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Creating a Culture of Risk Management to

Unleash Organization-wide Synergy



By Ritza Vaughn

Today, risk managers cannot afford to ignore the importance of “culture” in achieving a successful risk management program. At the most basic level, culture describes an organization’s risk management “personality.” In a more formal sense, culture is defined by moral, social and behavioral norms of an organization based on its core risk management values, attitudes, and priorities.

Traditionally, culture was considered a fuzzy concept, so rather than consciously design and strive toward ideal risk management norms, organizations simply allowed culture to unfold as it may. Today, in light of the Sarbanes-Oxley Act and the growing emergence of enterprise risk management (ERM), organizations have now begun to look at culture strategically in order to better achieve their risk management goals and objectives. When culture is purposefully created, working from a singular, concerted focus has enormous synergistic benefits.

Cultivating culture requires a systematic approach; this article will outline the primary steps. An important component to cultural success is a technological infrastructure flexible enough to connect stakeholders, enabling them to participate, communicate, collaborate, and monitor progress toward program objectives.

Cultivate Your Culture

At the heart of an organization's risk management culture is a core set of values – the way an organization believes risks should be handled and controlled. Although goals set the course of the organization's risk management direction, values are how its leaders plan to get there. For instance, an emphasis on safety, injury prevention, and quality medical care are often key values in an organization's risk management approach. It's critical for all members of the organization to believe in and support these values in order for a strong and consistent culture to exist. These shared principles unify efforts toward achieving goals and performing consistent best practices throughout the organization.

To strengthen your risk management culture, the following four-step process will help you understand your existing culture, develop a plan of improvement, document your policies and objectives, and monitor progress toward your overall goals:

Step 1: Evaluation. In order to understand the current culture, organizations should perform a two-part evaluation process, which includes an audit of executive staff and a survey of frontline managers and employees.

The executive-level audit allows an organization to assess desired values and identify potential conflicts with these principles. The audit is often conducted by an objective third-party, and consists of an informal interview among the organization's top executives. For instance, some key questions might include, what values should be core to your risk man-

agement program? What stands in the way of these values being embraced and practiced by all individuals? If one of the values is "safety," the auditor should probe further to get at the root of potential obstacles. For example, employees may not be fully utilizing the safety equipment available. After the executives are interviewed, their feedback should be analyzed; a common set of core values will emerge. The auditor should call together an executive meeting to review the common core values, iron out any inconsistencies and obtain a consensus over the "desired" risk management culture, which will be used as the benchmark of success in the gap analysis.

The aim of the survey is to obtain broad-based input regarding risk management values across the entire organization, including frontline managers and employees. Since it targets a larger group, the survey can be designed as a generic questionnaire with some open-ended questions. The results from the executive audit should help to construct the survey. For instance, if we carry on the example of safety used above, the survey may ask employees, "Do you feel safety and injury prevention is "valued" in your position? Why or why not? Open-ended questions help to reveal potential disparities at different levels of the organization. For instance, the survey might show that while high-level executives value safety, immediate supervisors are pushing high-levels of production rather than safety procedures. This inconsistency must be addressed in order for cultural consistency to exist.

Step 2: Plans for Improvement. Results from the audit and survey will provide your organization with information that can be used to formulate a gap analysis, which basically outlines how far the actual culture (assessed in the survey) strays from the desired culture (defined in the audit process). Organizations should use the gap analysis to design an improvement plan and roadmap to transformation. Changes will not occur overnight. A long-term plan should be developed with shorter-term milestones, and organizations should consider providing

bonuses and incentives in order to reach these milestones. Rewards encourage participation and cooperation toward common goals. These incentives should be carefully designed, so not to dissuade workers from reporting injuries, but instead reward positive behavior, such as attending safety meetings or demonstrating proficiency in claims management best practices. A well designed improvement and incentive program is integral to success. Organizations with the right mix have detected improvements in as little as six months.

Step 3: Document Policies and Objectives. Organizations should ideally develop a written manual of safety and risk management policies and procedures. A cross-functional team, including members from risk management, safety, human resources, and legal counsel, should participate in creating this manual to engender buy-in at all levels of the organization.

New employees should receive a copy of the manual, so they can read and sign it, attesting to the fact that they understand the policies and why they exist. The policies should also be made available electronically, so employees can consult them at any time. To keep risk management concepts in front of employees, organizations should take advantage of traditional vehicles of communication – including meetings, newsletters, memos, and bulletin boards – as well as newer communication systems, such as intranets, email, teleconferences, wireless alerts, and a company blog.

Step 4: Monitor Progress. To monitor progress toward the ideal culture, organizations should focus on two areas: 1) benchmarking, or comparing a program's results to the organization's goals and objectives; and 2) sophisticated data analysis to identify continual problem areas that require improvement. These two mechanisms of oversight require that risk managers have powerful and customizable reporting capabilities. For example, an organization could run reports on common best practice measurements to see if these practices are becoming established norms within their

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culture. Best practices include timely reporting of injuries and the initial investigation rate. If these variables are favorable, it's highly likely that improved outcomes will follow. In order to monitor progress, organizations should run reports on outcomes, such as total number of claims or total medical costs. By measuring outcomes at regular intervals, an organization can see how their cultural awareness program is helping to improve performance and results over time. When goals are reached, bonuses should be awarded.

Education and Training: The Key to Awareness

A key component to building a culture of risk management is education and training. Organizations should provide employees with a general overview of risk, the role of risk management, and a common language to discuss risks. Key educational initiatives can be the direct result of an organization's audit process. For instance, if an organization suffers from a significant number of back injuries because employees neglect to use proper lift equipment when moving heavy objects, the organization can address this issue by training employees on proper safety procedures and why they exist. With this knowledge, employees will feel more inclined to comply with protocols, decreasing the number of injuries, creating a safer environment, and reducing indemnity and medical costs.

Fostering Fair and Open Communication: The Key to Participation

Another key component to culture is valuing and encouraging employee contributions. Since employees are on the frontlines of operations, they can provide sound advice on how to improve safety and control costs. Organizations must set up an environment that allows employees to feel like they can openly discuss

and report risk management issues, without the fear of blame or punishment. Enlisting participation is a key way managers show staff members that their opinions and suggestions are valued. This helps encourage employees to report incidents, errors and near-miss events. With this information, risk managers have valuable data with which to analyze risks and prevent future claims.

Accountability is the other component to establishing a fair risk management culture. Many organizations have begun to include risk management performance factors in an employee's annual review, so they can share accountability in reaching risk management objectives.

Connecting Stakeholders through Technology: The Key to Collaboration

A successful risk management program must foster relationships among the risk management community. This requires a technological infrastructure that shares information and improves collaboration, communication and connectivity among stakeholders. As technology is increasingly embraced by self-insured organizations, there has been a movement to centralize "business intelligence" in one convenient location.

This concept of the centralized data hub captures the full range of claims information, and delivers business intelligence when and where it is needed most. With the ability to disseminate claims and cost allocation reports, the hub helps to systematically build awareness of program results and performance. Business unit and frontline managers can view departmental losses and compel their division to follow specific protocols and procedures that ensure program success. In this way, people at every level of the organization contribute to risk management efforts.

Conclusion

Regardless of size, every organization has a unique culture, which influences not only the way it conducts business, but also how it controls risks. Studies have shown that organizations with a strong risk management culture have a competitive advantage, as they operate with 100 percent commitment and synergy from all stakeholders to achieve program goals. The four-step process provides a general guideline to help organizations cultivate culture. With education, open communication, and the right technology infrastructure, organizations are able to unleash cultural synergy toward achieving a successful risk management program.

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