

Is risk management a passing fad?

It has been argued that risk management is at a stage in its life cycle where it could begin to deliver real benefits – or it could disappear without trace like so many of the fads that have come and gone before it.

Business leaders are concerned about a growing legislative push, yet despair at the resources and effort needed to comply, let alone generate tangible benefits. They see a heavy focus on documentation, audit trails and other devices – aimed at avoiding possible future losses rather than capitalising on the advantages of the present.

Can this be avoided? Should risk management be allowed to go the way of the fads? Or are there opportunities to beat the competition and gain some real advantage?

Present concerns with risk management

- It is seen as consuming a lot of resources: Management is required to react to regulatory changes coming from many directions
- It has too much focus on documentation, compliance and audit trails
- It is hard for senior management and boards to gain a good picture of overall risk in the organisation
- It does not seem to be living up to its initial promises

Why are fads so popular?

Most of us believe we can recognise fads very easily. They tend to be introduced with much fanfare, often oversold and sometimes consultant-driven. Just the same, they seem to be popular with instigators and recipients alike:

- They are a sign of progress – newsworthy, attention-getting, galvanising
- They may follow a project approach (timelines, milestones, completion dates)
- They may be fast and cost-effective
- Recipients may see fads as fun at first – no need to commit, may go away in time

Momentum for risk management

If risk management is seen as a fad, then the regulatory and community momentum behind it may yet bring about its implementation one way or the other. These forces have been building since the Robens committee changes in the UK in the 1980's, and have been progressively shaping legislation in Australia since then. Risk management has been extended from areas such as workplace safety and corporate governance to now include critical infrastructure security, counter terrorism and the like.

The challenge for high-performing organisations is to capitalise on the changes in a way that delivers sustainable advantage over the competition. Such organisations avoid the pitfalls of fads, at the same time recognising and addressing current concerns with risk management implementation.

Tips for avoiding fads – How to gain competitive advantage

Allow leaders to lead

- Avoid the idea of programs openly led from head office – instead make individual leaders accountable for implementation
- Lead by example – others will look for commitment and actions before deciding to follow
- Provide overall program guidance and management – but behind the scenes, in the background
- Drive the changes as a matter of personal commitment, rather than reacting to external legislative forces

Create small centres for change

- Consider implementing lower in the organisation
- Build on the experiences. Grow the changes elsewhere.
- Learn from mistakes – allow systems to evolve

Use results to discredit the old way

- Avoid general news bulletins. Publicise results, and allow them to speak for themselves.

Provide a framework

- Agree on a management plan. Establish accountabilities.
- Link to control assurance plan or similar
- Provide necessary resources, including training
- Provide simple systems for risk assessment, management, data capture, reporting and audit trails
- Recognise the effectiveness (and efficiency) of many levels of the organisation acting on risk issues

Reinforce the changes – “Every way, every day”

- Incorporate risk management tasks into everyday routines
- Learn by doing
- Use risk activities to build awareness in the people – see the benefits of risk actions taking place at all levels in the organisation
- Risks are addressed at all levels, every way, every day. Risk management becomes part of “business as usual”.

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