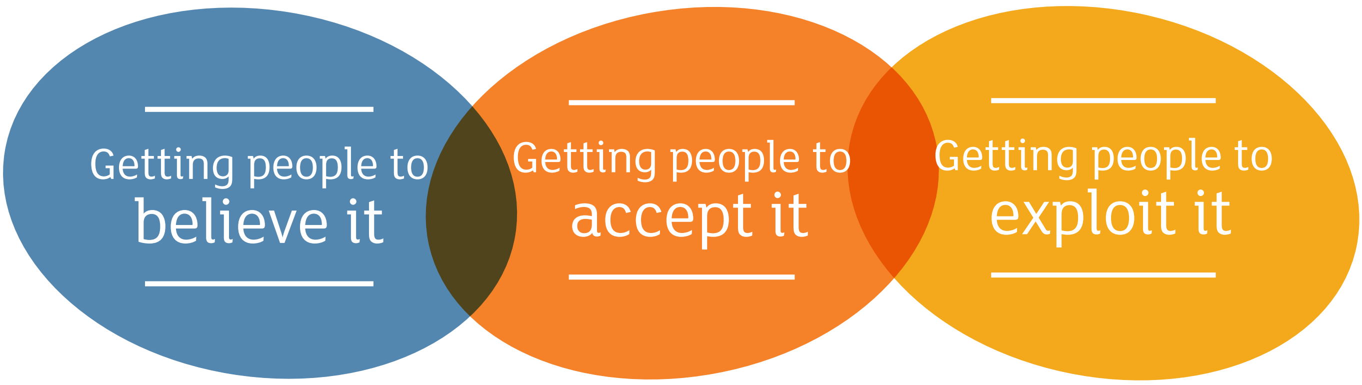
Implementing risk management

Risk Management, not in theory but in practice, is a relatively straight forward discipline to understand and to implement within your own business.

There are of course a number of publications and guidance materials that will assist you in developing an enterprise risk management frame work, for example, ISO31000, COSO, HM Treasury's The Orange Book, IRM & Alarm Risk Standard, but all essentially provide similar best practice advice – much of which could be described as common sense.

The difficult part of embedding a thorough and meaningful risk management framework is not the actual design of said framework because there is, as already mentioned, a plethora of guidance material available, the difficult part, or parts are;



Today, reputational risk, conduct risk, compliance risk are commonly used terms within a variety of businesses. Risk management, or the lack of it, contributed to the financial crash in 2009.

Many organisations instinctively manage their risks. An enterprise risk management framework takes advantage of this innate desire to manage risk because it offers a systematic approach that can be easily maintained and audited.

History is littered with failed projects and failed products – it is also populated by people who bought into these projects and products. With hindsight who would have bought a Betamax recorder, a Sony mini disk or Google glasses?

3 steps to heaven (ERM heaven) – i.e. to know whether you have a good ERM process in place.

1 Do you or someone else within your enterprise know what "threats" will prevent your business from achieving its goals and who has responsibility for their management?

Have you got activities in place to ensure that these threats are articulated and mitigated throughout the business?

2 Do people understand their role in this process, and can you prove that these activities are taking place?

3 If you can confidently agree that you have these elements in place, then how to further embed risk management within your business? Here are some top tips that have been offered by our knowledgeable and well-informed client base.

Top tips for embedding risk management

Management buy-in

Gaining senior management buy-in to the risk management programme is crucial. If management is onboard and understands the importance of risk management and how it can affect the overall business performance, then they will help instil new processes and practices to ensure everyone has a risk focus. Talking about risk at a strategic level is a great way to do this.

Having the correct procedures in place that can be monitored and audited allows for greater peace of mind and means that senior management will be less likely to be in the firing line if something does go wrong.

Training

Creating a network of risk coordinators or champions will help filter the risk message throughout the organisation. Risk management may not have been conducted or even been considered by many people within your organisation before. It is important that training is provided to guide people through the process of identifying, monitoring, mitigating risks and using the information gained to make informed business decisions.

Another important facet of this network is the ability for the organisation to retain invaluable knowledge should someone leave. Too often, great work in rising ERM up the agenda is lost when a vital member of staff is lost – good knowledge transfer and hand over is key.

Promote risk management as a management tool

Often for change to be implemented you need to lead by example. If you can establish one area, department or project that can make positive use of risk management then they will be able to help you promote their successes to the rest of the organisation.

This will allow for real life examples to be demonstrated. For example: If a local council's objective is to reduce the number of pot hole claims it receives by 20% this year, it needs to understand what circumstances would stop this objective being met. Perhaps staff shortage, bad weather, lack of equipment and lack of budget for repairs for example. It then stands a greater chance of meeting the objective as it can look to mitigate these problems.

Use an analytical approach to risk management

One of our clients has revamped its reporting and visuals to demonstrate the changes to their risk profile rather than simply displaying a detailed risk register in front of its managers. This allows for a deeper understanding to be gained and enables discussions to be had on different perceptions of risk and effective controls that can be shared across the organisation.

Ensuring the reports that you provide to management are valuable will ensure that they become reliant on the information you provide. This will in turn improve the perception and value of risk management within your organisation.

Organisation wide risk responsibility

All managers who are responsible for a business goal should be responsible for the risk management associated with that goal, as well as the overall attainment of the objective. This ensures that risk management is practiced on a companywide level and creates a risk culture throughout the organisation. The manager responsible for reducing pothole claims for example, will be tracking with interest as claims are submitted. They will be making informed decisions about the amount of money they spend in order to fix the highways and reduce the overall number of claims, perhaps hiring new staff or using contractors as required to mitigate a potential staff shortage for example.

Additional performance indicator

Positive risk behaviour could be included into personnel reviews to ensure that employees maintain focussed on risk management.

Risk culture

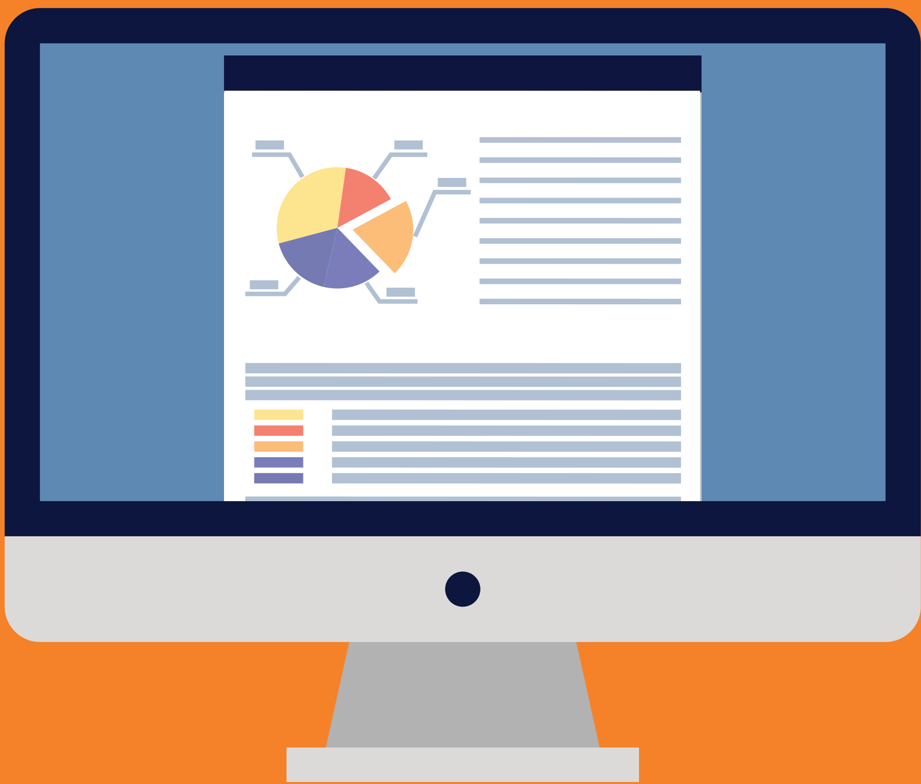
Creating a risk culture will take some time but ensuring an environment where people can talk openly about any issues or problems they are experiencing will help to embed a risk culture across an organisation. If everyone is aware of any problems, then there is a greater opportunity to rectify them. An important part of risk management is to learn from previous failings. Having the appropriate mechanism in place to discuss lessons learned in a positive and educational manner is essential to avoid repeating the same issues.

Money Talks

As the old saying goes, money talks. If you can demonstrate that the omission of conducting risk management will be financially detrimental to the business, then this will help gain buy-in from the business.

Risk software

Using a centralised risk management tool that links all risks back to the company's strategic objectives gives great visibility of risk management to all employees across the business. The ability to run reports from the software provides valuable information quickly and easily which is essential when making business critical decisions. A central system also demonstrates, for auditing purposes, that risk management is being undertaken. When challenged, personnel can very quickly identify that risk had been considered and oversight put in place.



For more information on JCAD's risk management software, CORE, please visit: www.jcad.com or call 01730 712020.

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