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BONUS RESOURCE: How to Leverage 'The Global Risks Report 2017' to Enhance Your Risk Intelligence – PART 1

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

This is the first article in a 3-part series on **how risk management leaders can enhance their organization's risk intelligence by leveraging [The Global Risks Report 2017 - 12th edition](#)** released by the **World Economic Forum**. Each article in the series focuses on how to bridge one of these common gaps in ERM performance identified in the **Risk Wise Risk Intelligence Benchmarking Survey**:

1. **Weak understanding (and monitoring) of trends** (covered in [PART 1](#) of the series)
2. **Failure to cultivate foresight** (covered in [PART 2](#) of the series)
3. **Failure to understand interdependencies** (covered in this article)

(N.B. A more fulsome analysis of the **Risk Wise Risk Intelligence Benchmarking Survey** is forthcoming. In the meantime, this 3-part series provides a sneak-peek of a few survey findings on a topic where a majority of organizations have significant opportunities to improve.

Before I share my thoughts on how to leverage The Global Risks Report, let me share an overview of the document. It includes:

- A. **a ranking of the top global risks for 2017** as identified in the annual Global Risks Perception Survey (GRPS), and highlights 5 key risk areas that require urgent action:
 1. **Economic growth and reform.** From the beginning of the 1900s to the end of the 1980s, inequality had been declining in the industrialized world. Since the 1990's, there has been a rapid reversal of this trend and addressing inequality is seen as the most important global trend for the coming decade.

Rebuilding communities. Decades of rapid social and economic change have widened generational gaps and amplified issues of national identity and cultural values. The challenge will be to find inclusive ways to bridge sharp cultural divides while preserving individual rights.

2. **Managing technological disruption.** Technology is radically transforming our world and shaping the nature of the risks we face. With almost half of all jobs at risk due to rapid technological change, the nature of work itself is being transformed. We need new collaborative systems to minimize the risks of dramatic social disruption and increasing income disparity.
 3. **Strengthening global cooperation.** In 2016 saw repeated signs of a fraying commitment to global cooperation, a renewed interest in building up national weapons capabilities, slowed progress on multilateral trade agreements, along with the rejection of verdicts of prominent international tribunals reflecting a general loss of faith in collective security mechanisms.
 4. **Accelerating action on climate change.** While the Paris Agreement has been ratified by over 110 countries, the situation remains critical. To limit the risk of catastrophic climate change, action on green house gas emission reductions has to be accelerated in order to keep global warming to within 2 degrees Celsius.
- B. **retrospective tracking of how global risks have evolved** over the past 12 years,
 - C. **analysis of the interdependencies between the top risks,** and
 - D. commentary that puts the survey findings into context by providing **a prospective view on the potential implications for decision-makers in all sectors of society** (government, business, and nonprofit) of the risks and key trends identified.

The commentary in this year's The Global Risks Report is outstanding and well worth the read. It provides a thoughtful, insightful analysis of how key trends in social, economic, technological and environmental factors are creating risks to populations globally.

Continued on page 2...

(... continued from page 1)

It also suggests practical options that leaders and organizations in the public and private sectors can employ to maximize the opportunities and minimize the threats associated with these looming global risks.

Common ERM Gap #1: Weak Understanding and Monitoring of Trends

To identify looming risks to an organization's objectives requires an understanding of the trends and shifts in the business environment that could potentially disrupt the business. Yet, as illustrated in Figure 1, our *Risk Intelligence Benchmarking Study* indicates that **55% of organizations don't adequately maintain and consult a listing of key trends** in their business environment, and only 3% reported advanced practices in this area.

Figure 1: Result of question #9 of the *Risk Wise Risk Intelligence Benchmarking survey*



The danger of ignoring trends as part of the context for risk identification is twofold:

1. **It creates the bias of short-termism** because your people will tend to focus on 'current threats' rather than future risks. That **leaves you completely unprepared for tectonic shifts** in your business environment **and the looming existential threats they generate** for your organization.
2. **It creates a bias towards factors that the company controls** because people aren't prompted to look beyond their day-to-day experiences which tends to be an inward-looking perspective heavily focused on what is happening inside the organization. That **blinds the organization to external factors which can be more significant risk drivers** for the organization than internal factors.

Here are two tips to leverage your understanding of the trends in your business environment to enhance risk intelligence.

Tip #1: Maintain an Up-to-Date List of Trends

If you don't have a list of the key trends in your business environment, start one. If your organization does strategic planning, you won't have to begin the list from scratch. The inventory of trends that resulted from the environmental scan that was done for your organization's latest strategic planning exercise can serve as an excellent starting point.

Whether you start with the output of your organization's environmental scan or a blank sheet of paper, you'll want to:

- ✓ **engage stakeholders from across the organization** as well as external stakeholders to help you identify key trends. It's essential to bring diverse perspectives to the table. If you try to do this work with too small a group, you will get too narrow a view and that will lead to blind spots in your organization's understanding of its risk landscape.
- ✓ **use a 'local' lens** to identify trends that can drive risk in the key success factors in your business (e.g., socioeconomic shifts, political/regulatory climate, customer preferences, competitive landscape, workforce demographics, etc.)
- ✓ **use a 'global' lens** to identify global trends that may cause shifts in your local environment. One way to supplement your local list is to add one or more of the 13 global trends identified in *The Global Risks Report 2017* (see Table 1 below) that are highly relevant for your business context.

Continued on page 3...

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(... continued from page 2)

Table 1: Trends identified in *The Global Risks Report 2017* (A global “trend” is defined as a long-term pattern that is currently evolving and that could contribute to amplifying global risks and/or altering the relationship between them.)

Trend	Description
Ageing population	Ageing populations in developed and developing countries driven by declining fertility and decrease of middle-and old-age mortality.
Changing landscape of international governance	Changing landscape of global or regional institutions (e.g. UN, IMF, NATO, etc.), agreements or networks.
Changing climate	Change of climate, which is attributed directly or indirectly to human activity, that alters the composition of the global atmosphere, in addition to natural climate variability.
Degrading environment	Deterioration in the quality of air, soil and water from ambient concentrations of pollutants and other activities and processes.
Growing middle class in emerging economies	Growing share of population reaching middle-class income levels in emerging economies.
Increasing national sentiment	Increasing national sentiment among populations and political leaders affecting countries’ national and international political and economic positions.
Increasing polarization of societies	Inability to reach agreement on key issues within countries because of diverging or extreme values, political or religious views.
Rising chronic diseases	Increasing rates of non-communicable diseases, also known as “chronic diseases”, leading to rising costs of long-term treatment and threatening recent societal gains in life expectancy and quality
Rising cyber dependency	Rise of cyber dependency due to increasing digital interconnection of people, things and organizations.
Rising geographic mobility	Increasing mobility of people and things due to quicker and better-performing means of transport and lowered regulatory barriers.
Rising income and wealth disparity	Increasing socioeconomic gap between rich and poor in major countries or regions.
Shifting power	Shifting power from state to non-state actors and individuals, from global to regional levels, and from developed to emerging market and developing economies.
Rising urbanization	Rising number of people living in urban areas resulting in physical growth of cities.

Tip #2: Leverage Your List of Trends to Enhance Risk Intelligence

Two simple ways to *apply* the information in your list of trends to enhance your risk intelligence include:

1. **At the beginning of any risk identification exercise**, be sure to review the list of trends with the team conducting the exercise. This will help prime the team to think broadly about risks, rather than having an exclusively inward focus.
2. **At the beginning of any risk assessment / monitoring exercise**, review the list of trends and have the team discuss two questions: "What, if anything, has changed in the trends?" and "How might these changes affect our exposure to risk?" Answering these questions will help to embed the discipline of anticipation in your people's thinking. This will ensure that the team looks beyond immediate problems to truly consider where risks might move and evolve in the future

The Risk Wise bottom line...

Identifying looming risks to an organization's objectives requires an understanding of the trends and shifts in the business environment that could potentially disrupt the business.

To explore additional techniques for strengthening your organization’s capabilities for identifying and monitoring trends in your business environment, contact **Diana Del Bel Belluz** at Diana.Belluz@riskwise.ca or (416) 214-7598.

In the next two installments of this series I provide tips on how to bridge a two additional common gap in ERM performance identified in the ***Risk Wise Risk Intelligence Benchmarking Survey***:

- ✓ **[PART 2: Failure to cultivate foresight](#)**
- ✓ **[PART 3: Failure to understand interdependencies](#)**

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About Us



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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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