

Risky times call for a new type of leadership

Mitigating risk in these times isn't enough – you need to lead it

Dr Emma Soane

The COVID-19 pandemic of 2020 represents an unprecedented period of uncertainty and risk for business organisations worldwide. How leaders respond to the challenges today will determine outcomes across a broad spectrum of critical factors for years to come; from human resources to reputation to bottom line.

Risks are as interconnected and correlated as they are diverse. It's like the butterfly effect: whatever decision you take about strategic HR

functions or governance risk will inevitably have some kind of knock-on effect on an organisation's reputation or financial well-being. Grappling with this kind of complexity, leaders should take as broad and integrated a view as possible of the entirety of their organisation – what it stands for, and how to lead it in terms of its position, sector and strategy. All businesses face the same strategic question: how do they best engage with risk to secure the best possible outcome for their organisation?



One approach is risk mitigation. Typically, companies manage risk by building defence mechanisms to prepare for and lessen the effect of threats. They do so by hiring the best talent, for instance. Or by putting into place certain structures and processes to incentivise that talent and reward it for risk-taking. But mitigation alone has its limitations. Getting more proactive about risk means getting ahead of it. It means leading risk.

Think about how people function in your organisations. How do they make decisions? What information do they use? Does information flow up from the different echelons as well as down? The visibility of information and its movement up, as well as down, outside as well as inside businesses is key to making better decisions at every level of the organisation – decisions that align effectively to strategic goals. And these are the core tenets of what we call risk leadership.

Risk leadership is not the same as risk mitigation – or even risk management, for that matter. Leadership is about being positively proactive about creating the environment and the structures and processes where information flows with great transparency up and down and across the business, so that people can understand the risks they are engaging with at every level and make informed decisions about those risks.

Take the collapse of Barings Bank in 1995 – a good (or bad) example of what happens when companies are not transparent and aligned enough in the ways that they engage with risk.

Trader Nick Leeson was able to make \$1.3bn in unauthorised deals without his superiors having visibility of what he was doing. The mechanisms they had put in place were not sufficient to withstand the impact when those deals were called in. There was simply too much residual risk for the bank to manage. Barings highlights the role that transparency of information has in engaging effectively with risk.

Three facets of risk leadership: First, keep the information flowing

Where Barings went so wrong has its roots in its failure to prioritise information sharing in every direction across the organisation: upwards from field-workers to key decision-makers as well as the downward cascade of transparency on organisational goals, strategy, values and culture. So the first tenet of risk leadership is about the visibility of information: ensuring there are processes and structures that ensure that information is visible, that people understand the



goals that they are working towards. But it's also about alignment. It's about ensuring that your people understand how their goals connect to your overall strategy.

Next, keep communicating. And frequently

Effective decision making and engagement with risk also means revisiting those risks frequently to reassess and take stock. Business is never static, and as situations evolve and change so too do threats and challenges. This is the second tenet of risk leadership. Revisiting risk needs to happen often. And it needs to be transparent. Leaders should prioritise creating an environment where people can speak up without fear of personal risk, of being ostracised for raising a potentially unpopular point of view.

And then, keep taking care of staff

A key dimension of all of this is supporting and empathising with workers; caring for them and prioritising their well-being during difficult times. And this is the third principle in risk leadership that key decision-makers need to keep front of mind. As the COVID -19 pandemic wages war on every aspect of business, from the bottom line to reputation, forward-thinking firms will strive to keep a strong focus on human resources. These are the firms that will work to ensure that as they withstand the risks and continue to exist, their staff will continue to be there and desire to come back to their jobs. And staff will do so willingly if they know that they have been heard, that they have been kept up to speed, and that that they have been taken care of during this period.



*Dr Emma Soane teaches on our Executive Education four-week virtual course, **Leading Risk in Organisations**.*

***Leading Risk in Organisations** gives you the systematic models and frameworks together with the practical tools to better understand the individual, group and organisational influences on risk-taking and to structure risk management practices accordingly. Highly interactive and immersive, this virtual course gives you a personalised takeaway toolkit of techniques for developing risk leadership practices at your organisation.*

[Find out more about the course](#)