

Risk Management or Managing Risk? Moving people from process to preference!

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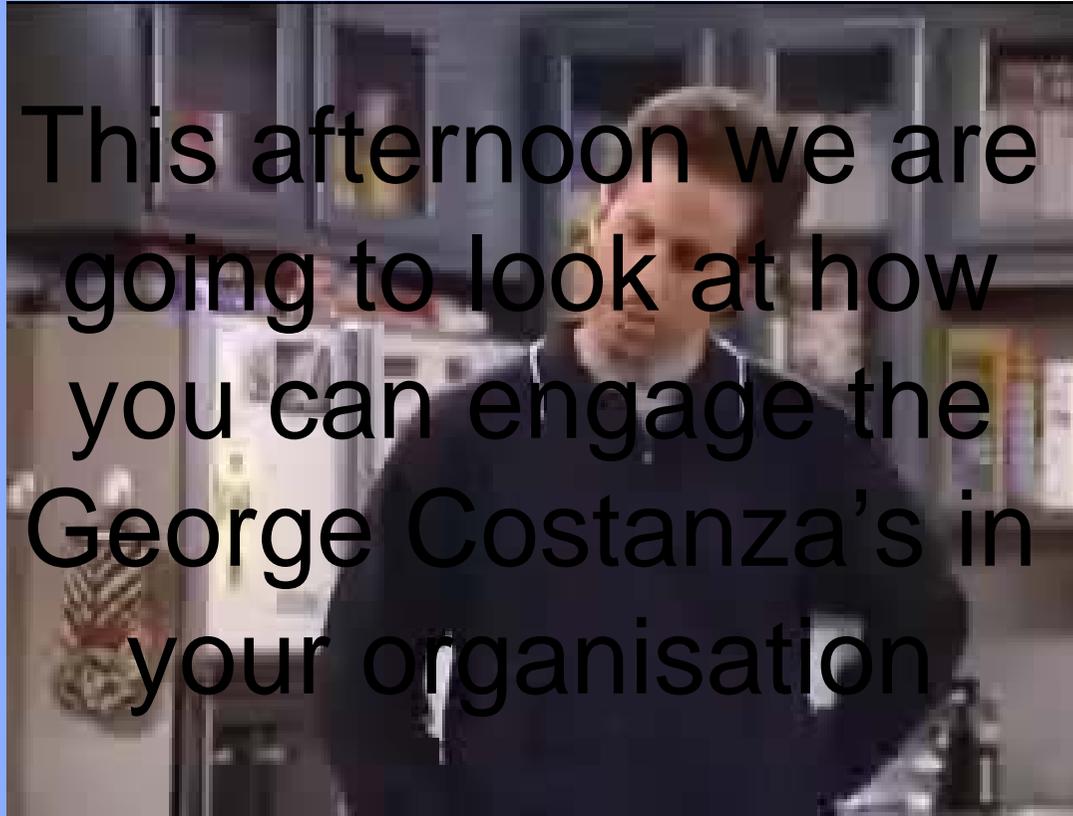
**Victorian WorkCover
Authority**



- **Risk Manager Victorian WorkCover Authority**
- **Principal Risk Management and Business Continuity consultant for Performing Minds**
- **Founder Emotional Intelligence Institute**

David Smith

This afternoon we are going to look at how you can engage the George Costanza's in your organisation



Risk Perception

Airport



CREMATORIUM



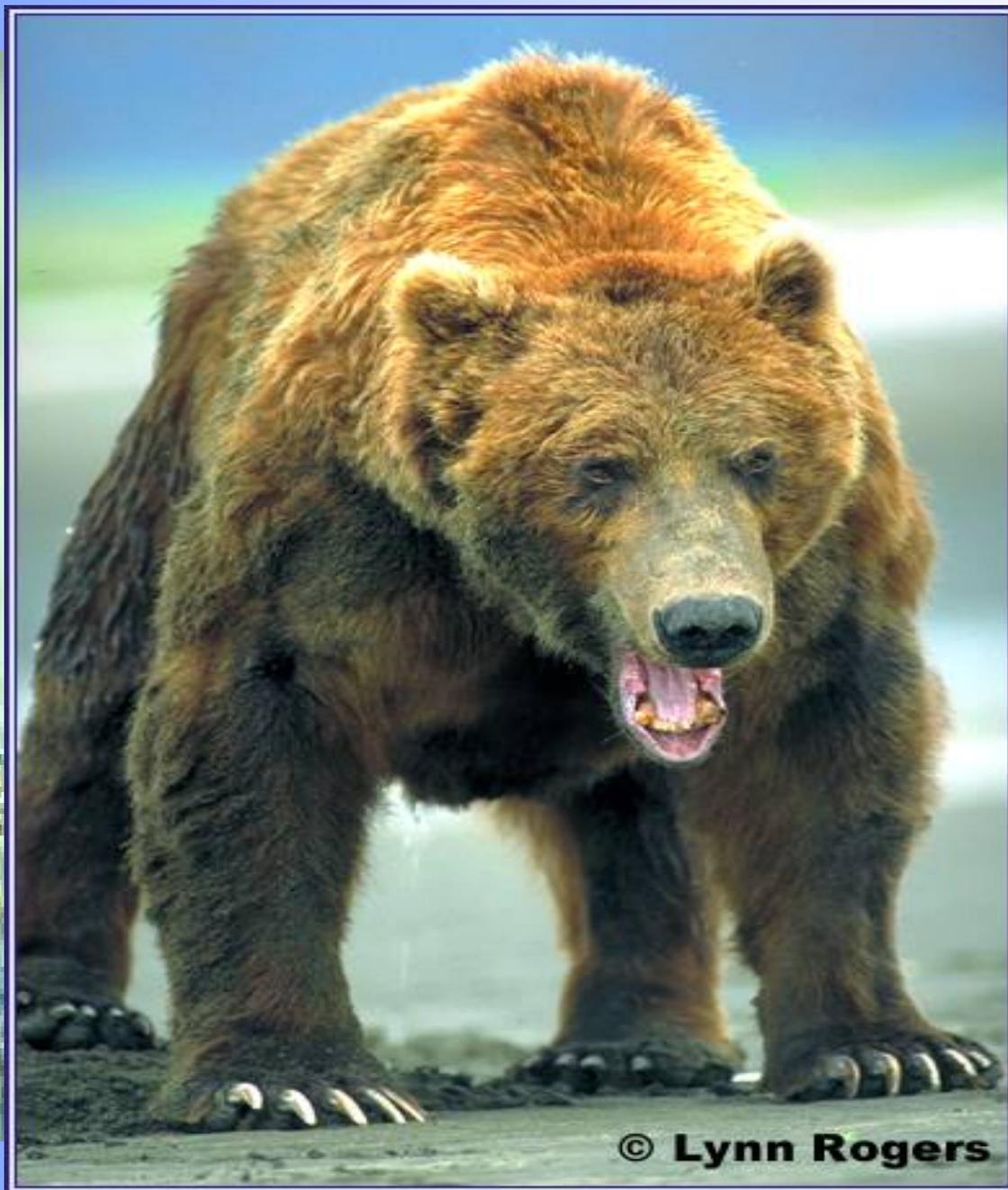
Manukau



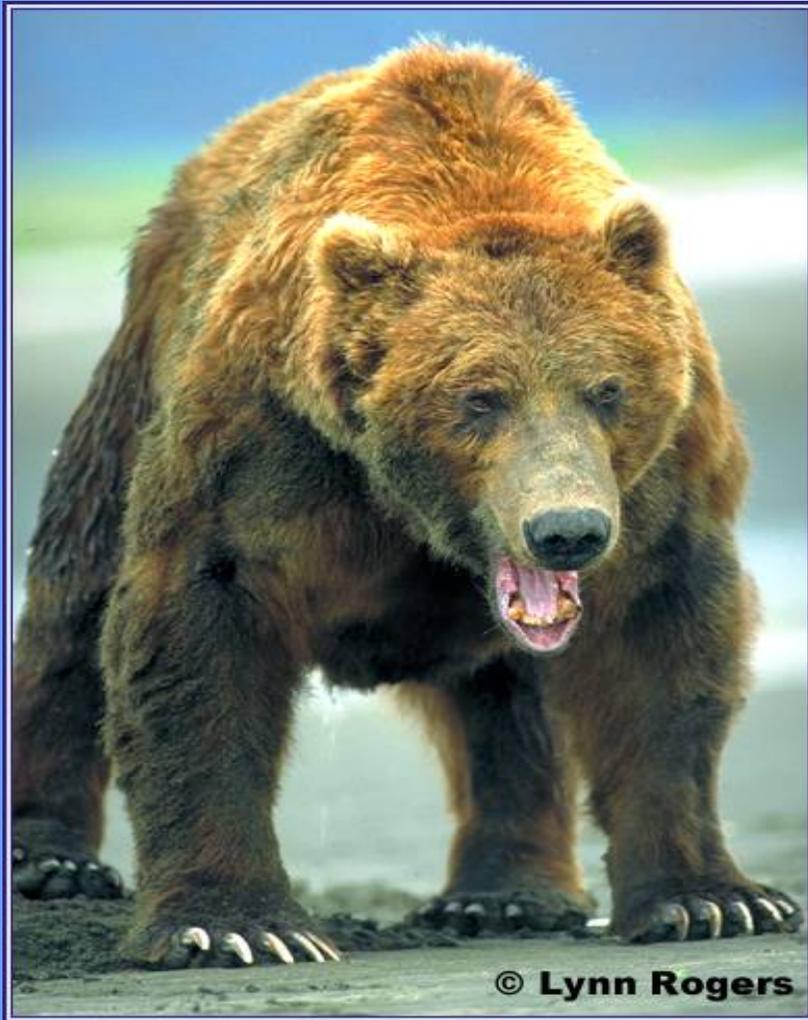
MOTORWAY
Auckland



Risks are often where
we least expect.....



© Lynn Rogers



82 deaths from 1906 – 1995*

* Source: Lee (2004)



**Over 140,000 injuries
and 22 deaths per year
from cuddly toys***







HYDER

04 - 19 - 95 WED
08 : 57 : 05 24







































HYDER

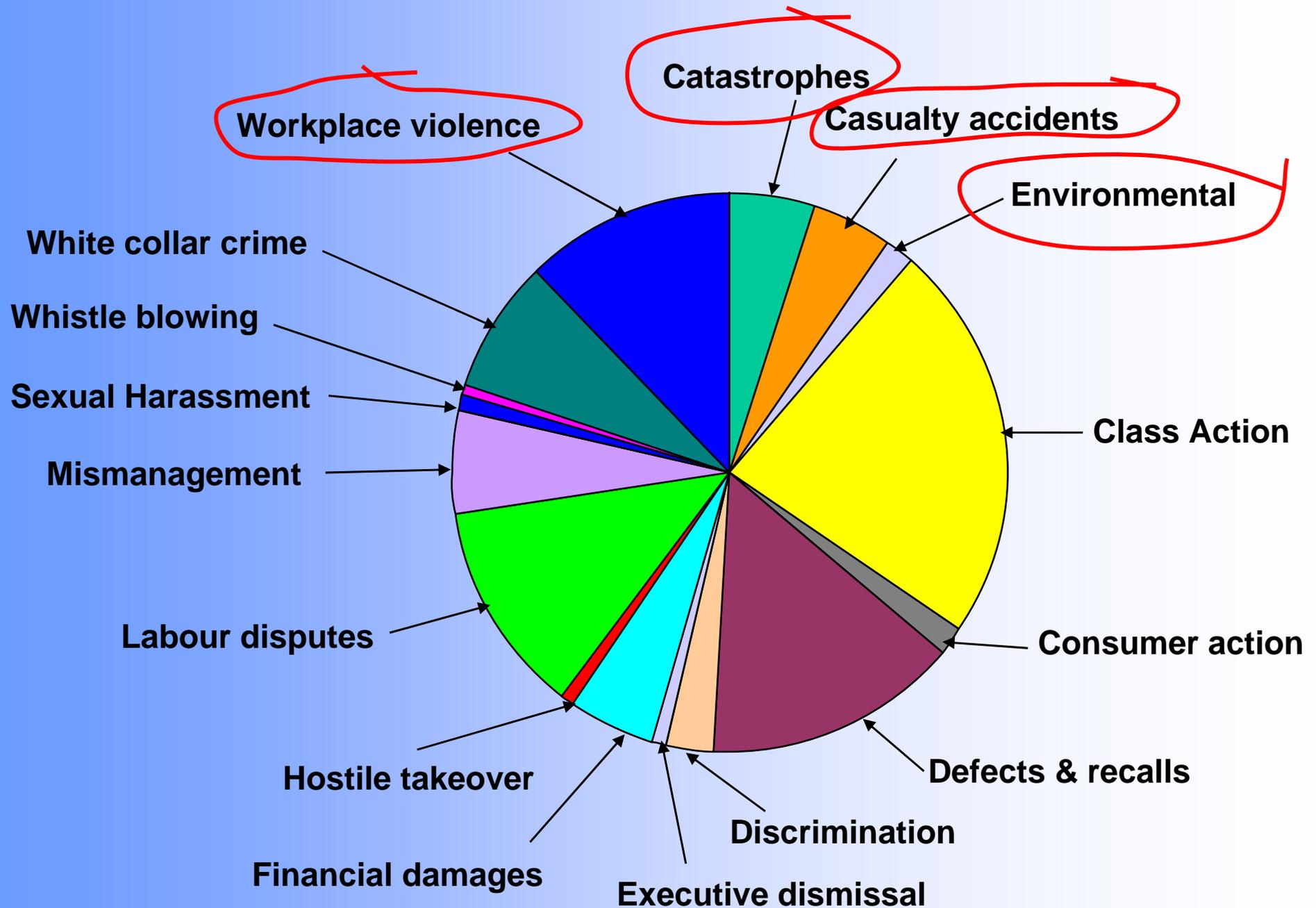
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04-19-95 WED
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The Nature of a Crisis

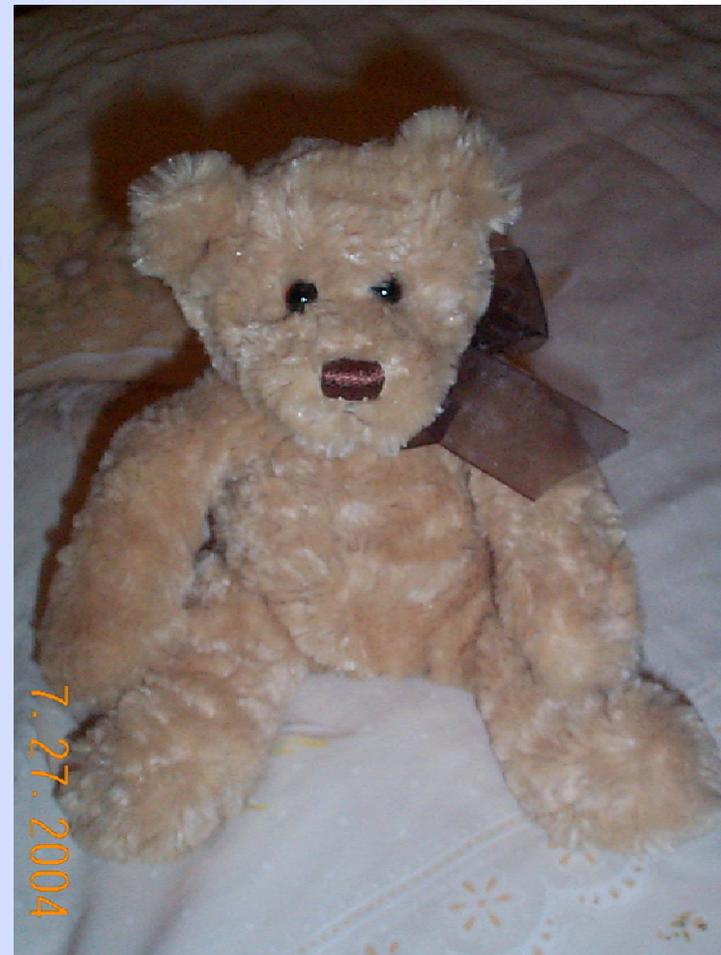


Emotions and their impact on risk perception

How many
of you
have a
fridge door
like mine?



**“Grandpa quick!
I’m being eaten by
Cedric!”**

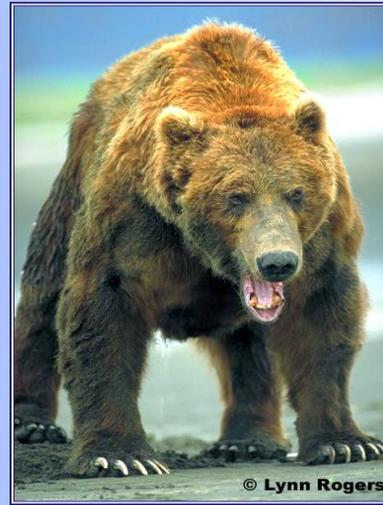


Why is moving from a
“head” to a “heart”
understanding of risk
preferred?

Because if you don't - you will become stuck in a compliance/policing mode



Why have I started this presentation the way I have?

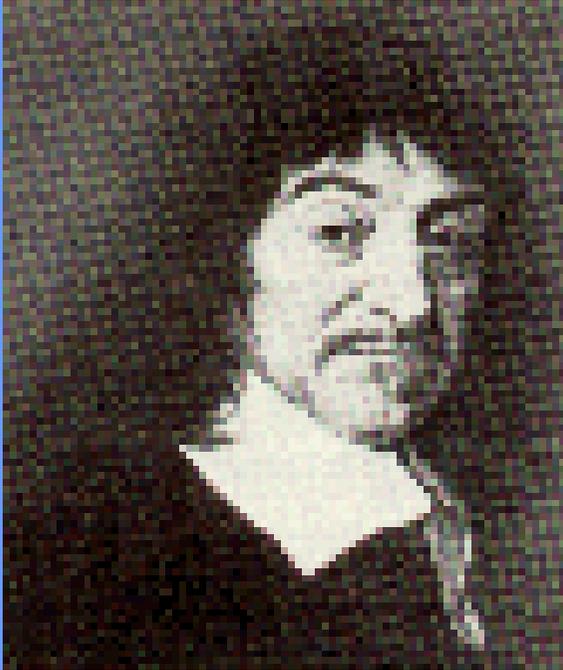




George's view is not uncommon:

- Doing something because he has to
- No real interest
- No understanding of how it can be integrated into the way he does business

The head and heart are both not engaged – but this is not his fault, it stems from 300 years of human thought.



Introduction of the notion of dualism of mind and body.

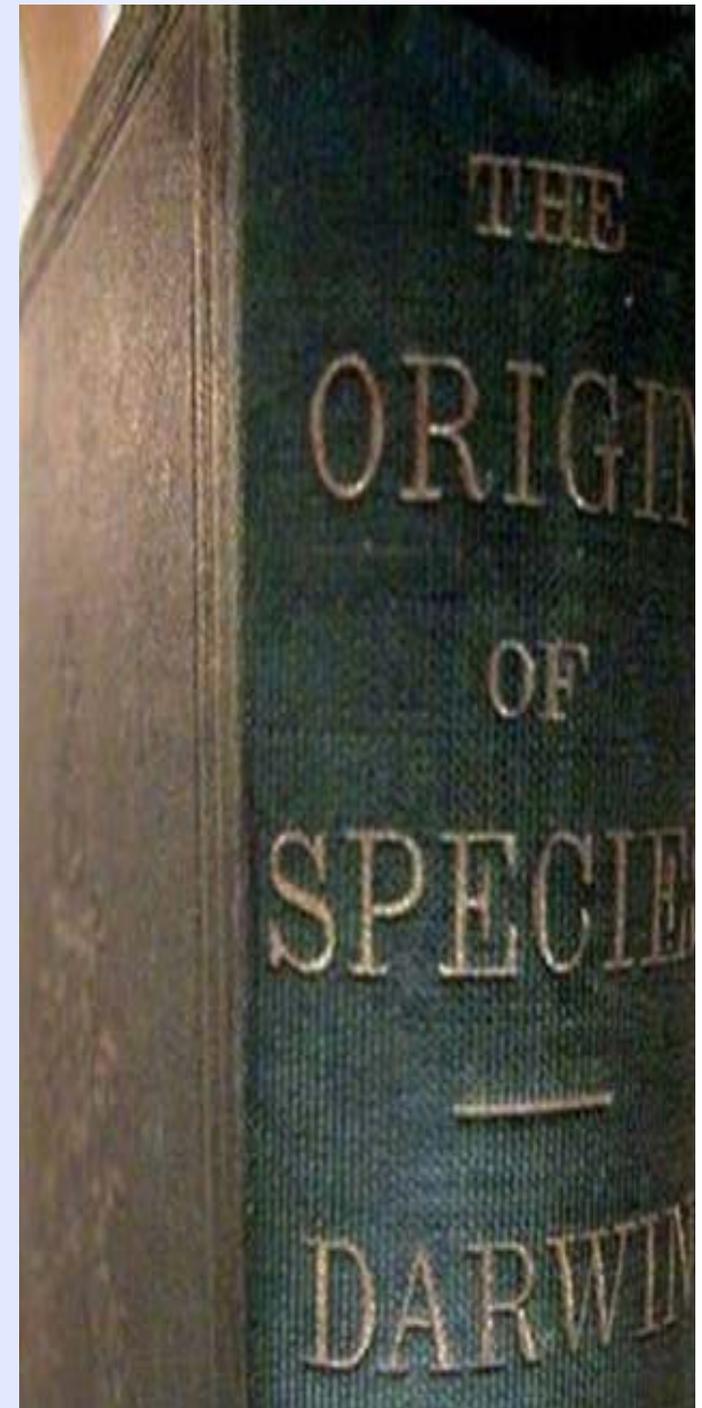
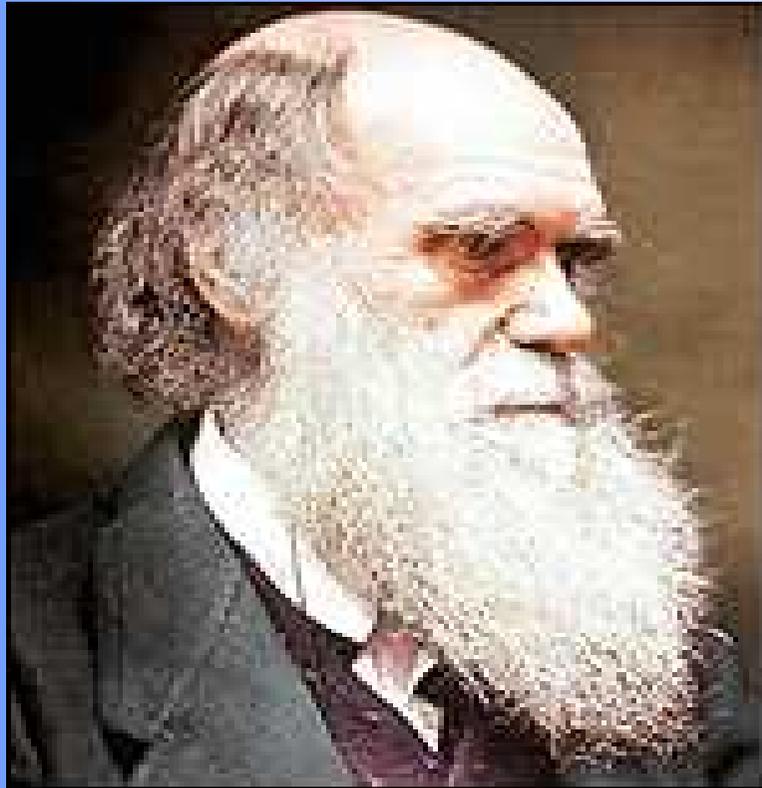
(René Descartes 17th Century)

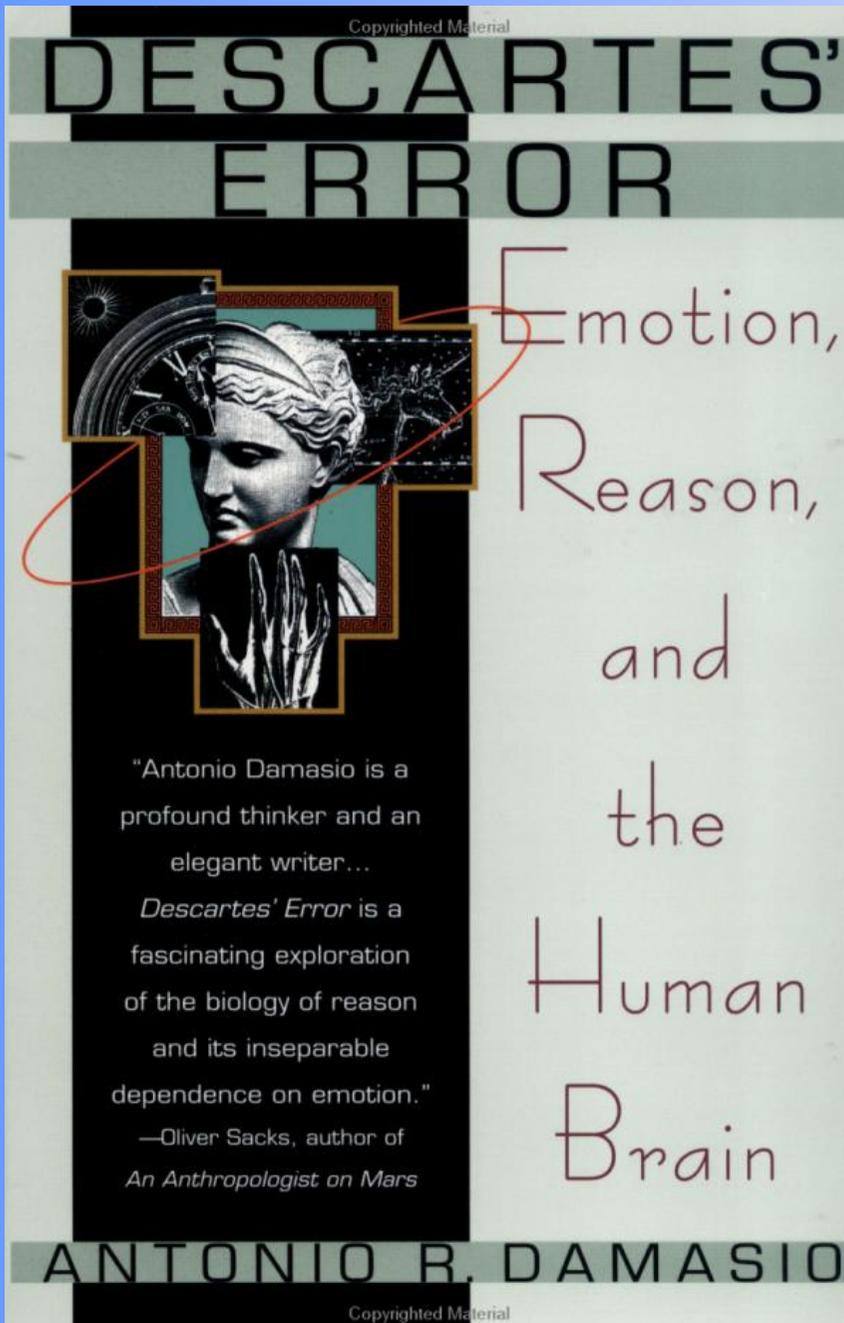
In everyday thinking we see this playing out:

- Athletes are prepared both mentally and physically
- "It's all in your mind" is common parlance
- Tendency to treat the mind as the body's boss
- There is no place for emotion at work

“Emotions are remnants from 300 million years ago, where they were necessary for the survival of our species”.

(Charles Darwin 1872)





“the emotional centres of the brain are integral to thinking and reasoning”

(Leading neurologist Antonio Damasio)

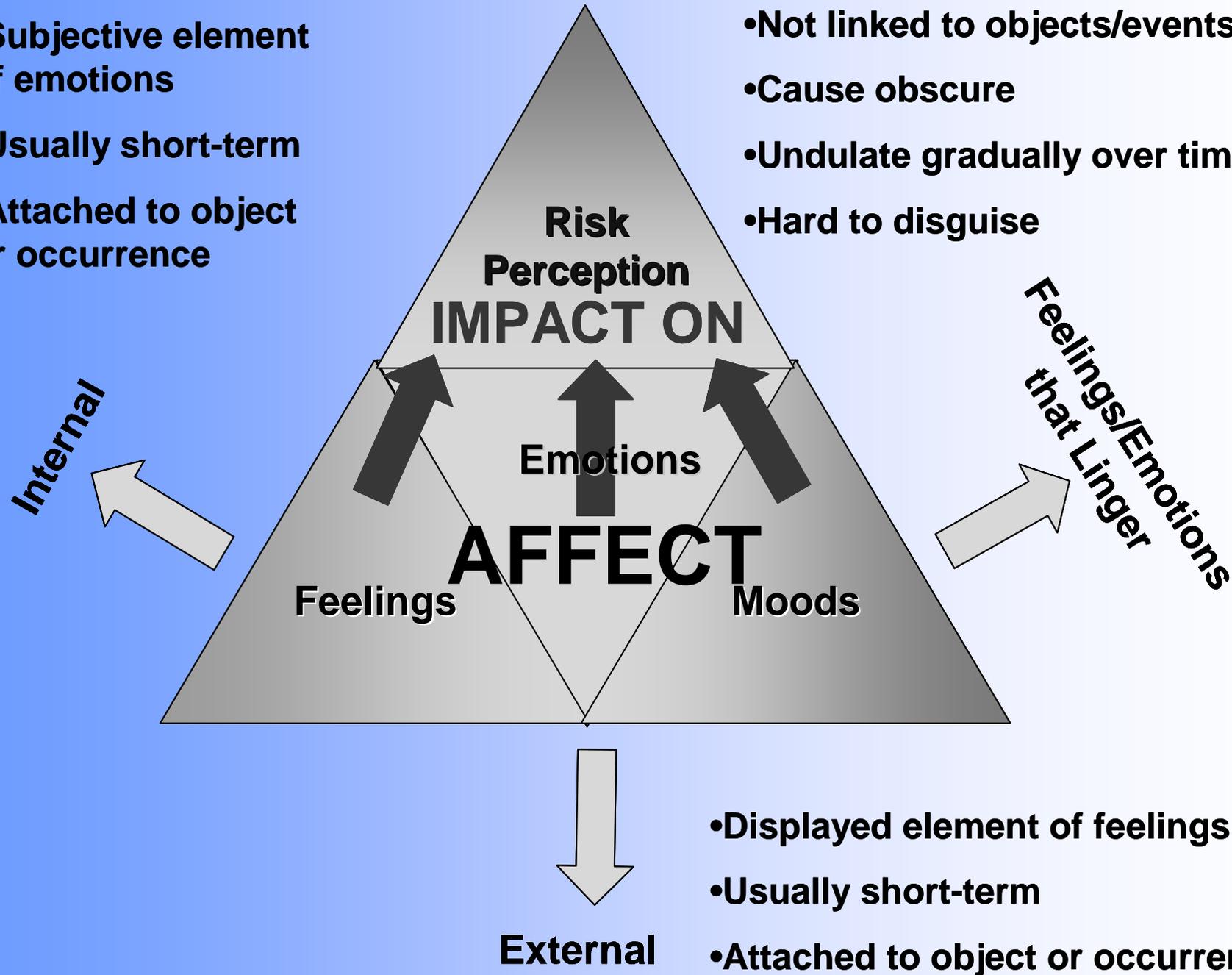


Feelings, emotions, and moods are:

- an integral part of our thinking
- an integral part of our understanding of risk

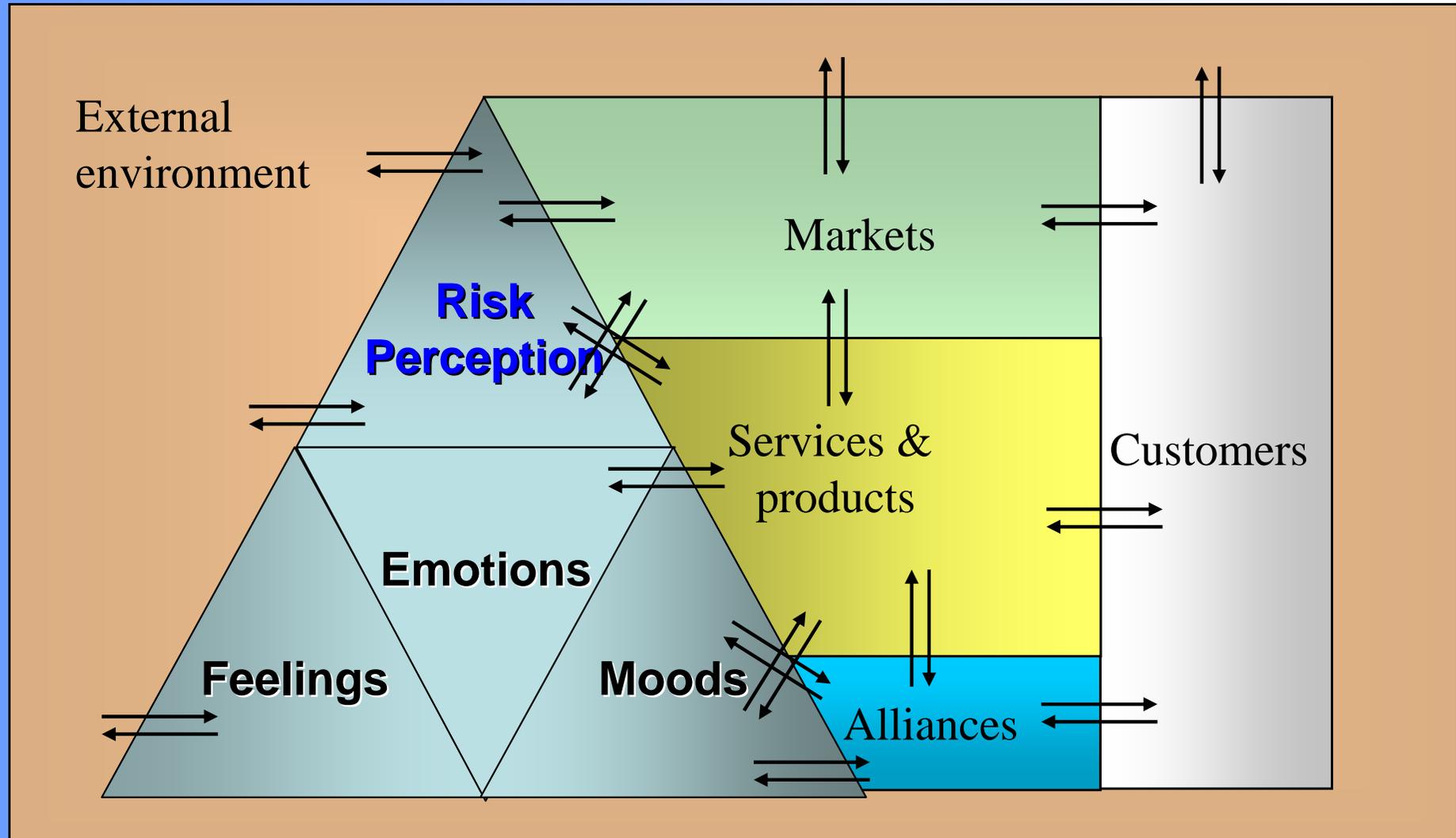
- Subjective element of emotions
- Usually short-term
- Attached to object or occurrence

- Not linked to objects/events
- Cause obscure
- Undulate gradually over time
- Hard to disguise



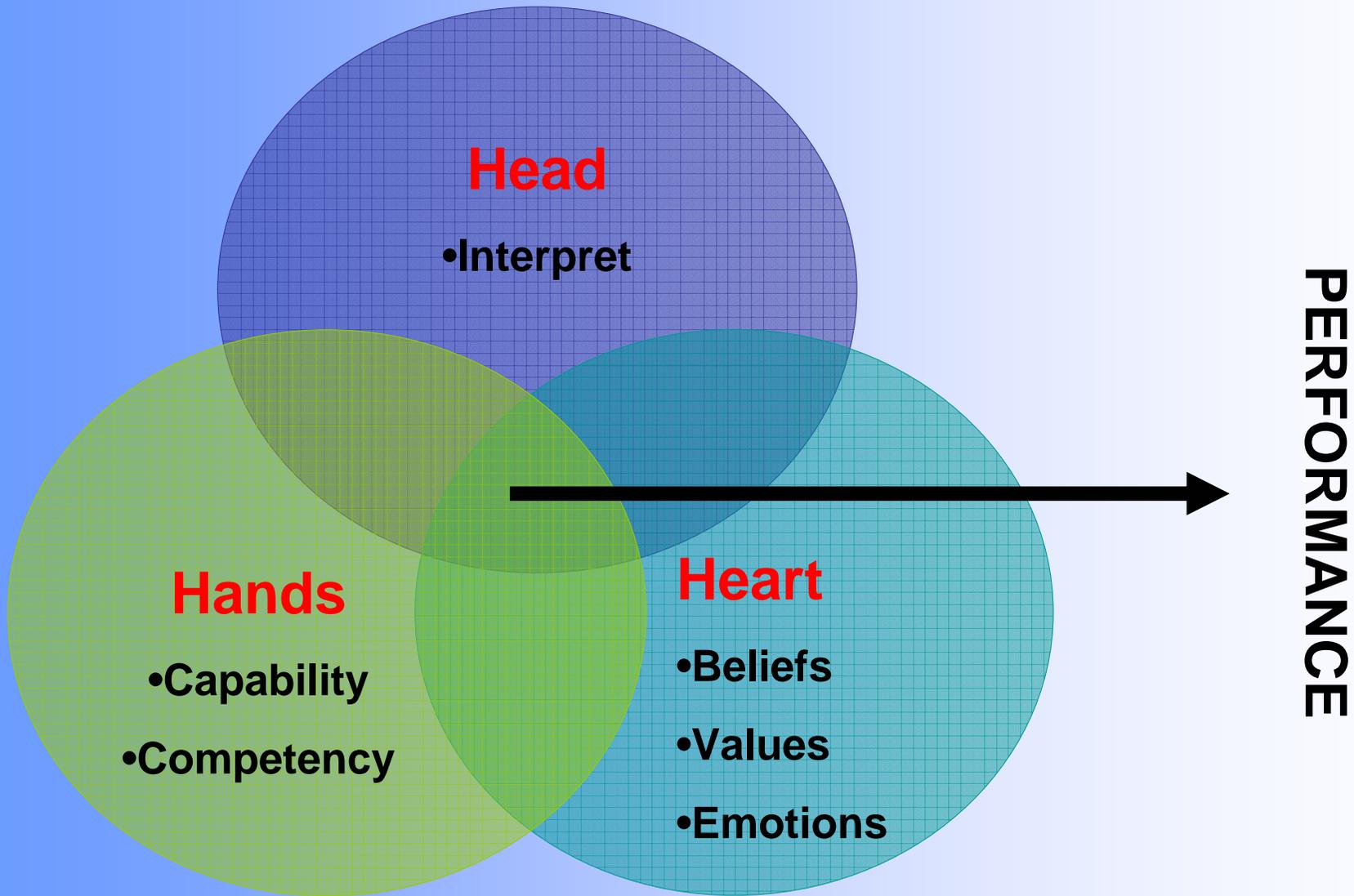
- Displayed element of feelings
- Usually short-term
- Attached to object or occurrence

The Risk Perception Landscape



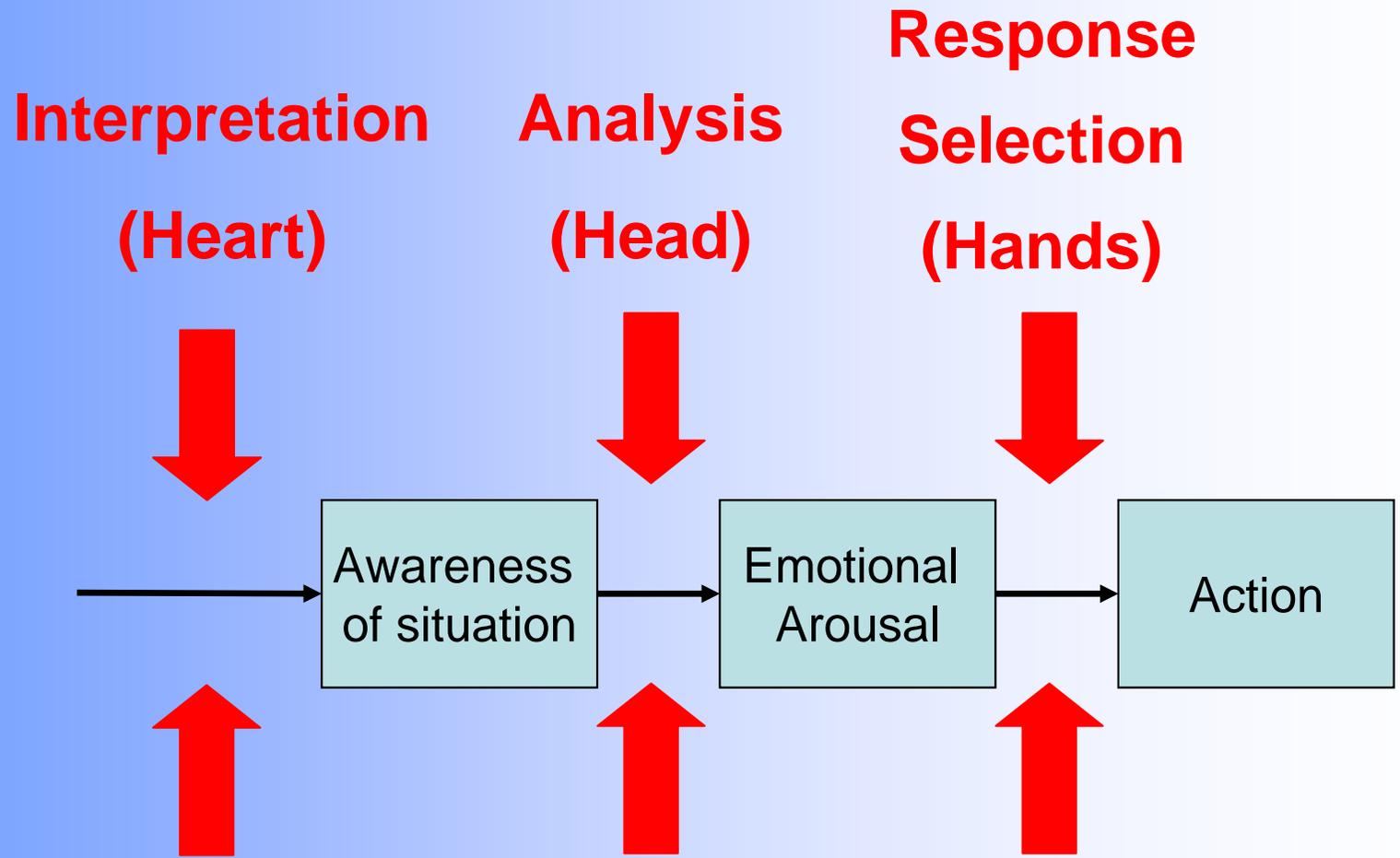
Adapted from a model by Dr Carl Gibson





Adapted from Henderson and Thompson (2003)

Risk Event

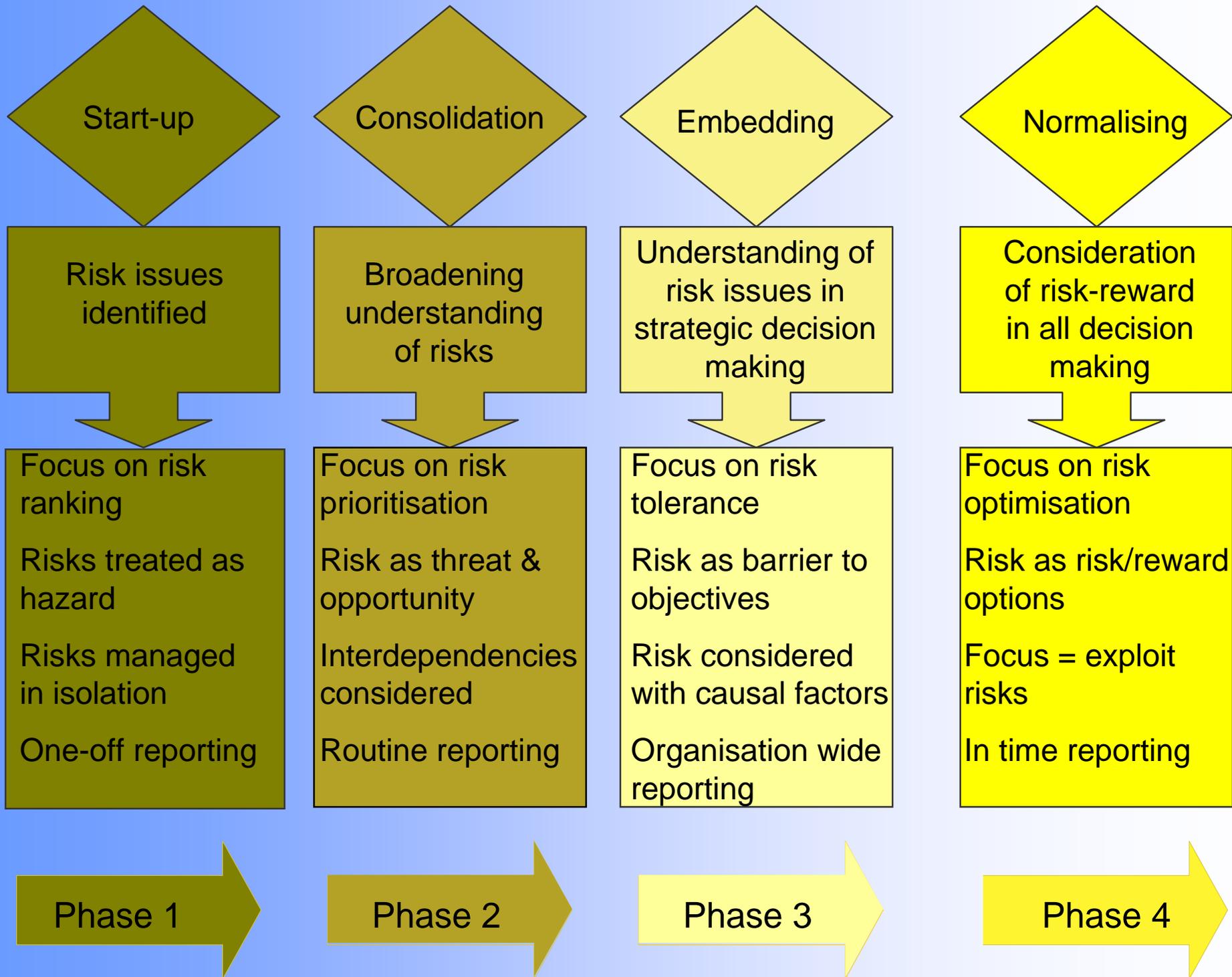


Risk Culture

But all of this takes time.....

To fully engage the heads, hands and hearts of your organisation you need:

- Engagement strategy
- An understanding of organisational growth
- Engagement tools



Risk Management Strategy Update April 2004

		Start-up Year 2002-03	Consolidation Year 2003-04	Embedding Year 2004-05	Normalising Year 2005+
Infrastructure	Process	<ul style="list-style-type: none"> 4360 qualitative introduced One-off issues based assessments Corporate Office method + multiple others 	<ul style="list-style-type: none"> CARM established Annual corporate risk profile established A VWA wide consistent approach 	<ul style="list-style-type: none"> Quantitative assessments Process = business cycle Customised modules built for security, fraud insurance tenders etc 	<ul style="list-style-type: none"> Quantitative/value at risk Process = daily operations Integrated business tools
	Expertise	<ul style="list-style-type: none"> Focus on risk ranking Expertise pushed out to business 	<ul style="list-style-type: none"> Focus on risk prioritisation for treatment Risk Mgt Office seen as provider of expertise & assistance 	<ul style="list-style-type: none"> Focus on risk tolerance and mitigation Assistance sought widely on many issues 	<ul style="list-style-type: none"> Focus on risk optimisation Capability business wide
	Tools	<ul style="list-style-type: none"> One corporate language introduced, multiple others exist Action prioritised according to HIGH ranking 	<ul style="list-style-type: none"> Common language used to describe risk Assessment of controls used to determine need for action 	<ul style="list-style-type: none"> Risk language becoming VWA - wide Wide Action = trigger activation 	<ul style="list-style-type: none"> Risk language = normal use Action = continuous
People	Awareness	<ul style="list-style-type: none"> Awareness through attendance at workshops Training delivered as issues arose 	<ul style="list-style-type: none"> Awareness created in higher risk areas Training delivered through targeted workshops 	<ul style="list-style-type: none"> Management awareness (Board& Mgt) Training delivered as part of planned approach 	<ul style="list-style-type: none"> Staff awareness Training delivered as part of general business needs
	Capability	<ul style="list-style-type: none"> A few individuals with risk assessment skills Capability developed in Risk Mgt Office, + isolated pockets 	<ul style="list-style-type: none"> Risk mgt skills developed in specialised functions Capability improved in higher risk areas of the business 	<ul style="list-style-type: none"> Generalised skills Capability in Divisions (development for range of business functions and areas) 	<ul style="list-style-type: none"> Widespread skills Capability = Authority wide
	Resources	<ul style="list-style-type: none"> Resources limited to Risk Manager 	<ul style="list-style-type: none"> Multi-skilled resources developed (eg security, safety & risk, RAU) 	<ul style="list-style-type: none"> Risk co-ordinators established within the business 	<ul style="list-style-type: none"> Resources allocated as part of normal business practice
Culture	Paradigm	<ul style="list-style-type: none"> Risk viewed in terms of hazard Risk seen as arising from broken processes Risk avoidance seen as strongest driver 	<ul style="list-style-type: none"> Risk recognised as both threat & opportunity Risk viewed in terms of potential events Business improvement seen as means of reducing risk through 	<ul style="list-style-type: none"> Risk is regarded as a barrier to objectives Focus= manage risk based on tolerance & appetite Collaborative solutions 	<ul style="list-style-type: none"> Risk = risk/reward options Assessment considers interrelationships of multiple risks Integrated VWA-wide management
	Excellence	<ul style="list-style-type: none"> Local pockets of excellence Key staff seen as local experts 	<ul style="list-style-type: none"> VWA recognised as State government best in class Key staff seen as State/industry experts 	<ul style="list-style-type: none"> VWA recognised nationally best in class Key staff seen as national experts 	<ul style="list-style-type: none"> Internationally best in class Key staff seen as international experts
	Integration	<ul style="list-style-type: none"> Single risks managed in isolation 	<ul style="list-style-type: none"> Risks managed by considering interdependencies 	<ul style="list-style-type: none"> Risk considered with causal factors 	<ul style="list-style-type: none"> Focus= exploit risk
Information	Intelligence	<ul style="list-style-type: none"> Ad hoc information gathering (pull) 	<ul style="list-style-type: none"> Formalised information gathering (pull) 	<ul style="list-style-type: none"> Intelligence sources established (present in some areas) 	<ul style="list-style-type: none"> Information flows self managing
	Reporting	<ul style="list-style-type: none"> One-off reporting of new and emerging risk Reporting restricted to identified risk only Largely historical reporting in place Ad hoc data management 	<ul style="list-style-type: none"> Routine reporting on risk to EMG and ARMC Reporting including control and identified treatments Historical and recent issues reporting in place Individual databases develop for specific tasks 	<ul style="list-style-type: none"> Regular reporting across the VWA (separate reporting requires consolidation) Reporting focuses on treatment performance Monitoring of current and changing risk trends (issues based monitoring in place) Distributed database (developed for BCP) 	<ul style="list-style-type: none"> In time consolidated & integrated business reporting RM effectiveness reporting Monitoring of predictive indicators 24X7 electronic database real time monitoring
	Access				
Outcomes		Risk issues identified and minimised in some areas	Broadening understanding of risk issues and their management	Understanding of risk issues in strategic & operational decision making (developing in some areas)	Consideration of risk- reward in all decision making

Engagement tools



In conclusion I have provided you with:

- theory and research to digest
- models that you may find useful
- practical tools and advice to implement in you business

I hope this afternoon has been both entertaining and educative.

Finally.....

**David's secrets
to
successful
risk management**

Keep your eyes open for risks



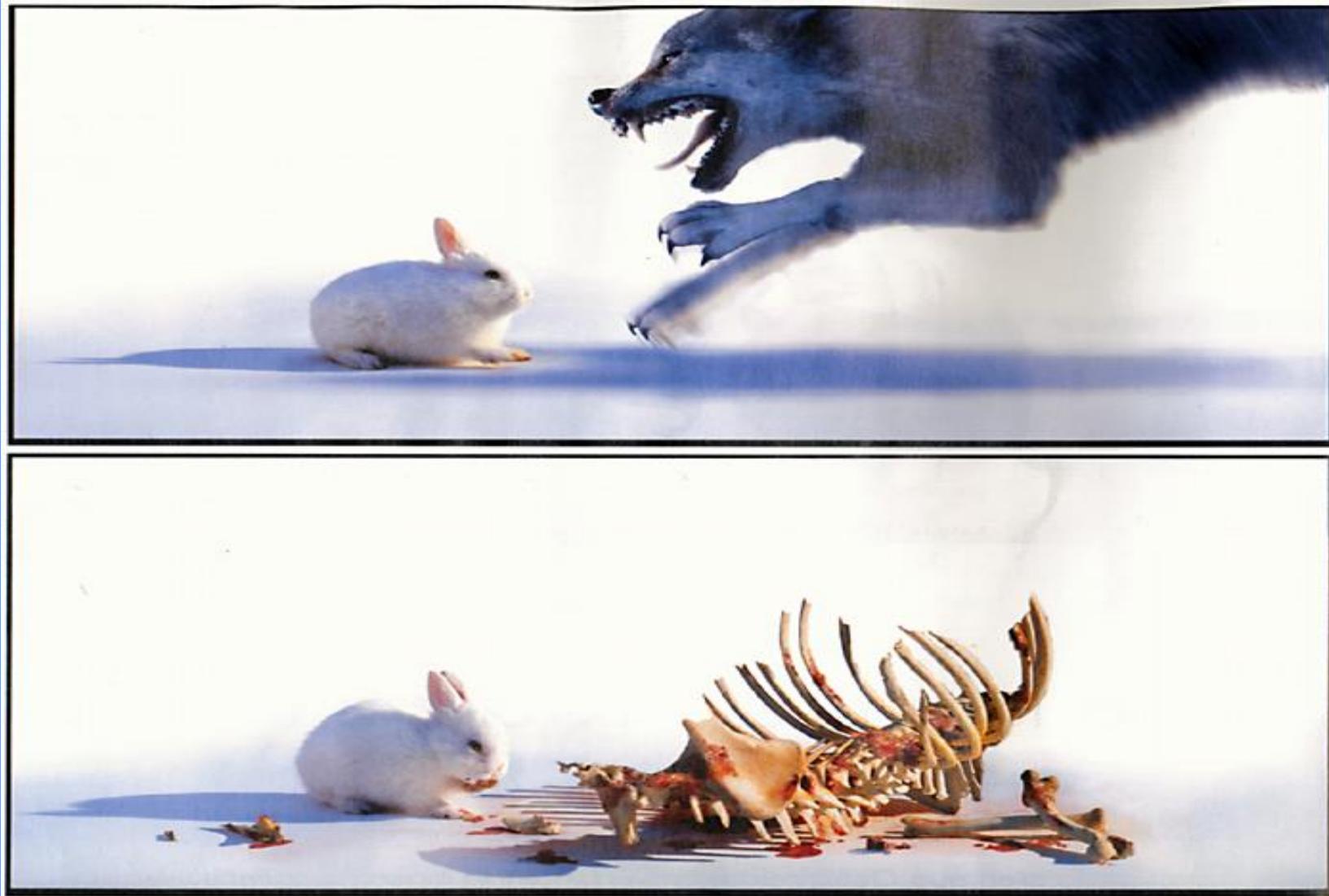
Ignoring risks doesn't make them go away...



Just when you think you have things under control something will happen from a great height...



Remember its not the big things that will bite you in the backside.....



Don't forget the obvious...



Not all risk mitigation strategies work...



Confusing
solutions can
increase risk





When looking for risks – you may not like what you find!!!



In managing risks there are always bad hair days...

Above all - enjoy your work!!!!

