"Risk talk": the next frontier of risk management

This year marked the tenth anniversary of the Fukushima nuclear accident and the eleventh anniversary of the BP *Deepwater Horizon* disaster— vivid reminders of the complexity of managing corporate risks, responsibility, and values. Both companies had an official Safety First principle, as have many other companies that nevertheless found themselves harming the environment, their communities, or their own clients, and paying a hefty price for it, ultimately hurting their own shareholders, too.

What we find in common is not simply hypocrisy, but rather (1) an extended period of *risk incubation*, during which risks—often manifest in anomalies and near-misses—are tolerated and even "normalized," and (2) a phenomenon we call *value drift*—a gradual abandonment of the organization's value system. This dangerous double helix is more common than one thinks; the headline-making disasters are just the tip of the iceberg. Since the 1970s, the frequency of man-made disasters has been rising exponentially in OECD countries and regulation and corporate governance have been inadequate to manage modern industrial risk (Coleman, 2006[1]).

How can risk incubation be stopped? In the 1990s, MIT professor Chris Argyris proposed that only genuine, blame-free, bottom-up communication—from the employees to the top echelons—could surface incubating risks[2]. In the last two decades, many routine risk management processes—including risk-assessment workshops, traffic-light systems, and formal risk reporting—have been developed, yet few include that crucial bottom-up communication.

We contend that bottom-up risk communication not only complements top-down risk management, but also helps top management and boards understand how—if at all—their organization's core values are put into action "on the ground" and how they are compromised, enabling risk incubation. We call such communication "*risk talk*" and distinguish it from routine risk communication as follows:

1. Maintaining a focus on risk management is costly and, like sunscreen, produces no palpable benefits other than "no unpleasant surprises." It therefore requires formal processes and policies and support from top management. In contrast, risk talk is relatively cheap; speak-up tools are inexpensive. But it is also voluntary: employees speak up or not based on how they've already seen top management react.
2. Formal risk communication is dictated by the needs set out in a firm's risk-management framework and policies. In contrast, risk talk takes place on employees' terms: they report, in their own language, issues that threaten safety or the organization's values. Risk talk requires only one important design decision: a checklist of which values and priorities employees should protect.

Genuine bottom-up risk-communication, though cheap and low-threshold, is not easy. Initial attempts, such as suggestion boxes, intranet forms and even some early issue-reporting apps failed due to lack of follow-through; employees could see that their suggestions weren't being acted upon and learned not to bother. But with the advent of action-oriented digital issue-reporting tools, risk talk can be designed, refined, and made practical. Once reported, time-stamped, and geo-tagged, an issue is ready for discussion and processing. Importantly, such tools create their own audit trail:

[1] Coleman, L., Frequency of Man-Made Disasters in the 20th Century. Journal of Contingencies and Crisis Management. Vol. 14, No.1. March 2006.
[2] Argyris, C., Good Communication that Blocks Learning. Harvard Business Review. July-August 1994.

actions and communications can be reviewed and monitored and accountability can be assigned, making it virtually impossible for managers to "hear no evil, see no evil."

However, this requires a blame-free environment, including the optional anonymity of reporters and a no-blame commitment from top management. Without psychological safety, risk talk can be seen as top management's latest ruse to "catch out" failing middle-managers.

In an environment of psychological safety, risk talk can address not only risk incubation but also value drift by fostering its cure—value infusion. Corporate disasters from the *Deepwater* oil spill to the financial meltdown of 2007–2009, created by top management habitually overriding its own stated value priorities in favor of revenue and cost-reduction, have brought about what Bob Eccles calls the "sustainability revolution"—heightened pressure on companies from civil society and (importantly) from global investors looking to invest based on "sustainability principles."

Risk talk can therefore be seen as a control process that brings transparency by generating a data trail that answers the question: does the company live its espoused values and priorities?

With corporate hypocrisy increasingly seen as a strategic risk, risk professionals have to ask themselves: what values, other than financial, are at stake in company operations? Accordingly, risk managers themselves need "*repurposing*." A forthcoming study of risk management in 13 European countries (Maffei, 2021), testifies that risk managers are indeed at a crossroads. In seven countries, Enterprise Risk Management generally focuses on compliance. Yet in six other countries (including the UK, Germany, and Switzerland), there is an "increasing focus on strategic risk management." The UK risk profession (represented by AIRMIC) is working on a manifesto to "re-purpose" risk management to meet the challenges of the day, naming "corporate repurposing" as a key "opportunity for risk managers […] *in the quest to build the resilient organisation*" (AIRMIC, 2020, emphasis added)[3].

Genuine, blame-free, bottom-up risk communications—risk talk—is one response to this opportunity. By attacking the twin problems of risk incubation and value drift, risk talk makes organizations more resilient, empowering both top management and employees to live their organization's most important values rather than betray them for less important values.

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The authors, based on the principles outlined here, have created a risk leadership programme and a risk talk tool – a reporting application coupled with a back-office suite -, which has been deployed successfully in both research and commercial settings. For more information, visit www.risktalk.ch.

[3] AIRMIC, Roads to Repurposing. London, 2020. Available at https://www.airmic.com/technical/library/roads-repurposing-route-responsibility-and-reputation