



BOOK REVIEW

We're only human

Human behaviour is often the root cause of organisational crises. Those outlined in this book offer valuable lessons for public sector leaders, says **Richard Bacon**

Some years ago I was stopped in a Commons corridor by the minister responsible for the National Programme for IT in the NHS, in which I had taken an anorakish interest over many years. He addressed me thus: "Richard, I am rather tired of being told things by you, and then finding out six months later that they are true." He was the ninth minister in nine years with responsibility for NHS IT and his experience highlights the importance of a core theme in this excellent book: the root causes that lead to crises are often more easily visible to outsiders than to insiders, especially leaders.

Anthony Fitzsimmons and Derek Atkins, whose backgrounds are in engineering, law and insurance, have in several previous works dissected dozens of crises and catalogued the underlying causes of corporate failure and reputational damage of the kind that no PR could fix, identifying a largely ignored family of risks – the authors call them "behavioural" and "organisational" risks – that not only cause crises but also tip them into reputational catastrophes. In this latest work, Fitzsimmons and Atkins tackle some of the most egregious examples

› **Rethinking Reputational Risk: How to manage the risks that can ruin your business, your reputation and you**
› **Anthony Fitzsimmons and Derek Atkins**
› **Kogan Page**
› **RRP £29.99**

of reputational meltdowns in modern times, including the explosions of BP's Texas City refinery and the Deepwater Horizon oil drilling rig, which caused multiple deaths; the aggressive accounting which led to a £263m black hole in the accounts of Tesco; the diesel emissions scandal that engulfed Volkswagen; the collapse of the banking subsidiary of insurance giant AIG; and the Mid Staffordshire NHS hospital scandal.

In the case of the BP Texas City explosion, an independent report found a blame culture, inadequate resources for maintenance, skills gaps and blocks on critical news getting to leaders. In the Tesco accounting scandal, Terry Smith, a skilled analyst and fund manager who refused to invest in Tesco, pointed out that company collapses are usually a slow-motion train wreck but that

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"investors believe the nonsense that managers spout about their success long after the warning signs are there". In the Volkswagen scandal, the works council told staff that VW needed a climate in which problems aren't hidden but can be openly communicated to superiors, speaking volumes about an oppressive culture that discouraged the free flow of ideas.

These scandals have direct analogues in an array of public sector projects where Whitehall has repeatedly failed to learn from previous experience: from the rail franchising fiasco and the flawed recruitment of junior doctors to the Rural Payments Agency, the Criminal Records Bureau, the Child Support Agency, and that wretched NHS computer system. Skills gaps, unrealistic timetables, lack of open communication, willingness to believe nonsense, a bullying culture, and leaders who only wanted to hear "good news" – all these are deeply familiar to students of Whitehall projects.

Fitzsimmons and Atkins want us to reflect on the fact that most problems – whether in the private sector or in the public sector – arise from perfectly normal human behaviour. The authors are interested in the hole at the heart of classical risk management. Their central point is that every organisation is run

and led by humans and that a system of risk management that does not provide defences against risks from commonplace human behaviour – and from the way that organisations are organised – will sooner or later end up in trouble.

Moreover, intelligence is no bar to risk-blindness – and those who have been chosen to run organisations precisely on the basis of their intelligence, their experience, their vision and their rationality are, in reality, just as subject to over-confidence, monomania and an inability to cope with uncertainty as the rest of us. When a catastrophe emerges, the same pattern repeats itself: leaders wonder why neither they nor their risk managers saw it coming, while outsiders cannot believe that insiders were so incompetent as to allow latent vulnerabilities to languish, unrecognised and unremedied, for so many years.

The authors call for fundamental rethinking about the management of reputational risk. They offer a structure and principles for setting up a reputational risk management system rather than a detailed process that can too turn into a tick-box culture. The authors leave plenty of room to ponder and helpfully end each chapter by suggesting questions that leaders and managers need to ask about their own organisations. This superb book is a work which leaders and managers in any organisation will find invaluable. ■

Richard Bacon is the Conservative candidate for South Norfolk and has sat on the Public Accounts Committee since 2001

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