Risk Managers Need to Think Outside of the Box

Think inside-the-box thinking is relevant? Think again, because the brutal truth is that there is no box.

J ust try to draw a box around an industrial sector, a technology, or the limits of human stupidity, greed or arrogance. You know what? You can’t do it.

The inside-the-box thinking was that no do-gooder oil well could ever suffer a catastrophic blowout because the prevention technology was too good. We know what we were doing. Check. Wrong.

The inside-the-box thinking was that the speculation and lack of financial regulation that sponsored the Great Depression would never again be repeated. Check. Wrong.

The inside-the-box thinking was that the damage or terror of a Chernobyl or a Three Mile Island was behind us, that we could march forward in confidence and expand our dependence on nuclear power. Now, just look at what’s unfolding in Northeast Japan. Check. Wrong.

It may seem like an awful burden, but somebody’s got to take it on, and that somebody is you. It’s not an “inside-the-box” or “outside-the-box” analysis of everything that can go wrong or could go wrong in the furthest reaches of an organization be undertaken and that the human mind, that means your human mind, is capable of that task.

If we can build rockets to take ourselves and our attendant technology beyond the gravitational pull of our planet to our moon and beyond then we are fully capable of risk managing that adventure. If we can manipulate molecules to create better drugs, sunscreen and wind turbines surfaces through nanotechnology, then we have the ability to follow the trail of that technology, test for where it goes and where it has the potential to go wrong.

There is only one thing that limits our ability to properly calculate or manage any risk that may be out there and that one thing is time. The risk manager needs time to assess risk and that means slowing down the sedan, the chief financial officer and everyone else in an organization or a country for that matter that puts profit before human safety, peace and health. Give the human mind time and it can account for any danger, but it must be given time.

The very phrases “inside-the-box” or “outside-the-box” are utter nonsense. There is only one thing that limits our ability to properly calculate or manage any risk that may be out there and that one thing is time. The risk manager needs time to assess risk and that means slowing down the sedan, the chief financial officer and everyone else in an organization or a country for that matter that puts profit before human safety, peace and health. Give the human mind time and it can account for any danger, but it must be given time.

Perspective

Risk Managers Need to Stay Inside the Box

There’s no better way to say “mission creep” than to hunker down inside your box.

Risk managers are blesséd and cursed. They’re blesséd because their role takes them into different parts of their organizations. Risk managers taking one to one of the few managerial categories with the privilege of seeing a holistic view of the exposures facing their employer.

Risk managers, however, are also vulnerable to what the military often refers to as “mission creep,” and in this context risk managers are cursed.

There is no term more vague and amorphous than the word “risk.” What kind of risk? Where does the risk begin or end? There’s just no way to get at the risk.

Or our managers manage care. It’s a simple, clear, decisive mandate. The finance manager manages a company’s finances. That, too, is clear and straightforward.

But risk, that’s a different story. Risk is an umbrella term, one in which plenty of variables come and go. As such, the term “risk” is ripe for abuse and exploitation.

Is GE’s risk manager responsible for mundane nuisance like slip and falls on the factory floor of the company’s aircraft engine subsidiary? Or, is GE’s risk manager responsible for multimillion dollar turbines that can potentially send an aircraft crashing to the ground?

Is the risk manager responsible for accounting enough capital for his or her company? Or is he or she responsible for making sure a company’s risks are adequately reinsured?

Do risk managers buy insurance to make sure corporate risks are adequately covered? Or do they dabble with “alternative risk” strategies better left to captive management experts. Do risk managers delve into catastrophe bonds or leave that to Wall Street and the capital markets?

So, what exactly does it mean to stay focused on the basics when you’re a risk manager? It means thinking inside the box.

Risk managers need to stand their employees to stay focused on the risk in question, and to make sure an insurance product or service is available in the marketplace at a reasonable price to protect against that risk.

If the chief executive suite wants more out of its risk manager, it can expand their scope of duties outside the box. If not, then the chief executive suite wants more out of its risk manager, it can expand their scope of duties outside the box. If not, then the chief executive suite wants more out of its risk manager, it can expand their scope of duties outside the box. If not, then the chief executive suite wants more out of its risk manager, it can expand their scope of duties outside the box. If not, then the chief executive suite wants more out of its risk manager, it can expand their scope of duties outside the box.

 Risk managers, juggle the day-to-day, detailed processes of managing risk at a time when corporate budgets and resources have been reduced. Then there are the increasingly frequent crises that can disrupt operations without warning. That’s when effective risk management is critical.

At the same time, risk managers are challenged to be creative and strategic – think out-of-the-box – especially if enterprise risks for risk managers and brokers. It’s one of the ways we help our clients think “outside the box,” giving them insights to be better risk managers. All of our recent risk insights are available from downloading from the Zurich Virtual Literature Rack (www.zurichvlr.com). Risk managers don’t have a choice. Today, the art of risk management requires out-of-the-box thinking.

But to succeed, risk managers need all the help they can get.

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In the United States, coverages are underwritten by member companies of Zurich in North America, including Zurich American Insurance Company. Certain coverages not available in all states. Some coverages may be written on an on-demand basis through licensed surplus lines brokers. Risk engineering services are provided by Zurich Services Corporation. Zurich Services Corporation does not guarantee any particular outcome and there may be conditions on your premises or within your organization, which may not be apparent to us.