Risk Sensing – Identifying Risks of the Future

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What is Risk Sensing?

Sensing combines human insights…

...with analytical capabilities to provide support for decision making…

...by identifying, analyzing, and monitoring emerging risks in the external and internal environment.

Sensing will enable GM to seize opportunities…

...while having a clear understanding of the negative consequences.
Emerging Risks are cross-functional challenges we may face in the future, but not today.

Emerging Risks can take many forms, such as:

- Obstacles that are new or unforeseen (Blindspots)
- Issues that are potentially being overlooked and de-emphasized
- Previously known risks that are evolving in unexpected ways

If detected early, management can proactively analyze and respond.
How to Identify an Emerging Risk

Look for anomalies outside the expected patterns or existing trends.

- **Embrace data scarcity**: Rare events by their nature provide few observations to detect and analyze.

- **Build context**: Rather than dismissing outliers as insignificant, consider each new event or piece of information as providing an opportunity to refine the organizational vision and recalibrate the context.

- **Maintain situational awareness**: Keeping the 5 W’s (who, what, when, where, and why) in sight ensures that rare event analysis aligns with evolving business goals and realities.

After virtually every major risk event, analysts discover signs, warnings, or data that presaged the event or something very similar. Anomaly analysis aims to locate and interpret these signals before the event occurs.
Identifying Emerging Risks
Process to Identify Emerging Risks at GM

**Inputs**
- CEB
- GM

**Assessment**
Emerging Risk Subcommittee will assess emerging risks for importance

**GM Emerging Risks**
Heat map of emerging risks

**Action Plans**
- Emerging risks shared with risk leaders
- Heat map to be shared with executive teams
- Emerging risks assigned to business to monitor and manage
Inputs – Deeper Look

- **Inputs**
  - Internal GM resources like risk officers and the Sensing Network
  - Global megatrends
  - Blindspot Workshops
  - Traditional, digital, and social media
  - Professional publications and networks
Sensing Network
Sensing Network Structure

Cross-functionally create relationships at GM to share data that could help manage operations

Communications
Social Media
Research & Development
Trends Network
OnStar
Customer Experience

IT
Public Policy
Corporate Risk Management
Cybersecurity
HR
Economics

Competitive Intelligence
Security

Economics
IT
Social Media
Communications
Corporate Risk Management
Research & Development
Trends Network
OnStar
Customer Experience

Competitive Intelligence
Security

Economics
IT
Social Media
Communications
Corporate Risk Management
Research & Development
Trends Network
OnStar
Customer Experience

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Sensing Network Goals & Advantages

Sensing Network Goals:
• **Identify emerging risks** impacting strategic objectives
• **Integrate external and internal data** to provide greater insights
• **Cross-functionally share insights** across GM

Sensing Network Advantages:
• Members are **experts in their field** that can leverage external data to synthesize internally for insights
• Network has a **broad range of knowledge across the business**

*By working with the Sensing Network, risk managers can extend the range of information and insights they currently have to scan and gain early awareness of issues that may require action.*
Social Media Risk Identification
The objective of social media listening is to **identify emerging risks through social media listening** that could **impact strategic assumptions and strategies** that have been set by the business.
Highlights which events warranted more public internet commentary than others
Social Media Weekly Reporting

Week over week volume analysis for detailed risks

Visualization of defined risk content to show most commonly used phrases within the week

Daily volume analysis for detailed risks

Assess weekly results, keeping in mind the 5 W’s (below):

Who is going to impact our strategy?

What about this is going to impact our strategy?

When will it impact our strategy?

Where will it impact our strategy?

Why will it impact our strategy?
Assessing public commentary over a period of time can allow you to gain additional insights, make educated assumptions about the future, and verify you have the right resources in the right places.
Blindspot Workshop Activity
What is a Blindspot?

- **Unknown unknowns** – in other words, they are things we do not know that we do not know
- **Unpredictable or unforeseen** events and typically have extreme consequences
- **Internal and external** risks that could stop the business from achieving objectives
Blindspot Workshop

What causes Blindspots?

Leaders may fail to respond to weaknesses or threats due to a variety of factors including:

• **Complexity** of their organizations,

• **Over-confidence** in their own capabilities ("all-knowing"), and

• Being surrounded by **submissive subordinates**

*Helpful Hints:*

• Let the participants know why their voice is important to the business

• Schedule workshops to last 2 hours or less
Blindspot Workshop

So, why host a blindspot workshop?
Most organizations look to senior leadership to identify risks, but we want to:

• Take a look inside your company and find **untapped resources**
• Find **key voices that want to be heard**, and hear them out
• Take results to leadership and **gain support**

**Helpful Hints: Ideal workshop size is 20-30 participants**
Today’s Workshop Objective

Identify risks and opportunities for selling vehicles to consumers

- 56% of shoppers would buy more cars if the process was easier
- Auto sales could rise about 25% if the retail experience improves
- 99 of 100 automotive shoppers begin their purchase journey expecting it to be a “hassle”

Helpful Hints: Present data on why the topic is important to the business
Megatrend – Global Youth

The growing youth generation of the world is very diverse, highly educated, technology savvy, media saturated, & very optimistic. Globally, this is a generation of multi-taskers that are “always connected” and “plugged-in” to the world through technology.

Helpful Hints: Use megatrends to encourage the group to think outside the norms
Megatrend – Digital and Physical Blending

The blending of digital & physical aspects of marketing, shopping, & purchasing elements. This experience seamlessly flows across a shifting set of devices and interaction channels blending physical, virtual and electronic environment as the user moves from one place to another.
Breakout Session

Problem Statement: What must General Motors do to create a car buying experience that attracts and retains customers for life?

• Take 20 minutes to study and understand the trend posters (Not being performed in today’s session)
• As you are reading, think about risks and opportunities around the car buying experience
• On your sticky notes, start writing down one risk or one opportunity that could impact the car buying process

Helpful Hints: Hang megatrend or informational posters around the room and let participants gather their thoughts independently of other participants’ opinions
Group Brainstorming

Risks and Opportunities Discussion

• Open discussion on the risks and opportunities identified during the breakout session

Voting

• Each participant will use stickers to place 3 votes for the top risks identified during the BlindSpot workshop (Not being performed in today’s session)

Helpful Hints: Voting at the end of the workshop will allow you to prioritize the top risks and opportunities
Lessons Learned

• Perform emerging risk identification around key strategies in the business

• Don’t boil the ocean – focus on specific topics that are important to the business to identify emerging risks and get key wins

• Create greater value by identifying emerging risks that impact other risk projects being performed by the risk management team
Questions?