

## THE TRANSFORMATION QUESTION

SALLY PULLEY – *Extrinsic Services Ltd*

**As the former editor of RiskPost, writing this thought piece for RiskPost was a bit nerve racking. David Turner, our new Editor, asked me to write something about the ongoing impact of Covid-19, so here we go.**

Change is a fact of life. Business and regulatory changes were complex and fast paced before Covid-19. Organisations invested large amounts of capital in research and marketing, seeking to understand the needs of markets and the evolving trends, technology advances, and market niches that would influence business architecture<sup>i</sup>, product development and buying patterns.

Covid-19 disrupted trends and introduced rapid disruption to private lives and business operations. To quote the Port of Tauranga's Chief Executive Mark Cairns *"Every aspect of Port of Tauranga's operations has been impacted by Covid-19."*<sup>ii</sup>

Geopolitical changes; the disruption of trade routes; mobility restrictions; increased societal focus on supporting local business and industry; all lead into the rapid development of new ways of working and new purchasing patterns which themselves may be fleeting, and simply an artefact of the brief co-existence of a set of circumstances.

At the same time, organisations face increasing social awareness and expectations of the 'social licence to operate' concept, the evolution of ethical investing, and expectations of organisational resilience.

Hearsay is that many organisations have ditched the concept of the five-year plan even as people hope for a new version of "normal" to emerge from the disruption.

So how have risk management professionals adapted their ways of working during the pandemic, and how might risk management standards and frameworks evolve in the face of scenarios of long-running disruption? Does the risk management profession need to transform itself to operate in the context of a volatile, uncertain, complex and ambiguous environment?

ISO 31000:2018 states that, *“Managing risk considers the external and internal context of the organization, including human behaviour and cultural factors.”*

The risk management process includes the establishment of context. The old garbage in, garbage out analogy applies.<sup>iii</sup> If context is not well understood, then the risk process itself becomes inherently flawed. Any outputs of the process - heat maps, risk registers, and other artefacts may be incorrect before they are distributed.

If a Board or a decision maker must make critical decisions based on an assessment of options and risks, they need to know the context in which they are operating. Potential futures may be unclear and exist only as a range of scenarios - but decisions still need to be made.

Inevitably, each organisation will be different, and different people will have different levels of understanding of context: the current situation; what change is occurring; and potential cumulative impacts of change.

So how do you communicate and discuss context in a disrupted and unstable environment? Amongst all of the living-from-day-to-day priorities and disruptive noise, how can rapid changes in the external and internal context be identified, assessed, and discussed with key decision makers?

Over time, the pandemic will provide risk management researchers and authors with much material for reflective academic papers and books.

In the meantime, many organisations are running projects and surveys to provide some guidance for decision makers, and to initiate thinking about the future of the risk management profession.

As one example, the Governance Institute of Australia has launched a thought leadership project to examine and understand the future of the risk management professional:<sup>iv</sup>

*“2020 is the year of the risk management professional.*

*As the Covid-19 pandemic cuts a swathe across the globe, organisations have turned to their risk management teams for leadership and guidance.*

*As a result, the voice of risk at the board and management tables is now louder - and is increasingly being listened to.*

*But at the same time, risk management is becoming more complex and the transformation of the profession is set to continue as a result”.*

How can our membership best provide insights and practical commentary to this transformation discussion? Please forward details of whatever thoughts you have, and information that would be useful to share to David (our MD) and Emily (our Admin Officer) so that information can be shared across the RiskNZ membership, and we can both individually and collectively contribute knowledge and experiences to surveys and research that will influence the future role of risk professionals.

## REFERENCES

- i. Business architecture is used in this article as a term to describe the holistic, multi-dimensional, business views of capabilities, end-to-end value delivery, information, and organizational structure, and the relationships among these business views and strategies, products, policies, initiatives, and stakeholders. With reference to the TOGAF standard.
- ii. "Covid-19: Business leaders weigh in on Government's coronavirus response", John Anthony, stuff.co.nz, 4 October 2020
- iii. Garbage in, garbage out: this is a slang phrase with its origins being attributed to the world of computing and software engineering. The Cambridge Dictionary website defines the term as meaning 'something produced from materials of low quality will also be of low quality'.
- iv. <https://www.governanceinstitute.com.au/advocacy/thought-leadership/the-future-of-the-risk-management-professional/>

## SALLY PULLEY - *Extrinsic Services Ltd*

Sally became a Board member of RiskNZ in 2015 and served three terms, standing down in 2020. Her interest in risk management and situational awareness was triggered at University, with her first trip into the depths of a working underground coal mine - there is nothing like stepping into the lift cage of a deep mine to build awareness of risk and engineering standards.

Sally's career can be described as helping organisations to create certainty of outcome by identifying and managing uncertainties. She worked on a project and a consultancy basis for over 30 years and, has seen both good and not-so-good approaches to the management of reputation risk.