

PRESENTATION – 14 JUNE 2018

1 RISK CULTURE AND BEHAVIOURS

2 AFTER THE ROYAL COMMISSION

3 THE RISKS OF THE FUTURE

4 AGILITY AND RESILIENCE IN ORGANISATIONS

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IT'S ALL ABOUT TIME



THE FUTURE OF RISK

The rise of AI, culture and the role of human capability

14th June 2018 - 3.30pm - 6.30pm - Tower 3, Darling Park, 201 Sussex St

The future is knocking violently at the door with the digital revolution, the fourth industrial revolution, and the many changes in the economic, social, political and technological environment. Being a risk professional means being inside the 'eye of the storm'.

This meeting will address the apparently conflicting requirements of balancing culture and capability on the one side, and performance and risk on the other. They'll do so in the context of four current challenges:

- Risk culture and behaviours
- Some consequences of the Royal Commission into banking
 - The risks of the future
- The challenge of building agility and resilience in organisations.

Event Format

1. A presentation on capability, its role, its links to culture and the whys and hows
2. Group work in teams/tables: how the four challenges mentioned above currently impact, or are expected to impact, on organisations and risk professionals
3. Panel session: panellists will take questions directly from the groups



ABM Risk Partnership



MAGNIFY THE IMPACT OF HUMAN BRAINS



A DIMENSION DATA COMPANY

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- 4 AGILITY AND RESILIENCE IN ORGANISATIONS

CRO's and senior risk professionals have identified the following topics and trends as areas of key interest to the market (Greg Pay).

The blue bubbles summarise the commentary given during the presentation.

IT STARTS AT THE TOP

For this presentation, we assume that Boards and senior management have a genuine desire to foster the 'right' culture.

1

RISK CULTURE AND BEHAVIOURS

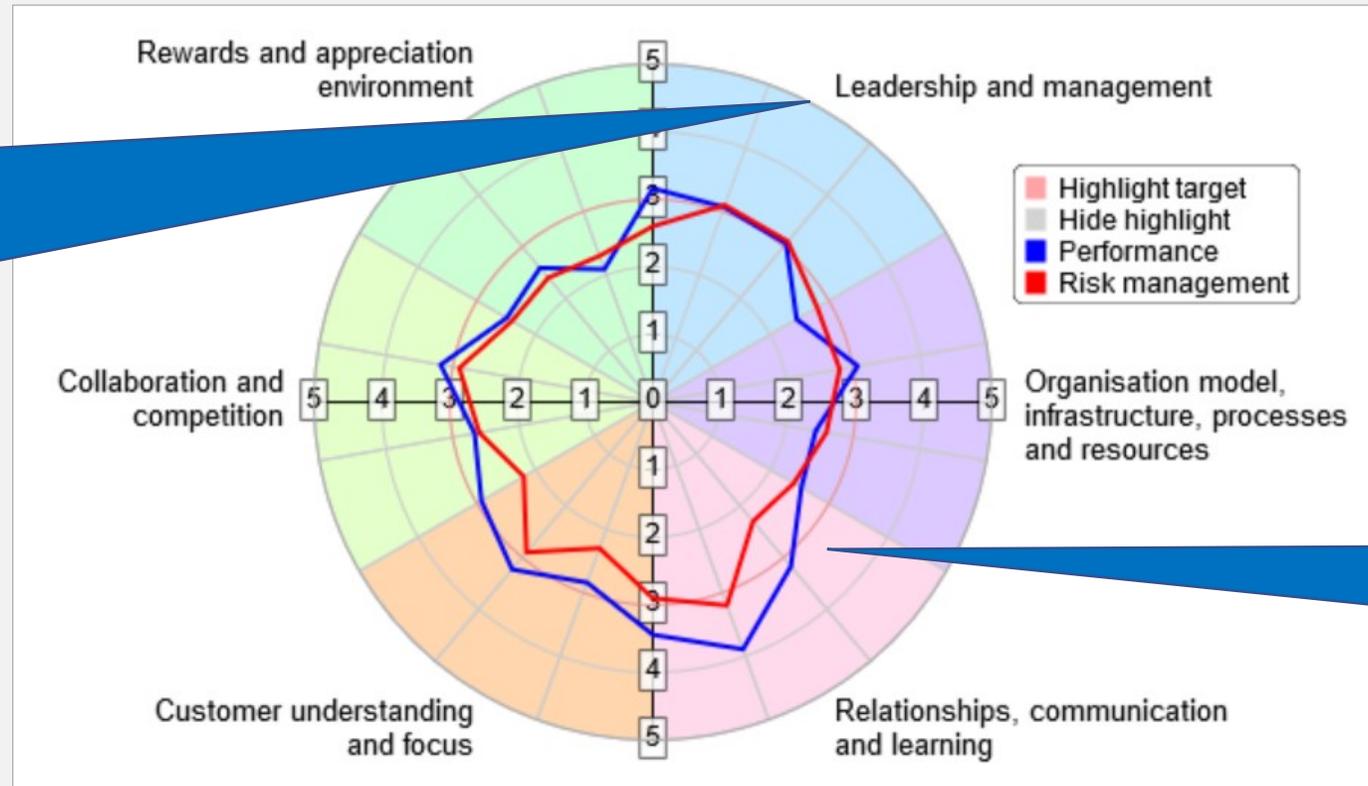
- Measure / quantify culture and behaviours
- Culture for performance and for risk
- Compare
- Take action

If we could do these four things re culture, then we would be 'ahead'!

1

RISK CULTURE AND BEHAVIOURS

This diagram shows that we can, indeed, measure and display (see red and blue lines) the elements of culture that relate to the six core dimensions (e.g. Leadership and management and the other 5 dimensions).



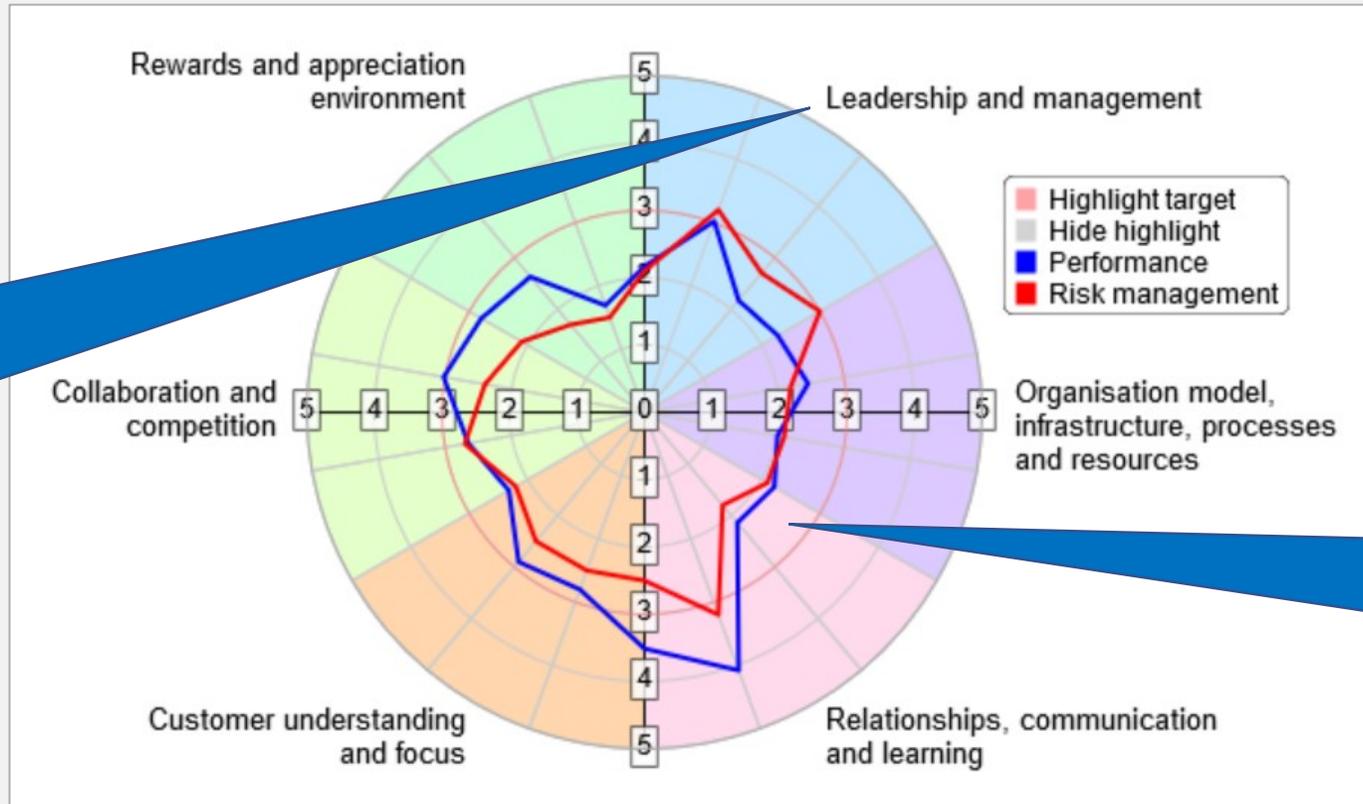
The two lines show that culture for risk management is different from that of performance.

Financial institution
N = 17

1

RISK CULTURE AND BEHAVIOURS

The six dimensions (leadership and management and the other 5) also refer to the capability of a team or organisation to meet its objectives.



Very significant differences in culture and capability with many results below the target (set at 3) – Action required.

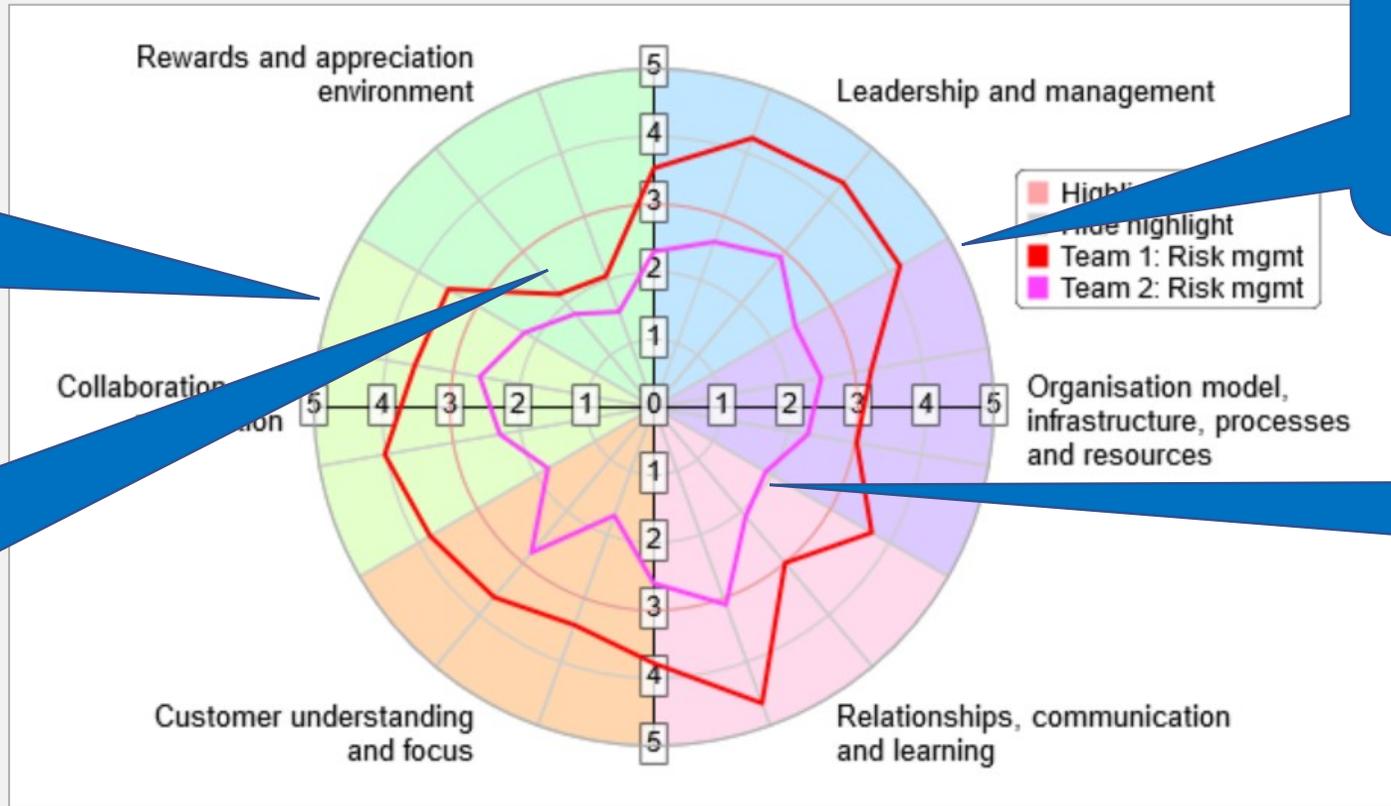
Financial institution
N = 19

1

RISK CULTURE AND BEHAVIOURS

Results for 2 teams in a financial organisation, for risk management. In red the highest performing team and in pink the lowest.

Concerns about the Rewards and recognition environment in the senior management team – cause for serious concern.



Such results can inform the Board and senior management, guide action and monitor the impact of initiatives.

Urgent action required 'across the board' for the lowest performing team.

Team 1: senior mgmt. team, N=6
Team 2: finance operation, N=6

2

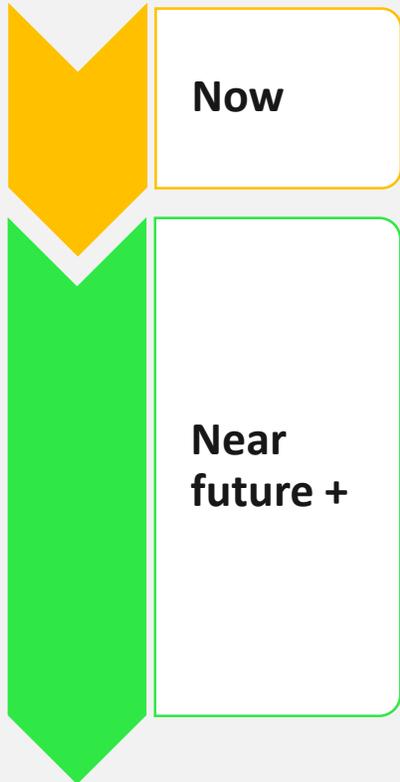
AFTER THE ROYAL COMMISSION

- Stronger emphasis on risk culture inside organisations and its impact
- Boards as responsible for driving the ‘right’ culture
- Increased profile and visibility for senior risk managers and CROs – **Expected to bring solutions to the organisation**
- Senior risk managers expected to become business leaders who manage the risk culture

Possibly the largest ‘take away’ from the presentation and the biggest challenge to the profession.

3

THE RISKS OF THE FUTURE



Now

Near future +

Change Transformation

More change
Faster change
Disruption Transformation
Execution

Vital for survival, these activities have traditionally low success rates – hence great risk!

IS IT A
MANAGEMENT
OR
STRATEGY
OR
RISK MANAGEMENT
CHALLENGE

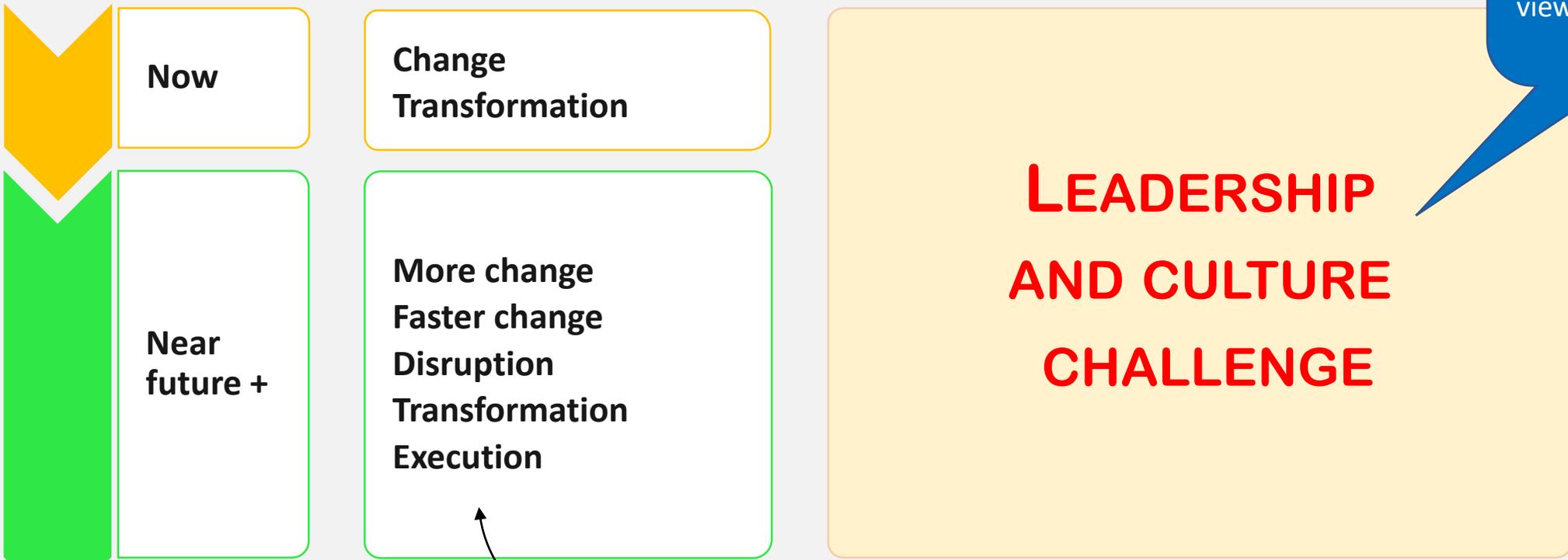
What sort of challenge is it?

McKinsey (2018) report a success rate for transformation as low as 26% !

Shouldn't risk managers take a definite interest in these risky activities?

3

THE RISKS OF THE FUTURE



Vital for survival, these activities have traditionally low success rates – hence great risk!

3

THE RISKS OF THE FUTURE

We have seen that it is possible to measure and display culture and capability for risk and performance.

Risk leaders – to address the risks of the future – need to:

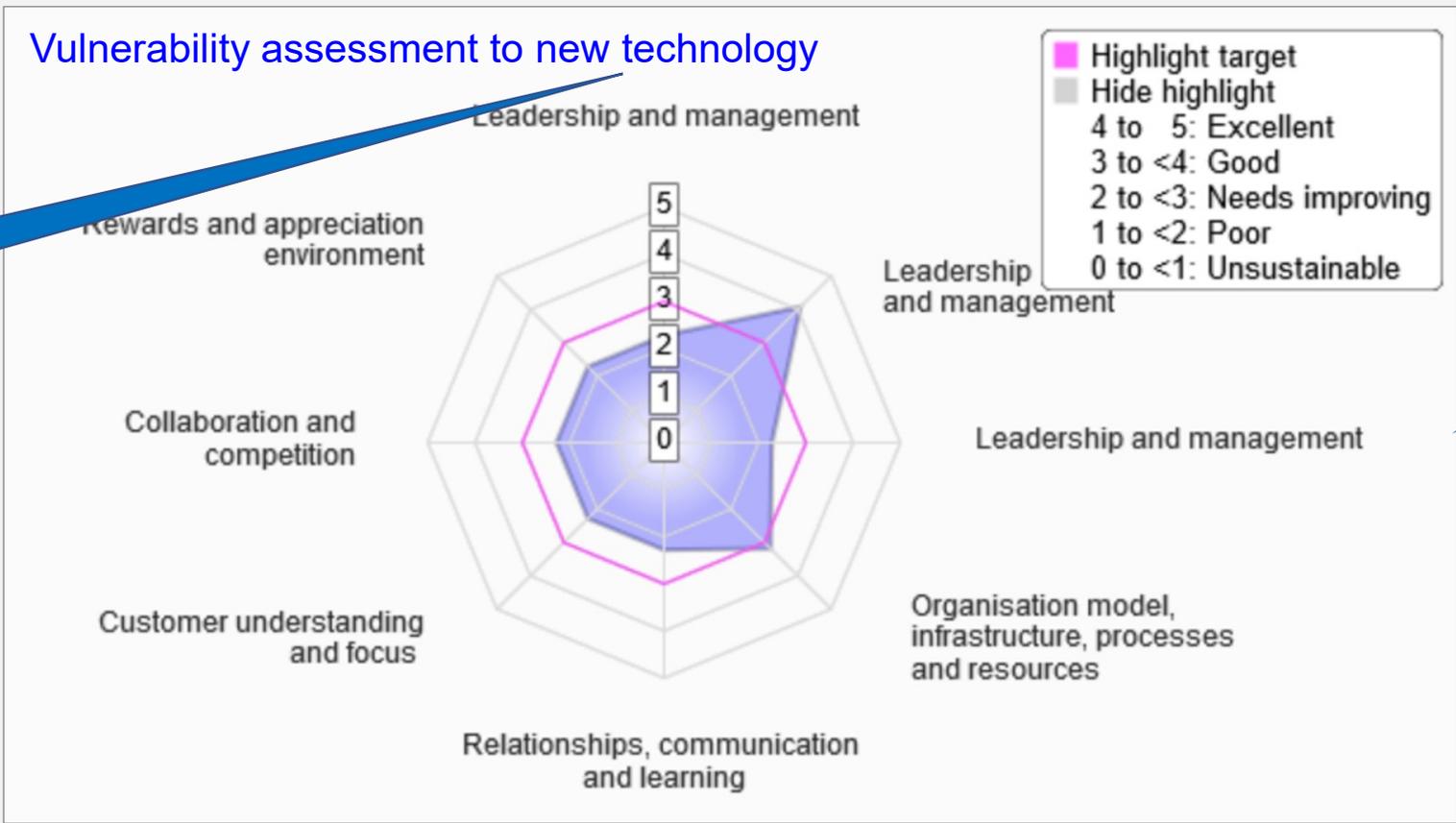
- Understand the risks to the organisation associated with change, transformation and disruption and engage
- Measure culture and capability of the organisation to engage successfully in change, transformation and disruption
- Take action – with other leaders – so as to reduce culture and capability risk

But is it possible to measure culture and capability for change and transformation?

3

THE RISKS OF THE FUTURE

Focus on new technology.



This is a variation of the display used previously but based on the same capability and culture model.

3

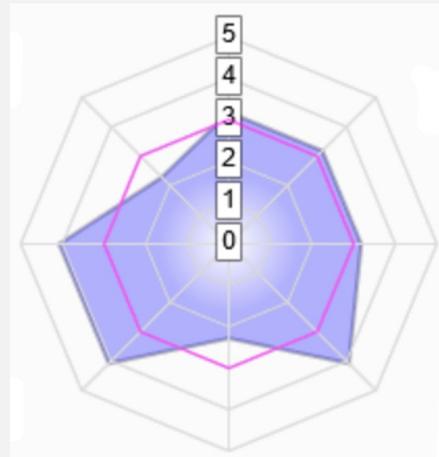
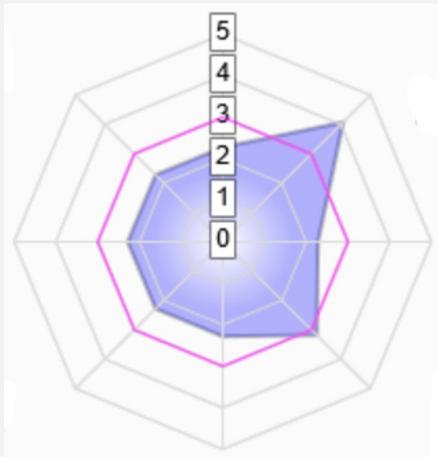
THE RISKS OF THE FUTURE

Same organisation, three different activities.

New technology

Change – Innovation – Transformation

Risk management



Large differences between the activities – different actions required.

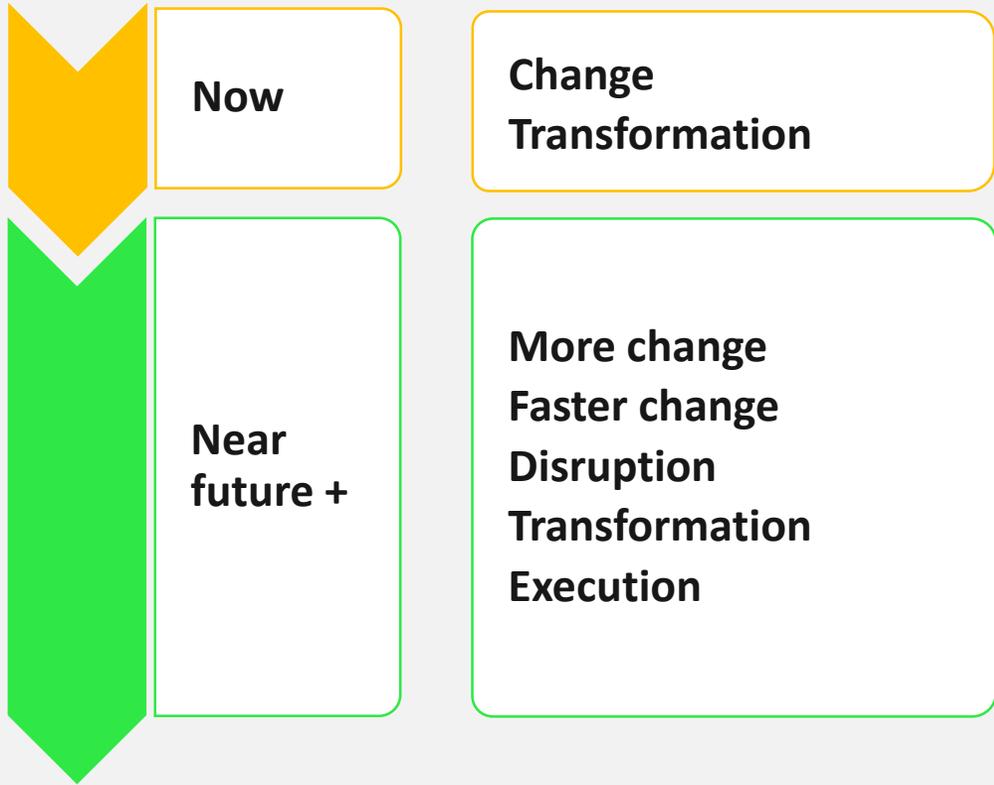
Assessment results by the CEO of an ASX listed financial services organisation

4

AGILITY AND RESILIENCE

A variation on 'the risks of the future'.

Senior risk managers need to think agility and resilience and be ready for a disruptive future.

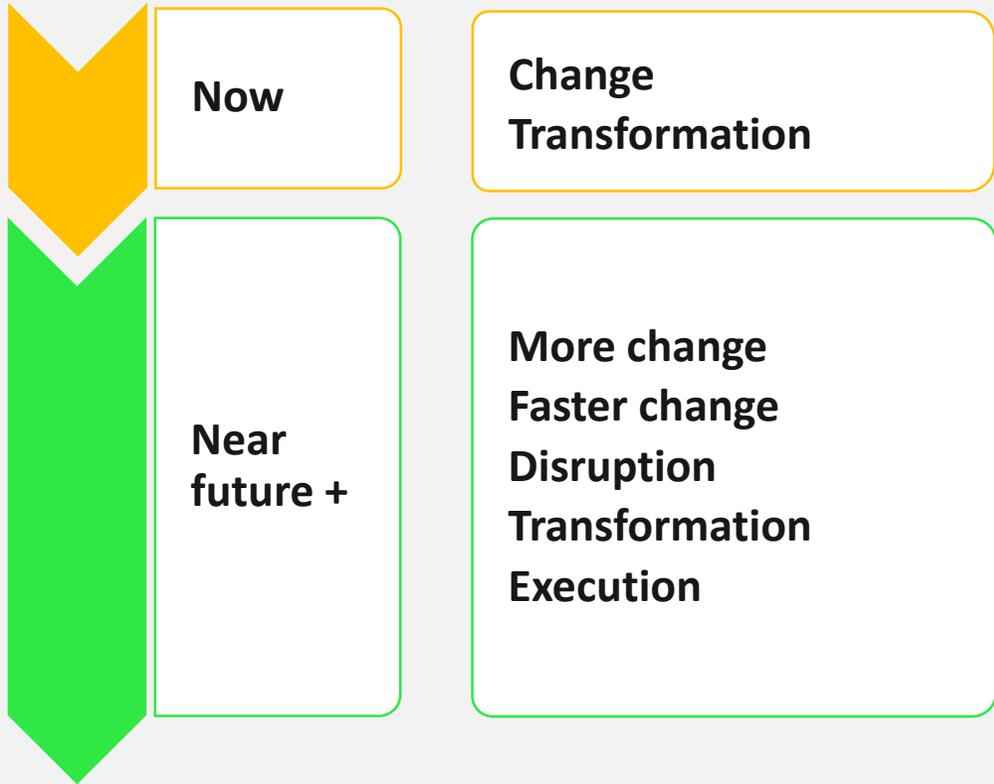


**LEADERSHIP
AND CULTURE
CHALLENGE**

4

AGILITY AND RESILIENCE

Agility and resilience is the ability to deal with relentless change, transformation and disruption.

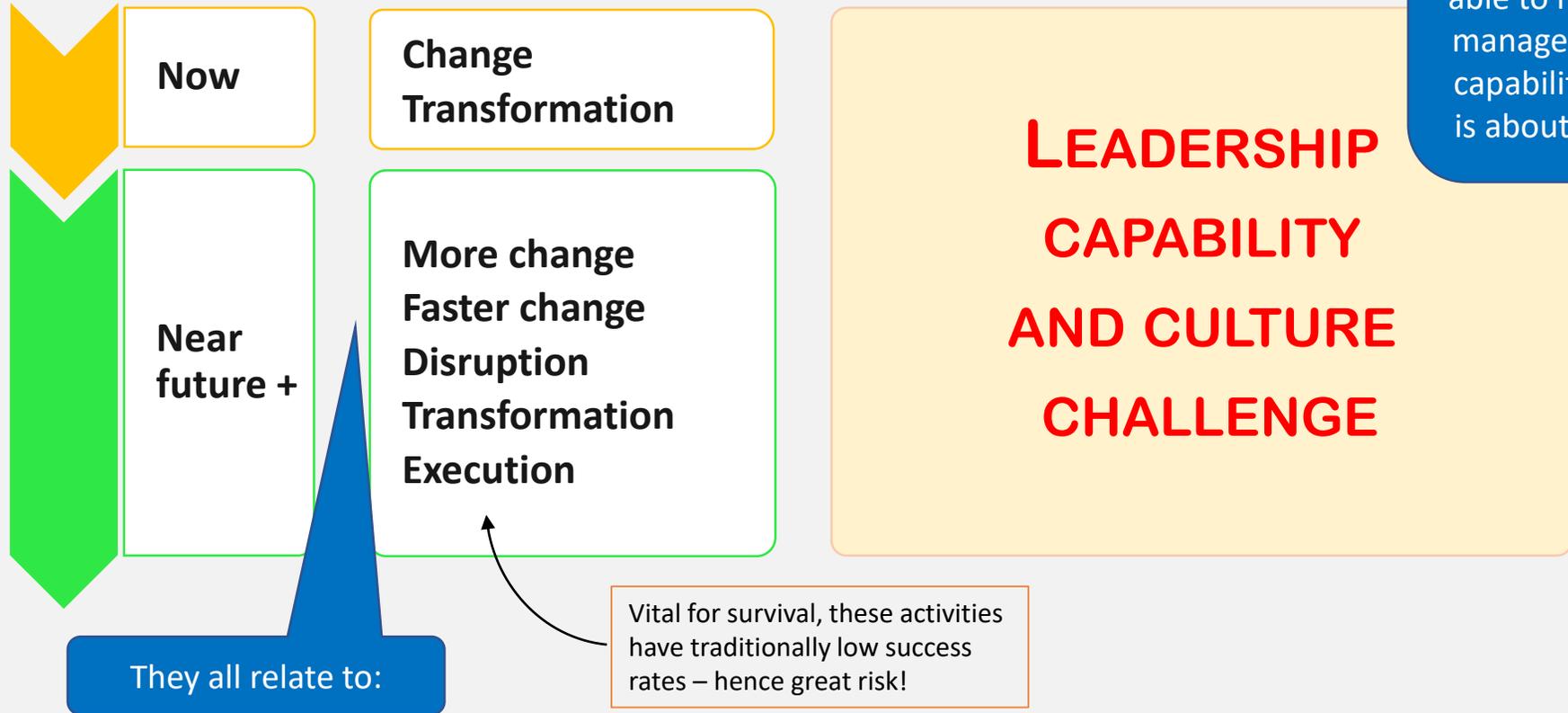


MEANS HAVING THE CULTURE AND CAPABILITY TO DEAL WITH CHANGE TRANSFORMATION AND DISRUPTION

RISK NOW AND IN THE FUTURE

The four topics we discussed.

- 1
- 2
- 3
- 4



SUMMARY

It is all about being able to measure and manage culture and capability. That is, it is about leadership.