Conference

Association for Federal Enterprise Risk Management

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Panel Discussion Topic:

'Risk Management Beyond a Band Aid: (RM is about people, not enterprises)'

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Beyond a Band Aid

- The challenge is organizing work so people, aware of their actions, inactions and the possible repercussions, act sensibly.
- 'ERM' aims to protect the reputation of the enterprise and limit possible financial damage and physical harm from other's actions.
- Practical risk management is about getting to sound/sensible actions (practices), putting dialogue (accountability) ahead of rules and systems (compliance).

Two *co-dependent* points of view:

- 1) We are constantly under threat: e.g. cyber attacks, terrorism, health ('the risk society')
- [?? Guns, dysfunctional political systems, poor management decisions and/or greedy and/or egotistical executives Congress, Volkswagen, Investment bankers ??]
- 2) You can 'manage' the threats 'globally' using tools, technologies.

No doubt, we do live with risk

"[T]he historically unprecedented possibility, brought about by our own decisions, of the destruction of all life on this planet ... distinguishes our epoch ... from all other cultures and social forms. If a fire breaks out, the fire brigade comes; if a traffic accident occurs, the insurance pays. This interplay ... between security in the here-and-now and security in the future because one took precautions ..., has been revoked in the age of nuclear, chemical and genetic technology."

Ulrich Beck 1991, *Ecological Enlightenment: Essays* on the Politics of the Risk Society. 22-3 (emphasis added)

But, can we "manage" risks – really??

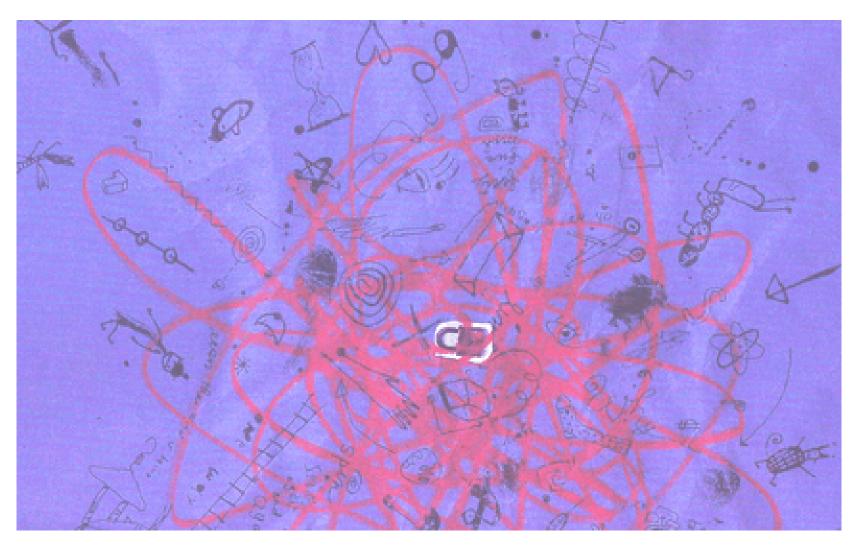
The factors involved

- Confusing *risk* with *uncertainty* (see Frank Knight).
 'Uncertainty' means we can't estimate the probability of a particular event occurring.
- 2. Confusing *wicked* with *tame* problems. Most organizational/work problems are wicked.
- 3. Security agencies *and* businesses (ideology/commerce) want people *to buy the idea* that experts and/or the right tools will protect us.
- 4. It's in the interests of 'the top' to *maintain the* status quo. "Leave it to us. Follow the rules. Things are, or can be and will be, controlled".

From "the top" work follows a script

III: SEARCH FOR CANDIDATE (Academic Human Resources Manages) Initiate recruitment: AHR Department screens Dean approves flyer/search Department submits Applications Dean grants approval to plan, forwards to AHR Produces flver and candidates, forwards initiate search received, search flyer/search plan to availability statistics etc. screenings to AHR Dean Closes! Department submits Final Candidate Ranking; Dean/AVCFR Department notes who proposed for appointment AA/EEO Monitoring Delegated to Dean? approves begins AHR provides applicant Candidate interviews pool statistics/analysis YES Ranking/ Increase in screenings to Dean compliance Authorized Rank/Salary >Asst NO 2nd hire from AHR Dean submits search Dean approves reviews Request w applicant screening GO TO CPEVC Recruit. **CPEVC** consults APPOINTMENT Auth.Form with CPB approves IV: APPOINTMENT (PB/AHR Manage Jointly) Up to Asst Prof III **Dean Appoints** Candidate CAP/Adhoc To Chan/EVC/Dean Accepts for offer; Return to "Dept OR **CPEVC Appoints** Submits Final Above Asst Prof III AHR receives Candidate Appointment Ranking"! File OR Candidate Declines New Candidate Yes W/in prev auth. levels? OR OR CPEVC approves Failed Recuitment Return to Search Yes No PB Reviews proposed allocation for W/in 2-yr auth. rank/step/salary. Window? No Return to Recruitment Authorization!

In practice work is a 'Hairball'



From: MacKenzie, Gordon. Orbiting the Giant Hairball: A Corporate Fool's Guide to Surviving with Grace. New York: Viking, 1998. p. 27

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What goes on inside the 'Hairball'

To do this effectively There is the task (possibly complex). Little is clear-cut. We are often dealing with wicked problems and people have differences of opinion about 'what', 'why', 'when', 'where', 'how'.

You must deal with these issues ② So, you also have the complex social dynamics of work. People 'networking' and negotiating commitments... Many work-related 'problems' and risks involve relationships, 'boundaries' and other such issues.

Dealing with 2 is 'adaptive work'. It involves relationships, values, beliefs, attitudes, interests ...

Practical risk management

- Frameworks and tools alone aren't particularly helpful and distract us from the real work and problems.
- These are 'problems of practice': how people work, interact and cooperate (or don't).
- They are also issues of joint responsibility and shared commitments (that's what cooperation means).
- Responsibility and commitments are meaningless without accountability – not compliance.

Wanted: a 'holding *environment*' that makes it practical to identify and address risks as we go.

Beyond a Band Aid – agile RM

- 1. RM is (inter) personal, not 'enterprise'.
- 2. Understand the issues you are dealing with.
- 3. Give authority to those who 'have the problems'.
- A peer-based mindset for accountability (vs. rankbased).
- 5. Flexibility and agility (vs. structures, rules).
- 6. Practice reflection (vs. data-driven).
- Seek and listen to opinions, ideas, intuitions, perspectives
- Make the space to do the hard work of organizing discussing, negotiating, clarifying, deciding.