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What is a risk culture?

(and how can it be measured?)



Speaker Profile

Dr Hilary Lewis



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Approach

- Operate in both academic and practitioner roles to maintain best practice
- Work across industries to gain insights from varied applications
- Apply a systems perspective to deliver outcomes that can be sustained

Ground covered today

- Two perspectives of risk culture
- Why we need to assess how an organisation's culture impacts its risk management
- How a culture can be measured (case study)

What is a culture?

“the way things are done around here*”

* when no-one is looking

What is a risk culture?

“the way risk is done around here*

* when no-one is looking

A matter of individual risk psychology ...?



...or group conformity?



Perspective one

Risk management is part of the whole organisation.
If the overall organisational culture is appropriate then
risk will be managed appropriately

Advantages

- Holistic approach – led by HR
- Drives a high level of understanding of the overall culture
- Develops a high skill set in organisational culture development

Disadvantages

- High costs incurred from continued and sustained investment in skills and processes that deliver well timed and well targeted culture development
- Requires consistency and maturity of talent in cultural leadership roles

Perspective two

Risk management is a specialist activity in the organisation. Risk culture specifically, needs to be assessed and developed due to the unique demands it addresses.

Advantages

- Specialist approach – led by RM
- Drives a high level of understanding of the dynamics of a risk culture
- Enables senior managers to get closer to the risk management 'coal face'

Disadvantages

- RM often lack skills and confidence to take on the 'soft' elements of culture
- If done poorly, the singular focus can lead to unintended consequences (tick box mentality etc)

The need for greater cultural certainty

Wider CSR agenda

- Increased levels of regulated governance (e.g. Health and Safety reform Bill)
- Less tolerance for corporate failure (e.g. BP, SKY, BBC, Fonterra, Zespri)
- Greater awareness of the impact of culture on behaviour (e.g. 'Just culture' in Hospitals)

Financial Regulators

- Boards will be accountable for ensuring an appropriate culture is maintained
(e.g, a board knows what the appropriate culture should be for their organisation, they put it in place and develop as they need to)



What are we measuring?



Values or behaviours?

- What do you value?
- Which behaviour can you see happening?



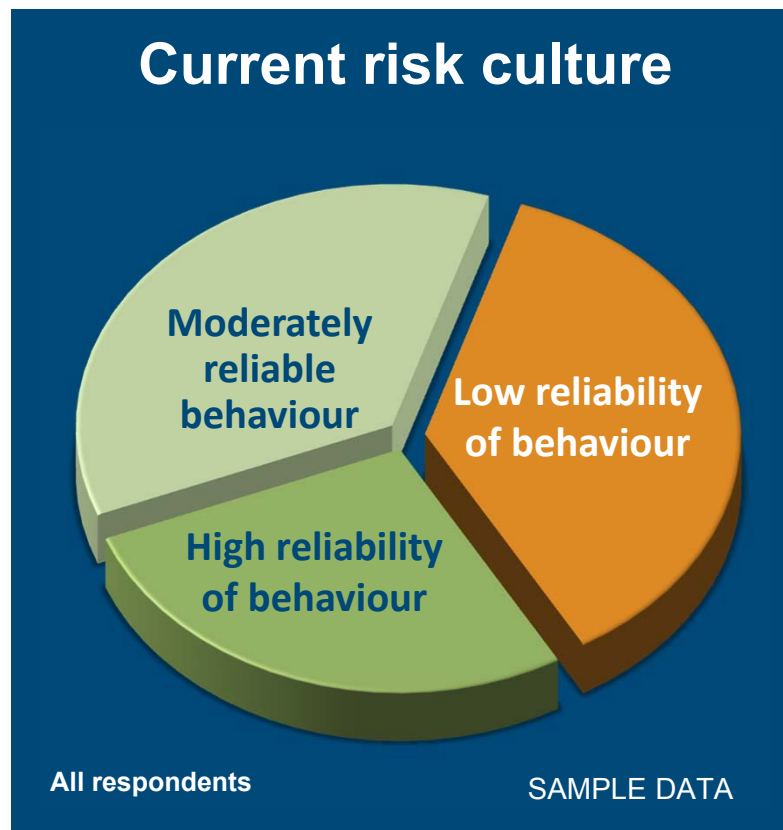
Case study

Insurance Company, UK

- Board / senior risk team developed enterprise culture benchmark
- A selected population of the enterprise was surveyed
- Gap analysis of results revealed where current culture aligned to desired benchmark culture
- Resources and initiatives targeted to areas which require development



What can be assessed?

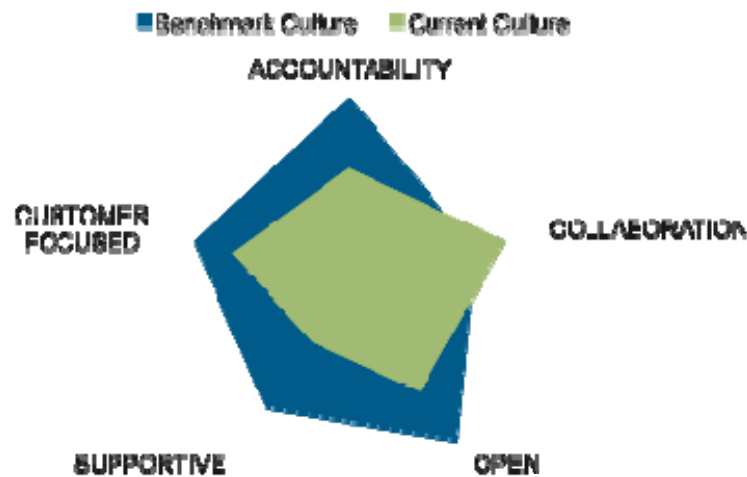


- Reliability of behaviour
 - Degree culture is embedded across enterprise (different business units/levels of management etc.)



What can be assessed?

Cultural Alignment (0-100)

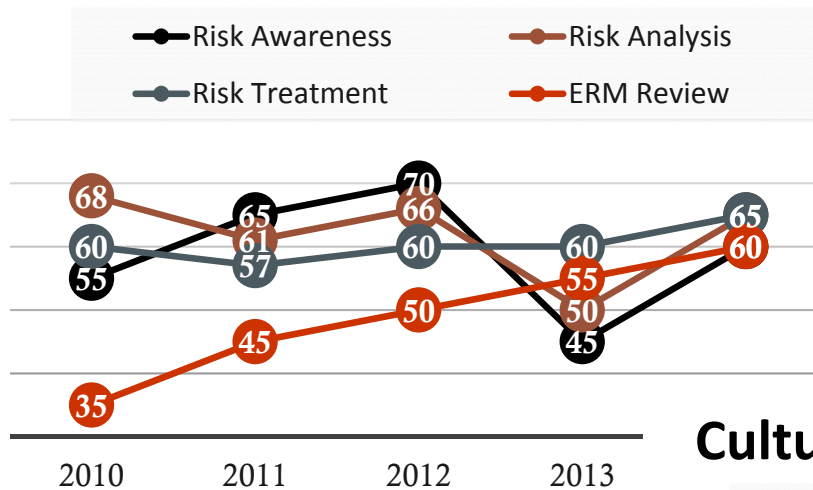


SAMPLE DATA

- Degree to which current risk culture matches desired benchmark
- Can be behaviours that embody corporate values
- Can be specific risk behaviours identified as key to a strong and appropriate risk culture

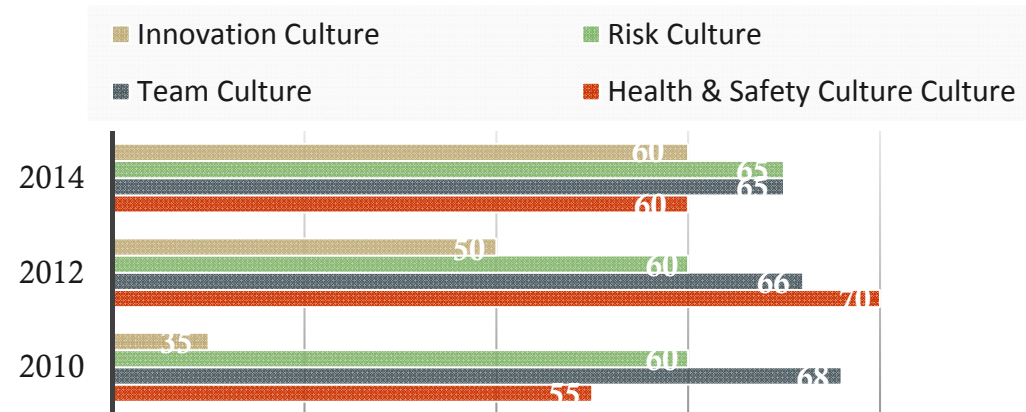
What can be assessed?

Risk Culture Practices (0-100)



- Development of specific risk practices
- Can map Health and Safety practices

Culture Embedment (0-100)



SAMPLE DATA

Measuring Risk Culture

- Can be simplified and still produce rich results
- Can be accomplished easily so regular assessment is not arduous
- The process of assessment raises up the significance of risk management
- Risk Culture assessments that start now, create on going risk culture conversations that build risk management maturity



Thank-you / Contact details



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