Developing a positive risk culture is essential to the successful delivery of strategic goals. It is important because a positive risk culture will:

- create the tone and set expectations
- modify behaviour to what is expected
- underpin risk-based decision making.

“A positive risk culture is one where every person in the agency believes that thinking about and managing risk is part of their job.”

VGRMF 2015

What is risk culture?

Culture is a term that helps to describe the sum of attitudes, beliefs, behaviours and norms of an agency. Often it is referred to as ‘the way things are done around here’. Each agency is likely to have differences with its culture and there may be reasons for specific cultures depending on the activities of the agency.

Risk culture is a term to describe the specific focus on an agency’s risk management approach and activities.

Risk culture is:

- an integral part of an agency’s overall culture
- everyone’s responsibility
- fundamental to good governance and decision making.

Positive risk culture

A positive risk culture is underpinned by risk leadership and governance or the ‘tone from the top’. This means leaders and managers provide common, consistent and clear expectations about how people need to behave and respond to risk.

Including the word positive helps to establish the Government’s expectations of risk behaviour – the opposite being negative risk behaviour that is likely to have adverse impacts for government, agency and the community.

Developing a positive risk culture recognises the ongoing and long term commitment required to continually improve and evolve expected risk behaviours. At times there may be more or less work required. It is not a compliance exercise that can be ‘ticked off’ as complete.

Three key components for a positive risk culture

- Accountability
  - The Responsible Body and executive take leadership responsibility for risk management.
- Awareness
  - Risk management is at the front-end of decision making and aligned to objectives.
- Attitudes
  - Risk management is valued and viewed as everyone’s responsibility.

These practice notes have been developed to provide practical support, advice and guidance to meet the mandatory requirements.

Practical tip

An agency’s overall culture influences and impacts risk culture and should be considered when developing a positive risk culture. Improvements to risk culture may prove difficult if there are underlying issues with the overall culture.

For more detail, refer to the Victorian Government Risk Management Framework Practice Guide.
How to develop a positive risk culture

Developing a positive risk culture takes time. It requires ongoing commitment and a continuous improvement approach. This will ensure people are provided with opportunities to grow and improve their risk management capability and knowledge over time.

As every agency is different there is not a ‘one size fits all’ approach to developing a positive risk culture. There are many definitions and methods used to develop a positive risk culture and a good starting point is the analyse-implement-monitor or AIM approach (right).

The approach is a simple step-by-step process to help guide agencies through the development of a positive risk culture.

The AIM approach

Analyse
- Assess current state
- Agree future state
- Articulate gaps

Implement
- Create an improvement plan
- Consult and communicate
- Commence implementation

Monitor
- Report outcomes
- Review implementation
- Refine plan

Barriers to success

In assessing the current state, it is important to identify any potential barriers to the success of improving the risk culture in your organisation. These may include:

- **Myopia**: leaders have a short term view to manage a longer term challenge.
- **Manipulation**: ethics and integrity are ignored and behaviours are undesirable.
- **Mindset**: leaders have a biased and unfounded view that the risk culture is good.
- **Misalignment**: improvement actions do not align with objectives and individual/group performance incentives.
- **Misconception**: people understand responsibilities but there is a lack of clarity.

Identifying challenges/barriers will help to inform analysis and shape the improvement strategy.

Practical tips

- As every agency is different, the Responsible Body will need to make an informed decision on whether it is satisfied the agency is developing a positive risk culture.
- If the model does not suit your needs or maturity level, there are other models and approaches.
Step 1. Assess current state

Have the expected risk behaviours been defined and documented? e.g. the risk policy and expectations have been communicated to staff.

YES
Use the defined risk behaviours to assess the current state.

NO
Use the assessment as a ‘fact finding’ exercise to inform the current state.

Financial: key performance indicators, financial performance against targets and against scorecard.
Planning: strategic and business planning, achievement of objectives, project tracking, project delays and cost-over runs.
Communications: number of incidents of negative media.

Other considerations may include:
- conducting assessments to uncover deeper values and beliefs
- identifying systems and traditional approaches that need to change.

Step 2. Agree future state

Once there is a view of the current state, a decision is required to determine the desired future state. This needs to take into account multiple factors such as:
- profile of the agency including size, complexity and mandate
- vision, values, strategy and objectives
- organisational culture development activity
- timeframes
- risk management strategy or improvement opportunities
- current and desired risk maturity.

It should also consider the three key components for a positive risk culture – accountability, awareness and attitudes.

Step 3: Articulate gaps

Any gaps identified from the current to future state should be reported to the relevant governance committee and leadership teams.

Practical tips
- It can be difficult to describe the desired culture. Instead, consider describing ‘desired behaviour’. Being clear on behaviour will help culture take care of itself.
- Work with human resources to incorporate risk as part of broader organisational development activities.
- Consider current attitudes through a staff survey. This will provide a baseline on risk management, risk appetite and attitudes to considering risk.
- The risk policy should include a statement of intent and expectation to develop a positive risk culture. The agency’s risk management strategy should reflect the statement of intent through its vision, direction and objectives for risk management.
- Change will not occur overnight. Sustained cultural change can take at least three to five years. It is important that the Responsible Body and leaders are committed to a long term program.
THE A.I.M. MODEL

Implement

Step 1: Create an improvement plan
Once the gaps have been identified, an improvement plan can be developed. The plan should cover:
- a communications plan including key messages
- an education program
- recruitment and induction
- defined metrics to monitor risk performance
- embedding risk related metrics into performance plans
- refining existing risk processes for maximum value.

Step 2: Consult and communicate
The support of senior leaders is critical to improving organisational risk management capability and culture. Consultation with the Responsible Body and leaders is important to gain support for any proposed improvements.

Also liaise with human resources and communications staff to confirm a suitable approach which is aligned to other development activities.

Step 3: Implement
Post consultation, the implementation plan should be rolled out with specific timeframes including ongoing monitoring. Actions to address gaps and improvements must be included in the agency's risk improvement plan.

Monitor

Step 1: Report outcomes
Progress in implementing the risk culture improvement plan activities must be monitored and reported to the Responsible Body, relevant risk governance committees, executive and leaders. Reporting should be defined in the action plan and aligned to the agreed risk management reporting cycle.

Step 2: Review implementation
Circumstances may change during implementation so periodic review should occur which would be informed by monitoring activities.

Step 3: Refine plan
Developing a positive risk culture takes time. It is important the plan is refined over time to ensure it continues to reflect the agency’s expectations and aligns to the vision, direction and objectives for risk management.

Practical tips
Consider the following questions:
- What is the current risk culture?
- What should you stop doing?
- What should you start doing?
- What should you continue to do?
- What are the barriers to achieving positive change and what can you do to overcome them?

Practical tip
- Use other existing reporting mechanisms to help inform progress against improvement actions.
Positive risk culture – a case study
Building a positive risk culture at the Department of Justice and Regulation

Overview
One of seven departments within the Victorian public sector, the Department of Justice and Regulation's (DJR) responsibilities range from managing the State's prison system and enforcing court warrants to providing consumer information. The department also manages the development of a range of laws, policies and regulation across the portfolio.

DJR has over 7,000 employees across over 50 business units and service agencies and the broader portfolio is supported by more than 27,000 staff and more than 90,000 volunteers in the Country Fire Authority, Victoria State Emergency Service, Office of the Public Advocate and other bodies.

Developing a positive risk culture
DJR embarked on a journey to improve their risk culture in 2011 and, over the past four years, has remained committed to developing a positive risk culture. To do this, DJR:

• evaluated and defined culture and performance, clarified vision, values and expected behaviours
• clarified strategic priorities, engaged team in SMART goals and defined and tracked key measures
• maintained a management system for priorities and goals to communicate and build motivation
• reviewed and revamped policies, framework and tools as well as established a centralised risk reporting and analytical tool to engage business units.

In 2015, DJR established a risk management capability framework and conducted a formal risk culture survey across the department portfolios. The survey identified gaps within DJR’s robust and evolving culture that were not previously known and helped to formally evaluate DJR’s risk culture. The risk survey findings enabled DJR to refocus their plan and effort in building their risk culture, capability and risk management maturity.

Challenges
One of the greatest challenges with such a large and complex workforce was to really understand the motivations of all staff – from the mailroom to the secretary – before embarking on the journey to change the culture and improve risk management. The department has worked consistently to engage all staff and ensure they remain engaged throughout the process. Developing a positive risk culture has required patience, commitment and a focus on the end goal.

Benefits
A corporate strategy works effectively when it is supported by the culture. For DJR, by fully understanding the culture and its strengths and weaknesses, they have been able to deliver better outcomes and improved performance against the strategy.

While the journey will be an ongoing one, developing a positive risk culture has helped DJR achieve its risk objectives and ensures the organisation is:

• more prepared and better equipped to deal with risk
• able to predict and inform the approach to risk
• able to effectively deal with risks as they emerge.
Have you considered the following:

- Aligning risk culture to the agency's culture.
- The ‘tone from the top’ around risk culture.
- Using risk management in day to day decision making and activities.
- Promoting and rewarding people for appropriate risk behaviours and holding people to account for negative risk behaviours.
- Establishing ethical principles and governance frameworks.
- Developing transparent, meaningful and timely risk reporting.
- Encouraging open and timely risk event and incident reporting.
- Assessing risk culture and aligning the outcomes to the risk improvement plan.
- Promoting active risk dialogue in all business activities with no fear of reprisal.
- Actively challenging assumptions, mindsets and norms.
- How to best learn from mistakes.
- Developing people's risk skills and capability including information and support.
- Allocating sufficient resources to risk management.
- Process for monitoring, review and continual improvement for the long term.

Additional resources:
- www.vmia.vic.gov.au/VGRMF Resources

Related documents:
- Incorporating Risk into Corporate Planning Practice Notes
- Attestation Practice Notes