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Research Application Summary

Risk awareness within an organisation

Siaka, M.

Regional Universities Forum for Capacity Building in Agriculture (RUFORUM), Plot
151/155 Garden Hill, Makerere University Main Campus, P.O. Box 16811, Wandegaya,
Kampala, Uganda

Corresponding author: m.siaka@ruforum.org

Abstract

Each member of an organization is responsible for managing a section of risk that helps the organization to achieve its goals and mission. It is therefore critical that everyone in an organization is aware of the risk in carrying out his or her duties or responsibilities in order for him/her to contribute towards the risk management process. An organization with high risk awareness among staff is highly likely to achieve its goals and mission than one with low level of risk awareness. Creating risk awareness among staff at the Regional Universities Forum for Capacity Building in Agriculture (RUFORUM) Secretariat is essential for the organization to achieve its aims. The success of risk management process in an organization is not based on the risk manager but based on the risk culture adopted by the head of the organization and how the entire staff regard risk. The RUFORUM Secretariat has a risk management framework policy in place to help it manage the risk it faces in a systematic way. The Secretariat having the policy in place does not guarantee that it has an effective risk management in place especially if staff do not understand or know about this policy and therefore do not apply them in managing the risk they face in carrying out their duties. Each member of staff must be aware that the risk he/she faces could have a negative impact on the organization and must take steps to mitigate these risks. In order for a staff to take measures to mitigate the likelihood of occurrence of a risk she/he must first be aware that risk exist before s/he can put control measures in place to mitigate against the possibility of the risk occurring and continuously monitor the risk possibility to ensure that it is within acceptable level. Small Non-Governmental Organizations (NGOs) with limited resource face challenges in creating risk awareness among their staff. This paper provide a framework on how RUFORUM Secretariat can develop risk awareness culture among staff through a positive risk culture.

Key words: Organisations, Risk management, RUFORUM

Résumé

Au sein d'une organisation, chaque membre est responsable de la gestion d'une partie des risques afin d'aider l'organisation à atteindre ses objectifs et sa mission. Il est donc essentiel que tous les membres dans une organisation soient conscients du risque dans l'exercice des fonctions. Une organisation qui sensibilise son personnel sur les risques est très susceptible d'atteindre ses objectifs et sa mission qu'une organisation ayant un faible

niveau de sensibilisation aux risques. Il est essentiel de sensibiliser le personnel au secrétariat du Forum des universités régionales pour le renforcement des capacités en agriculture (RUFORUM) pour que l'organisation atteigne ses objectifs. Le succès du processus de gestion des risques n'est pas basé sur le gestionnaire de risques mais sur la culture du risque adoptée par le chef de l'organisation et comment l'ensemble du personnel considère le risque. Le Secrétariat du RUFORUM a mis en place une politique de gestion des risques auxquels il est confronté de manière systématique. Toutefois, ceci ne garantit pas qu'il dispose d'une gestion efficace des risques, en particulier si le personnel ne maîtrise pas cette politique et ne l'applique. Chaque membre du personnel doit donc être conscient que le risque auquel il est confronté pourrait avoir un impact négatif sur l'organisation et doit prendre des mesures pour atténuer ces risques. Pour qu'un membre du personnel prenne des mesures afin d'atténuer la probabilité d'occurrence d'un risque, il doit d'abord être conscient qu'il existe un risque avant de pouvoir mettre en place des mesures de contrôle pour atténuer la possibilité que le risque se produise et suivre en permanence la possibilité de risque pour s'assurer qu'elle se situe dans un niveau acceptable. Les petites organisations non gouvernementales (ONG) disposant de ressources limitées rencontrent des difficultés pour sensibiliser leur personnel aux risques. Ce document fournit une explication cadre sur la façon dont le Secrétariat du RUFORUM peut développer une culture de sensibilisation aux risques au sein du personnel.

Mots-clés: Organisations, Gestion des risques, RUFORUM

Introduction

One has to first understand what is meant by risk before s/he can understand risk awareness. Risk Awareness does not have a formal definition but can be described as having knowledge of the potential for risks to occur and potential impact on the organization once it occurs. However, risk has been defined by some authors. In this paper the definition by the Institute of Internal Auditors (IIA) is used. According to IIA, "Risk is the possibility that an event will occur, which will impact an organization's achievement of objectives" (The Professional Practices Framework, 2004).

Having knowledge about potential risk(s) helps the organization to put in place controls that will prevent the risk(s) from occurring or be prepared to mitigate the impact of the risk if it occurs. When the Board of an organization takes risk awareness seriously and invests in the process of creating risk awareness in an organization by building a strong risk culture among staff, it creates a conducive environment for effective risk management. Documenting possible risks an organization faces and requisite procedures and policies create a formal document that guide staff on risk process in an organization (Convercent Team, 2018). Creating a conscious risk culture and educating staff on risk will create risk awareness among them. NGOs are different in terms of operations and structure and therefore one method of creating risk awareness may not work for all (Deloitte, 2012). It is important that organizations tailor their risk awareness process or methods to suit the environment they operate in. According to America Institute of Certified Public Accountants (AICPA), "greater risk awareness is becoming an expected best

practice in overall governance of an organization. Knowing that organizations, including not-for-profits, must assume risks if they want to further their mission, executives are now seeing the strategic value of being more informed about those risks that might positively or negatively affect their mission goals and objectives.” Donors are concerned about whether NGO’s have sound processes and controls including a robust risk management in place to enable them manage funds well in order to achieve the aim of the donations (Trivunovic *et al.*, 2011).

With increased concern about risk management in NGO’s, due diligence process carried out by donors when awarding grants includes review of risk management set-up of the organization since this will impinge on the risk management process of the project when the grant is awarded. For NGOs risk management process does not only contribute to the achievement of their objectives but also aims to build confidence and sound accountability to funding agencies. Cultivating a strong and omnipresent risk culture should not be limited to just a few section of the organization but the whole organization. The Board, its committee, management and the entire organization should be encouraged to understand and develop a positive attitude toward risks through risk awareness programs. The key factor attributed to the financial meltdown and failure of projects are failure of management to consider risk or properly plan for risk, over reliance on risk management models, systems and tools – which were used by many but understood by a very few, and because of human behaviour and its management failure to communicate risk to staff (EY, 2016). It is therefore imperative that organizations create risk awareness as an everyday affair by including its management as part of everyone’s job description.

The Regional Universities Forum for Capacity Building in Agriculture (RUFORUM) is a member based organization owned by 126 universities across Africa. The organisation was formed to strengthen and promote the roles of universities in Africa’s development process especially agriculture and related sciences, Science, Technology and Innovation. It supports training of graduate students and research to generate technologies and innovations. The organisation receives grants from various agencies including governments and provide sub-grants to its network universities. The organization has a coordinating unit, Secretariat, that manages the affairs of the organization. With the growing number of member universities and staff of the organization, it becomes important that the organization builds a robust risk management system. As an organization operating as a Not for Profit entity it faces risk like reputation risk, Project implementation failure risk, noncompliance risk, Security and many more and therefore needs to effectively manage such risks. Risk management failure has been mainly attributed to poor risk culture due to lack of risk awareness in an organization. This paper provides a framework on how RUFORUM Secretariat can develop risk awareness culture among staff (see Delgado, 2019) but the framework is also applicable to other organisations and set-ups.

Risk Management process. Risk management process involves four steps. First identifying and analyzing risk involves a staff identifying possible risk involved in his/her work. For example if the security men at the RUFORUM Secretariat offices do not have keys to access the offices at night and this poses a risk when there is a fire out break at the office premise since fire extinguishers are located in the main buildings which are locked. As

such, there is a possibility that all assets in the premises will be lost. After identifying the risk, an assessment is needed by evaluating the possibility of risk occurring and the impact it will have on the day to day operation of the Secretariat if it occurs and the process should be documented in a risk register as suggested by Mintz (2012). This process if implemented by all staff will create risk awareness among staff; it also helps the organisation to protect its assets and improve management decision.

The second step involves evaluating risks identified in the first step by ranking the risks according to the magnitude of the risk. The magnitude of a risk is determined by the likely impact on the organisation and the likelihood of the risk occurring. A decision is then made whether the risk is acceptable or not. In the case of the security men at the RUFORUM offices, management needs to take the decision that even though the risk is medium (high impact but a low likelihood) it has accepted the risk (Mintz, 2012). This process should be documented in the risk register.

The third step of risk management process is risk treatment and response. This entails putting in place a plan to treat risk including putting in place policies and procedures that will help mitigate risk, avoid risk or transfer. In case of the security at the offices such as RUFORUM Secretariat, management insured the office premises against fire incident thereby transferring the risk to the insurance company. This is consistent with the approach suggested by Kloosterman (2016).

The final step is Risk monitoring and risk review and it involves periodically monitoring risk documented in the risk register and ensuring that risk has not changed and is still within acceptable levels or the controls in place can still mitigate the risk. It also entails watching out



Figure 1. Risk Management Flow chart

for new risk(s) that emerge over time. Risk management does not end once the process is completed but is a continues process, and the risk register should be reviewed at least once annually to ensure that all risks are documented and risk that does not exist is removed from the register and the process from step one to four should be documented (Figure 1).

Risk Management process at RUFORUM

Established by 10 Vice chancellors in 2004, RUFORUM is an international non-governmental organization funded by multiple donors and member universities. The main purpose of RUFORUM is to strengthen the capacities of Africa universities to adopt innovations approach to the demands of smallholder farmers and value chains through the training of high quality researchers, the output of impact-oriented research, and the maintenance of collaborative working relations among researchers, farmers, market actors, national agricultural research and advocacy institutions, and governments. RUFORUM current members is 126 universities in 38 African countries.

RUFORUM has a documented Risk Management framework that define RUFORUM risk Management vision “RUFORUM’s vision for risk management is for all stakeholders and decision-makers to be fully informed of risks, and that anticipated risks are effectively managed in the achievement of our network’s objectives.” (RUFORUM, 2016). It has also assigned a Deputy Executive Secretary (DES) as the risk champion responsibility for risk management at the Secretariat. The risk management framework also spells out that for RUFORUM to be in position as a risk awareness entity, staff in carrying out their work should identify, analyse, evaluate, treat, monitor and review risks. It also states that the scope of responsibility and accountability of risk management lies with all staff and risk management is everybody’s business but Senior Management are required to show leadership by example in the risk management process by exhibiting the appropriate risk management behavior. The framework also states that individual unit heads are responsible for documenting the risks their unit face in their risk register and continuously monitor and report to the risk champion for him/her to update the overall risk register. The framework describes the responsibility of the Board and the Audit and Finance and Administration committees too. The highest body in the organization responsible for risk management are the Audit and Finance and Adminstration committees as stated in the RUFORUM Risk Management Framework. The DES is responsible for the review of the Framework annually in collaboration with the Heads of the units to ensure that the Framework and associated business processes continue to meet local needs as risk management matures and improves. The framework also state that the Executive Secretary (ES) is the accountable officer and has ultimate responsibility and accountability for ‘establishing and maintaining suitable systems of internal control and risk management within the Secretariat.

The framework further explains the types of risk register that RUFORUM maintains as online risk assessment register and offline risk register. It also provides a range of training to build risk awareness in staff and develop staff skill in doing risk management rightly. It also includes the role of internal audit as providing assurance on the risk management process. With this risk management framework well documented the Secretariat is continously strengthening its risk management processes. The Audit, Finance and Adminsitation committee has been split into Audit Committee and Finance and Administration Committee as part of separation of functions and risk management.

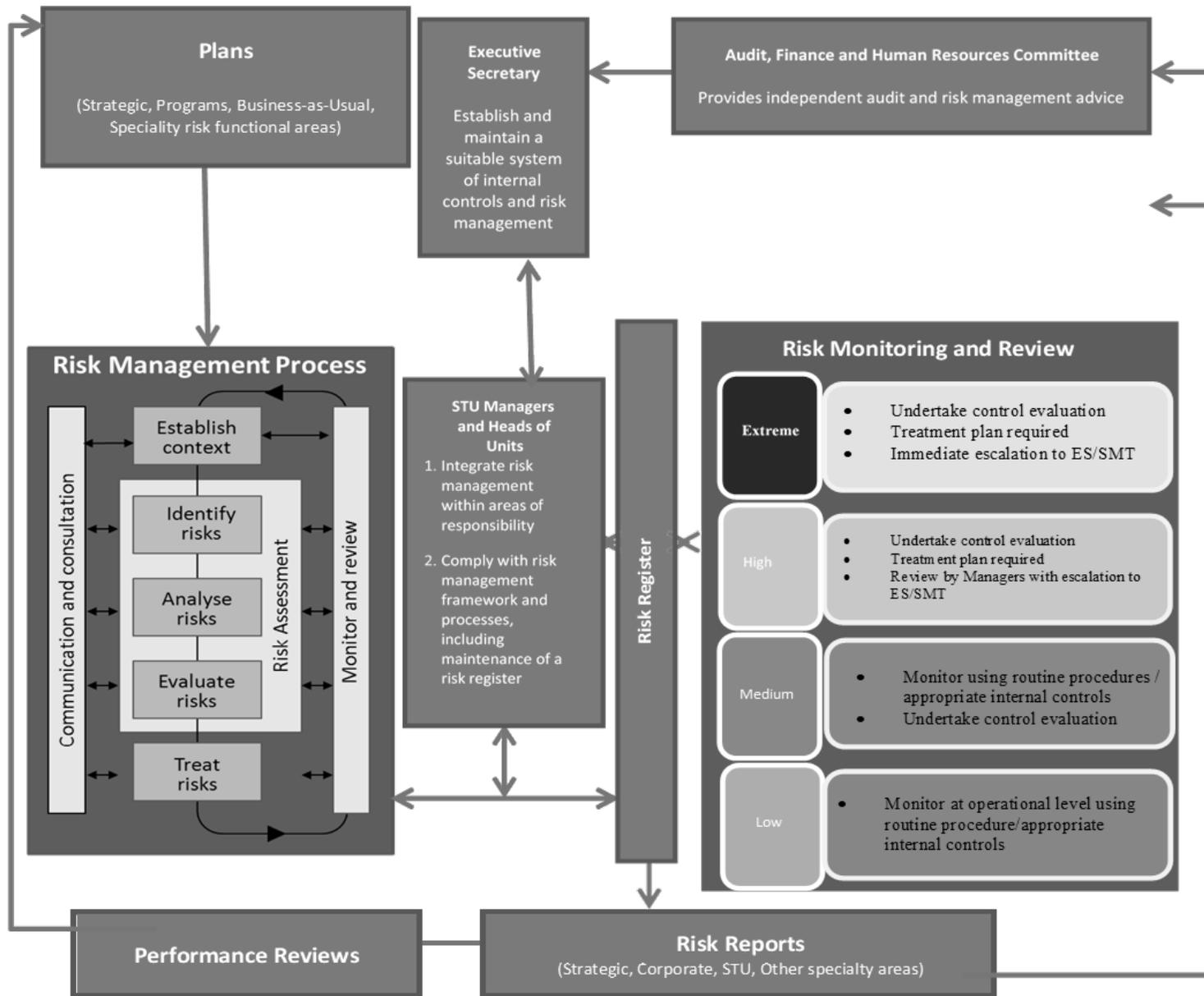


Figure 2. RUFORUM Risk Management process

Strengthening Risk Awareness at the RUFORUM Secretariat

While the risk management framework in place, the next step is to ensure functionality and effectiveness of the processes. As such, the Secretariat has to build a strong risk culture in order to have an effective and efficient risk management process. To build a robust risk culture, Management has to invest in the process of creating risk awareness at the Secretariat.

Approach: The first point is to have an independent assessment of the current risk culture of the Secretariat. An independent assessor will give an independent view on the risk culture at the Secretariat to enable the Board, Management and the entire staff to understand the current risk culture as elucidated by Deloitte (2012). It is essential that the Secretariat knows what its current risk culture is, in order to determine where it wants to be, the target risk culture and how well it can align its risk culture to its risk objective and risk profile through risk awareness programmes. Risk culture will create risk awareness because culture depicts the way people in an organization behave. This is because an organisation may have the best controls and processes but it still fails in its risk management if the staff do not have the right culture (EY, 2016). This process will enable the Secretariat to draw a road map for change in risk culture.

The Board and Senior management will have to set the right tone for risk culture by taking leadership and commitment towards the Risk Management process. The Organization ethic, values should be align with risk strategy, individual interest should also align with risk management (EY, 2016). Management should also set the tone for an open communication about risk where staff can challenge authority about risk management and have open discussion about risk without fear. Management should encourage story telling not only on the success story but also the failed ones and learning from mistakes through sharing of lessons learnt. Timely, honest and transparent communication about risk should implemented.

Risk management training and education programmes should be implemented for staff periodically. The training should include a general risk training for the Board and its committees and staff. Customized risk training programme should be organised for individual units to create risk(s) awareness about specific risk each unit faces (Convercent Team, 2018). Risk Management training and education programmes should be organised in a way that it helps people to understand and appreciate risk management programmes and the benefit of risk management and the impact of risk if not managed. Risk orientation should be conducted for new staff and existing staff (Convercent Team, 2018).

Consistency across the Secretariat when it comes to risk management, common understanding of risk management process and the definition of risk at the Secretariat is needed. Universal application of the risk management process across all unit of the Secretariat in the day to day operation in an absolute must.

Each individual should be held accountable for risk management. The Board, Senior

Management and the entire Secretariat staff should be held individually and collectively accountable for risk management process at the organization. A formal risk reporting process should be established and communicated to staff where risk will be reported to. Staff should know how they will report new identified risk and breaches of risk management process in good faith. There should be accountable individual/s who will collate entire risks identified across the different units to create the organisation risk register.

An internal audit unit plays a critical role in ensuring that Risk management process promotes risk awareness and positive risk culture. Internal audit has to review the risk management process including how risk awareness is created within the Secretariat in order to provide unbiased assurances about the process. It can also provide advisory service on risk management process (Delgado, 2019).

Conclusion

For effective risk management to exist at RUFORUM Secretariat and other related units, the Boards must set the tone for management to take risk management seriously by consciously creating risk awareness. Risk should be the concern of all staff and management team should encourage a strong risk culture where employees are risk aware. Creating a risk awareness among staff in the organisation will promote strong risk culture that will support an effective and efficient risk management in the organisation. Risk culture should not be static, it should be challenged over time as change occurs, and continuously reviewed challenging risk culture will create room for improvement. Management should invest in risk management training for staff, where the risk training and education programme is designed for risk owner, risk leadership, existing staff, new staff and future staff. The internal audit needs to provide assurance on risk management process and advisory service on risk management process. Creating risk awareness at the Secretariat is a journey that will move through stages with challenging days but will be a good journey if everybody is involved in the risk management process to manage risk in the organization and to safeguard its assets

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