

Risk resistant cultures: Embedding risk awareness into organizational strategy and process

Speaker:

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Learning Objectives

- **Understand the significance of organizational bias in risk management decisions**
- **Understand the impact organizational culture can have on risk acceptance or avoidance**
- **Identify strategies to implement and embed a rigorous risk analysis and risk treatment process into an organization's culture**

Failure of risk management

- **Organizations often fail to accurately identify key risk factors**
- **Organizations tend to orient risk management decisions in favour of desired outcomes**

Failure of risk management

- **Failure to manage risk is often the result of human error**
- **Human action will – in many cases – override preventative processes**

Financial Crisis 2007 – 2008



History of the Financial Crisis: Mid-2007 to 2010



SOURCE: BLS, BEA, U. MICH.

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Source: ethanzuckerman.com

Deepwater Horizon 20 April 2010



Source: The Telegraph

Costa Concordia 13 January 2012



Source: Associated Press

Lac Megantic 8 July 2013



Source: Transportation Safety Board of Canada

Germanwings Flight 9525 24 March 2015



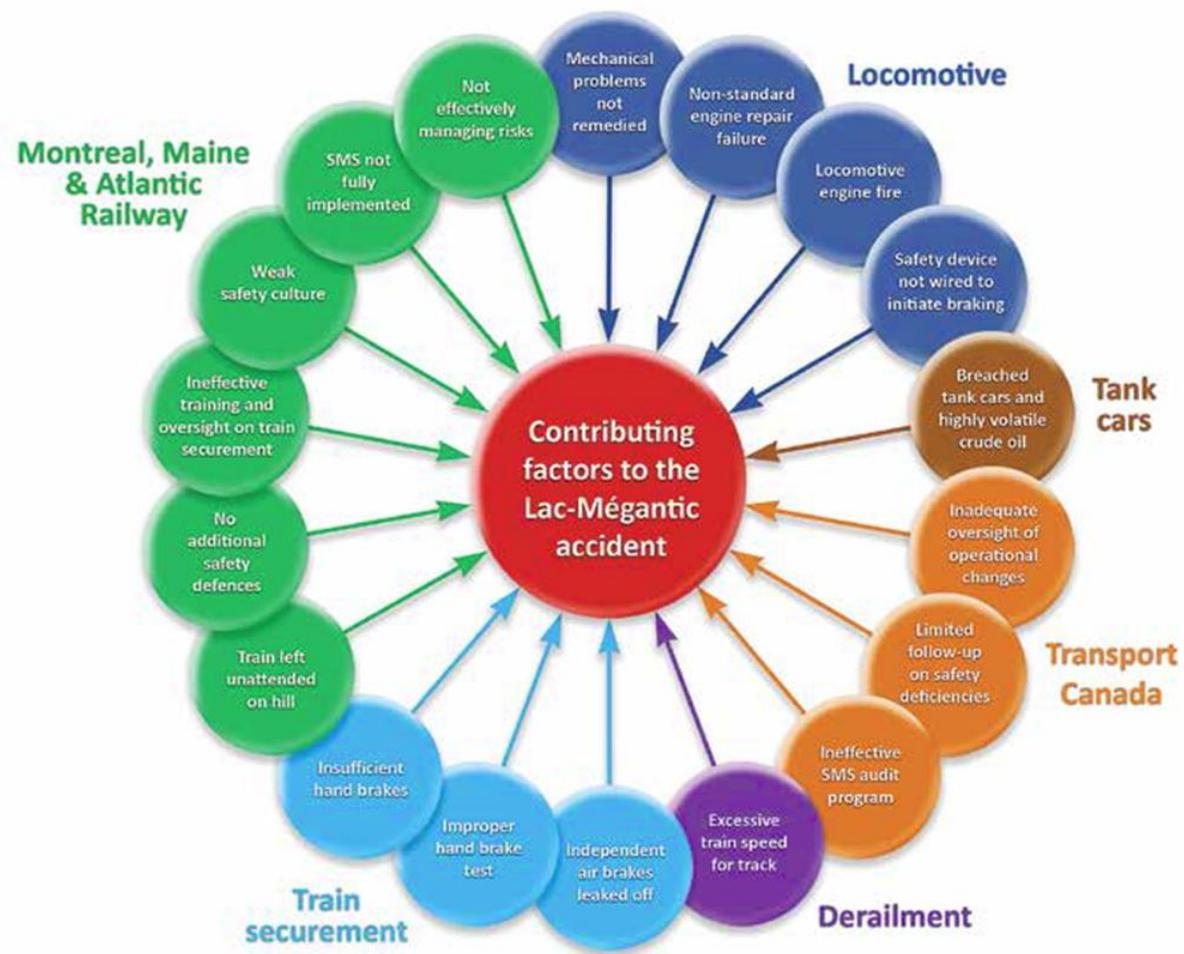
Source: SEBASTIEN MORTIER - <https://commons.wikimedia.org/w/index.php?curid=39186193>

Tianjin Explosion 12 August 2015



Source: EPA

Lac Megantic 8 July 2013



Source: Transportation Safety Board of Canada

Subjective bias

- No matter what scientists inform us of what *could* happen – or even eventually what *will* happen – we tend not to make long-term investments in prevention or mitigation until it actually has happened at least once

Subjective bias

- The *availability heuristic* is a mental shortcut that relies on immediate examples that come to a person's mind when they evaluate a specific topic, concept, method, or decision.

(Daniel Kahneman & Amos Tversky)

Subjective bias

- **What is the significance of subjective bias in the risk management decision-making process?**
- **What are the implications to the organization?**

Subjective bias

- **Human factors can skew risk outcomes despite a seemingly robust risk management process**

Strategies for improvement

- **How do we go about implementing and embedding rigorous risk analysis and risk treatment processes into organizational culture?**

Strategies for improvement

- **Unknown organizational or process risks – actual ‘black swans’ – are rare**
- **Known risks – ‘gray swans’ – are often identified but ignored**

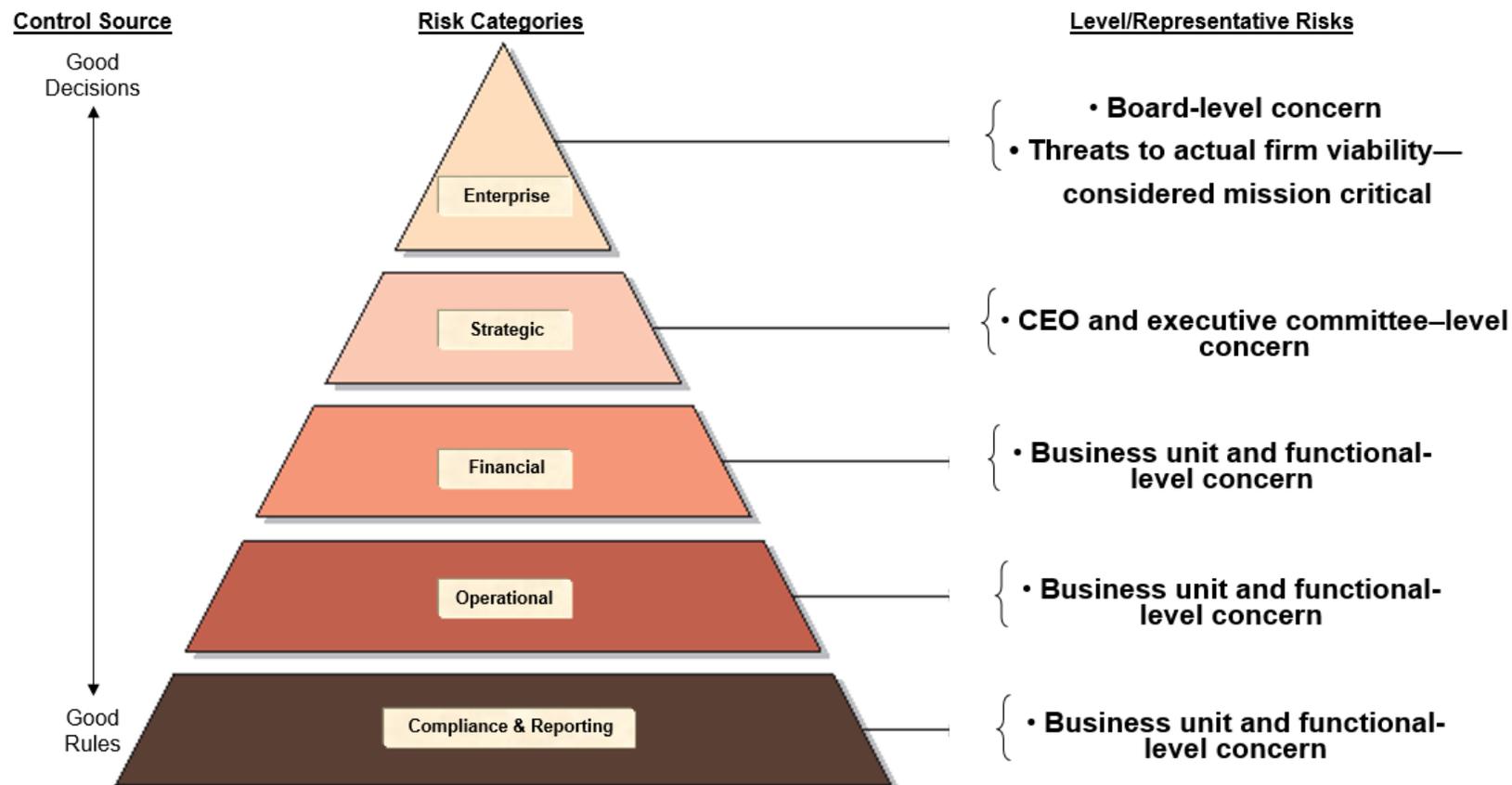
Strategies for improvement

- **Managing risk requires managing perceptions**

Strategies for improvement

- **Along with well designed risk analysis metrics, organizations must develop mechanisms through which to rigourously evaluate risk indicators as they emerge**

Strategies for improvement



Strategies for improvement

- IRM Risk Culture Framework



Source: *Risk Culture – resources for practitioners*, IRM

Strategies for improvement

- **Raise risk awareness**
- **Empower decision making**
- **Distribute responsibility**
- **Promote ownership**

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Thank you

- Questions?

