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# Risk tolerance vs. performance objectives: The "objective conundrum"

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Aligning risk tolerance with performance objectives can be a tricky proposition for even the most skilled leaders and influencers. The four fundamental questions that every leadership team should constantly ask, analyze, and potentially recalibrate are:

- How does our risk tolerance align with our performance objectives?
- How does our risk tolerance impede our performance objectives?
- How do our performance objectives present challenges to our risk matrix?
- How do we skillfully mitigate questions 1 through 3?

### Exactly what to do

The first thing I recommend is to assemble your best and brightest, in concert with a robust learning and development contingency, along with your compliance/risk stakeholders. Ideally, wherever there is a substantial compliance presence, there should be a training component within that space as well. Review your risk matrix, start with your "red-chapter" high-liability policies and procedures, examine the performance that emanates from them, and then reconcile them.

So let me use an example that transcends business genre and geographical location that everyone can identify with. In a police department, contrary to popular belief, the highest area of risk doesn't have anything to do with carrying a gun. It's driving! Driving for 8 to 12 hours a day is the most frequent and dangerous thing an officer will do. The list of variables that can cause an officer to have an accident is unparalleled and has both nothing and everything to do with the officer behind the wheel. What are the stress factors? What kind of emergency are they going to? Things like previous driving experience, speed, road conditions, weather conditions, distracted drivers, drivers who consistently use poor judgment, new drivers, and the time of day all contribute to the outcome of an officer safely getting from point A to point B. This is what I call a red-chapter policy. Most organizations have a few. And though I'm going to stick with the generic example I'm using, I believe that the financial and medical sectors represent some of the most robust red-chapter opportunities in the world.

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