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Risk Leadership Leading Through Complexity

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Managing the unprecedented pace of increase in complexity in the 2020s will require Risk Management to deliver on its promises.

It will require an unprecedented level of leadership.

The opportunity for risk professionals is now.

About this paper

We can't predict the future with accuracy. However, with the advancements in technology, the impact of climate change and the geo political forces that may come into play, we are going to experience unprecedented growth in complexity over the next decade.

Those organisations that learn to lead through that complexity will thrive while others will be overwhelmed.

Complexity creates uncertainty and risk management is the process humans have been using through evolution to manage uncertainty. Some better than others. The "others" need our help.

This paper is a call to the risk profession to step up. To deliver on our promises. To help lead our organisations through the complexity of the next decade.

In order to step up we must create more value than currently. Perceived and actual.

If you would like to explore how you can increase the value you bring to your organisation as a risk professional, and if you would like to increase your influence to improve perceived value please read on.

If you are already nailing it in your organisation, if you are one of the first people the boss calls when considering the big decisions, you may wish to read on regardless. You will likely find new insights that will help you to help others in your team to add more value and to increase their influence.

Enjoy!

It can be frustrating

How often do you run across staff treating risk as a compliance exercise? Where their job is to tick and flick.

Perhaps you are in a more progressive organisation. You have gained traction because the Audit and/or Risk Committee has put some pressure on the Executive. At least staff will do what they must because they know you need to provide comfort to the bosses and the board.

Both are frustrating because staff are not willingly engaging with the risk framework and are missing out on the value it should bring. The result, our meetings are often postponed or not everyone shows up. Or, ouch! No one shows up.

When staff do show up. Some are incessantly on a device, taking calls and/or excusing themselves from meetings because something more important pops up. Like business!

While you and I know managing risk is integral to good business, we have all heard the same lines.

“But we manage risk every day! Why do we have to go through this?”

If you have managed to move your organisation past this point where staff do come to your meetings and do engage, the next area of frustration is often lack of action that follows the meetings.

Why? Life gets in the way. That is, the real business of business. Staff jettison their risk responsibilities because of more pressing matters.

While we get the need to manage the business, you and I know that if people don't stop and think, problems are around the corner. Errors, rework, calamities and on rare occasions a catastrophe.

Interestingly though, as one IT professional once said to me:

“I've never seen a catastrophe that was not at least six months in the making!”

Frustrating! Isn't it?

*You and I know that if people
don't stop and think,
problems are around the corner*

A trap on the pathway

As risk professionals we are advisers. The ultimate state for an adviser is to be a “trusted adviser” (see Figure 1). To have a seat at the table where the decisions are made. In fact, you are consulted well before the meeting is called.

However, there is a trap that most of us have all fallen into from time to time that hinders this journey. Sometimes, just to get the job done, we have used whatever authority we have been able to muster. Such as a directive from the CEO or a push from the Audit and/or Risk Committee to get assurance for the board. And when we use this authority, staff see us like a tyrant or a controller. This means that risk management is seen as a compliance activity, or worse, a painful experience. It means we are avoided. We are not invited to take a seat at the table. The door is closed in our face.

Most risk professionals I meet are not in this space or learned the lesson very early on. Most operate as experts that management and staff can call on to get the job done so the Audit and/or Risk Committee can provide the assurance needed for the board. And that means we are invited for our advice when needed.

Moving further along the pathway to becoming a trusted adviser, risk professionals have learned that the key to being trusted as an authority in a certain area is to provide insights. In the risk profession we have the tools to do this. They just need to be used wisely once staff are prepared to listen.

However, our ultimate goal should be to become trusted advisers to the business where our advice is sought often and across the business. And when we achieve that, we have achieved a leadership position in the business.

Why? Because advising is leading.

And it is a very special form of leading. Advising is leading alongside. And leading alongside is what a risk professional must do. It is not our risk. It is not our job to manage their risk. It is our job to help them see the optimum path forward and to help them walk down it.

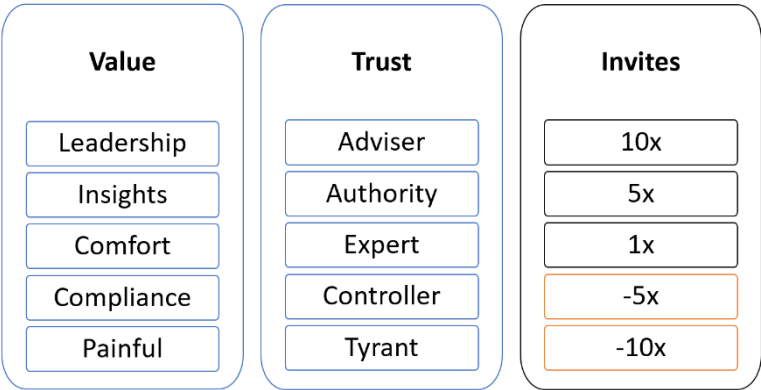


Figure 1: Pathway to Trusted Adviser

Advising is Leading

The opportunity to lead presents

We know the risk process is the single most valuable tool available for managing uncertainty. And we know complexity drives uncertainty. It has navigated our species safely through evolution to here and now. Flight versus fight being the early version of it. Then further development of our ability to strategize by thinking of potential futures. Followed by the birth of “underwriting” merchant ships in the 1400s, then formal insurance to manage financial risk and eventually the birth of modern risk management.

Now humankind faces its greatest opportunities and threats. Think about the advent of computers in the 1980s, email and the internet through the 1990s and the globalisation that followed in the 2000s. In that decade Facebook, Twitter, Instagram and the first smartphone were all launched. Airbnb and Uber also started their disruptive charge.

This decade we have seen the rise and rise of streaming, big data and robots running on AI and Machine Learning and the result has been developments most of us have trouble getting our head around. Think blockchain and cryptocurrencies, drones delivering parcels, World Cup e-sports events for the League of Legends “video game” and the instant phenomenon that was Pokémon Go.

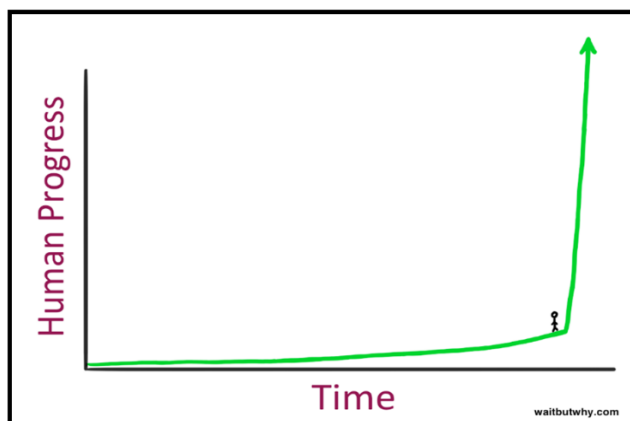


Figure 2: Unprecedented Developments

The current and projected number of devices connected to the Internet of Things (IoT) are 15.4 billion devices in 2015 to 30.7 billion devices in 2020 and 75.4 billion in 2025. Of which, Gartner predicts one third will be the Industrial IoT

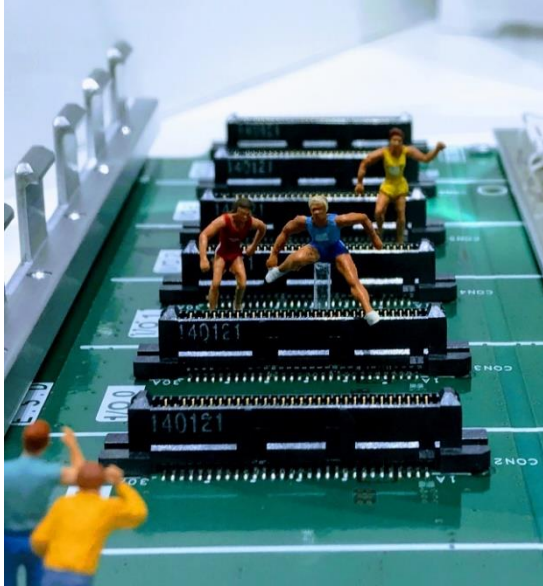
Think about the pace of change created in your life by these events. Now multiply it by a factor of ten as the changes of the last decade become mainstream and new ones arrive.

What does this all mean for businesses today? It means an exponential increase in complexity. Increased complexity means increased uncertainty.

What does this mean for us in the risk profession? It is our opportunity to shine like never before.

Which means it is time for us to step up.

The hurdle we must overcome



Now is the time to let you in on a little secret. What is between us and a leadership position? It is the irony of our own expertise.

We can all agree complexity creates uncertainty and risk management is a magnificent tool for managing uncertainty. And we know we can analyse a situation to understand the underlying issues and to show a way forward. The problem is, they're not listening.

the irony of our own expertise

They're not listening because of the irony of our expertise. We have managed to overcomplicate risk management. We have managed to develop our own jargon. We have managed to create complex risk assessment spreadsheets or buy software systems with so many analysis options it takes inordinate amounts of time to enter all the information required. All so we can show how smart we are.

Because of the irony of our own expertise, those we serve don't see our value. They don't accept that we have much to offer.

Creating value through simplicity

The answer is that we must overcome the temptations to overcomplicate things. In particular, with mindboggling amounts of data soon to be generated and evolving analytical tools becoming readily available to us to play with the data. We must find simple methods of finding and communicating valuable insights to help others to see and manage the uncertainty surrounding their business decisions.

Consider the various elements of your risk framework. Everything from the policy and framework document itself to the risk assessment methodology through to your risk

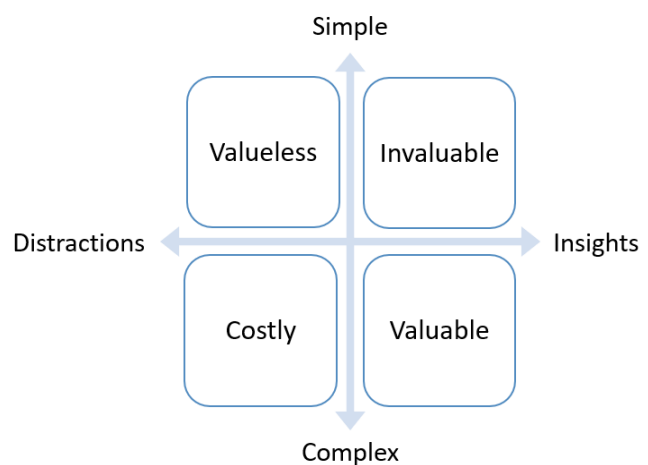


Figure 3: The Simplified Proposition

appetite statement. And if you are at the stage of quantifying risk using risk models, think of them as well.

Now have a look at Figure 3. In which box would staff place each element of the outputs of your hard work? I really hope for you that your outputs are all on the righthand side with most in the top right corner.

In truth, you should not be the judge. You should ask the end users to identify the scale of your success.

How to simplify the complex

The answer comes in two parts. One is how we design our frameworks and the other is how we communicate to ensure staff have a good experience with risk and are more willing to engage with the risk program over time.

Consider Figure 4. This model for developing frameworks shows that the main aim of the design and deployment of a framework is to drive desired behaviours. The secret to simplifying risk frameworks is to observe staff behaviour and to identify how you want that behaviour to change. The answer won't always be "conduct a risk assessment". The optimum risk framework provides guidance so that existing policies, processes and systems are modified to appropriately manage uncertainty. That is, good "uncertainty management" practices are embedded in normal business operations. These are what drive behaviour.

In order to communicate better to staff we must write and speak in their language. You need to move from risk-speak to c-suite speak and risk-speak to manager-speak and risk-speak to worker-speak.

If you devolve your risk framework into the existing operational frameworks of the business and you communicate in their language you will optimise both the first experience staff have with your new framework and with the ongoing engagement you build into your program.

Remember. Always focus on the desired behaviour and how you can influence that. Not on what is technically correct as decreed by ISO or COSO.

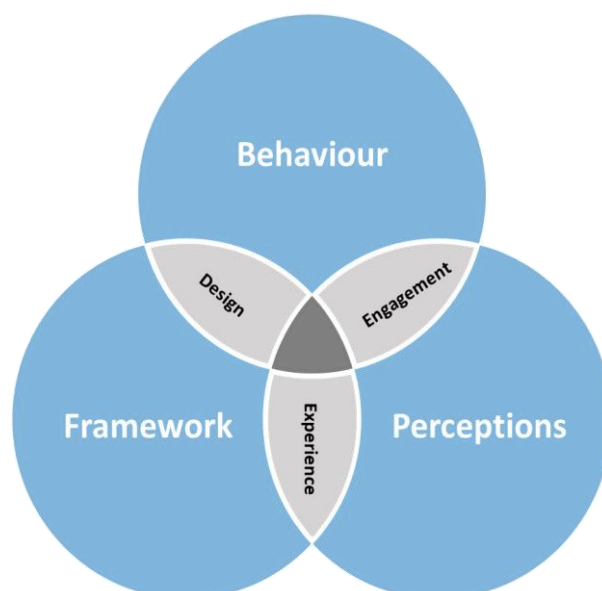
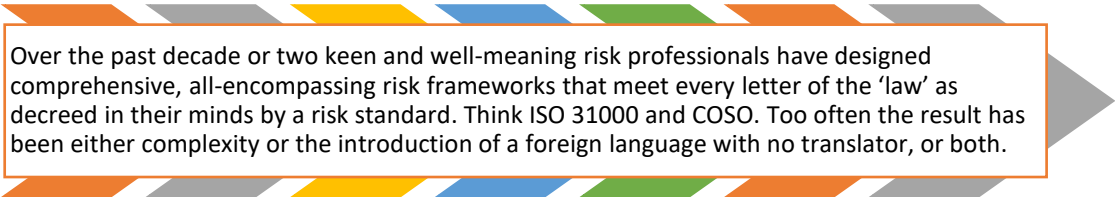


Figure 4: Model for Developing Frameworks

What you need to do next

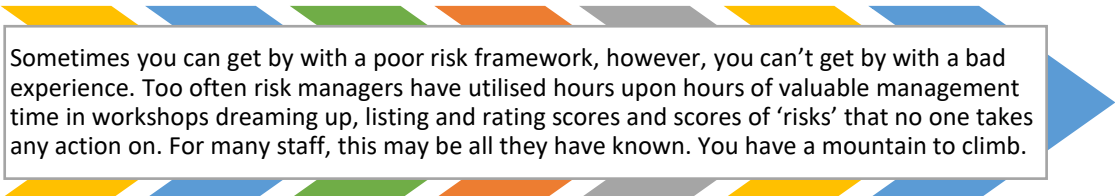
First. Frame the problem. Consider the block, or blockages in your organisation and what might be an underlying cause. Consider the following:

Poor Framework




Over the past decade or two keen and well-meaning risk professionals have designed comprehensive, all-encompassing risk frameworks that meet every letter of the 'law' as decreed in their minds by a risk standard. Think ISO 31000 and COSO. Too often the result has been either complexity or the introduction of a foreign language with no translator, or both.

Bad Experience



Sometimes you can get by with a poor risk framework, however, you can't get by with a bad experience. Too often risk managers have utilised hours upon hours of valuable management time in workshops dreaming up, listing and rating scores and scores of 'risks' that no one takes any action on. For many staff, this may be all they have known. You have a mountain to climb.

Sporadic Engagement



Even when management and staff have been given a good experience, too often their next experience is only brought on because of a 'compliance' requirement. Or because of the obligatory annual review of the 'strategic' risk register that was forgotten the day after it was last reviewed. Risk is not embedded in BAU.

Second. Join with me and a bunch of other like-minded risk professionals who are looking to overcome the hurdles posed by the irony of our own expertise. People just like you who are looking to design minimalist frameworks, create invaluable experiences at every turn and drive unprecedented levels of engagement in the organisations we serve.

Come join my [Risk Leadership Group Mentoring Program](#) via sessions held in the Sydney CBD or online.

The opportunity for risk professionals to deliver on our promise is now. And we are all looking to help each other to smash it in the decade of complexity!

Profile – Bryan Whitefield

In an increasingly complex world, the ability for leaders to lead through complexity is key to all of our futures.

With over 30 years of experience across engineering, financial services and management consulting Bryan has helped thousands of executives achieve their goals. His passion is for making the difficult and complex doable.

Author of books on decision making and influencing, Bryan has featured in The Weekend Australian, News.com.au, CEO World Magazine, CMO Magazine, HR Director and a myriad of other publications, podcasts and radio interviews.

Bryan has worked with organisations across all sectors of the economy including Brisbane Airport, Cancer Council Australia, the Departments of Defence, Environment, Foreign Affairs, Health and Industry, DHHS Victoria, Downer, EBOS, Employers Mutual, Fire and Rescue NSW, HCF, McConnell Dowell, Multiplex, Navitas, NSW Police, QBE, Santos, Suncorp, Uniting, Unitywater, the VMIA and Xstrata.

Bryan was President and Chair of the Board of the Risk Management Institute of Australasia (RMIA) from 2013 through 2015 and is licensed by RMIA as a Certified Chief Risk Officer (CCRO).

He is best known for his workshop facilitation skills and his ability to engage and influence at board and executive level. He helps organisations drive risk leadership from risk management programs, reframe decisions using data and he works with corporate services to cut red tape and create blue ribbon.



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