



ACHIEVING CULTURAL TRANSFORMATION

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AGENDA

Topic

Culture Defined

The Importance of Assessing Culture

Culture Assessment Approach

Analysis of Culture Assessment Results

Culture Action Transformation Plan

OBJECTIVES

- By the end of this course, you will be able to:
 - Define the attributes of an effective culture and the role of culture in corporate governance and transformation
 - Recognize the symptoms of a faltering governance program, understand how culture may be used to transform an organization, and identify a culture transformation framework
 - Understand an approach to assessing culture
 - Understand how to interpret the results of a culture assessment
 - Understand how to develop a culture action transformation plan

INTRODUCTION



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“The world we have created is a product of our thinking;
It cannot be changed without changing our thinking.”

~Albert Einstein

WHAT WE KNOW ABOUT ORGANIZATIONAL CULTURE

Culture is a strong force behind how people behave at the acquirer and target company, and is influenced by organizational and personal values and attitudes.

- **Inertia:** Culture is expressed through the actions of hundreds or thousands of people.
- **Self-policing:** Culture acts like “social glue,” influencing ways of behaving and working together.
- **Unconscious:** Cultural behavior occurs without conscious intent, so it’s difficult for insiders to observe and define.
- **Unwritten:** Culture expresses the ways things are done “around here” as opposed to everywhere else, so there may be conflicts if incentives or actions are misaligned.
- **Experiential:** Culture shapes the way that employees think about newcomers and “reality” (e.g., “Do *they* have the expertise to manage the combined company?”).
- **Defining:** Culture expresses the identity of a company to customers, potential customers, suppliers, competitors, and potential recruits.

Source: Crowe Horwath LLP

WHAT IS CULTURE

Culture:

The set of shared attitudes, values, goals, and practices that characterizes an institution or organization.

“The way we do things around here”

Risk Culture:

The system of values and behaviors present in an organization that shapes **risk** decisions of management and employees.

INTRODUCTION

Risk Culture is....

Values

Beliefs



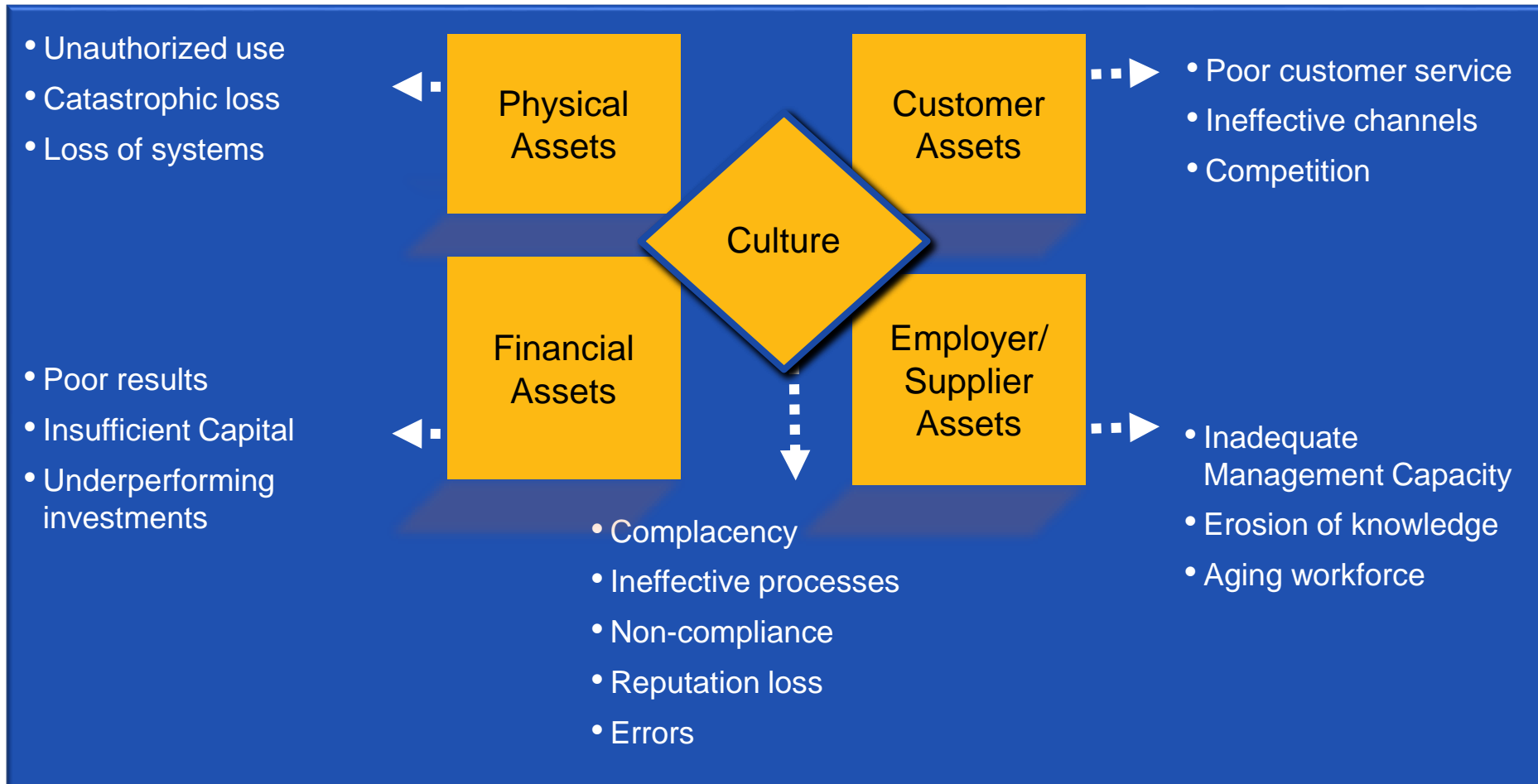
Objectives

Attitudes

CULTURE SPANS ACROSS SOURCES OF VALUE...



...AND UNCERTAINTY AFFECTS VALUE



FOUNDATIONAL ELEMENTS OF A STRONG RISK CULTURE

1. Tone from the top
2. Accountability
3. Effective Challenge
4. Incentives

INDICATORS OF A WEAK RISK CULTURE

- Inconsistency between words and actions
- Failure to sustain efforts over time
- Inconsistent consideration of risks in decision-making
- Perception that nothing will be done about reported risks
- Inadequate resources toward risk prevention or mitigation
- Fear that identifying risks may result in retribution
- Fear that taking risk may result in retribution

FIVE STRATEGIC INFLUENCERS OF RISK CULTURE

- Lead by Example
- Embrace Risk
- Embed Risk Management
- Empower Competency
- Communicate

LEAD BY EXAMPLE

- Focus on risk awareness
- Encourage collaboration to manage risks
- Insist on assessment of risk in decisions
- Practice critique, not criticism, as a core value
- Genuinely encourage sharing of information up and down the organization
- Organize effectively and allocate necessary resources
- Demonstrate that managing risk is a critical part of daily responsibilities
- Continually improve how the risk function and business lines work together
- Enable transparency



Don't find Fault, find a Remedy

EMBED RISK MANAGEMENT

- Identify and discuss risks in budgeting and planning processes
- Include risk on team meetings agendas
- Provide access to risk register information
- Share tools and methods with all staff
- Define a common language

EMBED RISK MANAGEMENT INTO EXISTING PROCESS

Framework Attribute	Existing Process	Activity
Leadership		
Incorporate consideration of risk into budgeting process	Annual budgeting process	Incorporate priority risk mitigation activities in budgeting process.
Risk status reporting	Enterprise performance reporting	Incorporate priority risk status and indicators into existing performance report.
Culture		
Introduce a risk management individual performance goal	Individual performance management plans	Include a metric which drives behavior consistent with desired risk culture. i.e., <i>“keeps team informed on current risks and encourages risk identification and communication among direct reports.”</i>

EMPOWER COMPETENCY

- Communicate that managing risk is a fundamental part of daily responsibilities
- Clearly define roles and accountability
- Develop risk management skill sets
- Catch someone doing something right
- Clarify ownership of risks
- Establish incentives and reward model risk practices

COMMUNICATE

- Risk Culture “Snippets” at corporate functions
- Provide enterprise-wide access to:
 - Risk dictionary
 - Risk register
 - Risk governance roles
 - Risk management tips and tools
 - Risk management reporting
- Recognize employee’s for risk management efforts
- Regularly provide briefs on risk avoidance or recent regulatory changes
- Incorporate risk discussions into departmental meetings

Mediocre companies have teams



Great companies have tribes

HOW CAN WE ASSESS RISK CULTURE ?



RISK CULTURE ASSESSMENT – ELEMENTS

- Mission, vision, strategic objectives
- Measures of success
- Employee alignment with mission and vision
- Employee engagement to meeting strategic objectives
- Value differences of the organization and competitors
- Leadership type
- Leadership, risk philosophy
- Behaviors and attitudes of employees, management, leadership
- Backgrounds, work experiences, education, job responsibilities of employees, management, leadership
- Recognition mechanisms
- Common language
- Organizational history
- Organization's structure
- Behaviors reinforcing values and strategy
- Processes reinforcing values and strategy
- Sub-cultures

GATHERING OF INFORMATION

- Obtain information including strategy, mission, vision, strategic objectives, financial data, reporting of key success indicators and productivity, customer and employee satisfaction completed surveys
- Inquiry and focus group discussions
- Survey and rate the elements according to how behaviors exhibit 'ideal' behaviors – Ideal needs to be defined according to the organization's mission, vision, strategy

Culture Audits: Supporting Organizational Success, ASTD Press.

CULTURE ASSESSMENT – QUESTIONS TO ASK

- What key words describe the nature of the organization?
- What is the organization's mission, vision, strategy?
- What do you think the organization is trying to achieve?
- How can you tell if the organization is successful?
- What observable marks of achievement would you look for?
- What is it about the work that you do and the environment that you work in that would make you most satisfied?
- Can you name the ways you as an individual work to contribute to the overall achievement of the organization's goals?
- What processes and characteristics of the work environment help you achieve your individual performance?
- What processes and characteristics of the work environment inhibit your ability to achieve your individual performance goals?

Culture Audits: Supporting Organizational Success, ASTD Press.

CULTURE ASSESSMENT – QUESTIONS TO ASK

- What might you change that would make you more successful at work?
- How does management assist you in accomplishing your work?
- How does management assist you in accomplishing your goals?
- How might management assist you in being more successful and satisfied at work?
- How do you think others outside of the organization describe the organization? How do others see this organization?

Culture Audits: Supporting Organizational Success, ASTD Press.

CULTURE ASSESSMENT – ANALYZING RESPONSES

- What do the responses say about the organization?
- What do the individual responses tell us about each of the traits?
- How do we measure up to the ‘ideal’?
- Where do we perform best?
- Where do we perform worst?
- How can we improve?
- What do the results indicate about the direction, cultural ‘success’ of the organization?
- Are employees, management, leadership aligned with the organization’s mission, vision?

Culture Audits: Supporting Organizational Success, ASTD Press.

CULTURE ASSESSMENT – TIMING CONSIDERATIONS

- Are organizational performance results lagging?
- Are employees meeting their goals?
- Are competitive pressures changing?
- Are regulatory changes impacting our organization?
- Has the organization had major change recently, such as computer conversion, new technology implementation, offering of new products and services, merger?
- Are there individuals hindering the process?
- Is the organization growing quickly?
- Is there a sense of unrealized potential?
- Does the organization lack or appear to lack unity, sense of direction, alignment?
- Is the organization experiencing high turnover?
- Is the organization's future in question?
- Is the organization resisting change?

CULTURE ASSESSMENT – RECOMMENDATIONS

- Actions to improve employee understanding of mission, vision and how they contribute to the overall success of the organization
- Actions to improve employee satisfaction, recognition, etc
- Processes to implement to assist employees in achieving the goals of the organization and their own personal goals – ‘What’s in it for me?’
- Processes to implement to assist employees in performing better at work
- Communication of examples of actions exhibiting desired traits
- Review and update mission, vision, strategic objectives as determined

CULTURAL TRANSFORMATION

- Identify metrics or measures of success
- Align the transformation to business strategy
- Obtain commitment from the Board and Senior Leadership

ALIGN CULTURE TRANSITION WITH CHANGE MANAGEMENT

Objectives

- Move quickly but systematically to provide focus, direction, and reduce uncertainty.
- Define “success” internally and as viewed externally by customers.
- Support long-term strategy while achieving near-term integration objectives.
- Select the right leaders to fit the desired structure and culture, not the other way around.
- Drive effectiveness and reinforce desired cultural behaviors throughout the change.

Key Culture/Change Plan Considerations⁽¹⁾



Source: (1) Adapted from Jay Galbraith's Star Model™ of Organization Design

ASSESS CHANGE AND CULTURE ANALYTICS

Functional Team	Baseline (April 2013)		Survey 1 (August 2013)		Survey 2 (November 2013)		Survey 3 (February 2014)	
Sales Support	N/A	N/A	3.87		3.97		3.50	

Example

Report

Priorities	Survey 1 (8/13)		Survey 2 (11/13)		Survey 3 (2/14)	
	Rank	Data Point	Rank	Data Point	Rank	Data Point
Vision of Success		4.13		4.50		4.00
Awareness & Understanding		4.20		4.40		4.00
Commitment		4.09		4.30		3.41
Readiness		3.73		3.33		2.80
Communications		3.87		3.85		3.80
Training & Performance		3.67		4.00		3.50
Competing Priorities		3.40		3.45		3.20

SAMPLE SURVEY QUESTIONS

- ✓ I have a clear understanding of the future vision related to the initiative.
- ✓ I understand how my job is linked to the organization's mission and strategy for the future.
- ✓ I trust the current leadership of my organization.
- ✓ Communications have been clear, concise, and timely.
- ✓ I know where to go when I have questions about the initiative and the new job expectations.
- ✓ Whenever change was introduced in the past, employees were provided with the appropriate training and support to develop new skills.

QUESTIONS AND ANSWERS?

END OF PRESENTATION

THANK YOU FOR YOUR TIME AND ATTENTION!

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