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MEASURING RISK CULTURE MATURITY IN A SOUTH AFRICAN LOGISTICS ORGANISATION

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Abstract:

Successful companies actively manage their risks. To do this they apply advanced methods and tools to treat their exposures to risk. Risk management practices should therefore become pervasive in the daily operations of a company. One way of evaluating the sustainability of the risk management processes is to assess a company's risk culture. That was the objective of this study. A risk culture study, using a questionnaire, was undertaken across three management levels in a large national logistics company. The standardised Cronbach's alpha coefficient, which determines how well the risk culture questionnaire worked for the specific sample used in the study, was 0.96 and confirmed the reliability of all items used in the survey. From the analysis of the results, two factors were deduced to measure risk culture in the organisation. Insights inferred from the responses of the 734 participants indicated that demographic factors could influence the maturity of risk management in the company. Risk culture seems to be influenced by age, years of experience and years of service of the employees. Although the risk culture was mature for all management levels, middle management scored lower than senior and executive management on understanding of risk, resulting in sub-cultures within the organisation. Improvement opportunities identified by participants included improved risk communication, training, and the proactive use of risk information as a management decision support tool.

Keywords:

Risk culture, risk management, organisational culture, factor analysis