

The New Zealand Society for

RISK MANAGEMENT Inc.

www.risksociety.org.nz

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Beca, Mighty River Power, KPMG, Christchurch City Council, Unison and Powerco

The Psychology of Managing Risk

*A presentation to the Society for Risk Management
March 2013*



Agenda

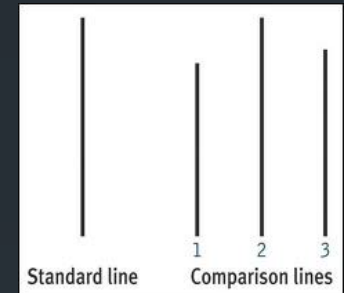
- Managing risk in practice
- Compliance v conformance
- Four scenarios
- Changing non-compliant behaviour
- Summary
- Something to think about

Managing risk in practice

- Theory
 - ISO, COSO, MBA/SSC-land frameworks
 - Systematic, robust, clear, clean
- Practice:
 - Incomplete, immature, not aligned
 - Organisational drift
 - Action
 - Poor relation of risk management
 - Changing behaviour often at the heart
 - Often boils down to getting compliance and/or conformance

Compliance v Conformity

- Compliance – obedience to authority
- Conformity – conforming to expectations



Compliance Factors

- Remote from consequence
- Location of authority
- Conflict of authority figures
- Remote authority

Conformance Factors

- Need for certainty
- Expert power
- Need for acceptance /approval
- Information power
- Identification



Scenarios



Changing behaviour to reduce exposure

(e.g. staff / teenagers)

- Where is the behaviour now?
- Where do you want it to be?
- How much effort is it worth to get better alignment?
 - What are the drivers?
 - What combination of compliance & conformance?
 - Where are the “choke points”? (e.g. wallet, safety, loyalty, welfare)

Successes:

- Drink driving
- Road gangs using safety gear

Failures:

Driving on Provisionals
Rising obesity

Summary

- Is there a problem behaviour?
- What's the cause of the behaviour?
- What effort is worth putting in?
- How do you divide the effort between compliance and conformity?

And to finish...

To finish: a problem

It costs \$500 to process a complaint through independent arbitration, and there's an exponential rise in clients asking for \$100 to resolve complaints to avoid going to the Ombudsman...

... how do you control the risk of spurious complaints without damaging the reputation of your organisation?