

How culture influences risk management and results

Why we should care about culture

An appropriate team / organisation culture is the foundation to take and manage risk successfully, because it sets the tone for decision-making – which is a key purpose of understanding risk and uncertainty. When a good culture exists, our goals and objectives are realistic and the quality of decision-making about the risks to take and manage is high. Conversely, a bad or inappropriate culture spreads fear, stifles views, leads to narrow perspectives. The poor quality of decision-making that results destroys value.

How do we define culture?

The English word culture derives from the Latin *cultura*, meaning “growing, cultivation”. The Oxford English Dictionary defines culture in the following way:

“The attitudes and behaviour characteristic of a particular social group.”

Reference: <https://en.oxforddictionaries.com/definition/culture>

To define and nurture a culture is **to grow and cultivate good attitudes and behaviours**.

Some hallmarks of a risk-aware culture

There is no single “best culture” for an organisation or a team, but there are traits to a good culture. The following behaviours and attitudes exist in a good risk-aware culture:

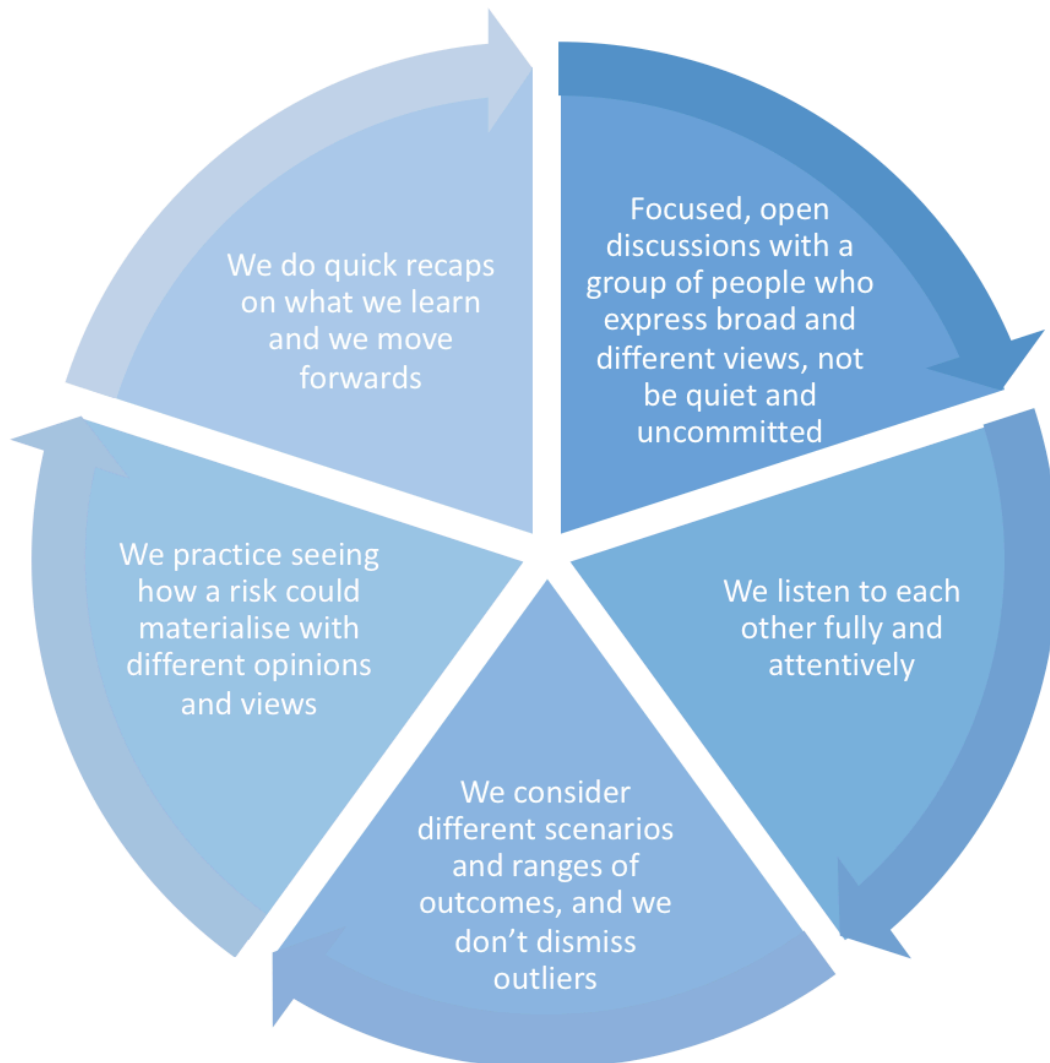
- A willingness to think through scenarios, to look at ranges of outcomes and “what ifs”, and to discuss these potential ranges of outcomes openly in reviews where everyone respects the opinions of each other.
- A willingness to seek advice and help from a wide range of people, not just our friends or “the Yes brigade” who we know will agree with us. We seek alternative views and by listening to them, we “de-bias” our decisions.
- We do not get fixated on taking finite positions.
- We review data to understand trends, to make informed decisions.
- We question our assumptions regularly, not just when circumstances change.
- We don’t rely on our own options: we ask for second, third and fourth opinions.
- We collectively agree on the level of risk we take, knowing that some decisions will prove to be wrong, but that we will learn from all of them and move forwards.
- We learn fast and keep ahead of the curve in today’s fast-changing world.
- We are not afraid to make mistakes and learn from them.

Decision-making traits in a risk-aware culture

Enhancing decision-making is the key purpose of risk management. Are there common elements that indicate good decision-making in any team and environment?

Good decision-making includes the use of what Nobel prize winner Daniel Kahneman calls System 2 thinking. System 2 thinking is deep, reflective thought in which we challenge ourselves and we look beyond the obvious.

Making good decisions about the risks we identify involves the following elements:



Element of decision-making	Counter-examples
1. We have focused and open discussions in a group of people who express broad and different views. No one is silent and uncommitted.	If there are forceful people in the group, others may “clam up” and lose interest in the discussion, or even lose the drive to succeed.

Element of decision-making	Counter-examples
2. We listen to each other fully and attentively.	If people are distracted by their phones and/or interrupt each other, people will switch off.
3. We consider different scenarios and ranges of outcomes, and we don't dismiss outlier possibilities.	If people get too focused on narrow outcomes, they will be too narrow-minded and fail to see things coming.
4. We practice seeing how risks could materialise using scenarios and seek wide-ranging views on them.	If you consider scenarios, but just with a small group of people, you will not deliver the best value.
5. We do quick recaps on what we learn and we move on.	If you get into a "blame game", no one will learn anything for fear of admitting to mistakes.

The next question is, what key cultural elements maximise our chances of making good risk-informed decisions?

Three elements of a good culture: ¹

1. Establish a Safe Environment	2. Do people open up about weaknesses?	3. Are we focused on a common objective?
A strong culture		

i. An environment that is "safe" for people to talk openly

Is your environment one in which people feel safe to discuss risk? When we can freely express our views about risk and uncertainty, it's a sign of a good culture.

ii. Everyone is open about the challenges they face

Does everyone openly talk about their challenges, and their concerns in front of others, and ask their colleagues for help to think through risks they identify? People open up about uncertainties when they are in a safe environment, and when they trust others. If your environment is aggressive, it will not happen, or not in a good way. When it works well, we open up about what may otherwise be things we keep hidden from other people (for fear of showing weaknesses), and we reduce our blind spots by understanding the fears or concerns of others.

iii. People are truly focused on shared objectives

Everyone has objectives – but they are not always aligned. Do discussions you have with your team mates revolve around a shared purpose and objective? Or is too much of your time spent discussing competing priorities in which you don't feel you are on the same page? You need a safe environment and people need to be open about the challenges they face in order to openly discuss whether objectives really are shared.

Let's unpack these three elements in more detail:

1.1 Subtle behaviours	1.2 Little bonds	1.3 Harness energy	2.1 Form trust	2.2 Don't assume you know	2.3 Be curious	3.1 Share stories	3.2 Pause & learn	3.3 Handle criticism
1. Establish a Safe Environment			2. Do people open up about weaknesses?			3. Are we focused on a common objective?		
A strong culture								

1. Establish a safe environment

Risk professionals should work across an organisation – more than many other roles. They can play an important role of “being part of the glue” that binds people and teams together.

Risk practitioners tip 1:

*People in any team subconsciously want to know: “are we safe in this group?”
Can you spot the signs in a team of whether this is the case, and if it is not, what can you do about it?*

1.1 Subtle behaviours

Teams and organisations need people with expertise, intelligence and experience, and an ability to innovate and drive to succeed. When a team works well we say it has “good chemistry”. Most of this chemistry is embedded in subtle, often minor actions that our brains are wired to unconsciously seek, time and time again. Contrary to what we may think, the power of words only goes so far. Risk professionals should be alert to these signals, to see that they are happening.

Risk practitioners tip 2:

Ask yourself this question in your work environment: do you know what everyone around you does? If not, find out what they do and take the time to properly listen.

1.2 Little bonds

When we think of people who are “good communicators”, we may at first think of people who get up and describe a compelling vision, with strong oratory. This is indeed valuable, yet what has been shown to be just as powerful in many organisations with “a strong culture” is this: people meet and chat with each other all of the time, they don't sit at their desks in silos. This type of culture builds many tight bonds that, together, create interconnected clusters. This reflects how our brains work, with our neural bonds that form, and also resilience in nature to respond to changes and to anticipate things ahead of time.

Risk practitioners tip 3:

Regularly seek the views of others on what they are working on, in an open manner. If your culture is strong, people will be open and frank, possibly expressing criticism. If you keep an open mind you stand to gain a lot from it.

1.3 Harness energy

Do you see the following happening in teams: a dominant leader assumes they should be the first one to say something whenever an opinion is sought; they know people look to them to proffer “the first opinion” (whether it is in a review, a workshop – whatever the situation may be).

Leaders should consider an alternative approach. Rather than giving your opinion, ask everyone else what they think.

As Andy Stanley has been quoted as saying: “Leaders who don’t listen will eventually be surrounded by people who have nothing to say.”

When leaders first ask others what they think, and ensuring people feel it is safe to respond freely, they unlock the thoughts and opinions of team members who may otherwise “clam up” because they either don’t want to be put down by the leader or they switch off because they are not being truly asked to contribute.

Risk practitioners tip 4:

When you next work with a team, find out: when a question is put to the team, does the team leader first ask everyone else in their team “what do you think?” before giving a view themselves? Do you think people are really expressing their views, and is everyone truly listening?

2. Do people open up about their weaknesses?

Do people in your organisation / team openly talk about their challenges and weaknesses in front of others, and ask colleagues for help to think through risks they are concerned about? People open up about uncertainties when they are in a safe environment, and when they trust in others to empathise. If the environment is aggressive, this openness will not happen,. When it works well we open up about what would otherwise be things we keep hidden from other people (for fear of showing weaknesses) and we reduce our blind spots by finding out about otherwise unknown fears or concerns of others.

Risk practitioners tip 5:

Show your own weaknesses to others and the chances are they will open up to you in return. When we open up to others, we get to know what others really think. By showing weakness, you are asking for help (without verbally saying it).

2.1 Form trust

When people feel safe to admit to their weaknesses, a bond of trust is formed. Trust is a vital part of the bedrock of being able to understand and manage risk. Trust helps us discuss the heart of a matter, and to solve problems and challenges. In a trusting environment we feel empowered to responsibly take an appropriate amount of risk. Remember that vulnerability precedes trust – it is not the other way around.

Pixar calls its open, no-holds-barred reviews of plans for new films its BrainTrust meetings. The US Army calls them After Action Reviews.

Seek out different viewpoints and dissenting opinions – and be receptive to them.

Risk professionals should adopt this mindset when holding Risk Reviews, Risk Discussions and Workshops.

Risk practitioners tip 6:

You'll achieve better success establishing good risk practices when you first "invite people into your tent". Do this first and focus on processes afterwards. Before you develop procedures, ensure there is a strong and open channel for regular and honest views of risks to be aired at any time.

2.2 Don't assume you know the answer

One of the biggest mistakes any of us can make is to assume we know the answer without consulting others. Avoid this cognitive bias trap by asking people these questions:

- A. What have I missed or forgotten about?
- B. What have I got wrong?
- C. What ideas do you have?

Risk practitioners tip 7:

You'll achieve better success by consulting others in decision-making. This is vital – don't jump to conclusions.

2.3 Be curious

Do you show genuine curiosity when you talk with people? You can't fake it. It will be clear as daylight to people if you do. Being curious and asking questions is a way of showing weakness, that you don't assume to know everything. It will light up neural networks in people's brains.

Risk practitioners tip 8:

Listen as if you are a trampoline. In conversation, resist the temptation to reflexively add value, and don't talk about "what you did" in response. Keep the focus on them. Pick up the wavelength and go with it.

3. Are we focused on a common objective?

3.1 Share stories

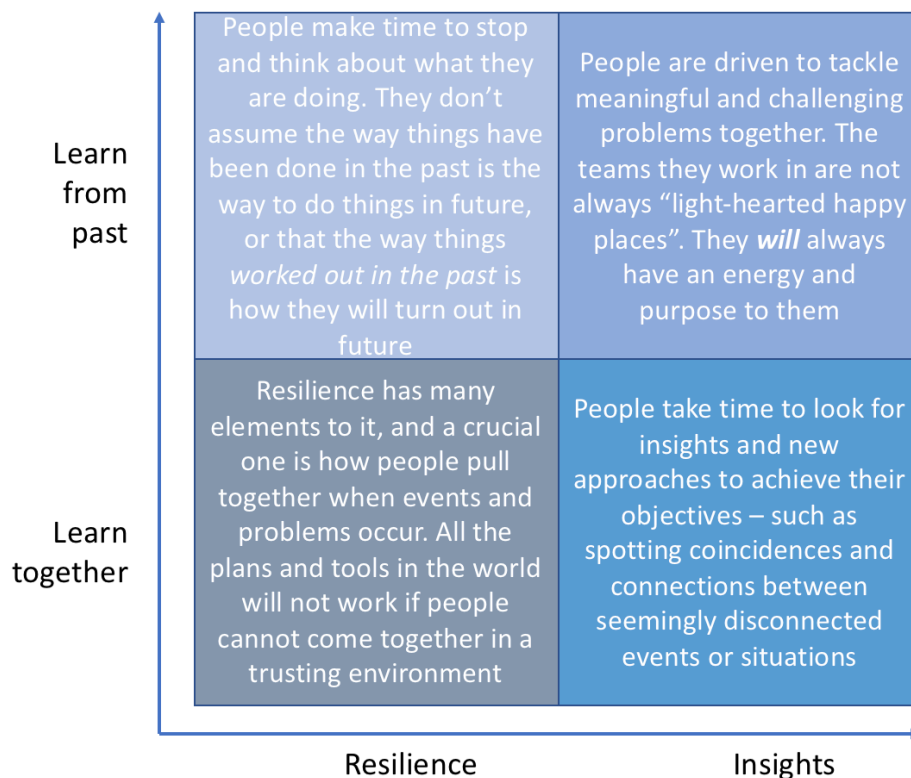
Story-telling captures people's attention. It has been shown to be scientific fact – brain scans show how much more active our brains are when we are listening to stories, than listening to facts. Stories are a powerful way for us to convey meaning and influence behaviour. Facts are of course important too, it's just that to get meaning and purpose, stories work better. If your story is peppered with interesting facts, all the better.

Culture Tip 9:

Share stories which describe examples of how risk was taken and managed well to achieve good outcomes. Be open about the story, "warts and all"; establish a connection of trust, admit to any mistakes you made along the way, and talk about what you would do differently in hindsight.

3.2 Pause and learn

Four factors are signs of a culture that focuses on shared objectives:



3.3 Handle criticism

Have you wanted to give someone criticism, but you held back for fear of the consequences? To give criticism well, you need to be able to accept it. If you don't accept criticism well, you won't understand how to provide it.

We need to be truthful and, at times, blunt, and to make this work, the person or people you are giving your feedback to need to know they are valued member(s) of the team, that you want them to reach the highest standards.

Don't give "sandwich feedback" to people. You may think that softening up bad news by putting it in the middle of a discussion, book-ended by good points to start and finish with, is a good approach. Invariably, it isn't because it usually confuses people. Be straight with your feedback and give it in an earnest way.

Using your culture foundation to take and manage risk

When the foundations of an organisation / team culture are strong they underpin our daily work, and how we think through, take and manage risk.



An organisational / team culture can change over time, particularly when leaders change. A deep-rooted culture can survive when people embody values of their predecessors, but a culture can also change quite quickly when things change. In today's fast-changing environment, with organisations embarking on new strategies, leveraging new technology, adopting new operating patterns, and continuing to engage in merger and acquisition activity, change is constant. When strategy and leadership changes occur (including defining decisions such as mergers and acquisitions) they can have a large impact on a culture.

Interpersonal challenges, and how they can be tackled

Part and parcel of culture is how we deal and interact with others. Sometimes, this can be fraught with difficulty.

Here's some advice from Chris Hoss, an ex-hostage negotiator, FBI Lead International kidnap negotiator who has spoken on podcasts (for example, with [Adam Grant](#)) about dealing with people who do not seem willing to discuss things with you in an open manner.

1. Ask the other person a question

Use a technique called forced empathy. It forces the other side to take a look at you and your situation.

It means responding with questions such as:

- How am I supposed to do that?

Do it in an enquiring way; it's the way that you use tonal expression, to show that you are asking "How am I supposed to **do** that?" (emphasis on the "do")

It forces people to stop and think and look. Find out what the next answer is.

2. Labelling – restate what you think the other person heard, to confirm it

Say something like:

"Well it **seems** like..." or it looks like, sounds like, feels like.

Using words such as "it seems like" rather than a more definitive "it is" can make a difference.

There is a small difference between "what I'm hearing is..." Intentionally do not use the word "I". if they come back aggressively, "I didn't say you were, it just sounds like you are...maybe I am wrong".

3. Perhaps start by asking a question that elicits a "No" response

People can be more persuadable after they say No to begin with.

Rather than ask "Do you agree with this" think about asking "Do you disagree with this...?" "Is this ridiculous?", "Are you opposed to this idea?"

About the author

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Notes:

1 Based on the work of Daniel Coyle, author of [The Culture Code](#)