

## Chapter 10

# Strategic and Cultural Risk

### ABSTRACT

*This chapter explores the concepts of harm and risk and translates them to the strategy and culture context. The peer-reviewed and gray literature speak to generic hazards and threats whose consequences might be amplified by cultural and information behaviors and actions. This chapter takes the discussion of hazards and risks one step further by speaking to specific hazards and threats related to organizations' business and information cultures and information strategies. The business literature tells us that the rate of strategic failure is somewhere between 60% and 90%. The authors describe several common risk factors that can be addressed by redefining the strategic planning process. The ISO 31000/31010 risk management process is adapted to account for these factors.*

### HARM AND RISK – DEFINITION AND CHARACTERIZATION

What do we mean by harm? What do we mean by risk? Both of these concepts are context and time-specific. The peer-reviewed and gray literature speak to generic hazards and threats whose consequences might be amplified by cultural and information behaviors and actions. This text takes the discussion of hazards one step further by speaking to specific hazards and threats that are germane to an organization's business and information cultures, and its information strategies. This presents a challenge for the authors – we must translate those generic definitions and discussions of hazards and threats to a cultural and information context. This is the starting point for this chapter.

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Harm is defined as the negative impacts that might result in the organization, the unit or team, or the individual if our business or information strategies fail. What kinds of harm can a strategy-culture failure produce? If culture undermines the organization's strategy, it can affect any functions that are strategy-dependent or strategy-drive. This means all functions. Because strategies speak to an organization's fundamental business success and performance, any kind of failure or suboptimal realization of a strategy will impact the organization's health or well-being. We want to minimize risk, and particularly those forms of risk that may be attributed to the use or misuse of information to the organization. What are the most common reasons business strategies fail? What are the most common reasons information strategies fail?

Risk is measured by degrees of harm. We can never eliminate risk, but we can identify the levels of harm that are likely to occur and the degree of harm we can and cannot tolerate. How do business managers think of risk?

Business managers and accountants look at risk from a practical perspective, in a specific context, and at a specific point in time. Business and financial managers look at risk as a threat of liability, loss, or another occurrence that is caused by internal or external vulnerabilities. Most commonly, business managers and accountants focus on financial risk or risks associated with investments and return on the investment. Managers gauge whether a risk is worth taking based on the expected value – of both a positive and a negative result. Business managers assess and analyze risks and make investment decisions based on their knowledge of the possible outcomes, the probability that each of those outcomes will occur, and the value of each outcome. For physical and financial capital investments and risks, we have built-in standard controls and remedies. We can buy insurance, or we have a depreciation model that allows us to manage risks over time.

Economists tend to look at risk on a more macro level than do business managers and accountants. Economists tend to look at risk at a sector or an industry level, or based on the behavior of a particular economic factor. Economists factor in uncertainty (e.g., lack of information or varying qualities of information) and culture as ancillary or side effects of risk. These are essential considerations, but they look at knowledge indirectly – not as a commodity or capital but as an input to a business decision. They offer some guidance, but they are not direct translations or solutions to the challenges we raise in this text.

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