

People and patterns: a case study of the relationship between risk management and knowledge management in financial services

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ABSTRACT

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This paper proposes that there is great value in viewing knowledge management as risk management. Knowledge management can be instrumental in developing individual and organisational responses to operational risk, which reflects the ‘consequential’ risks associated with being in business at all.

The ability to handle operational risk in a global business depends on highly effective knowledge circuits. These circuits can be supported by information and technology systems but are fragile, need constant attention and depend largely on the capacity of individual professionals to work collectively in pattern recognition, analysis and predictive approaches and to form open channels of communication, bonds of trust and a borderless sense of mutuality. These practices can run against the grain of channelled professional training and experience which foster self-sufficiency and competition.

We draw on the case study of a risk department in a global financial institution. This illustrates the complex mix that is knowledge management in practice, and above all the need for a human face and a careful touch. Indeed one of the key challenges was that we, as consultants, had to assume considerable personal risk at certain stages in order to find truths and build trust. Certain key turning points were only made possible by this willingness to embrace uncertainty, or facilitate the right of the group we worked with to slow down and explore apparently simple ideas in depth while staying undecided about what was the right action to pursue. In this we undoubtedly benefited from the partnership we were able to forge with the client, drawing on individual expertise in communications, risk management and knowledge management.

In conclusion, we seek to show that good knowledge management is good risk management and vice versa and that both hinge on effective communications. To regard these as separate disciplines limits the effectiveness of each. Combined, they can be effective in contributing to an organisation’s continued licence to operate.

OVERVIEW OF PAPER

The paper falls into 3 parts

1. An overview of the organisational context and the theoretical background
2. A summary of what happened during the project
3. Some specific and general conclusions.

1. BACKGROUND

1.1 The background to the LD project

Between 1999 and the end of 2000, the management of the in-house Legal Department (LD) of a large global financial institution (FI) invited consultants from Sparknow to work with the management and practitioners in the LD team. The main focus was on operational risk and how it could be managed better through the sharing of information and knowledge.

FI provides advisory services, transaction, execution and investment products for individual clients, intermediaries, governments, and institutional and corporate clients globally. LD supports its internal clients with transaction services, and manages the legal, liability and regulatory risks of the organisation. At the time of this exercise there were approximately 250 members of the Legal and Compliance department scattered globally in about 30 different offices.

The ultimate aim of the project was to turn a fundamentally regional group of departments into a global function with a global conscience. At a time when legal functions are being stretched, managers at FI knew that they had to work 'smarter' to continue to offer an effective risk management service to the bank. Working 'smarter' includes utilising what LD 'knows' as a global team: how members access that knowledge, how they learn from it and how they communicate that knowledge.

1.2 Some of the key internal and external conditions which led to the project

The internal and external context in which the department had to assess risk had changed and the following issues had emerged:

(i) The globalisation of LD

In the late 1990's, the decision was taken to create a global LD function from the previous four regional LD departments.

(ii) The globalisation of clients

The clients of the department are internal: they are the business, support and control departments. The business divisions were becoming more global because their own (external)

clients were becoming more global, being increasingly involved with cross-border transactions and cross-jurisdictional issues.

(iii) Increasing complexity of services required

There is an increasing complexity in the type of businesses carried out. For example, not so many years ago a swap was a very innovative product. Now products are much more complex. LD staff have to be much better skilled to be able to service LD's clients.

(iv) Communication issues within the department

Managers and practitioners recognised that in most offices communication did not work well.

(v) Internal or external counsel?

There was a question of the balance of internal and external counsel. Certain LD skills need to be in-house for the department to deliver a fast and reliable service to its clients. Other services are not seen as core competencies and are served mainly by external counsel. For example, the department has no legal property expertise.

(vi) Basle II – Operational Risk

The proposed Basle II capital accord puts operational risk within the capital requirements. Operational risk inter alia embraces legal, liability and compliance risks. Any financial institution which falls within the scope of Basle II needs to provide regulatory capital to meet the potential costs of the crystallisation of legal liability or regulatory risks. Therefore, a strong culture of risk management around legal risk and compliance risk will reduce the amount of capital that an organisation will have to put up.

1.3 Why did LD management turn to knowledge management?

Against this background, LD management saw that applied intelligently, the principles of good knowledge management and internal communications would enable members of the department to better understand their client's business and the associated risks. For example, to know what advice has already been given on a particular issue and to leverage the available knowledge within the department.

(i) Understanding their client's business

Everybody in LD should know what is going on with its own clients: both from a reactive and a proactive standpoint. Members of the department should be cognisant of their strategies and, any new class of clients they are targeting, any new products they are developing and any new markets they are going into. What risks arise from the clients' business plans?

(ii) Knowing what advice has already been given

LD members should make consistent decisions and give consistent advice. LD wants to make sure that once a piece of advice has been given, the department doesn't have to give it again. That may sound simple but its internal clients often try to bend the rules. They

often ask for a piece of advice and then, if they don't like what they are told, they go somewhere else until someone will give them the advice they want. (This is known, unofficially, as 'opinion arbitrage'.) Under a fragmented organisation these clients would pick off different LD members until they got the advice they wanted. Therefore, it is absolutely critical that all members of the department know exactly what advice has already been given to prevent arbitrage.

(iii) Leveraging the available knowledge within the department

When the collaboration with the consultants began; managers and practitioners in the department didn't know what they knew, they didn't know where information was, and they didn't know which people had which skills to give which advice. 'Who in the organisation could answer that?' 'How do I find that out?' These were the guiding questions to define the way in which the department could leverage knowledge. They also help to develop a culture of interdependence: 'We shouldn't look outside the organisation for advice, we start by thinking that there must be someone within the department who can help us to answer the question.'

1.4 What is the wider theoretical context for risk management?

LD is one of the risk functions which lies at the heart of FI's licence to operate. It is appropriate, therefore, briefly to consider some aspects of risk and risk management in the Financial Services industry.

One may categorise three different types of risks for institutions — market, credit and operational. The latter may be seen as 'consequential risk': the exposure to factors which are not actively entered into, but which are a consequence of business activity. Consequential risk is the risk that is often not built into the pricing of a trade. For operational risk, relevant pieces of information can be spread between front office, middle office, back office or fall in between the gaps between departments or internal and external custodians and processors of information or transactions.

In understanding and handling risk, there are 3 distinct, but overlapping, sets of activities:

- **RISK** is the potential for (financial) loss due to the reduction in value of a tangible or intangible asset, or an increase in the value of a liability, due to the crystallisation of an event. Examples are the failure of a debtor to repay a loan, or the discovery that an incident leading to loss is not covered by the terms of an insurance policy;
- **RISK MANAGEMENT** is the setting of limits or parameters for the level(s) of risks that an organisation is prepared to carry, together with the processes to ensure that these limits are adhered to;
- **RISK CONTROL** is the verification *by an independent control function* of the appropriateness of these limits, and to measure, monitor and report on the levels of utilisation of these limits.

Certain risks are expected and others are unexpected. There are the risks that actually bring in rewards and risks that actually bring in costs because processes are inefficient. The aim of

an effective risk management process is to squeeze out any unexpected loss and be responsive and swift when something unusual and unexpected happens. As Marris (1996) says:

“All our actions depend on reducing uncertainty to a residue of unknowns within a context of predictable relationships, so that we can find ways to evade, resolve or plan contingently around whatever remains unsure.”

In the case study we describe below there is a need to acknowledge simultaneously that:

- Reducing uncertainty is the natural pattern of individual behaviour, reinforced by the constraints of working in the shifting structures of a globalising organisation – individual patterns of behaviour will tend to defensive, and;
- Individual reduction of uncertainty will frequently run directly counter to the organisational need for a collective approach. Only by changing the nature of the shared understanding of, and action to manage, the uncertainty to be reduced (for example, in this case, the vulnerability to opinion arbitrage), will the overall risk profile of the organisation be reduced.

1.5 Making the link with knowledge management - the tangible and intangible aspects of risk assets and liabilities

Risk management is a decision process based on the organisation, interpretation and application of information. It is intrinsically linked to knowledge management which looks at how people know what they know, how they can learn from past experiences and how innovative approaches can help to uncover and transmit knowledge in a rapidly changing environment.

In the earlier definition of ‘risk’, (financial) is in brackets because not all assets are shown on the balance sheet. Not all of them are reflected in the way financial institutions record how viable the organisation is. However, whilst a lot of the maintenance of knowledge and information in organisations, if it lost, doesn’t have a financial impact in an overt way clearly still has a significant financial impact. For example, think about the number of times banks

have to retrain people when people leave and take with them their particular group of skills. When new people join, there is much time spent and money spent on training them and getting the organisation up to speed again.

There are also, of course, the intangible assets of reputation, brand, intellectual property, intellectual assets and know-how: most of which are not recorded on the balance sheet, (though they may be reflected in the market value). The loss of these assets will not go directly through the profit and loss, and hit the bottom line, but will have great impact on the organisation as a going concern.

To understand operational risk, we need to understand what the underlying knowledge assets of an organisation are. If knowledge is to serve risk management it cannot be just historic and backward looking. Knowledge management is about ‘real time’ access to information, open

channels of communication and attitude which, combine to provide good judgements and responsiveness based on a complete grasp of the predictable and unpredictable elements of a problem. So, an organisation cannot find a solution to risk by simply trying to embed knowledge in documents. Risk is not about what happened in the past. It is about what might happen in the future, and the ability to make judgements about how to act, which are well informed by a full understanding of the past and the present.

1.6 Knowledge and information as key risk assets

As a starting point, information should be viewed as an asset. Any risk management approach requires a better understanding of the current asset value of a business and the potential value to be derived in the future, where asset values are increasingly intangible. Once knowledge and information are seen as an asset in the context of risk, and valued accordingly, we will see it taken more seriously and capital reserve rules applied to cover possible eventualities, as with Basle II.

We also know though that intellectual and knowledge assets will deteriorate over time. In this sense, it may be useful to draw an analogy between knowledge assets and derivative assets, such as options, which can fluctuate wildly in value during their lifetime, but whose valuation is determined, at least in part, by a specific expiry date.

Financial markets and the products within them move and change very fast. At the same time most 'knowledge' has a finite life. For knowledge to be at the leading edge at any one time, it has to be iterated and reiterated. The base of knowledge inside an organisation has to constantly evolve to match the explosion of information on the 'outside' in the context in which it is applied. Our premise then is that building a knowledge organisation is not a matter of digitising what exists tangibly and formally, it is a question of values and how organisations and individuals and communities within them collaborate and learn.

1.7 People and patterns

Everything seems to point to the need to shift patterns simultaneously at the most macro (organisational, network) and at the most micro (individual, smallest organisational unit) level. As outlined by Price and Shaw (2000):

“The practice of shifting patterns is ‘problematic’ because of the complex interconnections of sub-patterns within larger structures that have both generalised similarities and unique differences. Generalised solutions that ignore the unique attributes and circumstances of particular backgrounds will have limited effect.”

This is most evident in the gap between formal and informal, which is either ignored or referred to with the kind of irony, which creates barriers for new initiatives. In a fast moving environment like Financial Services there are also often a number of **competency gaps**

- between what an organisation actually needs and the strength and skills its people currently have;

- between what is really known, (tacit knowledge and wisdom) and what is available as shared know-how.

The latter is exaggerated in a 'global' environment where cultural and historical divides reduce the chances of free and complete information flow, storage and retrieval. Freddie McMahon, previously CEO of the technology company EXTU, put it to us this way:

“The gap is getting larger as the pace of change accelerates. This puts at risk the strategic investments. This risk is not factored into investment decisions. If it were, the demand for knowledge management would be huge.”

As a senior executive of the FI said in a recent speech:

“To make KM 'active' we have to understand the reality of current information flows and communication very well: not how they work in theory but how they work in practice, every day, on the ground. As a global bank we also need to know about the way those patterns and processes vary in different geographical areas. If we don't know that, how can we expect to share knowledge effectively?”

As can be seen by the case study, it is neither just a front-line nor just a board-level activity. It involves everyone, from the macro (organisational, network) to the micro (individual, smallest organisational unit) level.

1.8 The social nature of knowledge exchange – the emerging project structure

Sharing knowledge is essentially a social activity, which operates in 'shadow' rather than in formal organisational structures. This leads us back to risk management and to the need to articulate a view which encompasses both the formal and the informal, the visible and the invisible vehicles of organisational communication and decision making. In order to achieve local empowerment and decisions, there must be an understanding not just of number crunching but also of pattern recognition and interpretation. This needs to be supported by an inclination to collaborate rather than compete. In order to collaborate, individuals and teams need to have some shared understanding, (whether tacit or explicit), of the conditions in which they are inclined to exchange their knowledge. To extend the financial metaphor, if knowledge exchange is the currency of risk management, individuals need to understand (however implicitly) the currency of exchange, and the unit of trading. This moves us to a discussion of the notion of the organisation as an exchange, and the possibilities that this might offer, in particular to financial institutions, in creating effective knowledge exchange.

The idea of the organisation as a knowledge exchange is not new. Some organisations run formal knowledge exchanges, others foster the emergence of informal structures, such as communities of practice to create channels of communication through which knowledge may flow.

It is now a well rehearsed argument that the semi-formal structures which operate at the interface between visible and invisible are critical vehicles for the connection of the visible to the invisible. Often these take the forms of communities of purpose, or interest – small groups, organised in part to serve the organisation, but who tend to organise themselves to operate together across organisational boundaries, and whose meld of formal and informal

activities plays a key role in the organisation's ability to make sense of things. Communities of practice are more private – clubs which have formed around a collection of individuals who share an interest. Often it is the communities of practice who are best positioned to see the patterns which herald a shift, or event, which might put the organisation at risk.

The challenge, the point at which knowledge management becomes risk management, is how to create a governing structure where the relationship between the formal and the informal, the individual and the organisation, is a continuum with a sustaining dynamic.

In planning the project, the first step was deliberately to draw on the theory and practice of communities of practice and exchange. This would allow the processes we used to run the project to be of potential long-term value to LD over and above the observations and recommendations formed by the group during this process.

2. WHAT HAPPENED IN PRACTICE IN LD?

2.1 Goals and ambitions of the project

What the project aspired to do was to create some kind of systems (human, structural, technological) which would achieve:

- The 'right' or best available information.
- To the right person.
- At the right time.
- To make the right decision and /or give the right advice.

The management were completely open as to what this might mean in practice. The client observed:

“One thing that is very interesting and flies in the face of most projects and most project histories is that we didn't know where we were going when we started. We knew where we were coming from, i.e. we didn't like where we were. We knew we wanted to move forward. What we did then was to sit down and say: who are the people who could really define how we want to move forward?”

The consultants chose, at the outset, not to refer to knowledge management in any way, so the project was named 'The Communications Working Party' and rapidly became referred to as the CWP.

2.2 How the group was formed and how it worked

It is worth reflecting upon the way the group worked as it had a significant bearing on the overall success of the project.

- (i) *A diagonal slice by seniority and geography (culture) but excluding the top layer.*

In implementing the CWP process LD management decided to build the global project team from a diagonal slice of the people who deal with the department's clients on a day-to-day basis around the world. This included some senior people but not the very top layer of management because it was felt that we needed an honest from the 'coal face' view of where information provision and communication - and therefore knowledge management - were falling down. The cultural mix of the group reflected the strength of the legal and compliance function around the world: two were from the US, five from Europe, and three from Asia Pacific. The aim was to get a real cross-section of input because the output had to recognise that one cannot impose global answers and global processes across every region.

The senior management support was largely benign: the project was supported actively but from the background. The client sponsor was not involved directly in the group but was briefed at key stages. Senior Management were aware, however, that 'if it fell flat on its face the people who would be held responsible would be management because there was pressure on the department to make progress.'

Because of the difficult and expense of meeting face-to-face, (more on this later), the consultants initiated virtual exchanges between pairs to accelerate the social connections and sense of community in the group. Introductory templates were used which covered their background, where their interests lay in seeing the project work, as well as indicating where they best felt they could make a contribution. This template proved extremely effective in creating an early sense of community particularly in project such as this where the precise nature of the journey and mandate of the group was so open at the outset. (The same 'pairings' were also used for later 'diagnostic' thinking on particular issues identified as needing further thought.)

The CWP was chaired by a female French compliance officer. This was designed partly to defuse the perception that the department was too focused on London and New York. We were told:

"With hindsight, the naturally effective diplomacy of the French became one of the key assets. This was not planned, but it became critical at certain sticking points."

(ii) A non-threatening environment supported by external not internal facilitators.

Management having stepped back, it was quite clear that the team needed very good help and facilitation. Victoria Ward and Aidan Prior - who had been involved from the start on the project design - helped the group and the project to move forward. Their job was to keep it on track and to use their project-management and consultancy skills to gently nudge the team along. Without this momentum, the group might have failed.

(iii) (iii) A group that was encouraged to constantly ask why, and why not

People were asked to be as critical as they liked within the group. They wouldn't be held accountable outside the group for anything they had to say. 'We just wanted to take it forward, kick all the tyres, get all the skeletons out and really push the normal behavioural barriers to see what things we could come up with,' says the client sponsor.

(iv) Meetings were largely face-to-face.

This last point is particularly interesting. To keep costs down, the team started off with a seven office video conference. Trying to get seven offices on a video conference is a technological and also in this case meant contacting offices across a 15 hour time difference. Therefore it was decided to bring everybody into London for two days. The resultant changes in behaviour and in the way that those invited operated was absolutely critical to the project's success. People who had been previously disembodied suddenly started to create strong networks. That was one of the big learning experiences for the FI resulting from this case study:

(v) A deadline

As the client said:

“Ultimately, however friendly and nice we wanted everybody to be, there was still an output that we had to deliver. We had set a deadline of a functional conference for conference for 300 people where this group had to make a presentation.”

2.3 Assessment and prioritisation of initiatives

By constantly asking ‘why’ things weren’t working and how they might be improved the group uncovered cultural as well as practical barriers to the free and open flow of information and knowledge. Some of these needed time, (far more than one might expect) and trust to be named openly within the group. What is also interesting is that by looking at technologies, roles and responsibilities, process and culture at the same time, the group had a deeper insight into what might need to change.

The guiding principles and tests used to assess and prioritise possible initiatives were as follows:

- Does it contribute to a better ‘early warning system’ for risk?
- Will it increase the timeliness of response to an enquiry?

- Will it contribute to an environment of respect and consideration for the experience and needs of individuals in making and responding to enquiries? (And thereby improve the quality of internal communication in LD and, ultimately, the quality of shared knowledge.)
- Will it consolidate shared opinion? (The aim should be interpretation of law, but in the context of awareness of the global function and its overall approach to a specific issue. An answer may be legally correct but may not pick up the overarching risk management issues.)
- Does it leverage off experience?

- Does it achieve the aim of the sense of a cross-regional presence in each and every office?
- The default should be openness not confidentiality. (If you can't come up with a reason why knowledge shouldn't be shared, share it.)

Two of these points may need further explanation:

Leveraging off experience

Helping LD to leverage off the experience members have had in doing transactions or giving advice. In many cases it is not necessarily the core of the transaction that is the most interesting, it is the elements around the edge. These are the bits which add most to people's knowledge and which are the most important to capture.

Cross regional presence everywhere

Are we creating cross-regional skills and are we building up a presence in all of the regions where we can deliver global expertise? For example, do we have someone in Japan who can answer a US securities question? Do we have someone in the UK who can answer a question on a Swiss loan or a banking secrecy question?

2.4 The outcomes

The outcomes fall into three broad categories:

- (i) Structural Changes
- (ii) Behavioural Changes
- (iii) Technical/Technobgical Changes.

(i) Structural changes

The department needs to be structured in a way that mirrored the way the businesses are set up. For example Corporate Finance teams were created to match Corporate Finance etc.

The client sponsor and his team also looked at the product skills that people had. There was transactional type experience - people who can make a Eurobond fly or can do an IPO – and there were people who were very skilled at dealing with HR issues or negotiating an IT contract. It was a question of matching those more closely against the requirements of the department's clients and also making sure that those skills were properly defined.

The group furthermore created Global Business Teams which were set against each one of the bank's major business lines: for example a Global Equity Capital Markets Team and a Global Debt Capital Markets Team. Because LD is dealing with issues around the world it wanted to share on the experiences of doing a US listing as well as a UK or Japanese listing. People were given the responsibility to initiate and manage these teams.

According to the client, 'they are not all working consistently well however; it partly dependent (as ever) on the drive of the leader and there is still an issue about how you share information across all those time zones. There is no one answer to that but people are creating their own answers: nothing is prescriptive on that front.'

(ii) Behavioural changes

The knowledge group designed a code of behaviour in the department to define the things members of this department are expected to do. Without being too blunt, this covertly tackled the cultural barriers which exist but normally not commented on. It created an induction process so people know exactly what to expect when they enter the department, (to the extent that they are up and running straight away). Those rules of conduct may sound simple: when going to meetings always have an agenda, always do minutes, always have action logs. If you go to a meeting come back and say for 5 minutes to yourself: what did I learn in that meeting and who do I need to tell about it in my department. 'Because one of the really big issues that we had was that someone would talk to one of our clients internally who would say well I told so and so from your department last week. It is really embarrassing, as you can imagine, to find that that is occurring,' says the client.

The group also wanted people to share transactional experience when they had been through a deal. They needed to make sure that they get the knowledge recorded so that other members of the department can dig into some kind of database or document management process

Another important outcome was the very positive experience that the client sponsor and his team had when they got all of CWP together. People are now encouraged to take short visits to other offices, especially when they are new, to create rapport with the people they are working with.

(iii) Technological changes

The knowledge group has introduced new technology to support communications. They use chat channels and people can create their own private or group channels. There is also some discussion about how new tools such as 'Avistar' (PC video conferencing) can best be utilised. The idea is to get information to the right people to use in the right way to create value. 'We thought we were doing that before but now we know what has not worked well enough in the past and why, so that we can now move forward with a clearer focus,' comments the client. The department has also created its own internal intranet for knowledge sharing.

Another action that was taken was to start creating extranets with external law firms to draw in their knowledge and to distribute it internally. This also ensured that every opinion from a law firm the department has ever paid for remains on record. According to an executive in FI:

"We know law firms will be happy to charge us more than once for the same advice. Also if one of our lawyers leaves, the replacement may well request a piece of advice which we have already paid for in the past."

So how far down the line is the department in creating a knowledge sharing culture? The client reckons it is 'half way there – there is still a lot to do.' He adds: 'the initiatives are still not fully implemented but I suspect it may always feel like that'

He continues by saying: 'At the outset we didn't know what the project would come up with. But, we can fully justify it because it enables us to carry out our risk control processes more effectively and our people will be better equipped to work with each other to deal with those unexpected events.'

3. CONCLUSIONS

3.1 What has the return on investment been for the organisation?

Not only did the group around the client not know where they were going at the beginning of the project but they were also unsure about the cost. The fundamental view was that the costs would be worth it.

The group had ideas on return on investment but these haven't yet been quantified in the way the project has been recorded. There should be a reduction in the costs of external legal counsel. One other outcome is that three of the original group of ten people have taken this know-how into their next projects and are setting up new initiatives on a similar basis. This know-how and its 'reuse' is one return on investment. People also had the view that if the project creates more consistency - and therefore reduces the gap between desired and actual behaviour - in the way that knowledge is applied this may prevent the organisation from making one big mistake. In any financial institution, the one big error could well be a multi-million pound mistake. The client concluded:

'If the fact that we have a global team that works well together culturally and in an interdependent way stops us making a mistake or enables us to make the connection in one transaction that we wouldn't [otherwise] have made, you have got multi-million pounds worth of return. So in financial services you could argue that these type of programmes only need a small number of exceptional returns to really pay off. You could start to quantify that should you choose but the metrics get quite onerous and the first thing was to create some momentum so that people were prepared to start to change their behaviour.'

The FI has suffered fewer legal and regulatory problems than most competitors in the last two years and has only marginally been affected by the current US research issue.

3.2 What did the consultants learn?

Facilitating a project such as this is difficult. If one is too organised, prescriptive and mechanistic about the process a group will often by-pass and undermine that person: who becomes seen as "the enemy". Being effective is conventionally about advancing as quickly as possible to the stage where robust recommendations can be made to senior management, (at which point the project team is seen to have achieved their task). The problem with this conventional wisdom is that the recommendations often ignore the complexities, cultural barriers and so forth that inevitably lie between theory and practice. So one cannot be dictatorial or heavy handed and one must try to rein back the group's default behavioural pattern of wanting to make recommendations quickly so that they feel that they are 'achieving'

something. These two aspects of the facilitation process are crucial and at the same time can lead to a constant tension and edginess: 'what are these consultants here for?'

In this project for FI there were several stages at which the project could have failed and at each of these the consultants had to consider whether they should direct, or allow the group to form its own actions. For example, when a new General Counsel of LD visited the London office for a full briefing. The consultants had prepared well for the meeting and had some complex and carefully observed points to make which, in time, would build towards recommendations. Some of the group quite clearly felt that their boss would not be impressed by the perceived lack of progress that had been made. In the couple of days before his visit, many e-mails were exchanged in order for them to reach their own view of what should be said at the meeting.

The consultants agreed with the vast majority of the points they made but felt that the same unity and commitment would not have been generated if the same conclusions had been driven through with a conventional 'top-down' process. Risk taking at this stage brought about a change in the group's behaviour which made progress more likely and easier to achieve in the later phases. They had moved from being a semi-formal to an informal community, one which was increasingly willing to organise itself to take risks. Emotionally and practically these two days united the group and had a significant impact upon their cohesiveness and resolve from then on.

3.3 It takes time to take risks

We are convinced that the permission to be slow was an essential condition for building trust, finding truths and creating a willingness in the group to propose, in some cases radically simple changes which could transform the department if they were adopted, (as well as complex and expensive ones).

In summary, the time and space ability to extrapolate dispassionately from personal and emotional (local political) relationships to broader intellectual, social and political capital relationships will help individuals enormously. It helps them to take action to foster the growth of their own intangible assets (trust, goodwill, mutuality, ethics etc.) so they feed the growth of the organisation's intangible ones (intellectual capital, structural capital and knowledge assets): which collectively will increase protection against operational risk

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