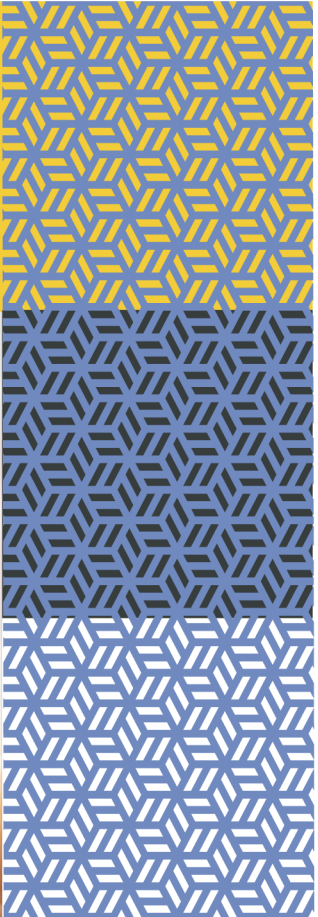
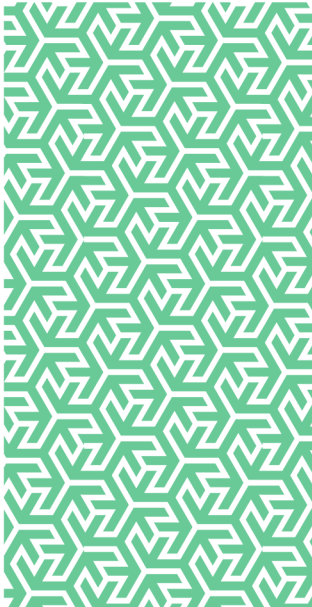




Risk control

The Great Unknown Unknowns

(Risk Information and Intelligence)



In partnership with



The Great Unknown Unknowns

(Risk Information and Intelligence)

Introduction

Events such as the rise of the personal computer in the 1970's through to the development of the World Wide Web in the 1990's has led us into what many may refer to as the 'information age'.

The 'information age', which can also be referred to as the 'digital age', describes a time in human history where the advancement of technology from analogue electronic and mechanical devices to the digital technology available today has fundamentally transformed many aspects of the human experience.

Benefits of the digital transformation include:

Globalisation

The integration of people, systems, markets and economies.

Networks

The creation of large computing networks allowing vast numbers of people to interact.

Mobility

An enhanced ability to communicate and perform activities from virtually anywhere.

Productivity

Technologies have presented opportunities to increase value creation and reduce inefficiencies.

It was advancements such as these that afforded the opportunity to many people to continue working whilst coping with the consequences during the recent COVID-19 global pandemic.

However, despite all of the advancements that have been achieved over recent years, the 'information age' does not come without presenting new challenges that must be addressed.

The Rise of Fake News

Some of these new challenges include:

Digital Dependency

People, societies, and organisations can become dependent on new digital technologies.

Information Security

As dependence on digital technologies increases, so too does the importance on protection from events such as system failures and cybercrime.

Infobesity

The tendency to crave and digest high volumes of information even when this isn't always necessary or effective for our needs.

Misinformation and Disinformation

Information can be widely shared across large networks with little or no regard for accuracy, reliability, impact, or intent.

And it is the rise of disinformation, sometimes regarded as 'fake news', whether through genuine error or deliberate intention, that has created a significant challenge to any person, group or organisation who aspires to adopt an evidence-based approach to decision making.

Evidence Based Management

The foundation for evidence-based management is that management decisions should be based on a combination of critical thinking and the best available evidence. In these terms, 'evidence', means information, facts or data supporting (or contradicting) a claim, assumption or hypothesis.¹

Information may be presented from external sources such as scientific or industry bodies, or from internal business sources such as performance management systems.

The availability of high quality and reliable data can create opportunities for the potential utilisation of quantitative risk management techniques. Whilst these techniques are not without criticism, their evidence-based methodology can be very compelling and offer distinct advantages when compared against non-evidence based qualitative techniques. These benefits include:

- Enhanced precision and control
- Enhanced objectivity
- Greater sophisticated, in-depth analysis
- Replicability

However, information and data is not always available. Or it may be that information is available, but its accuracy, reliability or validity is called into question as its source cannot be trusted or verified.

In these circumstances, a person, group or organisation must turn to qualitative risk management techniques in order to formally assess risks, leaving themselves exposed to the many weaknesses associated with such techniques. These weaknesses include:

- Increased subjectivity
- A reliance on individual experiences, attitudes, beliefs, and thoughts
- An exposure to heuristics and cognitive biases
- A difficulty in applying conventional standards of reliability and validity

In circumstances where little or no reliable information of value exists, organisations must seek to ensure that considerations are still informed to the best of their ability.

Categories of Risk Information

The National Cyber Security Centre² classifies risk information in four distinct categories:

- **Qualitative** information is about describing something in human language, such as written information presented in documents.
- **Quantitative** information is about things that can be measured in numbers.
- **Objective** information is verifiable and not subject to opinion
- **Subjective** information is a matter of opinion

While it is unlikely that an organisation will deliberately exclude categories of information from consideration, it may be that organisations develop preferences and become reliant on certain categories such as qualitative or subjective, unintentionally excluding others to the potential detriment of the risk management process itself.

Sources of Risk Intelligence

Sakichi Toyoda, the founder of Toyota, defined the 'Toyota Way' – a series of precepts to be understood and utilised by his company leaders. "Genchi Genbutsu" or "Go and See" is one of these precepts, encouraging the reader to go to the source to find the facts to make correct decisions.³

For internally generated information, going to the source may seem a reasonable and achievable proposition, however, for externally generated information, this may be a much more challenging and arduous prospect. In these circumstances, it may be beneficial and appropriate to rely on information gathered by other credible and authoritative sources.

To this end, while not seeking to be comprehensive in nature, the following sources for risk information and risk reports may be worthy of consideration to inform upon organisational discussions on risk:

Allianz Risk Barometer | Allianz

The Allianz Risk Barometer is an annual report identifying the top corporate risks for the next 12 months and beyond, based on the insight of more than 2,700 risk management experts from 92 countries and territories.

Available here: <https://www.agcs.allianz.com/news-and-insights/reports/allianz-risk-barometer.html>

Aviva Risk Insights Report | Aviva

The Aviva Risk Insights Report is based on research with business leaders and is intended to give the business community insights and analysis on the risks and challenges that UK businesses are facing.

Available here: <https://www.aviva.co.uk/risksolutions/>

Global Risks Report | World Economic Forum

The foundation of the annual report continues to be the annual Global Risks Perception Survey, completed by over 650 members of the World Economic Forum's diverse leadership communities.

Available here: <https://www.weforum.org/reports>

Risk Reports | Lloyds

These risk reports explore the latest thinking on emerging risks and the implications for insurance.

Available here: <https://www.lloyds.com/news-and-insights/risk-reports>

Swiss Re Sonar | Swiss Re

Every year, Swiss Re SONAR informs and inspires conversations about emerging risks, so the insurance industry and its clients can continue to build resilience.

Available here: <https://www.swissre.com/institute/research/sonar.html>

Conclusion

We live in a world and of an age in which information is king. Whether at home, at work, or on the move, anything we might conceivably wish to know is just a few mouse-clicks or screen presses away. The challenge we face as individuals and as organisations is to discern good from bad information in order to improve the likelihood that the decisions we make are the right ones.

References

- 1** The Centre for Evidence-Based Management. *What Is Evidence-Based Management?* Accessed on 27th October 2021. Available at: <https://cebma.org/faq/evidence-based-management/>
- 2** National Cyber Security Centre. *Risk Management Guidance*. Accessed 2nd December 2021. Available at: <https://www.ncsc.gov.uk/collection/risk-management-collection/essential-topics/variety-risk-information#:~:text=Risk%20information%20is%20any%20information,of%20something%20important%20being%20misled.>
- 3** The Centre for Evidence-Based Management. *What Is Evidence-Based Management?* Accessed on 27th October 2021. Available at: <https://cebma.org/faq/evidence-based-management/>
- 4** Toyota. *The Toyota Way - the way we do things*. Accessed on 2nd December 2021. Available at: <https://toyota-forklifts.co.uk/toyota-lean-academy/the-toyota-way/>

Further information

For access to further RMP Resources you may find helpful in reducing your organisation's cost of risk, please access the RMP Resources or RMP Articles pages on our website. To join the debate follow us on our LinkedIn page.

Get in touch

For more information, please contact your broker, RMP risk control consultant or account director.

contact@mpartners.co.uk



Risk Management Partners

The Walbrook Building
25 Walbrook
London EC4N 8AW

020 7204 1800
mpartners.co.uk

This newsletter does not purport to be comprehensive or to give legal advice. While every effort has been made to ensure accuracy, Risk Management Partners cannot be held liable for any errors, omissions or inaccuracies contained within the document. Readers should not act upon (or refrain from acting upon) information in this document without first taking further specialist or professional advice.

Risk Management Partners Limited is authorised and regulated by the Financial Conduct Authority. Registered office: The Walbrook Building, 25 Walbrook, London EC4N 8AW. Registered in England and Wales. Company no. 2989025.