



# The People Problem: Vulnerabilities Inherent in Human Organizations

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# GRC: Conceptualizing the Nature of Risk Intelligence

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- Traditionally thought of in terms of GRC
  - Governance
  - Risk= threats, attacks, or sloppy processes
  - Compliance
- Essential to understand risk in the context of the organization's overall objectives
- GRC programs must create a unified risk culture and a common language across the enterprise.
- Effective risk management practices must address cyber risk and business risk in equal measure and provide a consolidated view of risk to executives and practitioners.

# Components of GRC Risk Solutions

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# Solutions Must be More than Technology

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GRC programs are not as simple as a technology implementation. They must revolutionize how a business approaches its strategies and meets its objectives. This is a cultural shift that starts with executives at the top of the organization and extends to the people on the first line of the business. The technology underpinning these efforts must also inspire people to change the way they think and work ....

# Impacting Risk Culture is a Constant Priority

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GRC is not a challenge that can be solved simply with technology. It is a business imperative that must be addressed through a *shift in focus, priority, and culture* within a company that makes risk management an integral and proactive part of how the company thinks and acts. This is the Risk Intelligence that will drive your company's success.

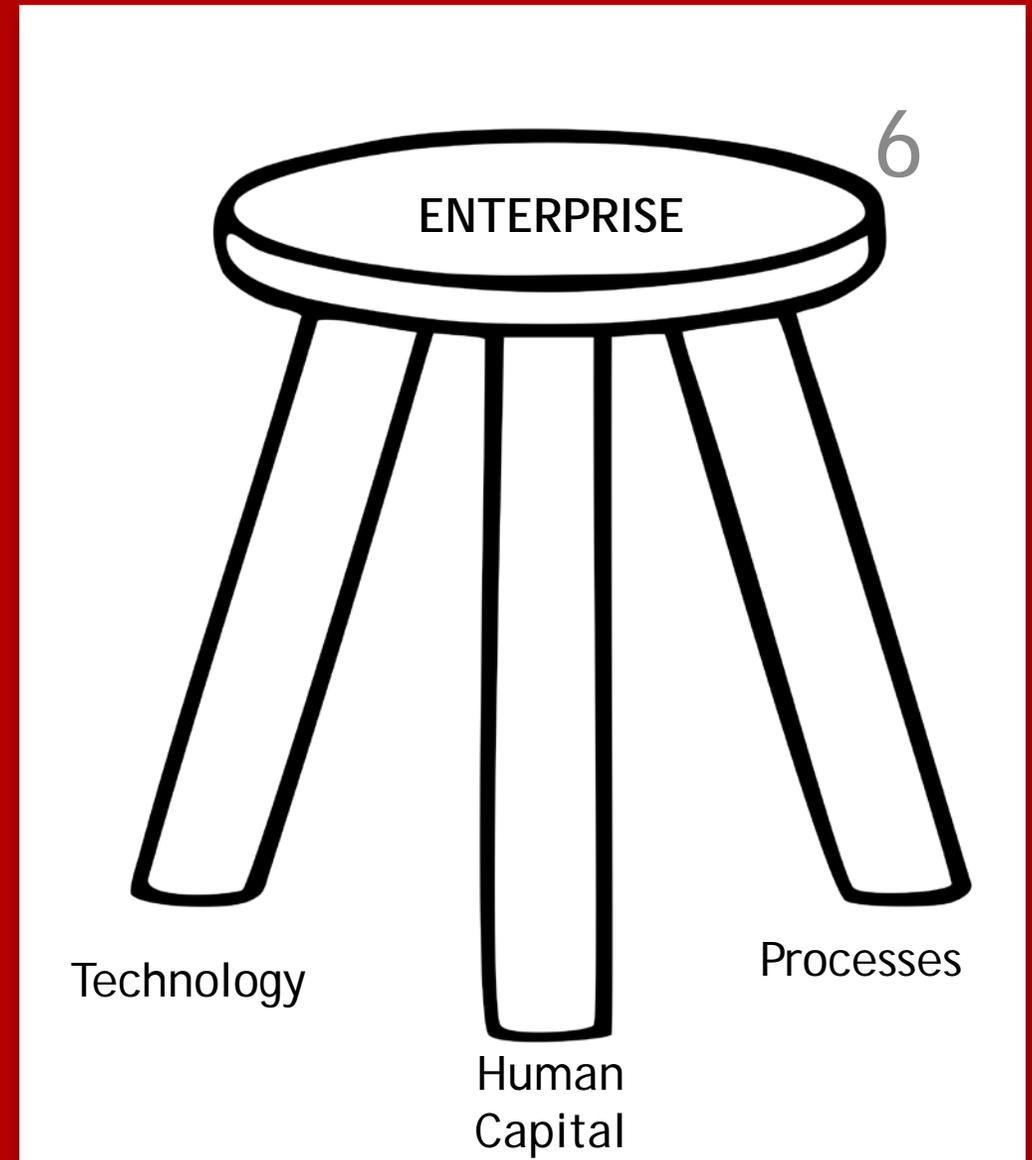
# A Second Look: Risk Solutions as a 3-Legged Stool

Successful enterprises require:

- Business Processes
- Technology
- Human Capital

(= people + knowledge)

This presentation focuses on the human capital aspects of the risk equation



# What is Human Capital?

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- *Human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value.*
- Recent article: Human Capital -- Why It's A 'Critical Component' For Success (Forbes, Oct. 10, 2017)
- Most CEOs agree it is a company's most valuable asset

# People are inherently messy

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- Economists – and leaders and managers – have been reluctant to admit this
  - Up until recently, economists have perpetuated the myth of the rational man or rational actor
  - Behavioral economists have punctured this myth
  - But have their latest insights penetrated down to management and corporate GRC assumptions?
- Business psychologists (and their tools and methods) may offer some protection from non-rational or ill-considered behavior

# Individual Perspective: Points of Vulnerability

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Stage in Career Life Cycle	Possible Problems	Methods of Intervention or Amelioration
Pre- or early stage employment	<ul style="list-style-type: none"><li>• Inadequate skill-set</li><li>• Bad or unrealistic attitudes</li><li>• Dishonesty</li></ul>	<ul style="list-style-type: none"><li>• Training</li><li>• Selection assessments</li><li>• Personality assessments</li></ul>
Mid-stage career	<ul style="list-style-type: none"><li>• Stalled career progress</li><li>• Financial or life concerns leave someone vulnerable</li></ul>	<ul style="list-style-type: none"><li>• Assessment interviews: individual &amp; 360 degree</li><li>• Sociometric analyses</li></ul>
Later Career or Leadership	<ul style="list-style-type: none"><li>• Life-style pressures/security</li><li>• Mismatch of talent to business challenges</li></ul>	<ul style="list-style-type: none"><li>• In-depth interviews</li><li>• Coaching</li><li>• Strategic alignment of people with business challenges</li></ul>

# Organizational Perspective: Leadership Problems that Impact Human Capital (and vice versa)

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Morale / Culture

Corrupt leadership

Incompetent leadership

Problematic leaders in key positions

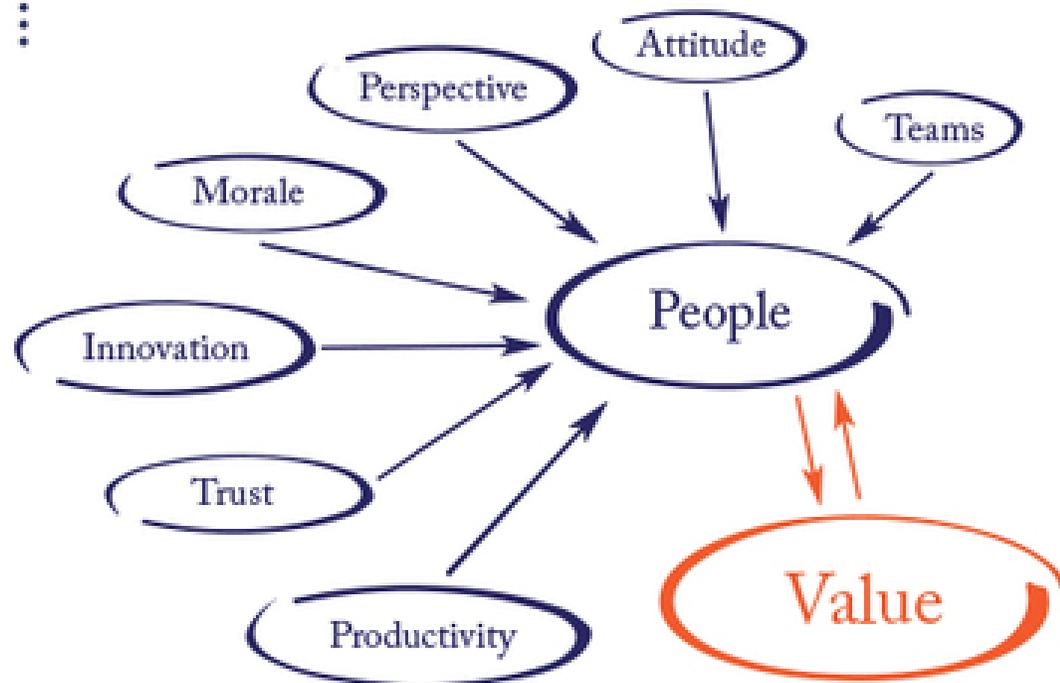
Inadequate, or antiquated, business strategies

Organizational design does not reflect business challenges

People do not only present vulnerabilities ...

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## *The NEW ROI:* *Return on Individuals*



# People can have a Positive Impact ... and they do in the best organizations

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- Areas of attention for positive Human Capital ROI:
  - Productivity
  - Trust
  - Innovation
  - Morale
  - Perspective
  - Attitude
  - Leadership team development
  - Best practices in work climate assessment & development

Thank you!

Questions? ...

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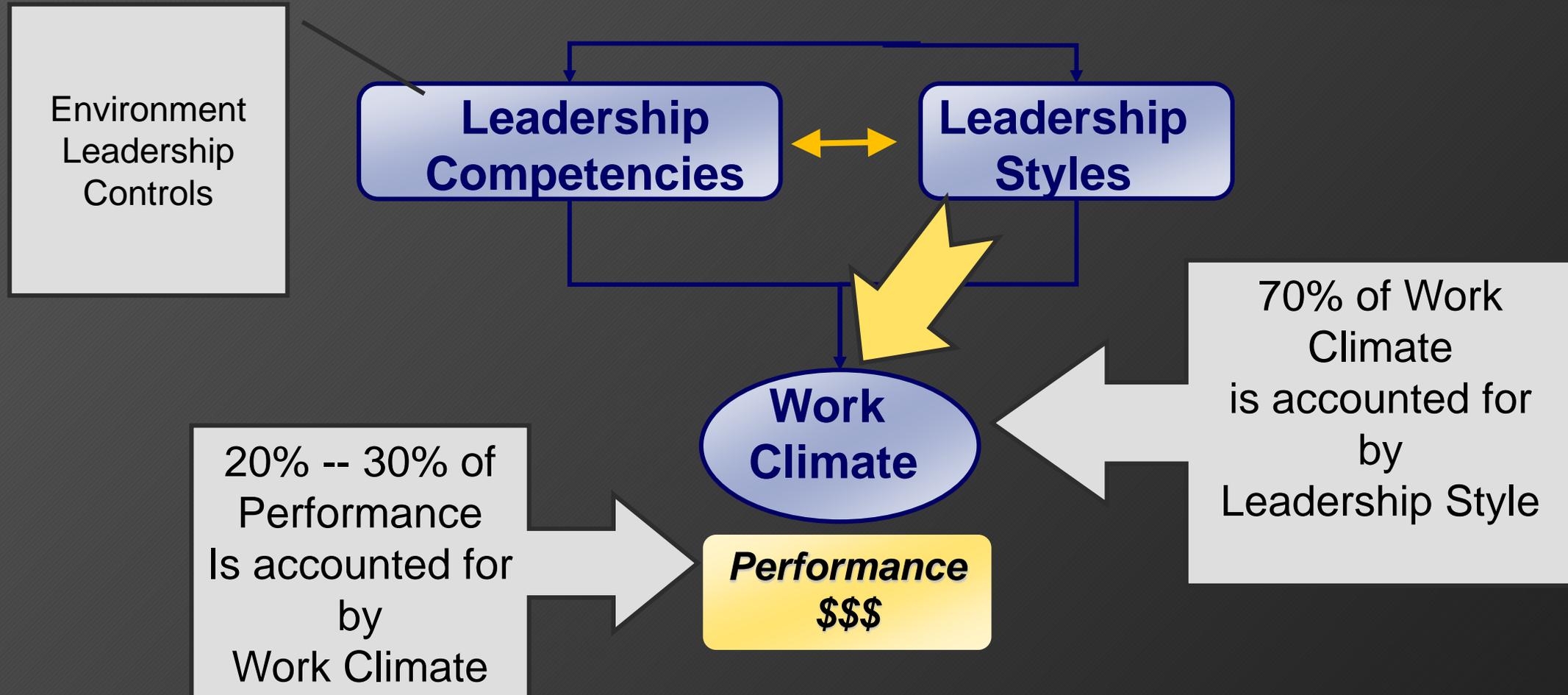


# Additional Material on the Importance of Work Climate

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# A Leadership Framework: Styles, Competencies, & Climate

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# Work Climate

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- Climate is people's perception of how it feels to work in the company
- It entails aspects of the environment that directly impact people's ability to do your job well
- Culture exists at a higher organizational level and is more difficult for one leader to affect



# Climate: Leadership Responsibility

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- Climate is determined by the leadership (in general) and KEY leaders (specifically)
- You are a buffer ... you have an impact on the climate your people experience.



# Climate Factors: Overview

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- Clarity
- Standards
- Responsibility
- Team Commitment
- Flexibility
- Recognition

# Clarity



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

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- The extent to which your employees know what is expected of them, and;
- The degree to which your people understand how those expectations relate to the larger goals and objectives of the enterprise.
- Clarity is key—always check this first.

# Clarity

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- When Rated High
  - The people in the organization have a clear idea of what is expected of them and how they contribute to the mission.
  - Policies and lines of authority are clear and productivity is high, due to good planning.
- When Rated Low
  - Policies and lines of authority are not clear, therefore productivity suffers accordingly.
  - People are not sure what they are expected to do in the organization.

# Standards



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

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- The emphasis that you put on improving the performance of your direct reports and on people doing their best at all times.
- The extent to which your people feel they have challenging but attainable goals.
- The extent to which your people feel that you do not tolerate mediocrity.

- When Rated High
  - Management places much emphasis on improving performance and setting challenging goals.
- When Rated Low
  - Management places little emphasis on improving performance or setting challenging goals.

# Responsibility



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

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- The extent to which your direct reports have the necessary authority delegated to them.
- The degree to which your people can do their jobs without having to consistently check with you.
- The degree to which they feel fully accountable for the outcomes.

# Responsibility

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- When Rated High
  - Superiors encourage subordinates to take initiative and hold them accountable for the outcome.
- When Rated Low
  - Superiors expect subordinates to check everything with them, even if subordinates have the right approach.

# Team Commitment



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

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- The degree to which people are proud to belong to your team.
- Will provide extra effort when needed, and;
- Trust that everyone is working toward a common objective.
- Team Commitment tends to be an outcome of the other climate dimensions.

# Team Commitment

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- When Rated High
  - People are loyal to the organization, and proud to belong to it.
  - People demonstrate discretionary effort.
- When Rated Low
  - Loyalty to and pride in the organization are low.

# Flexibility



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

- The perception your direct reports have about constraints in the workplace.
- The degree to which they feel there are unnecessary rules, procedures, policies, and practices that interfere with task accomplishment.
- The perception by your direct reports that new ideas are easy to put into effect.

# Flexibility

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- When Rated High
  - New ideas accepted easily, and unnecessary rules are kept to a minimum.
  - Management's focus is on getting the best people together to do a job.
- When Rated Low
  - New ideas are not easily accepted, and unnecessary rules and formal hierarchy impede getting the job done.

# Recognition



Flexibility



Responsibility



Standards



Recognition



Clarity



Team Commitment

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- The degree to which your employees feel that they are being recognized for good work.
- The degree to which you differentiate levels of performance through recognition.
- The degree to which your people know where they stand in terms of their performance.
- Recognition is *not* about money—leaders tend to have limited control over cash.

# Recognition

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- When Rated High
  - Recognition and encouragement is given more than threats or criticism.
  - The promotion system helps the best person rise to the top, and recognition is given in direct proportion to the excellence of job performance.
- When Rated Low
  - Threats and criticism outweigh recognition and encouragement.
  - The best person is hindered by the promotion system, and people are not usually rewarded in direct proportion to the excellence of their job performance.