

RISK
STARTS
AND
ENDS
WITH
people



Demystifying risk for
executives and leaders

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Introduction

No organisation can afford to ignore risk. Whether it comes from environmental threats such as floods and fires, human threats such as terrorist attacks or computer viruses, or health threats such as an unexpected global pandemic, we must all plan for the possibility of things going wrong.

But the thing about planning for risk is that it can make us fixate on potential threats. We can become so worried about the things that might happen that we introduce systems of protection that are themselves sources of risk. We set up processes that slow down our businesses, frustrate our employees and create a culture of suspicion and mistrust, and these can cause more harm than the original threats we hoped to protect ourselves against.

RISK STARTS AND ENDS WITH PEOPLE

In *Risk Starts and Ends with People*, you will be presented with a new perspective on risk. You will be shown how to protect yourself more effectively from potential threats, while at the same time creating a workplace culture that is supportive, transparent and resilient.

The vital importance of getting risk right means that it is also the source of a huge amount of anxiety, and even fear, for those tasked with managing it. Getting risk management wrong can mean the destruction of the organisation's assets – or its reputation. It can lead to harm being caused to employees or customers, including physical, psychological and emotional damage. For those decision-makers responsible for risk management, getting it wrong can also cause damage to personal reputations, which can end careers.

It's because of these high stakes that emotional, reactive and downright dangerous decisions are common in risk management. Risk has generated a multi-billion-dollar risk management industry, but all too often this industry trades on smoke and mirrors, selling concerned decision-makers solutions that are not adequately explained or customised or, worse, exaggerating threats to encourage leaders to make decisions out of fear.

We have seen this first-hand when working with companies who find themselves lost in a labyrinth of confusing risk management solutions. We've seen it

when complex technology they have heavily invested in has been unsuccessful in identifying the range or depth of threats expected, often generating more noise and anxiety than useful information. We've seen it when a toxic work environment means that managers don't trust their own teams, or that employees don't trust the organisation. Many organisations that have addressed risk through tick-box or band-aid, bare minimum solutions have realised that a more holistic, granular and responsive approach is needed.

In this book, you will be introduced to a unique approach that has been highly effective for organisations fixated on risk. Workplaces unravelled by fear, suspicion, disengagement or malice can create the safety to drive transformational outcomes, mitigate risk, open up opportunities and empower their people, free from the fear of failure.

The secret? People.

People are at the very centre of risk, which is why risk starts and ends with people.

You'll come to understand just how powerful this simple statement can be. It will reorient everything you know about risk and give you a sudden and clear view of how risk develops inside an organisation and, crucially, how you can turn it around. You will be introduced to a comprehensive, tried-and-tested framework to 'protect the house' – *your* house. And

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you'll learn how to create a Safe Zone, within which you can harness your greatest asset – your people.

Time and time again, we've seen people apply these principles in their workplace to understand the vicious cycle causing them so much anxiety, so much tension, and so much risk. It is like an epiphany – the scales fall from their eyes and they gain clarity about the way people contribute to *and* protect against their organisational risk.

Risk Starts and Ends with People is written for CEOs and executives driven by a desire to create meaningful change. It's for the true leaders who are rolling up their sleeves to do the work that matters.

This book is a practical guide to leaving behind the fear and anxiety associated with risk. It is a toolkit for inspiring your people to become your risk sensors and to identify risk before it has the chance to inflict serious harm. It's a manual for creating a workplace where people are motivated to come to work, contribute their skills, innovate, problem-solve and push for excellence.

So come on, let's get started.

PART TWO
PEOPLE ARE AT THE
CENTRE OF RISK

3

System For Risk (S4R)

We've seen what happens when an organisation finds itself fixated on risk – it ends up in the Risk Vortex. But how do you escape from it? The first step is to understand how risk grows and develops, so you avoid falling victim to it.

In this chapter, we will unpack the powerful system we use to clarify how risk operates inside your organisation – S4R. It allows you to turn the risk dial all the way from being reactive, through proactive and predictive, to preventative. The system centres on people and the environments in which people interact, including the pressures and influences they are under.

Before we go into S4R, I want you to take a quick moment to think of a situation that you observed at

home or work where an incident or accident occurred. When you read through this chapter, draw from that situation. We are going to go through an actual exercise in Chapter 5, but applying the principles here will already help you start looking at the situation from a different perspective.

Introducing the S4R

S4R involves three layers of understanding that extend out from the centre:

1. **People** are at the centre of our risk system (the inner circle).
2. **The Risk Lens** forms the second layer with two focal points:
 - Risk *to* a person
 - Risk *by* a person
3. **The Risk Model** is the third layer and takes a holistic approach to understanding what makes each person tick – what you could call their ‘risk cocktail’. There are four key components to the model:
 - Predisposition – a person’s life journey that influences how they interpret situations
 - Stressors – environmental factors that can affect a person, including home, work, finances and health

- Triggers – things and events that uniquely impact a person and can create stress
- Onset – the expression of a person’s change in behaviour and attitude



The System for Risk – S4R

People are at the centre

Ensuring your people feel engaged and connected to the organisation is critical to people-centred risk management. Connection with your people exists on a spectrum from disgruntled and disengaged through to actively engaged. Disengagement can cause risks such as higher absenteeism or lack of productivity, or even theft and malicious attack. Moving to the other end of the spectrum – being actively engaged, empowering and motivating your people – can have many benefits. Engaged people protect your organisation and identify risks to help keep it safe. That is why people should be

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at the centre of your focus. They are critical when taking a balanced view to understanding and addressing risk.



People at the centre

The Risk Lens

The Risk Lens sharpens your focus as there are only two ways to view risk – risk *to* a person and risk *by* a person.



The Risk Lens

Risk *to* a person

Risk *to* a person occurs when a person is exposed to harm. This can come under two categories:

- **Natural** (aka Mother Nature) – examples include climate (weather, storms), terrain (mountains, deserts, rivers, ocean), natural disasters (tsunamis, droughts, fires, earthquakes) and wildlife (animals, insects, snakes, sharks).
- **Human-created** – examples include verbal abuse, bullying, physical violence, terrorism, shootings, fraud, theft, cyber-attacks (using technology as a weapon), explosives.

Risk *to* a person can be direct or indirect. For example, someone might witness an attack or murder, and even though they are not directly attacked, they may have a strong or traumatised reaction. This type of risk can also be found in the workplace. A person may be subjected to harm, such as bullying, intimidation, harassment or even a toxic work environment.

Risk *by* a person

Risk *by* a person is exactly as it sounds – a person who is inflicting harm. This is what you are trying to avoid happening to your organisation, both from external harm (by a person or people) and also from within.

Risk *by* a person is not always malicious. It can be accidental or can result from neglect. In the work environment, this is considered a type of insider threat and can be a result of a change in a person's attitude and behaviour. Perhaps the person has become disengaged and they are not paying attention, are making errors or doing poor work. Or they have become disgruntled and they express this change in damaging ways that can pose a serious risk to the organisation. This can come in many forms, for example an attack (physical, emotional, cyber), absenteeism, malicious damage, sabotage or theft.

The Risk Model

The Risk Model takes a holistic approach to understanding a person, how they are influenced by their environment and their risk profile. The Risk Model has four principles: predisposition, stressors, triggers and onset. These principles – ingredients, if you like – can help chart the journey an employee might take from being one of your greatest assets to one of your greatest threats. Each person has different ingredients in their cocktail, and it's not always possible to tell what they are. People don't wear labels to tell you what is going on inside!



The outer layer of S4R is the Risk Model

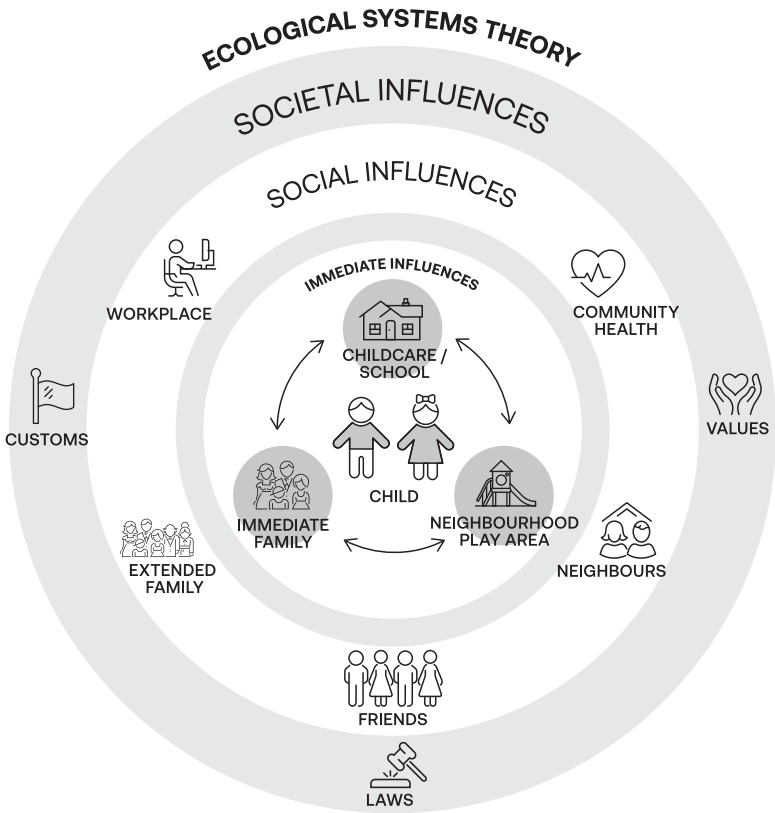
Predisposition

Identifying a person's predisposition means taking a holistic view of a person – basically, what makes them tick. Growing up, we are exposed to many different environments and circumstances that influence the way we perceive the world and ultimately, who we become as adults. When you think of predisposition, think of a person's life journey and everything that has influenced them along the way to make them who they are. Consider that humans are like sponges – we constantly absorb aspects of our environments as we interact and observe everything that is happening around us, both directly and indirectly.

There are many theories that explain how early development is influenced by our environment. Urie Bronfenbrenner's ecological systems theory identi-

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ties various ways environmental systems interact and influence our development.¹¹ At its most basic level, this theory explains how family, peers, school, religious institutions, culture, ethnicity, economic status and socio-historical events can all interact and influence a child’s development and view of the world.



Ecological systems theory

The ecological systems theory describes how our experiences through life influence our development and contribute to our predispositions as adults.

Take a moment to think about your own life's journey, from when you were young, as far back as you can recall, to where you are today. I'm sure you can think of many influences from people, experiences and situations; or perhaps you can remember a challenge you experienced at some point, whether in health, work or your personal life. Your experiences will be mixed – some good, some bad and everything in between. There will be some moments that were life-defining, while others may not have been big moments, so long as they were important to you.

Have you ever reflected on your life like this and determined that you are now exactly where you are meant to be? Or perhaps you are surprised about where you have ended up in life? Have you ever challenged yourself on your own thinking and how you have been wired to think that way?

To understand a person's predisposition is not a quick personality assessment. It is much deeper and more comprehensive. People are truly fascinating and as much as we might see similarities in people, our individual life's journey makes us unique, which is why investing in understanding people better is critical and an important part of the Risk Model.

Contributors to predisposition

Our predispositions are affected by many factors:

- **Character** – Our internal selves and the values we hold close, including our morals, ethics and beliefs, which define the way we conduct ourselves.
- **Personality** – The part of ourselves or our qualities that the world sees, such as our extraversion, agreeableness, or conscientiousness. These traits can reflect our character, but not always.
- **Mental health** – Our emotional, psychological and social well-being, which impacts our ability to manage stress and maintain relationships with others. Everyone has challenges through life, which can affect our mental health, and cause mood changes, low energy levels, sleep problems, eating disorders or drug and alcohol use.
- **Emotional awareness** – Often grouped with mental health, this is our awareness of our feelings and our ability to manage them, such as through proactive changes, exercise or support networks.
- **Genetics** – Our genetic make-up can determine the likelihood of developing a particular disease or even exhibiting certain behaviours.
- **Physical** – Our ability to perform the basic and instrumental activities of daily living. This may be

affected by disability, or levels of physical fitness. Some job roles have more demanding physical requirements, for example fire fighters, defence personnel or bricklayers.

- **Cognitive** – Our mental abilities, including learning, thinking, reasoning, remembering, problem-solving, decision-making and attention to detail.
- **Belief systems** – The principles by which we live and formulate our moral compass and ethics. These can dramatically influence our reactions and responses (either positively or negatively). They may be influenced by culture, an institution (eg religion), or the individual (personal and interpersonal).
- **Oppression** – Our experiences of injustice, harm or cruelty – whether actual or perceived – leading to a sense of mistreatment. We may, at some stage in our life journey, have experienced exploitation, marginalisation, powerlessness, cultural imperialism, violence or fear of violence.
- **Mindset** – Our frame of mind, which influences how we react to events and factors in our daily lives. Examples include having a positive outlook, being a pessimist, or being open to growth.

To give some insight into the influence of predispositions, in Chapter 4, I share a personal story of how the 2019–20 Australian bushfires affected me.

Baselines, buffers and buckets

People handle stress in different ways. We all have a level of stress in our lives as we navigate the various parts of it, such as home, work, personal relationships, health, kids, finances and community.

A person's predisposition, life experiences, skills and ability to manage stress all influence their baseline. The baseline is a person's status quo, how we would expect them to react and respond to normal daily activities and stressors. Everyone has a different baseline. There is usually a buffer in our baseline, which allows us to navigate minor daily ups and downs – we all have good and bad days.

Beyond Blue, a leading Australian mental health and well-being support organisation, uses the analogy of a 'stress bucket'.¹² The idea is to keep our stress bucket from overflowing. We all have a different capacity in our buckets, depending on our predispositions. Our ability to cope with additional stress depends on how well we are managing our life and stressors, and how far we already are from our baseline. 'Imagine you have a bucket. This bucket represents your capacity to cope with the ups and downs in your life. We all have a different sized bucket that's determined by a range of factors, like your genetics, personality and events that have happened to you.'

We all have our limit. The important thing is to recognise the signs that we are reaching it. Self-awareness can help us to protect ourselves both physically and emotionally from the harm that can result from stressors.

Stressors

Stressors are changing internal and external environmental factors that can create additional pressure, strain or tension.

- **Internal stressors** relate to a person's health, both mental and physical.
- **External stressors** include a person's work, family, home, social networks, community, society and financial situation.

Whether internal or external, stressors are environmental. And stressors are unavoidable. No matter which way you go – left, right, up or down – you encounter an environment with potential stressors. The moment you walk out the door in the morning, you navigate air quality, traffic, crowds and weather. Any of these things could add to your stress levels, which are different for each person. You might encounter a bee, and if you are allergic to bees, this will be more stressful for you than for someone who is not. When you arrive at work, someone could make a joke in the office. Every-

body else might be laughing, but you may be furious because you find the joke rude or offensive.

Types of stressors

All levels of interaction with the world have the capacity to add to or reduce our stress. Environmental influences that may add to your stress burden include health concerns, relationship breakdown, workplace violence, legal or financial difficulties, or the loss of a loved one. These are just a few of the things that can impact a person's state of mind, and stressors like these cannot be left at the door when we come to work, despite the expectation of many organisations.

Triggers

A trigger is an event or interaction that impacts a person and can create stress. Triggers are as individual as a person's predisposition, which means they are not always obvious to others. Triggers can be an unpleasant event, including natural events like fires, floods or storms, or human-made events like robberies, relationship breakdowns or car accidents. Triggers in the workplace include redundancies, restructures, loss of team members or even being passed over for promotion.

There are times when an earlier incident in a person's life, which appears dormant, suddenly and power-

fully awakens in response to some kind of trigger. It could be something as simple as an item on the news, or a passing conversation, that sets them off. The person, who has reached the limit of their stress capacity, snaps. Whether consciously or not, they do not think or behave in the same way that they did before.

CASE STUDY: Amy's trigger

Meet Amy, who has been struggling with red tape and internal bureaucracy. Beyond the frustrations of her own role, she has had to learn new systems and protocols because she has taken on a colleague's project while they're on leave. Due to problems at home (tensions in her marriage) and a recent knee injury that has kept her from her usual stress release of running, Amy is at the limit of her stress capacity. She is not thinking clearly and is feeling underappreciated, overworked and under pressure. When Amy's manager provides a performance review that is less than favourable, it is the last straw. She has an emotional outburst and resigns.

The trigger, the straw that broke the camel's back, was the poor performance review. But without the enormous stress levels that Amy was already carrying, she may have been able to cope with one unfavourable performance review. The emotional outburst and resignation represent the expression of her change in thinking, or onset, which we'll look at shortly.

Stress multipliers

Triggers don't always lead to an onset of behaviour change. For example, if a person is not close to the capacity of their stress bucket, the trigger and situation may become just another stressor in the stress bucket, without leading to an onset.

There are certain triggers that are far more likely to lead to an onset – often with velocity. These are stress multipliers. These types of triggers tend to strike a nerve in a person's belief system, such as their values and ethics, or are experienced as oppression. Examples include perceived attacks on religious or political beliefs, or sexual or racial harassment. Whether it is perceived or actual, these triggers have greater intensity than other stressors and will more likely lead to an onset.

It is also worth noting that if a situation or incident has touched on a belief system or oppression, it will usually be much more difficult to resolve. People find it difficult, if not impossible, to move forward from these issues. As a result, they may feel a heightened level of sensitivity around future communications, continue to harbour feelings of victimisation, and demonstrate exaggerated reactions and responses in their interactions.

Onset

When a trigger happens, a change occurs in a person's behaviour or attitude, whether consciously or unconsciously – it's a 'go or no-go' situation. If the response is 'go', the situation has moved to the point of onset. It is often when we see the move from risk *to* a person to risk *by* a person.

The onset is accompanied by an expression. Expressions are problematic and can lead to damaging outcomes. They can take various forms, including:

- Self-harm, such as drug or alcohol abuse
- Self-sabotage, such as losing motivation or spontaneously quitting your job
- Harm to another person, such as bullying or violence
- Harm to an organisation, such as stealing or damaging assets, sabotaging plans, disengagement or absenteeism
- Harm to the community, such as vandalism or gang violence

Regardless of the target, the expression of an onset tends to fall under two categories:

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- **Observable** – the change in expression can be viewed in such forms as threats, property damage, violence, disgruntled or enraged outbursts
- **Concealed** – there is no noticeable change in expression, and perhaps a level of secrecy in the approach to conduct harm, which takes such forms as theft, embezzlement or capturing sensitive information or IP to take to a competitor

We'll look at how these different kinds of onsets can play out in Chapter 5.

Risk factors

There are a few additional considerations that should be explored when evaluating risk. These are:

- Time
- Environment
- Means, motive and opportunity

Time

Some people feel that if they leave difficult situations alone, the difficulty will dissipate over time and the people involved will 'get over it'. But sometimes the reverse happens – problems can fester when left

unchecked. There appears to be two contradicting narratives:

- ‘Time heals all wounds’
- ‘Time exacerbates problems’

Each of these statements is true some of the time. Which one should you use?

If your strategy is to take no action at all, hoping that time will heal your problems, there’s a good chance you are putting your organisation at risk. Once triggered, people may conceal behaviours that are extremely harmful to the organisation. That said, there are some cases where people’s stressors *do* defuse over time.

My advice is this: don’t make assumptions. Take the time to check in with your people in a supportive manner. It’s the only way to discover whether an issue is festering or healing.

Environment

Environment refers to everything that surrounds a living being. To keep things simple, let’s break it down into two categories:

- Natural environment
- Human-made environment

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The natural environment relates to land, mountains, deserts, volcanoes, water, oceans, weather, climate, natural disasters, and so on.

The human-made environment includes tangible elements – cities, homes, manufacturing, transport, communication, appliances, technologies, conveniences and luxuries – and also the social environment, which is extremely influential in a person's life. Our social groups, communities, cultures, customs, organisations, laws and other social systems are essential to humanity flourishing, and heavily impact every individual person.

The workplace is no different. There are the operational requirements, which for a number of organisations is simply 'command and control'. There are also the social and cultural aspects, which include the values, behaviours and shared vision of the organisation. These can be strengths if employees connect to them, but in far too many cases, they are stressors.

Means, motive and opportunity

If you have ever watched a crime show, you'll probably have heard that to convict a criminal, the prosecuting lawyer requires evidence to prove 'means, motive and opportunity'.

- Means is the capacity to commit an act – for example, having the required skills, knowledge, tools, weapon and /or physical ability.
- Motive is the reason to commit the crime, or in our case, the expression – for example, a colleague sabotaging a deal to get revenge.
- Opportunity means the right circumstances – for example, the time and place, or ability to get access to commit the crime.

A lot can be learned from understanding means, motive and opportunity. When an incident takes place, many organisations are more concerned with removing the threat (employee) than learning about the person who caused the attack and their reasons for causing harm to the organisation.¹³ But it's well worth taking the time to understand the underlying causes of a risk, as this is where risk countermeasures can be identified.

Implementing proactive measures in each area is important. For example, it is possible to reduce means and opportunity through things like digital restrictions or limiting access to a building or tools. As for addressing motive, a people-centred approach, forming connections with your people and lessening their potential stressors, can bring down their motivation to do harm.

Summary

Staying focused on the people at the centre of your risk management approach and strategy can make a world of difference. You can view them through the Risk Lens, which allows you to determine whether the risk is predominantly *to* a person or *by* a person, and where the two are connected. Most of the time, you will find there is risk *to* a person before there is risk *by* a person.

The Risk Lens underscores the importance of understanding the factors that feed into a person's risk cocktail. Every person has a unique level of ability to navigate particular environments. It is important to understand what risks may come with this, which is why the Risk Model contains four key components:

- **Predisposition** – A person's individual life experience, values, beliefs, personality, character, mindset, capacity for stress, and more, which affect how they interpret information and situations. Other factors such as genetics, environment and health can play a part in this as well. You can simplify this with the question, 'What makes this person tick?'
- **Stressors** – The internal and external environmental factors that create pressure, strain, or tension in a person's life. Internal stressors can be related to physical or mental health, and external stressors come from the environment around us.

These can include work, home life, social obligations or financial pressures.

- **Triggers** – The significant events that impact a person, directly or indirectly. There are human-made triggers, such as confrontations, bullying, violence and arguments, and natural triggers, such as fires, storms, floods and other natural disasters.
- **Onset** – The change in a person's attitude and / or behaviour after a trigger. This can be conscious or unconscious and can be a precursor to high-risk activities. Expressions of onsets vary in severity but can include harm to self or to others, a community or organisation. In any case, onset expression usually falls under two categories:
 - Concealed – when external changes in behaviour are not observed
 - Observable – when there are noticeable external changes in behaviour

In the next chapter, I'll introduce an analogy that makes the Risk Model almost frighteningly clear.