

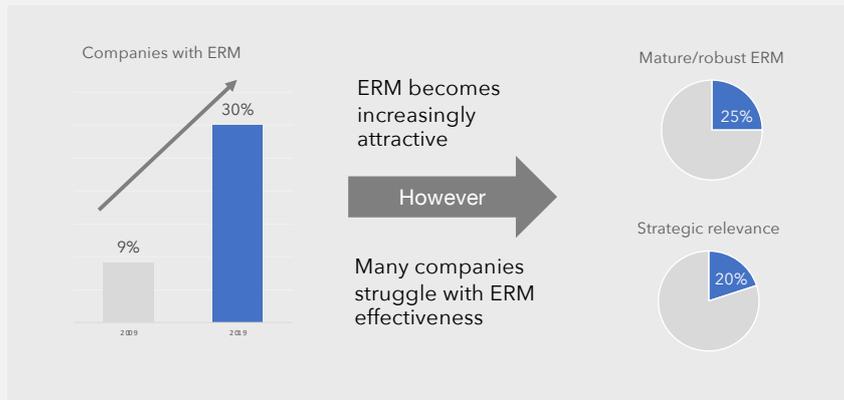
Communication and Leadership in Enterprise Risk Management

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Background

The management of risks is essential for organisations to survive and, thus, part of everyday business activities. In contrast to traditional risk management, Enterprise Risk Management (ERM) takes a broader perspective. It aims at informing strategic decision-making. Therefore, ERM includes all types of risks of the company. However, few companies consider their ERM effective.



Results

Challenges emerge from lack of formal power and avoidance to influence decision-making directly. To set agendas for highly interactive risk management discussions and to facilitate risk communication up, down, and across the organisation, risk practitioners use a combination of practices.

Practice episodes can be classified in four building blocks

Shared Knowledge	Value Creation	Leadership	Relationship Management
Develop shared understanding	Strengthen transparency	Strengthen influence	Building trust
Educate stakeholders	Leveraging information	Foster dialogue and direction	Partnering with business units
Visualising risk methods	Enhance perspectives	Manage tensions	Building relationships

Surmount major challenges

E.g. change resistance, biases (e.g. groupthink), knowledge barriers, low appreciation of ERM, low management commitment, political and social concerns

Research

Research aim

To explore are effective communication and leadership practices of risk practitioners to achieve and maintain organisational ERM effectiveness. To analyse themes and patterns of communication and leadership practices and link them to theoretical concepts of issue selling, knowledge management, power sources and leadership aspects.

Methodology

- Qualitative explorative research design using semi-structured interviews
- Cross-sectional field study to understand and connect practitioner's individual perceptions to the organisational context
- Research participants with long-term ERM experience in leadership or senior positions
- Participants from the energy, chemistry, manufacturing, and pharma industry in Germany

Conclusion / Recommendations

Gaining and using personal power

- Development of referent power through emphasising collaboration and communication
- Gaining expert power through openly sharing risk perspectives and understanding the business
- Building informal networks to reshape and improve the perception of ERM

Increasing influence

- Communicate assertively to balance independence and involvement
- Identify relevant shareholders and their interests
- Customise communication, e.g. how to present risk information

Manage knowledge across boundaries

- Emphasise diversity of thoughts by acknowledging different perspectives
- Develop and use a common lexicon to enable effective risk communication
- Use boundary objects, such as risk tools for experimenting and communicating complex issues