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# Risk Culture Membership Survey

September 2010



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# Summary

- Simple structured 8 question survey on risk culture
- Based on risk culture model diagnostic with 4 key themes
  - Tone at the Top
  - Governance
  - Competency
  - Decision Making
- 48 respondents
- Responses extremely candid
- There is still a lot to do given interest shown by rating agencies and regulators in this issue



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# Culture Model

Risk leadership – management’s **VISIBLE** commitment to managing risk

Responding to bad news – management openness to hearing about risks and response to people who **RAISE** risk issues

Risk Governance – roles and accountabilities are clearly defined and **ACCEPTED**

Risk Transparency – the **ABILITY** of risk information to flow to senior management

Risk Resources – the risk function is adequately resourced and has appropriate **STATUS**

Risk Competence – Risk awareness recognised as a key **COMPETENCY** and proactively developed and encouraged

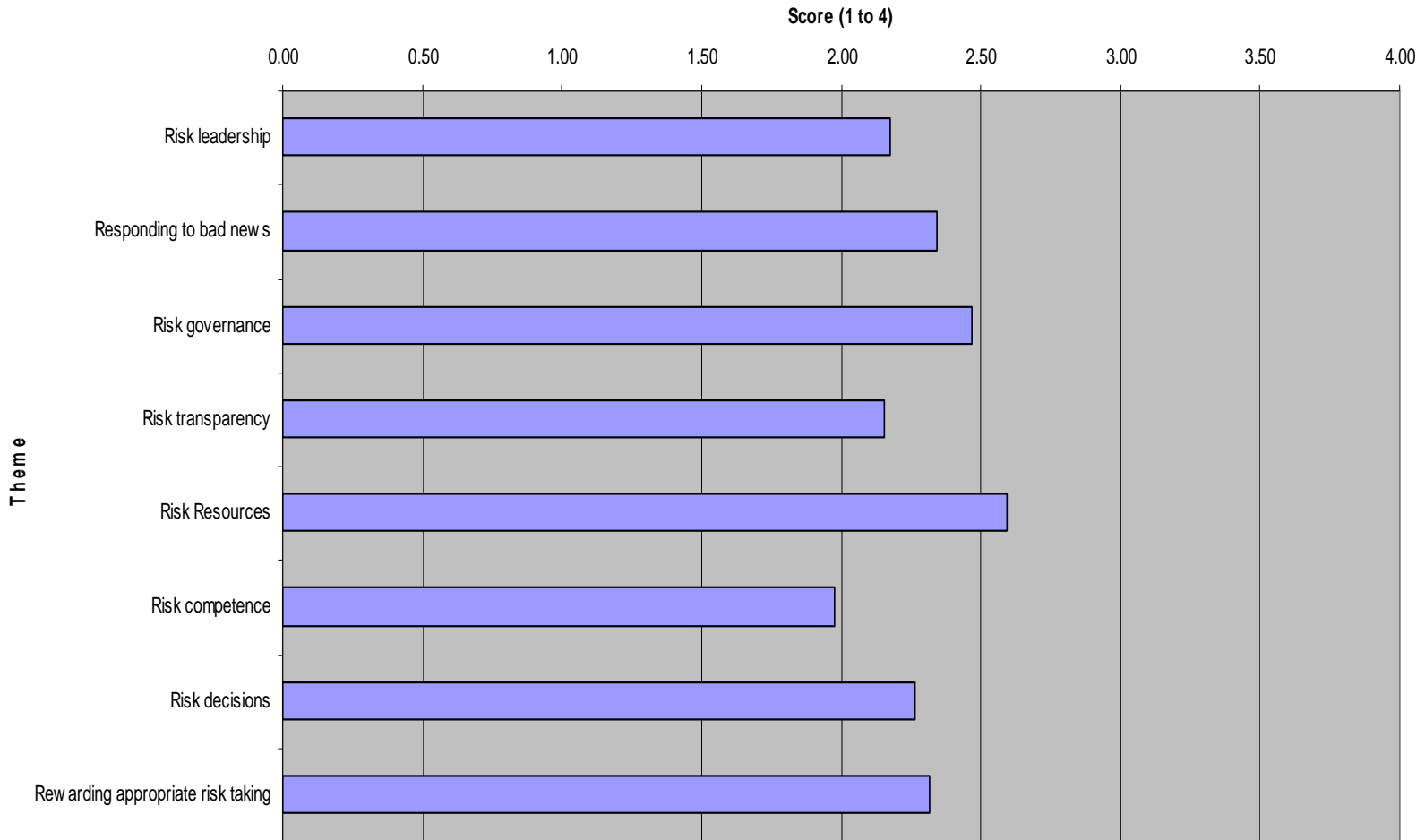
Risk Decisions – Risk information is proactively and **VISIBLY** used in making business decisions

Rewarding appropriate risk taking – supportive of risk takers and reflected in **PERFORMANCE MANAGEMENT**

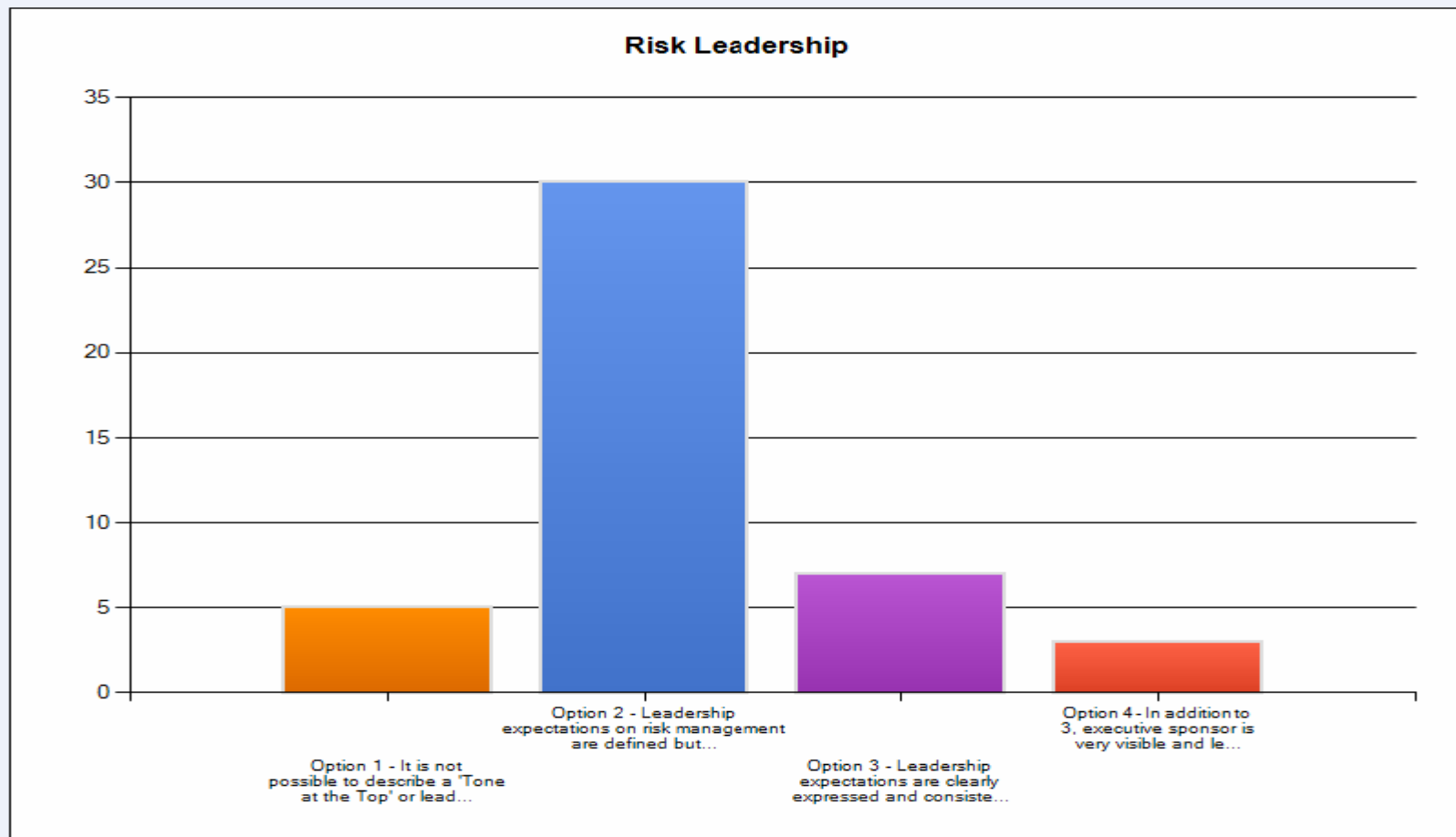


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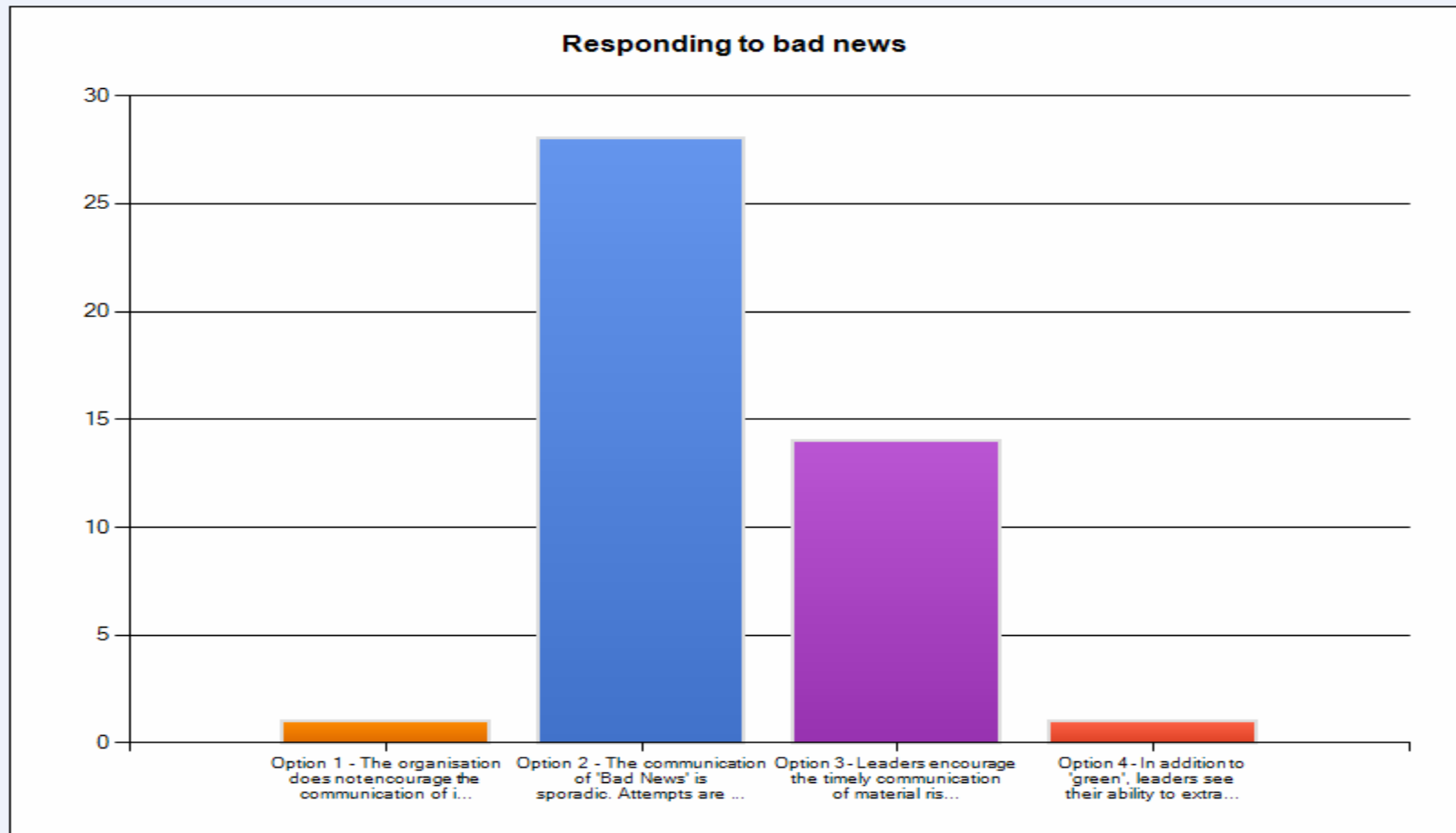
# Theme average scores



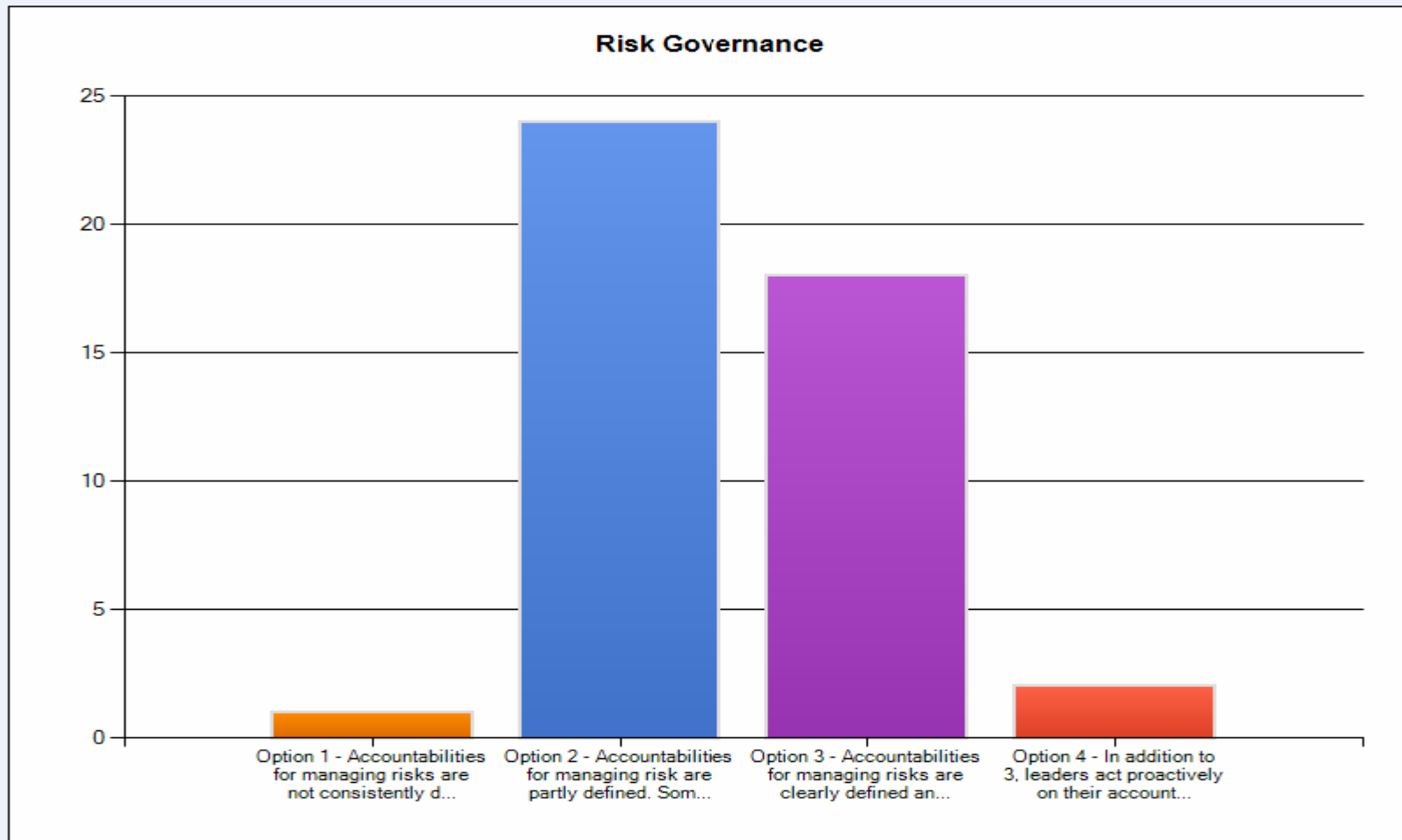
# 1 – Risk Leadership



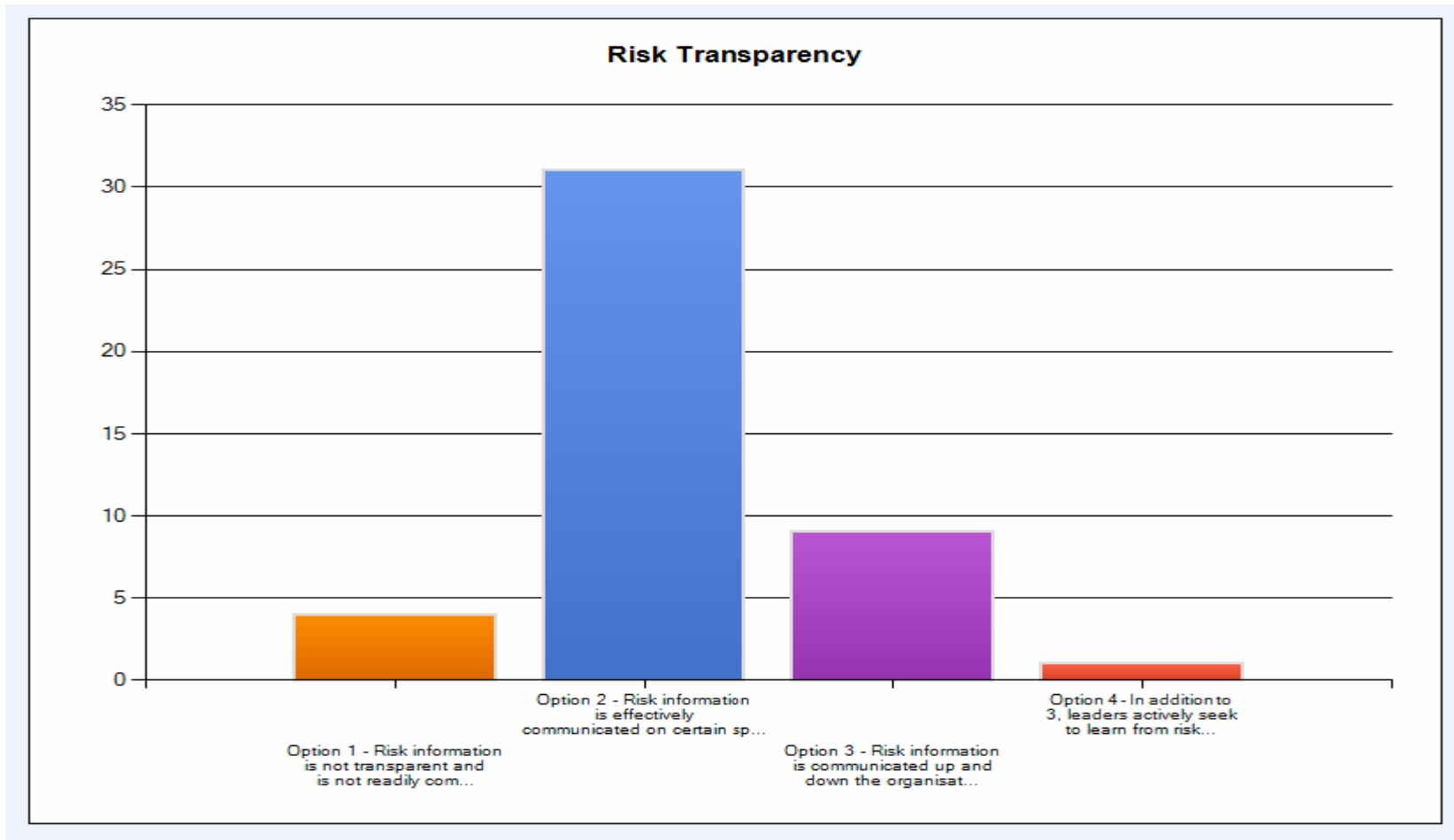
## 2 - Responding to bad news



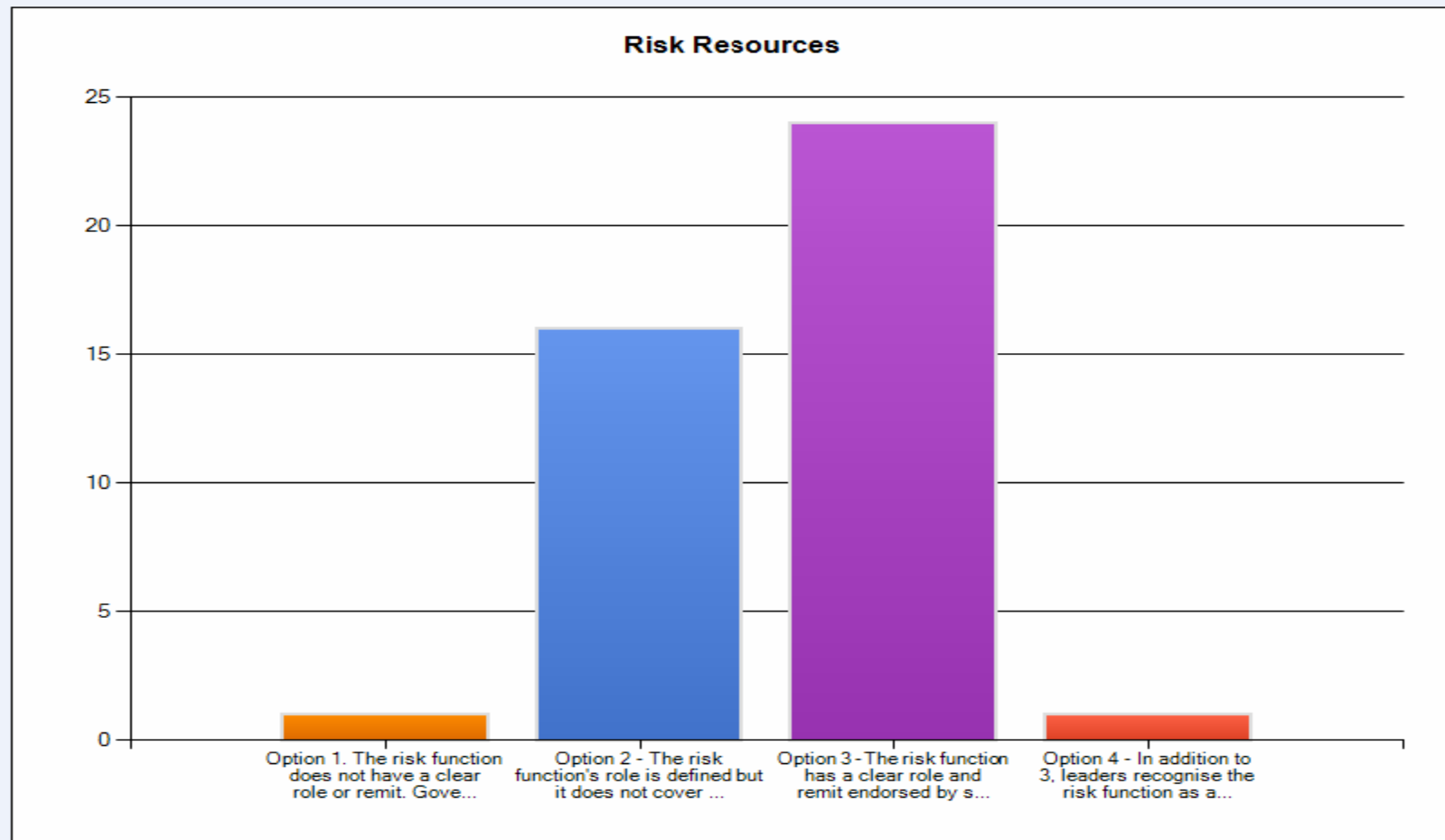
# 3 – Risk Governance



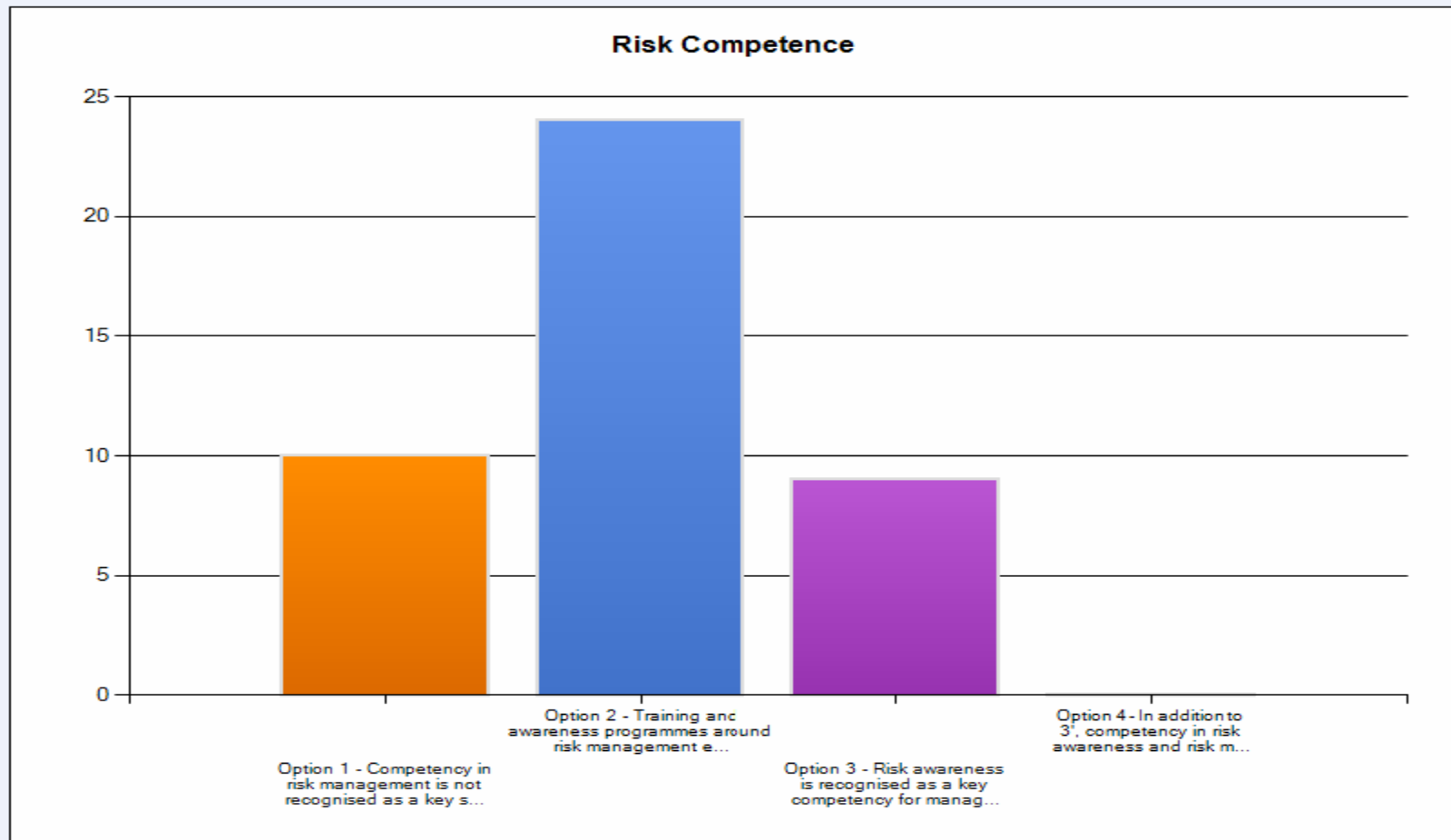
# 4 – Risk Transparency



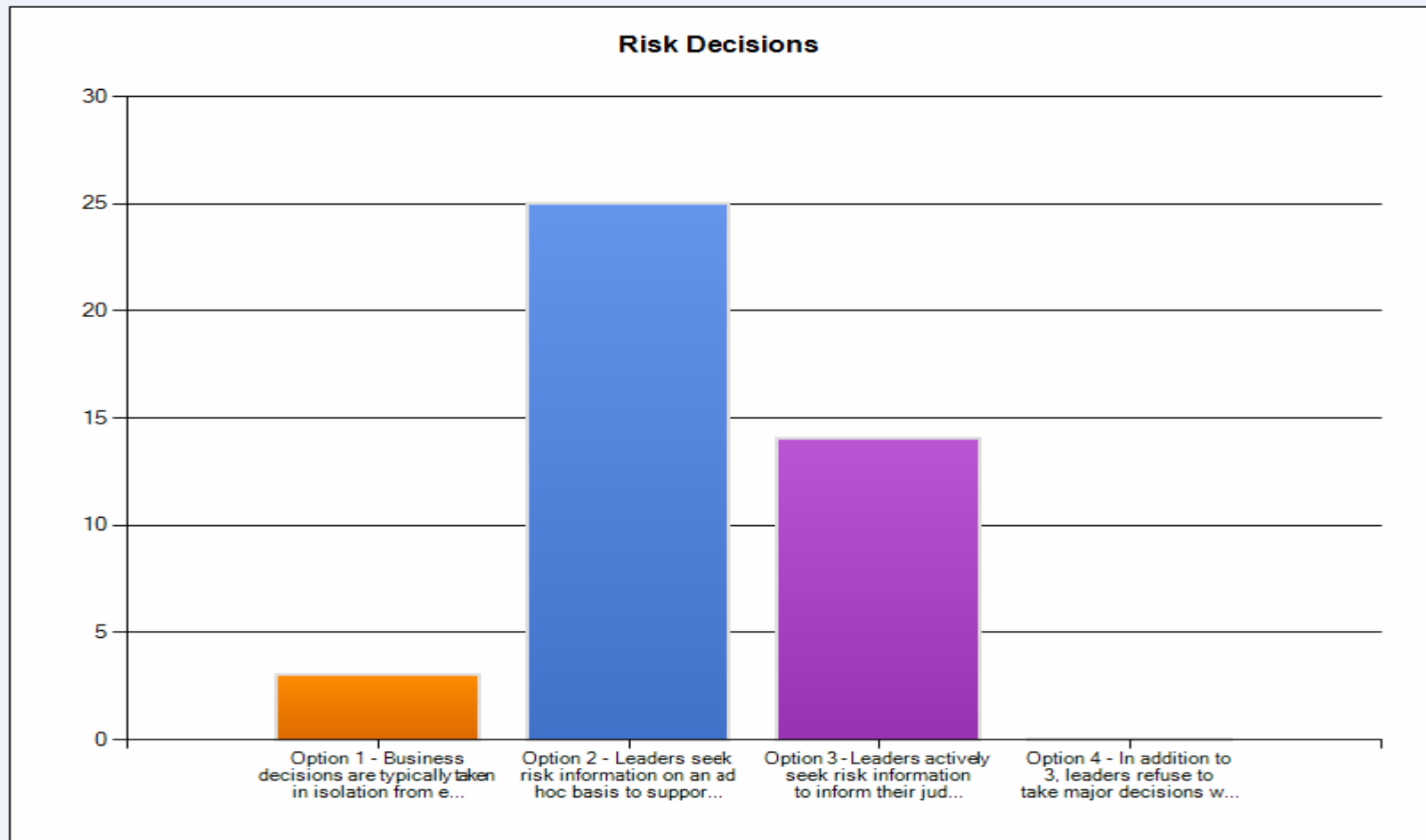
# 5 – Risk Resources



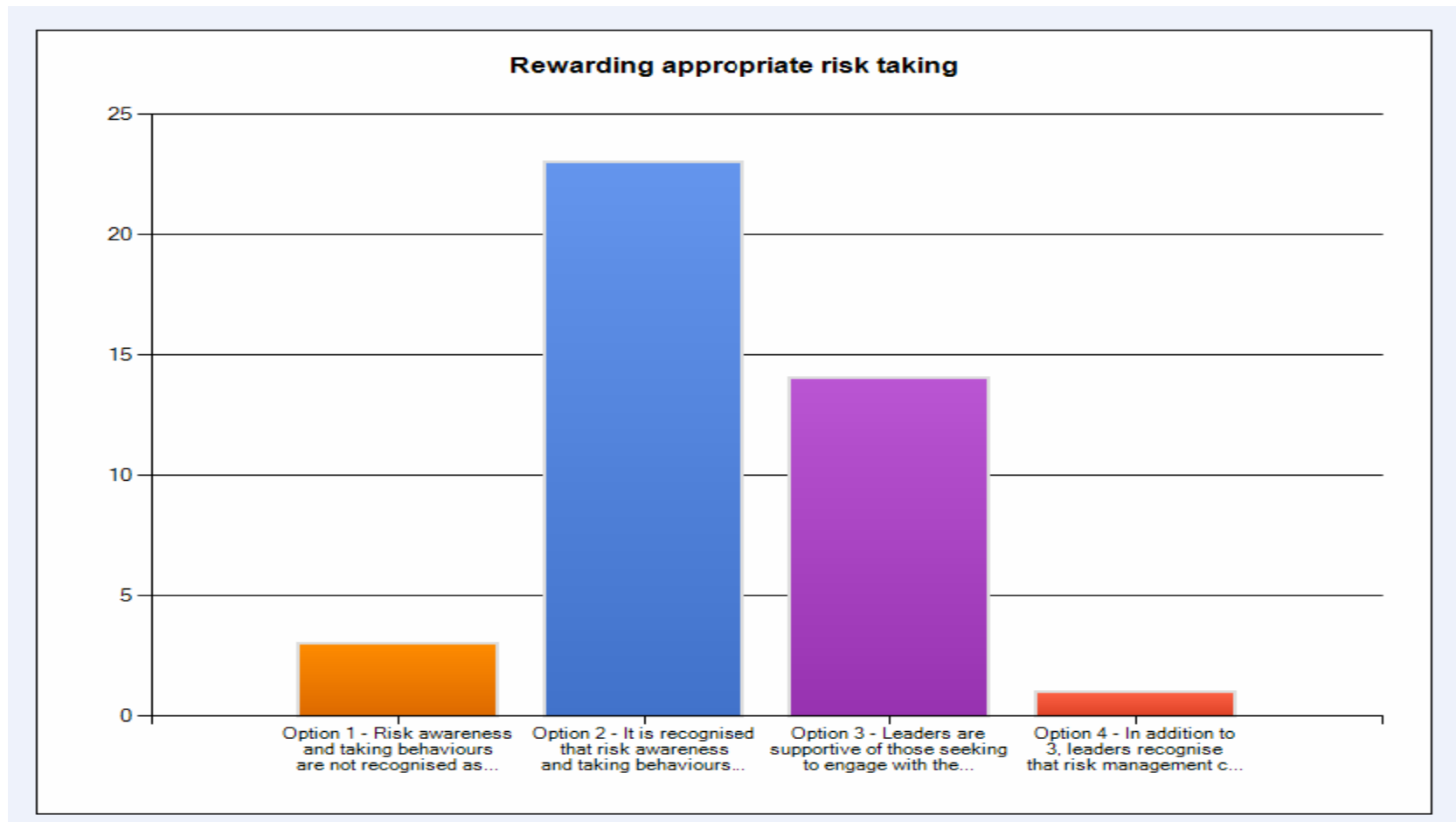
# 6 – Risk Competence



# 7 – Risk Decisions



# 8 – Rewarding appropriate risk taking





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# Specific conclusions

Risk Leadership – how to get management and Board's to SHOW sustained interest and commitment?

Responding to bad news – how to positively encourage reporting of EVENTS and ensure share LEARNING?

Risk Governance – how to get management to embrace their risk accountabilities?

Risk Transparency – how to provide information useful and timely for management decisions and move beyond compliance (USE TEST)?

Risk Resources – Strongest area given focus of risk functions on resources, but are risk functions sufficiently EMPOWERED?

Risk Competence – Weakest area and key to 'winning hearts and minds' – where is the focus on training and development?

Risk Decisions – how to provide the right information to support management decisions and demonstrate its use (USE TEST)?

Rewarding appropriate risk taking – how to connect risk management to the performance management & appraisal system (HOLY GRAIL)?



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# Overall conclusions

- There is a significant task ahead to embed risk management in organisational cultures
- Are risk programmes taking a sufficiently broad view of the issues?
- It would appear in many cases risk management is being developed in isolation to business management
- Few appear to have a coherent strategy / approach to developing risk culture
- Most worryingly significant gaps remain versus training and development programmes
- Some significant challenges remain versus the USE TEST
- The hardest area will undoubtedly be associated with performance management