

Understanding and Creating a Strong Risk Culture

Risks exist in every workplace, so it's important for organizations of all types and sizes to know how to mitigate the hazards that come with operating day to day.

While identifying, assessing, managing and mitigating risk is critical, risk management endeavours will only go so far without the buy-in from employees. As such, a strong risk culture is imperative.

According to the Institute of Risk Management, risk culture is the values, beliefs, knowledge, attitudes and understanding of risk shared by a group of people with a common purpose (e.g., employees). A risk-aware culture—in which everyone understands business perils—can help organizations achieve their risk-management strategies and bolster both workplace safety and success.

This insight discusses what a good risk culture should look like within organizations, its importance and tips for improving it.

What Does a Strong Risk Culture Look Like?

Risk culture encompasses all aspects of risk, such as risk management, risk tolerance and decisions about risks. Having a robust risk culture can help organizations make better risk-related decisions and exhibit appropriate risk management behaviours. When an organizations' risk culture is strong, everyone understands the expectations surrounding risk and is encouraged to take ownership.

A robust risk culture should include the following:

- Buy-in from leadership pertaining to risk-taking and avoidance
- Common acceptance throughout the organization of the importance of risk management
- Encouragement of risk event reporting to actively learn from mistakes
- Rewards for appropriate risk-taking behaviours
- Inclusion of diverse perspectives, values and beliefs to ensure that the risk culture is consistently and rigorously challenged

Good risk culture can vary in each organization. Therefore, it's beneficial to take the time to find the right aspects of risk culture for your organization.

Why is Risk Culture Important?

Risk culture in an organization can make risk management significantly better or worse. Further, strong risk management policies and protocols may not be enough to protect organizations and help them achieve business goals. For example, organizations with inappropriate risk cultures may inadvertently allow individuals or teams to participate in activities that expose them to risk, despite having policies that forbid such behaviour. Worse still, other employees may ignore such risky practices. Such poor risk decisions could damage an organization's reputation or financial standing. In contrast, when organizations develop a strong risk culture, they may be more likely to limit losses and accomplish business objectives.

It's important to note that a strong risk culture isn't one where risk is discouraged. In fact, risk-taking is an inherent part of business and can help encourage innovation. Instead, a culture where risk and reward are carefully balanced in decision-making can protect organizations and put them on the path to success.

Tips to Improve Risk Culture

An organization's risk culture reflects its overall business operations and decision-making. Each organization's risk culture may look slightly different and can be built in several ways.

Consider some of the following tips for improving risk culture:

- **Conduct workplace risk assessments.** An assessment of an organization's risk can provide a baseline for developing a strong risk culture. Risk assessments should include assessing strengths and weaknesses, reviewing previous incidents and scrutinizing the current risk management strategy for flaws.
- **Lead by example.** Risk culture buy-in starts from the top. Specifically, it's important that senior management teams create and contribute positively to risk management so employees viscerally understand its importance. When seniority is bought in, all other employees are more likely to get on board with risk management practices within the workplace.
- **Create a process of reporting unsafe practices.** Organizations must create clear and easy ways for employees to report risky behaviours or unsafe practices, with an option of anonymity. Moreover, whistleblowers must be treated fairly or even rewarded for bringing issues to management's attention. This way, workers will be more likely to speak up in the future, which is beneficial to ongoing risk management, collaboration and risk culture development.
- **Provide employees with risk awareness training.** Leadership should provide clear guidelines and expectations for employees, including risk management roles and responsibilities. In addition, risk management training should be a part of new-employee onboarding, as well as continuous learning for all employees to avoid repeated mistakes.
- **Increase risk visibility.** When employees better understand risks, they're more likely to take action when they spot hazards. As such, organizations may benefit from asking employees to identify specific risks and to help develop robust protocols in response. Not only does involving employees directly facilitate a better understanding of risk at all levels of the business, but employee involvement could also further enhance risk culture.

Conclusion

Overall, it's valuable to have a strong risk culture in an organization. Knowing the pieces to risk culture, the impact of risk culture on risk management and how to build a strong risk culture can help organizations mitigate harmful risks and achieve business goals.

If you have questions specific to your business, or would like additional information, please reach out to your Iridium Risk Services Advisor.

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1100, Bow Valley Square 3,
255 - Fifth Avenue SW,
Calgary, AB T2P 3G6

irsnvacord.com
info@irsnvacord.com
1.855.585.9654

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