

# 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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## March 2009

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"It is so refreshing to read a newsletter that offers real solutions for risk management challenges."

**Cathy Taylor**

Director, Enterprise Risk  
Barrick Gold Corporation

## FEATURE ARTICLE: Capturing the Full Value of Risk Management

By Diana Del Bel Belluz, M.A.Sc., P.Eng.

Last November I had the honour of facilitating the Risk and Insurance Management Society's Enterprise Risk Management Summit. At the event, one of this E-Zine's subscribers, **Carol Fox, Senior Director of Risk Management at Convergys Corporation** shared a **profound, succinct statement on the value of risk management**. To get the full impact, **read it aloud**:

**"Unmanaged risk is the greatest source of waste in your business and in our economy as a whole.** Major projects fail; customer shifts make our offers irrelevant; billion-dollar brands erode, then collapse; entire industries stop making money; technology shifts or unique competitors kill dozens of companies in one stroke; companies stagnate needlessly. When these risk events happen, thousands of jobs get lost, brilliant organizations are disassembled, expertise gets lost, and assets are destroyed. **Yet all of these risks can be understood,** identified, anticipated, mitigated, or reversed, thereby **averting hundreds of billions of dollars in unnecessary losses."** Excerpt from *The Upside* by **Adrian J. Slywotzky**

If you are responsible for risk management, you have certainly been asked by others within your organization, by your colleagues, and even by your friends and family – **Why bother with risk management?**

The most frequent answer is that **risk management serves to protect value by preventing catastrophic events and losses.**

Indeed, **value protection is the main objective of a range of regulations aimed at improving oversight and management of risk.** Examples include the UK's Cadbury and Turnbull reports, the U.S. Sarbanes-Oxley Act and Canada's Federal Accountability Act. The majority of these regulations were introduced in reaction to crises brought on by failures of management and governance that produced spectacular losses, both financially and in terms of public confidence in corporations and in regulators, e.g., Enron and WorldCom.

**The main drawback of a regulatory approach is that it creates a mindset of minimum compliance instead of maximum performance.**

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Although it is useful in encouraging organizations to put in place structures and processes for risk management, **the regulatory approach cannot compel nor inspire a risk management culture.**

To thrive, an organization has to do much more than comply with regulations and avoid catastrophes. It has to **convince its customers, owners and stakeholders that it has the potential to deliver value** and it has to **equip and motivate its people to actually deliver on that value promise.**

Which brings us to the other common reason for pursuing risk management - **it creates value by enabling the organization to live up to its performance potential.** Risk Management improves performance in two ways. Firstly, proactive and systematic risk management helps you to **eliminate the greatest source of waste in your business**, which Slywotzky correctly identifies as **unmanaged risk**. Secondly, a balanced risk management culture will **encourage people to recognize and take advantage of good opportunities.**

**Jim Carroll**, a leading international futurist, trends and innovation expert, observes that **"far too many organizations subsist in a stunning state of complacency as the world evolves around them at a very rapid pace."** He advocates that **"rapid times require bold change; action is critical".** **In tumultuous times it's not enough to merely protect what you have.** You also need to innovate which means you need to constantly seek out new opportunities. (See this month's **Bonus Resource** to learn how to cultivate an opportunity mindset.)

**Market forces are beginning to align with this performance mindset.** For example, in May 2008, Standard & Poor's announced that it would enhance its ratings of nonfinancial companies through an Enterprise Risk Management (ERM) review.

Standard & Poor's stated that **"ERM will add an additional dimension to our analysis of management and corporate governance, creating a more systematic framework for an inherently subjective topic. Ultimately, we will enhance transparency by providing investors and issuers our views of a management team's ability to understand, articulate, and successfully manage risk."**

The fact that the expectations for effective risk management continue to grow and evolve means that **the value of the risk discipline is not in question.** Risk management is here to stay. Yet, despite the clear expectation to integrate it systematically into business practices, **to date, few organizations have implemented risk management in a comprehensive way AND been able to sustain it.**

Thus, the relevant question needs to shift from 'Why bother with risk management?' to **'How can we use the risk discipline to improve performance?'**

**Is your risk management program exclusively focused on identifying, preventing and preparing for losses and crises?** If so, you are most certainly missing out on the full value of risk management. Also, **you risk boring or alienating the vast majority of people in your organization who go to work every day to do great things (not to avoid bad things).**

The good news is risk management can help your organization to create value by **eliminating waste and finding opportunities.** When people see how risk management improves performance, they will want to replicate that success. **And success will encourage people to adopt risk thinking into their business practices** in a way that regulation never could.

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**The Risk Wise bottom line...**

**Improved performance can inspire effective risk management in a way that regulatory compliance alone cannot.** To fully capture the benefit of risk management, you need to both **eliminate the waste caused by unmanaged risk** and **enable your people to take full advantage of opportunities and innovate.**

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**Don't be a victim of complacency or mediocre performance; to explore how your organization can become the leader in your sector,** contact **Diana Del Bel Belluz** at **Risk Wise**: (416) 214.7598 [Diana.Belluz@riskwise.ca](mailto:Diana.Belluz@riskwise.ca)

## BONUS RESOURCE: How to Cultivate an Opportunity Mindset

Many risk management leaders and programs focus on **value protection** (i.e., minimizing losses) while paying scant lip service to **value creation** (i.e., capitalizing on opportunities). This is particularly dangerous in tumultuous times. **Jim Carroll**, a leading international futurist, trends and innovation expert with clients such as the Walt Disney Corporation, Motorola, the BBC, Manulife and the Swiss Innovation Forum, observes that "**far too many organizations subsist in a stunning state of complacency as the world evolves around them at a very rapid pace.**"

**Have you been so focused on managing costs that you've forgotten how to grow the business?** In his book *Ready, Set, Done: How to Innovate When Faster is the New Fast*, Jim Carroll shares ten simple words that will get you into the right frame of mind to inspire, innovate and gain the insight you need to shake your organization out of its complacency. Here's what he says about five of those ten words:

- **Observe.** Take the time to look for the key trends that will impact your organization and the industry in which you compete. Far too many organizations sit back after a dramatic change and asked -- what happened?" Make sure that your organization is one that asks, -- what's about to happen? And what should we do about it?"
- **Think.** Analyze your observations: spend more time learning from what you see happening around you. If you are like most organizations, you are responding to trends on a short term, piecemeal basis: you are reactive, rather than proactive. Step back, take a deep breath, and analyze what trends are telling you. From that, do what **really** needs to be done.
- **Change.** In a time of rapid change, you can't expect to get by with what has worked in the past - you must be willing to do things differently. Abandon routine; adopt an open mind about the world around you. The world is changing at a furious pace whether you like it or not. Take a look at how you do everything - and decide to do things differently.
- **Dare.** Have you lost your ability to take risks? Likely so - in the last year, we've seen the phrase "risk management" take on huge importance as organizations have rushed out to hire Chief Risk Officers so that they can deal with the compliance requirements of the Sarbanes-Oxley legislation. Yet at the same time that you work to manage and minimize risk, your market is changing, your customers are abandoning you, and your margins are shrinking! Aren't these the biggest risks to manage? Taking risks is critical to your future success - don't throw this critical innovation baby out with the compliance bathwater. (For more on the dangers of a compliance mindset, see this month's **Feature Article**.)
- **Question.** Go forward with a different viewpoint by challenging assumptions and eliminating habit. If your approach to the future is based upon your past success, ask yourself whether that will really guarantee you similar results in the future. If you do certain things because -- you've always done it that way," then now is an excellent time to start doing them differently.

The other five words are: **Banish, Try, Empower, Grow** and **Do**. As a risk management leader, you can **use all ten of these words to develop an 'opportunity' mindset** that enables you and the people in your organization **to manage rapid change before it manages you**.

To view Jim's **3-minute video** on how to get into an innovative frame of mind in a high velocity economy and to download a **free document** on the **10 Great Words**, visit:

<http://www.jimcarroll.com/10s/10words.htm>

**Pass it on!** Please share this E-Zine with people in your network.

## Upcoming Enterprise Risk Management Event

### What can you learn from healthcare ERM pioneers?

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.

**If you would like to learn about the leaders in canadian healthcare ERM, join me at:**

**May 11, 2009**

**The Conference Board of  
Canada's**

### **Healthcare Enterprise Risk Management Conference**

**Meeting the ERM  
Integration Challenge**

**Toronto, Ontario**

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

The event combines case studies from canadian healthcare organizations that have implemented ERM, insightful keynote presentations, and a peer-to-peer clinic where you can interact and explore the ERM integration topics of your choice.

**Diana Del Bel Belluz** has developed the program for the first pan-canadian Healthcare ERM conference. For details and to register, visit:

<http://www.conferenceboard.ca/conf/09-0117/default.aspx>

## NEW SUBSCRIBER BONUS

**Don't miss out** on future issues of **Risk Management Made Simple** E-Zine. **Subscribe and the E-Zine will be delivered (at no charge) directly to your e-mail inbox.**

**Subscribe online at [www.riskwise.ca](http://www.riskwise.ca) and receive your NEW SUBSCRIBER BONUS:**

**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 complex 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](mailto:Diana.Belluz@riskwise.ca)



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