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Barry Jenner is a Chartered Accountant and Management Consultant specialising in improving the profitability of road transport and associated businesses.

Managing risk is challenging and businesses should plan to minimise the likelihood of severe damage. No matter what they do, directors can never identify all risks and prepare plans to deal with them. However, they should have processes on how to identify at least some risks quickly so they can decide how to act. That will at least improve their skills on how to deal with risk. They need to make their business less vulnerable to serious events and realise they cannot, as Taleb, Goldstein and Spitznagel wrote in the October 2009 Harvard Business Review, predict "extreme events."

The common practice of studying the past to help us manage risk does not, according to Taleb, Goldstein and Spitznagel help much. They note that there is "no such thing as a "typical" failure or "typical" success." Importantly, they highlight that we do not listen to advice about what we shouldn't do. "Psychologists distinguish between acts of commission and omission. Although their impact is the same in economic terms – a dollar not lost is a dollar earned – risk managers don't treat them equally." Greater emphasis is placed on earning profits than on avoiding losses. If a company is successful by preventing losses while competitors fail they can then take market share from them. There are numerous books about success stories and few on failure. Businesses should include risk management activities in profit centres and "treat them as profit generating activities."

They point out that redundancy consists of apparent inefficiency such as idle capacity and unused parts. The opposite is leverage which is supposed to be good. They say: "It isn't; debt makes companies – and the economic system – fragile. If you are highly leveraged, you could go under if your company misses a sales forecast, interest rates change, or other risks crop up." If you are not carrying debt, or too much debt, you can cope better with changes.

Capitalism is about incentives and disincentives. "…the very nature of compensation adds to risk. If you give someone a bonus without clawback provisions, he or she will have an incentive to hide risk by engaging in transactions that have a high probability of generating small profits." Businesses should have the power to get back the bonuses of those who fail.

Taleb, Goldstein and Spitznagel remind us that "the biggest risk lies within us. We over estimate our abilities and under estimate what can go wrong. The ancients considered hubris the greatest defect, and the gods punished it mercilessly. Look at the number of heroes who faced fatal retribution for their hubris: Achilles and Agamemnon died as a price of their arrogance; Xerxes failed because of his conceit when he attacked Greece; and many generals throughout history have died for not recognizing their limits. Any corporation that doesn't recognize its Achilles' heel is fated to die because of it."

A good place to start to deal better with risk would be with a Strategic SWOT Analysis which is writing each category on a quadrant on ***one page.*** Then ask “How can I use these strengths to commercialize these opportunities?" "How do I use these strengths to overcome these threats?" "What do I do to make sure that these weaknesses don't spoil these opportunities?" "What if these weaknesses combine with these threats, what corrective action will I need to take?"

Barry Jenner is a profit and business improvement specialist. Email: bjenner@mindshop.com.au or phone 0418 821 183 any time.