

# Chapter 11

## Managing Cultural Risks

### ABSTRACT

*Risk assessment is a process that allows us to understand risks, define risk criteria, assess the probability and the consequences of that risk occurring, define a level of risk we can tolerate and afford, and define a cost-effective and efficient mitigation treatment. The authors provide a risk assessment and analysis method that the reader can use to (1) build cultural risk into your organizational risk management profile and (2) adapt the organization's risk management profile to include cultural risks. The method builds upon but extends the ISO 31000/31010 risk management methodology to determine the level of cultural risk your organization is carrying. The authors walk through and translate each of the seven steps to account for cultural risks.*

### RISK ASSESSMENT – DEFINITION AND CHARACTERIZATION

Risk is inherent in everything that we do. Risk management helps us make better decisions in specific contexts. Risk management helps us to manage our organizations in real-world situations. Strategies are often formulated for ideal situations or the best of all possible worlds. This means that in formulating strategies, organizations fail to consider the everyday risks involved in conducting the organization's business. Risk assessment is a process that allows us to understand risks, define risk criteria, assess the probability and the consequences of that risk occurring, define a level of risk we can tolerate and afford, and define a cost-effective and efficient

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mitigation treatment. Chapter 10 provided a high-level description of the types of risks an organization might encounter – risks generated by suboptimal formulation and management of strategy, and risks generated by ignoring or failing to recognize the influence of culture. In this chapter, we describe how to translate those generic hazards and risks into actual risk calculations. The authors recommended aligning your strategic and cultural risks with the organization's risk management profile.

In this chapter, the authors provide a risk assessment and analysis method which the reader can use to (1) build cultural risk into your organizational risk management profile, and (2) adapt the organization's risk management profile to include cultural risks. This methodology is consistent with the treatment of cultural risk management highlighted in ISO 31000 Risk Management and ISO 31010 – Risk Assessment Techniques ((IEC, 2008; International Standards Organization, 2009). The methodology explains how to integrate specific cultural behaviors into an overall risk assessment methodology, and how to define and model tangible and intangible aspects of cultural behavior (i.e., loss of reputation, risk perception, awareness as mitigation, and so on). These translations and interpretations are specific and unique to an organization and a point in time. The authors can provide general guidance, but it is up to the reader to design a solution that suits the context.

The authors translate the ISO 31000/31010 risk management methodology into a seven-step methodology; you can follow to determine the level of cultural risk your organization is carrying. This methodology presumes that you will follow the authors' guidance and integrate cultural analysis and risk management into your strategic planning process. It also presumes that you will elevate the role of information strategies and integrate those strategies into the organization's strategic planning process.

The translation assumes that culture and information are essential risks and targets them as part of the organization's core risks. While ISO recognizes the importance and harm that can result from cultural risks, they are considered only as a potential factor that may trigger or amplify another risk. The authors presume that the full risk assessment methodology will be applied to cultural and information risks.

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