

Risk Management Made Simple

Welcome to the FREE Online Newsletter about **Systematic Risk Management**

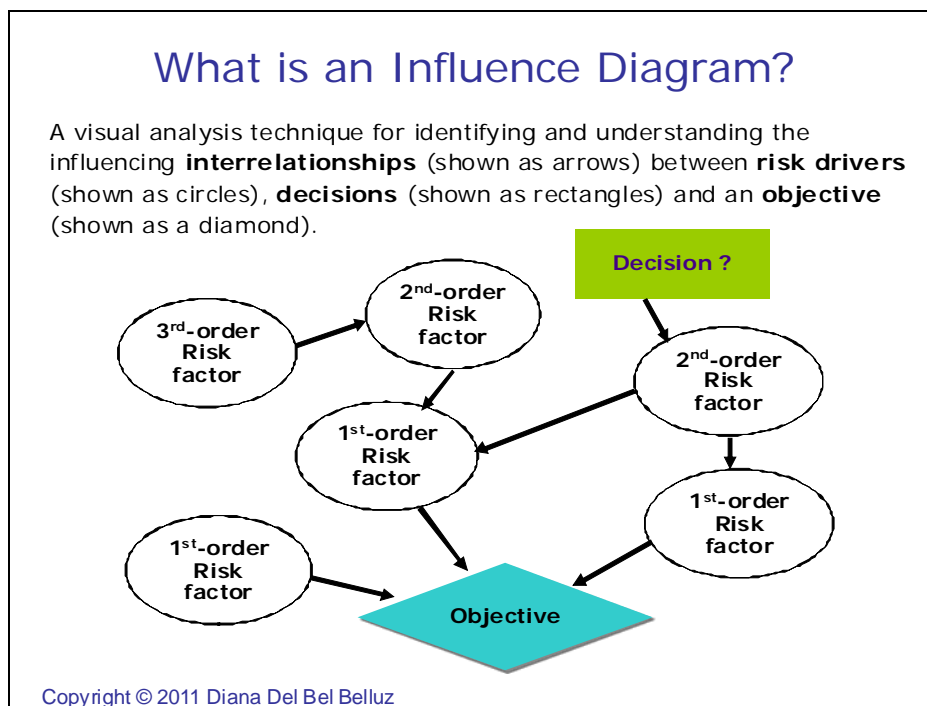
for **executives** and **management professionals**

from *Risk Wise Inc.* and **Diana Del Bel Belluz**

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BONUS RESOURCE: The Influence Diagram Tool for Analyzing the Cause-Effect Relationships Between Risks and Objectives

The Influence Diagram is a tool to understand and evaluate the cause-effect relationships between risks and objectives. This figure shows the components of an Influence Diagram.



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Because it's a structured approach, **the Influence Diagram technique offers many advantages:**

- Due to its pictorial nature, **it is intuitive to use.**
- It **systematically identifies the factors that drive risk** (uncertainty) to achievement of the objective.
- It **highlights what needs to go right** (i.e., performance drivers) to achieve the objective, not just the factors that could go wrong (i.e., downside risks). This helps to pinpoint vulnerabilities in performance capabilities.
- It **provides insight into the interrelationships between risk factors**, that the kind of simple list of risks produced by the traditional brainstorming exercise does not. This is extremely important for addressing major risk scenarios, which research shows, typically involve the interaction of 2 or more risk factors.
- It **provides a higher degree of certainty that key risks will be identified** than brainstorming alone. At *Risk Wise*, we frequently find that clients realize that certain risks that appeared to be small when they considered them in isolation were actually significant because they are amplified due to their position in the chain of cause-effect relationships between risk/performance drivers and their objective. Our clients also discover they can spot weaknesses in the ability of their risk mitigation strategies to handle cascading risks that they couldn't see when they considered risks individually.
- It **can be used prospectively** to explore where risks will be in three to five years. This kind of forward-looking analysis helps you to identify where you need to build resilience to ensure the sustainability of the organization. This may include making adjustments to your capabilities to manage the risks that are within your control (people, processes, and systems) and your strategies (e.g., awareness, influence, response) to deal with external factors that are not within your control.
- Thanks to the availability of commercial software the influence diagram **can easily be converted to a probabilistic risk model** (e.g., by applying the Monte Carlo method) to rigorously explore the full range of potential risk values. This type of approach enables the analyst to quantify the 'thickness' of the arrows, i.e., the magnitude of the influence that each factor has on the achievement of the objective being analyzed.

Get step-by-step instructions of how to construct an influence diagram and an illustrated example at:

<http://www.riskwise.ca/advisory-tips/influence-diagram-how-to-guide.html>

Upcoming Events and Special Offers*

December 5-6, 2011

The Conference Board of
Canada's

Enterprise Risk Management

Conference: *Taking
ERM to the Next Level*

Sheraton Centre Toronto Hotel
Toronto, Ontario

Hear practical advice and tips on how to improve ERM

The past decade has demonstrated that the initial ERM focus on identifying, monitoring, and avoiding potential threats was too narrow, and ERM programs ended up disconnected from the value creation cycle.

Join your peers, senior executives and leading risk experts who will share how they're enhancing ERM capabilities to **better recognize and respond to enterprise risks** in a complex, uncertain, and rapidly changing business environment. **Learn how ERM pioneers are integrating risk, strategic planning, and performance management.** Find out how to **articulate risk appetite to improve attitudes toward risk taking.**

SPECIAL OFFER: \$440 off* of the total registration fee for *Risk Management Made Simple* E-Zine subscribers.

Risk Management Training Courses from Wiltshire Consulting.

SPECIAL OFFER: \$100 discount for *Risk Management Made Simple* E-Zine subscribers on:

- **MODERN RISK MANAGEMENT 1 (Introductory)**
 - November 15-16 in St. John's
- **MODERN RISK MANAGEMENT 2 (Advanced)**
 - November 17-18 in St. John's
 - November 29-30 in Regina

* For details on the above events and offers, visit: <http://www.riskwise.ca/events.html>

About Us



Diana Del Bel Belluz
President
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Diana Del Bel Belluz, M.A.Sc., P.Eng., is a risk management advisor who **helps executives in complex organizations to implement systematic and sustainable risk management practices.** Since 1990, Diana has been doing **leading-edge risk work** for a wide range of organizations in the corporate, government and nonprofit sectors.

In addition, Diana **advances the field of risk management** by **teaching** university courses and management training seminars, **speaking** at conferences and **authoring** publications on a wide range of risk management topics.

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