



**CHARTERED INSTITUTE OF LOAN & RISK
MANAGEMENT OF NIGERIA**

PAPER PRESENTATION

BY

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**EFFECTS OF RISK CULTURE, RISK GOVERNANCE & RISK
REPUTATION ON ORGANISATIONAL GROWTH AND
DEVELOPMENT**

IN

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Introduction

- Organisations face uncertainty, competition, and regulatory pressures
- Risk management is not just technical—it's cultural, structural, and reputational
- Focus: Risk Culture, Risk Governance, Risk Reputation → Drivers of growth & development

Learning Objectives

At the end of this session, participants will be able to:

- discuss concept of risk culture;
- list elements of a strong risk culture;
- identify practical steps to building a strong risk culture;
- discuss the concept of risk governance;
- list elements of risk governance;
- explain risk governance framework;
- discuss concept of risk reputation; and
- link risk culture, governance, reputation to organisational growth and development

Concept of Risk Culture

- Shared values, beliefs, and attitudes about risk
- Shapes how employees identify, assess, and respond to risks
- Encourages accountability, transparency, and proactive behaviour
- According to Eric Banks (2012), risk culture defined as an internal sensibility that reflects knowledge of, and respects for risk.

A case for a strong risk culture

- Problem with risk culture are frequently found at the root of organisational scandals and collapses.
- The concept of risk culture has grown steadily since the global financial crisis 2008.
- “The absence of healthy risk management culture is the cause of the organisational failures”

Elements of a strong risk culture

Tone from the top

- Tone from the top refers to the ethical atmosphere that is created in the workplace by the organisation’s leadership.
- Whatever tone management sets will have a trickle-down effect on employees of the company.
- Are the mission, vision and values clearly aligned and communicated throughout the firm?
- is the strategy appropriate given the risk appetite, and does the risk appetite framework ensure that decisions down through the organisation are consistent with risk appetite?
- Are risk outcomes articulated in strategy?
- Can the board point to an example where risk appetite considerations impacted strategic decision making?
- Does senior management lead by example?
- Is middle management displaying the right behaviour?
- What process does the firm have to ensure the message is consistent, well understood, and accepted throughout the firm?
- Are limits consistent with risk appetite?

- Are limits at the business unit level set to ensure risk appetite is not exceeded?

Accountability

- It is the obligation to account for one activities, accept responsibility for them, and to disclose the results in a transparent manner.
- It is important to understand how various stakeholders including employees and managers are held accountable for their action.

Ownership risk

- what is the expectation with respect to the identification, assessment, monitoring and reporting and response to – current and emerging risks across the organisation.

Practical steps to building a strong risk culture:

A. Implementing the three lines defense

1st line: Management

- Ownership, Accountability, and responsibility for risk
- Building leaders, operations groups, adopt strategies to identify business opportunities and optimize ROC and create value

2nd line: Risk Oversight, Risk & Compliance Functions

- Corporate Risk Management Group, independently work with all business lines.
- Establish & recommend risk management policies, infrastructure & processes.
- Provides the framework and infrastructure to facilitate risk

3rd line: Corporate Audit Group

- Independent assessment by internal and external auditors

- Monitors the effectiveness of operational functions, reliability of financial reporting, compliance with policies & regulations

B. Adopting the BASELL III framework

Pillar 1: Minimum Capital Requirement

Capital Requirement for:

- Credit Risk
- Market Risk
- Operational Risk
- Strength capital requirement
- Risk weight of securitization exposures
- Market risk capital requirements
- Credit Conversion Factors (CCF)
- More rigorous credit analysis
- Prohibition of self guarantees rating

Pillar 2: Supervisory Review Process

- Framework for Banks
- Qualitative supervisory
- Risk oversight, risk concentration, off balance sheet exposure.
- Sound compensation practices
- Reputational risk
- Supervisory framework
- Evaluation of internal system of internal systems of banks
- Assessment of risk profile

- Review of compliance with all regulation
- Supervisory measures

Pillar 3: Market Discipline

Disclosure Requirements for Banks

- Transparency for market participants
- increase transparency for securitization, off balance sheet exposure and trading
- Enhances comparability among Banks

Risk Governance



Concept of Risk Governance

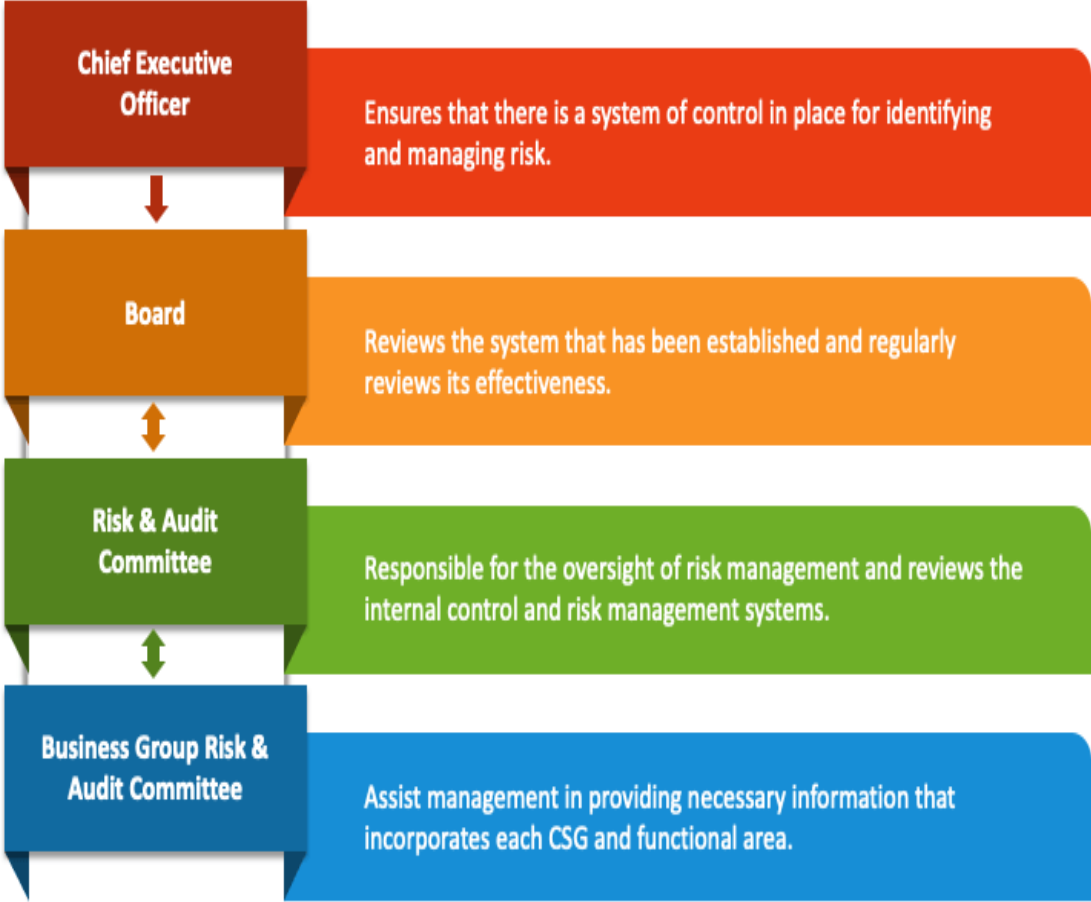
- Frameworks, policies, and structures guiding risk management
- Ensures accountability and alignment with organisational goals
- Promotes consistency, transparency, and compliance

Key Elements of Risk Governance

- **Risk Identification & Assessment:** Detecting potential threats and opportunities.
- **Stakeholder Involvement:** Engaging governments, businesses, communities, and experts.
- **Transparency & Communication:** Ensuring risks are clearly communicated to all affected parties.
- **Decision-making Frameworks:** Establishing rules, standards, and accountability mechanisms.
- **Adaptive Strategies:** Adjusting governance approaches as risks evolve (e.g., climate change, pandemics, cyber threats)

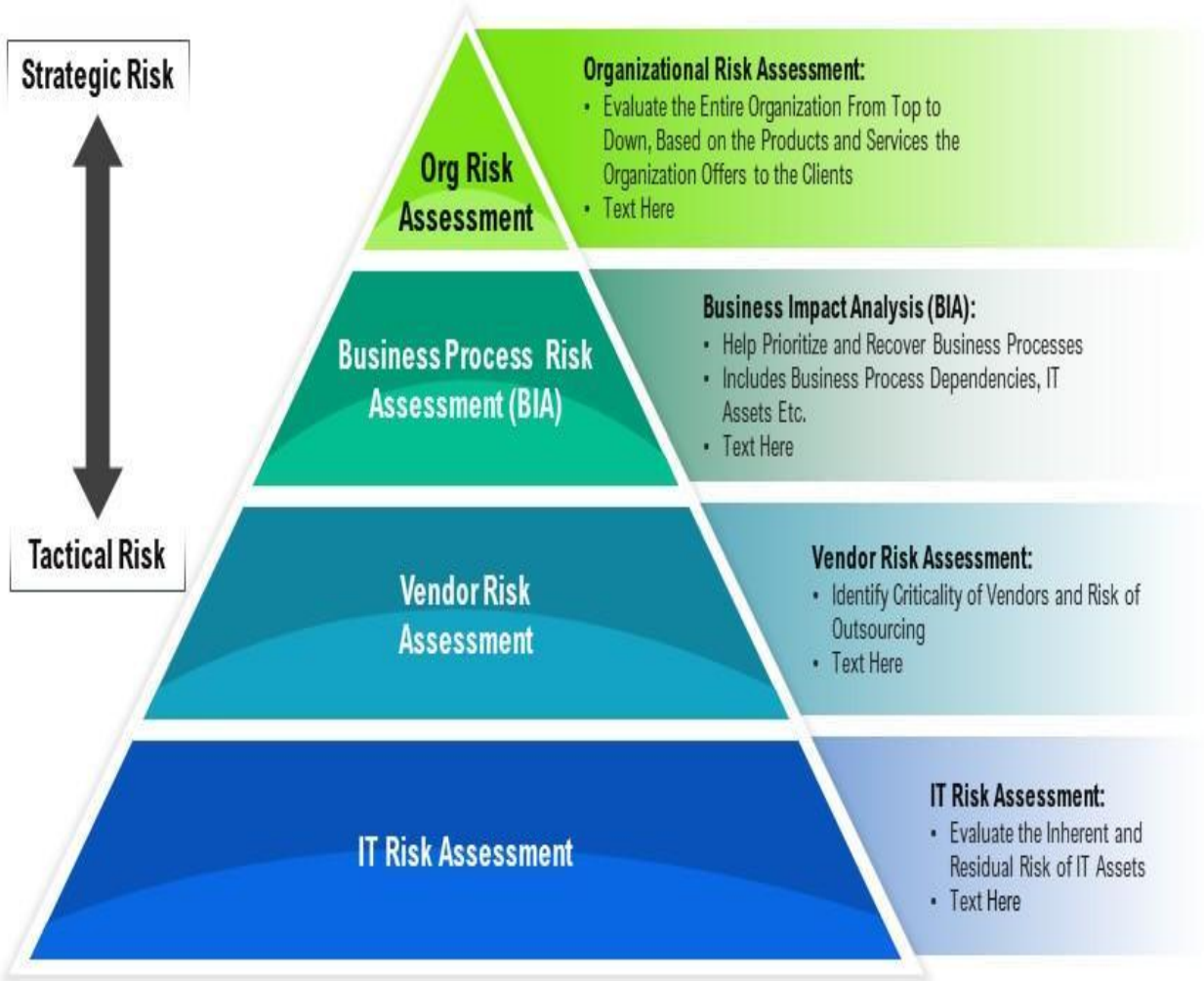
RISK GOVERNANCE

Risk Governance Framework



Organizational IT Risk Management Triangle Framework

This slide is 100% editable. Adapt it to your needs and capture your audience's attention.





Concept of Risk Reputation

- External perception of an organisation's risk management ability
- Builds trust with stakeholders (investors, regulators, customers)
- Strong reputation = competitive advantage
- weak reputation = vulnerability

REPUTATIONAL RISK

Reputational Risk Management Process



Key Steps to Assess Reputational Risk

❑ 1. Conduct a Reputational Risk Assessment:

- Start by establishing a baseline for your company's image.
- This involves understanding public perception through surveys and feedback from various stakeholders, including customers, employees, and investors.

❑ 2. Analyze Customer Feedback:

- Gather insights from customer reviews, surveys, and direct feedback.
- This helps gauge public opinion and identify potential issues that could harm your reputation.

❑ 3. Monitor Social Media Sentiment:

- Use social media sentiment analysis tools to track mentions of your brand.
- A spike in negative comments can indicate emerging reputational risks

that need to be addressed promptly.

4. Segment Stakeholders:

- Different stakeholders may have varying perceptions of your brand.
- Segment them into groups (e.g., customers, employees, regulators) and

assess their specific concerns and perceptions.

5. Evaluate Internal Factors:

- Assess internal factors that could impact your reputation, such as employee behavior, workplace culture, and compliance with regulations.
- Changes in employee sentiment can be early indicators of reputational risk.

6. Identify External Threats:

- Consider external factors that could affect your reputation, such as market trends, competitor actions, and public events.
- Understanding these can help you prepare for potential reputational damage.

7. Develop a Reputation Scorecard:

- Create a scorecard to quantify your reputation risk.
- This can include metrics related to customer satisfaction, media coverage, and social media sentiment, allowing for a comprehensive view of your reputation.

8. Implement Mitigation Strategies:

- Based on your assessment, develop strategies to mitigate identified risks.
- This may include improving customer service, enhancing communication strategies, or addressing specific public concerns.

Effect of Risk Culture on Growth & Development

- Encourages proactive risk identification → fewer losses
- Promotes ethical decision-making & compliance
- Supports innovation while balancing risk-taking
- Builds resilience → sustainable growth

Effect of Risk Governance on Growth & Development

- Provides clear decision-making structures
- Ensures consistent risk management across levels
- Strengthens stakeholder confidence through transparency
- Aligns risk with strategy → long-term development

Effect of Risk Reputation on Growth & Development

- Builds trust and credibility with stakeholders
- Attracts partnerships, funding, and opportunities
- Protects organisation during crises
- Positive reputation = growth driver; negative reputation = market loss

Growth & development link with risk culture, governance and reputation



Interconnections

Dimension	Role	Impact on Reputation
Governance	Structures, oversight, controls	Poor governance leads to scandals and regulatory penalties
Risk Culture	Shared norms guiding risk-taking	Weak culture fosters misconduct, damaging trust
Reputation	External perception of integrity	Strong governance & culture protect reputation

Conclusion

- Risk culture, governance, and reputation are interdependent
- Strong risk culture → responsible behaviour
- Effective governance → structured management
- Positive reputation → external validation
- Together, they form the backbone of resilience, growth, and sustainable development

Reference /Bibliography

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