How to build an effective risk culture in government

Insights from NEHTA, Adelaide City Council, Fire & Rescue NSW and UniSuper

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Building risk culture has become a significant focus over the past 12 months for Australian government organisations, with the aim not to eliminate risk, but rather to have active, ongoing and responsive risk management throughout all levels of the organisation.

While government leaders are well versed in the area of risk management, many are still grappling with how to best build positive risk culture. For many, one of the main challenges has been engaging staff and executives in the process and helping them to understand that managing and calculating a prudent level of risk is part of the everyday decision-making process.

Ahead of Enterprise Risk Management for Government 2016, we asked four key enterprise risk management professionals to share the biggest challenges they're facing when it comes to developing an effective risk culture and the steps they are taking to overcome these challenges to build a sound and robust risk culture, that is aligned with their overall risk management framework.

Bettina McMahon Head of Risk & Assurance, National E-Health Transition Authority

What is the biggest challenges government organisations face when developing an effective risk culture?

"Getting people to take some risks! Unfortunately, some parts of the public sector in the past developed a culture of blame if things went wrong, but a tolerance of underperformance or under-delivery. Over time, this created a culture whereby people were reluctant to take risks. Shifting this culture can be a huge challenge."

What strategies are you using in your organisation to develop an effective risk culture?

"There are two complementary strategies. The first it to set targets that require a certain amount of risk taking (within limits of course!) and the second is to make sure senior management have an appetite for some things going wrong and do not vilify people for failures."

What steps are you taking to align risk culture with your risk strategy? What outcomes have been realised as a result?

"We've documented our risk appetite so that everyone is clear about the type of risks they can, and cannot take. We've ensured that the risk levels align with the business outcomes we need to achieve. The outcome has been leaner teams that can make decisions more independently without having to seek executive approval for every idea."

Join Bettina at **ERM for Government 2016** where she will be further exploring how NEHTA is evolving thinking about strategic risk to become more resilient as well as a workshop on tackling risks to drive reform. Find out more here

Rudi Deco, Manager of Risk and Governance, Adelaide City Council

What is the biggest challenges government organisations face when developing an effective risk culture?

"It's important not to let media reporting drive your decision making and take over your resources. Reputation and brand protection are very important, but other elements should equally be considered to come to well-informed decision making. A communication plan is a critical part, with the focus on "plan" (rather than reactive "response").

As a government organisation it's easy to fall in the trap of a risk adverse culture. It's easier to say no and refer to policy than to trial something new and be innovative. The media may come down on you pretty hard when things go wrong (see dot point above). However it's important to be brave and be innovative. Risk management should be an enabling tool. A lot of opportunities could flow. Some failure too. Therefore it's important to have executive and elected members on board when setting the risk appetite."

What strategies are you using in your organisation to develop an effective risk culture?

"The four main strategies we are using include:

1. Reward risk escalation and risk mitigation, rather than looking for blame when things go wrong.
2. Have executive oversight on all strategic risks and risk ownership (accountability) at the level where it's best managed.
3. Provide regular training and avoid risk management being a compliance exercise. Focus on the value add (informed decision making).
4. Have Audit Committee engaged in the strategic risk reporting (transparency) and invite them to your risk meetings so they experience firsthand how your risk framework operates in reality (rather than receiving wordy reports)."

What steps are you taking to align risk culture with your risk strategy? What outcomes have been realised as a result?

"There are three main areas we are focusing on to align our risk culture with our overall risk strategy:

1. Reward staff who escalate risks.
2. As a risk manager: be involved in the organisation and be engaged in what’s going on. Be ears and eyes and understand the broader organisational context.
3. Be an enabler, not a show stopper (although at times you may need to). Risk is not necessarily a bad thing, so long we fully understand it.”

Join Rudi at **ERM for Government 2016** where he will be further exploring how to manage shared risk. Find out more here

Asaf Ahmad, Chief Information Security Officer, Fire and Rescue NSW

What is the biggest challenges government organisations face when developing an effective risk culture?

“We're building an organisational risk culture in which everybody is a risk manager.
A big challenges has been that there is resistance which means that adoption takes a little time. The process needs to incorporate risk in whatever work employees do .

It is a continuous improvement and if we find out there's a relative area where risk has been missed out, then that process is modified and upgraded to include risk. It's a continuous improvement process. - you identify the key things and then slowly expand to the others.”

What strategies are you using in your organisation to develop an effective risk culture?

“We have created a corporate framework which every other business unit has adopted to use in their work to better manage risk. The strategy is that everybody follows the same framework and uses that framework to identify risks in the business no matter what work they do. Initially we also had a program for staff to attend training to help business unites become certified to perform risk assessments.”

Join Asaf at **ERM for Government 2016** where he will be further exploring how to use resources effectively to increase cyber security resilience in a digital age. Find out more here

Sean Hughes, Chief Risk and Legal Officer, UniSuper

What strategies are you using in your organisation to develop an effective risk culture?

"It is important for organisations to establish an appropriate risk culture – which is not about sending employees on a compulsory ethics training course simply to tick boxes. That is not an effective way to manage conduct risk.

Managing conduct risk goes back to the very beginning of when an employee joins an organisation. It's the criteria applied to appoint them – are we appointing someone because we know they will be great at driving sales at all costs? Or are we appointing people because we have satisfied ourselves they will have a strong focus on customer service and will do the right thing by their customers?

From day one when that employee comes on board, the way in which they're encouraged to learn about the policies and procedures of the organisation, how they are rewarded and incentivised to put the customer above everything else, and the leadership they observe and experience, are all some of the tangible steps an organisation can take to encourage a strong culture around good behaviour and ethics.

Another powerful tool for cementing strong risk culture is around performance management. If managers focus on the bottom line aspect of employee performance and reward solely on numbers and not on behaviour, this is likely to drive the wrong set of outcomes as well. Equally, when there are employees who may have generated great financial results, but did so at a cost to the organisation, there has to be a consequence. Employees cannot be rewarded for doing wrong and breaching compliance simply because they generated good dollar outcomes."