

Risk Management in Practice

Lecture 10: Risk Culture, Behaviour & Organisational Risks

(Understanding Risk Culture, Safety, and Decision-Making)

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**Undergraduate Diploma in
Occupational Health and Safety**

Lecture Overview

By the end of the lesson, learners will know how to explain the importance of risk culture within occupational health and safety, recognising how leadership, values, and behaviours influence hazard reporting, compliance, and incident prevention. Learners will be able to assess organisational risk appetite and tolerance by reviewing policies, procedures, and decision making to determine acceptable safety risks and escalation thresholds. They will understand how behaviours and cultural influences such as risk perception, fatigue, peer pressure, incentives, and communication affect safety and risk management outcomes. Learners will also know how to promote risk awareness by encouraging proactive hazard identification, near miss reporting, constructive challenge, and safe work practices, using effective leadership, training, and communication to embed risk aware behaviours into everyday tasks and organisational decisions across diverse workplaces and operational contexts, supporting continuous improvement and worker wellbeing and safety performance.



Introduction to Risk Culture

- **Definition**

Risk culture refers to the shared values, beliefs, and attitudes toward risk within an organisation, particularly in occupational health and safety. It influences how workers and leaders perceive hazards, prioritise safety, communicate concerns, and behave in everyday operations, shaping whether risks are openly discussed, responsibly managed, or ignored across teams, systems, and organisational structures and daily decision-making processes consistently.

- **Role**

Risk culture plays a critical role in shaping organisational decision making, risk identification, and response to safety issues. A strong risk culture encourages early hazard reporting, balanced risk taking, learning from incidents, and timely controls, while a weak culture can lead to complacency, poor communication, unsafe practices, and repeated occupational health and safety failures across all levels of work environments.



Why Risk Culture Matters?

- **Impacts safety outcomes**

Risk culture directly affects occupational health and safety outcomes by influencing how hazards are recognised, reported, and controlled. A strong risk culture encourages proactive hazard identification, open reporting of near misses, and learning from incidents, reducing injuries, illnesses, and serious workplace events. Poor risk culture increases the likelihood of unsafe behaviours, underreporting, and repeated incidents.

- **Guides risk-related decisions**

Risk culture guides how individuals and leaders make decisions when balancing safety, productivity, cost, and time pressures. It shapes whether safety risks are escalated, tolerated, or ignored, and whether controls are implemented effectively. Consistent risk culture ensures decisions align with organisational risk appetite, legal duties, and safety objectives.

- **Influences organisational performance and compliance**

A positive risk culture supports strong organisational performance by reducing disruptions, injuries, and regulatory breaches. It promotes compliance with occupational health and safety legislation, standards, and procedures, while building trust, accountability, and resilience. Organisations with mature risk cultures are better positioned to achieve sustainable performance and continuous improvement.



Components of Risk Culture

1. **Leadership commitment** – Visible leadership support for safety, including prioritising OHS in decisions, allocating resources, and leading by example.
2. **Clear roles and accountability** – Defined OHS responsibilities ensure everyone understands their role in managing risks and maintaining safe work practices.
3. **Risk awareness and competence** – Workers understand workplace hazards, risk controls, and how their actions affect safety outcomes.
4. **Open communication** – Encourages reporting of hazards, near misses, and incidents without fear of blame or retaliation.
5. **Just and fair culture** – Balances accountability with learning, focusing on system improvements rather than individual blame.
6. **Worker participation and consultation** – Active involvement of workers in hazard identification, risk assessments, and safety decisions.
7. **Consistent risk management processes** – Reliable procedures for identifying, assessing, controlling, and reviewing OHS risks.
8. **Learning and continuous improvement** – Using incident investigations, audits, and feedback to strengthen safety systems and behaviours over time.



Leadership Commitment

Leadership commitment is a critical component of effective occupational health and safety management and a strong risk culture. When leaders visibly prioritise OHS, they demonstrate that worker safety and wellbeing are core organisational values, not secondary to productivity or cost pressures. This commitment is shown through active involvement in safety activities, such as participating in risk assessments, safety meetings, and incident investigations, and by consistently following safe work practices themselves. Leaders influence attitudes and behaviours by setting clear expectations, allocating adequate resources for safety controls and training, and holding themselves and others accountable for safety performance. Strong leadership commitment also encourages open communication, trust, and reporting of hazards and near misses without fear of blame. When workers see leaders acting on safety concerns and learning from incidents, it reinforces risk awareness, supports legal compliance, and drives continuous improvement in occupational health and safety outcomes across the organisation.



Communication in Risk Culture

Effective communication is a fundamental element of a strong risk culture in occupational health and safety. Clear, consistent communication ensures that workers understand risk management policies, safe work procedures, and their responsibilities for identifying and controlling hazards. When safety information is communicated in simple, accessible language and reinforced through training, toolbox talks, and signage, workers are better equipped to recognise risks and follow controls. Open communication channels also encourage workers to report hazards, near misses, and unsafe conditions without fear of blame or negative consequences. This early reporting allows organisations to address risks before serious incidents occur. Two-way communication, where workers are listened to and feedback is acted upon, builds trust and engagement. When leaders visibly respond to safety concerns and share lessons learned from incidents, communication strengthens risk awareness, supports compliance, and contributes to continuous improvement in occupational health and safety performance.



Accountability in Risk Culture

Accountability is a vital component of a strong risk culture in occupational health and safety, ensuring that responsibility for risk decisions and safety outcomes is clearly defined at all organisational levels. When roles and responsibilities are clearly assigned, leaders, supervisors, and workers understand their duties in identifying hazards, implementing controls, and following safe work procedures. Effective accountability reinforces that safety is a shared responsibility, not solely the role of safety professionals. It also involves applying fair and consistent consequences for unsafe actions, while recognising and rewarding safe behaviours. A just and balanced approach focuses on learning and improvement rather than blame, addressing system failures alongside individual actions. When accountability is applied consistently and transparently, it builds trust, strengthens compliance with safety requirements, and reinforces the importance of managing risks responsibly to protect workers and organisational performance.



Employees Engagement in Risk Culture

Employee engagement is a crucial element of a positive risk culture in occupational health and safety. Actively involving staff in risk identification and mitigation ensures that hazards are recognised early, practical solutions are developed, and controls are effective. When employees participate in safety committees, hazard reporting, risk assessments, and safety improvement initiatives, they develop a sense of ownership over workplace safety. This engagement encourages proactive behaviours, such as identifying potential risks before incidents occur, suggesting process improvements, and supporting colleagues in safe work practices. Engaged employees are more likely to follow procedures, report near misses, and contribute to a learning culture, reinforcing safety as a shared responsibility. By fostering participation, organisations strengthen accountability, build trust, and create a collaborative environment where occupational health and safety is continuously improved, benefiting both workers and organisational performance.



Safety Culture

- **Definition**

Safety culture refers to the shared attitudes, perceptions, and values that employees hold regarding workplace safety. It reflects how seriously an organisation prioritises protecting workers, adhering to safety procedures, and preventing incidents. A positive safety culture encourages proactive hazard identification, compliance with safety standards, open reporting, and collective responsibility, creating safer work environments and reducing occupational health and safety risks.

- **Link to risk culture**

Safety culture is a critical subset of overall risk culture, focusing specifically on attitudes and behaviours related to health and safety. While risk culture encompasses all organisational risks, safety culture shapes how employees perceive, respond to, and manage hazards. A strong safety culture reinforces risk-aware behaviours, supports compliance, enhances reporting, and integrates safety considerations into daily decision-making processes across the organisation.



Factors influencing Safety Culture

- **Leadership commitment** – Visible support and prioritisation of safety by management.
- **Employee involvement** – Participation in safety decision-making, reporting, and hazard identification.
- **Communication** – Clear, open, and consistent safety messaging across all levels.
- **Training and competence** – Adequate knowledge, skills, and awareness of safety procedures.
- **Work environment** – Physical conditions, equipment, and organisational practices that support safe behaviour.
- **Policies and procedures** – Clear, practical, and enforced safety rules and guidelines.
- **Incident reporting and learning** – Encouraging reporting of near misses and acting on lessons learned.
- **Accountability and responsibility** – Defined roles and fair consequences for unsafe actions.
- **Behavioural norms** – Peer influence, risk perception, and acceptance of safe practices.
- **Resource allocation** – Adequate time, funding, and equipment to manage risks effectively.



Behaviour Safety Principles

- **Focus on human behaviour to reduce unsafe acts**
Behavioural safety principles emphasise understanding and managing human behaviour to prevent unsafe acts and incidents in the workplace. By identifying patterns of risky behaviour, organisations can address the root causes of accidents, such as complacency, shortcuts, or distraction. Focusing on behaviour complements engineering controls, ensuring workers consistently follow safe practices and contribute to a safer occupational health and safety environment.
- **Encourage positive safety behaviours through observation and feedback**
Positive safety behaviours are promoted through regular observation, monitoring, and constructive feedback. Supervisors and peers provide guidance, reinforcement, and recognition for safe actions, encouraging employees to adopt safer practices consistently. This approach builds awareness, accountability, and engagement, creating a culture where safe behaviour is recognised, learned, and replicated, ultimately reducing workplace risks and supporting continuous improvement in occupational health and safety



Behaviour Safety Techniques

Safety observations and audits

Safety observations and audits involve systematically monitoring workplace tasks and behaviours to identify unsafe acts and conditions. Findings are recorded and analysed to implement improvements. Real-time feedback helps employees correct unsafe behaviours immediately, ensures compliance with procedures, and reinforces a proactive approach to occupational health and safety.

Near-miss reporting

Near-miss reporting encourages employees to report incidents that could have caused harm but did not. Analysing near misses helps identify hazards early, preventing future accidents. Promoting a blame-free reporting culture builds trust, increases engagement in safety processes, and supports continuous improvement in hazard control and overall workplace safety.

Positive reinforcement

Positive reinforcement recognises and rewards safe behaviours, encouraging employees to repeat correct actions consistently. This can include verbal praise, incentives, or acknowledgment programs. Reinforcing safe practices motivates workers, strengthens adherence to safety procedures, and contributes to a culture where occupational health and safety is valued and prioritised across the organisation.

Peer-to-peer coaching

Peer-to-peer coaching involves colleagues guiding one another on safe practices and sharing practical knowledge. It reinforces correct behaviours through observation and feedback, promotes accountability, and builds teamwork. This approach enhances engagement, trust, and proactive safety behaviour, helping embed a culture of shared responsibility for occupational health and safety.



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Human Behaviour and Risk Decisions

Cognitive biases influence decision-making

Cognitive biases are mental shortcuts that can distort perception and reasoning, leading to unsafe decisions. Examples include overconfidence, optimism bias, or confirmation bias. In occupational health and safety, biases can cause underestimation of hazards, poor risk assessment, or neglecting procedures, increasing the likelihood of incidents and unsafe behaviours.

Risk perception varies among individuals

Individuals perceive and respond to risks differently based on experience, knowledge, personality, and cultural factors. What seems high risk to one worker may appear acceptable to another. These differences influence decision-making, hazard recognition, and adherence to safety protocols, highlighting the need for consistent communication, training, and supervision in occupational health and safety management.

Stress and fatigue affect judgment

High stress levels and physical or mental fatigue impair concentration, alertness, and decision-making. Workers under stress or fatigue are more likely to make errors, overlook hazards, and take shortcuts, increasing the likelihood of accidents. Effective OHS management includes workload planning, rest periods, and support systems to minimise these risks and maintain safety performance.



Risk Appetite and Risk Tolerance

Risk appetite: The level of risk an organisation is willing to accept

Risk appetite defines the amount and type of risk an organisation is prepared to take in pursuit of its objectives. It reflects strategic priorities and guides decision-making, ensuring that actions align with the organisation's capacity to manage risk effectively while protecting employees, assets, and operational performance.

Risk tolerance: Acceptable variations around risk appetite

Risk tolerance represents the acceptable deviation from the organisation's stated risk appetite. It defines the boundaries within which risks can be taken without compromising safety, compliance, or objectives. Establishing risk tolerance helps organisations respond consistently to emerging hazards and ensures that operational decisions remain within safe and manageable limits.



Setting Risk Appetite (1/2)

Define Strategic Objectives

Setting risk appetite begins with clearly defining the organisation's strategic objectives, as these goals determine how much uncertainty the organization is willing to accept. Strategic objectives outline the desired outcomes related to growth, profitability, sustainability, innovation, or market position. By understanding these priorities, leadership can align risk-taking with value creation rather than allowing risk to emerge unintentionally. A well-defined strategy helps distinguish between acceptable risks that support long-term goals and unacceptable risks that threaten mission achievement. This alignment ensures that risk appetite acts as a guide for decision-making, resource allocation, and performance management across all levels of the organization.

Assess Risk Capacity

Assessing risk capacity involves evaluating the maximum level of risk an organisation can absorb without jeopardizing its financial stability, operational continuity, or reputation. This assessment considers factors such as capital strength, liquidity, cash flows, operational resilience, and access to funding. Understanding risk capacity is essential because it sets the upper boundary within which the risk appetite must sit. Even if an organisation has ambitious strategic goals, it cannot take on risks beyond its capacity to withstand losses or disruptions. A realistic assessment helps management avoid overexposure, supports sustainable growth, and ensures that risk-taking remains within tolerable limits.



Setting Risk Appetite (2/2)

Consider Regulatory and Stakeholder Expectations

Regulatory and stakeholder expectations play a critical role in shaping an organization's risk appetite. Regulators often impose requirements related to capital adequacy, governance, compliance, and risk controls, which limit how much risk an organization can prudently assume. At the same time, stakeholders such as shareholders, customers, employees, and the wider community have varying risk preferences and tolerance levels. Considering these expectations helps maintain trust, protect reputation, and ensure long-term viability. Balancing regulatory obligations with stakeholder interests ensures that the risk appetite is not only legally compliant but also socially responsible and aligned with broader expectations of ethical and sustainable behaviour.



Communicating Risk Appetite

Communicating risk appetite is essential to ensure that all levels of the organisation clearly understand what levels and types of risk are acceptable in pursuit of objectives. This involves translating high-level risk appetite statements into practical guidance that employees can apply in their daily roles. When risk appetite is effectively integrated into policies, procedures, and decision-making frameworks, it becomes part of the organisational culture rather than a theoretical concept. Clear communication supports consistent decision-making, reduces uncertainty, and empowers staff to take informed risks while avoiding actions that exceed agreed boundaries. Ultimately, strong communication of risk appetite promotes accountability, alignment with strategy, and more resilient organisational performance.



Assessing Risk Tolerance

Identify Thresholds for Key Risks

Assessing risk tolerance begins with identifying clear thresholds for key risks that the organisation faces, such as financial, operational, strategic, compliance, or reputational risks. These thresholds define the acceptable variation from objectives and specify the point at which risk exposure becomes unacceptable. By setting measurable limits, such as financial loss levels, service disruption durations, or compliance breach indicators, management can more effectively control and respond to risks. Clearly defined thresholds support timely escalation, improve transparency, and help ensure that risk-taking remains aligned with the organization's overall risk appetite and strategic objectives.

Monitor and Adjust Tolerance Levels Based on Performance

Risk tolerance is not static and must be continuously monitored and adjusted based on organisational performance, external conditions, and emerging risks. Regular monitoring allows management to compare actual risk exposures against established thresholds and identify trends or early warning signs. Changes in financial performance, market conditions, regulatory requirements, or strategic direction may require tolerance levels to be tightened or relaxed. By actively reviewing and updating risk tolerances, organisations can remain responsive and resilient, ensuring that risk management practices continue to support objectives while protecting long-term sustainability.



Promoting Risk Awareness Behaviour

Encourage Reporting and Transparency

Promoting risk-aware behaviours starts with encouraging open reporting and transparency across the organisation. Employees should feel confident to report risks, near misses, and incidents without fear of blame or negative consequences. An open reporting culture allows management to identify emerging risks early and take corrective action before issues escalate. Transparency also improves communication between teams and leadership, supporting informed decision-making. When risk information is shared openly, the organization can learn from past experiences, strengthen controls, and build a culture where managing risk is seen as a shared responsibility rather than an individual burden.

Recognise and Reward Safe Practices

Recognising and rewarding safe practices reinforces positive risk-aware behaviours and demonstrates management's commitment to effective risk management. Acknowledging individuals or teams who consistently follow procedures, identify potential risks, or contribute to risk mitigation encourages others to act responsibly. Rewards do not always need to be financial; recognition through performance appraisals, awards, or public acknowledgment can be equally effective. By linking safe practices to performance and recognition, organisations embed risk awareness into daily activities and motivate employees to balance innovation and performance with responsible risk-taking.

Provide Training and Resources

Providing appropriate training and resources is essential for enabling employees to understand and manage risks effectively. Training programs should be tailored to different roles and responsibilities, ensuring that staff understand relevant risks, controls, and escalation processes. Access to clear guidelines, tools, and expert support empowers employees to make informed decisions within the organization's risk appetite. Continuous learning helps staff stay aware of emerging risks and changing requirements. By investing in training and resources, organizations strengthen risk capability, support consistent behaviours, and foster a sustainable risk-aware culture



Aligning Safety Culture with Risk Management

Integrating risk awareness into daily operations ensures that risk management is embedded in routine activities rather than treated as a separate function. When employees consistently consider risk in planning, decision-making, and execution, it supports proactive identification of issues and helps prevent disruptions while reinforcing accountability at all operational levels.

Linking behaviour, culture, and organisational objectives ensures that how people act aligns with what the organisation aims to achieve. When desired behaviours support strategic goals and risk appetite, employees are more likely to make consistent, responsible decisions that balance performance, compliance, and long-term sustainability.



Tools to Improve Risk and Safety Culture

Organisations can improve risk and safety culture by using practical tools that promote awareness, accountability, and continuous improvement. **Safety audits and inspections** help identify hazards, assess compliance with procedures, and highlight areas requiring corrective action. Regular audits demonstrate management commitment to safety and provide objective insights into risk exposure. **Behavioural observation programs** focus on how people actually work, encouraging positive behaviours and addressing unsafe practices through constructive feedback rather than blame. These programs help embed safe habits into daily activities. **Risk workshops and training** further strengthen culture by building knowledge and encouraging open discussion about risks and controls. Through interactive sessions, employees gain a better understanding of their roles in managing risk. Together, these tools support consistent behaviours, improve communication, and create a proactive, risk-aware organisational culture.



Case Study - Safety Culture with Risk Management

A manufacturing company experienced frequent minor accidents and near misses, largely due to a weak safety culture where incidents were underreported and production targets were prioritised over safe practices. Management rarely engaged with frontline staff on safety concerns, leading employees to accept unsafe conditions as normal. After a serious injury occurred, leadership introduced a strong safety culture initiative focused on open reporting, regular safety briefings, and visible management commitment. Employees were encouraged to report hazards without fear of blame, and safe behaviour was recognised. Over time, risk awareness improved, near-miss reporting increased, and corrective actions were implemented promptly. As a result, accident rates significantly declined, operational disruptions were reduced, and employee morale improved. The strengthened safety culture directly influenced better risk outcomes and long-term organisational resilience.



Lecture Key Takeaways

- **Risk culture shapes organisational decisions** – Risk culture influences how decisions are made, ensuring choices consistently balance opportunity, safety, compliance, and long-term organisational objectives.
- **Leadership, communication, accountability, and engagement are critical** – Strong leadership, clear communication, defined accountability, and active engagement embed risk awareness and drive consistent, responsible behaviour.
- **Behavioural safety reduces unsafe acts** – Behavioural safety focuses on observing actions, reinforcing safe practices, and reducing unsafe behaviours that lead to incidents.
- **Risk appetite and tolerance align risk-taking with strategy** – Defined risk appetite and tolerance guide acceptable risk-taking, ensuring alignment with strategy, capacity, and performance objectives.



Questions

1. What is risk culture?
2. How can risk culture influence decision-making in an organisation?
3. Why is leadership commitment important for a strong safety culture?
4. How does effective communication support risk management?
5. What role does employee engagement play in safety culture?
6. What is behavioural safety?
7. How can understanding human behaviour help reduce unsafe acts?
8. What is risk appetite?
9. What is the difference between risk appetite and risk tolerance?
10. Why should an organisation communicate its risk appetite and tolerance to employees?





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