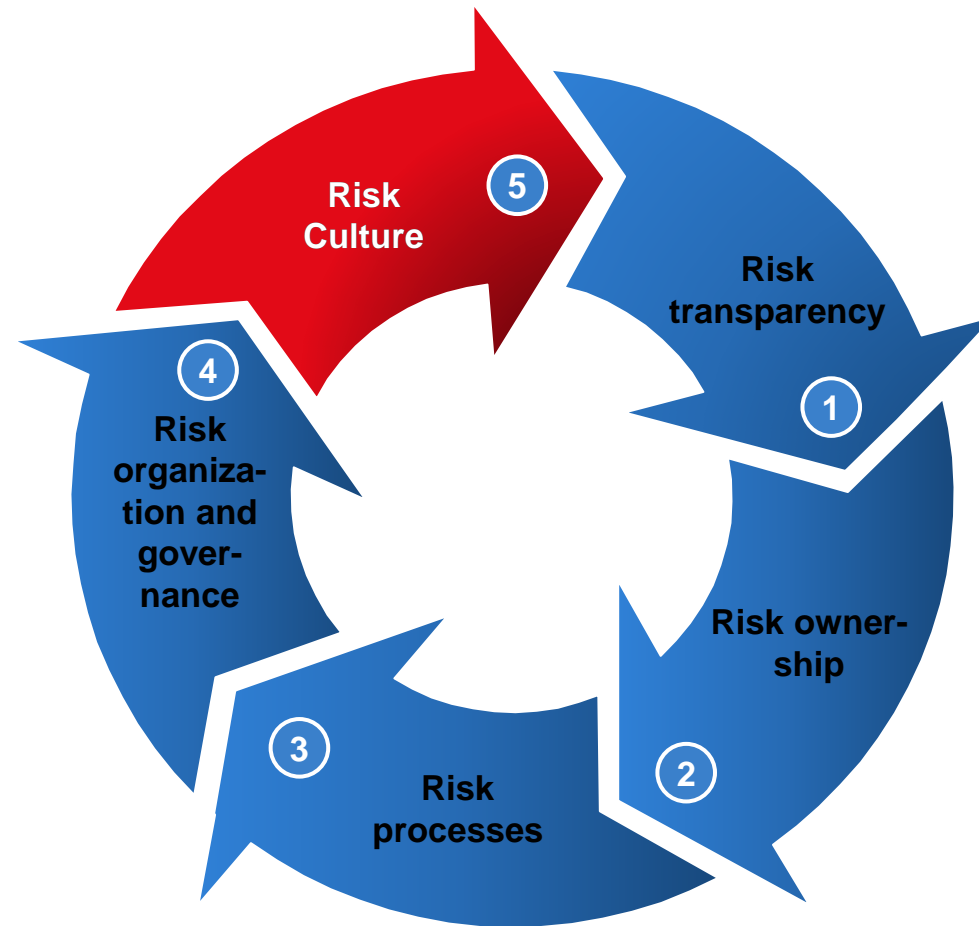


# The Route to a strong Risk Culture

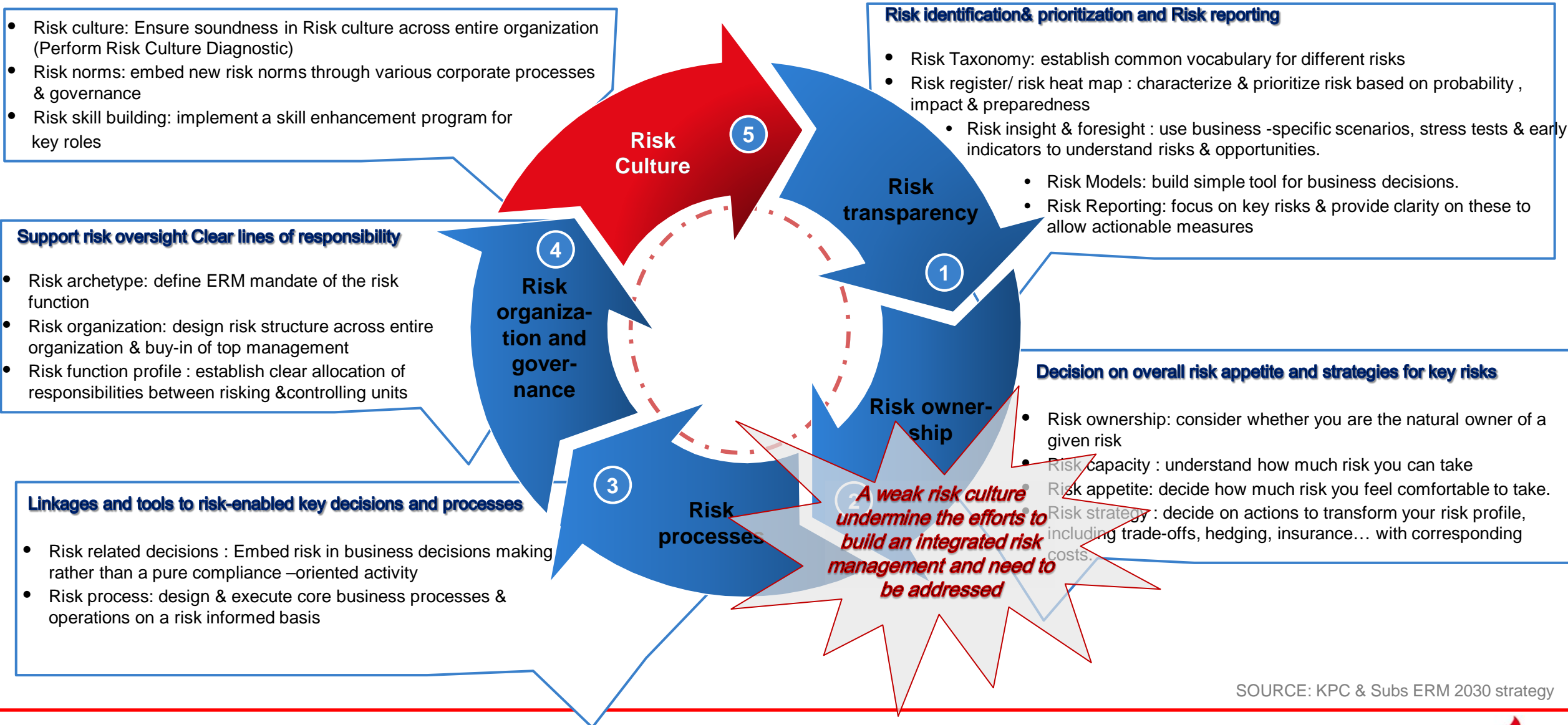


## *From Theory to Execution*

*Khaleda Ahmed Bander*  
*Team leader –ERM*  
*KNPC*



SOURCE: KPC & Subs ERM 2030 strategy



SOURCE: KPC & Subs ERM 2030 strategy

The **mindsets** and **behaviors** of individuals and groups within an organization that determine the collective ability to **identify**, **understand**, **discuss**, and **act on** the organization's current and future risks

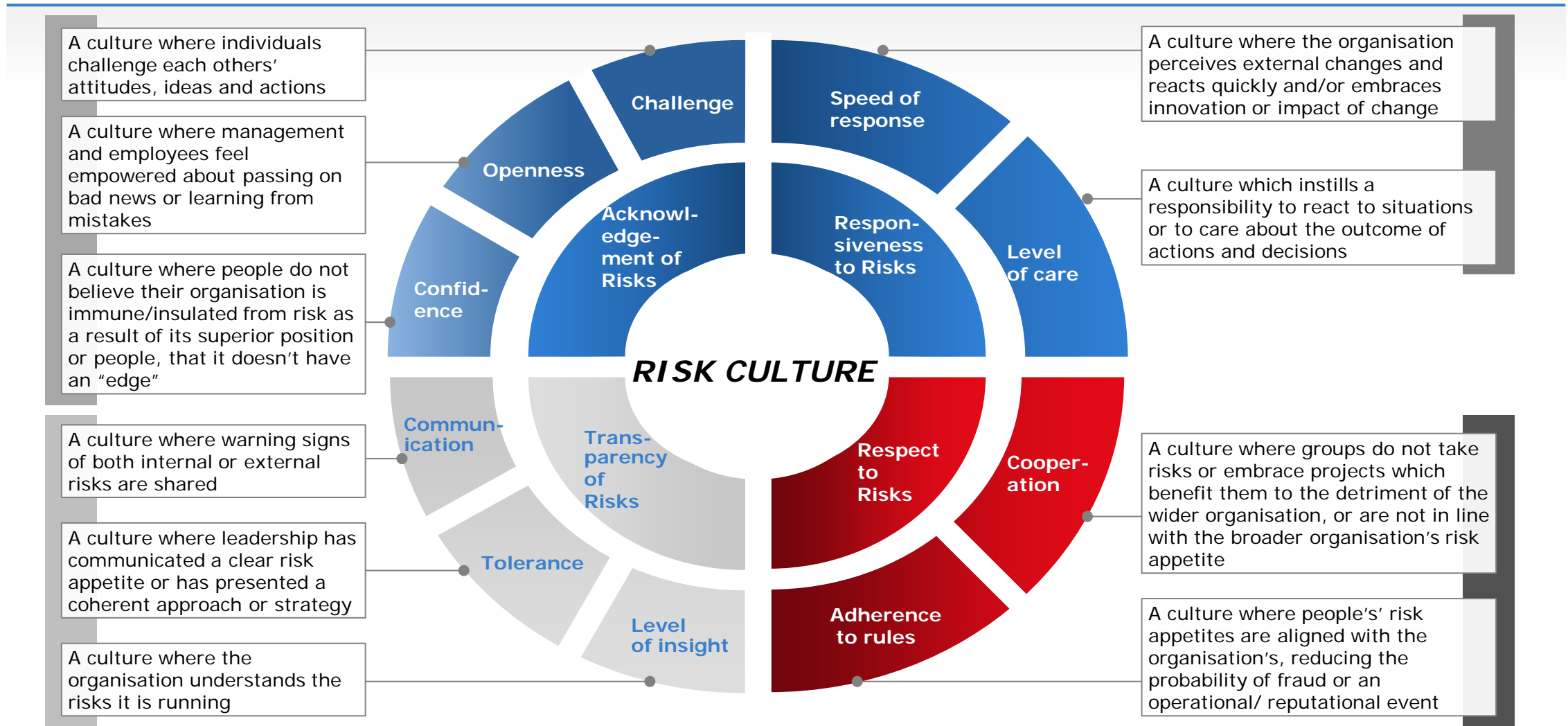


Source: McKinsey Risk Practice



Source: McKinsey Risk Practice

# Elements of “Strong” Risk Culture



Source: McKinsey Risk Practice



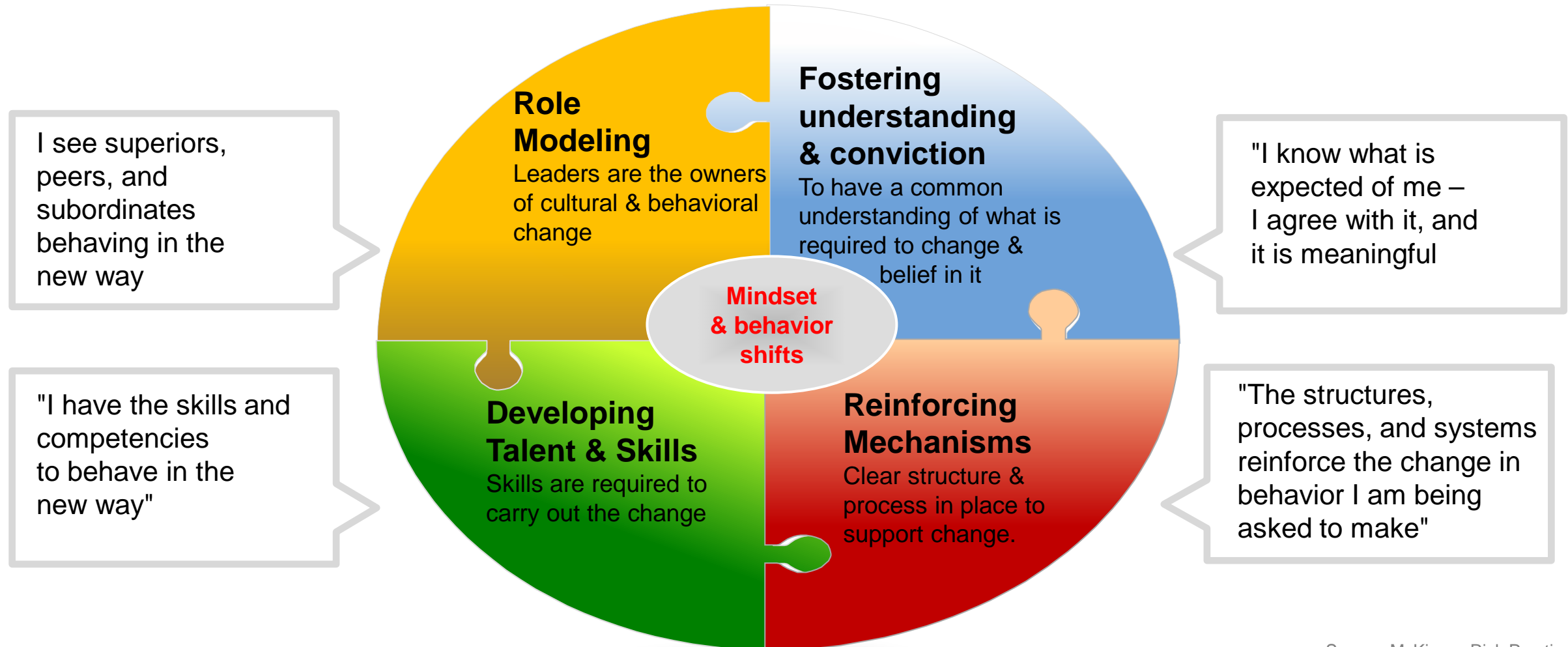


Organizations  
With a Strong  
Risk Culture  
are not risk averse !

Source: Enterprise Risk Management Academy

The influence model is a most proven approach for ensuring sustainable change in mindsets and behaviors

**"I will change my behavior if..."**



Source: McKinsey Risk Practice



- ✦ Creation of two-way flow of risk management information/reporting: Top bottom & bottom up.
- ✦ CEO annual review, approval of ERM policy as demonstration of his commitment to ERM.
- ✦ Senior leadership support ERM community
- ✦ Middle management commitment to attend all risk workshops [Risk identification, assessment, mitigations, etc.]
- ✦ Risk sessions at senior leader's events on new risk process.
- ✦ Support ERM Governance: establishment of RM department, ROC, Involve company leaders as members.
- ✦ Regular messages from Senior management that celebrate & encourages examples of good risk management.
- ✦ Share openly information about risks, business issues, mistakes, wrong decisions and lessons learned.
- ✦ Short videos on intranet with senior management on importance & value of risk management.
- ✦ Senior management actively encourage risk discussions in meetings – e.g., ask attendees to create an alternate views, different scenarios , ask explicitly “what might we be missing” and “what can go wrong”

### Role Modeling

Leaders are the owners of cultural and behavioral change

Source: KNPC Risk Practice

- Establish ERM competencies [for each Professional level] as a development requirement for Risk & non-Risk Area employees.
- Develop a comprehensive, tenure-appropriate training program on Risk management for Risk & non-Risk Area employees.
- Establish ERM community , develop pool of risk SME's and Invite speakers to talk about ERM value & benefits, framework, challenges,...
- Technical training modules to risk employees (e.g., Risk Quantification concepts, Risk measures: CFAR, RAROC, BI modules).
- Provide frequent general ERM training to all employees' & in different languages.
- Develop ERM Awareness strategy in the company:** RM department website, ERM Awareness Campaign, newsletters, posters, educational movies, messages, quizzes, banners, booklets & brochures ....etc.
- Provide specific RM sessions to senior management on ERM processes, new risk metrics, ..etc.
- Submit papers in ERM national & international conferences.
- Risk Working Sessions across the company with notable influencers to learn and practice skills in identifying and managing risks.
- Provide access to more junior employees and trainees for Risk committees / discussions as part of their traineeship.
- Participate in regular ERM dialogues in KPC & subsidiaries for knowledge sharing & learning best practices: Integration meetings, KPC ROC ,PMO, 2040 Strategy.
- Introduce Risk conversations in departments to enhance risk culture and encourage the change and Organize ERM forum gathering all departments to discuss risks and interact together to
- Build business knowledge within risk functions in business areas and – e.g., Job Rotation, attachment programs,...

### Developing Talent

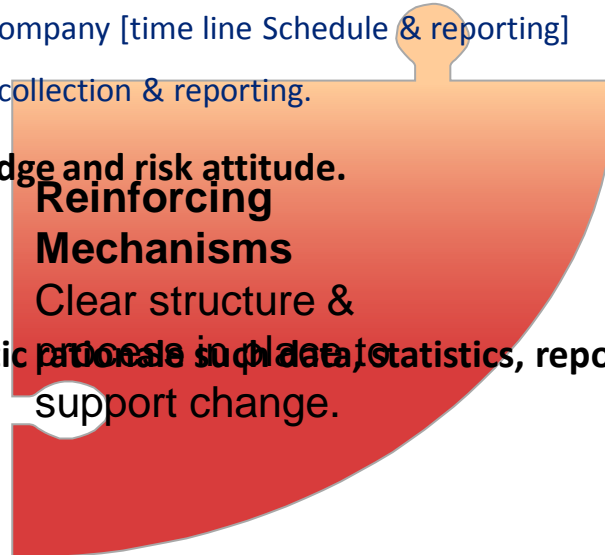
### & Skills

Skills are required

to carry out the change

Source: KNPC Risk Practice

- ✦ Clear description of the new ERM processes and comprehensive guidelines assigning responsibilities & accountabilities [at each level & every step].
- ✦ Embed Risk metrics in Company's existing processes [ CFAR in FYP, RAROC in project appraisal ].
- ✦ Enhance performance management framework to include risk management components (risk related KPI's in corporate & departments BSC).
- ✦ Redesign incentive program to include risk management perspective.
- ✦ Introduce standard communication plans across company for all ERM activities:
  - 1- Setup Schedule & fixed agenda with senior management, committees & BOD.
  - 2- Coordinate with responsible departments for risk meetings (ERM toolbox).
  - 3- Synchronize ERM activities with mother company [time line Schedule & reporting]
  - 4- Develop SLA's with departments for data collection & reporting.
- ✦ Ensure promotion/recruitment assessment to include risk knowledge and risk attitude.
- ✦ Formalizing escalation paths for specific risks.
- ✦ During risk meetings, it is required to provide & circulate systematic processes in data, statistics, reports, etc.
- ✦ Ensure recognition for risk/return behaviors.



Source: KNPC Risk Practice

- ✦ Create a narrative for the company's risk culture that clearly articulates the desired end state and specific behaviors by role [ERM Maturity Level target ].
- ✦ Define responsibilities & accountabilities [at each level & every step] in all ERM processes & guidelines [new & existing].
- ✦ Establish structured reporting system to senior management, ROC, BOD, Audit & Risk Committee with meaningful agenda & defined roles & responsibilities [ charter] aligned with the company's hierarchy & policies.
- ✦ Include ERM responsibilities in all employees JD's [ Risk & non risk employees]
- ✦ Ensure including risk management objectives in employee's annual appraisals.
- ✦ Explicit ERM policy [Arabic/English] is articulated to all levels of employees & distributed to all department.
- ✦ Celebrate stories of good risk behaviors and outcomes by individuals on annual basis [ERM ceremony]
- ✦ During risk meeting / discussions, disseminate and draw implications from both internal and external ops risk events (loss and near-miss).
- ✦ Develop connections / network with Senior Management & middle management [ CEO, DCEO's, BOD, A&R committee , ROC, Managers, ...] to enhance Risk knowledge & acquire their support.

**Fostering  
understanding  
& conviction**

To have a common understanding of what is required to change & belief in it

Source: KNPC Risk Practice

**“Every Business decision is  
a Risk decision;**

**What is your level of Risk  
Intelligence?**

**and**

**How is your Risk Culture?”**

*Risk Culture Builders, 2015*





# Q&A