

Risk Management

Can Project Risk Management be integrated with an Enterprise Risk Management System?

Presentation Outline

- Background
 - RiskTools
 - Recent experience
- Current Climate
- Differences in Enterprise and Project requirements
- How can integration occur?
- Benefits

Background

- RiskTools – spawned by Best Practice Project Management (BPPM)
- Focus is on management processes

Then

- Tools to support good processes
- Recent experience



Background

- Enterprise risk management has evolved from:
- Legislative requirements
 - OH&S
 - Environmental
- Governance
 - Director responsibilities
 - Auditing
 - Assurance
 - Legislative compliance
- Often driven by specialist line managers to address their needs
- Now some integration occurring with enterprise requirements

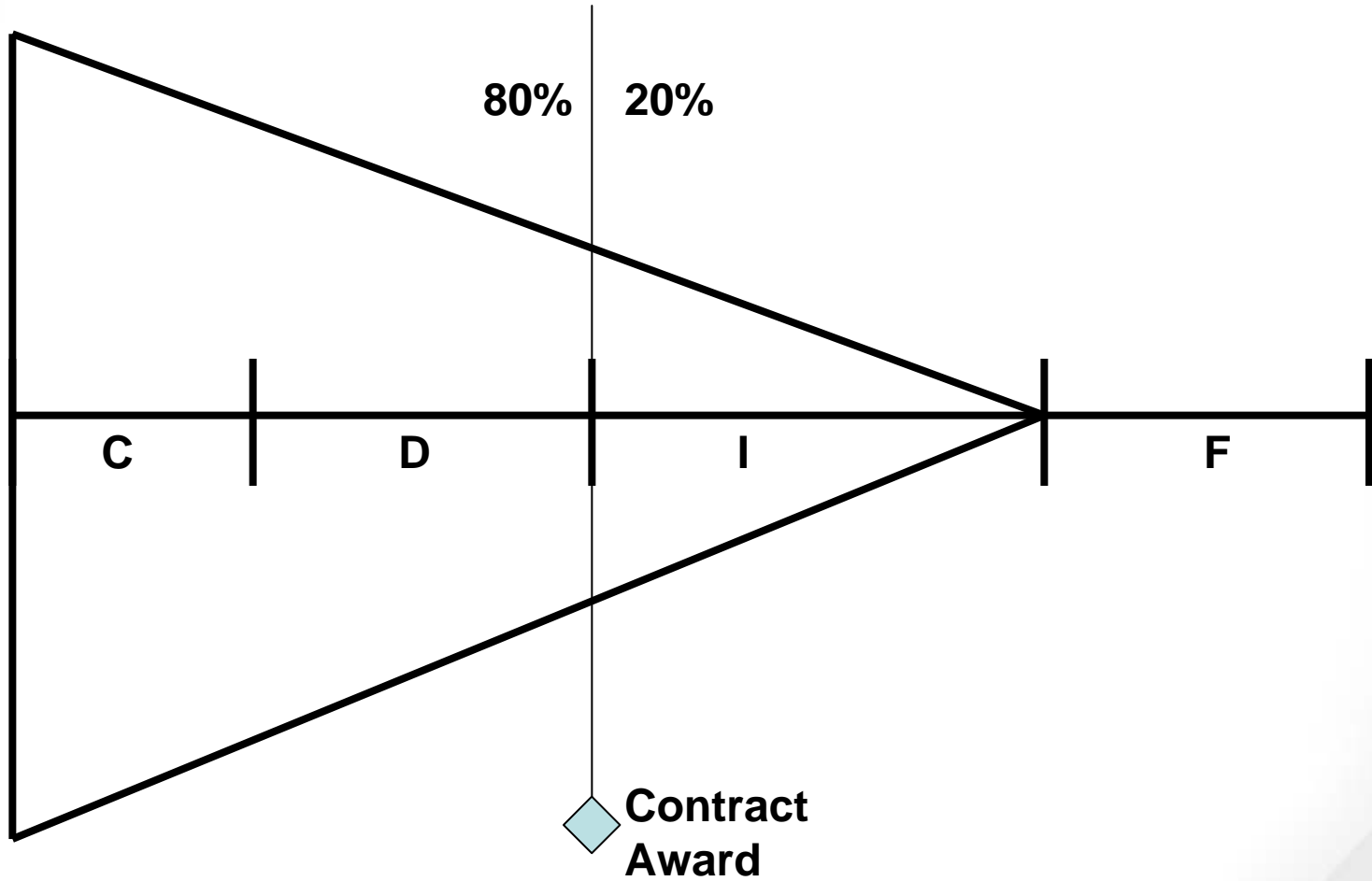
Current climate

- Enterprise managers are (in some cases) requiring project managers to comply with enterprise systems
- BUT
- This is often not working – why?

Differences between Enterprise and Project risk management

- Risk profiles
 - Timeframe
 - Range
- Reporting regimes
 - All high (red zone risks)
- Analysis levels
 - \$100K project \$10K risk significant for the project but for the enterprise?
- Drivers
 - Project – high & significant
 - Enterprise – all risks
- Terminology
 - Hazard v Risk
- Process
 - Consequences

Risk and Contract Life Cycle



How to integrate

- **Manage expectations**

- Only partial integration possible
- Some changes are occurring to the standards
 - definitions in ISO 31000 (draft)
 - Hazardous area standards moving towards likelihood and consequence classification
- Implementation team needs to comprise diverse stakeholders that are open to a different perspective

- **Have a consistent framework that works across organisation**

- A Risk Breakdown Structure (RBS)
- Enables
 - Efficient workshop processes
 - Integrated reporting and management (project, programme, BU, line)
- Also may be appropriate for specific infrastructure (system, element etc)
 - Safety
 - HAZOPs

RBS: Semi Government Enterprise

Contract Management

Contract management process

Leases

Outsourcing

Procurement

Procurement Contracts

Service Delivery Contracts

Subcontractor

Tendering

Terms & Conditions

Variations

Corporate Governance

Act 200?

Annual & other statutory reporting

Approvals

Board appointments

Board delegations

Board protocols

Board relations

Constitution/rules

Ministerial Direction

Emerging Business

Business Plan

Costings

Currency

International Regulations

Marketing

Opportunities

Partnering & Franchising

Trademark & IP Protection

Facilities & Environmental

Document the specific requirements clearly (KISS)

- Define clear terms (they should be self explanatory)
- Simplify process (what is the minimum requirement?)
 - Context – RBS
 - Identification of risk – There is a risk that ...
 - Analysis – likelihood and impact
 - Identify and implement treatments
 - Ensure treatments have an owner and action/review date
 - Existing controls in most cases do not exist for a project
- Review governance reporting requirements (eg gate keeping)

What is not needed – does not add value

- Avoid
 - Causes – good risk descriptions should identify these
 - Consequences tables – they need to be replaced by objectives
 - Over analysis (a 5x5 grid works fine)
 - Analysis using absolute terms – use percentages
 - Residual risk (over complicates process for little return and can mislead)

Use an efficient toolset

- Single data entry screen so users are focused on risk processes rather than the toolset

RBS: ActewAGL **Group:** **Manager:** Halling

Project: GH RiskValuer test pw x

Higher management attention? Closed

Area * Category *

Question

Risk Name (There is a risk that:) *

Notes

Likelihood (percentage) Best Case: Most likely Case: Worst Case:

Current Analysis: Risk Rating: **High**

Likelihood: Impact:

Predefined % (Likelihood only)

Adequacy of Current Processes:

Initial Analysis: Risk Rating: **High**

Likelihood: Impact:

* marks mandatory fields.

Completed?

* **Risk Treatment**

Responsible: * * Due: Cost

Resource Notes

Record: of 3

- Create new Risk
- 1. Objective
- 2. Objective
- Delete this Risk
- List Risk(s)
- Copy Risk(s)
- Sort Order
- Change log
- Team members
- Run Simulation
- Spell check
- Search Risk

Other requirements

- Reporting that is useful for the management of risk
- Data that can be cut and diced by
 - Line managers
 - Programme level managers
 - Business Unit managers
- Do not impose a solution – work with team to develop the tailored risk procedure and gain “buy in”
- Clearly enunciate benefits and provide support for implementers (eg training)
- Measure the success of the process by the number of users

Implementation

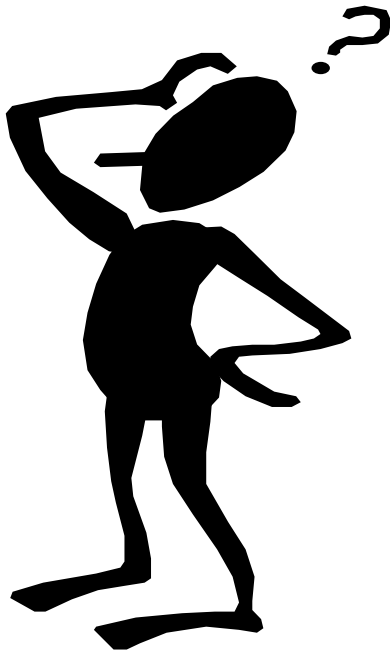
- Develop a plan (objectives and key stakeholders are particularly important)
- Review existing documentation and develop integrated procedure
- Pilot the procedure
- Obtain feedback and update as required
- Undertake a role out including training
- Monitor and measure through user uptake

Benefits

- Similar processes for users involved in both line and project risk management
- Similar reporting for management which enhances communication
- Improved risk management – reduced risk profile – better business outcomes
- Improved governance (compliance, audit ability)
- Improved stakeholder confidence
- Increased focus on proactive rather than reactive management

Thank you for your time

Questions?



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