

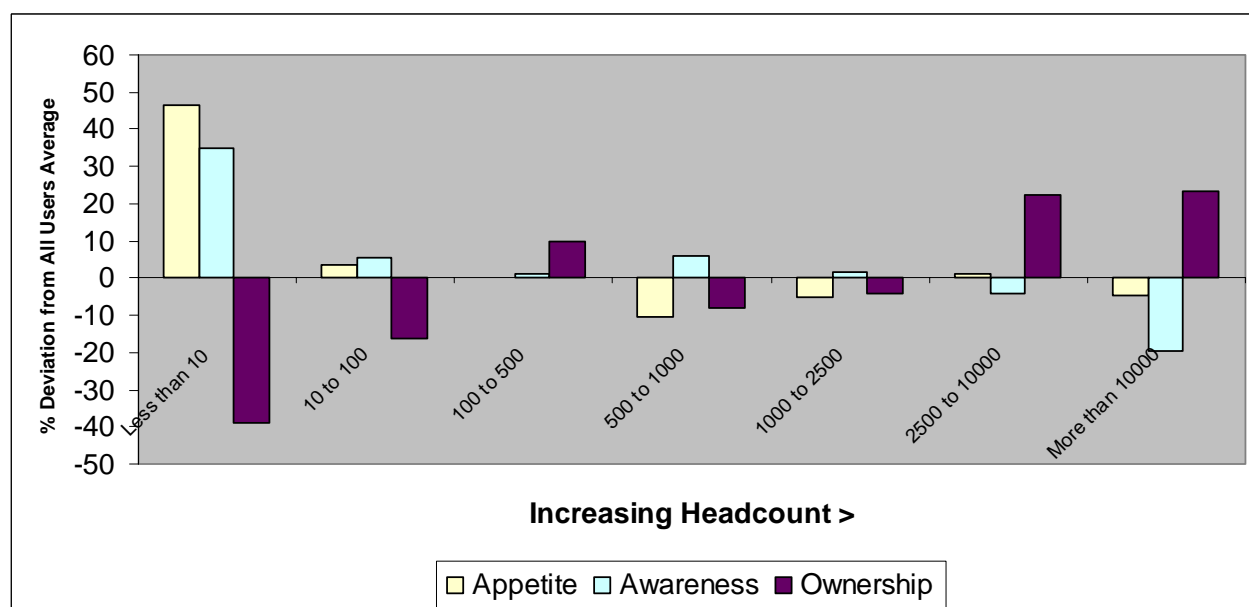
The INONI Report - Attitudes To Risk – Part Four

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In December 2003 JRCPL launched an INONI survey called 'Attitudes to Risk' in partnership with www.continuitycentral.com. The survey set out to investigate the attitudes to risk and continuity that exist within and across organisations, the so-called 'continuity culture' or 'risk culture'.

This article is the third in a series of linked sections based on the resulting INONI Report. Further sections will become available over the coming weeks. You can view other currently available sections via the links in the Introduction.

Are larger organisations more exposed?



This graph illustrates group average scores according to participant organisation headcount, increasing left to right along the x-axis. To help you interpret the graph, recall that the bars represent the following parameters:

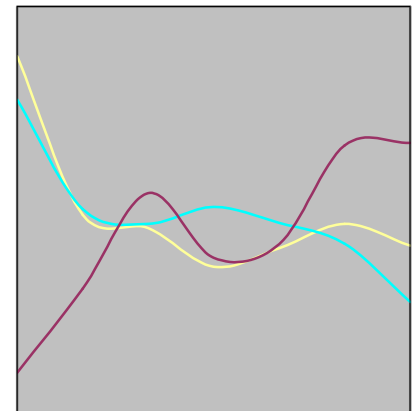
- Self-appetite for general and specific operational risk-taking (Appetite)
- Appreciation of the operational risks facing the organisation (Awareness)
- Adoption and management of risks by staff in the organisation (Ownership)

It may also help to remember that the x-axis represents the All Users average score and that bar height represents a deviation from that average.

The graph suggests that very small companies enjoy better visibility and awareness of the operational risks they take, but probably believe they cannot afford the time or financial overhead associated with any formal risk bureaucracy, so they manage risk 'hands-on' instead. This suggests reactivity and a lack of planning or provision that could, in a disaster, cause the

company's downfall. It is a high-risk strategy. The pattern is confirmed in the 10 to 100-employee category (33 users), but with a much-reduced deviation in each parameter.

Conversely, employees in large corporates appear to lose sight of operational risks but compensate by fostering a formal culture of risk ownership that the small companies don't have. Formalisation replaces hands-on risk management as companies grow and those who care most about risk-taking in small companies (investor-owners) (a) begin to lose sight of the edges and (b) relax in an environment of increasing stability and security.



Risk ownership has a twin peak characteristic that is prevalent in most of the scale-related graphs in the survey. In general, the trend is for perceived ownership to rise as organisations grow and protecting the corporate asset becomes a formal part of job specifications.

Risk awareness falls as companies grow, levelling off in the mid-range before tailing away in large corporates. Risk appetite more or less parallels risk awareness, starting high in small organisations, a reflection of commercial necessity, and melts away, becoming strongly defensive or conservative in larger organisations. This is a somewhat contradictory trend, since one might expect a defensive culture to seek awareness of all risks that confront it; however, this appears not to be the case in large organisations, as individuals trust in others to take responsibility.

There is a distinct hole or 'eye' in the centre of the graph, corresponding to the 500 to 1000 headcount range, where a rise in awareness is accompanied by dips in both appetite and ownership. This is reflected in other scale-related graphs, possibly signifying a crux where short-term growth becomes a priority over preservation or (more likely) where an additional layer of management is introduced or possibly, where a flotation is envisioned.

Organisations may wish to consider the following observations:

- 1 Smaller organisations might seek to reduce time spent fire-fighting by instilling even a very basic risk culture in their employees and appointing an individual to act as focus for risk management, loss prevention and education
- 2 Medium-sized organisations should keep their eye on the ball, especially during periods of extreme growth and consequent vulnerability. Singular focus on profit and growth is often at the expense of adequate protection. Grow risk management capability at the same pace
- 3 People are both a source of operational risk and the best (potentially most intelligent) early warning system when things go wrong. Although frameworks, policies and standards are influential, the survey suggests that large corporates may be erring toward impersonal risk ownership frameworks so people can get on with their day jobs, earning profits without distraction.
- 4 Large organisations should periodically re-examine the foundations of their risk culture, re-igniting risk-awareness and re-focusing employees. This is vital if the essential reactive and

preventive components of risk management (particularly the emergency response) are to remain intact

- 5 They seem to absolve managers of responsibility for risk in their operational areas. This cannot be wholly beneficial, since process owners should know – better than anyone – how critical, how vulnerable and how threatened their areas are. Risk managers are well-equipped to offer focus, but operational role descriptions should reflect responsibility for risk as well as profit and service level

If you have comments, insights or questions relating to this analysis, please email to jr@jrcpl.com
Please note that all assertions in this article represent the author's views and interpretation of the available information.

You can access other sections of the report as they become available via the Introduction ([click here](#)).