Understanding and Managing Risk Culture

Affiliate Member Webinar

Nonprofit
Risk Management
Center

1

Webinar Topics

1. What is organizational culture?

2. What is risk culture?

3. Tips, Strategies and Takeaways

2

Organizational Culture

3

What is Organizational Culture?

"One group of organizational experts seems to think it is what someone does when no one is watching. Another group of organizational experts this it is what one does when everyone is watching."

Rethinking Risk Management, Chapter 8

4

The ABCs of Culture

- The Culture of a group arises from the repeated **Behavior** of its members

- The Behavior of the group and its constituent individuals is shaped by their underlying **Attitudes**

- Both Behavior and Attitudes are influenced by the prevailing **Culture** of the group

5

Does Culture matter?

- "The key to a successful organization is to have a culture based on a strongly held and widely shared set of beliefs that are supported by strategy and structure. When an organization has a strong culture, three things happen: Employees know how top management wants them to respond to any situation, employees believe that the expected response is the proper one, and employees know that they will be rewarded for demonstrating the organization's values." - SHRM

6

6 Components of Culture

- **Values**:
  - outcomes, fairness, teamwork, stability, innovation

- **Hierarchy**:
  - High (well-defined + expectation that you must work through official channels)
  - Moderate (defined structure + acceptance that it's ok to work outside formal channels)
  - Low (loosely defined roles + expectation that team members will challenge authority)

- **Urgency**:
  - High: projects move quickly
  - Moderate: projects move at a reasonable pace
  - Low: projects move slowly; quality is valued over efficiency

7

6 Components of Culture

- **People orientation or task orientation**:
  - do you put people first when making decisions + believe that people drive performance?
  - or do you put tasks and processes first + believe that efficiency and quality drive performance?

- **Function**:
  - are certain functions in the organization viewed as more valuable than others? How do leaders create a "constructive partnership" between teams?

- **Subcultures**:
  - Regional cultures are common in larger organizations
  - Rituals and traditions develop

8

Sub-cultures

- Management styles
- What gets rewarded and what doesn't
- Accountability
- "Sometimes it is easier to change <u>people</u> than to <u>change</u> people."

- Because nonprofits exist for the greater good: "…greater care needs to be taken that organizational values, behavioral norms and ethics are scrupulously articulated and followed."

CAN AN ORGANIZATION HAVE MORE THAN ONE CULTURE?

". . .organization that have different cultures will show various symptoms of dysfunction."

- Leigh Wintz, Tecker International

9

Risk Culture

10

What is Risk Culture?

"…a term describing the values,

beliefs, knowledge and

understanding about risk shared by a

group of people with a common

purpose, in particular the employees

of an organization or of teams or

groups within an organization." - IRM

11

What is Risk Culture?

- **Risk attitude** = the position adopted by an individual or group regarding risk

- **Risk behavior** = observable actions, such as risk-based decision making, risk communications
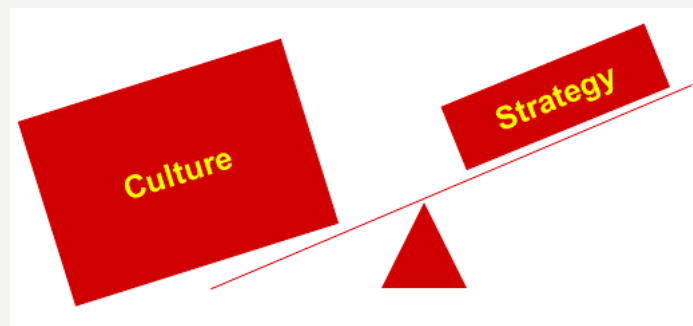
12

Why it Matters

- "Everyone's a risk manager"
- "We need support from employees at all levels to achieve our risk management goals!"
- "Front-line staff hear 'risk management' and think 'organizational drag'.

13

Culture Trumps Strategy

14

Signs of an ineffective risk culture

- Leadership sends inconsistent or unclear messages on acceptable levels of risk
- Risk is perceived to be managed intuitively and not discussed in making decisions
- Provided business results are delivered, few questions get asked regarding what might go wrong
- There is little or no sanction for those taking inappropriate levels of risk

"Developing a Risk Culture" by Alex Hindson, published in *Risk Management Professional* in December, 2010

15

Culture Check

- Culture of candor (are there penalties for speaking the truth?)

- Culture of inclusiveness (two-way street)

- Culture of foresight (are you looking ahead? or backward?)

- Culture of reflection (learning from failure)

16

Just Culture,

by Sydney Dekker

Forwards—versus backwards-looking accountability

17

Tips, Strategies and Takeaways

18

1. Understand where culture lives

Where is culture born?
Where does it live?

- Tone at the top? Or out of touch at the top?
- "Tone at the top, mode in the middle, and buzz at the bottom" – Simone Walton, HIAS

19

2. Pay attention to the Messy Middle

- "I think that culture, and in particular risk culture is made or broken in the middle."

"...middle management is not the place to find a healthy and positive attitude toward risk"

20

3. Emphasize people over process

People Not Processes

- How are you putting people, not processes or frameworks, at the heart of the risk function in your nonprofit?
- Do you "stress test" new risk policies or expectations before implementation?
- How often do you revise policies after receiving feedback?

21

4. Invite naysayers to the table

- Invite critical feedback on everything you're doing in risk management
- Resolve to turn naysayers into "yeah-sayers"
- Tap into the frustrations and fears of those who resist, oppose or ignore risk management
- Add critics to your risk management committee

22

5. Sync risk initiatives with your nonprofit's values

- What are the top 3 values at your nonprofit?
- What are your outwardly-facing values and priorities?
- Customize your risk framework and program to emphasize those values!

23

6. Assess your Culture Code

ORGANIZATIONAL CULTURE

- What character traits do your leaders share? Which are missing?
- To what extent are leaders in your organization encouraging or overlooking behavior that would be embarrassing if it was discovered in a crisis?
- How do know that team members are abiding by your "culture code" in everything they do?

RISK CULTURE

- What indicators exist in your workplace to convey if/when your team has developed norms for a risk-aware culture?
- What elements of risk culture are still aspirations for your organization? What is getting in the way of adopting or advancing the cultural norms you want to achieve?
- How can risk leaders better promote elements of a risk culture?

24

"An organization's culture is the code by which its members behave. . .This is often NOT the same as the culture to which leaders aspire or try to inspire. . . Gaps between aspiration, reality and leaders' perceptions of reality, as well as failure to recognize such gaps, represent risks..." *– Rethinking Reputational Risk*

25

Resources

"Understanding and Developing Organizational Culture," August 13, 2018, Society for Human Resource Management

Rethinking Risk Management, by Rick Nason

World-Class Risk Management for Nonprofits, by Norman Marks and Melanie Lockwood Herman

26

Thank you!

Melanie@nonprofitrisk.org
703.777.3504

27