

Mission Critical

The Essential Link Between Risk & Strategy

When I speak to risk managers the number one complaint I get is that they are not being heard at the top. When I speak to leaders about risk management, the main concern I hear is their risk managers lack big-picture understanding or are tunnel-visioned. My response to risk managers is generally “Are you talking about the right stuff?” and to executives is “Are you giving your risk managers enough information to understand the big picture?” More often than not, an awkward silence follows and then I suggest we grab a cup of coffee.

Communication up and down the ladder is always a challenge, but risk professionals can be impacted even more because of the nature of their responsibilities and the desire for this most fabulous thing called Enterprise Risk Management (ERM). ERM is a cross-functional and multi-tiered discipline that requires risk managers to step out of their traditional functional roles to facilitate a more cohesive and holistic risk mindset throughout the organization. Of all the obstacles they face, developing a compelling value proposition that will resonate with leadership may be the greatest.

A Limited View

Risk managers understand risk. They eat it, live it, and breathe it every day. They understand how to identify, analyze, and control or transfer it away. The challenge comes with taking that skillset and applying it outside of a functional hazard-loss perspective in order to capture strategic exposures. It’s not enough to understand risk – you must also understand strategy. A limited view is further exacerbated by a lack of strategic information flow up and down the organizational hierarchy. The ability to implement a risk competency across operational programs is the call sign of a good risk manager, but pushing that competency up to integrate with strategy is its own special exercise in fire walking.

While leaders intuitively understand the need to infuse risk management across the organization and within operational plans, the reality is that the identification and treatment of risk within the strategy development process is left to the upper echelon. I often find that risk management, strategic planning, and resilience planning are developed as separate programs by various people situated in different functional areas. To address this, we must re-think the

way we approach strategy, risk, and resilience by focusing on the Mission Critical aspects to connect the most essential pieces of each. Regardless of what framework or best practice you currently follow, identifying and protecting the assets, activities, and resources that are Mission Critical to achieving the strategy will add value to your organization.

Essential Strategy

There are a myriad of frameworks, theories, and best practice standards that vary based on industry, business model, and public/private sector. While the risk management process itself is fairly straightforward, what is not so clear is how to successfully integrate a risk capability in a way that directly impacts strategic objectives. Risk managers must possess a technical understanding of best practice in order to select or design an appropriate process framework, taking into consideration their organization's leadership, culture, and operational maturity. But that only gets us so far.

Risk managers must also understand the strategy process, as well as the organization as a whole – its mission, vision, and strategic objectives for growth and survival. Depending on the communication style of the entity, some or all of these elements may or may not be shared broadly, or even at all. This lack of insight creates a myopic view that inhibits risk managers from breaking out of their traditional roles to participate in a more meaningful way with respect to strategic risk capture and mitigation.

Essential Strategy is an approach for breaking down barriers between strategy, risk, and resilience programs. It focuses on three foundational elements – Mission, Growth, and Survival – that every organization, regardless of size, type, sector, or industry, must encompass within their strategies. As a risk manager, understanding these three elements is the first step in overcoming a limited view.

- Mission is all about purpose. Every organization has a purpose that is fulfilled by the successful carrying out and completion of its daily activities. While some mission statements may seem far removed from what happens at the desk or in the field, it is important to realize that every activity is a small part of a larger whole intended to achieve a grand Mission and far-reaching vision.
- Growth is about agility and the organization's ability to fulfill its mission on a larger scale. In the competitive world, Growth is an easy concept (revenue, market share, stock price), but in the federal sector it's not always so clear. Federal entities ultimately exist to serve a greater public good, so Growth translates into a capacity to do or achieve more within their core purpose.

- Survival is about resilience and an organization's ability to rebound and recover from any manner of adversity that impedes its mission. Survival reaches beyond catastrophic scenarios, and for the public sector in particular includes loss of key talent, funding, and political turnover that can short-circuit plans and programs overnight.

So, let's take the next step. In order to implement a strategic risk program, we must have a clear understanding of what strategy actually is. I could lament for the next page and a half about my frustration in finding a suitable definition of strategy to help explain the concept to my clients, but I'll jump to the end with the definition I finally developed myself:

Strategy: A set of decisions made at a given point in time, based on business intelligence, that when successfully executed, support the mission, growth, and survival of the organization.

Every piece of this definition is important: Decisions are made (*otherwise, it's just a discussion*) based on business intelligence (*internal and external*), captured at a point in time (*remember that risk is constantly evolving and emerging*), that when successfully executed (*if it sits on the shelf there's not much point in it*), that support mission, growth, and survival (*the strategy foundation*).

Now, contrast it with the well-known definition of ERM:

Enterprise Risk Management: A strategic business discipline that allows an organization to manage risks and seize opportunities related to the achievement of its objectives.

As would be expected, the two are not so different. ERM was designed to support strategy, and thus, an understanding of strategy is integral for its successful design and implementation. You don't have to be at the executive table to gain an understanding of strategic objectives, you simply need to understand the basics and pose logical questions that are relevant and meaningful to your senior leaders. Remember, *Strategy* enables growth and survival in order to fulfill mission; *Risk* mitigates weaknesses that inhibit growth, and *Resilience* fortifies against threats to support long-term survivability. This is how these programs were meant to integrate.

Mission Critical

Now, let's talk about glue that holds it all together. Every risk management process begins with establishing Context – broadly defined as *the circumstances that form the setting for an event,*

statement, or idea, and in terms of which it can be fully understood and assessed. In other words, Context is the frame that defines the scope, borders, and assumptions of the thing being analyzed. Without Context, we are left with a wide-open universe of possibilities to assess, and any reasonably sane person would throw their hands up in defeat. This is where many ERM efforts go astray of their intended purpose because they become bloated, off-course, and ineffective in identifying critical exposures in a timely manner.

When we define Mission Critical based on strategic objectives to achieve Mission, Growth, and Survival, then we establish the context for ERM.

Essential Strategy recognizes ‘Mission Critical’ as any activity, asset, resource, service, or system that materially impacts (positively or negatively) the organization’s ability to successfully achieve its strategic goals and objectives. As the strategic goals of the organization allow it to fulfill purpose, this fits well within the mission, growth, and survival foundation already established. Mission Critical will be different for every organization, but will always be grounded in its strategic objectives. Before you can determine what is Mission Critical, you must first:

- Have an understanding of Mission, Vision, and Strategy;
- Clearly understand all Strategic Objectives and their priority;
- Develop a definition (unique to the entity) of Mission Critical; and
- Work with leadership to define of Risk Appetite, Tolerance and Capacity as it relates to Mission Critical (*don’t get too hung up on this – get a good run at it and let it evolve as the program matures*)

As many of you reading this are fully aware, not every risk is a Mission Critical risk, so you know it’s important to be critical and use restraint when checking this box. It doesn’t imply that other risks aren’t important or should be left untreated, it simply means that in the grand scheme of things, strategic risks bubble to the top, as they should. ***Mission Critical becomes a new risk measure along with frequency, impact, and velocity.*** Consider the most common risk categories:

- **Catastrophic Exposure:** Focus on exceptional, external events that would overwhelm service infrastructure such as utilities, communications, and transportation, and expected to cause a business interruption exceeding the organization’s capacity to control in terms of duration and impact. Such events include natural disasters, acts of terrorism, pandemics, and cyber warfare. *This element is hyper-critical for those entities*

charged with public welfare and protection, as they must manage impact on two fronts. Thus, continuity planning is a Mission Critical endeavor.

- **Operational Risk:** Focus on exposures surrounding critical assets, staffing, systems, and processes. Assessment should be keenly focused on the efficacy of controls in areas like cyber security, employee safety, supply chain, critical service providers, and emergency response. *Particular attention should also be given to the efficiency of processes and resources, as budget constraints present a significant risk to federal entities. Thus, creating efficiency may no longer be a nicety, but instead a Mission Critical effort for growth.*
- **Political, Regulatory & Competitive Landscape:** Focus on external forces to capture shifts in the political, regulatory, and competitive landscape that may present strategic opportunities or threats to the organization. *Many public entities consider competitive analysis to be applicable only to for-profit ventures. However, they are competing nonetheless against other entities and divisions for funding, resources, and intelligence. Developing key relationships or partnership may be a mission critical effort for survival.*
- **Information Flow:** Focus on information flow (up, down, and across the organization) to ensure that mission relevant data is transmitted to the right people at the right time to support critical decision-making processes. *Disconnects in this area represent a significant exposure for any organization, correcting them may become Mission Critical.*

Execution Essentials

When I first entered the world of risk management, I was incredibly frustrated at the lack of clarity within the voluminous materials, models, and standards that existed. I was looking for an ABC manual that would allow me to plop a program into place and call it good. That was, of course, not possible, and for good reason. I came to learn that along with the science, there is an art to designing, implementing, and sustaining meaningful programs. Understanding Mission, Growth, and Survival and focusing on Mission Critical will certainly help you gain credibility with your leadership team, but if you want to keep it, you must also understand the key success factors for program sustainability.

Lesson One: Organizations = People. If you want to make real change, you must anticipate the impact that any modification of process/practice/methodology will have on people.

Lesson Two: The program must functionally fit the organization. If a system, method or process is not operationally feasible within available resource, it will be rejected before

it has time to prove its worth – it simply cannot be designed without consideration of the operation.

Lesson Three: Value drives sustainability. This feels a bit obvious, but it’s important enough to call out. Tangible value must be articulated for every process – people are more easily persuaded to adopt change when they perceive a personal value to following a new routine. It doesn’t have to be big, sometimes just knowing that their participation in the process gives them air cover through more transparent decision processes is all that’s needed.

Lesson Four: Sustainability requires persistence. Program designers must recognize and plan for staff turnover, complacency, and change in business practice. While implementation is the main hurdle, regular maintenance of the program is required. New employees must be trained, program key performance indicators (KPI) must be tracked and reported, and failsafe measures built-in for those who just don’t like to follow rules.





Erin Sedor is the owner of Black Fox Strategy, and she serves as Executive Strategy Coach and Board Advisor to her clients. Her practice is based on the philosophy that organizational success and sustainability are best achieved through integrated strategy, risk and resilience capabilities that form the basis of her Essential Strategy approach. Having built a 25-year career in the private sector supporting, directing, and successfully implementing strategic planning, ERM, and business continuity programs, Erin now translates that experience into meaningful programs for her private and public clients. Her broad industry background and deep expertise in balancing risk and opportunity makes her a uniquely qualified and valued asset to her clients.

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