Risk management
Principles and guidelines based on ISO 31000

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INTRODUCTION

- Who are you?

- What do you do?

- What is your experience regarding risk management?

- What do you know about Risk?

- What are your expectations for this briefing?

BRIEFING OBJECTIVES

- Gain a **comprehensive understanding** of Risk Management

- Gain knowledge on the Risk Management **philosophy**, the **vocabulary**, the **framework**, the **principles** and the **process**

CONTENT

- ➢ REFERENCES

- ➢ RISK – RISK MANAGEMENT

- ➢ VOCABULARY

- ➢ PRINCIPLES

- ➢ FRAMEWORK

- ➢ PROCESS

REFERENCE

ISO 31000, 2009-11: Risk management – Principles and guidelines

The norm is intended for people who create and protect value in an organization by

- managing risks,
- making decisions,
- setting and achieving objectives, and
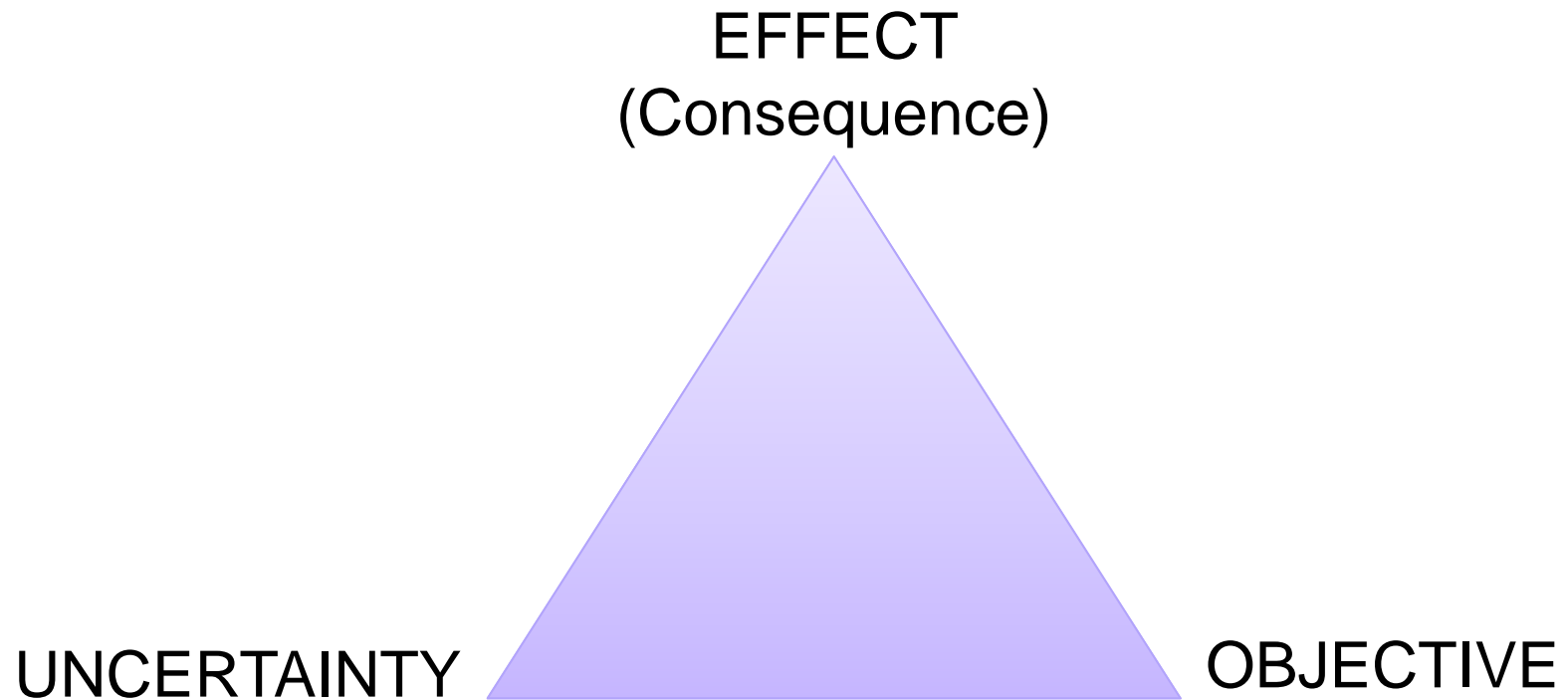- improving performance.

RISK?

DEFINITION

RISK IS THE EFFECT

OF UNCERTAINTY

ON OBJECTIVES

RISK

RISK REQUIRES THREE FACTORS
→ NO RISK, IF ONE IS MISSING

EFFECT
(Consequence)

UNCERTAINTY

OBJECTIVE

KEY MESSAGES

➢ RISK MANAGEMENT IS INVOLVED IN ANY **DECISION** MAKING.

➢ A STRUCTURED RISK MANAGEMENT APPROACH **HELPS** TO TAKE **INFORMED** DECISIONS.

➢ A KEY CHALLENGE IS TO IDENTIFY AND ADDRESS THE FACTORS THAT MAY **AFFECT OBJECTIVES**.

➢ RISK IS **NOT** TO BE (**ONLY**) ASSOCIATED WITH A **NEGATIVE** MEANING.

➢ <u>THREATS AND OPPORTUNITIES</u> – ALSO LOOK AT THE BRIGTH SIDE OF THE UNCERTAINTY.

➢ **PRINCIPLES, FRAMEWORK** AND **PROCESS**.

VOCABULARY

Risk	**the effect of uncertainty on objectives**
Risk Management	coordinated activities to direct and control an organization with regard to **risk**
Risk Attitude	organization's approach to assess and eventually pursue, retain, take or turn away from **risk ("RISK APPETITE")**
Risk Owner	person or entity with the accountability and authority to manage a **risk**
Risk Manager	person which is responsible to conduct/work the risk management process
Stakeholder	person or organization that *can* affect, *be* affected by, or *perceive* themselves to be affected by a decision or activity
Risk Source	element which alone or in combination has the intrinsic potential to give rise to **risk**
Event	occurrence or change of a particular set of circumstances
Risk Assessment	overall process of **risk identification, risk analysis, risk evaluation**
Risk Identification	process of finding, recognizing and describing **risks**

VOCABULARY

Consequence	outcome of an **event** affecting objectives
Likelihood	chance of something happening
Risk Analysis	process to comprehend the nature of **risk** and to determine the **level of risk**
Risk Criteria	terms of reference against which the significance of a **risk** is evaluated
Level of Risk	Magnitude of a **risk,** expressed in terms of the combination of **consequences** and their **likelihood**
Control	measure that is modifying **risk**
Risk Evaluation	process of comparing the results of **risk analysis** with **risk criteria** to determine whether the **risk** and/or its magnitude is acceptable or tolerable
Risk Treatment	process to modify **risk**
Residual Risk	**risk** remaining after **risk treatment**

VOCABULARY

Level of risk (RAC) = <u>combination</u> of
Consequences (severity)
likelihood
Combination, not only multiplication...
Likelihood of the event for a given consequence

Consequence ⇨ <u>outcome</u> of an event affecting <u>objectives</u>
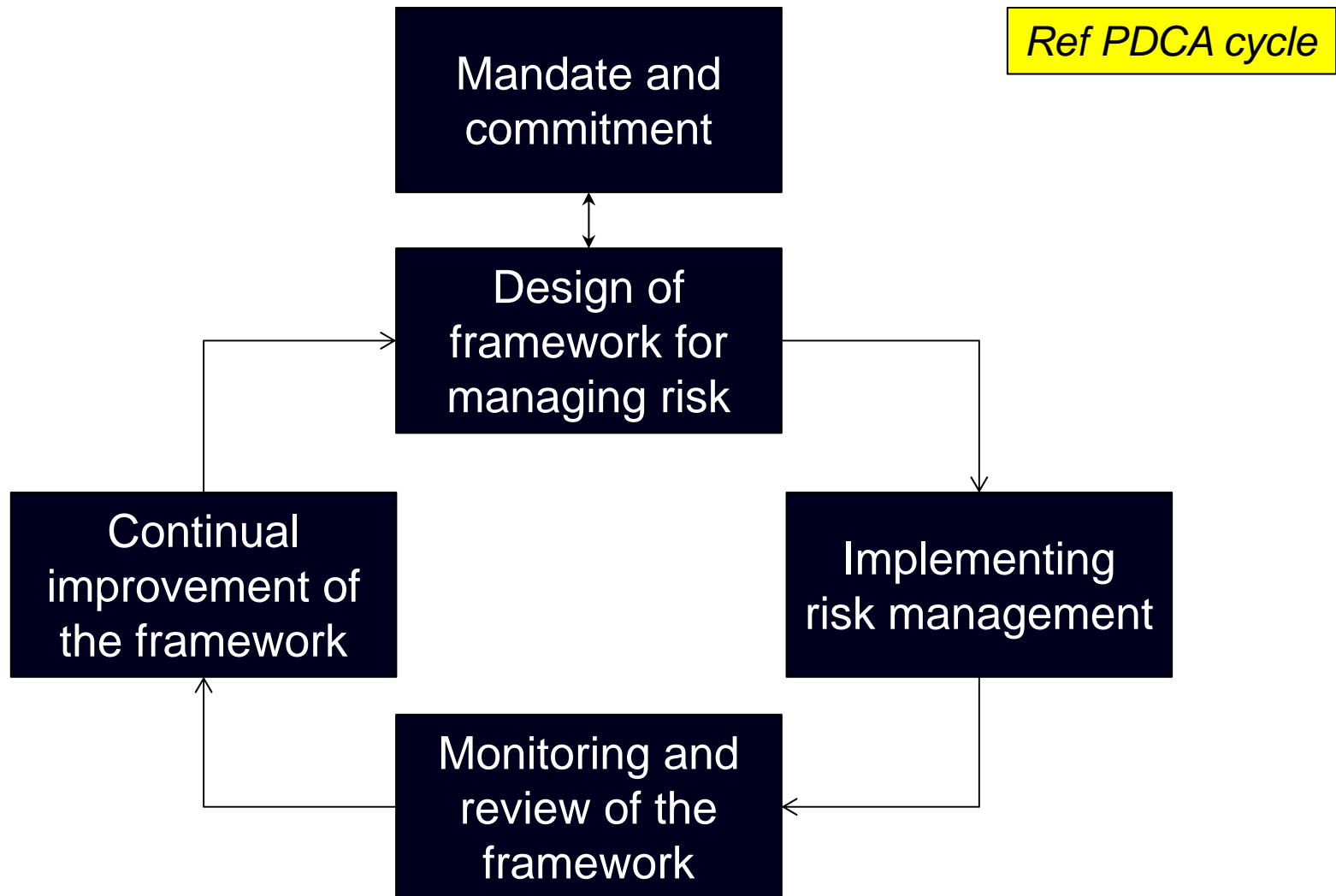**Likelihood** ⇨ better than probability (mathematics)

			Consequence		
			Slightly Harmful	Harmful	Extremely Harmful
Likelihood		Highly Unlikely	Low (3)	Low (3)	Moderate (2)
		Unlikely	Low (3)	Moderate (2)	High (1)
		Likely	Moderate (2)	High (1)	High (1)

11 PRINCIPLES
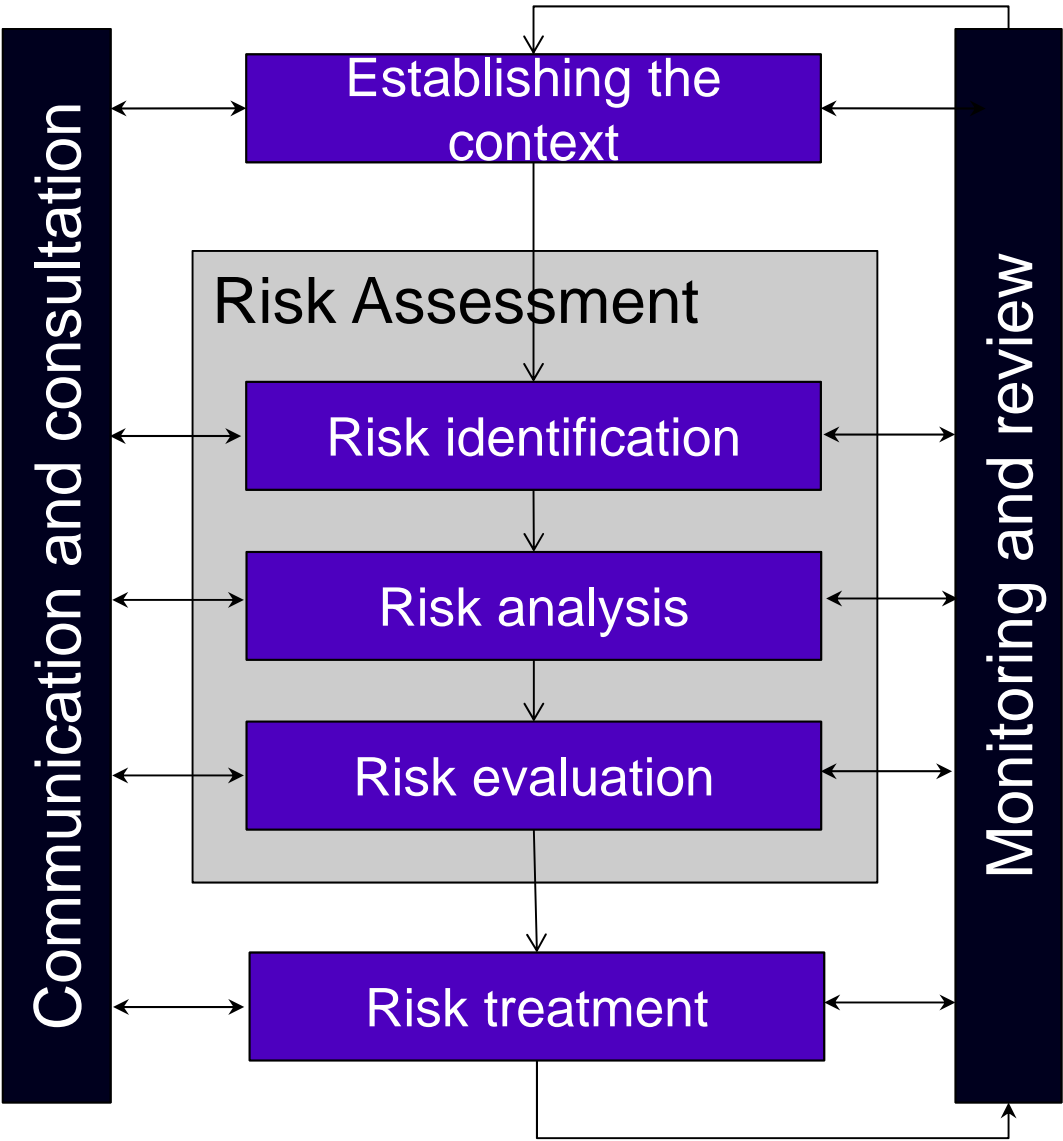
a) CREATES VALUE

b) INTEGRAL PART OF ORGANIZATIONAL PROCESSES

c) PART OF DECISION MAKING

d) EXPLICITLY ADDRESSES UNCERTAINTY

e) SYSTEMATIC, STRUCTURED AND TIMELY

f) BASED ON THE BEST AVAILABLE INFORMATION

g) TAILORED

h) TAKES HUMAN AND CULTURAL FACTORS INTO ACCOUNT

i) TRANSPARENT AND INCLUSIVE

j) DYNAMIC, ITERATIVE AND RESPONSIVE TO CHANGE

k) FACILITATES CONTINUAL IMPROVEMENT AND ENHANCEMENT OF THE ORGANIZATION

FRAMEWORK

Ref PDCA cycle

Mandate and commitment

Design of framework for managing risk

Continual improvement of the framework

Implementing risk management

Monitoring and review of the framework

RM PROCESS

ESTABLISH CONTEXT

External:

- PESTEL

- KEY DRIVERS AND TRENDS IMPACTING OUR OBJECTIVES

- OUR STAKEHOLDERS (REQUIREMENTS, EXPECTATIONS, PERCEPTIONS AND SO ON)

MISSING ANYTHING, IN YOUR OPINION?. WHICH ARE THE MOST RELEVANT ONES?

Internal:

- ORGANIZATIONAL POLICIES AND OBJECTIVES

- ORGANIZATION AS A WHOLE (INTERFACES)

- GOVERNANCE, ORGANIZATIONAL STRUCTURE, ROLES, ETC

- CAPABILITIES

- INFORMATION SYSTEMS, INFORMATION FLOWS, DECISION MAKING PROCESSES, ETC

- STANDARDS, REGULATORY FRAMEWORK, ETC

RISK ASSESSMENT

➢ ESTABLISH RISK CRITERIA

➢ RISK REGISTER

➢ DO NOT FORGET THE RISK OWNER AND MANAGER (KEY TO GET SOMETHING ACHIEVED)

➢ LIKELIHOOD AND CONSEQUENCES (IMPACT)

➢ RISK ASSESSMENT CODE (RAC) – HELPING YOU TO FOCUS AND PRIORITIZE

RISK TREATMENT (NOT ONLY MITIGATION)

- ➢ REMEMBER: POSSITIVE AND NEGATIVE EFFECTS OF UNCERTAINTY

- ➢ POSSIBILITIES:
  - ➢ AVOID THE RISK
  - ➢ TAKING OR INCREASING IT
  - ➢ REMOVING THE RISK SOURCE
  - ➢ CHANGING THE LIKELIHOOD
  - ➢ CHANGING THE CONSEQUENCES
  - ➢ SHARING THE RISK WITH ANOTHER PARTY
  - ➢ RETAINING THE RISK BY INFORMED DECISION (Do Nothing)

RESIDUAL RISK

➢ REMAINING AFTER INITIAL RISK TREATMENT

➢ DO NOT NEGLECT IT

➢ INCORPORATE IT INTO THE ITERATIVE RISK MANAGEMENT PROCESS

RM vs. Safety

- OSH experts need to understand that Risk Management goes **far beyond Risk Assessment** (DEU: Gefaehrdungsbeurteilung)

- Risk can be a **threat** (the legacy OSH thinking) or an **opportunity**

- RM can be utilized as a vehicle to **integrate OSH topics** in established organizational processes

- Similar to PDCA in SMS OHSAS 18001, RM is a repetitive four-stage model for **continuous improvement**

Take-aways

- Get management on-board

- Understanding terminology is key to successful RM

- Integrate RM in your business processes

Questions?