

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: Are You Ready To Confront 'The Brutal Facts' of Reality?

In the research for his book *Good to Great*, **Jim Collins** set out to answer the question **'Can a good company become a great company, and if so, how?'** He began by identifying companies that showed a good-to-great pattern, i.e., they started out with 15-year cumulative stock returns at or below the general stock market, then experienced a transition point after which they had cumulative returns at least three times the market over the next 15 years. Collins picked 15 years because one can't consistently outperform the market for 15 years based on luck alone.

He then compared the 'great' companies with two control groups. One control group was 'direct comparisons', i.e., companies in the same industry and with the same opportunities as the good-to-great companies but that did not make the transition to great performance. The other control group was the 'unsustained comparisons', i.e., companies that made a short-term shift from good to great but were unable to sustain it for 15 years.

Collins discovered several patterns that distinguished the good-to-great companies from the two comparison groups. Here is a selection of his findings that relate to the ability to confront 'the brutal facts of reality', discussed in this month's **Feature Article**. **These insights are relevant for risk management leaders in corporate, government and not-for-profit organizations.**

- **"All the good-to-great companies began the process of finding a path to greatness by confronting the brutal facts of their current reality.** When you start with an honest and diligent effort to determine the truth of your situation, the right decisions often become self-evident." "Even if all decisions do not become self-evident, one thing is certain: **You absolutely cannot make a series of good decisions without first confronting the brutal facts.**" To truly inform decision-making, risk managers must ensure that their discipline produces realistic assessments of the risks associated with each decision option.

- **"A primary task of taking a company from good to great is to create a culture** where people have a tremendous opportunity to be heard, and ultimately **for the truth to be heard**". By providing a thorough assessment of the positive and negative potential outcomes of various decision options the risk discipline allows the full truth to be heard.
- **The good-to-great companies "continually refined the path to greatness with the brutal facts of reality."** By monitoring risk and performance indicators, the risk discipline provides the information to refine the path to strategic objectives.
- **"Leadership** does not begin with just vision. It **begins with getting people to confront the brutal facts and to act on the implications.**" By identifying the implications of risk to objectives, managers will be motivated to act on them.
- **"Spending time and energy trying to motivate people is a waste of effort.** ... The key is not to *de-motivate* them. **One of the primary ways to de-motivate people is to ignore the brutal facts of reality.**" If risks are identified and then nothing is done about them, people will be loathe to participate in the risk management process.
- Every good-to-great company faced significant adversity along the way to greatness. In every case, **the management team responded to adversity with a powerful psychological duality that Collins calls the Stockdale Paradox***. "On the one hand, they stoically accepted the brutal facts of reality. On the other hand, they maintained an unwavering faith in the endgame, and a commitment to prevail as a great company despite the brutal facts." Collins asserts **this duality is the signature of greatness.** The Stockdale Paradox isn't just an organizational characteristic but also a personal one for risk managers.

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Upcoming Enterprise Risk Management Event

How sharp is your organization's risk intelligence?

As many of you know, **I am on a mission to make systematic risk management a standard business practice.** I work towards this goal on a one-to-one basis with my clients, and on a one-to-many basis through my publications, speaking engagements, and conference programming activities.

I invite you to join me in enhancing risk management by participating at the following event:

**January 28 and 29, 2009
(with Optional Workshops on
January 27th and 29th)**

**The Conference Board of
Canada's**

**2009 Enterprise Risk
Management
Conference**

***Sharpening Your Risk
Intelligence***

Toronto, Ontario

At The Conference Board of Canada's 2009 ERM conference, delegates will learn how to integrate the mechanics and culture of risk intelligence into their organizations.

The event features ERM pioneers and experts with experience in implementing ERM initiatives that sharpen risk intelligence and contribute to better organizational results more consistently. Speakers represent a wide range of organizations in the corporate, government and not-for-profit sectors.

For the 9th year, **Diana Del Bel Belluz** has developed the program for Canada's premiere Risk Management event. For details and to register, visit:

<http://www.conferenceboard.ca/conf/jan09/enterprise/default.asp>

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A complimentary copy of *Moving Beyond the Risk Map to Operational Vigilance*.

You'll learn how to convert your static risk map into a tool for timely management action.

About Us



Diana Del Bel Belluz
President
Risk Wise Inc.

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

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.

To learn more about Risk Wise, contact Diana Del Bel Belluz directly at: Diana.Belluz@riskwise.ca



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