

Creating the Conditions for Sustainable Risk Management

For some years now we have been flooded with information and entreaties about risk management and corporate governance at the highest levels. Executive management is very clear on its obligations. Standards, codes and guidelines tell us what must be achieved – and by when.

But what can be learned from high-performing organisations? What practical tips are available?

High-performing organisations recognise that risk management offers the ability to deliver sustainable competitive advantage if it can be embedded into day-to-day operations, becoming “business as usual”. They see the efficiency gains that follow if the tasks are dispersed throughout the organisation – and the power that high-level drill down and interrogation can bring.

They strive to elevate risk management to an everyday, ongoing activity that adds value. Importantly, they see the danger in creating a culture that just ticks boxes once per year.

Some Tips

Step 1: Prepare the Ground

- Learn by doing. Use experienced facilitators to conduct local risk assessments on real-life situations.
- Recognise enterprise-wide capability early. Conduct risk assessments in various parts of the organisation for various risk types – not just OHS risk.
- Harness the advantages of teams. Use workgroups to conduct assessments.
- Avoid “tick the box” mentality. Encourage expansive thinking. Have workgroups ask “What if?” questions.
- Look for positive consequences via risk-taking. Do not confine all thinking to undesirable outcomes.
- Set up systems for scanning legislative changes.
- Set up systems for scanning industry experience – worldwide if necessary.

Step 2: Capture the Information

- Treat mistakes professionally. Recognise that the way mistakes are treated can have a significant impact on organisational culture.
- Encourage free reporting of issues – if necessary on a no-fault basis – so that events are captured.
- Establish systems for distributing and communicating information.
- Link incidents to risk assessment. Reassess risk on the basis of new information.
- Anticipate a future need for data consolidation, drill-down and analysis.

Step 3: Cultivate the growth

- Establish accountability for risk management at all levels in the organisation.
- Set standards for assessment of routine and non-routine activities.
- Track performance using control assurance plans, self-assessment and other devices.
- Recognise and plan for resource priorities and limitations.

Step 3: Reinforce the gains

- Use risk assessment techniques to judge implementation weaknesses in critical procedures (eg. internal control, emergency preparedness, disaster recovery).
- Turn “What if?” mentality into a significant barrier against future loss – and a lead to future opportunity.

Footnote: Look Out for Warning Signs

- **Organisation is heavily focused on rules and procedures.**
People may believe that following the rules is enough, yet fail to realise that rules (standards, procedures, etc.) can never fully anticipate all the circumstances that might unfold during the course of the work.
- **Rules are frequently bypassed.**
May be a sign that many rules have become unworkable, eg from constant modification as incidents occur.
- **Mistakes are not treated professionally.**
There may be too much emphasis on mistakes and violations – without enough attention to possible system causes.
- **Absence of “What if?” culture.**
Excessive prescription (eg. box ticking); rules seen as end in themselves; little attention to implementation weaknesses in critical procedures.
- **Poor accountability. Too many ways to get off the hook.**
People are told to achieve outcomes, rather than agreeing to achieve outcomes.

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