

Enterprise Risk

Winter 2024 / www.enterpriseriskmag.com

The official magazine of the Institute of Risk Management

Rising higher: Risk management in Australia developed relatively early. Recent mega-projects are taking it to the next level says Colin McCrorey, chair of IRM Australia Regional Group



SPECIAL FOCUS: Collective action on resilience: working with stakeholders to avoid calamity + **Role-playing resilience:** how to benefit from an operational resilience framework // **Adapting to complexity:** IRM's new guidance on risk and complexity good practice / **Power couples:** five steps to making a mentoring relationship work well

Join over
9,000 risk
management
professionals



Scan me!

IRM Membership

Join us and you'll benefit from a host of networking and professional development opportunities. You'll also have access to a wealth of articles, guides, reports and other practical tools and resources to develop your skills and keep you up-to-date. A full list of our membership grades and professional designations can be found on our website.

www.theirm.org | Tel: +44 (0)20 7709 9808 | Email: membership@theirm.org

irm

Winter 2024

Editor
Arthur Piper

Produced by
Smith de Wint
Cobden Place, 5 Cobden Chambers
Pelham Street, Nottingham, NG1 2ED
Tel: +44 (0)115 958 2024
risk@sdw.co.uk
www.sdw.co.uk

**Sponsorship and
Advertising Sales Manager**
Redactive Media
IRMsales@redactive.co.uk
Tel: +44(0)20 7324 2753

Enterprise Risk is the official publication of
the Institute of Risk Management (IRM).

ISSN 2397-8848

About the IRM

The IRM is the leading professional body for Enterprise Risk Management (ERM). We drive excellence in managing risk to ensure organisations are ready for the opportunities and threats of the future.

We do this by providing internationally recognised qualifications and training, publishing research and guidance, and setting professional standards.

For over 30 years our qualifications have been the global choice of qualification for risk professionals and their employers.

We are a not-for-profit body, with members working in all industries, in all risk disciplines and in all sectors around the world.

Institute of Risk Management
2nd Floor, Sackville House, 143-149
Fenchurch Street, London, EC3M 6BN
Tel: +44 (0)20 7709 9808
Fax: +44 (0)20 7709 0716
enquiries@their.org
www.theirm.org

Copyright © 2024 Institute of Risk Management. All rights reserved. Reproduction without written permission is strictly forbidden. The views of outside contributors are not necessarily the views of IRM, its editor or its staff.



Developing risk professionals



In the days of ancient Greece, warring kings used to send messengers up to the mountains at Delphi to get the advice of the famous Oracle. They wanted to know the future impact of their actions – or whether their countries would be destroyed by natural disasters. The Oracle made them wait for days on end before handing over cryptic poems that the king's own experts would then decipher as best they could.

Because monarchs consulted them about a wide range of issues constantly, the Oracle was probably the most well-informed person in the world at that time. In fact, the Oracle was a temple complex, so had a large staff. These early risk professionals did not have the tools that are available today, but they did know all about dealing with complexity. I'd like to think that providing answers that were difficult to grasp was the Oracle's way of forcing undecided monarchs to weigh up all possibilities before choosing a course of action.



These early risk professionals did not have the tools that are available today, but they did know all about dealing with complexity

This issue of *Enterprise Risk* has that same forward-looking vibe. The first part of our resilience focus, by Gareth Byatt and colleagues (*Collective action on resilience*, pp 18-22), for instance, looks at how disasters may be avoided, while the second part, by Robert Chanon and co-authors (*Role-playing resilience*, pp23-27), examines the role of scenario planning on strengthening operational resilience.

Graeme Miller also returns in this issue (*Adapting to complexity*, pp 28-32) to deepen our coverage of complexity theory in risk management. The occasion is the publication of the *IRM Risk & Complexity Good Practice Guidelines*.

In my opinion, complexity risk is one of the least understood but most important theories to emerge in risk management over the past three years or so. It attempts to take account of many interconnected risks, the impacts of which cannot be accurately predicted. As a result, the job of the risk managers is to help steer the organisation away from their worst effects and towards better outcomes – at the same time as accepting that no one has complete control over the results.

As Miller optimistically concludes, “embracing a systems view of our organisations will help us navigate the storms of risk and uncertainty and open up a world of opportunity.”

And on the theme of looking to the future, it just remains for me to say goodbye, as this is the final issue of *Enterprise Risk* I will be editing. I'd like to thank all of the people at IRM who have given me the opportunity to guide the publication over the past nine years and to my production team for making it such a good-looking magazine. Thanks to all the IRM volunteers, editorial contributors and risk managers I have met and received an education from at various events along the way. Thanks finally to the readers – and may your Delphic utterances always ring true!

Arthur Piper
Editor

Risk isn't
just for risk
managers



Scan me!

International Certificate in Enterprise Risk Management

Risk is part of every business, from the pandemic to cyber threats to supply chain disruptions. Study with the IRM to improve your career and earning potential by gaining a solid foundation in the theory and practice of effective risk management.

www.theirm.org | Tel: +44 (0)20 7709 9808 | Email: enquiries@theirm.org

irm



Features

10 Rising higher
Risk management in Australia developed relatively early. Recent mega-projects are taking it to the next level, says Colin McCrorey, chair of IRM Australia Regional Group

28 Adapting to complexity
Today's multifaceted risk environment requires a sophisticated response if businesses are to survive and thrive. IRM's forthcoming guidance on risk and complexity good practice provides a roadmap

34 Power couples
Mentoring can be powerful when done properly. Both parties can make the relationship work by following a few basic steps

RESILIENCE SPECIAL:

18 Collective action on resilience
While good business resilience helps organisations achieve their objectives, linking their resilience efforts to broader societal and environmental disaster efforts can reap rich returns

23 Role-playing resilience
While UK regulators have been quick to embrace operational resilience, the guidance lacks detail and is open to interpretation. Implementing an OR scenarios framework can bring benefits to both financial firms and other organisations alike

REGULARS

7 IRM Viewpoint
While organisations often strive for uniformity in processes and people, the benefits of a more disordered approach can strengthen resilience

8 Trending
The stories and news affecting the wider business environment as interpreted by our infographics team

36 Directory
In need of insurance services, risk management software and solutions, or training? Look no further than our listings

38 Toffler
Turbulent times create revolutions in thought

Learn to identify,
categorise,
manage, monitor
and report on
Operational Risks



Scan me!

International Certificate in Operational Risk Management (ICORM)

ICORM is designed to introduce students to the fundamental theory and application of Operational Risk Management to ensure timely organisational success. This Ofqual regulated qualification has been written for operational risk professionals across multiple fields.

www.theirm.org | Tel: +44 (0)20 7709 9808 | Email: studentqueries@theirm.org

irm

Embracing Disorder

While organisations often strive for uniformity in processes and people, the benefits of a more disordered approach can strengthen resilience

In the pursuit of efficiency, many organisations prioritise streamlined processes, remove excess capacity and adhere strictly to norms. While these strategies may yield short-term gains, they often overlook the benefits of disorder, particularly in fostering resilience and sustainability. Embracing disorder can lead to more adaptive organisations.

The traditional view equates efficiency with effectiveness, leading to the elimination of what is seen as excess – redundant roles, unproductive processes and variability in workflows. This narrow focus can create vulnerabilities. In times of crisis, organisations stripped of excess capacity may struggle to adapt to sudden changes. In contrast, those who embrace some degree of disorder maintain the flexibility needed to pivot and innovate.

Creativity

Disorder can serve as a catalyst for creativity and problem solving. In a less structured environment, people may feel empowered to experiment, take risks and challenge the status quo. This encourages diverse thinking and fosters a culture of psychological safety, where team members feel comfortable sharing unconventional ideas.



Such an atmosphere enhances innovation and strengthens the organisation's ability to navigate uncertainty. Valuing challenge and different perspectives can lead to richer discussions, better

decision-making and a more engaged workforce, ultimately driving sustainable performance.


The concept of neurodiversity – recognising that variations in the human brain, such as autism, ADHD and dyslexia, can offer unique strengths – fits well with this discussion of disorder. Organisations that value neurodiversity understand that a diverse workforce brings varied perspectives and problem-solving approaches. Rather than enforcing a single standard of “normalcy”, these organisations create space for different cognitive styles that can lead to innovative solutions. For instance, individuals with ADHD may excel in dynamic environments that require quick thinking, while those on the autism spectrum may offer exceptional attention to detail. By fostering an inclusive culture that embraces these differences, organisations can enhance their problem-solving capabilities and build a more resilient workforce.

Nuanced understanding

To cultivate resilience and sustainability, leaders must shift

from rigid efficiency to a nuanced understanding of productivity that includes the benefits of disorder. This requires re-evaluating performance metrics that prioritise uniformity and exploring how diverse perspectives contribute to a richer, more adaptable organisational fabric.

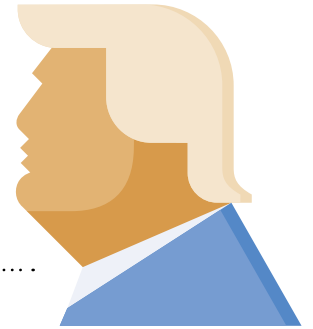
In this new paradigm, the goal is not just to minimise disruptions but to view them as opportunities for growth. Encouraging a culture that values different perspectives and embraces unpredictability can lead to innovative solutions that drive long-term success. By fostering an environment where challenges are welcomed, organisations can stimulate critical thinking and creativity, resulting in breakthroughs that might not occur in a more constrained setting.

In a world of rapid change and uncertainty, organisations should recognise the benefits of disorder. By moving away from an overemphasis on efficiency and embracing the strengths of neurodiverse teams, they can enhance their resilience and sustainability. Through this acceptance of disorder and difference, organisations can unlock their true potential and pave the way for innovative practices that thrive amid the complexities of the 21st century. 



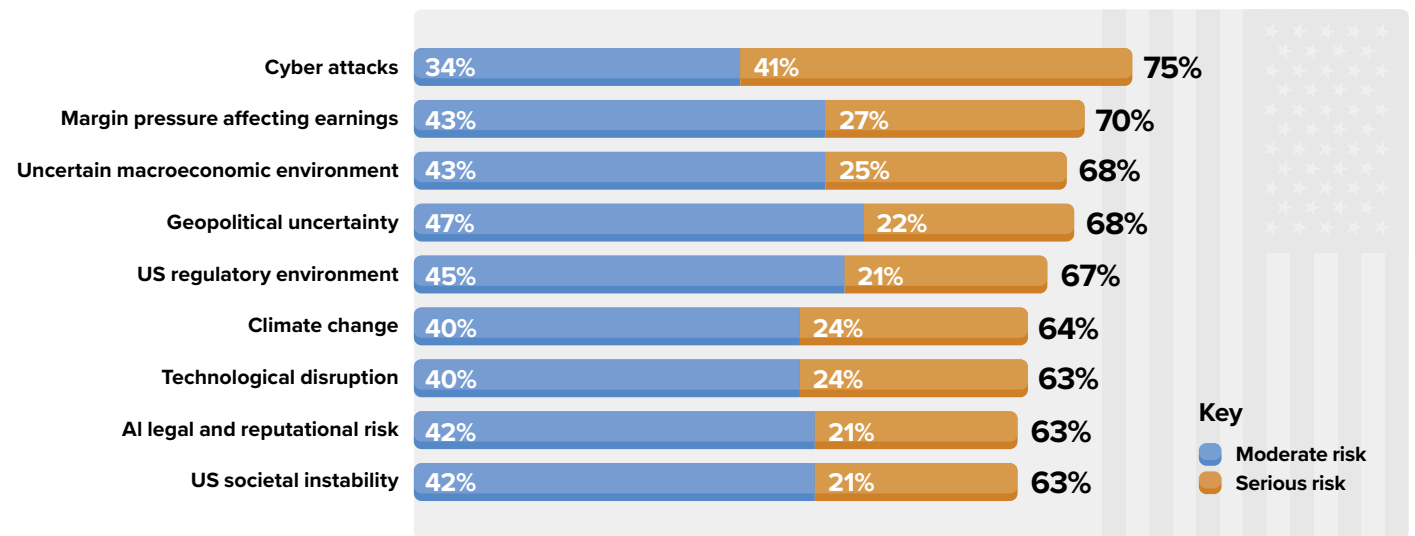
Stephen Sidebottom
is chair of IRM.

The latest stories and news affecting the wider business environment as interpreted by our infographics team



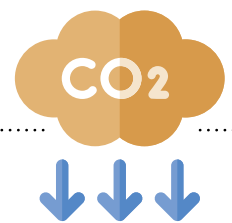
US executives say risk unaffected by election results

Top risks facing US businesses

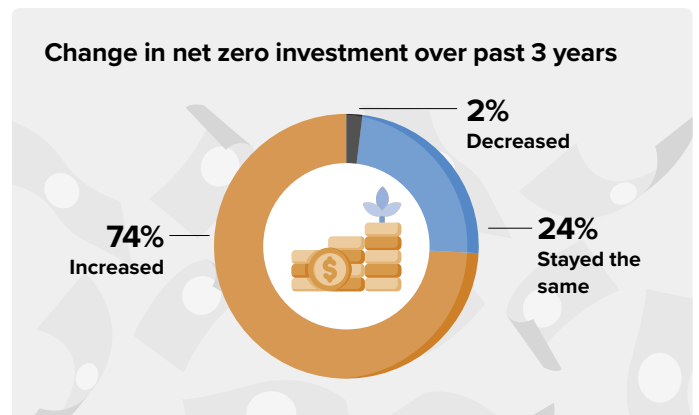
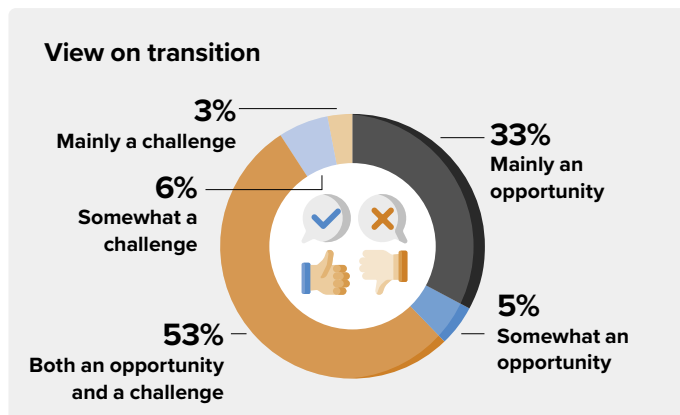


Source: PWC pulse survey, November 2024

Net zero opportunity and threat



Transition investment increases

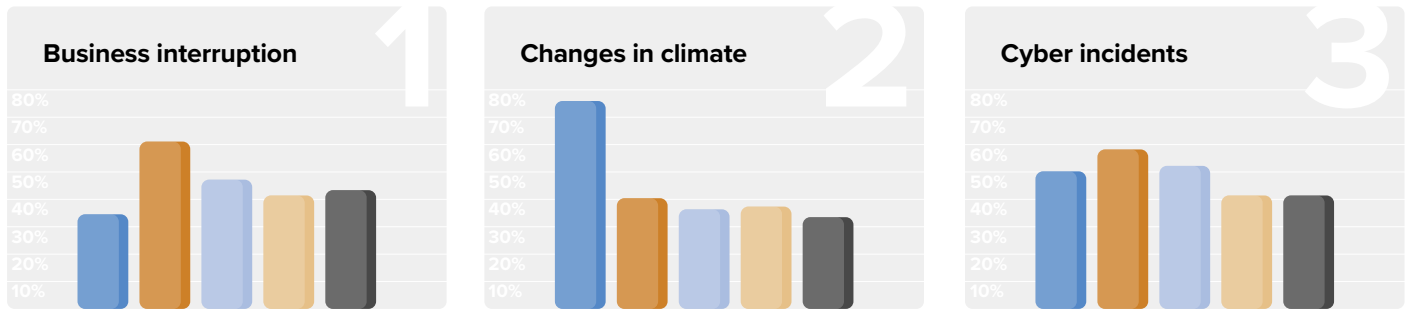


Source: WBCSD business breakthrough barometer 2024

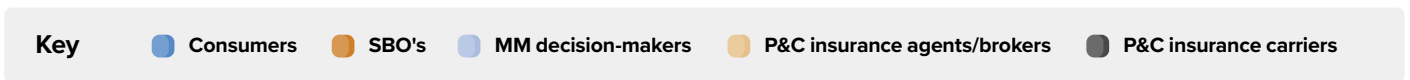
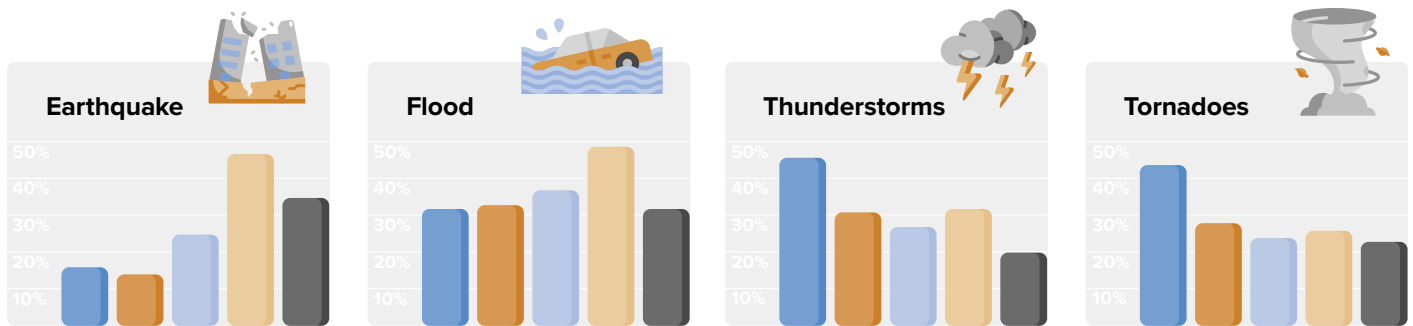
Top three insurance-related risks



Consumers most concerned over climate change risks

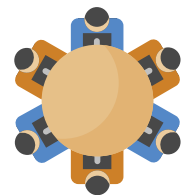


Insurers see earthquakes and floods more threatening than thunderstorms and tornadoes

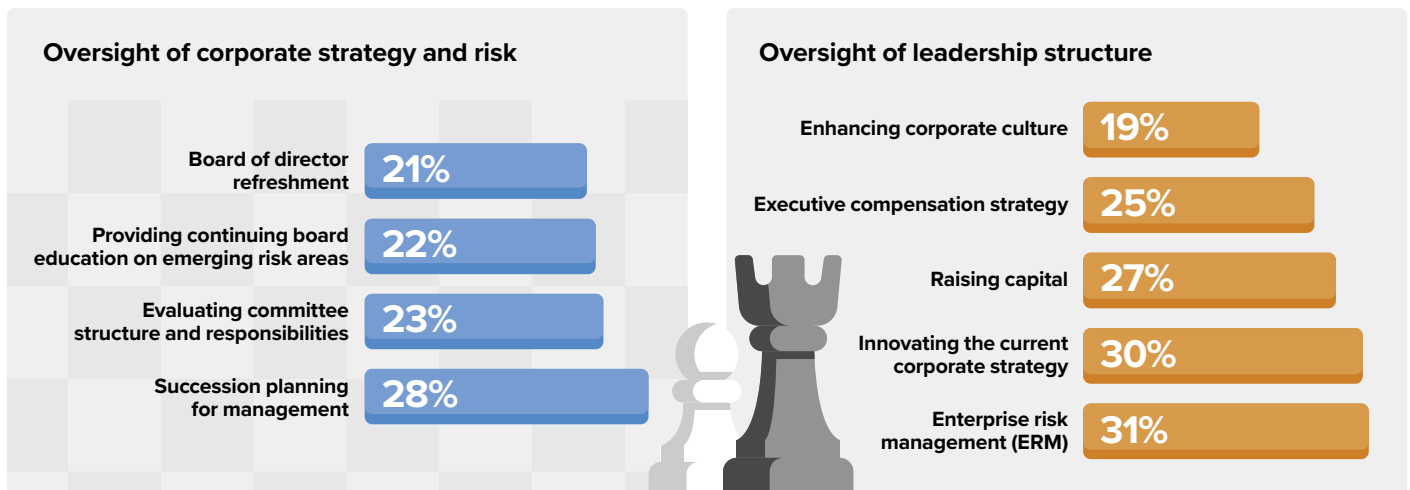


Source: Munich Re, Risk Scan 2024

ERM tops leadership oversight structure



Directors expect to spend significant time on governance in two key areas



Source: Boards balance innovation and risk, 2024 BDO board survey

Rising higher

BY ARTHUR PIPER

Risk management in Australia developed relatively early. Recent mega-projects are taking it to the next level, says Colin McCrorey, chair of IRM Australia Regional Group

In recent years, Australia has gone through something of a national infrastructure boom. Among the largest of those has been the \$16 billion WestConnex 33km motorway link joining western and southwestern Sydney with the city's airport and port; the \$12 billion Sydney Metro (which experienced significant overspends), which runs to 66km of new rail and 31 metro stations; and the \$11 billion Melbourne Metro Tunnel – a 9km twin-rail tunnel system designed to carry an additional nine million passengers per week between the west and southeast of the city.

These projects and many others around the country are needed because of Australia's burgeoning population. Over the past four years, the country has seen the

number of people living there grow by an average of about one per cent. By comparison, it has taken Europe 20 years to increase by the same number. Australia's

rail, new airports, new roads, new tunnels – you name it, we're doing it," Colin McCrorey, chair of IRM Australia Regional Group, says. "We're seeing



We're seeing infrastructure projects of size and complexity that we've never seen before in Australia

declining birthrate has been more than offset by inflows of migrants, putting pressure on housing, hospitals, schools and transport infrastructure. It is this mixture of trends that has sent the country's building projects into overdrive.

"Overground and underground

infrastructure projects of size and complexity that we've never seen before in Australia."

Skills shortages

But that does not mean that delivering those projects is easy. One issue, according to





Image credit: Benfried / Wikimedia Commons

Sydney Metro: A Metropolis Stock at Chatswood.

McCrorey, who is managing director of the infrastructure consultancy VICTOREM in Sydney, is that the country lacks the skills and competencies to successfully complete projects of that scale – so each initiative is competing to attract and retain the right number of manual labourers and technical staff from a limited pool of talent.

In fact, McCrorey arrived in Australia from the UK in 2012, so he is part of that inflow of technically proficient labour himself. In 2003, he was working as a civilian for the Ministry of Defence at RAF Brampton when he got a tap on the shoulder from an officer who asked him to do some risk management training – the incumbent had just left. After working for the Ministry of Defence on its estates portfolio, he left to work first at Atomic Weapons, then the London Underground. After a stint at Network Rail, he took a job on

“ The risks facing organisations in Australia are complex and interconnected

a \$36 billion LNG plant based in Darwin, which saw him travelling widely throughout Asia and finally setting up on his own in 2017.

He says that the COVID-19 pandemic has left a lasting shortage in many areas, which has not been helped by restrictions on skilled labour due to the current geopolitical landscape. “COVID-19 had an impact, and while there are more and more people coming over, we’re still behind the curve when it comes to human resources,” he says. “That lack of key and competent resources is definitely up there as

one of the top risks for Australia.”

A new Labour government came into power in the country in 2022, and that has led to a change in priorities, which has seen a slowdown and stop in some cases on key infrastructure projects. In addition, the cost of projects that were already underway has spiralled, which has meant that some planned infrastructure initiatives have been cut altogether or reduced in size. For example, a rail project for Melbourne Airport was pushed back four years in 2024 because of shortfalls in the Victoria state budget, which is expected to increase from \$135.8 billion this year to \$188 billion by 2028.

“The belt has been tightened and businesses all along the infrastructure supply chain are struggling currently,” McCrorey says. “I know, being in the consortium world, there are a lot of people sitting on the bench, and there are a lot of people also

who have been given a cheque to say, “We can’t afford you.”

He is quick to emphasise that the risks facing organisations in Australia are complex and interconnected. For example, China imposed roughly \$20 billion in trade barriers to Australian imports in 2020 and 2021, complaining that some producers were “dumping” cheap wine into its home market. But commentators said that the move was triggered when the Australian government backed a global enquiry into the origins of the coronavirus, which singled out China. In March 2024, those tariffs were reversed as relations between the two countries thawed. And while that will be a relief for wine producers, the rising costs of living and of doing business mean that few expect the industry to recover to pre-COVID levels.

“Geopolitical and government decisions at a high level are actually flowing down to the average businesses in

Australia, and they’re the ones feeling the pain,” he says.

Adaptation

Naturally, businesses are adapting to these complex situations. He has noticed that those with access to capital have been focusing on taking over businesses in related

the country build its own nuclear submarines – a deal known as AUKUS. Under the plans, Australia will build eight vessels that are based on a British design, and that will be loaded with American technology. The 30-year-long project could cost as much as \$368 billion and will require an upgrade



We’re using the knowledge from the more risk-mature areas of the world to support Australia in the enhancement of their risk maturity

industries to improve their market share. In addition, bigger companies have also diversified their portfolios by acquiring businesses in sectors where they have no presence – such as the defence sector. In 2023, for example, the UK, US and Australia reached an agreement to help

to the Osborne shipyards in South Australia. But in this area, as in so many others, Australia lacks the skilled workers needed to build and maintain the submarines.

As well as having upgraded their technologies during the pandemic, businesses are seeking to overcome challenges,

Sydney Metro: Tallawong station, the northern terminus of the current North West & Bankstown Line.



Image credit: MDRX / Wikimedia Commons

such as the higher cost of doing business and skill shortages, by collaborating on projects. “What I’m seeing more and more now is, whereas people would try and win the business on their own, there’s a lot more collaboration, especially with smaller boutique type consultancy firms,” he says. “You go in together to win the work and share the upsides and risks.”

In addition, businesses have retained some of the COVID-era, employee-centred working practices. “Such flexibility helps with the psychosocial-type risk, such as mental health and family life,” he says. “For example, if you can pick the kids up and still be able to do your work, you may be able to reduce the cost of living because you don’t need to put your child into day care for such a long duration.” While these are relatively easy things

for businesses to implement, they can have a large impact on attracting new staff and retaining key personnel.

Risk management

With huge megaprojects still on the horizon in the region for the foreseeable future, it should come as no surprise that the need for good risk management has become more evident. In fact, Standards Australia and Standards New Zealand published the first ever risk management standard (AS/NZS 4360: Risk management) back in 1995 – so the region has a long history of good risk management practice. But McCrorey says that one of the core aims of IRM’s Australia Regional Interest Group is to boost the profile and practice of risk functions to help them cope with the size and complexity

of the projects now underway. “We’re using the knowledge from the more risk-mature areas of the world to support Australia in the enhancement of their risk maturity,” he says.

If there is a weak point in Australia’s risk culture, it can sometimes be found in a boardroom’s knowledge of risk management, he believes. McCrorey’s professional engagements and delivery of IRM risk training have highlighted gaps in risk maturity and understanding. This spans the whole organisation, including in the board room. He sees such issues – which do not arise in all organisations – as part of a generational change in the country. “Twenty years ago, the projects and organisations weren’t as big or complex – so the knowledge in the risk space

The M4 Western Motorway has been widened as part of the WestConnex scheme.



Image credit: westconnex.com.au



“ People are coming through the door who have never been a risk manager, but they may be thinking about getting into the world of risk

was lower,” he says. “That has opened up a culture gap between the way risk used to be done and how it can be done at an enhanced maturity level to support effective decision making on multi-billion-dollar projects.”

But, he says, in defence of boards, providing the full cost of a project with the risks correctly priced could mean that large initiatives have less chance of getting off the ground. Some are happy to get a project running in the full knowledge that there will be overspend down the line – which speaks more to the overall risk maturity of Australian business culture.

The last mile

McCrorey wants to change that approach. He likens risk management to running a

marathon. Runners need to do meticulous training and preparation before a race, which will get them through the first 25 miles – and that makes the result given at the end of the final stretch possible. “When you’ve got to that point, and you’ve got all the inputs from your quantitative processes, which are supported with correct substantiation and justification to make them meaningful, then we do the last mile of the marathon,” he explains. That entails doing risk modelling to come up with a final number for the project and “looking into the delivery director’s eyes and saying, ‘You need \$250 million contingency because this process has told me so’.”

That is why he believes education among board members and politicians about how risk comes to its conclusions is so

important. It should reduce the need for directors to want to override those findings in favour of their own biases.

Working together

But risk managers need the knowledge and skills to make that change. That is one reason that McCrorey had been mulling over setting up an IRM regional group in Australia for several years. When he finally got the go-ahead in a phone call with London three years ago, he started bringing people together. Armed with a list of members in the country, he started reaching out and began to establish regular members’ meetings every six weeks. Since members are separated by huge geographical distances, they decided to hold those meetings online.

NEW ZEALAND IRM REGIONAL INTEREST GROUP

Kia ora! Announcing the formation of the latest IRM Regional Group in New Zealand

For those who are challenged by geography, it is a three-hour flight from Australia across the Tasman Sea and about as far from the United Kingdom as it is possible to get. To get a simple idea of the difference in being on the other side of the world, Christmas in New Zealand is in the middle of summer.

IRM NZ was formed in March 2024 with the aim of increasing the understanding and practice of risk management across Aotearoa (aka New Zealand). As always, it takes time to form the group and put the supporting governance in place, and now with a formation board appointed, development is continuing apace. We are currently arranging a number of lunchtime training sessions, and we are making contact with current and former IRM members in New Zealand. So, if you would like to be involved, you can reach us at irmnzgroup@gmail.com.



Stu Mason



Nigel Toms



Stu Mason and Nigel Toms, co-chairs of New Zealand IRM Regional Interest Group.

“ Being open and transparent demonstrates that there’s a risk culture

about IRM and its brand, which has competitors in the region.

“People are coming through the door who have never been a risk manager, but they may be thinking about getting into the world of risk,” he says. “They don’t get charged, they’re getting to meet and talk to professionals who have been doing it for years and, as a result of those networking events, IRM has received a number of membership joining forms – so it’s working.”

McCrorey is keen to grow the group and extend the scope of its in-person networking events. So far, those events have been held in Sydney, but he wants to try to have more meetings in places such as Melbourne, Brisbane, Adelaide and Perth. Long-term, he believes that by bringing people together, strengthening connections across industries and deepening the conversation on risk, the overall maturity of the profession will increase in the region.

When I ask him what he would say the most important thing is for effective risk management, he says that the long answer is that organisations need to understand their objectives, the scope of their projects, have risk registers, risk management frameworks and lots of effective technical paraphernalia – as well as the right staff. The short answer is open communication and transparency.

Why? “Because being open and transparent demonstrates that there’s a risk culture,” he says. “We can talk about this and discuss it. There’s no bias in the decision-making process. So yes, risk culture is key, and that comes down to being honest.”

“The first thing we did was a survey of all the members in our region to find out what they wanted from the group, its format and frequency,” he says. Establishing a committee, deciding the times and frequency of events and arranging face-to-face networking events have gone well. The group now has momentum, and people are connecting and seeing the benefits of sharing their experiences. Regular online meetings attract between 20-25 risk professionals over a lunchtime session. As well as sharing updates from IRM about thought leadership, training and qualifications, each session has a “members’ moment”, a 10- to 15-minute talk and discussion from an attendee on a subject that matters to them and is connected to risk. Members

usually discuss another pressing topic in the same session.

This regular exchange of knowledge is beginning to produce results. For example, two members recently wrote a paper on the interaction between the board and chief risk officers. That became the theme for a networking event in October this year, which was attended by chief risk officers from various industries willing to share their experiences. Such in-person networking events are drawing in between 60-80 people a session. McCrorey has been able to attract corporate sponsorship for those events to keep the cost to attendees at zero. And while there had been a lot of encouragement to have them online, he thought it was important for people to have the chance to meet less formally and to find out more



IRM Advisory

Advice, Guidance
and Mentoring

Level up your risk
performance

IRM Advisory will advise, guide and mentor you in levelling up your risk performance by helping you get the most out of your risk frameworks and programs.

From understanding your risk appetite to setting the proper risk levels and developing an enterprise-wide risk culture.



Scan me!

hub.theirm.org/advisory
advisory@theirm.org



Collective action on resilience

BY GARETH BYATT, ILAN KELMAN AND ANA PRADOS

While good business resilience helps organisations achieve their objectives, linking their resilience efforts to broader societal and environmental disaster efforts can reap rich returns

In the Autumn 2023 edition of *Enterprise Risk*, in our article [Avoiding disasters](#) we asked the question – can a business work towards objectives for its owners and stakeholders while also having a societal and environmental purpose to, among other things, support efforts to *avoid* disasters?

This article returns to this question and provides some suggested ways to address it, based on new perspectives from our research and interviews with people into how to achieve business success while supporting disaster resilience, as part of our research into how to avoid disasters.

To clarify what we mean by a disaster, we are talking about circumstances in which people and perhaps their livelihoods, and/or infrastructure, are harmed by hazards such as wildfires, storms

including cyclones, typhoons and hurricanes, floods, droughts, earthquakes and public health situations such as a pandemic. We are not discussing disasters caused by war in this piece.

From this perspective, there is no such thing as a natural disaster

if they put themselves in perilous places. When disasters occur, businesses of all sizes are impacted in various ways.

Disaster reduction

Let's start with some context to the question we posed just now



Disasters do not come from nature; they come from the choices people make to live and build in harm's way

(visit the [#NoNaturalDisasters](#) website for more information). Disasters do not come from nature; they come from the choices people make to live and build in harm's way, to force people into dangerous locations, or to do nothing about

about business support towards disaster resilience. The United Nations Office for Disaster Risk Reduction (UNDRR) oversees the [UNDRR Sendai Framework for Disaster Risk Reduction 2015-2030](#).

The Sendai Framework focuses on seven targets and four



When a disaster is avoided, there is usually some form of business involvement, direct or indirect, that has played a part



“ The private sector too often views the achievement of the targets of this framework as largely the responsibility of the public sector

priorities for action to prevent new and reduce existing disaster risks. These include understanding disaster risk, strengthening disaster risk governance to manage disaster risk, investing in disaster reduction for resilience, enhancing disaster preparedness for effective response, and to build back better in recovery, rehabilitation and reconstruction. It aims to achieve a substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and

countries over the next 15 years. The UNDRR completed a mid-point review of the Framework in mid-2023. Among their findings, they found that the private sector, by and large, views the achievement of the targets of this framework as largely the responsibility of the public sector. “It’s not our business” seems to be the view of many businesses. In October 2024, UNDRR published a [Global assessment report \(GAR\) special report 2024](#). The key points in this report include how risk reduction and long-term planning should connect the public and private

sectors together. For example, while it found institutional shortcomings that contributed to the impact of droughts in [Central America in 2023](#), agricultural businesses could help reduce the effects of future events by, for instance, using drought-resistant seeds and small-scale production methods that use less water. In addition, insurers could develop products to support affected businesses. In this article, we provide suggestions for how businesses can help achieve the Sendai Framework’s targets by stitching disaster resilience into their

business resilience actions that help them achieve their objectives.

Systems thinking

As we pointed out in *Avoiding disasters* in this magazine last autumn, the COVID-19 pandemic showed us that nowhere, and no business, is immune from catastrophe. The pandemic also showed us the power and positive impact that businesses and the private finance sector can have to help society cope with a disaster – from the pharmaceutical development of vaccines to the provision of protective gear, services and products that were vital for people in those challenging times.

“ Linking your business resilience to coordinated action to support disaster resilience and avoid disasters makes good business sense

One of the learnings from the pandemic is the power of systems thinking to understand key connections in our eco-system and our operating environment, and the power of organising good interoperability with others to be ready to deal with adverse situations. In fact, our research shows that when a disaster is avoided, there is usually some form of business involvement, direct or indirect, that has played a part.

For example, Hafencity in Germany is located in a flood-prone area of Hamburg. Instead of relying on flood barriers to keep the water out, the city authorities have worked with businesses and the community to develop innovative solutions for using the low-lying areas for a wide variety of uses. Ground floor ceilings, for example, must be 5 metres high so that retailers, museums, cinemas, schools and businesses can find uses for them – at a reduced price. Businesses have been attracted

to the zone because the city has worked with all concerned to mitigate the worst impacts of flooding and provide incentives to use the area in innovative ways.

We believe that businesses should now be asking themselves, can business resilience for any organisation support their strategy while at the same time supporting the achievement of the Sendai Framework’s targets? In order to help businesses of any size and industry work through that issue, they need to ask four key questions.

Resilience planning

First, how resilient is your business strategy and investment plan?

Working out what good business resilience looks like starts with how it supports the objectives your business is aiming to achieve, and what can threaten them. Whatever market you operate in and the extent of your geographic footprint, your resilience measures need to support your strategy and provide confidence in your investment plan.

Second, what resilience measures should you invest in? Operational resilience measures keep your business going when some sort of disruption occurs, and/or get you back up and running as soon as practically possible when something happens that brings activities to a halt.

Typical thinking in this space looks at what is critical to what you as a business do that is specific to your circumstance. That includes considering the key people and equipment you use, *your* assets, *your* energy and water needs, and critical parts of your supply chain. A

cost-benefit analysis can help determine what protective measures are worth paying for.

The third question can help bridge the gap between the business’ own world and its environment: can the business resilience actions of my business support the achievement of the Sendai Framework?

While it is right to focus on “your world” when you decide your resilience and business continuity needs, no business or industry operates in isolation. But taking the next step can add further value. For example, a key consideration is how, when you put your resilience / business continuity plan together, can the organisation provide support to the wider environment in which it operates in ways that can add meaningful value to the business? Systems thinking and good risk management can help you work through this question and drill into the details to understand how to meaningfully keep going or recover quickly when major difficulties emerge (see *Linking business objectives with the Sendai Framework*).

All ideas to link your business resilience to disaster resilience should be discussed with key people in your business to gain a rounded view on what is realistic and feasible to achieve. It should be linked to your governance, how your business sees its role within its eco-system and how such efforts can contribute towards meaningful targets for your investors and owners.

Finally, when businesses have worked through those issues, they can define what their business resilience and continuity plan should look like. Many people know the standard contents of a Business Resilience / Business Continuity Plan (BCP), in line with ISO 22301:2019 (Security and resilience – Business continuity management systems – Requirements). But what new dimensions can the business’ consideration of the Sendai Framework add? For example,

LINKING BUSINESS OBJECTIVES WITH THE SENDAI FRAMEWORK

- i What specific points in the Sendai Framework can we meaningfully contribute towards (not just wishful thinking or generic words)?
- ii Can you then define tangible links between your business resilience and the Sendai Framework?
- iii What meaningful benefits (to the business, the local community or both) can you define by doing this?
- iv Have you discussed with and perhaps learned from other businesses about how they are supporting the Sendai Framework, and what they are gaining by doing so?
- v Have you contacted or are you already part of the ARISE business network, the global network established by UNDRR to help businesses realise value by supporting disaster resilience, and/or other similar networks?
- vi What actions would be worth implementing that go beyond and do more than the Sendai Framework (perhaps they may be linked to the Sustainable Development Goals)?

actions of businesses during the COVID-19 pandemic show us what's possible when we put our minds to it. The finance and insurance sector can assist with innovative proactive solutions for people and communities to be resilient against hazards. Engineering, design and construction firms (designers, suppliers and builders) can create solutions for buildings and infrastructure to be sustainable and resilient against hazards, including the use of nature-based and nature-positive solutions that integrate well with the local ecological environment. Technology, telecoms, satellite specialists and drone/UAV businesses can provide services to assist with monitoring threats and providing an effective early response. Grocery and food retailers can help communities with the provision of critical services. Collective action from businesses helps everyone. People can continue to earn livelihoods or recover them quickly; supply chains can keep operating; disasters can be avoided.

Helping society avoid disasters is good business. With the right thinking (aided by systems thinking), tangible linkages can be drawn between implementing resilience measures to protect business objectives and contributing towards broader societal and environmental purposes. Through a collective will and the right mindset, we can work together to avoid disasters, and businesses can work towards their objectives while supporting broader society. 🌐

i Gareth Byatt is an independent risk and resilience consultant (private sector). Ilan Kelman is professor of disasters and health at UCL, UK and the University of Agder, Norway. Ana Prados is a senior research scientist at the University of Maryland, Baltimore County.

“ Collective action from businesses helps everyone

businesses could discuss their resilience plan with local and national authorities and agree on areas of shared interest for collaboration. That may mean building up expertise, facilities and resources to support community resilience in a way that is mutually beneficial. In addition, testing the resilience plan against the Sendai Framework may expose weaknesses or highlight areas where you can better support its objectives. Finally, reaching out to other networks, such as Arise, for feedback could bring further benefits.

Business sense

We appreciate there may be elements of a business continuity or resilience plan that may not be appropriate to share with others

for various reasons. However, we suggest that the key points in your plan and how your business resilience supports disaster resilience can be shared for others to learn from and perhaps provide valuable feedback on.

Whether you are a local business operating in one area or a national or multinational business operating in multiple areas, linking your business resilience to coordinated action to support disaster resilience and avoid disasters makes good business sense. Demonstrating a purposeful role in and commitment to society and the environment adds business value. The key to making it happen is to have the right mindset and to think about it as part of upfront planning.

As we referred to earlier, the



Role-playing resilience

BY ROBERT CHANON, LAWRENCE HABAHEBH AND PAUL KLUMPES

While UK regulators have been quick to embrace operational resilience, the guidance lacks detail and is open to interpretation. Implementing an OR scenarios framework can bring benefits to both financial firms and other organisations alike

Operational Resilience (OR) is the ability of firms and the financial sector to prevent, adapt, respond to, recover from and learn from operational disruptions. Firms must assume, from time to time, that disruptions will occur, which will prevent firms from operating as usual and see them unable to provide their services for a period.

In early 2021, the UK financial regulators (Bank of England, Prudential Regulatory Authority and Financial Conduct Authority) issued a joint supervisory

and interpret policy. By contrast, in several other jurisdictions, OR requirements are either covered by a comprehensive legislation, such as the European Union's Digital Operational Resilience Act (DORA), or detailed national guidelines. In addition, high-level international guidelines, such as the International Standards Organisation's ISO 22301 and ISO 31000, exist.

This means that risk management professionals operating in the UK will have less clarity than their peers in these other countries as to how to interpret and implement the

OR resilience scenarios framework

Based on our research, we have also developed an operational resilience scenarios framework that can be used to implement an operational resilience strategy for a firm subject to the existing UK guidelines. We found that the process of operational resilience risk preparation and scenario development requires a number of stages.

First, organisations should identify the possible causes of disruption and the events that could precipitate impacts. It is important to appreciate that

“ Risk management professionals operating in the UK have less clarity than their peers in other countries as to how to interpret and implement OR guidelines

statement that regarded OR as a major regulatory initiative that aims to ensure regulated firms can provide resilient services to their clients and to support the integrity and stability of UK financial service providers. The regulations must be fully implemented before the end of March 2025. However, because of the vague nature of the in-principle regulations, much is left to firms for interpretation and implementation.

UK lacks clarity

In the UK, regulatory guidance is relatively fragmented and lacks a single source of authority. While the joint regulatory statement was issued in 2021, there has also been a series of subsequent amendments to rulebooks, which means that firms need to rely on speeches provided by various managers to different conferences during 2022 to clarify

guidelines. For example, the PRA provides only a very limited generic explanation of regulatory expectations concerning the relationship between OR and the operational risk policy of UK financial institutions. In addition, key governance concepts, such as impact tolerances, self-assessment and important business services, are not defined.

While the UK operational resilience guidelines assume that regulated firms have a good and competent understanding of several issues related to building and maintaining an effective framework of operational resilience, there are some key gaps in how those work in practice. [In our guidance on the topic](#), we look at the importance of issues such as risk appetite in relation to OR and culture – as well as customer-centric OR.

resilience is not directed at one event or risk class but at the consequences of disruptive events. Disruptions may result from external events, such as natural disasters, malicious actors, pandemics or geopolitical risks, or from weak internal systems, controls or risk management.

These events may impede the provision of services, such as payments, clearing and settlement, or adversely impact systems or corrupt data. For instance, a large-scale cyberattack on a country's power grid has multiple primary consequences – such as loss of power across different sectors of the economy. These consequences might cascade into other higher-order risks, such as the failure of energy, food, telecommunication, supply chains and financial markets. There may also be second-order impacts of

“ The process of operational resilience risk preparation and scenario development requires a number of stages

events creating IT incidents.

Operational incidents may also be a trigger for a cyberattack or cyber fraud where consumers' data and money are stolen. There may also be contagion effects to third-party providers, where one financial institution that is reliant on it for critical services (e.g. access to payment systems or telecommunications systems) can no longer serve its own customers. For example, the failure of any one of the Central Clearing Counterparties that provide collateral management and reliable payment processes between and among financial and non-financial firms.

Mapping dependencies

The second stage is to identify and map the internal and external dependencies and processes that arise due to the diminished availability or

functionality of one or more of the internal and external factors on which the business function depends. Internal dependencies, for example, include personnel, physical infrastructure and/or IT components – such as all IT software and hardware like firewalls, routers, switches, servers, storage and processors. External dependencies include cloud service providers, electronic payment systems, central securities depositories, telecommunication network providers, technology providers, card transaction providers and/or processors (such as VISA), central banks, and cash management providers.

Third, risk managers need to identify mitigating and prevention measures to address the diminished availability of any function, ideally through prompt replacement or changes

to processes. This should include the identification of geographic recovery sites of data centres and operations, and recovery staff. For example, organisations should explore potential primary and secondary sites of critical business functions for staff and equipment so that they continue to function, even when the primary site is completely unavailable. Furthermore, organisations should identify multiple substations for electricity so that they may continue performing a business function even when one or multiple substations become completely unavailable. Some interdependency risks are beyond a financial institution's direct control to mitigate completely (for example, the unavailability of telecommunications networks, transportation, water or health services). In such cases, reasonable steps should be taken to provide



assurance that key third-party service providers can support their businesses even in disruptions.

Range of disruptions

Fourth, the choice of scenarios conducted should cover a range of disruptive events, from failover of specific applications and IT components to more complex

disruption scenarios by identifying critical activities and core business lines. That entails setting tolerances for disruption and requiring testing and validation of any resilience capabilities through coordinated government and regulatory bodies' live scenarios and desktop exercises. In addition, firms must incorporate third-party

treatment of risks, review and revision and information, communication and reporting.

These are a selection of attributes that leading industry frameworks identify as important elements for implementing and sustaining enterprise risk management within any organisation. In order to apply



The use of live scenarios can add greater depth of understanding to the challenges that might be faced in a crisis

exercises such as disruptions to a third-party service providers or operating with reduced headcount or back-up staff. Firms can explore a choice of scenarios by either relying on the role of desktop exercises or embarking on live scenarios. For example, a desktop exercise could simulate the potential of a cyberattack on a firm's AI-driven trading models. It is important to note that in many cases, there is not a clear demarcation between desktop and live scenarios, because some desktop scenarios will have live elements structured into them.

However, the use of live scenarios can add a greater depth of understanding to the challenges that might be faced in a crisis, but this needs to be balanced against the potential of causing disruption to customers. Further, when conducting a live-tested scenario, the focus should cover both back-office (non-customer-impacting) processes and customer-impacting processes (for example, access to cash machines). For conducting live scenarios, institutions are strongly encouraged to participate in exercises such as those organised by government agencies and regulatory bodies to strengthen coordination among institutions and enhance and increase confidence in the sector's overall operational resilience profile.

Finally, firms should have a framework to develop operational

risk management expectations and stipulate clear communication expectations among stakeholders and counterparties.

Implementation issues

In order to evaluate the effectiveness of a firm's OR in meeting UK regulatory requirements, firms should consider developing, using and implementing an "operational resilience maturity dashboard" (ORMD). An example of an ORMD in practice is the OECD self-assessment record sheet provided by 29 international tax authorities, based on a standard template designed by the [OECD in 2021](#).

This model comprises five levels of maturity, ranging from emerging to aspirational. To assist in understanding what a given level of maturity means, a set of indicative attributes is also contained in the same maturity model table. These seek to break out the elements to be considered when looking at the overall maturity level, covering both practical and behavioural aspects.

In self-assessing the maturity level for that attribute, these elements should be taken together and an overall judgement reached based on the weight attached to the different elements by the administration. The indicative attributes cover areas such as strategy, governance, culture, risk identification, analysis and evaluation, the

the model in practice, the ORMD has been designed to be used as a self-assessment tool. To be effective, this self-assessment should be done in a way that makes the process as objective as possible and avoids groupthink.

The OECD's own experience with using the model suggests that organisations need to allot sufficient time for the self-assessment discussion and that there should be a range of staff with enterprise risk management responsibilities involved in the self-assessment, across grades. It can also be helpful to ask someone outside of the management chain for enterprise risk management to facilitate the discussions. When decisions are taken on the level of maturity, it can be helpful to record the main reasons behind that decision.

There are some important caveats to implementing an ORMD in practice. First, organisations operate in a variety of institutional environments and each will have different levels of regulatory compliance. Second, the application of the ORMD needs to take into account differences in administration practice and cultures. Finally, each organisation has its own unique set of challenges and priorities.

Our research looked into the operational resilience maturity of the six largest UK-listed financial institutions that are subject to the 2021 OR guidelines.



“ OR of the six largest UK financial institutions has gradually increased over time, but there are significant variations across the dashboard

These were chosen for initial analysis and comprised the two largest banks, insurers and asset managers by total assets – in total amounting to £5.4 billion as of 31 December 2023. The annual reports related to each of the three latest years after the issue of the guidelines (2021/2023) were then analysed. We found considerable variations, with banks developing established levels of OR while the asset managers and insurers are still at emerging and progressing stages of maturity.


Variations in top firms

The results of the analysis suggest that, while the total overall OR of the six largest UK financial institutions has gradually increased over time, there are significant variations

across the dashboard. For example, overall ERM and OR management frameworks have not been fully implemented by UK asset managers, with a lack of publicly transparent processes of monitoring, review and risk communication. These results are of concern, given the importance of these institutions to both the overall UK economy and to the confidence that the major players in the financial system are robust to operational resilience threats.

As the world’s leading financial centre, the UK has also been one of the first countries globally to have developed regulatory guidance concerning OR. However, by comparison to other national and international standards on this topic, it lacks specificity and clarity as to the

exact expectations and how they are to be implemented. Our research provides the first comprehensive study of operational resilience and offers practical guidance to UK financial institutions to help them implement the operational resilience requirements of the UK authorities. We also recommend that, to ensure public and financial market confidence in the integrity and robustness of their operational resilience frameworks, all UK regulated financial entities be required to provide standard, credible disclosures concerning their operational resilience maturity. 

 **Robert Chanon, CFIRM,** is TCS Global Head of Insurance Advisory. Lawrence Hababbeh is a strategic risk advisor and member of the risk management board at the London-based Institute and Faculty of Actuaries. Paul Klumpes is associate professor at Aalborg University Business School. [Download the guidance here.](#)



Adapting to complexity

BY GRAEME MILLER

Today's multifaceted risk environment requires a sophisticated response if businesses are to survive and thrive. IRM's forthcoming guidance on risk and complexity good practice provides a roadmap

Modern organisations are rarely just complicated, where a blend of good practice and expert judgement are sufficient for managing risk. Many now constitute complex adaptive systems that perpetually react to changing internal and external conditions, exhibiting unpredictable behaviours that are greater than the sum of their parts. This critical identifier of complexity is known as emergent behaviour.

Linking back to the Autumn 2022 article in this magazine, *Harnessing Complexity*, and building on the concepts explored there, complexity can be identified by a handful of known markers. While there remains no single accepted definition of complexity that covers all fields, there is consensus as to the common features of complex adaptive systems. For example, they comprise a high number of contributing components and relationships that lead to emergent behaviour – and self-organise into patterns (see *Common features of complex adaptive systems*).

Based on these components, definitions for both complexity and complexity risk are proposed in the [IRM Risk & Complexity Good Practice Guidelines](#). Complexity can be described as *the perpetual adaptation of a high number of interacting components, giving rise to emergent behaviour in a host system*. Complexity risk can therefore be described as *“the effect of emergent behaviour on objectives.”*

Causal links obscure

Where causal relationships can be determined easily, best practice and repeatable processes work well. Where causal relationships are less obvious, expert judgement is required to interpret the results of correlated analysis and

ascertain the most appropriate action from several possible options. These are the domains within which scenario planning, stress testing and root cause analysis are most valuable.

When we enter the complex domain of highly interconnected agents and activities, however, we encounter complexity and complexity risk where causal links can only be understood in hindsight.

Put simply, if you cannot reasonably predict the impacts of a risk due to the interaction of a high number of variables, you are likely dealing with complexity and should respond accordingly. Complex and chaotic environments are the domains of

“ Complexity risk can be described as the effect of emergent behaviour on objectives

COMMON FEATURES OF COMPLEX ADAPTIVE SYSTEMS

- Comprise a high number of contributing components and relationships leading to emergent behaviour (where the whole is more than the sum of the parts)
- Self-organisation into patterns (as with flocks of birds or shoals of fish)
- Sensitivity to initial conditions (as per the “butterfly effect”)
- Fat-tailed behaviour, where perceived rare events happen more frequently than standard Gaussian models would predict (think market crashes)
- Adaptive interactions (where agents in the system respond to changing conditions based on experience)
- Feedback loops, where changes compound on each other, amplifying/dampening the impact of the change (positive/negative feedback)
- Display “emergent behaviour” (similar to the property of consciousness arising from neurons in the human brain).

black swan events, which by their very nature cannot be predicted. This is where a system-wide approach should be taken to build adaptive resilience and seek to influence trends towards positive outcomes rather than focusing on individual risks in isolation.

Adaptive resilience

Alongside an introduction to the underlying concepts and five case studies from selected IRM Special Interest Groups – ESG, Infrastructure, Climate Change, Innovation, and Nuclear – IRM’s complexity guidelines contain a cyclical process made up of six iterative phases (see *Adaptive resilience process*). It is designed to complement and enhance existing risk management frameworks, seeking to promote a systems view and build adaptive resilience to risk from all sources.

While the process requires engagement from stakeholders across the organisation and beyond, the risk practitioner plays a pivotal role in its success. It is designed to support objective setting, risk identification, risk assessment, and risk control activities in environments that may encounter complexity and chaos.

Organising for complexity

At the outset, we must ensure that our activities are aligned with the vision, mission, strategy and objectives of the organisation and that they themselves are aligned with each other. Challenging and refreshing these in line with changing circumstances ensures that risk management activities remain pertinent and focused. While we are seeking to promote flexibility and adaptability, it should always be in pursuit of the organisation’s overarching vision.

The exercises in the investigate phase should include a review of the organisation’s structure, culture and the essential outcomes, which must be protected in the event of disruption. Any misalignments or vulnerabilities can be addressed

ADAPTIVE RESILIENCE PROCESS



“ **The aim is to create an adaptable, safe-to-fail environment where decision-makers can be flexible, open to learning, and feel empowered**

using such means as structural simplification and modularisation, cultural catalysing, and targeted diversity and redundancy primarily around identified essential outcomes. The aim is to create an adaptable, safe-to-fail environment where decision-makers can be flexible, open to learning and feel empowered to switch strategies based on emerging information. This will set up the organisation to respond more effectively to unforeseen or unplanned-for risk events.

Incentivisation methods can be useful in creating positive feedback loops around desirable behaviours while disincentivising undesirable behaviours. It is important to note that this should

not only take place at lower levels of the organisation but include leadership too. Ensuring senior staff have skin in the game will promote accountability and drive continuous engagement.

Anticipate phase

To enhance risk identification and promote early action, weak signal detection techniques should be employed. This could be as simple as encouraging employees to raise potential concerns or opportunities via a dedicated platform or forum, or as sophisticated as using machine learning and AI to scan, monitor and report on weak signals across multiple concurrent data sources. Existing technologies, such as

Existing technologies such as instant messaging platforms and email can be extremely valuable resources when seeking to identify emerging risks, especially when used in conjunction with advanced data analytics tools such as large language models

instant messaging platforms and email, can be extremely valuable resources when seeking to identify emerging risks, especially when used in conjunction with advanced data analytics tools such as large language models (LLMs). Weak signal detection criteria can be progressively honed, making the identification of the first symptoms of future disruption or opportunity increasingly specific to the organisation.

Any potential impediments to the flow risk information, such as siloed structures or poor cross-functional communication, should be addressed to support increased adaptability. This helps to create a ‘human sensor network’ with fast feedback loops of real-time

information generated by those on the ground. Removing or relaxing onerous internal constraints will facilitate the faster transfer of critical information and speed up responses to risk events. This might mean simplifying decision-making processes with distributed authority within a modular structure, promoting innovation and removing the need for senior-level consensus before action can be taken.

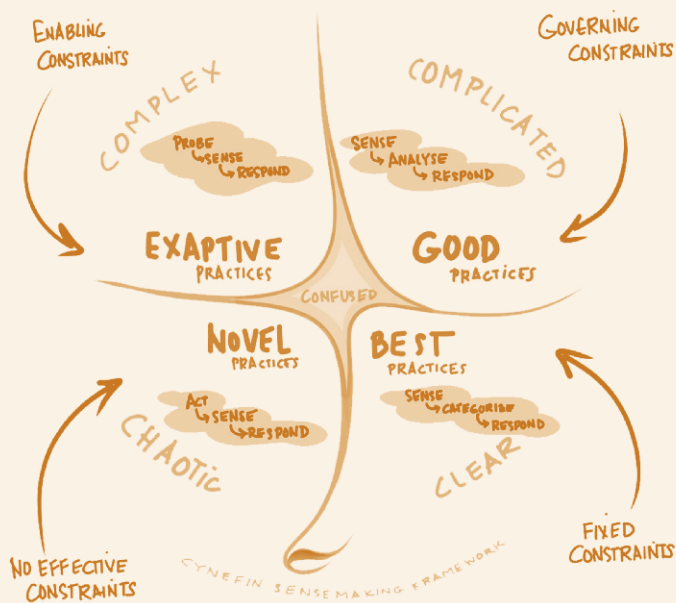
Prepare phase

Having identified emerging risks through weak signal detection and confirmed their validity through investigation, the potential impacts should be assessed during the prepare phase.

Key decision points should be determined at this stage to avoid the risk being allowed to mature unchecked. Assessment should take account of any foreseeable compounding effects and consider the domain within which the risk will likely have an impact.

Using the Cynefin model (see illustration), this could be clear, complicated, complex or chaotic. Categorising risks in this way is an important step, as it determines the most appropriate responses. Doing so lays the foundations for the development of measures to reduce the risk in advance and facilitates immediate mitigative action at the point of impact. With a particular focus on complex and chaotic

THE CYNEFIN MODEL



CLEAR

Cause-and-effect relationships are well understood, and solutions are straightforward. For example, work instructions on a production line.

COMPLICATED

Cause-and-effect relationships exist, but they require expertise or analysis to uncover. For example, within construction, where SOPs exist, but specialist knowledge is still required.

COMPLEX

Cause and effect are only apparent retrospectively, and multiple factors interact dynamically. For example, stock trading where patterns emerge on market behaviour.

CHAOTIC

No clear patterns or predictability. For example, rioting, where disparate events and feedback loops lead to unpredictable behaviour.

RISK RESPONSES BASED ON DOMAIN

CLEAR

Sense-Categorise-Respond

- Use standard identification and assessment techniques.
- Apply defined processes and accepted best practice.
- Select risk response actions that have worked in the past or that are deemed likely to reduce probability/impact of easily determined consequences.

COMPLICATED

Sense-Analyse-Respond

- Use standard identification techniques.
- Use expertise and analysis techniques to gain insight into the nature of risk exposure.
- Consult subject matter experts to interpret quantitative analysis outputs and define appropriate risk response plans from known practices.

COMPLEX

Probe-Sense-Respond

- Run multiple concurrent “safe to fail” experiments.
- Inspect, adapt and discover effective practices.
- Implement and expand the most effective responses.
- Manage the constraints and utilise complex system features relevant to related risk events.
- Use fast and frequent feedback to inform the next best steps.

CHAOTIC

Act-Sense-Respond

- Take swift and decisive action to “stem the flow of blood”, implementing short-term “draconian” constraints.
- Reduce operating cadences (quarters to months, months to weeks and so on).
- Increase communication and transparency.
- Create autonomous, mission-based crews to act concurrently.
- Inspect, adapt and discover effective practices. Keep objectives short-term and realistic.
- Implement and expand the most effective responses.
- Use fast and frequent feedback to inform the next best steps.

domains, this will buy valuable time to formulate further actions based on real-time information as the risk event unfolds.

Risk control activities


Understanding that adaptive systems shift between phases from clear through to chaotic (and not necessarily in that order) affords the organisation more control over its risk exposure. For example, a major risk event may shift a system from a clear to a chaotic domain. Moreover, there may be multiple domains active at any one time across different areas of the organisation. Being able to identify the different domains and recognise a phase shift allows responses to be adjusted in real time and maximises the opportunity to influence the system’s behaviour in a favourable direction.

During this respond phase, managing the relevant constraints will help to contain exposure

while influencing the wider system towards order. For example, in the case of Covid-19, governments implemented a suite of constraints ranging from confinement and social distancing to the use of masks and hand sanitiser. These constraints were then tightened and relaxed in response to increases and decreases in reported cases.

Where an unanticipated or unplanned-for risk event occurs, adaptability and optionality place the organisation in a strong position not just to weather the storm but to become stronger as a result. This is made possible by diversity, redundancy and innovation being woven into the fabric of the organisation’s structure and culture, including its people, processes, systems and interactions. Where a risk impact is contained and managed successfully, the resultant lessons can be used to build resilience to comparable risks and capitalise

on opportunities in future.

Traditional approaches to managing risk have fallen out of step with contemporary operating environments. The increasingly interconnected nature of our organisational landscape means that we are encountering complexity more now than ever before. As we progress deeper into the fourth industrial revolution, where the lines between the digital, physical and biological worlds become blurred, the next evolution of risk management must take account of complexity. Embracing a systems view of our organisations will help us navigate the storms of risk and uncertainty and open up a world of opportunity. 

 **Graeme Miller, CFIRM, is chair of IRM’s Risk and Complexity Special Interest Group.**

Increase your
earning
potential with
this OFQUAL
accredited
qualification



Scan me!

International Certificate in Financial Services Risk Management

Stay on top of international regulatory developments such as Solvency II and Basel III risk requirements. Study with the IRM to ensure you remain compliant and gain an understanding of how risk management impacts strategy and performance.

www.theirm.org | Tel: +44 (0)20 7709 9808 | Email: enquiries@theirm.org

irm

Power couples

BY TOM CLARE

Mentoring can be powerful when done properly. Both parties can make the relationship work by following a few basic steps

Many people will tell you to have a mentor. You may have one, but is the relationship working as you'd hoped? There may be a few common obstacles to mentoring success that you could consider.

Plan for the why

It's been suggested you get a mentor, but have you planned to make the most of it? Think about your goals and objectives. What areas are you interested in gaining exposure to, or what would you like to do? The work up front is likely to get you a far more productive relationship in place that yields better results in the long term. Without it, you may feel pressured to take advice that doesn't align with your interests or workload, and it can even impact your valuable time. A good mentor-mentee relationship, on the other hand, can help further your career while avoiding unnecessary frustration, bad feelings or stress.

For the mentor: Take the time to understand your mentee's desires and motivations to see if you have the background and experience to help them.

Understand their confidence, their abilities, their workload and where they hope to go in their career and how that aligns with what you can offer. You might not be a specialist in risk, but your background may offer complementary experiences that can help their practice.

Seek a range of support

A career in risk requires many different skills, and everyone has different strengths and weaknesses. At the early stages

the way you want to develop.

For the mentor: Encourage diversity of views and opportunity. You're here to offer your support and guidance to help someone develop, not enhance your ego. If there's someone else out there you know is more confident in an area, offer that connection to them if you can.

Getting the confidence

It is critical to have the ability to confidently challenge individuals



Mentors are there to offer support and guidance to help someone develop, not to enhance their egos

of a career, you may need support to develop in a range of areas. Perhaps one person you've seen really knows their way around quantitative analysis, and someone else may be stronger in interacting with senior decision-makers. Find ways of working with both, take their strengths, recognise their relative weaknesses, and find

in risk. This takes experience to develop if it doesn't come naturally, and it will be critical for your career. Practise, practise, practise. Explore with your mentor how you can see other interactions take place, or what opportunities may be there to have the real-world experience of interacting with a range of different people to gain that experience.



For the mentor: Honesty, not perfection, is critical. We all started out somewhere, not knowing what to do, or you were nervous interacting with various senior contacts. Be open about your own experiences of when things didn't go right or when you may have struggled with these issues, as it makes you more accessible to your mentee. The understanding of where you've been, the mistakes you made along your way and what you learned from it could be critical to help your mentee become aware of what to look out for, and what to hopefully avoid this time around!

Commit

Don't go into a mentoring relationship just appearing enthusiastic – back it up with actions, communication and a commitment to find a way of working together. Everyone's time is valuable, and your mentor will want to help. If things aren't working between the two of you – ask yourself, how has it been going so far? Be honest with your mentor if something doesn't feel quite right to you and make sure you're reviewing how your relationship is going.

For the mentor: Turn up when

you said you would. Send the documents you promised, make the connections and referrals to other people if you said you would. If your typical day-to-day is getting in the way of what you say you

to over-promise and under-deliver in your work together.

For the mentor: Your mentee needs to work with you to help achieve their goals, but make sure they're within your capacity



If your mentor is offering support and you accept it, stick to your promises

can offer your mentee, be realistic with timescales or indeed reflect honestly if you can commit to it.

Be honest and realistic

If your mentor is offering support and you accept it, stick to your promises. Everyone's time is valuable, so if you're busy, or something else is dominating your time, be honest with your mentor so you're not seen

to deliver, too. Seek clarity on the goals your mentee is looking for and make sure your time, background and experience can help support them. A mismatch in expectations from either party will only lead to the relationship not working and can lead to a breakdown in trust or even negative feelings between the two of you. However, by following the steps above, this can be avoided. 🌐








Tom Clare, CFIRM, is a senior risk manager for Defence Equipment & Support, an organisation within the UK Ministry of Defence responsible for procuring and supporting equipment for the UK armed forces. He is also a committee member for the Risk Leadership in Challenging Projects, Programmes and Organisations Special Interest Group for IRM. For further information on Defence Equipment & Support, please visit www.des.mod.uk.

Change tomorrow with industry leading GRC software

Camms.






With powerful, agile and integrated solutions in governance, risk, compliance and strategy, Camms' business software will help you make the right decisions, manage risks and focus on what matters. Working with tens of thousands of users at organisations across five continents, and with over 25 years of experience, Camms thrive on watching their clients achieve results and stay a step ahead. Helping firms meet goals, influences business decisions and board strategy is in Camms' DNA. To learn more, visit www.cammsgroup.com.

 Daniel Kandola
 +44 (0) 161 711 0564
 sales@cammsgroup.com
 www.cammsgroup.com
 Suite 4.3, Parsonage Chambers
3 The Parsonage
Manchester, M3 2HW
United Kingdom

Cost-effective technology for risk & compliance professionals



1RS provide cutting edge 1RS ERIC (Risk & Compliance), 1RS CASS and 1RS SMCR solutions, which have been designed and built by Risk and Compliance professionals with over 25 years of experience. Our solutions are supported by experts, and we continually update the products to reflect best practice and changes in regulatory expectations. We are trusted by banks, vehicle finance, wealth management, investment banking and management, brokers, and more throughout the United Kingdom and Europe. For more information, visit <https://1rs.io>

 Andrew Firth
 +44 (0) 20 7175 6177
 hello@1rs.io
 1rs.io
 38 Borough High Street
London
SE1 2AL

Enterprise risk management and risk analysis software



riskHive are an established global provider of professional cloud, intranet and desktop solutions for the management and analysis of RAID (risks, issues, assumptions and dependencies). Being low maintenance, highly configurable and cloud based, the Enterprise Risk Manager application can get you online in under 24 hours, supporting your existing processes and terminology. Easily import existing risk information to quickly produce a consolidated risk portfolio. Relied on by customers ranging from New Zealand through the Middle East to Northern Europe riskHive deliver a truly global ERM solution with a truly enterprise 'all-in' licence.

 Ian Baker or Doug Oldfield
 +44 (0) 1275 545874
 ian.baker@riskhive.com
doug.oldfield@riskhive.com
 www.riskhive.com
 riskHive Software Services Ltd.
Dilkush, Farlers End
Bristol, BS48 4PG

To advertise here contact: Redactive Media  IRMsales@redactive.co.uk  +44(0)20 7324 2753

Risk, audit & compliance software

Symbiant®






Symbiant is a market leading provider of Risk, Audit & Compliance software. They have a full range of modules that can be connected for a wholistic view. Customise your own layouts and reports or use the ready-made options. All modules are a fixed £100 per month. Contracts are only 30 day. Visit the website to watch the quick overview videos or to arrange a no obligation web demonstration.

 Mark Long
 +44 (0) 20 8895 6410
 irm@symbiant.co.uk
 www.symbiant.co.uk
 20-22 Wenlock Road
London
N1 7GU

Risk management software



Since 2014, Origami Risk is the only company that has been consistently recognised for delivering client success, innovation, and stability, while bringing new ideas and advanced features to the RMIS market. Origami Risk's innovative software is designed with the latest technology and a focus on performance and ease-of-use, providing integrated solutions to the entire insurance value chain, serving Risk Managers, Brokers, TPAs and Carriers. It features powerful workflow, advanced reporting and analysis tools, and intuitive features to improve productivity and better manage total cost of risk—saving our clients time and money and enabling them to be more successful. Learn more at www.origamirisk.com

 Neil Scotcher
 +44 (0) 16179 17740
 nscotcher@origamirisk.com
 www.origamirisk.com
 30 Moorgate
London
EC2R 6PJ

Risk management software



In today's rapidly evolving world, business models and organisations are facing increased change and unprecedented levels of scrutiny. With change comes complexity, challenging risk managers to redefine the way they lead an organisation's approach to and implementation of risk management. Protecht helps organisations through deep understanding, monitoring and management of risk. We provide the complete risk solution—comprised of world-class enterprise risk management, compliance, training and advisory services—to government organisations, key regulators and businesses of all sizes across the world. With 20+ years at the forefront of risk and compliance solutions, millions of incidents managed across thousands of individual risks, and over 25 thousand people attending our training courses to date, we're one of the most respected and influential voices in risk.

 N/A
 +44 (0) 20 3978 1360
 info@protechtgroup.com
 www.protechtgroup.com
 77 New Cavendish Street
The Harley Building
London W1W 6XB
United Kingdom

To advertise here contact: Redactive Media  IRMsales@redactive.co.uk  +44(0)20 7324 2753

Dare to be wise

Turbulent times create revolutions in thought

Every age likes to think that it lives in times of exceptional change and upheaval. At the end of the eighteenth century, for example, the American revolution led to the independence of the United States from Great Britain in 1776.

Just over a decade later in France, a popular uprising put an end to the country's monarchy – a ten-year struggle that ended with Napoleon Bonaparte seizing control of the French Consulate in 1799. But that was not the end of the matter. Outraged, European monarchs declared war on France, leading to a series of devastating wars throughout the continent, ending in Napoleon's final defeat by the British and Prussian armies at Waterloo in 1815.

Critique

In the middle of this turmoil, a revolution in thought was also taking place in Germany, according to a recent book by the cultural theorist Fredric Jameson (*The years of theory*). Sandwiched in between the American and French revolutions, Immanuel Kant's 1781 *The critique of pure reason* blew away the remnants of scholastic ideas from philosophy by redefining the purpose and limits of rationality. It led to a frenzied period of thought which reset the foundations of the modern world's understanding of rationality, morality, history and aesthetics.

In fact, Jameson argues that there have been three such



Jean-Paul Sartre

“ Enlightenment is man's emergence from his self-incurred immaturity


decisive moments in history where war and political upheaval have heralded in a new understanding of human nature. The first happened in ancient Greece with the emergence of Socrates, Plato and Aristotle. The second occurred in the period just described. And the final one took place in France following the Second World War – beginning with the existential philosophy of Jean-Paul Sartre and ending recently with the death of Gilles Deleuze in 1995.

Students of recent computer history may find this historical sketch odd. The great flourishing of cybernetic technologies from the Second World War onwards has surely had more of an impact on society and

how we think of humanity than the crème de menthe-sozzled musings of Sartre and Simone de Beauvoir in Paris' left-bank cafés? And how about the impact of Darwin's theory of evolution on contemporary thought?

Models

Jameson does not deal directly with these questions because his historical sketch is more about how people such as Sartre have questioned not just prevailing ideas but the way that those contemporary models of thought impact our ability to think at all. Many writers in his pantheon provide an “outside” perspective on the everyday assumptions underpinning our ideas and actions.

Taking such a stance can help individuals gain fresh insights into the choices that they face in turbulent times when old certainties no longer seem relevant. In fact, Kant believed that many people kept themselves in a deliberate state of immaturity because they refused to think for themselves. “If I have a book to have understanding in place of me, a spiritual adviser to have a conscience for me, a doctor to judge my diet for me, and so on, I need not make any efforts at all. I need not think, so long as I can pay,” he said – with uncanny prescience. On the other hand, “enlightenment is man's emergence from his self-incurred immaturity,” he said – and its motto: Sapere Aude – *dare to be wise*. 

Have your skills
and experience
recognised by
the IRM



Scan me!

Senior Executive Route

Designed for senior risk professionals who wish to have their professional expertise in Enterprise Risk Management (ERM) formally acknowledged by the leading risk management institute.

www.theirm.org | Tel: +44 (0)20 7709 9808 | Email: enquiries@theirm.org

irm

Delivered to
meet your
companies
culture and
work priorities

In-House Training

We spend time with you to identify and assess your specific training needs to ensure we develop a course that meets all of your objectives.



Scan me!

www.theirm.org | Tel: +44 (0)7469 353441 | Email: joanna.kraska@theirm.org

irm