

Clumsy solutions and managing risk

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Corporate risk management seems easy

RISK MANAGEMENT SYSTEM

Identify all the risks



Decide which risks are most important



Manage these important risks



Keep checking for new risks

But, of course, we know risk management is not easy



One reason is there are multiple and complex risks



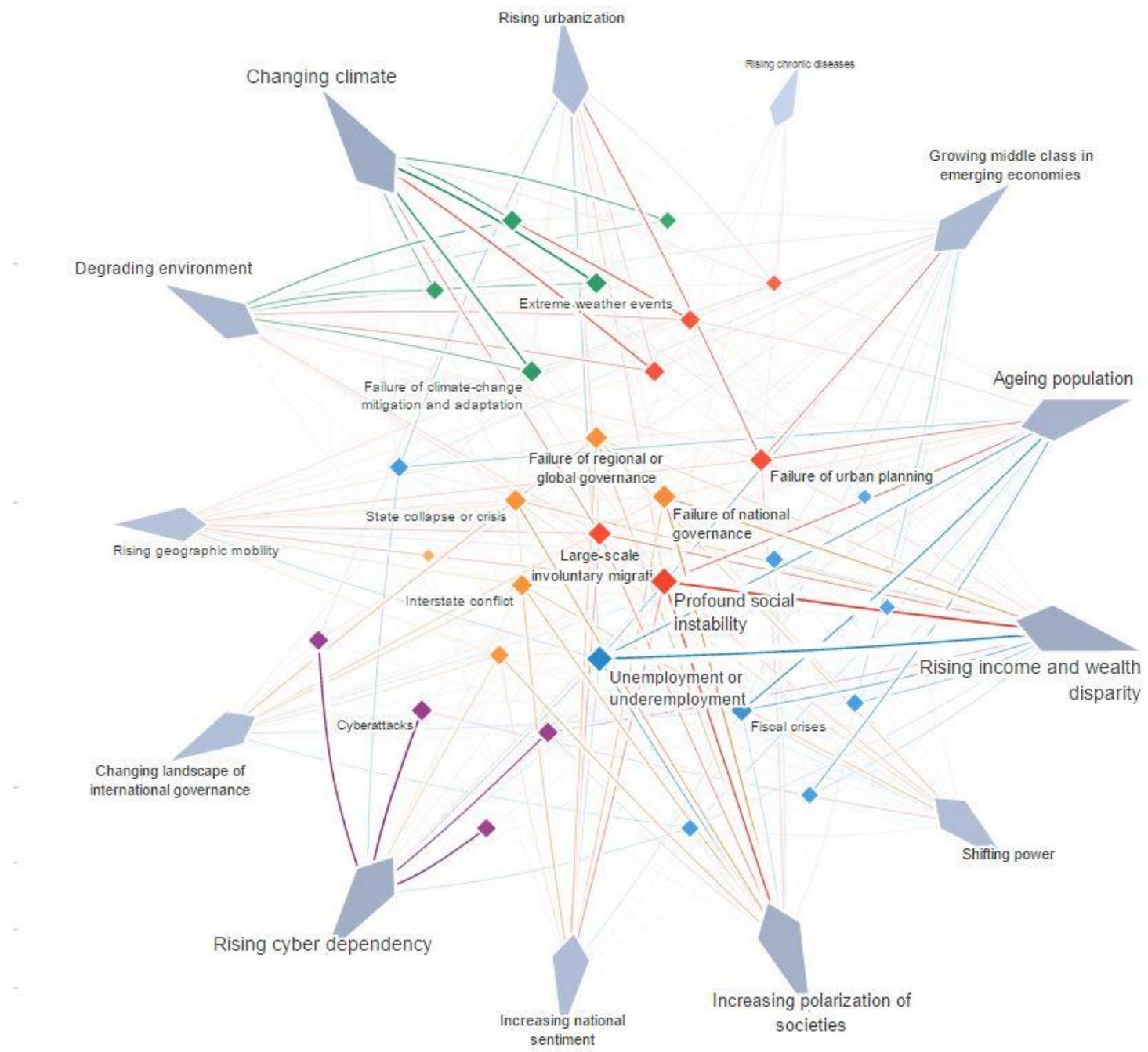
Insight Report

The Global Risks Report 2017 12th Edition



Strategic Partner of the Report





But another reason is we see the world
differently to others

This includes having different attitudes to risk and risk management

MARY DOUGLAS ARGUES
THERE ARE FOUR MAIN WAYS OF
SEEING THE WORLD



For example - poverty debates

Whatever you try to do
there will always be
poor people



We need a structured
approach to
understanding the
causes of poverty

Individuals have to
take responsibility for
their own lives

Poverty has happened
because governments
and business do not
care enough

We see the world differently dependent upon the type
of society

FOUR DIFFERENT TYPES OF SOCIETY

4 Solidarities

4 Worldviews

4 Ways of life

4 Cultures



YOU GIVE THESE WHATEVER NAME YOU LIKE

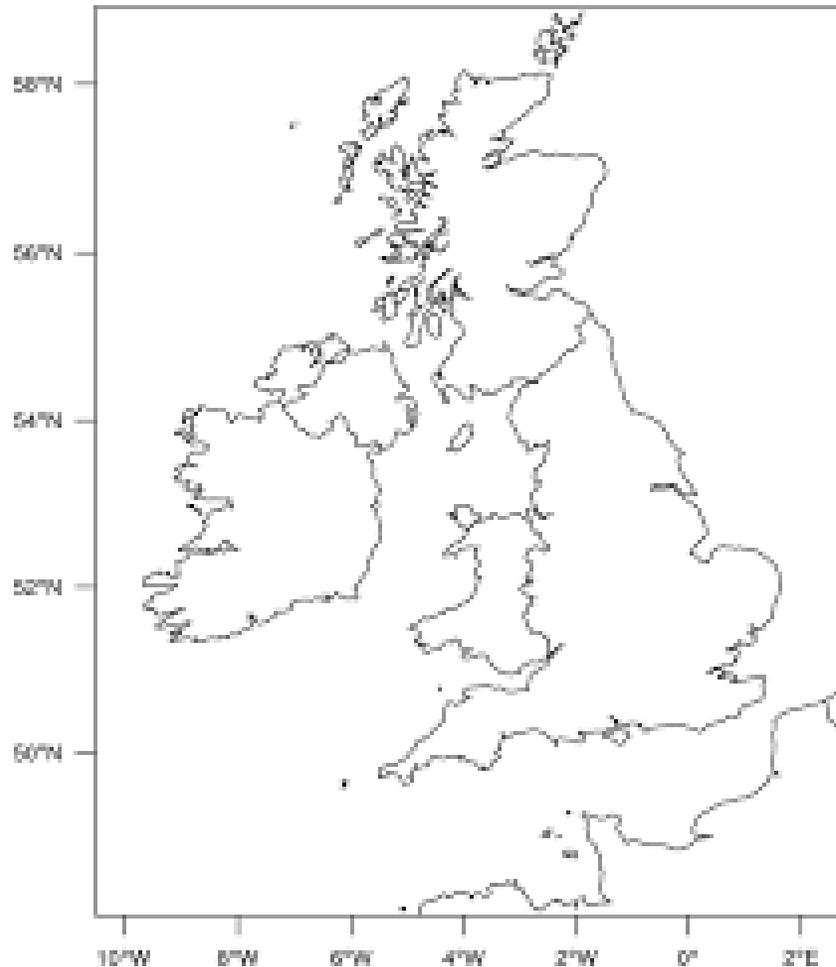
Fatalist	Hierarchy
Individualist	Egalitarian

Adapted from
Douglas (1978)

Four perspectives on risk management

<p>PRAGMATISTS Try to keep options open and adapt their strategy as uncertainties arise</p> <p>Believe all risk management systems will eventually be found to be inadequate</p>	<p>MANAGERS Carefully balance risk and reward</p> <p>Prefer a comprehensive (ERM) risk management system</p>
<p>MAXIMIZERS Comprehensive risk management systems inhibit innovation</p> <p>Accept losses may arise but believe that over time profits will more than match losses</p>	<p>CONSERVATORS Look to avoid losses</p> <p>Judge the world a very uncertain place</p>

Cultural dialogues and dominant solidarity



Fatalist	Hierarchy
Individualist	Egalitarian



A dynamic theory where change is possible

What can we do?

Clumsy solutions?

Clumsy solutions

- Recognise the problem is demanding (or wicked)
- Take into account the four alternative views
- Do not seek a perfect solution

What can we do?

Clumsy solutions?

Clumsy solutions

- Seem to require an approach where “leading on risk” is occurring rather than “risk leadership”
- “Leading on risk” focuses on seeing risk not as a technical discipline but instead being open to seeing risk as:
 - A normal business activity (just as, for example, budgeting or marketing)
 - Nuanced and worthy of reflection
 - Diversity of perspectives possible and not everyone will or should think the same

Four perspectives on cyber risk

<p>PRAGMATISTS It is a new risk but not in all ways. Throughout time it has been the case that threats can arise and will need reacting to.</p>	<p>MANAGERS Technical problem needing expertise, and requiring systems and policies.</p>
<p>MAXIMIZERS Digital opportunities may be accompanied by cyber risk but the opportunities are worth pursuing.</p>	<p>CONSERVATORS Zero tolerance and constant anxiety whether breaches are about to occur.</p>

