Risk
to the
Enterprise

Mikayla Exton

Risk to the Enterprise

All businesses, including architecture practices, take on risk as part of creating value. Too often, these risks are viewed narrowly - linked only to a single project, specific role, or decision. Taking a holistic enterprise view reveals that risks are constantly being created, layered, and sometimes overlooked across an organisation.

Standardised tools, such as Health & Safety in Design Risk Assessment Registers, are useful and efficient to use (and re-use across multiple projects). However, this efficiency can create a false sense of security, overlooking risks that evolve as projects grow in complexity or external conditions shift.

Learning from Major Incidents

The BP Deepwater Horizon disaster (2010) - although a context of significantly larger scale and consequence than most architecture practices will be operating within - still offers lessons that are relevant. The event revealed how layered safeguards can fail when systemic risks are ignored or underestimated.

Swiss Cheese Model
Risk management often uses the Swiss Cheese model: multiple layers of protection are intended to prevent failure, with the assumption that if one layer has a 'hole', there are still other layers of protection. In reality, 'holes' can align - especially when 'holes' are related, or increase in size over time. In an architecture practice, these 'holes' might include:

– Unreviewed documentation;
– Siloed decision-making;
– Poor communication between consultants;
– Decentralised teams without clear oversight.

Within your practice, consider:
– What are the 'holes' in our layers of protection?
– Are these 'holes' stable: is there a change to the likelihood over time, and does one weakness increase the chances of another?

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Diagnosing Enterprise-Level Risks

Diagnosing risks that are unaccounted for, or residual, at the enterprise level involves considering:

1. What risks does our practice create?
2. How are these risks created?
3. Who is responsible?

01 - What Risks Does Your Practice Create?

Voluntary Risks
Risks a practice accepts as part of its business model in order to pursue value.

> *Example:*
> *A practice targeting public or competitive tender work accepts the risk of low win rate, and commits up-front bidding work with no guarantee of ongoing involvement.*

Preventable Risks
Risks that occur due to actions of its members - such as errors, oversight, or lack of process. These should be anticipated and actively managed through systems, training and culture.

> *Examples:*
> – *Poor documentation;*
> – *Unscoped consultant contracts;*
> – *Inadequate resourcing.*

External Risks
Risks from outside forces outside the practice's control. These can't be prevented but can often be anticipated and planned for.

> *Examples:*
> – *Market downturns;*
> – *Regulatory changes;*
> – *Natural disasters.*

Attention should be focused primarily on preventable and external risks.

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02 - How are Risks Created?

Risks within an organisation are often shaped by key business dimensions, each of which can exist on a spectrum (e.g. low or high, centralised or decentralised). A practice's positioning for these dimensions often collectively signal a potential unaccounted-for risk.

Degree of centralisation vs. independence
Highly centralised control may reduce local or individual responsiveness, while decentralised teams may lack oversight.

Complexity
The extent to which the practice, consultants, clients and other industry partners are interconnected, and the visibility of this. Increased complexity and unclear interfaces between parties can obscure accountability.

Strategic Alignment
Whether different parts of the organisation are working toward the same goals. Misalignment (eg. a focus on bespoke detailing vs. low professional fees) can create tension and risk at operational levels.

Agency and Decision-Making
The degree to which individuals feel empowered or expected to identify, flag, and manage risk. Poorly defined roles or ambiguous delegation can result in critical risks being ignored or passed along.

Not only can the dimensions themselves create risks, but certain combinations of dimensions can cause risks to compound.

> *Example:*
> *A project involves multiple sub-consultants and specialists but lacks a clear brief, defined scope, or effective design team communication. This situation combines high 'Complexity' with low 'Strategic Alignment'. The potential consequences are conflicting decisions, differing quality of documentation, gaps in accountability.*

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03 - Who Is Responsible?

Responsibility is often more distributed than we assume - every team member contributes to risk management. However, the most significant risks typically originate from leadership decisions - the top risks come from the top of the company. Leadership sets the tone for culture, standards, and accountability.

Applying an Enterprise View

Within your practice, consider:

Risk Identification

– What risks do we knowingly accept, and are they worth it?
– What preventable risks are we tolerating because they've 'always been there'?
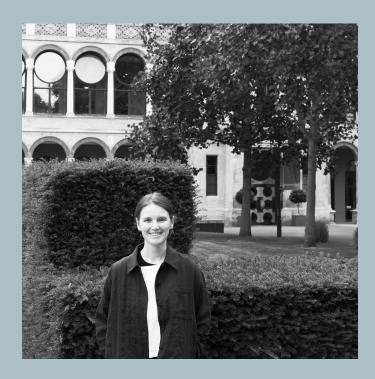– How do we monitor external risks that may fall outside specific projects?

Risk Creation

– Which business dimensions (structure, complexity, alignment, agency) could be creating hidden risks?
– Are there combinations of dimensions that are misaligned?
– In the effort to reduce risk, what could be lost along the way - diversity, creativity, experimentation?

Risk Responsibility

– How clear is responsibility for managing different risks across the organisation?
– Do leadership decisions inadvertently introduce risk into projects or teams?

Ultimately, risk is shaped as much by culture and structure as by checklists and compliance. In architecture - where risk is tightly tied to professional judgment, complexity, and collaboration - adopting an enterprise view shifts a practice from being reactive to resilient.

The information in this report is drawn from the *Integrating Risk into Strategic Decision Making* course, attended by Mikayla Exton at the Judge Business School, University of Cambridge. Mikayla participated in this programme through the NZACS Scholarship (2024), which supports employees and principals of member firms to develop their expertise in commercial and risk management. Mikayla was also supported by her workplace - Shaw & Shaw Architects - where she works as a registered architect.

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NZACS is keen to encourage ongoing conversations about risk in the architectural industry. If you have questions about any of the topics covered, or would like to discuss the report or the scholarship further, please reach out to Mikayla or NZACS - we welcome the opportunity to continue the dialogue.