

# **Presentation:** **The millstone called** **'risk management'**

**Risk Awareness Week**  
**2019**

Prepared by:  
**Grant Purdy and Roger Estall**

# Copyright

© Grant Purdy and Roger Estall, 2019

+61 412 121 631

grant\_purdy@me.com

This document contains substantial pre-existing Intellectual Property of value to Grant Purdy and Roger Estall.

It is provided to the recipient, but not to be sold, licensed or otherwise transferred, whether in its original form or as part of any further development that they might undertake, without Grant Purdy and Roger Estall's prior written agreement.

## Our contention

Despite 'risk management' being a much-heard expression these days:

1. There is no agreement to the problem it is (ostensibly) solving
2. Even among those who advocate its adoption and practice (often to earn their living) it has no settled meaning, nor even clarity of purpose.
3. Its clumsy and ever-changing constructs and confected jargon complicates rather than improves decision making and, therefore, organisational performance

The risk management  
millstone  
2

## Just ask yourself...

***If 'risk management' is the answer, what was the question?***

Important: you can't use the word 'risk' in your answer

The risk management  
millstone  
3

## Mea Culpa

We ourselves contributed to this state of affairs over many years!

However, this has enabled us to explain:

1. How risk management started
2. How risk management has become a millstone around the necks of organisations that seek to apply it
3. Why it is not successful and cannot be remedied
4. Why it should be abandoned
5. How you might go about shedding this millstone

The risk management  
millstone  
4

## In the beginning ...

- Decisions don't always deliver intended outcomes, and sometimes this adversely affects innocent parties or attracts public attention
- This has always been so and the response has always been the same – to find better ways of making decisions
- This search was strongest in those with the greatest interest in avoiding similar failings (e.g. governments and insurers)
- It began with simple solutions (e.g. the Plimsoll Line) to encourage 'better' methods of deciding
- The term 'risk management' was invented to label various efforts to avoid repeating mistakes
- Those with most to gain used their influence and power to drive adoption of 'risk management'

The risk management  
millstone  
5

## Birth of the label 'risk management'

- Governments had legislative levers and insurers had contractual levers to specify what they required
- Others, promoting better decision-making, relied on education and advocacy and so elevated their ideas to the status of a *belief system*
- This needed a label - the term 'risk management' suited them nicely
- Although having no precise or fixed meaning, 'risk management' became synonymous with methods to avoid mistakes and, implicitly, a greater awareness of uncertainty

The risk management  
millstone  
6

## Characteristics of a belief system

- Apparently laudable (feel good) goals, yet no clear definition of the problem
- Unnatural approach, usually conflicting with reality
- Based on unvalidated assertions and concepts
- Dependent on confected jargon manifesting as real knowledge
- Defined by the label rather than what it means or involves
- Promoted with evangelical enthusiasm - as if the name alone is an indispensable and fundamental truth
- Consequently, over time it acquires the status of an indispensable building block of life (alongside gravity, water and taxes) despite there being no general knowledge of what it was or meant to be
- And, it attract enthusiastic disciples

The risk management  
millstone  
7

## However, Deciders were sceptics, not believers

- An obvious disconnect between 'risk management' and what their organisations actually do
- Failed the 'what's in it for me' test
- 'Snake oil' - no established academic or proven basis
- Few could or wanted to master the dubious jargon and concepts

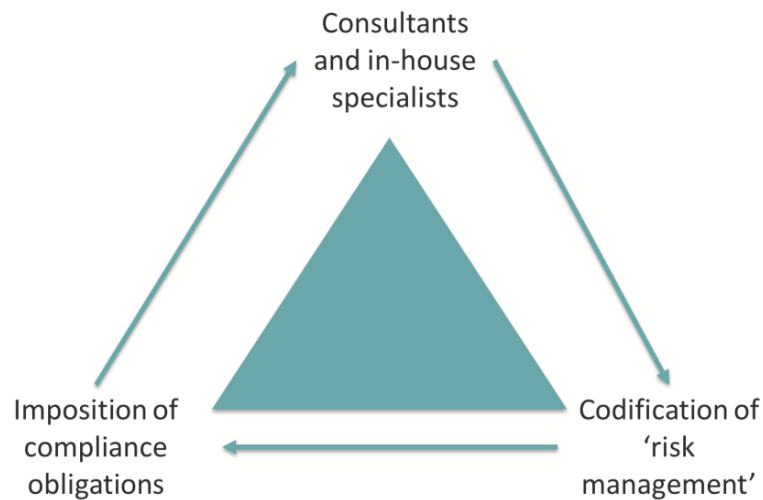
The risk management  
millstone  
8

## Yet, 'risk management' survived due to -

1. Emergence of a new breed of advocates (disciples) in the form of pseudo **advisers and consultants**
2. Codification of 'risk management' – **standards** (These are very attractive to the disciples, creating the illusion of real knowledge while reducing their professional liability)
3. Legislative and commercial **compliance obligations** - requiring 'risk management' – generating further opportunities for the disciples

The risk management  
millstone  
9

## The pernicious triangle: consultant/standards/compliance



The risk management  
millstone  
10

## 'Risk management' edifices

- *Belief system* requires codified but distinctive organisational structures, methods and jargon.
- These are 'one size fits all' and thus are foreign to the functions and operating methods of virtually all end-users
- Because they are fundamentally flawed, few who try to adopt 'risk management' are successful
- Despite being rigid and unnatural, the edifices are expected to be 'integrated' into what the organisation does
- The belief that such integration can be done successfully is wholly fanciful!

The risk management  
millstone  
11

## The millstone effect

- Trying to create and maintain these conflicting edifices is wearying, disruptive, costly (advisers, training, IT) and frustrating for all involved.
- Complex jargon which imposes a special meaning to many ordinary words, is a barrier to communication
- Because both the notion and paraphernalia of the edifices are deeply flawed, 'risk management' degrades rather than '*creates and protect value*'
- Scant evidence that adopting risk management edifices (or even less coherently, employing 'risk functions') leads directly to improvements in organisational performance - especially when driven by legal and contractual compliance
- Creates a false sense of confidence that 'risk management' somehow leads to sound decisions, diverting attention from mastering this very challenge
- **'Risk management' is hindering rather than helping Deciders make sound decisions**

The risk management  
millstone  
12

## Fundamental weaknesses

- Concocted expression – no consistent meaning
- Not aligned to an organisation's individual character or context
- Not academically validated or even consistently used
- Creates an externality which must then be 'integrated'
- Reliant on arbitrary jargon (e.g. *risk* has 40+ meanings in ISO Standards)
- So complex that most don't get it
- Focuses on avoiding failure rather than achieving success

The risk management  
millstone  
13



## Why abandon 'risk management'

- Not succeeding (inevitable)
- Not fixable
  - Will-o-the-wisp term
  - Can't fix something that isn't real
  - Can't unscramble the egg
  - Can't create knowledge from labels
- Not credible – doesn't pass the pub test
- Continues to absorb valuable resources
- Distracts from the real challenge, making sound decisions
- Unless abandoned, will continue as a millstone
- Compliance obligations can be removed or revised

**Madness:** *doing the same thing over and over and expecting a different result*

The risk management  
millstone  
14

## How to remove the millstone

- Just stop!
- Identify all the edifices and then dismantle.
- Make a clean break
- Shift whole focus to making sound decisions using plain language
- No need for new edifices at all. Decision-making is already main-stream
- Push back against 'risk management' compliance obligations – get them changed

The risk management  
millstone  
15

## ‘Sound decisions’ – a simple notion

- Are consistent with the organisation’s **purpose**
- Provide **sufficient certainty** that the outcomes will be as intended **over the life of the decision**, according to their importance
- Achieved through thinking, looking around and having informed **discussion**, not by creating edifices!
- Contemplate **potential for change**

We’ll be telling you more about this shortly in our new book

The risk management  
millstone  
16

## Contact

### **Grant Purdy**

grant\_purdy@me.com  
+61 412 121 631

### **Roger Estall**

roger\_estall@yahoo.com.au  
+61 410 519 254

© 2019, Roger Estall  
and Grant Purdy

The risk management  
millstone  
17