

Wheel of Fire Hits Stack

I was very fortunate to attend both the FAIR training and FAIRCON at Carnegie Mellon University in October 2018.

Leveraging some of the points made by the trainers and the speakers and taking up Jack Jones' call to challenge and refine FAIR, I make the following observations. Firstly, my acknowledgement to all those, be they my trainers or the speakers at FAIRCON for some of their ideas.

As risk professionals, one of our objectives is to enable the organisations that we serve to cost-effectively achieve and maintain an acceptable level of risk. We are needing to do this in an era when we have limited resources at our disposal and in a world where volatility, uncertainty, complexity and ambiguity (VUCA) are increasing. Yet our organisations have to make smarter, better informed decisions.

One thing we know is that our internal and external environments are dynamic. We also know that assessing and analysing risk is an on-going iterative process. The latter is probably fundamentally due to two factors:

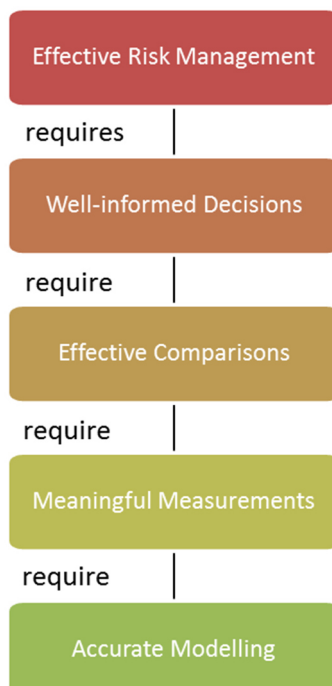
- Our desire to know and understand more and
- Our dynamic environments.

That brings me to the "Risk Management Stack" attributed to David Musselwhite by Steve Reznik in the excellent "cooking show" Steve and Marta Palanques presented in the last session of FAIRCON.

I have no issue – other than some subtle adjustments – to the description of the components of the "Stack".

My issue with the "Stack" is precisely that. How it is presented as a stack (or tower). We know about our environments being dynamic and about VUCA. We know assessing and analysing risk and making decisions – hopefully decisions well-informed by FAIR – is on-going.

Risk Management Stack



In our history there are two achievements that started the change to where we are today:

- The invention of the wheel and
- The mastering of fire.

Without effective risk management, the world stops spinning and that part that faces the Sun will burn. Hence in my view, we should replace the “Stack” with a wheel (or circle) – where “Effective Risk Management” is at the centre of our universe, or the axle, around which all the components spin.

We need effective risk management to make well-informed decisions and we need effective risk management to measure those decisions and, over time, sometimes a relatively short time, to challenge the status quo as our environments change and as we know and understand more.

Effective risk management, well-informed decisions, effective comparisons, meaningful measurements and accurate modelling are part of a continuous cycle – perpetual motion. We should present them as that – a wheel or cycle – rather than as a stand-still tower.

“Effective Risk Management” is the enabler.

So to quote Bob Dylan:

*This wheels on fire
Rolling down the road*

Effective Risk Management Enables



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