

Abstract

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Title: possibilities, duties and limits of internal risk communication

The duty of the risk management is to identify and to evaluate internal and external potential risks and to know their incidence rate. To guarantee the efficiency of the risk management it is necessary to communicate risks to staff members. They should know how to handle risks and to avoid them. Furthermore there is a bottom-up communication from the staff to the management about identified risks. In this relationship arises the problem of the principal-agent-theory which emerges from the information asymmetry.

The main focal point of the paper is on analyzing the targets, duties and limits of the internal risk communication in practice. Furthermore the paper surveys the possibilities of the internal risk communication. An essential requirement is to analyze the problem of asymmetric information between staff and management in internal risk communication and to identify actions for avoiding untrue reporting and for increasing the willingness to communicate. For this reason the paper focuses on theoretical aspects of the principal-agent-theory, risk management and internal risk communication.

Within the framework of the paper ten expert interviews have been conducted in Austrian companies belonging to different economic sectors (industry, commerce, transportation, construction sector, services, telecommunication) an varying in size. It has been shown, that the targets and duties of the internal risk communication in practice are quite similar to the targets and duties mentioned in theory. Furthermore most of the possibilities mentioned in literature are used in practice. In literature you can't find limits of internal risk communication, but the empiric study showed some limits of the internal risk communication in practice. The problem of untrue reporting is not relevant in practice. Anyway the companies take measures (incentives, monitoring, trust) to avoid untrue reporting. The experts value the willingness to communicate as high but dependent on the character of the person. To increase the willingness to communicate, the companies take actions (incentives, open communication culture, suggestion system, accenting the benefits of risk communication) too.