

# Risk Management: *Tapping into Three Core Competencies*

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Risk management is a powerful lever that – when done well – increases the probability of success. I think it also makes work more interesting!

Let's start with a definition: RISK is the effect of uncertainty on the achievement of objectives. The effect can be positive (Opportunity) and/or negative (Threat). For most people, risk=threat, but missed opportunities can be just as devastating. The approach described here includes both opportunities and threats.

The three core competencies at the heart of good risk management are:

1. **Process** – Too often people think of risk management as creating a risk register, and then, they are done. At its best, risk management is an iterative process.
2. **Facilitation** – A facilitated process leads to a result that is created, understood and accepted by all participants. Using facilitation skills is critical to creating an open, safe environment that enables participants to explore risks, develop mitigation strategies and set priorities. It is the facilitation skills that bring everything together in effective risk management.
3. **Storytelling** – Really! It is a valuable skill for managers and leaders. To manage risk, you need to be able to envision and communicate many scenarios that might occur.

I'll explain how this fits together by describing what each core competency is and using examples in the context of managing risks.

## Process | Manage Risk Process

Managing risk involves a group of organized, repeatable, related activities and tasks that together create stakeholder value by increasing the probability of success. That's the key – *increasing the probability of success*. The steps in the risk management process are:

- **Identify Risks:** Generate a comprehensive list of risks based on those events that might enhance, prevent, degrade, or delay the achievement of the objectives.
- **Assess Risks:** Consider the causes and sources of risk, their positive and negative consequences, and the probability of occurrence.
- **Evaluate Risk:** Determine which risks need to be addressed by prioritizing them based on those that exceed your risk tolerance. At this stage it is also important to identify what event might trigger the risk and how you identify when a risk is no longer relevant.
- **Mitigate Risks:** Identifying strategies to reduce threats or leverage opportunities by selecting one or more options such as: avoiding the risk, seeking out an opportunity, removing the source of risk, changing the likelihood, changing the consequence, sharing the risk with another party, and retaining the risk by choice.
- **Monitor and Control Risks:** This step should encompass all aspects of the risk management process to:
  - Detect changes in the external and internal environment including changes to the risk itself.
  - Ensure that the risk controls and mitigation activities are effective in both design and operation.
  - Identify emerging risks.

## Facilitation | Facilitate Risk Management

Throughout the risk management process, communication with all stakeholders is essential. The differing perspectives of the stakeholders will support a more robust risk management process. Collectively, they will identify more potential risks, lead to better understanding of the impact of identified risks and increase the ideas regarding risk mitigation strategies than would one or two groups.

Being an [effective facilitator](#) and the ability to run [masterful meetings](#) significantly enhances your ability to gain everyone's input. You will have the tools and skills to create the environment where participants feel secure in voicing their ideas. Just as importantly, using facilitation tools and techniques brings energy and engagement to the effort such that people want to participate.

First and foremost, a facilitator is clear about the **purpose** and **product** of the meeting. For example, "We are meeting to identify those things that can increase or decrease our chances of achieving our goal – to increase sales by 40% in the next 24 months. (Purpose) At the end of this meeting, we will have a list of risks, our assessment of the probability that they will occur, our plans to mitigate those risks and consensus on how we are going to maintain this plan throughout the next 24 months." (Product)

With a clearly defined purpose and product, it's much easier to identify who the most valuable **participants** are for the session. Who are the stakeholders for increasing sales? Obviously, the Sales and Marketing groups are key. What about the following?

- Operations/plant who have to make the product
- Customer service who hears from the customer immediately when there is an issue
- Finance who needs to bill and collect for the increased sales, etc.

Now, you can address **probable issues**, which could be something as "simple" as timing – i.e. not having the availability to schedule the session until the last week of the month because everyone is focused on month-end goals. Another example is recognizing functional or personality conflicts such as the typical gulf between Sales and Operations. How will you address those kinds of issues? Is it as easy as using name tents to separate key people, or do you need to talk to key players in advance?

Knowing your purpose, product, participants and probable issues enables you to develop your agenda and the **process(es)** you will use during the meeting. In defining your processes, here are a couple of recommendations:

- Focus on engaging the participants. Talking heads, yours or others, will invite distractions.
- Include a variety of [engagement techniques](#) – don't always go to "sticky notes" on the wall (via the [Dump and Clump technique](#)), which are dumped, clumped and then read.
- Get the participants up and moving! It will give them (and you) energy. It's also a good strategy to use during the standard lull times of late morning and early afternoon.
- Use an annotated agenda for you, your sponsor and anyone helping you manage the session. A standard [agenda](#) includes the time, the activity, and who is going to lead that section, and it might include deliverables. An annotated agenda would have the following additional information: process to be used, the instructions for that process, and (if applicable) a script for those instructions.

For example, if my purpose is to identify the risks to achieving the annual objectives (not just sales but the other objectives too), I might try the following:

- Brainstorming to identify the possible risks by objective. This could be done as a large group or with breakout sessions with each group tackling a different objective. Another approach is an adaptation of "World Café" where each breakout group takes one objective and brainstorms the threats and opportunities for it, and then

the other groups rotate to review and add based on their own ideas.

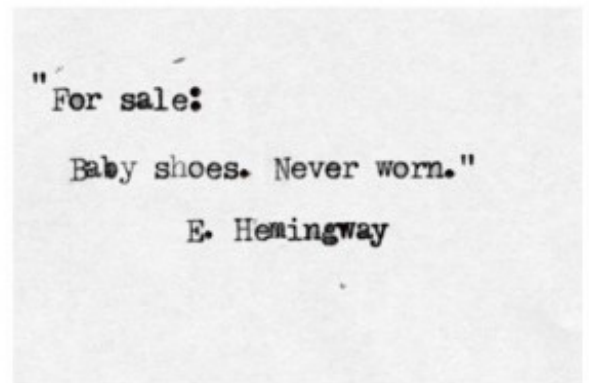
- Report back – each breakout group reports back to the larger group on their key threats and opportunities. Those items that are common to two or more objectives should be listed so that they can be addressed by the group as a whole.
- Listing can be used to help identify the actions needed to implement the risk mitigation strategy.
- Voting can be done by providing everyone “dots” to pick their top 5 or 10 risks.

The explanation above should give you a sense of how facilitation can be used to support a robust manage risk process. Facilitation skills and the ability to run a masterful meeting can improve the outcomes at every step in process.

## Storytelling

Ernest Hemingway, a famous American author and journalist, once wrote a six-word short story that could make people cry for a bet. The wager was 10 dollars, which Hemingway won with this:

When I refer to storytelling, I have Hemingway in mind. In triggering our mind’s eye, visual images, stories help people tap into their creative nature. We all have a creative side; some of us just don’t use it as often as others. Use stories to open the possibilities. In a brainstorming session to increase sales, here is a sample visual set-up to the brainstorming activity about increasing sales by 40%:



“Picture this. It is 25 months from now. We are at a companywide party celebrating our 40% increase in sales. WOW! We really did it! It wasn’t easy. There we are – all swapping stories about how we did it. Over here on my right, there is a group talking about those opportunities we made work for us; those strengths that we had that we parleyed into something bigger. Over to my left, they are swapping war stories about late nights, lost sleep and all those challenges that made it really hard to hit our 40% goal... Please list each of the opportunities and threats that come to your mind.”

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**Dorothea Brennan** is a highly-experienced facilitator at Leadership Strategies and a Certified Master Facilitator.

**Contact us** if you would like to partner with Dorothea for your upcoming session or facilitation training need.

