



Agenda

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17+ yrs Risk Management | 6+ yrs Entrepreneurship

Ask me about : Innovation & Entrepreneurship, Risk Management,
Technology, Coffee, Cooking, BBQ, Automotive

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Risk

Management



Definition : Management of factors affecting volatility of outcomes

Risk is essentially anything that can go wrong

"..there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know.

But there are also unknown unknowns—the ones we don't know we don't know."

– Donald Rumsfeld



Risk

Management



Types of Risk Management

Financial Risk :

[Market Risk (FX risk, Interest Rate Risk), Credit, Liquidity/ALM etc.]

Non Financial Risk :

[Cybersecurity, Fraud (Internal and External), Vendor/Third Party Risk Management, Physical Security, Reputation Risk, Geopolitical Risk, ESG (Environmental, Sustainability and Governance), People Risk, Technology Risk, Information Security Risk (Information Leakage), Privacy, Compliance Risk, Legal Risk, Regulatory Risk, Strategic Risk]

This is not a exhaustive list but it is exhausting.



Risk

Management



Inception of Operational Risk Management (in Banking)

- 1998 Basel Accord [Basel Committee on Banking Supervision]

* Initiated as response to Herstatt Crisis 1974

- 2004 Basel II, 2011 Basel III, 2023 Basel IV (FRTB & Basel 3.1)

General Frameworks : COSO, CFR, NIST, ISO 31000, etc.

Industry Specific Frameworks : Basel, FDA, FAA etc..

Again : This is not a exhaustive list but it is exhausting.



Innovation



**My Definition : using novel methods to achieve the same outcome
OR designing and executing a novel outcome.**

Requires an increased threshold for risk

Innovation requires a framework!

- Experimentation**
- Evaluation & Feedback**

**Intentionality – Innovation is not a weed that grows naturally in
most environments, it has to be nurtured like a crop**



Innovation



One “recipe” for Innovation

- Risk Tolerance (Experimentation)
- Resources
- Nimble Organization/Structure
- Timing & Market Readiness
- Robust Evaluation & Feedback Loop



InnoX Risk



Innovation & Risk Management are connected!

Experimentation is a form of de-risking! An MVP is simply a low cost way to derisk innovation

- **Example : Google Glass**
- **Contrast : Juicero**

Both require robust frameworks, leadership buy in and a seat at the top tables to impact outcomes.



Corporates



Innovation within Large Corporates is difficult (but not impossible!)

Innovation is typically slow – but resources and size help survival

Three ways to innovate :

- **Build (in-house)**
- **Buy (acquisition, acqui-hire)**
- **Partner (build together)**

**Corporates often leverage Corporate Venture Capital (CVCs)
- acquire, participate with (investment) or “learn from” startups
[can go wrong : Time Warner/AOL, Microsoft/Nokia]**





Internal Innovation is Hard, but possible : requires risk tolerance, leadership buy-in, nimbleness, margin and protection from the corporate bureaucracy!

Establish a culture that encourages risk taking, experimentation and celebrate failure.

Examples

- Google's 20% rule (resulted in Gmail!)
- Skunkworks (Lockheed Martin, AMG/STi)



Startups



Startups are typically very agile because they have low overhead!

Move fast and break things! MVP your way to PMF

- AirBnB
- Byrd

“At the core a startup is nothing more than a faith based enterprise - it is almost a religious activity, because all you have is a series of untested beliefs”

– Steve Blank



Startups



Startups fail as they scale due to a lack of risk infrastructure
- FTX & SBF

The Founder Paradox - need the founder but founder is biggest risk
- when is a big vision too big a risk?

Manage the risks

- * Regulatory Sandboxes (MAS, City of Chicago)
- * Establish risk infrastructure (VCs can mandate)





No matter Corporate or Startup, Innovation is hard, and expensive.

Innovation and Risk Management are tied at the hip

Both innovation and risk management require frameworks

It's like a plant, you have to be intentional, tend to it!

Risk management is a mindset, and not a negative one, apply it in all aspects of life – reduce the volatility of your outcomes!





Thank You

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