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Giving Risk an Attitude

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Giving Risk an Attitude

BY JANET COMEAU

WHEN ROUTINE COMPLIANCE IS NOT ENOUGH

How a grass-roots task force raised risk awareness and understanding at The Canadian Depository for Securities.

The Canadian Depository for Securities Limited (CDS) is not a household name, yet most Canadians have benefited from its services in the course of buying or selling securities, bonds or GICs.

CDS handles over 1.2 million settlement transactions daily for Canada's exchanges and investment dealers. CDS's role is to ensure that settlement between buyers and sellers of securities occurs efficiently and reliably. As Canada's securities depository, CDS safeguards over \$4 trillion of securities for Canadian investors and ensures that dividends, interest and corporate actions transactions are handled flawlessly.

As a critical systemic component of Canada's financial infrastructure, CDS has in place a robust settlement services

risk model that outlines the responsibilities of CDS as a central counterparty to trades as well as the responsibilities of its participants to protect the financial system from the risk of failed transactions or institutional defaults.

With these responsibilities, CDS has a very low risk tolerance for system failure and human error. Therefore it has a system of well-identified controls to mitigate risks and is recognized internationally for its effective risk management practices.

Yet, there is always room for improvement – so, in 2012 the focus of CDS's enterprise risk management (ERM) program shifted to the first line of defense at CDS, its employees. CDS wanted to shake up the current notion that employees could rest assured with the knowledge there were adequate and sufficient controls. The bigger questions were whether procedures were too routinely followed, were policies or procedures challenged when they no longer made sense, and was it clear when and how an issue should be escalated?

RISK AWARENESS TASK FORCE

To raise the bar there needed to be a course of action that would be attention-grabbing and really drive home the message that an organization that prides itself on managing risk couldn't afford to rest on its laurels only to discover later that risks and risk mitigation were not really as well understood when it mattered most.

Starting with a 'tone from the top' message from the CEO and working tactically from the bottom up with a cross-functional team drawn from multiple departments and staff levels, CDS introduced a Risk Awareness Task Force with a clear mandate to develop a program that would: attract attention, resonate at a personal level, provide new ways of understanding risk and deliver sustainable programs that can live on after the task force finished its work. The task force reported directly to the CEO and reported regularly to the risk management and audit committee of the board of directors on its progress.

A core leadership team (three senior leaders from Human Resources, Communications and an unrelated operating division) developed the overarching strategy for the program. The inspiration for the strategy was based on the simple concepts of why/how/what. The why/how/what concept (or golden circle) was inspired by a TED talk segment *How great leaders inspire* that asserted understanding why something is done is more effective than only doing what one is expected to do.

From CDS's perspective, the why/how/what was interpreted as:

Why - Mission/vision/values

How - Policies and procedures are how we manage risks

What - The clearing and settlement business must be reliable and efficient

In addition, the CEO observed in his communications to staff that history shows that you get what you accept, not what you expect. He cited a timely (but tragic) example of the cruise ship that ran aground in Italy. Ship captains in the region routinely sailed too close to the shore (against policy) but were never disciplined for this breach. The story provided a vivid parallel to the purpose of the task force, prompting managers with staff to self-examine if they could be contributing to potential disasters by allowing corners to be cut or procedures to be side-stepped.

The task force's call to action became the 'slogan' for the campaign: *Stop Think Ask Act*.

The risk awareness program became the top corporate priority for the remainder of the year. The desired outcomes were to achieve: individual awareness of risks and appropriate escalation; greater awareness of cross-functional dependencies and better decision-making when situations arise that bring risk to a business activity.

It was clear from the outset that training and performance management (PM) would be a large part of the awareness program. All employees needed to have the same level of understanding of their responsibilities as the first line of defense. To do that, a mandatory training program was needed.

The performance management component's objective was to create a reward system that clearly demanded accountability for identifying, monitoring, reporting and managing risk.

These two streams were supported and reinforced by a comprehensive communications program to keep the topic alive while the training and PM components were in development.

A communications team (drawn from various departments and given training on corporate communications practices) worked to create an attention-grabbing launch and deploy ongoing communications to keep awareness of the program high.

COMMUNICATIONS STRATEGY

The first step was to articulate the communication objectives for the task force and risk awareness program:

- Measurably raise staff awareness/understanding of risk — every employee should understand how their role brings risk to CDS, what those risks are and how those risks are mitigated
- Change behaviours that could put CDS at risk — when controls are not followed, or when individuals do not understand the reliances between one group's set of controls and their own controls - that contributes to a potential failure. Education about the rewards and consequences of behaviours that decrease or increase risk beyond CDS's appetite and tolerance would help this change take hold.
- Arm managers with tools and resources to effectively lead staff through this change — help them develop greater skill in talking about risk with staff.
- Break down knowledge barriers and make end-to-end processes/reliances more transparent — the functional structure of CDS does not

“THE RIGHT CORPORATE CULTURE BECOMES A POWERFUL RISK MITIGATOR, AND THE RIGHT CULTURE IS ONE WHERE THE TONE IS SET AT THE TOP - BY THE BOARD AND THE CHIEF EXECUTIVE”

ALAN RUDNICK, *Time to Listen Up*
Corporate Secretary, November 2012

help employees understand how one process affects another division's process. Additionally, information may be guarded within these functions, making it difficult to gain a holistic understanding of the business.

The objectives were a reflection of broader issues impacting employee engagement. Therefore, the concepts of sharing critical information and improving managers' ability to have open conversations with staff about mistakes and consequences became important sub-themes.

To be effective, the communications had to break through the clutter of everyday communications. That challenge resulted in an approach based on using plain language (as opposed to formal corporate-speak), storytelling and attention-grabbing, high-touch activities to actively involve employees. These are described in the rollout section below.

The team branded the program with a visual that integrated the golden circle (why/how/what) into a shield, thus capturing the notion of staff as the first line of defense (risk defenders).

THE TACTICS

While the topic of risk is a serious one, the communications components were designed to be as conversational as possible to encourage the notion that risk is not a taboo topic, and needs to be more openly discussed. Throughout the program period there were supporting communications via email, posters and intranet.

Month 1 – Tone from the top (January)

- CEO address to senior management team
- CEO address via teleconference to all management levels. Senior management encouraged to hold staff meetings to discuss the previous day's messages from CEO and to use the video and other key message prompts from the CEO's sessions.
- Team selected and seconded to the program
- CEO town hall (via conference call) to introduce the program to staff
- Program designated a corporate priorities.

Month 2 - Getting off the ground (February)

- Intranet mini-site launched
- Facilitated session for task force to prioritize and detail objectives and tactics
- Kick-off breakfast event in all regions to introduce the team and describe the program objectives. The event was also webcast.
- Risk defender challenge announced at the kick-

off breakfast. Designed as a weekly scavenger hunt contest (with prizes), the contest utilized existing information resources that related to risk management, which would be useful preparation for the training program to follow.

Month 3/4 – Keep it going (March/April)

- Feature story in the staff bi-monthly online newsletter
- Video of kick-off published to intranet
- Winners of risk defender challenge announced. Participation rates by division were communicated to executives. About one third of employees participated.
- Attitude survey "How's your attitude?" launched to obtain benchmark data. Regular updates to senior management on participation rates helped meet goal response rate of 70 per cent.
- Performance management program completed and rolled out to managers via an information session. Focus was on how to evaluate staff on risk awareness.

Month 5/6 - Readiness and roll out (May /June)

- Training modules piloted with task force members
- Podcast to managers on what to expect from the risk awareness training
- Intranet blog post shared the TED lecture that inspired the program
- Managers information session on the training program
- Desk drop of a branded pen (printed with the call to action) and a brochure "ERM - How risk aware are you?" signaled the launch of the online self-study training modules.
- Drop-in centres for employees needing assistance with the training were set up during the training period.

Month 7 – Measurement, sustainability and evolution (July)

- Program deliverables completed
- Team participated in facilitated session to identify, scope and prioritize a second phase
- Recognition of the team and its efforts
- Message to staff via intranet regarding the program's success and plans for next phase (which was since postponed due to corporate merger)
- Follow-up attitude survey launched to assess if training had an impact.

The results

- Kick-off event deemed successful with high number of staff attending
- All employees successfully took the 'Risk 101' training
- Performance management plans included risk components and were evaluated in 2012 performance reviews
- Intranet traffic increased almost 10 per cent during the program period
- Risk defender challenge — a third of employees participated and the resulting scores showed a good awareness of risk. The challenge helped to identify one particular area of weak understanding (departmental controls) and that information informed the training team and was shared with managers.

- Risk attitude survey met its objectives with over 70 per cent of employees responding to both surveys. Results objective was to have the percentage of responses above the mid-point (neutral attitude) increase. In the post-training survey, the benchmark scores rose by close to 20 per cent on average.

Some of the comments received were very telling in that they reiterated the need for more open discussion about risks with managers and supervisors as well as the need for better information sharing amongst departments. Honest and constructive criticisms of the program were offered as well. A third iteration of the survey is planned to gauge whether attitudes are holding well after the program ended. ✳



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Janet Comeau is past Director of Communications for the Canadian Depository for Securities Limited.