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International Association

RISK CULTURE: BUILDING RESILIENCE AND SEIZING OPPORTUNITIES
CONVERSATIONS

The two open-ended survey questions:

These questions brought to light the scale of challenges faced by 'risk culture believers' in starting meaningful conversations on risk. For some, achieving alignment between strategy and risk culture in today's workplace seemed like an almost impossible task. This section of the report provides a real insight into that struggle – an 'inside out' view of a day in the life of committed risk professionals.

'What are your biggest challenges?'

'What is your most underestimated risk?'

Chief risk officers:
What are your biggest challenges?

Table 2.1 and the quotes below summarise the biggest challenge for CROs in just a few words: internal company culture. But what makes this especially challenging are the second- and third-ranking challenges in Table 2.1, the expanding breadth of risks and the volatile economic and political environment. These second- and third-ranking challenges exacerbate the risks and make fighting for a culture where strategy and risk are fully aligned seem like an almost impossible task. Table 2.1 showcases the spectrum of themes that CROs mentioned when asked about their biggest challenges.

TABLE 2.1: Chief risk officers' responses to the question *'what are your biggest challenges?'*

THEMES	Number of times mentioned
Aligning strategy with risk, integrating risk into core processes, building a risk culture that really commits to dealing with risks, building capacity for dealing with change, managing expectations from the board, etc that risks can be predicted.	33
Expanding breadth and depth of risks and speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	12
Interpreting volatile macroeconomic and political conditions, inflation, and interest rate changes	10
Compliance: regulatory complexity and costs	4
Money laundering, fraud or misconduct among customers or staff, unethical customers or staff putting the company at risk, reputational damage	4
Cyber risks	3
Vendors, third-party risk, issues with outsourcing, supply chains and rising costs	3
Employees, skills, retaining and incentivising talent	2
Adoption of new technology	1
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	1
Other challenges very specific to one company	0

Quotes from CROs for their number 1 challenge:

Building a risk culture where strategy and risk are tightly coupled.

Integrated rather than standalone processes and procedures

'Aligning risk-management processes and procedures with the strategy to make it meaningful and integral to the day-to-day business rather than a separate standalone process.'

'Aligning [with] the risk framework across the company.'

Battling complacency, doing things differently

'Breaking the culture of "That's the way we do things here" which makes the company a stronghold of complacency.'

'Breaking the unfounded optimism that we are, and were, so successful that nothing can hurt us.'

Getting people to see the importance of culture and commitment to it, not the risk register

'Breaking the attitude that risk management is all about having a risk register.'

'Embedding risk management into strategy, performance and human behaviours.'

'I reckon it could be as brief as possible. CULTURE… ownership, together with the idea of seeing things through "risk lenses", has been a challenge.'

Fighting irrational fears – good governance is not the enemy

'Breaking the culture of irrational fear of governance, performance, internal controls, policies, procedures, any sort of resilience.'

Agreement on how to align roles properly

'Building strong understanding that risk is not internal audit and for internal audit not to cover risk scope.'

'Internal audit driving their own agendas and expecting risk management to play a supporting role. Governance has been captured.'

Commitment to being proactive not reactive

'Breaking the culture of reactivity and bringing proactivity up front and centre.'

Quotes from CROs for their number 2 challenge:

Staying on top of the sheer breadth of risks, the speed at which they change and the challenge of obtaining timely information.

One problem is making sense of innumerable challenges and communicating what they mean in the right way

'The range of challenges facing both my organisation and my clients [is great]. I translate changing global markets, political events, supply chain issues, shortages re Brexit, heating, fossil fuel dependence, inflation, and interest rate changes. I have to assess how each applies, with empathy, depending on whom I'm talking to.'

'Keeping pace with risk [requires] understanding of so many changing external factors.'

'[We need to appreciate] how quickly the external environment is changing and how that translates to volatility of key risks faced internally.'

The diverse nature of different types of risks

'[We need to appreciate both] the extent to which risk oversight is content driven and the breadth of risk considerations. In financial services there was a time when risk was largely centred on credit, liquidity and market. I suspect most CROs are dealing with 10 primary-level risks, of which operational risk is increasingly multifaceted and increasingly complex.'

Quotes from CROs on their number 3 challenge:

Interpreting the hugely volatile economic and political landscape.

Uncertainty, volatility in geopolitics and economies

'Quickly changing economic, geopolitical world.'

'Highly volatile financial markets, foreign liquidity and currencies.'

Challenges not seen for a generation, such as very high interest rates and inflation

'Identifying and proactively managing risks in current times such as the end of negative interest rates.'

'Hyperinflation and price hikes.'

'Credit risk due to exceptional economic climate.'

The sheer severity of what is happening today

'Severe geopolitical and financial crises, crisis management.'

'Basic business continuity and resilience.'

Heads of risk:
What are your biggest challenges?

The key insight into the challenges faced by heads of risk is that they are even more aware than CROs of the weight of misalignment. Like CROs, aligning strategy with risk management was their primary struggle, but it was mentioned by 69% of heads of risk versus 45% of CROs.

Heads of risk are perhaps at the forefront, day to day, of the cultural fight to reconcile risk management and strategy, while CROs can look across risk categories rather than having such a singular focus.

Heads of risk are caught in the same vicious cycle of the expanding interconnectedness risks and volatile economic and political environments that exacerbate strategy and risk culture misalignment (Table 2.2).

TABLE 2.2: Responses from heads of risk to the question '*what are your biggest challenges?*'

THEMES	Number of times mentioned
Aligning strategy with risk, integrating risk management to core processes, building a risk culture where there is commitment to mitigating risks, capacity for dealing with change, managing expectations from the board, etc that risks can be predicted.	57
Expanding breadth and depth of risks and the speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	7
Interpreting volatile macroeconomic and political conditions, inflation and interest-rate changes	5
Employees, skills, retaining and incentivising talent	4
Vendors, third-party risk, issues with outsourcing, supply chains and rising costs	3
Adoption of new technology	2
Money laundering, fraud or misconduct among customers or staff, unethical customers or staff putting company at risk, reputational damage	2
Cyber risks	1
Compliance: regulatory complexity and costs	1
Other risks very specific to one type of company	1
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	0

HEADS OF RISK ARE EVEN MORE AWARE THAN CROs OF THE WEIGHT OF MISALIGNMENT. LIKE CROs, ALIGNING STRATEGY WITH RISK MANAGEMENT WAS THEIR PRIMARY STRUGGLE, BUT IT WAS MENTIONED BY **69%** OF HEADS OF RISK VERSUS **45%** OF CROs.

Quotes from heads of risk for their number 1 challenge:

Building a risk culture where strategy and risk are tightly coupled.

Making people understand what risk management does and that they too are responsible for risk.

'To make people understand what risk management actually does and how it can help them achieve business objectives.'

'The insufficient knowledge of risk management principles across the company, making it difficult to get support from the business.'

'Getting some senior managers to view risk in a more focused way.'

Getting information in a timely manner

'To get holistic, complete and timely information.'

'A lot of data is available to inform the assessment of risks and their relating exposures, however methods for proactively acquiring and analysing these datasets collectively remain a challenge.'

'Developing accurate risk profiles and representation in business lines.'

Aligning risk-management practices across stakeholders

'Aligning my organisation's risk management practices with those of sister organisations, suppliers, and contractors.'

Persuading management to act, support risk priorities and have difficult conversations

'To enforce and/or encourage management to take timely action.'

'Conflict of interest and independence contributing to management decisions. Currently in discussions with management and board to separate the functions to allow me to objectively test the risks identified and their mitigation in line with the mission and vision of the company.'

'Getting senior stakeholders to have detailed conversations about risks in the business that they are uncomfortable with, but that ultimately move us forward in managing them.'

'Having top management support in risk culture to trickle down to entire organisation. Having everyone understand the need to balance creativity/ innovation with risk culture as bedrock.'

Maintaining a risk-driven culture

'As director of risk, my biggest challenge is maintaining a risk driven culture, especially where operational / commercial priorities are competing for budget.'

Making people see risk awareness & positive risk taking as a force for good

'Engagement of the business at all levels, and seeing the upside of risk rather than just the downside.'

Agreement on how to properly align roles

'Conflicting roles with head of audit.'

Commitment outside senior management

'My biggest challenge is to cascade risk management to the operational level and to get those who are not in senior management to buy in.'

Interviews with Chief risk officers and Heads of risk:
What do you believe is your organisation's most underestimated risk?

On this question, we see CROs, and heads of risk aligned in their responses and looking externally beyond their daily internal battles, perhaps because those internal battles are so dominant in their minds they are not as 'underestimated'.

That risk may not be fully integrated into core company strategy and culture, however, still scores strongly as an 'underestimated' risk, perhaps reflecting other executives' views that such alignment is less important than the CROs and heads of risk think.

The responses also read more as an evenly balanced list of many different things that could cause 'one-off catastrophic events', and a recognition that such an occurrence could come from a huge range of sources.

Volatile economic and political conditions are considered the primary possible source of such an event by both CROs and heads of risk, but we also see cyber risk, climate risk, talent shortages, supply chains, technology changes, major fraud events featuring heavily among areas that CROs consider underestimated as major threats (Table 2.3).

TABLE 2.3: Chief risk officers' responses to the question '*What's your most underestimated risk?*'

THEMES	Number of times mentioned
Interpreting volatile macroeconomic and political conditions, inflation, and interest rate changes	15
Employees, skills, retaining and incentivising talent	9
Cyber risks	8
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	8
Vendors, third-party risk, issues with outsourcing, supply chains and rising costs	7
Adoption of new technology	7
Compliance: regulatory complexity and costs	4
Money laundering, fraud or misconduct among customers or staff, unethical customers or staff putting company at risk, reputational damage	4
Aligning strategy with risk, integrating risk to core processes, building a risk culture in which staff really commit to mitigating risks, capacity for dealing with change, managing expectations from the board, etc that risk can be predicted.	3
Expanding breadth and depth of risks and the speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	3
Other risks very specific to one type of company	1

There are some differences between CROs and heads of risk. Heads of risk are still more likely to cite internal culture as a significant underestimated risk, alongside external threats (Table 2.4). CROs, on the other hand, rank certain external risks more highly as 'underestimated', cyber risk being a notable example (Table 2.3). These differences are again perhaps a reflection of role emphasis, with CROs able to look externally a little more, even while fighting internal cultural battles.

TABLE 2.4: Responses from Heads of risk to the question *'what's your most underestimated risk?'*

THEMES	Number of times mentioned
Interpreting volatile macroeconomic and political conditions, inflation, and interest rate changes	20
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	14
Employees, skills, retaining and incentivising talent	13
Aligning strategy with risk, integrating risk management in core processes, building a risk culture in which staff commit to mitigating risks, capacity for dealing with change, managing expectations from the board, etc that risk can be predicted	10
Vendors, third-party risk, issues with outsourcing, supply chains and rising costs	7
Adoption of new technology	6
Cyber risk	5
Compliance: regulatory complexity and costs	4
Money laundering, fraud or misconduct among customers or staff, unethical customers or staff putting company at risk, reputational damage	3
Expanding breadth and depth of risks and speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	2
Other risks very specific to one type of company	2

For those not in a risk role, the top underestimated risk is quite simply that their business could fail owing to the economic environment. Recession was mentioned constantly, as were lack of funding and rising costs (Table 2.5).

▶

HEADS OF RISK ARE STILL MORE LIKELY TO CITE INTERNAL CULTURE AS A SIGNIFICANT UNDERESTIMATED RISK, ALONGSIDE EXTERNAL THREATS. CROs, ON THE OTHER HAND, RANK CERTAIN EXTERNAL RISKS MORE HIGHLY AS 'UNDERESTIMATED', CYBER RISK BEING A NOTABLE EXAMPLE.

People in a risk role, but not CROs or heads of risk:
What do you believe is your organisation's most underestimated risk?

For those in a risk role but who are not CROs or heads of risk, there is one clear difference that stands out: they give much higher priority than those in risk roles to the underestimation of internal misconduct and unethical behaviour, both inside and outside the organisation.

Again, perhaps this is because of where they spend their time inside the organisation and how they perceive their own job roles and responsibilities compared with those of CROs and heads of risk. It is the more senior officers' task to align strategy and risk across the organisation, whereas for those in general risk-management roles, the 'Job to Be Done' is preventing day-to-day threats wherever they see or suspect they might occur (Table 2.5).

TABLE 2.5: Responses of those in a risk role but not CROs/Heads of risk to the question *'what's your most underestimated risk?'*

THEMES	Number of times mentioned
Interpreting volatile macroeconomic and political conditions, inflation, and interest rate changes	178
Employees, skills, retaining and incentivising talent	79
Money laundering, fraud or misconduct among customers or staff, unethical customers or staff putting company at risk, reputational damage	68
Aligning strategy with risk, integrating risk to core processes, building a risk culture in which staff commit to mitigating risks, capacity for dealing with change, managing expectations from the board, etc that risk can be predicted	64
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	56
Cyber risk	38
Adoption of new technology	32
Vendors, third-party risk, issues with outsourcing, supply chains and rising costs	32
Compliance: regulatory complexity and costs	19
Other risks very specific to one type of company	3
Expanding breadth and depth of risks and the speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	3

FOR THOSE IN A RISK ROLE BUT WHO ARE NOT CROs OR HEADS OF RISK, THERE IS ONE CLEAR DIFFERENCE THAT STANDS OUT: THEY GIVE MUCH HIGHER PRIORITY THAN THOSE IN RISK ROLES TO THE UNDERESTIMATION OF INTERNAL MISCONDUCT AND UNETHICAL BEHAVIOUR, BOTH INSIDE AND OUTSIDE THE ORGANISATION.

Quotes on misconduct from those 'in a risk role, but not CROs or heads of risk' that give a sense of which areas were of concern:

Fraud, bribes, individual behaviour

'Fraud and misconduct by employees / other stakeholders, bribes.'

'Compliance risk – poor incentives for employees that could exacerbate fraud. Lack of will power to enforce discipline on employees.'

'Employee behaviour not in alignment with corporate strategy.'

Misuse of information

'Leakage of confidential client information via "non-system", ie verbal communications.'

'Access to sensitive information.'

'A substantial deterioration in services, risk of data breaches and poor decision-making are likely, so it may be when, not if, this leads to reputational harm.'

Mis-selling and fraudulent reporting

'Issuing a clean audit report when it should not be the case'

'Mis-selling of financial products is the biggest underestimated risk at my organisation'

Cutting corners in the search for profits or through the need to reduce costs

'My organisation takes every conceivable step to onboard customers, customers mean profit, and more customers mean more profit. Among other risks therefore we have two major ones: 1. risk of onboarding a fraudulent customer and 2. the risk of losing customers. I believe the best approach is yet to be taken to address these risks.'

'With less real-terms resource forecast for the foreseeable future, governance and security may suffer when staff are forced to focus on immediate crises and the work right in front of them.'

'AML/CFT and client screening.'

People not in a risk role:

What do you believe is your organisation's most underestimated risk?

The chief underestimated risk that concerned those not in a risk role was quite simply that their business would fail owing to the economic environment. Recession was mentioned constantly, as was lack of funding and rising costs. Increased competition and their customers' inability to afford to pay was also frequently mentioned (Table 2.6).

TABLE 2.6: Responses from people not in a risk role to the question
'what's your most underestimated risk?'

THEMES	Number of times mentioned
Interpreting volatile macroeconomic and political conditions, inflation, and interest rate changes *NOTE: People not in a risk role specifically cited direct financial worries to their businesses' survival, eg, funding, costs, losing customers*	150
Employees' talents and skills, retaining and incentivising talent	96
Aligning strategy with risk, integrating risk to core processes, managing reputational risk internally and externally, building a risk culture in which staff commit to mitigating risks, capacity for dealing with change, expectations from the board, etc that risk can be predicted	51
Money laundering, fraud among customers, unethical customers putting company at risk, reputational damage	35
Adoption of new technology	33
Fossil fuel dependence, climate risk, sustainability, ESG disclosure requirements	30
Cyber risk	29
Compliance: regulatory complexity and costs	16
Vendor's third-party risk, issues with outsourcing, supply chains, and rising costs	11
Other risks very specific to one type of company	7
Expanding breadth and depth of risks and speed at which they change, getting early holistic information and being able to analyse it, manual processes, time constraints	0

While CROs, heads of risk and others in risk roles are battling internal culture at different levels of the organisation, those not in a risk role directly confront month-to-month profit-and-loss crunches, and are constantly worried that uncertain commercial environments will result in business failure. They use blunt language such as 'insolvency' or 'cash, funding, liquidity crisis' and 'lack of innovations and ideas, demoralised workforce'.

There are also similarities to those in risk roles. Lack of sufficient talent is the clear second most underestimated risk for those not in a risk role and it scores second or third for CROs, heads of risk and others in a risk role.

In third place for those not in a risk role is culture, although issues with culture are expressed more as concerns that functions are not working efficiently or of poor leadership as opposed to the 'alignment of strategy and risks'.

Adoption of new technology, climate risk and cyber risk also feature relatively strongly as a mid-tier of underestimated risks for those not in a risk role, as they do for CROs, heads of risk and others in a risk role. Unethical behaviour concerns are there too.

Online **community pop-up**, **forums** and one-on-one interviews

The central theme from the online community pop-up, forums and one-on-one interviews was that a robust risk culture can be a powerful weapon with which to mitigate risks and seize opportunities. Given that our scope went beyond financial services, we were able to see how even those organisations with the most mature risk frameworks across other industries are thinking about risk culture for the first time, often driven by increasing regulatory requirements or cyber and tech risk incidents, but nevertheless deciding that developing a more risk-aware culture is a must in today's world.

The discussions also showed a strong belief that risk culture is not homogeneous as it encompasses the behaviours and attitudes of stakeholders across the organisation and its value chain.

What does an effective risk culture look like? And why is it such a powerful weapon?

An effective risk culture, according to those we talked to, is one where everyone in the organisation is responsible for raising concerns, and that's why it's so powerful – a thousand thoughtful minds who are ready to speak up massively outgun any AI 'bot' tool or other weapon for intelligently anticipating and identifying risks. Here's how you create such a culture, according to the people we consulted.

Spreading this responsibility for risk throughout the organisation is very difficult to do

> *'From my experience in different places, the most important challenge is resistance from people to accepting the idea that "risk" is the business of all of us not just the risk department's role.'*

> *'Risk and general leadership matters need to become less high-level conversations. I have seen so many situations where lower staff "stay in their lane" because senior management tends to use lingo that is high level and generally act like risk discussions are secrets to be kept locked away in the board room away from staff.'*

> *'Staff need to get in on the conversation and management should encourage it. That is the best way to build a risk culture.'*

> *'Staff should be made to feel that they can make a valuable contribution. It's also a good way of spotting staff members that demonstrate high potential in core areas of the business because they have a keen eye for various risk exposures. Those staff can then be developed for future senior roles, while championing the risk management cause throughout the organisation.'*

> *'The one thing I would change to fix my organisation's culture is the perception of non-risk community members about their risk responsibilities. Everyone is aware of risk, and they have a fair understanding of the risks within their division, but some individuals are yet to fully embrace their risk responsibilities. The reason for this lies in the idea that "someone from the risk world should be able to do it".'*

How is a holistic 'risk culture at all levels' achieved?

By role modelling and rewarding the right behaviour from the top down, because behaviours are learnt by people observing what others do and say and taking note of when and why they are praised and rewarded.

'Actions speak louder than words and leaders must demonstrate the "wanted culture" in all decision making, supported by clear and consistent communication.'

'The biggest thing I'd fix to improve my organisation's culture is the CEO's behaviour, which doesn't align to his communications about culture. He's not practising what he preaches.'

'I'm not aware of a junior person challenging a senior person about risk culture. I would presume that low awareness of risk culture and its elements, as well as the lack of specific encouragement and empowerment of junior staff by senior executives to normalise "challenging upwards" behaviour would account for some this.'

'An issue which I think gets in the way of good leadership on risk culture is chronic "busyness" on the part of leaders and a bias to action. Being able to facilitate high-quality conversations is predicated on having time to stop and think, and my view is that the experience of many leaders, who have too often been evaluated on outcomes rather than 'inputs', gets in the way of that.'

'Leadership effectiveness is generally assessed on outcomes although it is important to focus at least as much on the "how" as the "what".'

'I think leaders are key in shaping culture by articulating the vision, mission and purpose and setting and role modelling the required behaviours, sharing positive and constructive stories and lessons on risk and actively championing risk management to set the right tone at the top.'

'An effective leader is self-aware – they know what they know, and they know what they don't know – empathetic and trusting; direction is clear, and they are able to create the environment for ideas to germinate and for people to work effectively.'

'Cascading the practice of risk culture from top management is one of the ways of achieving the risk culture we want.'

'The leadership team do shape culture with their behaviour in every interaction and communication with staff. Whether they shape the intended culture is a different matter.'

'Leaders are essential in shaping culture through consistent behavioural examples.'

'Leadership should be the beacon in role modelling.'

'The one thing I'd call out to fix my organisation's culture would be attitude.'

'What I'd change to fix my organisation's culture is the values and the people.'

What behaviours should leadership be role modelling?

Respondents argued that leaders should be modelling behaviours that create a risk culture supportive of the organisation's purpose.

*'A risk culture helps the organisation identify and embed their purpose.
In the process of identifying purpose, setting goals, and outlining action plans towards
achieving goals, the organisation – through the presence of a risk team – can identify risks
in these goals and to achieving these goals and work towards creating responses to these risks
and by extension embedding a risk culture which can be translated to daily operational activities.'*

*'Organisation goals and strategy drive the risk culture and risk appetite/tolerance.
For example, my organisation's goal is to grow organically without taking extra risk
(eg, selling credit cards to lower-income classes).'*

*'Understanding "what the organisation good at" by thinking about challenges and barriers
and opportunities / areas for improvement is really helpful in embedding a positive risk culture.'*

*'Risk is inextricably linked to purpose. In my view, when organisations identify what their reason for
being is, and by extension what they do and do not do, then the population of risks to be addressed
should be equally streamlined and confined within the boundaries of "what the organisation is good at",
so that, going by the traditional rule, 80% of the available resources can be rationally allocated to
the 20% of the risk factors that matter the most, ie give rise to 80% of probable risk impact.'*

*'The whole purpose dictates the way employees should think
and act to help achieve the organisation's vision and mission.'*

Constant communication and reinforcement are key ingredients

*'Taking every opportunity we get to speak and teach the risk
culture is another way of achieving the culture we want.'*

*'I believe building a risk culture is a continuous process
and we need to focus on people more, not only on process.'*

'What is needed is constant engagement and the ability to adapt as needed.'

*'Operationalising a board-level risk assessment is not easy. Once the right granular metrics are
determined, it is important to incorporate them in individuals KPIs/KBOs to influence their behaviour.'*

*'A good approach to risk is to continuously advocate and reinforce people's responsibilities
through training, risk forums, embedding relevant objectives in 1:2:1 and team objectives,
encouraging and rewarding aligned behaviours and, most importantly, setting the tone and
direction on decision making and actions from the top and through line management.'*

*'Communications campaigns and targeted training are the bread and butter for raising risk awareness
and leaders have started to run periodic connection sessions with risk as a standing agenda item.'*

Communication is about conversations, not just a process or a matter of explaining values or culture in a static way

'Risk conversations are more important than risk reports.'

'Conversations across the organisation, driven by genuine interest from senior executives, will increase focus on risk – and opportunity.'

Conversations should be weaved into existing communication rhythms rather than treated as a separate activity – e.g., the "Monday morning" exec. board meeting standing agenda should include updates on the top five risks/opportunities. That would also set the expectation that similar conversations should have taken place at mid-management level in preparation for the Monday morning meeting.'

'The biggest thing I'd want to fix in my organisation's culture is the culture of silence.'

'Our periodic connection sessions across the organisation are in-person and interactive and are helping to improve the culture of risk management.'

'It has to be interactive if we want to talk about "how green do we want to be" or "are our products really that green?". We ask people how they'd respond to something like Extinction Rebellion smashing our office windows. Would they ignore it? That's really what the banks do. When we have these conversations it's amazing how few people have thought about whether they should engage with the protestors or work with other banks to engage with them. Conversations make people think differently.'

Conversations that are jargon free

'What actually happens inside an organisation is never what the group policy says is supposed to be happening. To train frontline staff effectively to ask better questions and to have frank internal conversations means being entirely jargon free. You will not hear me use the phrase "three lines of defence" for example. You won't even hear me use the phrase "conduct risk appetite" either – I find that phrase quite emetic. You will hear me fiercely questioning some of the received indicators of risk maturity – things like training attendance as a proxy for engagement just infuriates me.'

'Getting to plain language conversations about how we can better serve customers and understand our social responsibility is the most effective way of building a mature risk culture.'

'Risk experts can focus too much on jargon, complex spreadsheets and other tools. More focus could be placed on interpretation and application at a practical and operational level.'

'The leadership in my organisation helps to ensure that individuals within the various levels speak one risk language.'

Risk reports should focus on whether people will behave in the way you want when there's a crisis

> 'In response to the Covid-19 pandemic, organisations had to deal with unprecedented situations.
> Rapid responses were needed to deal with the different challenges they faced.
> Documented risk responses were not valid. Instant responses to the crisis were required.
> Risk management frameworks are no good unless they address actual situations that organisations face.'

> 'The biggest thing I'd want to fix in my organisation's culture is it's too reactive.
> It needs to be more proactive and dynamic and this needs to be set and role-modelled
> at the most senior levels of the organisation to have any chance of shifting the needle.'

> 'The risk system and culture I currently work in is effectively a point-in-time assessment.
> It will take time to align to a dynamic model but that is very much the direction I would like to swim in.'

> 'In most organisations the risk report is a collection of historical data converted into colourful information
> that ONLY goes to the top, and for that reason it also goes through what I call a process of sanctification;
> it gets better, the higher it goes, but in an effective risk culture risk reports go up, down and sideways
> to make sure every employee is supported with information to make better decisions.'

Where are organisations today on creating better risk cultures?

Participants were asked to rate their risk maturity (RM) on a scale of level 1 to level 5 (5 being mature)

> 'I believe level 2 is closer to what I face. We are making efforts to up the maturity level one step ahead.'

> 'Level 4. There is always room for improvement and stating a 5 can lead to complacency.'

> 'I would rate risk management maturity a 3. Mainly owing to the lack of an enterprise risk management
> policy such as a well-defined risk-management framework: ISO [International Organization for
> Standardization] or COSO [Commission of Sponsoring Organizations of the Treadway Commission].
> Only recently have we concluded that we would follow ISO 31000:2018.'

> 'Level 2. It is a gradual build-up to maturity. The board and management are very
> much interested in a risk culture so are spending money and making resources available
> to train all managers and supervisors in governance, risk and compliance courses.'

> 'Level 2. Looking to start a risk awareness campaign and
> drive more risk-focused sessions within the organisation.'

> 'Between level 2 and 3, depending on individuals' risk awareness and integrity.
> Much needs to be done to get us to levels 4 or 5. Lifting RM at scale requires significant resource
> investment and political will at the top unless there is regulatory pressure as a motivation.'

> 'Level 4. We are a risk-averse organisation with strong training programmes and consistent policies.'

Quotes illustrating the different stages of maturity

> *'My organisation is in the process of building a solid risk culture. Currently it has not aligned its purpose with its risk culture.'*
>
> *'The organisation has recently implemented a new purpose and accompanying strategy – work is in flight to align risk culture to this overall mission and strategy.'*
>
> *'Risk culture is at the early maturity stage and not crystalised enough to assess its alignment with the organisation's purpose.'*
>
> *'We are a large multinational and significant effort and resource are allocated to aligning and embedding cultural values, including those relating to risk culture.'*
>
> *'Our purpose statement is for compliance and optics only.'*
>
> *'Every employee is a leader. Everyone works towards achieving the purpose for which the organisation exists.'*
>
> *'In my 40 years of working experience, I have never seen any organisation where risk appetite is really clearly defined in a way everyone can understand.'*
>
> *'In my experience people have a general understanding of what risk appetite is, particularly when you apply it to owning a house or driving a car, but its application in organisations is ink spot at best.'*

What's next? Some organisations will progress, some won't

Organisations that progress will be those driven by leaders who believe in risk culture as the best way of managing risks and opportunities in a chaotic world.

There needs to be a 'coming together' if organisations are to break out of a 'tunnel vision' that focuses only on numbers without proper observational analysis. Risk and financial professionals should be asking more questions about the bigger picture instead of stacking up numbers and directing all their attention at risk reports. Asking those questions is exactly what many want to do.

> *'Doing the stocktake of how much stuff we've got completely misses the point. The dynamic of interpersonal relationships, sales and marketing, trustworthiness, all that stuff really matters. To use Jeff Bezos' famous quote: 'The thing I have noticed is when the anecdotes and the data disagree, the anecdotes are usually right.'*
>
> **Dr Roger Miles, presenting to ACCA's CROs Forum, January 2023**

But for many organisations, the uphill battle continues, and it remains to be seen whether it ends in success or failure.

> *'I have gone out of my way to get the senior management and board to think about the bigger picture and pay more attention to how we assess and improve our governance, even asking how we can evaluate the effectiveness of the board better.'*
>
> **Non-executive director of technology company in UK**

And yet many will continue to concentrate on the numbers, even searching to put numbers on the things that don't yet have them.

> *'For the CRO, there's a long list of things. I almost laugh when people talk about the ESG agenda. The social dimension on diversity and inclusion and our environment rightly has traction, but what about the G? Boards and regulators have been talking about governance for ever. It has been a supervisory topic for ever. It has been a topic for CROs and boards for ever. But it's hard to put a number to it, so that's why a lot of firms hide from it.'*
>
> **Non-executive director of a financial firm in the US**

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