

The logo for the Institute of Strategic Risk Management (ISRM) is displayed in a dark teal box. The letters 'ISRM' are in a bold, orange, sans-serif font.

**ISRM**

INSTITUTE OF STRATEGIC RISK MANAGEMENT

The background of the cover is a photograph of a modern office. A white leather chair is positioned at a dark wooden desk. On the desk, there is an open white notebook and a closed silver laptop. A window in the background shows a view of a city and a green plant on the windowsill. A large, dark teal geometric shape is overlaid on the right side of the image.

**ISRM ANZ  
Journal 2021  
Summer Edition**

## PUBLISHING INFORMATION

First published in Australia in 2021 by ISRM Australia and New Zealand (ANZ)

This work Copyright © ISRM ANZ 2021

Other than brief extracts for research and review, no part of this publication may be produced in any form without the written consent of the Publisher.

A catalogue record for this book is available from the National Library of Australia.

ISRM Journal #1 978-1-925821-88-8 PB  
ISRM Journal #1 978-1-925821-89-5 eBook

## DISCLAIMER

Facts and opinions in articles appearing in this publication are solely the personal statements of respective authors. Authors are responsible for all content in their article(s) including accuracy of the facts, statements, citing resources, and so on. This publication and its editors disclaim any liability of violations of other parties' rights, or any damage incurred as a consequence to use or application any of the contents of this publication. Material submitted to this publication must be original and not published or submitted for publication elsewhere unless previously agreed. Consideration by the ISRM ANZ is based on membership and interest in the activities of the association. The author is responsible to get permission from previous publishers or copyright holder if an author is re-using any part of paper (i.e. figure or figures) published elsewhere, or that is copyrighted. The editors in good faith consider that Authors of all material have full permission to publish every part of the submitted material including illustrations. The ISRM cannot be held liable for the use of misuse of any information contained in this publication and users should seek expert opinion before applying any of the contents.







what can  
you do  
today

# A WORD FROM



## **DR GAV SCHNEIDER** **REGIONAL CHAIR ANZ**

It is my great pleasure as the Inaugural Chair for the Institute of Strategic Risk Management in Australia and New Zealand (ISRM ANZ) to share with you some of our members thoughts, ideas and concepts around strategic risk management. We live in a hyper-connected world that is changing very quickly and struggling to come out of the COVID-19 Pandemic. Never before has the importance of strategic risk management been so clear. While each of our contributors has their own focus areas associated with strategic risk, the same as we all do, the cumulative contributions in this publication shed some light on a raft of interesting and enlightening ideas. The goal of the ISRM is encapsulated in this publication - to ensure that we provide a platform for leading academics, senior practitioners and thought leaders to come together to share, learn and grow.





## **RON AMRAM** **JOURNAL EDITOR** **AND WA CHAIR**

The ISRM in Australia and New Zealand has gathered some truly exceptional experts in the field of risk. It was a great pleasure to put together the inaugural ISRM ANZ journal by curating these very interesting pieces on strategic risk for the modern world. These pieces offer different perspectives and insights, ones that can help the modern risk manager in better adapting to the challenges of today's world. The pieces are short and engaging, as well as being easily digestible. The final article is a longer feature piece and discusses the topic of strategic risk in greater detail.

I'd like to thank all of the experts who contributed their time and embodied the spirit of the ISRM by coming together to share knowledge and expertise in a collaborative and supportive format.

URITY PROFESSIONALS  
nt personal benchmarking fo  
esses security managem  
d contributions to the secu  
nced credibility, better care  
nals belong.



EXECUTIVE DIRECTOR, ISRM GLOBAL

WELCOME

My congratulations to the ISRM Australia and New Zealand (ANZ) Chapter for the production of this Journal.

We established the ISRM Australia Chapter in October 2019, when I was invited to be part of the PSG Conference in Canberra.

We held our Launch Dinner as part of that event, and by the end of the evening we had received offers to set up City Chapters in Brisbane, Melbourne, Sydney, Canberra and Perth, and an offer to create a Country Chapter in New Zealand.

It was clear from that moment that the Australia / New Zealand strategic risk and crisis management community was prepared to both recognise the value of the ISRM in creating a platform for academics, practitioners and thought leaders to come together to engage with the challenging events that we are all facing, whether on a global, regional, national or local level, but also to give its support and collaboration.

If the ISRM had a role to play in developing an open, collaborative, multi-perspective platform in October 2019, then that is even more critical in February 2021.

This Journal is a significant document in itself but is also reflective of the collaborative and integrative approach that the ISRM brings to all its projects. It has been a pleasure to work not just with the National and City Chapter Chairs in the ANZ group, but with the wider community of ISRM friends and supporters.

Since ISRM Global formed in March 2019, we have grown to 19 international Chapters. Thank you to everyone whose efforts have made the ISRM ANZ Chapter the success it is, congratulations again on the production of this Journal, and I look forward to working together for many years to come.

Kindest regard,

Dr David Rubens  
Executive Director, ISRM Global

# TABLE OF CONTENTS

8

MEET OUR TEAM

15

STRATEGY ON A PAGE

16

RISK TO OPPORTUNITY:  
WHAT COVID-19 COULD MEAN FOR YOUR BUSINESS  
DR GAV SCHNEIDER

18

STRATEGIC RISK FOR THE WORLD  
WE LIVE IN NOW

18 JACQUI NIGHTINGALE // WHAT IS IT AND WHO OWNS IT?

20 MOHAMMAD YASIN YAKOOB

24 JOE SAUNDERS // ESTABLISHING OCCUPATIONAL  
VIOLENCE AND AGGRESSION AS A STRATEGIC RISK

26 LISA R YOUNG

28 TREVOR HOWARD // A BUSHFIRE PERSPECTIVE

30 RON AMRAM

34 MITCHELL CLARK

38 DR PAUL JOHNSTON // COFFEE CUP RISK MANAGEMENT

# MEET OUR TEAM

## AUSTRALIA AND NEW ZEALAND



## DR DAVID RUBENS

### EXECUTIVE DIRECTOR, ISRM GLOBAL

Dr David Rubens DSyRM, CSyP, FSyI is MD of Deltar Training Services Ltd. He is a Chartered Security Professional (CSyP) and has served two terms as a Main Board Director of the UK Security Institute. He holds a Doctorate in Security & Risk Management from the University of Portsmouth, UK, writing his thesis on strategic management and critical decision-making in hyper-complex crisis environments. The thesis developed models of strategic management at the extremes

of organisational complexity, looking at issues of capability development, decision-making and multi-agency interoperability in highly unstable situations such as natural disasters, corporate failures and government-level crisis management scenarios.

David completed his MSc in Security and Risk Management (2006) at Leicester University, where he is also served a visiting lecturer and dissertation supervisor on their Security, Terrorism and Policing programme (2006-12), and was a visiting lecturer on the Strategic Leadership Programme at the Security and Resilience Department, Cranfield University, UK Defence Academy (2009-'0), focusing on terrorism and public policy, and the management of large-scale, complex multi-agency operations.

He is currently an associate lecturer at University of Portsmouth and a visiting lecturer on the MA in International Security Management at University of Berlin, Germany.

Rubens has written government-level research papers and reports on all aspects of security management, from national-level security sector restructuring, through to post-disaster analysis for government agencies in Japan, Russia, Dubai, Nigeria, Liberia and the UK.

David currently runs certificated training programmes for strategic risk and crisis management around the world.





# DR GAV SCHNEIDER

## REGIONAL CHAIR

Dr Gav is the Group CEO of Risk 2 Solution and is an acknowledged subject matter expert on human centric and integrated risk management. He has a broad background in safety and security, emergency management and incident response, with extensive senior level management and leadership experience.

He has led numerous, high-level consulting and advisory projects and has two decades of Operational Specialised Risk Management, Cultural Change, Security and Safety experience in over 16 countries. Dr Gav has a National Security Clearance NV1 and is a fellow of ARPI, ISRM, GIA, IML as well as a RSecP and CPP. He is considered Australia's leader in the field of Psychology of Risk.

# JOE SAUNDERS

## REGIONAL VICE-CHAIR

Joe is a dedicated risk management professional with a passion for the study of aggression and violence management. A successful sporting career in the martial arts led Joe into the private security industry where he quickly learned about the challenges in dealing with real aggression, operating within critical legal, ethical and political frameworks. Joe would go on to specialise in aggression management within the healthcare and social service environment.

Joe is a gifted and dynamic presenter, educator and training designer with a knack for communicating a sometimes difficult subject to professionals and laypersons alike. He is an associate of ARPI, ASIS International and the International Law Enforcement Educators and Trainers.





# ALICIA DOHERTY

## DIRECTOR OF EVENTS

Alicia is the Head of Market Development at Risk 2 Solution. Prior to joining Risk 2 Solution, Alicia served as the General Manager QLD of the American Chamber of Commerce and has held business relationship and event management positions with the Queensland Department of Premier and Cabinet, Canberra CBD, Events NSW and Austrade. She is a board member of the General Douglas MacArthur Brisbane Memorial Foundation and has held board roles with the American Club and the Australian American Association. Throughout her career, Alicia has consistently worked in close collaboration with business, Government, the US Embassy and the Canberra Diplomatic Corps. Alicia served in the US Army as a UH-1H Helicopter Repairer and Aviation Life Support Equipment Specialist.

# JANITA ZHANG

## REGIONAL EVENTS AND DIGITAL PRODUCTION MANAGER

Janita focuses on delivering attractive and engaging solutions for digital and brand design to drive customer acquisition and retention across B2B and B2C growth segments. Experienced in creating compelling UX designs and concepts, she is responsible for managing and creatively directing the delivery of digital design communications for marketing initiatives across corporate branding, printed publications, EDMs, social media, video, POS materials, website design and events.

Janita has an innovative and expansive-driven mindset and unlocks an organisation's potential via digital transformation, marketing automation optimisation and CRM platforms.





# CATHERINE PARKER

## QUEENSLAND CHAIR

Catherine (Cath) is a risk management professional with broad experience in investment management, financial services and for purpose entities. Cath has built her risk career from a previous legal and governance background as a general counsel and private practice commercial lawyer. To complement her practical experience, Cath holds post and undergraduate law degrees, an MBA and a Graduate Certificate in the Psychology of Risk. Cath is a fellow of both the Australian Institute of Company Directors and the Governance Institute of Australia and holds several board positions in addition to her current role as Head of Enterprise Risk & Assurance with a Brisbane based global investment manager.

# RON AMRAM

## WESTERN AUSTRALIA CHAIR

Ron is the Managing Director of Safety and Rescue Australia which is the safety division of the Risk 2 Solution Group. He has a 15-year, award-winning track record in management, specializing in project and change management, systems implementation, E-Learning development, and education and training across multiple sectors.

Ron has a powerful academic background having achieved The Faculty of Business & Law's Dean's Award for Excellence in Teaching at Edith Cowan University, as well as a hands-on practical experience having taught civilian, military, law-enforcement and other government personnel martial arts and self-defence in several countries over the last decade.







# ANDREW BISSETT

## NEW SOUTH WALES CHAIR

Andrew has over 25 years experience in building and embedding enhanced governance practices and educating organisations to improve governance outcomes.

Andrew has worked with a variety of organisations at an executive and board level and has extensive experience across a number of industry verticals, including aviation, education, oil and gas, energy, retail, information technology, government, telecommunications and financial services. Andrew led the risk function for Qantas Airways, Tabcorp and Woolworths. Andrew is a sessional post graduate lecturer in Risk Management at the UNSW and facilitates the Australian Institute of Company Directors Course online self paced course.

# JULIAN TALBOT

## ACT (CANBERRA) CHAIR

Julian Talbot, FRMIA is the Managing Director at SERT Pty Ltd. Julian has over 35 years of international security risk management experience gained on five continents in the resources, commercial, government, and not-for-profit sectors. His credentials include a Master of Risk Management (MRiskMgt), Graduate of the Australian Institute of Company Directors (GAICD), Australian Security Medal (ASM), Certified Protection Professional (CPP), Microsoft Certified Systems Engineer (MCSE), and Fellow of the Risk Management Institution of Australasia (RMIA).

Julian is the author of several books on security and the lead author of the Security Risk Management Body of Knowledge.





# KERRI STEPHENS

## SOUTH AUSTRALIA CHAIR

Kerri is motivated by good governance, committed to positive customer outcomes and leverages informed risk taking with leaders to successfully embed innovative solutions and deliver strategic objectives. Kerri's 25 year risk and resilience career spans across various sectors including insurance, agriculture, tourism and now critical service and infrastructure.

As SA Water's Risk and Resilience Manager, she works in partnership with leaders and focuses on their most valuable asset - their people. Kerri's CPRA and recent Post Grad in Psychology of Risk underpins the innovative, simple, fit for purpose solutions she creates through her thoughtful combination of positive negotiation, influential communication skills and her passion for culture and well being to create lasting change.

# JOHN BRENNAN

## VICTORIA CHAIR

John Brennan is the Managing Consultant at Leading Culture Pty Ltd. He has recently commenced as the General Manager People & Culture and Director of Government Reform for the Accident Compensation Conciliation Service in Victoria and was previously the Chief Risk Officer for the Victorian Managed Insurance Authority, the State Government's insurer and risk advisor.

John is one of Australia's pre-eminent thinkers and practitioners in the emerging field of risk culture. John integrates more than 30 years professional practice across Strategy, Risk, People & Culture to produce a new way of leading businesses





# GAVIN PEARCE

## NEW ZEALAND CHAIR

Gavin's career in risk management, management consulting and actuarial roles spans 28 years, having worked in New Zealand and Australia for large general insurance companies, government entities and a couple of consulting firms.

After living in Sydney for 11 years, Gavin returned to his home country of NZ in September 2019 and joined Tower Insurance as their Chief Risk Officer. At Tower, Gavin is responsible for the risk, compliance and internal audit functions.

Gavin has a Master's Degree in Statistics and an MBA from Henley Management College. He is also a qualified actuary and a graduate of the Australian Institute of Company Directors. In late 2018 Gavin was named the RMIA Risk Manager of the Year.

## EXPLORE MEMBERSHIP

The Institute of Strategic Risk Management has been established in order to create a global centre where practitioners, academics and policy makers can come together to share information, help progress and promote the underlying understanding and capabilities associated with strategic risk and crisis management, and develop their own personal and professional networks.

Visit [www.theism.org](http://www.theism.org) for more information.





# STRATEGY ON A PAGE

## THE INSTITUTE OF STRATEGIC RISK MANAGEMENT AUSTRALIA AND NEW ZEALAND CHAPTER

### OUR PURPOSE

The Institute of Strategic Risk Management (Australia and New Zealand) is the regional chapter of the global Institute of Strategic Risk Management. Our purpose is to increase resilience and enhance risk culture at individual, business, community and national levels. By collaborating with allied organisations, we will encourage thought leadership and contributions to public debate in strategic risk management.

### 3-YEAR MILESTONES

#### 2021

Brand consolidation and recognition through contributions to public policy debate in strategy and risk, supported by targeted thought leadership events

#### 2022

ISRM professional accreditation will be the benchmark in strategic risk professional standards

#### 2023

Recognised as the pre-eminent professional body in increasing community resilience throughout Australia and New Zealand

### STRATEGIC OBJECTIVES



#### THOUGHT LEADERSHIP

We will initiate and support professional and public discussion on strategic risk management, enhancing understanding and elevating it to a national conversation.



#### THOUGHT LEADERSHIP

We will contribute to the evolution of a new paradigm of capability standards required by strategy and risk professionals.



#### INCREASED RESILIENCE

Our thought leadership and constructive influence in public discourse seeks to build resilience in individuals, businesses and communities, and strengthen resilience nationally.

# RISK TO OPPORTUNITY

## WHAT COVID-19 COULD MEAN FOR YOUR BUSINESS

DR GAV SCHNEIDER // REGIONAL CHAIR (ANZ), ISRM

Banking royal commissions, bushfires and now COVID 19 - we have certainly seen enough demonstrations that the world we live in is VUCA , an acronym originally used by the American Military. It stands for Volatile, Uncertain, Complex and Ambiguous. The global stock market meltdown which was a feature of the spread of corona virus reinforces the view that we need to respond better in the future to these unforeseen events as it seems VUCA is here to stay. A VUCA world requires a business's leadership and strategies to move past simplistic management theory. It is no longer a case of finding the one way or the management tool. Overly engineered and bureaucratic approaches are needing to give way to individuality and problem solving. At one level this is a new way to approach risk and opportunity. In reality though, we are simply rebalancing the risk management roles from a tribal dominant approach (roles, systems, procedures) to a more personalised and individual risk management approach. We often call this dynamic risk equilibrium (DRE). This is the process of finding the balance between risk positions such as risk adversity and risk seeking.

We need a new approach to business strategy and risk management; this approach is referred to as 'Presilience' . This article sets the scene for the Presilience concept, drawing attention to the changing global landscape and the volatility of the 'new normal'. Since the first industrial revolution we have seen a focus on the development, implementation and oversight of systems and processes as the key factor required for business success. In the modern age, still sometimes referred to as the 4th industrial revolution (4IR), we

see many of the previously mechanised and repetitive basic functions being performed by automation, AI and robotics. Experts, however, state that we are now actually in the 5th industrial revolution (5IR), whereby the interaction of the previous iterations and the way human capital is applied needs to be developed and refined. This creates the unique opportunity for us to think differently about what we do and how we do it. This can be described as the journey to resilience. It starts with something every business in Australia is very familiar with - compliance. COVID is a chance for us to reset our thinking and approach to this aspect. Whilst there is, without a doubt, a need for a level of compliance and regulation, there is also significant evidence that this approach above others stifles innovation and creates significant barriers to entry for new businesses and entrepreneurs. A new look at compliance, one where there is an acceptance that regulation is certainly not the answer for every issue in itself, would be a great outcome out of the COVID response era we are all living in. The next step is building in resilience to the way we think, act, plan and conduct ourselves both professionally and personally. We need to adopt an attitude of shared responsibility at all levels where there is not just an unrealistic expectation on the government and/or the business owner but a balanced view whereby we all do our share to ensure we are prepared, capable and able to deal with the difficulties, challenges and opportunities that the future will continue to hold.

Finally, once a business has moved from compliance to resilience and created enough of a financial,



emotional and physical buffer to weather unforeseen events, then we can move to the state of Presilience. The focus on Presilience differs from that of resilience. Resilience aims for us to return to the state we were in before the negative event as quickly as possible after something goes wrong. Presilience, on the other hand, focuses on ensuring we come out better. This is where adaptive innovation and agility live. It's the state of mind and the positioning of business to truly be Risk Intelligent (RI) which can be defined as:

***A set of living skills, applied attributes and behaviours, that are frequently practiced, enabling effective decision making to manage potentially negative outcomes and capitalise on opportunities.***

Risk intelligence enables better decision making, to proactively embrace opportunity and manage

negative outcomes. Additionally, it incorporates agility and resilience, since in a VUCA world being able to pivot and bounce back is critical. Developing RI and striving to function at a steady state of Presilience takes effort but the rewards are great. The other major difference between a traditional Resilience model and a 2020 Presilience model is that the outcome of a Resilience model is based on 'recovery' – in other words restoration of the situation to its state prior to the event. Presilience is about dealing with an incident to achieve a new agreed normal outcome. This new normal seeks to 'better' the situation. Presilience is much more than simply being reliable and ensuring business continuity in case a negative event happens, it's about High Performance and outcomes that make us better than we were before. It's about constant learning and adaptation to seize opportunity, not simply recovering from a negative event. There is a formula to follow and skills

to develop that will see businesses and business leaders emerge VUCA ready. In the challenging world we are all living in this has never been more important.

*Dr Gav is an acknowledged leader in the field of human based risk management and the psychology of risk. He is the creator of the concept of Presilience. He is a highly experienced, security, safety, emergency and risk specialist with decades of experience. He has conducted business in over 17 countries and provided a wide range of services for a very diverse client base, ranging from heads of state to school-teachers. He is a leading academic in his field and heads up the Post Graduate Psychology of Risk Program at the Australian Catholic University (ACU). He is a much sought after international speaker and author. Dr Gav is the CEO of the Risk 2 Solution group of companies which are a group of 4 companies that focus on delivering innovative and cutting-edge solutions in the Risk, Intelligence, Safety, Security, Medical and Emergency response sectors – see [www.risk2solution.com](http://www.risk2solution.com) for more information. Dr Gav is also the author of the highly acclaimed *Can I See your Hands: A Guide to Situational Awareness, Personal Risk Management, Resilience and Security* available for purchase here. Dr Gav has been recognised for his work and was the RMIT Risk Consultant of the Year for 2019 and one of the top twenty global thought leaders in fire and security in the IFSEC Global Security & Fire Influencer Awards.*



## STRATEGIC RISK FOR THE WORLD WE LIVE IN NOW

# WHAT IS IT AND WHO OWNS IT?

JACQUI NIGHTINGALE




Where does the Strategic Risk function sit in your organisation? Is it a Finance function, nestled in with Insurance, Audit, and the CFO? Or is it more a Regulatory function, kept close to Compliance, Governance, and the Board, perhaps reporting to the Company Secretary? Or is Risk aligned with the Safety team, focused on health and safety systems and reporting? There is not one part of your business that strategic risk does not apply to. So, where in the organisation's structure is the best place for Risk to 'sit'?

***Imagine for a moment that Strategic Risk evolved to be a People and Culture function...***

What would happen if experts in human behaviour, culture, and leadership, applied their expertise to risk management? A strategic risk function that is strongly linked to the people strategy will equip an organisation for the world we live in now, and the challenges we will face in the future.

Traditional risk management in our country has built its foundations on strong systems, policies, processes, and procedures. Extensive risk matrices linked to the Board's risk appetite have served us well historically. But now more than ever, it is obvious that our risk approach needs to adapt to unprecedented crisis situations that fall outside any of the 'consequence and likelihood' scenarios we have planned for. The role of Risk and where it 'sits' in the organisation is changing into a strategic people-focused function that is centred around leadership, behaviour, and culture.

When the impact of COVID19 began to be felt in your business, was there a process, policy, or risk matrix that you could rely on for making fast, effective decisions? Some had robust, well thought out continuity plans that stood up to the challenges COVID19 presented. To those in this position, congratulations and well done! In most cases however, the plans did not go close to matching the situation. The rule books were thrown out the window, and instead, businesses had to rely on their PEOPLE to make fast, effective decisions based on risk and opportunity, with limited information and zero precedence.



How do we develop a cohort of people in our organisations who are equipped to make sound decisions in a volatile, uncertain, complex, ambiguous (VUCA) world? It is impossible to train people to know the right response in every possible scenario. But we can create organisational culture that supports people to make good decisions when they do not know the answers. Sounds awfully like the remit of a People and Culture function doesn't it?

***A good start to creating a culture of effective risk-based decision making is looking at your organisation's values.***

Specifically, aligning your organisation's approach to risk with its values. Why does everything always come back to values? It is a bit like every exercise-induced injury seems to link back to a need to improve your core stability, i.e. strength in your torso muscles including your abdominals, back and hips, required for balance, posture and movement.

If your body has a strong core, you can swiftly engage any part of it to move and change direction at speed and avoid injury. The same applies in your organisation. Values are the organisation's core stability 'muscles' that keep all the functions of the organisation tracking in the right direction and give a stable platform to work well together.

Strong values allow people, and therefore, organisations, to make effective, consistent, swift decisions regardless of the circumstances.

Assuming that strong values, that are lived and breathed, are in place in your organisation, the challenge is to align the risk approach with these values. Remember the aim of the values is to allow people to make effective, consistent, swift decisions. Decision making based on values reduces the reliance on rules, regulations, audits, and overly prescriptive policies. Instead, values provide people with principles on which to base their decisions.

***To align risk to values, consider having less prescriptive policies and procedures and instead, offer guiding principles on which people can base their thinking and decisions.***

For example, if Accountability and Trust is a core value, reflect this by allowing decision making authority at the lowest feasible hierarchal level in the organisation. In practical terms, policies such as Delegations of Authority become broader and push decision making authority lower, generating and requiring trust, accountability, and judgement to be applied in the 'grey', rather than rigid black and white rules that must be enforced.

Obviously, there is risk in this approach. What if people make the wrong decision? How does the organisation respond to failure? An organisational culture, and the leaders within it, that supports failing fast, learning, and growth, and avoids blame, consequences, and punishment is required to enable values such as Accountability and Trust to be embraced.

The link between Risk, Leadership, People, and Culture is clear. Leaders drive behaviour, behaviour drives culture, and culture drives decision making.

***Investing in developing leaders to make and support enhanced decisions is a critical part of the strategic risk function.***

The focus needs to shift toward developing strategic risk culture, underpinned by leadership and enhanced decision making. Consider partnering and/or embedding Risk with your People and Culture function to align your organisation's risk approach to the values, culture, and leadership development programs. After all, it is your people, not your policies, who will respond to whatever next world crisis might be around the corner.

*Jacqui Nightingale partners with organisations to improve performance by engaging people, developing leaders, and building the desired culture through change initiatives. Jacqui has a special interest in risk culture, focusing on people's behaviours and decision-making thoughts to manage risk and opportunity in organisations.*

# WHAT DOES STRATEGIC RISK MEAN, IN PRACTICAL TERMS, FOR TODAY'S WORLD?

MOHAMMAD YASIN YAKOOB

The crippling impact of global events such as the COVID-19 pandemic is a reality check that questions our broadly held beliefs and reminds us that life can take huge turns, create uncertainty, and that we have to be prepared for the unexpected. This is where strategic risk management comes into play.

There have been many "black swan" events since the beginning of the pandemic. One such instance was during the month of April 2020 when the futures oil market crashed. Futures contracts were sold at negative interest rates for the first time in history. Theoretically speaking, oil providers were paying buyers to hold oil reserves as the demand for oil slumped and there was an oversupply of oil being produced. This is only one example of the high degree of variability instigated by global events. Businesses that have the foresight and ability to be strategically agile have a greater likelihood of surviving drastic changes. For the purpose of this article, we will be exploring what strategic risk management looks like, in practical terms for businesses, for the world we live in during and post COVID-19.

At time of writing, we are in the middle of the pandemic and there are many long-term implications that need to be considered. How can businesses recover? What strategic risk management tools can be applied? These are questions that needs deep investigation and constant re-evaluation.

Let's first explore business recovery. From a strategic and operational perspective, it is imperative for any business to interact, connect and communicate with its customer base. With growing restrictions, be it physical, or travel, businesses need to overcome these through the help of digital channels. So, what does this look like? Fortunately, we live in times where the Internet has stripped away borders and social media organisations like Zoom, Facebook, and Instagram, to name a few, have enabled businesses to connect with their customer bases with tremendous ease.





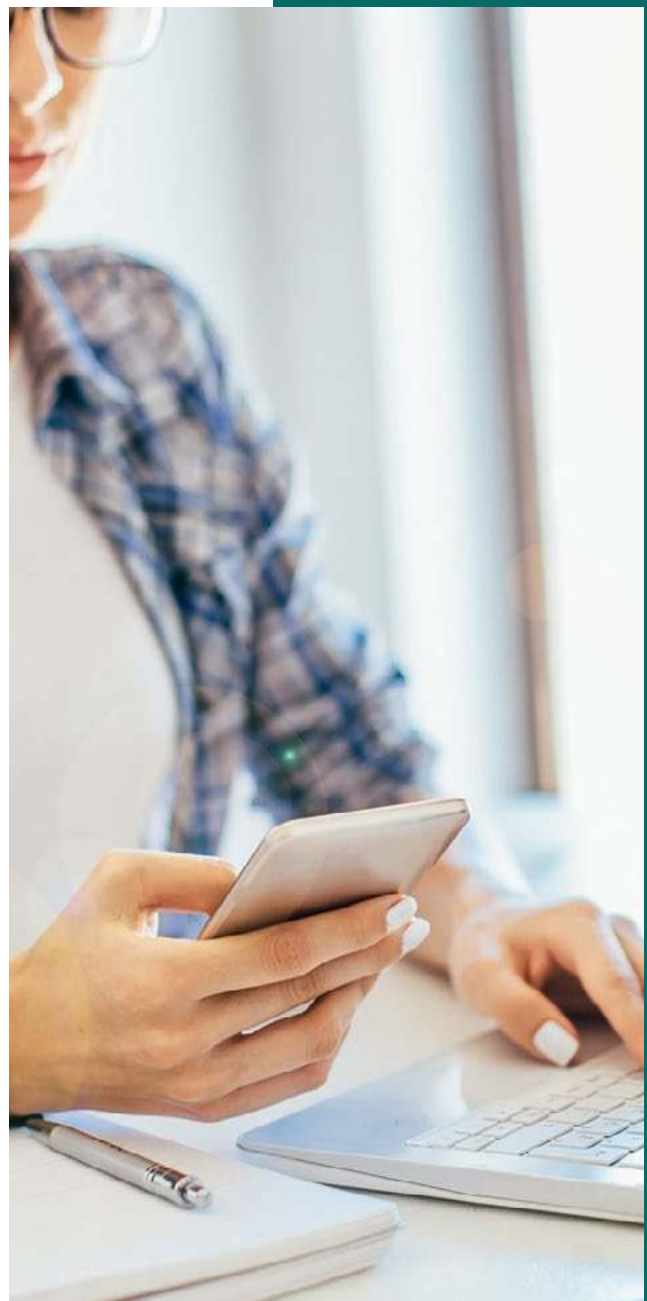
It is not enough for a business to set up a Facebook group and hope customers interact with the company. Digital strategy is equally as important as physical strategy that requires continuous attention and improvements. Digital channels are innately public, which creates another layer of complexity when managing risk strategically, as all information is readily accessible, and customers can quickly review and compare many similar businesses. However, long gone are the days that businesses can operate without the Internet. Business must have a clear focus on customer satisfaction and retention as a top priority, or risk losing its customers.

Risk can be split into three broad categories; preventable (internally controlled, strategic), a hybrid between internal and external, and external (no internal control, i.e. systemic risk). Strategic risk management encompasses these categories using a principle-based approach, where the focus is on preventable and strategic risks.

It's difficult to take a rule-based approach when managing risk, as risk is dynamic and does not function in a vacuum. A rule-based approach will be formed on the basis of previous experiences, but as any finance expert will tell you, past performance is not an indicator of future performance. That being said, having set principles can help manage risk more effectively.

It is not enough for a business to set up a Facebook group and hope customers interact with the company. Digital strategy is equally as important as physical strategy that requires continuous attention and improvements. Digital channels are innately public, which creates another layer of complexity when managing risk strategically, as all information is readily accessible, and customers can quickly review and compare many similar businesses. However, long gone are the days that businesses can operate without the Internet. Business must have a clear focus on customer satisfaction and retention as a top priority, or risk losing its customers.

Risk can be split into three broad categories; preventable (internally controlled, strategic), a hybrid between internal and external, and external (no internal control, i.e. systemic risk). Strategic risk management encompasses these categories using a principle-based approach, where the focus is on preventable and strategic risks. It's difficult to take a rule-based approach when managing risk, as risk is dynamic and does not function in a vacuum. A rule-based approach will be formed on the basis of previous experiences, but as any finance expert will tell you, past *performance is not an indicator of future performance*. That being said, having set principles can help manage risk more effectively.





Applying the Pareto 80/20 rule, businesses should focus their energy in their strategy, the 20%, as it generates 80% of the outcomes. The other 20% remaining outcomes are external and beyond an organisations control. In the COVID-19 era, the principles that should guide the 20% of strategy decisions that businesses can control are;

- 1 An absolute focus on customer satisfaction, as studies found that customer satisfaction is linked to customer retention;
- 2 Developing strategies with scenario planning to gain perspective on the different outcomes possible;
- 3 Dedicating resources specifically for digital channels to connect, engages with and continue doing business with its customer base. The first two are common amongst all businesses, but the third needs to be an added into the mix.

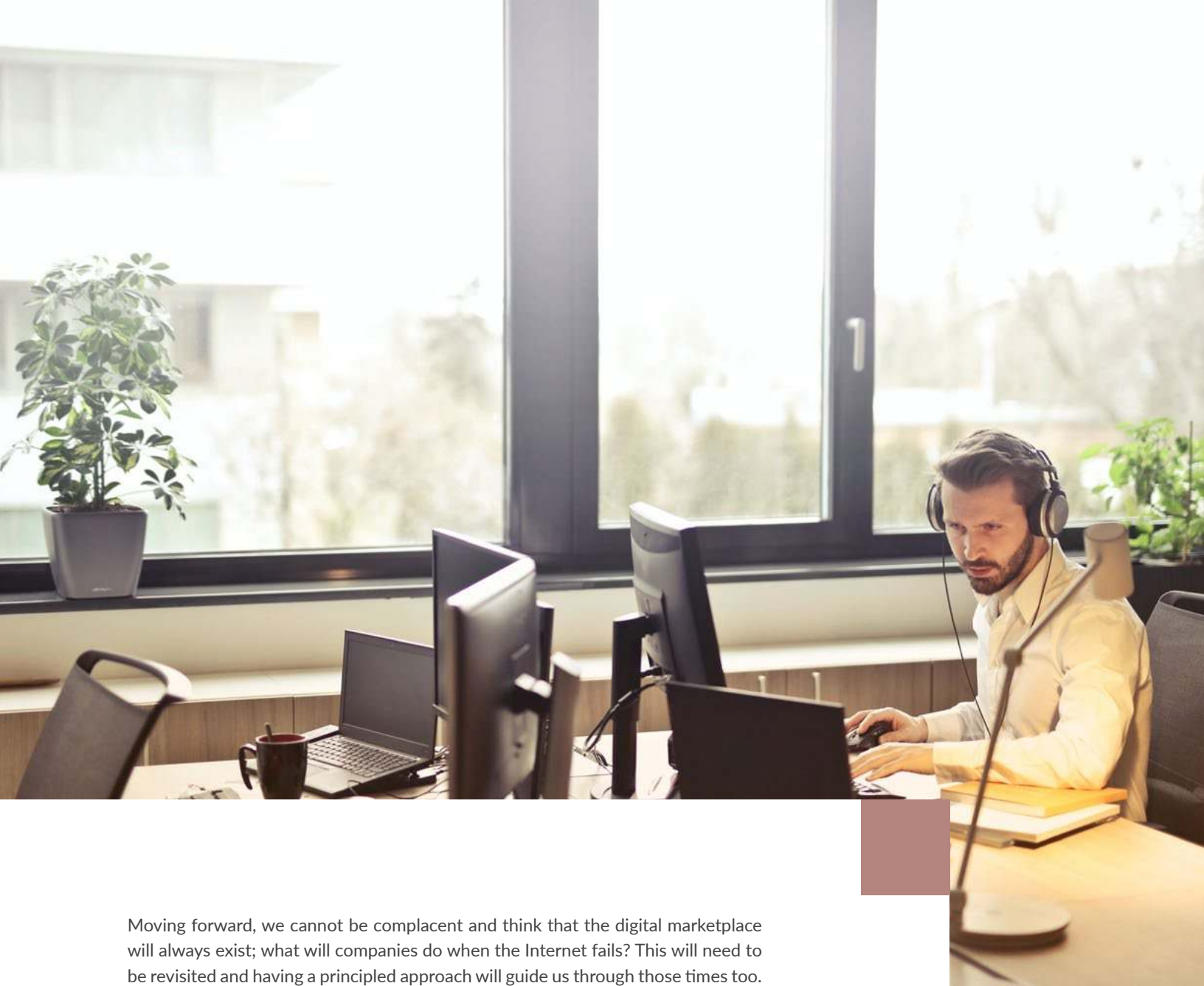
You might ask, how? Quite simply, human capital. Humans have developed and embody the mindset that drives social media's success. The need for community, information and the ease of procrastination all drive us to social media. Having resources via a digital marketing team or through dedicated time to manage digital channels is vital to a business' capability of surviving post COVID-19. From a strategic risk management perspective, it would be prudent to invest more on digital marketing. Once a business is able to effectively manage its digital channels, its able to adapt quicker to the ever-changing global environment..

Having a Facebook or Instagram page is far from what is required for successful strategic risk management on digital channels. Creating engaging content, keeping customers happy and developing raving fans of the company should be the priority for any business, whether in a physical store or on social media. Giving people the time and authentic experience online is fundamental for happy customers. Intuitively a business that creates an authentic experience on social media can attract organics positive reviews more readily and gain a larger customer base.

COVID-19 has blurred the line between work and leisure. Individuals and businesses have all shifted to digital channels. Applying a balanced set of principles is critical for successful strategic risk management.

### ***So, what does strategic risk management looks like, in practical terms for businesses, for the world we live in during and post COVID-19?***

- 1 Risk and uncertainty do not occur in a vacuum; they are dynamic and ever-changing, and require more than just a rule-based approach to manage.
- 2 Strategic risk management requires adaptability and foresight. Shifting to digital channels is a key step for businesses in the post COVID-19 world.
- 3 Digital channels can make or break a business, so having a dedicated team with a principle-driven approach will support effective strategic risk management.



Moving forward, we cannot be complacent and think that the digital marketplace will always exist; what will companies do when the Internet fails? This will need to be revisited and having a principled approach will guide us through those times too. For now, we have to be strategic in our use of digital channels.

*Mohammad Yasin Yakoob is a business specialist focused on improving personal and business performance through the use of proven strategies and tools to implement lasting change and drive results. Yasin has a passion for risk management strategies and enjoys the challenges business and people face when dealing with risk and opportunities. Yasin is a volunteer content creator for ISRM Australia based in Perth, Australia.*

# ESTABLISHING OCCUPATIONAL VIOLENCE AND AGGRESSION AS A STRATEGIC RISK

JOE SAUNDERS M.ISM

In management theory, it is generally accepted there are three levels of decision making - operational, tactical, and strategic. Operational decisions are typically made by low-to-mid level supervisors and managers, and are expected to have minor, short-term impact on the company. Tactical decisions are generally made by mid-to-upper management and are concerned with implemented strategic vision on a changing field of play. Strategic decisions are the purview of the board of directors and executive leadership team. These are the long-term, high-impact decisions that significantly impact all other areas of the business.

If risk management is truly just the act of enhanced decision making, then it's reasonable to say that strategic risks are those that have long-term impact across all areas of the business. Indeed, the way a company manages its strategic risks is one of the key factors in determining its worth.

Having spent the majority of my working life immersed in the study and practise of managing aggression and violence in the workplace, I am convinced that occupational violence and aggression is not only mistreated as a purely operational risk, but should indeed be considered a strategic risk in every sense of the word.

Research conducted by the *Australian Security Research Centre* provided the following insightful observations for this discussion:



There is no doubt a **legal duty of care** exists to protect staff from occupational violence and aggression



Exposure to occupational violence and aggression has impacts upon morale and performance, staff retention, and the **emotional well-being** of all employees



Violence and aggression can cause **reputational damage** and hurt the wider brand of the organisation if not managed appropriately.

In these three points alone, we are drawn to consider legal ramifications for breaching duty of care, human resources impact and associated decline in customer service, and damage to brand integrity. These are undeniably strategic risks which can have immense impact across all areas of the business.





In these three points alone, we are drawn to consider legal ramifications for breaching duty of care, human resources impact and associated decline in customer service, and damage to brand integrity. These are undeniably strategic risks which can have immense impact across all areas of the business..

So, what does this actually mean for how we manage the risk? Applying the lens of strategic risk management to occupational violence and aggression provides three key insights.

1

**Risk owners**, being the PCBU (personal conducting a business or undertaking) **must be fully briefed** on their obligations, responsibilities and liabilities in managing the risk of violence and aggression in circumstances relating to their company's operations. This includes executive leadership and the board of directors.

2

True **subject matter experts must be consulted** either internally or externally for the management of this risk. Occupational violence and aggression presents challenges outside of the traditional domain of work health and safety or physical security.

3

A **management level position** with responsibility for occupational violence and aggression, along with a **steering committee** to support them, must be implemented.

We can no longer plead ignorance or claim we were 'doing our best'. We must move beyond the simplistic, operational risk mitigations of signage, security guards and duress buttons and embrace a truly integrated, strategic risk management approach incorporating both proactive and reactive controls. But first, we must get serious about the risk exposure occupational violence and aggression presents and begin having these conversations at the appropriate level.

*Joe Saunders is the National Practise Lead - Occupational Violence & Aggression and Senior Risk Consultant for Risk 2 Solution. He is specialist in the prevention of violence and the host of the Managing Violence Podcast.*

# WHAT IS STRATEGIC RISK, IN PRACTICAL TERMS, FOR THE WORLD WE LIVE IN NOW?

LISA R YOUNG, CISA, CISM, CISSP



There is a broadly held view that strategic risk is about managing risk “strategically.” This is a common myth and one of the reasons why there is so much confusion when talking about risk and risk management. Without having a strong understanding of the risk associated with a given strategy, organizations leave themselves unequipped to anticipate, respond to, or recover from unexpected threats or unprecedented situations that may prevent successful execution of the strategy.

To begin to think about the question posed for this collection of articles, let us first deconstruct the term “strategic risk” and look at the language before we dive too deep into an answer. The response to the question lies in viewing strategic risk as just another category of risk, such as operational risk, credit risk, or the risk of non-compliance that organizations already face, rather than a separate type of risk.

The dictionary definition of strategic means planned, calculated, deliberate, considered, or intentional. The word strategic is an adjective, which means it modifies the word it precedes. In this case, the word risk. The second word, risk, in its most common use is generally a noun that describes danger, hazard, threat, peril, chance, or the probability of some adverse event materializing. .

Therefore, strategic risk appears to indicate there are threats and hazards (i.e., conditions) that have a chance (i.e., probability) of occurring that would prevent the organization from achieving its intended outcomes. To more clearly articulate this sentiment, strategic risk is the uncertainty surrounding the achievement of the deliberate and planned goals and objectives of an enterprise, and to identify and manage the potentially adverse events (i.e., risk) that would enable the enterprise to continue to meet its mission.

What this means in practical terms is, first and foremost, is that there needs to be a comprehensive strategic plan development process at an enterprise level. The strategic planning exercises help distill the goals and objectives which are the highest priority business initiatives or mission objectives to be accomplished. To demonstrate successful outcomes the strategic planning activities would benefit from using the SMARTER criteria:

- S** Specific
- M** Measurable
- A** Achievable or Attainable
- R** Relevant
- T** Time-bound
- E** Evaluated
- R** Reviewed

Many organizations believe that if there is a defined product or service to be delivered, or a directed mission to be met, such as a government or military mission, there is less of a need for a strategic plan. This has not proven to be accurate in high-performance organizations. Regardless of the product, service, or mission, without a planned and directed strategy, there is no certainty in delivering successful outcomes.

Coupled with strategy development, is there a concerted effort to build and deploy optimal risk identification, assessment and analysis, and response capabilities in the enterprise that manages the risk of NOT achieving the strategic objectives or meeting the mission? For example, a core element of using a generic balanced scorecard to monitor the strategy in conjunction with an enterprise risk management (ERM) approach to understanding the risk landscape, is to ensure the strategy and the management of risk are aligned.



As management evaluates various strategic alternatives, it also evaluates the level of risk of each strategy to determine a risk profile, risk appetite, and tolerance for deviation or failure in the result. Strategy and risk management go hand in hand, therefore, developing competency in both domains can be the basis for a coordinated, integrated, and optimized approach to ensure strategic goals and objectives are met.

*Lisa Young is Vice President of Cyber Risk Engineering at Axio. Lisa's responsibilities center on delivering all facets of Axio's cyber risk engineering approach to clients, with a specific focus on program design and implementation.*

*Previously, Lisa was a senior engineer at the Software Engineering Institute (SEI) at Carnegie Mellon University, where she was a member of the Cyber Risk and Resilience Management Team. In this role, Lisa was responsible for teaching courses on risk and resilience management, including CERT- RMM, the OCTAVE® risk-based assessment method, and the Measuring What Matters: Security Metrics Workshop based on the G-Q-I-M methodology.*

# WHAT IS STRATEGIC RISK, IN PRACTICAL TERMS, FOR THE WORLD WE LIVE IN NOW?

## A BUSHFIRE PERSPECTIVE

TREVOR HOWARD M.ISRM

Australia has long been characterised by droughts, bushfires and floods. Many rural Australians are accustomed to the vagaries of the climate and weather and their ever-changing circumstances – for better or worse. But no longer can bushfires just be regarded as something that happens “out there”. City and country folk are increasingly experiencing events and their aftermaths that unite them in smoke, disruption and crises, even if there is no direct fire impact.

The 2019-2020 bushfire season was unprecedented in its duration, scale and consequences, especially across Queensland, New South Wales, Victoria and South Australia. Not only did bushfires directly impact homes, families, communities, businesses, livelihoods and the environment, but the cascading consequences and broader impacts exposed vulnerabilities at national, state, regional and local levels. Even the relatively normal bushfire season in Western Australia, saw rail and road corridors closed across the Nullarbor for extended periods, affecting east-west supply chains and supermarket shelves. Ongoing costs include physical and mental health, economic recovery and reconstruction, state inquiries, a Royal Commission and the inevitable policy debates and shifts.

Most people are unaware of the commonalities and contrasts in the jurisdictional and institutional arrangements for fire management across Australia. Each state and territory generally has a career fire and rescue service dealing with a range of hazards

and incidents in metropolitan areas, a rural fire service with volunteer bushfire brigades protecting country residents and properties, and land management agencies with a focus on state forests and national parks. This agency complexity is compounded by different approaches, perspectives and debates about the balance and roles of planning and development control, community education, land management, prescribed burning and bushfire suppression, and the contribution and effects of climate change. While Australia is a world leader in fire science, research, technology and management, there are ongoing uncertainties and stark differences between agencies, approaches, thought leaders and government policies.

This context is significant and has lessons for every sector. Risk means many things to many people, and in bushfire management risk is often considered at the landscape level, such as the proximity of flammable vegetation to communities. In most organisations, whether public, private or not-for-profit, traditional approaches to risk management have been generally underpinned by international and Australian standards, while remaining largely focussed on corporate governance and compliance. This corporate approach has often seen risk management as a separate function rather than a fundamental component of good decision making at all levels. Often there is a further disconnect, especially in operationally focussed organisations, with risk and compliance





processes being largely upper-level and administrative, while operations are managed with a different body of procedures, safety requirements etc. Building an effective organisational culture through leadership, understanding the human and behavioural aspects of dealing with uncertainty and making good decisions, and having a consistent and integrated approach from the board to the bush, is the new frontier in strategic risk management; a lesson from prescribed burning.

Strategic risk management for governments in a bushfire prone landscape and vulnerable nation may involve new settings in Commonwealth, state and local government arrangements. Public and private partnerships could offer new insights and approaches for managing land and bushfires as well as landscape planning and design and community education. Proactively building resilience

through better understanding and engaging with landowners, rural residents and diverse communities could yield long-term sustainable benefits. Cultural burning could be a significant new contributor to land management and the environment as the nation reconciles with indigenous Australians. We can't expect that the arrangements and norms of the historic past will be sufficient for prospering in a more volatile, uncertain, complex and ambiguous future.

For organisations and business, these insights from a bushfire perspective go much further. As with COVID-19, the bushfire season that preceded the pandemic impacted many businesses, communities and citizens in ways that were not anticipated. Strategic risk management is about organisations being clear about their purpose, adopting outlooks that explore beyond the horizon, enabling and empowering people to engage in dialogue about opportunities, decisions, expectations

and assumptions, and being aware of changing contexts and circumstances. There has also been a new focus on business continuity and recovery in the post-bushfire business environment, brought into even sharper relief by the global pandemic. Strategic risk management is not about plans sitting on the shelf. It engages people in thinking, communicating and planning, and by doing so builds resilience and agility and shapes a different future.

*Trevor Howard ([www.linkedin.com/in/trevor-howard-53a7a91a4](http://www.linkedin.com/in/trevor-howard-53a7a91a4)) is a veteran bushfire, land and emergency manager with experience across several states and decades. He is now the Director of Fire and Risk Australia based in Western Australia.*

# WHAT DOES STRATEGIC RISK MEAN, IN PRACTICAL TERMS, FOR TODAY'S WORLD?

RON AMRAM

Managing risk is something innately human, a survivalist quality that we, as a species, possess – although to greatly varying degrees. Assessing the potential dangers and rewards for a given decision is something we humans do constantly, continuously and repeatedly, if not always well.

As we evolve and shape the world around us, the risks we face, their implications – both positive and negative – and their complexity and interconnectedness have also evolved.

Traditional risk management in business focused primarily on compliance and financial risks. In other words, it focused on measuring key financial and regulatory indicators, and on using past data as the primary predictor of future events.

Unfortunately, this approach also mandates that one adopts a past-centric focus, as past data is used as the best indicator of what is likely to happen in the future.

## This has changed in recent times.

Today's volatile, uncertain, complex and ambiguous (VUCA) operating environment results in a different risk paradigm to the that of the past;

A traditional financial risk tool that can help illustrate and compare the old and new risk paradigms is the standard distribution. The standard distribution is a bell-curve of probabilities, where one can plot risk and return as well as the estimated likelihood of certain outcomes. This is, in a way, similar to the 'heat map' or 'five by five' risk charts. Below is an example of two bell curves:

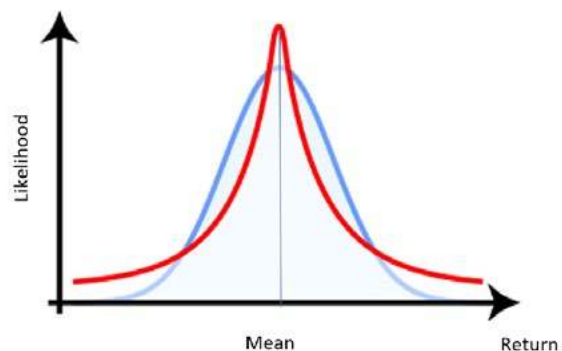



Figure 1: Probability Distribution





A close-up photograph of a person wearing a white button-down shirt, gesturing with their hands as if in a meeting or presentation. The person's hands are positioned in the lower right quadrant of the frame, with fingers spread and palms facing each other. A gold ring is visible on the ring finger of the right hand, and a watch is on the left wrist. The background is blurred, showing what appears to be a modern office setting with light-colored walls and a desk.

The centre of the bell curve is the mean, or average outcome. Where the bell is 'fat' is where most outcomes lie, and can be predicted with a reasonable amount of certainty. Where the tails of the distribution lie are where those less likely, but potentially more hazardous or profitable, risks lie.

Consider the differences between the blue and red distributions in figure 1. The blue distribution is a normal one. Most of the possible outcomes are contained to a central area, with the tails flattening out close to the distribution, meaning outcomes are relatively easy to predict, and extreme outcomes are highly unlikely.

The red distribution has fatter tails. There are more potential outcomes that are further away from the average, or predictable, outcome – on both the positive and negative sides.

If one was to look at today's VUCA environment in that context, it will resemble a significantly more pronounced example of the red distribution above. While greatly over-simplified, it paints a clear picture, one where outcomes with much greater potential for disruption or reward are much more likely to happen than in the past.

Now consider this in combination with risk velocity. Risk velocity is the speed at which risks and opportunities materialise. Risks today materialise at incredible speed due to the complex and interconnected nature of society and business, technology, artificial intelligence and social media. This means that business decisions can have very fast, and very unpredictable, results.



## ENTER THE FOCUS ON STRATEGIC RISK.





Strategic risk can be defined as the risks that affect, or arise as a result of, organisational strategy and business decision making.

The impact and velocity of risks relating to, or created by, such decisions are potentially extreme. This is made even more difficult by the VUCA nature of our environment as the exact, ongoing and lasting impact of decisions can be difficult to both predict and measure. What does strategic risk management mean for the world we live in today, in practical terms?

Firstly, it means the biggest risk in most organisations is in fact the human risk, through the decisions made at any given moment.

Secondly, it means acknowledging that the leptokurtic nature of outcome distributions implies greater potential for both disruption and opportunity than before, as well as acknowledging that difficulties in predicting such outcomes.

### What does this mean for today's organisation and/or risk manager?

-  Vigilance and situational awareness, both internal and external, are crucial to being able to detect future disruptions before they turn into crisis. Relying solely on past data and oversimplifying observations (much like the bell curve example above) is no longer a viable option, as the future environment changes and evolves constantly.
-  We must develop and instill enhanced decision-making capabilities up, down and across the organisation. Combined with effective, efficient and timely communication and feedback this can provide a future-focused culture that can learn from the past, understand the present and detect micro-changes in the environment in order to be better prepared for the future, resulting in high reliability.
-  Top-down management is less effective and efficient than in previous times. Uncertainty, innovation and evolving challenges call for leadership that understands tactical risks, but can also put them into context of the overall strategy.
-  Recognising the dynamicity of the VUCA world demands ongoing and constant innovation and evolution in how we monitor, assess, think and act.



Consider the year 2020 as an example. Banking royal commissions, bush fires, COVID-19, civil unrest in the US, etc. All of these are events that had, and continue to have, far-reaching implications that were extremely hard to predict.

From a practical standpoint, strategic risk management should develop, incorporate and apply risk best practices, innovation, enhanced decision making, high reliability and leadership.

When combined and applied in a practical sense, this results in what is known as Resilience®. This will enable us to manage strategic risk effectively, minimise downside risk, capitalise on upside opportunity and bounce back better from disruptions.

*Ron Amram is the Western Australian State Manager for Risk 2 Solution, General Manager of Safety and Rescue Australia and Director of Combat Arts Institute of Australia.*

*A multi-award-winning university lecturer in several fields, Ron holds qualifications in Finance, Leadership, Risk Management, Psychology of Risk, Security, Music, Fitness, and Education. This diverse background has enabled Ron to work as a consultant in education, project management and risk management in multiple sectors for a decade before joining the R2S team.*

*Ron has a passion for security and personal safety and is a world-recognised authority on personal protection. Ron has delivered training to thousands of people and organisations including government, law enforcement, security, military, close protection and civilians all around the world.*





# WHAT DOES STRATEGIC RISK MEAN IN TODAY'S WORLD?

MITCHELL CLARK

Governments, organisations and people are continually facing Wicked Problems, which are problems that are “difficult to define, ambiguous, unstable, do not have one solution, and are beyond the realm or mandate of any one department or discipline” . Yet people, by their nature, are not only resistant to change; they actively seek to remain in a state of homeostasis. And yet we see time and time again that the environment we are living in is far from stable. So, in a world facing constant uncertainty, surely people and organisations would flock in masses to use risk management to make better strategic decisions and work towards certainty.

## STRATEGIC RISK

“Strategic risk refers to the risk associated with factors that firms consider strategic (meaning important) and are related to those decisions that are taken at the top echelons of the organization” . Upon initial reading, many people would assume that strategic risk is the same as making good business decisions, and that is a fair enough assumption. Organisations who are good at strategic risk (intentionally or unintentionally), will address uncertainty to minimise the downside and maximise upside. Strategic risk is a multidisciplinary approach that moves beyond the hard risk management occupied with risk assessments and risk registers with which we are all no doubt familiar.

Bryan Whitefield offers the following model for thinking about strategic risk (Table 1). Whitefield's model considers strategic risk to have above and below the line thinking, as Soft Risk and Hard Risk management. Risk managers have traditionally been focused and skilled in the hard risk management, and organisations have gone on to see these risk management roles as officious and getting in the way of the decisions that need to be made.

	Theme	Value	Influence
<b>Soft Risk</b>	Leadership	Sustainable	Behaviour Changer
	Insights	Growth	Perception Modifier
<b>Hard Risk</b>	Comfort	Organisational	Framework Designer
	Compliance	Drag	Checklist Designer

Table 1 – Strategic Risk Table<sup>12</sup>

## NEURAL SEESAW

The adage “culture eats strategy for breakfast” comes to the forefront of why risk has struggled to be seen as providing strategic value. Imagine a see-saw (teeter-totter). On one seat there is hard risk management, and on the other is soft risk management. Unfortunately, for many organisations hard risk management has become so big and cumbersome that soft risk management is left stranded, dangling in the air.

Unfortunately, very few can find that balance between hard and soft risk management. The balancing act is a battle between two parts of the brain; the neocortex which is responsible for analytical thought and language (hard risk) and the limbic system which is responsible for the processing of emotions and behaviour (soft risk). Lieberman refers to this balancing act as a neural seesaw, and when one part of the brain is more active, the other part becomes quieter. This imbalance of the neural seesaw prevents individuals and teams from providing the strategic insight and value from being capitalised on in organisations.

To redress the current imbalance, instead of acting in the traditional the top-down fashion, we first must start at an individual or local level. The ability to build and maintain trust, to support and to encourage people to make decisions when facing uncertainty is essential; the Psychological Contract is an ideal starting point.

## PSYCHOLOGICAL CONTRACT

The Psychological Contract (PC) is “the mutual expectations of employers and their employees with respect to rights, privileges and obligations within the employment relationship. It includes such notions as employee engagement, emotional intelligence, equity and trust”. The PC has many commonalities of contracts being that they are “created by promises, reliance, acceptance, and a perception of mutuality”. Importantly the PC is not a one-off singular discussion, but an ongoing and evolving contract of expectations, as the organisation and employee grow. “Psychological contracts function in the broader context of goals and as such, ceteris paribus (all things being equal), make individuals and organizations more productive”.



## CONCLUSION

*So why is strategic risk struggling to take its rightful seat at the table and provide value to organisations?*

Daniel Bernoulli offers the theory of Expected Utility , which states that a person not only accepts risk on the potential for losses and gains, but also on the value obtained from the risk itself. Expected Utility may provide us with an insight into why risk management is still used as a box-ticking exercise and not as a crucial part of organisational strategy and vision.

With risk and risk management being all about addressing uncertainty, if managers can regularly sign and bolster the PC with the frontline, it will keep the neural seesaw working and proactively maintain it. This will support the growth of soft risk management. There is, and will always be, a place for hard risk management. But for organisations to successfully tackle the decisions faced and made at the top level of organisations, risk needs to expand its utility from compliance and creating drag, to that of an influencer and behaviour changer. Through creating value and utility for all levels of organisations, risk can provide the utility it was originally intended for - by not only accepting risks on the potential for harm or opportunity, but the value of taking the risk in the first place.

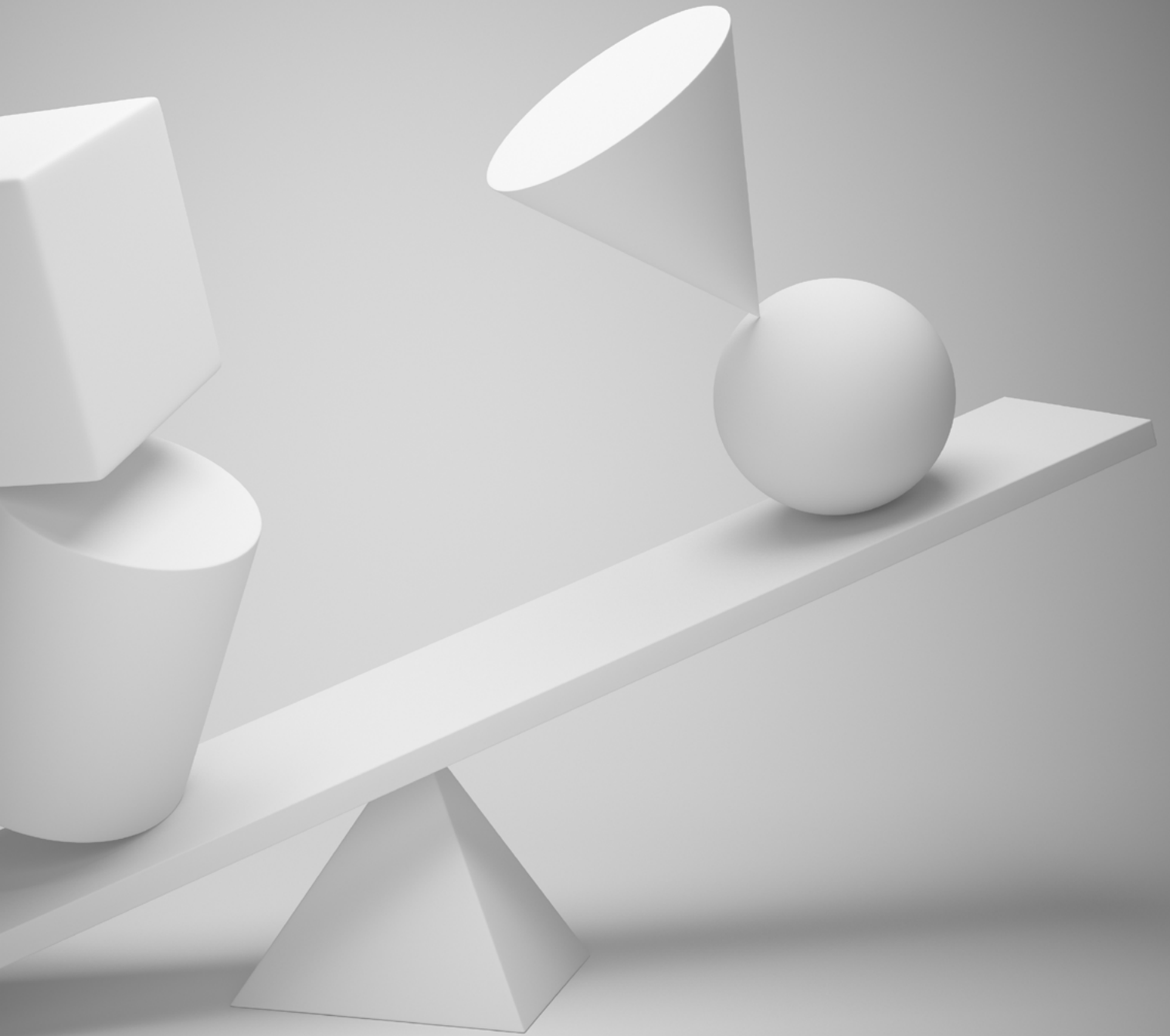
*Mitchell Clark, Grad Cert Psych Risk (ACU) M.ISRM CPRM*

*[mitchclark@qantas.com.au](mailto:mitchclark@qantas.com.au)*

*<https://www.linkedin.com/in/mitch-j-clark/>*

*Mitch is a professional international airline pilot who also has significant experience in risk and governance. He is currently a student at the University of Sydney Business School where he is studying in the discipline of work and organisational studies. Mitch also is the Wing Aviation Safety Officer where he is responsible for the Aviation Safety Management System for the Australian Air Force Cadets.*







# COFFEE CUP RISK MANAGEMENT

DR PAUL JOHNSTON

**Risk Management** is defined by the ISO 31000:2018 Standard as coordinated activities to direct and control an organisation with regard to the effect of uncertainty on objectives. Established theory holds that risk management is to be considered business as usual and be part of both daily operations and organisational culture. It is the basis by which informed decisions and judgements can be made, and by which the same can then be defended.

The emergence of risk management as a discipline has seen the consulting market swamped by an ever-growing range of risk management systems and programs, with these adopting equally as many different approaches – both in terms of disciplinary heritage and the technologies used. However, rather than being seen as an effective decision support mechanism, as was intended, “risk management” has become a catchphrase that has been overused, misused and abused. Indeed, if I had a dollar each time I have seen the “eye roll” look of exasperation that accompanies being introduced to a client group as a risk management consultant, I would now be rather wealthy.

## Where has it gone wrong?

It could be argued that risk management is a victim of its own success, albeit mismanaged. The formalisation of processes that constitute what we now term “risk management” has provided industry with a suitable framework

on which effective governance systems can be built. It provides a documented thought process that is now expected of all projects and corporate undertakings. It has indeed become the star player on the team of corporate governance. But it would appear that the star player has more recently become bigger than the game itself, much to the detriment of the latter.

Organisations often appear to be more focused on being seen to be effectively managing risk, than actually doing it. Although admittedly a harsh statement, I have observed risk management steadily transitioning to be considered as being a key deliverable, rather than a service provision or decision support mechanism. Quite often, I have been involved with clients where risk related documentation is a required product rather than having a demonstrable risk management capability and approach. In this sense, risk management has arguably been relegated to being a static feature, an expected output for which to tick the box, rather than being

considered a dynamic management system that can assist organisations in managing adverse effects whilst exploring opportunities.

There is a joke that the first five commandments of risk management are concerned with covering your proverbial, and that the second five is to remember the first five. However, without a functioning and dynamic risk management system, the production of documentation in itself will not achieve this noble goal. In fact, it could be argued that an ineffective or “paper tiger” risk management system could be more of a liability than not having one at all.

Effective risk management should be the same as effective security and safety management. When all is functioning well, it should fade into the background. It should be part of an organisational mindset and culture, and should constitute part of business as usual operations. In short, it should “just work”.

However, the problem is not risk management in itself, but rather how organisations choose to use [or misuse] it, and the culture this then fosters. Although risk management is ideally to be incorporated within all management systems, if not properly integrated, it may be seen as being intrusive or obstructive to operational staff – regarded as yet another layer of administration.

### How can this be overcome?

Amongst the vast array of those risk management systems and programs alluded to earlier, many are dedicated to facilitating the solution to this problem – the establishment and maintenance of a positive risk management culture. Although effective, such programs often require the dedication of significant resources [ie. time, manpower, costs etc] and involve ongoing maintenance activities, both of which make them undesirable for many small to medium size organisations or for short to medium term projects.

So, what can organisations do themselves to overcome this mindset, to establish and maintain a positive risk management culture? I suggest that organisations follow the **KISS** principle – **Keep It Simple and Smart** – and I offer the humble coffee cup as an effective risk management and culture development tool.

### Coffee cup risk management

The use of a coffee cup as a literal and metaphoric facilitation tool is not meant to diminish the concept of risk management. Quite the opposite. As many investigation and security professionals will testify, the humble offer of a cup of coffee [or tea] is a great equaliser and medium. Literally, it can diffuse tension and reduce the perceived formality of a situation, providing a more amicable atmosphere. Metaphorically, the same represents that risk management is a routine activity, one that is undertaken as a matter of course. It symbolises that risk management can be non-intrusive, and that staff at all levels of an organisation can participate with varying levels of formality.



I was once contracted as the Risk Manager of a large [approximately 400 person] multi-agency design and construction team tasked with delivering a major infrastructure development project. My background is behavioural science based, and not engineering. Yet, I found myself managing the risks for one of the largest infrastructure projects in Australasia. Although the design team was staffed by engineers that were leaders in their field, their professional grounding was in legislation and standards, issues of black and white. I had to get them thinking outside the square and consider project, safety and security risks, issues that constituted shades of grey. Not only did I have to compete with tight program deadlines and commercial pressures, but I also had to facilitate a positive culture that did not see risk management as an additional burden in what was already a high pressure setting. Furthermore, when I commenced this role, the project had already progressed more than twelve months, with only a part-time risk management presence.

The approach I adopted was two pronged in nature, combining the facilitation of formal risk workshops with regular informal “catch-ups” with design teams and manager groups. Whilst the workshops were successful in brainstorming issues and bringing multi-disciplinary teams together, the pace of the project made these difficult to arrange and facilitate. With circumstances such as these not being conducive to developing a positive risk culture, I focused more on the regular risk catch-ups and on being visible to the design teams. I resorted to what I now call “coffee cup risk management”.

As the term suggests, my strategy simply entailed booking regular 30 to 60 minute coffee/catch-up meetings with individual design teams and manager groups, encompassing the team leader and a maximum of four team members as needed, with the latter being based on required technical expertise and the nature of the issues to be discussed. Occasionally, we had meetings with numbers that exceeded this, but such occurrences were in the minority. These meetings were also deliberately not conducted in the formal setting of meetings rooms, but rather in the office’s coffee/break areas, and ranged in duration from 15 minutes to slightly over the hour..

Reflecting the settings in which they were held, the meetings themselves were deliberately informal in nature and adopted more of a “conversation tone” rather than that of a management team meeting. Although project related risk management issues were the primary focus, a concerted effort was made to ensure that other areas of general conversation were explored when it was evident that focus was starting to either decline or become too tunnel visioned in nature. Each attendee was requested to bring the required data/input for their area of expertise, and was provided with a copy of the relevant risk report/register and associated documents at the start the meeting, both of which were partially populated prior to the meeting commencing. In working through the reports, the need for additional information and one-on-one follow-up meetings were also noted, and the persons responsible for mitigations were identified.





In adopting this approach, the goal was not just to ascertain and clarify risk related data, but more importantly to facilitate the process in a manner that made the whole practice a part of their daily routine, as opposed to a more formalised meeting structure that had often negative perceptions associated with it. The shorter nature of these regular meetings also made them more practical in terms of fitting in with already tight work routines and time lines.

Indeed, although my formal title was that of Risk Manager, I prefer to describe my involvement as that of Risk Facilitator. My goal was not just to provide the required deliverables for the project, but to also facilitate a positive risk culture, one in which risk management was considered business as usual and at the front of everyone's minds, rather than being considered an additional input/report to be provided to the client. In essence, I wanted to focus on "process" rather than merely "task", and I accepted at the outset that adopting a mainly behavioural science approach within a predominantly engineering and multi-agency project environment was somewhat of a risk. In any case, I decided to forge ahead.

## CULTURAL CHANGE

The first months in my role as Risk Manager were spent reviewing and refining project policies and procedures, ensuring that appropriate data was being captured and recorded, and making concerted efforts at establishing relationships and a sense of risk awareness with design teams and management groups. After approximately two months, I started to see my first indicators that inroads were being made from an organisational culture perspective. Project team members were starting to contact me regarding potential risk issues that had been identified, actively discussing how best to document and manage the same. I also started to see an increased flow on "drop-in traffic", with staff coming to see me in relation to risk governance questions, potential risk issues, and to request for both formal and informal risk meetings/workshops be arranged above those stipulated in the program. I started to see them thinking of risk management as a decision support tool, as part of their routine, not merely a product or deliverable.

To maintain and build on this progress, I then commenced more frequent unplanned drop-in chats with project team members. Arriving with coffee cup in hand, I engaged team members in general conversation, blending the discussion of risk management and project related issues with other areas of interest and general chit-chat. The scope of issues raised, both in terms of quantity and quality, were improving. Staff were thinking outside the square, raising potential risk issues that may impact on areas beyond their particular disciplines. They were more aware of the risk management cycle, and of the different risk exposures to be considered. More importantly, however, they were thinking of risk management as a proactive and logical business practice rather than with a negative mindset..

After working for another 15 months on this project, I was demobilised and redeployed. The positive risk culture that was developed and maintained, however, enabled for a staged withdrawal from the project over 3 months without the loss of a sustainable risk management capability.



I have continued to use this approach for projects with which I am currently involved. Not only does it have a positive impact for project teams and business units, but it also has the potential to benefit the wider organisation, contributing somewhat to improving an organisation's awareness that risk management is a skill that everyone can and should do.





## IMPORTANCE OF A POSITIVE RISK CULTURE

A positive risk culture amongst an organisation's employees does not just happen, it has to be developed, and then maintained. The goal is to make risk management "real" to employees, to overcome the perceived catchphrase that risk management has arguably become, and to make it a business as usual activity in which they are actively involved.

Many organisations rely on risk workshops, training and formal meetings to achieve this, but such strategies are only aimed at the macro management level, are not inclusive of all staff, and only enjoy short term gains in terms of cultural change. In fact, they may serve to actually reinforce the perceptions they are trying to address. So, go one step further, and develop strategies aimed at the micro management level. Get staff at all levels of the organisation involved in the risk management process, and show that their input is not just required, but that the same will be used.



The key is to get all staff involved in a manner that is both practical and with which they are comfortable – hence my use of the coffee cup as my main facilitation tool. It is cheap, readily available, and provides a less formal setting for discussions to occur. Further, it allows me to demystify the concept of risk management, and to enable all staff to be engaged and take ownership of the risk management cycle – developing a sense of ownership and participation that is so crucial to positive culture development. As my coffee cup based strategy shows, it doesn't have to be complex – it just has to engage the workforce. Talk to them and get them involved. Make risk management a more user friendly experience for staff, and keep it at the front of their mind. Such an approach has been used for some time for safety management systems, so why should wider risk management, security or otherwise, be any different?

*Dr Paul Johnston is a Lead Risk Consultant with Risk 2 Solution, and is adjunct lecturer with ACU (Australian Catholic University) Executive Education. He holds a PhD in Public Safety Risk Management, a Graduate Certificate in Occupational Hygiene Engineering and a Bachelor of Behavioural Science (WHS & Organisational Change Facilitation).*

*With over 25 years of HSES (Health, Safety, Environment & Security) Risk Management experience in both the public and private sectors, Paul has provided operational, management system consulting, research & analysis, and training services to a wide range of industry groups throughout Australia and internationally.*



## ABOUT THE INSTITUTE OF STRATEGIC RISK MANAGEMENT

The Institute of Strategic Risk Management (ISRM) has been established in order to create a global centre where practitioners, academics and policy makers can come together to share information, help progress and promote the underlying understanding and capabilities associated with strategic risk and crisis management, and develop their own personal and professional networks.

The ISRM has experienced tremendous growth in 2020 due to its global network of experts, excellent educational output and opportunities, and its unique and collaborative environment.





## WHY YOU SHOULD BECOME AN ISRM MEMBER

Membership to the ISRM will allow you to connect to a global network of some of the top leaders in the world in the field of strategic risk management; professionals, academics and leading researchers, policy makers, and more. In addition, you will gain access to an extensive resource library, receive discounts on programmes and courses, as well as receive the ISRM's Crisis Response Journal for free.

### What's in it for you?

- ➔ A global network of experts at your fingertips
- ➔ Extensive resource library
- ➔ Discounts on courses, programmes and more
- ➔ Free subscription – ISRM Crisis Response Journal

There are multiple membership levels, depending on your budget, experience and interest.

To become a member, please follow [this link](#).

## ISRM ANZ – KEY PERSONNEL

Dr Gav Schneider, Regional Chair  
[gav.schneider@isrm.org.au](mailto:gav.schneider@isrm.org.au)

Joe Saunders, Regional Vice-Chair  
[joe.saunders@isrm.org.au](mailto:joe.saunders@isrm.org.au)

Alicia Doherty, Director of Events  
[alicia.doherty@isrm.org.au](mailto:alicia.doherty@isrm.org.au)

Janita Zhang, Regional Events and  
Digital Production Manager  
[janita.zhang@isrm.org.au](mailto:janita.zhang@isrm.org.au)

Cath Parker, QLD Chair  
[qldchair@isrm.org.au](mailto:qldchair@isrm.org.au)

Ron Amram, WA Chair  
[wachair@isrm.org.au](mailto:wachair@isrm.org.au)

Andrew Bissett, NSW Chair  
[nswchair@isrm.org.au](mailto:nswchair@isrm.org.au)

Julian Talbot, ACT Chair  
[actchair@isrm.org.au](mailto:actchair@isrm.org.au)

Kerri Stephens, SA Chair  
[sachair@isrm.org.au](mailto:sachair@isrm.org.au)

John Brennan, VIC Chair  
[vicchair@isrm.org.au](mailto:vicchair@isrm.org.au)

Gavin Pearce, New Zealand Chair  
[nzchair@isrm.org.au](mailto:nzchair@isrm.org.au)

The logo for the Institute of Strategic Risk Management (ISRM) features the acronym 'ISRM' in a bold, sans-serif font. The letters are white with a slight shadow, set against a dark teal rectangular background.

INSTITUTE OF STRATEGIC RISK MANAGEMENT