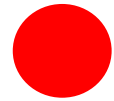


# Welcome to:



## Manage Risk, Don't Let It Manage You!

Colin Langford

# A bit about me...

## ... and a bit about logistics



Question panel

How can we talk?



## By the end of the session you will be able to:

- Understand the key features of the risk management cycle
- Identify the core issues in making risk management practical
- Consider an alternative to risk management



## Consider this quote ...

- *"Today's public service delivery environment constantly presents new risks to the provision of public services and robust risk management can help depts. respond effectively. Well managed risk taking is to be encouraged".*
- Who said this and when???
- Hint – this was a landmark year (in terms of risk management) ...

# That was then, this is now ...

## Drivers today:

- Shrinking budgets
  - Less people
  - New regulations
  - Increasing demand for services
  - Increasing expectations
  - “Zero tolerance” of non-performance/  
waste/fraud
- 
- We must “do more with less”, be innovative in design and delivery of services

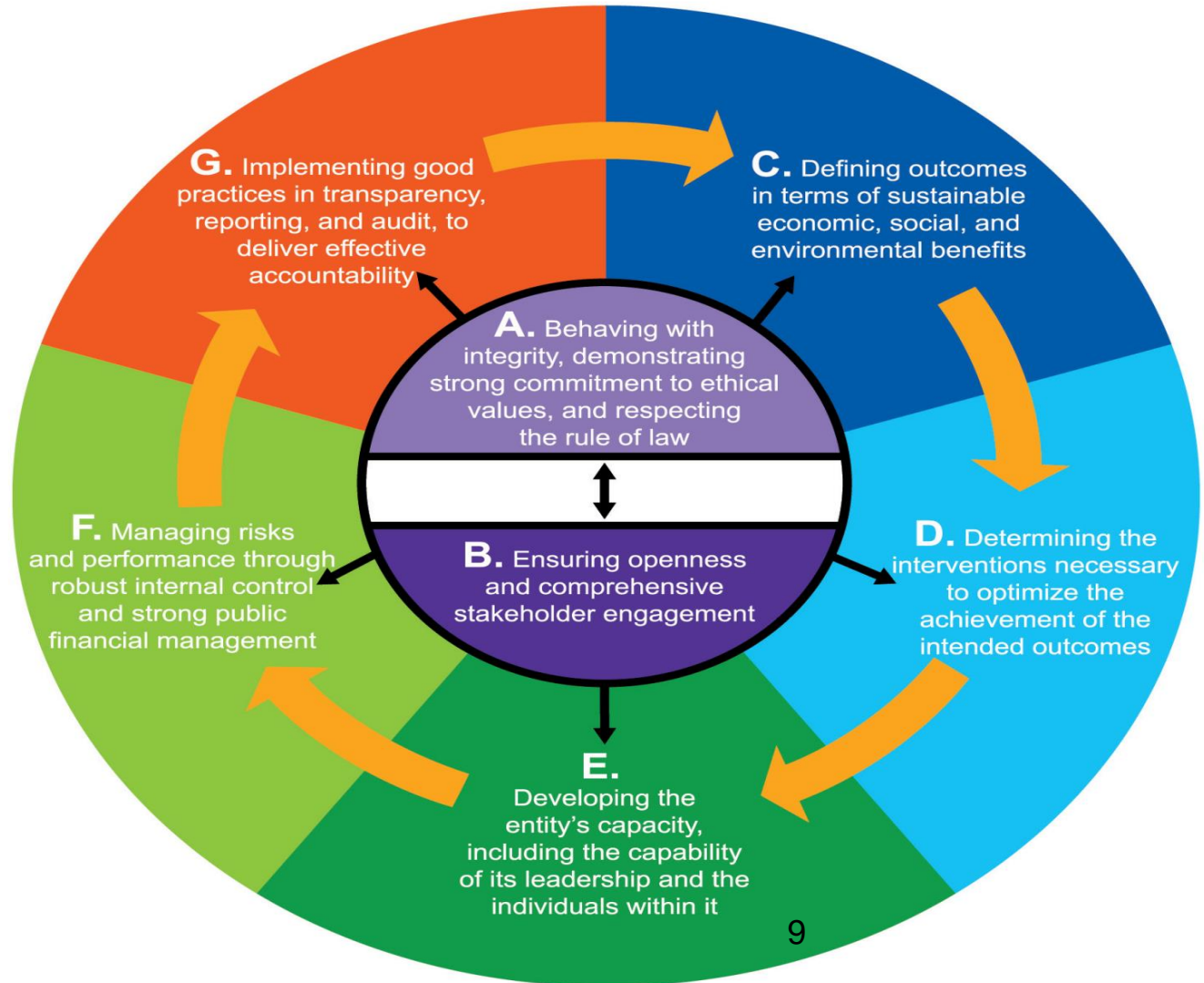
Risk Management is really just “good management”, isn’t it?





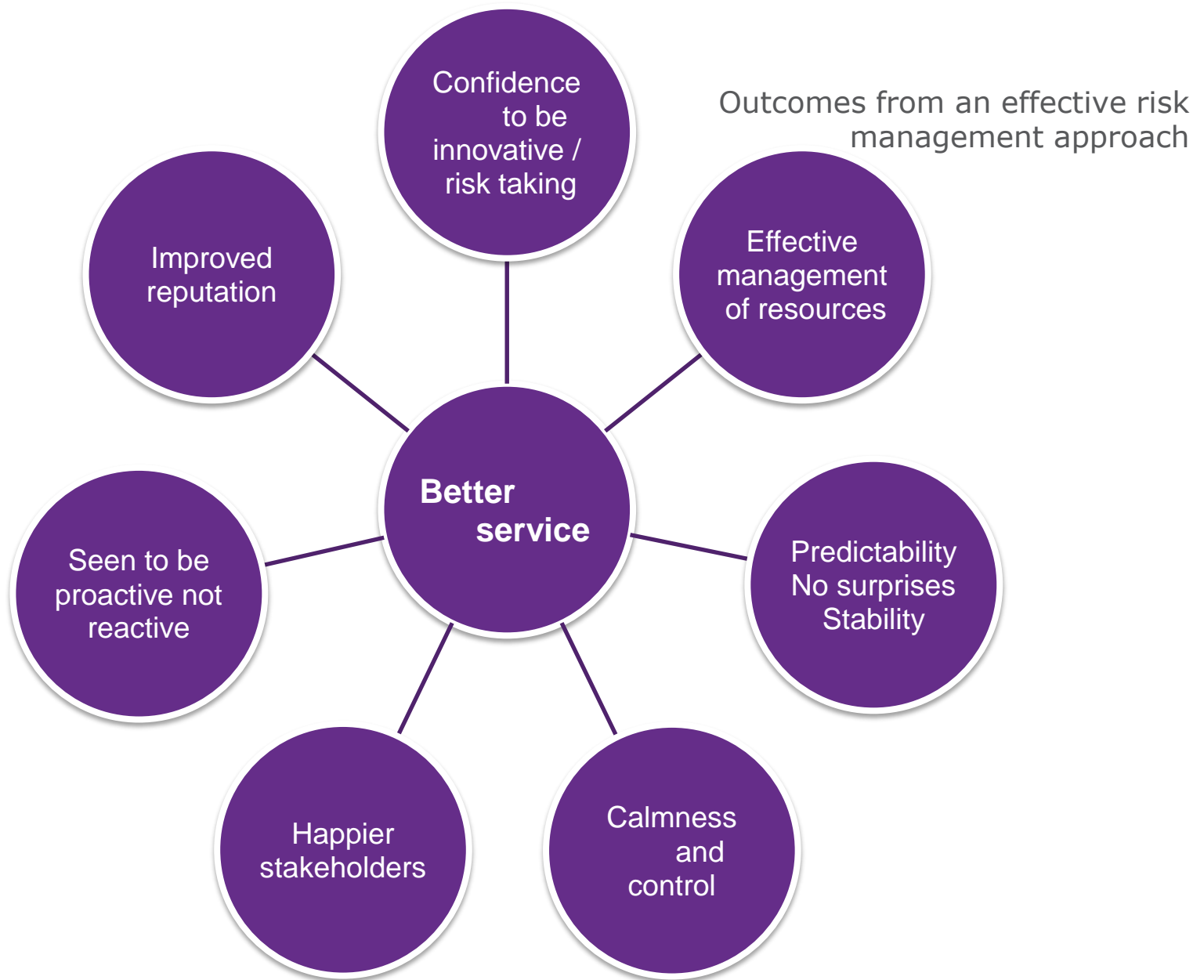
## International Framework : Good Governance in the Public Sector

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



# Types of typical “risk”

- Failing to meet statutory/legal requirements or performance targets
  - Disruption in service delivery
  - Financial imbalance
  - Misaligned corporate objectives
  - Misuse of assets (including information!)
  - Theft and fraud
- 
- Not availing of opportunities
  - Not growing and developing
  - Not being as good as we have the capacity to be



# What is “risk”?

**“Risk” is uncertainty of outcome!**

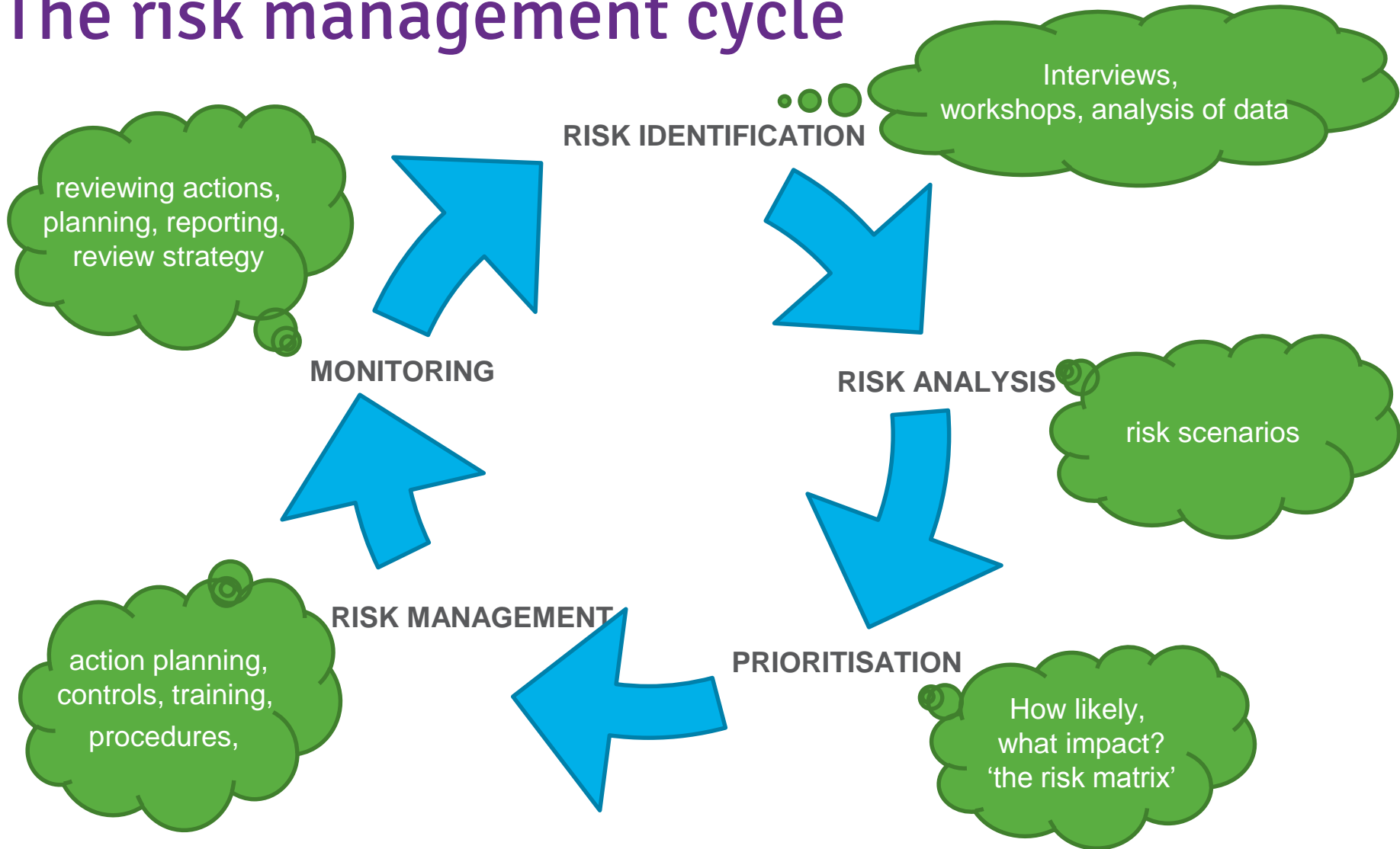
## **Definition of Risk**

*“...the threat that an action or event will adversely affect an organisation’s ability to achieve its objectives...”*

## **Definition of Control / Mitigating action**

*“...a control is an action taken to reduce likelihood of a risk occurring, or to limit its adverse consequences...”*

# The risk management cycle



# Some observations ...



# Factors Influencing Risk Management

- **Individual Factors** – such as competence, capability, skills, knowledge, stress levels, motivation, emotional health, cultural background etc.
- **Group Factors** – including interpersonal issues, leadership style, hierarchical power, communication approach, co-ordination, supervision, empowerment, task focus etc.
- **Organisational Factors** – like corporate ethos, policies, standards, previous experience, market positioning, senior management style, systems and procedures etc.

People, however, are the most important contributor to risk management effectiveness, for both good and ill.

# Poll number 1

- Who makes the “best” identifier of risks?
- The eternal optimist OR the eternal pessimist???
- Thank you – what do the results tell us?



# The psychology of risk

- Driven by personality, which will affect our perception, behaviour and our decision-making
- Left brain / right brain dominance?
- I sometimes like to suggest testing for brain dominance before any risk identification exercise!

# Dealing with differing risk appetites

- Often, there will be different corporate risk appetites
- These can vary across the organisation, dominant personalities can influence the mood
- Recent events can also affect tolerance to risk
- Be aware that risk appetites are dynamic!
- Should be periodically calibrated

# What is “clustering”?

- Looking for similarities of the risks in:
  - service areas
  - project areas
  - root causes
  - likely solutions/actions
  - outcomes, i.e. same group of people affected

# What is “clustering”?

## Why “cluster”?

- Clustering similar risks makes the process of managing risk more effective...

## It allows you to:

- identify common actions
- eliminate any duplication of effort
- allocate resources more effectively
- keep a tighter control over actions

# Why you need to ensure effective risk management in partnerships

- Number and scale of partnership working arrangements - visibility and profile of services now provided by partners
- Complexity of the partnership arrangement
- Many risks do not transfer .... YOU may have to pick up the pieces

# Partnership Registers

- You probably have a contracts register and a project register **BUT** do you have a partnership register?
- Partnership registers should include :
  - Who is involved and the governance arrangements
  - Who is the accountable body
  - The aims/objectives of the partnership
  - The resources/commitment required
  - The frequency of review of the partnership
  - Remember - not all partnerships are equal!

# Assurances from partners

- Do you and your partners understand the risks you face in working together?
- Is there open dialogue and sharing of risk information?
- Does contract monitoring include monitoring of risk information ?

# Partnerships' own risks

- Risk management protocol (similar to a risk strategy) as part of overall governance arrangements
- An agreed risk management methodology to be used that satisfies all partners interests
- Clear monitoring arrangements linked to contract/performance management

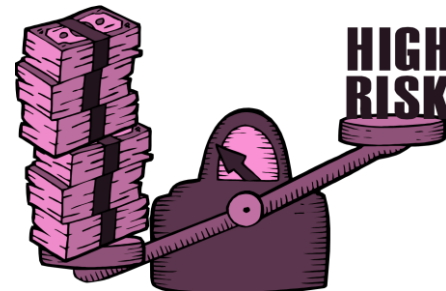


# Effective risk management in partnerships relies upon ...

- Common understanding of objectives
- Clear understanding of risk management responsibilities
- Assurance that partners' risk management / corporate governance arrangements are adequate
- Openness and honesty around risks
- Sharing of risk assessments
- Common language / approach for the partnership

# Opportunity Analysis

- There is the taking of risks to grow the organisation and there is the managing of risks to protect the business - a balance is needed



- Taking opportunities can be described as well managed risk taking to support innovation

# Poll number 2

- "Is Risk Management only applicable to avoiding hazards?"

# The Future ... without a crystal ball

- Increased emphasis on risk and corporate governance?
- Greater accountability?
- Higher expectations?
- Increased likelihood of fraud?
- The impact of reduced funding?

# A living process? – a checklist

- There is **active involvement** across the organisation
- There is good communication (up/down **and** across the organisation – and outside it!)
- **All** stakeholders are meaningfully engaged
- RM is embedded in all organisational processes
- There is **no tension** between culture v process
- RM has become a “**natural**” way of working



# Alternative thinking on risk ... ABCD

- **Assumption Based Communication Dynamics!**
- Perceived failing of traditional Risk Management:
- Focuses on the negative
- People feel uncomfortable
- Very process driven
- Focuses on upward communication
- Over analyses a lot of unsubstantiated data
- It's difficult to get anyone to actually do anything!

# Alternative thinking on risk ... ABCD

- Let's focus on the positives!
- It's the assumptions that underpin plans/programmes/projects that need to be examined and managed
- Let's test these assumptions in terms of **sensitivity** and **stability**
- Let's communicate our tested assumptions with all our stakeholders
- Let's bring a quality dimension into our costing and use probability theory

# The practical questions to ask by the executive ...

- Who identifies risks?
- How and when are risks identified?
- What happens next? (is the process perverse?)
- Is there a “blame culture” that stifles risk identification (how do we know if there is / isn’t?)
- Is there a uniform risk language / risk classifications?
- How do risk registers “talk” to each other?
- Is risk compliance built into appraisals?
- Does non compliance have consequences?



# The Board Room conversation ...

- What is the tone **at** and **from** the top?
- How do we know that we're not taking catastrophic risks?
- Are our risk responses aligned to our risk appetite?
- What assurances are we getting that the risk management process is effective?
- Are we getting the right people doing the right things at the right time?
- What are our dominant themes? (what's missing?)
- What is our risk culture?

# Why risk culture is important

- A positive risk culture:
- Strengthens common purpose, values and ethics
- Encourages universal adoption and application of key policies and procedures
- Encourages timely, transparent and honest communication
- And a negative risk culture means ???

Risk Management - Because everyone  
needs a helping finger.



# Contact us



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