

Grey Area Dynamics: It's Not All Black And White

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The most basic of risk assessments runs thus. *If X, so Y.* If I place my hand in the fire, it will burn. If I leave wiring unexposed, it could start a fire. If I travel to Somalia, I may not come back. And so on. Identifying the hazards is one thing, but fully understanding them, in both scale and nature, is something else entirely. Such is the preponderance of risk factors, that to understand them all and, more crucially, package these



in an easily understandable model, is a challenge for any business looking to conduct risk analysis and assessment at a level more advanced than merely *if X, so Y.*

The thinking behind Grey Area Dynamics – the award-winning model pioneered by the Merchant International Group and its successor KCS – is to consider the potential issues in both a sector (cultural, geographical, political risk etc) and their nature – illegal, active, or passive. Understanding both the nature of the risk and its context is crucial to succeeding in a venture, and Grey Area Dynamics is, through its mantra of total awareness and holistic analysis, one of the most comprehensive and effective models on the market.

The 'grey' in GADs come from the understanding, and acceptance, that risks cannot be seen as black-and-white and that while 'good' and 'bad' may in certain situations be easily defined, there exists a large grey area in which the biggest potential risk to a client may be posed. For instance, it may be common knowledge that a particular Eastern European politician is Bad News, but what of a client's potential business partner who appears to have a good reputation? While establishing a joint venture in Syria is not best advised at the moment, what about the same in Pakistan?

These are the invisible risks – and GADs help make them visible. Working in the grey areas is by no means always to be avoided, but neither can it be approached with the mindset of assuming that everything is OK from a cursory glance. Political, economic and security factors cannot apply as a one-size-fits-all solution. The bureaucratic climate of a South American nation may be wholly different to that of an Asian nation, but even this generalization does not go far enough. In such a situation you would need to consider the very specific types of bureaucratic indignities: inherent red tape, a culture of bribery, corruption from on high, the role of distributors – and so on. The deeper down you drill, the more likely you are to get to the core of an issue – which in today's business climate has never been more necessary.

This is in a way an answer to the iceberg theory: that the fullest range of risks is so hidden, either by chance or design, that the public picture of risks is nothing but an iceberg: a small part visible on the surface but with a gigantic quantity going unnoticed beneath the surface. As every naval enthusiast will know, it is what you cannot see that puts you at greatest risk. A good deal of risk assessment is predicated only on parsing what you do know into actionable plans: don't deal with this individual because he is obviously sanctioned; don't set up shop in that state because there's a high risk of civil war. What this doesn't deal with is the threats that are not obvious, about chains of political influence and the scrubbing of all negative publicity and the extent of specific kinds of corruption: in other words, anything that exists in the grey area between black and white.

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