

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**

May 2014

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"I appreciate the extremely useful ERM resources and pragmatic approach that Diana shares in the *Advisory*."

Aldona Borodi
Risk Management Coordinator,
HELLA Group

FEATURE ARTICLE: Creating a Healthy Risk Management Culture – Part 6

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

This is Part 6 of a series of articles that **define 12 cultural traits that are essential for a healthy risk management culture** (shown in green font in Figure 1). The earlier articles in the series covered these 10 traits:

- **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**
- **Part 5 (October 2013): Prepared & Ready** and **Innovative**

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 **Resilient** and **Adaptable**.

Healthy Risk Culture Trait #11: Adaptable

There are **two purposes of Enterprise Risk Management (ERM)**. First, ERM must **contribute to value creation** by managing the risks to the achievement of corporate objectives. The second purpose is to **protect value by ensuring the sustainability of the enterprise** over the long-term. In my experience, it is the value protection role of ERM that is of particular interest to board directors.

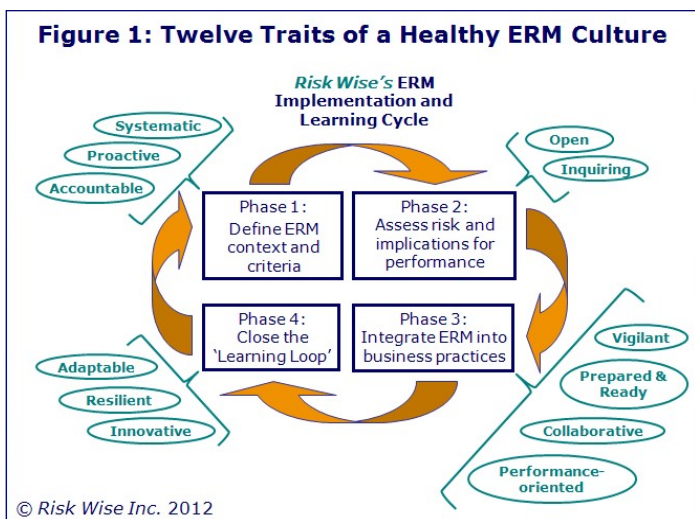
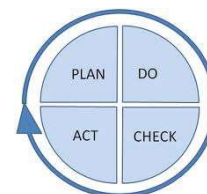
Organizational sustainability is directly linked to the capacity to *anticipate* and *adjust to* shifting business circumstances. Ironically, **to sustain itself, an organization must embrace change!**

How to cultivate it:

I shared tips on how to *anticipate* critical changes in the business environment in Part 3 of this series (see the trait **Vigilant** in the **March 2013** Advisory issue).

To cultivate adaptability in your people, **build up their skills in optimizing business processes.**

Here it pays to borrow the four-step *Plan-Do-Check-Act* process from the continuous improvement discipline. Those four steps represent **an adaptation process that does double duty** when it comes to ERM.



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**).

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First, **the continuous improvement process supports value creation** by enabling the organization to evolve its business strategies and processes to take advantage of emerging opportunities.

Second, **it protects value by continually evolving** business strategies and processes **to better meet stakeholder needs** and to **offset emerging adverse conditions in the business environment**.

A dash of the continuous improvement discipline is also essential to advance on the ERM implementation journey. That's because **implementing ERM is an exercise in adaptation on an organizational level**, i.e., organizational development and change. It's no accident that the four phases of the **Risk Wise ERM Implementation and Learning Cycle** (see Figure 1) bear a resemblance to the Plan-Do-Check-Act process.

I've helped many organizations to **chart a practical roadmap for their ERM journey in as little as 2 hours** using the **Risk Wise ERM Roadmap Workshop** service. Here are the three steps I use. I share them here as an example of how you can go about evolving your ERM capabilities to adapt to your changing business environment and needs.

Step 1: Define Your Vision for ERM.

In the **ERM Roadmap Workshop** service, I apply some time-tested questions to facilitate your leadership team to define their long-term vision.

Step 2: Measure your organization's current ERM maturity and performance.

In the **ERM Roadmap Workshop** service, I lead the team to conduct a *self-assessment* of the organization's risk management performance and maturity. You learn how to use the **Risk Wise ERM maturity model**. This includes access to the **Risk Wise ERM Capabilities Assessment Instrument** - the most comprehensive tool of its kind available and the only one that assesses ERM performance.

When senior leaders see the strengths and weaknesses in the organization's current risk management practices and results, it is **a strong motivator to commit to evolving** the organization's ERM capabilities and capacity.

Step 3: Chart Your ERM Development Roadmap.

In the **ERM Roadmap Workshop** service, I facilitate a discussion with your senior team to define key long-term milestones and a short-term action plan for ERM implementation. I share my extensive experience to **ensure that the roadmap you create is achievable** and will enable you to methodically build ERM capacity and maturity.

As the ERM leader, you need to be adaptable about the route and pace that you take on your organization's ERM journey. That means being realistic about what can be accomplished given the organization's capacity to absorb change as well as its other priorities and demands on its resources.

Whether **you are just getting started** or **have been on your ERM journey for years**, the **Risk Wise ERM Roadmap Workshop** service can help you to **quickly get focused on your best route to better performance**.

Healthy Risk Culture trait #12: Resilient

Resilience is the capacity of an organization to quickly return to original position after unforeseen changes or catastrophic incidents. It is often described with images of survival such as the ability to 'bounce back' or 'buoyancy' - the ability to stay afloat in rough seas.

According to author **David Hurst**, resilience is a common feature of complex systems such as organizations, cities or ecosystems. These systems perpetually evolve through cycles of growth, crisis and renewal and often self-organize into unexpected new configurations. **How resilient would your organization be to a major shock to the system?**

How to cultivate it:

Organizational resilience is not the result of any one skill. The capacity to survive, adapt and grow under extreme, adverse conditions requires a set of management competencies and strategies that enable you to change course, to reorganize and to deftly redeploy resources, for example:

- **Design flexibility into corporate plans**, i.e., strategic plans, workforce plans, disaster management plans, and business continuity plans.
- **Be ready and willing to change course**. Don't be afraid to rework or abandon a strategy or plan that isn't working well.
- **Nurture strong communication and problem solving skills** to enable timely course corrections.
- **Prepare your people** so they know what steps to take to carry out their role in responding to catastrophic events. This includes having them **practice to develop the skills they will need** in a crisis and gain confidence in their abilities.
- **Use every risk event, problem, near miss, failure or strategic mis-step as an opportunity to learn** how to improve the integrity, reliability, and resilience of business processes and ultimately performance. Also evaluate missed opportunities that you failed to recognize or capitalize on.

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The Risk Wise bottom line...

To sustain your organization's ability to create value, you need to embrace change. Cultivating the trait of **adaptability will help your organization to keep pace** with changes in its business environment.

As a risk management leader, you need to **be adaptable about the route and pace that you take on your organization's ERM journey**. Our **Risk Wise ERM Roadmap Workshop** service can help you to **quickly chart your best route to better performance**.

To be **resilient to major shocks**, your organization needs **a suite of management competencies and strategies** that will enable you to change course, to reorganize and to deftly redeploy resources.

*

My forte is coaching executives on how to integrate ERM into their organization's unique business practices and culture. **If you want strategies to strengthen your organization's ERM discipline and culture that are both effective and simple to implement, contact Diana Del Bel Belluz at Risk Wise: Diana.Belluz@riskwise.ca or by telephone at (416) 214.7598**

BONUS RESOURCE: Learning to Lead in the 21st Century

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

Will your organization survive over the long-term?

We all like to think the answer is "yes". Yet, every year, there are companies that drop off the Fortune 500 list, worthy nonprofits that cease to exist, and government agencies that are severely cutback or closed. **Why do seemingly good organizations fail to endure?**

Sometimes an organization collapses because its leaders fail to recognize and accept that the ground on which the business was built had shifted underneath them. Other times it's because the company's response to the shifts in its business environment is too little and/or too late.

It's a stark reminder that none of us is immune to the forces of change and **it is dangerous to let your attention be completely dominated by what is happening internally** in your organization.

Your organization's chances of survival decrease dramatically if you aren't properly monitoring your business environment.

Two prerequisites of adaptability and resilience

(the healthy risk culture traits that I cover in this month's [Feature Article](#)) are:

- **timely knowledge about how your business environment is changing**, and
- **an understanding of the implications of those changes** for the viability and **success of your corporate strategies**, and ultimately for the survival and **sustainability of your organization**.

Given the pace of change in today's world, leaders and employees need to be constantly studying their business environment to **gain advance warning of shifting conditions** and to **develop solid responses before those shifts turn into seismic shocks**.

In the following excerpt from an interview for a series on **Leading in the 21st Century**, **Larry Fink, Chairman and CEO at BlackRock**, shares his insights about the

importance of continually monitoring your environment for changes and using what you learn to adapt yourself and your business to keep pace with those changes.

*"I gave a speech to our new incoming class of 230 young hires just yesterday—I said to them, "Here I am running this company not quite 25 years. And **I still spend an hour a day studying the world and the markets.**" And if it's not an hour, it's an hour and a half a day.*

*I'm still a student. I am still learning today as much as I was learning 36 years ago when I started in this business. So our job globally is about investing. And it's about transfer of information to our clients. Our job is to provide risk-management services to clients. So that means **you have to be current. You have to be up to speed. You have to be responsive.***

*So whether you're in HR, legal, operations, or technology, if you don't understand the world and the markets, you're not connecting with the firm. **So it is imperative that all of us worldwide take the time to be that student.** That's the most important lesson I've learned by watching other firms. They actually forget that **their job has to evolve and change all the time**, and that what worked in the past may not work in the future. In my view, if you don't believe you're learning, **if you're not a student, you're probably going backward.** ...*

***It is really important to evolve with the world. And if you don't, you're going to fail.** As you watch how so many companies have failed, they may have been very good with one product for one moment. But they didn't monitor the evolution of that product or the evolution of that information and thus did not adapt fast enough and became irrelevant—or else their product became irrelevant."*

Source: **Leading in the 21st century: An interview with Larry Fink**, by Bill Javetski, McKinsey & Co, 2012.

Upcoming Events and Special Offers*

- **WEBINARS:** The *Nonprofit Risk Management Center* is hosting a series of three webinars on **Governance and Risk Oversight**. All three webinars are co-presented by the Center's **Melanie Lockwood Herman** and **Diana Del Bel Belluz** of *Risk Wise*. (The recording of the first webinar on **Risk Oversight** is now available).
 - **Risk Aware Boards** on **July 7, 2014**. The webinar will explore the topic of governance risk. What risks arise from the work of board? How does the responsibility of a nonprofit board differ from that of a for-profit board? What steps are recommended to engage the board without frightening members and encouraging risk-averse positions or policies? By the end of this webinar you'll have the insight needed to empower your board to identify and manage the risks that arise from its work.
 - **Teamwork is Job One** on **November 3, 2014** - A common mistake in nonprofit risk management is delegating responsibility to a single staff member or volunteer. Attend this webinar to learn why an interdisciplinary approach to risk identification is vital, and how a team comprised of players from every level in the organization is the most effective driver for sound risk management. By the end of this webinar you will have the tools you need for the risk management and risk oversight functions in your organization.
- **CONFERENCE: 2014 Intergovernmental Forum on Risk Management. The Conference Board of Canada** will present this event on **October 1-2, 2014** in **Ottawa, Ontario**.

SPECIAL OFFER: Risk Management Made Simple Advisory subscribers are eligible for a **\$300 discount** off the full fee when registering online. 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, you can sign up for your complimentary subscription to the *Risk Management Made Simple Advisory* at: <http://riskwise.ca/subscribe.html>

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

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



1 Yonge Street
Suite 1801
Toronto, Ontario
Canada M5E 1W7
T 416.214.7598
www.riskwise.ca

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