What do we mean by Risk Culture?

Risk culture is a term describing the values, beliefs, knowledge and understanding about risk in an organisation with a common purpose, in particular the employees of an organisation.

Culture is more than a statement of values, it relates to how these values translate into concrete actions

The culture of employees arises from a repeated behaviour of its members

The behaviour of the employees is shaped by their underlying attitudes

Both behaviours and attitudes are influenced by the prevailing culture of the organisation

Risk culture refines the concept of organisational culture particularly the collective ability to manage risk

- Risk Attitude is a chosen position adopted by an individual or group towards risk
- Risk behaviour comprises of observed risk related actions, including risk based decision making, Risk Processes and risk communication

What does a good risk culture look like?

A successful risk culture would include:

- A distinct and consistent tone from the top from senior management in respect of managing risk and also considering the tone at all levels
- A transparent and timely flow of risk information within the organisation
- Encouragement of risk event reporting and whistle blowing
Why is risk culture so important?

- All organisations have risks they need to manage them to be able to achieve their objectives
- A prevailing risk culture within an organisation can make it better or worse in managing risks
- Risk culture significantly affects the capability to make strategic decisions to improve and deliver on performance promises
- Organisations with an inappropriate risk culture will inadvertently find themselves allowing activities that are at odds with the set policies and procedures or operating those policies

What can Management do about risk culture?

- Management has a responsibility to set, communicate and enforce a risk culture that is consistently aligned with the strategy and objectives of the Department
- This starts with the risk behaviours, attitudes and culture of management itself and filtered down to the entire organisation
- Management needs to ask the following to improve risk culture within the organisation
  - What is the current risk culture in our organisation and how do we improve risk management within that culture?
  - How do we want to change that risk culture?
  - How do we move from where we are to where we want to be?

How do we change Risk Culture?

- It is believed that it is possible for an organisation to drive change in its culture. This requires a clear understanding of the current culture and the desired “Target” culture.
- A culture change should be treated as a change management project in its own right with appropriate allocation of time and resources
- This project must have set objectives, design for intervention and with regular review of progress and outcome
- A successful change requires awareness that management is part the existing risk culture, and the culture needs to start at the top
- To change a risk culture, we have to be able to describe the vital aspects of that culture we desire as an organisation