

# Risk Management Made Simple **Advisory**

Welcome to the FREE Online Newsletter about **Systematic Risk Management**  
for **executives** and **management professionals**  
from **Risk Wise Inc.** and **Diana Del Bel Belluz**

## October 2013

### In this issue...

- **Feature Article: Creating a Healthy Risk Management Culture – Part 5** (page 1)
- **Bonus Resource: Astronaut Uses Risk Management Thinking to Make the Impossible Possible** (page 3)
- **Upcoming Events and Special Offers** (page 4)

"I find the *Advisory* articles very informative."

**Madeleine Vermaak**  
Senior Advisor, Risk Management, Eskom

## FEATURE ARTICLE: Creating a Healthy Risk Management Culture – Part 5

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

This is Part 5 of a series of articles that **define 12 cultural traits that are essential for a healthy risk management culture.**

The earlier articles in the series covered eight of the 12 ERM culture traits (shown in green font in Figure 1):

- **Part 1 (Sept. 2012): Accountable** and **Proactive**
- **Part 2 (October 2012): Systematic** and **Open**
- **Part 3 (March 2013): Inquiring** and **Vigilant**
- **Part 4 (August 2013): Performance-oriented** and **Collaborative**

In this article, I provide tips on how to promote two more of the 12 essential traits for a healthy risk management culture, i.e., being **Prepared & Ready** and **Innovative**.

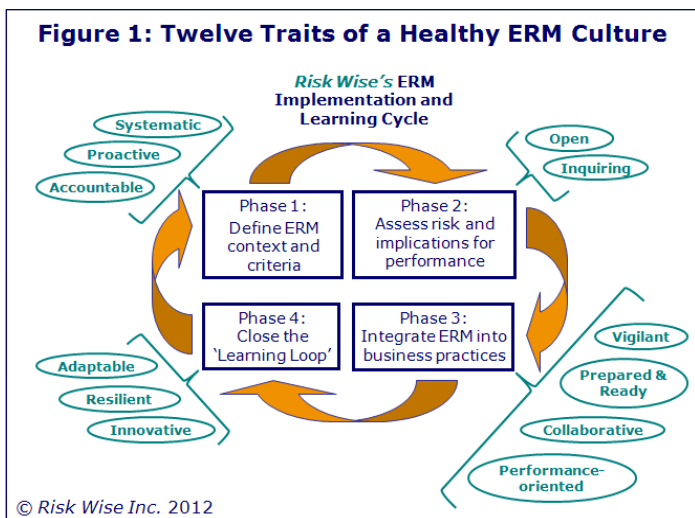
### Healthy Risk Culture Trait #7: Prepared & Ready

To illustrate the trait of being *prepared & ready*, I use the **image of an Olympic sprinter at the starting line.** The race may transpire in a matter of seconds but **to qualify and to win, it takes years of preparation**, including training and running in other competitions that *simulate* the Olympic experience.

The same is true for managers. **Managers often have very little time to decide how they will act** when a new risk arises or when a risk transforms from a potential event to a crisis situation. To ensure that managers take appropriate action in that instant where the organization is depending on them, they need to prepare themselves.

**A weakness of many ERM programs is that they focus almost entirely on identifying and assessing risks, and invest scant attention or resources into creating a state of readiness by:**

- **Developing solid risk response plans.** Hope is not a plan. Neither is a vague risk response strategy.
- **Putting in place the capabilities necessary to execute their risk response plans.** Too often, **managers make overly optimistic assumptions about how well their people would respond to risks.** Worse, they never test those assumptions.



The 12 cultural traits support specific phases of the **ERM Implementation and Organizational Learning cycle.** (For details on the cycle, see the Advisory issues of **April 2011, October 2011, December 2011, March 2012**).

Continued on page 2...

## How to cultivate it:

**First**, you need to make it a discipline for each risk to **develop a solid plan that spells out what you will do** when the risk materializes. Your risk response plans not only outline what needs to happen, but also **define the roles and responsibilities** for everyone who has a part to play in the risk response.

Having a plan is of little use if you don't have the capabilities to execute it. So the **second** thing you need to **ensure your organization's readiness to execute the plan**.

This includes **communicating the plan** to make people aware of their roles and responsibilities. It also means **investing in developing the risk response capabilities required** to actually execute your strategies and plans. This could include training your people, acquiring equipment, or establishing relationships with third parties.

The **third** thing you need to do is **practice your risk response plan** using role play, table top exercises or drills. In this month's **Bonus Resource**, retired astronaut **Chris Hadfield** talks about the importance of simulating your response.

**Simulation enables you to test your plans.** You can pick a different risk to practice each time. Or you can make up a scenario by selecting some factors in your business environment and playing them out to their extreme. Or you can use scenarios based on past incidents or near misses. When a crisis befalls another organization, never miss an opportunity to explore, "Are we prepared and ready if that happened here?"

Rehearsing your risk responses is an excellent way to reinforce your people's training and to **deepen your understanding of your people's true readiness**. Another advantage of having your people participate in a simulation is that it can make them **feel the discomfort of not being prepared for a risk**. That creates an emotional motivation to improve that simply reading a plan cannot.

**Finally** you need to **periodically adapt and optimize your risk response strategies** to stay current with changes in your business environment.

## Healthy Risk Culture Trait #10: Innovative

The iconic image of innovation is a light bulb that signifies a flash of brilliant and fully formed original solution, e.g., a disruptive technology. But that is not how innovation happens, at least not in organizations.

Innovation is better represented by the image of the Wright brothers repeated attempts to get their new and untested plane off the ground. That's because **whenever you introduce a new idea or apply an**

**old idea in a new way**, the outcome is uncertain, i.e., **it's an experiment**. And with any experiment, there is always a distinct possibility that it may fail.

An original idea is not enough for successful innovation. The true secret ingredient is a willingness to experiment with applying new approaches and a certain amount of tolerance of failure. **Risk management will stifle innovation if it engenders or perpetuates an unhealthy fear of failure.**

## How to cultivate it:

**Encourage managers to try new ways of doing things**, including efforts to enhance the management of risk. The conventional wisdom in the field of innovation is that companies must make "1000 flowers bloom" to have one that is successful. **Make room for creativity by allowing and encouraging experimentation and failure.** For example, **Ratan Tata**, retired chairman of the multinational conglomerate **Tata group** recommends investing in an annual prize for the best failed idea.

*"Failure is a gold mine for a great company."*  
**Ratan Tata, Chairman of the Tata group**

**Never look on failed experiments as career limiting mistakes.** Rather treat them as a **source of valuable information to be mined for designing future strategies**. For example, even if your experiment fails, you will gain important insights about what to fix or enhance before you try again, or, indeed if the idea merits a second attempt.

**Define up front, what can be learned from the experiment.** Risk management thinking can play an important role in innovation by identifying key sources of uncertainty in prospective innovations. This enables you design the 'experiment' such that you can gain new information that reduces that uncertainty. It will help you decide if the innovation merits more nurturing or if it is time to let it die.

**The Risk Wise bottom line... To be prepared and ready to handle risk**, you need a response plan, the capabilities to execute your plan, and **you need to regularly rehearse your plan**. If you want innovation in your business and in your ERM program, you need to **develop a tolerance for failure**.

\*

My forte is coaching executives on how to integrate ERM into their organization's unique business practices and culture. **If you want simple, pragmatic strategies to strengthen the ERM discipline and engender a culture of readiness and innovation in your organization, contact Diana Del Bel Belluz at Risk Wise: <mailto:Diana.Belluz@riskwise.ca>** or by telephone at (416) 214.7598

## BONUS RESOURCE: Astronaut Uses Risk Management Thinking To Make the Impossible Possible

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

I'm often asked by risk management leaders how they can make a case for risk management. This article provides a perspective on the value of risk management from Canadian astronaut **Chris Hadfield** who returned in May from the International Space Station as both a veteran commander and social media star.

Fulfilling this lifelong dream required intense focus, natural ability and a singular commitment to "thinking like an astronaut." In his new book ***An Astronaut's Guide to Life on Earth***, Hadfield gives an insider's perspective on just what that kind of thinking involves. According to his publishers, Hadfield takes his readers "deep into his years of training and space exploration to show **how to make the impossible possible.**" His "entertaining stories filled with the adrenaline of launch, the mesmerizing wonder of spacewalks, and the measured, calm responses mandated by crises" are used to explain "**how conventional wisdom can get in the way of real achievement**".

**In a recent interview, Hadfield was asked why some of the advice in his new book** (e.g., expect the worst, sweat the small things) **seems to lack a [popular] positive thinking vibe.** In his response, Hadfield illustrates beautifully how **exploring all the potential downsides of a situation is as critical for success as articulating an inspiring vision.** You'll notice his answer is similar to a traditional view of risk management *thinking* (for more, see the [October 2012 Bonus Resource](#) on *Six Thinking Hats for Risk Management*).

Here is a transcript of Hadfield's answer:

"I'm a very positive thinker. I mean, I have to be I ride rockets... I've ridden three rockets to space. It helps if you're an optimist.

But **blind optimism is really the same thing as wishful thinking.** You are **not facing up to the reality of getting to where you want to be.** You're just kind of hoping you'll win the lottery and you don't even really buy a ticket.

**If you actually want to get to the direction of your dreams, you have to take steps.** You have to do things.

**If you just kind of visualize success, that doesn't get you any closer.** All that does is make you feel good briefly; I think.

But, **instead, if you visualize failure,** if you regularly say: *Okay how is this not going to happen? What's going to go wrong? What is scarring me out of this?* [For example] if you have to give a speech in front of the United Nations, what's scary about that? *They're going to laugh. They're going to heckle. I'm going to embarrass myself. I'll faint. I'll forget to do up my fly. My pants will fall down. I'll forget my speech. I won't have it on the right piece of paper.* Something scary might happen.

Let's **look at each one of those things** that's scary **and really sweat the small details, in advance, when there's time.** Let's go through each one of those and figure it out. [I'll] make sure I have a good belt on my pants; and if it's really worrisome, I'll get suspenders also.

**Address each one.** So that now when someone says "introducing Chris Hadfield here at the General Assembly" and you walk up, **no matter what happens, you have already simulated it really clearly in your mind. You've built a plan. You've built a back-up plan. You've practiced it.** You've simulated it all going badly.

So when it starts to go well, you have a great comfort to it. And **if it goes badly, you are not paralyzed by the fear of it.** You are **in fact relaxed and enabled by the reality of it.**"

**Hadfield's advice contains important lessons for anyone with ambitious goals.** While he never uses the phrase risk management, his lesson on sweating the small stuff is **a simple, yet powerful testament to the value of risk management thinking.**

To watch the full interview with Chris Hadfield, follow this link:

<http://ww3.tv.org/video/196577/chris-hadfield-space-oddy>

**Pass it on!** Please share this Advisory with people in your network.

## Upcoming Events and Special Offers\*

- **SEMINAR: Risk Appetite 201** hosted by *Risk Wise* on **November 14, 2013** in **Toronto**. At this lunch and learn event, **Diana Del Bel Belluz** of *Risk Wise* and **Leslie Thompson** of **LESRISK** will provide an introduction to advanced risk appetite concepts, approaches and tools. There will also be a panel discussion with these leaders about their experiences in operationalizing risk appetite:
  - **Colleen Geiger**, Director, Planning and Implementation, **Public Health Ontario**
  - **Rob Quail**, Director, Enterprise Risk Management, **Hydro One Inc.**
  - **Ingrid Suurmann**, Vice-President, Corporate and Chief Financial Officer, **St. Mary's General Hospital**
- **CONFERENCE: Enterprise Risk Management: Evolving Your ERM Practices. The Conference Board of Canada** will present this event on **March 31 & April 1, 2014** in **Toronto**, Ontario. **Diana Del Bel Belluz** of *Risk Wise* is programming the agenda for this event.
  - **SPECIAL OFFER: Risk Management Made Simple Advisory** subscribers are eligible for a **\$660 super early-bird discount** off the full fee of \$1855 when registering online **before Friday November 8th**. (**After November 8th**, the discount will be **\$460 off** the full fee.) Note: this discount is valid for new registrations only. All subscribers have been sent the **special code required to access this discount**. If you're not yet a subscriber and wish to access this special offer, [click here](#) to sign up for your complimentary subscription to the *Risk Management Made Simple Advisory*.

\* For details on these and other events and offers, visit: <http://www.riskwise.ca/events.html>

## New Resources...

- **WEBINAR: Risk Appetite 101** hosted by *Risk Wise* on **October 24, 2013**. **Diana Del Bel Belluz** of *Risk Wise* will provide an introduction to fundamental risk appetite concepts, approaches and tools. There will also be a case study about articulating risk appetite from **Evelyn Sutherland**, Chief Financial Officer, **EnerCare Inc.**
  - Then provide link to where they can buy the recording

## 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 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.

**To learn more about Risk Wise**, contact Diana Del Bel Belluz directly at: [Diana.Belluz@riskwise.ca](mailto:Diana.Belluz@riskwise.ca)



1 Yonge Street  
Suite 1801  
Toronto, Ontario  
Canada M5E 1W7  
T 416.214.7598  
[www.riskwise.ca](http://www.riskwise.ca)