It's All About People

Neil Cantle, *Principal*

June 2014

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What Makes Us Tick?

UNDERSTANDING BUSINESS PERFORMANCE

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Understanding Outcomes

Symptoms

↓

Causes

↓

Sense-making

↓

Understanding

Goal

Events

Patterns

System Structure

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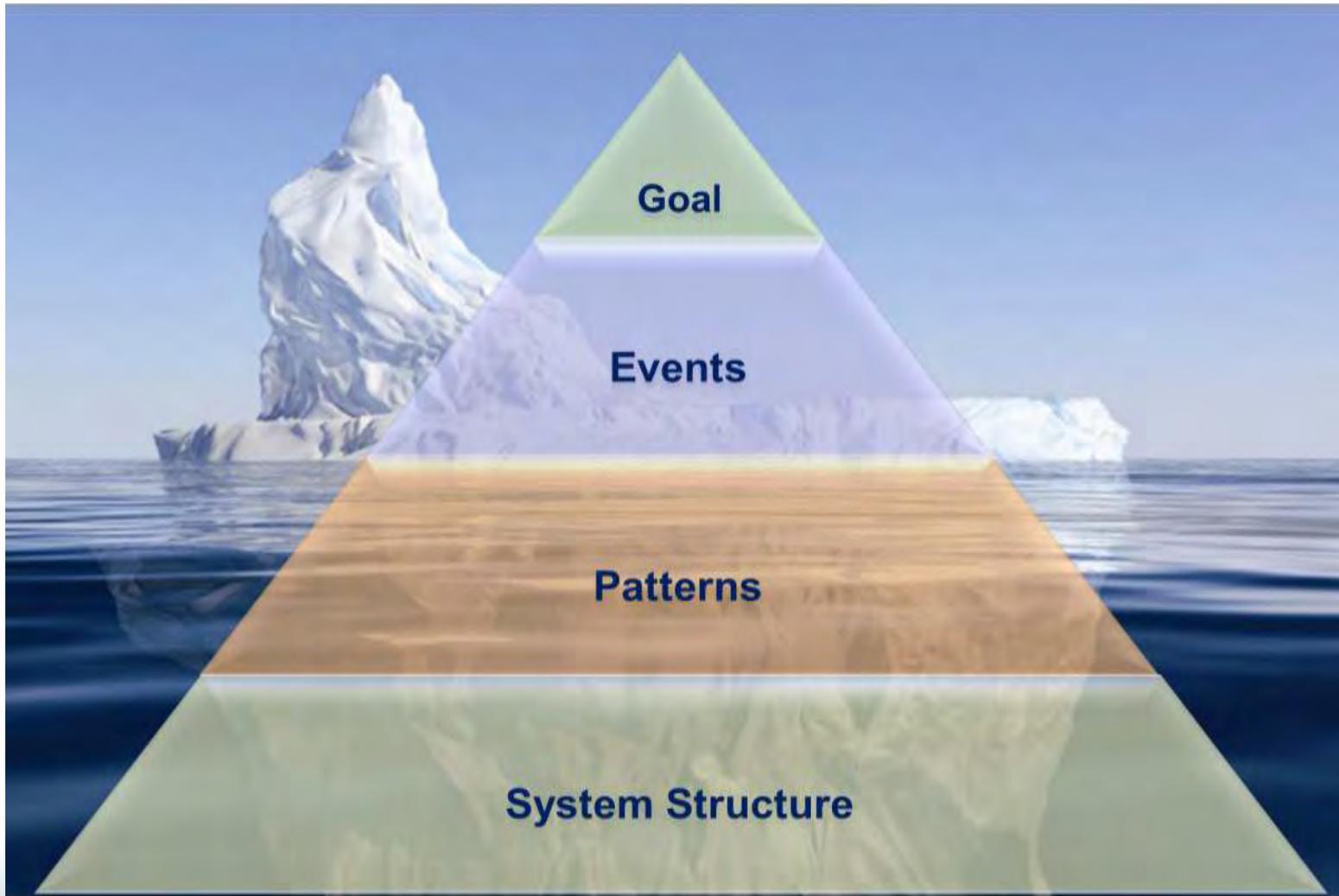
Understanding Complexity

The "System"

What you know

What you see

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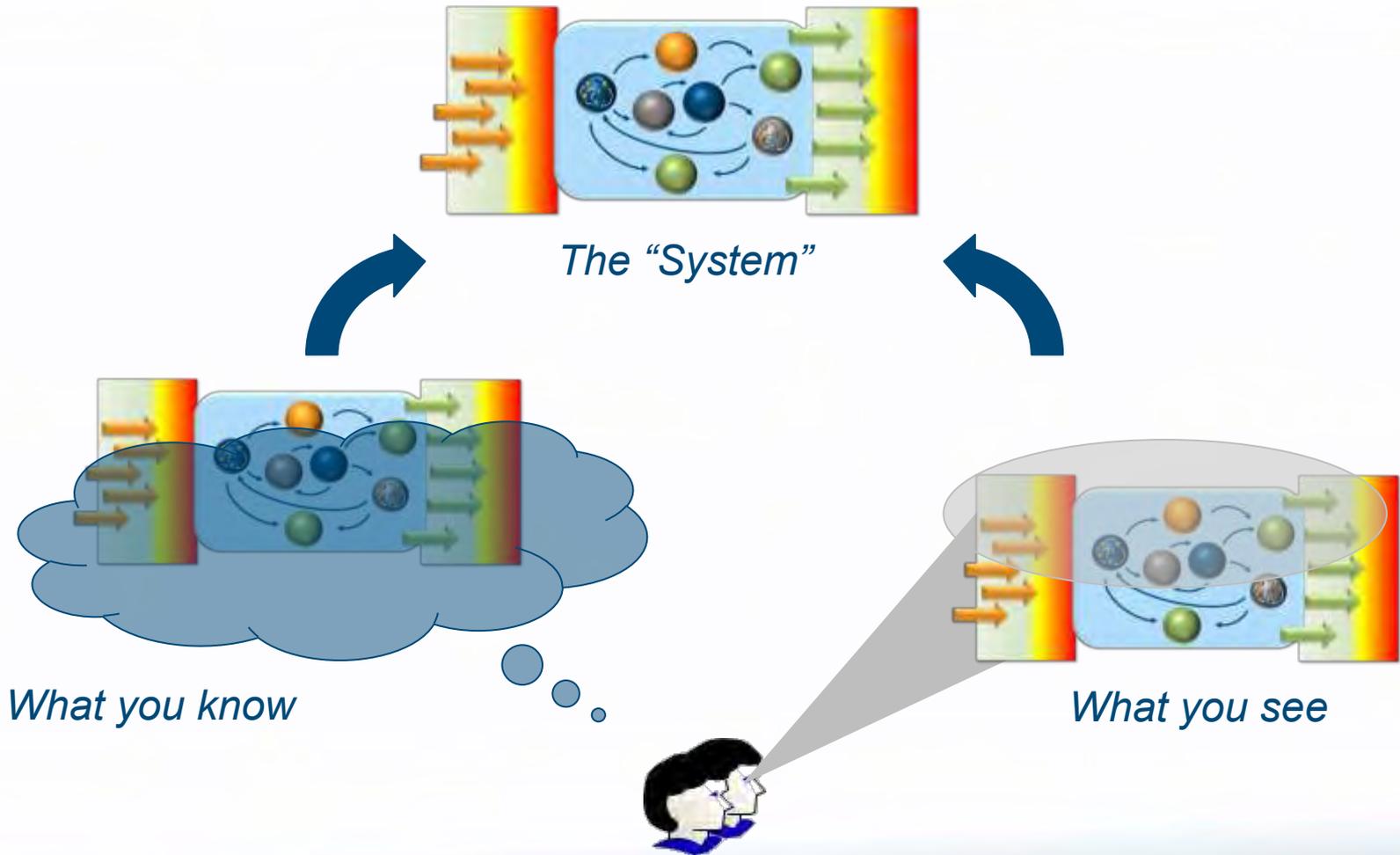
Finding Simplicity

Simple inputs and processes…   *…can create messy outcomes*

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Looking Above And Below

SCALE MATTERS

Tipping Points

- Adaptive cycle
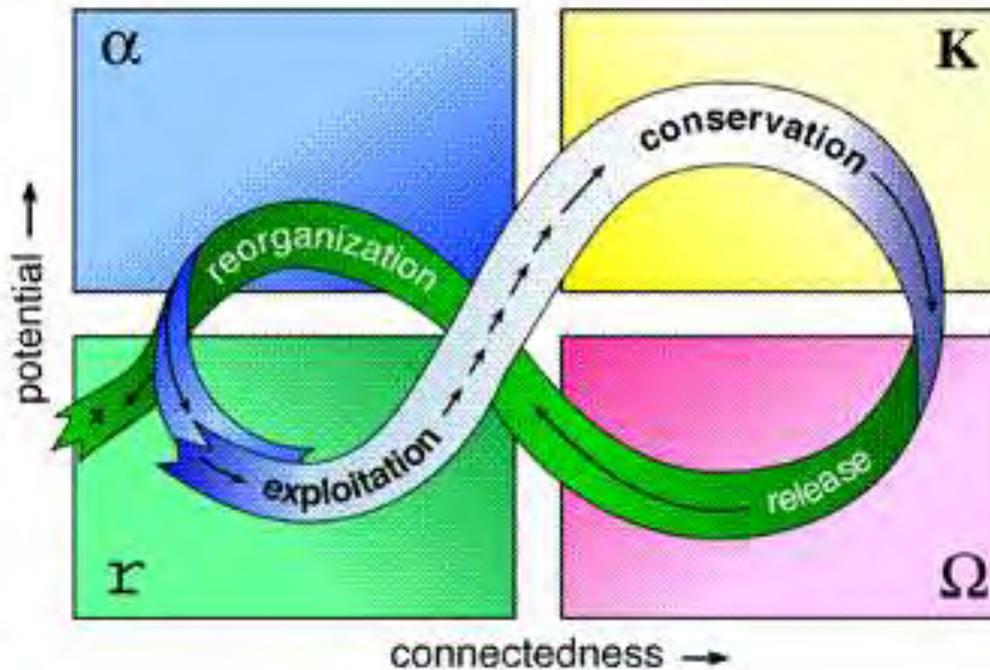
Proximity to a tipping point is relative to the sensitivity you have to a particular condition as well as the presence of the conditions

*Source: From Gunderson and Holling (2002)*

Fast and Slow / Big and Small

- Need to take reasonable account of dimensions operating at different scales and speeds

Reaching a "tipping point" at one scale will cascade to others.

Slow

Speed

Fast

Society
- Demographics
- Societal behaviours
- Economic climate

Industry
- Regulation
- Competition
- Distribution

Company
- Competition
- Operations
- Capitalisation

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Resilience

Latitude

Precariousness

Resistance

Panarchy
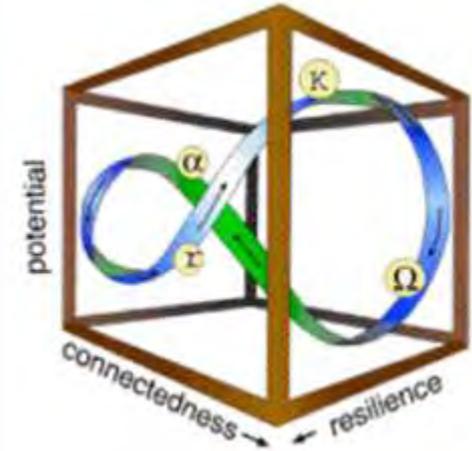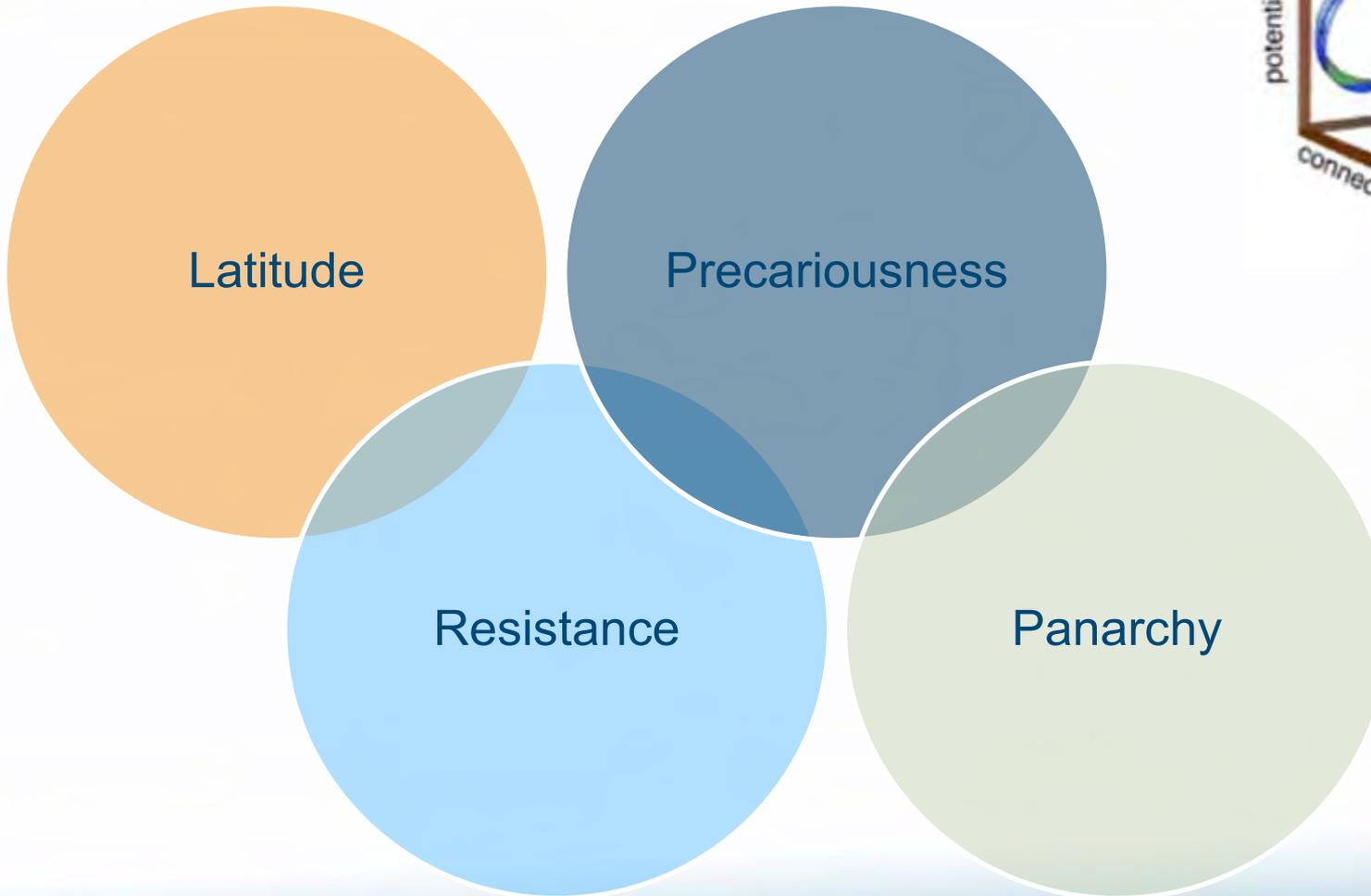
Source: after Holling

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All About People

PEOPLE & CULTURE

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Management Thinking

- "Outside" observer
- Companies like "hard" systems
- Cybernetic control systems
- Self-regulation with variance feedback

"Organisation and management science has been based on theoretical foundations quite contrary to the experience of organisation reality"
Ralph Stacey

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New Management Thinking

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New Management Thinking

- Management are part of the system

- Companies are also "soft" systems

- Cannot choose outcomes – only next action

- Influence exerted through local interactions

- Communication is an ongoing process – must stay in the conversation

"Narrative mediates between the norms of culture and unique individual beliefs, desires and hopes. It renders the exceptional comprehensible"
Ralph Stacey

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Implications For Risk

- Cannot directly "control" much

- Influence occurs locally

- Anticipating possible outcomes requires understanding of interactions

- Someone has to develop narratives about an alternative world in which the incomprehensible makes sense

"Role of effective leadership is understood as that of participating in the ongoing conversations in ways that encourage fluid conversation in which meaning and possibilities of action are opening up rather than closing down. The primary function of a leader is one of widening and deepening communication."
Ralph Stacey

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Individual Angels…

Groups of Angels…

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It's Not All About YOU

Culture is a unique emergent property of an organising system of human activity. Its dynamics are not revealed by adding up the collective traits of individual members.

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Cultural Drivers

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Cultural Drivers

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Influences on Culture in a Large Firm

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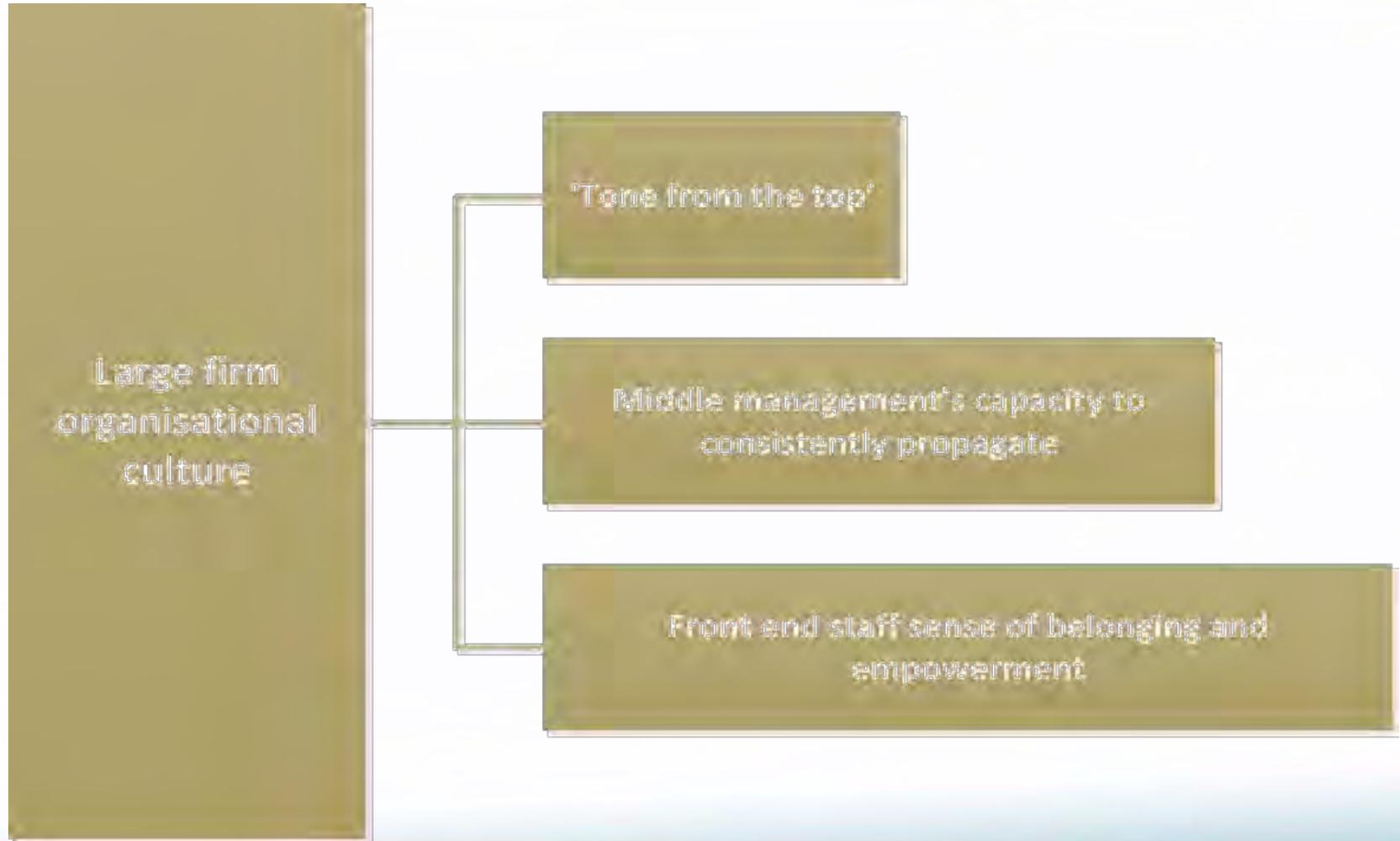
Cultural Collective

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Dimensions of Culture

Process	Goals
Relationships	Tasks
Organisation	Profession
Open	Closed
Tight	Loose
Market	Policy
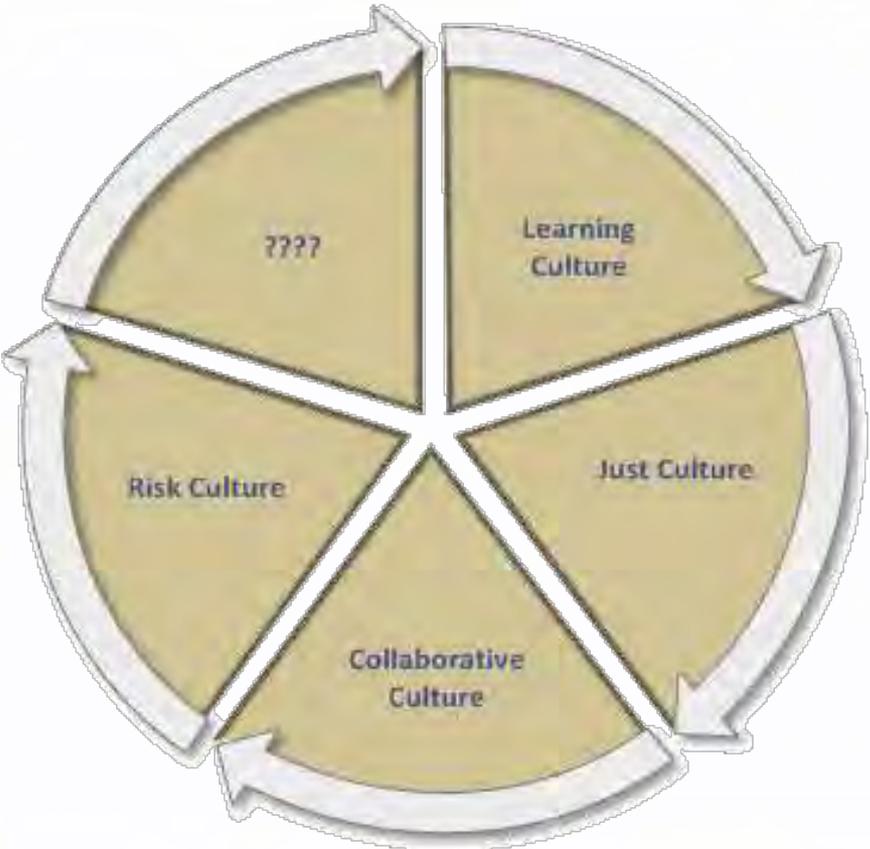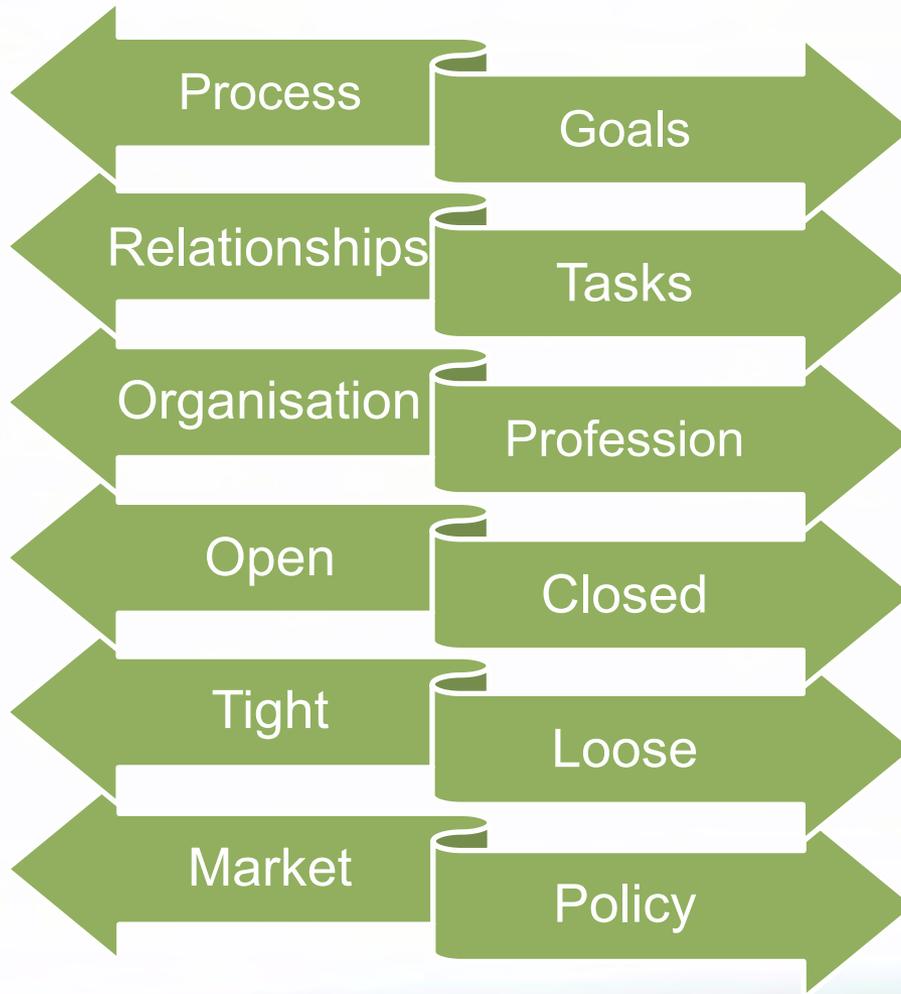
Sub-cultures exist…

*Source: Dr H. Lewis*

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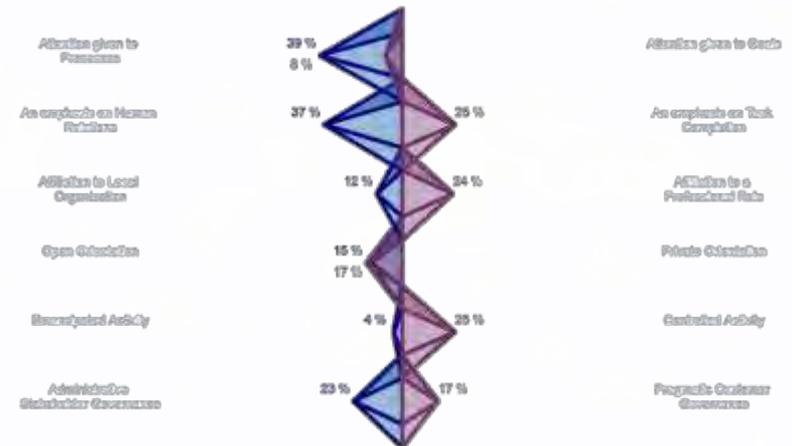
Diagnosing Risk Culture
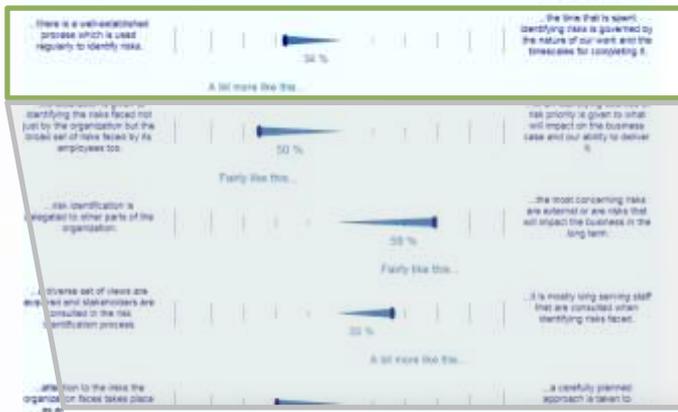
- Elicit opinion about risk processes
- Non-judgemental…diagnostic
- Seek out sub-cultures…

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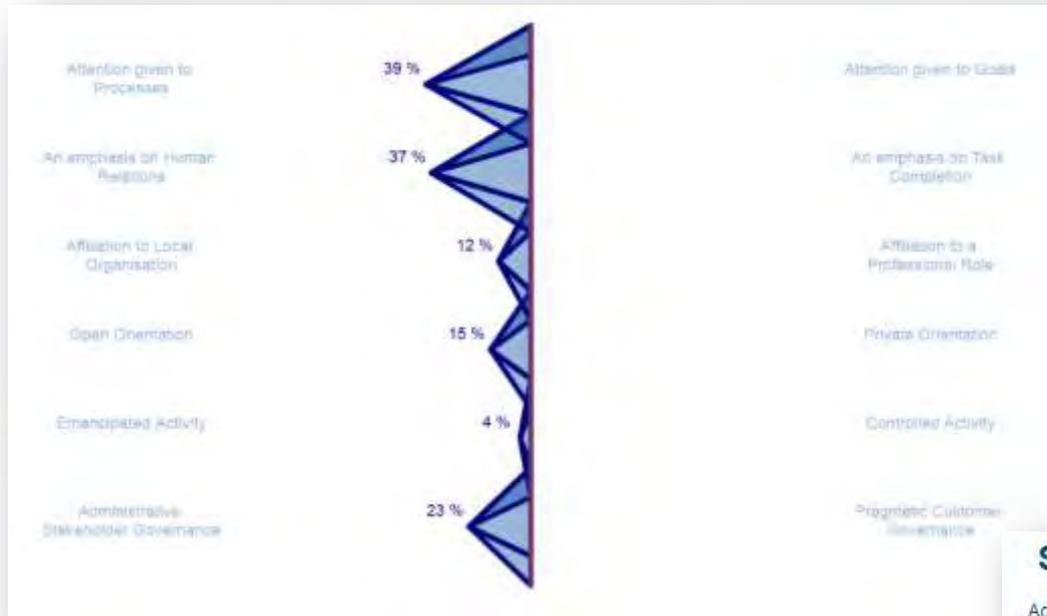
Spotting Patterns

The headlines tell one story…

…but we can see hidden differences

Need to identify the appropriate sub-cultures which will produce the overall desired "tone"

Sub-groups reveal different cultures

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Spotting Patterns
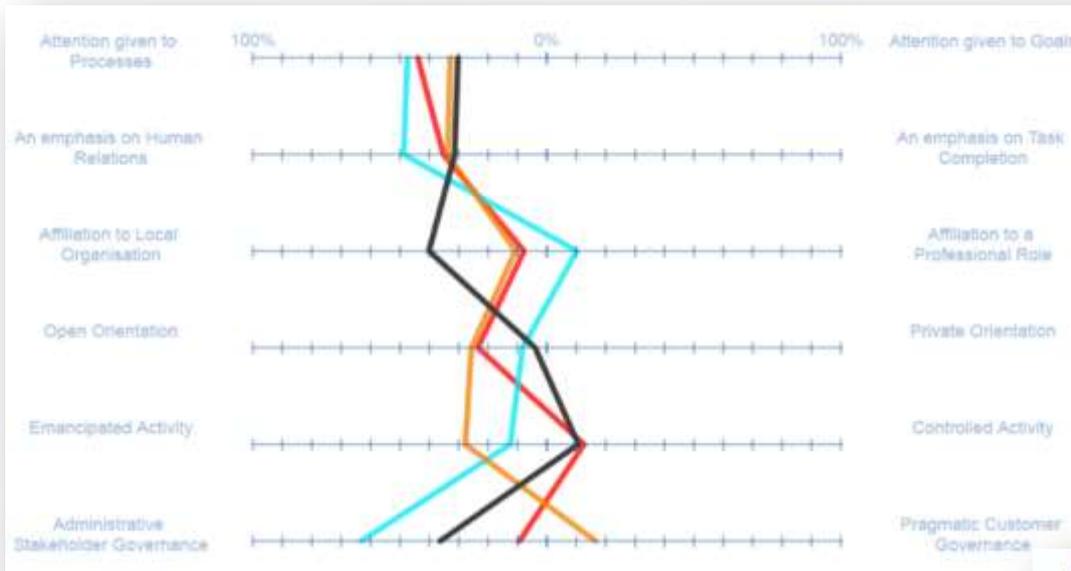


Risk Identification
Risk Mitigation
Risk Analysis
Risk Review

For controlling activity we want oversight…

…but for identification and analysis we need insight.

*There will be differences according to what people are "doing"*

Sub cultures manage risk differently

Risk Identification   Risk Analysis
Risk Mitigation   Risk Review

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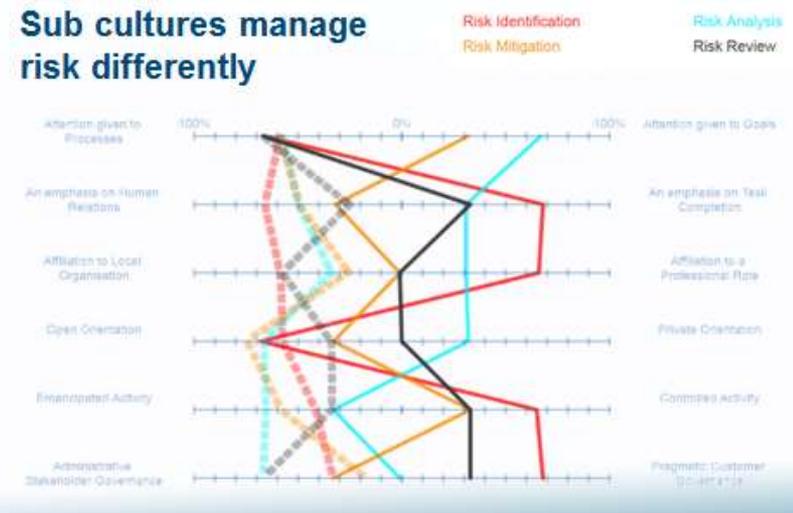
Social Network Analysis

People tend not to follow the org chart!

Studying how people are influenced/communicate will help to understand/change culture
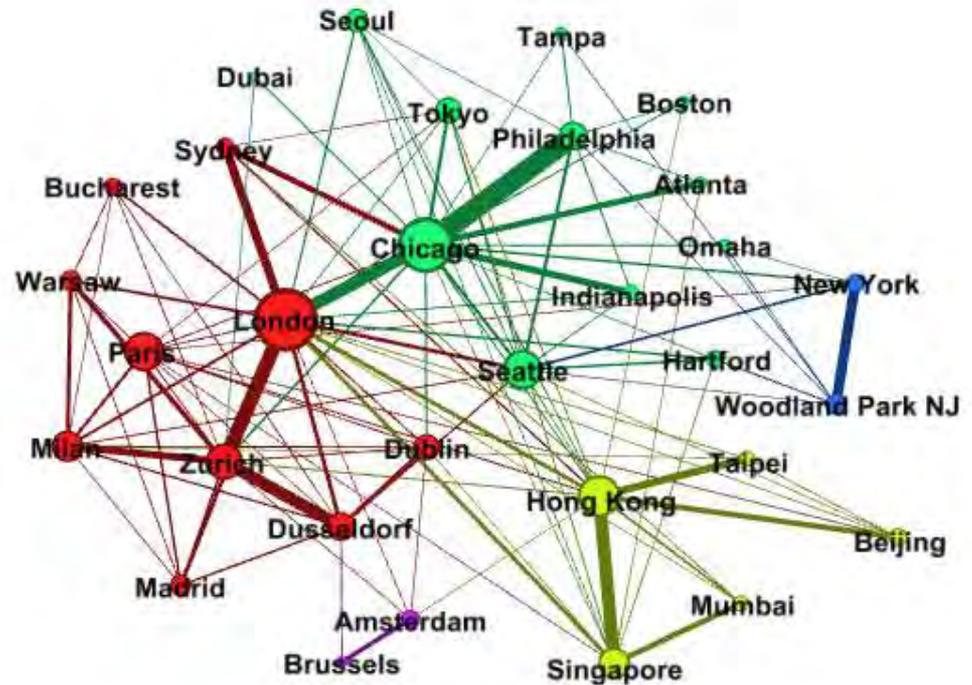
Culture

- Cultural Theory of Risk (M. Thompson)
  - Pragmatists – stuff happens
  - Conservators – cautious
  - Maximisers – all upside
  - Managers – all under control
- Old risk management run by Conservators
- ERM run by Managers
- Recognise that people with different worldviews will find different things appealing or reckless

Implications For Risk

- Influence occurs locally – consider sub-cultures

- Awareness of social networks to build appropriate interaction

- Recognise different worldviews and ensure diversity – some will find insight uncomfortable

- Insight must deliver "something" actionable

- Oversight must deliver "something" valuable

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Who Does What
ACTIVITIES

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Over or In?

- **oversight** /ˈəʊvəsʌɪt/ [OE *ofersēon* 'look at from above'] *n*. the action of overseeing something, supervision


authority
compliance assurance
procedures limits
sign-off audit
governance
risk oversight
review
policies
control

vs.

collaboration
models abstract
risk insight
businessassist
scenarios
context
communication
narrative
engagement
culture understanding
qualitative quantitative

- **insight** /ˈɪnsʌɪt/ [ME 'inner sight, wisdom'] *n*. an accurate and deep understanding

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Insight vs. Oversight

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Balance of Activity

The day-job

Oversight

The Business

Current Issues

Future Issues

Risk Management

Planning

Insight

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Balance of Work

Oversight

Framework

Validation

Limit compliance

Scenario/Stress Testing

ORSA

Emerging Risk

Insight

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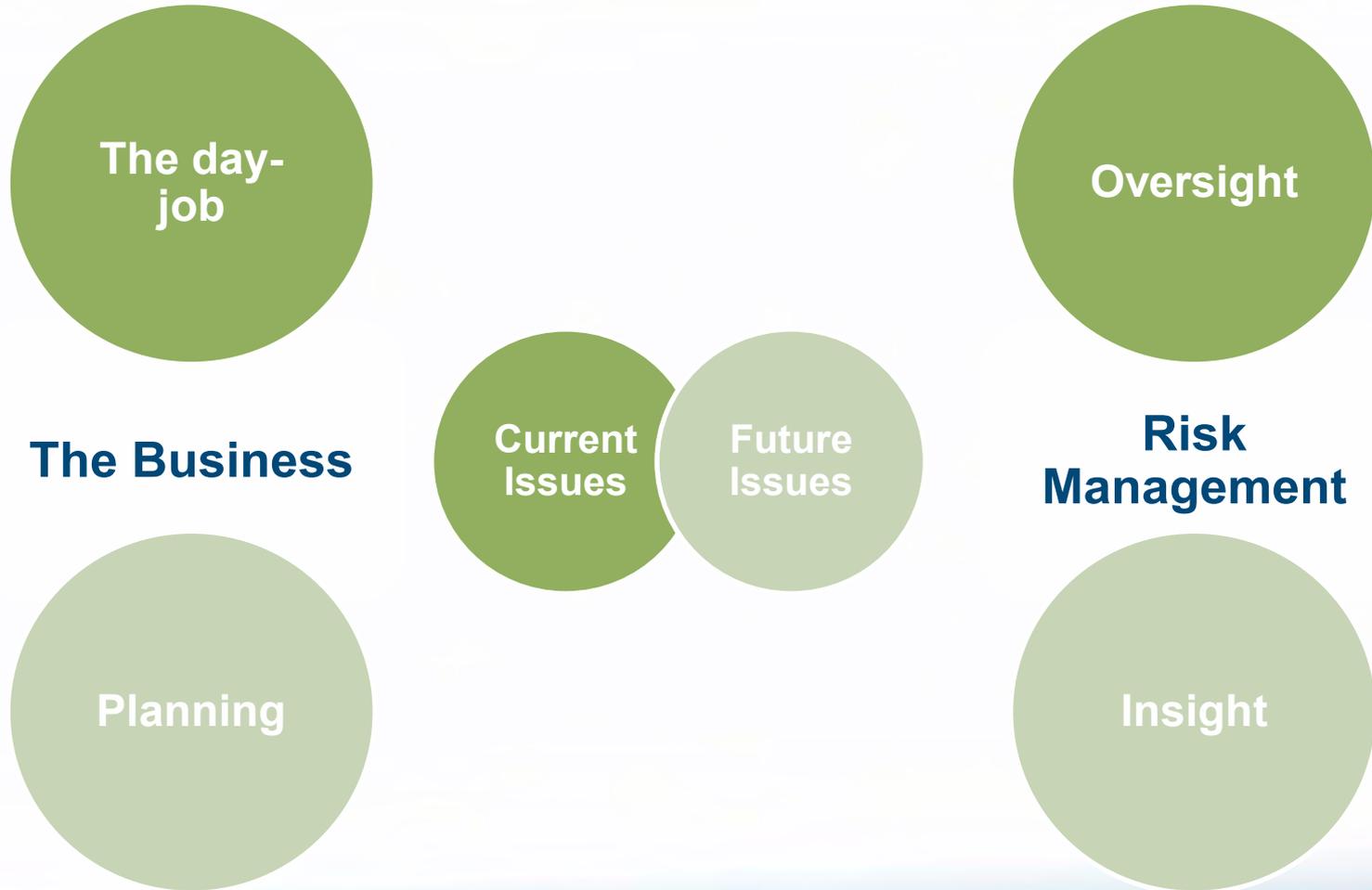
Delivering Insight

Resource

Culture

Information

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Resourcing

Oversight
- Process skills
- Detail focus
- Domain expertise
- Control focus

Insight
- Facilitation skills
- Communication skills
- Holistic view
- Analytical skills
- Learning focus

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Creating A Culture For Insight

Company

- Open
- Constructive
- Learning orientation

Risk

- Inquisitive
- Imaginative
- Non-pejorative
- Inclusive
- Emotional Intelligence

Seeing The Wood For The Trees

KNOWING WHAT MATTERS

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Finding Insights

- Untainted truth

- Unprocessed

- Spot patterns

- Study interactions

- Right scale

- Relevant to business
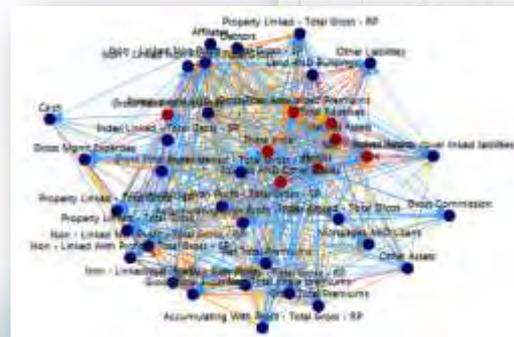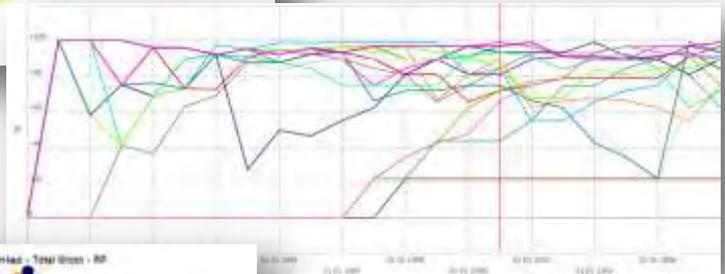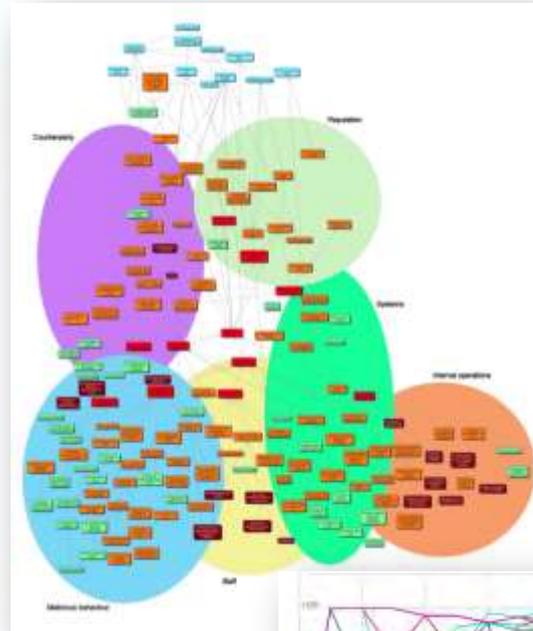
Produced by
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Communicating Insights

Expert Input   Cognitive Analysis   "Problem"
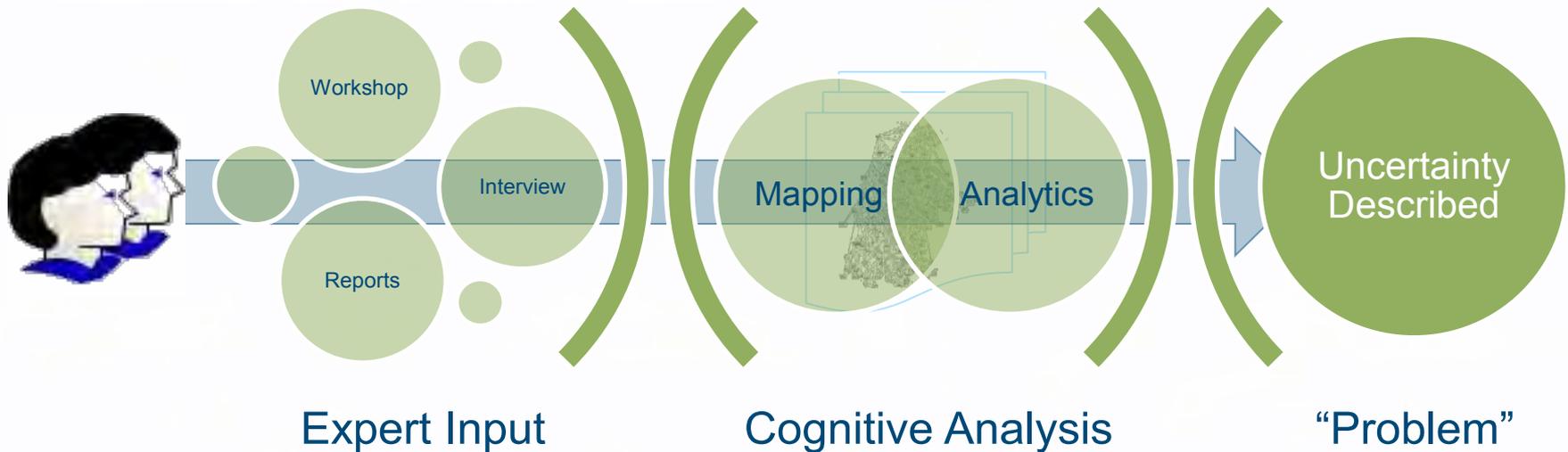
Finding insights is necessary but not sufficient…you have to be able to communicate them too

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Picturing My Thoughts
System Structure

"If the *data was lost by a partner* there would be contractual issues to resolve which would *strain the relationship* and there would be damages to claim. This could cause a *loss of confidence in the partner* themselves.."

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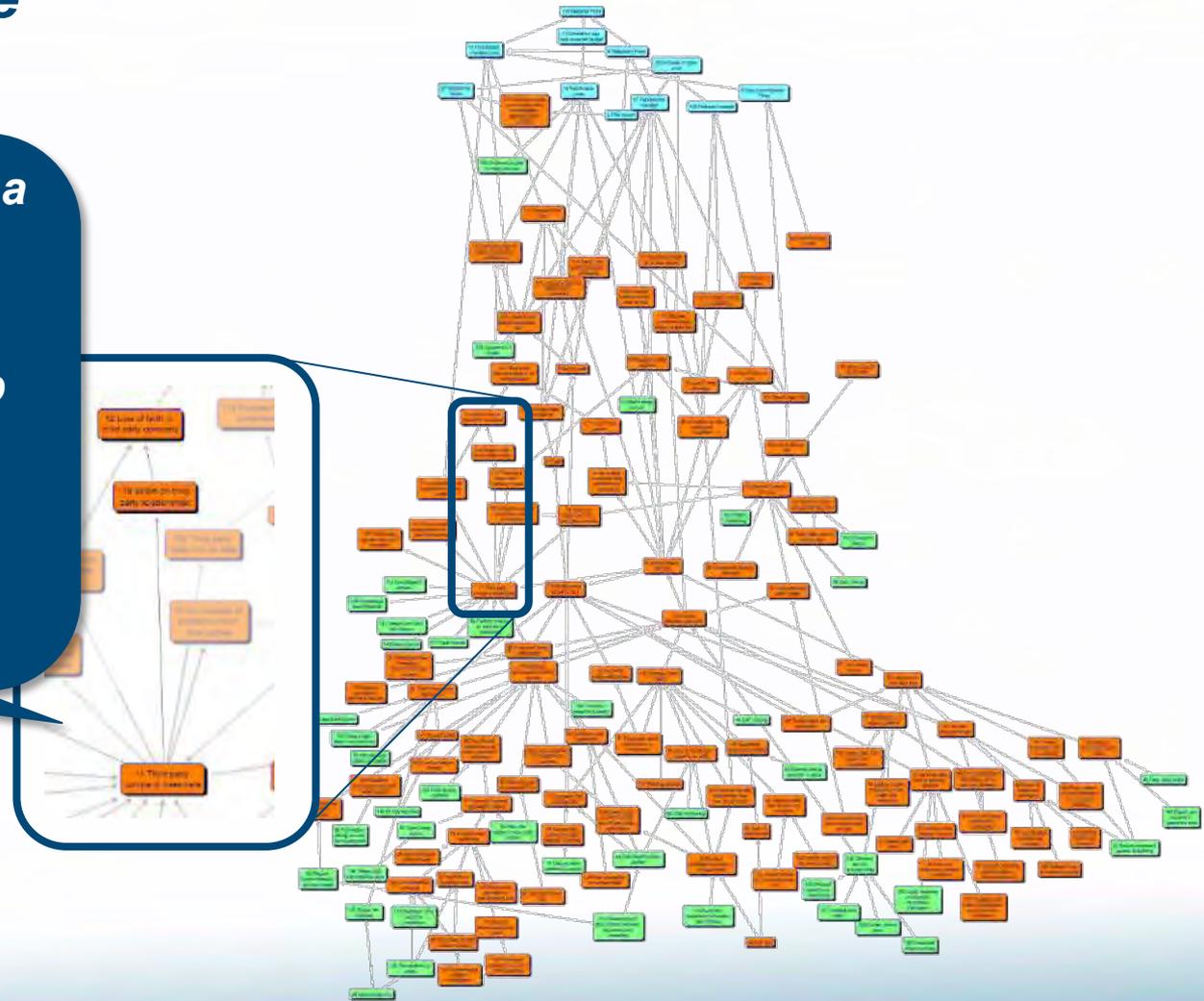
The Important Bit
System Structure

Identify unfinished explanations more clearly
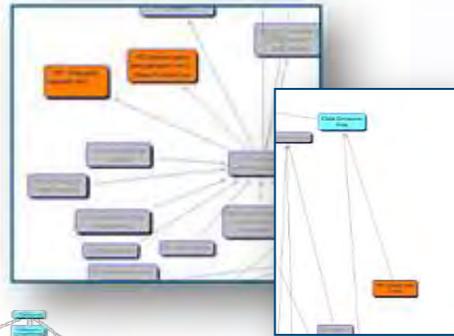
*Produce a "minimally complex" summary*
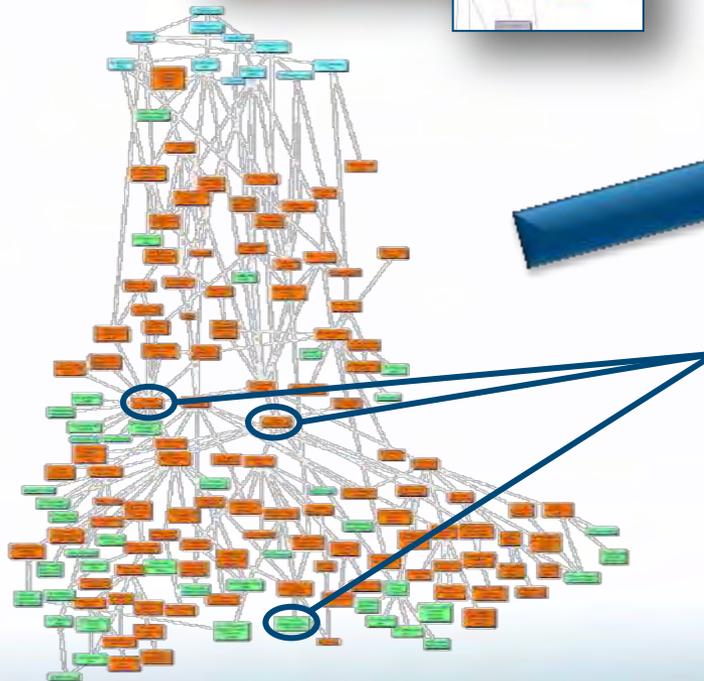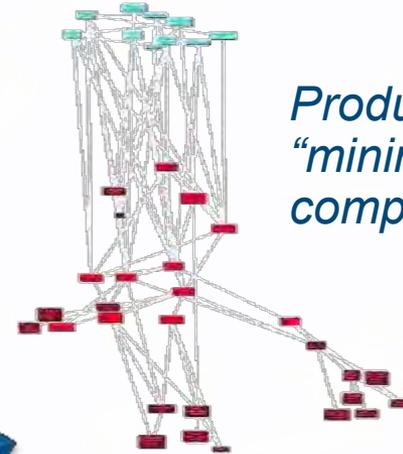
Find the most important elements of the "system"

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Describing Real Uncertainties

Winner of Award for "Practical Risk Management Applications" at ERM Symposium 2013
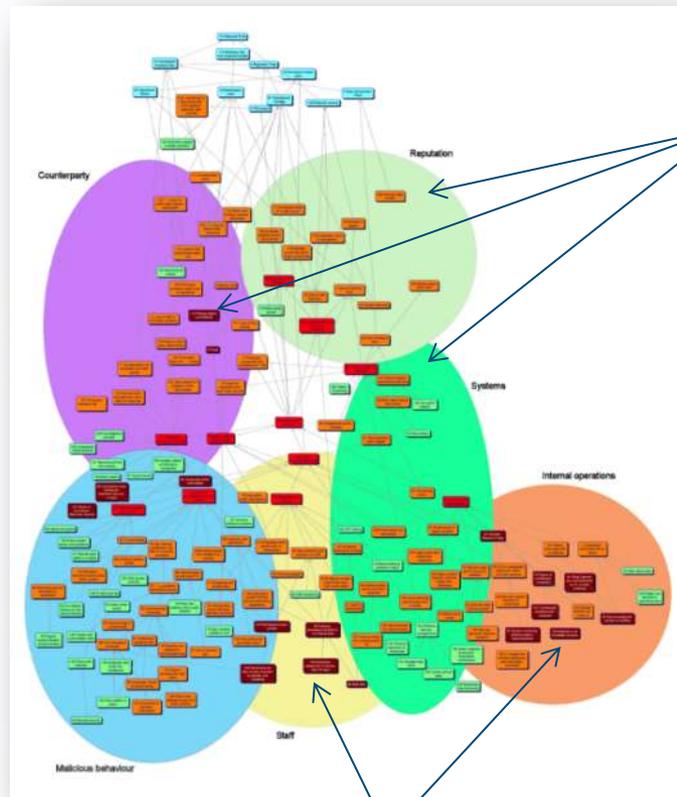
Scenarios must move through these areas

Scenarios must start in these areas

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Key Takeaways

- Oversight necessary but not sufficient

- New management models emphasise need for insight

- Resilience requires insight

- Insight must drive action

- People and culture are key

- Organisation culture is a dynamic blend of sub-cultures

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