Conference

Association for Federal Enterprise Risk Management

George Mason University

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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*This interplay … between security in the here-and-now and security in the future* because one took precautions …, *has been revoked in the age of nuclear, chemical and genetic technology*."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

1. 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)*
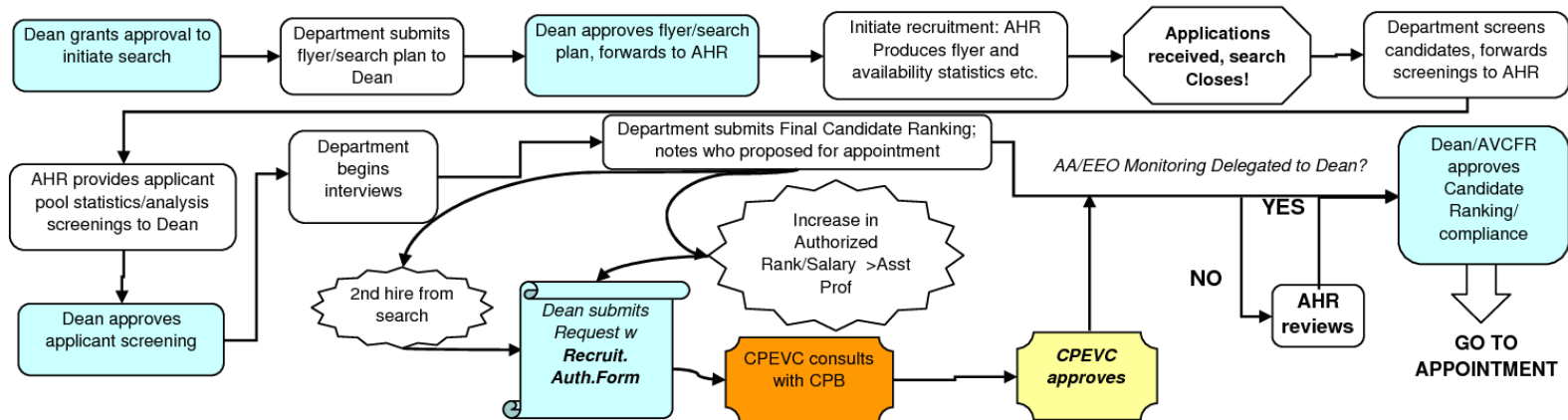
IV: APPOINTMENT *(PB/AHR Manage Jointly)*
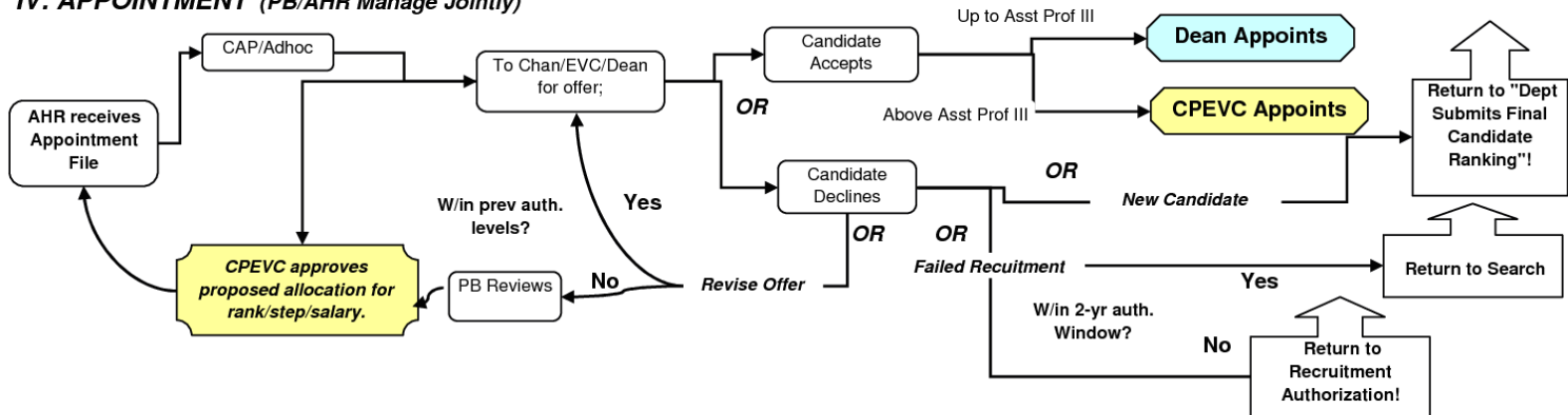
In practice work is a 'Hairball'

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

What goes on *inside* the 'Hairball'

To do
this
effectively

① 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'.
4. A peer-based mindset for accountability (*vs.* rank-based).
5. Flexibility and agility (*vs.* structures, rules).
6. Practice reflection (*vs.* data-driven).
7. Seek and listen to opinions, ideas, intuitions, perspectives
8. Make the space to do the hard work of organizing - discussing, negotiating, clarifying, deciding.