk management professional, my choice of research topic was easy because of my conviction that compensation was at the heart of several financial scandals globally. The

DBA program gave me access to the most recent research on ERM practices and compensation frameworks, which broadened my knowledge and appreciation of the relationship between compensation and risk management.

As part of the doctoral study process, I was privileged to interact with my peer risk management professionals who challenged my thought process and biases on compensation strategies that drive prudent managerial risk-taking behavior. I was surprised at the importance of non-monetary forms of compensation in driving the managerial risk-taking behavior. The insights from the study exposed me to recent practices regarding compensation strategies that support effective risk management practices in the banking sector. I cherish the professional relationships built, and I hope to leverage on these going forward as we collaborate as risk peers to ensure that we perform our second line of defense roles effectively. I was honored to research a topic that is current and relevant to my profession and whose findings might assist business leaders in implementing compensation strategies that drive sustainable performance.

Conclusion

The purpose of this multiple case study was to explore compensation strategies that some executives in Uganda use to support effective risk management practices. The study adds to the growing body of scholarly literature compensation strategies that support commercial banks' effective risk management practices. The findings highlight the need for firms to implement compensation strategies that emphasize both non-financial and financial forms of compensation, including fixed and variable reward structures. The findings underscore the need to establish financial and risk indicators to

assess the effectiveness of compensation strategies and embed risk-based performance measures in compensation strategies. Firms need to institute comprehensive compensation policies and procedures to guide the uniform implementation of incentive schemes across the firm and ensure the independent oversight and approval of compensation packages for assurance functions such as risk, compliance, and audit.

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Appendix A: Interview Questions

1. What risks, if any, does your organization face from its compensation strategies?

2. What compensation strategies have you implemented to support effective risk management practices?

3. How do you measure the effectiveness of these compensation strategies?

4. What were the key challenges your organization encountered when implementing these compensation strategies?

5. How were the key challenges in implementing these compensation strategies addressed?

6. What additional information would you like to share concerning compensation strategies and effective risk management practices?

Appendix B: Interview Protocol

What You Will Do	What You Will Say: Script
(a) Introduce the interview and set the stage. (b) It is ideal for interviewing over a light meal or coffee.	Hello. My name is Elias Kagumya, and currently a doctoral student in the Doctor of Business Administration program at Walden University. Thank you for taking the time to participate in the study aimed at exploring "Compensation Strategies That Support Commercial Banks' Effective Risk Management Practices." Please note that the interview will be recorded and is confidential.
(a) Pay attention to nonverbal cues. (b) Paraphrase where appropriate. (c) Do not interject. (d) Maintain eye contact. (e) Listen with interest. (f) Ask follow-up probing questions to obtain in-depth responses.	1. What risks, if any, does your organization face from its compensation strategies? 2. What compensation strategies have you implemented to support effective risk management practices? 3. How do you measure the effectiveness of these compensation strategies? 4. What were the key challenges your organization encountered when implementing these compensation strategies? 5. How were the key challenges in implementing these compensation strategies addressed? 6. What additional information would you like to share concerning compensation strategies and effective risk management practices?
Wrap up interview and thank participant.	Thank you for taking the time to participate in the study.
Schedule and confirm a date when the participant will receive a follow-up member checking e-mail.	I will review the recording of this interview and provide you with a summary of my understanding of your answers to each question. I kindly request you to confirm by e-mail if the information is accurate and whether I missed any information. You will also be able to clarify any issue as well as provide any additional information.
	Follow-up Member Checking
Ensure member checking by sending an e-mail to participants with a succinct synthesis for each question.	I have reviewed the recording of the interview and provide below my comprehension of each question from your responses as per the recorded transcripts. Kindly confirm by e-mail if this information is correct. Please let me know if I have missed anything or of any additional information you would like me to include. 1. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed. 2. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed. 3. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed. 4. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed. 5. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed. 6. Question and succinct synthesis of the interpretation – perhaps one paragraph or as needed.