Enterprise Risk Management Seminar

The Place of Risk Management in the Organisation Culture and Values





#### What is Risk?



Risk is the effect of uncertainty on objectives, whether positive or negative



### What is Risk Management?



# Identifying, assessing, and prioritising risks

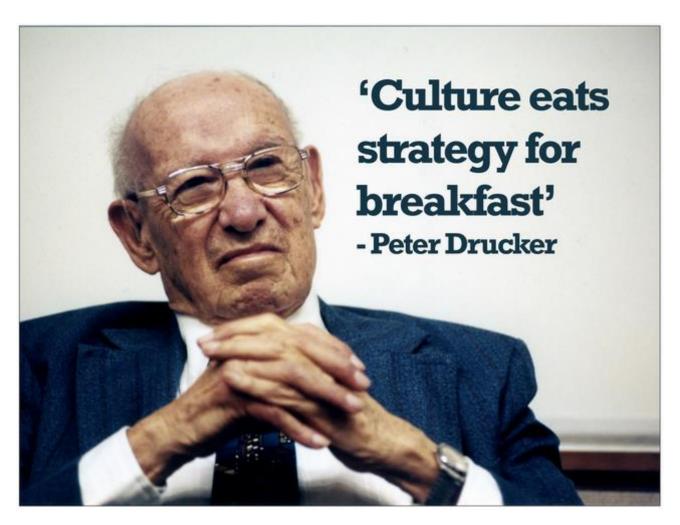
# Coordinating and economically applying resources to:

- minimise, control and monitor the probability and/or impact of unfortunate events
- maximise the realisation of opportunities



#### What is Culture?





#### What is Culture?



"I made acquisitions that didn't work and learned from that. Sometimes I bought a company with a bad culture. Why did that fail? Because I bought something without thinking of the culture. I



was doing the numbers, not thinking of the culture. They were too different; they had the culture of bonuses..."

. Jack Welch on the purchase of Kidder Peabody

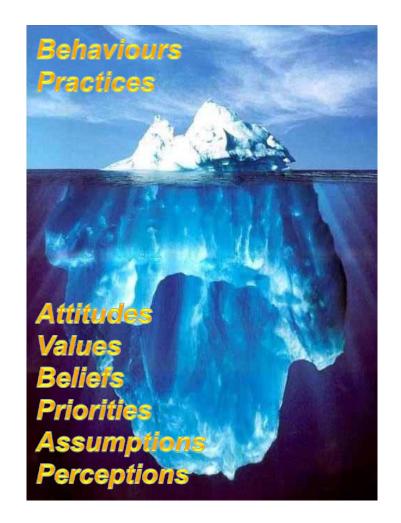
#### **Definition of Culture**



### Origin of CULTURE: %ultivated land+

The beliefs, customs, ways of life, arts, etc. of a particular society, group, place, or time

A way of thinking, behaving, or working that exists in a place or organisation (such as a business)



### Definition of Values: % worth, high quality+













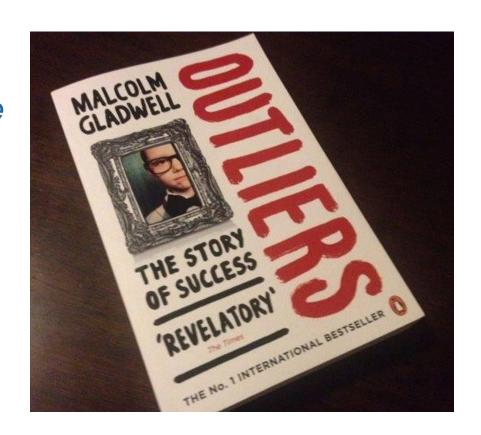
### Korean Culture and Airplane Crashes



Korean Air Cargo Flight 8509, 22 December 1999

Korean Air advised ‰ revise its training program and company culture, to promote a more free atmosphere between the captain and the first officer+

Malcolm Gladwellc Outliers: Whe Ethnic Theory of Plane Crashes+



### Dawson McDonald & Associates: Compliance or Culture?





# Dawson McDonald & Associates: Culture, Values and Risk Linkages



Risk management has a place in \( \) wow things get done around here+

Risk management is **not** a **%ick** the box+compliance exercise

Risk management is **not** % nother task that distracts attention from the real work+

Those directly responsible for Risk Management have the authority to act

Those directly responsible for Risk Management have the commitment and support of the management team

## Dawson McDonald & Associates: Culture, Values and Risk Linkages



Risk Management functions are well resourced

Risk Management implications are carefully considered when decisions are made

**ALL** staff are well trained in identifying and managing risks Risk management is part of the senior management team

The most senior Risk Manager reports directly to the CEO, Board, or Board Committee

## How culture and values can frustrate risk management



Ethics, staff attitudes, management politics, regional variances

Management approach to costs and risks (risk tolerance)

Organisational resistance to changes in risk responsibility introduced

Limited risk management skills and resources

Perceptions that controls restrict performance

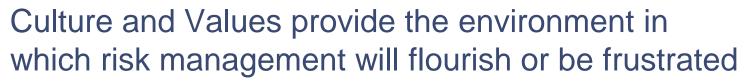
Limiting the scope of risk management to areas that audit focus on

Reliance on performance of procedures without required oversight

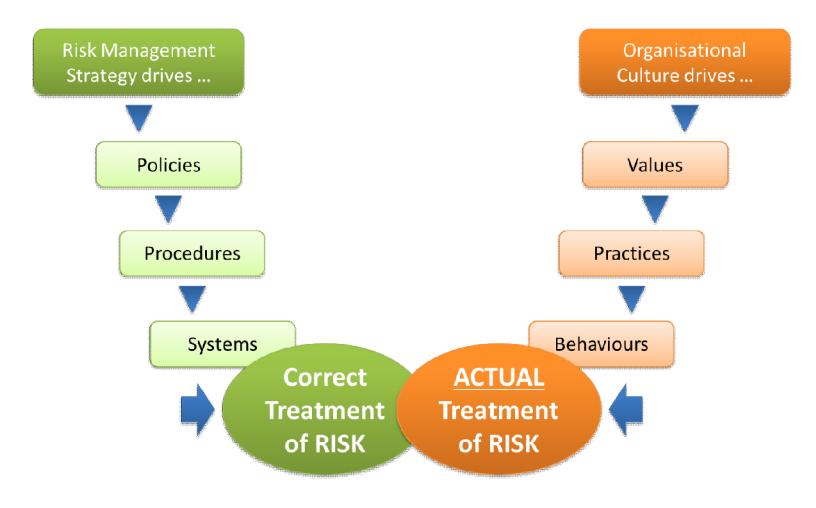
Personal experiences of security

What is in it for me?

- " budget
- " influence
- management attention
- " personal regard











Encourage all business units to participate
Exploit opportunities for learning
Reduce bureaucracy to expedite decisions
Empower managers to carry out decisions
Formally assess and report contributions
Take advantage of low-hanging fruits:

- " sell the value of risk management
- " promote ownership and accountability

Maintain focus on priority issues

### In Summary



The linkage between Risk and Culture and Values is driven by the *hone at the top+* 

Organisational **Culture** drives the **Values** set and acted on by top leadership

This in turn drives the **Practices** across the organisation and finally the **Behaviour** (**Habits**) of individuals who strive to conform to the organisational ‰orms+of ‰ow things get done around here+

# Thank You