

# **Working on systemic risks in public sector organisations**

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# The risk management challenge

## *Risk management 'realities'*



*lead to*



*and ultimately to*

Political imperatives that block exploration and learning

Risk management as a discipline is reductionist

“Systemic” risk approaches are dominated by quantitative methods and modelling

Complex, wicked risk problems commensurate with the public sector environment

Leaders and government want summarised, simple answers

Leaders trained and expected to “achieve goals” rather than build adaptive, responsive, learning organisations

Reliance of risk registers that are only ever partial

No systemic response to emergence

Sub-optimised, partial risk responses

Lack of acceptance of accountability

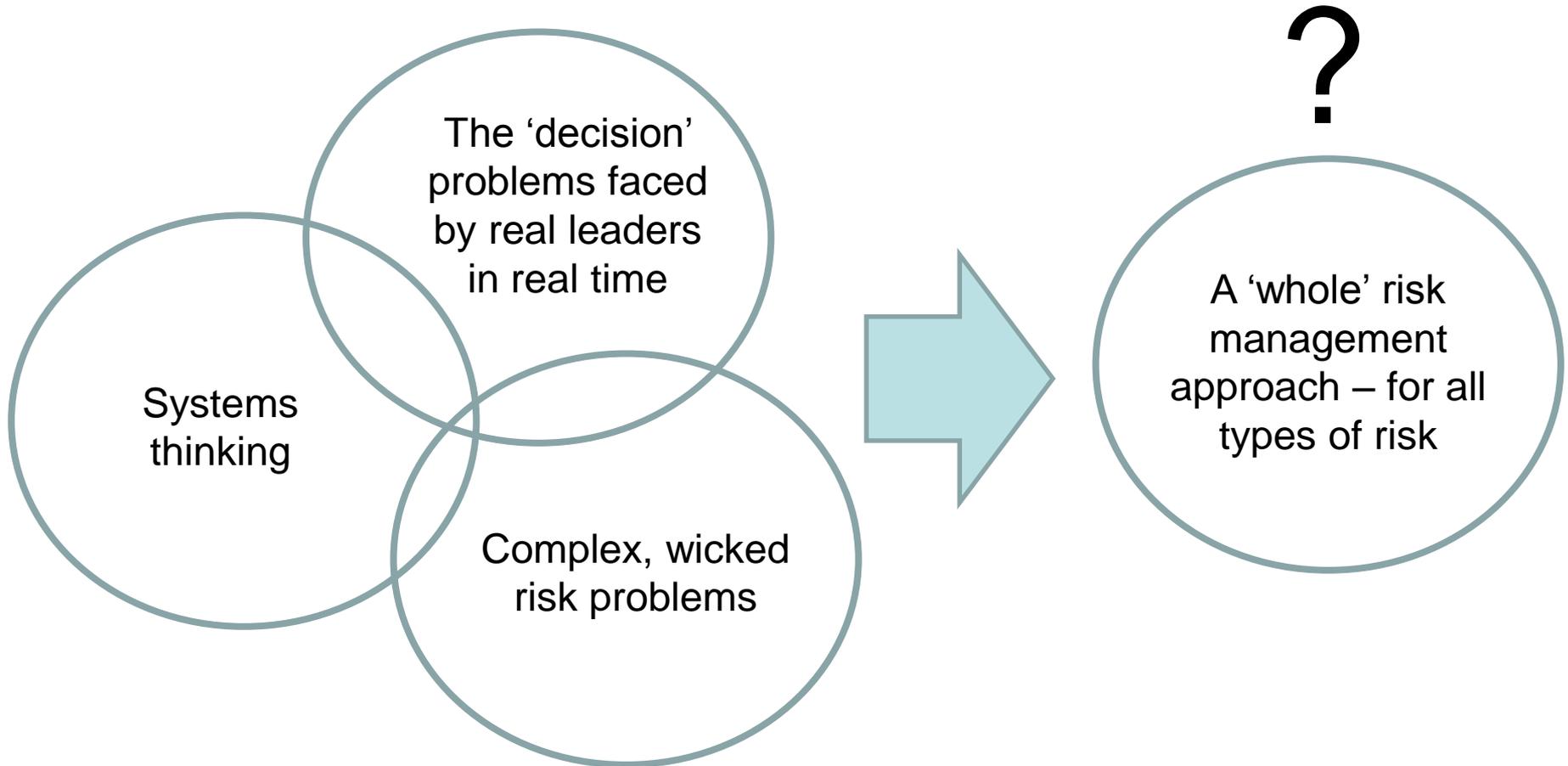
Overconfidence

Avoidable disasters that are not (avoided)

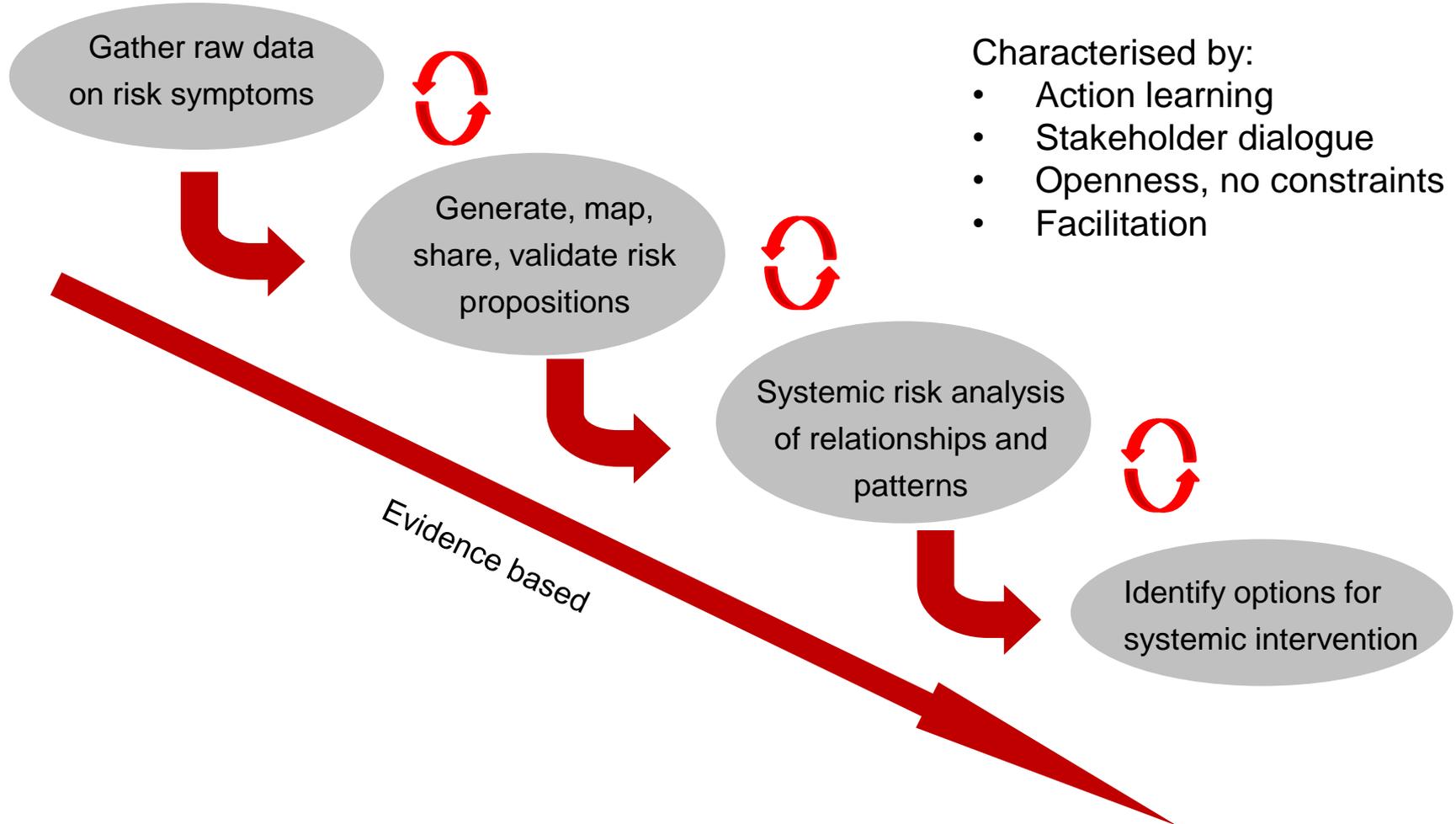
Churn and crisis management as a key survival tool

Blame attached to actors in the system rather than deal with systemic drivers

# The aim of my research and later work is simple



# Systemic risk analysis – finding hidden sources of organisational risk and working on the whole



# A central public sector financial agency

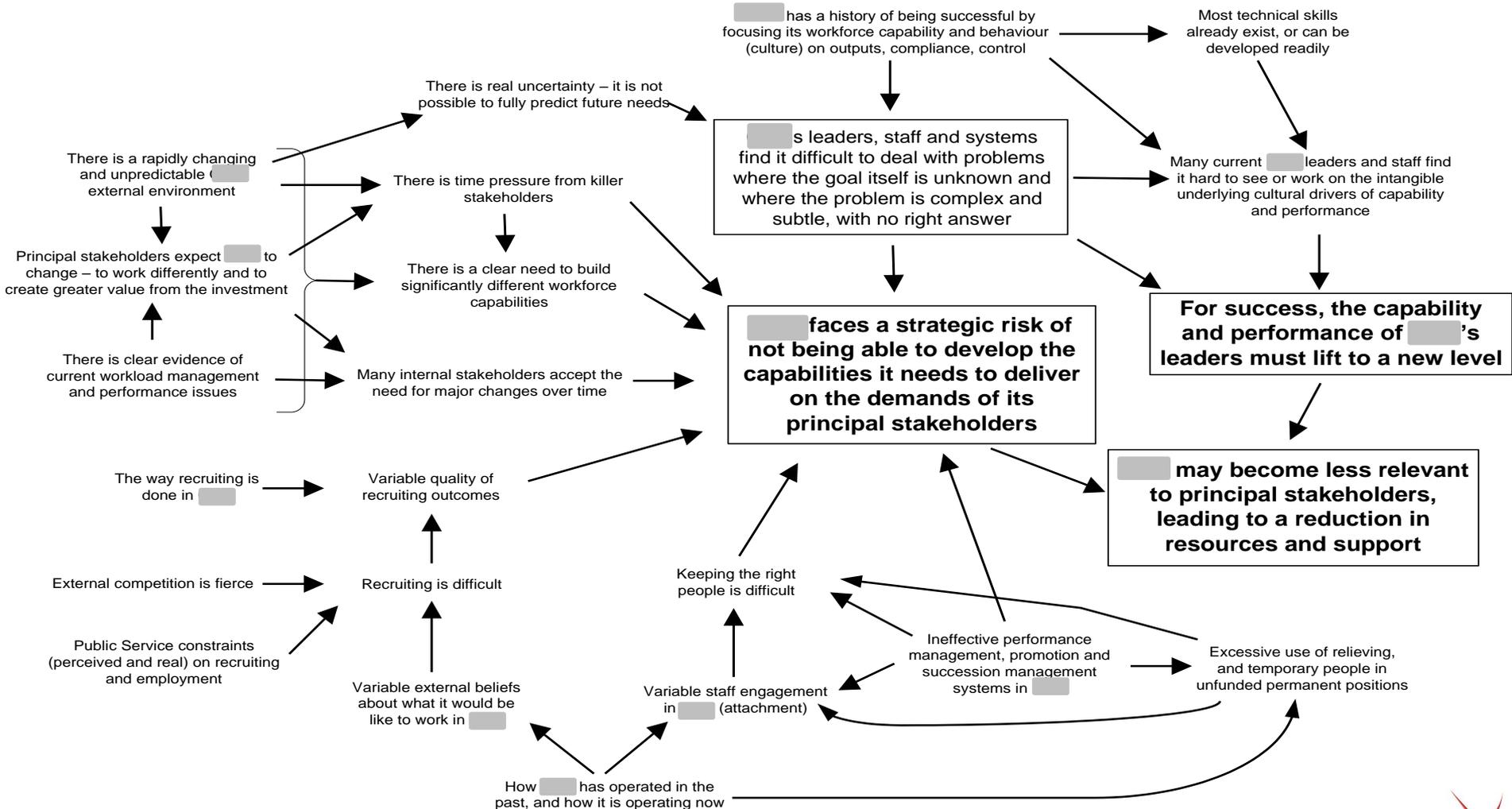
**Risk Name :** Workforce capability

**Risk ID No:** SR2(2)

**Date of Map:** [Redacted]

*This is one of seven risk maps*

**Risk Description:** [Redacted] may fail to create the workforce capability necessary for sustained future success



# Patterns in risk relationships indicate which risks provide the best leverage on risk as whole

Risk Relationship Matrix		Date:					Name:		
	Risk	ID:	1	2	3	4	5	6	7
ID	Description		12	10	9	8	12	12	14
1	Stakeholder Engagement	7		1	1		1	2	2
2	Workforce Capability (1) & (2)	13	2		2	2	2	2	3
3	Performance Culture	14	2	2		2	3	2	3
4	Leadership Capability	16	3	3	3		3	2	2
5	Internal Communication	14	3	2	2	2		3	2
6	Adaptive Capability	7	1	1		1	2		2
7	Operational Performance (1) & (2)	6	1	1	1	1	1	1	

*‘These risk interrelationships indicate that for us the greatest (risk treatment) impact and value for effort is to work on performance culture, leadership capability and internal communication capability at the same time.*

*Counter intuitively, working directly on (risks to) technical performance and outputs will have a low sustainable benefit.’*

# Patterns in possible risk treatments point to shared root causes of risk - for systemic intervention

RISK TREATMENT PATTERN ANALYSIS								
		Basis of Filters Used: McKinsey 7S			Date: _____			
Risk No	Treatment	Pattern Filters						
		Strategy	Systems	Style	Decision Making	Skills	Vision/ Context	Internal Com'g
	<b>TOTAL</b>	9	20	28	24	5	18	25
SR1	Confirm who principal stakeholders are – make sure people in _____ know							
	Find out (or confirm) their current expectations about _____, its role, and the current gap. Document those, for later reference. Plan and assign accountability for actions to respond.				1		1	
	Work with EMG to identify how senior leaders will change their behaviours, to directly impact upon principal stakeholders' views of _____.			1	1		1	
	Make sure all staff know what principal stakeholders want in their communications/interactions.			1	1		1	1
	Develop a stakeholder engagement system – to ensure value-adding interactions		1				1	1
	Modify _____'s strategy system, to include principal stakeholders more proactively and earlier in strategy and planning processes.	1	1				1	
	Identify the critical changes of culture and behaviour that principal stakeholder demand of _____. Build these into the _____ vision and OD Strategy.	1			1		1	
	Change _____'s published strategy/plans to reflect the need to monitor, report and respond to trends in how principal stakeholders			1	1		1	1
				1				
SR2	EMG leads by example, implementing role and performance management as a matter of priority							
	Plan and conduct a marketing campaign to attract capable people							
	Develop & implement a long-term workforce development strategy, using marketing/engagement skills							

Overall, the team drew three insights from this pattern analysis:

- A significant improvement in the effectiveness of the performance management system would have substantial flow on benefits to multiple risks.
- The executive team was itself a major contributor to risks arising from weaknesses in the quality and effectiveness of their leadership.
- Poor internal communications was contributing to multiple risks.

RISK TREATMENT PATTERN ANALYSIS								
		Basis of Filters Used: Business systems, leadership			Date: _____			
Risk No	Treatment	Pattern Filters						
		Recruiting System	Performance Mgr System	Stakeholder Engagement System	Strategy System	Other Systems	Leaders Gen'ly	EMG
	<b>TOTAL</b>	1	9	2	2	6	11	17
SR1	Confirm who principal stakeholders are – make sure people in _____ know							
	Find out (or confirm) their current expectations about _____, its role, and the current gap. Document those, for later reference. Plan and assign accountability for actions to respond.							
	Work with EMG to identify how senior leaders will change their behaviours, to directly impact upon principal stakeholders' views of _____.							1
	Make sure all staff know what principal stakeholders want in their communications/interactions.						1	
	Develop a stakeholder engagement system – to ensure value-adding interactions			1				
	Modify _____'s strategy system, to include principal stakeholders more proactively and earlier in strategy and planning processes.				1			
SR2	EMG leads by example, implementing role and performance management as a matter of priority							1
	Plan and conduct a marketing campaign to attract capable people							
	Develop & implement a long-term workforce development strategy, using marketing/engagement skills							

# The results of this specific systemic risk analysis were not unusual

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The key stakeholders drew new insights in how and where they should be working to reduce the risks faced by their organisation. These insights were based upon evidence and were strategic in nature – they had long term and far-reaching implications for future success.

The Executive had a high degree of ownership of these conclusions – they were the ones who drew them. So what happened next appears confounding.

They took indecisive, limited actions that did not change the status quo substantially. Although they had discovered some of the root causes for poor performance, they were not able to act to deal with them other than superficially.

# Discussion

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From an observers perspective several conclusions are possible:

- The process of systemic risk analysis worked in so far as it led those involved to new, powerful insights about the root causes of their organisation's performance issues. Key risks were identified and understood, both as individual risks and as a suite of risks.
- Insight is not enough, if those drawing the insights are themselves key agents in the risks identified. The key question then becomes one of leadership capability – are they capable of working on and changing how they personally think and work.
- This case study provides just one example of a consistent message that arises when working on the root causes of risk in organisations including projects. The key leaders involved are both agents in the creation of many of the risks they face and also in how the organisation is capable of seeing and responding to those same risks.

A critical underpinning requirement for effective management of systemic risk in organisations is to ensure that the leaders involved are personally robust, wise individuals capable of dealing with the complexities head on rather than looking for neat, simple solutions. With effective leaders in place, almost anything is possible – without this, the risks multiply.