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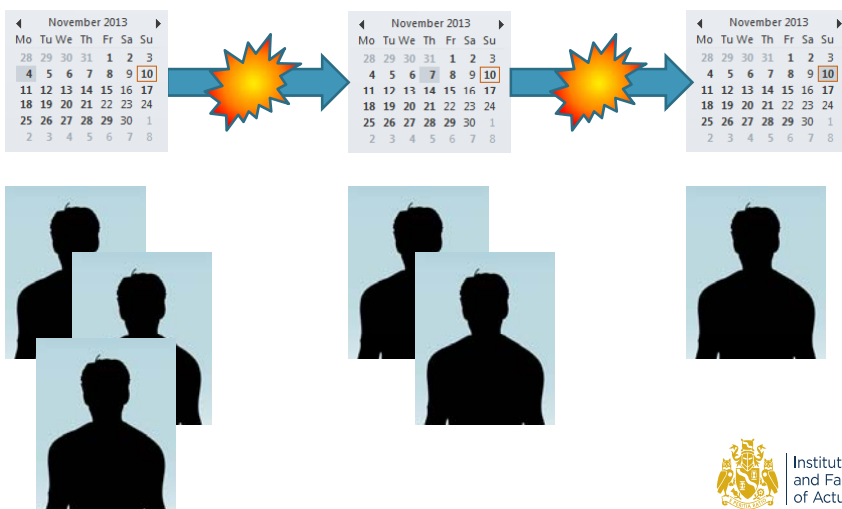
Balancing Risk Oversight and Insight

Neil Cante, Milliman



15 November 2013

Risk Case Study



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Agenda

- Oversight vs. Insight
- Management
- Resilience
- Delivering Insight



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Prologue

- **oversight** /ˈɒvəsaɪt/ [OE *ofersēon* 'look at from above'] *n.* the action of overseeing something, supervision
- **insight** /ɪnˈsaɪt/ [ME 'inner sight, wisdom'] *n.* an accurate and deep understanding



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Oversight

authority
 compliance
 assurance
 limits
 procedures
 risk oversight
 governance
 review
 control
 sign-off
 audit
 policies



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Insight

abstract
 models
 risk insight
 collaboration
 scenarios
 business
 communication
 narrative
 engagement
 context
 qualitative
 culture understanding
 quantitative



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Management Thinking



- “Outside” observer
- Companies like “hard” systems
- Cybernetic control systems
- Self-regulation with variance feedback

“Organisation and management science has been based on theoretical foundations quite contrary to the experience of organisation reality” **Ralph Stacey**



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New Management Thinking

- Management are part of the system
- Companies are also “soft” systems
- Cannot choose outcomes – only next action
- Influence exerted through local interactions
- Communication is an ongoing process – must stay in the conversation



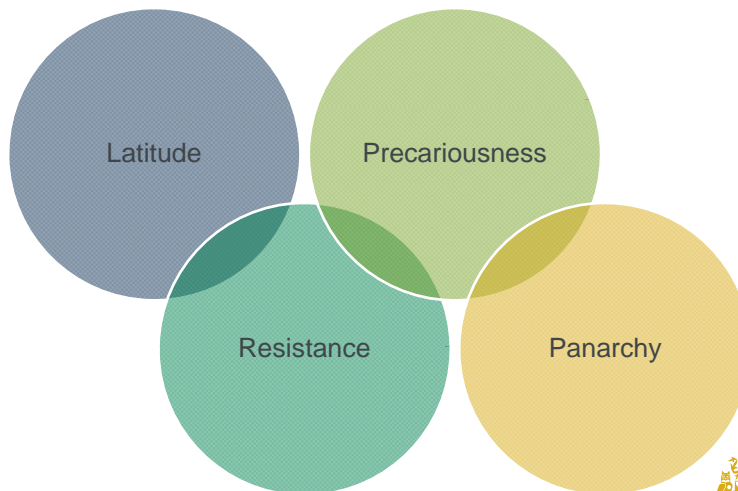
“Narrative mediates between the norms of culture and unique individual beliefs, desires and hopes. It renders the exceptional comprehensible” **Ralph Stacey**



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Resilience



Source: after Holling



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Implications For Risk

- Cannot directly “control” much
- Influence occurs locally
- Anticipating possible outcomes requires understanding of interactions
- Someone has to develop narratives about an alternative world in which the incomprehensible makes sense

“Role of effective leadership is understood as that of participating in the ongoing conversations in ways that encourage fluid conversation in which meaning and possibilities of action are opening up rather than closing down. The primary function of a leader is one of widening and deepening communication.” **Ralph Stacey**



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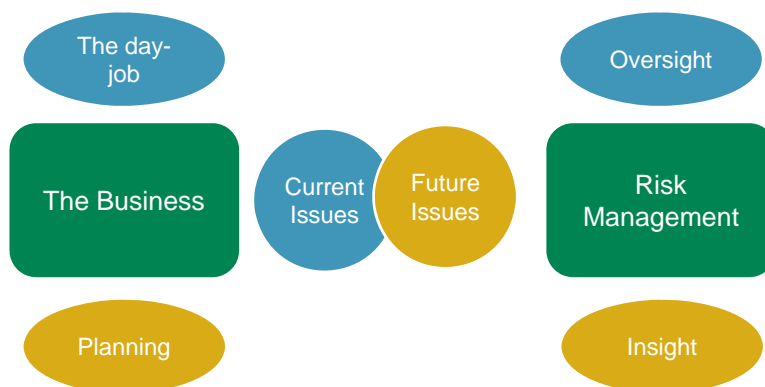
Delivering Insight



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Balance of Activity



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Resourcing

Oversight

- Process skills
- Detail focus
- Domain expertise
- Control focus

Insight

- Facilitation skills
- Communication skills
- Holistic view
- Analytical skills
- Learning focus



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Culture

Company

- Open
- Constructive
- Learning orientation

Risk

- Inquisitive
- Imaginative
- Non-pejorative
- Inclusive
- Emotional Intelligence



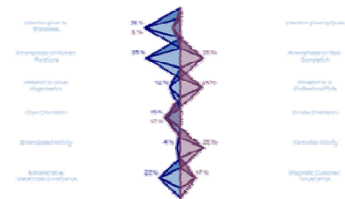
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Dimensions of Culture



Sub-cultures exist...



Source: Dr H. Lewis

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Culture

- Cultural Theory of Risk (M. Thompson)
 - Pragmatists – stuff happens
 - Conservators – cautious
 - Maximisers – all upside
 - Managers – all under control
- Old risk management run by Conservators
- ERM run by Managers
- Everyone else has different worldviews

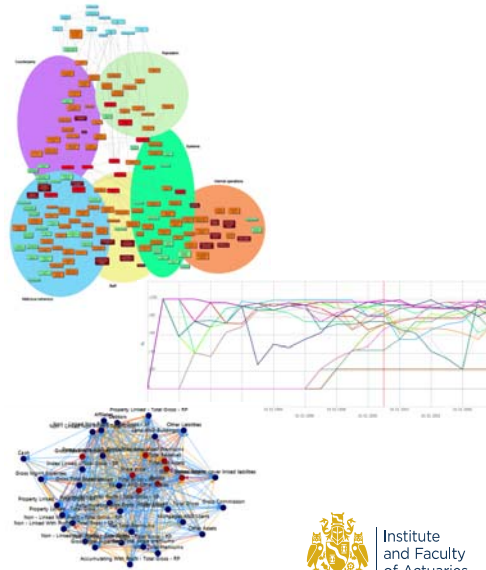


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Information

- Untainted truth
- Unprocessed
- Spot patterns
- Study interactions
- Right scale
- Relevant to business



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Key Takeaways

- Oversight necessary but not sufficient
- New management models emphasise insight
- Insight must drive action
- Resilience requires insight
- Insight requires means, motive and opportunity – the perfect crime



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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

