

**DEVELOPING A SCALE TO MEASURE THE EFFICACY OF A RISK-BASED  
APPROACH TO HUMAN RESOURCE AUDITS IN SOUTH AFRICA**

by

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## DECLARATION

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Exact wording of the title of the thesis as it appears on the copies submitted for examination:

**Developing a scale to measure the efficacy of a risk-based approach to human resource audits in South African organisations**

I declare that this thesis is my own work. All the sources that I have used or quoted have been indicated and acknowledged by means of a reference list. I further declare that ethical clearance #2022\_HRM\_008 was obtained beforehand from the Unisa Human Resources Management Ethics Review Committee. Permission to conduct the research was obtained from the South African Board for People Practices. I declare that the study was carried out ethically, in accordance with the Unisa Policy on Research Ethics.



Signature

06 September 2026

Date

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## **ABSTRACT**

The aim of this study was to develop and validate a quantitative research instrument for evaluating the effectiveness of a risk-based approach to human resource auditing (RBHRA) in identifying and mitigating human resource-related risks within South African organisations. Grounded in corporate governance principles and the King IV Reports, this research focused on four core constructs: HR governance (HRG), HR risk (HRR), ethical organisational leadership (EOL) and ethical organisational culture (EOC). A rigorous, multiphase scale development process was followed, comprising an extensive literature review for item generation, expert panel assessments and pilot testing for scale construction and item refinement. This was followed by online surveys for advanced statistical analyses to determine the reliability and validity of the scale.

Data were collected through an online survey administered to 230 HR professionals registered with the South African Board for People Practices (SABPP), representing a broad cross-section of industries. Reliability and validity were confirmed through high internal consistency (Cronbach's  $\alpha > 0.90$ ; composite reliability  $> 0.80$ ). Confirmatory factor analysis demonstrated that the fit indices of a single-factor model revealed a poor model fit (goodness fit index (GFI) = 0.50; augmented global fit index (AGFI) = 0.43; root mean square error of approximation (RMSEA) = 0.139) therefore a multifactor measurement model was supported.

The findings indicated that although governance mechanisms and HR auditing practices were being widely implemented, however notable gaps persisted in respect of risk awareness, whistle-blower protection, risk reporting procedures and the reinforcement of an ethical culture. Ethical leadership showed a moderate to strong positive association with ethical organisational culture highlighting its pivotal role in fostering risk responsive behaviours and strengthening organisational controls. The final instrument demonstrated strong reliability and validity. However, further validation using larger and more diverse samples is required for the purpose of broader generalisation.

The study makes three key contributions: theoretically, by introducing a validated RBHRA measurement scale that connects governance, ethics and risk management; empirically, by demonstrating its psychometric soundness; and practically, by offering a diagnostic tool for

assessing risk focused auditing practices that provide actionable insights for enhancing governance frameworks and HRR mitigation strategies. Key recommendations include promoting employee participation in governance processes, continuously refining risk management systems and implementing incentives that encourage ethical conduct.

Overall, this research provides preliminary evidence supporting the use of the RBHRA in governance contexts that extend beyond a compliance-oriented paradigm, positioning RBHRA as a strategic mechanism for achieving organisational resilience, ethical stewardship and long-term sustainability.

**Key terms:** compliance, corporate governance, ethical organisational culture, ethical organisational leadership, HR governance, HR risk management, King IV, RBHRA scale, risk-based HR auditing, risk resilience, sustainability

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Dokotela wa Filosofi kha Ngudo dza Vhulangi (Vhutsila ha Vhulangi ha Zwishumiswa zwa Vhathu)

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**Khojidzhi**

Saintsi ya Ikonomi na Vhulangi

**Thero**

U bveledza tshikalo tsha u kala u shuma ha ndila yo thewaho kha khombo kha tholambalelano ya vhashumi: u topola na u fhungudza khombo dza vhashumi kha madzangano a Afurika Tshipembe.

**MAÑWELEDZO**

Ndivho ya iyi ngudo yo vha i ya u bveledza na u khwaṭhisedza tshishumiswa tsha ṭhōḍisiso ya tshivhalo tsha u ṭola u shuma ha ndila yo ḍisendekaho kha khombo ya odithi ya vhashumi (NDKOV) u itela u topola na u fhungudza khombo dzi tshimbilelanaho na vhashumi nga ngomu ha madzangano a Afrika Tshipembe. Zwo ḍitika kha milayo ya mavhusele a bindu liḥulwane na mivhigo ya King IV, iyi ṭhōḍisiso yo sedza kha zwivhumbi zwa ndeme zwiṇa: mavhusele a vhashumi (MV), khombo ya vhashumi (KV), vhurangaphanda ha dzangano ha vhuḍifari (VDV) na mvelele ya dzangano ya vhuḍifari (MDV). Kuitele kwo khwaṭhaho, kwa mveledziso ya tshikalo tsha zwipiḍa zwinzhi kwo tevhedzwa, hu tshi khou katelwa tsenguluso ya mañwalwa yo angalalaho, tsedzuluso dza phanele ya vhaḍivhi na ndingo thangeli dza u fhaṭa tshikalo na u khwinisa zwithu. Izwi zwo tevhelwa nga ṭhōḍisiso dza kha inthanethe dza tsenguluso dza dzimbalombalo dza nṭhesa u itela u topola u fhulufhedzea na u khwaṭha ha tshikalo.

Data yo khuvhanganywa nga kha tshodisiso ya kha inthanethe yo netshedzwaho vha divhi vha vhashumi vho nwaliswaho na South African Board for People Practices (SABPP), i imelaho tshipida tsho tndavhuwaho tsha dzindowetshumo. U fhulufhedzea na u khwaṭha zwo khwaṭhisedzwa nga kha u sa shanduka ha nṭha ha nga ngomu (Cronbach's alpha > 0.90; u fhulufhedzea ho tnganaho > 0.80). tsenguluso ya zwithu zwi khwaṭhisedzaho yo sumbedza uri tṭodea dza u lingana dza modele wa tshithu tshithihi dzo bvisela khagala u lingana ha modele hu si havhudi (tshisumbi tshavhudi tsha u linganela (TTL) = 0.50; zwidodomedzwa zwo engedzwaho zwa lifhasi loṭhe (ZELL) = 0.43; tshikalo tsha u anganyela (TTA) = 0.139) ngauralo modele wa u kala wa zwithu zwinzhi wo tikedzwa.

Mawanwa o sumbedza zwauri naho ndila dza mavhusele na maitele a odithi ya vhashumi o vha a tshi khou shumiseswa, fhedziha zwikhala zwa ndeme zwo vha zwi hone zwi tshi kwama u divha nga ha khombo ya tsevhi, matshimbidzele a u vhiga khombo na u khwaṭhisa mvelele ya vhudifari. Vhurangaphanda ha vhudifari ho sumbedza vhushaka havhudi ha vhukati u ya kha ho khwaṭhaho na mvelele ya u langula vhudifari zwi tshi sumbedza mushumo waho wa ndeme wa u tṭuwedza vhudifari vhu fhindulaho khombo na u khwaṭhisa ndangulo ya dzangano. Tshishumiswa tsha u fhedza tsho sumbedza u fulufhedzea ho khwaṭhaho na u khwaṭhisedza. Naho zwo ralo, u khwaṭhisedzwa hu tshi khou shumiswa sambula khulwane na dzo fhambanaho zwi a tṭodea u itela ndivho ya u angaredza ho tndavhuwaho.

Ngudo i shela mulenzhe nga zwithu zwiraru zwa ndeme: nga thyiori, nga u divhadza tshikalo tsha muelo tsha NDKOV tshine tsha tṭmekanya mavhusele, vhudifari na ndangulo ya khombo; nga nyito, u sumbedza tshishumiswa tshayo tsha u linga; na nga ndila i shumaho, nga u netshedza tshishumiswa tsha u tola tsha u linga maitele a odithi o sedzaho kha khombo ane a netshedza ndivho ine ya nga shumiswa u itela u khwinisa mitheo ya mavhusele na zwitirathedzhi zwa u fhungudza Khombo dza Vhashumi. Themendelo khulwane dzi katela u tṭuwedza u shela mulenzhe ha vhashumi kha maitele a mavhusele, u isa phanda na u khwinisa sisiteme dza ndangulo ya khombo na u thoma u shumisa tṭuṭhuwedzo dzine dza tṭuwedza vhudifari havhudi.

Nga u angaredza, iyi tshodisiso i netshedza vhuṭanzi thangeli vhu tikedzaho u shumiswa ha NDKOV kha nzulelele dza mavhusele ine ya fhira modele wo sedzaho kha u tevhedza mulayo, zwine zwa vhea NDKOV sa maitele a sitirathedzhi a u swikelela u kondelela ha dzangano, vhulanguli ha vhudifari na u isa phanda lwa tshifhinga tshilapfu.

**Maipfi a ndeme:** u tevhedza mulayo, mavhusele a bindu lihulwane, mvelele ya dzangano ya vhudifari, vhurangaphanda ha dzangano ha vhudifari, mavhusele a vhashumi, ndangulo ya khombo ya vhashumi, King IV, tshikalo tsha NDKOV, odithi ya vhashumi yo disendekaho kha khombo, u kondelela khombo, u isa phanda

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Ku tumbuluxa xikalo xo pima maendlelo ya xungeto hikuya hi manghenelo eka “human resource”vukambelo wa tinkota ku kuma naku hunguta xungeto ya switirhisiwa swa vanhu eka mihlangano ya Africa-Dzonga

**NKATSAKANYO**

Xikongomelo xa dyondzo leyi a ku ri ku hluvukisa ni ku tiyisisa xitirhisiwa xa ndzavisiso wa tinhlayo xo kambela ku tirha ka endlelo leri simekiweke eka khombo ro kambela switirhisiwa swa vanhu kumbe risk-based approach to human resource auditing (RBHRA) eku tiviseni ni ku hunguta makhombo lama fambisanaka ni switirhisiwa swa vanhu eka mihlangano ya le Afrika Dzonga. Hi ku landza milawu ya mafambiselo ya tikhamphani na Swiviko swa Hosi ya vu IV, ndzavisiso lowu wu langute ehenhla ka mimpimanyeto ya mune ya nkoka: Mafambiselo ya milawu ya vatrhi kumbe HR governance (HRG), makhombo ya vatithi kumbe HR governance (HRR), vurhangeri bya swa mahanyelo bya nhlangano kumbe ethical organisational leadership (EOL) na ndhavuko wa swa mahanyelo wa nhlangano kumbe ethical organisational culture (EOC). Ku landzeriwe endlelo ro tiya, ra ku hluvukisa xikalo xa swiyenge swo tala, leri katsaka ku kambisisa ka tibuku to tala leswaku ku endliwa

swilo, ku kambisisa ka phaneli ya swidyondzeki ni ku endla swikambelo swa xiringanyeto xo endla xikalo ni ku antswisa swilo. Leswi swi landzeriwe hi swikambelo swa le ka inthanete swa vukamberi bya xiyimo xa le henhla bya tinhlayo ku kumisisa ku tshembeka ni ku tirha ka xikalo.

Vuxokoxoko byi hlengetiwe hi ku tirhisa ndzavisiso wa le ka inthanete lowu endliweke eka vatirhi va 230 vatirhi valeka HR lava tsarisiweke eka Huvo ya Afrika Dzonga ya Mikhuva ya Vanhu kumbe South African Board for People Practices (SABPP), lava yimelaka swiyenge swo hambana swa vumaki. Ku tshembeka ni ku tirha ka yona swi tiyisekisiwe hi ku landzelela milawu ya le ndzeni (Cronbach's alpha > 0.90; ku tshembeka loku hlanganisiweke > 0.80). Vulavisisi bya ku tiyisisa bya swilo byi kombise leswaku swikombiso swa ku fambelana ka modeli ya xilo xin'we swi kombise ku fambelana loku nga riki kunene ka modeli (swikombiso swa ku fambelana loku nga riki kunene kumbe goodness fit index (GFI) = 0.50; swikombiso swa ku fambelana loku engetelekeke swa misava hinkwayo kumbe augmented global fit index (AGFI) = 0.43; xihlovo xa xikwere xa xiviko xa swihoxo swa ku ringanisa kumbe root mean square error of approximation (RMSEA) = 0.139) hikwalaho ku seketeriwe modeli ya mpimo wa swilo swo tala.

Mbuyelo byi kombise leswaku hambileswi tindlela ta mafambiselo ni maendlelo ya ku kambela HR a swi tirhisiwa ngopfu, hambiswiritano, ku hambete ku va ni ku kayivela lokukulu emhakeni ya ku lemuka makhombo, ku sirheleriwa ka vachaveleri, maendlelo yo vika makhombo ni ku tiyisiwa ka ndhavuko wa mahanyelo. Vurhangeri bya mahanyelo byi kombise ku hlangana loku ringanisiweke ku ya eka loku tiyeke ka kahle na mahanyelo ya ndhavuko wa nhlangano leswi kandziyisaka ntirho wa byona wa nkoka eku hlohoteleni ka mahanyelo lama angulaka eka makhombo na ku tiyisa vulawuri bya nhlangano. Xitirho xo hetelela xi kombise ku tshembeka lokukulu ni ku tirha kahle. Hambiswiritano, ku laveka ku tiyisisa loku engetelekeke hi ku tirhisa swikombiso leswikulu ni leswi hambaneke swinene hi xikongomelo xa ku endla leswaku swi tirha eka vanhu vo tala.

Dyondzo leyi yi endla swilo swinharhu swa nkoka: hi ndlela ya dyondzo, hi ku tivisa xikalo lexi tiyisekisiweke xo pima RBHRA lexi hlanganisaka mafambiselo, mahanyelo na vulawuri bya makhombo; hi ku ya hi vumbhoni, hi ku kombisa ku tiya ka xona ka sayikhomethiki; na hi ku tirhisiwa, hi ku nyika xitirho xo kambela ku kambela maendlelo yo endla vukamberi lebyi kongomisiweke eka makhombo lama nyikaka vuxokoxoko lebyi nga tirhaka byo antswisa mafambiselo na tindlela to hunguta HRR. Swibumabumelo swa nkoka swi katsa ku khutaza ku nghenelela ka vatirhi eka maendlelo ya mafambiselo, ku ya emahlweni ku antswisiwa ka mafambiselo ya vukamberi bya makhombo na ku simeka swikhutazo leswi

hlohlotelaka mahanyelo ya mahanyelo lamanene. Hi ku angarhela, ndzavisiso lowu wu nyika vumbhoni byo sungula lebyi seketelaka ku tirhisiwa ka RBHRA eka swiyimo swa mafambiselo leswi tlulaka xikombiso lexi kongomisiweke eka ku landzelerisa, ku veka RBHRA tanihi endlelo ra vutshunguri ro fikelela ku tiyisela ka nhlango, vulawuri bya mahanyelo na ku tiyiseleka ka nkarhi wo leha.

**Marito ya nkoka:** ku landzelela milawu, mafambiselo ya khamphani, ndhavuko wa mahanyelo ya nhlango, vurhangeri bya mahanyelo ya nhlango, mafambiselo ya HR, mafambiselo ya khombo ya HR, Hosi ya vu IV, xikalo xa RBHRA, ku kambela ka HR loku simekiweke eka khombo, ku kota ku tiyisela khombo, ku hlayiseka nkarhi wo leha

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## LIST OF ACRONYMS AND ABBREVIATIONS

|              |                                                  |
|--------------|--------------------------------------------------|
| <b>AI</b>    | artificial intelligence                          |
| <b>AVE</b>   | average variance extracted                       |
| <b>CEO</b>   | Chief Executive Officer                          |
| <b>CFA</b>   | Confirmatory factor analysis                     |
| <b>CG</b>    | Corporate governance                             |
| <b>CIIA</b>  | Chartered Institute of Internal Auditors         |
| <b>CIPD</b>  | Chartered Institute of Personnel and Development |
| <b>CLF</b>   | common latent factor                             |
| <b>CMV</b>   | common method variance                           |
| <b>CR</b>    | composite reliability                            |
| <b>EFA</b>   | exploratory factor analysis                      |
| <b>ELBS</b>  | Ethical Leadership Behavioural Scale             |
| <b>ELS</b>   | Ethical Leadership Scale                         |
| <b>ELW</b>   | Ethical Leadership at Work (questionnaire)       |
| <b>EOC</b>   | ethical organisational culture                   |
| <b>EOL</b>   | ethical organisational leadership                |
| <b>ERM</b>   | enterprise risk management                       |
| <b>GDP</b>   | gross domestic product                           |
| <b>GFI</b>   | Goodness-of-fit index                            |
| <b>HR</b>    | Human Resources                                  |
| <b>HRBPs</b> | human resource business partners                 |
| <b>HRG</b>   | Human Resource governance                        |
| <b>HRR</b>   | Human Resource risk                              |
| <b>HRM</b>   | Human Resource Management                        |
| <b>HTMT</b>  | heterotrait–monotrait                            |
| <b>IoDSA</b> | Institute of Directors Southern Africa           |

|                 |                                                       |
|-----------------|-------------------------------------------------------|
| <b>IIA</b>      | Institute of Internal Auditors                        |
| <b>ISO</b>      | International Organisation of Standardisation         |
| <b>IT</b>       | information technology                                |
| <b>JSE</b>      | Johannesburg Stock Exchange                           |
| <b>KPMG</b>     | Klynveld Peat Marwick Goerdeler                       |
| <b>LVQ</b>      | Leadership Virtues Questionnaire                      |
| <b>MBO</b>      | management by objectives                              |
| <b>MLQ</b>      | Multifactor Leadership Questionnaire                  |
| <b>NHBRC</b>    | National Housing Finance and Regeneration Council     |
| <b>NFI</b>      | Normed fit index                                      |
| <b>OECD</b>     | Organisation for Economic Cooperation and Development |
| <b>POPIA</b>    | Protection of Personal Information Act                |
| <b>QUEL</b>     | Questionnaire of Ethical Leadership                   |
| <b>RBA</b>      | Risk-based audit                                      |
| <b>RBIA</b>     | Risk-based internal audit                             |
| <b>RBHRA</b>    | Risk-based Human Resources Auditing                   |
| <b>RSA</b>      | Republic of South Africa                              |
| <b>SABPP</b>    | South African Board for People Practices              |
| <b>SD</b>       | Standard deviation                                    |
| <b>SEM</b>      | structural equation modelling                         |
| <b>SOE</b>      | state-owned enterprise                                |
| <b>STATS SA</b> | Statistics South Africa                               |
| <b>SWOTs</b>    | strengths, weaknesses, opportunities, threats         |
| <b>TLI</b>      | Tucker-Lewis index                                    |
| <b>Unisa</b>    | University of South Africa                            |

# **CHAPTER 1**

## **SCIENTIFIC ORIENTATION TO THE RESEARCH**

### **1.1. INTRODUCTION**

This aim of this study was to construct a valid and reliable research scale for measuring the levels of effectiveness of risk-based human resource auditing (RBHRA) in proactively identifying and mitigating potential human resource (HR) risks. The study was conducted amongst HR professionals registered with the South African Board for People Practices (SABPP), with respondents representing various industries in the developing country of South Africa. The objective of this chapter is to provide background to, and a motivation for, this undertaking, as defined by the problem statement and research objectives. A concise literature review (Chapter 2), the researcher's approach to the research design (Chapter 3) and the research methodology (Chapter 3) are also discussed. The chapter concludes with a chapter layout of the intended study, and a summary thereof.

### **1.2. BACKGROUND TO, AND MOTIVATION FOR, THE RESEARCH**

Radical economic changes are compelling organisations to rethink their survival strategies in complex, highly competitive and unpredictable environments. The pursuit of responsible leadership as a collective effort (Toendepi & Cele; 2024) compels organisations to strive for excellence through corporate sustainability (Fan & Chang, 2021); environmental sustainability (Naeem et al., 2025); and financial sustainability and governance (Guterres et al., 2025), while fostering resilience in leaders (Pillay, 2023). Compounding these pressures are high-profile corporate scandals related to bribery, fraud and corruption, that have brought (and continue to bring) several national and international entities into disrepute, compromising organisational credibility and further instigating economic depreciation (Business Insider SA, 2020; Segal, 2020). Examples include irregularities associated with South African companies such as Steinhoff – transactions between related entities were allegedly used to inflate profits and asset values, resulting in billions of rands losses for investors and pension funds (Rossouw & Stylian, 2021; Smith & Marx, 2022). Tongaat Hulett – executives allegedly recognised revenue too early and inflated profits, thus investors relied on inaccurate financial statements (Business Insider SA, 2020). Gupta-owned companies – irregular contracts with state-owned companies (Business Insider SA, 2020), State-owned

enterprises (Adebayo & Ackers, 2022; Smith & Marx, 2022) – allegations of governance failures, mismanagement of contracts, and state capture, VBS Mutual Bank (Smith & Marx, 2022) – executives allegedly looted approximately R2 billion from the bank. Examples of international companies were McKinsey and Company, Klynveld Peat Marwick Goerdeler (KPMG) (Business Insider SA, 2020), Siemens (The Business Standard, 2019), Walmart - Mexico, GlaxoSmithKline (Jiménez & Pulos, 2016), Enron (Segal, 2020) and Carillion, Kobe Steel, Raiffeisen Bank and Patisserie Valerie (Chartered Institute of Internal Auditors [CIIA], 2020). This dilemma has escalated globally (Taylor & Grima, 2025), therefore has heightened the need for stringent corporate governance measures to be applied within organisations. Indeed, such measures or requirements are documented in the corporate governance codes of various countries across the globe. Ingrained in these codes are governance philosophies that provide organisations with guiding principles on achieving their goals in an ethical manner, including assuring compliance and risk management as a focal issue (Organisation for Economic Cooperation and Development [OECD], 2019). According to Deloitte's (2015) *Global Trends in Corporate Governance*, risk management is one of the requirements stated in the corporate governance codes of most countries, including the United Kingdom, China, Japan, India, Italy, France and Germany.

Despite the widespread adoption of governance frameworks and regulatory codes, corporate governance failures continue to occur across different industries. This suggests that compliance with governance requirements alone is insufficient to prevent organisational misconduct and failure. Scholars argue the effectiveness of governance systems is not solely dependent on structures and controls, but on how organisations manage risks associated with leadership, culture and employee behaviour (Brown & Treviño, 2006).

In South Africa in particular, governance remains a strategic priority as organisations continue to face challenges related to corruption, unethical conduct and weak accountability in both public and private sectors (Grobler & Grobler, 2024). The King IV *Report on Corporate Governance for South Africa* (hereafter King IV) (Institute of Directors Southern Africa [IoDSA], 2016) regulates and explains corporate governance as the onus being on the governing body of an entity to entrench ethical and effective leadership (Deloitte, 2015). Although King IV provides clear guidance on good governance practices, the success of these principles depends largely on the actions of leaders, organisational culture and behaviour of employees. From an HR perspective, aligning with the principles of corporate

governance, as highlighted in King IV (IoDSA, 2016), allows HR governance to be both conceptualised and driven as an essential business strategy. HR governance is therefore a combination of corporate governance, leadership and human resource management (HRM) (de Bruyn, 2020; Kaehler & Grundei, 2019). That understanding further places an obligation on HR directors to ensure that they adopt ethical and effective HR leadership capabilities (Grobler et al., 2014) that align with the overall business strategy of their organisation. As organisations become more dependent on its human resources to achieve strategic objectives, governance challenges relating to management of people increases rather than financial and operational challenges (Ngcobo & Reddy, 2024). This shifts attention toward the role of HR governance as a mechanism for managing human resource risks and strengthening organisational accountability (Grobler & Grobler, 2024).

Although corporate governance codes are available to regulate governance in organisations, any business strategy begins with leadership fulfilling the all-important role of providing guidance and direction, and influencing others to work towards achieving the goals of the organisation (Kaehler & Grundei, 2019). Kilian (2020) and the SABPP (2018) emphasise that directors have a fiduciary duty to act ethically and in the best interests of the organisation. Despite this, several studies have identified serious high-profile cases of corporate governance failures being observed as high up as at directorship levels (den Hartog, 2015; du Toit & Naidoo, 2020; Gwala & Mashau, 2022; Kim & Vandenberghe, 2020; Paruchuri, Hoempler, Cowen, Cannella, Jr. & Nahm, 2024). This confirms that while a strong work ethic is a personal value, the driving force behind good conduct in the organisation is ultimately its leadership cohort. Unobservable organisational characteristics such as leadership style and culture are very likely to contribute to an organisations vulnerability towards human risk (Tan et al., 2017). In line with the definition of corporate governance, good governance depends on ethical leadership, as ethical leaders' model values and behaviours that promote accountability and organisational integrity (Deloitte, 2017; Grobler & Grobler, 2024; Gunawan & Widodo, 2023, IoDSA, 2016). However, leadership alone cannot ensure good governance. The leadership values that influence employee behaviour must be embedded within the organisation through systems, practices and norms. It is the interconnectedness of ethical leadership and ethical culture that supports governance mechanisms to reduce human related risks.

Failure to sustain good governance could have serious consequences for organisations that extend far beyond financial losses (Ngcobo & Reddy, 2024). It could result in reputational

damage, reduce employee engagement and weaken organisational commitment (Grobler & Grobler, 2024). In such environments, employees lose confidence in the organisation and its leaders, and may become reluctant to report misconduct, fraud and corruption. Over time this could create a workplace where unwanted behaviours become a norm (Ngcobo and Reddy, 2024; Oliveira et al., 2023). Research suggests that weak ethical cultures are susceptible to higher levels of misconduct, whereas those that foster strong ethical cultures are generally better equipped to manage risks, adapt to change and remain resilient in challenging times (Georgescu et al., 2024)

By harnessing ethical leadership, employees' ethical behaviour and the organisational culture as a whole may demonstrate greater value for not only the entity itself, but also its leadership and business success (Goswami et al., 2020). While leadership defines and drives the culture of an organisation, it is the ethical culture that matters when it comes to governance. Enhanced accountability and increased stakeholder confidence (Lehmann, 2020) begin with organisations which are driven by ethical leaders who promote a culture of ethics. Although King IV (IoDSA, 2016) highlights the need to align the ethical culture with the organisational environment, according to Deloitte (2017), implementation might conceivably present a challenge for some organisations. The increase in human related governance failures creates a concern for organisations in determining whether their governance systems are effectively identifying, monitoring and mitigating HR risks. To address this challenge, systematic assurance mechanisms are required that can evaluate the effectiveness of HR governance practices and provide evidence of sound governance and HR risk management.

Given HR's significant role in shaping organisational behaviour, culture and practices, HR governance has emerged as a critical pillar of effective corporate governance. HR practitioners have a duty to support managers in establishing sound corporate governance measures that address any unfavourable situations and threats (Kraev & Tikhonov, 2019; Meyer et al., 2011; SABPP, 2018; Seyyedjavadin et al., 2020; Stefánsdóttir, 2017). Similarly, audits are a pivotal part of corporate governance, thus HR auditing is vital in managing risk from an HRM perspective, (Meyer et al., 2011; Seyyedjavadin et al., 2020). While HR governance establishes policies, standards and practices, organisations require assurance mechanisms to confirm whether these interventions effectively manage risks within the organisation. HR auditing fulfils this assurance role by evaluating the extent to which these

processes and controls contribute to governance objectives and organisational performance (Lima & Galleli, 2021; Loscher & Bader, 2023).

Studies undertaken in the past two decades have highlighted the value of HR auditing in improving the HR function and effecting alignment with strategic business activities (Genga, 2014; Kulchitskaya et al., 2016; Pohludka et al., 2018; Shiri, 2012; Ukil, 2015). In view of these scholars' opinions on the perceived benefits, it is also necessary to determine whether the HR audit approach implemented in an organisation is fundamentally effective (Rost, 2017) in achieving the desired outcomes. To this end, Seyyedjavadin et al. (2020) explore using a meta-synthesis approach which focuses on various levels of HR auditing, while Bieliaieva (2019) and (Sharma, 2013) highlight compliance, best practices, strategic and function-specific auditing approaches respectively. Although these approaches have contributed significantly to the field of HR auditing, they focus predominantly on compliance, performance improvement and strategic alignment. Little attention was given to a risk-based approach that evaluates how HR processes are able to identify, assess and mitigate people risks. This void is noted given the increase in attention to HR risks as a significant governance challenge for many organisations.

Essentially, sound governance is achieved by managing organisational risks (CIIA, 2014). HRR is a result of the ill-advised decisions which employees and managers in an organisation make on a daily basis (Kraev & Tikhonov, 2019), and these may be identified by means of effective audits. By applying an effective audit approach, with the support of ethical organisational leaders and a corresponding ethical organisational culture, HRRs can be managed more effectively in South African organisations. In view of growing scholarly interest in ethical leadership (Banks et al., 2020; den Hartog, 2015; Goswami et al., 2020; Grobler & Grobler, 2024; Kim & Vandenberghe, 2020; Men et al., 2018; van der Wal & Demircioglu, 2020), this study may also provide evidence to determine whether or not there has been a corresponding change in ethical leadership behaviours within South African industries. In addition, the evidence may reveal whether South African organisations have managed to successfully instill and maintain an ethical culture, and the extent to which ethical leadership influences the ethical culture of an organisation.

From the preceding discussion, it is evident that a significant theoretical and practical gap remains within the HR governance literature. While risk-based auditing has become a well-

established practice within the financial accounting, internal auditing and risk management disciplines (Ahmed & Japee, 2025; Almgrashi & Mujalli, 2024; Lei & Chen, 2019; Mauck & Price, 2018; Nikolić & Zlatanović, 2018; Shad & Lai, 2015; Stanculescu, 2018), no evidence could be located of a validated instrument designed specifically to measure the effectiveness of a risk-based human resource auditing (RBHRA) approach. The absence of such an instrument limits both scholarly understanding and organisational practice. From a theoretical perspective, it restricts the development of knowledge on RBHRA as a distinct governance mechanism. From a practical perspective, organisations could benefit from a scientifically validated means of evaluating whether a risk-based HR audit approach effectively identifies and mitigates HR risks.

To address this gap, the present study aims to develop and validate an RBHRA instrument capable of assessing the effectiveness of a risk-based HR auditing approach within organisations. The study therefore may contribute not only to HR governance scholarship but also seeks to provide organisations with a practical tool for proactively managing HR risks and strengthening governance outcomes.

The background provided throughout this section progressed from governance failures to the signification of people risks, leading to the strategic role of HR governance and HR auditing in managing these risks. The role of ethical leadership and supporting ethical culture that drives good governance was also highlighted. The absence of a validated RBHRA scale represents a critical gap within this progression and provides the primary motivation for the current study.

### **1.3. PROBLEM STATEMENT**

“A key risk in future – just like today – is people risk,” according to Brian Joffe, Chief Executive Officer (CEO) of the Bidvest Group (Meyer et al., 2011, p. 1; SABPP, 2014, p. 6). People are the life force of an organisation and they remain at the center of governance, thus causing governance to either succeed or fail. The most significant gap in governance appears to stems from so-called “people” risks or human element (Falemi et al., 2024), which may have been overlooked in the past. This problem is not unique to any single country or continent, but is a very real dilemma confronting organisations across the world (Rajbhandari, 2013; SABPP, 2014, 2018). This predicament propelled the launch of the

world's first HR audit unit in 2014, undertaken by the SABPP in southern Africa (SABPP, 2014), which provided a framework for organisations to follow in managing HRR in the corporate environment. Despite this initiative, to date HR risk management largely remains in the development stage.

Despite the urge to pay attention to HR-related risks, over the past decade and more recently, several studies have investigated risk from a range of perspectives (Falemi et al., 2024): financial and economic (Ahmed & Japee, 2025; Horvey & Odei-Mensah, 2024; Lei & Chen, 2019; Mauck & Price, 2018; Nikolić & Zlatanović, 2018; Shad & Lai, 2015; Stanculescu, 2018), environmental (Patriarca et al., 2017), information and cyber security (Feng et al., 2018; Rajbhandari, 2013; Slapničar et al., 2025) and quality (Amahalu et al., 2016). While there has been a deluge of material on financial auditing over the past decade, limited resources are available on RBHRA (see Annexure A for a list of sources). Holistically, the field of HR has been investigated extensively (Becker & Smidt, 2015; Choudhary, 2025; Falemi et al., 2024; Filemon et al., 2024), yet certain areas still need to be explored (Mitrofanova et al., 2017).

An initial academic literature search of national and international databases, spanning the past decade, enabled the researcher to locate the majority of the literature, using key terms such as “HR audit” (218 hits), “HR risk management” (106), “corporate governance” (162), “HR governance” (63), “ethical leadership” (115), “ethical culture” (128) and “risk-based audit” (419). This search yielded a total of 1 211 sources, yet no results were found on HR RBA. An additional title search for “risk-based audit” with “human resources” as additional keyword revealed 19 sources, however these pertained to the disciplines of finance (13), information technology (IT) (3), safety (1) and medical (2). No studies focused on RBHRA in a developing country. From the analysis of the relevant literature on HR audit and risk, 34 per cent were studies conducted in developed countries which were classified by their high income, economic development, and industrial and infrastructural bases (World Bank Group, 2020); the remaining 66 per cent dealt with developing countries. According to Investopedia (2020), a developing country can be defined as a low- to middle-income nation with low economic development, and a lower industrial base and human development index compared to other countries. Although South Africa falls into the “developing country” category, according to the World Bank’s World Development Indicator, it is considered an upper-middle-income country (Dhamija, 2020; World Bank Group, 2020). The analysis also

revealed that 64 per cent of the studies comprised in-depth literature reviews, 36 per cent were qualitative approaches, and none were quantitative studies. The review of the body of academic literature since 2010 therefore revealed a lack of quantitative research specifically on RBA from an HR perspective, in a developing country such as South Africa.

Despite all the challenges related to HRR, no validated research instrument could be located for investigating the effectiveness of a risk-based approach to HR auditing, to proactively identify and provide a comprehensive understanding of the potential risks facing various industries in a developing country. Existing HR audit approaches focus predominantly on compliance, procedural effectiveness and HR functions. However, they do not evaluate the extent to which the key interrelated aspects of HR governance such as governance practices, ethical leadership, ethical culture and HR risk management collectively contribute to identifying and mitigating HR risks. The RBHRA scale intends to add to existing HR audit approaches and connect these key interrelated aspects of HR governance into a single measurement tool. A structured mechanism for identifying, assessing and mitigating HR risks allows for HR audits to move from a compliance exercise to a proactive decision making tool. The RBHRA instrument seeks to offer a new way of evaluating the effectiveness of HR governance mechanisms in increasingly complex and uncertain environments.

#### **1.3.1. Research questions with regard to the literature review**

The following research questions were formulated and subsequently addressed when conducting the literature review:

- |                       |                                                                                                                                                                                |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Research Question L1: | How does the literature conceptualise the constructs of human resource governance, ethical organisational leadership, ethical organisational culture, and human resource risk? |
| Research Question L2: | What are the basic theoretical building blocks of an HR governance process?                                                                                                    |
| Research Question L3: | How does the literature conceptualise the HR audit process?                                                                                                                    |
| Research Question L4: | How does RBA influence an organisation's HR auditing process?                                                                                                                  |

|                       |                                                                                                                                                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Research Question L5: | What types of HRR do organisations experience?                                                                                                  |
| Research Question L6: | What strategies do organisations adopt in response to HRR?                                                                                      |
| Research Question L7: | What are the implications of the theoretical relationship between HR governance, ethical leadership, and the HR audit process for the HR field? |

### **1.3.2. Research questions with regard to the empirical study**

The following questions were addressed in the empirical study:

|                       |                                                                                                                                    |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Research Question E1: | How effective are the existing governance strategies, in identifying and mitigating HRR within South African industries?           |
| Research Question E2: | Do existing organisational policies and procedures add value in addressing HRR?                                                    |
| Research Question E3: | How effective are the HR auditing approaches in industries in a developing country, namely South Africa?                           |
| Research Question E4: | To what extent does ethical leadership influence ethical culture in South African industries?                                      |
| Research Question E5: | To what extent will an RBHRA approach influence the likelihood of South African industries experiencing HRR?                       |
| Research Question E6: | What recommendations can be formulated for HRM governance practices, and for further research based on the findings of this study? |

## **1.4. RESEARCH OBJECTIVES**

The following objectives were articulated from the research questions above:

### **1.4.1. Primary objective**

The primary objective of this undertaking was to develop a new instrument by means of which to investigate the effectiveness of RBHRA, that would be responsive to the unique context of organisations operating in a developing country such as South Africa.

### **1.4.2. Specific objectives**

The specific objectives that were formulated for the literature review and the empirical study are listed below.

#### **1.4.2.1. Literature review**

The specific objectives for the literature review were as follows:

- |                        |                                                                                                                                           |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Research objective L1: | To conceptualise the constructs of HRG, EOL, EOC and HRR, as indicated in the literature study.                                           |
| Research objective L2: | To determine the basic theoretical building blocks of an HRG process.                                                                     |
| Research objective L3: | To conceptualise the HR audit process, as indicated in the literature study.                                                              |
| Research objective L4: | To determine how corporate governance measures influence an organisation's HR auditing process.                                           |
| Research objective L5: | To determine the types of HRR that organisations experience, as indicated in the literature study.                                        |
| Research objective L6: | To explore the strategies that organisations adopt in response to HRRs.                                                                   |
| Research objective L7: | To determine the implications of the theoretical relationship between HRG, ethical leadership, and the HR audit process for the HR field. |

#### **1.4.2.2. Empirical study**

The specific objectives for the empirical study were as follows:

- |                        |                                                                                                                                          |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Research objective E1: | To determine the effectiveness of the existing governance strategies in identifying and mitigating HRRs within South African industries. |
| Research objective E2: | To investigate whether existing organisational policies and procedures add value in addressing HRRs.                                     |
| Research objective E3: | To determine the effectiveness of the HR auditing approaches in industries in a developing country, namely South Africa.                 |

- Research objective E4: To investigate the extent to which ethical leadership influences ethical culture in South African industries.
- Research objective E5: To determine how RBHRA will influence the likelihood of South African industries experiencing HRRs.
- Research objective E6: To determine what recommendations can be formulated for HRM governance practices, and for further research based on the findings of this study.

## 1.5. RESEARCH HYPOTHESES

The researcher formulated the following research hypotheses to guide this study:

H<sub>0</sub> There are no statistically significant relationships among the constructs of the RBHRA scale and the identification and mitigation of HR risks in South African organisations.

The null hypothesis serves as a statistical benchmark against which the theoretical assumptions of the study are tested. Although literature suggests that HRG, ethical leadership, ethical culture each contribute to the effective management of HRR, there is limited evidence on how these constructs collectively influence HRR management within a single framework. Furthermore, findings suggest that the relationships observed in one organisational setting may not necessarily be the same in another setting. The null hypothesis therefore acknowledges the possibility that no significant relationships could exist and provides a basis for objectively determining whether the relationships proposed in the literature are statistically significant within the South African context.

H<sub>A1</sub> Ethical organisational leadership significantly contributes to the effective identification and management of HR risks in South Africa.

This hypothesis emerges from the literature on HRG and ethical leadership, which consistently identified leaders as key drivers of accountability, ethical decision making and risk awareness. Studies argue that ethical leaders influence organisational behaviour, thereby strengthening the organisation's ability to identify, monitor and mitigate HRR. The hypothesis therefore reflects

the view that ethical organisational leadership is important for successful HRR management.

HA2 Ethical organisational culture is crucial for the management of HRRs in South Africa.

This hypothesis is derived from the literature highlighting ethical culture as a foundation for effective governance and the management of HRR. Research shows that organisations with strong ethical cultures are better positioned to prevent misconduct and manage HRR. Literature further suggests that an ethical culture reinforces governance practices by translating ethical principles into everyday organisational behaviour, making it a key contributor to HRR management.

## **1.6. STATEMENT OF SIGNIFICANCE**

Of late, HR risk management has become an important topic for discussion amongst business and HR leaders, as it influences organisational growth, sustainability and competitive advantage. While in-depth studies (Anaraki-Ardakani & Ganjali, 2014; Becker & Smidt, 2015; Gupta & Gupta, 2024; Loscher & Bader, 2023, Shiri, 2012; Stefánsdóttir, 2017) have been conducted on HR risk management with a focus on establishing related practices, tools and frameworks – as encouraged by the risk-based thinking model of the International Organisation of Standardisation (ISO) 9001:2015 (Deysher, 2015) – this study sought to build new theory from a risk-based auditing approach. Within the context of advancing and creating new knowledge in this field, the proposed development of an RBHRA instrument could be used to determine the effectiveness of a risk-based approach to HR auditing, in proactively identifying and mitigating HR (people) risks, and in so doing making a valuable contribution on the theoretical, empirical and practical levels.

### **1.6.1. Contribution on a theoretical level**

The notion of conducting HR audits is nothing new. Although pertinent literature pertaining to various auditing approaches was accessible (Amahalu et al., 2016; Feng et al., 2018, Gupta & Gupta, 2024; Lei & Chen, 2019; Loscher & Bader, 2023; Mauck & Price, 2018; Nikolić & Zlatanović, 2018; Patriarca et al., 2017; Rajbhandari, 2013; Shad & Lai, 2015; Stanculescu, 2018), insufficient material appeared to be available on HR audits, specifically

from a risk-based approach. This study attempted to evaluate existing theories and provide insight into HR audits from a fresh perspective, namely that of RBHRA.

A review of available literature within the scope of risk-based auditing revealed no scholarly literature specifically addressing RBHRA, therefore the knowledge produced in the course of this study might contribute to the existing global body of knowledge in the contexts of HRM and HRG.

#### **1.6.2. Contribution on an empirical or methodological level**

As part of this study, the researcher developed an RBHRA scale which was subsequently piloted for use. This could potentially constitute a framework for scholars to utilise, or a questionnaire to adapt for future research. It is envisaged that the outcomes of the empirical study will reveal significant relationships between RBA and HRRs, and be effective in identifying and mitigating risks related to HR in South Africa.

#### **1.6.3. Contribution on a practical level**

From a practical perspective, it was envisaged that the results of the study could create an opportunity for organisations to explore governance from different perspectives, and to thereafter adopt an approach that best suits their organisation. The findings reported on here might further assist in revising and improving extant policies, procedures and HR practices. Furthermore, the study could help to improve the efficiency of the HR function, and serve to develop the professional image of HR departments. Including RBHRA as a strategic management system may also reinforce the HR department's contribution to the organisation, from a strategic governance perspective.

### **1.7. PARADIGMATIC PERSPECTIVES OF THE RESEARCH**

The following paradigmatic perspectives were presented in the study:

#### **1.7.1. Epistemological orientation – Positivism**

Gray (2014) argues that natural science accumulates and processes facts about scientific observation, in order to understand, predict and generalise outcomes. Positivism relies on the use of objective measures, rather than subjective inferences based on perception or instinct (Easterby-Smith et al., 2015). This philosophy requires an empirical investigation

based on scientific observation, where knowledge is attained through direct measurements – in this instance, of each respondent's perceptions of the application and effectiveness of RBA in identifying HRRs.

This paradigm was deemed applicable to the current study, given the researcher's aim of understanding and drawing truthful conclusions through statistical data analysis, supported by a quantitative study on an approach to HR auditing which is risk based.

### **1.7.2. Research approach – deductive**

Deductive theory is reliant on what is known about a specific phenomenon and on theoretical considerations, with the objective of deducing a hypothesis (or hypotheses) which may be subjected to empirical inquiry (Bryman, 2016). This simply means that new research data is used to test theory and present findings through the use of statistical tests (Rahi, 2017; Saunders et al., 2019). The hypothesis is subsequently translated into operational segments which specify how data may be collated to support findings that either confirm or reject the hypothesis.

The theory on RBHRA and HRRs having been examined, full and alternative hypotheses were developed, namely:  $H_0$  – There are no statistically significant relationships among the constructs of the RBHRA scale and the identification and mitigation of HR risks in South African organisations;  $H_{A1}$  – Ethical organisational leadership is crucial for the effective management of HRRs in South Africa; and  $H_{A2}$  – An ethical organisational culture is crucial for the management of HRRs in South Africa. Scientific data were then interpreted to determine the findings and status of the hypotheses.

### **1.7.3. Ontological orientation – Objectivism**

Ontology investigates the objective reality of a situation (Bryman, 2016). From the onset, the intention of this study was to utilise a structured questionnaire (see Annexure D) to investigate the associations between the respondents' perspectives on RBHRA, and its potential to identify and mitigate HRRs.

To observe the objective reality constructed by the respondents in this study, the researcher developed a questionnaire (see Annexure D) that was later distributed to an array of HR professionals across South Africa.

## **1.8. PRELIMINARY LITERATURE REVIEW**

To address the identified research questions guiding the literature review, a summary of the most relevant scientific literature pertaining to the focus areas in this study was analysed in addition to the list of sources contained in Annexure A.

### **Corporate governance**

In 1994, the first King report on corporate governance was released, situating South Africa as a leader in corporate governance (SABPP, 2018). The report, named after High Court Judge, Mervyn King (an internationally acknowledged expert on corporate governance), introduced corporate governance codes to South African businesses, thereby promoting high standards of accountability. It highlighted ethical leadership and emphasised the responsibility of a board of directors in ensuring that a company acts responsibly (IoDSA, 2016). With a view to addressing governance failures and improving the governance measures applied in industries, further revisions were published until King IV was released in 2016 (IoDSA, 2016; Sá et al., 2017) and more recently, King V launched in October 2025, (IoDSA, 2025). According to the code, governance comprises effective, ethical leadership (IoDSA, 2016) that manages employees by adhering to the principles of fairness, integrity, honesty and transparency (Grobler et al., 2014). Notably, several authors and studies on governance have reported that corporate failure could mainly be attributed to the lack of effective, ethical leadership (Business Insider SA, 2020; CIIA, 2020; Jiménez & Pulos, 2016; Segal, 2020; The Business Standard, 2019). Business leaders are expected to display ethical and moral values that support the best interests of their organisation (Kilian, 2020; Sharma et al., 2019), and apply to all sectors and divisions within that organisation, including HR.

### **Ethical leadership**

According to King IV (IoDSA, 2016), ethical leadership is a requirement for the establishment of an ethical culture within any organisation (van Vuuren, 2019). The code further highlights

that one of the main outcomes of ethical governance is an ethical culture (IoDSA, 2016), which suggests a reciprocal relationship between these two concepts. Ethical leaders promote compliance with ethical standards and uphold their organisation's reputation (Grobler & Grobler, 2024), yet in instances such as the Steinhoff saga, which was arguably the biggest corporate governance scandal in South African history (Naudé et al., 2018), unethical leaders put the entire organisation at risk by bringing it into disrepute. Stringent governance measures must be implemented to ensure alignment with business priorities at all levels of the organisation. Leaders who conduct themselves in an ethical manner set an example for others to emulate (van Vuuren, 2019), thus not only establishing stability, but also increasing stakeholder and shareholder confidence in the organisation (Lehmann, 2020).

### **Ethical culture**

Ethical leadership drives an important organisational outcome, which is an ethical culture (van Vuuren, 2019). As Tan et al. (2017) argue, some leaders tend to ignore misdemeanors or do not act when required, due to conflicting interests or the demise of their credibility as managers. For this reason, many firms have imposed more stringent governance measures (Fayyaz et al., 2019; Kim & Vandenberghe, 2020), particularly those that are high-risk (Tan et al., 2017). An ethical culture provides direction and clear expectations of employee conduct in the workplace (Fayyaz et al., 2019), and is most effective when ethical frameworks support the culture of the entity in question (Hald et al., 2020). In partnership with sound management, the SABPP (2018) emphasises HRM's accountability to the organisation, to build an ethical culture that is compliant with corporate governance codes. Highly ethical work cultures are therefore defined by well-regulated governance systems and protocols, including effective auditing processes (Karaibrahimoglu & Cangarli, 2016). In the local context, these aspects need to be explored further, particularly within the HR environment.

### **HR governance**

Studies on HR governance have multiplied over the past decade, serving to confirm that HR is an important segment of corporate governance (Seyyedjavadin et al., 2020; Stefánsdóttir, 2017). As Martin (2013) maintains, executives now seek HR business partners (HRBPs) who will help to maintain stakeholder and board confidence in challenging times, and who appreciate the imperative to improve corporate governance compliance by managing risk

through both control and auditing. Minimising risk and enhancing business improvement processes have become the foci of organisations globally. Authors such as Anaraki-Ardakani and Ganjali (2014), Becker and Smidt (2015); Falemi et al. (2024) and Stefánsdóttir (2017) agree that the effective functioning of the HR role contributes to an organisation's overall performance, therefore managing HRRs is vital for any entities aspiring to retain their competitive advantage and success in the market (SABPP, 2017).

## **Hr risks**

Risks are normal and unavoidable, yet if not dealt with, they can lead to organisational failure (Meyer et al., 2011). Taking cognisance of the fact that each organisation is unique, the fact that it is different from the next means that the associated risks also differ. This implies that any approach to risk management needs to be adapted to suit the individual organisation. Amongst the corporate risks to be managed are strategic, operational, compliance, financial, technology and HR (people or human) risks (Sadgrove, 2016; Stefánsdóttir, 2017). As Becker and Smidt (2015), Filemon et al. (2024), Flouris and Yilmaz (2010), Kraev and Tikhonov (2019), Mitrofanova et al. (2017), the SABPP (2018) and Ukil (2015) concur, human-related risks are considered to be amongst the most significant business risks for any organisation, and may take the form of acts associated with fraud and corruption, sabotage, cybersecurity breaches, and the misappropriation of physical and intellectual property, amongst others Filemon et al. (2024). These risks are so insidious and perfectly covered up that even the most stringent of systems and processes are unable to detect them, until they are exposed and the damage has been done.

The SABPP (2016a), as an HR quality assurance and professional body, has identified the management of HRR as an important opportunity for HR professionals. HR risk management adds value to the governance directive proposed by the King Code on Governance in South Africa (Meyer et al., 2011). In addition, as the Chartered Institute of Internal Auditors (CIIA, 2014) explains, managing risks is essential for good corporate governance practice. HR auditing adds value to business processes and management systems, in line with sound governance, good practice and process improvement (SABPP, 2016a).

In 2013, the SABPP launched South Africa's first set of National HR Standards, which defined 13 standards that can be used to benchmark major areas of HR practice, and ensure

that HR systems are aligned with organisational objectives (see the SABPP's *HR Voice*, 2016). Several countries, both nationally and internationally, have emerged as pioneers in adopting formalised national human resource standards, including the United Kingdom, the United States of America, Zambia, Botswana, Eswatini (formerly Swaziland), Namibia, Zimbabwe and Lesotho (SABPP, 2018). These standards have established a baseline for auditing HR processes and identifying gaps. The National HR Standards (see Figure 1.1) demonstrate the alignment between business and HR strategy, which results in HR risk management.

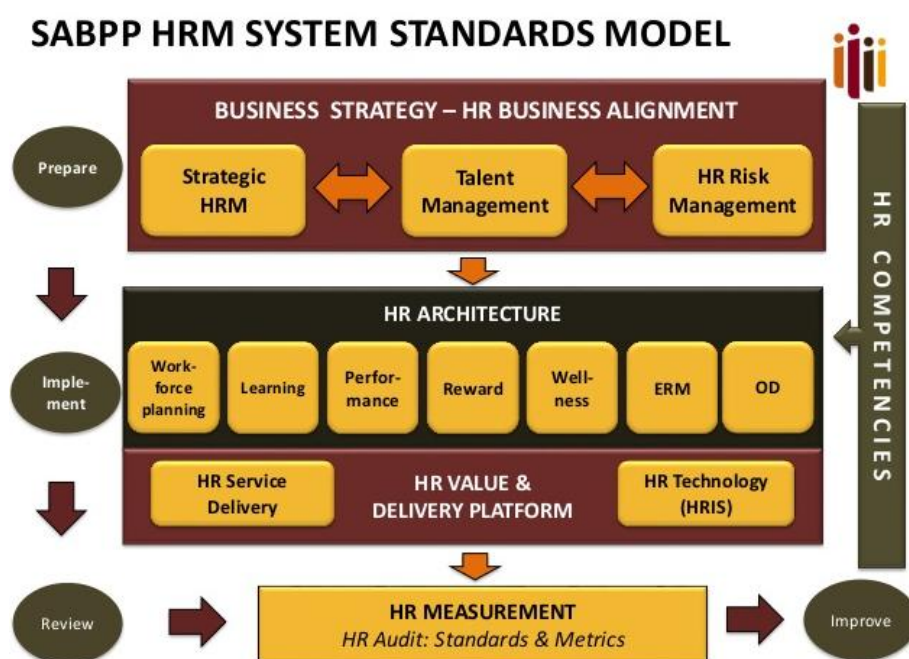


Figure 1. 1: SABPP HR management system standards model (adapted from *HR Voice*, 2016, p. 16)

The standard elements included in the model (under HR measurement) help to improve the quality of HR outputs, and eradicate inconsistencies in HR practices (SABPP, 2016b). Setting HR standards is not optional (Andrews, 2015): according to McCormick and Andrews (2016), standards must be set to enable organisations to evaluate their performance. Breakthroughs in setting the National HR Standards allow for a significant alignment between individual competencies and organisational objectives. By conducting HR audits (measurements), organisations are able to identify irregularities in HR practices and, in turn, to implement mitigating measures aimed at effecting continuous improvement.

## **HR auditing**

Researchers have found that organisations are increasingly leaning towards using HR audits as fundamental instruments for evaluating HR functions, and improving the performance of their organisations (Andrews, 2015; Kulchitskaya et al., 2016). HR audits are vital measurement tools that allow HRBPs to understand existing organisational processes and practices, to build on crucial focus areas, and eliminate those that do not add value. Numerous studies have explored HR audits from a range of perspectives: according to Kulchitskaya et al. (2016), HR audits evaluate the HR function by identifying areas of strengths and weaknesses, with a view to improving organisational productivity. Audits are also considered one of the most important methods for analysing the effectiveness of an organisation's HR policy. Earlier research by Curtice (2004) reported that HR audits could be conducted as "walk-throughs" of the HR department, with checklists serving to ensure legal compliance. Several studies refer to a strategic HR audit approach as one that diagnoses, analyses, evaluates and accesses action within the HRM framework (Olalla & Castillo, 2002; Shiri, 2012), and conducts a legal audit to gauge conformity and efficacy (Olalla & Castillo, 2002). Grobler et al. (2014) and Martin (2013) propose proactive compliance measures aimed at ensuring that organisational policies and initiatives are reviewed for compliance and effectiveness. Despite the level of attention given to risk management, surprisingly, a recent study by Stefánsdóttir (2017), amongst medium and large knowledge-based enterprises in Iceland, found that HR risk management was still unfamiliar to many HR managers, although there was some awareness of potential HRRs. Furthermore, mindful that the onus is on HR professionals to identify and manage HRRs in an effective manner, most organisations tended not to include HR in their risk management systems. The trend has, however, begun to shift in recent years (Becker & Smidt, 2015).

## **Risk-based auditing**

Of late, growing attention is being paid to risk management, and this has resulted in a more marked focus on risk-based auditing, especially when it comes to auditing what really matters to the organisation (Griffiths, 2020; Wang et al., 2023), namely the processes that govern its most valuable assets – its human resources (Ukil, 2015). The CIIA (2023) defines risk-based internal auditing (RBIA) as a technique that connects the internal auditing process to the organisation's overall risk management framework. Anaraki-Ardakani and Ganjali (2014), Deysher (2015), Flouris and Yilmaz (2010), Griffiths (2020) and Meyer et al. (2011) agree that every organisation requires a risk management framework to ensure the

effectiveness of its operations, enforce compliance with legislation, assure reliable reporting to stakeholders, and maintain responsible, ethical behaviour. Adopting a risk-based approach to auditing focuses on any risks that threaten organisational success (Coetzee, 2010), while areas that pose the greatest risks are identified and assessed, with processes being implemented rather than additional controls being set in place, as suggested by Griffiths (2020).

The intention behind an RBA is to provide stakeholders with confirmation that the risk management processes which are in place, indeed effectively manage risk (Almgrashi & Mujalli (2024). Amongst the advantages of RBA is that it focuses attention on areas of weakness, with the aim of assessing the climate, competence and current strengths of the organisation, and, in so doing, mitigating inherent risks (Benli & Celayir, 2014; Salehi & Khatiri, 2011). This approach ensures that risks, responses, and actions are properly classified and reported. RBA is a dynamic process, which makes it different from many traditional methodologies like the functional approach, that focuses on the HR function (Bieliaieva, 2019) or the legal approach, that focuses on compliance with legislation and legal requirements (Ukil, 2015). The implementation process of RBA takes place in three stages: a) assessing risk maturity – here, the reliability of the risk register is evaluated based on the extent to which management determines, assesses, manages and monitors risk; b) periodic audit planning – periodic audits are scheduled, where key areas that require objective assurance are prioritised; and c) individual audit assignments – here, greater emphasis is placed on individual risk-based assessments that seek to confirm the assurances of the risk management framework and the mitigation of risk (Griffiths, 2020; Fekir et al., 2025 Wang et al., 2023). Overall, RBA may be beneficial to any context (including HR), if correctly applied (CIIA, 2023).

In this study, applying the RBA approach to HR auditing did not focus solely on processes and systems at an HR operational level (doing things right), but also on the human risks that organisations face, based on employees' actual behaviours and actions (doing the right things) (Rost, 2017). While sophisticated governance processes and systems might be instituted to identify and mitigate operational risk, it is vital not to overlook the fact that HR relates to people. Organisations invest extensively in attracting, developing and retaining skilled employees, even though the return on these investments is not always guaranteed and can even compromise corporate success (Madhani, 2017). HR is strategically

positioned to stimulate positive employee attitudes, and align them with the organisation's goals and expectations (Chartered Institute of Personnel and Development [CIPD], 2013; Grobler & Grobler, 2025). An organisation is therefore reliant on the expertise of the staff within its HR function to manage its human assets effectively, by identifying and reducing any risks associated with these critical resources (Bhattacharya & Wright, 2005; Filemon et al., 2024).

## **1.9. RESEARCH APPROACH**

A quantitative research approach, supported by a cross-sectional field survey, was used for this study. The researcher made use of an online questionnaire for data collection, structured by means of Microsoft Forms, an online survey program.

### **1.9.1. Quantitative research approach**

A quantitative research strategy is dependent on the testing of theories, to arrive at findings through measurements or the statistical analysis of data (Bryman, 2016). A quantitative approach systematically examines the relationships between variables in a scientific manner, through the application of numeric or mathematical techniques which help to describe the data (Rahi, 2017; Saunders et al., 2019). In this instance, data were collected by means of a questionnaire.

### **1.9.2. Research method – survey questionnaire**

DeVellis (2003) indicates that applying haphazard measurement approaches can compromise the integrity of the data, and for that reason the development of a research scale was deemed the appropriate course of action for this study. Previous academic studies into HR risk management or HR auditing were either qualitative in nature, consisted of in-depth literature reviews, or focused on case studies (Anaraki-Ardakani & Ganjali, 2014; Becker & Smidt, 2015; Falcon et al., 2017; Flouris & Yilmaz, 2010; Meyer et al., 2011; Olalla & Castillo, 2002; Shiri, 2012).

No existing risk-based HR audit scales were available, therefore, in line with the primary aim of this study, a new research scale was developed and tested for validity by being piloted. The reliability of the scale was determined by calculating the score of the Cronbach alpha coefficient for internal consistency. Once the scale had been validated and proven reliable, it could be made available for use by other academics for further research. A comprehensive

and systematic account of the questionnaire/scale development process, which is discussed under the heading: Design and methodology (see Chapter 3), was undertaken prior to pilot testing.

A pilot test is vital (Gray, 2019) if a researcher aims to retrieve accurate data that will yield reliable research results. In this instance, pilot testing was carried out three weeks prior to the main study being conducted, with due care being taken to ensure that confidentiality was maintained, in line with the ethics policy of the University of South Africa (Unisa, 2016). Participants in the pilot test included the research supervisors of this study, members of the SABPP research team, expert reviewers of HR journal articles, and other HR audit experts. A gatekeeper for the study, appointed from within the ranks of the SABPP research department, disseminated an email with a link to the electronic questionnaire to the research respondents.

A commonly used Likert scale (Creswell, 2012; DeVellis, 2003, Easterby-Smith et al., 2015; Gray, 2014) was used to rate the responses. Traditionally, a five-point Likert scale (Strongly disagree, Disagree, Neutral, Agree, Strongly agree) has been the preferred choice for several quantitative studies in the social sciences field, and for that reason it was adopted for this study.

### **1.9.3. Time horizon – cross-sectional**

A cross-sectional time horizon is advantageous as it measures current practices, allowing information to be acquired within a brief period of time (Creswell, 2012). This approach is ideal for exploring relationships between variables (e.g., HR governance and ethical leadership) during the data-collection and analysis processes. Data were collected at a single point in time by means of an electronic questionnaire, administered via Microsoft Forms.

### **1.9.4. Data collection and analysis**

The choice of data-collection method was directed by several aspects, including the nature of the investigation, the research objectives, the time available, and the financial resources to which the researcher had access. Adopting a quantitative approach for this study aligned with the use of a questionnaire to gather data, instead of directly observing, or engaging in discussions with, the study participants. The data collected were analysed using statistical methods via SPSS Version 26 for Windows. The results were then presented and explained

systematically, using methods that were easy to interpret. Descriptive and inferential statistics were also presented.

## **1.10. RESEARCH DESIGN**

According to Saunders et al. (2019), the research design is an overall strategic plan which is vital for understanding what is to be achieved in terms of the research questions, and how the research objectives will be addressed, while maintaining validity and reliability, and adhering to ethical standards. For any researcher, it is crucial to adopt an appropriate research design that will deliver precise findings, allow clear comparisons to be made, and facilitate the drawing of accurate conclusions.

This study includes exploratory and descriptive research, which are presented in the literature review focusing on RBHRA. The empirical study presents descriptive research, where correlational statistics describe the association between variables, and the strength of such associations (Welman et al., 2006). In addition, inferential statistics evaluate statistical hypotheses which then can be generalised to a larger population or group (Creswell, 2012; Gray, 2014).

In line with the primary aim of this undertaking, methodologies on scale development are used (see Chapter 3). This explanation includes the steps followed in the development of the RBHRA scale.

### **1.10.1. Exploratory research**

According to Gray (2014), exploratory studies are useful for gathering information on an unknown field, or where insufficient information is available about the topic of interest. Exploratory research is undertaken from the perspective of the objectives of a particular study (Kumar, 2011). Relevant to this undertaking, where not much was known about a risk-based approach to HRA, the exploratory approach employed a newly constructed instrument to acquire fresh insights, and establish the main constructs of the study. In the process, various theoretical perspectives on RBHRA were explored. For this study, an exploratory approach was adopted specifically for the purpose of item generation and did not involve any primary fieldwork or qualitative data analysis.

### **1.10.2. Descriptive research**

Descriptive research describes (or provides in-depth information about) a phenomenon, problem or situation, or respondents' attitudes towards an issue. It is a systematic approach for describing the relationships between the constructs in a study with accuracy (Saunders et al., 2019). Descriptive studies are deemed adequate and appropriate for research areas that are relatively new or unexplored (Borrgeo et al., 2009; Gray, 2014).

The outcomes of the empirical study were described with regard to the means, standard deviations and correlations, as per the constructs of the RBHRA scale (see Chapter 3). The study described current HRRs, corporate governance practices, organisational leadership and culture trends, and their impact on the organisation, as indicated in the research problem, given that literature on the topic is scarce (specifically quantitative studies on RBA in the HR environment).

### **1.10.3. Explanatory research**

This research met the requirements for a quantitative study, as outlined above.

### **1.10.4. Research variables**

A variable is an element that can be measured, and can take on varying values (Kumar, 2011). It was envisaged that the proposed variables measured in this study would significantly affect the types of techniques used to analyse the collected data and draw conclusions. The following variables were identified for the purpose of this undertaking: the independent variable (X – RBHRA), and the dependent (Y – HRR), moderator (W – ethical leadership) and mediator (M – ethical culture) variables. The relationships of the variables were explained as depicted in the conditional process model (see Figure 1.2) proposed by Hayes et al. (2017).

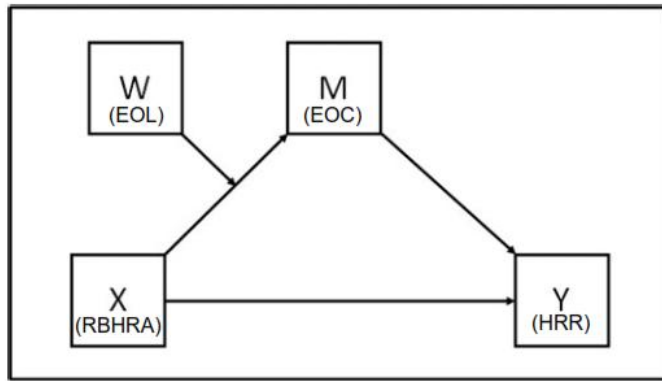


Figure 1. 2: Moderated mediation process model (adapted from Hayes et al., 2017)

Salkind (2010) refers to the dependent variable as the outcome variable, it being the result of the action of the independent variable in a study. Introducing an independent variable (X) (RBHRA, in the case of this study) might cause an expected change in the dependent variable (Y) (HRR). The independent variable is stable and unaffected by the other variables being studied; however, it has a causal effect that may account for stimulating change in a situation – or, in this instance, the dependent variable.

Derived from the concept of ethical leadership, in line with corporate governance codes, ethical organisational culture is the mediator (M) presented in this study. It pertains to the ethical leadership of an organisation (irrespective of the level or discipline) which leads to and enhances the ethical culture of said entity. Here, the researcher interpreted the results of statistics, to determine the extent to which ethical organisational leadership promoted an ethical organisational culture.

The identification of a fourth variable, the moderator (W) level of ethical organisational leadership, was studied to determine its effect on the strength of the relationship between the independent and dependent variables. Leadership plays a vital role in providing an organisation with strategic direction, and in accessing any strengths, weaknesses, opportunities and threats (SWOTs) that the organisation may encounter. Highly ethical leaders set the tone for a highly ethical organisational culture. The extent of the effect of ethical leadership on an ethical culture and on HRRs, was analysed in this undertaking.

The conceptual model is based on the theoretical understanding that the effectiveness of RBRHA is more than just an audit process. While RBHRA helps organisations identify and manage HRR, success is influenced by the environment in which they are implemented. EOC improves HR risk management processes by ensuring that audit findings and recommendations are embedded in everyday organisational practices. EOL further strengthens these relationships by fostering an environment characterised by ethical behaviours, accountability, integrity and risk awareness. By incorporating EOL and EOC, the model provides a framework for understanding how RBHRA contributes to more effective HR risk management, that is both theoretically informed and empirically testable.

While the proposed model was derived from the theoretical findings and interpretations that emerged during the scale development process, the primary aim of the study was to develop and refine the RBHRA scale rather than formally test the model. Consequently, the model should be viewed as a preliminary theoretical framework that warrants empirical testing and validation in future research.

#### **1.10.5. Unit of analysis**

Permission was obtained from the SABPP to conduct an empirical study amongst those HR professionals in South Africa who were registered on the board's database at the time of the research. This was achieved with the assistance of a gatekeeper appointed by the SABPP. The study respondents were members registered at the HR professional, Master HR professional and Chartered HR professional levels, who represented various organisations across different industries (see Chapter 4, Table 4.2). The data obtained from the research respondents allowed the researcher to draw conclusions on the application of the RBHRA scale, and its ability to identify and mitigate HRRs.

#### **1.10.6. Validity**

The accuracy of the measurement results, where an instrument measures the construct it is intended to measure, confirms its validity (Saunders et al., 2019). Since no suitable questionnaire was available for the purposes of this academic investigation, a new questionnaire was developed. To ensure the validity of the literature review, the researcher consulted relevant scientific works in academic repositories, blind peer-reviewed articles in accredited journals, published and unpublished research (Masters dissertations or doctoral theses, conference papers, institutional documents, position papers), books and other

publications. In Chapter 3, the validity of the research instrument is discussed in detail, specifically as regards the development process, and is further verified by the statistical analysis thereof. The following categories of validity were taken into consideration when developing the research instrument (Bryman, 2016; Saunders et al., 2019; Taherdoost, 2016):

- Content validity – the instrument was evaluated by a panel of experts, who confirmed that the initial item pool addressed the relevant constructs of the study as well as the research questions, and measured what it set out to measure.
- Internal validity – this was demonstrated in terms of the extent to which causal conclusions were drawn on the relationship between RBHRA and HRRs.
- External validity – the generalisation of the research findings to other relevant settings or groups, ensured the representativeness of the sample to the larger population.
- Construct validity – this is the extent to which the instrument measured the constructs of interest pertaining to the RBHRA scale, and its ability to identify and mitigate HRRs. Legitimate inferences were made from the observed scores, when assessed by means of exploratory factor analysis (EFA).

#### **1.10.7. Reliability**

Reliability is achieved when an instrument yields consistent results, once repeated on different groups of respondents, at different periods (Gray, 2014; Salkind, 2018).

Existing academic sources and theories were referenced to address reliability in the literature, while the internal (empirical) reliability of the instrument was ensured by means of a representative sample, and determined by Cronbach alpha statistics. According to Christensen et al. (2011), Gray (2014) and Pallant (2011), an alpha coefficient of 0.70 or greater is deemed reliable, while anything greater than 0.80 is considered to be exceptionally good.

#### **1.10.8. Ethical considerations**

Ethics is the appropriate and acceptable behaviour that guides the conduct of a researcher, as s/he seeks to achieve excellence and deliver high-quality scientific research and

credible findings (Saunders et al., 2019; Unisa, 2016). To ensure adherence to professional and legal obligations, the following ethical principles were adhered to, in line with the requirements of Unisa's ethics policy (Gray, 2014; Unisa, 2016):

- The researcher applied for ethical clearance from the Unisa Ethics Review Committee prior to commencing the study (see Annexure E).
- Permission and approval were obtained from the SABPP, to conduct the study amongst its members (see Annexure C).
- Informed consent was obtained from all research respondents, who willingly agreed to participate in the study, as outlined in the invitation and consent letter issued, and in the link to the online questionnaire (see Annexure B).
- No bribery or coercion took place, respondent participation was voluntary, and individuals could opt out of the study at any time, but not once the questionnaire had already been submitted.
- The confidentiality and anonymity of the research respondents were ensured, by the researcher refraining from collecting personal or identifying information on them.
- The study was conducted with professionalism, integrity and transparency.
- All cited sources were referenced in the list of references, in keeping with the requirements of an academic study.
- Collected research data are securely retained on an external hard drive that is password protected and stored in a locked drawer at the researcher's residence.

## 1.11. RESEARCH METHODOLOGY

The research was conducted in two phases, as outlined in Figure 1.3:

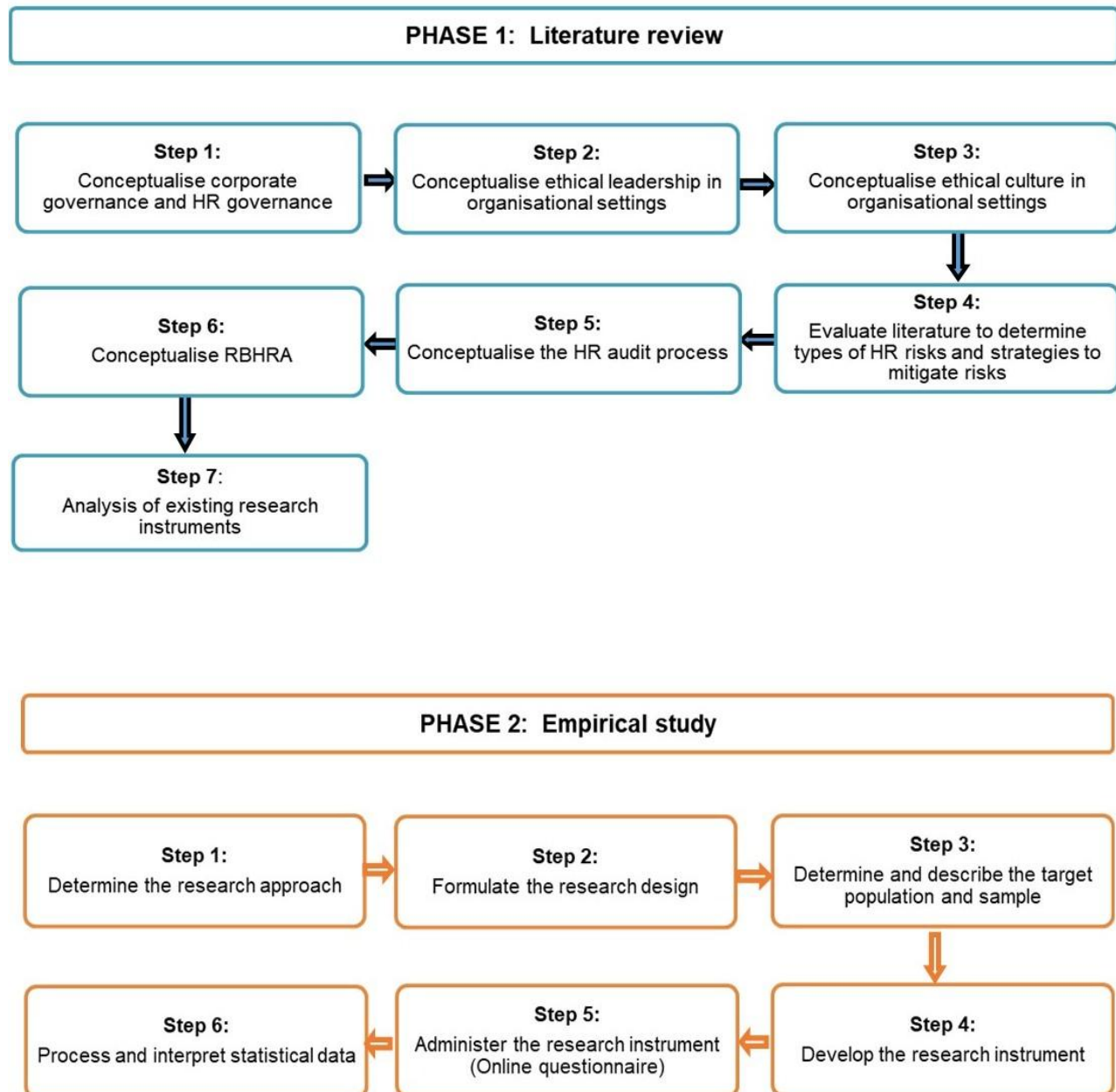


Figure 1. 3: Research methodology (author's own compilation)

### Phase 1: Literature review

A meta-theoretical framework was used to conceptualise theory from a governance and HR auditing perspective. Research information relating to the literature review was obtained,

where possible, from electronic academic repositories, accredited journal articles, published and unpublished research, books and other publications.

### **Step 1: Conceptualise corporate governance and HR governance**

The notions of corporate governance and HR governance were conceptualised, as discussed in Chapter 2 of the study. The link between these two concepts is also explained with the use of basic theoretical building blocks.

### **Step 2: Conceptualise ethical leadership in organisational settings**

Ethical organisational leadership is conceptualised in Chapter 2, and supported by discussions on relevant leadership frameworks.

### **Step 3: Conceptualise ethical culture in organisational settings**

What constitutes an ethical organisational culture is conceptualised and discussed in detail in Chapter 2 of this study.

### **Step 4: Evaluate the literature to determine the types of HR risks that organisations experience, and the strategies in place to mitigate these risks**

The body of literature on the different types of HRR was examined, and the strategies which organisations implement to mitigate these risks, are discussed in Chapter 2.

### **Step 5: Conceptualise the HR audit process**

Current HR audit processes, as described in academic literature, are discussed in Chapter 2.

### **Step 6: Conceptualise risk-based HR auditing**

The concept of RBA is discussed in Chapter 2. The focus in that chapter also falls on the evaluation of theoretical approaches to RBA in different contexts, and its applicability in the HR environment.

### **Step 7: Analyse existing research instruments**

An analysis of existing research instruments is presented, as these pertain to HR governance, ethical organisational leadership, ethical organisational culture, and HR

auditing. Chapter 2 provides more detail and substantiates the need for the development of a research instrument specific to this study.

## **Phase 2: Empirical study**

Empirical data were collected by means of a survey questionnaire, disseminated and accessed via Microsoft Forms. With permission, selected levels of HR professionals registered with the SABPP formed part of the sample population that was invited to complete the online questionnaire. After being analysed, the empirical data were presented in tables and graphs, following which the results were reported systematically (see Chapter 4).

### **Step 1 – Determine the research approach**

This study adopted a quantitative research approach, which is discussed in detail in Chapter 3.

### **Step 2 – Formulate the research design**

A non-experimental, cross-sectional design was used, which was subsequently integrated with a quantitative research design (see Chapter 3).

### **Step 3 – Determine and describe the target population and sample**

With permission, the empirical study was conducted among a sample population of 5 323 HR professionals registered on the SABPP database at the time of this undertaking. That population was inclusive of SABPP members registered at the HR professional (3 292 members), Chartered HR professional (1 544 members) and Master HR professional (487 members) levels, representative of various industries across South Africa (SABPP, 2020).

A defining feature of quantitative studies is probability sampling (Gray, 2014) – a technique aimed at eliminating bias and affording each participant an equal opportunity of being selected as part of a study sample (Creswell, 2012). For those reasons, probability sampling was deemed ideal for an undertaking of this nature. The representative nature of the sample allowed for inferences to be drawn to a larger population.

### **Step 4 – Develop the research instrument**

The use of a research questionnaire aligns to the characteristics of a study which may be described as quantitative in nature. Questionnaires that are clear and unambiguous not only

reduce measurement errors, but also encourage higher response rates (Gray, 2019; Saunders et al., 2019). It is easier for respondents who are spread across a geographical location to access and complete an online questionnaire in their own time, at their own pace, and at their own convenience. Notably, the study aligned to the protocols and measures in place during the Covid-19 pandemic, where face-to-face and direct contact with respondents were prohibited (Meyiwa, 2020).

Although existing measurement instruments were reviewed, a validated quantitative instrument specifically measuring RBHRA was not identified. While related studies exist in adjacent fields, they were not fully suitable for the objectives of this study. Therefore, a new measurement instrument was developed based on the literature review and established theoretical foundations. Chapter 3 comprehensively addresses the scale development process that consisted of four phases, namely 1) construct identification and item generation; (2) pretesting of the scale (content validation); 3) scale development; and (4) scale validation - phases which are similar to other studies on scale development (see Barry et al., 2011; Boateng et al., 2018; du Plessis, 2018; Lee et al., 2013). The new instrument was pilot tested three weeks prior to the main study being conducted, preceding which final adjustments were made, as required.

The questionnaire consisted of two sections: section 1 briefly explained the aim of the study and confirmed respondents' voluntary participation, prior to proceeding to the next section. No demographic details were needed to enable the researcher to meet the outcomes of the study, therefore, in line with the Protection of Personal Information Act (POPIA) (Republic of South Africa [RSA], 2013), only minimal information was requested, where required (Engelbrecht, 2020). Section 1 saw the retrieval of information on the level of SABPP membership, and the type of industry or sector in which a respondent was employed at the time. Section 2 consisted of the research questions to which the respondents responded, by ranking each response on a five-point Likert scale.

### **Step 5 – Administer the research instrument (online questionnaire)**

With written consent from the SABPP's research department, a link to the online questionnaire was emailed to the appointed gatekeeper, who forwarded an electronic invitation and consent form (see Annexure C) to potential respondents within South Africa, who were registered on the board's database.

The respondents were informed of the aim of the study, the applicable ethical considerations, and details regarding the timelines for completion (see Annexure B). By accessing the hyperlink provided, they were directed to the online questionnaire on Microsoft Forms. Data were collected over a period of eight weeks and stored on Microsoft Forms, prior to being downloaded for statistical analysis.

#### **Step 6 – Process and interpret statistical data**

The collected data were analysed by means of SPSS Version 26 for Windows. The statistical analysis included descriptive statistics obtained by interpreting means and standard deviations. The structural relationships between the measured variables were analysed using structural equation modelling (SEM). EFA and confirmatory factor analysis (CFA) were further employed to evaluate individual items in the instrument, thereby helping to determine construct validity. Cronbach's alpha coefficients assessed the internal consistency of the measuring instrument and confirmed reliability. Inferential statistics such as Pearson product-moment correlation coefficients were used to assess the significance and strength of relationships between the variables under study. A level of confidence of 95 per cent and a significance level of  $p < 0.05$  were necessary for the results to be deemed acceptable, if applied to other studies. Statistical significance was also determined in the hypothesis testing phase of the study, by means of the SEM, and descriptive and inferential statistics.

#### **Step 7 – Report and interpret research results**

The results of the empirical study were presented by a combination of tables, diagrams and graphs. These were presented in a systematic and articulate framework. Chapter 4 reports on, and discusses, the research results of the study.

#### **Step 8 – Integrate research findings**

The findings emanating from the literature review and empirical study were integrated, to reflect the overall findings of the study. These integrated findings are presented in Chapter 4.

#### **Step 9 – Present research conclusions, limitations, and recommendations**

Finally, conclusions need to be made, based on the outcomes of the overall research results. The limitations of the study are discussed in Chapter 5, where recommendations are made regarding RBHRA, and the processes of identifying and mitigating HRR.

## **1.12. CHAPTER LAYOUT**

The chapters which make up the present study, are presented in the following sequence:

### **Chapter 1: Introduction to, and rationale for, the study**

This chapter provides a scientific overview of the study, by briefly outlining the content covered.

### **Chapter 2: Corporate governance, HR governance and HR auditing**

Chapter 2 encapsulates the literature review, with its emphasis on the concepts of corporate governance, HR governance and HR auditing, and advances made in these terrains over the past decade, especially in a developing country context. This chapter also casts the spotlight on ethical leadership and ethical culture from an organisational perspective, and includes an analysis of existing research instruments. The chapter further explains RBA, in addition to refining its focus on the HR environment. Existing theories are explored and their applicability to HR are conceptualised.

### **Chapter 3: Research design and methodology**

This chapter expounds on the empirical nature of the study, by explaining the selected research design and methodology. A comprehensive and specific explanation is given of the processes followed in developing the research scale for this study. The research sample and population, measuring instruments and data-collection and -analysis processes are also presented in greater detail.

### **Chapter 4: Results**

Chapter 4 discusses the statistical results of this academic undertaking. Descriptive, correlational, and inferential statistics are presented in a methodological manner, after which a summary of the research results and their integration with the literature review, is given.

### **Chapter 5: Conclusions, limitations, and recommendations**

Finally, the concluding chapter hones in on the conclusions reached, following the integration of the results. The limitations of the study and recommendations for future research in RBHRA, are highlighted.

### **1.13. SUMMARY**

This chapter discussed the scientific orientation to the study, highlighting the background to, and motivation for, this scholarly work. Also addressed were the problem statement, research aims, research design and methodology. Finally, the chapter concluded with a framework specifying the chapter layout.

The next chapter reviews the existing literature on the subject under discussion, providing an analysis of how the constructs of the current study have been conceptualised. The focus is squarely on corporate governance.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1. INTRODUCTION**

Chapter 2 presents the literature review component of this thesis from a governance and ethics perspective. The literature review continues to discuss HRR and RBA in greater detail.

The chapter addresses the specific aims of the literature review, as described in section 1.4.2.1 of Chapter 1. The key themes addressed in Chapter 2 focus on corporate governance and the alignment of HR governance, ethical organisational leadership and ethical organisational culture. To that end, the researcher utilised several search engines on leading databases in the business study field, including SABINET, ProQuest, Emerald, Scopus, and EBSCOhost, to identify relevant resources (in English), in line with the stated aims of the study. Sources consulted included academic research articles, Masters and doctoral studies, blind peer-reviewed articles in journals, textbooks, and other published and unpublished sources. The keywords used, included “corporate governance”, “HR governance”, “ethical leadership”, “ethical culture”, “audit”, and “risk-based audit”. The initial keyword search yielded 1 211 results (see Section 1.3), which were further refined to a total of 371 sources. For the purposes of this presentation, sources are cited using the APA 7<sup>th</sup> edition referencing style, published in 2020.

An intensive literature review on the main constructs given above was deemed significant for generating items in developing the research scale for this specific study. Figure 2.1 presents a theoretical conceptual model which gives an overview of the approach followed in unpacking the theoretical constructs of the study.

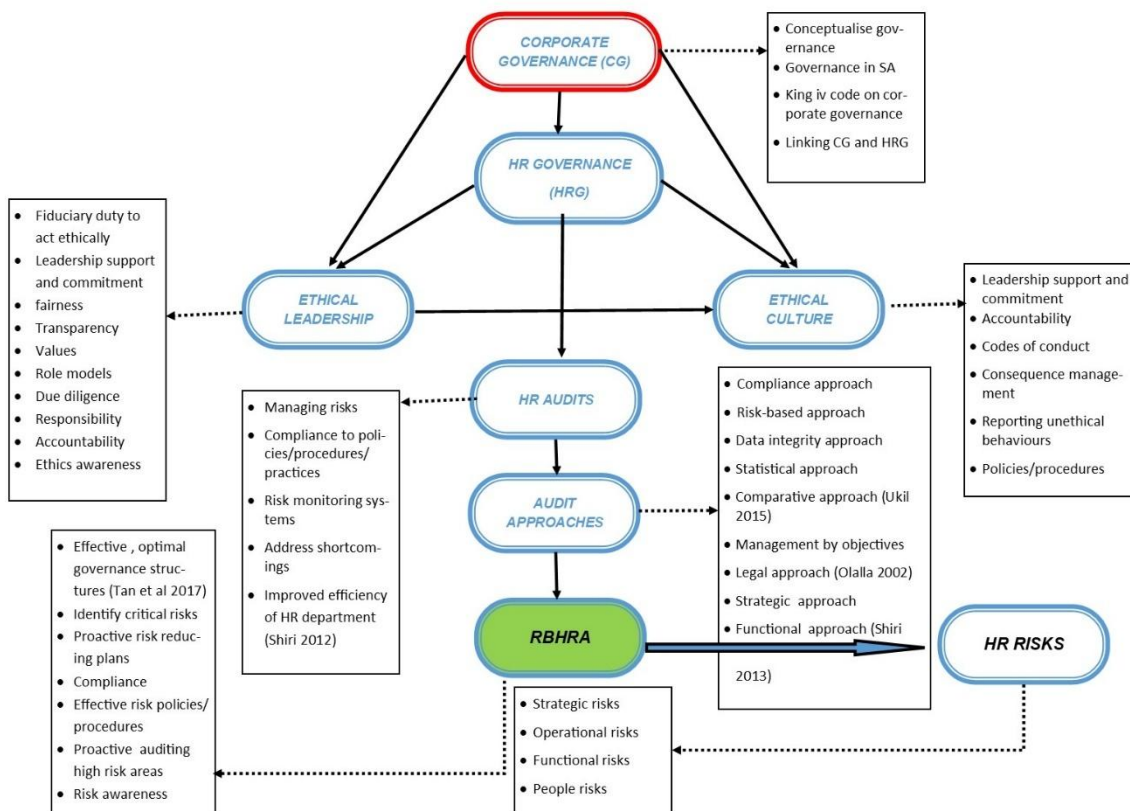


Figure 2.1: Theoretical conceptual model (author's own compilation)

## 2.2. CORPORATE GOVERNANCE – AN OVERVIEW

“Corporate governance” is a term which has become increasingly commonly used in discourse around organisations. Corporate success and sustainability are the ultimate goals of every organisation striving to survive in a highly demanding and competitive environment (Kumar et al., 2020). While certain firms have succumbed to the pressures of adhering to corporate standards, others have initiated innovative turnaround strategies. Irrespective of the approach adopted by an organisation in pursuit of exemplary performance and outputs, business ethics and corporate governance should be the foundation of all business interventions (SABPP, 2019). Successful organisations pursue corporate governance excellence, separate from efforts aimed at increasing their profit margins. The set of systems and processes implemented to promote good governance helps manage corporate behaviour by enforcing the principles of accountability, fairness, transparency, and risk management. These principles are strongly influenced by the board of directors who are

pivotal in matters of governance, as are the stakeholders who influence them (Investopedia, 2024). Good corporate governance is evident in the wisdom of leaders to be cognisant of the impact the organisation has on its stakeholders, the ability to respond to stakeholder needs, and the know-how to confront any challenges the organisation might encounter in these uncertain times (Sierra, 2025).

While focusing on corporate governance in China, Jiang and Kim (2020) concluded that related issues were significantly different from those obtaining in Western countries such as the United States and the United Kingdom. This differentiation implies that each country has its own unique legal, political and economic contexts that influence corporate governance, and must thus be dealt with differently. Notably, Dat et al. (2020) recommend that, in order to enhance corporate governance in China, Western and international best practices should be considered.

In the United Kingdom, a 2021 study by Kyere and Ausloos, on the effects of good governance, highlights that the implementation of precise measures has a positive impact on an organisation's financial stability. The authors also found that, over the years, different methods and approaches have been used to implement corporate governance: this serves to reiterate the uniqueness of each firm, and the value of those internal elements that will result in the implementation of measures or best practices that differentiate one organisation from the next (Kyere & Ausloos, 2021).

A different approach to corporate governance was conceptualised by Stanculescu (2018), who argues that associated systems should function as rules-based guidelines. Strict rules being imposed on financial transactions will ensure accurate measurement, recording and reporting (Stanculescu, 2018).

Corporate governance is a game plan for organisational resilience and success. Besides guiding the entity and building trust amongst investors, shareholders and key stakeholders, business ethics and integrity must be clearly demonstrated by the organisation's leadership. Financial viability and an increase in capital provide a clear indication of an organisation's financial success, while effective corporate governance reduces the potential for risk, corruption, economic loss and organisational failure.

It is important to acknowledge that poor governance has led to the demise of several organisations around the world, with fraud and corruption sadly being on the increase in the business sector (Bhagat & Bolton, 2019; Hasan et al., 2015; Taylor & Grima, 2025). Findings of such misconduct, and any suggestion of impropriety, are detrimental to an organisation's operations, profits and reputation (Investopedia, 2020). Sound corporate governance is therefore of the utmost importance for ensuring business resilience and long-term sustainability (Sierra, 2024).

### **2.2.1. Defining corporate governance**

No single definition exists for corporate governance, yet it is deemed to improve corporate performance and prevent failure due to unethical and/or unlawful activities. Corporate governance codes are implemented worldwide, for the sole purpose of guiding and ensuring ethical and responsible conduct within organisations. The upsurge in corporate governance failures has increased the need for corporate governance codes and practices to be reviewed with greater frequency (Sá et al., 2017), as legislators continue to interrogate the effectiveness of related management processes in organisations (Bhagat & Bolton, 2019).

Sierra (2024) defines governance as a framework that controls and gives direction to people, policies and procedures, with a view to achieving strategic organisational objectives. Emphasis is placed on ethical leadership as an integral pillar of the processes driving organisational values and principles.

Studies on corporate governance have approached this important concept from different angles, yet the main focus always appears to align with the core objective of improving corporate performance through the application of ethical standards and principles of integrity (Hasan et al., 2015; Lei & Chen, 2019; Tan et al., 2017). It is the combination of organisational policies, frameworks, monitoring, and control mechanisms that improves business performance and ensures accountability, according to Lasyte (2019).

A vast body of literature on corporate governance is evident across a range of financial disciplines, where key focus areas include integrated reporting (Mokabane & du Toit, 2022); shareholder primacy and value maximisation (Hart & Zingales, 2022; van der Merwe, 2020; Wiersema & Koo, 2022), financialisation, and financial and industrial capital (Maher & Aquanno, 2022), financial stability (Ahmed & Yahaya, 2024), corporate finance

(Stanculescu, 2018) and director stock ownership (Bhagat & Bolton, 2019). The World Bank (2020) adds to this list by emphasising the financial sector and capital markets.

According to Young (2010), corporate governance is an important aspect of business management, in that it addresses the relevant policies, procedures and systems within an organisation which is influenced by both internal and external factors. Importantly, transparency, accountability, ethical values, and development are deemed key elements of effective corporate governance (Kilian, 2020; Young, 2010).

In the South African context, the King IV Report (IoDSA, 2016, p. 11) defines corporate governance as “the exercise of ethical and effective leadership by the governing body towards achievement of the following governance outcomes: ethical culture, good performance, effective control and legitimacy”. This definition provides the basis from which the main constructs of the present study are derived.

### **2.2.2. Corporate governance framework**

The legal and regulatory framework which sets the global standards for corporate governance is defined in the G20/OECD guiding principles (World Bank Group, 2023). These principles provide a structure for organisational policy makers to use, in evaluating and improving their organisational, regulatory, and legal frameworks (OCED, 2019). The intention behind putting forward corporate governance principles, is to provide an understanding of the importance of related policies in attaining broader economic objectives, along with long-term business success and performance. Although there is no single, universally accepted model, common elements underpin good governance (Thompson & Alleyne, 2023). The following leading principles, if pursued by a board of directors, are likely to ensure the successful implementation of corporate governance endeavours (OCED, 2019):

**Fairness** – shareholders, employees and other stakeholders must be treated fairly and equally.

**Transparency** – this involves the provision of clear and accurate information on matters that include financial performance, and risks to shareholders and stakeholders.

**Risk management** – all potential risks and mitigation measures must be determined and implemented. All parties must be informed of any risks, as well as their status.

**Responsibility** – there is a need to oversee corporate and management activities, in an effort to support the success of the organisation. The board is responsible for recruiting a chief executive officer who will act in the best interests of the organisation and its shareholders.

**Accountability** – the board and company leadership are accountable for assessing the organisation's potential and performance, and for communicating prominent issues to its shareholders. Likewise, the board must assume accountability for the organisation's activities and the consequences of its conduct.

An analysis of the Deloitte Governance Framework (Deloitte, 2017) (Figure 2.2) shows that, just like any other, it is not tailored to any specific organisation or industry, but serves as a guideline that can be followed in conjunction with existing models, to effect internal governance and control. Each organisation is unique in respect of its requirements, and companies' needs vary from one industry or sector to the next. In the analysis of a governance framework (see Figure 2.2), governance infrastructure relates to those activities which are driven by the processes implemented by executive management. The board's role is imperative in this process, influencing all elements of governance within the organisation (Deloitte, 2017).



Figure 2.2: Deloitte governance framework (Deloitte, 2017)

The above figure clearly portrays risk and culture as being at the core of the framework. The core elements of the framework, which appear in the top semi-circle, consist of the following (Deloitte, 2017):

- a) Governance – the establishment of structures and processes, at the board level, that align with the organisational strategy.
- b) Strategy – this involves the development of strategic milestones in the best interests of the organisation and its stakeholders. The execution process is monitored by the board to ensure transparency and adequate communication (both internal and external to the organisation).
- c) Performance – corporate strategy, operating and financial plans are reviewed and approved by the board. This includes monitoring the drafting of budgets and overall alignment with strategic objectives.
- d) Integrity – the board provides ethical direction, and ensures that legal and regulatory compliance is promoted ethically, honestly, and with integrity.

- e) Talent – talent programmes relating to leadership and potential successors are selected, remuneration is addressed, and the qualifying requirements are clearly communicated by the board.
- f) Risk governance – all risk-related matters in the organisation are appropriately addressed by the board, with measures and systems being put in place to manage related risk. Organisational success lies in the ability to effectively identify and manage risks within the context of the organisation and its culture.

It is evident from the defined corporate governance principles (OCED, 2019) and the Deloitte (2017) framework that several core elements are closely aligned and even overlap. Therefore, adopting and following these principles, regardless of the uniqueness of the context, will continue to direct an organisation towards good corporate governance.

Supported by corporate governance frameworks, many contemporary organisations elect to adopt models that will help them analyse and understand those corporate governance systems and processes which are most applicable to their specific context and focus.

### **2.2.3. Corporate governance models**

Various corporate governance models are being adopted by organisations around the world (van Zyl & Mans-Kemp, 2020). Amongst these, the three dominant models are the Anglo-American Model, the German Model, and the Japanese Model (Haxhi, 2023; Otman, 2021; van Zyl & Mans-Kemp, 2020).

**The Anglo-American Model** – key in this structure is a single-tiered shareholder model which is typically applied in developing countries such as South Africa (van Zyl & Mans-Kemp, 2020). It is designed in a manner that gives the board of directors and shareholders control, while stakeholders such as trade unions do not have control, despite being acknowledged. Management is responsible for operating in a manner that maximises shareholder interest. In turn, management behaviours have to align with shareholder goals and objectives. In this type of model, control is in the hands of a few major shareholders (Ahmad & Omar, 2016), and the emphasis is on the fiduciary relationship between management and shareholders (Otman, 2021).

**The German Model** – also known as the Continental or European model, it values shareholder engagement and provides controlling authority to two groups – the supervisory board and the management board. As adopted by Steinhoff (Rossouw & Stylian, 2021), this two-tier model is represented by the management board (internal to the organisation, e.g., executives) and the supervisory board (external to the organisation, e.g., shareholders and banks) who have little decision-making responsibility (Ottman, 2021). The two boards, which are separate, are governed by their country's legislation, meaning organisations might be expected to align with government objectives.

**The Japanese Model** – the key role players in this model are banks, major shareholders, management, and the government, who establish and control corporate governance. Smaller shareholders have no role. The board consists of members internal to the organisation (e.g., executives), who may remove directors from the board.

Despite the existence and application of numerous corporate governance models, these have been found to have shortcomings, including issues with the span of control and stakeholder rights. Such flaws have prompted researchers to conduct thorough examinations of, and comparisons between, various corporate governance models. Some academics argue that further studies are needed to determine the potential uptake and implementation of the most appropriate model (Ahmad & Omar, 2016; Mastrodascio, 2022).

#### **2.2.4. Corporate governance in South Africa**

Since the early 2000s, South Africa has been considered one of the leading countries in Africa in terms of potential economic growth and development (Dhamija, 2020; Young, 2010). In addition to being a developing country with significant potential, South Africa earned recognition for being one of the first African countries to introduce a corporate governance code in 1994, which allowed it to be considered a pioneer in the field (Janse van Vuuren et al., 2023; van Zyl & Mans-Kemp, 2020). The application of the King codes, and the incorporation of corporate governance structures, have become imperative for sustainable organisational success. Recent academic works by Maroun and Cerbone (2020), Smith and Marx (2022), Adebayo and Ackers (2022) and Muzata (2022) have also

expounded extensively on corporate governance in South Africa. Generally, organisations that do not apply effective governance have been found to expose themselves to risks that can harm their financial viability, lead to fines or penalties, result in incarceration, and damage their success and reputation (Directors Institute, 2024; Muzata, 2022; Smith & Marx, 2022; The Business Standard, 2019).

There is no denying that fraud and corruption have been crippling South Africa for the past few decades, with the Steinhoff saga in 2017 being a classic example of the failure of corporate governance (Rossouw & Styan, 2021; Smith & Marx, 2022). Other examples include Saambou Bank in 2002, KPMG in 2017, and Fidentia in 2013. Fraud and corruption have become so pervasive that, besides the country being scrutinised for transgressing corporate governance codes, the South African economy was downgraded to junk status in 2017 (Albertus, 2019), which implies that it would not be able to meet its future obligations due to its low credit rating. Furthermore, in 2018, South Africa ranked 71<sup>st</sup> out of 180 countries, according to Transparency International's *Perceived Corruption Index* (Buys, 2019). In 2024, South Africa ranked 82<sup>nd</sup> out of 180 countries, on a scale of 0 being most corrupt, and a score of 100 being least corrupt (Transparency International, 2024). This implies that while mechanisms may be in place, they are not necessarily effective at minimising corporate governance-related problems, as South Africa remains below the midpoint in terms of corruption (Puni & Anlesinya, 2020). There is a strong expectation for directors to conduct themselves in a socially responsible manner, by always reverting to ethical leadership. Sound governance is proven to reduce corruption (Ackers, 2022), and adherence to its principles is imperative for any country seeking to continue expanding its economic growth and development. Introducing effective governance policies, procedures, systems, and controls will increase stakeholder confidence, improve the reputation of South African organisations, and manage the behaviour of managers and shareholders alike (Anwana, 2022; Resende et al., 2023; Young, 2010).

The well-articulated King IV report (IoDSA, 2016) plays a significant role in regulating and defining the roles and responsibilities of organisations seeking to ensure good governance (Kilian, 2020). The underlying philosophy of King IV is sustainable development which promotes stakeholder inclusivity in governance (Janse van Vuuren et al., 2023). Good governance, as an important aspect of business management, is viewed as a catalyst for the performance of a firm (Bhagat & Bolton, 2019).

As Kilian (2020) notes, compliance with corporate governance practices in South Africa is mandatory, whereas it is still voluntary in many other countries, such as New Zealand. In a study of the corporate governance practices of state-owned enterprises (SOEs), Adebayo and Ackers (2022) found that although South African SOEs had good corporate governance practices in place, Singaporean SOEs were organised and governed much better.

## **2.3 KING IV CODE FOR CORPORATE GOVERNANCE**

The King report (IoDSA, 2016) sets out the rules, relationships, practices, and processes by which organisations in South Africa are regulated and managed. The King code was initially launched in 1994 (IoDSA, 1994), followed by King II in 2002 (IoDSA, 2002), King III in 2009 (IoDSA, 2009) and King IV in 2016 (IoDSA, 2016). The King Code for Corporate Governance in South Africa, also known as King IV, is considered the most effective guideline available, as it includes international best practices in corporate governance. King IV applies not only to all companies listed on the Johannesburg Stock Exchange (JSE), but also to unlisted companies in South Africa (IoDSA, 2016; Kilian, 2020), irrespective of incorporation or form.

According to the principles of King IV, good governance starts with effective, ethical leadership that directs the organisation towards sustainability and economic performance (IoDSA, 2016).

The governing bodies of an entity are responsible for achieving the outcomes of corporate governance, namely the establishment and maintenance of an ethical culture, good performance, effective control, and legitimacy within the organisation (Michalsons, 2022). Decisions taken must be measured against these outcomes and, to implement this, King IV presents an outcomes-based approach that is achieved by applying a set of 17 principles and recommended practices listed in the report (IoDSA, 2016). These principles apply to all organisations, except for the 17<sup>th</sup> principle which applies to institutional investors (van Zyl & Mans-Kemp, 2020). It thus is incumbent upon the governing body to disclose how the application of these defining principles will lead to the desired outcome(s). The practices implemented to achieve the principles are dependent on the size and nature of the organisation.

### **2.3.1. King IV principles**

The King IV principles represent the aims of the drive towards good corporate governance, which can help to prevent those unethical business practices and instances of corruption which invariably tarnish an organisation's reputation (Smith & Marx, 2022). Such principles guide entities on how to apply governance practices, thereby reinforcing the fundamental benefits they bring across organisations. Furthermore, the principles of corporate governance lead to specific desired outcomes that governing bodies should aspire to achieve, as indicated below (IoDSA, 2016).

#### **Outcome 1 – Ethical culture**

Principle 1: Lead ethically and effectively.

Principle 2: Govern the ethics of the organisation to support the establishment of an ethical culture.

Principle 3: Ensure that the organisation portrays and is known for responsible corporate citizenship.

#### **Outcome 2 – Good performance**

Principle 4: Acknowledge that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

Principle 5: Ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, as well as its short-, medium- and long-term prospects.

#### **Outcome 3 – Effective control**

The principles listed below, deal with specific aspects of corporate governance:

Principle 6: The board should serve as the custodian of good governance

Principle 7: Its composition should accommodate knowledge, skills, diversity and independence

Principle 8: Effective board structures and the delegation of authority

Principle 9: Board performance evaluation

Principle 10: Board/management role clarity and control of functional areas

Principle 11: Risk governance

Principle 12: Technology and information governance

Principle 13: Compliance governance

Principle 14: Remuneration governance

#### **Outcome 4 – Legitimacy**

Principle 15: Assurance services and functions support the establishment of an effective control environment

Principle 16: Adopt a stakeholder-inclusive engagement approach

Principle 17: Responsible investment

The King IV report (IoDSA, 2016) sets a benchmark for worldwide application (see below). Sustained interest in this field of study has allowed scholars to provide various views on the code and its application, as is evident from the information offered below.

Focusing on corporate governance from a global perspective, Ramalho (2020) compares the King IV principles to the governance codes applied in countries such as Australia, Brazil, Malaysia, Nigeria and the United Kingdom. The researcher concludes that King IV defines corporate governance as accountable leadership, not just as a system. King IV focuses on positive outcomes rather than compliance, has a qualitative application, integrates sustainable development, is applicable universally, and is inclusive of an integrated public value system that gains public support (IoDSA, 2016; Ramalho, 2020).

Despite the clear benefits, some companies expressed reluctance when King IV was introduced, as this meant an additional compliance burden for them (National Housing Finance and Regeneration Council [NHBRC], 2016). This raised concerns that unlisted companies might not apply or adhere to the principles, since the application of King IV is voluntary (van Zyl & Mans-Kemp, 2020). Admittedly, King IV places the responsibility for implementation and applicability on organisational governing bodies, to ensure that good corporate governance is achieved at all levels of the entity in question (IoDSA, 2016).

## **2.4 HUMAN RESOURCE GOVERNANCE CONCEPTUALISED**

Corporate governance articulates the requirement for ethical leadership, just as HRG profoundly articulates the imperative for ethical HR leadership. The basics of corporate

governance are grounded in securing an important partnership with HR, which is a target of sound governance practices. HR has the responsibility to enhance a commitment to ethical leadership and value creation through motivation, training, and participation. Moreover, sound decision making enhances strategic thinking, which in turn establishes a firm business foundation that supports the vision of the organisation as a whole (SABPP, 2019).

A working definition derived by the SABPP (2019), articulates HRG as the ability to lead, control and guide employees and staff in a manner that is ethical, fair, legitimate, and credible. Kaehler and Grundei (2019) define HRG as the internal and external behaviour framework for HRM, and the regulation of organisations by means of formal standards, mainly due to fundamental stakeholder influence.

Employees are the life-force of any organisation, and are thus at the centre of corporate governance (Stanculescu, 2018). By adopting this approach, HR supports the organisation in ensuring that human dignity is maintained, while aligning strategic HR priorities with the organisation's strategy. As a result, sustainable relationships are established with employees and stakeholders, decision making regarding employees is consistent, and employee performance is optimised in line with organisational objectives (Maroun & Cerbone, 2020). This enables organisations to become proactive in mitigating people-related risks, thereby positioning HR as a cornerstone in navigating workplace ethics. Credible organisations confidently report on the significant contributions their employees have made towards organisational sustainability (SABPP, 2018, 2019). Since HRG constitutes a key characteristic of good governance, it is for that reason that the SABPP developed a dynamic HRG framework for South Africa, in 2018.

#### **2.4.1. Human resource governance framework**

The building blocks for HRG are illustrated by the HRG framework (see Figure 2.3), as proposed by the SABPP (2018). The figure offers a concise and focused framework to implement, for ensuring sound HRG within an organisation.

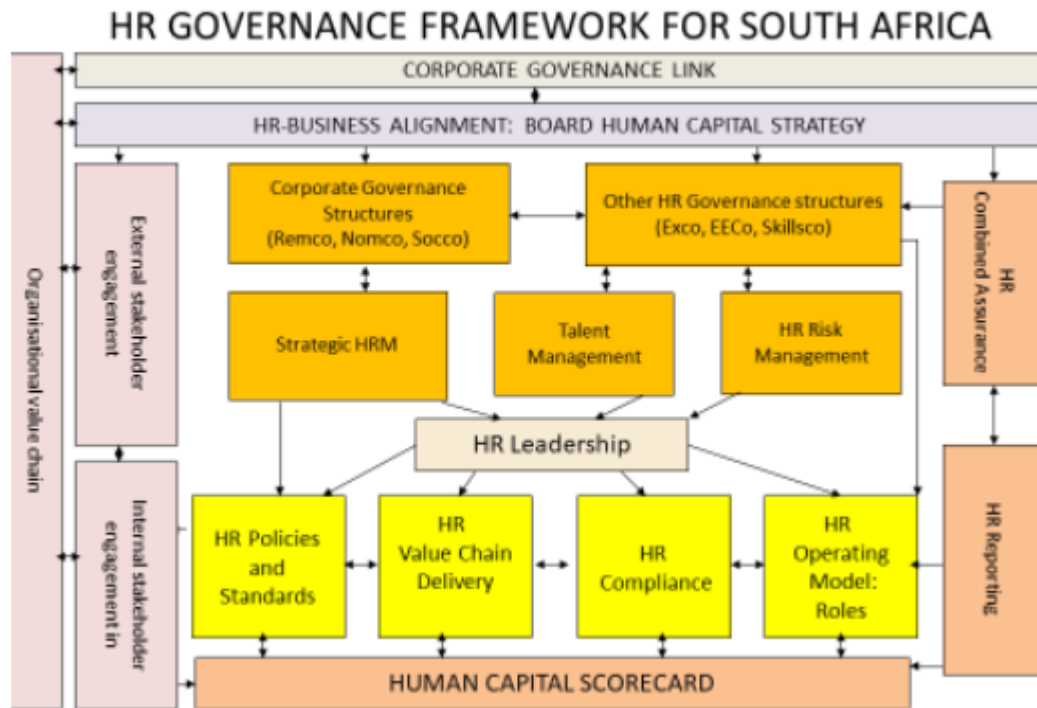


Figure 2.3: HR governance framework for South Africa (SABPP, 2018)

This well-developed, high-level action plan begins by aligning HR with the organisational corporate governance framework and strategy. HR is a value-adding role-player that must identify and engage with both internal and external stakeholders, assess HRG structures, and develop HR and talent management strategies. In addition, people-related risks must be identified and mitigated appropriately (SABPP, 2018).

HR leadership is at the centre of the framework, which indicates the importance of establishing unambiguous and clear leadership philosophies. HR policies and standards, value-chain, compliance standards, and operating models are developed, and high-standard assurance checks are conducted through self-assessments, as well as internal and external audits. HR reporting and performance management are key in this framework, as stakeholders have a personal stake in what happens in and to the organisation, hence continuous improvement is imperative for improved performance (SABPP, 2018, 2019).

#### 2.4.2 Linking corporate governance and human resources governance

Corporate governance influences the architecture and application of HRM practices, in line with stakeholder and shareholder compacts, along with HR's contribution to achieving these

objectives without compromising credibility in their organisation-wide application (Lima & Galleli, 2021). Strategic HRM informs efforts to ensure that HR-related decisions, policies and practices are closely aligned with the organisational strategy, in accordance with corporate governance principles and practices, which must be effectively implemented to achieve positive outcomes (Martin et al., 2016). According to the SABPP (2017), the role of HR governance lies within the broader context of corporate governance. Both HR and corporate governance initiatives operate on the same principles, which include prioritising effective leadership, ethical decision-making, transparency, compliance and long-term sustainability (Alzoraiki et al., 2024).

HR has a significant position in corporate governance, and is considered a basic pillar that serves as a mediator in business matters, when dealing with employees. HRM is deemed an important link between corporate governance and HR (Konzelmann et al., 2006). The SABPP (2018) reiterates that there is a direct link between corporate governance and HRG: the structures are similar in terms of the requirements for the effective functioning of the board and the achievement of organisational objectives. HR is responsible for instilling confidence and credibility in the organisation, by providing guidance to the board. Effective HRG systems contribute to organisational sustainability by means of the policies and procedures which are implemented. HR can further assist the organisation in avoiding risk and lawsuits, by ensuring compliance with legislation (Martin, 2013).

#### **2.4.3. Human resources strategic positioning**

HR is strategically positioned to stimulate positive employee attitudes, aligning them with the goals of the organisation (CIPD, 2013). Organisations therefore rely on the expertise of HR to manage their human assets effectively, by identifying, raising awareness, and reducing risks concerning these critical resources (Bhattacharya & Wright, 2005; Thoker et al., 2023). The findings of Filemon et al (2024) support the strategic role that HR professionals play in identifying human related risks and ensuring that risk management capabilities are strengthened through structured HR risk management practices. Adopting a proactive rather than a reactive approach to identifying potential risk areas and their impact on the organisation, and further preventing risks, will increase the value added to the organisation (Stanculescu, 2018). Organisational success depends on fortified stakeholder relationships and a positive reputation. It is therefore of great significance that business and

HR leaders become instrumental in shaping organisational ethics and creating a conducive environment that is capable of withstanding any disruptions or changes that may arise (SABPP, 2020).

HRG plays a crucial role in ensuring that the human resources of the company are managed ethically and in compliance with established rules and regulations, as this is an integral part of the overall corporate governance structure (SABPP, 2017). Previously, governance focused on issues related to auditing, compliance, reporting and disclosures, but nowadays equity, fairness, justice, transparency, responsibility, diversity and equality of pay are topics under discussion at the board level (Kaehler & Grundei, 2019). These aspects falls within the HR domain, and require the expertise of HR leaders who can champion corporate governance priorities. HRG is an integral part of corporate governance, which concerns people and their behaviours at all levels of the organisation. Corporate governance thus regulates HRM and leadership at all levels of the business, not just at the board or management levels (Boada-Cuerva et al., 2019; Lima & Galleli, 2021).

While HRG provides an important framework for accountability and oversight, much of the literature focuses on compliance and control, offering limited guidance on how organisations can proactively identify and mitigate emerging HR risks from a risk-based perspective. This highlights the need for a more risk-based approach to HR auditing.

## **2.5 ETHICAL LEADERSHIP IN AN ORGANISATIONAL CONTEXT**

Ethical leadership was a major topic of discussion and scholarly interest in the 1950s, led by proponents such as Curtis (1951) and Gouldner (1950). Interest in the domain of ethical leadership grew significantly in the 2000s, following several high-profile scandals that shook the world (Brown et al., 2005; Brown & Treviño, 2006; Loughran et al., 2023; Mitonga-Monga et al., 2023; Treviño et al., 2000; van Gils & van Quaquebeke, 2022).

### **2.5.1 Ethical organisational leadership contextualised**

Ethical leadership is considered to be that aspect of leadership that reflects the style, values, traits and conduct of leaders in an organisation, as well as their interactions with their employees (Fayyaz et al., 2019; Grobler & Grobler, 2024). Assuming ethical leadership is a

vital role which is intertwined with respect, trust, honesty, integrity and fairness, all of which deliver positive outcomes for organisations (Mitonga-Monga et al., 2023; Sharma et al., 2019). In their study, Sharma et al. (2019) concluded that an ethical leader applies a set of values that guides their business decisions, actions and conduct, with honesty and integrity. Furthermore, such a leader acts with integrity and makes unbiased decisions in the best interests of the organisation and its employees. In addition, ethical leaders inspire and motivate employees to live up to the organisation's values and ethics policies by modelling fairness, openness and trust in the organisation (Grobler & Grobler, 2024; van Gils & van Quaquebeke, 2022).

Ethical principles and moral standards that govern human relationships in the workplace are considered a fundamental part of the HR profession. Organisations rely on HR professionals to assist in limiting corruption and unethical conduct (SABPP, 2019). With over 64 per cent of fraud occurring internally to organisations, HR professionals are expected to be champions of ethical behaviour, including at the executive and senior management levels.

In a study by Inya et al. (2018), 39 per cent of respondents confirmed that management misconduct was evident in their country. Recently, intense focus has increasingly fallen on the (un)ethical behaviours of leaders in organisations, and their roles in corporate governance (Taylor and Grima, 2025). Ethical leaders lead with ethical competencies and abilities, and are trustworthy, fair and ethical decision makers (den Hartog 2015; Mitonga-Monga et al., 2023). Furthermore, they lead by example, by establishing and adhering to the ethical and moral standards that will drive ethical behaviour across the organisation (Babalola et al., 2019; Isiramen 2021).

Ethical leadership is not only based on a set of key pillars that define the actions and traits of an ethical organisational leader – such leaders are also moral managers who demonstrate ethical leadership traits (Liu et al., 2023), and focus on the development of the moral and ethical behaviours of employees in the workplace (Mitonga-Monga et al., 2023).

### **2.5.2. Conduct and character traits of an ethical organisational leader**

The King IV code (IoDSA, 2016) outlines what constitutes ethical and effective leadership (Bhana & Suknunan, 2022; Michalsons, 2022), and becomes all the more apparent where

there is an absence of ethical leadership, as it is detrimental to organisations, their stakeholders and society at large (Ahmad et al., 2017).

Organisational leaders have a fiduciary duty to act ethically and in good faith, in the best interests of the organisation and its shareholders (Nikolic & Zlatanovic, 2018). By virtue of someone being a leader, the expectation is that his or her ethics and integrity will be demonstrated (i.e., be at the heart of leadership) in the drive to ensure business success and the long-term survival of the organisation (Ahmad et al., 2017). King IV confirms that the following expected conduct should be cultivated and exhibited for ethical and effective leadership (IoDSA, 2016), yet these guidelines are non-restrictive: ethical leaders are responsible and lead with integrity (Sierra, 2025), they have strong morals and ethical principles, and do the right thing even when there is no benefit to them (Ariffin & Maskat, 2021). They display consistency and fulfil their promises to their employees (Mitonga-Monga et al., 2023). Amongst other traits which they manifest are competence, responsibility, accountability, fairness and transparency.

### **2.5.3. Benefits of ethical leadership**

Several academic studies have found that ethical leadership holds significant benefits for enhancing the business strategy adopted; for promoting sustainable, successful organisations; and for achieving predetermined goals and objectives (Alshehhi et al., 2020; Liu et al., 2023).

Of late, Bahadori et al. (2021) examined the relationship between ethical leadership and organisational commitment. In their study, a significant link was found between ethical leadership and organisational commitment, as was evident from the highest average score being reported in the organisational commitment dimension of  $3.63 \pm 0.75$  (mean and standard deviation [SD]). An increase in ethical leadership traits showed a corresponding increase in the level of organisational commitment amongst employees (Bahadori et al., 2021; Mitonga-Monga et al., 2023).

A study by Alshehhi et al. (2020) focused on ethical leadership and its effects on employee performance. These scholars presented their findings at a conference, noting that ethical

leadership was found to have a positive influence on employee performance, and was critical for enhancing organisational productivity and organisational outcomes.

Ethical leadership is considered to be a vital tool for enhancing employee creativity and innovation in developing countries and in emerging industries (Shafique et al., 2019). In exploring the impact of ethical leadership on creativity and innovation, researchers found a direct positive correlation between ethical leadership and organisational innovation (Shafique et al., 2019; Ye et al., 2023). Oliveira et al (2023) also found that ethical leadership is important in creating environments that support open communication, reporting of mistakes and participation in organisational learning. Ethical leaders significantly shape organisational behaviours and promote a culture that supports learning and continuous improvement (Oliveira et al., 2023).

#### **2.5.4. Leadership theories**

Ethics and integrity are deemed vital components of most leadership styles, and are thus important for effective leadership, despite the effectiveness of these styles/theories being critiqued for their conceptualisation and operationalisation by several scholars (Ahmad et al., 2017; Gardner et al., 2024). Positive leadership styles have the benefit of positively influencing employees' work attitudes and behaviour, as Liu et al. (2023) found.

A transformational leader serves as a proactive change champion who is considerate and motivational, and inspires teams to harness their full potential (Bakker et al., 2023; Kaur Bagga et al., 2023). Transformational leaders also stimulate good organisational behaviours that shape the culture of their organisation, and thus have the potential to transform and energise teams to achieve positive work outputs (Bakker et al., 2023; Kaur Bagga et al., 2023). According to Chowdhury et al. (2020), effective governance and motivational leadership significantly help to achieve organisational goals. Strong motivational factors encourage employees to become more efficient and productive, in addition to being resilient within the competitive, ever-changing corporate environment.

#### **2.5.5. Analysis of ethical leadership scales**

Brown et al. (2005) developed a ten-item Ethical Leadership Scale (ELS) which is widely used amongst scholars, academics and other professionals (Ahmad et al., 2017). Other

ethical leadership scales have also been crafted for use in different contexts, such as the 25-item scale by Yukl et al. (2013), and the multidimensional Ethical Leadership at Work (ELW) questionnaire conceived of by Kalshoven et al. (2011).

Some academics have raised concerns about the shortfalls observed in certain scales. A significant number of principles associated with ethical leadership are not included in the ELS (Brown et al., 2005), notably integrity and honesty, which are considered to be critical traits for ethical leaders (Ahmad et al., 2017; Buys, 2019; Zhu et al., 2015). The ELW (Kalshoven et al., 2011) focuses extensively on the moral manager dimension of ethical leadership, with very few items relating to personal traits. For that reason, the theoretical foundation of the scale has been questioned (Ahmad et al., 2017; Zhu et al., 2015).

Other ethical leadership scales which have been proposed may have not been used frequently enough, or may not have been sufficiently tested to provide an objective analysis. Such scales include the Ethical Leadership Behavioural Scale (ELBS) developed by Buys (2019); the Leadership Virtues Questionnaire (LVQ) of Riggio et al. (2010); the Multifactor Leadership Questionnaire (MLQ) proposed by Bass and Avolio (1996) (which measures transformational leadership); and the Questionnaire of Ethical Leadership (QuEL), the brainchild of Mitropoulou et al. (2019).

The questionnaire developed in the course of this study includes a dimension of ethical leadership from an organisational perspective, which aligns with those traits expected of ethical leaders, as put forward in the King IV (IoDSA, 2016) document. Ethical leadership influence employee behaviour, however existing research focuses on the outcomes of ethical leadership, rather than its role in strengthening governance and risk management practices, which this study intends to address.

## **2.6 ETHICAL CULTURE IN AN ORGANISATIONAL CONTEXT**

In addition to raising questions about ethical leadership, corporate scandals have increased scrutiny of organisations' ethical culture (Loughran et al., 2023, Resende et al., 2023), thereby compelling entities to tighten their ethical standards and place greater emphasis and value on ethical behaviours (Fayyaz et al., 2019). According to Principle 2 of the King IV code, ethics in an organisation must support the establishment of an ethical culture (IoDSA, 2016), therefore the ethical practices which are in place should deliver positive

outcomes in respect of establishing an ethical organisational culture. According to King IV (IoDSA, 2016), for an organisation the outcomes of ethical leadership are an ethical culture, good performance, effective control, and greater legitimacy.

Within organisational contexts, ethical culture is emphasised through the conceptualisation of the traits which ethical leaders exemplify, most notably fairness, integrity, transparency, the provision of ethical guidance and a people orientation (Mitonga-Monga et al., 2023).

### **2.6.1. Ethical organisational culture conceptualised**

The extant corpus of academic literature on the topic presents a common view that the culture of an organisation is the driving force that inculcates those values that enforce ethical behaviours (Chadegania & Jari, 2016; Fayyaz et al., 2019; Filabi & Bulgarella, 2018; Gallo & Gallo, 2020; Karaibrahimoglu & Cangarli, 2016; Resende et al., 2023; Taylor & Grima, 2025).

As a dimension of corporate culture, an ethical organisational culture is created through management practices that set the tone for ethical thinking and behaviours within the entity in question (Chadegania & Jari, 2016). An ethical organisational culture is crucial in shaping employee attitudes toward unethical behaviour (Taylor & Grima, 2025) and is best defined as a reflection of the clear expectations which are learned and shared amongst employees as constituting acceptable behaviour within their organisation (Chatman et al., 2014; Fayyaz et al., 2019; Schein, 2017). Since all employees' and leaders' ethical values, attitudes and behaviours in the workplace are influenced by the culture of the organisation (Alberti et al., 2020; Hartnell et al., 2019; Karaibrahimoglu & Cangarli, 2016), it is imperative for the expected behaviours to be well-defined, communicated, understood and practised by every individual within that organisation (Fayyaz, 2019). Karaibrahimoglu and Cangarli (2016, p. 56) refer to this as the "collective programming of the mind". Leaders significantly influence organisational culture, play an important role in developing and sustaining such cultures that subsequently affects organisational outcomes. (Grobler & Grobler, 2024; Oliveira et al., 2023).

Entities with a strong ethical organisational culture are reported to outperform those with a poor culture (Amah & Daminabo-Weje, 2013), as the latter is often considered a contributing factor in many corporate scandals (di Miceli da Silveira, 2021). Governance officials

worldwide rely on an ethical corporate culture to help minimise fraud and corruption within their respective organisations (Filabi & Bulgarella, 2018).

Several studies have been conducted from a range of organisational culture perspectives: from an audit firm culture perspective, Alberti et al. (2020) note that according to the framework for audit quality, a culture guided by professionalism should be driven from the top levels of leadership. However, from a corporate fraud culture perspective, managers may choose not to deal with, or report, fraudulent activities due to possible reputational damage (Tan et al., 2017). The propensity for fraud often arises from unseen corporate characteristics, such as a weak ethical culture and a laissez-faire leadership style.

### **2.6.2. Determinants of an ethical organisational culture**

An ethical organisational culture is characterised by a combination of components, advocated by and driven from the management or leadership levels, and practised by employees at all levels. Research has identified several components as combining to constitute an ethical organisational culture, yet these differ significantly from one organisation to the next in respect of accountability, responsibility, leadership support, and a commitment to upholding ethics and codes of conduct (Cabana & Kaptein, 2021; Chadegania & Jari, 2016; Karaibrahimoglu & Cangarli, 2016). Some scholars argue that an ethical culture is a precursor to ethical leadership (Fayyaz et al., 2019), yet this study adopts an opposing view, in that the author believes ethical leadership is a precursor to an ethical culture.

Unacceptable ethical behaviour is corrected by consequence management, mindful that weak sanctions are more likely to result in less cooperative behaviours (Fayyaz et al., 2019). According to Kaptein (2008), unethical behaviours should be punished, while ethical conduct should be acknowledged. Rewarding good behaviour based on good corporate practice helps to promote the ethical culture of an organisation, thereby preventing any possible risks that could harm the organisation (Sierra, 2025). To further support risk prevention, the process of reporting unethical behaviours in the workplace must be clearly communicated and encouraged. Policies and procedures that guide expectations are imperative for organisations that intend on fostering ethical behaviour that supports an ethical organisational culture (Resende et al., 2023). It is imperative for policies, procedures and strategies to be reviewed and revised regularly as a means of building a culture which is

ethical, maintains transparency and trust, and stays relevant (Smaili, 2023). Such policies should include the process involved in reporting unethical occurrences, as well as possible avenues and clear guidelines for protecting whistle-blowers. In the absence of strong policies, employees are less likely to disclose any unethical activities which thus could continue undetected and with impunity (Holtzhausen, 2013; Smaili, 2023).

Failure to attend to fostering an ethical organisational culture could lead to corruption and collapse, whereas stronger ethical cultures allow organisations to become resilient, and to enhance their performance and effectiveness (Chadegania & Jari, 2016). It is the tolerance of unethical behaviour that creates conditions that increase corruption within organisations (Taylor & Grima, 2025).

### **2.6.3. Benefits of ethics influencing organisational culture**

An ethical organisational culture delivers great benefits for organisations, besides a good reputation and brand recognition. In organisations where ethics is at the heart of leadership, and is practised diligently and consistently, it tends to build trust and boost morale (Roy et al., 2023). By prioritising ethical behaviour, a culture of trust, integrity and transparency spreads throughout the organisation. It enhances employee morale, increases stakeholder confidence and strengthens relationships. Other benefits include fewer instances of misconduct, and increased productivity (Chadegania & Jari, 2016). In their study, Roy et al. (2023) also reported a greater commitment to compliance within ethical organisations.

Entities that establish a strong ethical culture benefit from more ethical decisions being taken (Luca Casali & Perano, 2021; Shafer & Simmons, 2011): in a study into ethical decision making over a period of 40 years, researchers found that one of the factors which was instrumental to ethical decision making, was an ethical culture (Luca Casali & Perano, 2021).

Where organisations have strong governance structures, strengthened by ethical leadership and a clear culture of ethics, employees and leadership are unafraid to confront and eradicate unethical practices and risks in the work environment.

## **2.7. HUMAN RESOURCE RISKS**

The fluctuating and unpredictable economic landscape in which organisations function has unsurprisingly escalated the risks they face (Babkin et al., 2023; Sierra, 2024). Failure to effectively manage risk could stifle the growth and sustainability of seemingly impervious organisations worldwide, including in developing countries (Mthiyane et al., 2022). Oliveira et al (2023) argues that organisations should establish systems to detect risks quickly and manage these before they lead to organisational failures. The potential increase in business risk prompted the implementation of governance systems such as audits across a range of business sectors, to help develop cohesive corporate governance structures (Kraev & Tikhonov, 2019). While numerous studies have been conducted on governance interventions and risk management in disciplines related to finance, IT and safety, less attention has been given to the risks associated with HR and the management thereof (Thoker et al., 2023). Recent research (Babkin et al., 2023; Chege et al., 2023; Mathafena & Grobler, 2020; Schmidt, 2020) has revealed that human risk is a significant concern for organisations globally. Despite this awareness, the integration of HR management and HR risk management into organisational models has not been substantial despite their significant impact on organisational performance (Babkin et al., 2023). Filemon et al (2024) found that HRR can disrupt operations and inversely impact organisational performance, therefore a systematic approach to risk identification and mitigation is necessary. HR is vital in determining the competitiveness and prosperity of organisations. As a result, the economic expansion and reported results of companies, including those operating in South Africa, have been notably associated with strong HR divisions (Bruwer et al., 2022). A single unethical individual has the potential to cause significant damage to an entire organisation, and for that reason the management and prevention of HRR is crucial for effective HRM (Huang et al., 2017).

### **2.7.1. Human resource risks conceptualised**

No single, widely accepted definition for risk has been identified in the literature (Becker & Smit, 2015; Bombiak, 2017; Thoker et al., 2023). The common focus of risk is the potentially negative outcomes which organisations might suffer due to the unpredictable environment in which they operate, which might adversely impact their objectives and goals (Kraev & Tikhonov, 2019; Stefánsdóttir, 2017; Thoker et al., 2023). HRRs are associated with organisations' most critical assets – their people. Inappropriate and ineffective HR

processes, along with the (moral) failure of individuals, pose potential risks that could lead to organisational failure (Huang et al., 2017).

The uncertainty that arises out of high-risk management and employee decisions and actions, increases the need for appropriate risk management systems to be implemented. Risk is unpredictable and sometimes unavoidable, therefore it is vital that organisations increase their risk appetite or risk-based intelligence, if they are to identify and evaluate emerging risks, and proactively implement measures to avoid or prevent eventualities that might harm the organisation (Chege et al., 2023; Stefánsdóttir, 2017). For the purposes of this study, risk appetite refers to the degree of risk a company is willing to accept to achieve its mission, goals and objectives, as well as the extent of acceptable deviation (Curtis, 2020).

Understanding HRR begins with an understanding of the characteristics of HR and the business environment (Huang et al., 2017). The types of risk experienced could be internal or external to the organisation (Huang et al., 2017; Sadgrove, 2016), and could include strategic, operational, people, functional, technology-related, financial and compliance risks (Chege et al., 2023; Mishra et al., 2019; Sadgrove, 2016).

Risk is present in every facet of HR, and this calls for an objective approach to managing risk. While risk can indeed be prevented or resolved it cannot vanish completely, nor can it be ignored (Oliveira et al., 2023). The dynamic, ever-changing business environment causes changes in HRRs, which compels organisations to become ever-more flexible and agile. Unmitigated people risks can be destructive, cause huge losses and even scupper the organisation (Huang et al., 2017).

Table 2.1 provides an overview of the key HRR areas, as derived from organisational risks identified in the literature (Chege et al., 2023; Crawford & Jabbour, 2024; Falemi et al., 2024; Huang et al., 2017; Hussaini et al., 2019; Investopedia, 2024; Jacobs, 2013; Mishra et al., 2019; Oliveira et al., 2023; Sadgrove, 2016; Taylor & Grima, 2025; Wang et al., 2023; Xiao et al., 2025).

Table 2.1: Key HRR areas and descriptions

| HRR area          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strategic risks   | <ul style="list-style-type: none"> <li>- have a potential negative impact on achieving organisational core strategic objectives</li> <li>- tarnish the image, reputation, and growth of the organisation</li> <li>- could lead to overall organisational failure</li> <li>- have an impact on critical decision making and strategic planning</li> <li>- mean the changing world of work requires issues of globalisation, politics, and technology to be considered when defining strategic organisational goals</li> <li>- include cyber threats</li> <li>- require compliance with legislation and labour/employment laws</li> <li>- must be driven by leadership and organisational culture</li> </ul> |
| Operational risks | <ul style="list-style-type: none"> <li>- arise from the organisation's day-to-day business functions and management strategy</li> <li>- are dependent on the human factor, and arise because of human error or failure to act in accordance with company policies and procedures</li> <li>- relate to an organisation's internal resources, employees, and processes</li> <li>- relate to service, financial fraud and IT risks</li> </ul>                                                                                                                                                                                                                                                                 |
| Functional risks  | <ul style="list-style-type: none"> <li>- arise from the various functional areas HR is responsible for</li> <li>- mean that a crucial area is the recruitment of employees – the most vital element of any organisation. Hiring people who are not innovative, lack relevant expertise and do not fit into the organisation's culture, all present significant risks</li> <li>- include a critical skills shortage</li> <li>- relate to training and development (skills and competencies)</li> <li>- have an impact on performance management</li> </ul>                                                                                                                                                  |

- 
- affect succession planning
  - include an aging workforce and skills transfer
  - call for a workforce and organisational plan.

|             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| People risk | <ul style="list-style-type: none"><li>- emerges from the direct actions and behaviours of the employees in an organisation</li><li>- is vast and varies from one organisation to the next</li><li>- places greater emphasis on risk management, especially in evolving and highly competitive work environments</li><li>- might lead to intellectual property loss</li><li>- requires an HR focus on high-risk areas such as work performance, and on inherent and acquired skills</li><li>- covers ethics and behaviour</li><li>- includes fraud and corruption, as well as staff turnover</li></ul> |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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### **2.7.2. Organisational strategies for risk management**

The emphasis on risk management has increased substantially of late (Filemon et al., 2024), as organisational reputation is deemed invaluable and has a significant impact on all stakeholders. The implementation of enterprise risk management (ERM) systems, in line with ISO 31000:2018 standards (International Organization for Standardization [ISO], 2018), has allowed organisations to craft and implement risk management frameworks to manage risk across various divisions (Chege et al., 2023; Pérez-Cornejo et al., 2019). The strategies applied using such frameworks aim to identify, measure, track and report risk maturity within an organisation (Chege et al., 2023). Filemon et al (2024) argue that effective risk management strategies should integrate risk identification, mitigation and continuous monitoring into HR processes. Their findings indicate that employee awareness and formal risk management systems are essential for reducing hr related risks.

Several authors (Chege et al., 2023; Falemi et al., 2024; Mishra et al., 2019) have identified ERM as an approach for identifying, assessing, and managing diverse organisational risks. In their view, related frameworks may be applied across the organisation to help detect potential risk at an early stage, when it can still be addressed and treated proactively (Chege et al., 2023; Mishra et al., 2019). However, while ERM provides a coherent view when it

comes to managing risk, certain limitations exist: ERM does not provide a comprehensive answer as to how to articulate risk in a structured manner, leaving unanswered questions about how to foresee, plan and manage risk timeously and accurately (Chege et al., 2023; Mishra et al., 2019). Chege et al. (2023) note that the ISO 31000:2018 standard was flexible and could be tailored to suit any organisation, yet is not legally binding when it comes to implementing risk management systems. Schmidt (2020), on the other hand, found ERM frameworks to be incomplete, noting that the elements of prevention and learning are omitted, and thus inadequate for eradicating wrongdoing in organisations.

Chege et al. (2023), who explored risk management practices in Kenya, suggest that with the increased reliance on technology to drive business there has been an increase in cyber threats, data breaches, technology risks and system failures. By and large, artificial intelligence (AI) and machine learning are now used to mitigate these risks. In addition, the authors state that, to identify and mitigate compliance risks, more and more organisations are adopting a proactive approach to regulatory compliance (Chege et al., 2023).

Several studies refer to ISO guidelines (Becker & Smith, 2016; Bruwer et al., 2022; Meyer et al., 2011): Bruwer et al. (2022) focus on human capital risk reporting, in line with the elements of the ISO 31000:2018 standard for effective risk management, suggesting that culture and value transformation must centre on the employee and workplace experiences. According to the corporate governance framework developed by Bruwer et al. (2022), elements of the model and risks should be driven by HR, with organisational strategies and corresponding HR initiatives needing to be future fit. The proposed framework could provide benefits such as enhanced corporate governance and the attraction and retention of talent, in addition to ensuring inclusivity and a supportive workplace. The framework was, however, relatively new and required further testing (Bruwer et al., 2022).

Babkin et al. (2023) developed a conceptual system or algorithm for monitoring HRRs which would be applicable to a digital economy. The purpose of this system is to monitor and minimise organisational HRRs and prevent any negative impacts. This system approach to HR risk management is relatively new, and was tested on a small group of respondents in only one country. The authors recommend that further research be done (Babkin et al., 2023).

In practice, it is a dynamic process to determine and manage enterprise risks effectively, given their complex nature and the rapidly changing environment, as Mishra et al. (2019) state. The model they propose (Mishra et al., 2019) could be used in segments, to promote risk transparency in risk reporting and external public disclosures. The authors suggest that risk control analytics or monitoring dashboards be used, as these will allow managers to become proactive in managing and embracing risks at all corporate levels. From a financial perspective, this framework is anticipated to make a significant contribution to risk identification and risk management.

More recently, in 2022, Bruwer et al. explored a risk reporting framework in support of governance. In their view, the reporting frameworks in use at the time were inadequate, and disclosure in organisational reports was insufficient, giving rise to the suggested framework for identifying gaps in integrated reporting. As they note, organisations may not understand the full magnitude of organisational risks. While common risks such as employee training, development and turnover are being reported, other significant risks such as employee wellbeing are being neglected, hence the need for a more comprehensive reporting framework (Bruwer et al., 2022).

In the existing analysis, including the work of Bruwer et al. (2022) on a governance stance, no studies were found to concentrate on risk, specifically in relation to ethical leadership and an ethical culture. The current study seeks to close that gap.

### **2.7.3. Internal controls**

The implementation of frameworks and systems may significantly enhance risk management. However, to guarantee the effectiveness of these systems, it is critical to establish efficient and effective internal controls that will enhance operational efficiencies (Mthiyane et al., 2022). Internal controls are vital governance tools and activities established to safeguard an organisation against risk and loss, and this is achieved through the implementation of policies, procedures, systems and processes (Hoai et al., 2022; Mthiyane et al., 2022; Smith & Marx, 2022).

When implementing internal controls, admittedly these are not exempt from risks pertaining to information, fraud and security systems. Internal controls should be designed to consider

any related risks that might negatively influence organisational growth and sustainability (Mishra et al., 2019). It is therefore recommended that, irrespective of the type of internal controls or measures in place, the effectiveness of these controls be ensured. Internal audits are widely used tools that organisations employ to assure the effectiveness of controls, and to guarantee that those controls are achieving the desired aims. Pérez-Cornejo et al. (2019) suggest that audit committees supervise risk management systems, while Hoai et al. (2022) conclude that inferior controls (e.g., poor-quality procedures) hamper organisational performance, and increase the risk of fraud and corruption. Managing risks starts with leadership and governance, therefore the Institute of Internal Auditors (IIA) recommends that internal audits include corporate governance in the risk plan, to provide assurances that an organisation can achieve its objectives (CIIA, 2020).

## **2.8. HUMAN RESOURCE AUDITING**

The term “audit” originates from the Latin word “*audire*” which means to listen. It is not an independent process that functions in isolation, but rather a tool for evaluation (Kulchitskaya et al., 2016) that requires auditors to listen to all the role players involved in the audit process (Martin, 2013), for the purpose of gathering information. Such an inspection of the organisation’s processes can be conducted internally or by an external third party (Martin, 2013).

### **2.8.1. The scope of human resource auditing**

Situated between the scope of HR and auditing (Andrews, 2015), the HR audit is a comprehensive approach to evaluating existing HR policies, procedures and systems. This undertaking seeks to determine which areas require improvement and/or the enrichment of the HR function, and to evaluate adherence (or failure to adhere) to constantly evolving rules and regulations (Bieliaieva, 2019).

Undoubtedly, legislation places immense pressure on organisations to improve those HR management policies, procedures and practices that govern their human capital (Sharma & Patil, 2022). A comprehensive audit of HR systems and processes must surpass the basic “verify and validate” inspection process. Scorecard metrics deemed suitable for an HR function should be established to assess the efficiency of diverse HR functions. According

to Sharma and Patil (2022), an HR audit is like an annual health check – a review to establish the current situation, and what needs to be achieved to enhance HR capabilities.

An HR audit is a critical tool for assessing the effectiveness of the HR department, and for assisting in identifying existing gaps in current systems and processes, with the aim of preventing future unwanted occurrences (Abhonkar & Chavan, 2018; Andrews, 2015; Bieliaieva, 2019). An HR audit provides support to the organisation by independently reviewing and analysing HR activities, it being a methodical process to investigate the practices, systems, documents, and strategies of the enterprise, from an HR perspective (Sharma & Patil, 2021). Audits of the HR function improve the performance and competency of the department, in terms of addressing people-related challenges. They also serve as a measurement tool to innovate, update, and implement HR strategies and practices, thereby helping organisations to achieve their objectives by enhancing the individual skills and capabilities of employees (Muhammed & Shamsi, 2019).

The HR audit is business-driven and supports the overall organisational objectives. Regular HR audits improve efficiency and prevent possible expensive lawsuits due to non-compliance with legal and regulatory requirements, as well as labour and employment laws (Bieliaieva, 2019; Shiri, 2012). Those audits also improve the professional image of the HR department.

### **2.8.2. Human resource audit approaches**

HR auditing has been approached from various perspectives, based on the nature and context of the organisation. This occurs via internal and/or external audits: whereas internal audits aim to identify the cost-effectiveness of HR functions, external audits focus on the contribution HR functions make toward the external performance of the organisation. Audit team members are appointed based on their expertise in conducting audits of this nature.

Shiri (2012) refers to the HR audit as functional in nature, being an avenue for diagnosing, analysing, evaluating, and assessing future actions within HR management. Shiri (2012) concludes that an HR audit is effective in assessing the efficiency of HR practices. The functional or functional-specific approach focuses on particular HR functions such as performance management, recruitment, training and development, and others (Bieliaieva, 2019).

As Sharma and Patil (2021) observe, HR audits examine policies, procedures, systems, and documents to identify areas for improvement, strengthen the HR function, and ensure adherence to rules and regulations. Compliance-based audits evaluate conformity to laws, regulations, and internal guidelines. These audits are crucial for providing a reasonable level of assurance that a business is complying with both external requirements and internal processes (Bieliaieva, 2019; Ukil, 2015). The potential consequences of non-compliance, which include fines and penalties, underscore the need for organisations to show adherence to industry standards and best practices (Curtis, 2020).

The alignment of the HR department's deliverables with the organisation's strategic objectives is assessed by means of a strategic approach. A systematic audit process is used to assess the strengths and weaknesses of HR within an organisational context (Bieliaieva, 2019).

It is imperative that organisations have complete, reliable information at their disposal when making strategic decisions. The data integrity approach analyses and validates existing data to ensure its accuracy while safeguarding sensitive information related to personnel, amongst others.

Another approach that calls for reliable data is known as the statistical approach. This approach to HR auditing analyses HR data to determine how effectively HR employees and managers are controlling processes. The statistical information offers details which allow for the appraisal of the performance of the entity's HR function.

Auditors may choose to compare the results of HR activities against those of another department or company. This comparative approach (Ukil, 2015) may also be considered as "best practice" in helping to pinpoint areas for improvement. The comparative approach is frequently used for HR planning, and for establishing competitive salaries, rewards, and benefits.

Management by objectives (MBO) allows managers and specialists to determine objectives within their areas of responsibility. Performance is measured against clearly defined goals. In this approach, auditors compare set objectives against actual performance (Ukil, 2015).

The legal approach (Olalla & Castillo, 2002) entails a systematic review of the organisation's legal documents, to identify weaknesses that could have legal consequences.

An important organisational audit and a key element of this study is a risk-based audit: this approach is applied internal to the organisation, to identify of high-risk areas that could exert a negative impact on its long-term survival.

### **2.8.3. Differentiating risk-based assessment from other audit approaches**

A risk-based internal audit (RBIA), which implies that the audit is carried out within the organisation, differs from other audit approaches in several ways (Almgrashi & Mujalli, 2024; Anon et al., 2020; Castanheira et al., 2010; Curtis, 2020; Erlina et al., 2020; Griffiths, 2020):

Emphasis on risks: RBIA is a structured approach where the focus is on recognising, evaluating, and ranking risks within an organisation. This contrasts with conventional compliance-based audits, which mainly focus on compliance with rules and policies.

Proactive approach: RBIA adopts a more forward-thinking strategy by ranking audit tasks according to the probability and potential consequences of risks. This focused strategy guarantees that internal auditors distribute their time and resources efficiently, to tackle the organisation's most pressing issues.

Influence on audit plan: With conventional auditing, an audit plan is derived from the audit cycle. By contrast, in RBA the audit plan is formulated based on a risk assessment that affects the company's principal objectives.

Outcome: The result of an RBIA is a thorough evaluation that aids organisations in comprehending their risk position, and taking preventative actions to mitigate potential weaknesses before they are taken advantage of. This contrasts with traditional audits, which concentrate on managing deficiencies and instances of non-adherence to procedures and rules.

In essence, RBIA provides a more strategic, focused, and proactive approach to auditing, making it a valuable tool for modern organisations to implement, in efforts to manage their

risks effectively. Evidence from Almgrashi and Mujalli (2024) showed that risk management has a significant positive effect on the implementation of RBIA. Although their study focused on internal auditing in public sector organisations, their findings provide important support for extending RBA principles to the hr environment.

## **2.9. RISK-BASED HUMAN RESOURCE AUDITING**

For the past few decades, internal auditing has changed from traditional systems-based auditing to functional and then to risk-based auditing (Anon et al., 2020; Castanheira et al., 2010; Griffiths, 2020). Management's focus and concern centre on business risk, therefore auditing is currently more risk driven, with the aim of reducing risk and identifying high-risk areas. Internal auditing which is risk-based focuses on strategic business processes, and the recorded and unrecorded risks and controls which are in place for organisational success (Anon et al., 2020). RBA is a dynamic process that is evolving rapidly (Curtis, 2020), and is therefore considered superior to traditional auditing approaches. In a study by Patriarca et al. (2017), the authors explored a systematic RBA approach to assess environmental performance and identify critical operational risk factors, compared to traditional environmental auditing.

RBIA is a process that connects the internal auditing process to the organisation's overall risk management framework. It ensures that any internal audit focuses on the inherent risks associated with the entity's activities or systems, providing assurance that these risks can be effectively managed within the defined risk appetite – in other words, the level of risk that the organisation is willing to take in order to achieve its objectives (Abidin, 2017; Castanheira et al., 2010; Curtis, 2020). RBAs employ industry frameworks to ensure internal audit alignment with organisational objectives and risk priorities, and adherence to external standards. Unlike compliance-based audits, which do not, they consider the company's risk appetite, risk tolerance, and compliance expectations (Curtis, 2020). RBIA enhances risk management effectiveness within organisations, and is at the forefront of internal audit practices. It further provides stakeholders with the assurance that risk management systems are effectively identifying and mitigating organisational risk (CIIA, 2023).

RBA in HR auditing goes beyond evaluating the efficiency of HR processes and systems, to focus on the human risks arising from employee behaviours and actions, which can

significantly influence organisational success (Abidin, 2017). This approach recognises that while operational risks can be identified and mitigated through governance processes, the unpredictable nature of human behaviour means that risks associated with HR are more complex. The RBA in HR examines the organisation's most valuable asset – its people – and assesses the effectiveness of strategies which are in place to attract, develop, and retain skilled employees. Although investments in human capital are substantial, they are not without risk, as the anticipated returns are not always realised – something which potentially affects corporate success (Madhani, 2017). HR's role is thus pivotal in fostering positive employee attitudes and aligning them with the organisation's goals, thereby managing human assets effectively and mitigating the risks associated with these vital resources (CIPD, 2013). The RBA in HR is a forward-thinking approach that ensures that organisations do not just do things right at a functional level, but also do the right things at a strategic level, taking into account the inherent human risks arising in the workplace (Rost, 2017).

A few studies have approached RBA from different perspectives: notably, their focus was on audit committees, risk assessment, or the actual process of conducting an RBA. Abidin (2017), for instance, investigated the attributes of an internal audit and the audit committee, along with risk management and internal control systems, and the factors influencing the adoption of RBA in publicly traded companies in Malaysia. Those findings show that the experience and qualifications of the internal audit committee, the scope of the internal audit function, and the internal control system were not identified as significant indicators of the implementation of RBA (Abidin, 2017).

In another study, into the financial performance of insurance companies in Kenya, Kirogo et al. (2014) focused on RBA through risk assessment and its effect on a firm's financial performance. According to the authors, risk assessment auditing standards were said to improve the quality and effectiveness of audits by substantially changing audit practice (Kirogo et al., 2014). The auditing process and establishment of auditing committees is beyond the scope and objective of this study, therefore these issues are only discussed briefly.

Curtis (2020) wrote about cybersecurity and the role of IT audits, stating that compliance-based approaches do not consider risk-based expectations, nor do they ensure that auditors

have an adequate understanding of safeguards and technology. Most importantly, compliance-oriented strategies were found to be ineffective and inconsistent in addressing risk factors other than compliance-related issues. Risk-based tactics, in contrast, were found to address variations in experience among IT auditors, by establishing expectations for both risk and compliance (Curtis, 2020).

Existing models have either concentrated on functional and compliance audits or on improving audit processes, without providing a validated instrument to measure people risks within an HR governance framework. The originality of the RBHRA scale lies in its integration of HR governance, HR risk management, ethical organisational leadership, and ethical organisational culture into a single empirically validated instrument. By assessing the organisational conditions that influence people related risk, the scale provides a proactive mechanism for identifying risks and strengthening governance, risk management, and organisational resilience.

Strategic risk management mechanisms are being increasingly recognised for improving resilience and long-term sustainability. Organisations that implement structured risk management systems are better positioned to identify, evaluate and mitigate risks, thereby improved governance outcomes and organisational performance (Almgrashi & Mujalli, 2024).

### **2.9.1. Summary of the risk-based internal audit process**

RBIA is a strategic approach that aligns audit activities with the risks facing an organisation. To offer brief insight into the RBA approach, the key elements of the audit process are explained, as these three common stages of RBIA implementation and operation are essential for guaranteeing a thorough audit process (CIIA, 2023).

During Stage 1, assessing risk maturity involves evaluating how well risks are identified, assessed, managed, and monitored by the board and leadership, which is essential for the credibility of the risk register.

Stage 2 focuses on periodic audit planning, where the auditor determines the assurance and consulting assignments for a given period, prioritising areas requiring objective assurance.

Finally, Stage 3 involves executing individual audit assignments to provide assurances on specific parts of the risk management framework, and the effectiveness of risk mitigation strategies. This structured approach helps organisations to focus their audit efforts where they are most needed, thereby ensuring that key risks are managed effectively, and that their risk management processes are robust and reliable. This is a dynamic process that adapts as organisational risks evolve, ensuring ongoing protection and value-add (CIIA, 2023).

According to Almgrashi and Mujalli (2024), RBA enables organisations to evaluate critical risks and strengthen controls through a systematic assessment of risk exposure.

## **2.10. ANALYSIS OF EXISTING RESEARCH INSTRUMENTS**

The academic literature was explored to identify audit instruments which have either been used or developed for the purpose of RBA, specifically in the context of HR. The summary indicates that although RBAs were carried out in several areas, only a small number were identified within the realm of HR.

In 2010, Coetzee formulated a risk-based model to evaluate the practical application of, and identify potential enhancements in, internal audit tasks. This model was further improved to enable internal auditors to facilitate the audit engagement process. Subsequently, in 2014, Coetzee and Lubbe conducted a study to enhance the efficiency of RBIA tasks. Their model served to strengthen the function of internal auditing, by tackling crucial organisational risks and guaranteeing the best possible allocation of audit resources (Coetzee & Lubbe, 2014). In testing the RBIA engagement model, the results suggested that if the model had been applied during the engagement, fewer audit procedures would have been performed and the audit findings would have been revealed. This demonstrates that the RBIA model, if used for assurance engagements, can help to ensure that audits are conducted more effectively and efficiently (Coetzee & Lubbe, 2014).

Meyer et al. (2011) adapted the European Foundation of Quality Management Risk Management Model (<https://efqm.org/the-efqm-model/>) to arrive at a comprehensive HR risk management framework for governing people risks, with the aim of effecting improved performance. The framework provided a basis for planning, assessing and implementing risk management systems. In particular, the authors highlighted the need to schedule regular audits, but did not specify which type of audits they recommended (Meyer et al., 2011).

In a study conducted within financial institutions in Pakistan, in 2019, Muhammed and Shamsi developed an HR audit scale that focused on four HR dimensions, namely the HR functional audit, HR professional audit, HR compliance audit, and work culture audit. Risk-based auditing or governance was not encompassed in the scope of their specific study.

Curtis (2020) discusses RBA from an IT audit perspective, proposing that auditors engage with senior management to set risk limits. In addition, the advisory is that auditors collaborate with subject matter experts to ensure the accurate interpretation and application of technical controls. At a strategic level, the recommendation is that auditors consider risk factors that might affect the company's mission, vision, strategy and objectives (Curtis, 2020).

Regardless of the field or sector where RBA is implemented, the anticipated result is the same: to identify risks that pose a threat to the strategic objectives of an organisation, and could potentially lead to its downfall. This research will furnish proof of the efficacy of RBA in HR, particularly in identifying and mitigating HRRs. The empirical study will probe aspects of governance, leadership and culture, to corroborate and expand on the findings of the existing corpus of literature.

In this chapter, the link between corporate governance and HRG was explained, as these aspects align with the King IV (IoDSA, 2016) principles. Furthermore, the requirement for good governance was clarified by explaining ethical leadership in an organisational context. An important outcome of ethical leadership is an ethical culture, which was also explained within an organisational context. The benefits of both organisational ethical leadership and an organisational ethical culture were reported, as presented in diverse scholarly works.

The review further discussed HR auditing, particularly RBA, and the potential advantages organisations could reap if they implement the RBA approach when conducting HR audits. To validate the need for the present research, various other research tools were evaluated to determine their relevance to this study, and justify the imperative for the current investigation.

Literature provides a useful foundation for understanding corporate governance, HR governance, ethical leadership, ethical culture, HR risks and auditing, however several limitations are evident. Firstly, much of the literature tends to describe these concepts independently, with limited attention given to how they interact in practice. Secondly, while many authors advocate the importance of ethical leadership, risk management and governance frameworks, there is relatively little empirical evidence demonstrating how these mechanisms contribute to the identification and mitigation of HR-related risks. The literature on RBA is particularly concentrated in financial and compliance environments, while its application within HR remains largely underexplored. As a result, it is difficult to determine whether existing governance and audit approaches adequately address HR risks, despite repeated assertions that employees are both an organisation's greatest asset and one of its most significant sources of risk. Furthermore, the South African literature remains limited in its examination of HR risk management from a governance perspective, creating a gap between theoretical recommendations and practical implementation. An integrated and co-ordinated approach enables organisations to become more resilient, improve oversight of critical HR risks and create a culture where ethical decision making and risk awareness are embedded in everyday practices. This highlights the need for further empirical investigation into the relationship between HR governance, ethical leadership, ethical culture and HR risk management. The current study seeks to address this gap by developing and validating a risk-based human resource auditing scale that can be used to evaluate the effectiveness of governance practices in identifying and mitigating HR risks within South African organisations.

Chapter 3 of this thesis deals with the research design and methodology. The researcher offers an overview of the empirical study, outlines the research approach and research design, and specifies the target population and sample. Also addressed are the development of the research instrument, its administration, and any ethical considerations.

## **CHAPTER 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. INTRODUCTION**

In Chapter 2, a comprehensive review of the relevant literature was presented, highlighting the key concepts and theoretical foundations relevant to this study: HR governance, HR auditing, HRR, ethical leadership and ethical culture. A significant gap in the existing literature was highlighted, and identified as something which this study seeks to address.

Chapter 3 discusses and explains the research design and methodology applied in this study (see Figure 3.1). The chapter commences with an overview of the empirical study (section 3.2), then proceeds to explain the research approach (section 3.3), research design (section 3.4), the target population and sample (section 3.5), the development of the research instrument (section 3.6), the administration thereof (section 3.7), and any ethical considerations. The following aspects are discussed in detail in Chapter 4: reporting on, and interpreting of, the research results (Step 7), and the integration of the research findings (Step 8). The presentation of the conclusions drawn, the study limitations, and recommendations (Step 9) are presented in Chapter 5.

Figure 3.1 shows the steps followed in adhering to the research methodology of Phase 2: the empirical study.

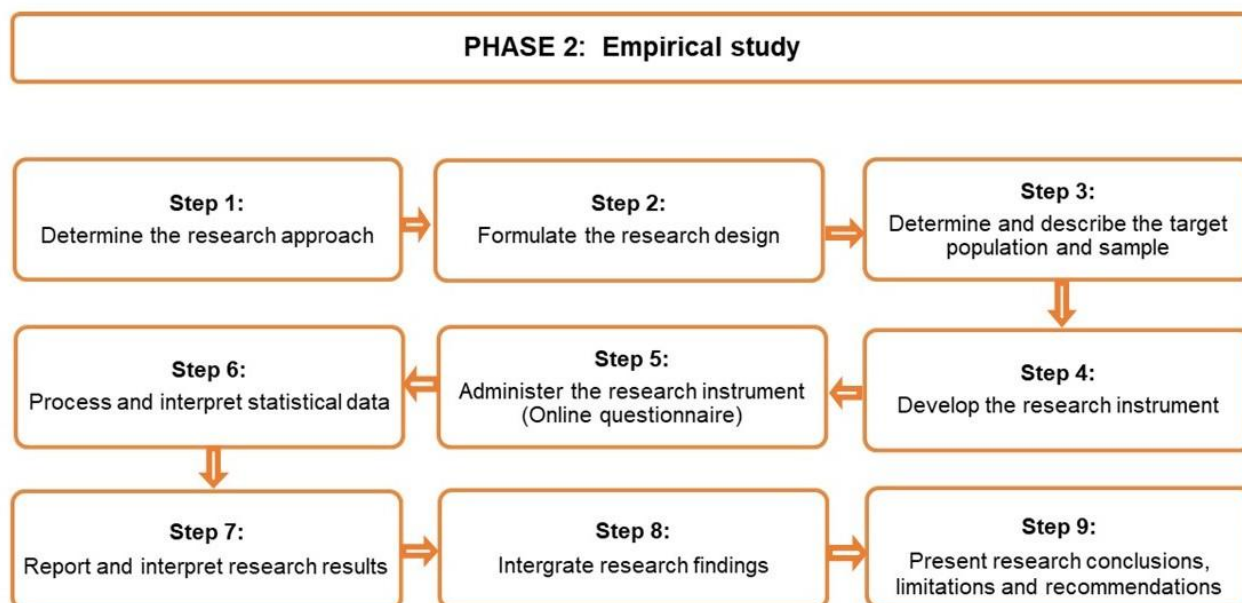


Figure 3. 1: Research methodology (author's own compilation)

### 3.2. OVERVIEW OF THE EMPIRICAL STUDY

The steps depicted in Figure 3.1 provide a framework for the empirical study. Research data were collected from respondents by means of an online survey questionnaire, using Microsoft Forms. With permission, HR professionals registered with SABPP at selected levels formed part of the sample population that was invited to complete the questionnaire. Note that steps 6–9 will be presented in Chapter 4 of the study, where the empirical data are analysed and presented by means of tables and graphs, and the results are reported systematically.

The sections which follow, focus on the design and methodological approach.

### 3.3. THE RESEARCH APPROACH

#### 3.3.1. Quantitative research

A quantitative research methodology is grounded in the principle of theory testing, which involves deriving insights through the measurement and statistical analysis of data (Bryman, 2016). This approach, which is characterised by a systematic investigation of variable

relationships, typically employs numerical or mathematical techniques to analyse the data (Rahi, 2017; Saunders et al., 2019).

Previous studies on HR risk management or HR auditing were either qualitative, consisted of an in-depth literature review, or dealt with case studies (Anaraki-Ardakani & Ganjali, 2014; Becker & Smidt, 2015; Falcon et al., 2017; Flouris & Yilmaz, 2010; Meyer et al., 2011; Olalla & Castillo, 2002; Shiri, 2012). The aim of this study was to develop and empirically validate a measuring instrument for assessing HR risks. To achieve this objective, meant the collection of numerical data and the application of statistical techniques to determine the reliability and validity of the proposed scale, examine the factor structure and test the relationships amongst the constructs. The study followed a sequential instrument development process, aligning with best practices in scale development – beginning with a literature synthesis and expert reviews of items, followed by quantitative validation. No primary qualitative data collection methods were used, eg interviews. Although the initial item generation phase was exploratory, it did not involve primary qualitative fieldwork or qualitative coding. In line with the aim of this study to construct a valid and reliable research scale for measuring the levels of effectiveness of RBHRA, the process relied on theory testing and instrument validation through statistical analysis, therefore a quantitative research approach was deemed most appropriate for this study.

### **3.3.2. Research method – Survey questionnaire**

The use of a research questionnaire aligns with studies which are quantitative in nature. Clear and unambiguous questionnaires help to reduce measurement errors and encourage higher response rates, according to Gray (2019) and Saunders et al. (2019). Such questionnaires are easily made available to, and accessible by, respondents who are spread across a wide geographical area, since they can access and complete an online questionnaire at their own convenience. Furthermore, the researcher considered the restrictive protocols and measures which were in place during the Covid-19 pandemic, where face-to-face and direct contact with respondents were prohibited (Meyiwa, 2020). Even though Covid-19 is now no longer classified as a pandemic, it is still recommended that researchers maintain a level of distancing due to generally accepted health considerations, according to the World Health Organisation (2023) recommendations.

For the purposes of this study, data were gathered using an online questionnaire. DeVellis (2003) emphasises that the use of random measurement techniques such as questionnaires that are too brief to be reliable, or convenience questionnaires, can undermine the validity of the data, hence the creation of a research scale was deemed crucial for this specific scenario. Given the absence of any existing scales for risk-based HR auditing a new research scale was developed and tested, to align with the researcher's primary objective. The argument was that, once the scale had been validated and its reliability confirmed, it might also serve as a tool for other researchers to use in their studies. A detailed and systematic description of the process of developing the questionnaire/scale is provided in the design and methodology sections of this chapter (see 3.4–3.6).

### **3.3.3. Cross-sectional timeline**

The benefit of a cross-sectional time horizon is that it allows for the assessment of present practices, and facilitates the gathering of information within a short timeframe (Creswell, 2012). In this study, data were collected at one specific interval (June 17–July 14, 2024), using an electronic questionnaire which was distributed by the SABPP and accessible on the Microsoft Forms platform.

## **3.4. THE RESEARCH DESIGN**

A research design, as a comprehensive strategic blueprint, is crucial for understanding the objectives of the formulated research questions, and the way in which a study should be executed (Saunders et al., 2019). This study employed an exploratory and descriptive research design.

Gray (2014) suggests that exploratory studies are beneficial for collecting data in a field that is relatively unexplored or underexplored, or where there is a lack of information about the topic under study. In the context of this venture, where there was limited knowledge about a risk-based approach to HR auditing, the use of an exploratory approach (through a newly developed instrument) served as an effective method for gaining fresh insights and identifying the primary constructs of the study, as it explored various theoretical perspectives on RBHRA.

Descriptive research offers detailed insights into a phenomenon, problem, situation or viewpoint regarding a particular issue. It employs a systematic method to describe the relationships between the constructs in the study, with accuracy (Saunders et al., 2019). Descriptive studies are deemed suitable for research domains that are relatively new or not yet thoroughly explored (Borrgeo et al., 2009; Gray, 2014). In this instance, the researcher sought to describe what is prevalent in relation to the identified problem, notably where there is a paucity of literature, and specifically quantitative studies on RBA in the HR environment.

#### **3.4.1. Research variables**

The predominant variables identified through a scrutiny of the academic literature included HR governance, RBHRA, HRR, EOL and EOC. Given the overall definition of corporate governance, these variables were deemed to align with the requirements for good governance. The researcher proposes RBHRA as an approach that could assist in effectively identifying and mitigating HRRs within an organisation, underpinned by organisational leadership which is ethical in nature and an organisational culture which speaks to a high degree of adherence to ethics. Data on the specific variables were collected from respondents via an online questionnaire designed specifically to meet the intended purpose of this study.

#### **3.4.2. Unit of analysis**

Given that the research is anchored in the field of HR, the most appropriate respondents would be individuals from that domain. With permission from the SABPP, the empirical study was conducted amongst those HR professionals registered on the board's database, within the borders of South Africa (i.e., members registered at the HR professional, Master HR professional and Chartered HR professional levels). The respondents would ideally represent a range of organisations across different industries. Members at the aforementioned levels were deemed more likely to function in strategic roles, and to be involved in risk management activities within their own organisations.

### **3.5. TARGET POPULATION AND SAMPLE**

The empirical study was conducted among a target population of 5 323 HR professionals registered on the SABPP database. This population comprised 3 292 SABPP members

registered at the HR professional level, 1 544 at the Chartered HR professional level, and 487 at the Master HR professional level (SABPP, 2020). A probability sampling technique was used to eliminate bias and afford each participant an equal opportunity of being selected as part of the sample (Creswell, 2012; Gray, 2014). Data were gathered from respondents who were in possession of a tertiary qualification (which is a requirement for registration with the SABPP at the levels earmarked for this study). The transition from defining the target population to the next stage is particularly important as it ensures that the instrument is designed with the respondents in mind. By considering their characteristics and context, the researcher can formulate items that are relevant, clear and appropriate. This in turn supports the collection of meaningful data for the scale validation and reliability assessment.

### **3.6. DEVELOPING THE RESEARCH INSTRUMENT**

Developing a research instrument is a complex task that involves multiple processes and strategies. A combination of steps was applied in developing the online questionnaire, based on recommendations derived from scholars such as du Plessis (2018), Boateng et al. (2018), Barry et al. (2011), Lee et al. (2013) and Liu et al. (2023).

The questionnaire consisted of two sections: it commenced with a brief introduction and explanation of the aim of the study, and confirmed the respondents' voluntary participation prior to proceeding to the next section. No demographic information was required for achieving the outcomes of the study, therefore, in line with the POPI Act (RSA, 2013), only minimal information was requested (Engelbrecht, 2020). Section 1 retrieved information on a respondent's level of SABPP membership, and the type of industry s/he worked in, while Section 2 consisted of the research questions the respondent had to answer, by ranking each response on a five-point Likert scale.

The proposed scale development and validation process consisted of four phases: (1) construct identification and item generation; (2) pretesting of the scale (content validation, also referred to as scale refinement); (3) scale development; and (4) scale validation. The processes and best practices employed by scholars such as du Plessis (2018), Boateng et al. (2018), Barry et al. (2011), Benligiray et al., 2024 and Lee et al. (2013), in their work on scale development, were taken into consideration when fine-tuning the scale proposed for this study. Figure 3.2 illustrates the process of scale development and validation that the researcher followed.

## Scale development process

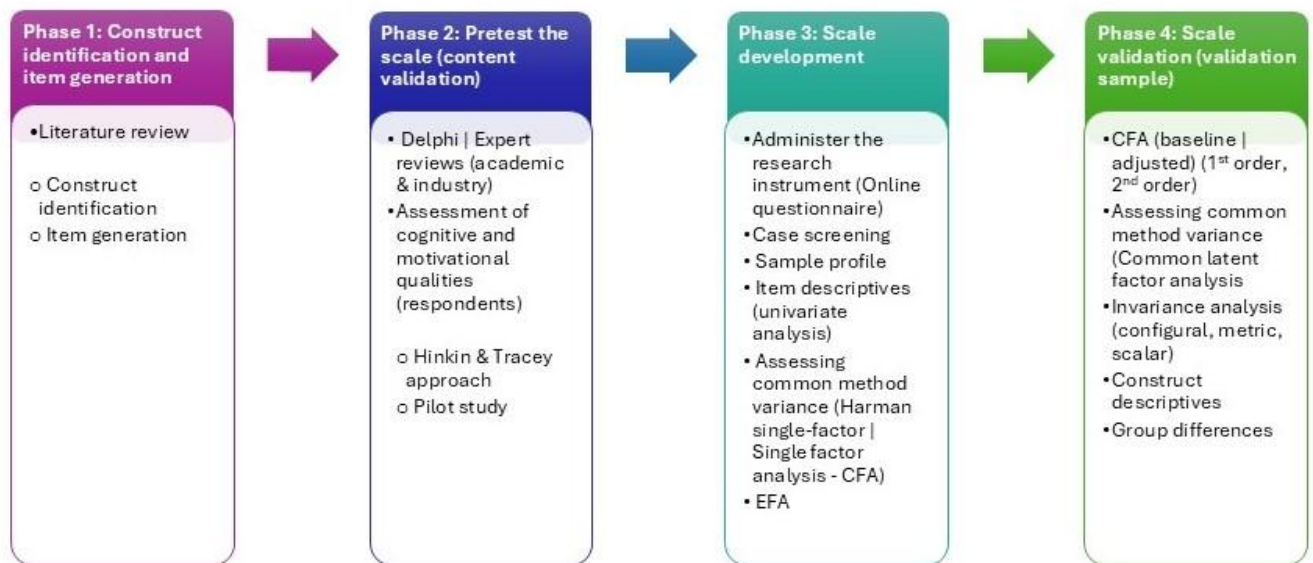


Figure 3. 2: Proposed phases and steps for scale development and validation

### 3.6.1. Phase 1: Construct identification and item generation

The following section provides a comprehensive and specific explanation of the scale development process. Table 3.1 below provides an overview of the literature focus areas that defined the constructs identified and the number of items at each stage of the process, until the final RBHRA scale was confirmed.

#### 3.6.1.1. Literature review

The literature review was significant for helping the researcher to conceptualise the construct domains, and for item development.

Table 3.1: Construct domains and item development

| Literature focus area                                                           | Construct identified              | Cronback alpha | Number of items initially generated | Number of items retained after expert reviews | Number of items retained after pilot study | Number of items on final scale |
|---------------------------------------------------------------------------------|-----------------------------------|----------------|-------------------------------------|-----------------------------------------------|--------------------------------------------|--------------------------------|
| Governance systems, controls, policies, accountability                          | HR Governance                     | 0.95           | 16                                  | 16                                            | 7 (9 items removed)                        | 7                              |
| Risk identification, mitigation, management, risk auditing                      | RBHRA                             | 0.97           | 14                                  | 14                                            | 0 (all 14 items removed)                   | 0                              |
| Risk identification, reporting, monitoring, mitigation                          | HR Risks                          | 0.95           | 17                                  | 16                                            | 8 (8 items removed)                        | 8                              |
| Role modelling, accountability, ethical decision-making                         | Ethical Organisational Leadership | 0.96           | 17                                  | 17                                            | 7 (10 items removed)                       | 7                              |
| Values, behavioural norms, rewards, whistleblowing protection Ethical behaviour | Ethical Organisational Culture    | 0.93           | 15                                  | 15                                            | 8 (7 items removed)                        | 8                              |
| <b>Total number of items</b>                                                    |                                   |                | 79                                  | 78                                            | 30                                         | 30                             |

### 3.6.1.2. Construct identification

This initial and vital step in the process of developing an instrument involved identifying and understanding the constructs being examined, as well as their theoretical contexts. The clarification and validity of the constructs were dependent on the content domain derived from the literature review (du Plessis, 2018). The conceptualisation of a construct was essential for obtaining valid empirical outcomes and interpretations.

A literature review forms the foundation for establishing the theoretical framework of a new or emerging construct. Thus, the collective body of scholarly works helps to confirm existing instruments in a delineated field of study, and to identify gaps that may necessitate the development of an alternative instrument (Boateng et al., 2018). The conceptualisation of constructs allows for items to be generated.

In the current study, undertaking a literature review was the optimal strategy employed to conceptualise the construct domain and identify gaps in the existing body of work. This process helped the researcher to ascertain whether there was in fact a need for instrument development. The insights gained from the literature review were subsequently employed to develop a conceptual model with the suggested theoretical dimensions, and to create a pool of items.

The construct identification process was guided by the findings of the literature review, which provide the theoretical foundation for the development of the RBHRA scale. The core constructs initially identified for this study were HRG, RBHRA, EOL, EOC and HRR. Following the pilot test, Cronbach alpha results reflected very high reliability suggesting redundancy amongst several items, which led to the removal of the construct RBHRA in its entirety (Table 3.1). The remaining constructs were conceptualised as key elements in the literature, influencing governance effectiveness, ethical conduct, ethical leadership and risk management within organisations. The insights from literature not only clarified the boundaries of the constructs, but informed the development of the conceptual model and generation of scale items. This ensured that the instrument was grounded in theory while addressing the gap identified in RBHRA research.

#### 3.6.1.3. Item generation

After gaining an in-depth understanding of the constructs being examined, the process of formulating items to evaluate the constructs, followed (Boateng et al., 2018). A large item pool was created with appropriate questions relating to the relevant research constructs, in a process also referred to as item generation (Boateng et al., 2018, Benligiray et al., 2024). Items can be adapted or adopted from other questionnaires, or researchers may choose to develop their own items (Saunders et al., 2019). The size of the item pool is not specified, but Kline (1993) suggests that the item pool be at least twice as long as the final instrument, albeit that others have suggested that the pool be three, four or even five times the size of the final scale (Worthington & Whittaker, 2006). Netemeyer et al. (2003), by contrast, consider inclusivity to be more beneficial than exclusivity, and prefer a large item pool. Based on the reviewed literature, an initial item pool of 79 items was generated across the five constructs identified. These items provided the basis for the next phase, where expert reviewers would assess the relevance, clarity and alignment of the underlying theoretical constructs prior to empirical testing (Table 3.1).

The process of undertaking a literature review and employing existing scales to generate items entails following a deductive method, which is based on the description of the domain and identification of items (Benligiray et al., 2024). The inductive method, by contrast, involves item generation based on the responses of individuals. It is considered best practice to combine both deductive and inductive methods to both define the domain and identify the questions to assess it (Boateng, 2018). This provides a broader and more thorough perspective, rather than a single theoretical view.

Item writing is vital when developing a research scale. To that end, clear, unambiguous wording was used that is easily understood, as this enhanced the validity of the scale. The choice of questions was decided in advance, in keeping with the design of the study. Open-ended questions allowed the respondents to answer freely, whereas closed-ended questions or forced-choice questions provide a respondent with limited alternatives to choose from when answering a question (Saunders et al., 2019). Closed-ended questions are easier to respond to, especially in longer surveys. Responses are objective and consistent in line with the aims of the study. The choice for this study was self-developed, closed-ended questions.

Item rating is also crucial for scale development. The most common rating scale used in research is the Likert-type response scale, which allows respondents to indicate their degree of agreement or disagreement with scale items. This could be in the form of a four-, five-, six- or seven-point rating scale. The three- and four-point rating scale has shown lower reliability, when compared to the five- to seven-point scales (Boateng, 2018). As research by Johns (2010) confirms, when the scale points are below five or exceed seven, data from Likert items become significantly less accurate. The preferred choice for this study was the five-point rating scale (Strongly disagree, Disagree, Neutral, Agree and Strongly agree), which is recommended and used in most studies due to its ability to produce high-quality data (Boateng, 2018; DeVellis, 2017). The five-point scale is also considered easy to comprehend, less complicated, and helps to increase the response rate and quality of responses when using electronic distribution methods (Revilla et al., 2014).

### **3.6.2. Phase 2: Pretest the scale (content validation)**

In this section, the process for pretesting, refining and finalising the scale items and constructs is discussed. The statistics obtained from the pilot study laid the foundation for refining the scale prior to undertaking the main study.

#### **3.6.2.1. Expert reviews (academic and industry)**

Individuals who are well-versed in the subject matter reviewed the preliminary set of items, assessing each item's clarity and pertinence in terms of the construct or content area being evaluated (DeVellis, 2003; Dillman, 2007). The fundamental reasoning for seeking expert input was to optimise item suitability, and determine how comprehensively the suggested items encompassed all possible dimensions, as per the recommendation of DeVellis (2003). Experts could also offer insights into alternative methods of quantifying those phenomena that were not previously operationalised. During this stage, the researcher sought to finalise the substantive content of the scale (Barrey et al., 2011; Dillman, 2007).

Expert review was done by five individuals with the necessary expertise and knowledge to conduct reviews, and they hailed from both the academic sphere and industry. These experts were selected from various geographic locations, as an intentional approach to increase the content validity of the instrument. The panel of experts received the conceptual framework for the instrument, and members were requested to validate the item pool for content, style, completeness and relevance. The experts were at liberty to review the questions and align them with the construct definitions, or remove any that were not related to the construct domain.

#### **3.6.2.2. Assessment of cognitive and motivational qualities (respondents)**

Cognitive interviewing is a process conducted to clarify questions about a scale. Direct input was received from the participants on their understanding of the instrument, including its content and format (Haynes et al., 1995). The experts were required to provide suggestions and feedback on the instrument, both verbally and in writing. Cognitive interviews were carried out to ascertain whether the statements, items and instructions were easily understood, and whether the questions could be answered satisfactorily.

Items that proved ambiguous were simplified or reworded to be specific and precise. Those that did not fit well with the constructs were also either re-worded or removed.

#### 3.6.2.3. Content validity

Content validation is a multifaceted process that employs both qualitative and quantitative methods, and is applicable to every factor of an assessment tool (Haynes et al., 1995). To ensure content validity, this study employed the process of using expert reviews, together with the assessment of cognitive and motivational qualities.

Content validity was assured through face validity, which was the degree to which experts evaluated the instrument to confirm that the study in fact measured what it intended to measure. Expert reviews enhanced the content validity of the instrument, confirming the definition and constructs of the study, and evaluating the correctness of the items (Haynes et al., 1995). The reviewers identified and strengthened vague items and suggested the inclusion of other important items that might have been omitted. Consequently, the objective of this phase was to pretest the instrument and remove any items that were not conceptually consistent with the instrument (Hinkin et al., 1997). The experts also offered insights into alternative methods of quantifying those phenomena that were not previously operationalised. During this stage, the aim was to conclude the substantive content of the proposed scale (Dillman, 2007).

#### 3.6.2.4 Item-ranking – Hinkin and Tracey’s approach to pretesting the scale

Item-ranking, also referred to as pretesting or assessment, is one of the most popular quantitative methods for pretesting a scale for content validity (Howard, 2018). When performing an item-ranking task, experts were required to evaluate the extent to which each item represented the main construct.

Quantitative pretests are recognised for their role in improving the overall construct validity of the final scale (Howard, 2018). Hinkin and Tracey (1999) suggest that simple analyses and small samples be used to assess content validity. Therefore, an additional step was taken in this study to ensure that the items were adequately refined and suitable. The quantitative pretest process thus evaluated the adequacy of each item and its alignment with the theoretical constructs of the study. It also aided in deciding which items should be retained or removed, thereby further enhancing the content validity of the final research scale.

In the pretest, a four-point scale was used to rank each item on a scale: 1 = the item is not relevant to the measured domain; 2 = the item is somewhat relevant to the measured domain; 3 = the item is quite relevant to the measured domain; and 4 = the item is highly relevant to the measured domain. A binary scoring method was used to rate items that scored either 1 or 2 with a zero (0), and items that scored 3 or 4 with a (1). The total scores were then added and divided by the total number of five experts who participated in the pretest. Items that scored less than 1 were excluded, in keeping with the results of the pilot study, which further substantiated the in- or exclusion of items on the final scale. The total number of items retained after the expert review were 78 in total (Table 3.1).

#### 3.6.2.5. Item selection

Following feedback from the expert reviewers and the pretesting of the scale, items that were considered irrelevant or not applicable were removed. Corrections were made to the wording of certain items and changes were effected, where needed. Once the content validity of the scale was improved, the refined scale was ready for pilot testing where the statistical performance of the items could be evaluated. The pilot study was carried out amongst 19 participants with criteria representative of the main study. Additional content validation was performed to substantiate the statistical rigour of the results, as recommended by DeVellis and Thorpe (2021).

#### 3.6.2.6. Pilot study

Pilot studies frequently serve as the initial phase of experimental research. They are typically conducted on a smaller scale, and predict how the study will be implemented if a larger main study is pursued (Tseng & Sim, 2021).

- Sample population and sample

Saunders et al. (2019) simply liken a pilot test to a trial run which allows the researcher to determine the potential success of the questionnaire. There is no specific rule on the size of the pilot study, as the size is not considered for statistical power, but to refine the instrument and estimate parameters prior to conducting the full-scale study (Hertzog, 2008). Fink (2019) suggests a minimum number of ten respondents; van Belle (2002) recommends 12; and Johanson and Brooks (2010) suggest using 30 representative participants, meaning that they must be representative of the population being studied, else this could lead to biased

estimates. Hill (1998) and du Plessis (2018) suggests using between ten and 30 respondents as a reasonable number, as it may be difficult (or even impossible) for some researchers to obtain a sufficient sample size. In this study, 19 respondents took part in the pilot study.

The objective of the pilot test was to improve or refine the questionnaire, ensuring that respondents could effortlessly answer the questions, and guaranteeing that data collection would be straightforward and easy. In addition, as du Plessis (2018) notes, pilot testing provides proof of the reliability of scale refinement, and may condense the length of scales by disregarding items that do not fit into the theoretical framework. The pilot study also allowed the researcher to assess whether the respondents tended to group questions into specific categories.

- Data collection

The research questionnaire was then submitted via MS Forms to the pilot study respondents – academics and HR professionals who were similar to the target population – for completion. The process of data collection served to ascertain whether the theoretical frameworks measured the intended constructs presented in the study. The feedback received helped to further refine the scale, before testing was done with the actual research sample.

- Reliability statistics of the pilot study

Following the conclusion of the pilot study, reliability statistics were drawn from the data collected from the respondents. According to the inter-item correlation analysis, some items within the constructs had high correlations with other items within the same construct. Items above 0.7 were analysed to determine their similarities with other items, after which all items with correlations above 0.8 were removed from the scale.

## **HRG**

Construct (1), HRG, initially had 16 items on the scale (see Table 3.2). The items removed were H4, H5, H6, H8, H9, H10, H12, H13, H14, H15. The reliability statistics for the first construct, HRG, revealed a high alpha coefficient of 0.96 for a total of 16 items. This could imply the redundancy of some of the scale items; therefore, the choice was made to review

and refine the items for that construct. The construct was, however, identified as a key component and was therefore retained for the purposes of this study.

Table 3. 2: Item statistics, reliability statistics and inter-item correlations for the construct HRG

| Item Statistics |      |                |    | Reliability Statistics |                                        |            |
|-----------------|------|----------------|----|------------------------|----------------------------------------|------------|
|                 | Mean | Std. Deviation | N  | Cronbach's Alpha       | Cronbach's Alpha Based on Standardized | N of Items |
| H1              | 3,74 | 0,991          | 19 | 0,959                  | 0,958                                  | 16         |
| H2              | 4,05 | 0,848          | 19 |                        |                                        |            |
| H3              | 3,63 | 0,895          | 19 |                        |                                        |            |
| H4              | 3,53 | 1,073          | 19 |                        |                                        |            |
| H5              | 3,37 | 1,012          | 19 |                        |                                        |            |
| H6              | 3,58 | 1,017          | 19 |                        |                                        |            |
| H7              | 3,42 | 1,170          | 19 |                        |                                        |            |
| H8              | 3,79 | 1,084          | 19 |                        |                                        |            |
| H9              | 3,58 | 1,216          | 19 |                        |                                        |            |
| H10             | 3,21 | 1,182          | 19 |                        |                                        |            |
| H11             | 3,26 | 1,098          | 19 |                        |                                        |            |
| H12             | 3,32 | 1,204          | 19 |                        |                                        |            |
| H13             | 3,32 | 1,376          | 19 |                        |                                        |            |
| H14             | 3,37 | 1,212          | 19 |                        |                                        |            |
| H15             | 3,11 | 1,100          | 19 |                        |                                        |            |
| H16             | 3,26 | 0,991          | 19 |                        |                                        |            |

| Inter-Item Correlation Matrix |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                               | H1    | H2    | H3    | H4    | H5    | H6    | H7    | H8    | H9    | H10   | H11   | H12   | H13   | H14   | H15   | H16   |
| H1                            | 1,000 | 0,612 | 0,448 | 0,399 | 0,490 | 0,655 | 0,580 | 0,721 | 0,548 | 0,477 | 0,629 | 0,353 | 0,553 | 0,224 | 0,332 | 0,640 |
| H2                            | 0,612 | 1,000 | 0,100 | 0,456 | 0,235 | 0,478 | 0,480 | 0,556 | 0,507 | 0,210 | 0,342 | 0,364 | 0,413 | 0,304 | 0,351 | 0,445 |
| H3                            | 0,448 | 0,100 | 1,000 | 0,329 | 0,281 | 0,369 | 0,369 | 0,316 | 0,105 | 0,497 | 0,557 | 0,062 | 0,280 | 0,132 | 0,154 | 0,491 |
| H4                            | 0,399 | 0,456 | 0,329 | 1,000 | 0,784 | 0,672 | 0,787 | 0,673 | 0,690 | 0,740 | 0,489 | 0,681 | 0,671 | 0,740 | 0,703 | 0,594 |
| H5                            | 0,490 | 0,235 | 0,281 | 0,784 | 1,000 | 0,807 | 0,660 | 0,733 | 0,765 | 0,907 | 0,658 | 0,766 | 0,670 | 0,699 | 0,762 | 0,674 |
| H6                            | 0,655 | 0,478 | 0,369 | 0,672 | 0,807 | 1,000 | 0,531 | 0,721 | 0,747 | 0,817 | 0,801 | 0,704 | 0,656 | 0,584 | 0,687 | 0,612 |
| H7                            | 0,580 | 0,480 | 0,369 | 0,787 | 0,660 | 0,531 | 1,000 | 0,643 | 0,717 | 0,575 | 0,515 | 0,650 | 0,741 | 0,629 | 0,525 | 0,570 |
| H8                            | 0,721 | 0,556 | 0,316 | 0,673 | 0,733 | 0,721 | 0,643 | 1,000 | 0,856 | 0,773 | 0,609 | 0,777 | 0,829 | 0,612 | 0,672 | 0,778 |
| H9                            | 0,548 | 0,507 | 0,105 | 0,690 | 0,765 | 0,747 | 0,717 | 0,856 | 1,000 | 0,722 | 0,504 | 0,854 | 0,814 | 0,752 | 0,658 | 0,604 |
| H10                           | 0,477 | 0,210 | 0,497 | 0,740 | 0,907 | 0,817 | 0,575 | 0,773 | 0,722 | 1,000 | 0,768 | 0,731 | 0,674 | 0,680 | 0,708 | 0,661 |
| H11                           | 0,629 | 0,342 | 0,557 | 0,489 | 0,658 | 0,801 | 0,515 | 0,609 | 0,504 | 0,768 | 1,000 | 0,606 | 0,641 | 0,341 | 0,620 | 0,495 |
| H12                           | 0,353 | 0,364 | 0,062 | 0,681 | 0,766 | 0,704 | 0,650 | 0,777 | 0,854 | 0,731 | 0,606 | 1,000 | 0,808 | 0,715 | 0,812 | 0,532 |
| H13                           | 0,553 | 0,413 | 0,280 | 0,671 | 0,670 | 0,656 | 0,741 | 0,829 | 0,814 | 0,674 | 0,641 | 0,808 | 1,000 | 0,693 | 0,784 | 0,709 |
| H14                           | 0,224 | 0,304 | 0,132 | 0,740 | 0,699 | 0,584 | 0,629 | 0,612 | 0,752 | 0,680 | 0,341 | 0,715 | 0,693 | 1,000 | 0,761 | 0,609 |
| H15                           | 0,332 | 0,351 | 0,154 | 0,703 | 0,762 | 0,687 | 0,525 | 0,672 | 0,658 | 0,708 | 0,620 | 0,812 | 0,784 | 0,761 | 1,000 | 0,686 |
| H16                           | 0,640 | 0,445 | 0,491 | 0,594 | 0,674 | 0,612 | 0,570 | 0,778 | 0,604 | 0,661 | 0,495 | 0,532 | 0,709 | 0,609 | 0,686 | 1,000 |

## RBHRA

Table 3.3 indicates the data for construct (2), RBHRA. This construct was removed in its entirety: besides identifying that the majority of the items on construct (2) highly correlated with one another, the items also overlapped with construct (3), HRRs. To prevent the duplication of items amongst the other constructs, the decision was taken to remove construct (2) with its 14 items completely. The alpha coefficient for the RBHRA construct was a high 0.97, which explains why RBHRA was removed entirely from this study.

Table 3. 3: Item statistics, reliability statistics and inter-item correlations for the construct RBHRA

| Item Statistics |      |                |    |
|-----------------|------|----------------|----|
|                 | Mean | Std. Deviation | N  |
| H17             | 3,05 | 1,177          | 19 |
| H18             | 2,95 | 1,079          | 19 |
| H19             | 3,05 | 1,026          | 19 |
| H20             | 2,89 | 1,150          | 19 |
| H21             | 2,89 | 1,150          | 19 |
| H22             | 3,47 | 0,964          | 19 |
| H23             | 3,63 | 0,831          | 19 |
| H24             | 3,47 | 1,073          | 19 |
| H25             | 3,00 | 1,247          | 19 |
| H26             | 2,84 | 1,068          | 19 |
| H27             | 3,32 | 1,108          | 19 |
| H28             | 3,11 | 1,100          | 19 |
| H29             | 2,79 | 1,316          | 19 |
| H30             | 2,79 | 1,437          | 19 |

| Reliability Statistics |                                        |            |
|------------------------|----------------------------------------|------------|
| Cronbach's Alpha       | Cronbach's Alpha Based on Standardized | N of Items |
| 0,970                  | 0,971                                  | 14         |

| Inter-Item Correlation Matrix |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                               | H17   | H18   | H19   | H20   | H21   | H22   | H23   | H24   | H25   | H26   | H27   | H28   | H29   | H30   |
| H17                           | 1,000 | 0,877 | 0,963 | 0,907 | 0,866 | 0,760 | 0,703 | 0,771 | 0,870 | 0,802 | 0,796 | 0,596 | 0,797 | 0,729 |
| H18                           | 0,877 | 1,000 | 0,856 | 0,757 | 0,757 | 0,666 | 0,597 | 0,694 | 0,950 | 0,668 | 0,758 | 0,473 | 0,814 | 0,745 |
| H19                           | 0,963 | 0,856 | 1,000 | 0,853 | 0,853 | 0,703 | 0,611 | 0,733 | 0,868 | 0,870 | 0,766 | 0,684 | 0,749 | 0,686 |
| H20                           | 0,907 | 0,757 | 0,853 | 1,000 | 0,958 | 0,699 | 0,713 | 0,763 | 0,775 | 0,846 | 0,725 | 0,580 | 0,829 | 0,759 |
| H21                           | 0,866 | 0,757 | 0,853 | 0,958 | 1,000 | 0,599 | 0,655 | 0,673 | 0,775 | 0,846 | 0,725 | 0,580 | 0,793 | 0,759 |
| H22                           | 0,760 | 0,666 | 0,703 | 0,699 | 0,599 | 1,000 | 0,646 | 0,791 | 0,601 | 0,508 | 0,632 | 0,422 | 0,521 | 0,397 |
| H23                           | 0,703 | 0,597 | 0,611 | 0,713 | 0,655 | 0,646 | 1,000 | 0,643 | 0,590 | 0,494 | 0,496 | 0,409 | 0,535 | 0,443 |
| H24                           | 0,771 | 0,694 | 0,733 | 0,763 | 0,673 | 0,791 | 0,643 | 1,000 | 0,664 | 0,554 | 0,521 | 0,332 | 0,586 | 0,501 |
| H25                           | 0,870 | 0,950 | 0,868 | 0,775 | 0,775 | 0,601 | 0,590 | 0,664 | 1,000 | 0,751 | 0,764 | 0,607 | 0,846 | 0,806 |
| H26                           | 0,802 | 0,668 | 0,870 | 0,846 | 0,846 | 0,508 | 0,494 | 0,554 | 0,751 | 1,000 | 0,655 | 0,819 | 0,766 | 0,701 |
| H27                           | 0,796 | 0,758 | 0,766 | 0,725 | 0,725 | 0,632 | 0,496 | 0,521 | 0,764 | 0,655 | 1,000 | 0,700 | 0,734 | 0,777 |
| H28                           | 0,596 | 0,473 | 0,684 | 0,580 | 0,580 | 0,422 | 0,409 | 0,332 | 0,607 | 0,819 | 0,700 | 1,000 | 0,553 | 0,577 |
| H29                           | 0,797 | 0,814 | 0,749 | 0,829 | 0,793 | 0,521 | 0,535 | 0,586 | 0,846 | 0,766 | 0,734 | 0,553 | 1,000 | 0,945 |
| H30                           | 0,729 | 0,745 | 0,686 | 0,759 | 0,759 | 0,397 | 0,443 | 0,501 | 0,806 | 0,701 | 0,777 | 0,577 | 0,945 | 1,000 |

## HRR

Of the 16 items in construct (3), HRR (see Table 3.4), seven items were retained, while items H33, H34, H35, H36, H40, H41, H42, H43, H46 were deleted. Despite the alpha coefficient also having a high value of 0.95, this construct was retained for the purpose of the study, as HR risk management is a key component of corporate governance and the study as a whole.

Table 3. 4: Item statistics, reliability statistics and inter-item correlations for the construct HRR

| Item Statistics |      |                |    |
|-----------------|------|----------------|----|
|                 | Mean | Std. Deviation | N  |
| H31             | 3,74 | 0,933          | 19 |
| H32             | 3,11 | 1,197          | 19 |
| H33             | 3,42 | 1,071          | 19 |
| H34             | 2,74 | 1,098          | 19 |
| H35             | 3,16 | 1,119          | 19 |
| H36             | 3,16 | 1,119          | 19 |
| H37             | 2,63 | 1,165          | 19 |
| H38             | 3,53 | 1,124          | 19 |
| H39             | 2,84 | 1,119          | 19 |
| H40             | 3,16 | 1,119          | 19 |
| H41             | 2,84 | 1,302          | 19 |
| H42             | 3,11 | 1,329          | 19 |
| H43             | 3,63 | 1,012          | 19 |
| H44             | 3,42 | 1,216          | 19 |
| H45             | 3,58 | 1,017          | 19 |
| H46             | 3,11 | 1,150          | 19 |

| Reliability Statistics |                                        |            |
|------------------------|----------------------------------------|------------|
| Cronbach's Alpha       | Cronbach's Alpha Based on Standardized | N of Items |
| 0,956                  | 0,956                                  | 16         |

| Inter-Item Correlation Matrix |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                               | H31   | H32   | H33   | H34   | H35   | H36   | H37   | H38   | H39   | H40   | H41   | H42   | H43   | H44   | H45   | H46   |
| H31                           | 1,000 | 0,474 | 0,729 | 0,579 | 0,734 | 0,574 | 0,366 | 0,404 | 0,277 | 0,680 | 0,558 | 0,427 | 0,656 | 0,446 | 0,696 | 0,493 |
| H32                           | 0,474 | 1,000 | 0,354 | 0,107 | 0,194 | 0,360 | 0,667 | 0,535 | 0,718 | 0,443 | 0,261 | 0,447 | 0,630 | 0,388 | 0,449 | 0,355 |
| H33                           | 0,729 | 0,354 | 1,000 | 0,714 | 0,823 | 0,637 | 0,443 | 0,591 | 0,430 | 0,823 | 0,728 | 0,592 | 0,715 | 0,539 | 0,529 | 0,684 |
| H34                           | 0,579 | 0,107 | 0,714 | 1,000 | 0,805 | 0,624 | 0,398 | 0,344 | 0,417 | 0,805 | 0,669 | 0,668 | 0,458 | 0,629 | 0,443 | 0,684 |
| H35                           | 0,734 | 0,194 | 0,823 | 0,805 | 1,000 | 0,645 | 0,388 | 0,505 | 0,332 | 0,822 | 0,704 | 0,661 | 0,643 | 0,479 | 0,599 | 0,721 |
| H36                           | 0,574 | 0,360 | 0,637 | 0,624 | 0,645 | 1,000 | 0,687 | 0,416 | 0,509 | 0,822 | 0,704 | 0,736 | 0,594 | 0,561 | 0,647 | 0,721 |
| H37                           | 0,366 | 0,667 | 0,443 | 0,398 | 0,388 | 0,687 | 1,000 | 0,623 | 0,467 | 0,601 | 0,509 | 0,672 | 0,680 | 0,468 | 0,565 | 0,611 |
| H38                           | 0,404 | 0,535 | 0,591 | 0,344 | 0,505 | 0,416 | 0,623 | 1,000 | 0,467 | 0,505 | 0,440 | 0,482 | 0,815 | 0,357 | 0,496 | 0,600 |
| H39                           | 0,277 | 0,718 | 0,430 | 0,417 | 0,332 | 0,509 | 0,848 | 0,467 | 1,000 | 0,598 | 0,440 | 0,684 | 0,535 | 0,542 | 0,426 | 0,532 |
| H40                           | 0,680 | 0,443 | 0,823 | 0,805 | 0,822 | 0,822 | 0,601 | 0,505 | 0,598 | 1,000 | 0,781 | 0,848 | 0,643 | 0,724 | 0,647 | 0,807 |
| H41                           | 0,558 | 0,261 | 0,728 | 0,669 | 0,704 | 0,704 | 0,509 | 0,440 | 0,440 | 0,781 | 1,000 | 0,524 | 0,459 | 0,641 | 0,408 | 0,902 |
| H42                           | 0,427 | 0,447 | 0,592 | 0,668 | 0,661 | 0,736 | 0,672 | 0,482 | 0,684 | 0,848 | 0,524 | 1,000 | 0,609 | 0,762 | 0,692 | 0,647 |
| H43                           | 0,656 | 0,630 | 0,715 | 0,458 | 0,643 | 0,594 | 0,680 | 0,815 | 0,535 | 0,643 | 0,459 | 0,609 | 1,000 | 0,494 | 0,705 | 0,608 |
| H44                           | 0,446 | 0,388 | 0,539 | 0,629 | 0,479 | 0,561 | 0,468 | 0,357 | 0,542 | 0,724 | 0,641 | 0,762 | 0,494 | 1,000 | 0,645 | 0,682 |
| H45                           | 0,696 | 0,449 | 0,529 | 0,443 | 0,599 | 0,647 | 0,565 | 0,496 | 0,426 | 0,647 | 0,408 | 0,692 | 0,705 | 0,645 | 1,000 | 0,515 |
| H46                           | 0,493 | 0,355 | 0,684 | 0,684 | 0,721 | 0,721 | 0,611 | 0,600 | 0,532 | 0,807 | 0,902 | 0,647 | 0,608 | 0,682 | 0,515 | 1,000 |

## EOL

Construct (4), ethical organisational leadership (EOL) (Table 3.5), which initially comprised 17 items, was reduced to six, with the following items removed: H48, H49, H51, H52, H53, H54, H55, H59, H60, H62, and H63. Not only was the alpha coefficient value very high at 0.97, the inter-item correlations demonstrated very high values amongst several items, which led to them being excluded from the construct. The decision was made to retain the construct, however, as it constitutes a key component of corporate governance and was thus deemed relevant to the study.

Table 3. 5: Item statistics, reliability statistics and inter-item correlations for the construct EOL

| Item Statistics |      |                |       | Reliability Statistics |                                        |            |
|-----------------|------|----------------|-------|------------------------|----------------------------------------|------------|
|                 | Mean | Std. Deviation | N     | Cronbach's Alpha       | Cronbach's Alpha Based on Standardized | N of Items |
| H47             | 3,63 | 1,012          | 19.00 | 0,969                  | 0,971                                  | 17.00      |
| H48             | 2,95 | 1,177          | 19.00 |                        |                                        |            |
| H49             | 3,32 | 1,057          | 19.00 |                        |                                        |            |
| H50             | 3,16 | 1,015          | 19.00 |                        |                                        |            |
| H51             | 3,00 | 1,054          | 19.00 |                        |                                        |            |
| H52             | 3,16 | 0,898          | 19.00 |                        |                                        |            |
| H53             | 3,16 | 0,898          | 19.00 |                        |                                        |            |
| H54             | 2,95 | 0,911          | 19.00 |                        |                                        |            |
| H55             | 3,00 | 1,106          | 19.00 |                        |                                        |            |
| H56             | 3,32 | 1,057          | 19.00 |                        |                                        |            |
| H57             | 3,11 | 1,197          | 19.00 |                        |                                        |            |
| H58             | 2,63 | 1,165          | 19.00 |                        |                                        |            |
| H59             | 2,79 | 1,134          | 19.00 |                        |                                        |            |
| H60             | 2,89 | 0,994          | 19.00 |                        |                                        |            |
| H61             | 3,53 | 1,124          | 19.00 |                        |                                        |            |
| H62             | 2,89 | 0,937          | 19.00 |                        |                                        |            |
| H63             | 3,00 | 1,000          | 19.00 |                        |                                        |            |

| Inter-Item Correlation Matrix |       |       |       |       |       |       |       |       |       |        |        |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|-------|-------|-------|-------|-------|
|                               | H47   | H48   | H49   | H50   | H51   | H52   | H53   | H54   | H55   | H56    | H57    | H58   | H59   | H60   | H61   | H62   | H63   |
| H47                           | 1,000 | 0,496 | 0,583 | 0,547 | 0,677 | 0,618 | 0,740 | 0,641 | 0,745 | 0,634  | 0,126  | 0,303 | 0,655 | 0,567 | 0,229 | 0,719 | 0,714 |
| H48                           | 0,496 | 1,000 | 0,729 | 0,566 | 0,851 | 0,744 | 0,849 | 0,774 | 0,854 | 0,639  | 0,359  | 0,512 | 0,782 | 0,755 | 0,484 | 0,801 | 0,849 |
| H49                           | 0,583 | 0,729 | 1,000 | 0,417 | 0,798 | 0,647 | 0,705 | 0,710 | 0,808 | 0,801  | 0,148  | 0,596 | 0,661 | 0,668 | 0,601 | 0,709 | 0,788 |
| H50                           | 0,547 | 0,566 | 0,417 | 1,000 | 0,623 | 0,703 | 0,703 | 0,791 | 0,693 | 0,262  | 0,672  | 0,616 | 0,658 | 0,678 | 0,215 | 0,545 | 0,657 |
| H51                           | 0,677 | 0,851 | 0,798 | 0,623 | 1,000 | 0,880 | 0,939 | 0,925 | 0,953 | 0,648  | 0,440  | 0,588 | 0,883 | 0,848 | 0,516 | 0,844 | 0,949 |
| H52                           | 0,618 | 0,744 | 0,647 | 0,703 | 0,880 | 1,000 | 0,862 | 0,893 | 0,839 | 0,413  | 0,552  | 0,537 | 0,743 | 0,828 | 0,573 | 0,747 | 0,928 |
| H53                           | 0,740 | 0,849 | 0,705 | 0,703 | 0,939 | 0,862 | 1,000 | 0,893 | 0,951 | 0,647  | 0,397  | 0,537 | 0,907 | 0,828 | 0,298 | 0,879 | 0,928 |
| H54                           | 0,641 | 0,774 | 0,710 | 0,791 | 0,925 | 0,893 | 0,893 | 1,000 | 0,882 | 0,595  | 0,566  | 0,713 | 0,902 | 0,913 | 0,517 | 0,839 | 0,914 |
| H55                           | 0,745 | 0,854 | 0,808 | 0,693 | 0,953 | 0,839 | 0,951 | 0,882 | 1,000 | 0,666  | 0,420  | 0,604 | 0,886 | 0,809 | 0,447 | 0,858 | 0,955 |
| H56                           | 0,634 | 0,639 | 0,801 | 0,262 | 0,648 | 0,413 | 0,647 | 0,595 | 0,666 | 1,000  | -0,116 | 0,506 | 0,707 | 0,562 | 0,367 | 0,765 | 0,631 |
| H57                           | 0,126 | 0,359 | 0,148 | 0,672 | 0,440 | 0,552 | 0,397 | 0,566 | 0,420 | -0,116 | 1,000  | 0,627 | 0,426 | 0,570 | 0,411 | 0,258 | 0,464 |
| H58                           | 0,303 | 0,512 | 0,596 | 0,616 | 0,588 | 0,537 | 0,537 | 0,713 | 0,604 | 0,506  | 0,627  | 1,000 | 0,695 | 0,684 | 0,496 | 0,574 | 0,620 |
| H59                           | 0,655 | 0,782 | 0,661 | 0,658 | 0,883 | 0,743 | 0,907 | 0,902 | 0,886 | 0,707  | 0,426  | 0,695 | 1,000 | 0,866 | 0,353 | 0,919 | 0,882 |
| H60                           | 0,567 | 0,755 | 0,668 | 0,678 | 0,848 | 0,828 | 0,828 | 0,913 | 0,809 | 0,562  | 0,570  | 0,684 | 0,866 | 1,000 | 0,550 | 0,823 | 0,894 |
| H61                           | 0,229 | 0,484 | 0,601 | 0,215 | 0,516 | 0,573 | 0,298 | 0,517 | 0,447 | 0,367  | 0,411  | 0,496 | 0,353 | 0,550 | 1,000 | 0,425 | 0,593 |
| H62                           | 0,719 | 0,801 | 0,709 | 0,545 | 0,844 | 0,747 | 0,879 | 0,839 | 0,858 | 0,765  | 0,258  | 0,574 | 0,919 | 0,823 | 0,425 | 1,000 | 0,890 |
| H63                           | 0,714 | 0,849 | 0,788 | 0,657 | 0,949 | 0,928 | 0,928 | 0,914 | 0,955 | 0,631  | 0,464  | 0,620 | 0,882 | 0,894 | 0,593 | 0,890 | 1,000 |

## EOC

Finally, Table 3.6 reflects construct (5), ethical organisational culture (EOC). The items for this construct were reduced from 15 to six. Items H64, H67, H68, H69, H71, H72, H73, H74 and H77 were removed from the scale. The alpha coefficient value reported for this construct was 0.93. Construct EOL was retained for the purposes of this study.

Table 3. 6: Item statistics, reliability statistics and inter-item correlations for the construct EOC

| Item Statistics |      |                |    |
|-----------------|------|----------------|----|
|                 | Mean | Std. Deviation | N  |
| H64             | 3,05 | 0,970          | 19 |
| H65             | 2,95 | 1,026          | 19 |
| H66             | 3,79 | 0,918          | 19 |
| H67             | 2,79 | 1,273          | 19 |
| H68             | 3,47 | 1,124          | 19 |
| H69             | 2,58 | 1,216          | 19 |
| H70             | 2,63 | 1,257          | 19 |
| H71             | 2,63 | 1,257          | 19 |
| H72             | 3,58 | 1,017          | 19 |
| H73             | 3,58 | 0,838          | 19 |
| H74             | 2,53 | 1,124          | 19 |
| H75             | 2,26 | 1,147          | 19 |
| H76             | 3,84 | 0,958          | 19 |
| H77             | 3,53 | 0,905          | 19 |
| H78             | 2,79 | 0,976          | 19 |

| Reliability Statistics |                                        |            |
|------------------------|----------------------------------------|------------|
| Cronbach's Alpha       | Cronbach's Alpha Based on Standardized | N of Items |
| 0,936                  | 0,937                                  | 15         |

| Inter-Item Correlation Matrix |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                               | H64   | H65   | H66   | H67   | H68   | H69   | H70   | H71   | H72   | H73   | H74   | H75   | H76   | H77   | H78   |
| H64                           | 1,000 | 0,673 | 0,325 | 0,639 | 0,689 | 0,632 | 0,427 | 0,609 | 0,474 | 0,644 | 0,534 | 0,636 | 0,368 | 0,283 | 0,716 |
| H65                           | 0,673 | 1,000 | 0,578 | 0,544 | 0,746 | 0,649 | 0,544 | 0,674 | 0,616 | 0,619 | 0,411 | 0,484 | 0,669 | 0,630 | 0,598 |
| H66                           | 0,325 | 0,578 | 1,000 | 0,531 | 0,479 | 0,364 | 0,555 | 0,604 | 0,316 | 0,312 | 0,167 | 0,267 | 0,592 | 0,676 | 0,444 |
| H67                           | 0,639 | 0,544 | 0,531 | 1,000 | 0,423 | 0,514 | 0,505 | 0,609 | 0,400 | 0,642 | 0,587 | 0,687 | 0,472 | 0,343 | 0,722 |
| H68                           | 0,689 | 0,746 | 0,479 | 0,423 | 1,000 | 0,560 | 0,366 | 0,563 | 0,719 | 0,637 | 0,319 | 0,458 | 0,589 | 0,615 | 0,552 |
| H69                           | 0,632 | 0,649 | 0,364 | 0,514 | 0,560 | 1,000 | 0,765 | 0,729 | 0,477 | 0,416 | 0,293 | 0,442 | 0,607 | 0,364 | 0,716 |
| H70                           | 0,427 | 0,544 | 0,555 | 0,505 | 0,366 | 0,765 | 1,000 | 0,789 | 0,437 | 0,267 | 0,066 | 0,148 | 0,457 | 0,278 | 0,522 |
| H71                           | 0,609 | 0,674 | 0,604 | 0,609 | 0,563 | 0,729 | 0,789 | 1,000 | 0,524 | 0,319 | 0,499 | 0,495 | 0,364 | 0,278 | 0,658 |
| H72                           | 0,474 | 0,616 | 0,316 | 0,400 | 0,719 | 0,477 | 0,437 | 0,524 | 1,000 | 0,758 | 0,399 | 0,386 | 0,327 | 0,375 | 0,465 |
| H73                           | 0,644 | 0,619 | 0,312 | 0,642 | 0,637 | 0,416 | 0,267 | 0,319 | 0,758 | 1,000 | 0,484 | 0,526 | 0,397 | 0,382 | 0,565 |
| H74                           | 0,534 | 0,411 | 0,167 | 0,587 | 0,319 | 0,293 | 0,066 | 0,499 | 0,399 | 0,484 | 1,000 | 0,835 | 0,030 | 0,040 | 0,613 |
| H75                           | 0,636 | 0,484 | 0,267 | 0,687 | 0,458 | 0,442 | 0,148 | 0,495 | 0,386 | 0,526 | 0,835 | 1,000 | 0,242 | 0,234 | 0,697 |
| H76                           | 0,368 | 0,669 | 0,592 | 0,472 | 0,589 | 0,607 | 0,457 | 0,364 | 0,327 | 0,397 | 0,030 | 0,242 | 1,000 | 0,806 | 0,438 |
| H77                           | 0,283 | 0,630 | 0,676 | 0,343 | 0,615 | 0,364 | 0,278 | 0,278 | 0,375 | 0,382 | 0,040 | 0,234 | 0,806 | 1,000 | 0,384 |
| H78                           | 0,716 | 0,598 | 0,444 | 0,722 | 0,552 | 0,716 | 0,522 | 0,658 | 0,465 | 0,565 | 0,613 | 0,697 | 0,438 | 0,384 | 1,000 |

Items to be removed, having been identified by the experts on the pretest, were also taken into consideration. Both the pretest recommendations and pilot test results were analysed together, to further refine the scale.

- Revision of the instrument

The scale was prepared for final testing, after taking into account all feedback obtained from the experts, as well as the data analysis for reliability statistics and item correlations. The initial scale of 79 items was drastically reduced to 30 on the final scale (Table 3.1). That scale consisted of four of the initial five constructs, with construct RBHRA having been completely removed with all its items. The researcher was satisfied that a rigorous process had been followed to develop, validate and test the scale prior to undertaking the main study.

The refined instrument was therefore administered to the larger research sample to evaluate its psychometric properties and confirm validity of the proposed scale

### **3.6.3. Phase 3: Scale development (main study)**

Before proceeding, it seems appropriate to elucidate the process followed in the main study.

#### **3.6.3.1 Administer the research instrument (online questionnaire)**

With written consent from the SABPP research department, a link to the online questionnaire was emailed to the appointed gatekeeper, who forwarded an electronic invitation and consent form to participants registered on the board's database, within South Africa. The participants were informed of the aim of the study, the ethical considerations, and details regarding the timelines for completion. By accessing a hyperlink provided, the respondents were directed to the online questionnaire on Microsoft Forms. Data were collected over a period of six weeks and stored on Microsoft Forms, after which the data were downloaded for statistical analysis. Once the extracted data had been subjected to statistical analysis, the responses and any data relating to the study on Microsoft Forms were deleted.

#### **3.6.3.2 Case screening**

The collected data were analysed to identify any missing values, unresponsive participants, duplicate cases, and other inconsistencies in the documents.

#### **3.6.3.3 Sample profile**

The sample of responses was analysed in order to identify any inconsistencies and establish whether it constituted a fair representation of industries in South Africa. As expected, the majority of the respondents were registered with the SABPP at the HR professional level. A total of 230 respondents returned filled-out questionnaires.

#### **3.6.3.4 Item analysis (univariate analysis)**

A univariate analysis allowed the researcher to examine a single item at a time, so as to understand the general characteristics of that variable or item. This simple form of analysis of the raw data revealed an overview of each individual item. The analysis considered the mean, median and mode values in the dataset. The standard deviation, skewness and kurtosis were also analysed to understand the items' characteristics and identify any outliers.

#### 3.6.3.5 Assessing common method variance (Harman single-factor test | Single-factor CFA)

Method bias is considered a potential issue in behavioural research, and is often seen as a primary source of measurement errors. Such errors undermine the credibility of any conclusions drawn about the relationships between measures (Podsakoff et al., 2003). Harman's single-factor test (Einarsen et al., 2016; Podsakoff et al., 2003), a diagnostic method which researchers employ to address common method bias, was deemed applicable to the current study.

Harman's method for addressing common method bias operates on the assumption that if a single factor can account for the majority (50%+) of the variance in a data set, then common method variance is present, implying that a single factor accounts for the covariance amongst items.

#### 3.6.3.6 Exploratory factor analysis

Factor analysis was used to explore the underlying relationships amongst items on the instrument. In this instance, EFA served to assess the discriminant reliability, and evaluated the validity of the factor structure of the scale within the sample population. The EFA not only explored the structure of the data, and helped to characterise and understand the interrelationships among the measured variables, it also helped to ensure that the data aligned with the theoretical framework.

### 3.6.4 Phase 4: Scale validation

The following subsections explain the scale validation process.

#### 3.6.4.1 CFA (baseline | adjusted) (1st order, 2nd order)

CFA was used to assess the validity and reliability of the measurement model for the constructs HRG, HRR, EOL and EOC. It also served to ensure that the data fit the model, and represented the constructs they were supposed to measure. The model fit indices were examined to determine whether a new model would fit the data better.

#### 3.6.4.2 Assessing common method variance (common latent factor analysis)

The common latent factor (CLF) method involved introducing a CLF which accounted for the shared variance amongst all variables in the model. An unobservable construct was introduced to determine whether it improved the model fit, and whether common method bias existed.

#### 3.6.4.3 Invariance analysis (configural, metric, scalar)

An invariance analysis was conducted to determine whether the constructs behaved in the same way when measured across different groups. It was important to ensure that the conclusions drawn on group differences were not biased, based on how the constructs were measured. The process commenced with configural invariance to test whether the same factor held across groups. Metric and scalar invariance were supposed to follow, but this was not possible, as explained in Chapter 4.

#### 3.6.4.4 Construct description

Descriptive statistics were used to analyse and understand the distribution and central tendencies of the data pertaining to the constructs HRG, HRR, EOL and EOC. These were the final constructs retained for the study, post-pilot study. The mean, median and mode were analysed, as was the standard deviation, to understand its variability. Skewness provided clarification for the data distribution that was negatively or left-skewed.

#### 3.6.4.5 Group differences

For the comparative analysis of group differences, the demographic data were divided into two groups. In this instance, the demographic information requested of the respondents required them to state their level of registration with the SABPP, and the industry in which they operated. The level of registration was divided into Group 1 = HR professionals (undergraduate HR qualification) and Group 2 = Chartered and Master HR professionals (postgraduate HR qualification). The industry was grouped based on the value added, and the gross domestic product (GDP) results of the statistical survey for Quarter 1 of 2024 (Statistics South Africa [Stats SA], 2024). Group 1 comprised the greatest value-add industries in South Africa, being in excess of R1 000 000 for Q1 of 2024. These industries included engineering, manufacturing, food and beverages, education, information technology, retail, healthcare, and banking and financial services. Group 2 comprised value-added industries in South Africa below R1 000 000, for Q1 of 2024. Industries in this group

included building and construction, agriculture, automotive, mining and energy. For the analysis and findings, see Chapter 4.

#### 3.6.4.6 Scale validation

For the validation of the scale and the findings that support the scale, see Chapter 4, which includes the integration of the research results and interpretation of the findings. The reliability and validity of the RBHRA scale is substantiated and further linked to the literature, while the research questions pertaining to scale development are also addressed there.

### 3.7 ETHICAL CONSIDERATIONS

In the process of compiling the research questionnaire and rolling out the study, the researcher undertook to ensure that suitable and acceptable conduct steered her actions towards achieving superior and high-quality scientific research (Saunders et al., 2019; Unisa, 2016). To further guarantee compliance with professional and legal requirements, adherence to ethical principles was observed in accordance with the stipulations of Unisa's ethics policy (Gray, 2014; Unisa, 2016).

In Chapter 4, the focus is on systematically addressing the findings stemming from an analysis of the research data collected.

## **CHAPTER 4**

### **RESEARCH RESULTS**

#### **4.1. INTRODUCTION**

In chapters 1, 2 and 3, an introduction was provided with an overview and a justification for the study reported on here. The literature review was pivotal in affording theoretical insights into the development of the relevant constructs and items for the proposed research scale. The elements of HRG and risk were scrutinised and discussed in detail. The development of the research scale and the process followed to confirm validity were explained in depth, along with the unfolding of the pilot study and the undertaking of expert reviews. The scale development process was guided by recommendations contained in studies by du Plessis (2018), Boateng et al. (2018), Barry et al. (2011) and Lee et al. (2013), as discussed in Chapter 3.

Chapter 4 marks an interesting aspect of this study, as the results of the actual data provided by the respondents are processed and analysed here. The interpretations of the results and findings are presented in a systematic manner, commencing with the scale items and concluding with a presentation of the research results.

#### **4.2. SCALE ITEMS**

The development of the scale items commenced with the literature review, as discussed in Chapter 2, followed by expert reviews and a pilot study. Following a thorough review of the literature, the main focus areas or constructs were conceptualised, in line with the scope of good corporate governance and the King IV (IoDSA, 2016) guidelines. HRG (section 2.3), HRR (section 2.4), EOL (section 2.4), and EOC (section 2.5) emerged as the four main constructs in the final scale. The initial scale of 79 items was reduced to 30 items for the final scale that was distributed, the items having been considered relevant and as accurately representing the applicable constructs, while collectively representing the concept of governance (see Table 4.1; Annexure E).

The five-point Likert scale ratings were 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly agree. The extent to which respondents agreed or disagreed with each of the items, was an indication of the value of the governance measures implemented. In their opinion, those who strongly disagreed, disagreed or provided a neutral response would indicate that a risk element was present. Although a risk element could be observed, it did not necessarily imply that no governance measures were in place, but could mean that the respondents may have been unaware of what bulwarks the organisation had in place, as the scale purely measured perceptions. When constructing the scale, the composition and psychometric properties of items were taken into consideration. Feedback from the expert reviews also assisted in ensuring that methodological and conceptual issues were avoided, as proposed by du Plessis (2018) and Belingiray et al, (2024).

Table 4.1: Final items included in the RBHRA questionnaire

|                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------|
| <b>HR GOVERNANCE (Internal controls – policies/procedures) (HRG)</b>                                                               |
| [H1] Effective HR governance measures are implemented                                                                              |
| [H2] HR auditing is part of the governance process to ensure effective compliance to HR policies and procedures                    |
| [H3] Employees are made aware of HR governance policies and procedures                                                             |
| [H4] HR governance is driven from a senior management level                                                                        |
| [H5] HR governance, risk and compliance structures, processes and practices are in accordance with corporate governance principles |
| [H6] Employees are encouraged to participate in HR governance initiatives                                                          |
| [H7] HR controls, quality and consistency are applied for sound HR governance                                                      |
|                                                                                                                                    |
| <b>HR RISKS (Risk identification, awareness and mitigation) (HRR)</b>                                                              |
| [H8] Effective HR risk management systems are in place to manage HRR                                                               |
| [H9] All employees are made aware of the process of reporting HRR                                                                  |
| [H10] HR risk management systems are continuously revised for improvement                                                          |
| [H11] All employees are sensitised about prevalent HRRs                                                                            |
| [H12] Managing HR risks is a high priority                                                                                         |
| [H13] The organisational strategy supports the management of HRRs                                                                  |
| [H14] HR professionals are instrumental in identifying HRRs                                                                        |
| [H15] My organisation understands the importance of managing HRRs effectively                                                      |
|                                                                                                                                    |
| <b>ETHICAL ORGANISATIONAL LEADERSHIP (EOL)</b>                                                                                     |
| [H16] Leaders promote doing things the right way                                                                                   |
| [H17] Ethical leadership is enforced                                                                                               |
| [H18] Leaders are role models of ethical behaviour                                                                                 |
| [H19] Leaders are held accountable for the ethical execution of their duties                                                       |
| [H20] Leaders discuss ethical expectations with employees                                                                          |
| [H21] Leaders accept the consequences of their actions                                                                             |
| [H22] Leaders understand and communicate organisational values to all employees                                                    |
|                                                                                                                                    |

| <b>ETHICAL ORGANISATIONAL CULTURE (EOC)</b> |                                                                          |
|---------------------------------------------|--------------------------------------------------------------------------|
| [H23]                                       | Leaders cultivate ethical behaviours                                     |
| [H24]                                       | Management takes accountability for their actions                        |
| [H25]                                       | Ethical issues are addressed with all stakeholders                       |
| [H26]                                       | Unethical behaviour is addressed by consequence management processes     |
| [H27]                                       | Employees who report unethical behaviour are protected                   |
| [H28]                                       | Employees are rewarded for ethical behaviours displayed in the workplace |
| [H29]                                       | Employees are made aware of the organisational ethics policies           |
| [H30]                                       | Employees comply with the organisational ethics policies                 |

#### **4.2.1. Scale screening**

The total number cases for this study was  $n = 230$ . The case screening process was used to assess three main aspects of the study, namely missing values, unengaged or careless responses and duplicate cases.

#### **4.2.2. Missing value analysis**

First, the dataset was scrutinised for any missing values. Missing values can occur due to voluntary participation in a survey, as respondents may not feel compelled to answer every question. Any missing responses would raise concerns about the validity of the data or the appropriateness of the respondents – aspects which are especially critical for surveys measuring opinions and perceptions (García et al., 2015). As expected, the dataset did not present any blank cells, therefore no cases were observed with missing values.

#### **4.2.3. Unengaged or careless responses**

The strategy applied in the scale development process commenced in the early stages of the design phase for data-collection purposes, and included the pilot study. Careful consideration was given to the selection of the sample population. For that reason, it was expected that respondents would answer all the items in the questionnaire. No cases were identified with zero standard deviation, therefore there were no unengaged or careless responses. All responses were therefore deemed valid and were retained for analysis.

#### **4.2.4. Duplicate cases (all variables)**

An analysis of the dataset revealed 48 duplicate cases. When these were analysed, the researcher observed that the respondents did not necessarily rate the items the same, merely in a similar way. Thus, respondents from within a particular industry tended to share

similar views. The rationale presented is that respondents within the same industry could identify similarly with the items in the scale, therefore their level of agreement or disagreement would most likely correspond. These cases were considered valid responses and retained for analysis. Furthermore, aligning with the main objective of this study, the sample profile was determined in the context of the development of the scale, which might not have been indicative of the target audience considered when the questionnaire is tested for research purposes at the organisational level.

### 4.3. SAMPLE PROFILE

Suitable respondents for this study were identified and selected based on their registration with the SABPP at either the practitioner, chartered or Master level. In addition, they hailed from different industry sectors within South Africa. The final sample was deemed a reasonable and appropriate selection for the purposes of developing and expanding on the research scale used in this study. To develop the RBHRA scale, personal and other demographic details were not considered at this stage, but forthcoming studies might consider including such demographics for a more robust analysis.

Table 4.2 indicates the total number of respondents participating in the study, as well as the various industries in which they were employed at the time, and their corresponding levels of professional registration. The majority (71.3%) were registered with the SABPP as HR professionals, which was to be expected, as the total population registered at the HR professional level exceeded 3 000 at the time when this study was conducted. Chartered (20.0%) and Master (8.7%) HR professional registrations were in the region of 1 500 and 500 respectively.

Table 4.2: Sample characteristics by professional registration and industry

|                                         |                           | Type of industry in which my organisation resorts |             |            |                                |                           |           |        |             |                    |            |                        |               |        |        |        |        |
|-----------------------------------------|---------------------------|---------------------------------------------------|-------------|------------|--------------------------------|---------------------------|-----------|--------|-------------|--------------------|------------|------------------------|---------------|--------|--------|--------|--------|
|                                         |                           |                                                   | Agriculture | Automotive | Banking and financial services | Building and construction | Education | Energy | Engineering | Food and beverages | Healthcare | Information technology | Manufacturing | Mining | Other  | Retail | Total  |
| My professional registration with SABPP | HR Professional           | n                                                 | 7           | 5          | 7                              | 10                        | 22        | 36     | 8           | 5                  | 9          | 7                      | 16            | 9      | 16     | 7      | 164    |
|                                         |                           | %                                                 | 77.8%       | 71.4%      | 63.6%                          | 71.4%                     | 62.9%     | 73.5%  | 61.5%       | 100.0%             | 90.0%      | 46.7%                  | 72.7%         | 81.8%  | 76.2%  | 87.5%  | 71.3%  |
|                                         | Chartered HR Professional | n                                                 | 2           | 2          | 1                              | 2                         | 6         | 12     | 3           |                    |            | 8                      | 4             | 2      | 3      | 1      | 46     |
|                                         |                           | %                                                 | 22.2%       | 28.6%      | 9.1%                           | 14.3%                     | 17.1%     | 24.5%  | 23.1%       |                    |            | 53.3%                  | 18.2%         | 18.2%  | 14.3%  | 12.5%  | 20.0%  |
|                                         | Master HR Professional    | n                                                 |             |            | 3                              | 2                         | 7         | 1      | 2           |                    | 1          |                        | 2             |        | 2      |        | 20     |
|                                         |                           | %                                                 |             |            | 27.3%                          | 14.3%                     | 20.0%     | 2.0%   | 15.4%       |                    | 10.0%      |                        | 9.1%          |        | 9.5%   |        | 8.7%   |
| Total                                   |                           | n                                                 | 9           | 7          | 11                             | 14                        | 35        | 49     | 13          | 5                  | 10         | 15                     | 22            | 11     | 21     | 8      | 230    |
|                                         |                           | %                                                 | 100.0%      | 100.0%     | 100.0%                         | 100.0%                    | 100.0%    | 100.0% | 100.0%      | 100.0%             | 100.0%     | 100.0%                 | 100.0%        | 100.0% | 100.0% | 100.0% | 100.0% |

As the data indicate, the highest number of responses were received from the energy sector (49), followed by education (35). In the manufacturing sector there were 22 respondents, while “other” (various sectors that do not fall into one of the main sectors listed in the study) totalled 21. The lowest number of responses were received from the automotive sector (7), and food and beverages (5). These figures might not necessarily mean that employees in these sectors opted not to participate – it could merely mean they might not have been registered at one of the professional levels, which excluded them from the study.

#### **4.4. ITEM ANALYSIS (FREQUENCIES & DESCRIPTIVE STATISTICS)**

This section addresses the first five research objectives as they relate to the four areas or constructs that emerged from the study, namely corporate governance, HRRs, EOL and EOC. The respondents were requested to rate 30 statements on a five-point Likert scale (for an analysis of the responses, see Table 4.3). Higher levels of agreement indicate a positive perception of effective governance controls and risk management in a particular industry, while levels of disagreement indicate a negative perception. In a simplified presentation of the data, “Strongly disagree” and “Disagree” were combined to reflect as “Disagree”. Similarly, “Strongly agree” and “Agree” scores were combined to reflect as “Agree”.

The mean (M) and SD scores reported on in Table 4.3 clarify the extent of the respondents’ agreement, and the dispersion of scores pertaining to the mean: while higher mean scores indicate more favourable employee perceptions, a higher SD suggests greater variability in responses, which is indicative of differing opinions among the respondents.

High percentages in the top 2 box columns suggest strong agreement or disagreement with the statements, which is indicative of areas where an organisation was performing well or not as well. By analysing these statistics, it is possible to identify their strengths and areas for improvement in HR governance, risk management, ethical leadership and ethical culture practices. This will help management make informed decisions aimed at enhancing their overall organisational risk management practices.

Table 4.3: Item frequencies and descriptive statistics of the RBHRA scale

| Item                                                                                                                               |   | Mean | Std. Deviation | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Top 2-box                    |                        |
|------------------------------------------------------------------------------------------------------------------------------------|---|------|----------------|-------------------|----------|---------|-------|----------------|------------------------------|------------------------|
|                                                                                                                                    |   |      |                |                   |          |         |       |                | Strongly Disagree   Disagree | Strongly agree   Agree |
| [H1] Effective HR governance measures are implemented                                                                              | % | 3.73 | 0.959          | 2.6%              | 11.3%    | 13.0%   | 56.1% | 17.0%          | 13.9%                        | 73.0%                  |
| [H2] HR auditing is part of the governance process to ensure effective compliance to HR policies and procedures                    | % | 3.81 | 1.097          | 3.5%              | 14.8%    | 6.1%    | 48.7% | 27.0%          | 18.3%                        | 75.7%                  |
| [H3] Employees are made aware of HR governance policies and procedures                                                             | % | 3.65 | 1.142          | 4.3%              | 17.4%    | 10.4%   | 44.8% | 23.0%          | 21.7%                        | 67.8%                  |
| [H4] HR governance is driven from a senior management level                                                                        | % | 3.67 | 1.138          | 5.7%              | 12.6%    | 14.3%   | 43.5% | 23.9%          | 18.3%                        | 67.4%                  |
| [H5] HR governance, risk and compliance structures, processes and practices are in accordance with corporate governance principles | % | 3.59 | 1.121          | 4.3%              | 16.1%    | 17.0%   | 41.3% | 21.3%          | 20.4%                        | 62.6%                  |
| [H6] Employees are encouraged to participate in HR governance initiatives                                                          | % | 3.33 | 1.195          | 7.0%              | 22.6%    | 17.4%   | 36.5% | 16.5%          | 29.6%                        | 53.0%                  |
| [H7] HR controls, quality and consistency are applied for sound HR governance                                                      | % | 3.59 | 1.128          | 3.9%              | 18.7%    | 12.6%   | 43.9% | 20.9%          | 22.6%                        | 64.8%                  |
| [H8] Effective HR risk management systems are in place to manage HR risk                                                           | % | 3.41 | 1.105          | 6.5%              | 17.0%    | 17.8%   | 46.5% | 12.2%          | 23.5%                        | 58.7%                  |
| [H9] All employees are made aware of the process of reporting HR risks                                                             | % | 3.18 | 1.160          | 7.4%              | 26.5%    | 17.4%   | 37.8% | 10.9%          | 33.9%                        | 48.7%                  |
| [H10] HR risk management systems are continuously revised for improvement                                                          | % | 3.27 | 1.167          | 7.0%              | 22.6%    | 20.9%   | 35.2% | 14.3%          | 29.6%                        | 49.6%                  |
| [H11] All employees are sensitised about prevalent HR risks                                                                        | % | 3.03 | 1.214          | 11.7%             | 25.7%    | 20.9%   | 30.9% | 10.9%          | 37.4%                        | 41.7%                  |
| [H12] Managing HR risks is a high priority                                                                                         | % | 3.48 | 1.260          | 8.3%              | 18.7%    | 12.6%   | 37.4% | 23.0%          | 27.0%                        | 60.4%                  |
| [H13] The organisational strategy supports the management of HR risks                                                              | % | 3.59 | 1.113          | 7.0%              | 11.3%    | 15.2%   | 49.1% | 17.4%          | 18.3%                        | 66.5%                  |
| [H14] HR professionals are instrumental in identifying HR risks                                                                    | % | 3.76 | 1.193          | 7.0%              | 11.7%    | 8.7%    | 43.5% | 29.1%          | 18.7%                        | 72.6%                  |
| [H15] My organisation understands the importance of managing HR risks effectively                                                  | % | 3.48 | 1.203          | 9.1%              | 13.5%    | 16.5%   | 42.2% | 18.7%          | 22.6%                        | 60.9%                  |
| [H16] Leaders promote doing things the right way                                                                                   | % | 3.60 | 1.181          | 5.7%              | 17.8%    | 10.4%   | 43.5% | 22.6%          | 23.5%                        | 66.1%                  |
| [H17] Ethical leadership is enforced                                                                                               | % | 3.45 | 1.187          | 7.8%              | 16.5%    | 16.5%   | 41.3% | 17.8%          | 24.3%                        | 59.1%                  |
| [H18] Leaders are role models of ethical behaviour                                                                                 | % | 3.26 | 1.240          | 10.0%             | 20.4%    | 19.6%   | 33.5% | 16.5%          | 30.4%                        | 50.0%                  |
| [H19] Leaders are held accountable for the ethical execution of their duties                                                       | % | 3.31 | 1.238          | 7.8%              | 23.0%    | 18.7%   | 31.3% | 19.1%          | 30.9%                        | 50.4%                  |
| [H20] Leaders discuss ethical expectations with employees                                                                          | % | 3.33 | 1.255          | 10.9%             | 18.3%    | 14.8%   | 39.6% | 16.5%          | 29.1%                        | 56.1%                  |
| [H21] Leaders accept the consequences of their actions                                                                             | % | 3.12 | 1.236          | 11.3%             | 22.6%    | 23.5%   | 28.3% | 14.3%          | 33.9%                        | 42.6%                  |
| [H22] Leaders understand and communicate organisational values to all employees                                                    | % | 3.52 | 1.203          | 7.0%              | 18.3%    | 11.3%   | 43.0% | 20.4%          | 25.2%                        | 63.5%                  |
| [H23] Leaders cultivate ethical behaviours                                                                                         | % | 3.29 | 1.177          | 7.8%              | 21.3%    | 18.7%   | 38.3% | 13.9%          | 29.1%                        | 52.2%                  |
| [H24] Management takes accountability for their actions                                                                            | % | 3.17 | 1.222          | 11.3%             | 19.1%    | 25.7%   | 29.6% | 14.3%          | 30.4%                        | 43.9%                  |
| [H25] Ethical issues are addressed with all stakeholders                                                                           | % | 3.26 | 1.229          | 10.9%             | 17.8%    | 21.3%   | 34.8% | 15.2%          | 28.7%                        | 50.0%                  |
| [H26] Unethical behaviour is addressed by consequence management processes                                                         | % | 3.31 | 1.196          | 9.6%              | 16.5%    | 22.2%   | 36.5% | 15.2%          | 26.1%                        | 51.7%                  |
| [H27] Employees who report unethical behaviour are protected                                                                       | % | 2.98 | 1.266          | 14.3%             | 26.1%    | 18.7%   | 29.1% | 11.7%          | 40.4%                        | 40.9%                  |
| [H28] Employees are rewarded for ethical behaviours displayed in the workplace                                                     | % | 2.69 | 1.169          | 17.4%             | 30.4%    | 23.5%   | 23.0% | 5.7%           | 47.8%                        | 28.7%                  |
| [H29] Employees are made aware of the organisational ethics policies                                                               | % | 3.78 | 1.005          | 3.9%              | 8.7%     | 13.9%   | 52.2% | 21.3%          | 12.6%                        | 73.5%                  |
| [H30] Employees comply with the organisational ethics policies                                                                     | % | 3.28 | 1.094          | 6.1%              | 18.3%    | 30.4%   | 32.2% | 13.0%          | 24.3%                        | 45.2%                  |

The observations made from the data collected from the respondents indicated that the mean values ranged between  $M = 2.69$  and  $M = 3.81$ , and the variability presented by the SD ranged between 0.95 and 1.26. On average, 26.4 per cent of the respondents disagreed or strongly disagreed with all the statements, while the majority (56.5%) agreed or strongly agreed. Overall, the results reflected higher levels of agreement amongst respondents that managing HRRs is important, and, furthermore, need to be supported by good governance strategies, ethical leadership and an ethical culture.

Examining the outcomes of individual statements led to a much deeper understanding of the results. A high mean score ( $M = 3.73$ ) and a significant percentage (73.0%) in the top 2 box indicates that most employees believed effective HRG measures were in place. The  $SD = 0.95$  also suggested greater consensus amongst the respondents with regard to this item. This could be because of HR auditing measures being implemented to improve compliance with policies, procedures and practices in the industry, as suggested by the highest mean

( $M = 3.81$ ) and strongest agreement (75.7%) amongst the respondents. Although good-quality and consistent HRG controls are aligned to corporate governance principles for good governance, are driven from a senior management level and shared with employees, more than 30 per cent of the respondents (who disagreed or were neutral), were not in complete agreement. These perceptions could have a negative impact on organisations in an industry which lacks proper governance controls, thereby compromising their reputation and sustainability. One of the benefits of good governance is enhanced stakeholder relations and trust, as well as risk resilience. Employers should consider establishing better ways of encouraging employees to participate in HRG initiatives, as indicated by almost 29 per cent of respondents who did not feel sufficiently empowered to participate in HRG initiatives. Encouraging employee participation and fostering engagement could help to improve other areas of HRG and risk management.

Consideration was also given to the high proportion of neutral responses, which suggested that these items were not necessarily important to the respondents, or that their perceptions on the state of their organisation were not as positive as they should be. There was also a fairly equal distribution between the “Agree” and “Disagree” responses, with a proportion (41.7%) agreeing that all employees were sensitised about prevalent risks in their respective organisations, and 37.4 per cent disagreeing. This could mean that some organisations implemented a clear approach that included all employees, while others would need to further investigate their approach and adopt a strategy that is inclusive of all employees.

While a majority agreed on the importance of having effective HR risk management systems in place (H8), the lower mean ( $M = 3.41$ ) and higher standard deviation ( $SD = 1.10$ ) indicated a greater variability in responses. This lower mean and higher disagreement (H9) suggested a need for better communication about HR risk reporting processes. This finding aligns with the results of H11, where 58.3 per cent of respondents (a combination of the “Disagree” and “Neutral” responses) suggested that, as a rule, employees are not made aware of the HRRs confronting their organisations. This links back to poor communication and a lack of awareness of the HRR practices which are in place, as well as any potential risks. Presenting simple awareness-raising programmes could drastically improve the results in these areas, thereby placing the organisation in a position to become more risk resilient and proactive in terms of risk management.

A relatively high mean and top 2 box percentage indicated the respondents' positive perceptions of leadership in promoting ethical behaviours (H16) by doing things the right way, yet there was some variability ( $SD = 1.187$ ; item H17) in perceptions that ethical leadership was being enforced.

The top 2 box score indicated that 52.2 per cent of respondents agreed that leaders in their organisations cultivated ethical behaviours, but the relatively high  $SD$  of 1.17 indicated some variability in the respondents' opinions. Only 42.9 per cent felt that management took accountability, which suggests that there is significant room for improvement in this area. A culture of accountability improves risk management, therefore leading by example is vital for building strong, resilient, low-risk organisations.

Attention is drawn to the two items with the lowest mean scores in the dataset. H27 had a mean score of 2.98, which indicates general dissatisfaction with the protection accorded employees who report unethical behaviour. Only 40.9 per cent of respondents signalled their agreement with this statement, which signifies that more than half did not report unethical behaviour which they observed, for fear of placing themselves at risk and not being protected by their employer. This observation could be an indication of the reason for increased fraud and corruption-driven activities within organisations. It may substantiate the need for the protection of employees to be documented in whistle-blowing procedures, or even the establishment of such procedures, should they not exist in organisations.

Another significant observation is that the lowest mean score was recorded on item H28 ( $M = 2.69$ ). The highest level of disagreement (47.8%) (excluding neutral responses = 23.5%), suggested that rewarding ethical behaviour was an area requiring significant improvement. The results also reflected a strong awareness of organisational ethics-related policies among employees, yet fewer than half of the respondents agreed that employees comply with policies on ethics. This suggests that while awareness levels are high, compliance might still be an issue.

When used in the context of organisations, the RBHRA scale will assist in identifying strengths and areas for improvement in HRG, risk management, ethical behaviours and leadership practices.

#### **4.5. ASSESSING COMMON METHOD VARIANCE**

As Fuller et al. (2016, p. 3192) note, common method variance (CMV) occurs “when responses systematically vary because of the use of a common scaling approach on measures derived from a single data source. CMV biases results when the so-called method, as a causal factor, meaningfully distorts substantively driven causal effects.” This means that the survey results are affected not by what is to be measured, but by the way in which the data are collected. In this study, a cross-sectional research design approach was adopted, and a common data-collection method was used to obtain research data from respondents by means of an online questionnaire at one point in time. It is therefore likely that CMV occurred when a common (or the same) technique was used to measure multiple variables even though they were not directly related to the independent and dependent variables. According to Podsakoff et al. (2012), CMV has the potential to make an impact on the empirical results and integrity of a study.

The length of a questionnaire could affect respondents' attitudes, based on response style (Baumgartner & Steenkamp, 2001) or may contribute to response bias as a result of boredom or response fatigue (Hinkin et al., 1997). To minimise this possibility, the items in the scale developed for this study were reduced from 78 to 30, following a rigorous process adopted to refine the research scale (see Chapter 3). The anonymous questionnaire was clear and simple for respondents to understand. Care was taken to eliminate ambiguity and keep the questionnaire concise.

It is assumed that if a substantial degree of CMV is present, then a single factor will emerge from an EFA (due to inflated correlation between items), or a single factor model will show good fit in CFA (due to most of the covariance being explained by a single latent factor).

The statistical technique employed to identify CMV, was Harman's (Podsakoff et al., 2003) single-factor test. The data were subjected to an EFA where all items were forced into a single factor without any rotation. This approach addressed the intention of the researcher, in the sense that when designing the instrument, not one but four distinct constructs had to be measured, based on the theoretical constructs identified in the development of the RBHRA scale. These factors were HRG, HRR, EOL and EOC. However, if a single factor was found to account for more than 50 per cent of the variance, then CMV was present

(Eichhorn, 2014) – this threshold is commonly accepted in the scientific community, but is not a fixed rule. Although Harman’s single-factor test found a single latent factor accounting for 54 per cent of the total variance, this finding should be interpreted within the broader context of the CMV assessment rather than in isolation. The result suggests a degree of shared variance that could be associated with the common data collection method, it does not provide conclusive evidence that the method bias is responsible for the observed relationships. The fit indices demonstrated that data were better represented by a multi-factor model rather than a single-factor model. The findings indicate that some degree of common method bias cannot be entirely dismissed and could still be a concern, however it is unlikely to be substantial enough to undermine the validity of the study’s conclusions. A summary of the results to assess CMV and model fit is presented in Table 4.4.

Table 4.4: Testing for common method variance – fit indices of a single-factor model

| Measurement Instrument | Harman's single-factor test | Confirmatory factor analysis (single-factor model) |          | Prescribed threshold                                               | Interpretation            |
|------------------------|-----------------------------|----------------------------------------------------|----------|--------------------------------------------------------------------|---------------------------|
| RBHRA Scale            | 54.32                       | CMIN                                               | 2199.03  |                                                                    | High – poor fit           |
|                        |                             | df                                                 | 405      |                                                                    |                           |
|                        |                             | CMIN/df                                            | 5.43     | < 5 = Sometimes permissible                                        | Poor fit                  |
|                        |                             |                                                    |          |                                                                    |                           |
|                        |                             | GFI                                                | 0.499    | > 0.90                                                             | Very poor fit             |
|                        |                             | AGFI                                               | 0.425    | > 0.90                                                             | Very poor fit             |
|                        |                             | NFI                                                | 0.669    | ≥ 0.90                                                             | Poor fit                  |
|                        |                             | TLI                                                | 0.69     | ≥ 0.90                                                             | Poor fit                  |
|                        |                             |                                                    |          | > 0.95 = Great > 0.90 = Traditional > 0.80 = Sometimes permissible | Poor fit                  |
|                        |                             | CFI                                                | 0.711    |                                                                    |                           |
|                        |                             | RMSEA                                              | 0.139    | ≤ 0.06                                                             | Very poor fit             |
|                        |                             | SRMR                                               | 0.084    | ≤ 0.08                                                             | Slightly above acceptable |
|                        |                             | AIC                                                | 2319.03  |                                                                    | Lower values are better   |
|                        |                             | BIC                                                | 2525.315 |                                                                    | Lower values are better   |

Note: AIC = Akaike information criterion, BIC = Bayesian information criterion, CFI = Comparative fit index, RMSEA = Root mean square error of approximation, SRMR = Standardized root mean square residual.

Due to the nature of the research design, the RBHRA scale was analysed for CMV by means of Harman's (Podsakoff et al., 2003) single-factor test and the one-factor CFA. The fit indices of the RBHRA indicated a poor model fit. The ratio of the square minimum divided by the degree of freedom (CMIN/df) = 5.4, whereas the somewhat permissible threshold was below 5. The goodness fit index (GFI) = 0.5, compared to the threshold of > 0.9. The augmented global fit index (AGFI) = 0.43, in comparison to the accepted > 0.90. Evidence from Harman's single-factor test and CFA clearly indicate that a single model was not supported. In addition, CMV was not a potential threat to the research findings and scale development. A similar approach was used in studies by Coetzee et al. (2021), Deas (2017), and Podsakoff et al. (2003). A poor model fit supports the argument that CMV does not pose a serious threat to the validity of the findings, and a single-factor model is not supported.

#### **4.6. ASSESSING INTERNAL CONSISTENCY RELIABILITY**

The reliability of the scale was analysed using Cronbach's alpha, inter-item correlations and corrected item-total correlations (see Table 4.5). The Cronbach alpha coefficients for the RBHRA scale and sub-constructs were relatively high – above the acceptable threshold of 0.7, as recommended by Pallant (2011) and DeVellis (2017). Although Lance et al. (2006) have concerns that 0.7 indicates modest reliability, this study reported Cronbach's alpha values of over 0.9, namely HRG ( $\alpha = 0.90$ ); HRR ( $\alpha = 0.93$ ); EOL ( $\alpha = 0.94$ ); and EOC ( $\alpha = 0.91$ ), and an overall alpha coefficient for the scale of  $\alpha = 0.91$ . An alpha coefficient above 0.9 indicates good internal consistency, according to Hair et al. (2014), thus confirming the reliability of the RBRHA scale.

The results of the inter-item correlations and corrected inter-item correlations for all the sub-scales were above 0.3, which is considered acceptable, in the view of Pallant (2011). Anything between 0.3 and 0.5 indicates good internal consistency. Values > 0.50 and < 0.80 indicate a strong relationship, providing a clear indication that the scale is reliable in terms of consistency and correlation between the items in the scale. In addition to the statistics, the design, literature review, expert reviews and pilot testing were initially done to ensure that the items and constructs fell within the scope of the study. Furthermore, 0.4–0.7 is

deemed an ideal range for focused constructs (Clark & Watson, 1995; Nunnally, 1978), and this was the case in the present study. That creates a balance between internal consistency and uniqueness. Items might overlap to measure a construct but not too extensively, so that redundancy occurs (Le et al., 2010). The scale developed for the purpose of this study can thus be used to calculate an overall risk score that will provide an indication of whether there are risks, or not.

Table 4.5: Reliability statistics and correlations of the RBHRA scale

|       | Cronbach's alpha | Cronbach's alpha based on standardised items | N of items | Inter-item correlations | Corrected item-total correlation |
|-------|------------------|----------------------------------------------|------------|-------------------------|----------------------------------|
| HRG   | 0.906            | 0.907                                        | 7          | 0.582                   | 0.756                            |
| HRR   | 0.931            | 0.931                                        | 8          | 0.629                   | 0.836                            |
| EOL   | 0.941            | 0.941                                        | 7          | 0.695                   | 0.831                            |
| EOC   | 0.917            | 0.916                                        | 8          | 0.578                   | 0.830                            |
| RBHRA | 0.918            | 0.918                                        |            |                         |                                  |

## 4.7. CONFIRMATORY FACTOR ANALYSIS – MULTIFACTOR ANALYSIS

Construct validity confirms the internal consistency of the measure of each construct. A CFA was conducted to confirm whether the items adequately represent the constructs they intended to measure.

### 4.7.1. Construct validity of the RBHRA scale

CR values of 0.7 or higher denote good reliability (Alarcó & Sánchez, 2015). In addition, an average variance extracted (AVE) above 0.5 is required for convergent validity to be achieved for each of the constructs (Pasamar et al., 2020). Notably, 0.7 or higher (Alarcó & Sánchez, 2015; Fornell & Larcker, 1981) indicates very good convergent or internal consistency. A study of the results reported in Table 4.6 revealed that all constructs reflected values above the desired threshold: HRG (CR = 0.9; AVE = 0.6); HRR (CR = 0.9; AVE = 0.6); EOL (CR = 0.9; AVE = 0.7) and EOC (CR = 0.9; AVE = 0.6). This suggests that convergent validity between the constructs was achieved. The findings compare favourably to the study by Yu et al. (2021), who reported AVE values of between 0.50 and 0.62.

Table 4.6: Validity analysis of the RBHRA scale

| Construct | CR    | AVE   | N of items |
|-----------|-------|-------|------------|
| HRG       | 0.908 | 0.586 | 7          |
| HRR       | 0.932 | 0.632 | 8          |
| EOL       | 0.942 | 0.701 | 7          |
| EOC       | 0.917 | 0.582 | 8          |

#### 4.7.2. Model fit statistics for the RBHRA scale

The fit indices for the CFA multifactor 1<sup>st</sup> original, CFA multifactor 1<sup>st</sup> adjusted and CFA multifactor 2<sup>nd</sup> adjusted models were analysed to determine whether a new model would be a better fit. The 1<sup>st</sup> and 2<sup>nd</sup> adjusted models (see Table 4.7) demonstrated slightly higher goodness-of-fit index (GFI), normed fit index (NFI) and Tucker-Lewis index (TLI) values than the original. However, the statistics were purely for comparing models, as the CR and AVE of the original model (see Table 4.6) was an acceptable measure for convergent validity.

Table 4.7: CFA multifactor model fit statistics

|                              | CMIN         | df      | CMIN/<br>df | GFI       | AGF<br>I  | NFI       | TLI       | CFI       | RMSE<br>A | SRM<br>R   | AIC          | BIC         |
|------------------------------|--------------|---------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--------------|-------------|
| CFA multifactor 1st original | 1375,6<br>57 | 39<br>9 | 3,448       | 0,72<br>7 | 0,68<br>1 | 0,79<br>3 | 0,82<br>9 | 0,84<br>3 | 0,103     | 0,060<br>4 | 1507,6<br>57 | 1734,<br>57 |
| CFA multifactor 1st adjusted | 582,85       | 20<br>3 | 2,871       | 0,82<br>6 | 0,78<br>3 | 0,86<br>6 | 0,89<br>5 | 0,90<br>8 | 0,09      | 0,042<br>9 | 682,85       | 854,7<br>54 |
| CFA multifactor 2nd adjusted | 666,67<br>7  | 20<br>5 | 3,252       | 0,80<br>6 | 0,76<br>1 | 0,84<br>7 | 0,87<br>4 | 0,88<br>8 | 0,099     | 0,064<br>6 | 762,67<br>7  | 927,7<br>05 |

When assessing discriminant validity, it was noted that scholars have found critical flaws, therefore Henseler et al. (2015) propose using an alternative approach, namely the heterotrait–monotrait (HTMT) analysis (see Table 4.8).

In analysing the ratios of the correlations within a construct, the ratios indicated the average correlations of the items HRG and EOL = 0.64; HRG and HRR = 0.81; EOL and HRR = 0.74; HRG and EOC = 0.65; HRR and EOC = 0.72. A slight challenge was identified with EOL and EOC = 0.87, which suggested an overlap of items between these constructs. The accepted threshold is 0.85 for strict and 0.90 for liberal discriminant validity, where constructs are conceptually very similar (Hair et al., 2021; Henseler et al., 2015). This threshold has been debated by scholars, where some suggest 0.85 (Clark & Watson 1995; Kline 2011), and others propose a threshold of 0.90 (Gold et al., 2001). Removing some of

the items may improve model fit, however these constructs have been developed through a rigorous process of literature review, expert reviews and a pilot study. Theoretically, this is still a reasonable approach that serves to identify risk factors in the industry. Removing additional items may shorten the constructs and lose the essence of distinguishing between them. Furthermore, both constructs relate to corporate governance and risk, and this falls within the scope of the present study.

Table 4.8: Heterotrait–monotrait analysis

|     | HRG   | EOL   | HRR   | EOC |
|-----|-------|-------|-------|-----|
| HRG |       |       |       |     |
| EOL | 0.642 |       |       |     |
| HRR | 0.809 | 0.738 |       |     |
| EOC | 0.647 | 0.871 | 0.726 |     |

#### 4.8. ASSESSING COMMON METHOD VARIANCE (LATENT FACTOR)

The purpose of assessing CMV is to determine the variance attributed by the measurement method, not the constructs represented (Podsakoff et al., 2003).

To prevent common method variance, care was taken to ensure that the survey was anonymous, items were refined and improved, double-barrelled questions were avoided, respondents were selected with sufficient experience to address each measure, the instrument was pre-tested by a group of experts in the field, and the questionnaire was straightforward and simple to understand.

Similar to Harman’s (Podsakoff et al., 2003) single-factor analysis, where all items relate to a common factor, a technique is used to model a new latent factor so that the variance of the common factor is forced to 1 (see Figure 4.1). A value of 0.90 was obtained in comparison to the threshold of 50% (Eichhorn, 2014). This implies that common method variance existed, yet looking at the industries with the most respondents (energy = 49, education = 35), this suggests that participants from the dominant industries had a keen interest in the concept of risk management. Respondents from the education sector would have had an interest in new knowledge gained. Looking at the economic state of our county and the energy crises experienced, respondents would probably have found identifying and dealing with risk to be important issues for the energy sector. Notably, participation was not

limited to these industries, as participants from other sectors also responded by indicating their interest in understanding risk management. It is also evident from this study that the respondents might have considered auditing to be a finance function, without fully grasping this aspect of HR auditing. Importance might possibly have been placed on compliance (e.g., health and safety) and quality, while HR would have remained on the back burner.

To develop the scale, “industry” in its broadest sense was used. However, if applied in the context of specific industries, or at the organisational level, the results could be more favourable in identifying HRRs, as the elements of the scale were very strong (see sections 4.6 and 4.7.1)

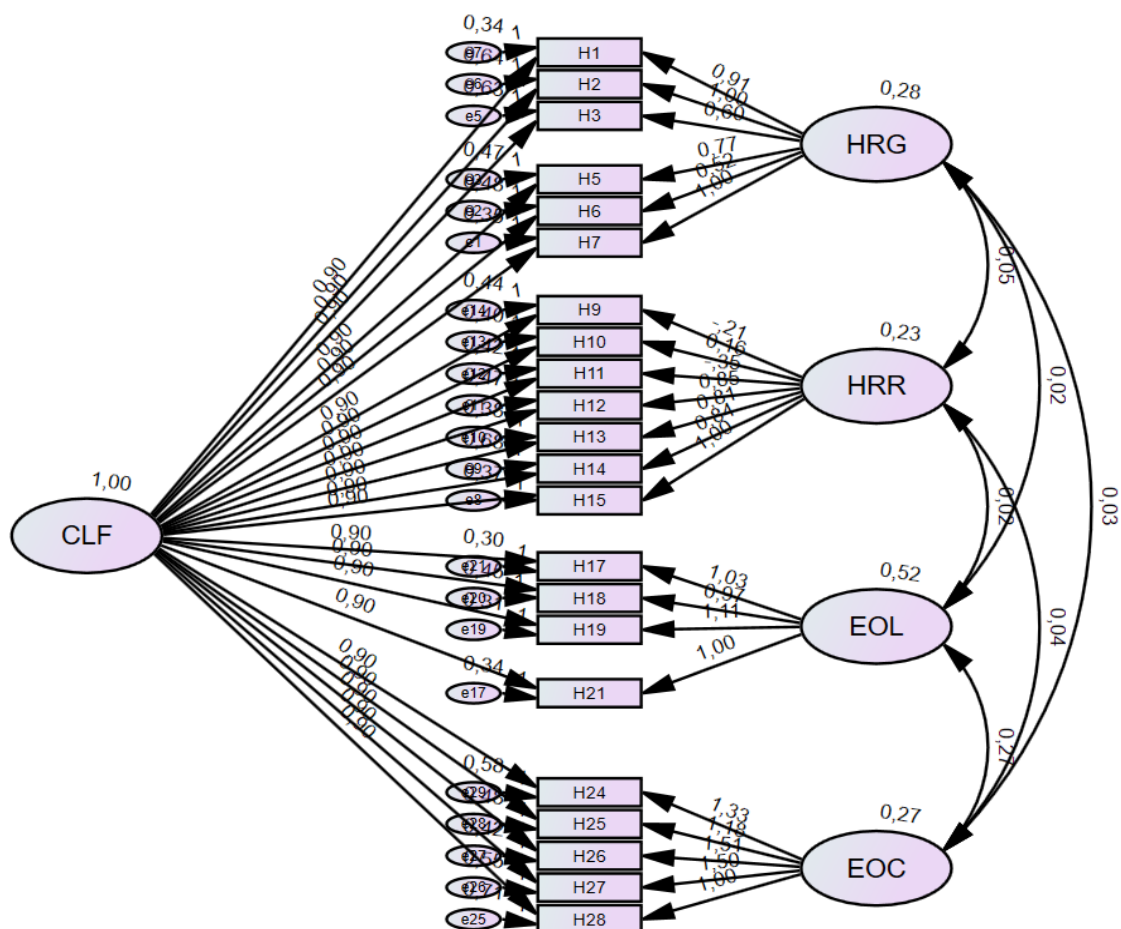


Figure 4. 1: CFA single-factor latent variable

#### **4.9. INVARIANCE ANALYSIS (SECTOR & SABPP)**

During the scale validation process, measurement variance was assessed to determine whether the RBHRA scale measured the underlying constructs in a consistent manner across groups.

##### **4.9.1. Configural invariance**

In this step the researcher evaluated the extent to which the same items measured the latent construct consistently across different groups. Here, the sector and the SABPP were the two primary groups being compared by the measurement model. The overall model fit was assessed to test for configural invariance. In this instance configural invariance was not supported, as evidenced by poor model fit statistics when estimating groups freely (i.e., without constraints). It is possible that non-invariance could have emerged if influenced by an agreeing response style, which is the tendency of respondents to agree with items, irrespective of their content (D'Urso et al., 2024). When accessing the scale items in section 4.2.1, there was no evidence of disengaged or uninterested respondents. Therefore, while there is a majority of agreement with items, it is unlikely to be solely due to the agreeing response style. According to Putnick and Bornstein (2016), when non-invariance is found either the construct should be redefined, or alternatively the researcher should discontinue with invariance and group testing. The researcher is confident that a thorough and rigorous scale development process was applied, which is substantiated by the reliability and validity statistics (see sections 4.6 and 4.7.1). A decision was therefore taken to discontinue with the invariance and group testing.

#### **4.10. ASSESSING INTERNAL CONSISTENCY RELIABILITY (ADJUSTED MODEL)**

For the study, the original model was adjusted to determine the extent to which the reliability of the scale would change. Several items were removed, and the reliability statistics were re-run to determine the effect of the change.

For construct HRG, item number 4, "HR governance is driven from a senior management level", was removed, thus the seven-item construct was reduced to six items. HRR item number eight, "Effective HR risk management systems are in place to manage HRR", was removed therefore the eight-item construct was reduced to seven items. For the seven-item construct EOL, item 16, "Leaders promote doing things the right way", item 20, "Leaders

discuss ethical expectations with employees” and item 22, “Leaders understand and communicate organisational values to all employees”, were removed. EOL was reduced to a low four-item construct. Finally, EOC, an eight-item construct, was reduced to a five-item construct by removing items 23, “Leaders cultivate ethical behaviours”, 29, “Employees are made aware of the organisational ethics policies” and 30, “Employees comply with the organisational ethics policies”.

In comparison to the original scale (see Table 4.5), the Cronbach alpha coefficient ratios for the adjusted model (see Table 4.9) indicate that, by removing the items above, the alpha coefficients decreased slightly for each of the constructs. Notably, the overall scale reliability was 0.91, which is extremely close to the original model. No significant impact was identified on the adjusted model.

Table 4.9: Reliability statistics – adjusted model

|                      | Cronbach's alpha | Cronbach's alpha based on standardised Items | N of items |
|----------------------|------------------|----------------------------------------------|------------|
| HRG                  | 0,897            | 0,899                                        | 6          |
| HRR                  | 0,922            | 0,922                                        | 7          |
| EOL                  | 0,929            | 0,929                                        | 4          |
| EOC                  | 0,890            | 0,890                                        | 5          |
| RBHRA adjusted model | 0.909            | 0.910                                        |            |

By analysing the item statistics and inter-item correlations of the adjusted model (see tables 4.10 and 4.11), the mean and SD values were still acceptable, with no concerns noted in the data. EOL’s SD of 1.05 reflected a slightly wider spread of responses compared to the other constructs, however this was also in line with the data from the original model.

Table 4.10: Item statistics – adjusted model

|     | Mean | SD    | n   |
|-----|------|-------|-----|
| HRG | 3,63 | 0,890 | 230 |
| HRR | 3,40 | 0,967 | 230 |
| EOL | 3,37 | 1,049 | 230 |
| EOC | 3,22 | 0,933 | 230 |

The inter-item correlations indicated strong positive relationships amongst the constructs, with HRG and HRR = 0.81; and EOL and EOC = 0.87. The correlations between HRG and EOL, as well as between HRG and EOC = 0.64, indicating moderate positive relationships amongst them. There were no constructs that displayed non-significant relationships.

Table 4.11: Inter-item correlations – adjusted model

|     | HRG   | HRR   | EOL   | EOC   |
|-----|-------|-------|-------|-------|
| HRG | 1,000 | 0,811 | 0,643 | 0,642 |
| HRR | 0,811 | 1,000 | 0,738 | 0,722 |
| EOL | 0,643 | 0,738 | 1,000 | 0,870 |
| EOC | 0,642 | 0,722 | 0,870 | 1,000 |

#### 4.11. CONSTRUCT DESCRIPTIVES

The descriptive statistics for the subscales of the RBHRA scale, presented in Table 4.12, comprise the mean, SD, skewness and kurtosis of each subscale.

Table 4.12: Descriptive statistics of subscale scores: RBHRA scale (n=230)

|       | Mean | SD   | Skewness | Kurtosis |
|-------|------|------|----------|----------|
| HRG   | 3.61 | 0.90 | -0.751   | 0.446    |
| HRR   | 3.40 | 0.98 | -0.413   | -0.445   |
| EOL   | 3.28 | 1.11 | -0.243   | -0.720   |
| EOC   | 3.08 | 1.01 | -0.186   | -0.774   |
| RBHRA | 3.34 | 0.87 | -0.219   | -0.379   |

According to the mean scores, the group of respondents scored highest on the HRG subscale (M = 3.61; SD = 0.90), and lowest on subscale EOC (M = 3.08; SD = 1.01). This suggests that the overall scores for all variables were on the higher side of the scale. The lower mean scores for EOC suggest that higher risk may have been perceived in this area of business, due to lower levels of agreement with the items for this construct. The respondents did not necessarily agree with, or lack confidence in, the ethical culture of the organisation.

A moderate spread of responses was noted for each variable, with the SDs between 0.87 and 1.11. The highest variability was noted for EOL (SD = 1.11), which suggests that the

responses were more spread out in relation to the other variables. The skewness values for the RBHRA scale ranged between -0.18 and -0.75, reflecting a left-skewed distribution (negative skew). Most of the values were higher, with a few lower values that pulled the distribution towards the left, however it was not extreme for any of the variables lying within the recommended range between -1 and +1 (Cohen et al., 2011). Values of between -0.44 and 0.44 indicated a negative kurtosis, with flatter-than-normal distributions, however, that can be considered acceptable, as per the recommended range of -1 and +1 (Tredoux & Durrheim, 2013).

#### **4.12. GROUP DIFFERENCES**

Groups A and B, as indicated in Table 4.13, are based on the sector the industry belongs to, based on economic income (higher contribution vs lower contribution). In line with the typical statistical test for comparing the means of two groups, the T-test results were analysed to determine the statistical difference observed between the group means.

Slight differences were reported in the mean scores between HRG and HRR; and HRR and EOL. The results for HRG reflected that group A ( $M = 3.43$ ;  $SD = 0.9$ ;  $d = 0.45$ , small effect) scored significantly lower than group B ( $M = 3.82$ ;  $SD = 0.85$ ). For HRR, Group A ( $M = 3.20$ ;  $SD = 0.95$ ;  $d = 0.44$ , small effect) scored significantly lower than group B ( $M = 3.62$ ;  $SD = 0.97$ ). A similar pattern was observed for the EOL group A ( $M = 3.17$ ;  $SD = 1.12$ ;  $d = 0.20$ , small effect) and group B ( $M = 3.40$ ;  $SD = 1.10$ ), and the EOC group A ( $M = 2.99$ ,  $SD = 1.07$ ;  $d = 0.18$ , small effect) and group B ( $M = 3.17$ ;  $SD = 0.95$ ).

The differences between groups A and B as regards HRG, HRR and EOL were not statistically significant. EOC, however, suggested a statistically significant difference ( $p = 0.04$ ), although the effect size was very small. According to Cohen's D, the difference between the groups was small to moderate, with none reflecting a large-size effect. As argued by scholars, a small or non-significant result or effect does not imply that the result is non-existent, false or unimportant (Wasserstein et al., 2019). The lack of statistical power could be a result of a small sample size of 230 being used in this study.

Table 4.13: Group differences

| Type of industry in which my organisation resorts |         | n   | Mean | Std. deviation | Std. error mean | Cohen's D | Sig   |
|---------------------------------------------------|---------|-----|------|----------------|-----------------|-----------|-------|
| HRG                                               | Group A | 119 | 3.43 | 0.914          | 0.084           | -0,450    | 0.104 |
|                                                   | Group B | 111 | 3.82 | 0.845          | 0.080           |           |       |
| HRR                                               | Group A | 119 | 3.20 | 0.948          | 0.087           | -0,438    | 0.979 |
|                                                   | Group B | 111 | 3.62 | 0.973          | 0.092           |           |       |
| EOL                                               | Group A | 119 | 3.17 | 1.117          | 0.102           | -0,204    | 0.678 |
|                                                   | Group B | 111 | 3.40 | 1.102          | 0.105           |           |       |
| EOC                                               | Group A | 119 | 2.99 | 1.071          | 0.098           | -0,179    | 0.043 |
|                                                   | Group B | 111 | 3.17 | 0.945          | 0.090           |           |       |
| RBHRA                                             | Group A | 119 | 3.20 | 0.872          | 0.080           | -0,354    | 0.469 |
|                                                   | Group B | 111 | 3.50 | 0.858          | 0.081           |           |       |

### 4.13. INTEGRATED RESEARCH RESULTS

The existing theories and scholarly context discussed in the literature study, and the data derived from the empirical study, were integrated. The overall findings are presented below.

#### 4.13.1. Interpretation of findings

The primary aim and focus of this study were to develop a valid and reliable research scale for measuring the levels of effectiveness of risk-based human resource auditing in proactively identifying and mitigating potential HRRs. The scale development process and approach were explained in Chapter 3 of this study. The statistical analysis presented in this chapter, explains the results pertaining to the RBHRA scale.

##### 4.13.1.1. Reliability and validity of the RBHRA scale

The results of this study are significant, as they confirmed that a valid and reliable scale had been developed. An analysis of the reliability statistics (presented in section 4.10) reported extremely high internal consistency, which was excellent for all constructs scoring above 0.90. The overall RBHRA scale portrayed very high reliability (0.91). To further support the reliability of the scale, the use of standardised items indicated that the values were relatively close to the alpha values, suggesting stability and reliability consistency, irrespective of whether or not the items were standardised.

In addition to high internal consistency, good inter-item correlations were identified, which suggests that the items within each construct were well correlated, thereby contributing to

the reliability of the scale. There was a strong contribution of each item to the scale's total score, with the corrected item-total correlations between 0.75 and 0.83. This strongly suggests that the items were relevant, and the scale was well constructed.

The CR scores for all constructs were high (above 0.90), which indicates a consistent measure of the constructs, and demonstrates that the scale measured what it intended to measure. AVE values above 0.50 supported construct validity with good to excellent values, especially for EOL (with an AVE of 0.70). HRG, HRR, EOL and EOC were valid measures of their respective constructs, with good construct reliability and validity.

The statistics therefore indicated that the scale which the researcher constructed was well designed and highly reliable, with very good internal consistency, supported by items that contributed meaningfully to the scale itself. The scale developed was therefore deemed both valid and reliable for measuring key organisational risks.

#### **4.13.2. Linking the findings to the literature**

As discussed, the newly developed RBHRA scale proved to be both reliable and valid for use in identifying HRRs. The constructs identified in the scale (HRG, HRR, EOL and EOC) aligned with the requirements of King IV for corporate governance in organisations (IoDSA, 2016). The components of HR governance pertaining to policies, procedures and controls aligned with studies by Smith (2020), the SABPP (2019), Mthiyane et al. (2022), and Smith and Marx (2022).

According to Tan and Lee (2022), well-structured policies reduce organisational risks, and that opinion is supported by this study, which found strong correlations between HRG and HRR (0.81). While the Tan and Lee (2022) study adapted a qualitative approach, the scale developed in this study followed a quantitative approach to measure HRG practices and support empirical testing. A conflicting finding, though, is that only 49.6 per cent of respondents could agree that emphasis was being placed on the regular reviewing of risk management systems or practices in their respective organisations. Sá et al. (2017) opined that the most recent upsurge in corporate governance failures has increased the need for possible strategies and extant practices to be reviewed on a more frequent basis. Surprisingly, eight years later this is still a challenge for most organisations. Such negligence

could have negative consequences for the organisation, as new threats and emerging risks might not be identified or mitigated. The consequences for organisations could be hugely impactful, unless their governance strategies and risk management systems are reviewed for their effectiveness, relevance, and alignment with the organisation's strategic goals. These findings are consistent with Almgrashi and Mujalli (2024), who found that effective risk management practices and systems and audit functions collectively contribute to improved risk management effectiveness and stronger RBA implementation.

According to the data, 59.1 per cent of respondents noted that employees who reported unethical behaviour within their entities, were not subsequently protected. The data suggest that the protection of whistleblowers is thus lacking in some organisations, and addressing this matter is vital for preventing unethical and non-compliant practices (Smaili, 2023). This oversight could discourage employees from reporting any unethical activities they identify, for fear of being exposed or being subjected to aggression in the workplace (Hershcovis, 2011). Peltier-Rivest (2018), who explored the effectiveness of reporting mechanisms, found that 42.2 per cent of fraud was identified through internal reporting processes and thus recommends that whistleblowing be encouraged, provided the organisation is able to protect the identity of the person(s) reporting via what appears to be an effective reporting mechanism. This ties back to the importance of reviewing systems and processes aimed at enhancing risk management practices in an organisation.

Leaders have a fiduciary duty to act in good faith and in the best interests of their enterprise. Leaders cultivate ethical behaviours, according to 52.2 per cent of the respondents, and shape the ethical conduct and culture of organisations. However, in this study an alarming 57.5 per cent of respondents could not confirm that their leaders accepted the consequences of their actions. Leading by example and taking accountability are key management pillars. Should employees see leaders not complying with organisational rules and expectations, eventually they will start adopting the same patterns of behaviour themselves. This was evident in the collected data as well, where only 45.2 per cent of respondents agreed that employees complied with their organisation's ethics policy, despite being aware of what those policies stipulate.

#### **4.13.3. Addressing the research questions and hypotheses**

A structured questionnaire was used to collect data from 230 respondents across various sectors in South Africa. The constructs were measured using a five-point Likert scale, to rate the scale items.

- ***Research question 1: How effective are the existing governance strategies, in identifying and mitigating HR risks within South African industries?***

The data obtained from the respondents indicated that more than half of the respondents agreed or strongly agreed with the items under HRG in relation to HR policies, procedures, and controls. A further 73 per cent of responses confirmed that effective HR governance measures or strategies were implemented across their respective organisations, and that such controls were consistently applied (64.8%). While good, well-structured strategies were in place, these were deemed not to be the most effective in managing HRRs in organisations (41.3% “Disagree” or “Neutral” responses), possibly because of the strategy not being continuously revised or updated, as indicated by 51.3 per cent of the respondents who either did not agree or preferred not to comment on the effectiveness of the system in place for managing HRRs. A strategy that is too rigid and lacking flexibility could result in inefficiency, instead of addressing organisational challenges. The business environment is constantly changing and highly competitive, therefore organisational risk strategies should be agile and adjust to changing circumstances, so that new and emerging risks can be addressed or mitigated in governance strategies.

- ***Research Question 2: Do existing organisational policies and procedures add value in addressing HR risks?***

Similar to the explanation given to RQ 1 above, although professionally written and technically sound policies and procedures may be in place, if they are unable to achieve the desired outcomes, they might be deficient in addressing HRRs. Only 41.7 per cent of respondents attested to being aware of the actual HRRs confronting their respective organisations. Besides being aware of, and identifying, HRRs, only 48.7 per cent of the study respondents were aware of the processes to follow in reporting such risks, of whom only 10.9 per cent confidently demonstrated their awareness. A policy or procedure is only as good as the results it yields. Existing organisational policies and procedures add no tangible value if they are unable to address or reduce HRRs, especially where there is a lack of

awareness on the part of employees. A more robust approach to risk awareness within the organisation is imperative, for such entities to become aware of HRRs and the management thereof. The present findings are consistent with Filemon et al (2024) who found a positive relationship between HRR management and organisational performance, identifying shortcomings in employee awareness, risk reporting and implementation processes.

- ***Research Question 3: How effective are the HR auditing approaches in industries in a developing country, namely South Africa?***

Most organisations ensure that HR auditing is an integral component of their governance processes, as confirmed by 75.7 per cent of the respondents. The approaches adopted by industry could vary from one organisation to the next, depending on their unique focus area and need at a particular point in time. The respondents also confirmed that their organisations' risk and compliance structures, processes and practices aligned with the principles of corporate governance, hence the imposition of controls and approaches to ensure alignment with HR policies and procedures. The focus of auditing is, after all, to ensure across-the-board compliance with HR policies and procedures. The effectiveness of audit approaches was determined by leadership commitment, as observed by 67.4 per cent of the respondents, sound internal controls (64.8%), and a supportive EOC (52.2%). Furthermore, the effectiveness of any approach adopted, might be determined by the results it achieves. The fact that identifying and managing risks remained a concern for several respondents (41.3% – including those who chose not to comment), and 39.6 per cent felt that managing HRRs was not a high priority, suggest that there is room for improvement, with entities possibly needing to focus more on risks than compliance issues.

- ***Research Question 4: To what extent does ethical leadership influence ethical culture in South African industries?***

As expected, ethical leadership and ethical culture went hand in hand, supported by a strong, positive relationship between the constructs of EOL and EOC (0.81). Although the correlations mentioned were high and might suggest redundancy, it might not be the case for this study, as the constructs were rigorously developed and verified by experts in the field. The research results proved that organisations are embracing the concept of ethical leadership, since more than half of the respondents concurred that their leaders promote doing things right, are role models of what constitutes ethical behaviour, and are held

accountable for the ethical execution of their duties. A corresponding effect was noticed as regards the ethical culture of the organisation, except for employees being rewarded for displaying ethical behaviours in the workplace (28.7%) or being protected for reporting unethical behaviours (40.9%). These are crucial gaps which should be addressed, in order to significantly enhance EOC across all sectors. These findings are consistent with Grobler & Grobler (2024) who found that ethical leadership influences organisational outcomes. This supports the argument that ethical organisational leadership supports governance-related outcomes and contributes to the development of ethical organisational environments (Grobler & Grobler, 2024)

- ***Research Question 5: To what extent will an approach of RBHRA influence the likelihood of South African industries experiencing HR risk?***

A risk-based approach to HR auditing is essential for organisations that are serious about managing HRRs and make it a high priority, as 60.4 per cent of respondents noted. With organisational strategies aligned to support the management of risks (66.5%), and HR professionals (72.6%) being instrumental in the identification of HRRs, findings suggest that organisations with stronger risk aligned strategies and support may be better positioned to identify and manage HR risks. The focus fell on strategic and risk driven approaches, and the management of HRRs by means of effective systems (66.1%), rather than the application of traditional methods that focus on controls, rather than impact. The extent to which such risks can be reduced, however, requires further investigation.

- ***Research Question 6: What recommendations can be formulated for HRM governance practices, and for further research based on the findings of this study?***

The recommendations for this study are discussed in further detail in Chapter 5, but from the findings it is possible to recommend, first and foremost, that employees be made fully aware of the risk reporting and governance practices and processes which apply in their respective enterprises. Risk management systems should be revised regularly to remain effective, rather than presenting a once-off polished document that adds little to no value to the organisation. Employees are an organisation's eyes and ears, which makes their role in risk identification crucial. Incentives can be considered to motivate ethical behaviours in the

workplace, including the protection of those who report unethical or prevalent risks. Crucially, the task of risk identification should not be solely driven by HR practitioners.

#### **4.13.4. Were the hypotheses supported?**

Hypothesis 1 ( $H_0$ ) stated that there are no statistically significant relationships among the constructs of the RBHRA scale and the identification and mitigation of HR risks in South African organisations. This hypothesis assumes that HRG, EOL, EOC and HRR operate as independent organisational elements and do not significantly influence one another. The null hypothesis was therefore tested to determine whether the relationships suggested by the literature were indeed statistically supported with the context of the RBHRA scale. This hypothesis was not supported by the findings of the study reported on here, due to a strong positive correlation between HRG and HRR (0.81). Despite the strong correlation, opportunities for improvement exist in areas of the leadership and culture of industries in different sectors. The findings suggest that stronger governance strategies, policies and processes are associated with more favourable HR risk management outcomes.  $H_0$  was therefore rejected.

Hypothesis 2 ( $H_{A1}$ ): Ethical organisational leadership significantly contributes to the effective identification and management of HR risks in South Africa. The results of the study showed relatively strong correlations between HRR and EOL (0.74). Ethical leaders influence employee behaviours by promoting a culture of integrity, accountability, and fairness. Ethical leaders foster trust, if they communicate and execute their responsibilities ethically and in line with the values of the organisation. Ethical leadership creates an environment in which HRR can be identified and addressed proactively rather than reactively. This relationship aligns with governance principles contained in King IV, which emphasise ethical and effective leadership as a foundation for organisational sustainability and risk oversight. This type of leadership is a crucial element for ensuring compliance with laws and internal procedures, while supporting internal risk management processes and protecting the organisation's reputation, making it a cornerstone of sustainable HR practices. This hypothesis was thus supported.

Hypothesis 3 ( $H_{A2}$ ): An organisational culture which is ethical, is essential for the management of HRRs in South Africa. Like ethical leadership, having ethical principles

embedded in an entity's daily operations is more likely to promote a culture of trust and integrity. Organisational culture theory proposes that shared values, norms and behavioural expectations shape employee attitudes and actions. Such a culture encourages open communication, and allows employees to report unethical behaviour without fear, provided that the relevant measures for reporting are in place. While strong cultures reduce the likelihood of HRR, weak cultures may normalise misconduct and discourage the reporting of risks. Ethical culture therefore serves as the mechanism through which governance principles become embedded in day-to-day organisational practices. As a result, organisations with stronger ethical cultures are expected to be more effective in identifying, monitoring and mitigating HRR. With a strong correlation of 0.72, an organisational culture which is ethical in nature significantly supports the management of HRRs. Besides minimising organisational risk, it enhances employee morale and improves compliance, which is a dynamic tool for HR risk management. The hypothesis was therefore supported.

The findings of this study reveal strong positive relationships between human resource governance, ethical organisational leadership, ethical organisational culture, and the management of human resource risks. Organisations that reported stronger governance practices, more ethical leadership, and a well-established ethical culture also demonstrated more effective approaches to managing HR-related risks. These results are consistent with the theoretical foundations of the RBHRA framework and suggest that these organisational factors play an important role in supporting risk management efforts.

In Chapter 5, the researcher reflects on the research process and findings, as well as any limitations that may have influenced the scope of this study. By offering them practical and theoretical recommendations, policy makers will be capacitated to take note of potential high-risk practices, and organisations will be motivated to scrutinise more closely their existing HR risk management systems and processes.

## **CHAPTER 5**

### **RESEARCH LIMITATIONS, RECOMMENDATIONS AND CONCLUSION**

#### **5.1. INTRODUCTION**

This concluding chapter, which provides a reflection on the research process and findings, begins by acknowledging the limitations that influenced the scope of this undertaking, as that may benefit future research studies in a similar field. The practical and theoretical recommendations made here, aim to inform policy makers of potential high-risk practices, specifically in organisations hoping to enhance their HR risk management systems and processes. Finally, the conclusion provides a summary of the study as a whole.

#### **5.2. RESEARCH LIMITATIONS**

The scale which was developed in the course of this study is new, and represents the first of its kind to focus on a risk-based approach to HR auditing. Although a rigorous process was followed in crafting the scale, certain shortfalls became evident when the data from the main study were analysed. The following limitations were formulated out of the literature review and empirical study:

- Limited academic literature was available on risk-based auditing in the HR environment, specifically as it pertains to the South African context. No gaps in findings stemming from previous studies could be identified and built on. The literature available on HR auditing was either from different disciplines, or focused mainly on compliance and controls.
- A methodological limitation emerged in terms of the restricted size of the sample ( $n = 230$ ), which constrained the robustness of certain data analyses. A minimum of 300 respondents would have been preferred, to ensure that the researcher could glean more statistically meaningful results from the main study.
- The demographic information was too restrictive, which posed challenges in terms of conducting a comprehensive analysis of group differences. The dataset provided few variables for meaningful comparison across groups.

- The sampling size limits the generalisation of the findings beyond the participants and context included in the study. While the sample was sufficient for developing and evaluating the initial RBHRA scale, a larger sample would have strengthened the robustness and generalisation of findings and applicability across different groups and organisational contexts.

### **5.3. RECOMMENDATIONS**

The following recommendations can be made, based on the finding of this study:

- The data extracted did not reveal any sense of the reliability and validity of the scale, but it should not be viewed as the ultimate or final product. As a growing field in HR, great emphasis is being placed on managing HRRs. The work environment is constantly changing, and new perspectives may emerge that could warrant the further optimisation of the scale. Further testing ought to be done in different contexts and environments, so that the refinement process can continue.
- Specifically for the purpose of developing the RBHRA scale, the respondents in this study were all within the HR discipline. If the scale is tested in workplaces and amongst all employees, the results might be completely different, as those perspectives will reflect the perceptions of the employees themselves, which may reveal additional, unforeseen gaps in HR risk management. Future research could be expanded to include larger samples, cross-validation and testing in different organisational contexts. This will help strengthen confidence in the scales applicability and support further refinement and testing of the theoretical model proposed in the study
- The proposed conceptual model was developed from theoretical insights gained during the scale development process. The testing of the model was beyond the scope of this study, therefore future studies could test and empirically validate the proposed model.

#### **5.3.1. HR governance – improving internal controls, policies and procedures**

- Organisations have implemented HR governance measures, but those could be enhanced by encouraging employee participation in such initiatives. When employees

are involved in shaping HR policies and governance structures it creates a culture of openness and shared responsibility. It builds trust and reduces resistance to policy implementation. Realistic, inclusive and responsive governance frameworks that align with actual workplace dynamics may be derived from practical insights gleaned at the ground level. Ethical practices will be more widely perceived as being fair and just, and as aligning to HR practices and long-term organisational objectives. Employees who have a voice in HR governance are more likely to support and champion HR initiatives, while taking greater accountability and contributing to a proactive workplace culture.

### **5.3.2. HR risks – identification, awareness and mitigation of HR risks**

- It is essential for employees to be made aware of the processes for reporting HRRs, as these create resilient, ethical and well-governed organisations. Risks that are detected and reported, allow for violations to be addressed before they escalate and cause harm to the organisation. Clear reporting channels will strengthen the ethical behaviours of employees, by allowing them to use appropriate channels to make their voices heard. Educating employees about reporting processes will also help to ensure compliance with statutory and legal requirements.
- Continuous revision of HR risk management systems is necessary for organisations that wish to stay ahead of the curve as regards any changes, and which seek to adapt to emerging risks. Continuous improvement is a cornerstone of RBA, and improving systems enhances the ability to identify, assess and mitigate risks more effectively. Outdated and misaligned controls leave gaps that could have an adverse impact on the alignment of strategic organisational goals. Besides having to comply with changing labour laws and legal requirements, risk systems are constantly evolving and becoming more dynamic in what is a rapidly revolutionising technological era.
- Employees should be sensitised about current or trending HRRs. Adopting a proactive approach builds organisational resilience and creates risk awareness that allows staff to recognise and respond to risk appropriately. Employees who are aware of and understand the prevalent risks are more likely to comply with organisational procedures, thereby reducing risky behaviours in the workplace. Similar recommendations were made by Filemon et al (2024), who concluded that organisations should strengthen employee

awareness regarding HRR, improve monitoring processes to effectively manage HRR. Organisations should encourage feedback on HRRs, in an effort to inform better HR policies, and contribute to adaptive and responsive governance systems.

### **5.3.3. Improving ethical organisational leadership**

- Leaders must continue to be role models of ethical behaviours in the workplace. Employees look to leaders who exemplify ethical behaviour that, in turn, shapes and directs the behaviours of employees. Ethical leaders enforce and cultivate a culture in which ethical conduct becomes the norm. Leading by example extends beyond policies and procedures – it involves doing things the right way, all the time.
- Ethical leaders should execute their duties in a responsible manner and must be held accountable because their actions set the tone for the entire organisation. When employees observe that the requirement for fair and consistent practices is applied to leaders as well, this will enhance their trust and confidence in the organisation.
- Employees perceive that some leaders fail to take accountability for their actions. That lack of accountability undermines the credibility of leadership and contributes to a toxic work environment. When leaders avoid responsibility trust diminishes, and employees might respond with non-compliance or even retaliation, thereby threatening the integrity of the organisation's culture and its codes of conduct. To foster ethical leadership, companies should implement robust consequence management procedures that clearly outline the processes for addressing leadership misconduct. As cultural architects, leaders set the tone for organisational values and behaviour. A workplace culture which is grounded in integrity not only enhances trust and cohesion, but also drives sustained performance and a shared sense of purpose.

### **5.3.4. Improving ethical organisational culture**

- Policy developers benefit when actual organisation-specific HRRs are revealed, that could guide procedures and practices aimed at effecting HR risk management. For example, adjusting whistleblower protocols and processes for greater security and privacy may be beneficial, as employees will feel safe to report unethical work activities, instead of keeping silent. The majority of respondents in this study felt they would not be

protected if they reported unethical behaviour, which is to the detriment to any organisation. High-risk activities must be reported and dealt with immediately.

- Implementing policies and processes for recognising and rewarding employees who display good ethical behaviours in the workplace is an additional benefit to organisations. It will enhance ethical conduct and strengthen the ethical culture of the entity, if employees are valued and lauded for their contribution in this regard. It will boost morale and motivate employees to inculcate ethical behaviour in their daily lives.
- Consistent rules and practices should be implemented to ensure compliance with ethics-based policies. Unfairness and irrelevance must be dealt with, or it could create a culture that violates policy. Where there are adverse actions without consequences for certain individuals, the ethical standards of the organisation are compromised. Employees who disregard ethics-related policies need ongoing reinforcement and training, to ensure better understanding and proper compliance. In line with Taylor and Grima (2025), organisations should strengthen ethical culture improve governance oversight and enhance internal controls to reduce the likelihood of corruption.

#### **5.4. CONCLUSION**

The aim of the study was achieved, which was to develop an instrument that measures risks based on employees' perceptions and opinions, rather than using traditional methods such as conventional checklists and predefined scoring systems. This approach allowed for a better understanding of workplace risks based on the actual experiences and perspectives of employees – something which might not be attained via traditional methods. Prioritising employee perspectives allowed for valuable, context-driven data to be obtained that could inform effective risk management strategies and decision making. A risk audit or risk measurement within an organisation is just one component of a comprehensive risk assessment framework; other aspects could be included in future studies, to create a more complete framework. While this part contributes to the overall assessment, on its own, it is not the ultimate measure.

While traditional compliance-based audits focus on non-compliance and may prevent organisations from incurring unnecessary fines, they are ineffective and inconsistent in

managing risk apart from compliance-related matters. They do not take into consideration the risk element of a business, to proactively safeguard it against people-related risks.

The RBHRA scale offers flexibility, being for organisational use in enabling entities to identify areas where key elements of HR may be genuinely absent, or where perceived gaps stem from a lack of employee awareness. It serves not only as a diagnostic tool for spotting missing aspects, but also for uncovering misconceptions that might arise from limited understanding among staff.

The relationship between HRG and HRR highlights the practical relevance of strategic HR oversight in corporate strategy and HR risk planning. Strengthening governance controls and implementing robust risk management systems can enhance an organisation's capacity to detect high-risk areas and improve its resilience. When applied in the workplace, the RBHRA scale can be used not only as a diagnostic tool, but also as a strategic instrument for revealing specific vulnerabilities, thereby enabling HR professionals and policymakers to address these gaps proactively. Systems are beneficial for more than just managing risk – they also serve to ensure strategic alignment and purposeful governance that will empower people, strengthen institutions and safeguard long-term value for the organisation. HRM must be the ship that steers ethical, effective leadership, even when navigating the choppy waters of corporate instability and turmoil.

In this study, it was imperative to initiate the development of a risk-based HR auditing scale aimed at systematically identifying and assessing high-risk areas within HR. With its emphasis on the value of human capital, the proposed scale will encourage organisations to critically re-evaluate their audit methodologies, with a view to aligning them more closely with strategic HR imperatives. Future research and practical application will be essential for refining the scale's robustness, and exploring its impact in terms of enhancing organisational governance and HR risk management.

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## ANNEXURE A: Summary of the literature on HR risks and HR audits

| Author/Year                       | Title                                                                                                                                                      | Resource type   | Type of study     | No of participants | Country   | dev/ing    | Discipline | Audit type                                          | Key points                                                                                    |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------|--------------------|-----------|------------|------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Anaraki-Ardakani & Ganjali (2014) | Human Resource Risk Management                                                                                                                             | Journal article | Literature review | 0                  | Iran      | Developing | HR         | Development of conceptual model                     | Risk management, risks, people risks, conceptual model                                        |
| Athmen & Samia (2017)             | The Importance of Human Resources in Corporate Governance                                                                                                  | Journal article | Literature review | 0                  | Algeria   | Developing | HR         | None                                                | Corporate Governance                                                                          |
| Beatty et al. 2003                | HR'S ROLE IN CORPORATE GOVERNANCE: PRESENT AND PROSPECTIVE                                                                                                 | Journal article | Qualitative       | 112                | US        | Developed  | HR         | None                                                | Ethics, corporate governance                                                                  |
| Becker & Smidt (2015)             | A risk perspective on human resource management: A review and directions for future research                                                               | Journal article | Literature review | 0                  | Australia | Developed  | HR         |                                                     | risk management, risk perspectives, risk management framework                                 |
| Flouris & Yilmaz (2010)           | The Risk Management Framework to Strategic Human Resource Management                                                                                       | Journal article | Literature review | 0                  |           | Unknown    | HR/Finance | Development of a risk framework                     | Human Factor, human resource management, risk management, risk analyze, risk score, strategy. |
| Grobler, Bezuidenhout & Hyra 2014 | Governance and HR: the development of a framework for South African organisations                                                                          | Journal article | Literature review | 0                  | SA        | Developing | HR         | development of a governance framework               | HR Governance framework                                                                       |
| Kulchitskaya et al. (2016)        | Cognitive and Motivational Aspects of HR Audit Implementation in an Organization                                                                           | Journal article | Qualitative       | 150                | Russia    | Developing | HR         | Development of a conceptual model                   | HR audit, cognitive/motivational model                                                        |
| Meyer, Roodt & Robbings (2011)    | Human resources risk management: Governing people risks for improved performance                                                                           | Journal article | Literature review | 0                  | SA        | Developing | HR         | Management strategies                               | HR Risk, governance                                                                           |
| Olalla & Castillo (2002)          | HR Audit                                                                                                                                                   | Journal article | Literature review | 0                  | Spain     | Developed  | HR         | Evaluation of policies and quality of Human capital | Design and implementation of HR policies. Analysis of HR policy. Approached to HR audit       |
| Shiri (2012)                      | Strategic role of HR audits in HR effectiveness                                                                                                            | Journal article | Qualitative       | 30                 | India     | Developing | HR         | Functional audit                                    | HR Audit, HR Function, Org Effectiveness, audit of policies, procedures and practices         |
| Stefansdottir 2017                | Risks in human resources and their relation to organizational risk management Mitigating the HR risk of knowledge-loss, using knowledge management systems | Masters thesis  | Qualitative       | 9                  | Iceland   | Developed  | HR         | None                                                | Risk management, risks                                                                        |

## ANNEXURE B: Informed consent for participants



30 June 2024

### **Ethical clearance #: 2022\_HRM\_008**

#### **COVER LETTER - ONLINE ANONOMOUS WEB-BASED SURVEY**

Dear Prospective participant,

You are invited to participate in a survey conducted by Mrs Ashnee Kumar under the supervision of Dr A.J de Bruyn, a Senior Lecturer in the Department of Human Resources Management, and co-supervisor Prof. M.J Bushney, towards a PhD at the University of South Africa.

The survey you have received has been designed to assist with the development of a research scale to measure the effectiveness of a risk-based approach to human resources auditing. You were selected to participate in this survey because you are a registered professional with the South African Board of People Practices (SABPP). You will not be eligible to complete the survey if you are not living in South Africa, or if you are not registered at either HR professional, Master HR Professional or Chartered HR professional level with the SABPP. By completing this survey, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

It is anticipated that the information we gain from this survey will help us to develop a new research scale to measure the effectiveness of risk-based human resources auditing (RBHRA) that is responsive to the unique context of South African organisations. Participation is voluntary. You are under no obligation to complete the survey and you can withdraw from the study prior to submitting the survey. The survey is developed to be anonymous, meaning that we will have no way of connecting the information that you provide to you personally. Consequently, you will not be able to withdraw from the study once you have clicked the submit button based on the anonymous nature of the survey. If you choose to participate in this survey it will take up no more than 10 minutes of your time. You will not benefit from your participation as an individual, however, it is envisioned that the findings of this study will contribute to the existing body of knowledge in the context of HR management and HR governance. We do not foresee that you will experience any negative consequences by completing the survey, besides



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what is encountered in daily life. The researcher undertakes to keep any information provided herein confidential, not to let it out of my possession and to report on the findings from the perspectives of the participating group and not from the perspective of an individual.

The records will be kept for five years for audit purposes where after it will be permanently destroyed. Hard copies will be shredded, and electronic versions will be permanently deleted from the hard drive of the computer. You will not be reimbursed or receive any incentives for your participation in the survey.

The research was reviewed and approved by the Unisa Ethics Review Committee. The primary researcher, Mrs Ashnee Kumar, can be contacted during office hours on 083 311 0411. The study leader, Dr A.J de Bruyn, can be contacted during office hours on 012 429 4098, or email: [dbruyaj@unisa.ac.za](mailto:dbruyaj@unisa.ac.za). Co-supervisor Prof M.J Bushney can be contacted during office hours via email: [mbushney@gmail.com](mailto:mbushney@gmail.com). Should you have any questions regarding the ethical aspects of the study, you may contact Dr J Botha, the chairperson of the Unisa Ethics Review Committee via email: [Bothaj1@unisa.ac.za](mailto:Bothaj1@unisa.ac.za). Alternatively, you can report any serious unethical behaviour at the University's Toll-Free Hotline 0800 86 96 93.

Thank you for taking time to read this information sheet and participating in the study

You may access the survey via the following link: <https://forms.office.com/r/Rh58bfvpjn>



Kind regards

Mrs Ashnee Kumar

## ANNEXURE C: Permission letter, SABPP

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E: [info@sabpp.co.za](mailto:info@sabpp.co.za)  
Willowbrook House, 1st floor, Constantia  
Office Park, corner 14th Avenue and  
Hendrik Potgieter road, Roodepoort, 1709  
PO Box 2450, Houghton 2041, South Africa  
T: +27 11 045 5400  
[www.sabpp.co.za](http://www.sabpp.co.za)

14 June 2021

Ms Ashnee Kumar  
Department of Human Resource Management  
University of South Africa

Dear Ms Kumar

APPLICATION TO CONDUCT RESEARCH WITHIN THE SABPP MEMBERSHIP:  
"A RISK-BASED APPROACH TO HR AUDITS: IDENTIFYING AND MITIGATING  
HUMAN RESOURCES RISK ACROSS SOUTH AFRICA"

The South African Board for People Practices (SABPP) hereby acknowledges receipt of your application for assistance to conduct your research titled, "A risk-based approach to HR audits: Identifying and mitigating human resources risk across South Africa", within its membership base.

As previously discussed regarding research assistance, the SABPP only assists the researcher with communicating a link and brief descriptor of the survey to its members. This is under the strict condition that participation in your study is *voluntary* and *consent-based*; and that *anonymity* and *confidentiality* throughout the research process and subsequent publications will be ensured. The SABPP will not share its members' personal and contact details (such as email addresses) with the researcher; and will review and evaluate the member details requested in the researcher's survey and other instruments. The SABPP does *not* and will *not* endorse, promote, and certify the researcher, the research and the findings and publication thereof. The SABPP will exercise its discretion regarding the sharing and dissemination of the research and findings.

This letter serves to acknowledge your application for assistance and, upon your agreement with and signature below to all the terms and conditions laid out in this letter, it **provides permission to conduct the research** with the SABPP members.

The following requirements must be complied with:

- The SABPP database and member information are confidential and cannot be divulged to, or shared with, the University and any other persons and institutions;
  - The SABPP database and member information are not to be utilised for commercial purposes by the researcher and any other persons and institutions;
  - The researcher or his or her associates will not seek access to its membership database and will not disclose it;
  - The SABPP identity, brand and logo will not be used or cited in the survey instrument; nor will endorsement by the SABPP be implied or stated in the survey instrument or study (unless under the authority of the SABPP);
-



- The findings from your study can be used by the SABPP for publishing and in relation to their product offering as and when they deem it fit; and
- All information requested in the research must be authorised by the SABPP.

I would like to confirm that SABPP grants you permission to utilise their service for the distribution of your survey only subject to the above conditions. This is subject to the management and control of the SABPP exclusively in accordance with its processes, policies and with due consideration for the protection of their members' identity and privacy.

I look forward to you sharing the final research proposal together with the ethics clearance from the University you have registered at. These will be used for final approval.

Please contact me should you require any further information.

Kind regards

Dr Ajay Jivan

SABPP: Head of Research, Quality Assurance, HR Audits, and Finance Controls

---

I, Ashnee Kumar, accept that only provisional and conditional permission has been granted subject to my agreement and signature to the above stipulated conditions and is subject to final approval by the SABPP. I confirm that I will provide SABPP the approval from the University for the research and the required ethics clearance. I will share all research instruments and will provide SABPP a detailed explanation of the research design and process and will answer all related queries from the SABPP. I also acknowledge that the findings from my study can be used by the SABPP for publishing and in relation to their product offering as and when they deem it fit.

Please initial all pages and sign below.

Signed :  \_\_\_\_\_

Place : Ladysmith

Date : 14 June 2021

## ANNEXURE D: RBHRA questionnaire

### Risk Based HR Audit (RBHRA) Scale

**DEMOGRAPHIC INFORMATION:** To be used only for the purpose of analysis

Complete the information required below.

|                                                        |                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Type of industry in which my organisation resor</b> | Aviation<br>Agriculture<br>Automotive<br>Banking and financial services<br>Building and construction<br>Education<br>Energy<br>Engineering<br>Food and drink<br>Healthcare<br>Information technology<br>Manufacturing<br>Mining<br>Retail<br>Other |
| <b>My professional Registration with SABPP</b>         | HR Professional<br>Chartered HR Professional<br>Master HR Professional                                                                                                                                                                             |

Indicate your perceived level of agreement/disagreement with each of the following statement. Please provide one response per statement as applicable to your organisation.

|    | <b>HR GOVERNANCE (Internal Controls - policies/procedures)</b>                                                                | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|----|-------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|---------|-------|----------------|
|    |                                                                                                                               | 1                 | 2        | 3       | 4     | 5              |
| 1  | Effective HR governance measures are implemented                                                                              |                   |          |         |       |                |
| 2  | HR auditing is part of the governance process to ensure effective compliance to HR policies and procedures                    |                   |          |         |       |                |
| 3  | Employees are made aware of HR governance policies and procedures                                                             |                   |          |         |       |                |
| 4  | HR governance is driven from a senior management level                                                                        |                   |          |         |       |                |
| 5  | HR governance, risk and compliance structures, processes and practices are in accordance with corporate governance principles |                   |          |         |       |                |
| 6  | Employees are encouraged to participate in HR governance initiatives                                                          |                   |          |         |       |                |
| 7  | HR controls, quality and consistency are applied for sound HR governance                                                      |                   |          |         |       |                |
|    |                                                                                                                               |                   |          |         |       |                |
|    | <b>HR RISKS (Risk identification, awareness and mitigation)</b>                                                               |                   |          |         |       |                |
| 8  | Effective HR risk management systems are in place to manage HR risk                                                           |                   |          |         |       |                |
| 9  | All employees are made aware of the process of reporting HR risks                                                             |                   |          |         |       |                |
| 10 | HR risk management systems are continuously revised for                                                                       |                   |          |         |       |                |

**Risk Based HR Audit (RBHRA) Scale**

|    |                                                                             |  |  |  |  |  |
|----|-----------------------------------------------------------------------------|--|--|--|--|--|
|    | improvement                                                                 |  |  |  |  |  |
| 11 | All employees are sensitised about prevalent HR risks                       |  |  |  |  |  |
| 12 | Managing HR risks is a high priority                                        |  |  |  |  |  |
| 13 | The organisational strategy supports the management of HR risks             |  |  |  |  |  |
| 14 | HR professionals are instrumental in identifying HR risks                   |  |  |  |  |  |
| 15 | My organisation understands the importance of managing HR risks effectively |  |  |  |  |  |
|    |                                                                             |  |  |  |  |  |
|    | <b>ETHICAL LEADERSHIP</b>                                                   |  |  |  |  |  |
| 16 | Leaders promote doing things the right way                                  |  |  |  |  |  |
| 17 | Ethical leadership is enforced                                              |  |  |  |  |  |
| 18 | Leaders are role models of ethical behaviour                                |  |  |  |  |  |
| 19 | Leaders are held accountable for the ethical execution of their duties      |  |  |  |  |  |
| 20 | Leaders discuss ethical expectations with employees                         |  |  |  |  |  |
| 21 | Leaders accept the consequences of their actions                            |  |  |  |  |  |
| 22 | Leaders understand and communicate organisational values to all employees   |  |  |  |  |  |
|    |                                                                             |  |  |  |  |  |
|    | <b>ETHICAL CULTURE</b>                                                      |  |  |  |  |  |
| 23 | Leaders cultivate ethical behaviours                                        |  |  |  |  |  |
| 24 | Management takes accountability for their actions                           |  |  |  |  |  |
| 25 | Ethical issues are addressed with all stakeholders                          |  |  |  |  |  |
| 26 | Unethical behaviour is addressed by consequence management processes        |  |  |  |  |  |
| 27 | Employees who report unethical behaviour are protected                      |  |  |  |  |  |
| 28 | Employees are rewarded for ethical behaviours displayed in the workplace    |  |  |  |  |  |
| 29 | Employees are made aware of the organisational ethics policies              |  |  |  |  |  |
| 30 | Employees comply with the organisational ethics policies                    |  |  |  |  |  |

## ANNEXURE E: Ethics clearance



### UNISA HRM ETHICS REVIEW COMMITTEE

Date: 2 September 2022

Dear Mrs Ashnee Kumar

**Decision: Approved**

NHREC Registration #: (if applicable)

ERC Reference #:  
2022\_HRM\_008

Name: Mrs Ashnee Kumar  
Student #: 36606006

**Researcher(s):** Name: Mr Ashnee Kumar  
E-mail address, telephone # [36606006@mylife.unisa.ac.za](mailto:36606006@mylife.unisa.ac.za),  
083 311 0411

**Supervisor(s):** Name: Dr Anita Juliana de Bruyn  
E-mail address, telephone # [dbruyaj@unisa.ac.za](mailto:dbruyaj@unisa.ac.za), 012 429 4098

**Co-supervisor(s):** Name: Prof Melanie Jean Bushney  
E-mail address, telephone # [MBushney@unisa.ac.za](mailto:MBushney@unisa.ac.za), 012 429 3748

#### Working title of research:

Developing a scale to measure the efficacy of a risk-based approach to human resource audits (RBHRA): Identifying and mitigating human resource risks in South African organisations

**Qualification:** PhD

Thank you for the application for research ethics clearance by the Unisa HRM Ethics Review Committee for the above-mentioned research. Ethics approval is granted for Ashnee Kumar for a period of **five (5) years**.

*The **low-risk application** was **reviewed** by a Sub-committee of URERC on 20 July 2022 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment. The ethics application was approved on 2 September 2022.*

The proposed research may now commence with the provisions:



- 1. The researcher will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached.**
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the HRM Committee.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines, and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in the future on the condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance
8. No fieldwork activities may continue after the expiry date of **September 2027**. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

*Note:*

9. *The reference number **2022\_HRM\_008** should be clearly indicated in all forms of communication with the intended research participants, as well as with the Committee.*

Yours sincerely,



Signature

Name of the Chair: Dr Elizabeth Rudolph

**E-mail: rudolec@unisa.ac.za**

**Tel: (012) 429 2586**



Signature

Executive Dean: Prof MT Mogale

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