

Building an effective risk culture is a strategic imperative

There has seldom been more focus on how organisations and their employees manage risk. This means that defining, reinforcing and measuring your organisation's risk culture is a strategic priority for senior leaders and their Boards.

Much of the current global focus is on financial services, but all sectors and functions face the same challenges: safeguarding customer, patient or citizens' data; managing the reputational risks posed by social media; ensuring the financial reports are error-free; maintaining high integrity among employees. No organisation is immune, and all need a robust and proactive approach in place.

"Risk culture" can be a muddled topic, but it doesn't have to be. Let's establish some basic facts:

- **Risk culture is not separate** to organisational culture. The latter drivers the organisation's approach to the former.
- **Culture is an output.** It's the environment and behaviours you create as a result of the practices, policies and behaviours you define and reinforce. Think about it; if you hire criminals and incentivise conflict then you will create a culture of violence.
- **Culture can be measured.** There are a large number of qualitative and yes, hard quantitative measures that can be used to do this.
- **Risk is good.** Nothing is achieved without taking risks. We don't want to prevent all risks, we want employees to understand and manage them.

How we work with you to understand and strengthen your risk culture

Every situation and organisation is unique, but our approach is consistent. There are six principles that we adhere to:



Customer-led: We ensure that the customer voice and experience is at the heart of your risk culture strategy. This is vital.



Culture-first: Most consultants have a risk or internal audit background. We are culture specialists with deep people expertise and this is our focus.



Aligned to your cultures: Different teams and roles have different cultures and require different risk appetites. One size does not fit all.



Holistic: We don't just rely on a survey or interviews. We look at the end to end employee experience and ensure all activity is aligned and consistent.



Aligned to your current activity: We tailor our activity to align to existing channels, initiatives and activity.



Decision-agnostic: You can't own the solution if we give it to you. We work with you to develop and implement the best approach, but we won't tell you what to do.

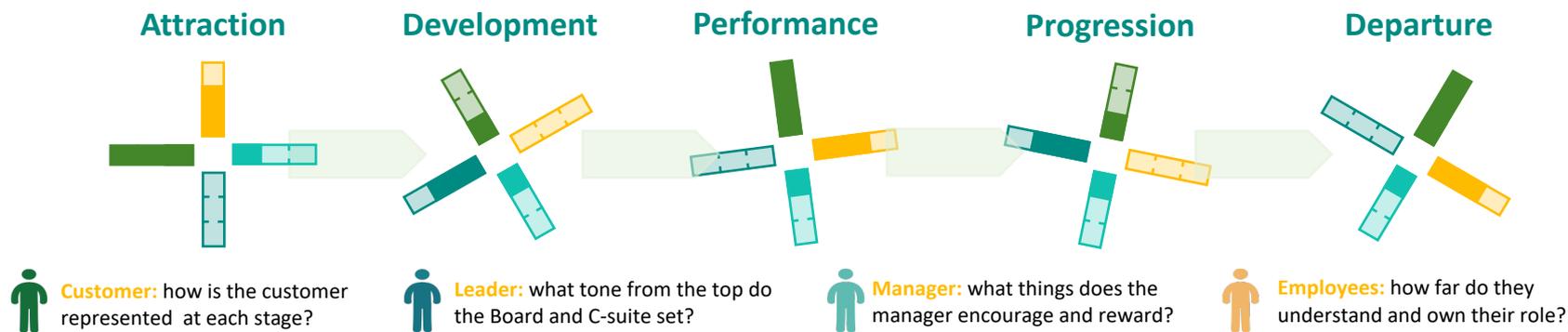
A holistic model to measure and evaluate your risk culture

We have a model for measuring your risk culture that takes a holistic, customer-focused approach. We work with you to review your risk culture and identify opportunities to strengthen and reinforce the right behaviours

The science behind our model comes from research and work by leading global regulators and bodies such as APRA, ASIC, the Financial Stability Board and De Nederlandsche Bank (DNB)¹. This means we focus on the same things that the regulators look at. We also draw on our extensive experience working in-house and with clients. There are three elements to our model:

- Holistic approach:** we look at the five elements of the employee lifecycle to ensure that the end-to-end experience is reviewed
- Role-based:** for each element we look at four key roles – leadership, manager, employee and customer – to gauge how effectively each role is covered. Each is rated low, medium or high.
- Behavioural:** for each element and role we look at the key behaviours known to impact culture. These include openness, diversity of thought, collaboration, accountability and learning mindset.

The output of the review is shown below, a summary of the risk culture each stage of the employee lifecycle, split by role and with detailed commentary.



How we work with you

We start with a conversation; we want to understand your priorities, hypotheses and current activity. We then tailor our approach to reflect this, to maximise the impact and value. We typically use a combination of surveys, interviews and desk-based review to formulate the review, working with your in-house team throughout.

Why work with us

Murray Priestman, Principal, was previously Global Head of Talent at Macquarie Group, where he was responsible for organisational culture and capability. This involved working closely with the business, Risk and external stakeholders to define, build and measure risk culture. Our approach is based on this experience.