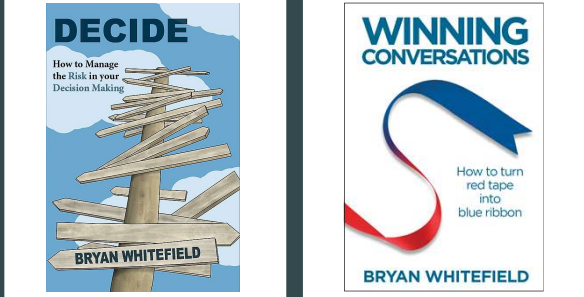




BRYAN WHITEFIELD 

Risk Leadership



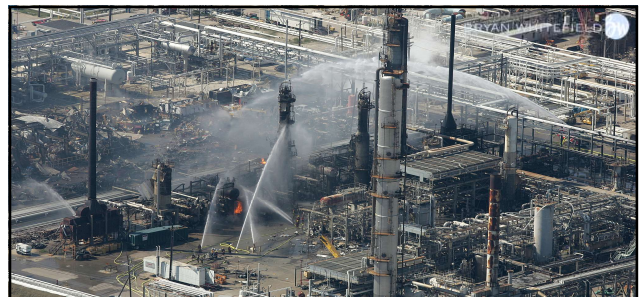
DECIDE
How to Manage the Risk in your Decision Making
BRYAN WHITEFIELD

WINNING CONVERSATIONS
How to turn red tape into blue ribbon
BRYAN WHITEFIELD



Complexity

BRYAN WHITEFIELD 




Mismanaged Complexity | Texas City Refinery 2005

Source: epnews.com/explosion




Sanjay Verma

Source: motherjones.com

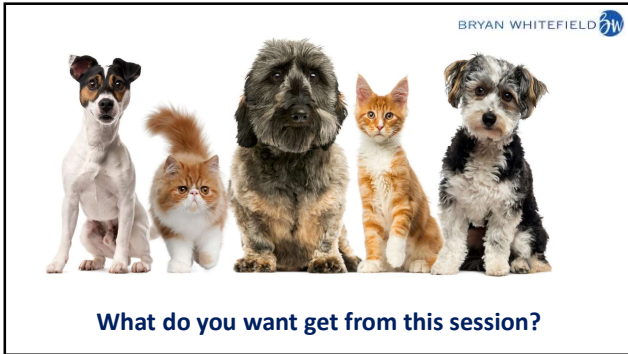


Bhopal 1984
Toxic gas release from a runaway exothermic reaction

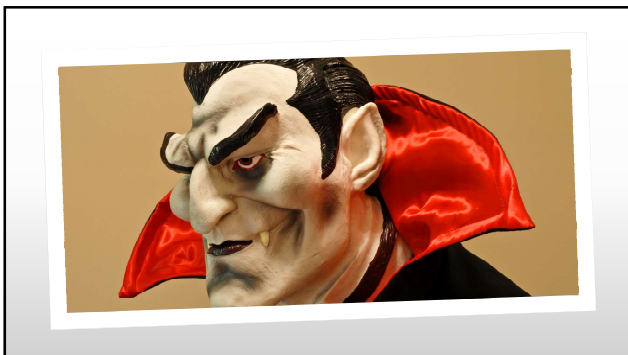
BRYAN WHITEFIELD 

- Warning alarms ignored
- Safety systems not functioning
- Public siren turned off
- Delay alerting authorities
- Hospital unprepared
- 500,000 people exposed
- Death toll from 2,200 to 16,000

Source: adist.org




WHY RISK MANAGEMENT?





Reflection Point



Compliance Activity
or
Leadership Imperative

RISK MANAGEMENT


Something we do every day



Crossing the Road | What are my objectives?



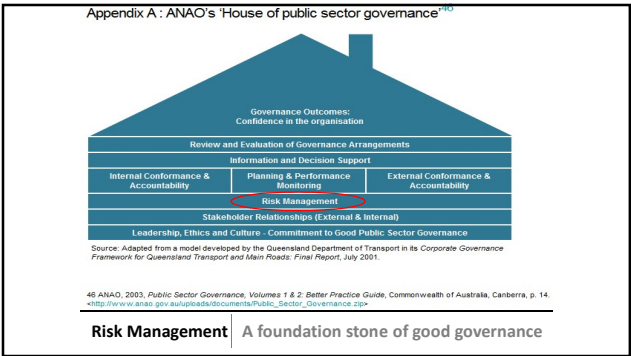
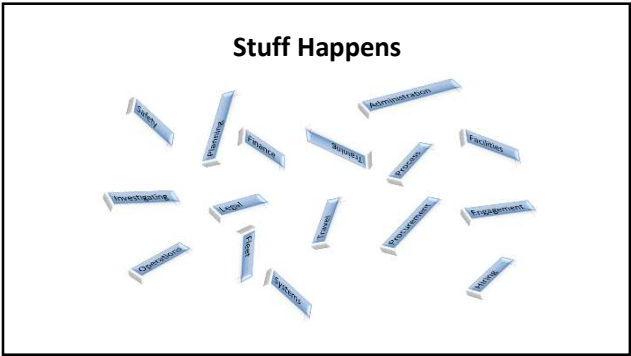
Crossing the Road | What is my assessment?



Crossing the Road | What is my decision?

RISK

The challenge for organisations



- ASX Corporate Governance Principles
1. Lay solid foundations for management & oversight
 2. Structure the Board to add value
 3. Promote ethical & responsible decision making
 4. Safeguard integrity in financial reporting
 5. Make timely & balanced disclosures
 6. Respect the rights of shareholders
 7. **Recognise & manage risk**
 8. Remunerate fairly & responsibly
- Private Sector Governance**


RISK MANAGEMENT

The barriers


Roadblocks | Handbrakes | Wet blankets



Problem One | Perceptions



Problem Two | Time



Problem Three | We Make it Too Complex

ALL TRUE – HOWEVER THERE IS A
BIGGER PROBLEM!



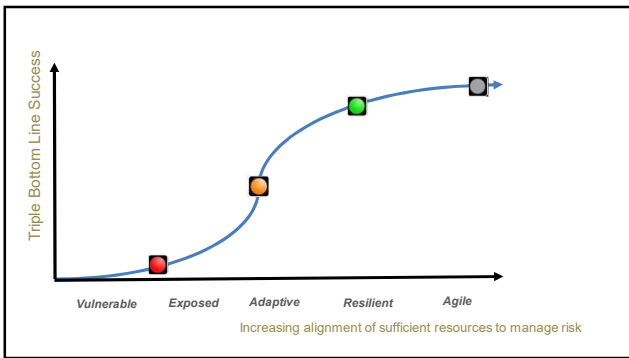
Problem Four | Inertia

RISK MANAGEMENT
The benefits

- The Benefits**
- increase likelihood of achieving objectives
 - stakeholder confidence & trust
 - operational effectiveness & efficiency
 - improved resource planning
 - confident financial management
 - regulatory compliance
 - 'less surprises'

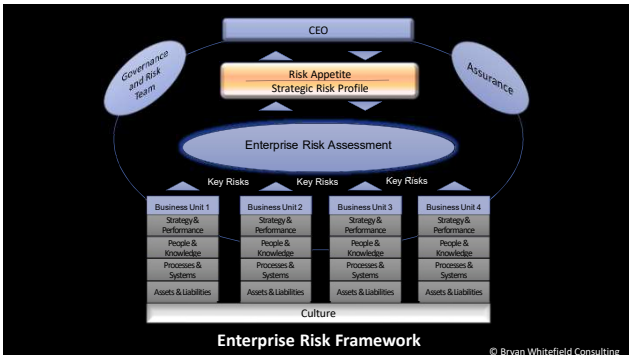
WHAT YOU SHOULD BE ASKING FOR YOUR ORGANISATION

Risk = Value



RISK MANAGEMENT

The End Game



The Real Value

Example – Completing the Template

Risk No. 1 Program Area:	Impact of risk happening	Consequence Rating	Likelihood Rating	Risk Level	
Failure to achieve improved strategic management of client portfolio	Loss of profitability/revenue. Loss of market share. Loss of reputation. Dilution of Shareholder Value.	Moderate	Likely	High	
Sources	Control controls and adequacy of controls A = Fully Adeq. M = Moderately Adeq. L = Inadequate	Risk Treatments	Person Responsible	By When	Person Monitoring
1. Senior Management Resources: • Lack of management resources to oversee relationship management of client base • Difficult to manage peaks in fluctuating demand on management resources Managers fail to take client issues to senior management	• Management structure • Management meetings • Delegated authorities • CRM Systems • CRM Reports	• Policy and systems • Checklists • Code of Conduct • Accountability of bidder			
Inappropriate bidding process: • Wrong to tender doc • Bidway • Conflict of interest • Putting in team member without consent	• Bid and knowledge of staff • System and process • Management systems • Resource planning • Budgets and forecasts • Attention to Detail/Control				
Lack of understanding of client needs					
Fail to deliver on needs					
Lack of funding for marketing and general stakeholder management					

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Risk Criteria

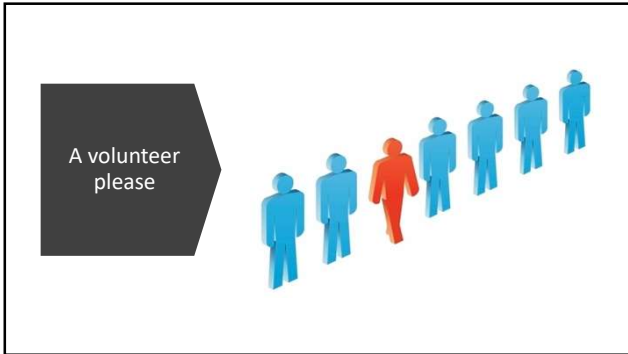
Likelihood	Severity of Impact	Consequence				
		1	2	3	4	5
A Almost Certain	Very High	L	M	H	E	E
B Likely	High	L	M	H	H	E
C Possible	Medium	L	M	M	H	H
D Unlikely	Low	L	L	M	M	H
E Rare	Very Low	L	L	M	M	M



Example - Running an Event

- Reputation
 - Crowd injury or even death
 - Very low crowd numbers
 - Poor weather
 - Poor transport
 - Poor marketing
- Poor Marketing
 - Dud consultant
 - Dud procurement process
 - Dud procurers
 - » Dud hiring of procurers

Answer:
A new hiring policy?



Take This Quick Quiz

A bat and a ball cost \$1.10 in total. The bat costs \$1.00 more than the ball. How much does the ball cost?"

How many of each kind of animal did Moses bring on his ark?

Assume a bloke named Steve is picked at random from a group of people from a list of all people born in 1978 (about 40 years of age). Steve has been described by a neighbor as follows:

"Steve is very shy and withdrawn, invariably helpful but with little interest in people or in the world of reality. A meek and tidy soul, he has a need for order and structure, and a passion for detail."

Is Steve more likely to be a librarian or a farmer?

Source: Association for Psychological Science

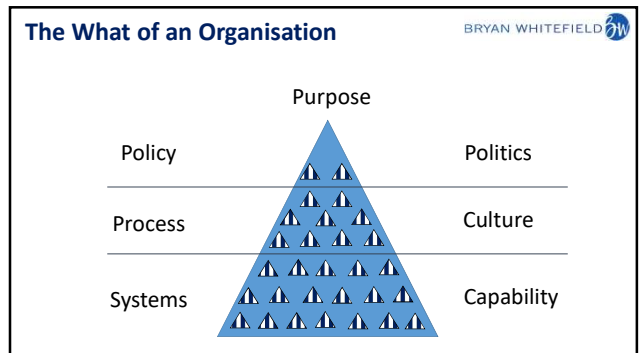
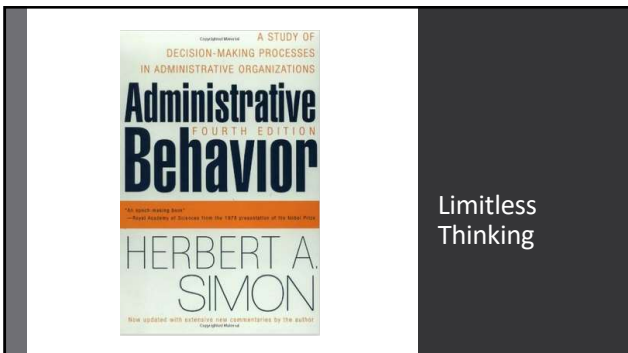
Take This Quick Quiz

Mary's mother has four children: April, May, June and ...?

Complete the word SO_P

A Ferrari and a Ford together cost \$190,000. The Ferrari costs \$100,000 more than the Ford. How much does the Ford cost?"

Source: Association for Psychological Science

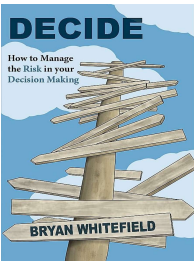


Limitless

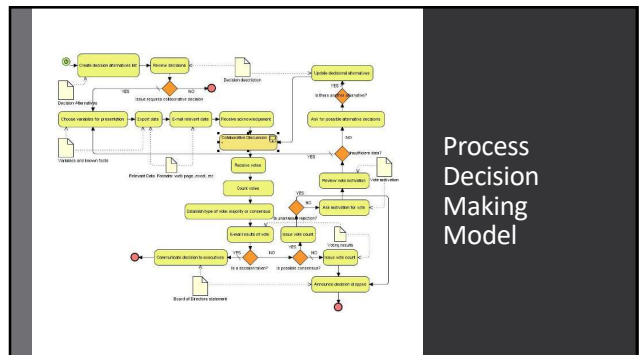
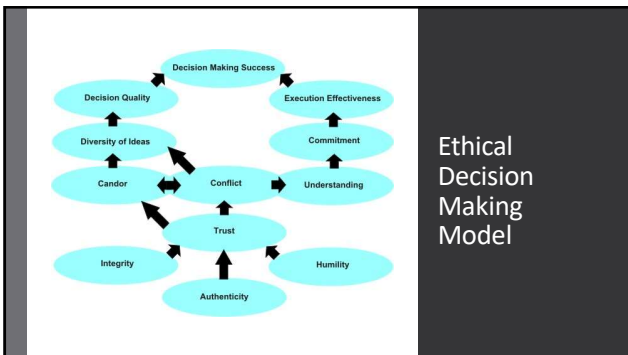
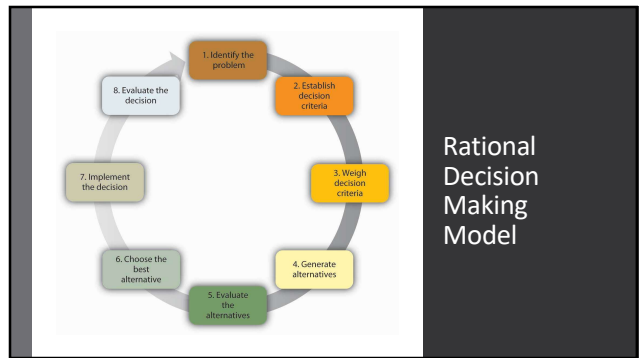


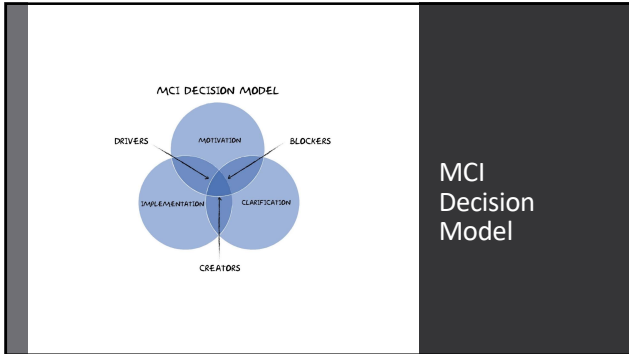
Decision	Probability of error	Error producing condition	Multiplying factor
Task that is unfamiliar, needs to be performed at speed, no idea of outcome	0.55	Unfamiliar with infrequent and important situation	x17
Complex task requiring high level of comprehension and skill	0.16	Need to learn an opposing philosophy	x6
Routine, highly practiced, rapid task involving relatively low level of skill	0.02	Newly qualified	x3
Totally familiar task, performed several times per hour, well motivated, highly trained staff, time to correct errors	0.0004	Little or no independent checks	x3
		Incentive to use more dangerous approaches	x2
		Emotional stress	X1.3

Blind Spots vs Clear Thinking

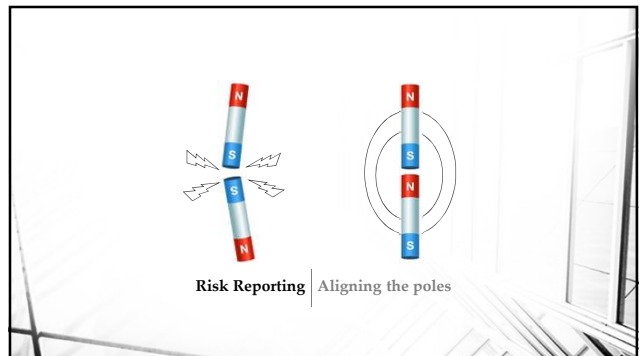
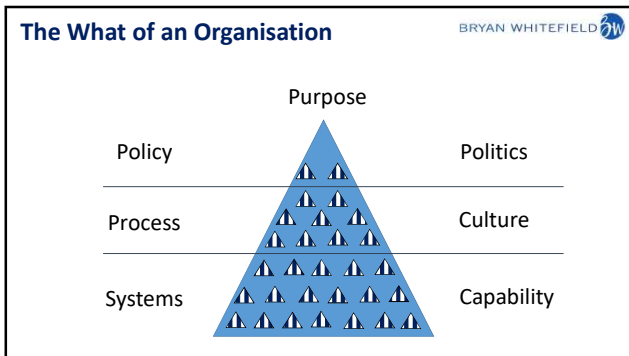


Finding the Triggers





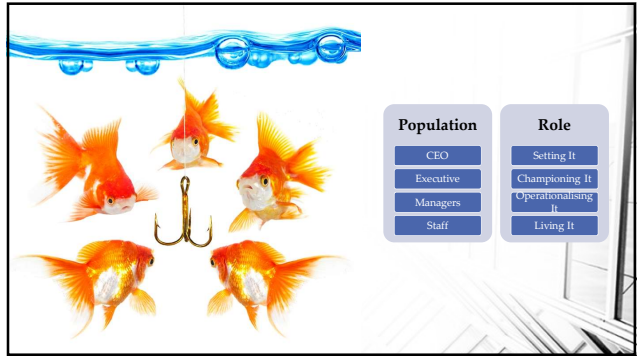
Risk Appetite



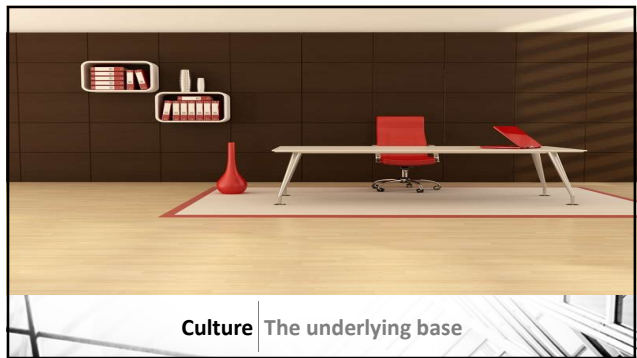
Reflection Point

Do your policies, processes and systems ensure stakeholders know where the flags are on the beach?

Risk Appetite and Your Role



Risk Culture



Culture

Culture is real
 Hard to define, however, some examples of how culture is identified include:
 The "personality" or "character" of the organisation
 "How things are done around here"
 How employees think, act and feel

- Risk Leadership**
- Culture and Leadership**
- Culture is established by leaders
 - Behaviour
 - How they dress
 - How they communicate
 - What they communicate
 - What they spend their time on
 - How they treat people



Defining Culture

The Palmer Report

- The 2005 investigation into the Cornelia Rau affair.
- A mentally-ill person was incorrectly detained for 10 months under Australia's immigration laws.
- There were failures to identify her true identity as an Australian citizen.
- There were failures to identify that she was suffering from a mental illness.

Defining Culture

From the Palmer Report...

- *"There is a serious cultural problem ... a culture that is overly self-protective and defensive, a culture largely unwilling to challenge cultural norms or to engage in genuine self-criticism or analysis."*
- *"The present culture seems to have operated to stifle original thought, inhibit individual action, and discourage wider consultation or referral."*

CBA

- Commonwealth Bank of Australia –
 - 2018 intervention by banking regulator – APRA
 - "Prudential inquiry into the CBA. This followed a number of incidents in recent years that have damaged the reputation and public standing of the CBA group."

CBA

- APRA found:
 - "At the Executive Committee level, the Panel observed a complacent culture, a lack of accountability for non-financial risk management and lax remuneration practices, which led to almost inevitable attitudinal weakness in relation to emerging risks and customer issues. Overconfidence, bred from financial success, meant that serious gaps in CBA's controls for non-financial risks were overlooked. ."



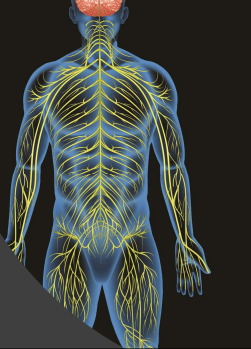
What is Good Risk Assessment?

Emotions Drive Decisions

Study of over 1400 marketing campaigns by Institute of Practitioners in Advertising in the UK.

- emotion only 32% effective
- logic only 16% effective
- logic and emotion 26% effective

Source: Dolan, G. "Stories for Work", Pg 9.



Blind Spots are Black Spots

15 to 50% Error Rate



Risk Assessment Needs to be done well



Known Risks | **Known Issues**



Unspoken Risks | Unveiling the elephant in the room



Unknown | Unlikely but identifiable

