

**Behavioural & Communication
Characteristics
Required of Senior Management
for
Successful Risk Management**

APM Risk Sig Workshop

11th April 2002

Formatting of Workshop Output

- Two formal outputs
 - A definition of the Role of Senior Management in the Risk Management Process
 - Behavioural Reference Guide/Assessment Tool

	COPING	MANAGING	PERFORMING
Evidence & Behavioural Characteristics			
Enablers & Risks			

Plenary Group – Raw Data

The Role of Senior Management in the Risk Management Process

- Formalise Procedures
 - Align corporate & project risk assessments
- Selection/Approval of Projects
- Setting Strategic Direction
- Setting Organisational Policies, Procedures, etc
- Drive top down, encourage bottom up & ensure that the two meet
- Set example, Demonstrate
- Champion
- Communicate
 - Internal & External
- Alignment of context & objectives (Project & Organisational)
- Manage stakeholder expectations
- Set Organisational Goals
- Set Success Criteria (Hard & Soft)
- To be involved !!!!

GROUP A – RAW DATA

Behavioural Reference Guide/Assessment Tool

	COPING	MANAGING	PERFORMING
Evidence & Behavioural Characteristics	<ul style="list-style-type: none"> Focus on details Isolation from Lessons Threats only “Tick in the box” Risk Register Escalated risks only Many Risks occur No allocated budget Regulatory appeasement 	<ul style="list-style-type: none"> Focus on assessment Lessons identified Opportunities recorded Updates as required Project Plan unlinked to Risk Plan Accepted Risks occur Contingency set Shareholder accountability 	<ul style="list-style-type: none"> Focus on action (inc process improvement) Lessons learnt Exploiting opportunities Actively used/updated Integrated Business, Project & Risk Planning Infrequent unforeseen Risks occur Allocated budget managed Continuous Improvement
Enablers & Risks	<ul style="list-style-type: none"> Knowledge/skills Awareness of good practice Vision Investment Short term focus Conflict of objectives Lack of time Broad commitment to risk mngmt Over centralised control Fear culture Lack of Interest Lack of evidence 	<ul style="list-style-type: none"> Involved in routine risk reviews Best/Good Practice Reporting More Vision Alignment of Personal and organisational objectives 	<ul style="list-style-type: none"> Commitment to use output of process Assessment of capability of Risk Mngmt Process (Annual) Learning, Refreshing process Common reporting requirements Best of Breed Benchmarking Unafraid to face risks and take action Even more vision

GROUP B – RAW DATA

Behavioural Reference Guide/Assessment Tool

	<p>COPING</p> <p>(Doing it because you're told to)</p>	<p>MANAGING</p> <p>(Now understanding it)</p>	<p>PERFORMING</p> <p>(Can't Live without it)</p>
<p>Evidence & Behavioural Characteristics</p>	<p>Blame Culture Low morale Undervalued Sick leave</p>		<p>OBJECTIVES – Business results, FTSE standing, Achievement of objectives, Fully integrated plan COMMUNICATION – Genuinely elicits/welcomes risks, cultural change, employees feel valued, receptive management, open door policy, problem to solution = listening culture UNDERSTANDING – Elements used for opportunities, understanding of benefits, benchmark, take change onboard RESPONSIBILITY – Facilitator – collector, initiative bottom up</p>
<p>Enablers & Risks</p>	<p>Unclear incomplete objectives Secretive culture Lack of understanding of the why's and how's of risk management It's someone else's job Passing the buck Stepping up to the role Commitment</p>	<p>Potted spotty understanding of an organisation</p>	<p>Clear communicated objectives Ongoing continuity in communications i.e. changes Good understanding of risk throughout – all levels & areas of the organisation Every employee is a risk manager</p>

GROUP C – RAW DATA

Behavioural Reference Guide/Assessment Tool

	<p style="text-align: center;">COPING</p> <p style="text-align: center;">(Doing it because you're told to)</p>	<p style="text-align: center;">MANAGING</p> <p style="text-align: center;">(Doing it because you understanding it is good for you)</p>	<p style="text-align: center;">PERFORMING</p> <p style="text-align: center;">(Doing it because you couldn't manage without it)</p>
<p style="text-align: center;">Evidence & Behavioural Characteristics</p>	<p>Following tradition Ticks the box Controlling, lack of delegation to hide lack of competence Telling but not listening Champion has the badge, but isn't recognised by the organisation and is not seen by the organisation No link between risk and decision making</p>	<p>Listening Accessibility Organisation knows who the champion is Corporate risk register updated regularly Business planning cycle informed by the risk process Following procedures and reacting to crises Aware of risks but not taking account of them Reliance on outside consulting</p>	<p>Walk the talk, seen & known to be doing it – viewed as champion Good communication of the risk management strategy at all levels Listening & believing – continuously improving procedures Positive audit outcome Senior Management taking and using information from lower levels Resource & budget available for Risk activities Risk considered in all decisions Crises avoided No reliance on external consulting</p>
<p style="text-align: center;">Enablers & Risks</p>	<p>Turnbull – Get started Company procedure Company Risk Manager Risk management Plan Risk Register Risk – Blame culture</p>	<p>Reporting standard Application of plan RM Training & expertise Publish corporate objectives Risk – Hump to get over Risk – Poor consulting support</p>	<p>Appropriate tools Stakeholder lists Reward & recognition Part of personal objectives Risk – adverse publicity Risk – complacency</p>

Workshop Combined/Sanitised Output

- Role of Senior Management in the Risk Process
 - Evidence & Behavioural Characteristics
 - Enablers/Risks to Good Practice

The Role of Senior Management in the Risk Management Process

To be involved !!!!

To engage as a “Champion”

- Setting an example
- Demonstrating
- Driving initiatives top down
- Encouraging initiatives bottom up
- Ensuring coherence of initiatives
- Communicating
 - Internal & External

- To be responsible for
 - Setting Strategic Direction
 - Setting Organisational Goals
 - Setting Success Criteria
 - Hard & Soft
 - Setting, Formalising & Continuously improving Organisational Policies, Procedures, etc
 - Alignment of Project & Organisational/Corporate context & objectives
 - Alignment of Corporate & Project Risk assessments
 - Managing wider stakeholder expectations
 - The Selection/Review/Approval of Projects

The Role of Senior Management

In the Risk Management Process

**TO BE
INVOLVED**

**TO ENGAGE
AS A “CHAMPION”**

Setting an example,
Demonstrating, Driving initiatives
top down, Encouraging initiatives
bottom up, Ensuring coherence of initiatives
Communicating both internally & externally

TO BE RESPONSIBLE FOR

Setting Strategic Direction, Setting Organisational Goals
Setting Success Criteria both hard & soft, Setting, Formalising
& Continuously improving Organisational Policies, Procedures, etc
Alignment of Project & Organisational/Corporate context & objectives,
Alignment of Corporate & Project Risk assessments, Managing wider stakeholder
expectations, The Selection/Review/Approval of Projects

Processed Data – Senior Management

Risk Behavioural Reference Guide/Assessment Tool (Page 1)

Version 1 16 April 02	COPING	MANAGING	PERFORMING
Definition	Doing it because you're told to	Doing it because you understand it's good for you	Doing it because you couldn't manage without it
Characteristics	<ul style="list-style-type: none"> • Focuses on details 	<ul style="list-style-type: none"> • Focuses on assessment 	<ul style="list-style-type: none"> • Focuses on action (inc process improvement)
	<ul style="list-style-type: none"> • Telling not listening 	<ul style="list-style-type: none"> • Listening 	<ul style="list-style-type: none"> • Listening, believing & acting
	<ul style="list-style-type: none"> • Blame Culture in which employees are undervalued 	<ul style="list-style-type: none"> • Reward only for good results not good practice 	<ul style="list-style-type: none"> • Reward & Recognition Culture – Praises both good results and good practice/innovation
	<ul style="list-style-type: none"> • Inaccessible 	<ul style="list-style-type: none"> • Stated accessibility 	<ul style="list-style-type: none"> • Genuinely accessible
	<ul style="list-style-type: none"> • Lack of communication 	<ul style="list-style-type: none"> • Communication but ignores feedback 	<ul style="list-style-type: none"> • Good communication of the risk management strategy at all levels, responsive to feedback
	<ul style="list-style-type: none"> • Controlling, lack of delegation 	<ul style="list-style-type: none"> • Delegation 	<ul style="list-style-type: none"> • True Empowerment - unafraid to face risks and allow them to be managed
	<ul style="list-style-type: none"> • Following tradition - Ticks the box 	<ul style="list-style-type: none"> • Following processes, procedures 	<ul style="list-style-type: none"> • Continuously improving processes, procedures
Evidence	<ul style="list-style-type: none"> • Corporate Risk Register just a "Tick in the box" 	<ul style="list-style-type: none"> • Corporate Risk Register updated when forced to 	<ul style="list-style-type: none"> • Corporate Risk Register actively used/updated
	<ul style="list-style-type: none"> • Many Risks occur 	<ul style="list-style-type: none"> • Accepted Risks occur 	<ul style="list-style-type: none"> • Infrequent unforeseen Risks occur
	<ul style="list-style-type: none"> • Isolation from Lessons 	<ul style="list-style-type: none"> • Lessons identified 	<ul style="list-style-type: none"> • Lessons learnt
	<ul style="list-style-type: none"> • Inappropriate budgets allocated to Projects 	<ul style="list-style-type: none"> • Project budgets include some risk contingency 	<ul style="list-style-type: none"> • Project budgets include resources & budgets for defined risk activities
	<ul style="list-style-type: none"> • Only escalated risks are addressed 	<ul style="list-style-type: none"> • Business, Project Plans informed by but not fully aligned with Risk Plans 	<ul style="list-style-type: none"> • Integrated Business, Project & Risk Planning
	<ul style="list-style-type: none"> • Regulatory appeasement 	<ul style="list-style-type: none"> • Shareholder accountability 	<ul style="list-style-type: none"> • Continuous Improvement demonstrated by positive audit outcomes
	<ul style="list-style-type: none"> • Champion has the badge, but isn't recognised or seen as such by the organisation 	<ul style="list-style-type: none"> • Organisation knows who the Champion is 	<ul style="list-style-type: none"> • Champion 'Walks the talk', seen & known to be doing it, is viewed as a true 'champion'
	<ul style="list-style-type: none"> • Only Threats considered 	<ul style="list-style-type: none"> • Opportunities recorded 	<ul style="list-style-type: none"> • Opportunities exploited
	<ul style="list-style-type: none"> • No link between risk and decision making 	<ul style="list-style-type: none"> • Aware of risks but not taking appropriate account of them 	<ul style="list-style-type: none"> • Risk and information from lower levels considered in all decisions
	<ul style="list-style-type: none"> • Unaware of available expertise 	<ul style="list-style-type: none"> • Totally reliant on outside consulting 	<ul style="list-style-type: none"> • Internal expertise, not totally reliant on external consulting
	<ul style="list-style-type: none"> • Continually fire-fighting 	<ul style="list-style-type: none"> • Reacting to crises 	<ul style="list-style-type: none"> • Crises avoided

Processed Data – Senior Management

Risk Behavioural Reference Guide/Assessment Tool (Page 2)

Version 1 16 April 02	COPING	MANAGING	PERFORMING
Enablers	<ul style="list-style-type: none"> •Appoint a Company/Organisational Risk Manager 	<ul style="list-style-type: none"> •Define a corporate reporting standard 	<ul style="list-style-type: none"> •Ongoing continuity in communications i.e. information available to those who need it when they need it
	<ul style="list-style-type: none"> •Develop a Corporate Risk Management Strategy, Plan & Risk Register and procedures 	<ul style="list-style-type: none"> •Publish Corporate Objectives 	<ul style="list-style-type: none"> •Commitment to use output of risk process - Every employee is a Risk Manager
	<ul style="list-style-type: none"> •Use Turnbull Guidance as a tool to get started 	<ul style="list-style-type: none"> •Regular (Annual) assessment of capability of Risk Management Process 	<ul style="list-style-type: none"> •Benchmarking Internally and Externally
	<ul style="list-style-type: none"> •Clear & complete Personal objectives 	<ul style="list-style-type: none"> •Alignment of Personal and Organisational objectives 	<ul style="list-style-type: none"> •Clear communicated objectives with Risk being a part of all Personal objectives
	<ul style="list-style-type: none"> •Improve Organisational Risk knowledge, skills and tools 	<ul style="list-style-type: none"> •Development of Organisational Risk Training & expertise including appropriate tools 	<ul style="list-style-type: none"> •Spreading understanding of risk throughout all levels & areas of the organisation
	<ul style="list-style-type: none"> •Generate evidence to support initiatives 	<ul style="list-style-type: none"> •Application of defined plan 	<ul style="list-style-type: none"> •Reward & recognition
	<ul style="list-style-type: none"> •Broad commitment to be involved in risk management 	<ul style="list-style-type: none"> •Involvement in routine risk reviews at Project & Organisational level 	<ul style="list-style-type: none"> •Involvement in as and when needed to perform defined role in the risk management Process (e.g. Managing Stakeholder expectations)
	<ul style="list-style-type: none"> •Awareness of Good practice •Vision 	<ul style="list-style-type: none"> •Awareness of Best Practice •More Vision 	<ul style="list-style-type: none"> •Learning and refreshing process to ensure Best of Breed •Even More Vision
Risks	<ul style="list-style-type: none"> •Continual fire-fighting leaves little time for Strategic thinking and leads to a short term focus 	<ul style="list-style-type: none"> •Poor understanding the organisations capability or capacity for change. Is the organisation capable of getting over the significant initial hump associated with new initiatives? 	<ul style="list-style-type: none"> •Complacency – Best Practice does not stand still – Continuous improvement is necessary
	<ul style="list-style-type: none"> •‘Blame culture’ generating a ‘Fear culture’ leading to low morale 	<ul style="list-style-type: none"> •Over centralised control – only those at the heart of an initiative are really engaged 	<ul style="list-style-type: none"> •Adverse publicity when innovation goes wrong – some failures must be tolerated
	<ul style="list-style-type: none"> •Secretive culture leading to conflicting objectives 	<ul style="list-style-type: none"> •Poor consulting support – not having sufficient in-house expertise to recognise bad advice 	
	<ul style="list-style-type: none"> •Lack of understanding of the why’s and how’s of risk management leading to either a lack of interest or a ‘passing the buck’ culture (i.e. It’s someone elses job) 		

END