Risk Management for Neighbourhood Houses
Improving Practice

October 2013
Objectives

• Identify how you can use risk management to drive continuous improvement and service sustainability

• Recognise what good risk management would look like for your organisation

• Identify how risk management and governance can support achievement of your service strategy
Attestation and Enterprise Risk Management
ATTEST

To affirm to be correct, true, or genuine
Attestation IS an opportunity to:

- Review the Risk Management Framework
- Drive system & process improvements
- Engage with the staff, management and stakeholders on continuous improvement
- Undertake performance review & set goals for improvement
Attestation IS NOT...

- A compliance activity
- Done only in preparation for the Annual Attestation
Organisations are required to Attest under the Service Agreement that:

- Risk Management processes are in place
- Risk Management processes are controlling risks
- Organisation review their risk profile annually
Enterprise risk management
Risk and the Community Sector

Sources of Obligations

- Family & Friends
- Conscience
- Law
- Public Interest
- Clients
- Self (private) interest
- Democratic Process
- Professional ethics
- Stewardship of public resources
- Colleagues
- Organisation & its mission
- Community

Source: Malcolm Sparrow, John F Kennedy, School Government, Harvard University
No organisation, whether in the private, public or community sector can achieve its objectives without taking risks. The only question is how much risk do they need to take? And yet taking risks without consciously managing those risks can lead to the downfall of organisations.

Adapted from The Institute of Risk Management 2011
What is risk management?
Managing risks in order to meet objectives

Choosing which risks to take… and then managing them well
What risk management isn’t
### Seven key questions

Good risk management seeks to answer these questions:

1. What are we trying to achieve?

2. What events or circumstances could affect the achievement of our objectives?

3. What are the consequences?

4. How likely are these events?

5. What can we do to manage these outcomes?

6. How will we maximise opportunities?

7. How resilient is the organisation if something does go wrong? Can the organisation recover if a risk eventuates?
Risk and Strategy
<table>
<thead>
<tr>
<th>Level</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td>Risk is uncertainty • Focus is on optimisation and ability to recover and respond</td>
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<tr>
<td><strong>Managing</strong></td>
<td>Risk is an expense reduction rather than value adding • Focus is on mitigating risk</td>
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<tr>
<td><strong>Transactional</strong></td>
<td>Risk is bad • Focus is on transferring risk and is incident and problem focused</td>
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**Proactive:** about preventing and reducing risk with collaboration across different parts of the organisation and clear alignment to strategy.

**Negative construct,** hazard based risk identification. Risk and controls addressed separately. Risk Manager has a process compliance orientation.
Understanding what you do,

Looking out over the long-term future to determine what you want to become, and importantly

How to get there.

Source: Harvard Manage Mentor, Strategy Execution 2009
Risk requires both Strategic and Operational Thinking

**Strategic Thinking**
- Future focus
- Big Picture/Visual
- Intuitive Analysis
- Conceptual
- Creative solutions
- Drives innovation
- Leadership behaviours

**Operational Thinking**
- Immediate focus
- Detailed
- Linear analysis
- Sequential
- Traditional solutions
- Drives conformity
- Management behaviours
Key Inter-relationships

SUCCESSFUL STRATEGY EXECUTION

GOVERNANCE
How are we positioned to execute

CULTURE
Are our people ready

STRATEGY
What we want to achieve
Managing uncertainty
PEOPLE MANAGE RISK...

...Processes and everything else we build just helps us keep control
What some risk frameworks and systems do to the people having to manage risks
Corporate governance is the guidance system for achieving planned objectives.
Components of risk management maturity

- Resources & Capability
- Policy & Plan
- Risk Management Process
- Validation & Assurance
- Inter-Organisational Risk Management

Risk Management Culture

Governance & Accountability
DEVELOPING
The organisation is in the process of developing an organisation-wide Risk Management Framework and approach.

INTEGRATING
The organisation-wide Risk Management Framework and approach has been documented and approved. Key risk management activities are in the process of being integrated with existing management systems and activities.

EFFECTIVE
The organisation-wide Risk Management Framework and approach is consistently applied across all areas of the organisation with processes and activities that are part of everyday management and decision making.

ADVANCED
The organisation-wide risk management approach reflects a proactive risk management culture. Risk management is integral in optimising outcomes, creating value and achieving objectives through the use of innovation and change management. The organisation actively pursues improvement opportunities in risk management.

Risk Management Framework Maturity Pathway
Challenging your risk approach

Does your current Framework, Policy and Process:

☑ Are we taking the right amount of risk to achieve our vision and mission?

☑ Have we integrate risk management with the organisation’s strategic direction and business plans?

☑ Are the risks identified directly to the organisation’s strategic objectives?

☑ Do we have the management committee/governance board involvement and support in driving risk management?

☑ Are leadership accountabilities clearly assigned?
Challenging your risk approach

- Enable and support the dynamic identification of threats and opportunities
- Communicate risk data to the right people at the right time to support decision making
- Contributes to improved resource allocation
- Are risk monitoring and control effectiveness accountabilities clearly assigned
- Encourages continual improvement and organisational learning
- What mechanisms exist for operational staff to participate?
The Importance of Culture

Culture

Culture is an essential dimension to the consideration of risk as it is people that turn process and procedure into tangible benefits.
### Key Characteristics of a Risk Intelligent Culture

<table>
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<th>Description</th>
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<tr>
<td><strong>Commonality of purpose, values and ethics</strong></td>
<td>• People’s individual interests, values and ethics are aligned with those of the organisation's risk strategy, appetite, tolerance and approach</td>
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<td><strong>Universal adoption and application</strong></td>
<td>• Risk is considered in all activities, from strategic planning to day-to-day operations, in every part of the organisation</td>
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<td><strong>A learning organisation</strong></td>
<td>• The collective ability of the organisation to manage risk more effectively is continuously improving</td>
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<td><strong>Timely, transparent and honest communication</strong></td>
<td>• People are comfortable talking openly and honestly about risk using a common risk vocabulary that promotes shared understanding</td>
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<td><strong>Understanding the value of effective risk management</strong></td>
<td>• People understand and enthusiastically articulate the value that effective risk management brings to the organisation</td>
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<td><strong>Responsibility – individually and collectively</strong></td>
<td>• People take personal responsibility for the management of risk and proactively seek to involve others when that is the better approach</td>
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<td><strong>Expectation of challenge</strong></td>
<td>• People are comfortable challenging others, including authority figures without fear of retribution. Those who are challenged respond positively</td>
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Source: Adapted from Deloitte, Cultivating a risk intelligent culture, A Fresh Perspective, Oct 2012
Four things to do differently

- Treat risk management as a people game
- Look ahead as new risks are relentless
- Manage regulation and policy through a transformational lens
- Focus on insights, not just data and analytics

Adapted from: Accenture 2013 Global Risk Management Study, ‘Risk management for an era of greater uncertainty’
Create a roadmap for your risk management journey
Improving Risk Management Practice

“People who work 100-plus hours a week on bad management practices only get better at being bad.”

Mark Brennan
Australian Small Business Commissioner

Source: AICD Company Director Magazine September 2013
Managing Risk and Uncertainty
Types of Risks

“There are known knowns; these are the things we know we know.

There are also known unknowns; that is to say we know there are some things we do not know.

But there are also unknown unknowns – the ones we don’t know we don’t know.”

- US Secretary of Defense, Donald Rumsfeld
Risk Management in action

http://www.youtube.com/watch?v=jZPvVwvX_Nc
Risk Management in action

• What did the airline do to prepare the captain to manage the risk event?

• What would the airline have put in place to ensure that if the risk event occurred, processes would work?

• How did the cabin crew and air traffic controllers know what to do?

What’s your ‘Bird Strike’ or known unknown event?
Adequacy of controls

Control Environment

Source: Adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41
Risk communication and reporting
Using Risk Information to support decision making
Risks should be reported to the right level

- **Board Committee**
  - Sub Committees
    - Quality/ Governance/Risk
    - Finance/Audit
  - House Coordinator/ Manager
  - House staff, volunteers, tutors, teachers

- **Executive and Management**

- **Programs or Business Units**
  - Operational, strategic risk and risk response per business unit

- **Volume of risk information**

- **Key operational and strategic risk information**

- **Strategic plan risks and extreme operational risks that are under active management**
“You cannot manage what you don’t measure”

Robert S. Kaplan
Harvard Business School
Co-creator of Balanced Scorecard
(with David P. Norton)
The relationship between incidents and risk

Individual incidents

Look for patterns, trends and concentrations.

Risk Indicator

What are the drivers of any change?
Purpose of Monitoring and Reporting

“\nThe success of a monitoring and reporting system lies in the quality of the interventions and improvements that stem from it.”
Document Structure

Developing a Risk Management Framework

- Guidelines
  - Risk management overview
  - Core elements of a risk management framework
  - Risk management information systems

Implementing the Risk Management Framework

- Guidelines
  - Practical application of AS/NZS 31000 process
  - Risk and risk management reporting
  - Developing and progressing your risk management culture

Monitoring and Enhancing the Risk Management Framework

- Guidelines
  - Monitoring and reviewing your framework
  - Attestation process

Toolkit
Risk management

VMIA helps the Victorian Government and related organisations to manage risk.

What is risk?

In our context, risk is anything that can impact the State's assets, services or people. These can be framed as negative such as threats to operations, or positive when situations provide opportunity.

Risk is an inherent part of service delivery — it's impossible to operate in a risk free environment. But risks can be managed.

What is risk management?

Risk management is a broad process that manages the effects of risk within an organisation. The process is used to identify, analyse, evaluate, treat, and monitor risks.
Risk management tools & templates

VMIA offers free risk management software, tools and templates.

We develop general tools for risk managers and also partner with expert organisations to develop industry specific tools and templates. The following are available:

- **Patient Safety Climate** is a set of tools and templates created for healthcare services to measure safety culture and climate in the workplace.
- **Pool Risk Manager** is a web based training package developed specifically for public pool managers.
- **Risk Register Software** is a complete desktop solution for risk managers to record and report on risks.

More information

Tools and templates complement our services and publications. For more information about tools and templates, email risk.info@vmia.vic.gov.au to contact our Risk Management Team.
Risk Register Software

VMIA offers a free, easy to use, secure software solution for risk managers to record and report on key risks.

Risk Register Software can help you:

- reduce time in risk management recording
- improve the quality of reports.

The software can be customised and includes a range of commonly requested reports including heat maps, visual reports and summaries.

You can record information relating to the risk management process steps, which include:

- defining/reflecting the organisation’s specific risk context (risk rating scales, risk categories, risk owners, organisational strategies etc.)
- recording risks
- assessing and evaluating risks
- identifying existing controls
- allocating responsibility for risk treatment - risk management reporting (pre-defined risk reports)
- risk treatment.

Register your interest in the Risk Register Software >
The Attestation Statements
Remember to include your attendance at VMIA risk management training for NH’s as part of your improvement strategies.
Wrap up and Questions