

ENTERPRISE RISK MANAGEMENT SEMINAR

Presentation by:

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Presentation agenda



Agenda

- ❑ What do we mean by Risk Culture
- ❑ Why is Risk Culture so Important
- ❑ Role of Organizational Culture in Risk Management
- ❑ Role of Tone at the Top in Risk Management
- ❑ How can you Change Risk Culture
- ❑ Conclusion
- ❑ Q & A

Meaning of Risk Culture?



People, present and past, make the place.....

The culture of a group..

- ❑ Arises from its repeated behaviours
- ❑ Behaviours are shaped by attitudes
- ❑ Both behaviour and culture are in turn influenced by the culture

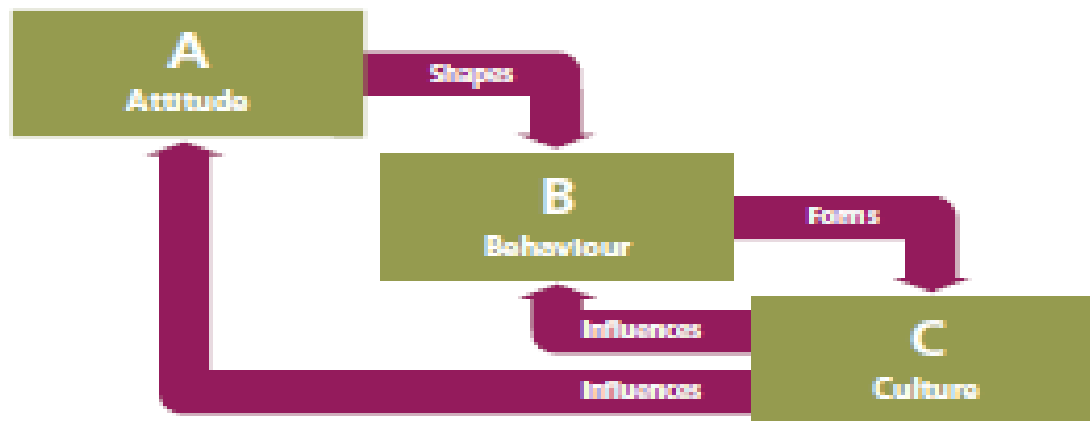


Figure 3.1: The A-B-C Model (Attitude-Behaviour-Culture)

So by risk culture we mean..



- ❑ The values,
- ❑ The beliefs,
- ❑ The knowledge &
- ❑ The understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation or of teams or groups within an organisation..

Different types of organisation will have different cultures



□ And there can also be different cultures in different parts of the same organisation..

Risk Culture Framework.

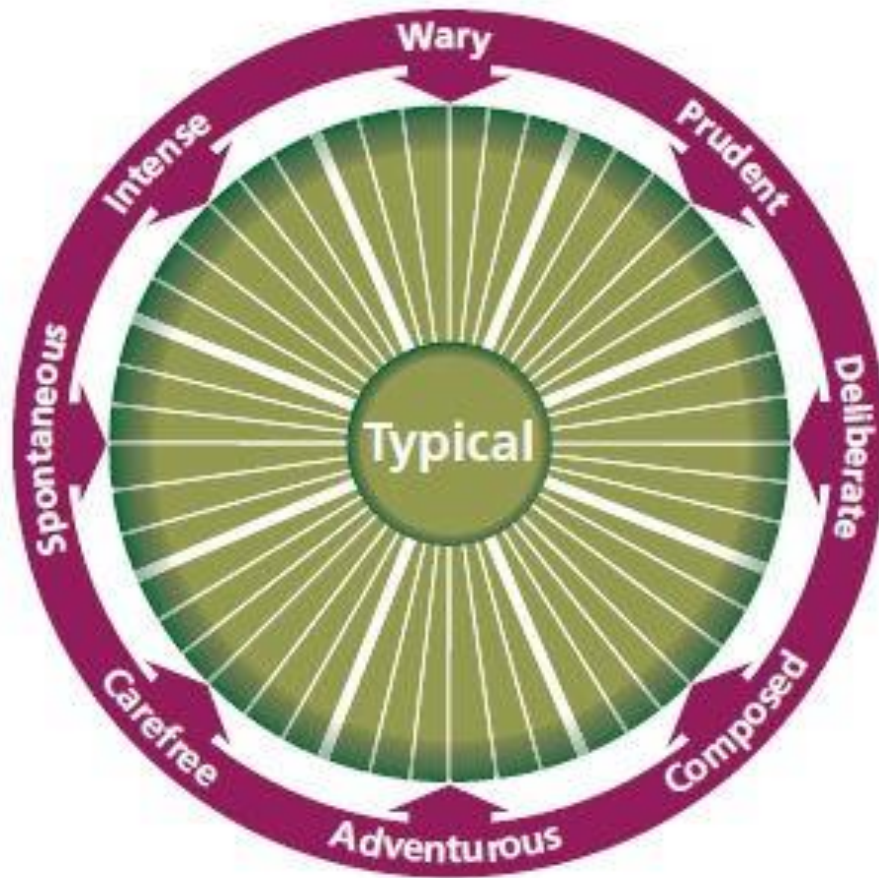


Various components
make up an
organisation's
risk culture



IRM risk culture Framework

Personal predisposition to risk

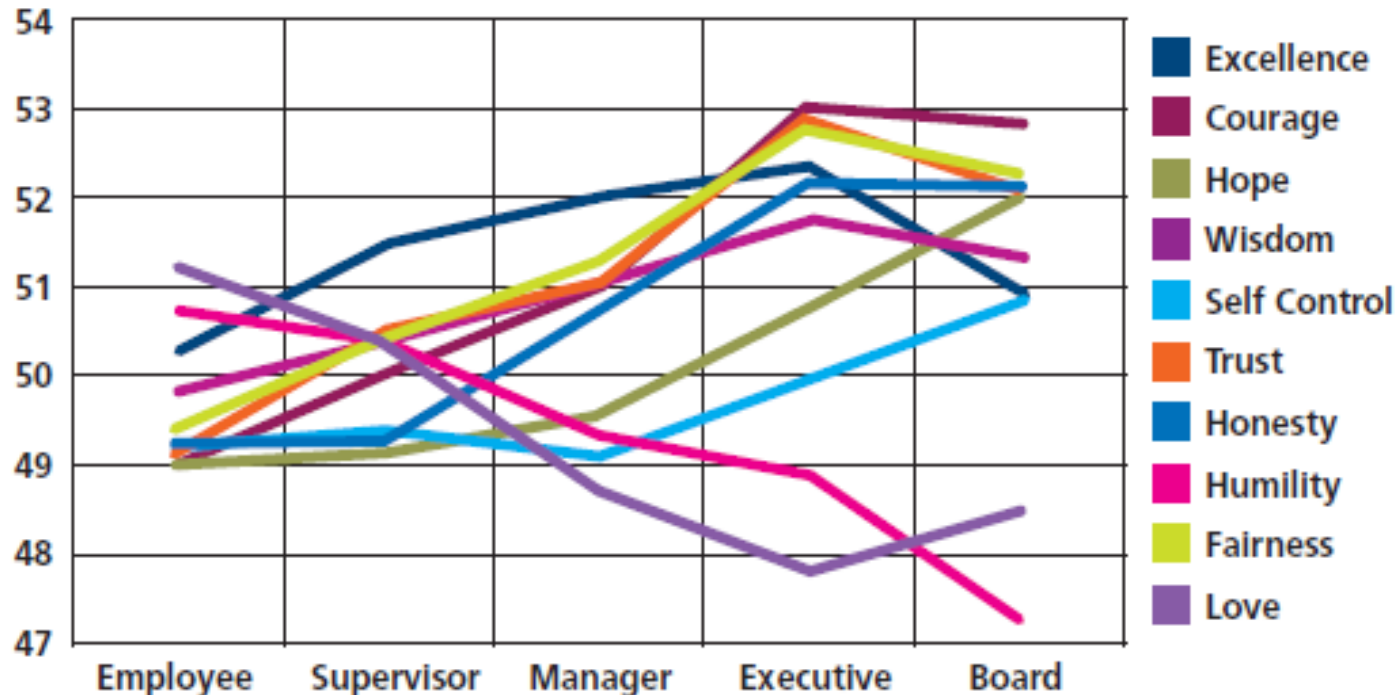


Risk Compass

Personal ethics



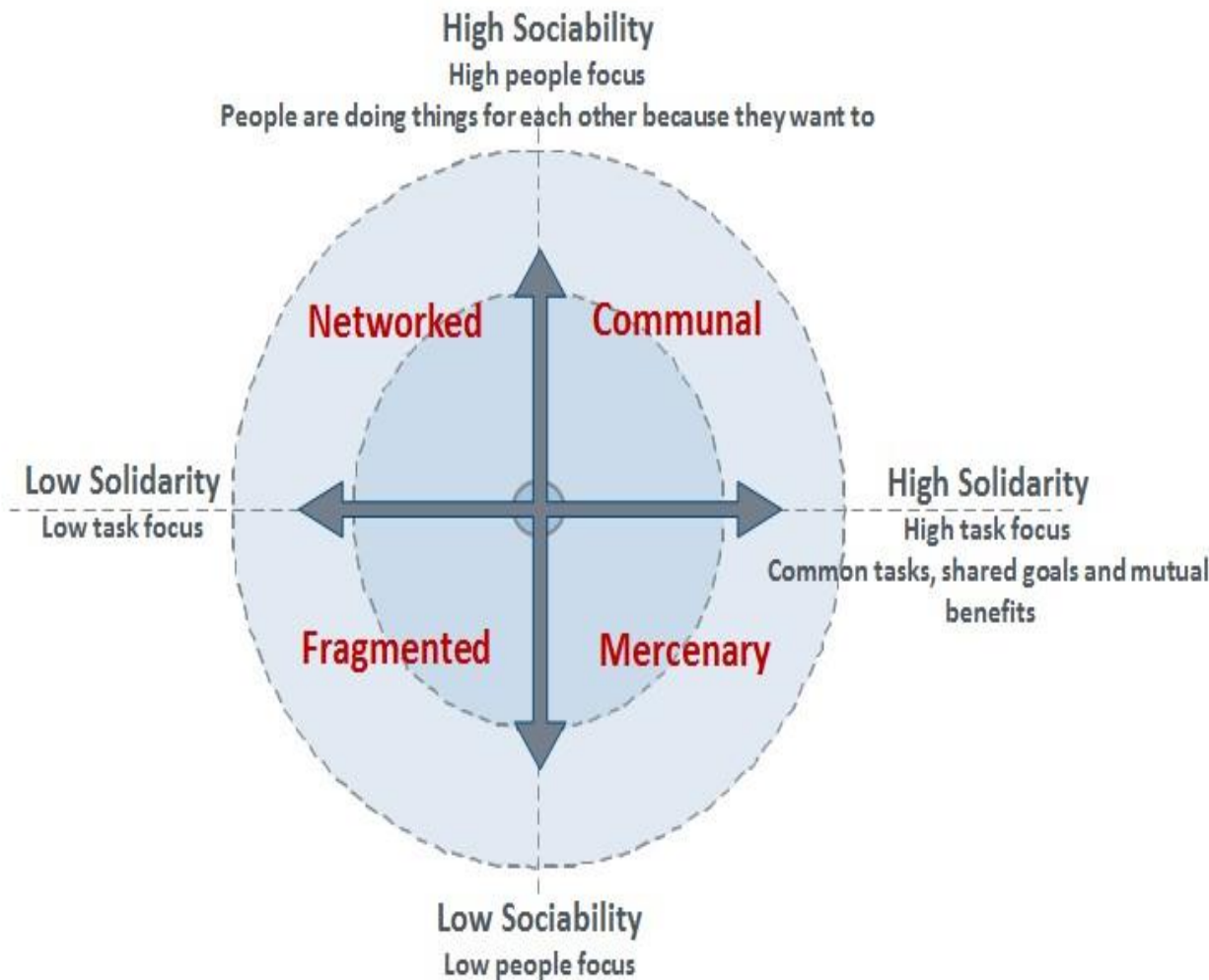
Moral DNA Values by Leadership



DNA
Profiling

...only 55% of all respondents could say definitively that they **would not engage** in insider trading if they could make \$10m with no risk of getting arrested.” Labaton Sucharow survey 2012

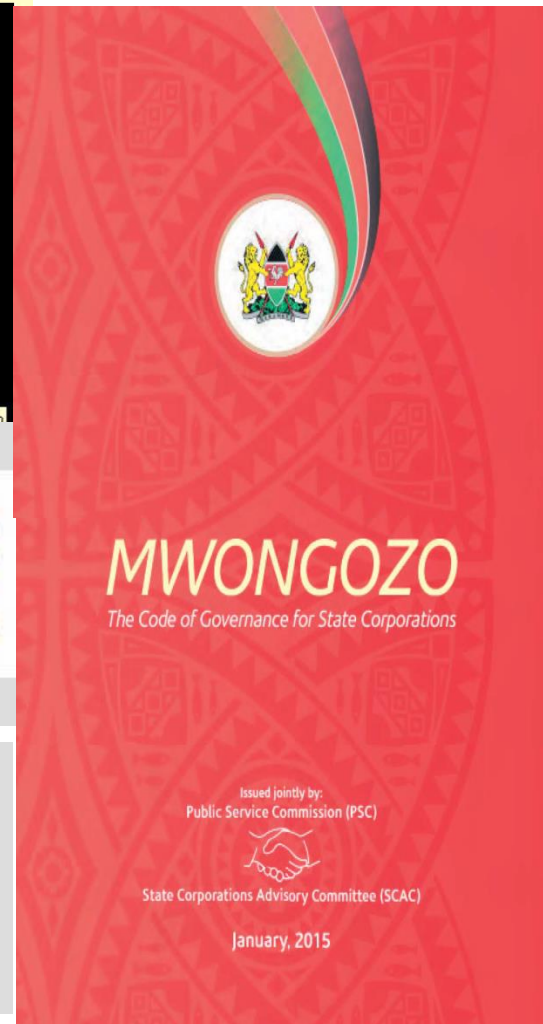
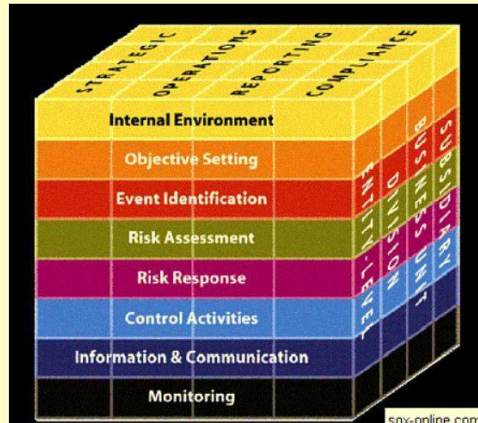
Organisational Culture



Goffee & Jones
Double S
Model
Diagnosing
organisational
culture

Why is risk culture so important?

More regulations, codes and standards than ever before.....



....but these are not sufficient in themselves
for the successful management of risk....

We have seen very many organizational failures.....



THE COUNCIL OF GOVERNORS



CHASE BANK
The Relationship Bank



UCHUMI
Your home of value!

Help your co. not
to occupy this
spot in the high
table!!!!

.....the missing factor is how people behave in relation to risk, at all levels of the organisation – the risk culture.....

How does culture affect risk management?



.....IRM surveyed it's members to establish which organisational culture types would best support successful implementation of risk management

.....organisations required both strong Solidarity and Sociability for achieving good quality risk management results...

...right risk culture can actively help with risk management & that wrong type of culture, far from being neutral, makes it more difficult to manage risk

Building Solidarity & Sociability Organisational Culture?



Aspects of the
risk culture
that an
organisation
can address

Fig 2.4 IRM Risk Culture Aspects Model

Role of Organizational Culture in Risk Management



- ❑ Promotes distinct and consistent tone from the top
- ❑ Commits to ethical principles
- ❑ Encourages common acceptance of the importance of continuous management of risk
- ❑ Promotes transparent and timely risk information flowing up and down

Role of Organizational Culture in Risk Management



- ❑ Encourages risk event reporting and whistle blowing and actively seeking to learn
- ❑ Recognizes no process or activity too large or too complex or too obscure
- ❑ Ensures appropriate risk taking behaviours is rewarded and encouraged and inappropriate behaviours challenged and sanctioned

Role of Organizational Culture in Risk Management



- ❑ Where risk management skills and knowledge are valued, encouraged and developed,
- ❑ Ensure sufficient diversity of perspectives, values and beliefs to ensure the status quo is consistently and rigorously challenged
- ❑ That is aligned with employee engagement and people strategy

Role of Tone at the top in Risk Management



- ❑ Provide consistent, coherent, sustained and visible leadership in terms of how they expect employee to behave and respond when dealing with risk.
- ❑ Establish sufficiently clear accountabilities for those managing risks and hold them to their accountabilities.
- ❑ Encourage open talk without fear of consequences or being ignored.

Role of Tone at the top in Risk Management



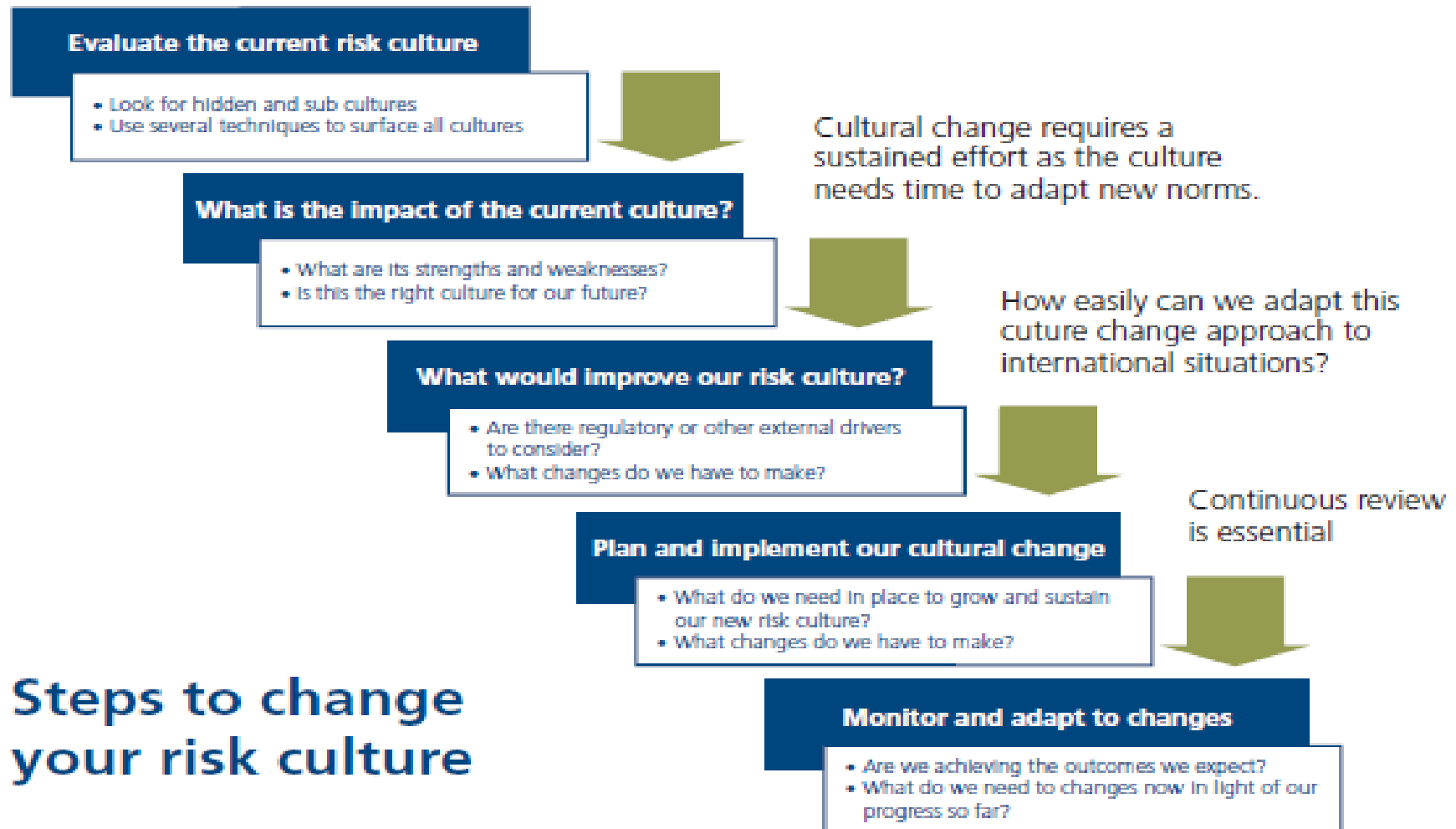
- ❑ Acknowledge & live the organizations stated values when addressing and resolving risk dilemmas.
- ❑ Ensure organisation's structure, processes and reward systems support and not detract from the development of desired risk culture.
- ❑ Encourage organisational humility to look at itself from the perspective of stakeholders and not just assume it's getting it right.

Role of Tone at the top in Risk Management

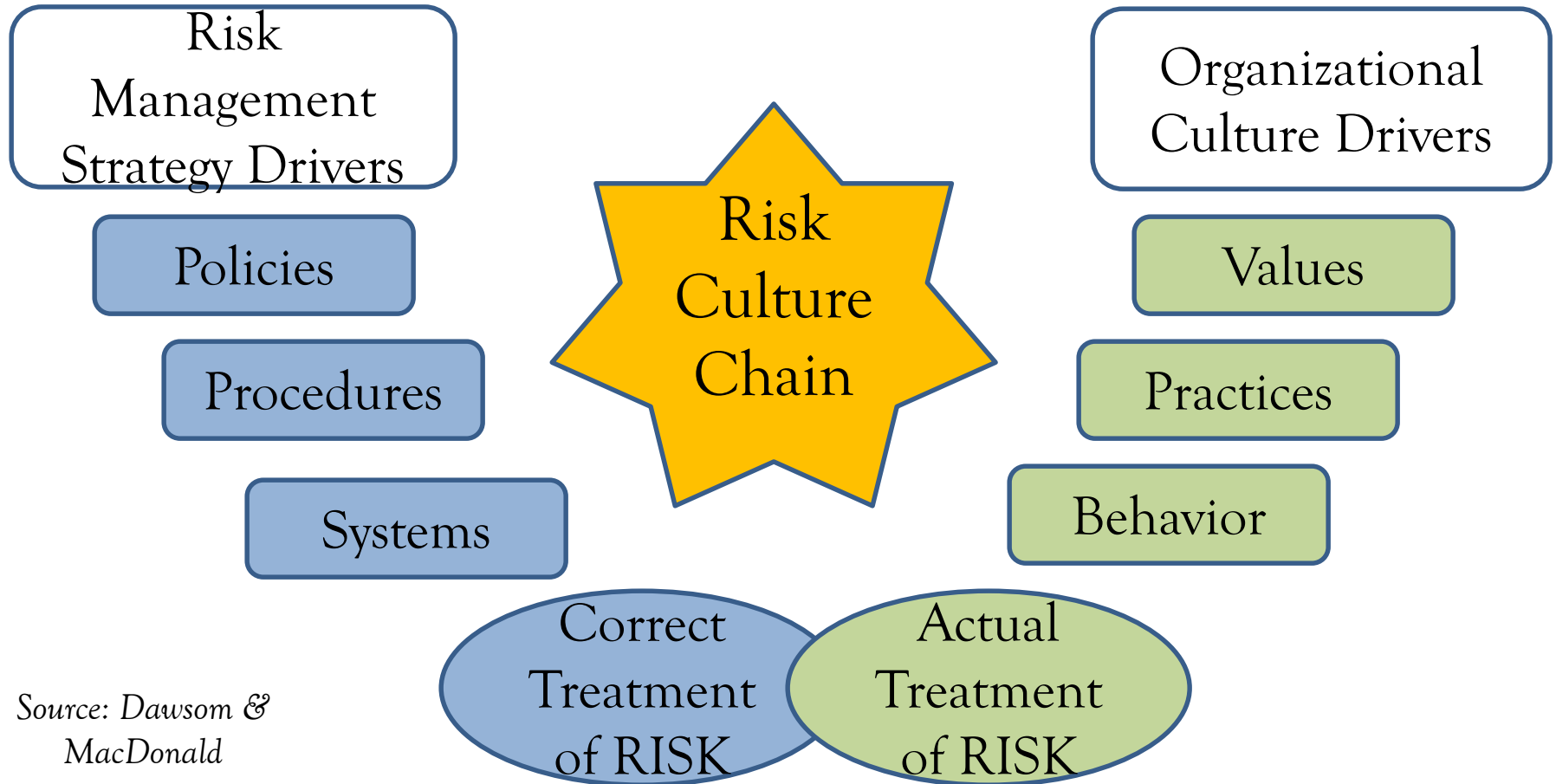


- ☐ Ensure new joiners quickly absorb the organizations desired cultural values.
- ☐ Support learning & development associated with raising awareness & competence in RM at all levels.
- ☐ Attend requisite training risk management.

If there is need to Change Risk Culture



Risk Management & Organizational Culture



Source: Dawsom &
MacDonald

Fact: If risk is not aligned to strategy Culture **Wins** Risk Management **Fails**

END



Q & A