

Victorian Government Risk Management Framework

PRACTICE NOTES

RISK CULTURE



OVERVIEW

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.

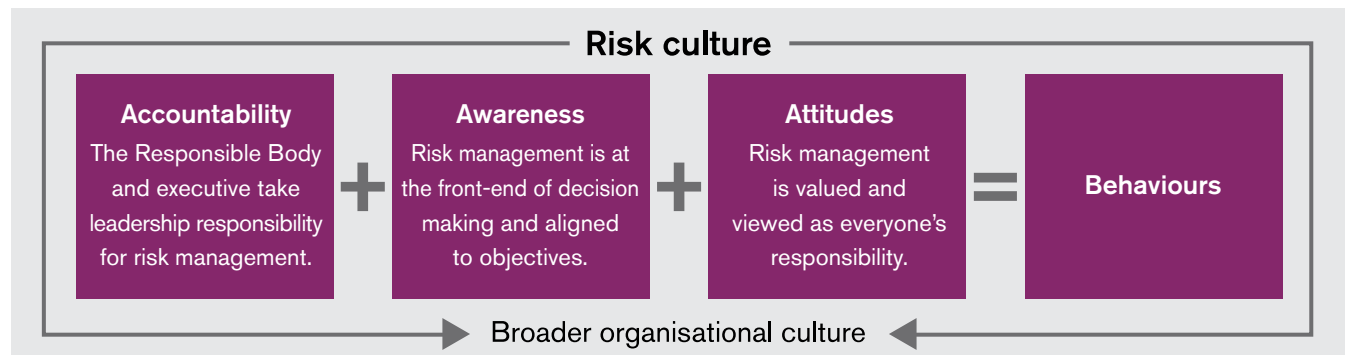
Positive risk culture

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



For more detail, refer to the Victorian Government Risk Management Framework Practice Guide.

Victorian Government Risk Management Framework expectations

Agencies are required to support the development of a positive risk culture as part of the risk management framework. For more detail, refer to the *Victorian Government Risk Management Framework Practice Guide*.

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.



DEVELOPING A POSITIVE RISK CULTURE

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.

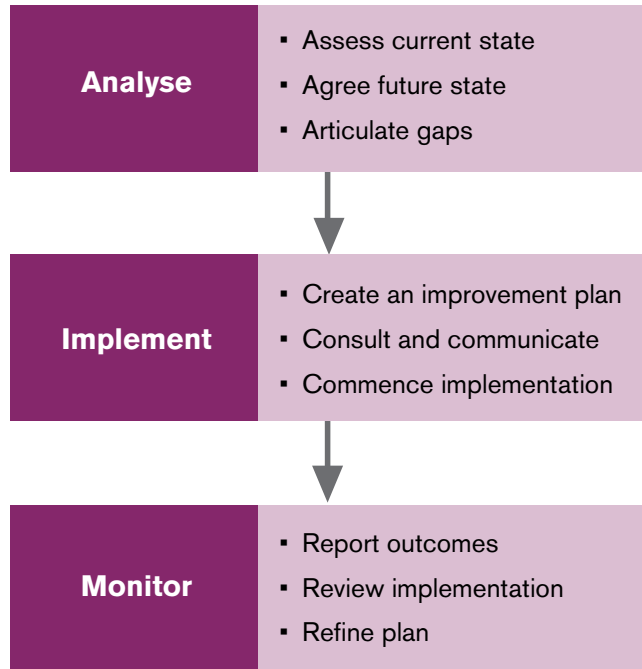
As every agency is different there is not a 'one size fits all' approach to developing a positive risk culture. There are many definitions and methods used to develop a positive risk culture and a good starting point is the analyse-implement-monitor or AIM approach (right).

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

When developing a positive risk culture, consider the following:

- How to motivate people to take risk informed action.
- How to define problems to really clarify core issues.
- How the current culture is impacting decision making and risk management performance.
- How to adopt design thinking, 'prototyping' and 'safe to fail' approaches to determine what will work for your agency.

The AIM approach



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.



THE AIM APPROACH

Analyse

Step 1. Assess current state



To help inform the current state analysis, consider the following:

- Explore what information is readily available and currently reported.
- Identify gaps in information and the absence of relevant indicators.
- Determine ease of access to information or barriers due to system or technological constraints.

There are many sources of risk culture insights that should be considered beyond the risk function for the current state analysis. The following are some examples:

Human resources: organisational development activities including staff engagement, turnover, complaints, leave balances, investigations, learning programs and development plans.

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.

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.



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?

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 tip

- ▶ Use other existing reporting mechanisms to help inform progress against improvement actions.



CASE STUDY



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.



REVIEW

Risk leadership

The Responsible Body has a crucial role in establishing and maintaining the expectations for risk management. There is a focus on managing risk in the *Victorian Government Risk Management Framework* to ensure the minimum requirements are met. To develop a risk culture requires risk leadership.

Risk leadership is enacted through actions and behaviours. This should be underpinned by a risk strategy that articulates the vision, direction and objectives for risk management supported by a risk improvement plan.

A risk management strategy is important because it ensures the Responsible Body, leaders and management have a common, consistent and clear view of the purpose of risk management, the activities to be pursued to enhance the framework and the capability requirements to achieve this.

Having a defined risk strategy will help the Responsible Body:

- assess the current risk culture
- provide direction on future expected risk behaviours based on its risk vision, direction and objectives
- measure and monitor performance against the risk improvement plan
- incorporate risk into corporate and business planning
- allocate resources more efficiently.



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

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