

“How our personal value system impacts our risk profile”

By Peter Neville Lewis, Corporate Jester - Honorary Research Fellow - Brunel University, London

Key note speaker at the 2nd GRC Conference 2016

You want as many of your people as possible to have the potential and capability for making superior decisions as often as possible in the best, most effective and fairest way. Most poor performance in business is down to inadequate preparation, thinking, analysis and decision making. We probably spend more time making decisions and implementing them than anything else in our lives, except sleeping.

And yet a lot of the time people are compensating or correcting procedures which were based on sub-optimal or faulty decisions.

It is possible however, and we have positive evidence to support our confidence, to overcome this by using a principle driven, values based decision making framework. See MoralDNA™ and RIGHT™ descriptions below.

We believe that by training people to take the time to consider carefully and holistically the many potential aspects of an ethical or business dilemma, small mixed gender groups working together, asking the right questions and challenging each other, will arrive at better more balanced decisions.

Managing organisational risk is all about people making the best decisions. It is not just about strategy and tactics - it is even more about the judgements and behaviours of people, based on their values and principles. Organisations must drive the following.

- a clearly defined and articulated Moral Purpose reflected in the assimilation of *true* Values (not “desired outcomes”) from top to bottom
- Values based Decision Making
- A Community of belonging
- The ability for people to bring their Humanity to work
- A corporate framework which embodies a complete range of Leadership skills & styles at all grades.
- The Culture at Board and senior levels in an organisation determines its governance structures and risk appetite. People fundamentally want to do the right thing, so it is the prime duty of any organisation to create a decent, open and respectful Culture which allows human beings to interact at work as they would in their home/social environment and to show respect to all their stakeholders. This is the Culture which mitigates Risk and Reputational damage, encourages higher performance and the profitability which ensues and thereby develops a sustainable and ethical business model.

Risk Appetite and Strategy should be aligned to reflect the commercial and social purpose of the organisation supported by its Values. This determines how things are done, e.g. measured, monitored and rewarded (or not) and this then becomes the behavioural norm or culture which helps to manage and mitigate Risk.

What do we mean by risk culture specifically?

Risk culture is a derivative of Organisational culture and cannot be separated from the overall standards and behaviours set and required by the Executives and Managers of an organisation.

Organisations should be aware that an over-focus on negative Risk, per se, will tend to increase a focus on fear, which, if allowed to become dominant, can perversely stifle innovation (or positive Risk) and creativity leading to poorer outcomes and a failure of purpose. Morale then suffers.

Risk culture can however be used as a *specific* term to describe the values, beliefs, knowledge, attitudes and understanding about Risk shared by a group of people with a common purpose, the employees of an organisation, which enables and rewards individuals and groups for taking the right risks in an informed manner

“A sound risk culture consistently supports appropriate risk awareness, behaviours and judgement about risk taking within a strong risk governance framework.” FSB, April 2014.

“Only 60% of Boards at the world’s biggest financial organisations have “open discussions” about risk management.” Deloitte, May 2015

Can we measure Culture and Risk Culture? Yes!

MoralDNA™ (MDNA) is a validated psychometric instrument which has now been taken by nearly 140,000 people in 200 plus countries. Initially released in July 2008, the MDNA results were first published in October 2008, just as the global banking crisis began to unfold.

MoralDNA™ measures, at both a personal and corporate level, how people self-assess 10 universal Moral Values. These are then linked to 3 Ethical Consciences thus measuring two aspects of human morality:

- How we prefer to make moral decisions.
- What moral values we prefer to consider when doing so.

Taken together they give a strong indication of how people tend to make and take decisions.

MoralDNA™ measures the following:

The 4 Cardinal Virtues: Wisdom (also known as Prudence), Fairness (e.g. Justice, Mercy), Self-Discipline (also known as Temperance), Courage (both Moral, Mental and Physical).

The 3 Spiritual Values: Trust (in others and their trust in you), Hope (e.g. Belief for the better in self and others), Love (Care, Empathy, Compassion etc.).

The 3 Core Human Values: Humility (absence of pride, being of service), Honesty (Authenticity, knowing what you stand for), Excellence (do your Best, be your Best)

Moral DNA™ also identifies preferences for 3 Ethical Consciences - **Obedience, Care and Reason**, which philosophers have believed for centuries are key to managing our Ego and helping us **to make and take decisions**. So, what does it take to do the RIGHT thing?

How do we decide what is the RIGHT thing to do and then have the courage to do it!

We have taken the word RIGHT itself is a useful mnemonic - standing for

- R-ules - do we know and operate within them (letter and spirit)?
- I-ntegrity - Do we act out ALL ten moral Values which make up Integrity?
- G-ood - Is our decision making intended to do Good - for whom?

- H-arm - Will our decision-making cause unintentional harm - to whom?
- T-ruth & T-ransparency. Can we stand behind our decision with a clear heart?

So here you have a straightforward value based decision making framework which can be used when faced with almost any Risk or Ethics dilemma. It is a mixture of pragmatics, common sense, wisdom, compassion and trust and several other important values.

Above all though it is based on a Culture of Decency and Integrity.

Published in HR Newsletter by Professional 18.01. 2016