



The New Zealand Society for
RISK MANAGEMENT *Inc.*

www.risksociety.org.nz

The Society gratefully acknowledges the support
of our hosts for this event:

Beca, Powerco, Christchurch City Council,
Unison, KPMG and Trustpower





8

Questions

- What do we mean when we talk of a risk culture?
- How can you know what your risk culture is?
- How do you change your risk culture?
-?

2008



Lehman losses

Lehman Brothers shares closed below \$4 and is down 94.3 per cent from its January peak.

Lehman Brothers (LEH)



SOURCE: Thomson Financial AP

Across Industries

“Toxic Corporate Culture”

“BP’s Culture of Risk”



“How BP’s Browne Created Culture of Risk,
Incompetence”

Across elements and levels

2011



● Goodwill & Reputation

Safety

Our road to risk culture

- Successful companies have a **strong coherent** cultures
- Longitudinal research with 250 leading engineering companies, looking at culture trending
- Bath School of Management/CIPD research report, *'Unlocking the black box', reaffirms that the link between strategy and performance is culture.*
- *STRATrisk Dti funded report 'Culture is one of the key steps in managing strategic risk'*
- Walker (2009), Baker (2007), Turner (2011), Punter (2011)
- Solvency II IMAP review FSA Sept 12

Culture is a third hand metaphor



Agriculture

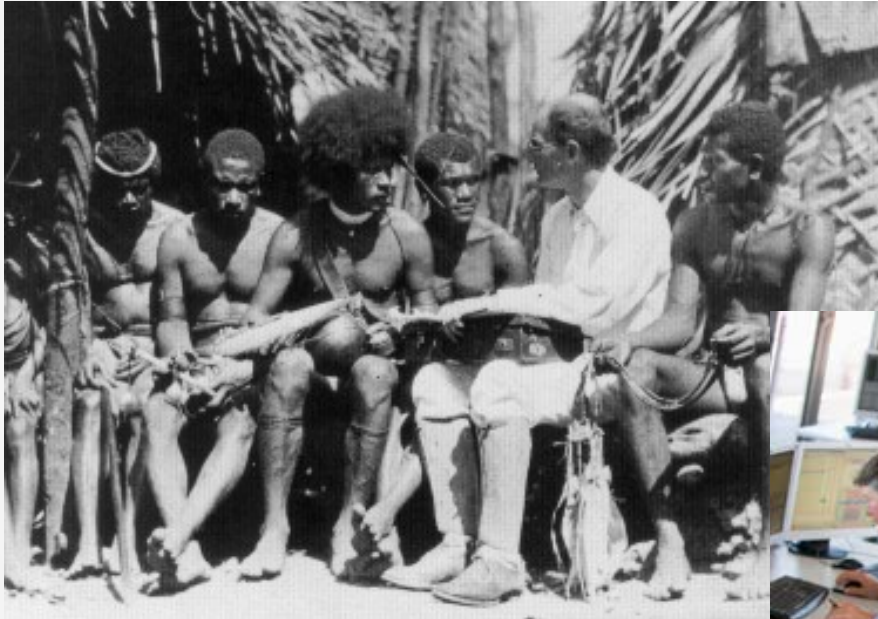


Horticulture



Viticulture

Culture is a third hand metaphor

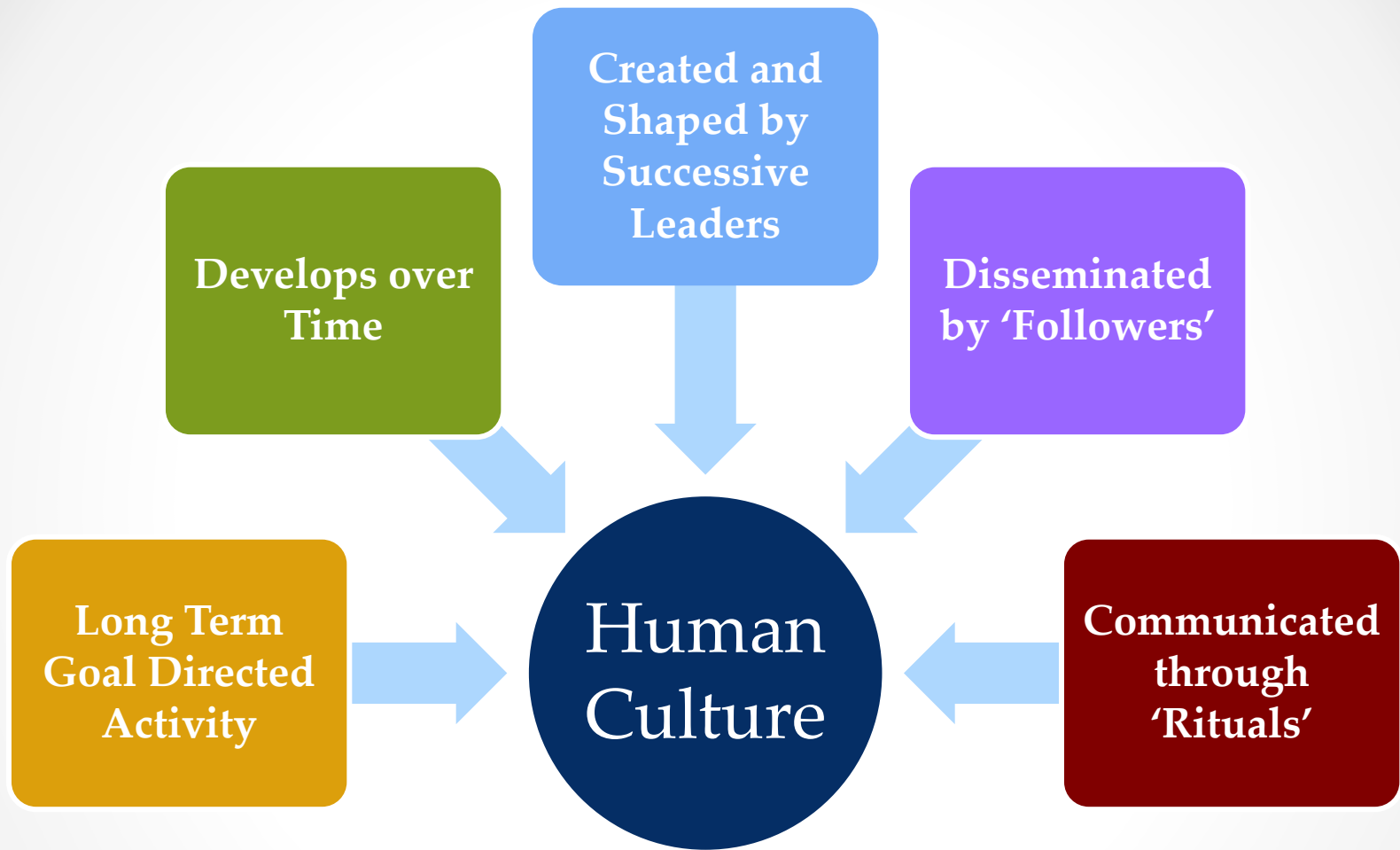


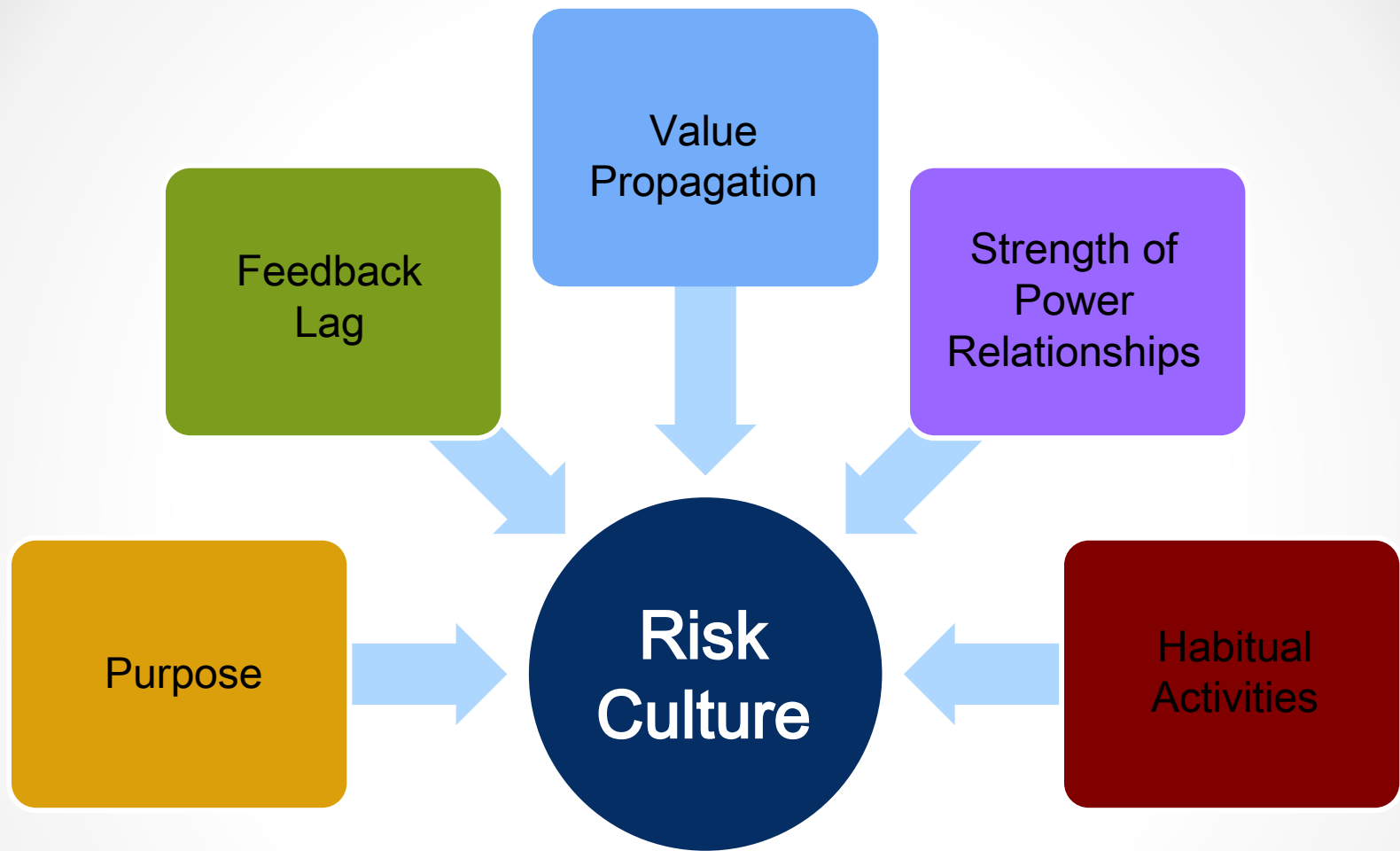
Anthropological Culture



Organisational Culture







Risk is a human construct







But where do the boundaries lie?

Unacceptable Risks

**Acceptable Risks &
Worthwhile Mitigations**

Unviable Mitigations

When faced with an ethics, compliance, or risk-related decision, the following are considered and in this order

Culture is a unique emergent property of an organising system of human activity. Its dynamics are not revealed by adding up the collective traits of individual members.

Risk Culture Diagnostic Tool

- Look at *competing* cultural dimensions;
(related to organisation and industry)

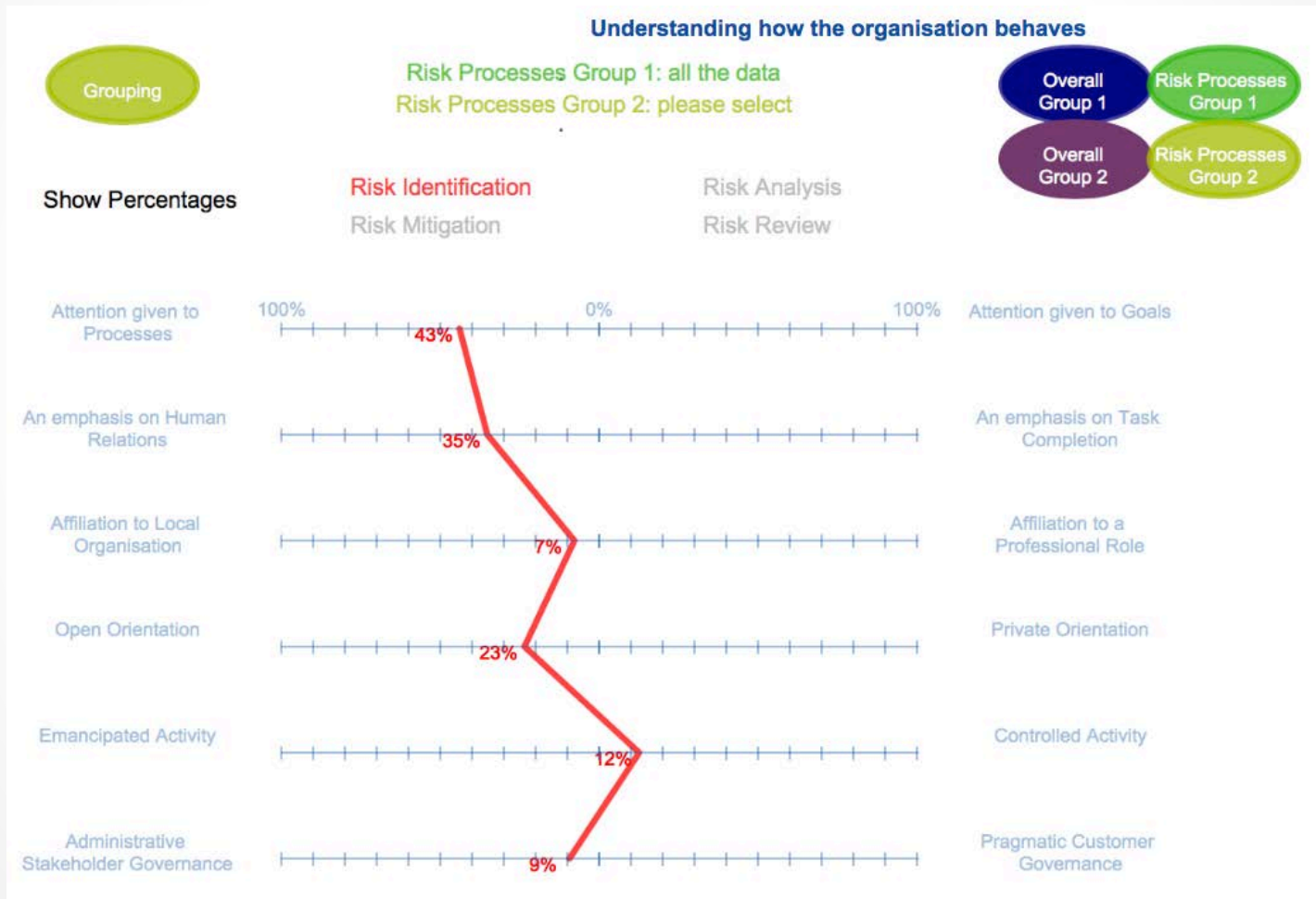
e.g. market vs regulation (Ind), people vs task (Org)

and

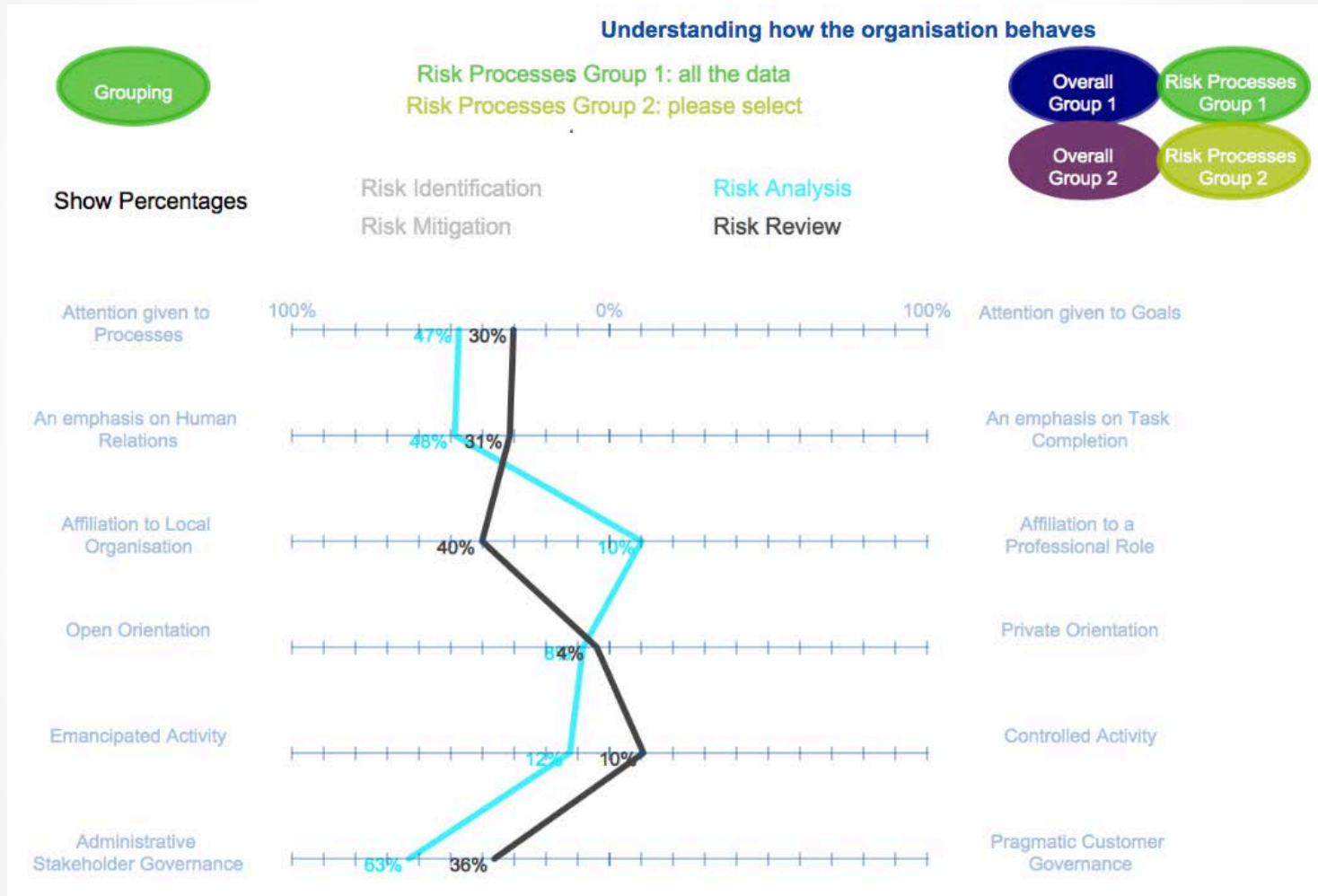
- We look at 4 risk practices *in context*.
Identifying, analysis, management, review

Not pejorative

– questions appropriateness

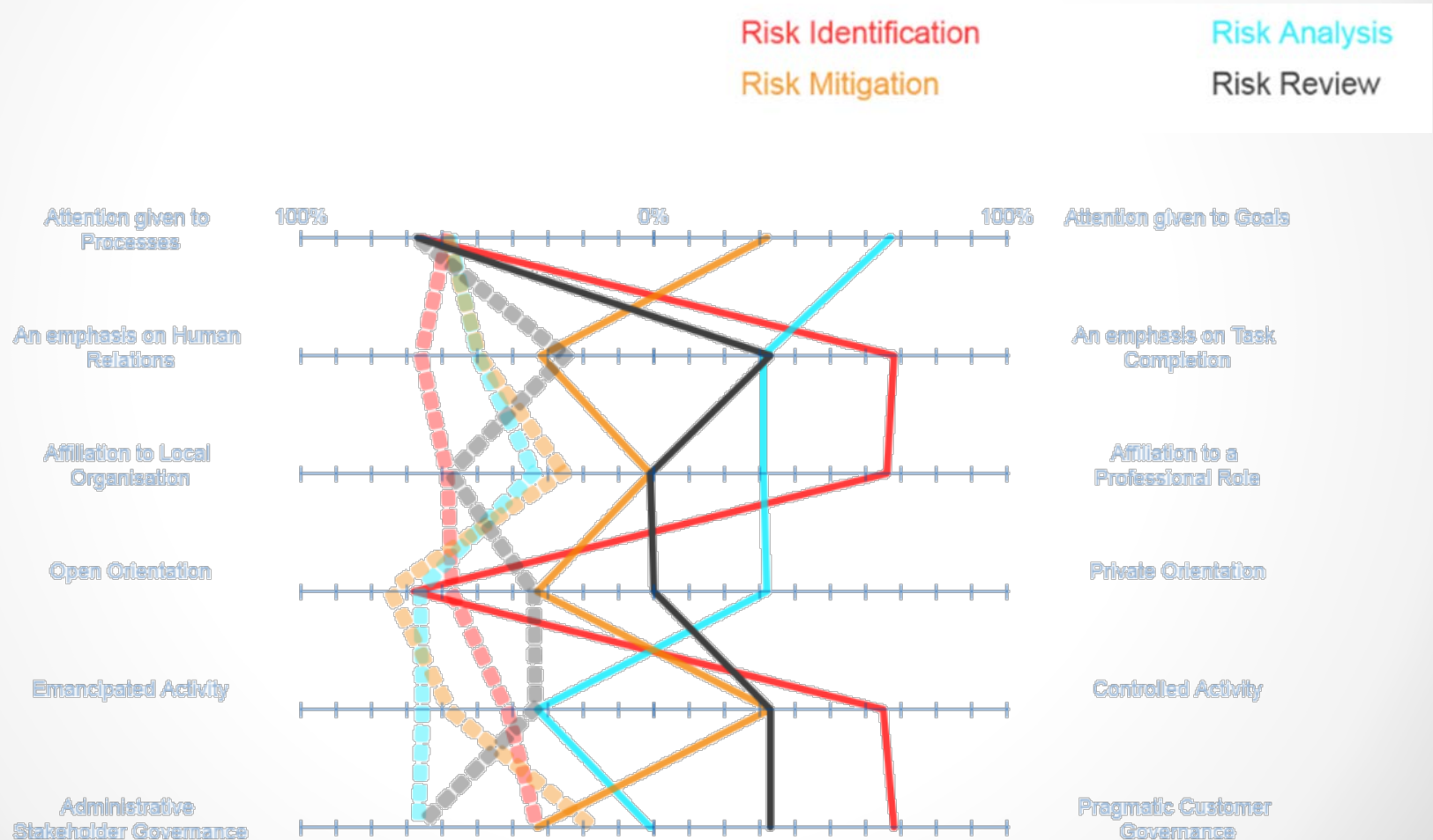


Allows comparison



Service

6-10 (solid) vs. 2-5 (dotted)



Case Studies

1. International Insurance Company – diverse staff base, long history, £400m+ profit
2. National Insurance Company – static staff base, recent acquisition and restructuring
3. International Engineering Company seeking continuing risk management awareness

Cultures Evolve

- A CFO tweets too much, too soon



theoldcfo
@theoldcfo



Board meeting. Good numbers=Happy Board.

← Reply ↻ Retweet ★ Favorite

- A publicly traded US clothing retailer with stores in 44 states
- The CFO disclosed company info to his followers before it went public, thus sharing inside information - a violation of long-held SEC regulations.
- He was promptly fired.

In Summary

- Applying complex system systems principles to risk behaviours broadens our risk culture insights
 - Purpose – Emergence – Self-Organisation - Evolution
- Developed an instrument that allows organisations to map their cultural strength and orientation against a number of behavioural constructs
- This uniquely includes differentiating between risk processes
- The tool is customisable for different organisational structures; industries or countries

Contact Details

Neil Allan or Dr Hilary Lewis

Systemic Consult Ltd

Neil.Allan@systemicconsult.com

Hilary.Lewis@Bristol.ac.uk

01225 660899

07714331473

www.systemicconsult.com