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## Re-Thinking Risk

The keynote presentations I am asked to provide often reflect the current thinking of business leaders as to the most pressing issues of the day.

That's why I find it fascinating that a number of recent presentations have focused on the theme, "The Future of Risk," in which I've been asked to take a look at the unique challenges that will emerge in society through the next several decades.

Certainly risk management has become one of the core competencies for association executives. You must be prepared to carefully assess the risk your association and members might be faced with, as well as giving consideration as to how you can ensure that your members are kept up to date in terms of emerging risk management issues.

That is why you should gain an appreciation for the new types of risks that are emerging in a world undergoing rapid, relentless change, with resultant new forms of unexpected risk becoming the norm. I believe there are four distinct areas where new challenges are occurring:

- New potential hazards

These are the unforeseen risks that can result from rapid innovation and change.

All of us know our world is changing on a continuous basis, with a rate of scientific advance that is simply unparalleled. Many new products, whether pharmaceuticals, consumer goods, automobiles or food products to name but a few, are coming to market faster than ever before. And as time compression occurs with the innovation, R&D and market introduction stages of every new product, new and completely unforeseen risks and problems might emerge. A fast business cycle simply implies more risk, and so this is the simple reality of the "fast-world" that we now live within.

- New vulnerabilities

Our society is becoming highly interconnected, with many parts of our overall infrastructure massively reliant on other parts. When one thing goes wrong, the whole inter-connected system goes wrong in spectacular fashion.

Certainly the risk of interconnection was demonstrated again with the Northeast blackout of 2003, yet there are other new potential risks and liabilities that continue to emerge.

- Unforeseen (or surprise) risk

Then there are the new, unforeseen risks – it seems there are an ever increasing number of new challenges that have occurred which no one might have been able to predict years ago.

For example, new forms of biorisk, including SARS, West Nile, BSE, Bird-Flu, and other new challenges. Not to mention new environmental challenges previously unseen, such as the 1999 Ice Storm or Hurricane Juan hitting Halifax, Nova Scotia.

The watchword? Surprise risk is something that can no longer be taken for granted, because, it seems, anything is now possible.

- Intentional risk

Last but not least, a new form of risk has emerged that involves intentional, or man-made risk. We are suddenly being confronted with all kinds of problems imposed by our fellow citizens on the planet, including such things as viruses, hacker attacks and infrastructure hacking, not to mention the larger global problem of terrorism.

It can be easy to dismiss new challenges until things go wrong, but as someone who is constantly examining the future, I see a world that is becoming far more complex. And with these trends, I see many, many developments around me that will present new and significant problems at some point in time to every individual and organization.

And it boggles the mind to think of what might happen. Take our interconnected economy. Today, many companies are busy linking their financial systems into electronic supply chains with their partners, resulting in a industrial financial system that is massively interconnected. One shudders to think as to what is going to happen when a computer goes out of whack somewhere and brings down an entire inter-connected industry supply chain, with resultant manufacturing delays, assembly line and plant shutdown, and subsequent lost sales.

Or consider the new vulnerabilities that will occur in the medical industry. Lately, I've provided a keynote talk on the "future of health care" at several medical conferences, and have spoken about the emerging trend of "sub-dermal bio-connectivity." This isn't some concept from a science fiction novel. In development now are a wide variety of "device implants" for our bodies that will provide for a new era of constant-body monitoring. What might happen if such technology goes wrong, or fails to operate as promised? What if a life insurance quote is based upon the life saving connectivity that such a technology might provide, but a bug in the software results in a failure?

Then there is the connectivity that is emerging with our automobiles and other transportation equipment – simply look at an auto today with its sophisticated GPS (global satellite) positioning system, and think about the new vulnerabilities that might result from driver inattention. What's next? It is said that Microsoft wants to develop the next generation automobile, full of sophisticated software. Does this mean we will find ourselves stuck on the highway, in the midst of a shutdown, and will have to wait for our car to reboot? And think of the potential for new forms of traffic congestion as viruses and computer worms enter our automobiles!

The fact is, we live in a world in which the very concept of risk is changing by dramatic degrees. And it's because of these new types of risks that the insurance industry has come to realize that the nature of the industry has forever changed. Noted the President of the US Risk & Insurance Management Society at a recent Australian insurance conference: *"The predictable insurance cycle has been broken, and has been replaced by a wild, gut-churning rollercoaster ride that twists and turns to reach new heights .... and it is not going to go back to the good old days."*

Clearly, extra time needs to be taken to properly manage the unique challenges and risks that can occur within every association and industry. As association managers, you must carefully and continually assess the risks that your association and members might be faced with, as well as considering how to ensure that your members are kept up to date in terms of risk management issues.

*Jim Carroll, FCA, spends his time providing his insight into issues of the future, trends, innovation and change, including within his newest keynote, "Leading the Future: Leadership in an Era of Change and Innovation." You can contact him at [jcarroll@jimcarroll.com](mailto:jcarroll@jimcarroll.com), and learn more about his presentations at [www.jimcarroll.com](http://www.jimcarroll.com).*



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