

Risk as Strategic Advantage

Or...Business Not As Usual!



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THE SECRET TO RISK

Most chief Directors, Trustees and senior staff, when asked to define risk, describe their view of risk as:

- Something negative that happens to the organization
- The potential for loss
- Fraud
- Negative publicity
- When asked how their staff view risk, the descriptions get even more depressing:
- A pain in the neck
- Too complicated and difficult
- Something we have to do
- A compliance issue
- Not much use in our day to day work

Risk is not inherently good or bad; it is more about the things that happen outside our expectations that might have an impact on our ability to achieve the strategic initiatives of the organisation.

The two main formal definitions of risk are from Standards Australia (Australia) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO, USA). They are very similar in intent, and focus on the strategic potentiality of risk, rather than the negative loss point of view. For example, the Australian/New Zealand Standard AS/NZS 4360/2004 defines risk as:

The chance of something happening that will have an impact on goals

and risk management as:

The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects

What would it be like if risk was viewed as just another way of looking at potential opportunity and innovation?

What if risk management was viewed as innovation?

POINTS OF VIEW ABOUT RISK

Questions to ask about points of view regarding risk

- How do our staff view risk?
- How do our leadership team view risk?
- How does the chief executive view risk?
- How does the Board view risk?
- What would it take for all organizational risk stakeholders to view risk as strategic advantage?

Risk as strategic opportunity is more a mindset than a process.

This mindset includes:

- * An awareness of risk possibility from points of view of staff, Board and key stakeholders
- * Risk is seen as possibility and advantage, not compliance and protection
- * Every risk treatment also includes a strategic opportunity
- * Risk as innovation is embraced by the whole organization at all levels

WHAT IS THE POINT BEHIND RISK MANAGEMENT? REALLY!!

What is the point behind risk management?

The point behind risk management is to

1. identify all the potential risks,
2. rank them according to potential to occur and possible impact if they do occur,
3. determine the quality of existing controls on the risks,
4. develop new controls and strategies for the risks (called "treatment" in risk jargon),
5. monitor these and
6. extract strategic advantage from the whole process.

A simple process which is often made very complicated and difficult by the points of view that people hold about what risk is. And most organizations do not extract strategic advantage from the risk management process.

Risk management is the conscious awareness of all the risks involved in the organization, the strategic advantage of these risks, and the ease with which these risks can be managed. Though risk is inherent within all business opportunities, many leaders prefer to be risk averse. This can lead to missing opportunities. The very nature of business endeavours and success demands leaders to have a willingness to receive everything without judgment.

How risk is defined and acted upon is all a matter of choice of the leaders. Nonprofit leaders can choose to view risk as bad, complex and to be avoided, or as a strategic advantage and potential source of innovation that can enable the organization to undertake activities that others might not even consider.

IDENTIFYING RISK-YOU HAVE TO START SOMEWHERE!

Identifying risks involves you not having a fixed point of view of what constitutes risk, and involving others who have different points of view about the organization, and therefore different points of view about risk.

Who have points of view about your organisation that matter to you?

Board

Staff who can add value

Sessional staff, contractors, others who conduct programs on our behalf

People affected by our services: clients, volunteers, members

Union or staff representative groups such as Safety committee

Funding bodies such as Bank, government agency, grant giver

Regulatory entities

Politicians who may have an electoral or portfolio interest

Suppliers

Media

Also, identify the risks that are identified with your:

Asset register

P&L

Strategic and Business Plan

OH&S reports, and...

Benchmark against other organisations (swap risk registers/plans)

THE RISK SURVEY AND RISK LIBRARY

After the relevant stakeholders have been identified, decide whether to send them the Risk Identification Survey, or conduct a short telephone interview aimed at completing the Risk Identification Survey over the telephone. NB Use a spreadsheet!!

The risk survey should be short, easy to fill in and not daunting!! Point out that you are collecting their views about the risks they perceive the organisation faces, from their point of view.

Possible questions:

- List all major activities/projects you are involved in relevant to the organisation. For each activity/project:
- Describe Perceived Risk and how it might occur
- Your Rating: Potential to occur: (High-Medium-Low)
- Your Rating: Impact if it does occur: (High-Medium-Low)
- How do we turn this to strategic advantage?

Compile the returns into a spreadsheet.

Agree the definitions to be used

Potential to Occur Rating

3	Almost Certain	Is expected to occur in most circumstances
2	Moderate	Might occur at some time
1	Rare	May occur only in exceptional circumstances

Impact if Does Occur Rating		Financial (incident or annual)	Human	Business Interruption	Environmental	Reputation	Strategic
3	Catastrophic	Above \$100,000	Death or complete incapacitation	Critical service loss more than 2 months	Long term harm	Public or Government enquiry	Loss of funding body, partner or consumer support
2	Moderate	from \$40,000-100,000	Injury, hospital or formal treatment over protracted period	Program service loss for one month or more	Moderate harm	Government or community concern	Opportunities not identified or implemented
1	Low	Up to \$40,000	First aid	Loss of program service up to a month	Brief pollution	Resolved by day to day management	Minor operational changes

Risk Control Rating

	Score if Yes	Score if Partly	Score if No
Does the control effectively address the risk?	1	3	5
Is the control officially documented and communicated?	1	2	3
Is the control in operation and applied consistently?	1	2	3

Risk Categories eg

OH&S and safety
 Facilities/equipment
 Financial
 HR
 QIP
 Strategic
 Image/Reputation

RISK AS STRATEGIC ADVANTAGE

The RISK library

Microsoft Excel - Risk Management register and plan.xls

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	A	B	C	D	E	F	G	H	I	J
	Category	Risk	Potential (/3)	Impact (/3)	Control (/5)	List of Controls	Risk Level (Pot+Impact+Control)	Priority	Date Reviewed	Risk Manager
2	Financial	Overreliance on limited funding streams	3	2	5	Identified some relevant avenues of resource, are mentioned in strategic plan	10	High	25-Nov-08	
3	Financial	Inappropriate insurance coverage	3	2	5		10	High	25-Nov-08	
4	HR	Succession planning of key positions	3	2	5	None	10	High	25-Nov-08	
5	QIP	Security procedures for data security	3	3	3	Access passwords, levels of access, policy and procedure	9	High	25-Nov-08	
6	OH&S and safety	Keeping track of staff and their safety-isolation and remoteness	3	2	3	All have mobile phones (check coverage), appointment book re movement, procedure to check with people if they are running late(needs to be written)	8	High	25-Nov-08	
7	OH&S and safety	Enrolment issues for programs-safety and service issues and not knowing behaviour triggers	3	2	3	None in adult ed and Day program, but good in HBO. Have a referral form, but doesn't meet needs	8	High	25-Nov-08	
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Risk Register Risk Treatment Plans Compliance Breach Register Definitions

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RISK AS STRATEGIC ADVANTAGE

The Risk Treatment Plan

Microsoft Excel - Risk Management register and planNEVicDGP.xls

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Reply with Changes... End Review...

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A2 Risk

	A	B	C	D	E	F	G	H	I	J	K
1	Risk Treatment plans										
2	Risk	Priority	Treatment Options	Scope	Resources	Start	Finish	Risk Manager	Success measure	Ethical implications	Strategic Opportunity
3	No succession plans for committees programs member involvement	H	Develop formal succession plans, write into Terms of Reference, formally evaluate ctees etc annually, skills register, review appointment terms	Review all Terms of reference, develop skills register, ensure plans cover succession of chairs, executive ctee etc, develop formal evaluation processes including stakeholder analysis	Small advertising budget	Mar-07	Mar-08	CEO	Fill all identified skills sets. Formal evaluation rate the succession planning as successful	Discomfort with analysis by peers, evaluation has to be transparent, communication and appointment of skills based people transparent	Could be seen as feeder to Board. Structure could be attractive to new comers
4	Poor understanding of community needs and accessing data from GPs	H	Devise marketing strategy that is relevant and GP centric	Source external advice, research how others do it, research new data mapping tool (Adelaide Div), target sympathetic practices to this risk as a "peer" pilot, develop evaluation of practice perceptions	Possible external facilitator, staff training budget	Jul-07	Mar-08	CEO	Practices rate outcomes as valuable	Patient data, rights of practices and their data, how and if we can use data, fairness of pilot program	More engagement with members. Better treatment regime in certain chronic diseases at no cost to practices
5	Funding not continued for MAHS or BOIMHC programs	H	Develop alternative income streams. With AGPN and GPDV, address issue at political level. Address existing model for self funding options	Review of all internal programs	External facilitator	Mar-07	Sep-07	CEO	Develop self funding financial model. DOHA announces funding to 2011	Non relevant income streams. Changes to existing service providers. Quality of services to recipients	New alliances/suppliers etc. New program that is relevant. Member marketing opportunities. External promotion of best practice of NEVDGP
6	Ownership of student accommodation building at Mt Beauty	H	Board and DOHA approval	Research contract requirements, research interested parties, develop proposal		Jul-07	Dec-07		Board and DOHA approval	Member perceptions, contract obligations	Focus on core business
7	Members perceptions of lack of promoting General Practice to the public	H	Ensure members have opportunity to be aware of all promotion efforts	AGPN media strategy, new web site, advice re newsletter on promotional activities, develop possible media relationships, member perception feedback.		Feb-07	Feb-08		Member rate public promotion as sufficient	Appropriate topics, quality of promotional information and media responses	Further perception of relevance to the membership

Risk Register Risk Treatment Plans Compliance Breach Register Definitions

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THE BOARD'S ROLE IN RISK

1. The Board's role is to agree on and monitor the 3 or 4 critical risks facing the organisation

Regular Board reports that analyse these critical risks, their monitoring and treatment provide the Board with strategic information regarding the key drivers of the business. The Board's role in monitoring these risks is not to ensure they don't occur, but to turn these risks into strategic advantage.

"The lack of embedded risk management practices within the governance structure of an organisation is regarded as one of the highest risks facing an organisation"

2. The Board is responsible for approving and monitoring the risk management policy

This responsibility is among one of the Board's most important, as it commits the Board and the organisation to best practice risk management (for sample policies, email steven@conscious-governance.com)

3. Establish key performance indicators (KPIs) for the Chief Executive Officer

One of the most effective ways to ensure that staff, especially the CEO, treat risk as the strategic advantage it can be, is to establish one or two KPI's for the CEO that reflect the risk monitoring and management responsibility of that position. This tends to focus attention.

RISK AS STRATEGIC ADVANTAGE

4. Embed risk into the strategic discussions and analysis of the Board

Risk awareness can best be embedded in the organisation if some simple guidelines are followed:

- a. When conducting strategic planning, conduct a SWOR (not a SWOT) analysis ie Strengths, Weaknesses, Opportunities and Risks. These risks can then be added to your risk library, and provide further opportunities for identifying strategic advantage.
- b. Only accept project plans or action plans if a risk element has been added to the project plan. For example, an action plan might have the headings of:

Scope

Start date

Finish date

Project Manager

Resources

Success Measures

Ethical implications

Risk

(Once the risk has been identified, the management of that risk is quite easy)

- c. When deliberating on decisions at the Board meeting, ask the risk question: "What are the risks inherent in this proposal, and how can we turn these risks into strategic advantage?"

All of these ensure that risk is an ongoing strategic process, not a compliance issue.

Revolutionary App Directs Change in the Boardroom.



Highly respected global business advisor, Steven Bowman, has released a new app called Board Essentials aimed at directors of corporate and non-profit organisations. This is the first app of its type in the world.

The app is the culmination of over 35 years in the business world and the result of holding numerous CEO and Board positions in the finance, nonprofit and private sector.

"We developed the app based on feedback received from personally dealing with over 1000 Company Directors and senior executives each year. The most common questions I'm asked by Directors is how they can add real value to board meetings, before, during and after the meeting. Many of them believe their primary role is to make sure the staff is busy but the gift of a good director is the questions they are willing to ask, rather than the answers they provide. This app will step them through how to do that and view their role in a different way."

Steve is a renowned public speaker and global advisor to Boards and CEOs and worked as a senior executive team and Board specialist for large companies such as ANZ, Melbourne University and the Department of Health, to name only a very few.

The app also includes 29 videos on topics such as vision statements and how to use them to strategic advantage; secrets to developing and reading financial reports; using risk for strategic advantage as well as numerous

other tools based on what his clients have found most useful over his time in the sector.

"I think we need to go back to the basics of what a board's role is in the first place." says Bowman. "What if all the governance processes policies, strategies, financial reporting and risk management programs we put in place were just tools to assist the board to "make the choices that create the future for the communities they serve"? I really hope to be able to get those in senior positions asking the questions which can help create outstanding organisations where both innovation and productivity are at optimum capacity."

To purchase and download the app (\$12.99) please visit
<http://strategicboardessentials.com/board-apps/>

Comments from users of the app

"I have acted on a few of the new insights i.e. adapted my agenda already for next weeks Board meeting, we were about to review the performance so I have amended based on the tips in the app, and beefed up the focus on variances. More change will follow. "

CEO, Te Waipuna Puawai, New Zealand

"After downloading and familiarising with the app I have recommended to the rest of my board that this is an essential tool to have in their arsenal and look forward to utilising at our next meeting."

Chair, ETCO, AUstralia

"A very special app! An awesome investment-lots of tools that work!

Incredibly thought provoking and invaluable for any organisation and anyone who wants to make a difference in their organisation. Thank you for making this available at this time."

CEO, Aura-Soma UK; Director and Partner, Streets Tax Advisors & Chartered Accountants UK

Qr codes

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<http://www.conscious-governance.com>

and go to the Online Shop



CEO Performance Management for Nonprofit Boards and Executives

7 sessions in MP3 format, 80.7MB

- ◆ Session 1: **Why Most Attempts at CEO Performance Management Do Not Work.**
- ◆ Session 2: **Performance Managing the 2 Key Assets of Your Organisation.**
- ◆ Session 3: **The Role of Board Sub-committees.**
- ◆ Session 4: **What are Key Performance Indicators in Performance Management of the CEO.**
- ◆ Session 5: **How the Board can Contribute to CEO Development.**
- ◆ Session 6: **The Impact of Strategic Planning on Performance Management.**
- ◆ Session 7: **Succession Planning for the CEO.**

Your Price: **US\$19.00....**



Chief Executive Quick Guide:

Advanced Strategic Planning: Strategic Planning that works for Nonprofit Boards and Leaders

'Every year, organisations like yours lose hundreds of thousands of dollars through well intentioned but dysfunctional strategic planning efforts - this e-book will help ensure your organisation isn't one of them'

- ◆ Do you want to know how to embed the strategic plan into all facets of your organization and get amazing buy-in from Board, staff and stakeholders? Do you want a process that is quick, focused and provides step-by-step guidelines that result in a strategic plan that is accountable and measurable?

Your Price: **US\$45.00...**



Chief Executive Quick Guide:

Strategic Risk Management: Risk as Strategic Advantage for Nonprofit Leaders

- ◆ Do you want to know how to develop an effective risk management process that is comprehensive and easy?
- ◆ Do you want to check that you have covered all bases with your existing risk management program?

Your Price: **US\$45.00....**

ConsciousGovernance Downloadable Resources

<http://www.conscious-governance.com>



The Conscious Chief Executive: Leading Your Nonprofit to Success with Awareness

- ◆ Do you want the tools to be a conscious chief executive?
- ◆ Are you looking for a way to be more, do more and know more as a senior executive and leader?

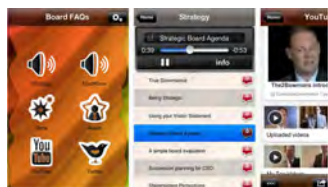
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Conscious Leadership: The Key to Unlocking Success

- ◆ What does it take to be a conscious leader?
- ◆ What if there was something more to leadership? What are the simple tools I can use to be more aware and conscious as a leader, and to truly make a difference?

Your Price: **US\$35.00....**



Free ipad/iphone application : "Board Essentials FAQ-Lite"

If you currently serve on a Board, or are considering serving on a Board, these are common FAQs and essential information you will need to know

Your Price: **Free....**

Our new book: "No More Business as Usual"



Tired of Pandering to the Status Quo?

- ◆ Join the No More Business As Usual revolution and be what sets the pace of change!
- ◆ This manifesto gives you the power to make your own rules and forge an inquisitive spirit in you and your business.
- ◆ Chock Full of Tools - No More Business as Usual doesn't just talk about creating change; it offers potent tools to start using now.
- ◆ Eliminates Roadblocks - Instead of stress and struggle, you will discover ways to broaden your strategic awareness and change your approach to all "difficulties."

Your Price: **\$24.99**

ConsciousGovernance Downloadable Resources

<http://www.conscious-governance.com>

New video ebook: “No More Risk as Usual”



- ◆ Complexity and volatility in the business arena is higher than ever. This new Video *e-book* brings about more powerful and diverse sources of risk.
- ◆ In this Video *e-book*, we discuss why business leaders often suffer from an incomplete understanding of strategic risk – and what they can do to avoid being blindsided by the unexpected.
- ◆ **Gives You the Upper Hand** - Tired of troubleshooting problems? Instead, we show you the shortcut to turning risk and difficult issues into strategic advantages.
- ◆ **Fool Proof** - Everything on offer is pragmatic, comprehensive and straightforward. No convoluted structure or conditions. Just straight to the business end of what works.

Your Price: **\$9.99** Available on iPhone, iPad, or iPod touch



The Power to Generate Endless Revenue Streams

- ◆ Are you confident of your ability to generate endless revenue streams in ways that will enable your business to excel in today's globally dynamic environment?
- ◆ Worried constantly about your revenue streams and can't seem to get away from that gnawing anxiety in the back of your mind?
- ◆ Worried that you don't have the right talents, capacities or some other secret ingredient that would allow you to increase your revenue?

No need.....

Generating endless revenue streams isn't about talent or secret ingredients. It's all about looking at things from a slightly different point of view.

This Generating Endless Revenue Streams Video ebook provides tools for people in every industry to generate a financial reality that is far greater than the one they already have.

Your Price: **\$9.99** Available on iPhone, iPad, or iPod touch

ConsciousGovernance Resources

<http://www.conscious-governance.com>

Board Insights



Board Insights offers board directors and executives practical tips and insights to govern organizations more consciously and effectively.

This Video e-book is a new innovation in reading that blends a book with engaging videos into one platform. You can read your book and watch videos that enhance the information all on one screen, without switching between platforms.

This Video e-book provides ideas, tips and tactics that enrich the work of board directors and enhance a board's value to the organization it governs.

It covers areas such as:-

- Board subcommittees, Board Charters, Reviewing ByLaws and Constitution,
- Legal Compliance Registers, Delegations of Authority, Conflict of Interest,
- In-Camera executive sessions of the board, Central Policies Register, Reading Profit and Loss,
- Balance Sheets and Cash Flows, Board Workplans, Strategic Reporting, Contracts Register,
- Board Skills Analysis, Board Inductions, Mentor systems for Board members,
- Board Evaluations,. Key Performance Indicators for the CEO, CEO Succession Plans,
- Strategic HR Functions, Risk as strategic advantage, Stakeholder Engagement,
- Strategic Planning and Board accountability.

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