

Strategic Risk Management Tools and Techniques

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Learning Objectives

- Develop an awareness of risks and opportunities inherent in:
 - **Setting** strategy
 - **Aligning** strategy with internal organizational culture and / or external stakeholder expectations
 - **Translating** strategy into successful program implementation
- Highlight 7 selected strategic risk tools for thinking about:
 - Risks **TO** your strategy
 - Risks **FROM** your strategy
 - Risks related to **MISALIGNMENT** between strategy and culture / expectations

Agenda



- Context on risks impacting strategy and 3 types of “strategic risks”
- Seven selected tools for considering risks and opportunities in developing and implementing strategy

**Tool #1 -
People**

Producers / Performers

**Tool #5-
Prioritization**

Risk Profiles

**Tool #2 –
Environment**

Alternate Worlds / Scenarios

**Tool #6-
Testing**

Black Swans and White Swans

**Tool #3 –
Framing**

Blue Oceans

**Tool #7-
Robustness**

Pre-Mortem

**Tool #4 –
Universe**

Risk Portfolios

- Larger Collection of Strategic Risk and Opportunity Tools
- Selected reading list
- Key takeaways

Context on Risks Impacting Strategy



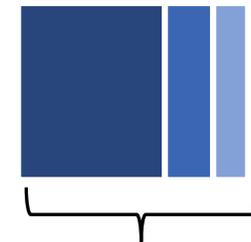
*Many organizations agree that there is a **disconnect** between strategies and understanding the risks*

Modified from Harvard Business Rev. (“How to Live With Risks”, July-August 2015)

Strategic risks are here



Traditional risk management focus has been here



14% =

OPERATIONAL RISK (9%)
LEGAL & COMPLIANCE RISK (3%)
FINANCIAL REPORTING RISK (2%)

**To implement your strategy successfully,
focus on these risks!**

3 Types of “Strategic Risks”

1

[EASIEST]

“Risks TO your strategy”

- Risks impacting day-to-day operations
(i.e., risks impacting strategy implementation)

Example: One of your key staff members leaves your office

3 Types of “Strategic Risks”



2

[NEXT LEVEL OF SOPHISTICATION]

“Risks **FROM** your strategy”

❑ Implications (upsides and downsides) of your strategy

Example: Strategy to reduce DOT highway fatalities leads to some choosing not to drive vehicles, which leads to more mass transit (less vehicle fatalities) but an overall decrease in auto industry sales

3 Types of “Strategic Risks”



3

[HARDEST]

Risks related to **MISALIGNMENT** between strategy and culture / expectations

Example 1: Low-tech elderly customer base may be less likely to use high-tech healthcare with telemedicine and virtual doctors

Example 2: The customer base for this high-tech healthcare is located in an area of the USA where there is very limited cell phone or WiFi coverage

7 Selected Strategic Risk Tools for Thinking About:

- Risks **TO** your strategy
- Risks **FROM** your strategy
- Risks related to **MISALIGNMENT** between strategy and culture / expectations

Producers vs. Performers Assessment

Tool #1
People



Assess leader(s) for *developing* and *implementing* strategy

Generally,
Strategic Planners are:

**EITHER Producers
(Visionaries)**



e.g., Steve Jobs (Apple),
Bill Gates (Microsoft),
Mark Zuckerberg
(Facebook)

**OR Performers
(Executors)**



e.g., Tim Cook (Apple), Paul Allen /
Steve Ballmer (Microsoft),
Sheryl Sandberg (Facebook)

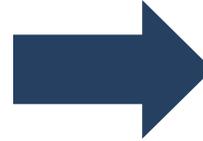
BUT NOT BOTH!

Producers vs. Performers Assessment

Tool #1
People



Take this tool to find out which one you are (and which one your boss is)!



**Strategy+Business
tool: Are You
Producer or a
Performer?**

<https://www.strategy-business.com/feature/Are-You-a-Producer-or-a-Performer?gko=45ccb>



How-To-Apply Tip: “Get the people right” – Who writes the strategy? Who implements the strategy? You need at least one of each!

Alternate Worlds / Scenarios

Risk and opportunity environmental scan tool for strategy development and implementation planning

Tool #2
Environment



- **Collections of scenarios from credible sources:**

- The Global Risks Report 2019 (World Economic Forum) <https://www.weforum.org/reports/the-global-risks-report-2019>
- Public Health 2030: A Scenario Exploration <https://kresge.org/sites/default/files/Institute-for-Alternative-Futures-Public-Health-2030.pdf>



- Cyber
- Biological
- Food Security
- Infrastructure Investment

- **Extremes and trends** to monitor to know if there is a scenario emerging and:

- **Impacts to** your strategy
- **Impacts from** your strategy
- **Alignment** of your strategy to your organization and your extended network of partners



- Infectious Disease
- Health IT
- Emergency Preparedness



How-To-Apply Tip: Typically, risk profiles have most of the top risks and opportunities identified by other organizations

Blue Oceans

Tool #3
Framing



Strategy development and implementation risks framing

Which risks **TO** and **FROM** your strategy?

Which strategy / culture / expectations **misalignment** risks?

How can resources limit or constrain efforts?

Resources Hurdles

Cognitive Hurdles

My Strategy

Policy Environment Hurdles

Is anyone wedded to the status quo?

Are staff (internally) or network partners (externally) unmotivated?

Motivational Hurdles

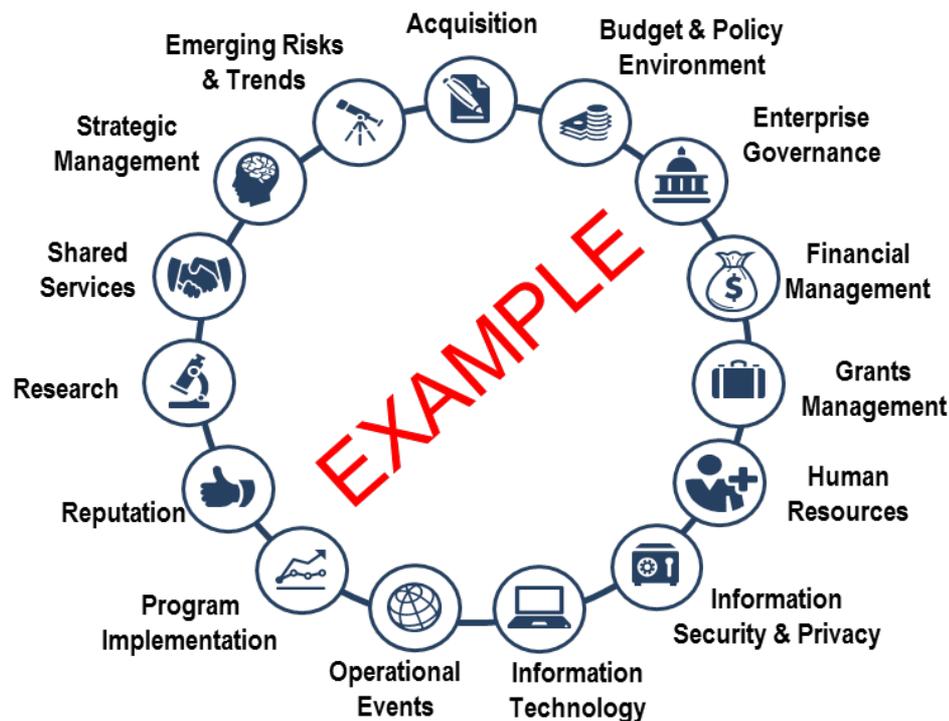
Is there opposition from powerful vested interests?

How-To-Apply Tip: Mapping out “potential problems” impacting your strategy can help you monitor and intervene

Risk Portfolios

Universe of risks and opportunities

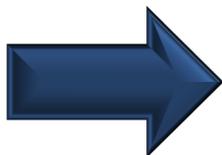
Tool #4
Universe



- Broad collection of risks and opportunities to stimulate “wide lens” thinking about interdependencies
- The HHS Department-level portfolio includes more “mission support” risks & opportunities
- HHS Division portfolios may have more mission and program-specific risks & opportunities

How-To-Apply Tip: Use as a reference to review plans

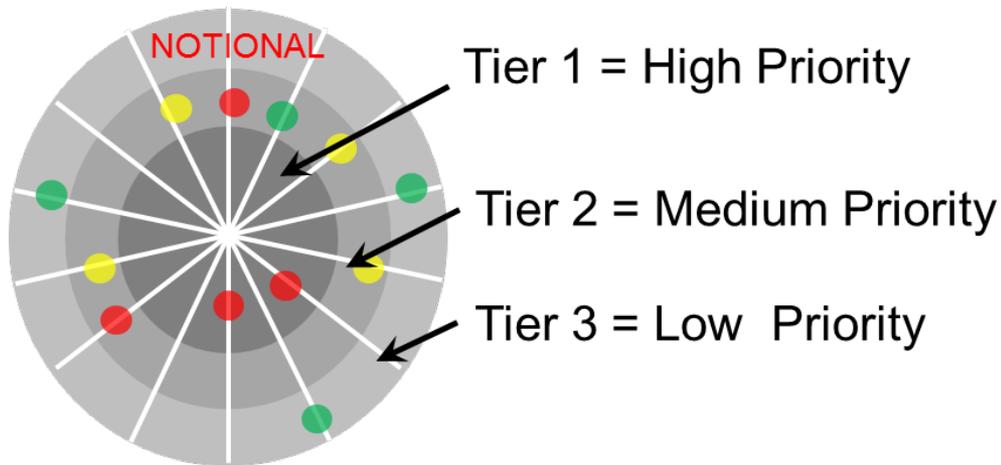
- Have I considered Acquisition?
- “What about HR?”
- Etc.



Risk Profiles

Prioritized assessment of risk

Tool #5
Prioritization



- The Department and the Divisions may have different assessments for relative levels of risk and priorities
- Profiles can help with understanding the operating environment and risk interdependencies
- Strategic planners can use this information to make tradeoffs and to understand the realities that might “slow down or accelerate” strategy implementation

How-To-Apply Tip:

- Think about the high risks first (if / how they might affect your strategy)
- Are there ways you can manage each risk?

White Swans and Black Swans

Strategy robustness to risks technique

Tool #6
Testing

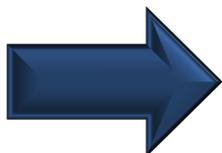


White Swans
*(probable and
predictable)*



Black Swans
*(improbable and
unpredictable)*

VS.



How-To-Apply Tip: Consider the Impact of White Swan / Black Swan “Shock Events” on Your Strategy

1) Pick a “shock event”

- Cyber attack on the healthcare sector
- Outbreak of emerging infectious disease (e.g., “Disease X”)
- Food security threat or water crisis
- 5%-10% budget cut for initiative and tightening budget of partners
- Negative press and reputation crisis; unwanted scrutiny on programs and operations
- Transition of key leaders and HR succession plans

2) Questions to Ask Yourself About Your Strategy

- Does your strategy still work?
- How flexible / robust is it?
- What can you do to tailor and refine your strategy quickly (to manage the risk)?
- How do the Black Swans / White Swans impact network partners? Can network partners adapt and absorb more quickly?
- What kinds of innovative solutions might create additional strategy opportunities when / if Black Swans / White Swans occur?

3) Are there things to do to manage the risk?

Examples of White Swans and Black Swans

Tool #6
Testing



Strategy robustness to risks technique

Cyber Attack on Company X



(White Swan)

Meteor Shower



(Black Swan)

UFO Event

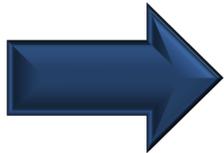


(Black Swan)

Pre-Mortem

Strategy testing

Tool #7
Robustness



How-To-Apply Tip:
Envision 2 Years in the Future

- Your strategy as implemented “didn’t meet expectations”

Questions to Ask:

- 1) Which things had to go “really badly” to “derail / challenge” implementation?
- 2) What activities could you have deployed and when, to “change the odds” toward strategy implementation success?
- 3) What are the true uncertainties even if you have made “good decisions”?



You buy a car and you are unsatisfied with your purchase

- 1) Why did this occur?
- 2) What could you have done to “change the odds” in your favor?
- 3) Did you research cars / prices? Dealers?
- 4) What are the “realistic” odds that the car is a “lemon” (true uncertainty)?

7 Selected Strategic Risk Tools



**Tool #1 -
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Producers / Performers

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Risk Portfolios

Larger Collection of Strategic Risk and Opportunity Tools



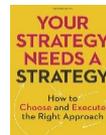
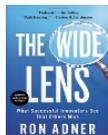
The 7 selected strategic risk tools are underlined below. There are lots of risk and opportunity tools that can help with strategic risk considerations and that can be applied in many ways.

Strategy Development	Strategy Implementation
<ul style="list-style-type: none"> <input type="checkbox"/> <u>Producers / Performers Assessment</u> <input type="checkbox"/> STEEG (Society, Technology, Economic, Environment, Government) – sometimes “STEEP” with “Political” <input type="checkbox"/> PEST (Political, Economic, Social, Technological) <input type="checkbox"/> PESTLE (PEST +Legal + Environmental) 	<ul style="list-style-type: none"> <input type="checkbox"/> <u>Kim & Mauborgne’s Blue Ocean</u> <input type="checkbox"/> <u>Black Swans and White Swans</u> <input type="checkbox"/> McKinsey 7-S <input type="checkbox"/> Porter’s 5 Forces <input type="checkbox"/> Porter’s Value Chain <input type="checkbox"/> Lewin’s Force Field Analysis <input type="checkbox"/> DOTMLPF + RAGS (Doctrine, Organization, Training, Material, Leadership and education, Personnel, Facilities, + Regulations, Authorities, Grants, Standards) – DoD for implementing strategy
Strategy Evaluation	
<ul style="list-style-type: none"> <input type="checkbox"/> <u>Alternate Worlds Envisioning</u> <input type="checkbox"/> <u>Pre-Mortem</u> <input type="checkbox"/> SWOT or TOWS Analysis 	<ul style="list-style-type: none"> <input type="checkbox"/> Customer / Stakeholder Surveys <input type="checkbox"/> Logic Models <input type="checkbox"/> Pre-Tests and Post-Tests
Could Fit Any of These Categories	
<ul style="list-style-type: none"> <input type="checkbox"/> <u>Risk Portfolios</u> <input type="checkbox"/> <u>Risk Profiles</u> 	

Selected Reading List

Books and articles for making the connection between strategy and risk

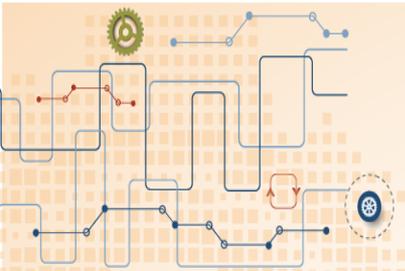
- Adner, ***The Wide Lens: What Successful Innovators See That Others Miss*** (2013)
- Andersen and Schroder, ***Strategic Risk Management Practice: How to Effectively Deal with Major Corporate Exposures*** (2010)
- Christensen, ***The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail (Management of Innovation and Change)*** (2016)
- Committee of Sponsoring Organizations of the Treadway Commission (COSO) , ***Enterprise Risk Management: Integrating Strategy with Performance*** (2017)
- Haanaes, Reeves, and Sinha, ***Your Strategy Needs a Strategy: How to Choose and Execute the Right Approach*** (2015)
- Harris and Lennox, ***The Strategist's Toolkit*** (2013)
- Harvard Business Review, ***How to Live with Risks*** (July-August 2015)
- Hrebiniak, ***Making Strategy Work: Leading Effective Execution and Change, 2nd edition*** (2013)
- Kim and Mauborgne, ***Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*** (2015)





Key Takeaways

1. When developing and implementing strategy, consider risks:
 - **TO** your strategy
 - **FROM** your strategy
 - Related to **MISALIGNMENT** between strategy and culture / expectations
2. Lots of strategic risk and opportunity tools available
3. ERM can help you!
 - Risk Profiles are management tools that can help you consider risks and opportunities as you develop and implement strategy



Questions?

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