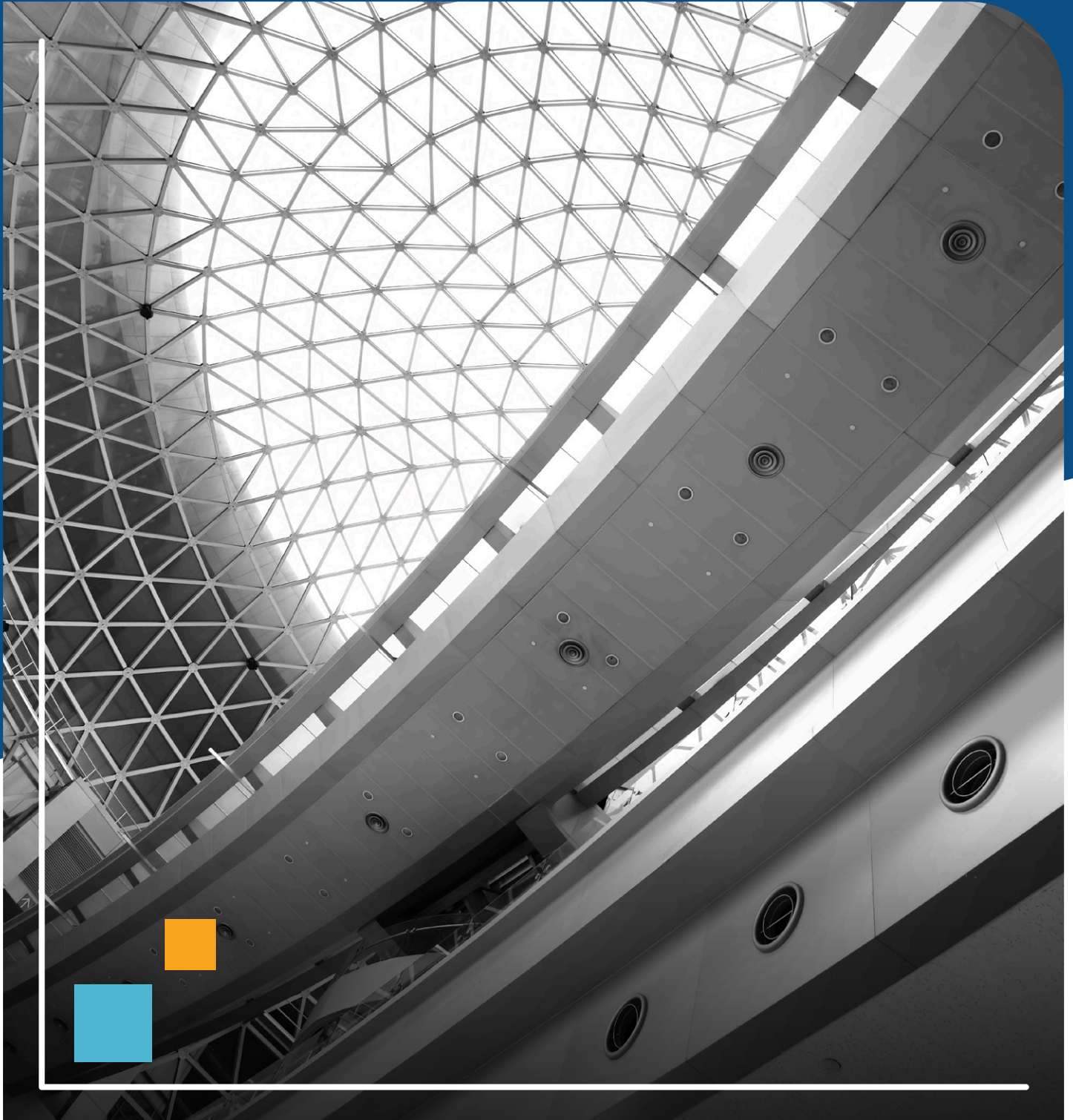


A STRONG RISK MANAGEMENT CULTURE

How to guide your business through times of crisis





Executive summary

Times of crisis can also be times of opportunity. Businesses that have ensured that they are positioned correctly to responsibly address market needs during a crisis will not only find it easier to weather the storm, but will also be fulfilling a crucial need.

The COVID-19 pandemic caught many organisations flat-footed as global supply chains were disrupted and governments placed moratoria on international travel. Businesses were first asked to encourage staff to work from home, and later compelled by law to do so in many countries. Managers and IT staff had to scramble to get the necessary systems in place and ensure that everyone had the tools they needed to securely work from home.

Such disruptions are emergencies that any organisation with a strong risk management culture can prepare for. Even though a pandemic like the coronavirus that swept the globe in 2020 may be difficult to forecast, the specific impact it has on an organisation is not necessarily unique.

How will you respond in the face of extended transport strikes which may prevent workers from commuting to the office every day, or if a natural disaster destroys critical infrastructure to your building that will take months to repair? What if a geopolitical incident disrupts global shipping for an unknown amount of time? What if they all happen at the same time?

When an organisation has gone through the steps to identify and analyse its risks, that gives it an opportunity to perform business continuity and contingency planning. Risk cultures will differ between organisations and industries, and must be aligned with business strategy.

A strong risk management culture manifests in how an organisation reacts to uncertainty and risk. Faced with a crisis, a strong culture of risk management can guide an organisation and create an opportunity for businesses that have ensured that they are positioned correctly to allow management and staff to respond quickly in times of upheaval.



Encouraging a strong culture of risk management

Having a strong culture of risk management means that it is so ingrained in the way every member of an organisation thinks that it becomes automatic.

In their 1945 book, *The Concept of Culture*, authors Clyde Kluckhohn and William Kelly define culture as “all those historically created designs for living, explicit and implicit, rational, irrational, and non-rational, which exist at any given time as potential guides for the behaviour of men.”

Culture, then, is an expression of communal values that help guide the individual actions of each member of a group.

It is crucial to realise that these values are not immutable. With the right approach even firmly entrenched culture can be changed. Renowned social psychologist Geert Hofstede defines culture as “software of the mind”:

“Culture is the collective programming of the mind which distinguishes the members of one category of people from another. Culture in this sense is a system of collectively held values.”

This means that an organisation can instil a set of behaviours and norms which permeates its organogram so that people's response to risk management is automatic and positive. It can help its people develop an instinct regarding risk management so that everyone in the organisation immediately knows the correct course of action to address a risk management issue. If culture is the software of the mind, that means it can be reprogrammed.

To cultivate and nurture a strong risk management culture, there are several key principles that must be followed:



1. Tone at the top

Beginning with the board of directors, who influence the chief executives, an organisation's risk management culture is determined by its leaders. Not only is it crucial that this culture comes through at every level of communication, senior management must also lead by example.



2. Accountability

For there to be buy-in, the risk management framework must be grounded in the real world. It must be efficient and easy to understand. It must be a boon, not a burden.



3. Buy-in at all levels

Part of leading by example means there needs to be clear lines of accountability that are enforced.



4. Pragmatic and practicable risk management

All staff must understand risk and risk management as it pertains to the organisation. You cannot build a strong culture around something if people do not understand it.



5. Incentives

Use financial and non-financial rewards to incentivise the risk behaviour you want for your organisation's culture. This means performance measurements that take risk management culture into account must be developed where they do not yet exist. Good performance must be rewarded, and poor performance must have consequences.



6. Communication and escalation

Open lines of communication are essential to foster a strong culture of risk management. All staff must be encouraged to speak up regarding risk incidents. Channels must exist to ensure they are heard, including a whistle-blower programme or anonymous complaint system. If something goes wrong, the main aim should be to identify what happened, what can be learned, and whether any changes need to be made to address an underlying problem in the organisation. Accountability is important, but any blame or disciplinary matter should be handled separately to encourage open communication.

MEASURING RISK CULTURE

There are several ways to measure the strength of an organisation's risk management culture, including engaging with managers and comparing their views with those of senior management and the board, and interviewing employees and teams. Conducting interviews is an intensive approach, which is best employed after risk hot spots have first been identified in an organisation using surveys. Surveys are quick tools to gain insight into an organisation's risk management culture, and to gauge the impact of efforts to infuse a strong culture of risk management. The results of surveys may be compared year-on-year or benchmarked against the industry at large. It can also help the

organisation's board of directors make better informed decisions about how to approach the development of a strong risk management culture.

CURA's software module for surveys lets organisations create, deploy and analyse a variety of surveys, self-assessments and reviews including risk and benchmarking surveys. This module plugs into CURA's larger governance, risk, and compliance software framework.

For survey managers, CURA provides rich capabilities to create and deploy surveys, as well as analyse responses. It features easy-to-use and flexible survey creation tools

which enable managers to quickly create questionnaires and deploy multiple surveys simultaneously. Interactive reporting provides extensive capabilities for analysis, including question scoring and weighting which allows managers to scrutinise data and identify trends.

The module integrates with LDAP and Active Directory, allowing for the use of existing organisation-wide authentication credentials as well as user and group permissions across all levels and elements. For collaboration and oversight, survey automation supports corrective active notifications, sign-offs, peer reviews, and audits.

Agile and Adaptable Surveys

CURA's **survey functionality** streamlines **assessment** processes and can be used for a variety of question-based activities including:



Control Self-Assessments



Compliance Assessments



Regulatory Surveys



Risk Surveys



Privacy Surveys



Vendor and Customer Surveys



Benchmarking



Maturity Evaluations



HR, Marketing & other Corporate Surveys

RISK MANAGEMENT CULTURE AND BUSINESS CONTINUITY..

According to the Basel Committee on Banking Supervision, in its Principles for the Sound Management of Operational Risk, risk management culture is defined as “the combined set of individual and corporate values, attitudes, competencies and behaviour that determine a firm’s commitment to and style of operational risk management.”

A strong risk management culture—and particularly the concept of “tone at the top” described earlier in this paper—forms the foundation of the first of Basel’s eleven principles for the management of operational risk. Culture is therefore one of the key elements that determines the operational resilience of an organisation.

When an organisation has a strong culture of risk management it will manifest in several ways, including:

1. Having a clear understanding of the risk appetite at all levels of the organisation.
2. Considering risk before any decision is made.
3. Every member of the organisation taking responsibility for risk and controls, being empowered to take ownership of issues, and given clear guidance on how to address potential problems.
4. Risk management is integrated in planning, performance measurement, budgeting, and operational activities.

5. Awareness of the impact of the management of risks on fellow team members and others downstream, gaining a better understanding of the impact when something goes wrong.
6. High level of preparedness during a crisis, giving an organisation the capacity to adapt and respond to stress scenarios.

While a culture of risk management is a cornerstone upon which operational resilience and overall business continuity may be built, a strong risk management culture of itself is not sufficient. Risk management does not exist in a vacuum. It can measure, interrogate, and advise. However, the tough decisions needed during a time of crisis still requires strong leadership.

Another important element is business continuity management with risk scenario planning, which is an essential component to get your organisation through a crisis. This allows you to imagine and plan for the compound effect of multiple catastrophes occurring simultaneously, as we saw happen during the pandemic of 2020.

To provide leaders with the data and tools needed to make smart decisions and implement organisational changes during times of crisis, a centralised risk system is vital. Equally important is real-time risk reporting tools for a constant and accurate depiction of organisational risk.



COMMUNICATE

CONSULT



REVIEW

MONITOR

CURA's purpose-built governance, risk and compliance software solutions provide a centralised framework that enables organisations to better manage risk, establish business continuity plans, and acquire real-time risk reporting data during times of crisis. Customers use CURA's solutions to:



Embed and integrate risk management in business processes



Communicate risk and risk treatment widely



Link risk management directly to decision making



Monitor organisational and individual performance against goals and objectives



Create a risk-aware culture through enforcement and accountability

Interactive dashboards and reports provide real-time visibility into the state of risk management for all levels of the organisation, giving leaders the executive decision support they need during a crisis.

Additionally, CURA combines powerful business continuity management capabilities into a flexible solution that streamlines processes and reduces errors. These solutions are aligned with leading standards.



Among the features supported by CURA's business continuity management solution are:



A single system-of-record which ensures organisation-wide consistency based on the latest guidelines and standards.



Dynamic updates that recognise even small changes at the department level and automatically incorporates those changes into higher-level business continuity plans.



Real-time analysis and decision support make automated business continuity management far more efficient and less error prone than paper or spreadsheet-based processes.



Flexible deployment options, on-site or cloud based, ensure that information is always available, even during an actual business disruption.

Armed with CURA's governance, risk, and compliance solution, organisations are empowered to instil a strong risk management culture and establish business continuity plans that comply with the most rigorous international standards. In a crisis, members of an organisation will be free to focus their energy on responding to the situation and waste less time trying to determine how they should react.

This same powerful and flexible software solution will also provide real-time visibility and interactive dashboards, giving executives and managers every insight they need to make the best decisions for the organisation during a time of crisis.





CONTACT US

Guide your business through times of uncertainty with CURA



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