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Aligning organisational culture with Enterprise Risk Management

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Agenda

1. Introduction
2. Enterprise Risk Management (ERM)
3. Organisational culture
4. Linking organisational culture to ERM
5. Survey findings
6. Conclusion



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Introduction

- Solvency II: organisational culture should embed risk management policies and procedures
- link between organisational culture and ERM implementation
- provide Chief Risk Officers an initial framework to categorise an organisation's culture...
 - ... to allow them to practically link culture characteristics and ERM principles
- broad investigation into organisational culture and the SA insurance industry



Enterprise Risk Management (ERM)

Committee of Sponsoring Organizations (COSO) of the Treadway Commission defines ERM as:

a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.



Enterprise Risk Management (ERM)



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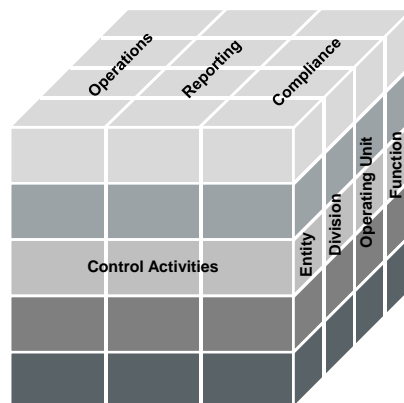
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Enterprise Risk Management (ERM)

10. the organization develops risk control activities

... to achieve the organization's objectives



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Organisational Culture

- Definition

the values, beliefs, knowledge and customs that are shared by a group of people in an organisation (Schein, 2010).

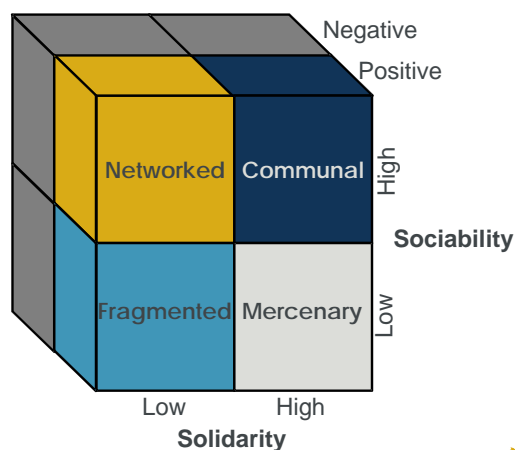
- Culture components

Sociability	Solidarity
Encouragement of teamwork	Task-orientated and output-based
Frequent communication	Single-minded dedication
Open platform for discussion	Clearly defined work roles
Shared ideas, attitudes and interests	Everyone is held to high standards
Informal relationships	Very formal communication
	Quick response to environmental changes
	Members compete to meet objectives

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The Double S Cube



The Double S Cube (Goffee & Jones, 1998)



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Linking Organisational Culture to ERM

- Example

- ERM Principle:

The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

- Two phases

1. Assess the two components of the Double S framework independently of each other
2. Combine the two to determine the culture



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Linking Organisational Culture to ERM

- Phase 1

1. Choose the first organisational culture component
2. Consider the extent to which each of the key characteristics of the component is vital to meet the ERM principle and allocate a mark out of five for each characteristic
3. Find the average score
4. Repeat the process for the remaining component



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Linking Organisational Culture to ERM

The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

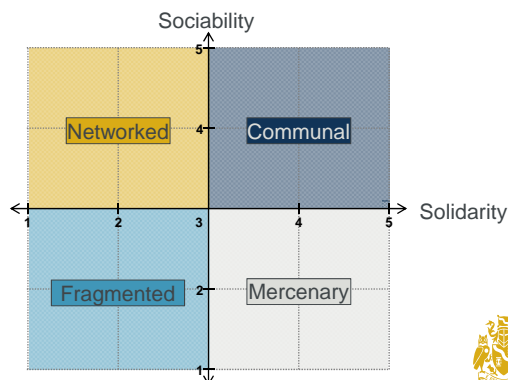
Sociability		Solidarity	
Encouragement of teamwork	3	Task-orientated and output-based	4
Frequent communication	4	Single-minded dedication	5
Open platform	5	Clearly defined work roles	3
Shared ideas, attitudes, interests	2	Everyone is held to high standards	3
Informal relationships	2	Communication is very formal	1
		Quick response to environmental changes	3
		Members compete to meet objectives	2
Average	3,2	Average	3



Linking Organisational Culture to ERM

- Phase 2

1. Plot the average values to the Double S Cube framework



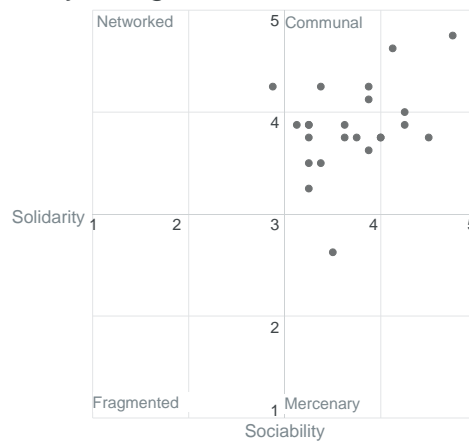
Survey Findings

- 23 South African insurers and reinsurers participated
- represented 89% of market share
- only 1 primary market leader did not respond
- CRO or similar standing
- **FRAMING ISSUES!**



Survey Findings

Insurance Industry's Organisational Culture



Conclusion

- Goffee & Jones' (1998) Double S Cube framework practically maps organisational culture
- Derived a process to link to COSO's ERM principles
- Resulting in Communal Culture as generally most appropriate to nurture
- As reflected in the SA insurance industry



Questions

Comments

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