Is risk management redundant?

Transcript of the presentation by Marinus de Pooter at the Annual Conference of IFACI in Paris on November 29, 2022.

The title of my presentation constitutes an inconvenient, disturbing, yet intriguing question. To many professionals managing risks is part of doing business as much as fireworks belong to New Year's Eye. They find doing a risk analysis just as self-evident as preparing a budget.

In this session I am going to share with you recent insights in dealing with the uncertain future. Developments with major ramifications for risk managers, compliance officers, privacy specialists, information security officers, safety consultants, business continuity experts, resilience people and internal auditors. To name a few professionals who love to talk about risks all the time.

"Is risk management redundant?" What do I mean by 'Risk management' and by 'redundant'?

Redundant has different meanings: that there is more than necessary, that something is no longer needed or that it is not necessary at all. I mean the latter. So the question is: is risk management as a separate system or program or function superfluous, inessential, unnecessary? In other words: can organizations be successful without using the paraphernalia of risk management?

Risk management the way it is applied in many organizations, conventional risk management, is a structured approach to deal with the uncertain future. It is aimed at identifying, analyzing, mitigating and monitoring all sorts of risks. The underlying thought is that there are loads of risks out there. And you got to do something about it!

According to many, risk management can be implemented. Consultants even tell you that it is absolutely unwise not to do so. It saves you from unnecessary pitfalls. And above all risk management would help you achieve your goals.

Typically, risk management approaches zoom in on what can go wrong. They urge people to prepare substantial lists of risks (risk portfolios, risk registers). Tim Leech and others call this 'risk list management'. Great importance is attached to completeness. As a result those risk lists are not only long but also wide: easily 20 columns in a spreadsheet.

The risks are usually categorized using a taxonomy. Thereafter prioritized using risk scores based on risk criteria for likelihood and effect, with scales ranging from 1 to 5 or 6 or more. Controls, control measures, play an important role in this approach. You absolutely need them to mitigate your risks. By the way, when you come across the verb 'to migrate' you can be sure you are dealing with conventional risk management.

Periodic reports with information on the 'state of risk' are submitted to the management team or the Board. It is a very common practice and I bet you recognize this from your own experience.

Suppose - as a thought exercise - that risk management were indeed redundant.

What would be the ramifications of this, for example for internal auditors? They are the people who are supposed to audit risk management. We all know that internal auditors love to talk about risk. You can hear them referring to it affectionately. 'Knowing my risks' means: as soon as I have a good understanding of the applicable risks then the rest of my work is easypeasy.

It has to do with the international standards for the practice of internal auditing. One of them (#2120) states that the Internal Audit function must evaluate the effectiveness of the risk management processes and contribute to improving them.

By the way, in COSO ERM (2004) Risk Management was still seen as a process. Later COSO ERM (2017) came up with a completely different definition. Enterprise Risk Management is the culture, capabilities and practices that organizations rely on to manage risk in creating, preserving and realizing value.

Based on yet another standard (#2010) the Chief Audit Executive must perform a risk analysis at least once a year as the basis for the risk-based internal audit plan. All this is to provide sufficient assurance that the significant risks have been effectively mitigated by the risk management and control systems.

The organization's audit universe must include all major risks: the key risks. Apparently, the underlying idea in the internal audit standards is that organizations have to deal with risks. So, you might think: It can't be true that risk management is redundant.

There are quite a few people working in the risk management world. Think of those who have been appointed as 'risk owner' by their Risk Management colleagues. Or people who are a member of a Risk Committee. Some are even Chief Risk Officer, the supreme risk person in their organization. Not to mention the countless risk consultants and risk management software suppliers.

What about all those people who are busy with finetuning their risk appetite statements and Risk Control Self Assessments? You probably know specialists who work on risk paragraphs in annual reports. So, you might think: It can't be true that risk management is redundant.

But …. if risk management is the answer, what was the question again? How well does conventional risk management help decision-makers deal with uncertainty, disruption and dilemmas? Or is it more of a belief system? Could there be missionaries, believers and inquisitors who have commercial interests in maintaining this entire system?

Let's have a look at the real world. Decision-makers are tasked with creating and protecting what their core stakeholders value. In reality that involves competing or even conflicting interests.

Imagine a producer of PFASs, synthetic chemical compounds that we all use. These man-made substances are used in e.g. non-stick pans, fastfood packaging and extinguishing foams. The products are valued by consumers and generate profitable returns for shareholders. However, these are forever chemicals. We can't get rid of these pollutants. They negatively impact our immune systems and cause increased risk of cancer.

You can pick any other situation whereby a decision has to be made about something that is at stake that people value. Decision-makers have multiple options: doing something or refraining from doing it. To which extent do conventional risk management practices help them to deal with situations like this?

Now suppose (1) that the decision-makers look ahead constantly as part of their daily management activities. They seriously ask questions like: what-can-happen? and what-if-x? They anticipate how potential events could help or hinder the interests of their core stakeholders.

Also suppose (2) that the decision-makers demonstrate that they are consequence conscious. They try to make realistic estimates of possible both positive and negative impacts. That is they consider the possible effects of their options on the competing interests. For that they use information and they appreciate unpleasant messages, too.

In addition suppose (3) that the decision-makers show that they have proper competences and intentions when they have to weigh the estimated effects on those interests at stake. They so in an equitable, fair way. They realize that when they choose an option because of the estimated benefits, they still have to be able to deal with the associated downsides. For example, when hiring someone because of his or her desired properties, they know that they also have to cope with that individual’s unpleasant qualities.

The big question is: as a decision-maker do you need separate risk management? Or is anticipating what can happen all part and parcel of your ordinary management duties? International standards like COSO ERM and ISO 31000 promise to create and protect value. To which extent do conventional risk management practices help you to make balanced decisions? To which extent is following the conventional risk management approaches going to help you with reconciling your dilemmas?

Before we dig into this a bit deeper I invite you to have a brief look at the history of conventional risk management.

How did the current risk management practices actually come about?

As early as in the 1960s the first requirements of the Securities and Exchange Commission emerged in the United States. They were about the inclusion of risk factors in documents in the context of Initial Public Offerings.

In 2005 there were requirements to include risk factors in annual and quarterly reports. This concerns factors that make a share speculative or risky for a shareholder. This grew into the requirement to have a Risk Management Framework. It is generally understood to mean: a coherent set of risk identification, analysis, mitigation and monitoring. All this is aimed at preventing financial losses for those involved. Who - apart from the fraudsters - doesn't want that? So you might think: It can't be true that risk management is redundant.

In pursuit of improvement, particularly in response to spectacular failures, a variety of remedial ideas and practices emerged. The initiatives had much to do with the interests of the people seeking to bring about change.

With greater certainty about what might happen insurers could be more confident that their pricing would allow them to still make a decent profit after paying the claims. One of the ways to do so was to coerce their clients to adopt a myriad of practices that they called ‘risk management’.

Think also of governments and their regulatory agencies who were (perceived to be) accountable on behalf of the public for avoiding serious accidents and disasters. From this governments and regulators were able to enact and enforce laws to constrain decision-makers in organizations. Think of safety requirements in construction and minimum liquidity requirements in banking.

There was a another category comprised of groups who started to focus on improvements: academics, management experts and gurus. For example developing Total Quality Management.

Progressively yet another category emerged. This one comprised of those who recognized a commercial opportunity to provide the 'how to' services. Obviously, the purpose of the external consultants was to support organizations seeking to improve their operations. However, self-interest may have led many consulting firms to become inventors and then advocates for their own methods.

Internal specialists and external consultants used risk management to help organizations limit their risks. It led to all kinds of methodologies and codifications of best practices: the internal control and risk management standards.

Legislators and regulators subsequently embraced these standards as methods for demonstrating that organizations have their affairs in order. 'Doing risk management' (read: keeping proper risk lists) was gradually seen as a characteristic of good organizational governance. So you might think: It can't be true that risk management is redundant.

In order to better understand the current practices of conventional risk management, let's have a closer look at the origin of the risk registers. The risk inventory lists became fashionable in factories in the 1970s. There they had started using lists with all kinds of points of interest regarding the safety of the workers.

When there came more and more regulation those lists were mainly used to draw attention to possible dangerous situations. These lists were soon given a function in the context of compliance. They appeared to be useful for the inspectors who came to check the companies' conformance.

We are still familiar with the phenomenon of risk lists in the context of the working conditions acts and health and safety audits. However, those points of interest in the factories were never primarily designed to achieve balanced decision-making. People are not going to consult their risk registers when facing dilemmas.

Nevertheless it has resulted in the practice that periodic review of those lists is regarded positively in the context of compliance. Namely to show that the factory management has thought about how the safety of the employees could be endangered. And that they have taken appropriate measures to mitigate those risks and hence avoid mistakes. So if you come across a list of risks in an annual plan, team plan or project plan, now you know where they come from.

In the financial sector legislators and regulators went one step further. There they came up with a Risk Management function that must be independent of management. The function must then inform the Board based on its own risk assessments. That function has so to speak the role of the sheriff who must ensure that certain cowboys do not screw up things. So you might think: It can't be true that risk management is redundant.

A separate risk management department does mean that colleagues quickly think: If you have queries about risks you shouldn't ask me, but contact those specialists. You should especially ask yourself how realistic it is to assume that with a herd of risk officers and compliance officers you can keep the cowboys in question on the right track.

If line managers are only held accountable for and rewarded for their commercial performance then conformance will soon be defeated. Reconciling dilemmas is all about attitude and mentality. Mentality is the thinking and behavior pattern of a person or a social group. It is what they find normal. It is their attitude. Mentality is closely related to your core values: your beliefs and ideals about what is acceptable and unacceptable behavior.

You probably also know these people who reason like this: "If they don't want us to do this, then they should ban it." Or: "Fines from regulators are just ordinary business costs." Or: "As long as we aren't caught, formally speaking we aren't doing anything wrong."

Due to their role supervisory authorities are hardly interested in the 'upside' of risk. They are focused on avoiding trouble and misery. Many directors still see risk management primarily as a compliance matter. To them 'effective risk management' means above all that they don't get into trouble with their external or internal supervisory authorities.

Many brochures and articles about risk management try to get away from the compliance angle. They argue that in rapidly changing times business men, like sailors, must skillfully navigate turbulent waters. Risk consultants say that understanding and managing risks is absolutely necessary for successful leadership. In their brochures you'll find the term 'imperative'. It constitutes the business case for implementing risk management.

During training board members and supervisory directors are taught to ask about the 'top ten' risks. That is apparently a sign that people have thought carefully about their vulnerabilities. So you might think: It can't be true that risk management is redundant.

In the 2004 edition of the COSO ERM Framework risk management was seen as a process. If you hadn't set that up yet the consulting firms were standing in line to help you with the implementation. With risk analyses, risk profiles, risk frameworks, risk appetite statements, risk reporting and what have you.

The more these best practices were made mandatory the more lucrative the revenue models became. Extensive maturity models resulted in even more bells and whistles. Numerous special ERM and GRC applications have been developed. ESG solutions are the latest product line. It's now a multi-billion dollar industry with huge commercial interests. So you might think: It can't be true that risk management is redundant.

It is salient however that you very rarely encounter business people like entrepreneurs, directors, line managers or project leaders at training courses or risk management conferences. That is quite remarkable as risk management promises to help them achieve their objectives better. Most of them are not stupid. If it really helped them, wouldn't they sit in the front rows and learn how to take advantage of it?

In reality Risk management has become an accountability instrument. Decision-makers are expected to demonstrate how well they are able to prevent and detect things that might go wrong. Providing evidence of compliance is quite different from a tool to achieve your goals under uncertainty.

What is particularly problematic about conventional risk management?

It already starts with the core concept: 'risk'. What are we actually talking about? Unfortunately there is no universal definition of the term 'risk'. In common parlance it has multiple meanings:

- the chance of an (unwanted) event happening;
- the cause of that event, like a risk factor or a risk driver;
- that event itself;
- the consequences of that event, also called impact, implication or effect.

It is striking that ISO – mind you the International Organization for Standardization – uses more than 40 different definitions of risk in its own documents. By the way, something similar applies to 'in control'. In practice many initiatives are started to arrive at 'in control statements' without carefully agreeing first what they mean by 'in control'.

So the term 'risk' itself is very confusing. In COSO IC (2013), COSO ERM (2004) and for that matter also in common parlance, 'risk' refers to something negative. "The possibility that an event will occur and adversely impact the achievement of objectives."

COSO ERM (2017) and the ISO 31000 Risk Management Guidelines (from the onset in 2009), on the other hand use a neutral risk concept. It concerns both positive and negative effects on the achievement of objectives.

Obviously, it has significant implications. Originally COSO had four so-called risk responses: Accept, Avoid, Reduce, Share. COSO added 'Pursue' as the fifth risk response in 2017: "accept increased risk to achieve improved performance." That is more in line with the risk-return balance. However, for the average safety professional pursuing risk is like swearing in church or mosk or synagogue or temple.

What does all this mean? That the use of the term 'risk' is constantly causing problems. The conventional approach focuses on things that can go wrong. That is by no means a holistic approach. Decision-making is all about weighing interests, about making choices. Think about it: when you start investing hopefully you are not only concerned with possible losses but also with returns.

When you apply for a job you are not only concerned with the bad chance that you will get a nasty manager, have an awful work-life balance or that you might get fired easily. You also consider personal development opportunities, supportive colleagues and inspiring assignments.

On the other hand, if you choose the more modern, holistic definition of 'risk', i.e. the neutral concept - including both upside and downside risk - then you lose most of your audience right away. To them risk is a load of potential adversity. It is no surprise as in common parlance 'risk' has a negative connotation.

Because of all this confusion people like Grant Purdy and Norman Marks advocate avoiding the 'the R-word'. 'Uncertainty management' or 'success management' are already better terms. The same goes for the term 'value management'. Both COSO and ISO indicate that risk management is all about creating and protecting value. The big advantage of referring to 'value' is that you realize that this term - and similarly 'result', 'success' or 'improvement' - are meaningless. You always have to clarify first what you mean by them.

The meaning of 'value' can vary significantly by stakeholder. Some immediately think about money like increased share prices and dividends. Others, for example are primarily interested in personal safety, sustainability or inclusiveness.

Moreover, we don't have a science called 'riskology'. What we do have is a self-contained risk management world with all kinds of consultant-recommended practices. Those working methods must then be integrated with all our might into the existing management cycle in order to become successful. In practice, this is not easy at all and we all experience this.

The ever-expanding risk management jargon adds to the confusion. For example, consulting terminology includes:

- 'risk governance' as something different than your ordinary business governance, i.e. the allocation of tasks, authorities and accountabilities;

- ‘risk culture’ besides people’s customs and behaviors;
- ‘risk owner’ in addition to being in charge of e.g. a department or project;
- ‘risk indicators’ supplementing your performance indicators;
- ‘risk intelligence’ alongside your normal business intelligence.

According to many in the risk management world you have to make all kinds of statements about your risk appetite. It is about the types and amount of risk you are willing to take. But wait a second, can you express risk as an amount? Risk profiles suggest that you can aggregate risks for convenience purposes. However, there is no separate unit of measure or currency for risk. If you try to aggregate risks based on monetary value you will soon discover that what you value most in your life is pretty difficult to monetize.

What we also don't always realize is that opportunities and threats aren’t things that exist - other than that they are our mental images. They are our images of potential future events, circumstances, trends. These images are strongly influenced by our personalities, knowledge and experiences. Sadly enough, we humans suffer terribly from biases, from prejudices, from flawed thinking.

Think of self-overestimation that is quite common. Another one is that many people prefer to remain ignorant of risk. Or take for example self-serving bias. If something went well we like to attribute it to ourselves. When things go wrong it is always due to someone or something else. One could argue that conventional risk management itself is based on the loss aversion bias. We humans appear to experience the pain of (possible) loss twice as much as the pleasure of (possible) gain.

Risk assessments, particularly analyses of causes, events and consequences, assume cause and effect relations. A lot of them are knowable only in hindsight. The implications can be enormous. If you conclude that global warming is mainly caused by the sun, it doesn’t make a lot of sense to blame increasing temperatures on the earth’s population. Hence, you can’t make people feel afraid and guilty because of their own behavior.

As you will recognize from your own experience many risk assessments are done qualitatively. Scores are awarded to estimated likelihoods and effects. Using values on ordinal scales (from 1 to 5 or 6 or more). This is the same type of scales that is used in opinion polls and the number of stars to rate the quality of hotels.

Then people reason: risk is likelihood times effect. They multiply these scores for probability and impact into risk scores with the greatest of ease. They then sort those values in Excel by level or it is done for them in their risk management application. And that's how they arrive at their top risks.

Those scores are then plotted in a heat map: the Probability Impact Diagram or Probability Consequence Diagram. For many this is the symbol for risk management. With two axes: one for likelihood and another one for effect. With colors per cell of the matrix.

Heatmaps are very misleading for many reasons. One of them is that the plotted risks have no relation to specific objectives. In addition, likelihood and impact are distributions, not single points plotted in a grid. Further they can’t deal with interconnections and interdependencies.

Risk quantification is highly dependent on the quality and quantity of the available data and the assumed dependencies between factors. If the assumptions are no longer valid then the value of the model expires.

Identifying key assumptions and checking their validity are basic steps to ask probing questions and to add value. Take for example birthrates and mortality tables. We now have a serious decline of newborns and significant excess mortality. So, you always need to be careful when using statistics. We shouldn't forget that they are just models. A map is not the area itself that it represents.

Furthermore, and this is really key, in reality it is never about achieving one single objective. Yes, maybe in the old 'shareholder value' way of thinking: maximizing the value for the shareholders. In that context risks were mainly seen as threats to earnings potential. We are all familiar with the derailments to which the approach 'money as an end' instead of 'money as a means' has led. Think of the massive violations of human rights in case of slave labor.

Dilemmas are always about possible positive and negative consequences for competing or even conflicting interests. Decision-making only becomes interesting if there are dilemmas. Then you have to choose.

As a citizen remember the situation you were in last year. Your government is promoting with all marketing forces available that everyone gets injected multiple times. They assure you that the new products are safe and effective. They don't tell you that the contracts with the suppliers state that the long-term effects of the vaccines are uncertain.

Moreover, the vendors are exempt from liability. Scientists who challenge the safety and effectiveness claims are cancelled. You aren't updated on the adverse effects occurring. Anyone who dares to doubt the official narrative is deplatformed on social media. And if you don't comply you are treated as a pariah. Not a very easy choice to be made.

What is the essence of the new insights?

Firstly, let's contrast the new insights with the traditional Anglo-Saxon planning & control world. There the idea of manufacturability is rampant. Risk management and internal control approaches naturally fit in well with the DNA of malleability.

It is the 'ORCA'-world. If you know what you want (your objectives), cleverly think of what might go wrong (your risks), implement suitable control measures and obtain assurance that they work… then reality will unfold itself as anticipated. In this illusory control world unplanned success is just about the worst thing that can happen to you.

According to the conventional approach there are loads of risks out there. Therefore, you must have separate risk management to manage them. To ward off disasters you must invest in risk identification, risk analysis, risk mitigation and risk monitoring.

However, this approach was increasingly challenged during the past years. Thought leaders indicated that it is mainly a matter of looking ahead in a consequent conscious way. That is no different than your ordinary management responsibilities. It is also a matter of reconciling dilemmas. That responsibility is part and parcel of your daily work as an entrepreneur, director, line manager or project leader.

When making decisions you have to estimate and weigh the potential pros and cons. There is nothing in life with only benefits. There are always drawbacks, too. Balanced decision-making requires that you take both into consideration. Are you aware of the necessary buffers, reserves and plans-B?

Take for example capacity. It doesn't make a lot of sense to ask what are the potential negative consequences of overcapacity or undercapacity. Sure, you'll have less return on your assets and have to say no to your existing clients. Both situations also do have potential positive effects. Overcapacity means that you can easily serve a new client in case their current supplier has run out of capacity. And undercapacity due to overall scarcity in the industry justifies higher rates.

As a management team you will not become successful by combating misery and limiting failures. You become successful by seizing opportunities that help you to perform better than expected. And by limiting serious threats such as ransomware by cyber criminals. Periodically updating a list of things that could go wrong is not the same as figuring out how best to achieve your goals. It is certainly not the same as reconciling your dilemmas.

Eventually it all comes down to making decisions and therefore to regular management. Management is about allocating scarce people and resources through your policies, processes and procedures in order to produce products and services that meet the requirements and expectations of your core stakeholders.

Making decisions is at the heart of management. Decision-making is not just about information and knowing how to apply it. It is primarily about mentality. As a decision-maker are you have to deal with competing interests. You have to weigh possible pros and cons associated with your different options.

This is quite different from running a separate Risk Management initiative, system or even function. As a decision-maker you have to choose. You have to weigh the possible advantages and disadvantages when designing, executing, evaluating and improving your business processes. Be it your managerial, primary or support processes. You'll easily recognize the well-known PDCA-cycle here.

Why would you first create a separate risk management system and then try to integrate it into your regular management system? Constantly looking ahead and making trade-offs is inherent in day-to-day management. It is not about maintaining lists of risks and reporting on them. It is all about dealing with the uncertainty that your objectives will be achieved. Hence the focus needs to be on reporting on the likelihood of your performance and success.

It is quite common that the people responsible for achieving key objectives are not expected to formally assess and report upwards on the level of uncertainty that their business objectives will be achieved. The structured documented assessments rest with departments like Risk Management or Internal Audit.

As a decision maker you can very well use the help of 'critical friends' when making your considerations. Knowledgeable colleagues who think constructively and critically. Who keep you on your toes. Who question and challenge you as a decision maker. Who support you with making realistic plans, scenarios and forecasts. Who assist you with reconciling your dilemmas. Who help you to increase the likelihood of your success. How about using the name: 'Decision Support' or: 'Dilemma Support' for their involvement?

Marketing is an ingenious profession with sophisticated influencing techniques. You should always be on guard that there are people who want to highlight the advantages and mask the disadvantages. Therefore, always ask the question: Who benefits from me believing this?

Take for example the 17 Sustainable Development Goals. If you do not know a lot about the origins of Agenda 21, Agenda 2030 and the New World Order then these SDGs sound like an excellent recipe for a wonderful world. However, investigative journalists point out things that the proponents don't tell you about this 'Happy Land'.

The SDGs are the marketing version of technocracy. In the last century the choices of the politicians had let to the Great Depression. A group of scientists, technicians and bureaucrats concluded that allocating the world's resources should better be left to people like themselves.

Thinking about it, achieving these SDGs will only be feasible by implementing draconian control measures. It requires a structure whereby the countries' governments act as the middle management of 'corporate states' like BigTech and BigPharma companies, of huge investment funds like Blackrock and Vanguard, and of powerful NGOs like the UN and the WHO that is funded by very wealthy people.

Finally, what can we learn from these new insights?

We have reviewed the development of separate risk management. The focus is on risk control: residual risks should be kept at acceptable levels. Numerous professionals are still trained to ask what-can-go-wrong questions, to produce lists of risks and to come up with controls to mitigate them. The conventional approaches mainly serve compliance purposes and easily degenerate into an illusory system.

Labelling something as 'high risk' doesn't necessarily help those who have to make tough decisions. When accountable, what you really want to know is the likelihood of your success. The likelihood of your products and services meeting requirements and expectations. And that is dependent on the quality of your decision-making.

The new approach is about decision-making under uncertainty when selecting and realizing the organization's strategy. The essential question to be asked at all levels is: what-can-happen? and what-if-x? As an internal auditor, as a supervisory authority, or as a consultant, check to which extent these questions are asked properly.

The questions should be asked when setting objectives in order to ensure that they are realistic. They also should be asked when trying to achieve those objectives. If people choose for an option because of the perceived advantages, do they still consider their ability to deal with the associated disadvantages?

If you want to add value please realize that decision-making is about dealing with competing or even conflicting interests. Which interests of which stakeholders do take precedence? It has everything to do with the integrity, morality and mentality of the decision-makers.

Therefore, always establish which goals are dominant. If fear of getting caught is the main driver of the compliance policy then it starts wrong. If only commercial interests predominate then that is a serious red flag. Pay particular attention to matters such as core values that determine which interests should be at the expense of others. Do not look at what you can find on the website but look at the actual behavior of the decision-makers.

Dilemmas are about ethical considerations. Decision-making is about competing interests such as commerce versus compliance. Imagine a prospect with all kinds of dubious business activities offering substantial earnings potential for your organization as a service provider. Which interests of which stakeholders do the executives give priority to? These are moral considerations. Therefore, at the end of the day what counts is people's mindset, their mentality.

It remains remarkable that many professionals believe that risk management is about maintaining risk lists. Stop making risk inventories for the sake of inventorying risks. Stop updating risk registers every quarter or year. Nobody uses them whenever important decisions have to be made. Do not spend endless time measuring risks. Because it is not about risks at all. It is about estimating the likelihood of your success as an organization or organizational unit.

Don't think about how to improve the quality of the risk appetite statements. They are vague anyway and don't really help anyone make well informed decisions. Instead, think about what the decision-makers need to better manage expectations. Think of decisions that matter, such as product introductions, takeovers and partnerships with chain partners. Do they consciously weigh the pros and cons when making important decisions?

Don't leave opportunities to the business and ask risk management to focus on what-can-go-wrong. Focus on improving the quality of decision-making. Dedicate your energy to impactful dilemmas. Make sure the right experts are at the table. Utilize their knowledge and insights. For example, have them play the devil's advocate role.

Don't use stand-alone risk committees. Once you separate dealing with uncertainty from people's own work you are communicating that risk is only the responsibility of a few people. As long as Risk Management is a separate item on a team's agenda they aren't getting it. Rather realize that every item on the agenda that requires a decision is about consequence consciousness.

There is every reason to remain modest. Our human abilities to fathom the future are limited. Realize that opportunities and threats can hardly be objectified in a rapidly changing world. It is impossible to figure out in advance what could happen in a world with so many actors and factors. That is a complete illusion. Think about the implications of Artificial Intelligence, Internet of Things or even Internet of Bodies, transhumanism. Okay, the one thing we know is that our privacy will be gone.

What your organization really needs are people who are alert to what is going on. You need a culture in which unwelcome news is also a appreciated. And last but not least, you need the ability to improvise.

The new insights teach us that it is not about managing risk. It is about keeping your core stakeholders satisfied. As they typically value different things you'll have to choose. And that is the essence of decision-making.

If your organization is dealing with a supervisory authority who still believes in risk management paraphernalia, then start a conversation about the new insights. If that doesn't help, try your best to meet the basic compliance requirements. Spend as little capacity on it as possible though. Instead, dedicate your time, energy and attention to helping your colleagues make better decisions.

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