

Service Snapshot: Eclipse Risk Monitor

Behavioural Risk: Measured - Actual Risk: Mitigated

Challenge

As part of a strategic risk management approach, organisations need to understand the exposure of a business to organisational as well as individual risk behaviours and mitigate against these where necessary.

Background

Recent events have re-invigorated dialogue about risk and Strategic Risk Management is increasingly being discussed. At the same time many people are looking at the way that an individual's behaviour is contributing to the systemic risk that companies take.

However, what is worth noting is that the conversation about managing and monitoring behavioural risk has continued to be difficult due to the absence of objective behavioural risk monitoring tools.

Most seem to agree that we face a sea-change in corporations' need to manage their risks as a complete package at Board level with integrated governance procedures.

So enterprise risk management now faces the challenge of not only measuring and assessing risk in areas such as health and safety, financial and supply chain, but now recent events are expecting the assessment to include human behavioural risk and how it impacts the above.

Two Types of Risk

There are two types of risk to manage; Rewarded risk and Unrewarded risk.

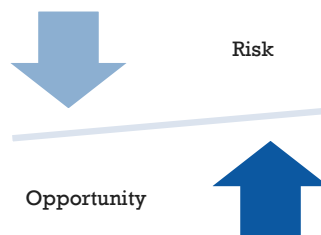
Rewarded risk is one that drives the development of new products, takes

bets on outcomes - in short risk intended to produce revenue.

Unrewarded risk is one that needs to be mitigated but does not produce a tangible return, but does prevent a loss. Examples might be safety procedures and controls to stop toxic substances from entering a water source. Bhopal and the Exxon Valdez disasters are examples of how unmitigated risks can dramatically reduce value. Avoiding these risks enables a company to operate with more certainty over the longer term.

Balance is Everything

We have found that organisations want to have the best of both worlds: the ability to take risks in the short-term while maintaining longer term business stability. What is required is a toolset which facilitates this approach.



Risk Mitigation and Profit

In the business world there is a clear concern that Risk Mitigation might reduce profits, as people will then take less entrepreneurial risk. This is not necessarily the case as good risk management involves taking more educated risks. That is to say, risks are still taken, but with the ability to mitigate against them quickly through deeper understanding.

Internal and External Risk

We face risks from both external as well as internal sources. There are

natural events, external suppliers and customers who can expose us to external risk factors, and internal factors such as production and information systems, liquidity, etc. However, some of the internal risk factors that we wish to deal with here are people related:

- M&A Integration
- Health & Safety Procedures
- Recruitment
- Employees
- Human Control Systems

Each of these concerns behaviours and their contribution to risk.

Behaviours and Risk

So how do behaviours contribute to risk? A simple analogy is that a motorcycle is not inherently risk without a rider. That rider can be enthusiastic, cautious and considerate, or not. However, how they actually drive the motorbike is what counts, in other words how they behave.

Organisations now recognise that certain behaviours need to be controlled in order to reduce risk. The bonus culture for example has been cited as a cause of risky behaviours.

Different manufacturing sites within the same organisation or same industry have very different safety records. Our experience in manufacturing and supply chain has shown us that we can determine quickly the behavioural factors that make the difference. Pinpointing these means that remedial action can be timely and targeted, reducing risk quickly and cost effectively.

But what are these specific behaviours? We have noted that there are different behavioural profiles that

people can exhibit that can make them more prone to taking risk in a given situation. However, as each company is unique in what they do and how they do it, a fixed set definition is of little use.

So how do we measure risky behaviour? And what do we do to monitor and mitigate against it?

Solution

Eclipse Risk Monitor

Eclipse Risk Monitor is a survey and monitoring tool that can be rolled out easily in any organisation and be used to assess management behaviours. It measures and analyses up to 400 business behaviours which are then

contribute to risk using the results of the survey.

Different behaviours are required to manage the Rewarded and Unrewarded risks that an organisation needs to monitor, and **Eclipse Risk Monitor** allows one to establish the different behavioural profiles required.

Should it be required, the tool can then identify the most entrepreneurial or risky people in the organisation. It can also identify the most stabilising and sustaining people as well as the people that exhibit the most blocking behaviours. Interestingly research has shown that blocking behaviours are often closely related to stress.

working in customer services for example.

Knowledge is Empowerment

Armed with new knowledge on behaviour, an organisation can set behavioural targets that it wishes people to adhere to in certain situations as part of an overall strategic plan. The **Eclipse Risk Monitor** tool can give a clear measure of how the organisation is performing in relationship to these targets as part of its strategic direction.

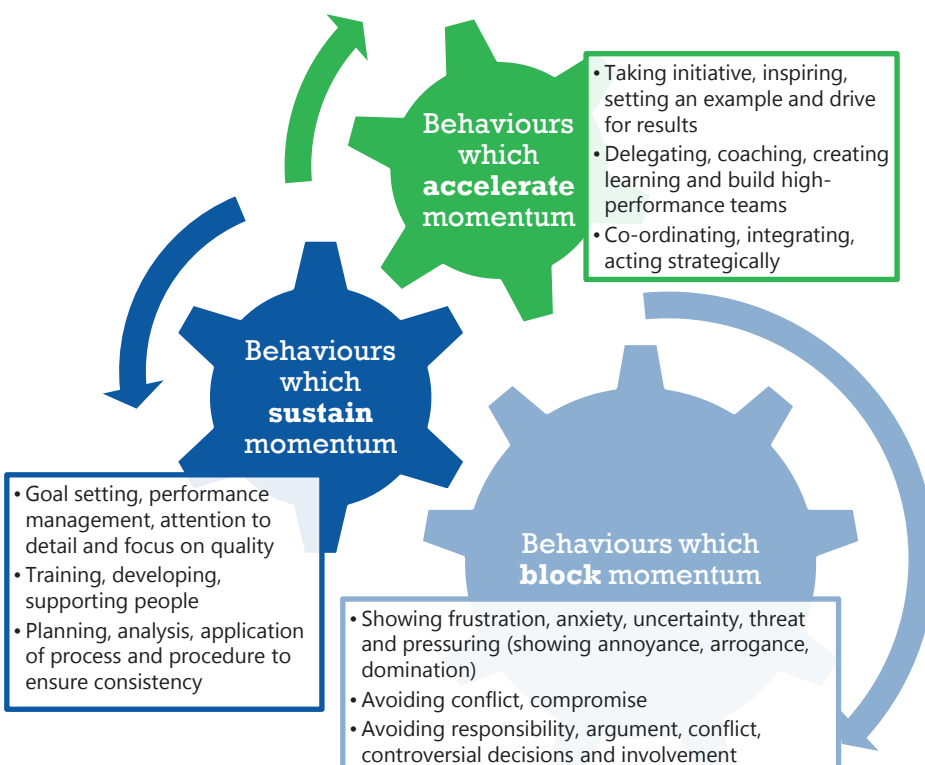
It is very attractive for organisations to get real insight into their best performing people. They can now manage and enable individuals who have specific behaviours to help them take the correct types of risks, and then task others to mitigate other types of risk. That is to say, people get integrated risk management as part of their everyday performance targets.

In addition, at Board level we can now talk about behaviour and risk in a quantifiable and measurable way, because you can now measure the fit of the people within your organisation to values as well as job-specific targets.

People are the Key

Your people are the key to risk management. For this reason **Eclipse Risk Monitor** asks people what they think that they should be doing to improve their own performance in light of their roles and responsibilities. **Eclipse Risk Monitor** enables users to set behavioural change targets that are clear, realistic and measurable.

Eclipse Risk Monitor will also help identify your people who are finding it more difficult to change or who are under undue stress, and allow you to intervene in an accurate, discreet and effective way.



classified as Accelerating, Sustaining and Blocking behaviours. In addition, it asks the person what they think that they could be doing better.

The organisation can then work on assessing the behaviours that

Indeed each set of behaviours can be a potential risk in the wrong situation. It is not only accelerating behaviours that are a potential risk. A person that is very unhappy in their job and who displays many blocking behaviours could be a risk to customer relations if

Mapping the Change

Eclipse Risk Monitor uses an “ask-them” approach, but by using Behavioural Templates for Change™, it also maps the direction users need to take. These templates are based on our experience of the behaviour changes that are required, but will be customised to your particular needs.

Indeed **Eclipse Risk Monitor** will integrate with a Balanced Scorecard approach to help enable a risk management culture throughout the organisation. It also helps build a common language of risk that everyone can share.

Following the Road-Map

Having developed a personalised road-map for users, **Eclipse Risk Monitor** also then sets out a personalised plan which users can follow and assess themselves against over time. As this is their own plan, they are monitoring their own contract for change.

In our experience this provides for a more successful user transition, as they are stakeholders in their own change plan.

Setting Expectations

Part of any change is the need to set expectations of users. Often they are ill-prepared and left to their own devices to manage without any idea of the impact that a new initiative may bring. **Eclipse Risk Monitor** helps to set those expectations by wrapping this up within the change plan, and helps drive the understanding of risk throughout the organisation.

Benefits

Delivering success

Eclipse Risk Monitor will integrate within the organisation to help monitor and mitigate against risk by exposing behaviours that contribute to risk, and will allow the organisation to change direction quickly by setting new behavioural plans for users that they can respond to.

Mitigating Negative Impact

Risk mitigating initiatives can tend to be business limiting and enforce extra regulation. Today, calls in government and the media are for more regulation, but this in itself will not change what people do, apart from giving them more to do administratively.

Sarbanes-Oxley regulation is, in some

cases, a good example of this. By managing behavioural factors, companies can ensure that they are managing risk at a granular level, while enabling their organisations to remain entrepreneurial and innovative.

Driving Performance Improvement

Because **Eclipse Risk Monitor** can be integrated subtly into an organisation to support risk management strategy and indeed performance, it can be used to direct and drive performance improvement as well.

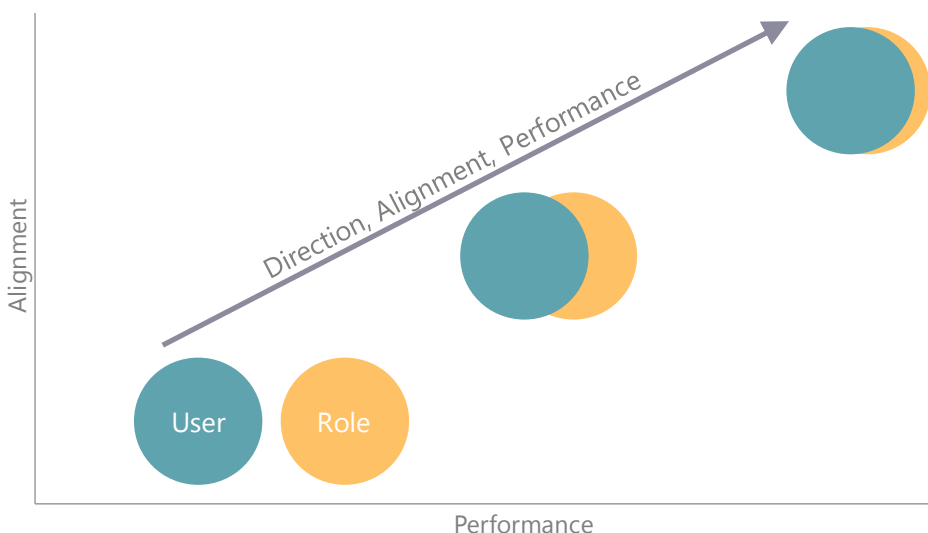
Quantifiable Outcomes

Eclipse Risk Monitor is a cost effective way to engage your people with risk management and enable them to perform better and align more quickly with clear, achievable and measurable targets.

Eclipse Risk Monitor allows you to measure and monitor the progress of the risk management program in a way that has not been possible until now.

This means that a way to report the organisations risk in terms of employees and behaviour can now be integrated at board level for the first time.

To start moving your people to perform better and make your business more successful at integrating risk management with your people, contact us now.



strategy people performance

Penumbra is a strategic business consultancy. We bring clarity by using research to drive understanding and direction. We deliver success by balancing experience and innovative thinking.

Whatever your aspiration, we'll provide the tools, information and analysis to turn your strategy into operational reality, in a way that motivates your people to outperform the market.

Overview

Our expertise lies in helping our clients to execute robust strategies and deliver results.

We achieve this by combining a robust management planning system with a focus on people which drives alignment and commitment

We work in partnership with talented and committed leadership teams to help organisations build corporate value with a wide range of customised, cross-functional advisory programmes and services delivered from four complementary service groups:

Strategy

(Development, formulation, implementation and alignment)

Our innovative **Penumbra Balance** approach creates dynamism, drives and sustains momentum and makes strategy real for stakeholders

Organisational Development

(Behavioural issues)

We call our holistic approach **Balanced Motivation** which encompasses activities that improve performance both for the organisation and the individual

Research and Insight

Our stimulating **Clarity** approach draws on our business consulting skills to deliver a mix of business analysis and market research which provides compelling insights for winning decisions.

Operations

The Operations group brings all of our hands-on practical experience to bear on execution and delivery of results.

Our technology enabling approach called **Totality** facilitates business focussed services and solutions, aligned to business needs, for people, processes and tools.

Why Us?

Organisations turn to us when they:

- Want to find a new strategic direction
- Have created a strategy and now need to execute it
- Need to drive more value from existing initiatives
- Have a big issue to resolve, usually dependent on lasting employee buy-in
- Need to explore new ways to drive value
- Need a breakthrough result
- Are seeking measurable results

Our Experience

We have real world experience spanning 20 years with our clients. This includes working with:

BP, Citibank, Morgan Chase, WestLB, RBS, UBS, Bankers Trust, Kleinwort Benson, Coutts, Natwest, Intel, Nokia, Adobe, Kall-Kwik, Glaxo Smith Kline, Dupont, Pfizer, Savills, British Council, Clifford Chance, British Airways, Gillette, Unilever, Shell, Volvo,

Vauxhall, British Gas, TradeStation, MWB Business Exchange, Investors in People, University of Cambridge

On projects such as:

Strategic Planning, Strategy development and implementation, Culture change, Post-Merger Integration, Vision, Purpose and Values, Current State Analysis, Organisation Re-design, Transformational Change, Client Focus Strategies, Perception Studies, Client and Staff Engagement surveys, Global Rebranding, Know your Customer, Market Forecasting, Consumer Insight, Market Segmentation, Process optimisation, Lean/Six Sigma, Project Management, ERP Systems Roll-out, Market Research, Financial Modelling, Franchise Start-up Evaluation models, Cost Benefit Analysis, Implementation Alignment, Strategic Alignment, Complex Database development, Custom Application development, Supply Chain Optimisation

Covering diverse sectors such as:

Financial Services, Pharmaceuticals, Manufacturing, Energy, Mobile Telecoms, Travel and Tourism, Aviation, Property, Hi-tech and Business Services