

INTRODUCTION TO RISK LEADERSHIP

Apanisile Samuel Temitope

MBA, ERMCP, AMA, MPM

Chief Advisor –www.pmconsultings.net, Lagos Nigeria

Published Date: 03-November-2021, Amendment Date: 20-September-2022

DOI: <https://doi.org/10.5281/zenodo.7096682>

Abstract: Complexity or Thinking data is different from hard data or number-only data or statistical data. This opinion paper would establish that organizations as a system are made up of interacting parts. The interdependence and interconnectedness of a system also generate data which is known as complexity or thinking data. This type of data is nonlinear in nature and can be used to easily map the mess or the interdependent, nondeterministic, grey area, multivariate and multidimensional variables that leaders and decision makers face on a day to day basis. Up until now, there has been no computing way to deliver holistic signals and patterns that enable leaders and their teams to have insightful and foresightful interactions and conversations which resolve their cognitive biases, clear off blind spots by cutting through the fuzziness of complex internal and external context of organizations, and then gain agility during ambiguity, gain clarity during complexity, gain understanding during uncertainty, gain optionality during instability, gain adaptive vision during volatility and gain certainty during chaos etc

Keywords: Thinking, Complexity, Uncertainty, Leadership, conversation, Interaction, Culture, Data, Grey area.

1. INTRODUCTION

Today and tomorrow's organizations are highly probabilistic and very complex systems. We know the parts that make up our organizations but not how they work, neither are we certain about their outcomes. And when outcomes vary from our desires, we don't know what to do to resolve the situation.

This phenomenon is so because organizations are made up of interacting parts. The parts or elements that make up organizations can be classified into people and their knowledge, assets and liabilities, strategy and performance, systems and processes, then culture. All these parts interact together in real time, in nonlinear ways to achieve the desired outcomes or objectives.

This is why an organization is her interactions. The *condition* of these interactions is alive in conversations (Pangaro, 2002). These conversations are living systems; hence it is the *condition* of these interactions or conversations that lead to transformation in our ever fast changing and turbulent business environments.

Every transformation implies surviving and thriving in the unknowns. Every surviving and thriving in the unknowns requires leadership. Therefore, I can safely define risk leadership as the *condition* that enables the continuous elevation and transformation of an organization in the unknowns.

It becomes apparent that business leaders must ensure that this *condition* is sustainably operational in their organizations. Furthermore, every organization must recognize two businesses, the present and future. Some within organizations are tasked with improving performance of the present day business and they use the current interaction or language to increase efficiency (Pangaro, 2002).

Some other people are also tasked with generating opportunities for the organization's future business (Pangaro, 2002). These people must recognize new domains of invention and translate them into new language or interactions that may lead to profitable new endeavors. It is clear that for our organizations to learn and grow, both kinds of people are necessary. The interaction or language between these two polarities is also necessary and must be structured and systematized.

Unfortunately, those in the present and future businesses of an organization carry different mental models that are often conflicting. The case for risk leadership is even worse and fuzzy when one considers that each individual in their roles and responsibilities have their own mental models, assumptions and perspectives as regards the internal and external context of the organization. In this condition, uncertainty increases which is a source of stress, fear, fire fighting, wrong decisions, bad executions and poor organizational performance.

Then, the big question remains how do we structure and systematize the differing, fundamental and unbalanced conversations and interactions in such a way that underlying assumptions throughout the organization are uncovered, synthesized and visualized by all, in continuously reshaping, strengthening and elevating critical reasoning, judgment, decisions, communication of perspective, collaboration, monitoring and making sense of complexity and uncertainty in a quantified way?

The solution to the above question would be the way to operationalize risk leadership in any organization so that uncertainty is reduced and continuous transformation in the unknowns is possible.

At the end, risk leadership is about advancing people, helping them uncover, synthesize and visualize their assumptions and emotions in order to improve the way they reason and judge precedented and unprecedented situations in such a way that better business outcomes are continuously achieved.

Apparently, the author noticed the logic below in his applied business neuro-intelligence professional engagements with analysts, managers and business leaders, that:

- strengthened and elevated critical reasoning and judgment leads to better communication of perspectives and conversations
- conversations lead to agreement
- agreement leads to coordinated action or transaction
- transaction over time leads to trust
- trust helps us ask counterintuitive questions
- counterintuitive questions lead to sense making
- sense making lead to new perspectives
- new perspectives lead to innovation
- innovation leads to new language
- new language is expressed in new conversations
- and the loop of transformation continues.

It is evident from the above logic that risk leadership engineers reliable people. Today, many corporations, regulators and governments today invest so much in compliance programs. However, compliance is an emerging behavior of reliable people. Only reliable people, comply.

The greatest need for today and tomorrow's organizations that would survive and thrive in the unknowns are reliable people. However, reliable people can only emerge from the condition where assumptions are uncovered, synthesized, quantified and visualized to generate a new kind of data which the author calls "thinking data" or "complexity data".

It is important to note that the kind of data (hard data) that got businesses and economies of the world into trouble can't help them out. "Thinking or complexity data" is a higher-level data that support decision makers in uncovering and closing the gap between their current states and future states. It helps leaders make sense and navigate business shocks and perturbations by solving unstructured and messy problems quickly. Complexity data is antifragile (Taleb 2013) in nature as it helps decision makers create options quickly.

Thinking or Complexity data is different from hard data or number-only data or statistical data. I mentioned earlier that organizations are made up of interacting parts. The interdependence and interconnectedness of a system also generate data which is known as complexity or thinking data. This type of data is nonlinear in nature and can used to easily map the mess (Jamshid Gharajedaghi 2011) or the interdependent, nondeterministic, grey area, multivariate and multidimensional variables that leaders and decision makers face on a day to day basis (Larry & Neil Smith 2021).

Interestingly, the aforementioned new, and different kind of data deliver real time holistic signals or risk information to business professionals (in their different roles and responsibilities) in order to create wisdom faster for timely and better informed tradeoffs, collaborative and quality decisions and actions the first time around.

Complexity data helps to strengthen the anticipatory, agile, resilient and adaptive capabilities of decision makers to develop strategies that survive even without knowing the future. Complexity or Thinking data support leaders in easily thinking through systems, interactions, probabilities and time; These grey areas are challenging for most professionals, leading to poor decisions, communication, advice, collaboration, learning, monitoring and reporting (Larry & Neil Smith 2021).

Up until now, there has been no computing way to deliver continuous holistic signals and patterns that enable the condition where leaders and their teams generate insightful and foresightful interactions and conversations which resolve their individual and collective biases, near misses, false positives, false negatives and then qualitatively surface blind spots by cutting through the fuzziness of the complexity of the organizations in quantitative way for these leaders and their teams to gain agility during ambiguity, gain clarity during complexity, gain understanding during uncertainty, gain optionality during instability, gain adaptive vision during volatility and gain certainty during chaos etc

However, Think Outcomes www.thinkoutcomes.net co-founded by Larry Smith (<https://www.linkedin.com/in/larrysmith/>) and Neil Smith (<https://www.linkedin.com/in/neilsmith/>) is a software company which produces sense making systems that deliver operating frameworks and visualization for the unknowns in the minds of analysts, leaders and all professionals that think for a living in order to creating wisdom and options faster for the management of multivariate, multidimensional and nondeterministic issues faced in their day to day business activities. The software operating models generate and support with “thinking or complexity data” to strengthen the hard statistical data for the continuous improvement of human performance capital, facilitate the condition to shaping behavior that leads to continuous and adaptive transformation reflecting in better business economics in the face of unknowns that characterize our world.

2. CONCLUSION

Lastly, for there to be good risk leadership in any corporation; thinking, judging, deciding, communication, collaboration, learning, and action or execution must be done well. Now, how much is the current risk leadership efforts or process in your organization enabling operations, management and board to resolve the following food for thought:

1. What would it mean for your organization, if you and your team could improve operational, project and strategic performance in the face of today’s complexity, better and faster than your competitors?
2. What would it mean for your organization’s culture and operational excellence if your staff could foresee implications?
3. Do you find it easy generating decision options faster than anyone else in your industry? What effect does this have on your strategic planning efforts and marketplace positioning?
4. For risk tolerance, we say “one shouldn’t bite off more than he can chew”; do you struggle with gaining insight on the right amount of the right risk to take, at the right time to achieve your goals?
5. Do you always understand the risk you take or do you always try to understand the risk you've already taken? How much does this impact your bottom-line?
6. How easy does it get for you and your team to see each other’s mental model with evidence and share critical thoughts in order to gain objectivity and park biases behind to improve collaboration? What is the implication of this on employee engagement in your organization?
7. How quickly does your board find objective pathways through the randomness of the business environments towards the achievement of company's objectives?
8. How impactful have your analysts been in demonstrating their capability to see patterns amidst the noise in your ecosystem, and then communicate these signals with evidence on how to improve profitability in the unknowns? What implication would this have on financial performance over time?
9. Most decision makers often misinterpret the situation they are in. How long does it take you to adequately and satisfactorily identify, what is really happening and what might happen? And how long does it take you to close the gap on what next to do?

10. As a leader, you face multidimensional and nondeterministic issues on a daily basis, yet you have to think through these ramifications to make wiser tradeoffs that would help you have more upsides and less downside in the face of predictable and unpredictable events. How much time does it take you to think through ramifications and outcomes in informing your actions?
11. Oftentimes, the information you need is not what you have especially when things get competitive, fuzzy (L Zadeh 1987) and probabilistic. How much time do you lose in gaining sufficient and necessary information? What implication does this have on your reputation?
12. How long does it take you to move from data-driven decisions to insight and foresight- driven decisions?
13. What might be the implication if the controls you set up today cannot manage unknowns? How do you intend resolving this?
14. How do you know you have made a quality decision, such that won't hit back negatively over time?
15. How do you -on a day to day basis- deepen, advance and leverage the intellectual capability of your human resources to make sense of the enormous counterintuitive situations, complexities and probabilities they face every day in order to make wiser decisions.
16. The most unpredictable cyber- security factor is your people and their behaviour. Attackers typically don't need to sabotage sophisticated software or hardware, they simply needed to take advantage of predictably poor user behavior. What are you doing to reduce behavioral risks? And how long can you stay operational if hit by the uncertain effects that might emerge from your people's behaviour?
17. How quickly do you often know where to intervene or make micro changes in your organization that would have positive macro impacts throughout the organization and her environments?
18. Knowing, that all our knowledge are of the past and our decisions are for the future which is highly unpredictable. What critical cognition performance advantage have you given your smart staff, to be smarter in the unknowns?
19. How much has your digital transformation strengthened, elevated and transformed the human intelligence- side of your business operations to reduce unintended consequences of actions?
20. Noting that it is the 'whys' that stakeholders seem most fascinated in understanding. How often is the “whys” revealed in the current phenomenon you're studying as a leader. What tools do you work with in eliciting the whys?

REFERENCES

- [1] Jamshid Gharajedaghi , “Managing Chaos and Complexity: A Platform for Designing Business Architecture” Third Edition, 2011.
- [2] Taleb, N.N. and Douady, R. , “Mathematical Definition and Mapping of (Anti)Fragility, Quantitative Finance”, [RISK MANAGEMENT], 2013
- [3] Wheatley, M. J, “Leadership and the new science: Learning about organization from an orderly universe”. San Francisco, CA: Berrett-Koehler Publishers, Reprint 1994.
- [4] Zadeh, L. A, “Fuzzy sets and applications’. New York: John Wiley, 1987
- [5] www.thinkoutcomes.net
- [6] <https://fs.blog/2014/04/antifragile-a-definition/>
- [7] <https://www.pangaro.com/definition-cybernetics.html>
- [8] <https://www.pangaro.com/leadership-language-regenerating-organizations.html>