

# **Practical tips on embedding risk management in an organisation**

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# Session Objectives

What do we aim to do in this session?

- Talk about some of the key work areas in embedding risk management
- Talk about some of the issues that you might face
- Talk about some of the ways in which you can successfully address these issues

# Key Focus areas

- Getting started
- Key areas
  - Risk Governance
  - Culture and Capability
  - Risk Management Process
  - Stakeholder Management

# Getting started

- Where do you start?
  - Context
  - Identify the key purpose(s) of risk management
  - Identify the main areas/types of risk
  - Agree a definition of risk
  - Establish the core principles of risk management

# Getting started

- Where do you start?
  - Identify what is already done
  - Identify your stakeholders
  - Identify stakeholder needs
  - Map purpose/principles/stakeholder needs/current practice

# Getting started

- Where do you start?
  - Convince yourself
  - Convince supporters
  - Convince adversaries

# Key Focus areas

- Getting started
- Key areas
  - Risk Governance
  - Culture and Capability
  - Risk Management Process
  - Stakeholder Management

# Risk Governance

- The organisation shall have a clearly defined policy & approach to RM which is disseminated throughout the organisation, supported by clear allocation of responsibility and ownership
  
- Questions:
  - To what extent do the organisational and reporting structures for RM enable appropriate parties to make fully informed decisions?
  
  - To what extent are decisions at all levels within the organisation made within the pre-defined Risk Policy and Appetite?

# Risk Governance

- ❑ Accountability & Expectations
- ❑ Reporting Structures
- ❑ Committee Structures
- ❑ Performance Measurement
- ❑ Risk Policy
- ❑ Risk Appetite / Capacity
- ❑ Approach Determination

# Setting clear expectations

- All relevant staff in the organisation know what they are expected to do, and their freedom to act in respect of risk.

# Setting clear expectations

## ■ Who for?

- Board
- ExCo
- Risk Committee
- CRO
- RM Function
- Business units
- Risk/Control/Action plan owners
- All staff
- Internal audit/external audit

## ■ What for?

- Decision making
- Planning
- Budgeting
- Project appraisal and management
- Process engineering
- Reporting

# Setting clear expectations

- Back them up
  - Objectives cascade
  - Clear link to recognition/reward
  - Principle based policy
  - Competency/capability programmes
  - Training and support

# Culture and Capability

- The organisation shall ensure that all relevant employees are fully aware of and understand their risk management responsibilities, have the ability to fulfil them and are supported to do so in an open and honest environment
  
- Questions:
  - To what extent are all relevant employees able to articulate the expectations of them and their scope of freedom to act with respect to risk?
  - To what extent does the high level sponsorship for Risk Management encourage the timely sharing of significant risk information?
  - To what extent has the organisation developed consistent training, development, tools and techniques for Risk Management that are used throughout the business?

# Culture and Capability

- Sponsorship
- Awareness & Empowerment
- Terminology & Language
- Training
- Consistent Approach
- RM reference material

# Sponsorship

- The senior management team strongly and consistently support risk management and the embedding initiative.

# Sponsorship

- Clear, concise, early, individual briefings and consultation
- Give them messages/sound bites to use publicly
- Explain the benefits to be gained from risk management
- Show them the benefits that others are enjoying
- Build on what already exists
- Make them accountable

# Raising Risk Awareness

- All of the relevant staff in the organisation understand the basic concepts and benefits of risk management.
- All staff are aware of and understand the organisations approach to risk management.
- All staff apply the organisations risk management principles in day to day operations.

# Raising Risk Awareness

- Risk management events
- Risk conferences
- Risk forum
- Risk roundtables
- Training
- Workshops
- Reference material
- Facilitation

# Risk Management Process

## ■ Identification and Assessment

- The organisation shall have a robust process by which it can identify, assess and respond to the significant risks facing the business
  
- Questions:
  - To what extent does the organisation have a clear understanding of all significant (material financial & non-financial) risks (nature, scope, extent) at any point in time?
  - To what extent is the organisation able to accurately measure at any point in time any significant risks facing the business?
  - To what extent does the comparison of current risk levels against risk appetite prompt corrective actions where appropriate?

# Risk Management Process

- Identification
- Assessment
- Action Plans

# Risk Management Process

- **Monitoring and Assurance**
- The organisation shall have a robust process for monitoring its risk profile and control framework which includes the ability to identify and respond to significant issues and events affecting the risk environment
- Questions:
  - To what extent does the organisation have a process in place to enable the regular monitoring and reporting of risk levels?
  - To what extent does the organisation have a process in place to identify material issues and events and escalate these to the appropriate parties on a timely basis?
  - To what extent is the organisation able to independently validate risk information generated in the business?

# Risk Management Process

- Risk Monitoring
- Risk reporting
- Escalation Process
- Indicators
- Loss events
- Assurance

# Stakeholder Management

- The organisation shall communicate risk issues in an effective and timely manner to stakeholders
  
- Questions:
  - To what extent are you able to clearly articulate current status and future developments for RM?
  
  - To what extent do you feel that your stakeholders have sufficient and timely knowledge of the risk issues in your organisation?

# Stakeholder Management

- Stakeholder Communication
- RM Approach & Development

# Conclusion – Key tips

- Get the buy-in of senior management
- Develop a common language for risk
- Communicate, communicate, communicate
- Build on existing expertise
- Persevere – this will take time
  
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