Why corporate culture affects Operational Risk

Christian Ott founder of Altervision GmbH
Roger Busch founder of busch-consulting GmbH

Global Association of Risk Professionals

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Why corporate culture affects Operational Risk

We all know that the **human factor is one of most difficult parts to manage** in every company.
An artefact is always a function of culture

Any artefact inherits the DNA of the system of origin.

\[ \text{Artefact} = f (\text{Culture}) \]
Operational Risk

Focus on People Risk

Operational Risk:

⇒ **People**
⇒ **Processes**
⇒ **Systems**
⇒ **External events**
Managing People Risk today

The four main forces used today to manage People Risk

The culture of a social system influences the behaviour of each member far more than processes, directives, management and IT-infrastructure ever will do.
Level of shared reality vs. cultural level

Structured Context Analysis is used to understand how the unaware cultural level influences the level of daily business.
The four forces are part of the level of declaration

The level of declaration defines how the business is supposed to work in a «perfect world»
People Risk: How does an individual react in reality?

Knowing the rules (defined in the level of declaration) doesn’t ensure that the individual also behaves according to it.

People risk arises from the uncertainty of individuals’ reactions in specific situations or contexts.
Cultural rules determine the behavior of individuals

The rules can be described and found in reverse-engineering artefacts of the culture in a structured manner.

Since each culture consists of millions of rules we need to define a context for the examination.

These are the rules the organisation is based on.
Difference between ‘declaration’ and ‘reality’ defines the risk

If we know the differences between the real organisational life and the level of declaration we know the risk.

This is the risk

The difference between the real life of an organisation and the level of declaration
Examining artefacts to a specific context in 3 subsystems

Context: «Handling sensitive data in the organisation»

1. Cultural subsystem
   - **Nature of the organisation**
   - What does «handling of sensitive data» mean to the organisation?

2. Social subsystem
   - **Identity and laws**
   - What stories are told regarding the context «handling of sensitive data»?

3. Instrumental subsystem
   - **Daily routine**
   - How does the organisation handle «sensitive data» in the daily business and how do employees talk about it?
Determination of the cultural difference

- Cultural subsystem:
  - Nature
  - Structured context analysis

- Social subsystem:
  - Identity & law
  - Structured context analysis

- Instrumental subsystem:
  - Daily routine
  - Structured context analysis

Synthesis

Declaration

Cultural difference

Measures:
- -
This is an example of what you get

The Visiogram shows reaction chains and the severity of a theme on different levels of the organisation.