A man in a dark suit and white shirt is captured mid-jump, falling off a rocky cliff. His arms are outstretched, and his legs are in a dynamic pose. Below him, a dense city skyline with numerous skyscrapers is visible under a dramatic, blue-tinted sky. The overall mood is one of risk and high-stakes decision-making.

**The people closest to the risks and opportunities usually know what to do,**  
but are the furthest away from the resources,  
expertise and power needed to act.



**MAGNIFOR CONSULTING**

**Once the COVID-19 crisis is behind us, the question should not be “How do we get back to normal?”. The question must be “How can we make it better than before?”. Many leaders are using this moment to re-think, pivot, and re-build; capitalizing on a rare opportunity to transform their teams, so positioning them to thrive, rather than survive, in the decade ahead.**

Right now, organizations are evolving their risk management approach as traditional practices are failing them. We see that risk management must be integrated with organizational effectiveness efforts to make a real impact. But little has been done so far to connect these two worlds and this must change.

This paper points the way forward. It explains how using the wisdom of the crowd will help make better decisions and how a Risk Leadership Mindset™ will boost not only business performance but also the engagement of your people.

Risk management in the decade ahead requires a bold, new approach that integrates organizational effectiveness. Leaders who wish to create a new level of performance by unleashing the power and potential of their organizations and the fantastic people therein need a new risk management model to guide their actions. A model that will set a new standard for the 21<sup>st</sup>-century.



# Transforming risk management for uncertain times

Most leaders understand a core responsibility of leadership is avoiding or mitigating risks that jeopardize organizational goals. At the same time, leaders also understand that if they want breakthrough results, they must take calculated risks. We must embrace taking the right risks, as that opens up the organization to opportunity. Effectively balancing these two realities will result in extraordinary success.

**A century ago the world was also starting a new decade. The 1920s was a decade of change, economic growth and optimism for many after a devastating world war and a global pandemic. It started with an economic roar and ended with a monumental crash which impoverished millions and laid the foundation for the second world war.**




The 2020s began with growth, then a deep crash and portends ever increasing change:

- ◆ COVID-19 means the start of a new geopolitical power-map
- ◆ climate-change demands a response
- ◆ the energy transition is knocking on our door
- ◆ increasing numbers of people ageing in smart cities
- ◆ robots and rockets
- ◆ CRISPR
- ◆ unmanned flying delivery options
- ◆ digital twin
- ◆ climate-refugees
- ◆ genome-sequencing as a service
- ◆ new ideas yet to emerge

**The 2020s may have started with a crash but this time, organizations that embrace a Risk Leadership Mindset™ can take advantage of the increasing uncertainties to propel them forward. The only choice is to be ready or be left behind.**







Risk management is not about  
mitigating risks; **it is about people  
learning to make better decisions**



Risk management's value is as great as the impact leaders allow it to have on enterprise-wide learning and decision-making. The profile of risk management, compliance policies, assurance practices and codes of conduct expanded after the 2008 credit crisis, but to what end? Did they prevent Wirecard's bankruptcy, the devastating explosion at the port of Beirut, Boeing's problems with the 737 Max, or a global pandemic?

Was somebody in Wirecard aware of false records in the Philippines before 1.9 billion euros evaporated? Were there people in Boeing and the FAA who knew about the potentially fatal problems with the 737 Max before 346 people died in two crashes? Of course, somebody knew. They probably even declared the risk, but crucially, did the organizations hear, listen and act?

Leaders who seek breakthrough results must embrace the uncomfortable truth: most risks and opportunities their organization will register in the coming year are already known by somebody in their organisation today. They are uncertainties rather than obvious risks or opportunities. But knowing these in their earliest stages gives leaders a head-start in response strategies. As William Gibson wrote, *"The future is already here, it's just not evenly distributed yet"*.

Failure to detect early signals of uncertainties are costly. The antidote is engaging and motivating an entire organization to quickly identify risks and opportunities as they surface, giving the organization the ability to make the

*'The future is  
already here, it's  
just not evenly  
distributed yet.'*

WILLIAM GIBSON



right decisions, at the right place and at the right time. Conversely, organizations that fail to embrace modern risk management will likely be overwhelmed as the pace of change accelerates faster and faster.

Risk management often fails in organizations because:

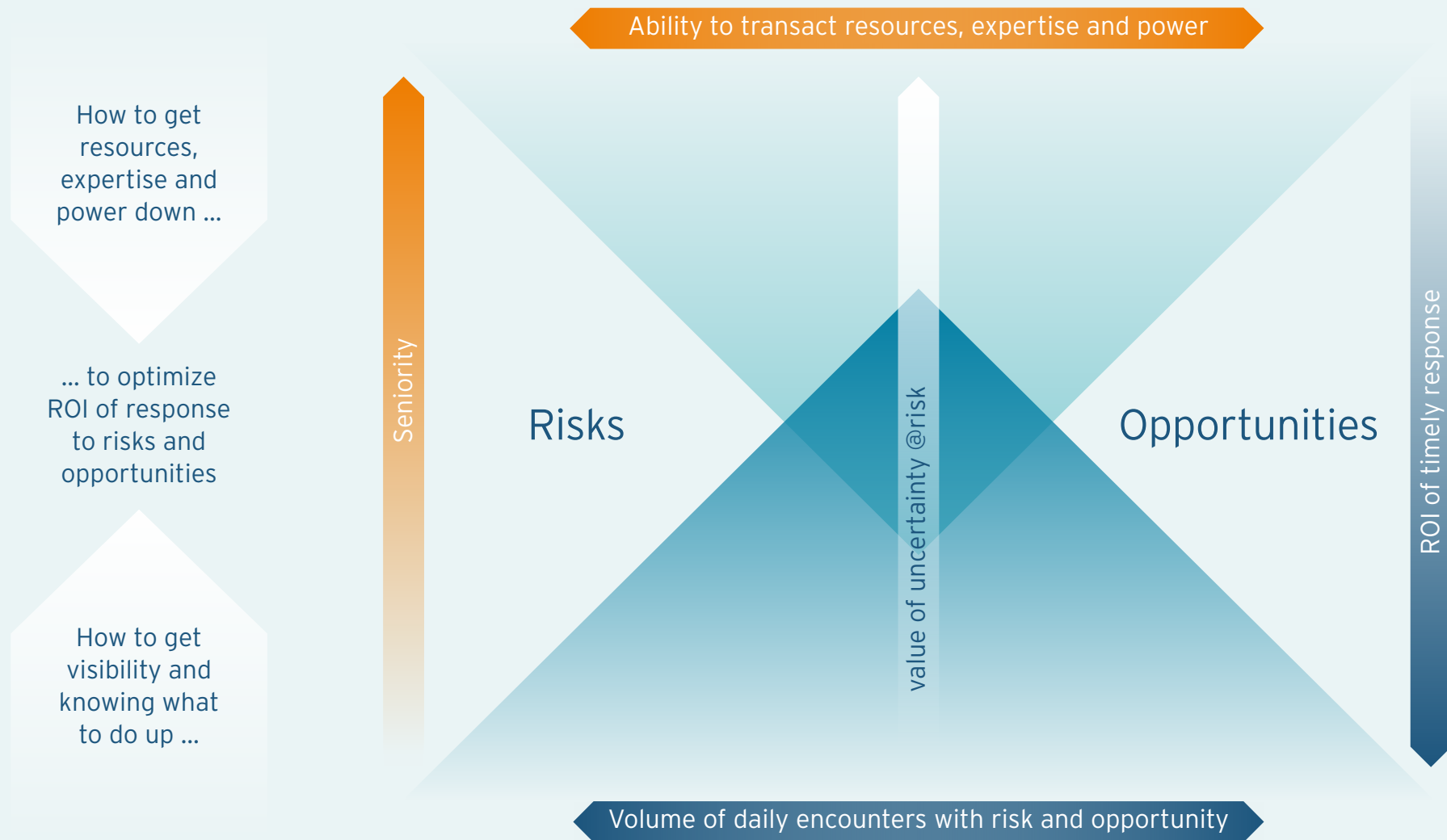
- ◆ **It is confused with hazard identification which only focuses on the “known knowns”**
- ◆ **Risk rating is not risk management as that is merely using perceived likelihood to put off treating risks**
- ◆ **Decisions about likelihood and risk tolerability are pushed to the wrong people in the organisation**
- ◆ **Strategy is not developed using risk assessment**
- ◆ **Response is slow**
- ◆ **For the most severe consequences, the risk identification and analysis methods used are not rigorous or sophisticated enough**
- ◆ **Not enough time is spent on high-quality risk management, and it is often oversimplified to enable getting it done quickly**
- ◆ **Controls are often not designed using risk assessment**
- ◆ **Most people believe that this is a simple process and they do it, with little training and development**

An overlay of organisation and risk materialisation clarifies the reality.



FIGURE 1

## Organisation and risk materialisation





How do you assure that risks and opportunities are seen by the right people in the organization, at the right time, so teams can act at the right moment, with skill and confidence? And so extend the boundaries of what is possible in their response strategies.

**That is how an organisation builds resilience and remains relevant in the decade ahead.**



## Someone in the organisation knows something **the organisation must know**

Your frontline colleagues are, in most cases, very close to the birthplace of risk and opportunity. Unlocking what they see and know is of enormous value to any enterprise. However, a fundamental problem in many successful organizations is that there is a considerable barrier to innovation and identifying risk and opportunity. That barrier is a previous success. In other words, the things they have done and the way they did them to become successful often blind them to change and seeing risk and opportunity. The classic example is General Motors in the 1970s. At the time, they had more than 50% of global market share in automobiles and trucks. Then the Japanese changed the paradigm by making lighter, more fuel-efficient, vehicles and GM's market share plummeted. They took Japanese cars apart and studied them in detail. They then recommitted to their previous success formula of heavy, oversized, gas-guzzling vehicles and stayed with that until they went bankrupt and had to be bailed out by the government.

The more successful we are, the more we accept non-standard processes, reducing our willingness to listen to the small individual voices raising questions about risk. As a non-accepting culture extinguishes those voices, the validity of non-standard processes grow, creating a marvellous hotbed for risks to flourish.



Engaging people, capturing the risks and opportunities they experience is the real art of risk management. **Because no one of us is as smart as all of us.** Often it can be the outliers in the organization who see risk that many in the organization are blind to because disrupting the status quo is discouraged and even penalized. The cultural blindness developed over the years shuts down questioning the status quo and even blocking people from pointing out that “... *the building might just be on fire!*”. Leaders who want their teams to thrive in the coming decades must transform their organization by adopting a Risk Leadership Mindset™.

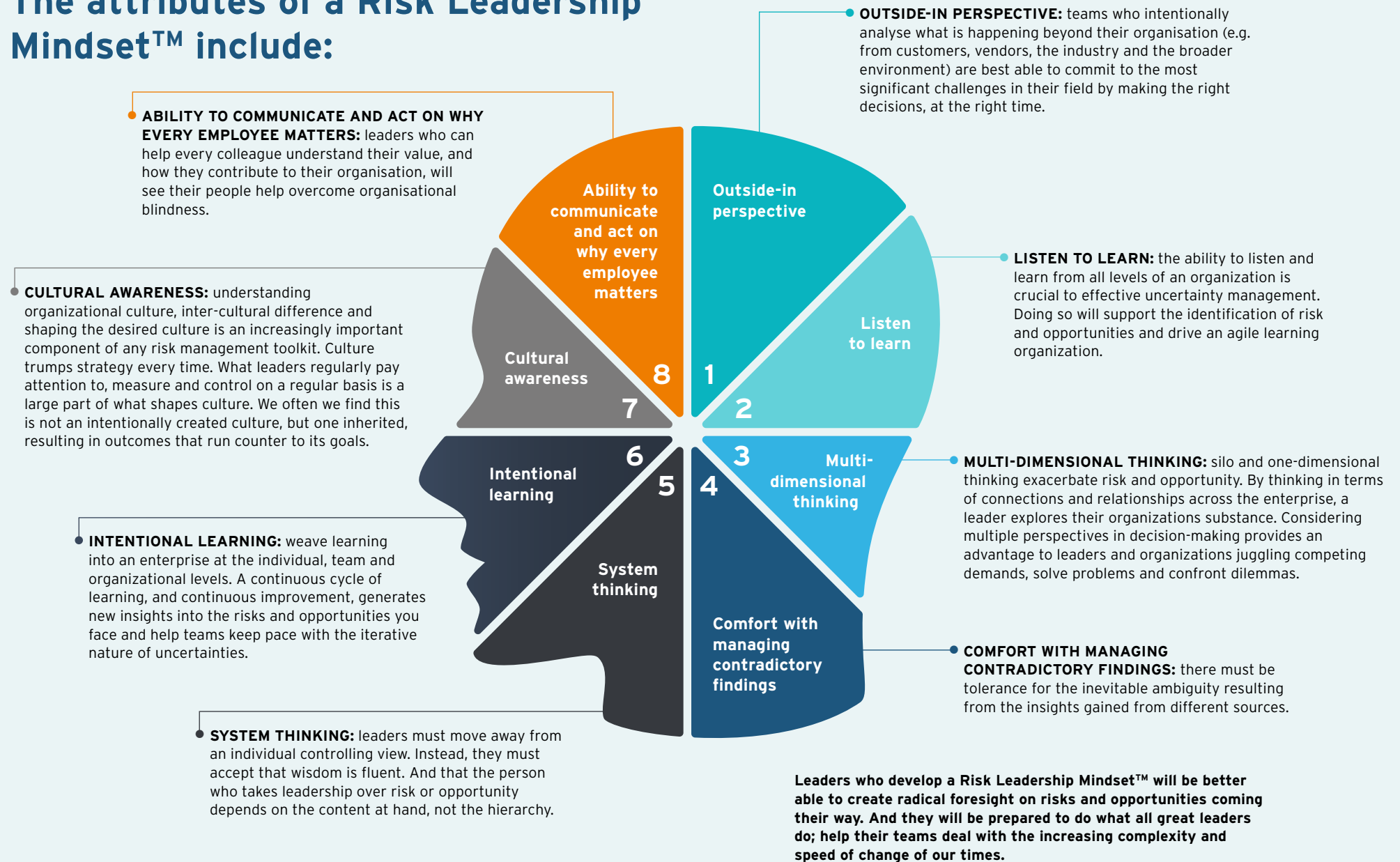
**A Risk Leadership Mindset™ engages the broader stakeholders to detect and explore risks and opportunities in an efficient, effective and inclusive environment where everyone can easily share uncertainties.**

A Risk Leadership Mindset™ goes beyond compliance with the myriad laws and regulations that govern organizations today. It unlocks the power of approaching uncertainty management and organisational effectiveness in parallel. The goal is to move from informed compliance to risk-aware and engaged compliance and critical thinking. Ultimately this leads to an organization regarding those on the frontline as professional partners, who adhere with procedures and whose rationale and design they fully understand. And who point out risk and opportunity in ways that enable the organization to deal with it well before threats harm the company, employees, customers or other stakeholders, or allow opportunities to slip away and become a competitive advantage for rivals.



FIGURE 2

## The attributes of a Risk Leadership Mindset™ include:



## How we **do** it

Without the right approach and tools, creating such Risk Leadership Mindset™ is a formidable challenge. Doing it the right way means taking evolutionary steps to reach revolutionary goals. When transforming an organization with a Risk Leadership Mindset™, you need all your colleagues to follow the leadership and its vision. A vision is often phrased in strategic words and looks far into the future. And with that it is not always easy for each employee to understand how their role, task and talent contribute to that vision and adjacent business goals. As the north-star can be seen, shining bright in our skies, your vision must be seen as a shining star by every colleague. All must see, understand, and connect their work's value to such a clear north-star before they can follow it.

That is why creating a Risk Leadership Mindset™ starts with defining and refining the vision as a true north-star. From there, we set goals that together make that vision reality. We review the current uncertainty management practices. We specifically look at how risk and opportunity management actively links to decision-making processes and learning practices. We look into the operational processes and structures of executing uncertainty management, the people involved and the cadence, and how strategies are based and take note of major risks and opportunities, in and around your organization.





All must see, understand,  
and connect their work's  
value to such a clear  
north-star before they  
can follow it.



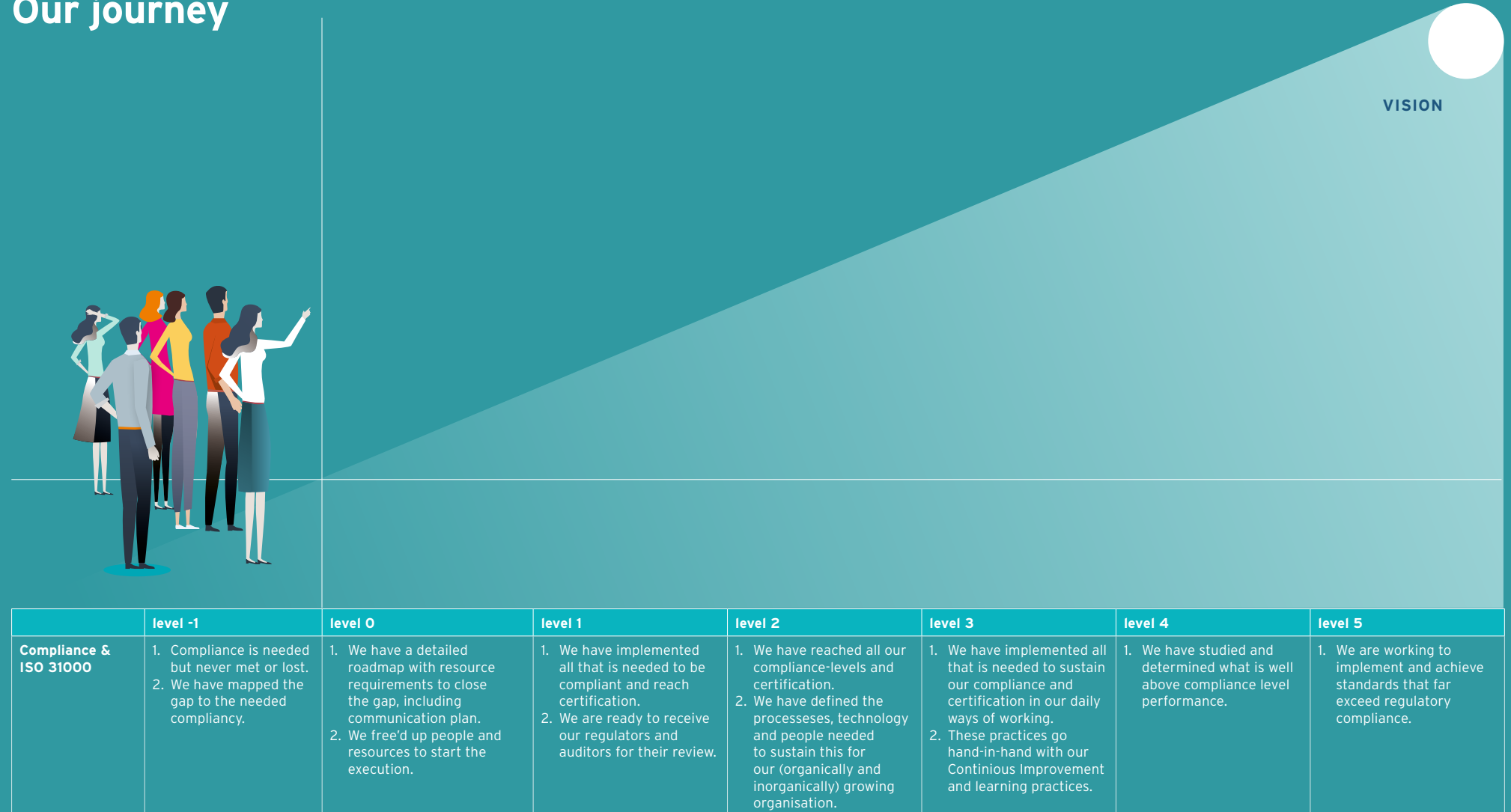
This initial review creates the baseline of the journey ahead. From this starting point, we plan business interventions, based upon the attributes of a Risk Leadership Mindset™.

The Risk Leadership Mindset™ aims to build a strong organizational foundation to achieve your goals and realize your vision and our Risk Leadership Maturity Framework™ guides your journey. Each phase marks the sustainable embedding of the new ways-of-working before moving on. Every client environment is unique, and with that, every journey is unique. The seven phases, as described in **figure 3** serve as a compass towards your north-star, with quick wins and more longitudinal interventions alternating.



FIGURE 3

# Our journey



	level -1	level 0	level 1	level 2	level 3	level 4	level 5
<b>Risk register</b>	1. We don't have a risk register.	1. We have opened a risk register. 2. Updates to the register are infrequent and reactive to planned audits and reviews. 3. We feel that risk management is a process implemented to tick the boxes for auditors and regulators and get surprised by risks falling from the skies.	1. Our risk register is updated in a cadence: at least yearly, at best monthly. 2. Mitigation of risk is often slow, reactive and silo'ed. 3. The opportunity in the risk is overlooked. 4. Risk management is considered an operating cost that is best minimized.	1. Our risk register, updated at least monthly, is enriched with effective mitigation strategies executed under the leadership of managers and/or departments.	1. We are crowdsourcing risks and opportunities and see more and more people across the organisation declaring uncertainties as they surface in their daily jobs. 2. Process, technology, and register, to capture uncertainties are always on. 3. We see multidisciplinary teams working shoulder-to-shoulder mitigating risks and grasping opportunities.	1. We have invited selected stakeholders to join us adding risks and opportunities to our register. 2. We see an unprecented improvement in the line of sight created on risks and opportunities. 3. We now relate to risk management as an opportunity for enormous enhancement of our operations which then flows to the bottom line.	1. The notion of risk and opportunity management is merged into uncertainty management. 2. There is no hierarchy in who declares an uncertainty nor who leads or contributes to the response-strategies. 3. Not only are our workers contributing to this culture - also other relevant stakeholders like suppliers, contractors and customers join-in. 4. Together we create radical foresight of events coming our way in our joint value chain.
<b>Behaviors and engagement</b>	1. We see people hiding their knowledge on risks as they are afraid of reprisals. 2. We see KPI's and targets on audit and review results driving the behavior of hiding potential risks and issues.	1. We see people realising that risks must be shared in order to respond to them. 2. People have begun to recognize the dangers of not addressing risk.	1. We see managers actively engaging their people in sharing knowledge on (potential) risks they see.	1. We see leaders, managers and workers engaging at all levels of the organization sharing issues, anomalies and risk with trust. 2. With an eye on continuous improvement these are dealt with proactively and continuously.	1. We see the realisation that risk and opportunity are the other sides of the same coin. 2. We have begun to quantify and record not only risk elimination but also the improvements that accompany those risks.	1. We see higher levels of comfort in the grey zone where we see a risk or opportunity without understanding it, and it's root, at full. 2. We see people dealing with uncertainties and ambiguity with a sense of curiosity.	1. We see multidisciplinary teams working shoulder-to-shoulder to deeply understand the root of risks and opportunities to then co-create ways forward together. 2. Uncertainty management has become everybody's day-to-day.
<b>Learning &amp; Continuous Improvement</b>	1. We are annoyed by seeing our organization, teams and people making the same mistakes over and over again. 2. We don't have a Continuous Improvement function.	1. We have a Continuous Improvement team. 2. We have organisational learning programs and practices.	1. We see Continuous Improvement and learning practices working together to sustain what is improved in our people's skill-set. That way we sustain our improvements across the organisation.	1. We understand that we must execute rigorous Continuous Improvement practices to keep up with the iterative nature of risk.	1. Continuous Improvement and risk management are executed in a drumbeat that is close to daily.	1. As more people are involved, we see the organization learning from risk management in a daily cadence through formalized processes.	1. Learning practices tap into our uncertainty management practices in multiple ways. 2. We see an organisation so focussed on learning, that there is no space for arrogance and complacency.
<b>Decision-making</b>	1. We have leadership team meetings and other management meetings but we don't discuss risk in structural ways. 2. We assume our risk managers manage our risks.	1. We have a separate meeting cadence where we discuss risk management. This is owned and led by the risk management function. At times the business is invited to join.	1. Our yearly updates on our strategy takes note of the risks in the risk register. 2. We merged our leadership and management team meetings with the risk discussions.	1. We see risk management merging with our business decision processes at the operational level. 2. We have integrated our risk- and business management systems.	1. When we look at risk and decision-making we see more and more people taking notion of the opportunity in the risk. 2. We see firm business decision making as part of our risk mitigation strategies as well as in our tactics to capitalize on the adjacent opportunities.	1. We see the entire organisation making timely risk-informed decisions with an increased variety of level and place. 2. We see our risk function leading our uncertainty management practices with ownership taken across the organization.	1. We now have a full time risk management executive on the senior leadership team. 2. Risk management is considered a strategy tool.



## When crowdsourcing risks and opportunities; **technology brings you progress, your people bring the breakthroughs**



When adopting a Risk Leadership Mindset™, you want as many colleagues to capture and declare uncertainties as possible. When you want multidisciplinary teams working shoulder-to-shoulder, mitigating risks and grasping opportunities, you need a workflow that allocates uncertainties to owners and tasks to teams, particularly when the teams are not co-located.

Crowdsourcing unlocks the knowledge in the heads of frontline people inside, and possibly outside, your organization. We developed our proprietary system Risk Focus™ to make the process of crowdsourcing easy and fun for our clients. Why? Because there was nothing available in the market that served these goals. So we had to do it ourselves.

Our cloud-based digital solution Risk-Focus™ supports you in crowdsourcing risks and opportunities. A few simple screens in everybody's pocket will stimulate the sharing of uncertainties, potential issues or simply anomalies seen. When cascaded out to your subcontractors, suppliers, and customers: the tool's potential impact is multiplied. Risk-Focus™ makes organization-wide sharing easy and fun. Uncertainties are logged in less than two minutes empowering all frontline colleagues to contribute. The workflows enables the integration into your business strategy, operations, and compliance processes to drive enhanced learning and risk-informed decision making.





**It is an always-on radar capturing every risk and opportunity relevant to your business goals**

Organizations that are highly reliable and rarely caught off-guard are keenly aware of their failures and always seek to learn from them. Most organizations tend to focus on their successes and deny or ignore their failures. Highly reliable organizations anticipate what could go wrong, how they could go wrong, and dig into the small things that have gone wrong. Small failures are viewed as early warning signals of deepening trouble and give insight into the whole system's health. If you catch problems early, you have more options to deal with them.

A preoccupation with understanding failure is a preoccupation with learning. Unfortunately, the overwhelming tendency in most organizations is to ignore weak signals. A state of unease preserves the capability to see the significant meaning of weak signals and to deliver strong responses to weak signals. This results in a mindset that continually asks, *"What are we overlooking and what else do we need to do?"*.



**Risk Focus™** pivots this  
unease into clearly described  
uncertainties and informed  
workflows, enabling the  
organisation to respond in  
productive ways



Risk Focus™ automatically aligns uncertainty management processes to the specific goals of the organization and makes risk and opportunity identification systematic. Risk and opportunity analysis is done continuously instead of having a static picture every quarter or twice a year.

The result is a dashboard on which management can see the actual level of risk and opportunity daily.

It is essential to understand that the system is a means to an end and not the goal, so the system will be aligned with your organizational goals. It allows each individual to raise their voice and identify uncertainties with a potential impact on its organization's objectives.



FIGURE 4

## Risk Focus™



When you want to go fast, go alone.  
**When you want to go far, go together**

The wisdom of crowds often outperforms structured teams.<sup>1)</sup>

**Crowdsourcing uncertainties combines a bottom-up, open, creative process with top-down organizational goals. With Risk-Focus™ it is easy and rewarding.**

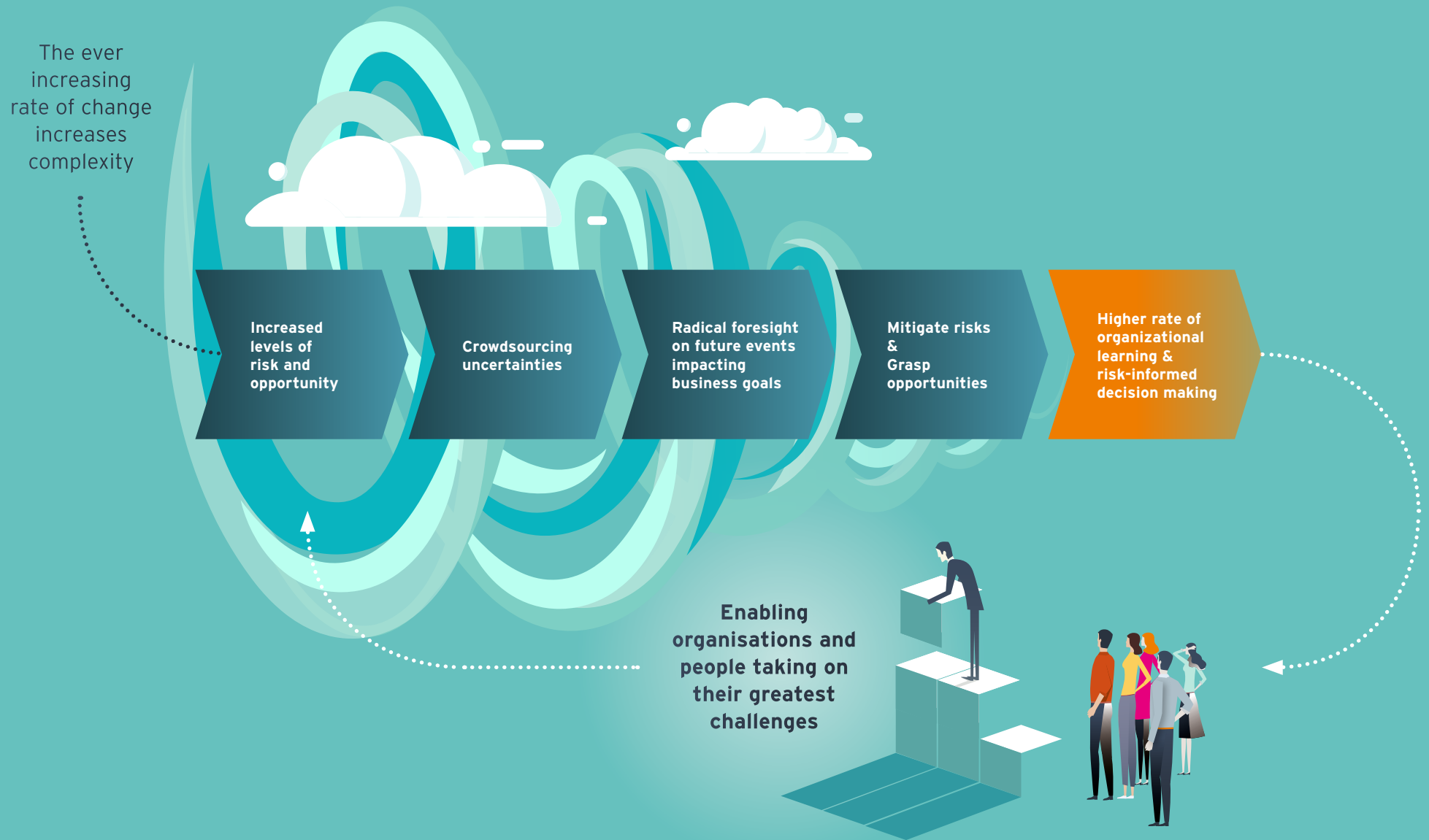
From the flow of the process, a powerful cadence emerges. The more an organization crowdsources, the more organisational learning and risk-informed decision-making takes place. To keep ahead of the ever increasing speed of change, the rate of learning must be faster than the rate of change<sup>2)</sup>.





FIGURE 5

## Crowdsourcing uncertainties



## What differences do we see in an organization after a Risk Leadership Mindset™ is implemented?

An organisation with a Risk Leadership Mindset™ operates radically different than traditional organisations.

The traditional risk management process is to administer negatives or hazards, and mitigate them, often after performing a root cause analysis. While there is nothing wrong with that practice, it is a backwards-looking assessment, making it difficult to address the future accurately.

Nowadays, most organizations also focus on control assurance and actively check if controls are adequate and how can they be improved. Again; good practice. But, it will not get you past what you already have in place other than gradual improvement.



FIGURE 6

## What is different?

1

In a more traditional top-down setting, senior leadership determines the risks entered into the risk register. In organisations with a Risk Leadership Mindset™, leadership empowers everybody in the organization to share uncertainties: risks and opportunities. Our approach adds bottom-up views to the traditional top-down approach.

2

**Secondly**, in many organisations, risk registers are updated with a frequency that is at best monthly. But risks don't rest, and opportunities don't wait, and so you must keep your risk register equally alert. At best windows of opportunities close down on you. In a worst case scenario they slip away to your competition. Organisations with a Risk Leadership Mindset™ have an always-on live risk register. Their radar to capture uncertainties is never down.

3

**Thirdly**, most organizations cannot learn from the risk environment outside their organization. Risk-Focus™ gives them an extremely effective tool to expand their views outside the borders of what they traditionally see.

4

**Fourthly**, the risk function in many client environments we enter, work from a 'risk control tower'. With a Risk Leadership Mindset™ insights into risks and opportunities flow free and in all directions. What becomes crucially important is to actively listen to these uncertainties to keep up with the velocity of risk and opportunity.

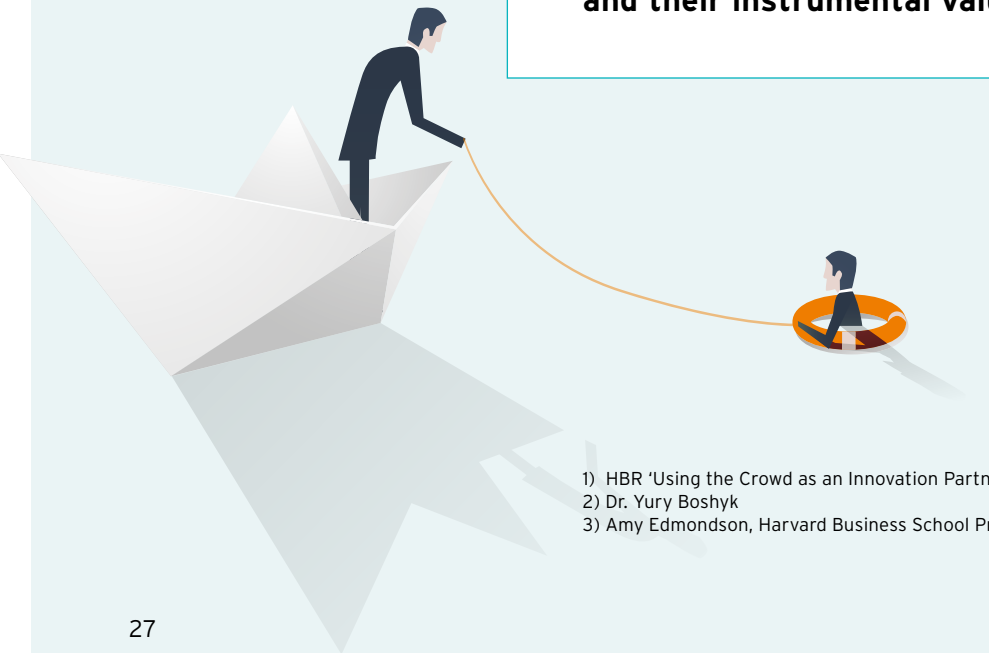
5

**Finally**, people feel and behave differently. Instead of looking for who to blame, people focus on mitigating risks, grasping opportunities and learning in order to create radical foresight. With the ultimate goal to make better risk-informed decisions at all levels. It's not about who was right or wrong, but about the right thing to do.




Based on Project Aristotle's findings, Google concluded that psychological safety is the number one driver for high performing teams as it creates an environment where team members feel safe to take risks and be vulnerable in front of each other. Psychological safety stems from a belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes<sup>3)</sup>. A Risk Leadership Mindset™ empowers people to share their uncertainties in a safe environment and see their collective knowledge evolve into foresights that drives learning and risk-informed decision making.

**It helps people understand their intrinsic value to the organisation, and their instrumental value to the organization's vision.**

- 
- 1) HBR 'Using the Crowd as an Innovation Partner' by Kevin J. Boudreau & Karim R. Lakhani  
2) Dr. Yury Boshyk  
3) Amy Edmondson, Harvard Business School Professor





**Our Risk Leadership Mindset™ is a future-focused methodology that incorporates the past and present and brings foresight into the organization such that threats and opportunities can be identified when change occurs, and the ramifications are understood.**

**In such organisations, multidisciplinary teams work shoulder-to-shoulder to understand risks and opportunities and co-create solutions. Risk management becomes everybody's day-to-day. A Risk Leadership Mindset™ connects your frontline employees' knowledge about risks and opportunities with the resources, expertise, and power needed to act timely.**





# About Magnifor Consulting



## About our firm

We are business interventionists focussed on transforming risk management practices. We help our clients create a Risk Leadership Mindset™. A critical element that distinguishes our approach is the conviction that organizational effectiveness is essential when transforming risk management. Such a transformation starts with a vision that must act as a true north-star: one every employee can see, understand and follow. Crowdsourcing risks and opportunities is a vital instrument getting to a Risk Leadership Mindset™, and it is why we have developed our digital proprietary solution Risk Focus™.

To support our clients building a 24/7 radar to capture uncertainties, giving them an unmatched head-start in their response-strategies. How we perform risk management is not carved in stone. We empower our clients in their transformation of risk management, making the impossible, possible.

**Marischa van Zantvoort**

CEO Magnifor Consulting

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