Risk Interconnectivity: Increasing Risk Intelligence at the Canada Revenue Agency

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Presented at the:
2013 Enterprise Risk Management Symposium
April 22-24, 2013

Abstract

The idea that events do not happen in isolation is not new; the notion of systems, that is, a set of entities interacting, is based on it. This is reflected in the comprehensive terminology that has been developed to express the effect that events have on each other: domino or downstream effects, unintended consequences, causality, catalyst or inhibitor, synergy, network, etc.

If the idea of events being interconnected is accepted, the idea that risks are also interconnected should naturally be acknowledged and considered in their analysis and management. This reasoning stems from the fact that risks materialize in the form of events that carry or introduce other risks. Risks are therefore connected through the event they can potentially trigger (see Fig. 1). More importantly, if the interconnectedness of events is frequently at the root of large-scale failure, it begs the question of why risks are still largely analyzed and managed independently or in isolation. While there has been progress in looking at risks from a portfolio perspective and balancing the total amount of risk, more needs to be done to factor dependencies and linkages in the assessment of risks and how they are addressed.