Feel the need for speed

Stop whining and leverage the fast pace of life today, says Hans Læssøe of AKTUS and Risk Insight Consulting’s Gareth Byatt.

Today’s business news, business surveys, internal discussions and regular conferences – all talk frequently about the challenges of dealing with disruption in the business environment, the fourth industrial revolution (that is, digitisation), and the immense speed of change the world is experiencing.

Many business people are anxious about the extent and pace of change – and many believe that it is, and will continue to be, extremely challenging to cope with, let alone to benefit from it.

If this is your position, we feel we must gently advise: as risk professionals, your environment will experience greater and faster change – and you need to use risk management to benefit from it. Change is a constant, and the absolute speed of change today is increasing.

**DON’T BE LIKE GRANDPA**

Your perspective of change determines how you respond to it – positively or negatively. Here’s an example for you to consider.

The simple graph, right, illustrates the way people at different stages in their life perceive their world. It shows a relative change of 10% per year. Year on year, it therefore becomes more and more pronounced.

At the bottom-left is the teenager. They see a rather stable world through their eyes; nothing much is changing in their view. In fact, they believe that if life moved any slower, it would go backwards.

In the middle we have the adult, who remembers the stability of the past and thinks that, these days, the world is changing increasingly rapidly, more than before. Intellectually, they see that the pace of change will continue to speed up, and this is possibly an unsettling thought, at a time of life when stability is usually sought after.

At the top-right end, we have the retiree, who fondly remembers (and perhaps exaggerates) the stability of his youth, and the hard work they had to do to keep up with change when they were an adult. Today they see the world changing in an uncontrollably fast way, and they find it emotionally hard to fathom that this could increase any more.

But we are here to say: “Too bad, Grandpa!” Your grandchildren are seeing the present day in the same comfortable way you did when you were their age and embracing change as normal. They don’t expect a phone (make that mobile computer) to be up to date for more than two years, SMS texting is passé, email is antiquated, and they have switched preferred social media platforms several times in the past couple of years.

**DISRUPTION THROUGH THE AGES**

Disruption is an oft-used ‘word of the day’ in business, but much of what is happening has occurred before; albeit in a different and slower way. Think back through history:

- The Romans disrupted government by introducing bureaucracy
- Gutenberg disrupted publishing by inventing printing (“What? We allow the masses to read?”)
- Ford disrupted personal travel and industry with the assembly line
- The early telecoms companies disrupted the whole medium of communication
- IKEA disrupted the furniture industry
- Apple disrupted the mobile and music industry
- Airbnb is disrupting the hotel industry

“STOP THE WORLD, I WANT TO GET OFF”

The way we perceive the speed of change grows exponentially as we get older... and we’re not always happy about it.

Stop whining and leverage the fast pace of life today, says Hans Læssøe of AKTUS and Risk Insight Consulting’s Gareth Byatt.
• Cryptocurrencies are disrupting parts of the finance industry.

The world has seen significant change through the ages but now we call it ‘disruption’. There is a reason the current industrial changes are called the fourth industrial revolution. The key thing about this fourth industrial revolution is that this disruption is occurring more frequently, faster and has a more immediate effect than it had in the past.

Much of this is due to the interconnected nature of how we all live and work. Some say that in 2018, more data will have been created than mankind managed to create in the previous 5,000 years. More than half of the scientists and researchers in the history of mankind are alive and working today (some believe the figure is as high as 90%).

Currently, most disruption in business is based on the digitisation of actions, processes and services, which also enables a sharing economy where ownership is not a prerequisite of use. Few saw the increased automation of the factory floor as anything but sound efficiency gains. Today, automation is moving into the offices and affects business strategies – and now everyone sees potential burning platforms.

We must rejoice – prosperous times lie ahead, so use risk management to drive them.

MORE NIMBLE, LESS STABLE
Throughout most of the 20th century, size was a key competitive advantage. A slogan for large businesses was “dominate or die”, and Forbes 500 companies had a life expectancy of 60-plus years.

Then, around the turn of the 21st century, “outsourcing” became a strategic focus. Companies of various sizes saved costs by outsourcing tasks to low-cost countries and built complex networked supply chains and organisations to manage this.

Today, neither of these approaches offer any significant competitive advantage. They may still be valuable in certain situations, but fast-moving and unexpected disruption from any direction can change your business conditions to such an extent that stability is not something that will last for long.

Today, the slogan is more likely to be “disrupt or die”. Forbes 500 companies now have a life expectancy closer to 18 years, and falling.

Manoeuvrability for businesses of all sizes has become the key to competitive advantage.

You need to be able to spot, or even create, trends and changes – and act on these faster than your competitors. You need to have bold(er) strategic planning, based on future needs and desires, and a willingness to be flexible and adapt to change. This is what Tesla, Google, Amazon, and others are doing in addressing electric-powered and autonomous vehicles, and green energy supply.

Such moves may not be immediately seen as risk management, but risk management concepts, tools and processes enable you to tread these paths:

• Systematic scouting for emerging risks and opportunities, by addressing what is and may be happening in your industry, in parallel industries as well as in the economy at large (e.g. sharing economy, blockchains and cryptocurrencies, water scarcity, CO₂ emissions, work/life balance, etc.);

• Predefined and known levels of risk capacity (what can you really afford to risk) and risk tolerance (what will you accept) on multiple parameters such as financial, environmental and reputational;

• Understanding of inter-connectivity, and running through scenarios to look at how events could unfold and how to act upon them in a flexible way;

• Defined and monitored early warning indicators showing when a risk or an opportunity is about to materialize; and

• Defined and tested plans to deal with things that do happen, including acting on early warning indicators to head off the most damaging effects. Leading companies already take this approach, though it may not be labelled ‘risk management’. If your organisation is yet to adopt this mindset, then the longer it waits, the harder it will be to catch up.

COMFORT IS OVERRATED
Most risk managers are currently working in organisations where the executives and the board are not aware of how valuable risk management can be to help the organisation truly prosper. This gives you a tremendous opportunity to be a key enabler, to assist executives and the board to set strategies and deliver on plans to succeed in a world they may still think is changing faster than they are comfortable with.

But business development is like walking up a down-escalator. The minute you slow down or stop, you start moving in the wrong direction.”