**EPM5740 PROJECT RISK MANAGEMENT**

**INDIVIDUAL ASSIGNMENT - LITERATURE REVIEW**

**RISK CULTURE AND RISK ATTITUDE**

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# **Executive Summary**

This report portrays the significance of risk in an association and how behaviour in risk and attitude in risk characterize risk culture. Initially introduction is given based on the definitions and terms are depicted: risk management, risk culture and risk attitude. This report is made based on qualitative methodology in which various articles, journals, blogs, are read and deeply studied in order to find answers to the questions. In the body of the report, the A-B-C model of attitude, behaviour and culture in risk is highlighted and explained in detail. It also highlights the relationship among each other and displays the influence on each other by a diagram. It explains how risk attitude and risk behaviour influences on risk culture and the importance of good risk culture and consequences of bad risk culture. A risk mature matrix is explained in two ways: top to bottom approach and bottom to up approach. It also emphasis on creation of risk culture by using risk attitude. It displays a picture of how a good risk culture looks like and gives us deep knowledge of risk management. Overall, this report is generated by gaining knowledge from various sources.

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# **Introduction**

Risk is chance of mis fortune or injury. It can occur due to any natural disaster or manmade errors. Project risk is dubious condition that have direct impact on project scope and objective which results in success or failure of the project. For overcoming the risks of the projects, we follow Project Risk Management. Risk management helps in identifying the risk and their assessment to manage and minimize the outcome of risk. As we know that risks can occur anytime and anywhere so there are no risk-free projects. We cannot totally eliminate risk, but we can identify, asses and manage the outcome of risk. The risk management has 6 steps:

**Figure 1 : Risk management steps**

Risk Culture is Important part of Project Management. It is a term that portrays the qualities, knowledge and information, convictions, understanding and perceptive shared with common group of people who have same objectives which includes public and private companies, non-profit-organisations and government (Richardson, P & Fenech, J,2012). So, as a result, and organisation individual people can come up with their own risk culture framework which that will help them to overcome specific challenges and limitations related to project’s scope or objective. It clearly means that the development of risk culture is not only confined to a specific senior person of company, but it can be created by individual in an organisation, addressed and conveyed to all levels of company which will lead to a coherent culture (Hillson, D, 2013).

We know that Risk is defined as an uncertainty which has positive or negative impact on project. Attitude is characterized as picked viewpoint, mental view or way concerning a reality or state. In risk management combining both of them gives risk attitude which means that picked perceptive (chosen state of mind) with respect to the uncertainties or dubious conditions which gives an outcome to a project, that may be a success or a failure (de Bakker, K. and Somani, S., 2006)

# **Body Of Report**

As we know risk attitude and culture has high effect on the success or failure of the project which implies that both are major part of project management. To understand the influence of both of them on each other we need to deeply understand the meanings of both the terms. Risk culture has influence on how organisation manages risk as it influences the steps taken by organisation to manage the risk. Too much risk for an organisation will be harmful and too less risk will not allow company to work in new innovations and technology (Atkinson, P., 2013). The balance is needed to be maintained in the company for risk

To explain their influence let’s consider ABC model of culture (Hillson, D., 2013).

**A**

**Shapes**

**Forms**

**B**

**Influences**

**C**

=

**Influences**

**Figure 2: ABC Model**

**Where A : Attitude**

**B: Behaviour**

**C: Culture**

The point to be noted is about the block B which is Behaviour which forms culture. Components of behaviour are : actions, decisions, communications and processes. According to the figure, the **Culture** is formed by the **Behaviour** of the members in organisation. The **Behaviour** is formed by **Attitude** of a members of organisation. **Culture** influences both **Attitude** and **Behaviour.**

Attitude and Culture are of internal nature and not visible externally. They can only be measured by the external behaviour produced by both culture and attitude (Hillson, D., 2013). The feature of this ABC model is that it makes a loop to behaviour and attitude from culture. This implies that culture isn’t static : it is formed from attitude and yet additionally culture has impact on behaviours. ABC model explains that the input to culture are behaviour and attitude as well as output too. This ABC model forms an endless loop which states that poor or bad attitude can lead to a wrong behaviours and which forms a negative culture, which in turn will strengthens awful behaviour and attitude. On the other hand, it can result in a positive culture by good attitude which will produce good behaviour and in return it will reinforce right attitude and positive behaviours.

In the context to risk:

* Risk attitude is picked perceptive (chosen state of mind) with respect to the uncertainties.
* Risk behaviour is about risk related actions we take when risk arises.
* Risk culture is understanding and knowledge about risk

Putting all in context, we can say that risk attitude and risk culture both influence each other and vice versa.

**Importance of Risk Culture**

Forming a good and strong risk culture is very important in an organisation for few reasons. Risk culture has huge impact on Consistence or compliance, risk management effectiveness and organisational performance (Hillson, D., 2013). It has impact, discusses as follows:

* **Consistence or compliance** : At the authoritative level, understanding and communicating hazard culture is a consistence prerequisite for corporate administration. International risk standard states that:
  + 1. The management should guarantee that, organisation’s risk management and culture strategies should be properly managed.
    2. Should prompt enhancements in risk management and culture.
* **Organisational Performance**: organisation’s success and failure is attribute of risk culture management. It is observed that failings happen due to:
  + 1. Not properly managing behaviour and attitudes.
    2. Lack of understanding in exposure to risk and not appropriate risk culture.
  + **Risk management effectiveness**: it states that risk culture has direct and serious impact on risk management. Risk culture can result in managing risk at best or worse. Risk culture effects risk management in following ways:
    1. Risk culture effects the tactical and strategic decisions on how to cope with risk.
    2. It measures the attitude of individual or group in organisation towards risk.
    3. It prioritises objective and strategies as key elements to act towards risk
    4. It ensures the company to take right risk at right time as it has direct influence on company’s policies and procedures.
    5. It can also prevent the wrong strategies or behaviours followed during the risk.

This implies that how risk culture is very important in success or failure of any organisation.

**Developing Risk-Mature Risk culture**

Risk culture can be formed by setting it from scratch or developing it naturally as organisation grows. The two approaches can be named as top to bottom and bottom to up approach, respectively.

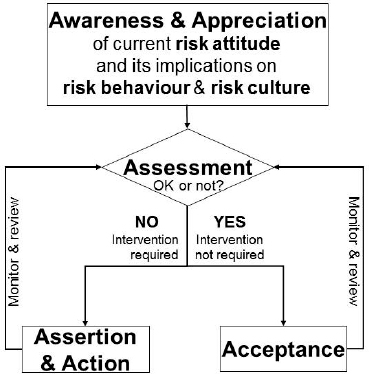
* Top to bottom approach: It requires an agreement from high post people to form a vision and policy for risk management, which describes all the attitudes, knowledge of risk and methodology they want to follow to mitigate that risk. If agreed, this culture should be properly formed, managed and informed to each staff member so that they know the procedures to be followed when a risk arises.
* Bottom to up approach: this methodology sets all the important and essential components in an organization so that any type of risk can be managed with appropriate procedures, policies and good framework. In this employees will start working with risk activities throughout the work so they will face less issues regarding that and will know the importance of managing risk in work (Hillson, D., 2013). So, it will reinforce a proper risk culture with appropriate behaviour.

**How risk attitude can define risk culture?**

As we know that A, B , C model suggests that risk behaviour is influenced by both risk attitude and culture. If we manage risk attitude which will influence risk behaviour and can form a good risk mature risk culture. So, for every risk its positive and negative perspective can be seen. According to six A’s framework (Murray-Webster, R. and Hillson, D., 2008) it will induce decision and provide feedbacks.

This framework guides to adopt a right attitude towards a risk:

* Initially, there is need to awareness of current risk attitude in an organization
* Next, risk assessment is done if it is right attitude then it is accepted and can be reviewed and monitored.
* If it is not right then intervention is required to change.



**Figure : 3 Six A framework**

**A good Risk Culture**

A good risk culture is more about liability and possession (McCafferty,j.,2016).

* An appropriate tone of risk taking from top.
* Leadership pledge to take risk is important
* Follow the ethical procedures and policies of organization (Culture, R., 2012)
* Senior administration effectively engaged with the improvement of risk management capabilities.
* Experience from previous risk and apply on new.
* Middle administration and junior level staff can have a significant effect through casual impact.
* The practices of risk taking are tested and rewarded.
* Management of resources.
* Abilities of managing risk are empowered and created.

This are the indicators for risk culture which describes of characteristics of risk culture.

# **Conclusion**

After completing this assignment, the knowledge is increased in terms of understanding risk management practices, risk attitude and risk behaviour. It also explains that how risk culture matters to an organisation and how it helps to deal with various situations when risk occurs. The ABC model of risk culture explains how risk attitude influences risk behaviour and vie versa. The ABC model can be applied to teams, small groups or even to organisations. A good risk culture can solve many problems whereas a bad risk culture can create many problems. Too little and too much risk both are harmful for company. It is also clear that we can easily manage risk attitude as well to manage risk culture. It explains the importance of risk culture and tells us how a good risk culture looks like. This report is not only confined to given papers, but overall research is done in order to get best results. In nutshell, we can say that A-B-C model is a good representation of Attitude, behaviour and culture in terms of risk and they all are influencing each other. Negative impact on one can result negative impact on all of the organisation. So, developing a good risk culture in very important

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