



THE 10th CHIEF AUDIT EXECUTIVE CONFERENCE

“BEYOND ALL BARRIERS”

16th – 18th NOVEMBER, 2021
ATLANTIS, THE PALM HOTEL, DUBAI
UNITED ARAB OF EMIRATES

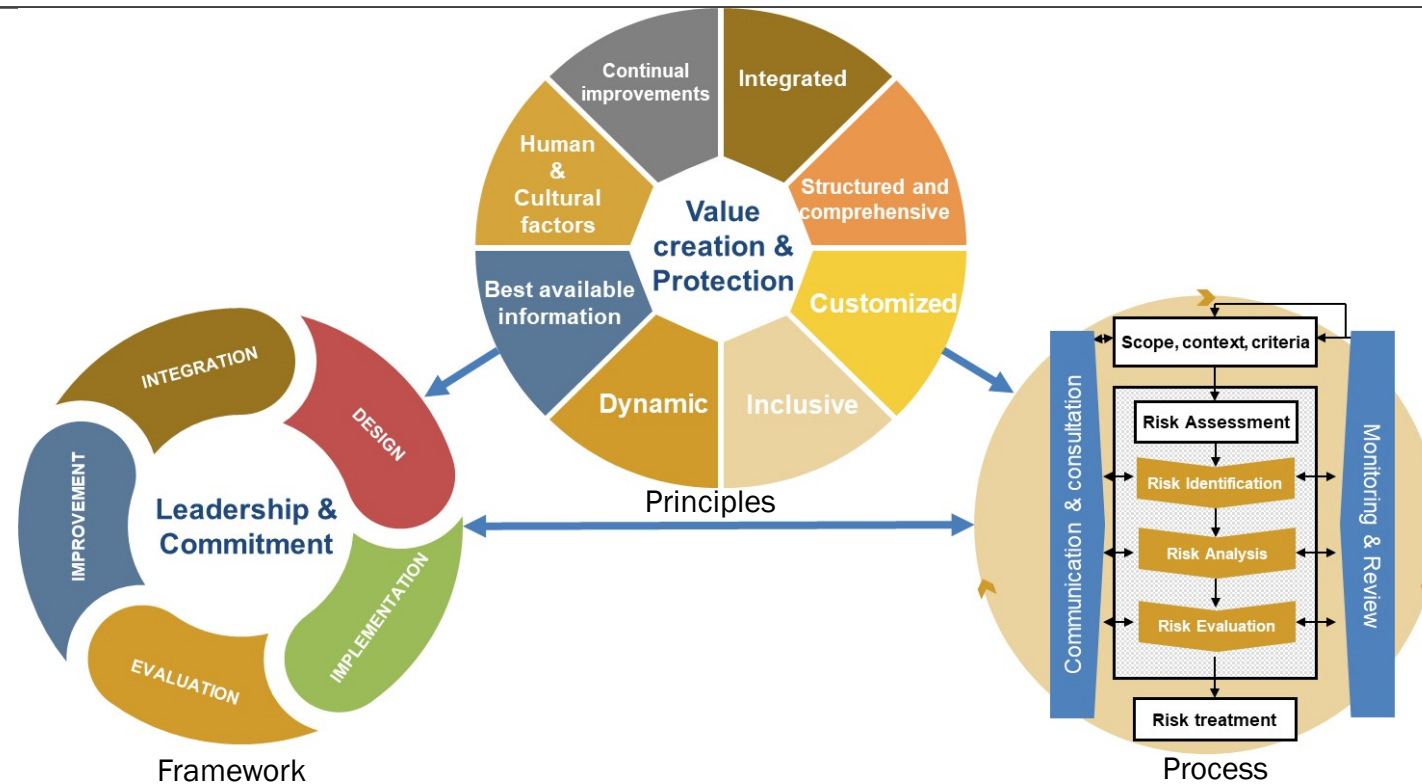


**Risk Culture:
The Most
Neglected
Component of
Enterprise Risk
Management
Framework**





Why Risk Management?

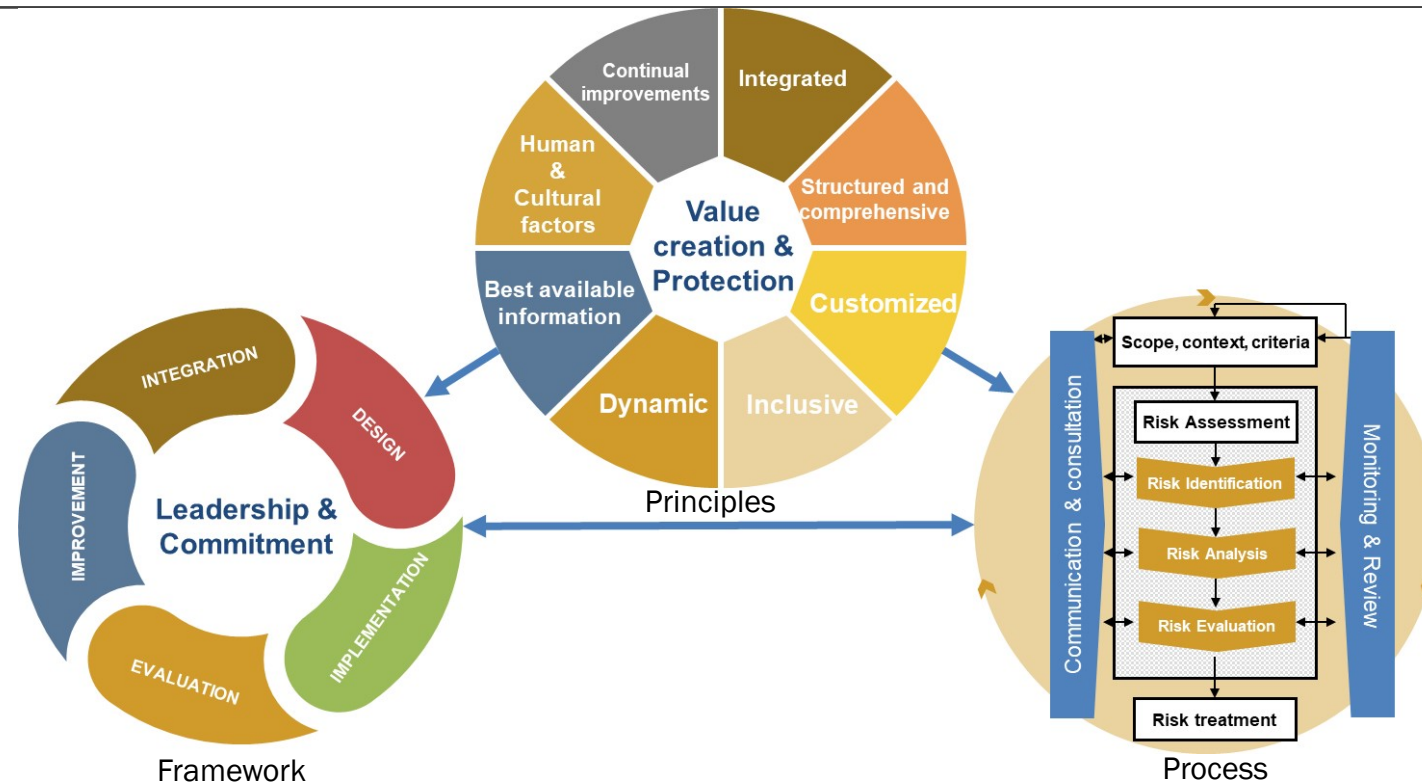


Risk Management: Set of coordinated activities to direct and control an organization with regard to risk

Source: ISO 31000:2018



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Components of an ERM Framework

In all the 3 components of ERM, Culture is given utmost importance:

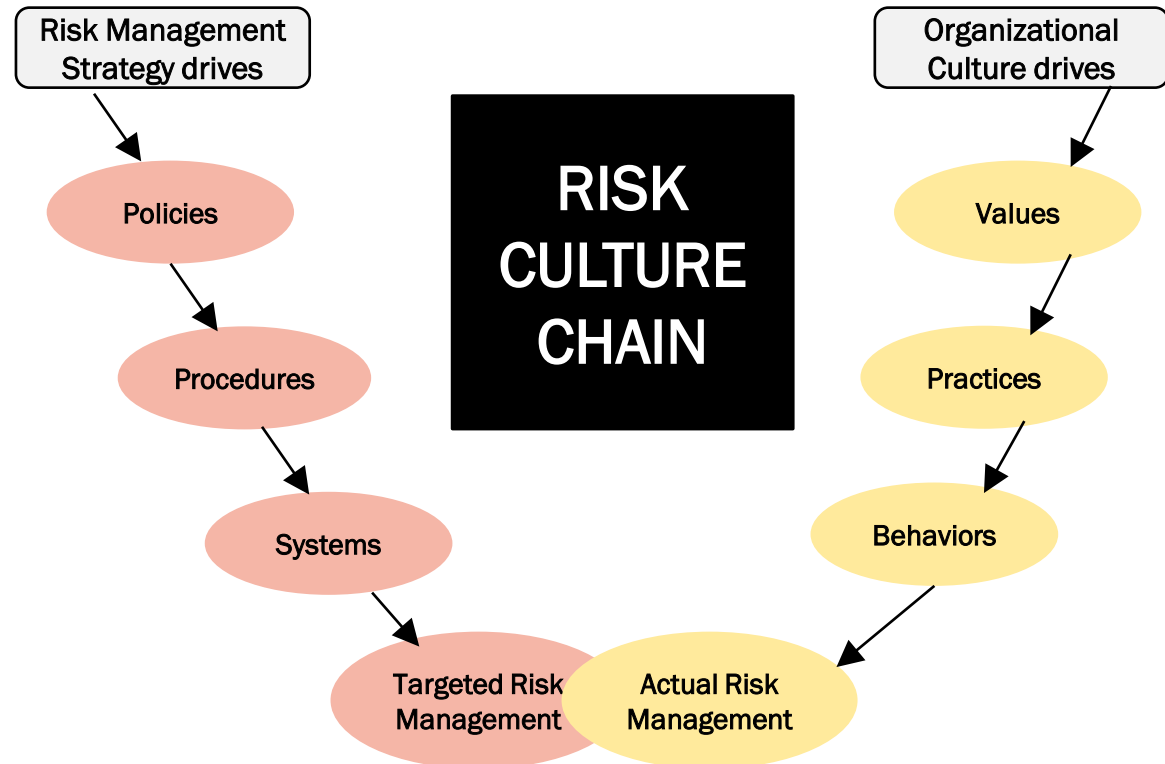
- ✓ **Principles:** Human and Cultural factors
- ✓ **Framework:** needs to be aligned with organization culture
- ✓ **Risk Management Process:** Dynamic and variable nature of human behavior



What is Risk Culture?

Culture in many ways is “what staff in your organization do when you are not watching them”

Risk culture, is therefore values-based and ethically driven rather than based on processes or formal governance. When the chips are down, experience has suggested that culture trumps process every time when it comes to determining whether risk management is successful



**If Culture is not fully aligned with Risk Strategy,
Culture wins – Risk Management fails!!!**

Why is Risk Culture Important?

- ✓ Sets the tone of the organization and defines how an organization views risks and converts them into opportunities
- ✓ Resilient to external influences and better able to adapt
- ✓ Less unenforced errors
- ✓ Improve staff response to threats or situations that fall outside well prescribed operating guidelines



Common Challenges - Risk Culture

- ✓ “What gets measured gets managed” – very difficult to measure Risk culture hence cultural aspects more often than not slip under the radar
- ✓ Culture runs deep, and has its roots in peoples’ beliefs – Resistance to change
- ✓ Collective thinking - Tricky to achieve



Measuring Risk Culture

ORGANIZATIONAL RISK
ASSESSMENTS

PROCESS RISK
ASSESSMENTS

INDIVIDUAL RISK
ASSESSMENTS

Combining data from above sources with information on **performance management, pay & bonus outcomes, employee engagement and span of control** would greatly improve data's descriptive power

Also correlating it with incident reporting and other risk event data, a comprehensive picture can be built of the factors driving behaviors that lead to risk outcomes

The Solution: A Risk Culture Centred ERM Framework

ASSESS

- Review of existing ERM framework to ensure focus on Risk Culture

DEMONSTRATE

- Establish value created and value protected to the employees

TRAIN

- Enhancing the Risk Awareness in the organization through periodic Risk Trainings and Assessments

EMBED

- Embedding Risk Culture in Decision making

ALIGN

- Alignment between Key Performance Indicators and Key Risk Indicators

Questions / Suggestions



Thank You



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