'Focusing on the Critical Few - ensuring Control Effectiveness'

D L Head[1], A Masciangioli[2]

1.**Principal Consultant** Riskcom, Melbourne, Victoria, 3101. darren@riskcom.com.au (MAusIMM)

2. **Director and Principal Consultant**, Riskcom, Melbourne, Victoria, 3101. anthony@riskcom.com.au

ABSTRACT

Risk can often be seen as a disparate set of problems that seem to be unrelated and can result in Boards, Executives and Senior Managers being overwhelmed and exposed as the business struggles to address its issues across many competing risk priorities.

So how do we manage this?

Firstly, an organisation must identify and understand the critical risks that the business is exposed to. The concept of risk lends itself to the Pareto principle, that is; 80% of a business' risk profile is related to 20% of its risks (i.e. the critical few). Given this, it is appropriate for a business to focus on the 'critical few' rather than the 'trivial many' and to drill down deep into the causal pathway of the 'critical few'. The aim of this step is to ensure that effective controls are available to be implemented when required.

We must then understand the organisation's (including the Boards, Executives and Senior Managers) appetite for managing these 'critical few' risks. The appetite for managing these 'critical few' risks is a function of the organisation's culture and we must understand what motivates (or demotivates) the Board, Executive, Senior Managers and employees to implement (or not) the relevant system requirements including activation of the critical controls when required.

When we truly understand, what motivates people to manage the 'critical few' risks and we hold people accountable for the availability and effectiveness of the controls, then and only then will we have a culture that will enable a business to mitigate/manage its risk profile and optimise its business performance.