PRIMA'S 2017 RISK MANAGEMENT
WEBINAR SERIES

How Organizational Culture Affects Risk Management

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Shannon Gunderman, Yuma County, AZ

Agenda

Defining *culture*

The ways that culture interacts with risk management

What does this mean for you?

Speaker Background

Joey Sylvester, Arthur J. Gallagher

Enterprise Risk Management Consultant with Gallagher

National Director, Operations and Planning – Gallagher Public Sector

Master of Arts in Industrial/Organizational Psychology

Shannon Gunderman, Yuma County, AZ

Administrative Services Director

Enterprise Risk Management Program Manager

Indigent Defense Services Manager

Why has Culture gained Prominence?

Google

Chevron

Southwest

Zappos

Deloitte

Apple

How people describe *culture*

Group norms

Values

Rules of the game (“the ropes”)

Shared meanings

Rituals and celebrations

What is Culture?

"A pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems."

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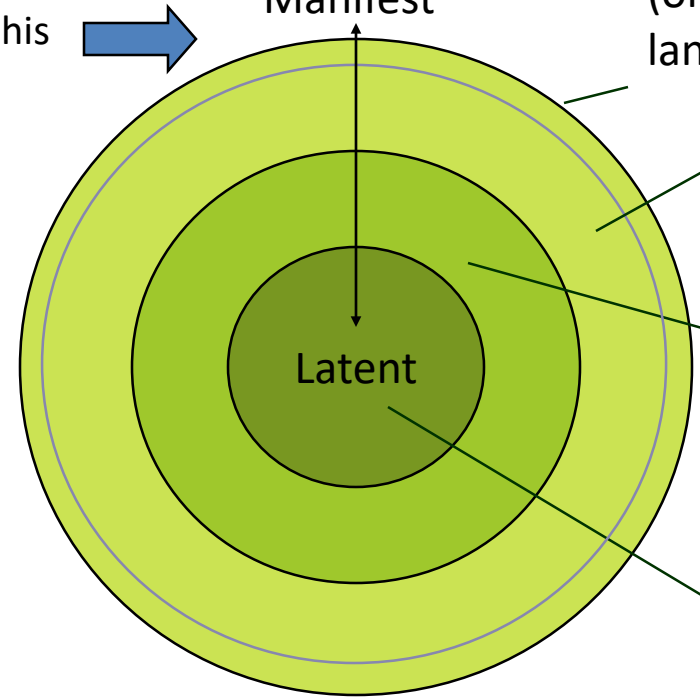
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Levels of Culture

Cannot infer meaning at this level



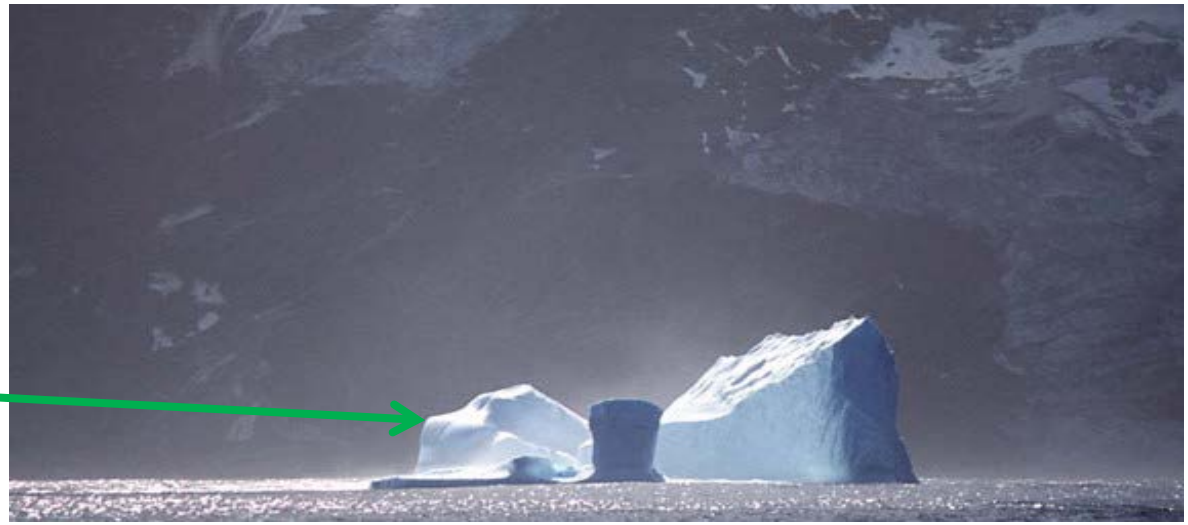
Artifacts – Visible "products" of the group (organizational structures, processes, language, value statements)

Patterns of Behavior – Familiar Mgt tasks; visible and audible behavior patters; norms

Espoused Beliefs and Values – strategies, goals, philosophies

Underlying Assumptions – Unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings

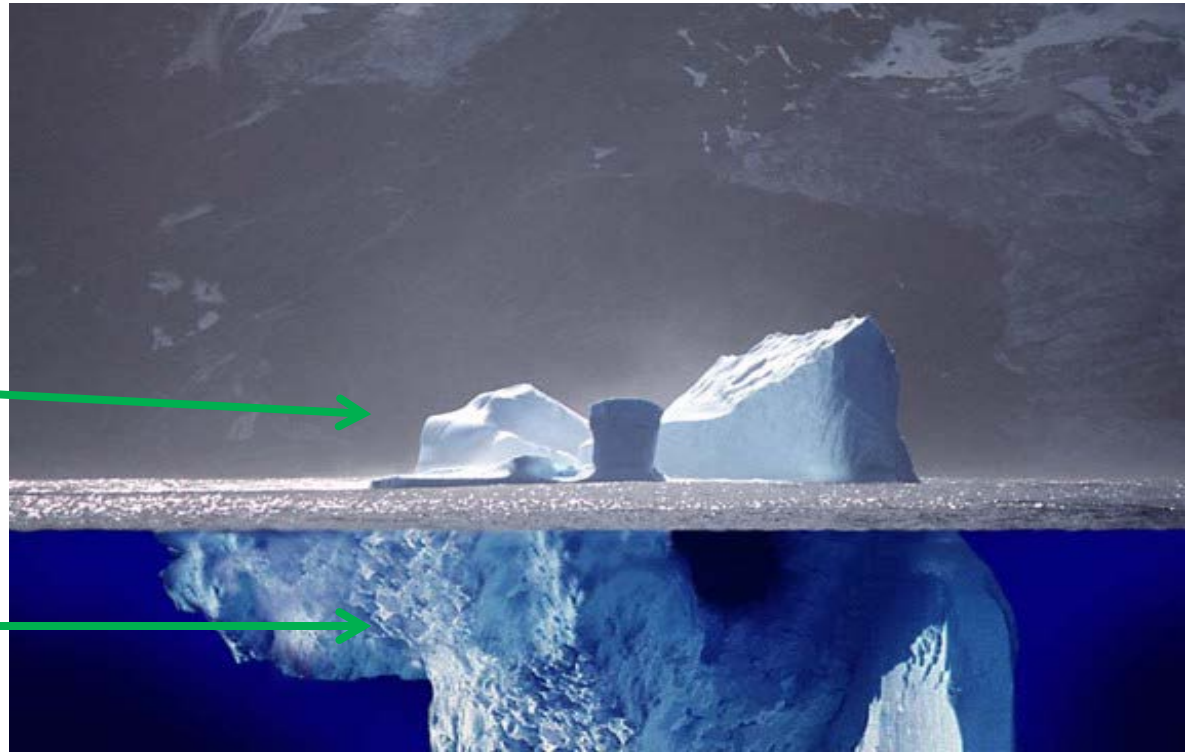
Visible artifacts – norms behaviors



What is going on here?

Visible artifacts – norms behaviors

Personal values and attitudes



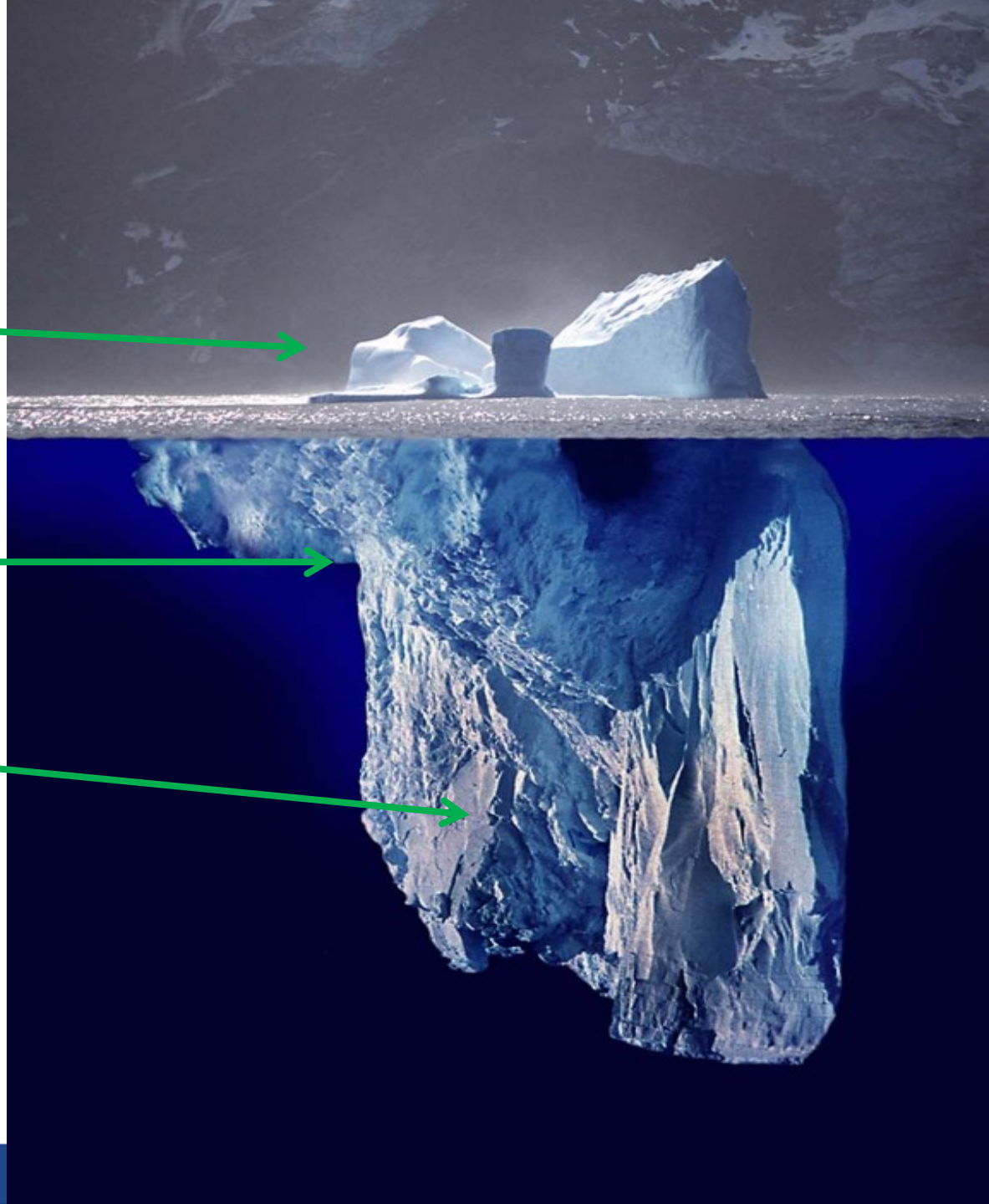
Why are we doing what we are doing?

Visible artifacts – norms behaviors

Personal values and attitudes

Cultural values and shared assumptions

Do the *values* fully explain the *artifacts*?



Culture Formation

Groups start with originating event

Define crude group boundaries (who's in, who's not)

Initial behavior of the group reflects individual motivations, assumptions, and intentions

Culture Formation

Basic assumptions start as behavioral norms

Leadership values and beliefs instilled at the beginning

How leaders **drive** culture

What leaders pay attention to, measure, and control on a regular basis

How leaders reach to critical incidents and crises

How leaders allocate resources

Deliberate role modeling, teaching, and coaching

How leaders allocate rewards and status

How leaders recruit, select, promote, and fire

Leadership and Culture

Org. design and structure

Org. systems and procedures

Rites and rituals

Design of physical space, buildings

Stories about important events and people

Formal statements of philosophy, creeds, charters

Schein, 2004

Characteristics of Culture

Very stable, slow to change

Deep and far reaching

Embedded into organizational processes and actions

Human Nature

Individuals will hold on to certain basic assumptions in order to ratify membership in the group

We will resist change because we do not want to deviate from the group, even if we think privately that the group is wrong



Why is Culture Important?

Culture can inhibit or enhance organizational initiatives

Culture drives behavior

Culture drives attitudes and beliefs

Culture can have drastic consequences for overall performance

Typical Cultural “Roadblocks”

“My organization is very siloed”

Lack of Risk Ownership – “that’s not my problem”

“It’s always been this way”

“Accidents happen”

Culture and Risk Management

Culture drives behavior

... And behavior related to risk management

Risk Management should align with overall organizational culture

Culture Risk

Daimler/Chrysler

Compaq/HP

Enron

FIFA

Example of *Culture Risk*

Construction site

Public Entity Example

Can culture be changed?

Yes, but...

Culture and ERM

- You've obtained the mandate
- You've obtained support
- You've educated employees about ERM
- You've conducted workshops
- You've performed risk assessments

How do you know if ERM has changed the culture?



A few successful ideas for bridging cultural gaps:

Create a Risk Advisory Committee to increase communication and cross-silo problem solving

Find ways to *support* appropriate risk taking – and be sure that people hear about it!

Facilitate risk-based decision making processes with stakeholders (for projects, individual decisions, areas of risk, etc.)

Summary and Questions